REPORT OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA : UNION GOVT. (COMMERCIAL) PART II 1982

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REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

UNION GOVERNMENT (COMMERCIAL)

PART II

1982

ABILITATION INDUSTRIES CORPORATION LIMITED

9/13

ERRATA

Page No.	Reference to line	For	Read
4	11th line from top (Column "Period of Loan")	Insert 2 above the words	"for Rs........ lakhs."
	—do—	for Rs. 25 Lakhs	for Rs. 15 Lakhs.
	20th line (Last Column)	1488.06	1488.05
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13	Table (Last Column) Heading	Bob-Hooghly	Bon-Hooghly
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27	Ist line against 1978-79	Food	Flood
43	18th line from top	Rs. 3.25	Rs. 3.23
43	19th line from top	of salaries	on salaries
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74	Note under table	Figure	Figures
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Report

of the

Comptroller

and

Auditor General

of India

Union Government (Commercial)

Part II

1982

Rehabilitation Industries Corporation Limited

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PREFATORY REMARKS

A reference is invited to paragraph 5 of the prefatory remarks contained in Part I of the Report of the Comptroller & Auditor General of India—Union Government (Commercial)-1982 wherein it was, *inter alia,* mentioned that the Report on the working of Rehabilitation Industries Corporation Limited—an undertaking selected for appraisal by the Audit Board—was under finalisation.

2. This part contains the results of the appraisal undertaken by the Audit Board of the working of the Rehabilitation Industries Corporation Limited. In this case, Audit Board consisted of the following members :—

(1) Shri P. P. Gangadharan, Chairman, Audit Board and Ex-officio Additional Deputy Comptroller and Auditor General (Commercial) with effect from 1st March 1980.

(2) Shri P. P. Dhir, Chairman, Audit Board and Ex-officio Additional Deputy Controller and Auditor General (Commercial) with effect from 1st February 1982 to 9th June 1982.

(3) Shri R. C. Suri, Chairman, Audit Board and Ex-officio Additional Deputy Comptroller and Auditor General (Commercial) with effect from 10th June 1982.

(4) Shri K. P. Joseph, Member, Audit Board and Ex-officio Director of Commercial Audit, Calcutta from 31st October 1978 to 28th February 1981.

(5) Shri A. P. Sinha, Member, Audit Board and Ex-officio Director of Commercial Audit, Calcutta with effect from 28th February 1981.

(6) Smt. Padma, Member, Audit Board and Ex-officio Director of Commercial Audit (Coal), Calcutta upto 23rd August 1980 and as Accountant General-II Maharashtra, Nagpur with effect from 31st August 1980 onwards.

(7) Shri P. K. Banerji, Chairman-cum-Managing Director, Jessop & Company Limited—part-time Member.

(8) Shri R. Dutta, Chairman-cum-Managing Director, Bharat Brakes & Valves Limited—Part-time Member.

3. After consideration of the Report by the Audit Board at its meeting held on 8th and 9th September 1981, the Report was issued to the Ministry of Supply and Rehabilitation (Department of Rehabilitation) on 5th April 1982 for acceptance of facts and comments, if any.

The replies of the Ministry were received in June/August 1982.

4. The Meeting of the Audit Board with the representatives of the Ministry and the Company was held on 23rd August 1982.

5. This Report was finalised by the Audit Board after taking into account :

(a) The replies of the Ministry furnished on 28th June 1982 and 6th August 1982.

Shri R. Dutta, Part-time Member did not attend the meeting held on 23rd August 1982.

(b) The result of discussions held on 23rd August 1982 with the representatives of the Ministry and the Company.

(c) The additional information furnished by the Ministry in September 1982.

6. The Comptroller & Auditor General of India wishes to place on record his appreciation of the work done by the Audit Board and acknowledges with thanks the contribution, in particular, of the part-time technical members who are not the officers of the Indian Audit and Accounts Department.

1. Introduction

The Rehabilitation Industries Corporation Limited was set up by the Government of India as a private limited Company on 13th April 1959 primarily with the object of providing employment to displaced persons from East Pakistan (now Bangladesh) through industrial development.

The working of the Company since its inception till 1966-67 was reported upon in Section IV of the Central Government Audit Report (Commercial), 1967 of the Comptroller and Auditor General of India. The present report covers the working of the Company from 1967-68 to 1980-81.

2. Objectives

2.01 According to the Memorandum of Association the main objects of the Company are :

(i) To promote, establish, undertake and execute industries, projects or enterprises for manufacture and production of plant, machinery, tools, implements, materials, substances, goods or things of any description which in the opinion of the Company are likely to promote or advance the setting up of industries to provide employment to the displaced persons from East Pakistan, migrants from West Pakistan, repatriates from Burma and Ceylon and persons of Indian origin migrated from other countries with the intention of permanently settling in India and to develop 'Special Areas' (as may be notified by the Government of India from time to time) to create gainful employment opportunities for the local people of such areas together with others.

(ii) To promote and operate schemes for industrial development benefiting the persons referred to in (i) above.

(iii) To grant or guarantee or recommend the grant of loans to co-operative Societies, manufactures and dealers to enable them to improve and expand production.

(iv) To aid, assist and finance any industrial undertaking, project or enterprise whether owned or run by Government, statutory body, private company, firm or individual with capital, credit, means or resources for execution of its work.

(v) To promote and establish companies and associations for the prosecution or execution of industrial undertakings, works, projects and enterprises of any description, whether of a private or public character, which in the opinion of the Company would contribute to the welfare of the persons referred to in (i) above and to acquire and dispose of shares and interest in such companies or associations or in any other companies or associations or in the undertakings thereof.

(vi) To establish, promote, subsidise and otherwise assist, any company or companies, syndicate or other concern for the purpose of setting up any industry or running any industrial undertaking, acquiring any property or furthering any of the objects of this Company.

Consequent on the acceptance of the recommendation made by the Administrative Reforms Commission, the Ministry of

Finance, Bureau of Public Enterprises in their office memorandum dated the 3rd November 1970 requested all the Ministries to initiate action to lay down the objectives and obligations, both financial and economic, of each public enterprise under their administrative control.

The objectives and obligations of the Company in terms of the above office memorandum were not laid down.

2.02 The activities carried on by the Company in pursuance of its objectives, can broadly be grouped under the following three categories :

(a) Industrial financing ;

(b) Industrial estate management ; and

(c) Industrial and commercial activities.

3. Capital Structure

3.01 The authorised capital of the Company as on 31st March 1981 was Rs. 5 crores. The paid up capital as on that date was Rs. 353.20 lakhs fully subscribed by the Government of India.

The Government of India have also advanced from time to time long term unsecured loans to the Company aggregating Rs. 1516.45 lakhs out of which an amount of Rs. 1488.05 lakhs was outstanding as on 31st March 1981.

The table below indicates the details of the loans granted and the amounts outstanding there-against as on 31st March 1981 :—

Purpose of the loan	Period during which drawn	Amount drawn (Rs. in lakhs)	Period of loan (in years)	Period of moratorium (in years)	Rate of interest (in percent per annum)	Amount outstanding as on 31st March 1981 (Rs. in lakhs)
(a) Re-lending	(i) 1960-61 to 1963-64	101.00	10	5	$4\frac{1}{2}$ to 5	72.60
	(ii) 1966-67	10.00	9	4	5	10.00
	(iii) 1968-69	21.65	9 for Rs. 6.65 lakhs	5	5	21.65
			for Rs. 25 lakhs			
		132.65*				104.25
(b) Working Capital	(i) 1964-65 to 1966-67	70.45	9	4	$5\frac{1}{2}$ to $6\frac{1}{2}$	70.45
	(ii) 1967-68 to 1980-81	1307.85	2	NIL	5 to 15	1307.85
		1378.30				1378.30
(c) Festival Advances	1980-81	5.50	10 months	NIL	15	5.50
	Total	1516.45				1488.05

* Against this, a total sum of Rs. 119.51 lakhs was re-lent by the company upto 1971-72.

In majority of cases, particularly working capital loans, the Company failed to repay instalments of loans as well as pay interest thereon on the due dates. Interest due and outstanding for payment as on 31st March 1981 amounted to Rs. 1014.88 lakhs including penal interest of Rs. 739.22 lakhs for failure to pay interest and repay loans on due dates. In addition, interest accrued but not due on these loans as on 31st March 1981 stood at Rs. 24.37 lakhs.

The Company also made cash credit arrangement with Canara Bank up to a limit of Rs. 60 lakhs secured by hypothecation of stock and guaranteed by the Government of India. The amount outstanding on this account as on 31st March 1980 was Rs. 61.73 lakhs which was fully re-paid by January 1981.

3.02 *Restructuring of Capital*

In view of the continuous losses aggregating Rs. 880.74 lakhs (including cash loss of Rs. 477.43 lakhs) incurred by the Company from inception to 1975-76, the Company approached the Government in April 1977 for restructuring of its capital. The proposal envisaged conversion of loan (Rs. 477.43 lakhs) into equity to the extent of accumulated cash losses; the treatment of balance loan (213.12 lakhs) as interest free loan for a period of 5 years, with a moratorium on repayment during that period.

At the instance of the Ministry of Supply and Rehabilitation, the Company, in November/December 1980 submitted feasibility reports in respect of its various units, alongwith projections for production/ sales, cash flow etc. for the period from 1981-82 to 1990-91. The proposals included, *inter alia*, conversion of loans to the extent of Rs. 700 lakhs (out of total loan burden of Rs. 1488.05 lakhs) into equity and waiver of penal interest amounting to Rs. 739.22 lakhs. On the basis of the above proposals and projections, the Ministry conveyed (November 1981) the following measures for revitalisation of the Company :

(1) Ceramic Unit and Electrical Ancillary Unit to be closed down.

(2) The four Handloom Units should be continued on a trial basis only for 2 more years, 1981-82 and 1982-83, and their performance closely watched. The Handloom production should be diversified to improve earnings and attempts should also be made to form workers into co-operatives who can take over the Handloom sections progressively.

(3) All loans outstanding on 31st March 1981 to be interest free from 1st April 1981 to 31st March 1986.

(4) Moratorium for a period of 5 years on repayment of instalments of all loans outstanding as on 31st March 1981.

(5) For capital outlay in 1981-82 and 1982-83, Rs. 1.16 crores to be made available by way of equity and loan in the ratio of 1 : 1.

(6) Grant of a non-plan loan of Rs. 1.84 crores for 1981-82 to make good the cash losses for the year and for working capital requirement.

(7) From 1982-83 onwards, the Company to arrange to meet its further working capital requirement from commercial banks. No non-plan loan to be given from 1st April 1982.

As a result of the Government's decisions mentioned at (3) and (4) above, the liability of the Company in respect of Government loans (including normal and penal interest) amounting to Rs. 2502.93 lakhs as on 31st March 1981 would remain frozen during the period from 1st April 1981 to 31st March 1986.

4. *Performance Appraisal*

4.01 *Industrial Financing*

(a) The Company granted loans to industrialists etc. to help set up new industries and to expand existing ones with the object of creating more employment potential for displaced persons. The various criteria considered while examining the loan applications were the security offered, employment potential to be created, viability and technical soundness of the schemes, competence and integrity of the loanee industrialists etc. In August 1969, the Company decided to keep the industrial financing activities in abeyance till the financial position improved. As mentioned in paragraph 3.01, funds provided upto 1968-69 by the Government of India for re-lending purposes were disbursed upto 1971-72. From this period onwards the activity was confined only to the recovery of instalments of principal and interest.

(b) The data regarding the year-wise loans sanctioned and actually disbursed and the number of displaced persons employed by the loanees as against the commitments made by them are given in the table below :

Year	Amount sanctioned (Rs. in lakhs)	Amount disbursed (Rs. in lakhs)	Employment position of displaced persons at the end of each year	
			Number according to agreements	Actual number on the last day of year
1959-60	23.83	4.89	..	..
1960-61	47.50	6.82	63	..
1961-62	15.13	36.14	91	569
1962-63	21.67	25.92	947	2004
1963-64	0.50	16.55	2175	2242
1964-65	..	3.72	3568	2531
1965-66	10.70	1.13	3620	2314
1966-67	18.94	2.25	4136	2450
1967-68	18.90	0.77	4774	2423
1968-69	15.27	6.90	5277	2411
1969-70	5.00	2.01	4961	2359
1970-71	0.10	6.36	4679	1638
1971-72	..	6.05	4679	1498
1972-73	..	..	4679	2340
1973-74 to 1978-79	..	..	4679	2105
	177.54	119.51		

In this connection the following features deserve mention :

(i) As against the commitment of giving employment to 4679 displaced persons, the loanee industrialists had given employment to only 2105 displaced persons at the end of 1978-79.

(ii) There was decrease in number of displaced persons employed from 1967-68 onwards.

(iii) Out of 39 loanees, only 25 loanees had fulfilled the conditions relating to employment of displaced persons.

(iv) In the Initial stages, the actual employment of displaced persons by the loanees was verified by the Investigator appointed for the purpose. No such verification was made with the abolition of the post of the Investigator with effect from 30th January 1968.

In regard to variation in employment of displaced persons from year to year, the Management stated (November 1981) as follows :—

"The number of displaced persons varied from year to year because of the employment potentialities depending upon the order position of the industrialists at the material time."

The decrease in actual number of displaced persons employed from 1967-68 onwards was attributed by the Management (November 1981) to the closure of the factories of the loanee parties owing to labour unrest, shifting of plant and machinery, voluntary liquidation, paucity of orders resulting in retrenchment etc.

(c) During the period from 1959-60 to 1970-71, the Company sanctioned loans to the extent of Rs. 177.54 lakhs to 43 loanees out of which 39 loanees drew loans to the extent of Rs. 119.51 lakhs. Loans amounting to Rs. 58.03 lakhs could not be disbursed owing to the failure of the loanees to fulfil the conditions of the loans and completion of the formalities and suspension of the loan giving activities by the Company. Annexure I indicates the details of the loans sanctioned/drawn, and the amounts outstanding thereagainst as on 31st March 1981.

It will be seen therefrom that at the end of 1980-81, an amount of Rs. 118.54 lakhs representing loans (Rs. 69.34 lakhs) and interest accrued thereon (Rs. 49.20 lakhs) remained outstanding against 25 loanees. Loans to the extent of Rs. 59.46 lakhs and interest to the extent of Rs. 46.49 lakhs were considered doubtful and provided for in the accounts.

It was also noticed that although an amount of Rs. 50.17 lakhs was recovered from the loanees up to 31st March 1981, only a sum of Rs. 28.40 lakhs was repaid to Government, the balance amount of Rs. 21.77 lakhs together with the undisbursed loan of Rs. 13.14 lakhs was diverted towards working capital requirements of the Company.

(d) *Review of individual cases of loans*

In paragraph 4(ii) of Section IV of the Central Government Audit Report (Commercial) 1967, a detailed mention was made of the loans granted to Bengal Textile Mills Limited, Sita Ram Rice Mills, Burdhan and Company (Private) Limited, Navajiban Cooperative Transport Society, Goef W Rose & Company and Tallygunj Tant Shilpa Protishthan. The latest position of the amounts outstanding against these loanees is also indicated in Annexure-I.

A review of some more cases of loans indicated the following features :

(i) *Nabarun Taxi Drivers Co-operative Societies No. I to VIII*

The Nabarun Taxi Drivers Co-operative Societies No. I to VIII, sponsored by the Company had started operation during 1961/1964. Besides the investment in the share capital to the extent of Rs. 2.80 lakhs, the Company paid loans amounting to Rs. 11.74 lakhs during the period from 1962-63 to 1964-65 for purchase of 88 taxis (11 taxis per Society) to these Societies. Besides, some managerial staff, office accommodation, garage, repairing facilities and fuel services were also provided by the Company, the cost of which (according to the Management) was to be borne by the Societies.

The societies defaulted in repayment of principal as well as payment of interest from the beginning and on stoppage of operations were put into liquidation by the Registrar of Co-operative Societies in June 1975. An amount of Rs. 3.49 lakhs outstanding on account of advances paid towards cost of services rendered by the Company have been considered doubtful of recovery in the accounts for the year 1973-74. In order to liquidate the debts of the Societies, the Official Liquidator sought permission of the Company, (being the principal and secured creditor of the societies), for disposal of 48 taxis cabs, which was agreed to by the latter in February 1976. Besides investment of Rs. 2.80 lakhs in the share capital, the total outstanding dues against the societies amounted to Rs. 13.08 lakhs (loan Rs. 7.02 lakhs and interest Rs. 6.06 lakhs) upto 1980-81. These have been shown as doubtful of realisation and provided for in the accounts of the Company.

In this connection the following points deserve mention :

(a) Only 48 taxis, with engines and several parts missing, were handed over to the liquidator by the Managers of the 8 Societies. According to the Ministry (June 1982), 41 bodies of the taxis were disposed of for Rs. 9331.

(b) The whereabouts of the remaining 40 taxis were not known.

(c) Neither any statement of the accounts of the societies (in liquidation) nor any amount has been received from the liquidator so far (November 1981).

(d) No action was taken for default in repayment of principal and payment of interest against the societies till they stopped operations in June 1975.

(ii) *Power-Loom Co-operative Societies*

With a view to reducing losses of its hand-loom units, the Company decided (May 1966) to organise six power-loom co-operative societies with the participation of the workers of the hand-loom units. It was also decided to contribute Rs. 25,000 towards share capital and to provide loan of Rs. 2.09 lakhs to each of the societies. It was contemplated that the Company would be the sole supplier of the raw materials and also the sole selling agent of the finished products till the loan was repaid. The Company was also to supervise the activities of the societies till the repayment of the loan. As against the decision to organise six co-operatives, only three power-loom co-operative societies—two at Taherpur and one at Bon-Hooghly were set-up in May and December 1966 respectively. Whenever the Company failed to supply raw materials to the societies to earn sufficient service charges to pay wages of the workers, the Company used to pay advance service charges by treating the same as advance to the societies. The performance of the societies was not satisfactory as a result of which these were incurring heavy losses year after year. Owing to accumulation of powerloom products worth Rs. 7.00 lakhs with the Company and difficulty in marketing the same, the Company in May 1976 stopped supply of yarn to the societies. A situation had thus arisen when the societies had no money to pay wages to the workers. Accordingly, the Company decided (September 1976) to set up a Committee to go into the functioning of the powerloom co-operative societies *vis-a-vis* the Company and make recommendations as to how the funds advanced to the co-operative societies should be treated. The Committee in its report submitted in October 1976 observed, *inter alia*, as follows :—

"(i) By holding about 90% of the paid up share capital of these Societies, Rehabilitation Industries

Corporation controls 90% right of ownership in these Societies and as such virtually owns these Societies.

(ii) Since Rehabilitation Industries Corporation is the sole supplier of raw materials, sole selling agent of all products and has also assumed the responsibility of supervising the activities of the Societies, no one else but R.I.C. could be held responsible for financial losses and financial mis-management of the Societies. In this connection it need also be kept in mind that the members of these Societies are ex-employees of R.I.C. and also were given appointment in the societies by R.I.C.'s Managing Directors. As such, if employment of these members from the Societies is terminated, R.I.C. would be held responsible for termination benefits. (This view is also shared by the Deputy Registrar of Co-operatives)."

The question of payment of terminal benefits to the employees of the Co-operative societies in the event of termination of their services was referred by the Company to its Solicitors (November 1976) as well as to the Ministry of Rehabilitation (February 1977) who sought the advice of the Ministry of Law in April/June 1977. Both the Solicitors and the Ministry of Law opined (December 1976, May/August 1977) that as the workers were appointed as Company's employees and their transfer to the Co-operative societies was made by an administrative order without obtaining the option of the employees or seeking their willingness to work under the new organisation, the terminal benefits would be payable by the Company.

In June 1977, it was decided that with a view to having a better functional and financial control over the Power-loom Co-operative Societies, the Company should take over their administrative control. Accordingly, the Registrar of Co-operative Societies was requested (August 1977) to intimate the steps to be taken in this regard. The Registrar of Co-operative Societies in turn issued notice (November/December

1978) to the societies to show cause why they should not be liquidated. Apprehending that in the event of abrupt liquidation of the Societies, the Company would not only face difficulties in absorbing the workers and in realising the dues but also will be unable to run the looms as the licences were registered in the names of the Societies, the Company requested (February 1979) the Registrar of Co-operative Societies to cancel the notice for liquidation and appoint the Company as the sole Administrator till the licences were transferred in its name so as to enable it to run the looms. The Registrar of Co-operative Societies issued notification in April 1980 cancelling the notice for liquidation and appointed the Company as the sole Administrator.

The Company had also applied (February 1979) to the Director of Handlooms and Textile, Government of West Bengal to transfer the licences in the name of the Company. The licences were yet to be transferred in the name of the Company (November 1981).

The loans and advances given by the Company, the number of workers employed, accumulated losses etc. of the Co-operative societies upto 31st March 1981 are indicated below :—

Particulars	Co-operative Societies		
	Taherpur-I	Taherpur-II	Bob-Hooghly
1. *Share Capital:*			
(a) Contributed by the Company (Rs.)	25,000	25,000	—
(b) Contributed by Workers (Rs.)	520	539	520
2. *Loans & Advances:*			
(a) Loans (Rs. in lakhs)	1.88	1.76	1.54
(b) Outstanding interest (Rs. in lakhs)	1.15	1.08	1.18
(c) Advances (Rs. in lakhs)	21.47	20.69	27.07
3. *No. of employees:*			
(a) Workers	48	48	41
(b) Staff and Officers	14	14	22
4. Accumulated loss upto 30th June 1980 as per provisional accounts of the societies (Rs. in lakhs)	21.08	20.42	19.51
5. Depreciated value of assets of the societies as on 30th June 1980 as per provisional accounts (Rs. in lakhs)	0.33	0.35	0.72

It would be seen that due to the heavy losses sustained by the societies, the Company is likely to lose the entire outstanding loans and advances of Rs. 77.82 lakhs including accrued interest of Rs. 3.41 lakhs as on 31st March 1981. The Company has made a provision for Rs. 78.32 lakhs in the accounts against the loans and advances (Rs. 77.82 lakhs) and investment in share capital (Rs. 0.50 lakh).

(iii) *M/s. Sen and Pandit Industries Limited*

The Company sanctioned two loans of Rs. 20.00 lakhs and Rs. 9.00 lakhs carrying interest at 6 per cent and 7 per cent per annum, in May 1960 and June 1962 respectively to M/s. Sen and Pandit Industries Limited, manufacturers of bicycles against first charge on their entire fixed block assets. The loans were repayable within 15 years in half-yearly instalments commencing from the third year of drawal of the loan. The loanee company, however, drew the first loan in full and Rs. 6.81 lakhs against the second loan of Rs. 9.00 lakhs upto October 1963. The first instalment of Rs. 1.52 lakhs which fell due on 15th November 1963, was paid by the loanee in instalments during March 1964 and July 1964 and no payment of instalment was made thereafter. However, interest was paid regularly upto March 1969. Against a legal notice issued on 24th August 1971 for payment of the arrears of instalments of principal and interest aggregating Rs. 15.71 lakhs (principal Rs. 12.64 lakhs and interest Rs. 3.07 lakhs) upto August 1971, the loanee company expressed its inability (August 1971) to pay the amounts due to various difficulties. Owing to labour troubles and acute shortage of working capital, the loanee company closed down its factory at Kalyani with effect from 29th March 1971 ; the closure continued for one year.

The Company allowed the loanee to create *pari passu* charge on its fixed assets, (which were already mortgaged to the Company) once in favour of the West Bengal Industrial Development Corporation against a loan of Rs. 5.00 lakhs in

December 1968 and again in favour of the Industrial Reconstruction Corporation of India Limited, in October 1971. As no payment of outstanding principal and interest was made by the loanee, the Company again issued a Solicitor's notice on 1st September 1975 demanding early payment of outstanding dues. In the meantime, the Government of India issued a notification dated 8th September 1975 authorising the Industrial Reconstruction Corporation of India Limited, to take over the management of the loanee company for a period of 5 years and declaring that the operation of all its contracts, agreements, obligations and liabilities etc., would remain suspended. Subsequently, in October 1980, the loanee Company was nationalised. The claim of the Company submitted to the Commissioner of Payments in August 1981, was yet to be settled (November 1981).

The dues outstanding against the loanee aggregating Rs. 42.73 lakhs (principal Rs. 25.29 lakhs and interest Rs. 17.44 lakhs) upto March 1981 have been classified as doubtful of recovery and provided for in the accounts. The loanee Company employed 406 displaced persons only against the commitment of giving employment to 437 persons.

(iv) *M/s. Kusum Engineering Company Limited*

The Company sanctioned two loans of Rs. 7.70 lakhs and Rs. 8.30 lakhs on 10th August 1959 and 27th June 1966 respectively to M/s. Kusum Engineering Company Limited for expansion of its factory against mortgage of its fixed assets. The first loan was disbursed between March 1960 and December 1963 in full. However, out of the second loan of Rs. 8.30 lakhs, the loanee drew Rs. 5.67 lakhs only in two instalments in March 1967 and October 1967. Loans drawn by the loanee thus aggregated to Rs. 13.37 lakhs.

After paying Rs. 9.46 lakhs towards principal and Rs. 8.15 lakhs as interest upto January 1976, the loanee Company defaulted in payment of instalments of principal as well as interest falling due from February 1976 onwards. Although a solicitor's notice was served on the loanee in October 1977 for realisation of outstanding dues, no legal action was instituted against the loanee. The loanee paid Rs. 0.71 lakh in 1980-81 towards interest. Total outstanding dues against the loanee upto the end of March 1981 amounted to Rs. 4.84 lakhs (principal Rs. 3.91 lakhs and interest Rs. 0.93 lakh) which have been considered good in the accounts.

The loanee employed 246 displaced persons only as against the commitment of giving employment to 571 persons. The Management stated (November 1981) that for want of adequate working capital and labour disturbances there was a shortfall in employment of displaced persons by the loanee Company.

According to the Ministry of Supply & Rehabilitation, (June 1982) an amicable settlement has been reached with the loanee Company (in March 1982) according to which the recovery of the dues would be made in instalments.

(v) *M/s. Raymond Paper Mills*

In December 1967, the Company sanctioned a loan of Rs. 2.50 lakhs to M/s. Raymond Paper Mills against security of the fixed assets of the firm and personal security of the partners to enable the firm to set up a paper-board mill at the Ranaghat Industrial Estate with a total employment potential of 80 displaced persons. Apart from the said loan, which was disbursed to the firm during July to November 1968, the Company leased out to the firm, a factory shed, specially constructed to its specification at a cost of Rs. 1.52 lakhs, and 10 acres of land at the estate. Production in the firm's factory commenced in March 1969, but owing to paucity of working capital and other factors, the factory was closed down in August 1970. The firm failed to repay the first instalment of the principal which had fallen due in July 1970. A second loan of Rs. 5.00 lakhs sanctioned in August 1969 was not released.

The partnership firm was constituted into a public limited company in November 1971 as Nadia Paper Machinery Limited, but could not function owing to certain legal complications. Subsequently, under a court order in 1973, the new company was declared defunct and one of the original partners of the firm was made the sole proprietor. The production was restarted in October 1976.

Out of the total outstanding interest of Rs. 31,862 on loan upto March 1970, the Company was able to realise only Rs. 21,890. The balance amount of Rs. 9,972 plus further interest amounting to Rs. 2.29 lakhs, besides the principal loan of Rs. 2.50 lakhs and rent amounting to Rs. 2.81 lakhs were outstanding against the firm upto March 1981. The Company instituted legal action against the firm for realisation of the outstanding dues in December 1978. The case is still subjudice (November 1981). The principal (Rs. 2.50 lakhs) and interest (Rs. 2.29 lakhs) have been considered doubtful of recovery and provided for in the accounts.

4.02 Industrial Estate Management

(a) *Creation of infrastructure*

In paragraph 6 of Section IV of the Central Government Audit Report (Commercial), 1967 it was reported that with a view to providing facilities for setting up of new small-scale industrial units for employment of displaced persons, the Company had established three industrial estates at Behala, Bon-Hooghly and Durgapur and erected 67, 50 and 11 sheds respectively at these places. In addition, a Cast Iron Foundry had been set up at Durgapur in 1964-65. Subsequently, the Company constructed a second block at Bon-Hooghly, a new small estate at Ranaghat and added some more sheds at the existing Bon-Hooghly (Block I) and Behala estates.

The present position of the capacity created at these five Estates and the capital outlay incurred thereon was as follows :—

Place	No. of sheds	Covered area (sq. ft.)	Uncovered area (sq. ft.)	Capital outlay incurred (Rs. in lakhs)
1. Bon-Hlooghly Block I	51	88497	170703	16.52
Block II	49	285439	685121	46.06
2. Behala	78	118604	226996	23.42
3. Durgapur	11	44784	732816	7.64
4. Ranaghat	2	24601	407399	8.93
	191	561925	2223035	102.57

The above capital outlay represents the cost of sheds, electrical installations etc. but does not include the cost of land. So far as land is concerned, table below indicates the position of its acquisition, utilisation and payment of its value.

Name of the Estate	Area of land acquired (in acres)	Cost of land (Rs. in lakhs)	Remarks
1	2	3	4
(1) Behala	8.03	2.50 (estimated)	The price of land acquired in 1960 from the Government of West Bengal has not been settled so far.
(2) Bon-Hooghly	42.17	7.11	The measurement of land was done jointly in 1969 by the Company and the Government of West Bengal and the actual area was found to be 33.165 acres. The value of land as intimated by the State Government in March 1977, was exclusive of interest on the awarded value

1	2	3	4
			due since September 1974 but has not been paid by the Company so far. Actual area utilised was only 28.465 acres.
(3) Ranaghat	40	Not finalised	The possession of land was taken from the Government of West Bengal in 1962 but only about 10 acres were utilised in the construction of two factory sheds and in letting out some vacant land to an industrialist. In may 1977, the Company approached the State Government for surrendering the balance 30 acres of land. The surrender was accepted by the State Government in July 1981.
(4) Durgapur	100 acres on lease for 60 years from March 1963	6.00 plus rent of Rs. 10 per acre excluding taxes per annum	Only 18 acres were utilised for construction of 11 factory sheds and cast iron foundry. In 1967 the Company decided to sub-lease the surplus land to industrialists for setting up industries on their own with commitment for employment of displaced persons. The scheme did not however, materialise. In June 1977, the Company decided to surrender 79.02 acres of surplus land to Durgapur Development Authority at the original price. The surrender was accepted by the latter in June 1979.

(b) Utilisation

The following table indicates the utilisation of sheds as on 31st March, 1981 :—

Name of Industrial Estate	No. of sheds available	No. of sheds let out	No. of sheds used departmentally
1. Bon-Hooghly Block-I	51	33	18
Block-II	49	39*	10
2. Behala	78	70	8
3. Durgapur	11	8	3
4. Ranaghat	2	2	—
	191	152	39

*This includes one shed which had been lying vacant since July 1977 and was allotted to the Central Warehousing Corporation in December 1980.

49 sheds available at Bon-Hooghly, Block-II include 10 sheds, each having an area of 4500 sq. ft. The construction of these sheds alongwith 4 others was commenced in 1971 but could not be completed for want of funds. As a result, these sheds could not be allotted to the prospective industrialists for a long time and the expenditure of Rs. 11.36 lakhs incurred thereon (14 sheds) upto 31st March 1978 remained unproductive. In March 1978, it was estimated that a further expenditure of Rs. 11.15 lakhs was required to complete these sheds. As it was not possible to find resources, it was decided (March 1978) to let out the incomplete sheds to such tenants as would be willing to complete them from their own funds subject to adjustment against rentals due to the Company.

In June 1978 the Central Warehousing Corporation (CWC) agreed to take the incomplete sheds on the following terms and conditions :—

(i) The CWC will complete the sheds according to the agreed specifications and cost estimates from its own funds which will be subject to adjustment at the rate of 50 per cent of the monthly rent against rental dues.

(ii) The CWC will pay rent at the rate of 33 paise per sq. ft. from the date completed sheds were taken over.

(iii) The CWC will be exempted from payment of security deposit and furnishing of bank guarantee.

10 sheds which were completed by the CWC were allotted to it between September 1978 and July 1979. The remaining 4 sheds were yet to be completed by the CWC (November 1981).

(c) Rent

(1) The economic rent for the industrial estates in Behala and Bon-Hooghly was fixed in accordance with the instructions issued by the Ministry of Commerce and Industry in July 1960 and for the sheds at the Industrial Estate, Durgapur in accordance with the instructions issued by the Ministry of Industry and Supply (Department of Industry) in August 1965. In respect of sheds at Ranaghat, however, rent was fixed on a lump sum basis.

In view of increase in expenditure on maintenance, the Company revised the rates of rent of the sheds on two occasions in December 1974 and October 1978 respectively, in accordance with the Government of India orders of 1960 and 1965 mentioned above, as per details given below :—

Name of the Industrial Estate	Existing rates of rent per 100 sq. ft. (Rs.)	Revised rates of rent per 100 sq. ft. effective from 1st December 1974 (Rs.)	Revised rates of rent per 100 sq. ft. effective from 1 st October 1978 (Rs.)
1. Bon-Hooghly	16.00 (Covered space)	33.00	50.00
	2.70 (Uncovered space)		
Block-I	24.00 (Covered space)	32.00	—do—
Block-II	16.00 (Covered space)	36.00	—do—
2. Behala	2.70 (Uncovered space)		
	20.00 (Covered space)	39.00	—do—
3. Durgapur	20.00 (Covered space)	Not revised	
4. Ranaghat			

As there was no provision in the agreements with the existing lessees of Bon-Hooghly, Behala and Durgapur Industrial Estates for revision of rent/licence fees, the Company could not enforce the enhanced rates. As a result, the Company had to forego revenue by way of rent amounting to Rs. 29.09 lakhs upto the end of March 1981 as per details below :—

Name of the Industrial Estate		Loss of revenue (Rs. in lakhs)
1.	Bon-Hooghly	
	Block-I	6.61
	Block-II	7.37
2.	Behala	12.98
3.	Durgapur	2.13
		29.09

A clause for recovery of rent at the rates to be revised in future was incorporated in the lease agreements entered into from December 1974 onwards. Despite this, no recovery of increased rent effective from October 1978 could be made from 9 new lessees (one each at Block I and Block II of Bon-Hooghly Industrial Estate and 7 at Behala Industrial Estate), who took the occupation of sheds after December 1974. This also resulted in loss of revenue amounting to Rs. 0.82 lakh up to the end of March 1981.

(2) *Outstanding dues*

Besides the lease agreements for recovery of rent, separate agreements for supply of electric energy to the lessees from bulk supply of power received by the Company from the Calcutta Electric Supply Corporation (for Bon-Hooghly and Behala Industrial Estates), West Bengal State Electricity Board (for Ranaghat Industrial Estate) and Durgapur Project Limited (for Durgapur Industrial Estate) were also executed.

As on 31st March 1981, Rs. 37.37 lakhs representing rent (Rs. 29.37 lakhs—136 lessees) and electricity charges (Rs. 8.00 lakhs—137 lessees) remained outstanding against lessees of 5 Industrial Estates, out of these Rs. 9.38 lakhs and Rs. 1.25 lakhs respectively were considered doubtful of recovery and provided for in the accounts.

An age-wise analysis of the outstanding rent and electricity charges as on 31st March, 1981 and the position of the debts in respect of which legal cases were initiated by Company are shown in Annexure-II.

(d) *Employment of displaced persons*

The table below would indicate that the actual number of displaced persons employed in the Industrial Estates was far below the potential employment indicated in the schemes submitted by the occupants of the sheds, for the six years ending 31st March, 1981.

As at 31st March	Employment of displaced persons (Numbers)	
	Potential	Actual
1976	1597	401
1977	1615	408
1978	1561	395
1979	1593	429
1980	1626	436
1981	1626	436

The Management attributed (November 1981) the following reasons for short-fall in actual employment of displaced persons over the potential employment :

"(1) The parties were not encouraged in spite of the incentive offered to them in the shape of rebate on rent at 20% for employing the required number of displaced persons.

(2) The parties expressed their inability to employ the required number of D.Ps on the ground of non-availability of skilled workers from amongst D.Ps.".

(e) *Financial Results*

The following table indicates the financial results for 8 years ending 31st March, 1981 in respect of the 5 industrial estates of the Company :—

(Rupees in lakhs)

Year ended 31st March	Bon-Hooghly				Behala		Durgapur		Ranaghat	
	Block I		Block II		Profit (+) /Loss(—)	Accumulated Profit(+) /Loss(—)	Profit(+) /Loss(—)	Accumulated Profit(+) /Loss(—)	Profit(+) /Loss(—)	Accumulated Profit(+) /Loss(—)
	Profit(+) /Loss(—)	Accumulated Profit(+) /Loss(—)	Profit(+) /Loss(—)	Accumulated Profit(+) /Loss(—)						
1974	(—)0.63	(+)1.31	(—)0.29	(+)1.69	(—)0.47	(+)5.27	(—)1.78	(—)3.85	Separate	
1975	(—)0.69	(+)0.62	(—)0.22	(+)1.47	(—)0.70	(+)4.57	(—)0.56	(—)4.41	financial	
1976	(+)2.62	(+)3.24	(+)2.09	(+)3.56	(+)3.33	(+)7.90	(+)0.37	(—)4.04	results not	
1977	(+)1.27	(+)4.51	(—)0.43	(+)3.13	(+)0.67	(+)8.57	(—)0.39	(—)4.43	worked out.	
1978	(+)0.54	(+)5.05	(—)0.03	(+)3.10	(+)0.27	(+)8.84	(—)0.78	(—)5.21	Transactions	
1979	(+)0.11	(+)5.16	(—)1.02	(+)2.08	(—)0.44	(+)8.40	(—)0.60	(—)5.81	are included	
1980	(+)0.51	(+)5.67	(+)1.94	(+)4.02	(+)0.33	(+)8.73	(+)0.82	(—)4.99	in the accounts	
1981	(—)0.81	(+)4.86	(+)0.93	(+)4.95	(—)0.61	(+)8.12	(+)0.14	(—)4.85	of Ceramic Unit, Ranaghat.	

NOTE :—In ascertaining the working results shown above, interest and provision for doubtful debts were not taken into account.

4.03 **Industrial and Commercial Activities**

The Company's industrial and commercial activities fall into the following 3 categories :—

(a) Units manufacutring consumer goods.

(b) Units manufacturing engineering goods and performing structural and engineering jobs.

(c) Units rendering services.

The position in respect of capital investment* in various units and their working results and present status is indicated in Annexure III. It would be seen therefrom that at the beginning of 1967-68, there were 22 units located in West Bengal, Tripura and Madhya Pradesh, comprising 12 units manufacturing consumer goods, 7 units manufacturing engineering goods and the remaining 3 units rendering various kinds of services. Two new service units were set up in 1968-69 and one engineering unit in 1975-76. Out of these, 10 units were closed between 1967-68 and 1981-82 and one unit was lying idle from 1975-76 to 1977-78.

4.04 **Production performance**

The installed/attainable capacity of the different production units after taking into consideration the number and capacity of the machinery and equipment maintenance facilities available, and various other related factors has not been fixed by the Company. In this connection the Ministry has stated (June 1982) as follows :—

"....The Company has since worked out an exercise indicating the present capacity and the capacity which would be attained during the current financial year and the next financial year in respect of its various units".

*The term 'capital invested' used in this as well as elsewhere in this Report represents balanee under the head 'Head Office Account' in the balance sheet of the respective Units.

The table below indicates the targets of production of the units and achievements thereagainst for the last 8 years ending 31st March, 1981 :—

(Rupees in lakhs)

Year	Targets of production				Actual production				Percentage of achievement			
	Units manufacturing consumer goods	Units manufacturing engineering goods	Units rendering services	Total	Units manufacturing consumer goods	Units manufacturing engineering goods	Units rendering services	Total	Units manufacturing consumer goods	Units manufacturing engineering goods	Units rendering services	Total
1973-74	N.A.	N.A.	N.A.	70.45	N.A.	N.A.	N.A.	53.41	N.A.	N.A.	N.A.	75.8
1974-75	,,	,,	,,	104.34	,,	,,	,,	71.10	,,	,,	,,	68.1
1975-76	,,	,,	,,	292.09	,,	,,	,,	89.00	,,	,,	,,	30.5
1976-77	,,	,,	,,	367.45	,,	,,	,,	127.60	,,	,,	,,	34.7
1977-78	68.00	184.00	8.00	260.00	51.77	113.74	4.64	170.15	76.1	61.8	58.0	65.4
1978-79	57.62	95.16	3.11	155.89	38.20	61.60	6.33	106.13	66.3	64.7	203.5	68.1
1979-80	54.40	93.04	1.50	148.94	40.36	56.62	4.50	101.48	74.2	60.9	300.0	68.1
1980-81	32.00	72.00	8.00	112.00	16.89	83.64	0.67	101.20	52.8	116.2	8.4	90.4

It will be seen from the data given above, that in none of the years the total targets of production were achieved. Shortfall in production during the respective years (except in 1973-74 for which information was not available) was attributed (November 1981) by the Management to the following reasons :

1974-75 : Dearth of orders and capital.

1975-76 : Restriction on production at weaving centres to avoid stock-piling.

1976-77 : Outdated plant and machinery, shortage of working capital, low productivity and restricted production at weaving centres as per decision of the Board, dearth of orders.

1977-78 : Lack of funds, handling facilities and matching machines, restriction on production in weaving Centres as per decision of the Board, dearth of orders and load-shedding.

1978-79 : Food, prolonged power cut, non-availability of materials *viz.* steel, leather, cement etc., lack of funds and non-availability of site from Eastern Coal-fields Limited for project work.

1979-80 : Shortage of working capital, prolonged unscheduled power cut, non-availability of raw materials and necessary machines, dearth of orders and restriction on production of Weaving Centres as per decision of the Board.

1980-81 : Paucity of funds, dearth of orders, prolonged power cut and absence of top management.

4.05 *Performance of the Units*

A brief review on the working of some of the units is given below :—

(i) *Leather works at Bon-Hooghly*

(a) *Introduction*

In July 1962, the Company started a small footwear manufacturing unit at Taherpur to provide employment to displaced persons. However, due to non-availability of workers at Taherpur, the Unit was shifted to Behala in March 1963 with a view to getting trained workers from the trainees of Small Industries Service Institute and College of Leather Technology. At Behala, the Unit provided employment to 21 displaced persons for making shoes, sandals etc. In the meantime, it was also decided by the Company to manufacture ammunition boots in its Leather Works at Behala. In October 1963, with a view to expanding the existing unit and providing more employment to displaced persons, the Unit was shifted from Behala to its newly constructed factory shed at Bon-Hooghly Industrial Estate.

The Unit mostly manufactured footwear of various types manually and since April 1971, was mainly producing ammunition safety boots against orders. Plant and machinery worth Rs. 0.59 lakh were procured and the total capital investment up to 1980-81 in the Unit stood at Rs. 67.62 lakhs, represented by fixed assets Rs. 1.87 lakhs, net current assets 6.73 lakhs and accumulated loss Rs. 59.02 lakhs. The Unit had 101 employees as on 31st March 1981.

(b) *Performance*

The following table indicates the performance of the Unit for the last 8 years ended 31st March 1981 :—

Year ended 31st March	Number of workmen at the end of year	Orders secured	Production at sale value	Raw material consumed	Wages paid	*Orders executed (Sales)	Closing stock of finished goods	Loss
		(Rupees in lakhs)						
1974	74	3.29	2.12	1.99	1.96	3.03	3.87	3.20
1975	76	3.50	3.48	3.41	2.76	3.72	3.86	6.51
1976	72	8.87	6.82	5.65	3.21	6.64	1.97	6.73
1977	72	14.71	10.21	7.81	3.27	11.88	1.00	4.31
1978	79	2.52	8.70	6.71	3.38	8.39	1.24	5.36
1979	84	3.36	2.89	2.80	4.03	2.76	1.57	7.13
1980	84	2.79	2.57	1.96	4.40	3.06	1.24	8.09
1981	82	2.34	1.42	0.95	4.58	2.07	1.55	6.60

* Including stock transfer for Company's use.

The Unit was incurring heavy losses year after year; the cumulative loss upto 1980-81 amounted to Rs. 59.02 lakhs representing 87 per cent of the capital invested in the Unit (Rs. 67.62 lakhs). As compared to production at sale value, the incidence of raw materials consumed and wages paid was on the high side.

The poor performance of the Unit was attributed (December 1980/November 1981) by the Management mainly to :—

— paucity of funds;

— acceptance of orders at lower rates to avoid payment of idle wages;

— non-availability/dearth of raw materials of requisite specifications;

— increase in overhead expenses;

— unscheduled prolonged power cut;

— increase in wages as per recommendation of Central Leather Wage Board and enhancement of dearness allowance as per 8th Tribunal Award.

In regard to consumption of raw materials the Management stated (November 1981) as follows :—

"The price of leather is very much fluctuating and there is considerable time gap between preparation of estimate, submission of tenders and acceptance of order. During this period the cost of Leather fluctuates highly, but the Corporation is compelled to accept the order for keeping the factory running. This may be attributed as the basic reason for disproportionate cost of raw materials consumed.

The norm in respect of money value of raw materials components to the total cost of footwear in a small scale factory like ours (without any automatic machine) normally is 70% to 80% but this also highly fluctuates for reasons already stated in the previous paragraph."

Till July 1975, 28,451 pairs of old stock of footwear valuing Rs. 3.91 lakhs were lying in the central stores and different sales emporia of the Company. Instructions were issued in July 1975 to dispose of all the old stock of shoes through auction or other means by 15th September 1975. 19,126 pairs (book value Rs. 2.80 lakhs) were sold in December 1975 at a price of Rs. 0.76 lakh resulting in a loss of Rs. 2.04 lakhs. Out of remaining 9,325 pairs of shoes, 9,105 pairs valued at Rs. 1.09 lakhs were disposed of at a price of Rs. 0.90 lakh by 31st March 1981 leaving a balance of 220 pairs.

(c) *Manpower* vis-a-vis *production*

The table below indicates the number of workers employed, wages paid, estimated capacity of production, *vis-a-vis* actual production, average wages per worker and average production per worker for the last 8 years ending 31st March 1981 :—

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
1. Number of workers at the end of the year	74	76	72	72	79	84	84	82
2. Wages paid (Rs. in lakhs)	1.96	2.76	3.21	3.27	3.38	4.03	4.40	4.58
3. Estimated capacity of production in pairs per year (180 pairs per day for 264 working days)	N.A.	N.A.	47520	47520	47520	47520	47520	47520
4. Total production (pairs)	8996	13042	22875	26317	21669	7445	5454	2442
5. Average wages per worker per year (Rupees)	2649	3632	4458	4542	4278	4798	5238	5585
6. Average production per worker per year (pairs)	122	172	318	366	274	89	65	30

Not only was the production far below the estimated capacity in all these years, there was also sharp decline in the average production per worker per year during the years 1978-79 to 1980-81 as compared to previous years. In this connection the Management stated (November 1981) as follows :—

> "As production is made against order only and receipt of order depends on the basis of lowest quotation it is not always possible to keep the floor busy with production. Execution of the order in time is not always possible for want of requisite raw materials, erratic load shedding, labour unrest etc."

No record was maintained by the Company to show cause-wise analysis of idle labour and magnitude of idle wages paid.

(d) *Modernisation Scheme*

In July 1974, the Corporation prepared a plan for modernising and expanding the Unit at an additional investment of Rs. 12.80 lakhs so as to increase the annual output of the Unit to Rs. 49.00 lakhs by employing 147 additional workers. The capacity in terms of pairs of shoes after expansion, was not available.

The Bureau of Public Enterprises carried out technical and financial appraisal of the working of this Unit and was of the view (July 1975) that no new investiment for this Unit was called for. The Bureau, however, suggested that the Company should enter into an agreement with Tannery and Footwear Corporation of India Limited (TAFCO) to give it a status of ancillary to TAFCO or it should procure orders from army, steel plants, mines etc., jointly with TAFCO. No action in this regard had been taken (November 1981). The Ministry stated (June 1982) that sufficient orders have since been obtained for supply of boots to Defence authorities and Coal mines etc.

(e) *Cost of Production*

Annexure IV indicates the cost of production per pair of shoes *vis-a-vis* sale price against the ordered quantities for the last 6 years ending on 31st March 1981. It will be seen therefrom that barring a few cases, the cost of production (excluding administrative overheads) per pair was higher than the sale price in all the years.

In the following cases it was noticed that the cost of material consumed alone was higher than sale price of the products.

Sl. No.	Job No.	Description	Materials consumed (Rs.)	Sale value (Rs.)
1.	1AB/73-74	A. Boot	3,299	1,373
2.	2AB/73-74	A. Boot	55,975	47,906
3.	5C/73-74	Black Derby	5,791	4,265
4.	1OL/74-75	Ladies Sandal	2,188	1,498
5.	1L/74-75	Ladies Sandal	3,551	3,112
6.	1AB/74-75	A. Boot B.S.P.	1,84,601	1,58,501
7.	3AB/75-76	A. Boot F.C.I.	19,030	16,737
8.	1C/75-76	Ankle Boot	14,737	13,580
9.	6C/75-76	Kabli	3,748	2,314
10.	3C/75-76	Kabli	1,445	1,148
11.	2C/76-77	Oxford shoe W.B.P.	18,529	14,780

In this connection, the Management stated (November 1981) as follows :—

"In some cases orders were accepted at a lower rate not only to avoid payment of idle wages but to have entry in other firms as approved supplier and to eliminate other un-favourable conditions for execution of the orders."

(ii) *Fruit Canning Units*

(a) *Agartala Unit*

(i) *Performance*

In May 1963, the Company took over the two fruit canning Units at Agartala belonging to the then Tripura Administration. The Units were taken over on agency basis initially for one year with the stipulation that if these centres could be run profitably, the Company could take them over permanently after appropriate valuation of their assets. The units remained under the management of the Company till December 1969.

In 1963-64, the Company had also set up another fruit canning unit at Bon-Hooghly, Calcutta for canning of fruit jams, jellies, juices, sauces etc. to cater to the domestic market. Besides this, the unit also produced pineapple slices in syrup and mango juice for export against specific orders. In view of the uneconomic running of the unit at Agartala, especially when another unit had also been set up at Bon-Hooghly, the Company decided (August 1969) to hand over the unit at Agartala back to Tripura Government. Accordingly, the unit was handed over to the Tripura Government (December 1969). On the closure of Agartala Unit in December 1969 the stocks of finished products worth Rs. 7.08 lakhs were transferred to Bon-Hooghly Central Stores at a cost of Rs. 0.11 lakh.

The total loss incurred in running the units at Agartala upto December 1969 amounted to Rs. 8.26 lakhs. The loss suffered during 1968-69 and 1969-70 alone amounted to Rs. 1.78 lakhs and Rs. 6.35 lakhs respectively. The Management attributed (August 1969), *inter alia*, the following reasons for uneconomic running of the Agartala unit :—

(i) The unit processed only pineapples, the season of which lasted only for about three months in a year. The unit, thus, remained idle for nine months in a year.

(ii) Heavy transport charges were involved in carrying the finished products for marketing from Agartala.

(iii) Difficulties in supervising the working of the unit from Calcutta.

The Management further stated (December 1980) that devaluation of old stock and writing off of old and damaged stock were the main reasons for the heavy losses sustained during the years 1968-69 and 1969-70.

In this connection the following points also deserve mention :—

(i) The units were taken over initially for one year with the stipulation that they would be taken over permanently only if they could be run profitably. Although the units incurred loss year after year, their management remained with the Company for more than six years.

(ii) Although the units were taken over on agency basis, the entire loss of Rs. 8.26 lakhs incurred in their running till December 1969 has been borne by the Company.

The Management stated (September 1982) as follows :

"The Unit was taken over on Agency basis on the basis of a simple agreement between the Chief Administrator of Tripura and the Managing Director of RIC. No formal written agreement is available with us. The reasons for losses borne by RIC are not available."

(ii) *Loss due to damage caused by long storage of canned fruit (Agartala Unit)*

The production, disposal and closing stock of fruit products for the three years ending 31st March 1970 (in respect of production up to December 1969) are indicated below :—

(Figures in cans)

Year	Opening stock	Production	Disposal	Closing stock
1967-68	1,64,765	2,06,014	1,30,563	2,40,216
1968-69	2,40,216	2,66,097	1,79,468	3,26,845
1969-70	3,26,845	1,92,523	2,53,035	2,66,333

As stated earlier, the value of the closing stock as on 31st December 1969 was Rs. 7.08 lahks. Most of these products were very old and had deteriorated in quality. In August 1970, on segregation, fruit goods valuing Rs. 2.22 lakhs were declared damaged and written off (1969-70). Stock worth Rs. 3.30 lakhs was disposed of, the remaining stock worth Rs. 1.17 lakhs and Rs. 0.39 lakh was declared damaged and written off during 1973-74 and 1975-76 respectively.

Thus, out of the total stock of Rs. 7.08 lakhs as on 31st December 1969, the stock worth Rs. 3.78 lakhs had to be written off, resulting in a loss of Rs. 3.89 lakhs (including transportation charge of Rs. 0.11 lakh).

(b) *Bon-Hooghly Unit*

(1) *Performance*

The Unit had begun with canning of fruits, but subsequently from October 1977 it also undertook preservation of vegetables against orders. The table below indicates production, sales and working results of the Unit for the 8 years ending 31st March 1981 :—

Year	Number of employees at the end of the year	Budgetted production Rs. in lakhs	Actual production Rs. in lakhs	Sales Rs. in lakhs	Loss Rs. in lakhs	Cumulative Loss Rs. in lakhs
1973-74	N.A.	2.00	2.17	0.83	3.38	17.68
1974-75	N.A.	11.29	8.25	6.79	0.20	17.88
1975-76	65	24.41	16.74	16.96	2.01	19.89
1976-77	63	28.00	22.49	17.78	0.36	20.25
1977-78	69	33.00	22.80	15.49	4.78	25.03
1978-79	69	14.36	11.17	10.47	5.29	30.32
1979-80	93	14.00	11.42	11.18	8.76	39.08
1980-81	91	15.00	3.11	3.72	9.12	48.20

Losses incurred during 1973-74 to 1980-81 include write off of damaged stock valued at Rs. 4.70 lakhs spoiled due to long storage.

Shortfall in actual production/heavy losses sustained by the Unit were ascribed (November 1981) by the Management to the following reasons :—

— Dearth of orders.

— Continuous rise in prices of raw materials and their non-availability in time.

— Competitive rates of finished products and acceptance of orders at the lower rate to avoid payment of idle wages.

— Paucity of funds.

— Erratic load shedding.

— Increase in overhead expenses and direct labour cost.

— Microbial spoilage of perishable raw materials due to acute power cut.

(2) *Pricing Policy and Sales Management*

Selling prices of fruit products are fixed on the basis of market prices, competitive tenders and negotiations with the parties concerned. In the case of exports, prices are fixed after negotiations with the State Trading Corporation of India Limited and foreign buyers. Besides direct sales to parties and exports, the products of the Unit are also sold through various sales emporia/counters of the Company. The break up of domestic sales and exports during the last 8 years upto the end of 1980-81 is given below :—

(Rupees in lakhs)

Year	Sales			Export subsidy		
	Domestic sales	Export	Total	Cash assistance	Draw-back	Export rebate
1973-74	0.85	Nil	0.85	Nil	Nil	Nil
1974-75	1.79	5.00	6.79	Nil	0.60	0.51
1975-76	1.30	15.66	16.96	2.35	2.20	0.15
1976-77	1.04	16.74	17.78	3.11	2.43	0.04
1977-78	6.31	9.18	15.49	1.84	1.35	Nil
1978-79	5.16	5.31	10.47	0.75	0.74	Nil
1979-80	11.18	Nil	11.18	Nil	Nil	Nil
1980-81	3.72	Nil	3.72	Nil	Nil	Nil

In 1977 the Company exported 6500 cartons (each carton containing 24 tins of 850 grams each) of pine-apple slices to

3 parties of Yugoslavia on FOB basis against letter of credit opened by the parties as per details below :—

Name of Party	Quantity (Cartons)	Sale price (Rupees in lakhs)
A	4,000	4.11
B	1,000	1.03
C	1,500	1.52

All the 3 parties informed the Company in November 1977 that the cans containing the pine-apple slices had metals not conforming to the specifications as stipulated in the contracts and that the pine-apple slices had developed organoleptic character with too much corrosion on the cans, rendering the fruit slices unfit for human consumption. The buyers also could not obtain the permission of Yugoslav authority for clearance of the goods even for industrial use and demanded refund of the full price paid by them. The Company brought back some samples of the goods for analysis. The analysis reports of some of the samples of the goods which had been brought back by the Company for analysis also indicated that the pine-apple slices had developed organoleptic character having metallic taste and flavour with high percentage of tin content. After protracted correspondence and negotiations, Party B and Party C agreed to settle the disputes on payment of Rs. 0.48 lakh and Rs. 0.70 lakh to the parties respectively by the Company. Party A, did not agree to any settlement and preferred an arbitration proceeding (June 1978) as per provision of the contract before the Foreign Trade Arbitration, Federal Chamber of Commerce, Belgrade. The Ministry stated (June 1982) that the Arbitration Court has held its first hearing in February 1982.

(3) *Manpower Utilisation*

The data given in the following table would indicate that there were wide variations in the average wages paid and average production per worker from year to year during the 8 years ending 31st March 1981.

Number	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
1. Number of workers at the end of the year	33	41	36	36	42	42	66	64
2. Average wages per worker per year (Rupees)	2000	2610	5861	6167	6190	6310	4758	6094
3. Average production per worker per year								
(a) in Tonnes	0.94	4.05	10.33	14.19	8.48	5.31	2.77	0.36
(b) in Rupees	6576	20122	46500	62472	54286	26595	17303	4859

S/13 CAG/82—4.

The Management stated (November 1981) that as the production was mainly made against orders secured by offering competitive rates, it was not always possible to keep the floor busy with production and to achieve uniformity in average production per worker from year to year.

(iii) *Ceramic Unit at Ranaghat*

The Company set up in 1968-69 a ceramic factory at Ranaghat at a cost of Rs. 2.31 lakhs for production and supply of processed clay and glaze and for providing firing facilities to the small scale pottery units run by the refugees, and entered into agreements with eight private ancillary units (5 in July 1969 and 3 in October 1971) for providing supplies and services on the following terms and conditions :—

(a) Supply of about 5 tonnes of processed clay per unit per month @ Rs. 350 per tonne.

(b) Firing facilities @ Rs. 400 per tonne of green articles.

(c) Supply of glaze @ Rs. 150 per tonne.

(d) The units should use the covered shed provided by the Company at a licence fee of Rs. 150 per month.

The ancillary units had not lifted the processed clay regularly, and had also defaulted in the clearance of their dues. Due to these reasons and some technical and labour problems with the Company, the factory was incurring losses which had accumulated to Rs. 3.12 lakhs till 31st March 1973. The Company therefore, decided (November 1973) to close down the factory. As an amount of Rs. 0.60 lakh was outstanding from the various parties and some quantities of raw materials and processed goods were lying unutilised at the ceramic factory, the Company decided (February 1974) to allow the ancillary units to lift these materials and utilise Company's machinery, on cash payment basis for 6 months which was extended subsequently up to January 1976.

Though as per agreement with the ancillary units, services and supplies were to be rendered/made, on cash payment basis, the units were, however, allowed credit facilities. An amount of Rs. 0.74 lakh (including rent of Rs. 0.33 lakh for covered sheds) outstanding against the various parties upto the end of March 1978 could not be recovered and ultimately was classified as doubtful of recovery and provided for in the accounts. Besides, the Company also could not recover rent for open land measuring 500 sq. ft. on either side of the sheds allotted to 5 units, as the same had not been fixed (November 1981) in terms of the provisions of the agreement entered into with these parties in July 1969 and October 1971.

The ceramic factory remained idle from 1975-76 onwards. The Company, however, incurred an expenditure of Rs. 3.25 lakhs of salaries and allowances of the security staff from 1975-76 to 1980-81.

The accumulated losses of the Unit amounted to Rs. 8.16 lakhs upto 31st March 1981. In November 1981, the Government of India (Ministry of Supply and Rehabilitation) informed the Company of its decision to close down this Unit and dispose of the assets.

The Ministry of Supply & Rehabilitation (Department of Rehabilitation) stated (June 1982) that a valuer has since been appointed to assess the actual value of the plant and machinery including buildings of the ceramic factory and that the matter was being pursued in the Department with the Corporation for expeditious disposal of the assets of the Factory.

(iv) *Cast Iron Foundry at Durgapur*

(a) Introduction

In September 1962 the Board of the Company approved setting up of a Cast Iron Foundry at Durgapur Industrial Estate at an estimated cost of Rs. 3.51 lakhs for manufacture of graded C.I. castings required for machine building industry. The scheme envisaged a net profit of Rs. 5,374 per month against a monthly turnover of Rs. 0.55 lakh with an employment potential of 68 persons.

The unit was set up in 1964-65, more or less on the lines of the original project report approved by the Board. The investment in fixed assets (gross block) on the foundry as on 31st March 1965 stood at Rs. 2.57 lakhs. The project report envisaged manufacture of graded iron castings of 50 tons per month. It was, however, subsequently noticed (February 1964) that the project was not properly planned and the layout of the foundry had the following defects :—

(i) The entire floor of the unit was cemented and unfit for casting operation.

(ii) The cupola top was much below the foundry shed and dangerously adjacent to the main shed.

(iii) The cupola platform was an odd-sized one and the working space of the platform was quite inadequate for large scale charging.

(iv) There was no provision of pattern shop, core room, fettling or finishing room, machine shop, store for finished castings and crane.

Accordingly, a revised project report involving a total estimated cost of Rs. 11.10 lakhs (including Rs. 3.51 lakhs sanctioned earlier) was submitted to the Board of Directors in February 1964. There was no further development in this respect. The Board in its meeting held in May 1966, however, approved an expenditure of Rs. 0.45 lakh for setting up of a machine shop (Rs. 0.40 lakh) and extension of the height of the cupola and extension of cupola platform (Rs. 0.05 lakh).

A programme for increasing the annual capacity of the foundry from the existing capacity to about 1500 tonnes with an increase in employees strength by 47 persons with a capital investment of Rs. 14.20 lakhs (plant and equipment Rs. 11.60 lakhs and structurals Rs. 2.60 lakhs) was prepared in June 1973 to enable the unit to attain the break-even point. The Bureau of Public Enterprises who examined the expansion programme in July 1975 recommended capital investment of Rs. 7.00 lakhs to reach the annual capacity of 1000 tonnes. The investment was approved (October 1975) by the Board of Directors of the Company. However, owing to non-availability of funds from the Government, the Company could purchase machinery worth Rs. 1.12 lakhs only during 1976-77 to 1978-79, which has been lying idle since acquisition for want of balancing facilities (November 1981).

(b) Performance

The table below would indicate that while the production in the unit was far below the targets fixed, the average wages per worker were shownig an increasing trend; the unit was incurring losses and the accumulated loss worked out to Rs. 46.33 lakhs upto 31-3-1981.

Year	Number of workers at the end of the year	Target of production (Tonnes)	Actual production (Tonnes)	Average wages per worker per year (Rs.)	Average production per worker per year (Tonnes)	Profit(+) Loss(—) (Rs. in lakhs)	Accumulated loss (Rs. in lakhs)
1	2	3	4	5	6	7	8
1973-74	72	176.50	175.00	2681	2.43	(—)2.07	11.43
1974-75	77	251.50	151.00	2935	1.96	(+)0.19	11.24
1975-76	93	600.00	270.00	3763	2.90	(—)0.77	12.01
1976-77	93	960.00	260.00	4452	2.80	(—)4.28	16.29
1977-78	92	960.00	171.00	4685	1.86	(—)3.20	19.49
1978-79	86	960.00	161.00	5105	1.87	(—)7.39	26.88
1979-80	86	960.00	193.00	6640	2.24	(—)9.47	36.35
1980-81	83	N.A.	202.00	7723	2.43	(—)9.98	46.33

The main reasons for short-fall in production were attributed (November 1981) by the Management to paucity of funds, dearth of orders, absence of crane facility and labour unrest. The increasing losses were attributed (November 1981) to the dearth of orders, increase in overhead expenses and payment for idle labour hours.

(v) *Handloom Units*

I. Cotton

(a) Introduction

In order to relieve acute unemployment and distress of displaced persons by speedily setting up industries in places where there was heavy concentration of such persons, the Company took over between May 1962 and September 1962 from the Government of West Bengal five handloom centres (at Taherpur, Habra, Khosbasmahalla*, Gayeshpur and Chakda*) which were being run as training-cum-production centres. These centres were taken over with all their assets free of charge. The Board of Directors of the Company decided (September 1962) that the centres should be run by the Company for the time being with the ultimate object of handing them over to Co-operative Societies to be formed by the workers and a time limit of 5 years was fixed for effecting such transfer. The Company has, however, not been able to implement this decision owing to agitation launched by the workers and staff of the handloom units against such a transfer.

The units continued to incur heavy losses which amounted to Rs. 15.33 lakhs up to the end of 1968-69 even after expansion from time to time. In the Annual Reports of the

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* These two units were merged into one in 1963-64.

Company for the years 1968-69 and 1971-72, losses were attributed to the following factors :—

— Running of the handloom units as factories under the provisions of the Factories Act entailing various benefits to employees *viz.*, provident fund, maternity benefits, bonus, leave, etc.

— Non-entitlement to subsidy enjoyed by the handloom units run on co-operative basis.

— Continuance of production in order to provide employment to the workers despite sales not keeping pace with production.

In view of heavy losses incurred by the Units, the Company requested the Government of West Bengal for taking back the textile units but the latter expressed its inability to take them back as in its opinion, these centres could not be run commercially.

The Committee set up in February 1974 by Government of India (Department of Rehabilitation) to examine the working of the Company with a view to devising an appropriate line of action to tackle the problem of running the Units economically, in its report (November 1974) while recommending various measures/alternatives, suggested that if transfer of the handlooms to individual workers free of cost with guaranteed working capital, raw materials and sale of finished products was not found feasible, possibility of handing over the centres to co-operative societies organised by the workers should be considered. In August 1975 the Management decided that continued efforts should be made to enthuse the workers of the handloom units to form co-operatives.

In 1977-78, a Committee of the Bureau of Public Enterprises conducted a study to examine the viability of the production centres. The Committee in its report (February 1979) observed as follows :—

"The Handloom Units are non-viable. These four units put together employ about 1020 people out of a total RIC employee strength of about 2600. . . . . The Committee. . . .feels that these units can not perhaps be closed down since they are serving the overall employment objectives of the Government. According to the present Government policy Co-operatives and individuals are encouraged to operate handloom units. The Committee, therefore, feels that it would be advisable not to let these units continue as part of a Public Sector Company. . . . . The only way to continue these units is to let them be formed into Co-operative Societies after giving appropriate benefits to the existing workers. . . .".

The losses incurred by these units up to March 1981 amounted to Rs. 352.62 lakhs as against the capital investment of Rs. 351.62 lakhs in these units.

In November 1981, the Government of India (Ministry of Supply and Rehabilitation) intimated the following decision to the Company :—

"The four handloom units should be continued on a trial basis only for 2 more years, 1981-82 and 1982-83, and their performance closely watched. The handloom production should be diversified to improve earnings and attempts should also be made to form workers into Co-operatives who can take over the handloom sections progressively."

(b) Production and Sales Performance

From the date given in the following table it will be seen that the Company was generally not able to achieve the targets of production and sales during the last eight years ending 31st March 1981.

(Rupees in lakhs)

Year	Target of		Actual		Percentage of achievement	
	Production	Sales	Production	Sales	Production	Sales
	Rs.	Rs.	Rs.	Rs.		
1973-74	35.00	43.00	27.75	37.30	79.29	86.74
1974-75	34.58	27.00	21.04	25.20	60.84	93.33
1975-76	46.80	52.78	16.98	16.54	36.28	31.34
1976-77	Not fixed	49.80	2.24	43.43	—	87.21
1977-78	14.00	14.00	7.14	13.74	51.00	98.14
1978-79	10.00	9.20	9.84	13.98	98.40	151.96
1979-80	*N.A.	N.A.	13.86	19.40	—	—
1980-81	Not fixed	28.00	4.24	12.98	—	46.36

* Rs. 24.40 lakhs including silk. Break up for silk and cotton not available.

Paucity of funds, non-availability of raw materials, load shedding, absence of firm orders and restriction imposed on production to avoid accumulation of stock were attributed (November 1981) by the Management as the reasons for shortfall in production over the targets.

Products of the handloom units were sold mainly through registered dealers and through the Company's show rooms/shops against orders of Government and other institutions. In order to push up sale of handloom products, the Company had appointed (1966) three dealers in Calcutta as agents for sale through their show rooms/shops on a flat discount of 12½% and 30 days credit. Accordingly, handloom products worth Rs. 2.49 lakhs were delivered to these three dealers during the years 1966 to 1968. The Company, however, could not recover the dues in full and an amount of Rs. 1.22 lakhs remained outstanding against the parties upto 31st March 1981. Rs. 0.89 lakh outstanding against one of the parties has been classified as doubtful of recovery. The other two dealers had agreed to pay the dues in instalments.

Due to very slow movement of finished products, there was heavy accumulation of stock with the Company. In 1971-72, the Company disposed of non-moving handloom products worth Rs. 7.20 lakhs at a rebate of 45 per cent. Out of the closing stock of finished goods worth Rs. 14.10 lahks as on 31st March 1981, stock valued at Rs. 1.12 lakhs was non-moving. The accumulation of closing stock was attributed (November 1981) by the Management mainly to high price of Company's goods, obsolete and back dated designs and absence of sufficient sale outlets etc.

(c) *Utilisation of Manpower and Machinery*

It would be seen from the data given below that the total production and the productivity per worker sharply declined in

1980-81 as compared to earlier years except in 1976-77 when it was also very low :—

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
	1	2	3	4	5	6	7	8
1. Numbers of workers employed at the end of the year	958	962	960	956	961	939	857	839
2. Wages paid (Rs. in lakhs)	15.30	21.67	26.08	25.80	24.50	25.75	27.85	30.09
3. Total production (Rs. in lakhs)	27.75	21.04	16.98	2.24	7.14	9.84	13.86	4.24
4. Average wags per worker per year (Rs.)	1,597	2,253	2,717	2,699	2,549	2,742	3,250	3,586
5. Average production per worker per yeac (Rs.)	2,897	2,187	1,769	234	743	1,048	1,617	505
6. Number of looms installed	707	707	707	707	707	707	707	695

In this connection the following features also deserve mention :—

(i) Norms of production were fixed by the Company only in September 1979.

(ii) No works study has been done to assess the requirement of labour.

(iii) No record was maintained to show cause-wise analysis of idle time of labour as well as of looms.

In regard to the norms of production the Management stated (February 1980) that the attempt of the Company to fix norms of production in 1973-74 proved abortive as the workers declined to abide by the same.

II. *Silk*

(a) *Introduction*

The Company took over the Malda Silk Unit from the Government of West Bengal in 1962 for a period of two years on an experimental basis. Although the Unit could not be run profitably, it continued to remain with the Company. The Unit provided employment to 105 displaced persons as on 31st March 1981.

(b) *Performance*

The table below indicates that production and sales targets could not be achieved in a number of years during 1973-74 to 1980-81 :

(Rupees in lakhs)

Year	Production		Sales		Raw materials consumed	Closing stock of finished goods	Closing stock of materials	Closing stock of finished goods in terms of number of months' sales	Closing stock of raw materials in terms of number of months' consumption	Loss
	Target	Actual	Target	Actual						
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.			Rs.
1	2	3	4	5	6	7	8	9	10	11
1973-74	6.00	4.32	6.00	7.64	2.95	1.63	2.41	2.6	9.8	2.40
1974-75	8.48	9.67	5.25	5.96	6.60	3.25	2.75	6.5	5.0	2.96
1975-76	Not fixed	8.89	Not fixed	12.28	4.72	3.67	1.89	3.6	4.8	2.70
1976-77	-do-	3.63	-do-	9.96	2.04	2.23	1.52	2.7	8.9	3.72
1977-78	5.00	4.83	5.00	4.83	2.57	2.32	1.64	5.8	7.7	2.60
1978-79	7.00	2.82	5.60	2.82	1.51	1.32	1.78	5.6	14.1	4.41
1979-80	*N.A.	6.12	N.A.	4.36	4.22	2.30	0.52	6.3	1.5	3.64
1980-81	4.00	2.64	4.00	11.29	1.54	1.52	0.35	1.6	2.7	4.56

*Total target—Rs. 24.40 lakhs including textiles. Break-up of target between silk and textile was not available.

The Management stated (November 1981) that paucity of funds, non-availability of raw materials, load shedding, absence of firm orders and restrictions imposed on production to avoid accumulation of stock, were the main reasons for shortfall in production and sales over the targets.

In February 1977, the Company set up a Committee, *inter alia*, to ascertain the reasons for accumulation of yarn and to segregate the unserviceable yarn. According to the Committee's report of February 1978, silk yarn worth Rs. 1.24 lakhs was lying unused from 1965-66 to 1974-75. Out of this, yarn worth Rs. 0.68 lakh was not usable with the existing set-up of the Malda Silk Unit consequent upon stoppage of production of 'garad' in November 1975 and the balance yarn worth Rs. 0.56 lakh was unserviceable. The entire stock of old silk yarn was disposed of at a loss of Rs. 0.39 lakh.

As against the capital investment of Rs. 36.65 lakhs in the Unit, the accumulated losses upto March 1981 aggregated to Rs. 30.68 lakhs.

(c) *Utilisation of Labour and Machinery*

The table below indicates the number of workers, wages paid, average production/wages per worker and number of looms installed etc. for the last 8 years ending 31st March 1981 :—

Year	Number of workers	Wages paid (Rs. in lakhs)	Average production per worker per year (Rs.)	Average wages per worker per year (Rs.)	Number of looms installed
1973-74	96	1.38	4500	1438	79
1974-75	94	2.97	10287	3160	79
1975-76	89	2.90	9980	3258	79
1976-77	89	2.70	4079	3034	79
1977-78	86	2.71	5616	3151	79
1978-79	81	2.64	3481	3259	79
1979-80	77	2.90	7948	3766	79
1980-81	80	2.82	3300	3525	91

No records were maintained by the Company to show the cause-wise analysis of idle time of labour and looms.

VI. *Wood Works Unit at Rupnarayanpur*

A wood works unit was set up by the Company at Rupnarayanpur at a cost of Rs. 2.77 lakhs for manufacture of cable drum flanges required by the Hindustan Cables Limited (HCL), Rupnarayanpur. The unit started production in 1964-65 and provided employment to 40 displaced persons. The unit was set up after discussions with HCL and since both the HCL and the Company were under the control of the same Ministry, the wood works was considered as an ancillary industry to HCL. The Project Report of the wood works was also drawn up in consultation with HCL. The pricing policy in respect of the sale of products to HCL, however, remained unsettled. The principle of cost plus 10 per cent profit suggested by the Company was not acceptable to HCL. The latter agreed to pay only market price for the products and did not allow any price preference to the Company. To keep the factory running, the Company was accepting orders from HCL at prices fixed on the basis of lowest tender received by HCL for such supplies. Details of the volume of production and the cost of production indicating various elements of cost and sale price there against were not furnished to Audit.

As the HCL had neither agreed to the Company's proposal for price preference nor to any kind of negotiated price and insisted on the principle of lowest tender only, the unit was incurring losses year after year, owing to the cost of production being much higher than the selling price. The total loss upto 1967-68 amounted to Rs. 2.59 lakhs. In view of losses, the unit was closed down in July 1968 and the staff of the unit was absorbed in other units of the Company.

The plant and machinery worth Rs. 0.26 lakh (book value as on 31 31st March 1968) was transferred to wood works unit of the Company at Bon-Hooghly in 1969-70 but has been lying idle there since then. The remaining assets (land, building and electrical installation) worth Rs. 2.25 lakhs (book value as on 31st March 1968) also remained idle till July 1976 when these were let out to M/s. Rupnarayanpur Metal and Wire Industries on a monthly rental of Rs. 2,000 for a period of 3 years which expired in June 1979.

The Management stated (November 1981) that a proposal for disposal of the assets to M/s. Rupnarayanpur Metal and Wire Industries was under finalisation. The firm, however, continued to pay rent @ Rs. 2,000 per month.

5. *Inventory Control*

The Company has not fixed the maximum and minimum limits of stores and spares. The table below indicates the comparative position of the inventory holdings and consumption of raw materials and spare parts etc. for the 8 years ending 31st March 1981 :—

(Rupees in lakhs)

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
A. Closing stock of :—								
(i) Raw materials	26.43	25.72	20.20	19.63	26.68	22.21	19.74	31.88*
(ii) Stores & Spares including loose tools	2.12	2.12	2.68	2.06	1.47	1.99	1.76	2.34
(iii) Work-in-progress	4.11	9.78	20.53	54.66	125.78	14.39	9.41	12.56
(iv) Finished stock	50.43	53.88	54.89	39.38	40.65	43.25	41.68	50.52**
	83.09	91.50	98.30	115.73	194.58	81.84	72.49	97.30
B. Consumption of :—								
(i) Raw materials	31.91	41.98	50.66	68.99	49.00	40.97	47.86	42.67
(ii) Stores & Spares including loose tools	2.68	2.94	5.14	3.96	2.90	2.95	2.72	2.84
C. Sale of finished goods	70.11	64.29	81.87	120.25	66.72	58.50	65.10	55.69
D. Closing stock in terms of months' consumption :—								
(i) Raw materials	9.94	7.35	4.78	3.41	6.53	6.50	4.95	8.97
(ii) Stores & Spares including loose tools	9.49	8.65	6.26	6.24	6.08	8.09	7.76	9.89
E. Closing Stock of finished goods in terms of number of months' sale	8.63	10.06	8.05	3.93	7.31	8.87	7.66	10.89

* This includes damaged and non-moving stock worth Rs. 1.97 lakhs.

** This includes damaged and non-moving stock worth Rs. 2.04 lakhs.

The stocks of finished goods varied from 7.3 to 10.89 months' sales during the last four years ending 31st March 1981.

The Management stated (January 1981/November 1981) that attempts were being made to utilise the damaged and non-moving yarn for production of Khesh, napkin etc. and for disposal of finished goods through sales emporia by giving rebate and through auction.

6. *Sales performance*

Sales of the products of the Company are effected through the Commercial Department at the Head Office under the charge of a Commercial Manager. Retail sales of various consumer products are made through different sales emporia/counters while bulk sales are effected directly through Central Stores, Bon-Hooghly against quotations/tenders or negotiation. Besides sale of finished products, the Company is also rendering services to the various consumers against service charges.

The table below indicates the budgetted and actual sales for the last 8 years ending 31st March 1981 :—

(Rupees in lakhs)

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
1. Budgetted sales (including service charges)	85.75	73.75	286.02	367.00	219.00	133.92	121.03	128.00
2. Actual sales (including service charges)								
(a) Through sales emporia/counters	28.10	21.34	12.25	9.73	6.62	5.48	11.24	19.40
(b) Direct sales	43.86	46.40	73.57	111.59	60.46	201.31	91.43	84.20
TOTAL	71.96	67.74	85.82	121.32	67.08	206.79	102.67	103.60
3. Percentage of achievement	83.92	91.85	30.00	30.06	30.63	154.41	84.83	80.94

The percentage of actual sales against budgetted sales was very low during 1975-76 to 1977-78.

The Management stated (November 1981) that the Company continued its production mainly against firm orders and, therefore, shortfall in orders and non-production thereof were the main reasons for non-achievement of sales targets.

7. *Economic viability of Company's operations*

In view of heavy losses incurred by the Company since its inception in 1959, a number of Committees were set up by Government from time to time to undertake detailed technical and financial appraisals of the working of various units of the Company so as to identify the factors responsible for continued losses and to suggest means for placing the Company on sound economic footing. The main findings of these Committees were as follows :—

(i) The handloom units which accounted for bulk of the losses and employed the maximum number of persons, should be converted into co-operatives of the workers.

(ii) Ownership of industrial sheds should be passed on to Industrialists on hire-purchase basis with a stipulation for employment of displaced persons for a period of 5 years.

(iii) Arrears of rent from industrial estates should be collected and responsibility for payment of electricity charges passed on to the lessee industrialists.

(iv) The incidence of administrative overheads of units was disproportionate and there should be dispersal of head office staff to the units.

(v) A detailed technical and financial appraisal of each unit should be undertaken by an expert body like Bureau of Public Enterprises so as to facilitate the running of units on efficient lines.

The working of the Company was also considered by the Committee of Secretaries to the Government of India in July 1976. This Committee had recommended that the Government of West Bengal should be persuaded to take over the Company or the workers of the Handloom units should be persuaded to form themselves into Co-operatives and if the workers refused to form Co-operatives, steps should be taken to close down the units. While the Government of West Bengal did not agree to take over the Company or the Handloom Units, the workers were not inclined to form themselves into a co-operative society.

The Bureau of Public Enterprises considered (February 1979) all the four Handloom Units, Leather Unit, Sukumar Engineering Works, Sheet Metal Unit and Cast Iron Foundry as non-viable. In regard to Malda Silk Unit, Powerloom Units, Garment Units, Textile processing Unit, Tent making Unit and Fruit Canning Unit, it was suggested that these could be made viable by fixing productivity norms, repairs, renovation of machines, provision of adequate working capital, strengthening of sales activities etc.

In November 1979 the Board of Directors decided to close down the four Handloom Units by January 1980 as well as the two defunct units, namely, the Electrical Ancillary Unit and Ceramic Unit at Ranaghat, by giving retrenchment benefits to the workers as admissible under the law.

In view of stiff opposition from the labour unions as well as from the Government of West Bengal, the proposed re-organisation could not, however, be effected. The matter was also discussed

(12th February 1980) at the ministerial level with the representatives of the Unions and the State Government. As a result of discussions, a seven man committee, consisting of three representatives of the trade unions, three representatives of the Government of India and one representative of the Government of West Bengal, was set up in March 1980 to go into the entire question of making the Company a viable undertaking as a whole. The members of the Committee gave divergent recommendations in July 1980. The main recommendations of the representatives of the Government of India were as follows :—

(i) The handloom units should be given over to the workers themselves for running as cottage industries. Staff and workers of these units may be given terminal benefits as admissible under the law.

(ii) The powerloom co-operatives and textile processing unit should be transferred to the National Textile Corporation alongwith the staff. Such of the workers, as are not taken by the National Textile Corporation, should be paid terminal benefits. In case these units are not taken over by the National Textile Corporation, staff and workers may be paid retrenchment benefits and assets disposed of.

(iii) As the efforts made to revive the Electrical Ancillary Unit and Ceramic factory have not borne fruit and these have been lying defunct for the last five to seven years, these may be deemed to be closed down and their assets disposed of.

(iv) In respect of project activity (construction and fabrication work), the Company should not accept any such works in future and should identify the projects in hand which can be completed within a reasonable time (six months) and should withdraw from works which they may not be able to complete within this time.

(v) Action should be taken for transferring the sheds constructed for industrial estates to the private entrepreneurs on hire-purchase basis with the stipulation of employment of displaced persons for a period of five years.

(vi) In regard to other units of the Corporation, possibility could be explored for transferring these to the analogous public sector units under the other ministries of the Government of India. In the event of this not being possible, these units may be closed down on payment of terminal benefits as admissible under the law.

In November/December 1980 the Company submitted to the Government of India feasibility reports in respect of 13 Production Units as well as other future projections for revitalising the Company. These were considered by the Government and, *inter alia,* the following decisions were taken and intimated to the Company in November 1981.

(i) Ceramic Unit and Electrical Ancillary Unit should be closed down.

(ii) The four handloom units should be continued on a trial basis only for 2 more years, 1981-82 and 1982-83 and their performance closely watched. The handloom production should be diversified to improve earnings and attempt should also be made to form workers into co-operatives who can take-over the handloom sections progressively.

8. *Manpower Analysis*

8.01 *Strength of Head Office and Units*

The table below indicates the staff strength both at the Head Office and Units of the Company for the last six years ending 31st March 1981 :—

Particulars	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
Number of persons employed at the end of the year						
(i) *Managerial*						
(a) Head Office	14	15	15	15	17	15
(b) Units	7	9	10	8	7	11
(c) Total	21	24	25	23	24	26
(ii) *Supervisory*						
(a) Head Office	20	21	21	21	21	19
(b) Units	14	14	16	16	15	17
(c) Total	34	35	37	37	36	36
(iii) *Others (clerical & Grade IV)*						
(a) Head Office	180	178	198	204	209	213
(b) Units	819	795	794	807	832	916
(c) Total	999	973	992	1011	1041	1129
(iv) *Workers*						
(a) Head Office	—	—	—	—	—	—
(b) Units	1577	1570	1574	1544	1589	1579
(c) Total	1577	1570	1574	1544	1589	1579
(v) Total Employees	2631	2602	2628	2615	2690	2770
Ratio of other staff to workers	1 : 1.5	1 : 1.5	1 : 1.5	1 : 1.4	1 : 1.4	1 : 1.3

Neither the detailed project reports of the various units indicating staff requirements were prepared nor a comprehensive analysis of the man-power requirements of units and Head Office of the Company was made. The sanctioned strength of the various units as well as that of Head Office was also not made available to Audit. However, a Review Committee on the working of the Company had observed (1975) that the headquarters' staff of the Company on which the annual expenditure was around Rs. 27 lakhs, was highly excessive. The Committee felt that no commercial undertaking with a low out-turn like this Company could afford such disproportionate load of administrative overheads.

8.02 *Regularisation of 96 Casual Workers*

With a view to utilising the idle installed capacity of structural fabrication shop at Sukumar Engineering Works, Sheet Metal Factory and Cast Iron Foundry and idle manpower of Civil Engineering Department and Electrical Engineering Department of the Company, the Management decided (1975) to undertake engineering works of coal handling plants and civil engineering works on turn-key basis in the coalfield areas of Asansol. With this end in view, a Field Project Office was established at Asansol and a number of employees from head office and other units of the Company were deployed there. With the increase in volume of work, some casual workers were also engaged at different project areas purely on temporary basis and in course of the time the number of such workers rose to 96. With the progressive completion of work, the Management sought (September 1978) to dispense with the services of the casual workers proportionately. The union of the employees, however, submitted (November 1978) a representation to the Assistant

Labour Commissioner, Government of India, Raniganj for regularisation of the casual labourers, as they had already completed 240 continuous working days.

The Management, however, contended that the casual labourers were engaged for completion of project/construction work against orders secured from the parties and it was not intended to continue them on a permanent basis and on completion of the project/construction work, the establishment set up would have to be wound up.

According to the legal opinion obtained by the Company, there was no obligation to regularise the casual labourers merely on completion of 240 days of continuous service. The labourers were also surplus to the requirement. Even then a tripartite settlement was reached on 11th April 1980 under which the Management agreed to regularise all the 96 casual workers with effect from 1st June 1980. While approving the above settlement, the Board of Directors in its meeting held on the 6th October 1980 observed as follows :—

> "The Members of the Board were informed that the circumstances under which the agreements were entered into appeared to be (a) at variance with the directives of the Government regarding disbandment of the casual labour, (b) without sanction of the competent authority, and (c) under duress; but *prima facie*, this is a tripartite agreement and there is no record to indicate that the persons, who negotiated on behalf of the Company were not delegated with due authority or acted under duress, the Board accorded *ex-post facto* approval, as there was

> no other alternative, and the Directors were liable for prosecution if the agreements were not implemented, but observed that before entering into this sort of agreement, the approval of the Government should have been taken."

Thus, permanent absorption of 96 casual workers who were surplus to the requirements involved a recurring expenditure of about Rs. 1.24 lakhs per annum on their pay and allowances.

9. *Costing system and Cost Control*

The Company follows job costing system for all its major products except in the case of Fruit Canning Unit and Cast Iron Foundry where cost records are built up on Batch Costing System. In arriving at the cost of production, material costs are charged on actual basis, wages are charged at a predetermined rate on the hours booked for the job and the factory overheads are charged to the job at a predetermined percentage of actual direct wages. Administrative and selling overheads are not charged to the jobs to arrive at the cost of production and cost of sales.

The following features of the system deserve mention :—

(a) No comprehensive cost accounting manual was in existence.

(b) The system of reporting variation in cost against the estimate to different levels of management for exercising effective cost control was not in vogue.

(c) No classification of overhead expenses into fixed and variable components had been made.

(d) No norms had been prescribed for wastages and rejections.

(e) There was no system of reconciliation between the cost and financial accounts.

(f) There was no system of standard costing.

(g) As already mentioned in the report earlier, there was no effective system of recording idle time for labour and machines.

The Management stated (November 1981) as follows :—

"(i) A draft regarding accounting manual which also includes cost accounting has been prepared and final shape of which is likely to take place shortly.

(ii) The system of Management reporting had been started fully from April 1980 and the standard costing system had been introduced from April 1981. The system of reconciliation between cost and financial accounts had been started partly from April 1980. Attempts are being made to introduce in full reconcilliation system between cost and financial accounts."

The Ministry of Rehabilitation & Supply (Department of Rehabilitation) stated (June 1982) that the matter of preparation of cost accounting manual etc. would be pursued with the Company by the Department for early preparation of the same.

10. *Financial Position, Working Results and Credit Control*

10.01 *Financial Position*

The table below summarises the financial position of the Company under broad headings for the last five years ending 31st March 1981 :—

(Rupees in lakhs)

Liabilities	1976-77	1977-78	1978-79	1979-80	1980-81
(a) Paid up Capital	353.20	353.20	353.20	353.20	353.20
(b) Borrowing from Government of India	805.55	920.55	1055.55	1219.05	1488.05
(c) Borrowing from others (cash credit)	—	5.82	34.76	61.73	—
(d) Trade dues & Other Current liabilities (including provisions)	318.27	382.64	483.41	608.26	1174.31
	1477.02	1662.21	1921.92	2242.24	3015.56
Assets					
(e) Gross Block	185.62	192.33	200.99	200.77	201.41
(f) Less Depreciation	43.35	47.88	52.37	55.09	58.90
(g) Net Fixed Assets (e-f)	142.27	144.45	148.62	145.68	142.51
(h) Capital work-in-progress	18.47	13.34	5.81	9.35	9.73
(i) Investments (other than trade)	0.51	0.51	0.51	0.51	0.01
(j) Current Assets, Loans & Advances	274.39	279.98	319.20	356.93	247.24
(k) Accumulated Losses	1041.38	1223.93	1447.78	1729.77	2616.07
	1477.02	1662.21	1921.92	2242.24	3015.56
Capital Employed	98.39	41.79	(—) 15.59	(—)105.65	(—) 784.56
Net worth	(—) 688.18	(—) 870.73	(—)1094.58	(—)1376.57	(—)2262.87

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

2. Net worth represents paid up capital less intangible assets.

The Company has been incurring losses since inception. The following table indicates the activity-wise profit or loss of the Company together with the incidence of interest on loans for the last 5 years ending 31st March 1981 :—

(Rupees in lakhs)

Year	Profit(+)/Loss(—)						Incidence of interest on loans
	Units manufacturing consumer goods	Units manufacturing engineering goods	Serv]ce Units.	Industrial Estates	Head office including loan giving activities	Total	
1976-77	(—)55.53	(—)13.23	(—)12.06	(+)1.12	(—)80.94	(—)160.64	51.62
1977-78	(—)54.30	(—)22.16	(—)10.18	NIL	(—)95.92	(—)182.56	66.57
1978-79	(—)60.79	(—)32.08	(—)12.32	(—)1.94	(—)116.71	(—)223.84	82.77
1979-80	(—)75.82	(—)47.03	(—)13.03	(+)3.60	(—)149.71	(—)281.99	108.29
1980-81	(—)79.30	(—)45.26	(—)12.69	(—)0.35	(—)748.70	(—)886.30	181.55

NOTE : Administrative overheads (including interest on loans), selling overheads and provision for bad and doubtful debts are charged to the Head Office Account and not allocated to the Units' Accounts.

The cumulative loss as on 31st March 1981 amounted to Rs. 2616.07 lakhs thereby wiping out the paid-up capital of Rs. 353.20 lakhs and outstanding loans of Rs. 1488.05 lakhs raised from the Government of India. The cumulative loss per worker works out to Rs 1.66 lakhs as on 31-3-1981.

The Management attributed (January 1981/November 1981) the following reasons for the losses sustained by the Company :—

"(a) Originally the Company was being treated as a developmental and welfare organisation, the main function of which was to provide economic rehabilitation to displaced persons from erstwhile East Pakistan. The commercial aspect of the Company was then treated as a secondary one.

(b) The taking over of the uneconomic handloom units from the Government of West Bengal and subsequently converting them to factory units and introduction of wage structure on the recommendation of the 8th Tribunal Award increased the losses.

(c) Most of the units of the Company are not properly planned and laid out. The engineering units of the Company cannot be called modern factories since there are deficiencies regarding balancing equipment.

(d) As the main idea was to provide employment, the same figure increased gradually without looking into the cost structure and economic viability. The sale price in some cases has to be fixed at lower than cost to stand competition in the market for at least partial engagement of labour.

(e) The manufacturing process in some cases has to be done manually resulting in unavoidable increased labour cost.

(f) As most of the employees are untrained displaced persons, the productivity was low.

(g) Initially the Company had undertaken a large variety of non-commercial activities which added to the losses.

(h) Non-availability of sufficient working capital in time attributed to the decreased productivity and increased losses.

(i) Rate of interest on loans taken by RIC both from Central Government and Banks is too high considering the type of business carried out by RIC.

(j) Central and State Government's concessions and subsidies are not forth-coming to RIC handloom units which are allowed to different small scale industries and co-operatives.

(k) RIC with its vast overhead cost had to compete in the open market with small scale entrepreneurs for which no price preference is allowed both by Central and State Governments.

(l) Apart from the above, in recent years, floods and regular load shedding has helped to increase the losses."

While indicating the factors responsible for losses of the Company (which are more or less the same as indicated above), the Ministry stated (September 1982) that as a result of implementation of the revitalisation programme there is now a hope for the Corporation to turn the corner. The detailed reply of the Ministry is reproduced in Annexure V.

10.02 *Credit Control*

(a) *Book debts*

The following table indicates the volume of book debts and sales for the last 5 years ending 31st March 1981 :—

(Rupees in lakhs)

As on	Total book debts			Sales	Percentage of debts to sales
	Considered good	Considered doubtful	Total		
31-3-77	64.44	37.99 (30.74)	102.43	121.32	84.4
31-3-78	66.83	31.63 (31.63)	98.46	67.08	146.8
31-3-79	87.80	31.63 (31.63)	119.43	206.79	57.8
31-3-80	88.26	43.55 (43.55)	131.81	102.67	128.4
31-3-81	61.86	47.81 (47.81)	109.67	103.60	105.9

Note : Figure in the brackets indicate provisions made against doubtful debts.

Sundry debtors represented about 12.7 months' sales in 1980-81, 15.4 months' sales in 1979-80, 6.9 months' sales in 1978-79, 17.6 months' sales in 1977-78 and 10.1 months' sales in 1976-77.

The analysis of debts outstanding for more than one year as on 31st March 1981 is given below :—

(Rupees in lakhs)

	Government Companies/ Corporations, etc.	Others	Total
(i) Debts outstanding for more than one year but less than 2 years	6.67	4.60	11.27
(ii) Debts outstanding for 2 years and more but less than 3 years	0.65	3.10	3.75
(iii) Debts outstanding for 3 years and more.	27.30	37.30	64.60

Out of the dues of Rs. 45.00 lakhs outstanding against other parties, the major portion (Rs. 37.37 lakhs) represented dues for rent and electricity charges against the lessees of the industrial estates of the Company, legal cases initiated against 29 lessees for realisation of dues amounting to Rs. 15.31 lakhs were pending (November 1981) in the courts [Paragraph 4.02 (c) (2) refers].

(b) *Review of individual cases of debts*

(i) During the period from August 1967 to February 1970, the Company supplied various products worth Rs. 0.89 lakh to M/s. Kamalalaya Stores (P) Limited on consignment basis. The Kamalalaya Stores did not make payment in respect of the supplies and was closed in April 1977.

The Company was not in a position to indicate (May 1982) whether the Kamalalaya stores had gone into liquidation and an official liquidator had been appointed. The entire outstanding amount was considered doubtful of recovery and provided for in the accounts.

(ii) In April 1969, the Company appointed M/s. Camaco, a Calcutta firm, as dealer for sale of its fruit products. During the period from April 1969 to March 1971, fruit products valued at Rs. 0.74 lakh were sold and delivered to the firm. Upto June 1971, the firm paid Rs. 0.34 lakh leaving a balance of Rs. 0.40 lakh. The Company filed a suit in November 1973 in the Calcutta High Court for realisation of outstanding dues alongwith interest of Rs. 0.10 lakh (@ 12 per cent per annum from July 1971 to June 1973). In May 1975 an ex-parte decree was passed in favour of the Company for Rs. 0.11 lakh with interest @ 6 per cent per annum from November 1973. In the opinion of the Company's Solicitors (May 1975) the balance claim of Rs. 0.29 lakh was time barred. The decree obtained by the Company could not, however, be executed (November 1981) as the firm was not traceable. The Company has made a provision for Rs. 0.40 lakh in the accounts against this debt.

(iii) During the year 1970-71, buckets worth Rs. 1.04 lakhs were sold to M/s. International Iron & Steel Corporation. The bills were raised against the firm in March 1971. The firm intimated that a part of the dues had already been paid by them. As the Company had not received any payment, the matter was referred to the Central Bureau of Investigation in 1971-72.

The Ministry stated (June 1982) that the Central Bureau of Investigation case was pending in a court at Calcutta.

The debt has been classified as doubtful of recovery in the accounts of the Company.

(iv) Buckets worth Rs. 0.28 lakh and Rs. 0.25 lakh were sold to M/s. Calcutta Hard Ware Tools and M/s. Hind Sales Agency during the years 1968-69 and 1969-70 respectively. On an enquiry by Audit as to when the bills were raised, the Management expressed (July 1982) its inability to furnish the details thereof. Both the cases were, however, referred to the

Central Bureau of Investigation in 1971 for investigation as according to the Management, the whereabouts of the parties could not be traced.

The Ministry stated (June 1982) that the Central Bureau of Investigation case was pending in a court at Calcutta.

The Company has classified both the amounts as doubtful of recovery and made provision therefor in the accounts.

(v) During 1968—70, drums worth Rs. 0.59 lakh were sold to Durgapur Chemicals Limited. The latter, however, refused to make any payment as the supplies made were stated to be below specification. The affairs of the Sheet Metal Factories at Bon-Hooghly and Gayeshpur, where the drums were manufactured, were investigated by Central Bureau of Investigation in 1976-77 whose report was awaited (November 1981). The Company has made a provision for these doubtful debts in the accounts.

11. *Financial Management and Internal Control*

11.01 *Accounting system*

No accounting manual has so far (November 1981) been compiled by the Company. The Management stated (November 1981) that a draft accounting manual, which also included cost accounting had been prepared, a final shape of which was likely to take place shortly.

11.02 *Internal Audit*

The Internal Audit Department under the control of the Financial Adviser and Chief Accounts Officer was set up in the Company in January 1966.

In this regard, the Statutory Auditors of the Company in their Report under Section 619(3) of the Companies Act, 1956 on the accounts of the Company for the year ended 31st March 1981 have observed as follows :—

> "No Internal Audit Manual has been prepared by the Corporation. In our opinion the Company's present internal audit system is not commensurate with the size and nature of the business, although its functioning has improved to a considerable extent during the year under audit."

The Management stated (November 1981) as follows :—

> ".....strengthening of Internal Audit is under active consideration of the Management."

The Committee on Public Undertakings in its Fifteenth Report (Fourth Lok Sabha—April 1968) on Financial Management in Public Undertakings had recommended that the functions of internal audit department should include a critical review of the systems, procedures and operations as a whole, rather than merely of the accounting work. The Ministry of Finance (Bureau of Public Enterprises) while accepting the above recommendation, had directed the public enterprises in September 1968, to introduce such a system. No such review of overall performance has, however, been conducted by the Company so far (November 1981).

12. *Budgetary Control*

The Bureau of Public Enterprises suggested in March 1968 that each public sector undertaking should compile a Budget Manual which should, *inter alia*, prescribe the responsibility-*cum*-cost control centres for compilation of the budgets. No such manual has been compiled (November 1981) by the Company.

The following table would indicate that there were significant variations between the budget estimates and actuals during the last 8 years ended 31st March 1981 :—

(Rupees in lakhs)

Year	Capital			Revenue		
	Budget estimates	Actuals	Variance	Budget estimates	Actuals	Variance
1973-74	50.26	7.75	(+)42.51	155.88	156.38	(—) 0.50
1974-75	15.04	4.55	(+)10.49	195.68	211.93	(—) 16.25
1975-76	21.44	5.00	(+)16.44	321.73	219.49	(+)102.24
1976-77	50.00	3.45	(+)46.55	413.80	233.91	(+) 179.89
1977-78	49.50	6.71	(+)42.79	402.20	197.47	(+)204.73
1978-79	55.00	4.75	(+)50.25	336.43	250.79	(+) 85.64
1979-80	51.50	8.66	(+)42.84	342.95	285.90	(+) 57.05
1980-81	25.00	0.79	(+)24.21	329.79	422.23	(—) 92.44

The variations were attributed (November 1981) by the Management to non-availability of funds as per budget estimates, payment of higher rate of dearness allowance and shortfall in production.

13. *Other topics of interest*

13.01 *Additional expenditure of Rs. 1.53 lakhs due to increase in working hours of the staff attached to factories.*

In July 1974, all categories of employees attached to offices of different factories of the Company *viz.* office clerks, cashiers, store keepers etc. who used to work 36 hours a week, were directed to follow the same working hours as followed by the workers of the factories *i.e.* 48 hours in a week. This was protested by the employees' unions on the ground that this was a unilateral and arbitrary change of service conditions and curtailment of existing benefits. The matter was referred to the Conciliation Officer, Labour Directorate, Government of West

Bengal in July 1979 where also no agreement could be reached. Ultimately, under a tripartite settlement arrived at on 4th February 1980, it was agreed that in future, the staff who would be required to work 48 hours in a week in the interest of production would be allowed special remuneration ranging from Rs. 45 to Rs. 55 per month. It was further agreed that an amount of Rs. 25 per month would be paid to each employee who had worked for 48 hours in a week as arrear remuneration, subject to a maximum of Rs. 1200 for the entire period. Accordingly, the order issued in July 1974 enhancing the working hours of the staff was revoked (February 1980) and an amount of Rs. 1.53 lakhs was paid as arrear remuneration.

The Management stated (November 1981) as follows :—

> "There is nothing on record regarding reasons for increasing the working hours of the employees but it is presumed that for making the same working hours for all the employees attached to Factories, incumbents who used to work 36 hours in a week were asked to work 48 hours in a week for smooth functioning of the production units of the RIC."

13.02 *Extra expenditure of Rs. 3.75 lakhs in civil construction work undertaken by the Company*

With a view to utilising surplus man-power, the Company secured (August 1976) a work order from Coal India Limited (Eastern Division) for construction of regional and unit workshops including administrative and other buildings, roads, boundary walls, drainage system etc. at different collieries in Asansol Coal-field area for Rs. 2 crores, on turn-key basis. The masonary walls of the regional workshops at Ukhra and Mugma and unit workshop at Nabokajora constructed by the Company at a cost of Rs. 7 lakhs collapsed due to a cyclone in March/May 1978. A Committee was set up (April 1978) by the Company to investigate into the causes of the damage of the walls. The Committee in its report of April 1978 on damage to the brickwalls of workshops at Ukhra and Nabokajora attributed the damage, *inter alia,* to the use of substandard materials and defective construction. The investigation in respect of Mugma was not conducted as the walls were constructed by the same contractor based on a similar design. Walls were reconstructed by the Company at a cost of Rs. 3.75 lakhs. No responsibility was, however, fixed for the lapse (November 1981). The Ministry had desired (1978) a report on the subject from Eastern Coalfields which has not been received by the Ministry so far. The Ministry stated (June 1982) that efforts were still being made to get the report from the Eastern Coalfields Limited and fixation of responsibility could be examined only after the report was received.

14. **Overall Summary**

The important features emerging out of the detailed analysis given in the preceding paragraphs are given below :—

14.01 *Objectives*

The Company was set up in April 1959 with the main object of providing employment to displaced persons from East Pakistan (now Bangladesh), through industrial development.

14.02 *Performance Appraisal*

The Company has been carrying on three main activities *viz.* **Industrial financing, industrial estate management and industrial and commercial activities.**

(i) *Industrial Financing*—The salient points in respect of the activity are :

(a) Funds provided upto 1968-69 by the Government of India for relending purposes were disbursed upto 1971-72, after which the activity was confined only to the recovery thereof.

(b) Between 1959-60 and 1970-71, the Company sanctioned loans aggregating Rs. 177.54 lakhs to 43 parties out of which 39 parties drew loans to the extent of Rs. 119.51 lakhs; the balance could not be disbursed by the Company owing to failure of loanees to fulfil the conditions of the loans and suspension of the lending activity by the Company.

(c) As on 31st March 1981, loans and interest amounting to Rs. 69.34 lakhs and Rs. 49.20 lakhs respectively remained outstanding, of which Rs. 59.46 lakhs (loan) and Rs. 46.49 lakhs (interest) have been classified as doubtful of recovery, and provided for in the accounts.

(d) A total amount of Rs. 50.17 lakhs was recovered from the loanees upto 31st March 1981 but only a sum of Rs. 28.40 lakhs was repaid to Government, the balance amount of Rs. 21.77 lakhs together with the undisbursed loan of Rs. 13.14 lakhs, having been diverted towards working capital requirement of the Company.

(e) As against the commitment of giving employment to 4679 displaced persons, the loanee industrialists had given employment to only 2105 displaced persons at the end of 1978-79.

(ii) *Industrial Estates Management.*—With a view to providing facilities for setting up of new small scale industrial units for employment of displaced persons, the Company established four industrial estates at Bon-Hooghly, Behala, Ranaghat and Durgapur.

The important features of this activity are:

(a) In the absence of an enabling clause in the lease agreements, the Company could not recover the increased rent on revision thereof to the extent of Rs. 29.09 lakhs.

(b) Even though the lease agreements executed from December 1974 onwards contained a clause enabling the Company to enhance the rates of rent, no recovery of increase on enhancement of rent to the extent of Rs. 0.82 lakh (from October 1978 to March 1981) could be made from 9 lessees.

(c) As on 31st March 1981, Rs. 37.37 lakhs representing rent (Rs. 29.37 lakhs) and electric charges (Rs. 8.00 lakhs) remained outstanding against the lessees; out of this Rs. 10.63 lakhs (rent Rs. 9.38 lakhs and electric charges Rs. 1.25 lakhs) were considered as doubtful of recovery and provided for in the accounts.

(d) As against the potential for employment of 1626 displaced persons, the lessees provided employment to 436 displaced persons only as on 31st March 1981.

(iii) *Industrial and Commercial Activities.*—The Company's industrial and commercial activities fall into three main categores *viz.*, (a) Units manufacturing consumer goods, (b) Units manufacturing engineering goods, (c) Units rendering services. Out of 25 units established from time to time, 15 units were working as on 31st March 1981, remaining having been closed from time to time. All the units were running at losses. The cumulative losses of all these units worked out to Rs. 9.10 crores as against the capital investment of Rs. 10.43 crores as on 31st March 1981.

The folowing facts are of interest :—

— Installed/attainable capacity of the units had not been fixed till 1980-81.

— Targets of production and sales fixed by the Company could not be achieved generally.

— Cost of production was generally more than the sale price.

— No record was maintained by the Company indicating the cause-wise analysis of idle labour, idle wages paid as well as idle machinery.

— Production of goods without ensuring their marketability resulted in accumulation of stock of finished goods and consequent loss due to deterioration in quality, as per details below :—

(i) Sale of 28231 pairs of shoes at a loss of Rs. 2.23 lakhs.

(ii) Write off of canned fruit worth Rs. 3.78 lakhs.

(iii) Sale of non-moving handloom products at a rebate of 45 per cent (Rs. 3.24 lakhs).

(iv) Sale of old silk yarn at a loss of Rs. 0.39 lakh.

The Company also incurred loss of Rs. 1.37 lakhs on the export of pineapple slices which were found unfit for human consumption. Besides, the export of pineapple slices worth Rs. 4.11 lakhs which were also declared unfit for human consumption, was under arbitration.

The closing stock of finished goods as on 31st March 1981 stood at Rs. 50.82 lakhs representing 10.89 months' sales. This included damaged and non-moving stock worth Rs. 2.04 lakhs.

14.03 *Economic Viability of Company's Operations*

In view of heavy losses incurred by the Company since inception, various committees were set up at different times to undertake detailed technical and financial appraisal of the working of various units of the Company so as to identify the reasons for continuous losses and to suggest means for placing the Company on a sound economic footing. Conversion of handloom units into co-operatives of the workers, transfer of ownership of the industrial sheds to industrialists on hire-purchase basis with stipulation for employment of displaced persons, and dispersal of head office staff to the units etc. were the main recommendations of the Committees. Most of the recommendations, however, could not be implemented and the company continued to incur losses.

Government decided (November 1981) as follows :

— The Ceramic Unit and Electrical Ancillary Unit should be close down.

— The four handloom units should be continued on a trial basis only for 2 years.

The Ministry of Supply and Rehabilitation (Department of Rehabilitation) stated (September 1982) that implementation of the revitalisation programme, approved in November 1981, has resulted in improvement of the working of the Company.

14.04 *Manpower Analysis*

The total strength of the staff and workers of the Company was 1191 and 1579 respectively as on 31st March, 1981. Neither the detailed project reports of the various units indicating staff requirements were prepared, nor a comprehensive analysis of manpower requirements of units and Head Office of the Company had been made.

14.05 *Costing System and Cost Control*

There were a number of deficiencies in the costing and cost control system.

14.06 *Working Results and Credit Control*

The Company has been incurring losses since its inception. The cumulative loss as on 31st March 1981 was Rs. 2,616.07 lakhs, which wiped out not only the entire paid up capital of Rs. 353.20 lakhs but also the outstanding loan of Rs. 1,488.05 lakhs raised from Government. The cumulative loss per worker worked out to Rs. 1.66 lakhs as on 31-3-1981.

Out of total book debts of Rs. 109.67 lakhs as on 31st March 1981, debts amounting to Rs. 47.81 lakhs were considered as doubtful of recovery and provided for in the accounts.

With a view to revitalisation of the Company, the Ministry of Supply & Rehabilitation, (Department of Rehabilitation), *inter alia,* decided (November 1981) that all the loans outstanding as on 31st March 1981 would be interest free till March 1986 and that there would be a moratorium on repayment of instalments of all loans outstanding from 1st April 1981 to 31st March 1986.

14.07 *Other Topics of Interest*

The masonary walls of workshops of Coal India Limited (Eastern Division) constructed by the Company at a cost of Rs. 7 lakhs, collapsed due to cyclone. The damage of these walls was attributed to the use of substandard materials and defective construction. The walls were reconstructed at a cost of Rs. 3.75 lakhs. No responsibility was, however, fixed for the lapse.

R. C. Suri

(R. C. SURI)

Chairman, Audit Board and Ex-officio
Additional Deputy Comptroller and
Auditor General (Commercial)

New Delhi
The 11-2-1983.

Countersigned

G. Prakash

(GIAN PRAKASH)

Comptroller and Auditor General of India

New Delhi
The 11-2-1983.

ANNEXURE I

[Referred to in Para No. 4.01(C)]

Statement indicating the detailed position of loans upto 31st March 1981

Sl. No.	Name of the Loanee	Amount of loan sanctioned (Rs.)	Amount of loan disbursed (Rs.)	Year(s) of drawal	Moratorium allowed (Years)	Normal rate of interest p.a. (%)	Year in which commencement of repayment of principal was due	Outstanding as on 31st March 1981		Amount considered Doubtful and provision made	
								Principal (Rs.)	Interest (Rs.)	Principal (Rs.)	Interest (Rs.)
1	2	3	4	5	6	7	8	9	10	11	12
1.	Adrose Private Limited	1,70,000	1,70,000	1961-62	2 (Approx.)	7	30-6-64	1,654	363	..	..
2.	Arjun Chandra Das	16,800	16,800	1963-64 to 1964-65	1	7	31-1-65	..	..	..	..
*3.	Bengal Fine Spg. Wvg. Mills	16,30,000	10,45,609	1961-62 to 1965-66	2	6	31-2-64	9,22,680	5,47,597	9,22,680	547,597
4.	Bardhan & Co. Pvt. Ltd.	1,00,000	1,00,000	1961-62 to 1962-63	2	7	15-12-63	25,000	90,176	25,000	90,176
5.	Bengal Textile Mills	12,35,000	9,34,336	1962-63 to 1963-64	1½	7	31-12-63	8,39,336	7,82,821	..	..
6.	B. S. Machine Tools	2,00,000	1,96,600	1962-63 to 1963-64	1½	7	31-12-63	..	..	8,39,336	7,82,821
7.	Bengal Screw Mfg. Co.	1,62,000	1,50,000	1963-64	1	7	30-6-64	..	..	..	..
8.	Bharat Grinders	2,33,000	63,100	1963-64 to 1966-67	2	7	4-10-65	..	..	..	..
9.	Bengal Engineering Co. Pvt. Ltd.	2,37,000	1,10,000	1969-70	2	8	30-6-71	98,000	33,317	..	..
10.	Bon-Hooghly Powerloom Co-opt. Society Ltd.	2,09,000	1,55,392	1968-69 to 1971-72	2	7	30-8-75	1,54,267	1,18,032	1,54,267	1,18,032
**11.	Geof W. Rose & Co.	30,000	30,000	1959-60 to 1960-61	2 years 9 months	6	31-1-63	39,424	30,484	..	..
		18,000	18,000	1962-63	2 years	7	1-9-64	..	..	..	..

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1	2	3	4	5	6	7	8	9	10	11	12
27.	Nabarun Taxi Drivers Co-opt. Society No. V.	1,72,500	1,65,801	1963-64 to 1964-65	2 months	6 ½	31-5-64	93,647	81,828	7,01,617	6,06,381@
28.	Nabarun Taxi Drivers Co-opt. Society No. VI.	1,72,500	1,66,930	1963-64 to 1964-65	4 months	6 ½	31-7-64	1,39,930	1,34,412		
29.	Nabarun Taxi Drivers Co-opt. Society No. VII.	1,72,500	1,72,301	1963-64	7 months	6 ½	31-10-64	1,23,185	1,09,166		
30.	Nabarun Taxi Drivers Co-opt. Society No. VIII.	1,72,500	1,71,267	1963-64	9 months	6 ½	31-12-64	1,41,035	1,23,453		
31.	Raymond Paper Mills . . .	7,50,000	2,50,000	1968-69	2	8	1-7-70	2,50,000	2,29,082	2,50,000	2,29,082
32.	Radha Chemicals Co. Ltd. . .	13,30,000	4,70,000	1970-71	2	8	1-12-72	2,91,257	48,856		
33.	R.I.C. Employees Co-opt. . .	10,000	10,000	1971-72	2	7	9-7-63	..	..	..	..
34.	Sen and Pandit . . .	20,00,000	20,00,000	1960-61 to 1962-63	3	6	15-11-63	25,29,000	17,43,844	25,29,000	17,43,844
		9,00,000	6,81,000	1962-63 to 1963-64	3	7	15-7-65				
35.	Power Tools & Appliances Co. Ltd.	2,00,000	1,40,612	1961-62 to 1963-64	3	7	28-6-64	..	..	..	..
36.	Sitaram Rice Mill . . .	30,000	20,000	1962-63	2	7	31-7-64	..	..	..	..
37.	Tailygunj Tant Shilpa Protisthan .	50,000	40,000	1962-63	2	7	31-12-64	34,000	27,793	..	..
38.	Taherpur Powerloom Co-opt. Socy. Ltd. No. I.	2,09,000	1,88,334	1966-67 to 1968-69	4	7	31-7-70	1,88,334	1,15,400	1,88,334	1,15,400
39.	Taherpur Powerloom Co-opt. Society Ltd. No. II	2,09,000	1,75,974	1966-67 to 1968-69	4	7	31-7-70	1,75,974	1,07,826	1,75,974	1,07,826
40.	Bon-Hooghly Powerloom Co-opt. Socy. Ltd. No. II.	2,09,000	..	..	..	..	..	..	..	..	..
41.	Bon-Hooghly Powerloom Co-opt. Socy. Ltd. No. III.	2,09,000	..	..	..	..	..	..	..	..	..
42.	Bon-Hooghly Powerloom Co-opt. Socy. Ltd. No. IV.	2,09,000	..	..	..	..	..	..	..	..	..
43.	The Scientific Indian Glass Co. Ltd.	12,90,000	..	..	..	..	..	..	..	..	..
		177,53,800	119,50,809					69,33,592			

*Taken over by NTC Ltd.

**Under litigation.

@The figure has been worked out after adjustment of Rs. 9331 received on disposal of 41 bodies of taxis.

ANNEXURE III

(Referred to in Para 4.03)

Statement showing the position of investment in various units, their present status and working results etc. as on 31st March 1981

Sl. No.	Name of the Units	Date/year of setting up	Present status (Running/closed/idle)	Year of closure/year since when lying idle	Liabilities: Head Office account (Capital invested) (Rs. in lakhs)	Liabilities: Other Liabilities (Rs. in lakhs)	Liabilities: Total (Rs. in lakhs)	Assets: Fixed Assets (Rs. in lakhs)	Assets: Other Assets (Rs. in lakhs)	Accumulated loss (Rs. in lakhs)	Total (Rs. in lakhs)	Percentage of accumulated loss to capital invested
1	2	3	4	5	6	7	8	9	10	11	12	13
	Units manufacturing consumer goods											
1.	Taherpur Production Centre	1-6-62	Running	..	116.45	7.39	123.84	3.77	2.00	118.07	123.84	101.39
2.	K.B.M. Production Centre	1-10-62	Running	..	93.05	5.36	98.41	2.79	1.21	94.41	98.41	101.46
3.	Gayeshpur Production Centre.	1-10-62	Running	..	64.60	3.66	68.26	2.86	2.40	63.00	68.26	97.52
4.	Habra Production Centre	1-10-62	Running	..	77.52	3.86	81.38	2.26	1.98	77.14	81.38	99.51
5.	Padwa Production Centre	1964	Closed	1967-68	..	..	..	..	..	..	..	..
6.	Jagdalpur Production Centre.	1-6-65	Closed	1967-68	..	..	..	..	..	..	..	..
7.	Malda Silk Unit	1-10-62	Running	..	36.65	0.27	36.92	2.60	3.64	30.68	36.92	83.71
8.	Tent Making Unit	9-4-64	Idle	1975-76 to 1977-78	0.33	..	0.33	0.04	0.18	0.11	0.33	33.33
9.	Leather Works (Bon-Hooghly).	July '62	Running	..	67.62	3.01	70.63	1.87	9.74	59.02	70.63	87.28
10.	Garments Factory (Bon-Hooghly).	1964-65	Running	..	36.74	1.30	38.04	0.48	1.09	36.47	38.04	99.27
11.	Fruit Canning Unit (Bon-Hooghly).	1963-64	Running	..	59.98	0.77	60.75	2.06	10.49	48.20	60.75	80.36
12.	Fruit Canning Unit (Agartala).	1-5-63	Closed	Dec. '69	..	..	..	..	..	..	..	..
	Engineering Goods/Job Units :											
1.	Sukumar Engineering Works.	14-9-61	Running	..	170.34	1.75	172.09	18.60	36.45	117.04	172.09	68.71
2.	Sheet Metal Unit (Bon-Hooghly).	1964-65	Running	..	84.04	0.72	84.76	1.18	14.04	69.54	84.76	82.75

ANNEXURE IV

[Referred to in Para 4.05(i)(e)]

Statement showing the cost of production of shoes vis-a-vis sale price against the ordered quantities

Year of receiving order	Orders (in pairs)	Cost per pair (Ruppees)				Sale price per pair (Rupees)
		Labour	Materials	Overheads (excluding Administrative overhead)	Total	
1	2	3	4	5	6	7
1975-76	1500	N.A.	N.A.	N.A.	41.13	39.75
	11700	N.A.	N,A.	N.A.	34.22	32.25
	6150	N.A.	N.A.	N.A.	33.23	32.40
	524	N.A.	N.A.	N.A.	33.13	32.85
	1471	N.A.	N.A.	N.A.	12.18	10.70
	3750	N.A.	N.A.	N.A.	51.37	53.50
	1000	N.A.	N.A.	N.A.	18.27	15.50
	517	N.A.	N.A.	N.A.	35.28	33.95
1976-77	14000	N.A.	N.A.	N.A.	41.07	39.00
	7000	N.A.	N.A.	N.A.	35.69	33.00
	6642	N.A.	N.A.	N.A.	41.88	38.00
	393	N.A.	N.A.	N.A.	40.10	37.00
	253	N.A.	N.A.	N.A.	38.39	38.25
	350	N.A.	N.A.	N.A.	42.88	43.25
	421	N.A.	N.A.	N.A.	50.49	49.95
	150	N.A.	N.A.	N.A.	43.13	42.50
	238	N.A.	N.A.	N.A.	37.83	35.95
	150	N.A.	N.A.	N.A.	48.91	49.95
	125	N.A.	N.A.	N.A.	43.77	42.85
	3000	N.A.	N.A.	N.A.	38.34	36.95
	3750	N.A.	N.A.	N.A.	51.37	53.50
	1300	N.A.	N,A.	N.A.	34.22	32.25

ANNEXURE IV

[Referred to in Para 4.05(i)(e)]

Statement showing the cost of production of shoes vis-a-vis sale price against the ordered quantities

Year of receiving order	Orders (in pairs)	Cost per pair (Ruppees)				Sale price per pair (Rupees)
		Labour	Materials	Overheads (excluding Administrative overhead)	Total	
1	2	3	4	5	6	7
1975-76	1500	N.A.	N.A.	N.A.	41.13	39.75
	11700	N.A.	N.A.	N.A.	34.22	32.25
	6150	N.A.	N.A.	N.A.	33.23	32.40
	524	N.A.	N.A.	N.A.	33.13	32.85
	1471	N.A.	N.A.	N.A.	12.18	10.70
	3750	N.A.	N.A.	N.A.	51.37	53.50
	1000	N.A.	N.A.	N.A.	18.27	15.50
	517	N.A.	N.A.	N.A.	35.28	33.95
1976-77	14000	N.A.	N.A.	N.A.	41.07	39.00
	7000	N.A.	N.A.	N.A.	35.69	33.00
	6642	N.A.	N.A.	N.A.	41.88	38.00
	393	N.A.	N.A.	N.A.	40.10	37.00
	253	N.A.	N.A.	N.A.	38.39	38.25
	350	N.A.	N.A.	N.A.	42.88	43.25
	421	N.A.	N.A.	N.A.	50.49	49.95
	150	N.A.	N.A.	N.A.	43.13	42.50
	238	N.A.	N.A.	N.A.	37.83	35.95
	150	N.A.	N.A.	N.A.	48.91	49.95
	125	N.A.	N.A.	N.A.	43.77	42.85
	3000	N.A.	N.A.	N.A.	38.34	36.95
	3750	N.A.	N.A.	N.A.	51.37	53.50
	1300	N.A.	N.A.	N.A.	34.22	32.25

1	2	3	4	5	6	7
1977-78	300	N.A.	N.A.	N.A.	42.88	43.25
	54	N.A.	N.A.	N.A.	46.85	44.95
	2132	N.A.	N.A.	N.A.	49.61	43.50
	2500	N.A.	N.A.	N.A.	50.33	44.25
	109	N.A.	N.A.	N.A.	41.88	38.00
	669	N.A.	N.A.	N.A.	40.10	37.00
	85	N.A.	N.A.	N.A.	52.08	49.95
1978-79	3824	6.51	28.18	9.65	44.34	44.00
	271	6.51	30.49	9.26	46.26	38.85
	102	4.65	18.70	6.50	29.85	26.32
	93	6.51	33.13	9.26	48.90	48.95
	3000	6.51	40.19	9.26	55.96	50.00
1979-80	829	5.58	34.45	7.45	47.48	48.95
	866	5.58	28.42	8.05	42.05	43.95
	165	6.51	40.19	9.26	55.96	55.95
	52	5.58	34.96	12.90	53.44	55.00
	250	7.41	52.14	8.80	68.35	72.00
	29	6.51	46.99	11.71	65.21	58.95
	25	6.51	52.84	9.46	68.81	84.00
	150	6.51	56.33	9.46	72.30	71.50
	1	5.58	34.96	12.90	53.44	55.00
	291	5.58	26.34	8.05	39.97	38.95
	342	6.51	35.85	9.26	51.62	50.95
	2400	7.41	39.94	8.79	56.14	52.95
1980-81	1163	13.50	47.28	10.00	70.78	70.00
	1937	13.50	55.06	10.00	78.56	66.00
	51	13.50	55.04	10.00	78.54	71.00
	252	13.50	55.58	10.00	79.08	70.00

ANNEXURE V

[Referred to in Para No. 10.01]

Detailed reply dated 27th September, 1982 of the Ministry

MINISTRY OF LABOUR AND REHABILITATION
(DEPARTMENT OF REHABILITATION)

Subject :—Appraisal of the performance of the Rehabilitation Industries Corporation Ltd., Calcutta by the Audit Board—A brief note on the improvements made in the working of the RIC.

The Rehabilitation Industries Corporation Limited, Calcutta, which is an Undertaking wholly owned by the Government of India, was incorporated on the 13th April, 1959 under the Companies Act, 1956 mainly for providing employment to displaced persons from erstwhile East Pakistan by giving financial and other assistance to industrial units in private and co-operative sectors and also by setting up industrial units of its own.

2. Although, the objective of providing employment to displaced persons is being served, the commercial functioning of the Corporation has been rendered difficult and the Corporation has been incurring losses year after year ever since its inception. The reasons for the losses are manifold and have been studied from time to time by Expert Committees. Since of the main factors are given below :—

(i) The Rehabilitation Industries Corporation was set up as a relief and rehabilitation project for the resettlement of displaced persons, but as most of them were unskilled, their productivity as labour was low.

(ii) As the main object and accent was to provide employment to displaced persons, the units under the Rehabilitation Industries Corporation were not operated strictly on commercial basis and a number of activities were undertaken which resulted in losses.

(iii) The Handloom Units are normally run as a Cottage Industry or as Co-operative Society. The five Handloom Units under the Rehabilitation Industries Corporation have, however, all along been run as factory units. This has resulted in additional expenditure on minimum wage, variable dearness allowance, gratuity, leave salary etc. The usual rebate admissible in co-operative sector, is also not available to the Corporation's Handloom Units.

(iv) Most of the units are small scale and light engineering units with their associated difficulties and problems of production and marketing especially when the products are to be competitive in the market with products of larger units of production.

(v) The Corporation intially took up some non-industrial activities such as advancing loans to private industrialists, co-operatives etc. which proved to be a liability.

(vi) Most of the Handloom products are consumer oriented and have to face stiff competition from larger units.

The Corporation has incurred a cumulative loss of Rs. 26.16 crores upto 31st March, 1981. The accounts for the year

1981-82 have not yet been finally audited. The provisional loss during 1981-82 is, however, estimated at Rs. 1.78 crores.

3. The unsatisfactory working of the RIC and continued losses have been causing concern to this Department. Besides, the three Committees which had studied the working of the Corporation in the past since 1968, the Bureau of Public Enterprises had carried out techno-economic studies of the various units of the Corporation during 1978-79. In pursuance of the findings of the BPE, efforts were made to close down the handloom units, but this was opposed by the Labour Unions of the RIC. As a result of this, another Committee, consisting of 7 members—3 from the Government of India, 3 representatives of the Labour Unions of the Corporation and one from the Government of West Bengal, went into the working of the Corporation during 1980, and submitted its report in July, 1980. The Members of the Committee, however, gave divergent recommendations. Consequent on a change in the RIC Management, the new Managing Director was requested to furnish feasibility reports in respect of its production units. The Corporation accordingly furnished the feasibility reports, along with projections of production/sales, cash-flow etc. for the period from 1981-82 to 1990-91. Keeping these in view, the revitalisation programme of the RIC was prepared and placed before the Government for consideration and approval in September, 1981. The Government approved the detailed measures necessary for revitalisation of the Corporation in October, 1981 and the same were conveyed to the RIC in the first week of November, 1981 for implementation. It was decided to formally close down the defunct Ceramic Unit and Electrical Ancillary Unit; to run the 4 handloom units on a trial basis only for 2 more years, 1981-82 and 1982-83 and diversify their production to improve earnings and to make attempts to form the workers of these units into co-operatives who could take over the handloom units progressively; all loans outstanding against the Corporation as on 31st March 1981 have been made interest free from 1st April 1981 to 31st March, 1986 and a moratorium of 5 years on

repayment of instalments of all loans outstanding on 1st April, 1981 has been granted. Further, an amount of Rs. 1.16 crores was sanctioned to the Corporation by way of equity and loan in the ratio of 1 : 1 during 1981-82 and 1982-83 for purchase of balancing machinery and equipment and for construction of additional sheds for adequate floor space etc. For meeting working capital requirements and to make good the cash loss, it was decided to advance non-plan loan of Rs. 1.84 crores during the year 1981-82. From the year 1982-83 onwards, the Company was expected to arrange to meet its further working capital requirements from Commercial Banks. The following targets of out-put, sales and operating results were decided upon :—

(Rs. in crores)

Year	1981-82	1982-83	1983-84	1984-85	1985-86
Output . . .	3.30	8.88	12.10	14.34	14.74
Sales (including trading items) .	3.99	13.08	18.30	21.54	21.54
Operating results (with interest holiday on all Govt. loans) . .	(—)1.08	0.45	1.51	2.49	2.49

4. The Ceramic Factory and the Electrical Ancillary Unit have since been closed. A sum of Rs. 214 lakhs (as against Rs. 184 lakhs envisaged) was advanced to the Corporation during 1981-82 as working capital loan. The additional loan of Rs. 30 lakhs had to be released to the Corporation, as the Corporation could not achieve the desired results during the year 1981-82. This was so because, by the time the Government decision for reviatalisation of the Corporation was taken, almost half the financial year 1981-82 had elapsed. A sum of Rs. 30 lakhs had

also to be released for working capital during the current financial year, because the Corporation has still been incurring cash loss, although on a much reduced scale. The loan was advanced so that the working capital available with the Corporation was not eroded. The Corporation is now in a position to meet its further working capital requirements from Commercial Banks. The Corporation is expected to secure bank finance for working capital under cash credit facilities upto Rs. 70 lakhs from the Indian Overseas Bank, against which a Government guarantee upto Rs. 23 lakhs only as requested has been given; and upto Rs. 30 lakhs in respect of its three handloom units and the Malda Silk Unit without Government guarantee and upto Rs. 50 lakhs in respect of Sukumar Engineering Works and Textile Processing Unit from the United Commercial Bank, against which Government guarantee upto Rs. 25 lakhs only was requested and has been given. So far, the Corporation has been able to make drawals upto Rs. 42 lakhs from the Indian Overseas Bank and upto Rs. 30 lakhs from the United Commercial Bank, against these cash credit limits. It would be appreciated that while during the year 1980-81, loans aggregating to Rs. 269 lakhs had been released by the Government for working capital requirements, the working capital support from Government was Rs. 214 lakhs during the year 1981-82. The working capital support from Government has been reduced to only Rs. 30 lakhs during the current financial year. It is expected that for the rest of the current financial year, the Corporation would be able to meet its working capital requirements from Commercial Banks because of considerable improvement in the performance of the Corporation over the years 1981-82 and 1982-83.

5. For capital outlay, out of the total amount of Rs. 1.16 crores sanctioned for purchase of balancing machinery and equipment and carrying out essential civil works like construction of additional sheds for adequate floor space etc., an amount of Rs. 87 lakhs has already been released. Of this, the Corporation has already utilised an amount of Rs. 47.13 lakhs and commitments have been made for about Rs. 8.24 lakhs upto

31st August, 1982. The balance amount is also expected to be utilised shortly.

6. The production of the Corporation during 1981-82 was of the value of about Rs. 267 lakhs worth which represented about 80% of the target. This performance showed substantial improvement in the working of the Corporation when compared with the value of production during the previous three years in which the yearly production was only of the value of rupees one crore on an average. Similarly, the sales of the Corporation's manufactured products during 1981-82 was worth Rs. 248 lakhs representing about 72% of the target. The Corporation also started a new activity during the year 1981-82, namely, trading sales for supplementing its income. The trading sales achievement was about Rs. 40.86 lakhs, with an estimated net income of Rs. 6.57 lakhs.

7. Keeping the performance during 1981-82 as the base, the revised target of production during 1982-83 has been fixed at Rs. 780 lakhs worth and that of sales including trading sales as Rs. 1000 lakhs worth. During the first four months *i.e.* from April to July, 1982, against the target of production of Rs. 216 lakhs, the actual achievement is Rs. 230 lakhs, which is more than the target. During the corresponding period last year 1981-82, the value of production was only about Rs. 43.47 lakhs. Against the sales target of Rs. 216 lakhs, for the period from April to July, 1982, the actual achievement is about Rs. 200 lakhs. There is only marginal shortfall of Rs. 16 lakhs which is expected to be made up very shortly. During the same period last year the value of sales was only of Rs. 35 lakhs. According to the indications given by the Managing Director, the total monthly production of the units of the RIC, excluding the work at the project site, would be around Rs. 60 lakhs by January 1983, while in the case of the works at the project sites, the production figure would be about Rs. 40 lakhs. In short, total production of the RIC will be approximately rupees one crore per month

in the beginning of the fourth quarter of the current financial year.

8. The losses being incurred by the Corporation year after year have been substantially reduced, ever since the implementation of the revitalisation programme has been taken in hand. The operational loss (excluding interest, depreciation and provisions for doubtful debts etc.) during 1978-79 was about Rs. 1.37 crores and the corresponding loss during the year 1979-80 and 1980-81 was Rs. 1.65 crores and Rs. 1.70 crores respectively. During the year 1981, the operational loss has been brought down to Rs. 1.55 crores (provisional). There has been further improvement during the current financial year. The operating results for the first 4 months of 1982-83 upto July, 1982 have indicated a loss of Rs. 28.71 lakhs only which includes provision for interest of Rs. 15.70 lakhs on Government as well as bank loans and depreciation of Rs. 1.92 lakhs. Excluding these provisions, the net operational loss comes to about Rs. 12.09 lakhs only *i.e.* about Rs. 3 lakhs per month, against the average operational loss of about Rs. 15 lakhs *per month* during the same period of the last financial year. The Corporation has projected a gross loss of Rs. 46.21 lakhs only during the current financial year, which includes provision for interest of Rs. 60 lakhs and depreciation of Rs. 5.80 lakhs. If these provisions are not taken into account, the expectation is operational profit of Rs. 19.59 lakhs during the current financial year. Thus, the Corporation expects, to reach a zero loss figure by the end of the current financial year.

9. The performance of the Corporation is being kept constantly under review from month to month on the basis of various reports being obtained from the Corporation under the Management Information System as well as by holding quarterly review meetings at the level of the Secretary of the Ministry. Since the revitalisation plan of the RIC was taken up for implementation, 3 such review meetings at Secretary level have been held on 10*th December*, 1981, 23*rd March*, 1982 and 21*st*

August, 1982. The Department of Rehabilitation has also been rendering all possible assistance to the Corporation for improving their working by helping to secure orders etc. The Department of Rehabilitation has also written to the concerned Ministry/Organisation for sanctioning special rebate for Government on the handloom products of the Corporation etc. While the Government were considering the closing down of the RIC or atleast the 4 handloom units, there is now a hope for the Corporation to turn the corner. There has been considerable improvement in the order book position of the Corporation. Its credibility in the market has increased. The products made by the Corporation are also getting market acceptance.

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लेखक
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शीर्षक
Title...Comptroller and...
..Comptroller and Auditor
PED, China 1982

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