REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL

OF INDIA

UNION GOVERNMENT
NO. 11 (COMMERCIAL) OF 1989

NATIONAL TEXTILE CORPORATION
(WEST BENGAL, ASSAM, BIHAR & ORISSA) LIMITED

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PREFACE

In this case, the Audit Board consisted of following Members :—

S/Shri

(i) K.S. Murthy	Deputy Comptroller & Auditor General-cum-Chairman, Audit Board upto 30th April, 1986.
(ii) K. Ranganadham	Chairman, Audit Board & Ex-officio Additional Deputy Comptroller and Auditor General (Commercial) from 18th June, 1986 to 30th June, 1987.
(iii) C.P. Mittal	Chairman, Audit Board & Ex-officio Additional Deputy Comptroller and Auditor General (Commercial) from 1st July, 1987 to 31st March, 1988.
(iv) K. Tyagarajan	Chairman, Audit Board & Ex-officio Additional Deputy Comptroller and Auditor General (Commercial) from 1st April, 1988 to 31st Dec., 1989 and as Deputy Comptroller and Auditor General-cum-Chairman, Audit Board from 1st Jan., 1990 to date.
(v) G.M. Mani	Member, Audit Board & Ex-officio Director of Commercial Audit, Bhopal upto 2nd May, 1986.
(vi) S.C. Mookerji	Member, Audit Board & Ex-officio Director of Commercial Audit-II, Calcutta from 3rd May, 1986 to 29th April, 1987.
(vii) Rajendra Kumar	Member, Audit Board & Ex-officio Director of Commercial Audit-II, Calcutta from 30th April, 1987 to 30th July, 1987.
(viii) K. Krishnan	Member, Audit Board & Ex-officio Director of Commercial Audit-II, Calcutta from 31st July, 1987 to date.
(ix) U.N. Ananthan	Member, Audit Board & Ex-officio Director of Commercial Audit, Hyderabad.
(x) B.M. Oza	Member, Audit Board & Ex-officio Director of Commercial Audit-II, Bombay.
(xi) S.K. Duggal	General Manager, Punjab State Industrial Development Corporation Limited—Part time Member.
(xii) V.K. Jain	Jt. Managing Director, U.P. State Textile Corporation—Part time Member.

2. The report was finalised by the Audit Board after taking into account :—

(a) The results of discussions held with the representatives of the Ministry and the Company on 16th February, 1989.

(b) The supplementary information furnished by the Ministry.

3. The Comptroller & Auditor General of India wishes to place on record his appreciation of the work done by the Audit Board and, in particular, the contribution made by the non-official Members.

OVER-VIEW

I. National Textile Corporation (West Bengal, Assam, Bihar & Orissa) Limited was incorporated on 14th October, 1974. It has 18 textile mills spread over West Bengal (14), Assam (1), Bihar (2) and Orissa (1).

II. As against the authorised capital of Rs. 4500 lakhs, the paid up capital stood at Rs. 4064.32 lakhs at the end of March 1988 contributed by holding company—National Textile Corporation Limited and State Governments of West Bengal, Bihar and Orissa. Besides, secured and unsecured loans amounting to Rs. 21652.62 lakhs were outstanding as on the above date after conversion of loans of Rs. 3439.27 lakhs into equity and waiver of interest and penal interest of Rs. 2346.49 lakhs upto March 1983. (Para 2.1).

III. The assets taken over from sick textile mills included some very old plant and machinery, obsolete and unserviceable stores, spares, raw materials, assets created by book adjustments etc. (Para 2.2).

IV. Against the rehabilitation/modernisation schemes sanctioned upto 1985-86 for an amount of Rs. 3958.91 lakhs, funds made available were short of sanction by Rs. 759.29 lakhs by 1987-88 and even the funds available were not utilised to the extent of Rs. 210.21 lakhs leading to delay in placing orders for machinery. This, accompanied with escalation in prices resulted in dropping of purchase of certain items of machinery worth Rs. 581.73 lakhs from the sanctioned capital outlay. There was also a general delay in installation of the machineries after these were received. Non-procurement of essential auxiliary equipment such as motors, compressors, etc. due to financial constraints, was stated to be the reason for delay in installation. (Para 3.2).

V. Despite the investment of about Rs. 32 crores in modernisation schemes, the levels of achievement envisaged at the end of corporate plan (viz. 1980-81) by way of number of spindles and looms to be installed; capacity utilisation; productivity; production (yarn and cloth) turnover; anticipated profit etc. were not only not attained in post-implementation period of corporate plan upto 1987-88 but rather generally declined from the pre-corporate plan period levels. (Para 3.3 to 4.12).

VI. Ring frames and looms worth Rs. 156.68 lakhs procured under modernisation scheme were lying idle due to cancellation of licence, non-availability of funds for a new building/electrification, short supply of spares etc. (Para 4.13).

VII. While the budgeted sales fixed were less than those envisaged in corporate plan, the actual sales were lower than even the budgeted sales.

Both targets fixed and actuals of sales of cloth and yarn were less than those achieved before corporate plan except in 1982-83 for cloth. (Para 5.3).

VIII. The Company has been incurring huge losses on the cloth sold through the retail outlets due mainly to :—

— expenditure on sales exceeding the sale value in some outlets;

— disproportionate expenditure on running these outlets;

— lack of control on showrooms resulting in shortage of stock and carrying damaged cloth and spoilage. (Para 5.4).

IX. The scheme of 'Labour Rationalisation Without Tears' could not be implemented due to non-acceptance of work load norms by labour unions. There were surplus workers of 4097 as on April 1989. (Para 7.1).

Actual number of workers employed ranged between 6.25 and 11.14 against a norm of 5.2 per 1000 spindle shift and 63.92 and 85.76 against a norm of 45 per 100 loom shift. (para 7.2).

Though the actual production did not reach Rs. 60 crores per annum as required under the approved scheme, the company had paid production incentive of Rs. 8 lakhs per year during 1982-83 to 1985-86. (Para 7.3).

X. The company could not purchase the required quantity of cotton in any of the years. (Para 8.1).

Due to delay in payment of cost of cotton to Cotton Corporation of India and Maharashtra State Co-operative Cotton Growers Marketing Federation, the company had to pay Rs. 1650 lakhs towards carrying costs and interest on delayed payments over a period of 10 years. (Para 8.2)

Because of shortage of funds attributable to delay in reimbursement of cash losses by the Government, the company did not make timely payment to the cotton suppliers leading to loss of production on one hand and payment of interest on delayed payments on the other hand. (Para 8.2)

In respect of stores and spares worth Rs. 85.74 lakhs taken over at the time of nationalisation, adequate records were not maintained to watch ultimate use/disposal. (Para 8.4)

XI. The Company has been incurring losses ever since it started functioning. The cumulative loss as on 31st March, 1988 stood at Rs. 21953.45 lakhs—being more than five times of the paid up capital, even after financial relief of conversion of loans amounting to Rs. 3439.27 lakhs into equity, waiver of interest of Rs. 2346.49 lakhs upto March 1983 and interest holiday upto March 1986. The losses incurred every year are generally more than the salary, wages and bonus paid to the employees as would be apparent from the position during the last five years ended 31st March, 1988.

The non-implementation of the recommendation of the Committee on Public Undertakings to introduce modernisation on selective basis instead of distributing the resources among all units, in the above context, acquires greater significance. (Paras 3.3 and 9)

Contrary to its policy, the company sold non-controlled cloth on credit to National Co-operative Consumers' Federation. Funds to the extent of Rs. 135.76 lakhs stood blocked by December 1986 due to non-payment of dues by the Federation. (Para 9.3)

1. INTRODUCTION

1.1 The National Textile Corporation (West Bengal, Assam, Bihar & Orissa) Limited hereinafter called Company incorporated on 14th October, 1974 is one of the nine subsidiaries of the National Textile Corporation Limited, hereinafter called Corporation.

1.2 The subsidiary has 18 textile mills—14 in West Bengal, 2 in Bihar and 1 each in Assam and Orissa. Out of these 18 mills, 9 are spinning mills, 7 composite Mills and 2 powerloom units. Out of the 7 composite mills, and 2 powerloom units, 5 are having old and outdated processing facilities. The subsidiary is running 113 retail shops—74 in West Bengal, 25 in Bihar, 7 in Assam and 7 in Orissa.

1.3 The Company manufactures cotton/blended yarn for powerloom and handloom sector and cotton/blended fabrics for controlled cloth, Sulabh, Institutional Suppliers and for market consumption.

2. CAPITAL STRUCTURE

2.1 The Company was incorporated with an authorised capital of Rs. 750 lakhs in October, 1974. The authorised capital of the company stood at Rs. 4500 lakhs as on 31st March, 1988 and paid-up capital at Rs. 4064.32 lakhs as detailed below :

Shareholders	Value (Rs. in lakhs)	Percentage to total paid-up capital
(a) Corporation	3783.64	93.09
(b) State Governments of :		
(i) West Bengal	246.00	6.05
(ii) Bihar	26.68	0.66
(iii) Orissa	8.00	0.20
	4064.32*	100.00

*This does not include Rs. 163 lakhs held by the Company as advance against equity.

On 31st March, 1988, the company also had secured and unsecured loansas detailed below :—

(Rs. in lakhs)

Secured Loans :	
(a) Cash credit/overdraft from banks (including bills discounted)	876.38
(b) Soft loan from Industrial Development Bank of India (IDBI)	433.28
(c) Soft loan from Industrial Finance Corporation of India (IFCI)	192.53
(d) Interest accrued and due on secured loans	47.86
TOTAL	1550.05
Unsecured loans	
(a) From the Corporation	19411.62
(b) From Government of West Bengal	169.70
(c) From Government of Assam	8.63
(d) Interest accrued and due on unsecured loans	512.62
	20102.57

The debt equity ratio of the company as on 31st March, 1988 was 4.78 :1.

This has also to be viewed in the light of following facts :

(1) Loans amounting to Rs. 3158.59 lakhs from the Corporation and Rs. 280.68 lakhs from State Government have been converted into equity.

(2) The Corporation waived interest as well as the penal interest amounting to Rs. 2346.49 lakhs due up to 31st March, 1983 and also granted interest holiday as well as moratorium on repayment of instalments of loans upto 31st March, 1986.

(3) Out of the soft loan received from Industrial Development Bank of India and Industrial Finance Corporation of India only a sum of Rs. 47.19 lakhs had been repaid against Rs. 67.84 lakhs due on 31st March, 1988.

2.2 On taking over the sick mills, the management in accordance with the guidelines given by the Corporation, made its own valuation of the assets and liabilities and prepared a balance sheet as at 1st April, 1974 for each of the 18 mills. These were approved by the Board of Directors on 30th August, 1976. In these accounts, the aggregate depreciated value of assets as appearing in the books of the mills as on 31st March, 1974 was adopted without preparing any detailed inventory or carrying out any physical verification and technical evaluation of the assets. The total value, so adopted, was apportioned between 'Fixed' and 'Current' assets on an estimated basis.

Registers in respect of the assets taken over have not yet been prepared, nor has their physical verification been conducted by most of the mills, (31st March, 1988). The technical and financial evaluation has also not yet been carried out though the plant and machinery and other assets in these sick mills were known to be either obsolete or in very poor and unserviceable condition.

Arrears of depreciation for the period of closure of the mills (ranging from 2 to 5 years or more) prior to take over had not been ascertained and adjusted in the opening balance sheets or later for want of particulars of individual assets.

The Ministry stated (February 1989) that physical verification was conducted in most of the mills and an Evaluation Team comprising of Financial Experts was appointed by the Ministry who made a detailed evaluation.

It was further stated that the value of the assets had been taken in the books of accounts as deemed cost as on 1-4-1974 and, therefore, the question of providing arrear depreciation did not arise.

To corroborate the above, the Ministry during the Audit Board Meeting (February 1989) stated that the report of the evaluation team and position of maintenance of fixed assets register would be made available to audit but they were not received at all. It was observed from the report of the statutory auditors even in the accounts of 1987-88, that only in respect of a few units details of fixed assets have been maintained. In other units, no, records for fixed assets other than plant & machinery were maintained. The fixed Assets Registers were also not updated in some units. It also indicated that the discrepancies between financial books and physically verified figures could not be ascertained. Adoption of deemed value without providing for arrear depreciation does not reflect correct value of the assets as indicated in the subsequent paras.

The assets taken over also included some very old plant and machinery, obsolete and unserviceable stores and spares, raw materials, assets created by mere book adjustments and other current assets which were very old. A few instances are mentioned below :—

(i) Plant and Machinery included 24 automatic looms imported by Jyoti Weaving Factory in 1966 at a cost of Rs. 2,82,959 and are still lying in bonded warehouse; the title to which is also under dispute.

The Ministry stated (February 1989) that at this stage after two decades the condition of the looms in question might have deteriorated and might have become obsolete; the Bonded warehouse authority filed a case against the company claiming payment of their charges which was being contested.

(ii) The assets taken over included junk plant and machinery valuing Rs. 4.40 lakhs installed in the loom shed (Arati Cotton Mills) closed down long before the date of take-over.

(iii) Sundry debtors included Rs. 12.65 lakhs and Rs. 6.35 lakhs representing bills discounted by the mills with State Bank of India and Bank of Baroda respectively, prior to 1st April, 1974.

(iv) The Debit balance of Rs. 29.41 lakhs as on 31st March, 1974 appearing in the books of nationalised mills on account of inter-mill transaction was incorporated in the opening balance sheet as current asset. These balances had not been analysed to establish that these represented tangible assets.

(v) The cash credit accounts opened by Rampooria Cotton Mills with Central Bank of India showed over-drawal of Rs. 49.61 lakhs in Rabindra Sarani Branch and a debit balance of Rs. 22.68 lakhs in Netaji Subhas Road Branch as on 31st March, 1974. The Balance with the Netaji Subhas Road Branch was unilaterally transferred by the Bank in 1975 to its Rabindra Sarani Branch and adjusted against the over-drawal amount there, in contravention of the provision of Nationalisation Act, 1974.

On being pointed out in Audit, a claim was lodged on 20th February, 1980 by the Company with the Bank for refund of the amount of Rs. 22.68 lakhs. The Bank has, however, not refunded the amount so far (March 1988). The Ministry stated (February 1989) that the matter was subjudice.

3. MODERNISATION AND EXPANSION PROGRAMME

3.1 *Capital Investment Decisions*

13 rehabilitation/modernisation schemes involving an expenditure of Rs. 8.12 crores were sanctioned till 1974. In June. 1974 the Bureau of Public Enterprises issued directives for preparation and submission of corporate plan by all the Public Enterprises. While no corporate plan was approved by the Board of Directors till 1979, eleven more schemes involving a capital outlay of Rs. 7.11 crores were sanctioned till 1979.

The corporate plan was finalised and approved by the Board of Directors in December 1979 only at an estimated cost of Rs. 49.75 crores (Rs. 40.55 crores for machinery and Rs. 9.20 crores for margin money on working capital) incorporating all the schemes sanctioned earlier as mentioned above.

3.2 The year-wise details of capital outlay sanctioned and the amounts of modernisation loans received, the machineries ordered/machineries not ordered, machineries received and machineries not installed are given in the table below :—

(Rs. in lakhs)

Year	Cumulative Sanction	Loans (Cumulative)	Cumulative value of machinery received	Machineries ordered but not received	Machinery required but not ordered	Machinery received but not installed
1	2	3	4	5	6	7
1974-75	811.97	266.37	165.47	291.07	560.49	NA
1975-76	811.97	419.90	215.87	26.78	549.31	NA
1976-77	1302.23	694.90	298.85	469.91	562.06	50.86
1977-78	1302.23	1104.90	663.80	136.88	425.18	135.70
1978-79	1302.23	1362.12	819.51	28.28	396.90	148.23
1979-80	2349.05	1694.52	1049.21	808.26	691.37	161.09
1980-81	3591.08	2438.92	1545.69	1043.06	786.84	481.66
1981-82	3591.08	2734.42	2422.69	1081.90	286.49	930.15
1982-83	3591.08	2987.92	3011.59	1178.56	514.87	764.66
1983-84	3591.08	2987.92	3083.49	816.08	204.82*	541.35
1984-85	3591.08	3115.52	3143.11	790.18	200.86*	465.32
1985-86	3958.91	3199.62	3157.05	170.65	326.21*	275.99
1986-87	3958.91	3199.62	3157.05	22.40	210.21*	179.10
1987-88	3958.91	3199.62	3160.75	19.00	210.21*	142.28

*This was after pruning/dropping several items worth Rs. 581.73 lakhs.

The above indicate that :—

(i) The management was not able to place orders worth Rs. 549.31 lakhs at the end of 1975-76 although funds were available.

(ii) Till end of the year 1978-79 also, the orders for machinery worth Rs. 396.90 lakhs had not been placed although sufficient funds were available.

(iii) The schemes to the extent of Rs. 2288.85 lakhs were approved during 1978-79 to 1980-81 against which complete orders were not placed even till the end of 1982-83 though the corporate plan was to be completed by March, 1981.

It was also observed that due to delay in placing orders, an escalation of 30% in prices was expected. As a result, the Board of Directors decided (December 1983) to drop the purchase of items worth Rs. 581.73 lakhs.

(iv) There was a general delay in installation of the machineries after these were received; Board of Directors were informed (October 1977) that the delay in installation/commissioning of the machineries received was due to non-procurement of essential auxiliary equipments such as motors, compressors etc. due to financial constraints.

It was also observed that the modernisation programme sanctioned for individual mills did not stipulate any firm dates for completion although a High Power Committee of the Corporation had suggested in April 1974 that these programmes should be completed within a period of two years to achieve best results of cost: benefit relationship in view of the steadily rising prices of machinery. There was also no system of reporting the progress of implementation of schemes in physical terms till May 1981 as the periodical progress reports indicated only the value of machines ordered, the value of machines received and those yet to be ordered.

3.3 The table below gives projected targets envisaged in the Corporate Plan and actual achievements thereagainst at the end of 1980-81 and also 1987-88 :—

Particulars	Position before the corporate plan (i.e. before 1976)	Targets envisaged at the end of corporate plan *viz.* 1980-81	Actuals 1980-81	Actuals 1987-88
1	2	3	4	5
(i) *No. of spindles :*				
(a) Installed	2,96,588	4,23,282	3,07,233	3,35,784
(b) Workable	2,38,008	4,23,282	2,75,094	3,16,492
(ii) *No. of looms :*				
(a) Installed	3,681	3,797	3,821	3,412
(b) Workable	2,845	3,797	2,929	2,544
(iii) No. of new spindles to be installed	—	1,26,000	N.A.	57,360
(iv) No. of new looms to be installed	—	116	—	—
(v) *Capacity utilisation :*				
(a) Spindles (%)	65.00	90.00	57.58	54.00
(b) Looms (%)	70.00	80.00	53.19	55.00
(vi) *Productivity*				
(a) Spindles (40s conversion—gram)	51.30	68.00	52.75	55.00
(b) Loom Productivity Index	212.00	235.00	207.00	215.00
(c) Average count	29.30	38.00	31.39	35.05
(vii) *Production :*				
(a) Yarn (Lakh/Kg.)	170.24	236.72	101.42	104.96
(b) Cloth (Lakh/Metres)	569.50	783.06	378.19	268.84
(viii) *Labour Commitments :*				
(a) Workers per thousand spindles (in numbers)	10.40	6.30	8.69	6.25
(b) Workers per hundred loom shifts	84.4	54.00	76.36	66.16
(ix) Annual turn-over (Rs. in crores)	—	92.73	29.08	47.98
(x) Profit+/loss (−)per year (Rs. in crores)	—	(+) 3.20	(—) 10.88	(—) 27.32

NOTE :—Mill-wise position in respect of Spindles and looms is given in Annexure-I.

It would be apparent from above details that :—

(i) the targets desired to be achieved by 1980-81 had not been achieved even in 1987-88;

(ii) capacity utilisation of spindles and looms was only 60% and 70% of the desired level respectively in 1987-88 and

(iii) the production of yarn and cloth in 1987-88 was less than half the target.

As against the targets of 236.72 lakh kgs. of yarn and 783.06 lakh metres of cloth, the highest ever production achieved after the modernisation scheme (cost Rs. 3161 lakhs) was 116.86 lakh kgs of yarn in 1982-83 and 380.38 lakh meters of cloth in 1985-86. Even in 1987-88, the actuals were dismally low at 104.96 lakh kgs. of yarn and 268.84 lakh meters of cloth. Significantly, earlier the production of cloth was generally higher ranging from 361.93 lakh metres

(1979-80) to 552.30 lakh meters (1974-75) than that achieved in the years after modernisation schemes were implemented.

The data regarding utilisation of spinning and weaving capacity, spindles and looms productivity and employment of labour per 100 looms in respect of 3 composite mills and 2 spinning mills for the years 1980-81 to 1987-88 *vis-a-vis* the norms projected in the corporate plan are given in Annexure II. It will be seen therefrom that :—

(i) percentage of utilisation of spinning capacity was much lower than the norm in all the mills and in all the years, except in Sodepur Cotton Mills during 1982-83, the lowest percentage utilisation was in respect of Bengal Luxmi Cotton Mills which was only 32.2 in 1984-85;

(ii) percentage of utilisation of weaving capacity was also much less than the projected norms; it was the lowest in Rampooria Cotton Mills at 32.0 in 1983-84;

(iii) spindle productivity was lower than the norms in all these years in all the mills except in Sodepur Cotton Mills during 1985-86;

(iv) loom productivity in Bengal Luxmi Cotton Mills was higher than the norm and ranged between 241 and 251 but in the remaining two mills, it was lower than the projected norm being as low as 192 in Shree Mahalaxmi Cotton Mills during 1987-88; and

(v) number of workers employed per 100 looms ranged between 95 and 48 as against the projected norm of 54.

The Ministry stated (February 1989) that the Corporate plan could not be implemented as an amount of Rs. 31.57 crores actually spent was not sufficient for modernisation and expansion as envisaged in the corporate plan considering—(a) price rise (b) normal replacement/requirement of 18 mills (c) procurement of Diesel Generator Sets, and therefore, the level of technological upliftment has not materialised as a whole; there might have been improvement in technology in a few units but there was marked deterioration in others; due to these factors the company was unable to achieve the targets as set in the corporate plan. Since the corporate plan was not implemented fully it did not facilitate comparison of performance with the norms and targets of corporate plan.

It would be pertinent to note that the Committee on Public Undertakings in their 40th Report (April 1982), *inter alia*, observed that the modernisation in NTC mills should have been done on a selective basis and only a few selected mills should have been taken-up for modernisation on priority. In a meeting held on 17—19th May, 1982, the Chairmen-cum-Managing Directors of all the National Textile Corporations stated that it was not possible to go on the basis of selective modernisation at the time of take over because all the mills were then in a bad shape and were in dire need of modernisation. However, it was agreed that future modernisation would be considered on selective basis and the mills which had suitable work culture and capacity to absorb high level of technology would be considered for further modernisation. Accordingly, on the basis of guidelines issued by the Corporation, selective modernisation programme for 8 mills (out of 18) involving a capital outlay of Rs. 1903.31 lakhs was drawn up in August 1982 and sent to the Corporation for approval. The approval of the Corporation had not been accorded even upto March 1989.

3.4 A test check of the purchase of machinery/equipment under the modernisation schemes, brought out certain salient aspects as mentioned below :—

(i) Orders for the purchase of certain machines costing Rs. 220 lakhs and Rs. 145 lakhs were placed on firms 'A'and 'B' respectively during 1976-77 at firm prices and the deliveries were to be made during 1977-78 and 1978-79. Machines worth Rs. 132.18 lakhs and Rs. 109.94 lakhs respectively were delivered till November 1977 by 'A' and 'B' when due to shortage of funds arising from diversion of funds obtained for modernisation, the company asked the firms to supply the remaining machines in phases from December 1977 onwards. The firms agreed to do so on the condition that prices ruling at the time of delivery would be charged. Due to this postponement of deliveries machines of the value of Rs. 87.82 lakhs and Rs. 35.06 lakhs had eventually to be procured at a cost of Rs. 94.50 lakhs and Rs. 38.92 lakhs respectively, entailing an extra expenditure of Rs. 10.54 lakhs.

(ii) Against an order for the supply and installation of three complete Blow Room Lines, a supplier despatched two machines in November 1977 and March 1978 by road transport and sent the despatch documents through a bank.

Due to paucity of funds (funds required—Rs. 20.87 lakhs), the company could not retire the documents immediately and ultimately had to pay (April and October 1978) the transporter Rs. 1.01 lakhs towards ground rent, loading etc. to obtain the delivery of machines which were commissioned in April 1979 and March 1980 respectively.

The construction of Blow Room House in Bengal Luxmi Cotton Mills was awarded to a contractor in January 1978 for completion by December 1978. As the company could not pay the running bills of the contractor, he abandoned the work in September 1978 and resumed it in January 1979 after the company agreed to pay escalations amounting to Rs. 1.50 lakhs.

(iii) Erection and commissioning of one Hot Air Stenter each at Jyoti Weaving Factory (JWF) and Rampooria Cotton Mills (RCM) was awarded to a contractor at Rs. 2.25 lakhs in May 1981 for completion by August 1981 and in July 1981 at Rs. 2.10 lakhs to be completed by January 1982 respectively. The contractor abandoned the works in September 1981 after doing works valuing Rs. 1.92 lakhs of JWF and Rs. 1.87 lakhs of RCM as the company failed to supply materials as per contracts. The Company awarded the residual works to the same contractor in May 1982 on trunkey basis at a cost of Rs. 5.52 lakhs in respect of JWF and Rs. 6.27 lakhs of RCM. Though the Stenters were commissioned at RCM and JWF in January 1984 and August 1984, they were put to use only in June 1984 and January 1985 respectively.

The stenter at JWF was damaged due to an accident and was out of operation after April 1985. This was repaired and brought into use only in December 1986, *i.e.*, after 20 months while the cost of repairs was only Rs. 0.04 lakh towards materials, and departmental labour had been used. The reasons for taking an unduly long time for such a repair were not on record.

(iv) *Unnecessary purchase of Calendering Machines*

(a) Shree Mahalaxmi Cotton Mills and RCM procured baby felt calendering machines in August 1974 and August 1975 at a cost of Rs. 0.67 lakh and Rs. 0.74 lakh respectively outside the sanctioned modernisation programme. Both these machines were lying idle ever since procurement as the mills had not produced finer quality fabrics suitable for calendering on the machines.

(b) A duplex felt calendering machine was also purchased by Bengal Luxmi Cotton Mills in January 1975 under the sanctioned modernisation programme and was commissioned in July 1976 at a cost of Rs. 5.37 lakhs. The machine had a capacity to calender 108 lakh metres of cloth per annum but was used to calender about 2.41 lakh metres of cloth only upto December 1983 representing 0.3 per cent (approx.) utilisation of the capacity. Since January 1984, the machine has been lying idle.

The Ministry stated (February 1989) that the capacity of these types of machines is utilised depending upon the market requirement and not on absolute terms of 100% capacity utilisation.

But the fact remains that the machines have been lying idle since procurement in some cases and since 1984 in the other case rendering the capital investment idle.

(v) (a) The following 3 machines were purchased for the processing department of Rampooria Cotton Mills at a cost of Rs. 30.60 lakhs.

Name of the Machine	Cost (Rs. in lakhs)	Month of receipt	Month of commissioning
(a) Chain Mercerising Range	16.08	April 1981	August 1983
(b) Three unit open washing machine	8.67	April 1981	August 1983
(c) Dhall make zero zero Preshrunk machine	5.85	August 1981	May 1983
TOTAL	30.60		

The erection of these machines was awarded to a contractor in November 1980 and July 1981 at a cost of Rs. 2.89 lakhs. However, as the management failed to supply the materials as per contract due to paucity of funds, the work was abandoned by the contractor by which time an expenditure of Rs. 2.82 lakhs had been incurred. The residual work was reawarded in May 1982, on turnkey basis, to the same contractor at a cost of Rs. 4.65 lakhs and the machines were commissioned between May 1983 and August 1983.

The zero zero preshrunk machine was put to commercial production in May 1985 but the production achieved upto March 1989 was only 2 per cent of installed capacity. The other two machines are lying almost idle (March 1989). Thus expenditure of Rs. 28.80 lakhs incurred on the purchase of machines and their erection has proved infructuous.

(b) For providing humidification in the Spinning Department of the following four mills, 4 steam boilers were purchased at a total price of Rs. 12.97 lakhs :

Name of the Mill	Month of order	Date of receipt	Price paid (Rs. in lakhs)
Sodepur Cotton Mills	October 1977	June 1980	3.15
Bengal Fine Mills No. 2	August 1979	March 1981	2.72
Bengal Fine Mills No. 1	May 1981	September 1981	4.38
Bihar Co-operative Weavers Spinning Mills	August 1979	August 1981	2.72
		TOTAL	12.97

The work orders for the supply, fabrication and erection of chimneys for the 4 boilers was awarded during August 1981 to November 1981 to two contractors at a value of Rs. 2.10 lakhs. Subsequently, they declined to execute the job on turnkey basis as they were facing difficulties in procurement of steel. The Management cancelled the orders and awarded the work afresh to two other contractors in March 1982 (in case of first 3 boilers) and February 1983 (for the 4th boiler) at a total cost of Rs. 3.31 lakhs resulting in extra expenditure of Rs. 1.21 lakhs.

Three boilers were commissioned between April 1985 and February 1986, i.e., after 4½ years of their receipt. The fourth boiler (meant for Bengal Fine Mills No. 1) has not been commissioned so far (March 1989).

3.5 *Poor utilisation of imported machines*

The company imported four sets of combers in March 1978 at a total cost of Rs. 69.75 lakhs and were installed in four mills of the company between June 1978 and October 1979. However, one of these sets could be put to use only from 2nd week of September 1985 i.e. after a lapse of about 7 years due to :—

(i) the existence of an old Blow Room line;

(ii) absence of proper humidification arrangement; and

(iii) non-availability of trained hands.

The utilisation of these combers upto 31st March, 1988 ranged between 2.79 and 29.02, 6.05 and 35.09, 0.76 and 14.03 and 0.99 and 7.84 per cent respectively in Shri Mahaluxmi Cotton Mills, Arti Cotton Mills, Luxmi Narayan Cotton Mills and Bengal Fine Mills No-1 of the standard annual production.

The poor utilisation of the combers was attributed by the management to poor contribution margin and market conditions.

The above instances would indicate that the modernisation scheme was not fully implemented due to which the objectives for which it was undertaken were not achieved.

The Management stated (January 1987), inter-alia, that without modernisation, productivity in a few mills would not have increased. The management, however, agreed that the gains of modernisation could not be quantified in financial terms because of :—

(a) Sharp drop in utilisation,

(b) non-continuity of modernisation plan and non-follow up for approval of corporate plan/selective modernisation plan, particularly 1983 onwards and

(c) diversion of modernisation funds to working capital in successive years which had upset the implementation and consequently delayed the schedule.

The management further stated (January 1987) that the amount spent for modernisation will definitely show its impact with whatever done provided :

(a) utilisation reaches 90 per cent,

(b) implementation of standard work norms to reduce fixed overhead cost and

(c) adequate working capital provision for production of high value products which will give better margin.

The Ministry explained in February 1989 that these mills were taken over with obsolete and outdated machines and wherever old machine are replaced by new ones, the productivity had improved. However, the investment in modernisation had been made in 16 years in 18 mills which, considering the condition of the machines, was very meagre. Even the machinery installed upto 1977-78 was now becoming obsolete and needed replacement. Capacity utilisation had no direct relation with modernisation investment but also depended on availability of raw material, rationalisation of work-load norm, etc.. Earlier, inspite of management's best effort the Union did not accept the revised work-load norm.

Recently there has been some success in this regard and during last 4 years sizeable work force had been retired without further recruitment. Due to heavy losses, the working capital of the company was eroded. As the reimbursement of losses had been delayed and partial, there was continuous shortage of funds for which no proper planning could be made for optimum capacity utilisation. The Ministry also informed the Audit Board during discussions (February 1989) that in order to make the company viable, they were actively considering proposals to :

(i) close down non-viable activities of the mills on the one hand and merging the less viable units with viable units on the other hand;

(ii) restructuring the capital of the company and negotiating with the IDBI for loan requirement of Rs. 100 crores for rehabilitation of mills.

To overcome the power shortage. the Corporation sanctioned purchase of diesel generating sets for 16 mills at a cost of Rs. 74.61 lakhs between September 1974 and May 1975. But no action was taken to purchase these sets. The Board of the company again decided (May 1979) that all the mills, excepting the one in Orissa, should procure captive generating sets. Accordingly, the Company prepared (July 1979) a detailed estimate of Rs. 430.50 lakhs (including Rs. 74.61 lakhs sanctioned earlier) for purchase of 17 diesel generating sets which was sanctioned by the Corporation in October 1980.

The Company has so far (March 1988) installed D.G. Sets in 16 mills at a cost of Rs. 379.11 lakhs.

4. PRODUCTION PERFORMANCE

4.01 The main products of the Company are yarn and cloth. The yarn produced by the spinning mills is sold to various buyers as 'Market Yarn', while that produced by the composite mills is used largely by the mills themselves for 'own consumption' for weaving cloth; only the surplus yarn is offered for sale as 'Market Yarn'. Except one mill (Jyoti Weaving Factory) which produces man-made filament yarn fabrics like viscose and nylon all the other 7 composite mills and 1 power loom unit produce cotton fabric, both controlled and non-controlled varieties; 4 of these composite mills and one weaving unit also have conventional fabric process houses.

4.02 *Targets and achievements*

The maximum production of yarn (in different counts) achieved by all the mills of the company before taking up implementation of the corporate plan was 144.22 lakh kgs. (1976-77) and that of cloth (fine, superfine and man-made fabric) was 561.42 lakh mtrs. (1974-75). The following table shows the targets of production laid down in the corporate plan and the annual budget fixed by the company, as well as the actual production achieved there-against for the last 8 years ended 31st March, 1988:

Quantity : In lakh Kgs. (Yarn)

In lakh Metres (Cloth)

Value : Rs. in lakhs.

Year	As per Corporate Plan		As per Budget		Actuals		Percentage of actual production to Budget	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
A. Yarn								
1980-81	237		130.12	—	101.42	2353.96	77.94	—
			(78.33)	(1695.37)	(64.72)	(1505.15)	82.62	88.78
1981-82	237		230.13	—	111.24	2518.47	48.34	—
			(168.71)	(4104.14))	(78.63)	(1777.63)	46.61	43.31
1982-83	237		164.04	—	116.86	2694.79	71.24	—
			(121.33)	(3049.68)	(81.66)	(1887.92)	67.30	61.90
1983-84	237		167.64	—	—	—	—	—
			(115.32)	(2541.00)	(69.44)	(1686.12)	60.22	66.36
1984-85	237		170.14	—	79.73	2151.12	46.86	—
			(122.45)	(3354.94)	(58.05)	(1567.26)	47.41	46.71
1985-86	237		159.83	—	109.39	2881.33	68.44	—
			(114.88)	(3252.61)	(76.32)	(1982.26)	66.43	60.94
1986-87	237		155.61	—	111.88	2541.91	71.90	—
			(106.77)	(2965.90)	(85.34)	(1960.68)	79.93	66.11
1987-88	237		151.04	—	104.96	3263.21	69.49	—
			(107.86)	(2900.63)	(82.83)	(2664.82)	76.79	91.87
B. Cloth								
1980-81	783		505.30	1881.10	378.19	1531.33	74.84	81.41
1981-82	783		634.16	2957.37	330.42	1757.76	52.10	59.44
1982-83	783		484.46	2261.86	351.97	1604.25	72.65	70.93
1983-84	783		477.00	2190.00	338.38	1654.38	70.94	75.54
1984-85	783		485.30	2478.57	241.33	1534.02	49.73	61.89
1985-86	783		473.74	2536.77	380.38	2307.97	78.57	90·99
1986-87	783		500.16	2770.92	363.64	1800.82	72.70	64.99
1987-88	783		444.64	2507.44	268.84	1437.64	60.46	57.33

NOTE : Figures in brackets indicate quantity and value of 'Market Yarn' only.

4.03 It will be evident that the budgeted production was much less than the targets envisaged in the corporate plan. Significantly, the budgeted production of cloth for each of the years from 1980-81 to 1987-88 (except in 1981-82) was far less than the actual production achieved during the pre-corporate plan period. In this connection, it may be mentioned that the Committee on Public Undertakings had reiterated in its 40th Report (Fifth Lok Sabha [illegible]) that annual targets should be as near to the rated capacities as possible and fixation of targets lower than the rated capacities should be with the prior approval of the Government.

The Ministry stated (February 1989) that the reasons for lower budgeted production was due to realistic view of the existing situation. Since there was erosion in weaving because of no investment and deterioration of work culture, there was reduction in rated capacity and accordingly budget was fixed.

Ministry during discussions with the Audit Board in February 1989 accepted that no action had so far been taken to remedy the situation arising as a result of fixation of targets much below the rated capacity (indicated in the corporate plan).

4.04 The actual production of yarn ranged between 46.86 per cent (1984-85) and 77.94 per cent (1980-81) and of cloth between 49.73 per cent (1984-85) and 78.57 per cent (1985-86) of the budgeted production. The percentage of actual production to budgeted production during the years 1981-82 to 1987-88 did not even reach the level achieved in 1980-81 both for yarn and cloth except in regard to cloth during 1985-86.

The management stated (January 1987) that the cloth production has gone down mainly due to working capital shortage and no investment having been made in weaving machinery.

During Audit Board meeting (February 1989) the Ministry clarified that the production of controlled cloth had been brought down consciously while the decline in the production of yarn was a matter of concern to them.

4.05 *Capacity utilisation*

The capacities of mills are expressed by the Company in terms of machines (i.e. the number of spindles and looms) installed/commissioned. However, the annual production targets are fixed in terms of quantities for yarn and cloth. The Ministry stated (February 1989) that since the production capacity per spindle and per loom varies with that of 'count' as well as 'sort' the capacity in terms of quantities is not expressed.

4.06 The particulars regarding the licensed, installed and commissioned capacities and the percentage of their utilisation during 1978-79 to 1987-88 vis-a-vis those for the pre-corporate plan year (1974-75) are as follows:—

	1974-75	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88
A. *Spinning Department*											
(In number of spindles)											
(1) Licensed capacity	404896	415276	415276	420016	469956	476912	476912	476912	476912	476912	476912
(2) Installed capacity	292264	303144	304349	307233	314132	325720	326600	326600	324068	332500	335784
(3) Workable capacity	255181	262895	265983	275094	285000	289844	304728	298652	303517	314456	316492
Percentage of Workable Capacity to:—											
(i) Licensed capacity	63.02	63.31	64.50	65.50	60.64	60.78	63.90	62.62	63.64	65.94	66.47
(ii) Installed capacity	87.31	86.72	87.39	89.54	90.73	88.99	93.30	91.44	93.66	94.57	94.40
Percentage of actual utilisation to :—											
(a) Installed capacity	NA	53.26	50.04	51.56	54.35	53.93	46.62	38.88	56.94	57.30	50.98
(b) Workable capacity	NA	61.41	57.26	57.58	59.91	60.60	49.97	42.52	60.80	60.59	54.00
(c) Budgeted capacity	NA	NA	NA	82.60	97.00	79.74	73.00	78.00	75.00	76.60	75.58
B. *Weaving Department*											
(In number of looms) :—											
(1) Licensed capacity	4008	4008	4065	4065	4065	4065	4065	4065	4065	3945	3945
(2) Installed capacity	3821	3821	3821	3821	3711	3711	3711	3711	3711	3412	3412
(3) Workable capacity	2915	2884	2857	2929	2917	2934	2946	2913	2913	2913	2544
Percentage of workable capacity to :—											
(1) Licensed capacity	72.73	71.96	70.28	72.05	71.76	72.18	72.47	71.66	71.66	73.84	64.49
(2) Installed capacity	76.29	75.48	74.77	76.66	78.60	79.06	79.39	78.50	78.50	85.38	74.56
Percentage of actual utilisation to :—											
(a) Installed capacity	NA	51.92	42.40	40.77	45.50	44.57	37.09	34.07	50.60	50.45	41.01
(b) Woka ble capacity	NA	68.79	56.70	53.19	57.88	56.37	46.72	43.40	64.46	59.09	55.00
(c) Budgeted capacity	NA	NA	NA	74.67	95.00	78.41	72.00	70.00	75.00	78.45	71.42
C. *Processing Department*											
1. *Installed capacity*											
(Lakh metres per day)											
(a) Bleaching	1.52	1.52	1.52	1.52	1.52	1.52	1.52	1.52	1.52	1.52	1.52
(b) Dyeing	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98
(c) Printing	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19
(d) Finishing	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66
2. *Commissioned*											
(Lakh metres per day)											
(a) Bleaching	1.19	1.19	1.19	1.19	1.19	1.19	1.19	1.19	1.19	1.19	1.00
(b) Dyeing	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.78
(c) Printing	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17
(d) Finishing	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.32	1.32	1.32	1.03
3. *Actual quantity processed*											
(Lakh metres per day)											
(a) Bleaching	NA	0.47	0.37	0.42	0.39	0.32	0.30	0.27	0.28	0.04	0.04
(b) Dyeing	NA	0.38	0.22	0.23	0.17	0.25	0.21	0.18	0.20	0.03	0.03
(c) Printing	NA	0.06	0.11	0.14	0.07	0.06	0.07	0.06	0.07	0.05	0.06
(d) Finishing	NA	0.52	0.42	0.47	0.43	0.40	0.33	0.31	0.32	0.26	0.23

From the above, it emerges that:

— while in respect of spindles, the licensed and installed capacities increased by 0.72 lakh, 0.44 lakh only during the period from 1974-75 to 1987-88 and thus increasing the gap between the two by 1.41 lakhs, the licensed and installed capacity of looms went down by 63 and 409 respectively during the same period and increased the gap between the two by 533. The percentage of workable capacity to installed capacity of looms at the end of 1987-88 reduced to 74.56 from 76.29 at the end of 1974-75;

—the actual utilisation of workable spindle capacity ranged between 61.41 percent (1978-79) and 42.52 percent (1984-85) as against the norm of 97 percent laid down by the Corporation and 90 percent reckoned in the Corporate Plan. Similarly, the actual utilisation of looms ranged between 68.79 percent (1978-79) and 43.40 percent (1984-85) as against the norm of 98 percent prescribed by the Corporation and 80 percent assumed in the corporate plan. The percentage utilisation shows a significant decline as compared to the levels achieved in 1978-79.

With regard to the capacities in processing department it will be noticed that;

—the actual utilisation of bleaching capacity which was 0.47 lakh metres per day in 1978-79 has gone down to 0.04 lakh metres per day in 1986-87 and 1987-88 as against the commissioned capacity of 1.19 lakh metres per day;

— the actual utilisation of dyeing capacity ranged between 0.38 (1978-79) and 0.03 (1986-87 and 1987-88) lakh metres per day, as against the commissioned capacity of 0.83 lakh metres per day;

— the utilisation of printing capacity ranged between 0.05 (1986-87) and 0.14 (1980-81) lakh metres per day as against commissioned capacity of 0.17 lakh metres per day; and

— the utilisation of finishing capacity which was 0.52 lakh metres (1978-79) had gone down to 0.23 (1987-88) lakh metres per day as against the commissioned capacity of 1.30 lakh metres per day.

The Ministry stated (February 1989) that the reasons for lower utilisation of capacity over that of budgeted were:

(1) Absenteeism 14% (2) Power Failure 5%.

(3) Shortage of Inputs 8% (4) Other 8%.

4.07 A test check of the records of 6 mills further revealed that there was wide variation interse; while in some mills, the utilisation of capacities has improved, it had either not improved at all or deteriorated in others. The relevant data is given in Annexure-III.

4.08 The following table indicates the available shifts, budgeted shifts and actual shifts for which the mills worked during 1980-81 to 1987-88.

Year	Commissioned capacities	No. of working days available in the year	Available shifts on three shifts basis (in lakh numbers)	Budgeted shifts (in lakh numbers)	Actual shifts (in lakh numbers)	Percentage of budgeted shifts to available shifts	Percentage of actual shifts worked to available shifts
1	2	3	4	5	6	7	8
A. *Spindles* (In lakhs numbers)							
1980-81	2.75	314	2590.5	1748.2	1415.79	67.50	54.7
1981-82	2.85	318	2718.9	2802.7	1497.68	103.1	55.1
1982-83	2.90	315	2740.5	2104.3	1531.75	76.8	55.9
1983-84	3.05	314	2873.1	1972.1	1345.71	68.6	46.8
1984-85	2.99	310	2780.7	2295.1	1148.76	82.5	41.3
1985-86	3.04	310	2827.2	2134.0	1676.55	75.5	59.3
1986-87	3.14	303	2854.3	2203.2	1654.29	77.2	58.0
1987-88	3.16	307	2919.6	2136.4	1575.79	73.2	54.0
B. *Looms* (In Nos.)							
1980-81	2929	308	27.06	15.78	11.21	58.3	41.4
1981-82	2917	303	26.52	21.39	12.43	80.7	46.9
1982-83	2934	302	26.58	15.55	12.09	58.5	45.5
1983-84	2946	238	21.03	17.67	9.68	84.0	46.0
1984-85	2913	300	26.22	15.52	9.00	59.2	34.3
1985-86	2913	300	26.22	15.29	13.25	58.3	50.5
1986-87	2913	303	26.48	16.20	12.38	61.2	46.8
1987-88	2544	300	22.90	14.87	10.16	64.9	44.4

As will be seen from above details :—

(i) budgeted shifts were less than the available shifts and

(ii) actual shifts were even less than the budgeted.

4.09 As will be seen from above details that annual targets have not been fixed sufficiently neaı to rated capacity.

4.10 The Ministry stated (February 1989) that since utilisation could not be increased, it was reasonable to fix the target on the basis of realities and not on optimism.

4.11 (i) The following norms of efficiency were fixed by the Corporation in April 1976:—

Department	Norms	
Spinning (40s count)	62 grams	— basic
	72 grams	— average
	78 grams	— good
Weaving :		
(a) Loom-shed efficiency	80 per cent	
(b) Loom productivity index 250		

(ii) As against the above norms, the corporate plan (1976—81) of the company envisaged productivity targets as follows:—

(a) Spindle point production (40s conversion)	68 gms.
(b) Loom efficiency	Not fixed
(c) Loom productivity index (LPI)	235

(iii) The actual productivity achieved by the Company during 1977-78 to 1987-88 is tabulated below :—

Year	Production per spindle shift (40s conv. in gms).	Loom productivity Index (LPI)	Loom shed efficiency (percentage)
1977-78	50.35	205	65.17
1978-79	51.11	210	62.90
1979-80	50.67	205	60.19
1980-81	52.75	207	64.10
1981-82	53.36	208	63.15
1982-83	54.47	211	61.58
1983-84	54.33	227	69.69
1984-85	55.03	216	67.37
1985-86	53.92	222	Not available
1986-87	53.97	220	Not available
1987-88	55.00	215	Not available

From the above, it is evident that the actuals were less than the targets which were fixed at lower levels than the norms prescribed by the Corporation in April 1976, despite the investment made under modernisation scheme.

4.12 The performance of a few mills as detailed in Annexure IV for five years ending 31st March, 1988 indicates that there were wide variations between the productivity of different mills and in the same mill in different years.

The Ministry stated (February, 1989) that declining productivity of Bihar Co-operative over the years was due to deteriorating condition of the machines since no investment was made during the period. In case of Bengal Fine-II the reduced productivity during 1985-86 and 1986-87 was mainly due to dispute with the workers' unions regarding the implementation of revised work loads.

4.13 A test check of utilisation of plant and machinery revealed that in some mills, ring frames/looms had been procured, installed and commissioned but were not utilised since their installation and commissioning. In some other cases ring frames/looms had been procured but not installed. Thus, the company could not derive any benefit from the machines detailed below on which it had spent an amount of Rs. 156.68 lakhs:—

Sl. No.	Name of the Mill	Number received	Month of receipt	Month of erection	Month of commissioning	Value (Rs. in lakhs)	Reasons given by Management for non-erection/non-commissioning
1	2	3	4	5	6	7	8
A.	*Ring Frames :*						
1.	Bengal Textile Mills	4	February 1980	September & October 1980	January 1984	8.42	These have been kept idle due to objection raised by Textile Commissioner on the ground of cancellation of licence in

1	2	3	4	5	6	7	8
		1	March 1980	October 1980	January 1984	2.09	1981-82. Fresh application for renewal of licence was made in February, 1985. Though permission from Textile Commissioner was received in December 1985, five ring frames were put to use on 10-2-1987 but five old ring frames have been kept idle.
		2	December 1980	January 1981	January 1984	4.64	
		4	October, November & December 1980	January & February 1981	September 1983	7.44	
		5	December, 1980 & January 1981	Not available	February 1987	9.30	
2.	Associated Industries	19	September 1982 & July 1983	1984-85 (14 Nos.)	June 1985 3 Nos.	39.29 (approx.)	Non-availability of funds for new building, electrification, preparatory machinery and short supply of spare parts. The Management intimated (April 1989) that although 19 Ring Frames were commissioned, six were being kept idle for various reasons.
3.	Arati Cotton Mills	4	October 1983	1985-86 (3 Nos.) 1986-87 (1 No.)	1985-86 (3 Nos.) 1986-87 (1 No.)	8.95	
4.	Rampooria Cotton Mills	5	November 1981	Not available	1985-86 (2 Nos.) 1986-87 (3 Nos.)	15.06	For want of pneumaphil erection & commissioning was delayed.
5.	Orissa Cotton Mills	18	March 1981 to May 1982	18 Nos.	October 1985 (2 Nos.) January 1987 (11 Nos.,) July 1988 (1 No.) May 1988 (3 Nos.) and September 1988 (1 No.)	53.87	Short supply of spares, late replacement of damaged spares, shortage of manpower and power crisis. Out of 13 ring frames commissioned upto January 1987, 4 Nos. are working in lieu of old ring frames. The delayed commissioning was attributed to short-supply of spares etc. as mentiond above.
B.	*Looms :* Bengal Luxmi Cotton Mills	60	February 1982	Not available	July 1987 (48 Nos.)	7.62 156.68	The construction of loom shed started in 1979 and only super structure was completed by the end of 1981. The humidification plant, received in July 1984 was installed and commissioned in October 1986. By that time the installation of 60 looms and loom motors had been completed. The electrification and other finishing work was then taken up and shed was ready for commissioning in the beginning of 1987. 48 looms however, started working in July 1987.

5. MARKETING & PRICING POLICY

5.1 *Marketing arrangements:*

A Centralised Sales Division was set up by the company in January 1976, with a view to securing better marketing management, planned and economic sales and a co-ordinated approach in the matter of fixing prices and affecting sales in respect of 14 mills situated in the State of West Bengal. A Sales Committee at company level was also simultaneously constituted to look after various matters connected with the sales of the products of 14 mills in West Bengal. The usual channels through which the company markets its products etc, are:

(i) *Dealers*: The yarn produced by the mills situated in West Bengal, in particular, was sold through mill-wise dealers till July 1986, when this system was discontinued.

(ii) *Agents*: These are allotted particular areas and/or products of a mill exlcusively for sale in the market on commission basis.

Non-controlled cloth, in particular, is sold through mill-wise and product-wise brokers.

(iii) Mill's own retail shops and show-rooms.

5.2 *Sales Policy* :

Statutory control over production of certain varieties of cloth was introduced from October 1964 and each mill was required to produce a specified quantity of controlled cloth. Failure to meet the obligation attracted penalty @Rs. 2.50 per sq. meter of cloth short-procduced. The ex-mill price of this cloth was fixed in accordance with the formula prescribed by the Textile Commissioner in a notification issued on 2nd May 1968. This ex-mill price was increased by 30% from April 1974. In addition, a subsidy equivalent to 35 percent of the price was allowed by the Government of India from January 1977. The retail price of controlled cloth was arrived at by adding 20% on ex-mill price.

(ii) As the company was incurring heavy losses, the Textile Commissioner exempted the mills of the company from obligatory production of controlled cloth for the period from May 1975 to September 1978.

(iii) According to the new textile policy of Government of India effective from 1st October 1978, the production of mill made controlled cloth in the country had been fixed at 400 million square meters per annum. After allotment of quota to the mills of the Corporation, balance quantity was to be contracted out to the private mills on competitive bids not exceeding the Corporation's average cost for similar varieties. Any quantity not so contracted out was reallocated to the Corporation's mills. The price allowed to the Corporation was equal to Corporation's average cost of production. In this scheme the Corporation as a whole has, therefore, no scope for earning a return.

In case of non-controlled cloth, the price is fixed by the Sales Committee keeping in view the prevailing market conditions generally and ready saleability of the cloth to maintain liquidity.

Yarn is sold to registered local dealers, co-operatives and Government bodies. In general, selling of yarn by tendering is not followed on the ground that this has not been the usual practice either in public or in private sector. The price of yarn produced in mills situated in the State of West Bengal is fixedby the Central Sales Committee keeping in view the prevailing market conditions. Floor price of individual count is fixed taking into consideration prevailing market rate of the count in the market, rate fixed by other subsidiaries and the anticipated demand of the market. Yarn is offered for bidding at prices not below the floor prices fixed by the subsidiary in advance by the Merchants present in the weekly yarn sales meeting. The highest offer above the floor price is accepted for sales of particular count.

Cotton waste is sold by way of open tendering to the highest bidder.

5.3 *Sales projections and achievements*:

The corporate plan (1976—81) of the company envisage that the sale of yarn and cloth would be increased from 170 lakh Kgs. and 570 lakh metres to 237 lakh Kgs. and 783 lakh metres respectively in the post plan period *i.e.* from the year 1981-82 onwards. The corporate plan further envisaged that the annual turnover in respect of yarn and cloth would also be increased from Rs. 2008 lakhs (average rate of Rs. 11.81 per Kg.) and Rs. 1151 lakhs (average rate of Rs. 2.02 per metre) to Rs. 4708 lakhs (average rate Rs. 19.87 per Kg.) and Rs. 4170 lakhs (average rate Rs. 5.33 per metre) respectively.

As against the above projections, the table below gives the actual sale of yarn and cloth vis-a-vis the targets fixed and average per Kg./per metre realisation during 1978-79 to 1987-88.

Year	Budgeted Sales		Actual sales		% of achievement		Average sale realisation per Kg./Metre (Rs.)
	Quantity (In lakh Kgs/metres)	Value (Rs. in lakhs)	Quantity (In lakh Kgs/metres)	Value (Rs. in lakhs)	Quantity	Value	
1	2	3	4	5	6	7	8
Yarn							
1978-79	NA	NA	61.11	1181.39	—	—	19.33
1979-80	81.84	1561.44	68.65	1433.97	83.88	91.84	20.89
1980-81	78.36	1695.36	61.31	1423.12	78.24	83.94	23.21
1981-82	115.20	2848.80	78.35	1773.83	68.01	62.27	22.64
1982-83	96.00	3049.68	81.81	1886.63	85.22	61.86	23.06
1983-84	111.72	2541.00	72.73	1756.89	65.10	69.14	24.16
1984-85	122.45	3354.94	56.78	1532.12	46.37	45.67	26.98
1985-86	114.88	3252.64	72.05	1898.02	62.72	58.35	26.34
1986-87	106.77	2965.90	87.88	1996.80	82.31	67.32	22.72
1987-88	107.86	2894.54	79.43	2469.22	73.64	85.31	31.09
Cloth :							
1978-79	NA	NA	376.63	970.47	—	—	2.58
1979-80	469.32	1567.32	382.59	1253.46	81.52	79.97	3.28
1980-81	505.32	1881.12	396.96	1524.91	78.56	81.06	3.84
1981-82	452.28	2178.60	311.09	1647.07	68.78	75.60	5.29
1982-83	580.20	2261.86	396.51	1722.09	68.34	76.14	4.34
1983-84	438.00	2190.00	343.29	1668.66	78.38	75.83	4.84
1984-85	485.30	2478.57	298.48	1595.59	61.50	64.37	5.35
1985-86	473.74	2536.77	325.88	1948.36	68.79	76.80	5.98
1986-87	500.16	2770.92	323.36	1593.17	64.65	57.50	4.93
1987-88	444.64	2497.37	371.24	1801.12	83.49	72.12	4.85

It will be seen that:—

(a) The budgeted sales were much less than those projected in the corporate plan;

The Ministry stated (February, 1989) that this was due to non-implementation of the Corporate Plan to the full extent.

(b) The targets of sales for cloth were less than the actual sales of 529.06 lakh metres (1975-76) of cloth already achieved before the commencement of the corporate Plan in April, 1976 except in 1982-83;

The Ministry stated (February, 1989) that the target was kept low because production had gone down due to various factors.

(c) The actual sales of yarn and cloth were lower than the budgeted sales. The percentage of achievement with reference to targets of yarn was the highest in 1982-83 (85.22) but declined sharply in 1983-84 (65.10) and 1984-85 (46.37).

(d) The average achievement in 1985-85, 1986-87 and 1987-88 were 88.32 per cent and 64.30 per cent of what had actually been achieved before April, 1976 in respect of yarn and cloth respectively.

It would be evident that despite under-taking the prolonged modernisation/expansion programmes involving a capital outlay of above Rs. 30 crores and improvement in the production of finer yarn and cloth, the average price realised has not improved if viewed in the context of inflation.

The Management stated (January 1987) that since sales have direct correlation with production, it cannot be achieved in isolation.

5.4 *Retail outlets:*

The Company has 113 retail outlets for selling its products (61 opened by the company and 52 opened by the corporation but transferred to this company in 1983). Some of these outlets sell not only company's own products but also the products of other subsidiaries of the Corporation.

These outlets are grouped into five Divisions viz. Calcutta (23), Patna (25), Bhubaneswar (7), Guwahati (7), and Retail Division (51). The turnover of these units for the last four years vis-a-vis the expenditure (excluding cost of cloth) incurred on these are given in Annexure V.

(i) It was observed that sales through the retail outlets constituted 26.88 per cent, 27.25 per cent, 28.76 per cent and 25.70 per cent of the company's sale of cloth during the years 1984-85, 1985-86, 1986-87 and 1987-88 respectively.

The price build up of the controlled cloth allows 20 per cent on the ex-mill price as retail margin. In the case of non-controlled cloth, retail margins of 11 per cent upto 1984-85 and 16 per cent since 1985-86 are added. Yet the company has been incurring huge losses on the cloth sold through these outlets. The losses were 23.96 per cent, 18 per cent, 15.25 per cent and 16.10 per cent of sales during 1984-85, 1985-86, 1986-87 and 1987-88 respectively.

(ii) An analysis of the sales affected and expenditure incurred on 74 retail outlets in West Bengal for the last three years ended 31st March 1987 indicated that: (a) expenditure on sale (excluding the cost of cloth) exceeded the sale value in the case of three outlets in 1984-85, six outlets and 1985-86 and eight outlets in 1986-87;

(b) expenditure on sale (excluding the cost of cloth) exceeded 50 per cent of sale value in the case of 10 outlets in 1984-85, 14 outlets in 1985-86 and 21 outlets in 1986-87;

(c) the loss was more than 100 per cent of the sale value in the case of 2 outlets in 1984-85, 2 outlets in 1985-86 and 7 outlets in 1986-87; the loss exceeded 50 per cent of the sale value in the case of 7 outlets in 1984-85, 12 outlets in 1985-86 and 8 outlets in 1986-87.

(iii) The Company has not laid down any norms for opening a retail outlet indicating the area and population to be covered, quantum of sales and profit expected, gestation period and also the manning pattern. There is also no periodical review of the achievements of these outlets to take remedial measures to improve the operations of these outlets or to consider closure, where warranted.

The Ministry explained (February 1989) that most of the shops run by the subsidiary at present had not been opened by the subsidiary but inherited in different circumstances from time to time. Initially, mills opened retail outlets for sale of controlled cloth in different localities. Most of the shops in Bihar, Assam and Orissa were being opened and run by the Corporation till January, 1983 when these were transferred to this subsidiary. The subsidiary felt that a quite good number of shops could be made viable if those were re-sited to market place.

(iv) *Shortage of Stock in Retail outlets*:

(a) During the year 1985-86, a part of the goods sent to Ranchi Retail Outlet by the Divisional Office, Patna were not taken into the books. The Incharge of the shop failed to send fortnightly report on receipt and sale of stock. The reconciliation of despatches from the Division and receipt by the Retail Outlet was taken up in September 1986 on receipt of information against the Incharge of the shop that a large quantity of stock was missing from the show room. A firm of Chartered Accountants was appointed to investigate into the matter and their report of April 1987 revealed a shortage of stock worth Rs. 7.85 lakhs and non-deposit of sales realisation of Rs. 0.01 lakh by the Incharge. Besides, lot of records were found missing.

The Ministry stated (February, 1989) that C.B.I. had instituted criminal proceedings against the erring employees.

(b) In the various outlets of the Retail and Marketing Divisions, there was shortage of goods worth Rs. 24.06 lakhs as detailed below:—

	(Rs. in lakhs)
1982-83	1.94
1983-84	5.06
1984-85	3.43
1985-86	3.22
1986-87	4.36
1987-88	6.05
TOTAL	24.06

These shortages were included under Loans & Advances in the Annual Accounts pending investigation and recovery. Upto 31st March 1988, only a sum of Rs. 1.94 lakhs had been recovered/adjusted. Investigation is yet to be taken up in most of other cases.

(c) It was observed (November 1987) that in the shops under Retail Division, (West Bengal) stocks worth Rs. 6.36 lakhs were lying (31st March, 1987) in damaged condition. Similarly, in the shops under Patna, Orissa and Guwahati Divisions, stock worth Rs. 12.00 lakhs, Rs. 2.25 lakhs and Rs. 5.00 lakhs respectively were lying (November 1987) in damaged condition.

The Ministry stated (February 1989) that action had been initiated to dispose of the damaged and non-moving sorts by assessing the quantum of damage and the quantum of discount to be granted for which a committee had been constituted for each division, whose reports were awaited.

6. COSTING AND BUDGETARY CONTROL

6.1 *Costing system :*

6.1.1 The Corporation brought out a costing manual effective from Ist April, 1976 for securing meaningful financial control and reduction in cost and also for facilitating effective inter-unit and inter-company comparison. Process costing has been prescribed.

6.1.2 The costing manual contemplates an integrated system of cost and financial accounts but no separate cost ledgers have been maintained. Concept of marginal costing has been introduced.

6.1.3 The following deficiencies were observed in implementation of the system :—

(i) Even though prescribed in the costing manual, monthly/yearly cost sheets, inter-alia, bringing out the cost per Kg. of yarn or cost per metre of cloth are not compiled. Hence comparison of actual cost with budgetted cost as per the Performance-cum-Profit and loss Budget of each year is not possible.

(ii) There is no system of determining the idle time for labour and machinery.

(iii) There is no regular system of reporting the product cost viz. cost of yarn per Kg. (count wise) or cost of cloth per metre and hence the very purpose of costing is lost.

6.1.4 The Cost Auditors appointed under Section 233-B of the Companies Act, 1956 in their cost audit reports submitted from time to time, have pointed out the following deficiencies:

(i) Inadequacy of the budgetory control.

(ii) Poor coverage of internal audit in the Mills.

(iii) High inventory on dead and obsolete stores.

(iv) Erratic supply of cotton leading to un-economic mixing cost.

(v) Under-utilisation of capacity.

(vi) Diminishing ratio of asset-turnover, etc.

The Ministry stated (February 1989) that the deficiencies brought out in the reports had been taken note of and efforts to improve the working parameters were being taken from time to time which lead to major policy decisions like amalgamation of the unviable units, reduction in the excess labour force, special voluntary retirement schemes, closure of uneconomic activities, disposal of slow moving and obsolete stores through Metal Scrap Trade Corporation Limited. etc.

6.2 *Budgetary Control*

Every year, each mill of the company submits a draft performance-cum-profit and loss budget in the format prescribed in the costing Manual. The Budget is prepared by the costing department of the Company and is submitted to the Corporation with the approval of the company's Board of Directors.

7. MAN-POWER ANALYSIS

7.1 As on Ist April 1974, the total number of workers with the Company was 19222. In order to reduce the excess labour in different mills, the Corporation introduced from Ist April 1974 a scheme of 'Labour Rationalisation Without Tears' contemplating that surplus workers should be superannuated/retrenched in consultation with the labour unions and no fresh recruitment be made against the posts thus falling vacant. It was expected that with the retirement/retrenchment of old workers, the average age group would be reduced which might increase the working efficiency in the mills. It was estimated that 15,000 workers would become surplus in all the mills of various subsidiary companies as a result of implementation of Rationalisation scheme and on an average rationalisation/superannuation per worker would cost Rs. 7,500/-. The Corporation had, however, informed the Committee on Public Undertakings (1981-82) that the company was not able to implement the scheme smoothly and speedily as decision of the State Government on the recommendations of Expert Committee appointed to study the question of introduction of scientific work-load norms in textile mills of West Bengal was awaited. The decision has not yet been received (March 1989).

The Company did not retrench any worker and the scheme was confined only to workers who attained the age of superannuation. The Corporation paid to the Company labour rationalisation loans amounting to Rs. 230 lakhs during January 1976 to March 1986 which was entirely utilised by the Company to pay retirement benefits to 4055 superannuated workers.

The Board of Directors of the Company decided (October 1977) that the vacancies caused by superannuation and/or by labour rationalisation should not be filled in and the additional manpower required due to expansion should be met by absorption of surplus labour. A Committee of Directors was also to be formed to look after the implementation of the scheme. However, 875 new workers were recruited during these years.

The Management stated (January 1987) that it was not possible in most of the mills to get the work load norm accepted and thereby declare the workers surplus. As a result, in order to run the machines due to increased capacity or otherwise, there was hardly any alternative left except to recruit.

The Corporate plan formulated in December 1979 envisaged expansion of the activities of the mills under the Company, thereby creating new jobs so that even after absorption of the surplus labour to the extent of about 3500 there would be scope for additional employment.

It was estimated by the management that as on Ist April, 1989 there were still 4097 workers surplus to its requirements.

The Management during Audit Board meeting in February 1989 stated that the surplus labour in one field/department could not be utilised in other field/Department due to union resistance.

7.2 *Norms of employment of labour*

(i) For measuring the productivity of labour in spinning, weaving and processing departments, the Corporation fixed (April 1976) norms indicating the number of workers required per 1000 spindle-shifts, and per 100 loom-shifts. The actual number of labour employed during 1977-78 to 1987-88 vis-a-vis the above norms is shown in the table below: —

Particulars	Norms (number of workers)	Number actually employed 1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88
Number of workers per												
(a) 1000 spindle shifts (40s count) mixing to spindle point.	5.2	10.35	11.14	10.01	8.69	8.37	8.58	8.96	7.47	7.39	6.85	6.25
(b) 100 loom shifts (winding to loom shed).	45.00	84.36	85.76	80.83	76.36	74.18	78.35	66.80	64.47	68.15	63.92	66.16

It will be seen from the above data that though the number of workers per 1000 Spindle-shifts came down from 6.85 (1986-87) to 6.25 (1987-88) the workers per 100 loom-shift went up from 63.92 (1986-87) to 66.16 (1987-88). However, in both the cases the actuals were more than the norms.

In the negotiated settlement between the Labour Unions and the company arrived at on 9th July 1979 it was, inter-alia, provided that a Committee of Experts would be set up by the Government of West Bengal to examine the workload and duties of workmen which would submit its report within six months. Accordingly, a Committee set up by the State Government on 23rd November 1979 submitted its report to the State Government, which has, however, not yet (March 1989) published its decision on the workload norms suggested by the Expert Committee.

However, in the meantime (October 1979) the tentative work-load norms laid down by the company were agreed to by labour unions. The revised working system was fully implemented in 6 mills and partly in 5 mills from different dates. In two mills, implementation could not be done due to stiff resistance of the local labour unions. In respect of mills situated outside the State of West Bengal, revised workload norms have been implemented under settlement arrived at during March 1981 and July 1985.

The Management stated (July 1985) as under :—

> "Negotiation is going on with Trade Union leaders for implementing the work load of workers simultaneously alongwith the revision of pay scales, it is expected that work load norms will be fixed up when surplus posts will not be filled up in order to give effect to the Scheme of labour Rationalisation".

The above position has, however, not under-gone any change till date (March 1989).

7.3 *Irregular Payments to employees*

(i) The Company introduced production incentive scheme in September 1982 envisaging that each workman would be granted an adhoc payment of Rs. 45 per annum from 1982-83 provided the total production in the company increased from Rs. 36 crores per annum to Rs. 60 crores per annum. Although the value of production during 1982-83, 1983-84, 1984-85, and 1985-86 was Rs. 36.48 crores, Rs. 28.64 crores, Rs. 31.23 crores and Rs. 42.47 crores respectively, production incentive to the extent of Rs. 8 lakhs for each year was paid to the workers.

The Board of Directors in their meeting held on 24-9-1986 was surprised to note that the payment had been made without the matter having been placed before them on earlier occasions. It conveyed its displeasure to the persons responsible for making the payment, particularly on account of the fact that it had been made without the approval of the competent authority i.e. the Chairman-cum-Managing Director.

At the instance of the Board of Directors, the matter was taken up with the Corporation which stated (October 1986) that the payment was unauthorised and should be recovered from the employees and be discontinued with immediate effect. The Corporation also directed that disciplinary action should be taken against the officers at fault. Though payment of production incentive for the year 1986-87 and onwards was stopped, recovery of the payment amounting to Rs. 32 lakhs (approx.) already made to the employees for the year 1982-83 to 1985-86 has neither been affected nor has any disciplinary action been taken against the officers at fault (March 1989).

While accepting the facts pointed out by Audit, the Ministry stated (February 1989) that the recovery of payment towards the said incentive had not been possible. The concerned officials had also left the organisation.

(ii) According to Government of India orders, no city compensatory allowance is admissible in a "C" class city. The Company, however, vide its order dated 5-5-1981 allowed, the officers and supervisors of Bengal Textile Mills and Manindra Mills (both located at Cossimbazar, Distt. Murshidabad, West Bengal; which is a "C" Class city) drawing N.T.C. scales of pay, City Compensatory Allowance @ 6 per cent of their basic pay subject to a maximum of Rs. 75 per month with effect from 1-11-1980. The deviation was also not brought to the notice of the Board of Directors. Upto March 1987, the irregular payment on this account amounted to Rs. 0.77 lakh. This was pointed out in Audit in April 1986 but order to stop the payment was issued only in July 1987. The recovery on account of this irregular payment has not yet been affected (March, 1989).

The Ministry stated (February, 1989) that the officer responsible for payment of C.C.A. had already retired. The recovery of payment already made was not possible.

(iii) According to Bonus Act 1965, bonus is to be calculated on earnings which do not include encashment of casual leave, earned leave, unavailed sick leave and incentive to workers. It was, however, observed that Bengal Textile Mills and Manindra Mills of the Company had paid bonus to their staff after including the above mentioned items in the earnings.

As a result, a sum of Rs. 1.31 lakhs had been paid in excess during the year 1982-83 to 1985-86. Excess payment of earlier years could not be worked out.

The Ministry stated (February 1989) that disciplinary action had been taken against the officers responsible for the irregular payment.

8. MATERIAL MANAGEMENT AND INVENTORY CONTROL

8.1 The purchase of cotton was centralised at the cotton purchase department from November 1975 and on 9th January 1976 a Cotton Purchase Committee was constituted to look after the purchases from private trade. Since April 1976 cotton is being purchased only from Cotton Corporation of India and State Co-operative Marketing Federations.

The following table indicates that the Company could not procure the full budgeted quantity of cotton during the last ten years ended 31st March, 1988 :—

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88
(i) Budgeted Requirement (in bales)	NA	NA	190965	157276	110918	114988	118724	109582	105488	101888
(ii) Quantity Purchased (in bales) :										
Cotton Corporation of India	24646	11614	34668	32534	46921	40645	43869	20942	49954	32427
Maharashtra State Co-operative Cotton Growers Marketing Federation Ltd. (MSCGMF)	30711	37029	29467	20231	27584	21232	37455	35688	41137	18960
Others	2913	2000	2765	6000	3770	1675	—	6000	1975	—
TOTAL	58270	50643	66900	58765	78275	63552	81324	62630	93066	51387
(iii) Percentage of quantity purchased to budgeted quantity	—	—	35.0	37.4	70.6	55.3	68.5	57.2	88.2	50.4

The Ministry stated (February, 1989) that the shortfall in the procurement of cotton had been mainly due to non-availability of funds attributable to delay in reimbursement of cash losses incurred by the Company.

8.2 As per agreements with the suppliers, the Company was to lift cotton within the specified dates failing which it had to pay carrying charges at rates varying between 2 per cent and 2.5 per cent per month. Also, payment for cotton purchased was to be made by a specified date otherwise interest at bank rate was chargeable. It was seen that in respect of purchases from CCI and MSCGMF (which account for the major portion of total purchase) the Company had to pay about Rs. 1650.00 lakhs during the years 1978-79 to 1987-88 as carrying charges and interest on delayed payment.

The Management stated (January 1987) that due to shortage of working capital it was not possible to make timely payment to the cotton suppliers. This has to be viewed in light of the fact that even if the payment had been made by borrowing money from bank (carrying interest @ 18.5 percent per annum) the Company would have saved a sum of Rs. 8.68 lakhs per annum.

8.3 *Inventory Control*

The following table indicates the position of inventory during the last 10 years :—

Year	Raw materials		Stores and spare parts Misc. stores & loose tools		Work-in-progress		Finished products (including cotton waste)	
	Value (Rs. in lakhs)	In terms of months' consumption	Value (Rs. in lakhs)	In terms of months' consumption	Value (Rs. in lakhs)	In terms of months' production)	Value (Rs. in lakhs)	In terms of months' sale
1	2	3	4	5	6	7	8	9
1978-79	353.85	3.06	141.23	13.65	163.34	0.57	877.97	4.99
1979-80	398.64	4.16	156.63	14.25	101.34	0.34	840.09	3.86
1980-81	560.72	5.15	189.90	15.10	131.92	0.39	926.58	3.82
1981-82	288.27	1.83	189.16	13.81	456.50	1.11	1044.55	3.69
1982-83	277.58	1.90	187.96	12.10	634.46	1.60	939.58	3.15
1983-84	310.96	2.45	188.41	13.77	204.16	0.44	851.33	3.02
1984-85	861.34	6.34	177.52	13.19	233.81	0.45	832.82	3.21
1985-86	448.59	2.87	202.65	8.99	216.40	0.38	1281.19	4.03
1986-87	883.68	6.82	207.93	9.58	253.96	0.46	1486.14	4.51
1987-88	753.19	4.28	197.49	9.44	329.48	0.52	1361.43	3.40

8.4 The Company took over stores and spare parts valuing Rs. 85.74 lakhs at the time of nationalisation of sick mills in 1974. It had not kept adequate records to watch ultimate use of these stores and spares so as to take timely action to dispose of items not likely to be required. Slow-moving and non-moving items of stores and spares which mostly related to pre-nationalisation period were estimated by the Company at Rs. 29.17 lakhs at the end of 1987-88.

The Ministry stated (February 1989) that they recently had taken up with the Metal Scrap Trade Corporation Limited for the disposal of the surplus stores.

8.5 The following general deficiencies were noticed in the system of material management and inventory control :

(i) Manual outlining the procedure for indenting, purchase, receipt, inspection, storing, custody etc. of various items of stores has not been drawn up.

(ii) ABC analysis of store items has not been carried out.

(iii) Maximum, minimum and re-ordreing levels of items of inventory have not been fixed.

(iv) There was no system of periodical review of stock holdings to ascertain the extent of surplus, obsolete and unserviceable items of stores and spares etc.

9. FINANCIAL POSITION AND WORKING RESULTS

9.1 *Financial Position*

The following table indicates the financial position of the company for the last six years ending 31st March, 1988.

(Rs. in lakhs)

	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88
Liabilities						
(a) Paid-up capital	3207.43	3863.62	3939.22	4064.32	4064.32	4227.32*
(b) Reserves and Surplus	309.03	310.21	317.10	315.75	315.75	315.75
(c) Borrowing from :						
(i) Corporation	6935.27	8120.71	12494.46	15233.54	17416.30	19411.62
(ii) State Govts.	178.33	178.33	178.33	178.33	178.33	178.33
(iii) Banks and others including IDBI and IFCI	1258.84	1277.05	1333.61	1415.18	1476.62	1502.19
(d) Trade dues and other current liabilities (including provisions)	2503.91	3526.66	2554.57	2473.51	3317.52	3315.23
	14392.81	17276.58	20817.29	23680.63	26768.84	28950.44
Assets						
(a) Gross Block	2773.66	3084.87	3184.46	3447.77	3575.97	3627.17
(b) *Less :* Depreciation	604.81	772.67	1038.88	1204.52	1453.72	1657.62
(c) Net fixed Assets	2168.85	2312.20	2145.58	2243.25	2122.25	1969.55
(d) Capital work-in-progress	785.26	557.92	502.91	311.95	220.13	183.54
(e) Investments (other than trade)	0.96	0.97	0.99	0.99	1.02	1.05
(f) Current Assets, Loans and Advances	4020.28	3313.22	3782.20	4105.13	4940.31	4842.85
(g) Miscellaneous expenditure and losses	7417.46	11092.27	14385.61	17019.31	19485.13	21953.45
	14392.81	17276.58	20817.29	23680.63	26768.84	28950.44
Capital Employed	3802.24	2210.54	3478.49	4486.50	3836.73	3586.52
Net worth	(—)3901.00	(—)6918.44	(—)10129.29	(—)12639.24	(—)15105.06	(—)17410.38

*Including Rs. 163.00 lakhs held by the Company as advance against equity.

NOTE : 1. Capital employed represents net fixed assets *plus* working capital.

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

9.2 *Working Results*

The Company has been incurring heavy losses ever since it started functioning. The working results for the last 5 years ended 31st March, 1988 are as under :—

(Rs. in lakhs)

	1983-84	1984-85	1985-86	1986-87	1987-88
Loss before interest	2232.50	2636.33	2284.21	2163.38	2461.66
Interest	449.98	482.43	352.09	283.19	270.34
Total Loss for the year	2682.48	3118.76	2636.30	2446.57	2732.00
Prior period Adjustment (Debit (—)/Credit (+))	(—)1021.76	(—)174.58	(+)2.60	(—)19.26	(—)83.87
Net Loss	(—)3704.24	(—)3293.34	(—)2633.70	(—)2465.83	(—)2815.87

The cumulative loss of the company as on 31st March, 1988 amounted to Rs. 21,953.45 lakhs wiping out the entire share capital of Rs. 4227.32 lakhs. As a result of continuous losses, the net worth of the company has been a negative one right from the second year of its operation, i.e., from 1975-76 and stood at (—) Rs. 17,410.38 lakhs as on 31st March, 1988.

The loans provided by the Corporation which increased from Rs. 6935.27 lakhs in 1982-83 to Rs. 19411.62 lakhs in 1987-88 are interest free since 1982-83 except nominal service charges. Interest accumulated upto 1982-83 was also waived as mentioned in para 2.1.

In spite of this, the interest burden of the Company increased from Rs. 126.78 lakhs in 1982-83 to Rs. 449.98 lakhs in 1983-84 and Rs. 482.43 lakhs in 1984-85 mainly due to shortage of cash caused by excessive loss and locking up of funds in sundry debtors and inventory. The cash credit availed of by the company increased from Rs. 576.86 lakhs in 1982-83 to Rs. 876.35 lakhs in 1987-88.

9.3 The following table indicates the volume of book debts and sales for the last six years ended 31st March, 1988 :

Year	Debts				
	Considered Good	Considered Doubtful (Rs. in lakhs)	Total	Sales (Rs. in lakhs)	Percentage of debts to sales
1982-83	485.52	79.92 (34.22)	565.44	3575.36	15.81
1983-84	645.74	95.13 (50.60)	740.87	3383.12	21.90
1984-85	687.72	109.87 (109.87)	797.59	3111.73	25.63
1985-86	746.43	121.11 (121.11)	867.54	3816.43	22.73
1986-87	871.40	136.33 (136.33)	1007.73	3957.75	25.46
1987-88	1004.70	146.97 (146.97)	1151.67	4798.17	24.00

Note : Figures in brackets indicate provisions made in accounts against doubtful debts.

The Sundry Debtors increased constantly adversely effecting liquidity position of the Company.

During discussion with the Audit Board, the Ministry informed (February 1989) that a sum of Rs. 2.50 crores approximately was due from National Co-operative Consumers Federation of India Limited (NCCF) and others for supplies through the Director General Supplies and Disposal (DGS&D) for which efforts were being made through holding company to realise these outstandings. In this connection it would be pertinent to mention that contrary to its policy of selling non-controlled cloth on cash payments only, the Company sold non-controlled cloth to NCCF and other private parties on credit.

During 1979-80 to 1983-84 non-controlled cloth valued at Rs. 499.05 lakhs was supplied to a unit of NCCF on credit against which payments of Rs. 363.29 lakhs only was received upto February 1984 leaving a balance of Rs. 135.76 lakhs outstanding (December 1986). Further supplies to the unit were stopped after February 1984. The Ministry intimated (February 1989) that the matter was subjudice and the officers responsible were under suspension.

Thus, from the overall analysis of the operations of the Company over a period of 14 years, the picture that emerges is that apart from modernisation and rehablitation being not complete, the cumulative loss itself (Rs. 21953.45 lakhs) has gone more than five times the paid-up capital. The losses incurred every year are generally even more than the salary, wages and bonus paid to the employees as would be apparent from the position during the last five years.

(Rupees in lakhs)

Year	Loss of the year	Salaries, wages and bonus paid to employees
1983-84	2682.48	2131.42
1984-85	3118.76	2392.68
1985-86	2636.30	2514.78
1986-87	2446.57	2614.15
1987-88	2732.00	2722.75

Non-implementation of the recommendations made by the Committee on Public Undertakings to introduce modernisation on selective basis in the above context, acquires greater significance. Keeping this approach in view, the Government, taking the realities into account, may have to concentrate on modernising limited units instead of distributing the resources among all the units in the future programmes.

10. OTHER TOPICS OF INTEREST

10.1 *Avoidable purchase of Air Pollution control Equipment*

The Company approved on 26th August, 1982 a proposal for installation of air pollution control equipment in departments like processing, boiler rooms, workshop, canteen etc. which did not have any air pollution control devices earlier, in various mills. Accordingly, on 30th August, 1982 an order for the purchase of 3,600 numbers of 'Bouquet' air pollution control equipment at a total cost of Rs. 85.93 lakhs (@ Rs. 2387 each) was placed on the National Small Industries Corporation Limited acting as an agent of a private manufacturer. Though the Company has no previous experience of using this type of devices or any other for this specific purpose, it did not carry out any test about the suitability of the equipment before placing the order. Approval of the Corporation was also not obtained for purchasing the equipment.

Between November, 1982 and August, 1983, 3,600 numbers of equipment costing Rs. 90.86 lakhs (including 56 numbers costing Rs. 1.40 lakhs in damaged condition) had been received in the mills but 700 numbers could be installed till October 1986 and the remaining 2,900 numbers (value Rs. 73.19 lakhs) were lying uninstalled (March 1989).

The Board of Directors decided on 25-7-1985 that the equipment might be tried elsewhere or disposed of in view of the comments of Chief Executives of some Mills that these were not useful to textile Mills.

The Management stated (October 1986) that the attempts to divert the equipments to other public sector undertakings and also for their disposal were not fruitful and the equipments were lying unused in different mills.

10.2 *Avoidable payment of demurrage charges*

As per mutual understanding between the company and a transporter, the latter was transporting the Company's goods from the works of a Bombay firm and their associates and delivering them to different mills of the Company. As the Company, despite reminders from the transporter, failed to take delivery of certain goods valued at about Rs. 5 lakhs (which arrived at the godown of the transporter between January 1982 and November 1982) the consignment incurred demurrage charges. The transporter again requested (February/April 1985) the company to take delivery of goods after payment of Rs. 4.70 lakhs including demurrage amounting to Rs. 4.45 lakhs. After negotiations with the transporter, the demurrage charges were finally settled at Rs. 2.85 lakhs which were paid and the delivery of goods taken in May 1985. Thus, the company incurred an avoidable loss of Rs. 2.85 lakhs.

The Board of Directors in their meeting held on 18th May 1985 expressed their annoyance on the lapse of concerned departments and directed that responsibility for incurring heavy demurrage charges should be fixed. No responsibility has been fixed (February 1989).

10.3 *Unnecessary purchase of an oil fired boiler*

The Company purchased one oil fired boiler by August 1974 at a cost of Rs. 2.69 lakhs (including cost of erection) for Shree Mahalaxmi Cotton Mills. The boiler was installed in November 1977 and put to use in September 1979 i.e. after 5 years from the date of receipt. Since its commissioning, it worked only for 1398 hours up to 1983-84. It did not work even for a single hour during 1981-82, 1982-83, 1984-85 to 1986-87. The main reason for idleness of the boiler was heavy breakdown of the vital parts. Because of the delay in erection, the matter could not be taken up with the supplier for rectification of defects and damages within the stipulated guarantee period.

The Company has not taken any action to repair the boiler and to put it to use. Meanwhile, the existing two coal fired boilers in the Mills are meeting the requirement of the mill.

11. INTERNAL AUDIT

11.1 The Internal Audit Division (IAD) was established in November, 1975 with a strength of three officers and eight assistants. As on 31st March 1988 there were only two officers and five assistants on rolls. IAD functions directly under the administrative control of Chairman-*cum*-Managing Director.

Accepting the recommendation of Committee on Public Undertakings (April 1968), the Bureau of Public Enterprises directed various public sector enterprises in September 1968 that the functions of internal audit should include a critical review of the systems procedures and operations as a whole of the undertaking.

The Committee on Public Undertakings also recommended that 'the Internal Audit Organisation should be charged with the task of pointing out deviation in the normal course and the Financial Director should report the position to the Board and the Government'. The above recommendation was also accepted by Government and was circulated to public sector undertakings on 12th June, 1979 for implementation.

In pursuane of these recommendations the Corporation asked (27th June, 1979) all its subsidiary companies to report compliance. As the organisational set up, staffing pattern, scope of Internal Audit and the norms were not uniform in all the subsidiary companies, the Board of Directors of the Corporation in their meeting held on 30th August, 1982 decided to introduce uniform system of Internal Audit, both in regard to organisational set up and scope of audit. Accordingly, the Corporation in its letter dated 15th October, 1982 addressed to all subsidiary companies, *inter alia*, stated that :—

(i) more emphasis should be laid down on operational audit;

(ii) the Internal audit should review and apprise the adequacy, reliability and effectiveness of existing Internal controls; it should also apprise about the delegation of authority and responsibility at different levels of Management;

(iii) IAD should review modernisation projects after they have been sanctioned, during the course of their implementation, the IAD may once in a quarter, review the progress of each project and particularly see that funds made available for modernisation are not used for other purposes, after completion the entire project should be evaluated with regard to achievement of its objectives, cost and time targets;

(iv) IAD should also verify whether cost accounting records have been prepared and maintained properly.

It has, however, been noticed that the company has not even compiled any manual for internal audit to define its scope and functions (March 1989).

11.2 The IAD has not conducted (March 1989) any critical review and/or appraisal of the performance of the Company on the lines envisaged by the Committee on Public Undertakings. In addition, IAD does not also cover the aspects relating to sales, debtors and documentation procedures.

The Ministry stated (February 1989) that steps were being taken to strengthen the Internal Audit Department and cover all the areas and take up follow up action.

K. Tyagarajan

(K. TYAGARAJAN)
Deputy Comptroller and
Auditor General —cum—
Chairman, Audit Board

New Delhi,
The 30 APR 1990

Countersigned

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

New Delhi,
The 30 APR 1990

ANNEXURE I

(Referred to in para 3.3)

Statement showing Mill-wise position of Spindles and Looms

Mills	Existing capacities before the Corporate plan		Capacities envisaged after the plan period at the end of 1980-81 (all workable)	Actual workable capacities at the end of		Shortfall at the end of	
	Installed	Workable		1980-81	1987-88	1980-81	1987-88
1	2	3	4	5	6	7	8
A. *Spindles (in Numbers)*							
Bengal Luxmi Cotton Mills	38848	23448	38848	27116	30516	11732	8332
Central Cotton Mills	35464	33335	35464	33780	33344	1684	2120
Rampooria Cotton Mills	27284	22243	27284	25044	24388	2240	2896
Shree Mahaluxmi Cotton Mills	15932	15000	15932	15136	15936	796	Nil
Bangasree Cotton Mills	15260	11000	25060	11905	14828	13155	10232
Gaya Cotton & Jute Mills	19200	12512	38894	17162	22240	21732	16654
Bengal Fine Mill No. I	24800	19050	24800	23104	23704	1696	1096
Bengal Fine Mill No. II	5300	5300	25000	10420	12960	14580	12040
Sodepur Cotton Mills	6100	5876	25000	7419	11508	17581	13492
Bengal Textile Mills	12396	12396	25000	12000	14996	13000	10004
Associated Industries	12320	11200	25000	12320	16428	12680	8572
Arati Cotton Mills	21000	11872	25000	18816	20044	6184	4956
Luxmi Narayan Cotton Mills	25540	25132	30000	25132	29132	4868	868
Kanoria Industries	12000	10200	12000	10000	10800	2000	1200
Orissa Cotton Mills	13144	7844	25000	13740	22468	11260	2532
Bihar Co-operative Weavers' Spinning Mills	12000	11600	25000	12000	13200	13000	11800
	296588	238008	423282	275094	316492	148188	106794
B. *Looms (in Numbers)*							
Bengal Luxmi Cotton Mills	795	645	795	651	604	144	191
Central Cotton Mills	534	534	534	534	400	..	134
Rampooria Cotton Mills	736	560	736	668	598	68	138
Shree Mahaluxmi Cotton Mills	296	290	300	294	300	6	..
Bangasree Cotton Mills	396	300	396	296	228	100	168
Gaya Cotton & Jute Mills	536	180	536	180	144	356	392
Bengal Fine Mill No. I	48	36	—	36	—	—	—
Manindra Mills	180	180	300	180	180	120	120
Jyoti Weaving Factory	160	120	200	90	90	110	110
	3681	2845	3797	2929	2544	904	1253

ANNEXURE II

(Referred to in para 3.3)

Statement showing data regarding utilisation of capacity, productivity of Spindles/Looms and average employment per 100 *Looms Shift*

Particulars	Norms projected at the end of Corporate plan (Average)	Name of the Mills				
		Shree Mahaluxmi Cotton Mills (Composite)	Bengal Luxmi Cotton Mills (Composite)	Rampooria Cotton Mills (Composite)	Luxmi Narayan Cotton Mills (Spinning)	Sodepur Cotton Mills (Spinning)
A. *Spinning Utilisation in percentage*	90					
1980-81		71.4	54.8	45.0	63.2	59.8
1981-82		73.7	58.8	40.0	53.0	82.8
1982-83		65.2	55.4	42.0	67.1	91.3
1983-84		49.1	46.8	32.6	52.3	74.5
1984-85		49.4	32.2	44.6	46.8	53.7
1985-86		73.4	60.9	64.9	59.7	69.9
1986-87		63.1	57.2	59.1	66.3	66.6
1987-88		55.0	55.7	53.3	73.7	55.5
B. *Weaving Utilisation in percentage*	80					
1980-81		68.9	51.6	45.0	Not applicable	Not applicable
1981-82		73.6	57.0	39.0		
1982-83		73.6	61.0	39.0		
1983-84		57.4	61.1	32.0		
1984-85		52.4	38.3	47.7		
1985-86		75.7	65.6	70.1		
1986-87		66.6	63.0	62.6		
1987-88		56.4	58.2	68.3		
C. *Spindle Productivity* (40s *Conversion*)	68					
1980-81		51.2	52.0	50.3	59.5	55.5
1981-82		49.1	47.1	53.0	60.5	63.3
1982-83		49.4	49.0	54.5	60.0	64.9
1983-84		48.0	51.2	57.3	59.7	65.5
1984-85		51.4	49.1	57.2	59.3	62.5
1985-86		48.8	49.1	54.6	60.0	70.0
1986-87		49.8	47.8	54.0	59.3	67.7
1987-88		47.9	48.1	54.2	59.3	65.9
D. *Loom Productivity Index*	235				Not applicable	Not applicable
1980-81		200	241	198		
1981-82		218	247	204		
1982-83		215	241	211		
1983-84		232	248	213		
1984-85		222	248	227		
1985-86		215	251	220		
1986-87		211	246	228		
1987-88		192	245	232		
E. *Employment per* 100 *Looms shift* (*in Nos.*)	54				Not applicable	Not applicable
1980-81		95	75	59		
1981-82		82	77	52		
1982-83		88	89	51		
1983-84		64	61	48		
1984-85		70	64	51		
1985-86		80	61	54		
1986-87		71	60	54		
1987-88		62	59	53		

ANNEXURE III
(Referred to in para 4.07)

Statement showing the utilisation of Looms and Spindles in six mills

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88
Loom utilisation of commissioned capacity (%)										
(a) Jyoti Weaving Factory	39.96	45.88	40.96	54.88	46.91	54.29	61.78	61.78	62.35	64.66
(b) Bengal Fine Spinning & Weaving Mill No. 1	73.80	65.60	61.59	68.46	63.73	59.47	45.58	48.32	55.21	59.69
(c) Central Cotton Mills	NA	71.95	49.33	52.49	41.36	30.48	29.85	45.44	50.46	33.62
(d) Rampooria Cotton Mills	78.00	60.00	45.00	39.00	39.00	35.04	47.72	75.00	62.59	68.25
Spindle utilisation of Commissioned capacity (%)										
(a) Sodepur Cotton Mills	56.21	51.65	59.77	82.84	91.34	75.52	53.69	69.91	66.60	55.50
(b) Bihar Co-operative Weavers' Spinning Mills	69.60	54.89	46.06	52.56	52.43	45.21	44.14	58.89	66.30	58.51
(c) Central Cotton Mills	NA	73.07	52.62	49.33	40.18	23.86	22.71	50.95	47.92	30.30
(d) Rampooria Cotton Mills	50.00	44.00	45.00	40.00	42.00	38.29	44.60	65.00	59.06	53.25

ANNEXURE IV

(Referred to in para 4.12)

Statement showing the Productivity in Spinning and Weaving Departments of a few mills

	1983-84	1984-85	1985-86	1986-87	1987-88
Spinning department—Productivity (40s conversion)					
(a) Rampooria Cotton Mills	57.30	57.24	54.57	54.00	54.17
(b) Bihar Co-operative Weavers' Spinning Mills	49.84	47.08	45.00	44.05	46.22
(c) Arati Cotton Mills	61.59	56.69	59.56	57.45	57.63
(d) Bengal Fine Spinning & Weaving Mills No. II	58.64	58.19	55.54	55.73	59.41
(e) Luxmi Narayan Cotton Mills	59.67	59.30	59.67	59.31	59.33
Weaving Department—Looms Productivity Index					
(a) Rampooria Cotton Mills	213	227	220	228	232
(b) Bengal Luxmi Cotton Mills	248	248	251	246	245
(c) Central Cotton Mills	182	185	224	224	209
(d) Jyoti Weaving Factory	57	62	66	80	79
(e) Bengal Fine Mills No. 1	87	81	74	70	53

ANNEXURE V

(Referred to in Para 5.4)

Statement showing Turnover vis-a-vis Expenditure on Retail Outlets

Year	Name of Division	Sale of cloth (Rs. in lakhs)	% of sale to total cloth sale of the company	Sales Expenditure excluding cost of cloth	% of Expenditure to sale of cloth in the division	Loss (Rs. in lakhs)	Percentage of loss to sale of cloth of the division
1984-85	Calcutta Marketing	105.65	6.63	50.25	47.56	33.93	32.12
	Patna	134.50	8.45	47.16	35.06	37.28	27.72
	Bhubaneswar	25.92	1.63	10.79	41.63	7.35	28.36
	Retail	161.93	10.17	35.01	21.62	23.98	14.81
	Total :	428.00	26.88	143.21	33.46	102.54	23.96
	Company as a whole	1592.46					
1985-86	Calcutta Marketing	100.85	5.18	47.85	47.45	34.93	34.64
	Patna	210.16	10.80	50.08	23.83	26.37	12.55
	Bhubaneswar	47.01	2.42	13.48	28.67	6.43	13.68
	Retail	172.35	8.86	40.28	23.37	27.64	16.04
	Total :	530.37	27.25	151.69	28.60	95.47	18.00
	Company as a whole	1946.01					
1986-87	Calcutta Marketing	90.11	4.50	47.01	52.17	34.73*	38.54
	Patna	224.80	11.22	64.73	28.79	23.34	10.38
	Guwahati	51.22	2.56	18.91	36.92	5.95	11.62
	Bhubaneswar	50.22	2.51	15.35	30.57	7.37	14.68
	Retail	159.71	7.97	35.94	22.50	15.46	9.68
	Total :	576.06	28.76	181.94	31.58	87.85	15.25
	Company as a whole	2003.66					
1987-88	Calcutta Marketing	88.63	3.75	52.53	59.27	34.32	38.72
	Patna	243.29	10.29	69.28	28.48	32.64	13.42
	Guwahati	72.43	3.06	17.54	24.22	2.42	3.34
	Bhubaneswar	32.80	1.39	12.97	39.54	11.37	34.66
	Retail	170.62	7.21	39.62	23.22	17.08	10.01
	Total :	607.77	25.70	191.94	31.58	97.83	16.10
	Company as a whole	2364.90					

*Excluding shortage of stock worth Rs. 9.00 lakhs (approx.) as per audited statement of the Division which was stated to be under reconciliation.

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