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GOVERNMENT OF GUJARAT

REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR 1974-75

(COMMERCIAL)

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REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR 1974-75 (COMMERCIAL)

PREFATORY REMARKS

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

(i) Government Companies;

(ii) Statutory Corporations; and

(iii) Departmentally managed commercial undertakings.

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

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

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

Name	Government investment upto 1974-75 (Rupees in lakhs)	Percentage of Government investment to total paid-up capital
Gujarat State Fertilizers Company Limited	588.05	49.37
Shree Digvijaya Woollen Mills Limited	33.40	40.60

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

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

CHAPTER I

GOVERNMENT COMPANIES

SECTION I

1. Introduction :

There were 21 companies (including 11 subsidiaries) of the State Government as on 31st March 1975 as against 17 companies (including eight subsidiaries) as on 31st March 1974. During the year 1974-75, one new Company, *viz*., Gujarat State Construction Corporation Limited and three subsidiary Companies of Gujarat Industrial Investment Corporation Limited, *viz*., Gujarat Carbon Limited, Steel Corporation of Gujarat Limited and Gujarat State Machine Tools Corporation Limited, were incorporated.

A synoptic statement showing the financial results of 10 Companies (including three subsidiaries) on the basis of the latest available accounts, is given in Annexure 'A'. The accounts of Gujarat State Handicrafts and Handloom Development Corporation Limited and Bhavnagar Public Dairy Limited for 1974-75 have not been finalised (January 1976). Three new Companies incorporated during the year will be preparing their first accounts in the year 1975-76. The remaining six subsidiary Companies have not prepared their accounts as these are in the construction stages.

2. Paid-up capital :

According to the accounts of seven Companies (excluding subsidiaries), the aggregate of the paid-up capitals at the end of 1974-75 stood at Rs. 1252.17 lakhs (out of which Government investment was Rs. 1026.38* lakhs). This represented an increase of Rs. 68.05 lakhs over the aggregate of paid-up capitals of Rs. 1184.12 lakhs at the end of the previous year.

3. Long term loans :

The balance of long term loans outstanding against the seven Companies (excluding subsidiaries) were Rs. 2043.92 lakhs as on 31st March 1975 (Rs. 672.67 lakhs from the State Government, Rs. 1339.87 lakhs from other parties and Rs. 31.38 lakhs as deferred payment credit). This represented increase of Rs. 232.84 lakhs over the balance of Rs. 1811.08 lakhs as on 31st March 1974.

4. Guarantees :

The State Government has guaranteed repayment of share capital of one Company, *viz*., Gujarat Small Industries Corporation Limited, the amount outstanding on 31st March 1975 being Rs. 30.00 lakhs.

The State Government guaranteed repayment of loans including deferred payment credits to the extent of Rs. 2728.75* lakhs raised by three Companies against which Rs. 1654.72* lakhs were outstanding on 31st March 1975.

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* **Figures are as per the books of accounts of the Companies and are under reconciliation with those mentioned in the Finance Accounts.**

5. Profits and dividends :

(*i*) According to the accounts of seven Companies (excluding subsidiaries) there was total net profit of Rs. 94.69 lakhs during 1974-75, against total profit of Rs. 71.93 lakhs earned by eight Companies during 1973-74. The overall increase in profits during 1974-75 was mainly due to improvement in the working results of the following Companies :

(Rupees in lakhs)

Name	Profits during 1973–74	Profits during 1974–75
Gujarat Export Corporation Limited	8.74	11.54
Gujarat Industrial Investment Corporation Limited	15.69	29.12
Gujarat Small Industries Corporation Limited	17.36	30.08
Gujarat Agro Industries Corporation Limited	1.19	6.38

Three Companies declared dividends aggregating Rs. 6.12 lakhs during the year as indicated below:

(Rupees in lakhs)

Particulars	Gujarat Export Corporation Limited	Gujarat State Textile Corporation Limited	Gujarat Small Industries Corporation Limited
Distributable surplus	4.36	4.83	10.88
Amount retained in business	3.16	1.99	8.80
Dividend declared	1.20	2.84	2.08
Percentage of dividend to paid-up capital	12	1.75	4

(*ii*) One Company sustained loss during 1973-74 and 1974-75 as detailed below:

(Rupees in lakhs)

	Paid-up capital	Loss sustained 1973–74	Loss sustained 1974–75
Gujarat Dairy Development Corporation Limited	21.39	3.50	10.34

The State Government gave subsidy during 1974-75 to this Company, amounting to Rs. 2.62 lakhs towards reimbursement of loss incurred during 1973-74 in running the dairy.

SECTION II

Gujarat Export Corporation Limited

1. Introduction :

The Gujarat Export Corporation Limited was incorporated on 14th October 1965. The Company commenced business from 30th March 1966.

2. Objects :

The main objects of the Company are to :

(*i*) organise and effect exports and import of such goods and commodities as the Company may determine from time to time,

(*ii*) purchase, sell and undertake general trade in such goods and commodities,

(*iii*) serve as the channel for outflow of goods to the export market and to take such steps as may be necessary to promote export,

(*iv*) arrange for supply of finance and raw materials to exporters and manufacturers to enable them to process export orders and to act as financiers, agents, etc., for the same, and

(*v*) arrange participation in fairs and exhibitions in India and abroad.

3. Organisational set-up :

The management of the Company is vested in a Board of Directors, consisting of 12 directors, including the Chairman and the Managing Director. One-third of the number of directors in the Board are nominated by Government. The Chairman is appointed by Government. The Managing Director is the Chief Executive, who has been delegated powers for the day to day management of the Company's affairs.

4. Capital Structure :

The authorised capital of the Company is Rs. 50 lakhs. The paid-up capital as on 31st March 1975 was Rs. 10 lakhs, out of which the State Government had subscribed Rs. 5.66 lakhs and the remaining Rs. 4.34 lakhs were invested by the public.

In addition, the Company obtained cash credit facilities from the State Bank of India upto the maximum limit of Rs. 25 lakhs, to augment its resources for financing export and import. The Company has also secured facilities from another bank for discounting of bills upto Rs. 30 lakhs and an overdraft facility upto Rs. 3 lakhs. The total amount outstanding in this regard on 31st March 1975 was Rs. 8.22 lakhs as against Rs. 38.32 lakhs on 31st March 1974.

5. Operation :

The main business of the Company is export, import and arrangement of finance for the same. The Company has also participated in fairs and exhibitions and undertaken market survey. The various activities undertaken by the Company are dealt with in the following paragraphs :

5.1. *Exports :*

(*i*) For export trade, the Company is treated as an eligible Export House by the Government of India. The Company is eligible for export of seven product groups, *viz.*, engineering goods, chemicals and allied products, plastics and linoleum processed goods, handicrafts, leather products and embroidered fabrics. The extent of exports during the period from 1971-72 to 1974-75 as compared to the targets fixed were as under :—

(Rupees in lakhs)
(c.i.f. value)

Year		Targets	Actual exports
1971–72	..	50.00	63.05
1972–73	..	80.00	89.80
1973–74	..	125.00	118.70
1974–75	..	175.00	258.27

Engineering goods formed the bulk of the exports; being about 90 per cent of the total exports.

The table below indicates the value of total exports from Gujarat as compared to the value of exports made by the Company during the three years ending 1973-74.

Year		Value of exports		Percentage of the Company's exports to State's total
		From the State	By the Company	
		(Rupees in lakhs)		
1971–72	..	11,894.10	63.05	0.53
1972–73	..	14,903.42	89.80	0.60
1973–74	..	24,554.39	118.70	0.48

It would be seen from the above table that, although the value of

(*Note* :—Total exports of the State for the year 1974–75 not available).

exports by the Company is increasing, its share in the total exports from Gujarat had declined in 1973-74. The Management stated (December 1975) that the Company was concentrating only on export of non-traditional items whereas in the overall export of the State, traditional items dominate.

(*ii*) *Sale of 150 'Mercury' diesel engines.*—The Company secured an order for sale of 150 'Mercury' diesel engines in September 1973 to a firm of U. K. of the value of £15750 (Rs. 2.83 lakhs),c.i.f. destination port.

The sales agreement provided for payment after 90 days against despatch documents accepted/negotiated through bank. The engines were shipped on 28th September 1973 and the consignment reached the port of destination on 19th November 1973. The firm, however, refused to retire the documents and clear the consignment because the cases were reportedly found wet and in broken condition. The goods were then removed to a warehouse by the State Bank of India on behalf of the Company. Attempts made by the Company to find an alternative buyer in U.K. rather than incurring heavy freight charges to bring the goods back to India, also failed. The goods were finally sold to a firm of Jeddah for £ 21000 (Rs. 3.92 lakhs) at £ 140 per engine, c.i.f. Jeddah in May 1975.

The Company had to incur expenditure of £ 23398 (Rs. 4.34 lakhs) on account of dock, storage and insurance charges in U.K. and freight charges from London to Jeddah. In addition, interest charges at 11 per cent for the period from 28th December 1973 to 30th April 1975 amounted to Rs. 0.41 lakh. Thus, the Company had spent Rs. 7.58 lakhs against the sale proceeds of Rs. 3.92 lakhs, resulting in a net loss of Rs. 3.66 lakhs.

The Company has not lodged (December 1975) any claim against a Credit Guarantee policy (90 per cent of the gross invoice value is covered by this policy) taken with Export Credit and Guarantee Corporation Limited for recovery of the loss. The Management stated (December 1975) that claims would be filed after gathering full details of the expenses incurred, possible recoveries and observing procedural formalities, which were time consuming.

(*iii*) *Export of bicycles and accessories.*— The Company exported bicycle parts and accessories of c.i.f. value Rs. 4.43 lakhs (£ 23,351) to a firm of Nigeria, in February--March 1973. The goods were consigned on the basis of bills, negotiated through a bank. The consignee accepted the bills for Rs. 3.71 lakhs (£ 19,542) and did not accept the remaining bills for Rs. 0.72 lakh (£ 3,809). On the accepted bills for Rs. 3.71 lakhs, the consignee did not make payment on the due dates. The Company had to pay Rs. 4.22 lakhs, including interest of Rs. 0.51 lakh, to the bank on 15th January 1974. Rupees 3.34 lakhs were received from the Export Credit and Guarantee Corporation Limited in January 1975 leaving Rs. 0.88 lakh to be borne by the Company.

Goods worth Rs.0.72 lakh had reached the destination port in Nigeria. In October 1973, the Company entered into an agreement with another firm of Nigeria for sale of the consignment. According to the terms of the agreement with the second firm, the Company was to bear port rent and other charges (Rs. 42,096) till the goods were lifted and to replenish shortages of 27 cases in the consignment. Fresh bills were drawn and presented through the bank on 14th December 1973, payable on 17th March 1974. The buyer took delivery of the goods on 24th December 1973. The firm did not make payment on due date and the Company had to pay Rs. 0.89 lakh (including interest) to the bank in July 1975. The Management stated (July 1975) that the matter was being pursued with the foreign buyer for recovery before filing claims with the Export Credit and Guarantee Corporation Limited.

5.2 *Financial assistance to manufacturers.*— The Company extends financial assistance to manufacturers against export orders in the form of packing credit and post shipment finance. The Company charges interest on these advances at the rates charged by the State Bank of India from time to time, *plus* one per cent service charges. The amount of assistance rendered during the three years ending 1974-75 was as below :

Year	Amount (Rupees in lakhs)
1972–73	58.00
1973–74	62.70
1974–75	67.00

Rupees 15.65 lakhs were outstanding against these advances at the end of 1974-75.

Some cases of long outstanding advances are given below:—

(*i*) A packing credit advance of Rs. 29,900 was granted to a firm of Ahmedabad on 17th January 1972 against an export order for 10,000 pieces of chokes to a party in Accra (Ghana). Owing to failure of the manufacturer to deliver the chokes within the stipulated date, *viz.*, 31st March 1973, the export order was cancelled by the foreign buyer. The goods, subsequently delivered by the manufacturer, have been kept by the Company in its custody. The Management stated (December 1975) that the Company was trying to find out buyers in the international market.

(*ii*) Another firm of Ahmedabad was given packing credit advances aggregating Rs. 1.85 lakhs during the period from July 1972 to February 1973, against an export order for bicycle parts and accessories. The order was executed and goods were despatched in February-March 1973. The advances were not recovered from the party's bills for supply of goods. The party has repaid Rs. 1.79 lakhs upto December 1975, leaving a balance of Rs. 0.06 lakh. In addition, Rs. 0.77 lakh on account of commission, expenses incurred, etc., are also due from the firm.

(*iii*) A packing credit advance of Rs. 0.30 lakh was given to a firm in November-December 1973 against an export order for cotton wool. The party did not complete the order and out of the advance, Rs. 0.16 lakh were outstanding (December 1975). In addition, Rs. 0.10 lakh were due on account of other expenses incurred by the Company.

5.3 *Import licences.*—

(*i*) As an eligible Export House, the Company gets initial import licences issued by the Chief Controller of Imports and Exports. The Company also acquires replenishment transfer licences (R.E.P.) by payment of compensation. These licences are utilised by transferring to actual users at a higher compensation, for import of raw materials required for manufacture of goods for export trade. The table below indicates the value of licences obtained during the four years upto 1974-75 and the details of utilisation out of these licences upto December 1975.

	1971-72	1972-73	1973-74	1974-75
		(Rupees in lakhs)		
(a) *Initial licences :*				
Amount of licences received	4.30	10.39	12.78*	23.80
Licences utilised	4.30	10.25	6.63	4.70
Licences expired	..	0.14	..	..
Licences remaining unutilised	..	..	6.15*	19.10
(b) *REP transfer licences :*				
Amount of licences purchased	7.80	14.08	21.98	28.60
Premium paid on the acquisition of these licences (per cent)	..	36 to 39	33.1/3	27
Amount of licences utilised	7.80	13.91	21.98	28.20
Licences expired	..	0.17	..	..
Licences remaining unutilised	..	..	..	0.40

*Includes advance licence for Rs. 5 lakhs for import of rough diamonds which was not utilised because of complicated nature of trade.

The validity of replenishment transfer licences worth Rs. 0.17 lakh acquired in 1972-73 on payment of compensation of Rs. 0.06 lakh, expired in March 1975. The Management stated (December 1975) that these were commercial transactions where such eventualities could not be avoided.

(*ii*) *Import of polyster chips.*— The Company entered into two agreements in January 1974 with a firm of Bombay for sale of import licences of the aggregate value of Rs. 17.69 lakhs for import of synthetic resins (polyester chips). The compensation payable to the Company was fixed at 85 per cent of the c.i.f. value, payable on confirmation of sale and accordingly Rs. 15.04 lakhs were received as compensation from the firm. Polyster chips of c.i.f. value Rs. 5.20 lakhs (covered under the first agreement) against a letter of creidt of 31st January 1974, were cleared on 26th March 1974. A part of a consignment valuing Rs. 5.57 lakhs (covered by the second agreement) against another letter of credit of 16th February 1974, arrived at Bombay Port on 27th May 1974. The Company endorsed the bill of lading and handed over the documents to the firm in respect of the part of consignment on 20th May 1974, and issued a bill for Rs. 10.86 lakhs (including compensation amount) on 22nd May 1974. When the documents were presented on 27th May 1974 for clearance, the customs authorities did not pass the goods. Subsequently, the Chief Controller of Imports and Exports issued a public notice on 20th July 1974 banning the import of polyster chips. Material of c.i.f. value Rs. 5.57 lakhs, received at Bombay Port on 27th May 1974, has been lying uncleared (December 1975). A show cause notice received in August 1975 has been contested before the Collector of Customs (September 1975). The Collector of Customs decided the case in Novermber 1975 by levying a penalty at 50 per cent of import duty and permitting clearance of the goods.

The Company is negotiating with the firm on the following lines:—

(*i*) the firm should clear the goods after paying penalty, demurrage and other charges, and

(*ii*) it is to share with the firm penalty and demurrage charges to the extent of one-third of the amount payable, which is estimated at about Rs. 6.60 lakhs.

Final settlement is awaited (March 1976).

The Company sold the remaining import licence for Rs. 6.92 lakhs at the compensation of Rs. 3.40 lakhs. In view of the negotiations with the firm, the Company is considering refund of Rs. 5.89 lakhs to the firm, being the compensation relating to the import licence for Rs. 6.92 lakhs sold otherwise.

(*iii*) *Non-utilisation of import licences:*—The Company has received in 1974-75 import licences of value Rs. 30 lakhs (Rs. 10 lakhs for general currency area and Rs. 20 lakhs for Rupee currency area) for import of raw materials for supplies to small scale industries on 'off the shelf' basis against replenishment licences. However, in view of falling prices of raw materials in the international market, the scheme has not been implemented (December 1975). Licences of value Rs. 10 lakhs have expired (December 1975).

5.4 *Participation in fairs and exhibitions.*—With a view to promoting sale of products of the State with an export potential, the Company participated either individually or jointly with other State Corporations in some national and international fairs.

The State Government had entrusted the Company with the work of organising the "Gujarat Pavilion" at the Third Asian International Trade Fair 1972 held in New Delhi during November-December 1972. The erection of the pavilion was completed through a contractor at the cost of Rs. 5.11 lakhs. There was delay of 33 days in completion of the pavilion for which liquidated damages of Rs. 0.33 lakh were leviable. However, considering that the pavilion was completed (2nd November 1972) before the date of opening the fair (3rd November 1972) and that the Company had not incurred monetary loss, liquidated damages of Rs. 0.15 lakh only were recovered.

Asia 1972 fair was declared closed on 17th December 1972 and the State Government decided in January 1973 to dismantle the pavilion and to bring the structure to Gandhinagar. However, the pavilion was not dismantled upto January 1974 when the State Government decided to dispose of the pavilion by inviting tenders. An offer of Rs. 1.56 lakhs was received from a firm of Ahmedabad. No decision was taken on this offer as the State Government was considering participation in India International Fair 1974, which was contemplated in November-December 1974.

As India International Fair 1974 did not materialise, it was decided in May 1974 to demolish the pavilion. A contract for demolition was given to a party of Delhi for Rs. 24,000, without inviting tenders.The demolished material was sold at Rs. 1.21 lakhs to the same firm which had earlier in January 1974 offered Rs. 1.56 lakhs. The delay in taking the decision resulted in less realisation by Rs. 0.59 lakh. Besides, the company incurred expenditure of Rs. 10,130 in the maintenance of the pavilion upto May 1974. The Management stated (December 1975)that circumstances changed due to intervention of events beyond the control of the Company.

6. Profitability analysis :

6.1. *Financial position :—* The table given below summarises the financial position of the Company for the three years upto 1974-75. :

	1972–73	1973–74 (Rupees in lakhs)	1974–75
Liabilities :			
Paid-up capital	7.60	8.79	10.00
Reserves and Surplus	1.00	3.84	7.04
Borrowings	9.28	38.32	8.22
Current liabilities and provisions	42.16	74.25	100.22
	60.04	125.20	125.48
Assets :			
Gross fixed assets	2.10	2.70	4.10
Less: Depreciation	0.83	0.97	1.42
Net fixed assets	1.27	1.73	2.68
Investments	0.04	0.29	0.37
Current assets, loans and advances	58.73	122.97	121.74
Miscellaneous expenditure	..	0.21	0.69
	60.04	125.20	125.48
Capital employed	18.13	50.86	24.20
Net worth	8.60	12.42	16.35

6.2. *Working results:—(a)* The table given below summarises the working results of the Company for the three years ending 1974-75.

	1972–73	1973–74 (Rupees in lakhs)	1974–75
Sales (including commission charges)	110.65	170.61	308.88
Other income	3.93	5.31	12.27
Increase in stock	4.19	6.01	4.13
	118.77	181.93	325.28
Expenditure (before charging interest)	115.51	171.12	311.13
Profit(before tax and interest charges)	3.26	10.81	14.15
Interest charges	0.93	2.07	2.61
Provision for income tax	0.46	5.14	7.31
Net profit	1.87	3.60	4.23
Percentage of net profit to:			
(a) Sales	1.69	2.11	1.37
(b) Capital employed	10.31	7.08	17.48
(c) Net worth	21.74	28.50	24.82
(d) Equity Capital	24.61	40.96	42.30

Notes:—(1) Capital employed represents net fixed assets plus working capital.
(2) Net worth represents paid-up capital plus reserves and surplus less intangible assets.

In the initial six years upto 1970-71, the Company incurred losses aggregating Rs. 3.27 lakhs which were partly set off by revenue subsidy amounting to Rs. 2.20 lakhs received upto 1971-72 from the State Government. The Company started making profits from 1971-72 onwards. The Company has distributed dividend of 10 per cent, 11.50 per cent and 12 per cent during 1972-73, 1973-74 and 1974-75 respectively.

(*b*) The cost of operations (administrative and other expenses) of the Company *vis-a-vis* the total sales for the three years ending 1974-75 are indicated below :

	1972–73	1973–74	1974–75
		(Rupees in lakhs)	
Sales	110.65	170.61	308.88
Administrative and other expenses of operation.	8.04	20.86	42.03
Percenta ge of cost of operations to sales	7.27	12.23	13.61

The cost of operations has been showing increasing trend. The Company has not maintained separate records of expenditure on different schemes and hence it is not possible to evaluate schemewise results of operations.

6.3 *Sundry debtors.*—The following table indicates the amounts outstanding under sundry debtors and the total turnover (sales, commission, etc.) for the three years upto 1974-75 :—

	1972–73	1973–74	1974–75
		(Rupees in lakhs)	
(*i*) Book debts at the end of the year	14.91	44.66	59.07
(*ii*) Turnover during the year (including commission)	110.65	170.61	308.88
(*iii*) Percentage of debtors to turnover	13.47	26.18	19.12
(*iv*) Debts considered doubtful in (i) above.	..	3.24	4.41

The following table indicates the age-wise analysis of debts :

	(Rupees in lakhs)
(*i*) Debts outstanding for over one year but less than two years.	4.79
(*ii*) Debts outstanding for two years and more.	0.15

Against the doubtful debts of Rs. 4.41 lakhs as on 31st March 1975, Rs. 3.34 lakhs have been received in January 1975 from Export Credit and Guarantee Corporation Limited towards the Company's claim on account of export of bicycle parts and accessories to Nigeria vide paragraph 5.1 (*iii*).

6.4. *Internal audit:*—No system of internal control and check of accounts has been introduced by the Company. The Management stated (July 1975) that the system of internal audit would be introduced on availability of a suitable person for the post of Internal Auditor.

SECTION III

GUJARAT SMALL INDUSTRIES CORPORATION LIMITED

1. Introductory :

The Gujarat Small Industries Corporation Limited was incorporated on 26th March 1962 and it became a Government Company with effect from 24th March 1973.

2. Objects :

The main objects of the Company are as under :

(*i*) to aid, counsel, assist, protect and promote the interest of small industries in the State and to provide technical and managerial assistance,

(ii) to provide such industries with means and assistance in the procurement of raw materials, machinery, equipment, tools and appliances, etc.,

(iii) to manufacture, buy, sell, import, export, install, work and generally deal in any plant, machinery, etc., which may be conveniently dealt with by the Company in connection with any of its objects, and

(*iv*) to arrange for the purchase and sale of raw materials, industrial goods, tools, appliances, etc., on cash or credit or hire or hire-purchases system or commission basis as agents or otherwise.

3. Organisational set-up :

The Company is managed by a Board of Directors headed by a Chairman. The Company has ten directors of which three are nominated by Government. The Chairman is elected from amongst the directors; while the Managing Director, who is the Chief Executive in-charge of day to day affairs of the Company, is appointed by Government.

4. Capital structure :

The Company was incorporated with an authorised capital of Rs. 50 lakhs, which was increased to Rs. 2.00 crores in June 1971. The paid-up capital of the Company as on 31st December 1974 was Rs. 52.40 lakhs, out of which Rs. 31.00 lakhs have been subscribed by Government.

To meet its working capital requirements, the Company has been resorting to long and short term borrowings from Government, Gujarat Industrial Investment Corporation Limited and scheduled banks and deferred credit terms which aggregated Rs. 195.90 lakhs as on 31st December 1974.

5. Functions :

The Company undertook the following activities from time to time:—

(*a*) Sale of machinery on hire-purchase.

(*b*) Rendering import assistance.

(*c*) Procurement and distribution of ferrous and non-ferrous metals, coal and other commodities.

(*d*) Manufacture of scooter.

(*e*) Rendering marketing assistance.

(*f*) Procurement and supply of machine tools.

(*g*) Manufacture of plastic mould dies.

6. Sale of machinery on hire-purchase :

6.1. In July 1964, the Company introduced a scheme of sale of machinery on hire purchase basis to industrial units. Under the scheme, the Company purchases indigenous as well as imported machinery and equipment on behalf of the registered small scale industrial units. The small scale industrial unit is required to deposit 10 per cent (increased to 20 per cent with effect from 2nd July 1975) of the value of the machinery as earnest money before the order is placed by the Company; the balance is payable in 13 half-yearly instalments spread over a period of 7 years–first instalment falling due after one year of the date of hire purchase. The rate of interest and other conditions of the hire purchase assistance are as under :

Category	Monetary limit (In lakhs of Rupees)	Service charges (per cent of price of machinery)	Rate of interest
New entrepreneur scheme.	2.50	2	One per cent above the rate of borrowings from bank.
Backward area scheme.	2.50	2	One per cent above the rate of borrowings from bank.
Small units scheme.	0.10	2	9 per cent
Educated un-employed scheme.	2.50	2	9 per cent
Package deal scheme.*	0.25	2	7 1/2 per cent

(*) Discontinued from July 1975.

Upto 31st December 1974, the Company had sanctioned proposals for purchase of machinery worth Rs. 103.60 lakhs from 476 units, against which, it had purchased and supplied machinery worth Rs. 58.02 lakhs to 331 units. The details of the proposals sanctioned and purchases/supplies made during the three years ending 1974 are given below (figures for 1975 were not available):—

Year		Proposals sanctioned		Machinery purchased/supplied	
		Number of units	Value (in lakhs of Rupees)	Number of units	Value (in lakhs of Rupees)
Upto 1971	..	358	78.56	255	47.97
1972	..	47	6.54	22	2.33
1973	..	30	5.71	25	3.22
1974	..	41	12.79	29	4.50
		476	103.60	331	58.02

Sums aggregating Rs. 50.92 lakhs fell due upto 31st December 1974, of which Rs. 43.45 lakhs had been realised (January 1976) leaving Rs. 7.47 lakhs in arrears (including Rs. 6.62 lakhs outstanding for more than six months against 116 parties). Hire purchase instalments (including interest) amounting to Rs. 4.75 lakhs were considered doubtful of recovery as on 31st December 1974, out of which Rs. 0.07 lakh have been recovered upto January 1976.

6.2. *Non-charging of penal interest.*—According to hire purchase agreements, penal interest at 1-1/2 per cent per month or a part thereof can be imposed on instalments under default. On a review of 20 cases where the amount outstanding was more than Rs. 5,000 in each case, it was noticed that penal interest amounting to Rs. 4.35 lakhs upto 31st December 1974 had neither been recovered nor debited to the parties' accounts.

6.3. A review of cases of recoveries overdue as on 31st December 1974 revealed that in 11 cases involving recovery of Rs.0.95 lakh towards principal and Rs. 2.11 lakhs towards penal interest, no action was taken by the Company for recovery; in 17 cases involving Rs. 1.68 lakhs towards principal and Rs. 1.54 lakhs towards penal interest, civil suits were filed or notices were issued. In 4 cases involving Rs. 0.56 lakh towards principal and Rs. 0.70 lakh towards penal interest, machinery were sold to other parties for Rs. 0.52 lakh.

7. Import assistance :

Small scale industrial units generally get import licences for small amounts for raw materials, equipment and components. As import of small quantity of materials is difficult and at times uneconomical, the Company renders assistance to the units by consolidating the licences to enable bulk import. The Company recovers service charges at 2.5 per cent and 2 per cent on the landed cost of material valued upto Rs. 50,000 and over Rs. 50,000 respectively. Upto 31st December 1974, raw metarials and machinery of aggregate value Rs. 142.22 lakhs were imported on behalf of 424 units.

Under the scheme, the consumer industrial unit is required to collect materials from the warehouses of the Company within four months from the date of their receipt. Failure to lift the materials makes the unit liable for payment of deferred delivery charges, interest on capital and godown charges beyond four months. Upto 31st December 1974, goods valued at Rs. 3.69 lakhs procured on behalf of 14 small scale units had not been collected by the concerned units. Additional charges on account of deferred delivery and godown charges, interest, etc., amounting to Rs. 0.63 lakh became due.

The Management stated (February 1976) that these stocks had been liquidated (January 1976) by delivery to the same parties or by reallocating to other firms on such terms and conditions and at such reduced prices as deemed fit. In 12 cases involving Rs. 3.91 lakhs (Rs. 3.33. lakhs for cost of machinery, etc., and Rs. 0.58 lakh for other charges) the Company received Rs. 3.65 lakhs in such settlement. The Company is considering legal action against some of the parties for recovery of the difference between the disposal price and cost.

However, in one case where a loss of Rs. 0.11 lakh was incurred on reallocation, the Company decided (January 1976) not to take legal action on the consideration that the import having been made in July 1969, the suit might be time-barred. The loss has been written off.

8. Procurement and distribution of scarce raw materials :

8.1. The Company took up procurement and distribution of scarce raw materials from September 1962. The quota of scarce raw materials estimated for small scale units is received by the Company and distributed to such units according to the allocations made by the State Industries Department. The raw materials procured by the Company for distribution to small scale industrial units consist of non-ferrous metal such as copper, zinc, tin, etc. and ferrous metals such as pig iron, iron and steel sheets, ferro silicon and cement, cotton yarn, etc. For effective implementation of the functions the Company opened six branches at Rajkot, Baroda, Bhavnagar, Udhna, Ahmedabad and Nadiad.

8.2. *Pricing:* The materils are sold to the small scale industrial units at the prices fixed by the Company from time to time. Upto 1974, the selling prices of pig iron, coke and coal were fixed separetely for each consignment received by adding 7 per cent to the cost price in order to cover overheads, contingency, shortages and profit. From 1975, the price structure was revised by adding to the cost price 7.75 per cent made up of 3 per cent for profits, 3.5 per cent for overheads, 0.25 per cent for contingency and 1 per cent for godown and transit shortages. In respect of other materials, the Company fixes the price from to time keeping in view the market conditions.

8.3. *Turnover:*—The turnover of raw materils was Rs.80.10 lakhs in 1963 which increased to Rs. 1877.45 lakhs in 1974.

The table below shows the operational results for the three years ending 31st December 1974 (figures for 1975 were not available).

		1972	1973	1974
			(Rupees in lakhs)	
Opening stock	..	97.70	86.95	157.84
Purchases	..	707.90	1257.15	1654.56
Total	..	805.60	1344.10	1812.40
Less: Closing stock	..	86.95	157.84	151.98
Purchase price	..	718.65	1186.26	1660.42
Other direct expenses.	..	23.13	61.09	96.34
Total (A)	..	741.78	1247.35	1756.76
Sales	..	811.89	1338.37	1877.45
Less: Discount	..	8.42	12.46	0.74
Total (B)	..	803.47	1325.91	1876.71
Gross margin (B minus A)	..	61.69	78.56	119.95

8.4. *Sale of zinc.*—A consignment of 150.289 tonnes of zinc, allotted to the State by the Development Commissioner, Small Scale Industries, New Delhi for the period October 1973 to March 1974 was received by the Company in June-July 1974 at a total cost of Rs. 24.27 lakhs (at Rs. 16146 per tonne). The allotment was based on the estimated requirements of 40 zinc consuming units in the State for whom allotments were made by the Director of Industries. Upto 31st December 1974, only 54.720 tonnes could be sold for Rs. 9.28 lakhs at Rs. 16,953 per tonne. Owing to the downward trend in market, the remaining 95.569 tonnes costing Rs. 15.43 lakhs were sold for Rs. 13.70 lakhs resulting in a loss of Rs. 1.73 lakhs.

8.5 *Sale of iron and steel materials.*—On the basis of the quota allotted to the State, the Company procures iron and steel materials from manufacturers for distribution to small scale industrial units. As on 31st December 1974, the Company had a stock of 1019.216 tonnes of iron and steel materials. In addition, the allotment for the year 1975 also started arriving. Owing to fall in prices, the Company decided in June-July 1975 to dispose of iron and steel materials at reduced rates fixed on the basis of prevailing open market prices. The reduced rates did not cover even the cost price of the materials. Upto October 1975, 488.771 tonnes were sold at reduced rates which resulted in loss of Rs. 0.48 lakh.

8.6. The Company entered into a contract with a firm in November 1973 for transport of coke and coal from railway yard to the Company's godowns at Ahmedabad at Rs. 10 per tonne on actual weight basis for a period of one year. Consequent upon failure of the contractor to carry on the work, the Company entrusted (February 1974) the work to another contractor at a negotiated rate of Rs. 9.75 per tonne on the basis of the weight recorded on railway receipts. During the period between February 1974 and December 1974, the second contractor actually transported 33,461 tonnes but was paid Rs. 3.69 lakhs on the quantity of 37,859 tonnes recorded on railway receipts and was thus paid Rs. 0.43 lakh for 4398 tonnes of material which was not transported. The Management stated (February 1976) that payment on the basis of weight recorded in railway receipts was made in order to secure quick clearance.

8.7. *Loss in sale of coal/coke.*—(*a*) The Company received 14,290 tonnes of coal of different types during the period from 1st April 1974 to 3rd June 1974 at the pit head cost of Rs. 16.24 lakhs. Out of this quantity, 10,031 tonnes were directly sold and delivered to small scale industrial units. The coal suppliers announced on 3rd June 1974 increase in pit head price of coal loaded on and after 1st April 1974. As a result, the Company was required to pay Rs. 4.61 lakhs more on 14,290 tonnes received by it upto 3rd June 1974. Although the terms and conditions of the sale to industrial units provided for recovery of the increases in price from the parties, the Company decided (November 1975) not to recover the price increase of Rs. 3.53 lakhs in respect of 10,031 tonnes of coal. The Management stated (February 1976) that considering the repercussions of giving retrospective effect of the price increase, the decision was taken in the best interests of the small scale industrial units.

(*b*) During the year 1973, the Company received 4385 tonnes of breeze coke for distribution to small scale industrial units. The selling price of coke was fixed at Rs. 124 per tonne. Upto December 1973, 3090 tonnes were sold at this rate. In December 1973, the Company decided to dispose of the unlifted stock of 1295 tonnnes of coke by negotiations with the consumers at Rs. 110 per tonne. The stock was sold during the period from Janaury 1974 to April 1974 on which a loss of Rs. 0.18 lakh, as compared to the selling price earlier fixed, was incurred. The Management stated (January 1976) that breeze coke in powder form was being carried away by wind and rain increasing storage losses. The space was required for storing other costly material and the market trend was not favourable.

9. Scooter project :

9.1. In 1969, the Company decided to set up a unit at Ahmedabad for manufacturing scooters, with indigenous technical know-how. According to the initial project report prepared by a firm of consultants of Bombay in February 1967, the capital cost of the project for manufacture of 30,000 scooters per year was estimated at Rs. 78.76 lakhs. According to the project report prepared by the Company in 1970, a project for manufacture of 6000 scooters per year was estimated to cost Rs. 60.96 lakhs. The actual expenditure incurred upto December 1975 was Rs. 75.18 lakhs. For meeting the cost of the project and other increasing activities the paid-up capital of the Company was increased from Rs. 29.37 lakhs to Rs. 52.40 lakhs on 31st December 1974. The project report prepared by the Company in 1970 envisaged production of 1150 scooters in 1971, which was to be increased to 4150 scooters in 1972 and 6,000 scooters per annum from 1973 onwards. In October 1972, the Company was granted an industrial licence for manufacture of 24,000 scooters per year. Design of the scooter to be manufactured was finalised in June 1970. Upto January 1976, 305 scooters were produced as under :

Year	Scooters produced
1970	21
1971	4
1972	100
1973	—
1974	2
1975	98
1976 (Upto January 1976)	80
	305

The production was not commensurate with the original projections. This was attributed by the Management (February 1976) to failure of suppliers of chassis and other important components like crank case, crank shaft, head lamp, etc., to develop suitable dies and manufacture and supply components in time.

9.2. *Cost estimates of the project.*—The project has been incurring heavy losses since inception owing mainly to under-utilisation of capacity of machines and manpower. Total loss incurred upto December 1974 worked out to

Rs. 75.49 lakhs. The working of the project for the three years ending December 1974 is summarised below :

(Rupees in lakhs)

	1972	1973	1974
Opening stock of finished and semi-finished products.	2.14	4.10	5.46
Raw materails, stores, spares consumed.	6.10	6.08	2.51
Salaries and wages.	3.70	5.75	6.29
Rent.	0.53	0.59	0.59
Interest	..	..	1.36
Depreciation	3.83	3.24	3.41
Other charges.	5.24	4.13	4.63
	21.54	23.89	24.25
Closing stock of finished and semi-finished products.	4.10	5.46	4.80
Other receipts.	0.06	0.14	0.29
Cost of sales.	17.38	18.29	19.16
Sales.	0.62	2.39	0.10
Loss.	16.76	15.90	19.06

The project report prepared by the Company in 1970 envisaged the cost at Rs. 2650. The actual cost of a scooter worked out by the Company in 1972 was Rs. 2750 and in 1975 it was Rs. 4543. The increase in the cost of production was attributed by the Management (May 1975) to increase in costs of bought out components and sub-assemblies, labour and overheads.

9.3. *Machine and manpower utilisation.*—The following table indicates the machine and manpower utilisation during the two years ending December 1974.

Year	Labour hours			Machine hours		
	Available	Utilised	Percentage utilisation	Available	Utilised	Percentage utilisation
1973	2,17,872	2,10,872	96.8	1,41,825	43,050	30.4
1974	84,648	64,328	75.9	68.374	25,961	38.0

The Management attributed (February 1976) the under-utilisation of machines mainly to sporadic production of finished goods.

9.4. *Rejections.*—Out of 610 components required for the assembly of a complete scooter, only 60 components are manufactured by the Company and the remaining components are procured from outside. There was heavy rejection of the components manufactured during the two years ending December 1974, as indicated below :

Year	Value of components	
	Manufactured (Rupees)	Rejected (Rupees)
1973	80,819	68,116
1974	1,11,878	36,871

The Management stated (February 1976) that when the components were being developed on the basis of indigenous technical know-how the rejections were bound to be higher in initial stages.

9.5. *Purchase of components.*—In regard to the procedure followed by the Company for purchase of components for its scooter project, the following points were noticed :—

(*i*) Purchase orders involving heavy amounts were placed without inviting tenders. The Management stated (February 1976) that it was not possible to have tendering procedure for procurement of critical components which had to be developed indigenously, the sources of supply were limited as manufacture of such components required specialised technology and factors like quality, reliability and capability had to be taken into consideration before placing orders.

(*ii*) The purchase orders did not contain provisions for recovery of earnest money or security deposit or penalty for late delivery to ensure smooth and timely supply. The Management stated (February 1976) that suppliers would hesitate to make huge investments in dies, etc., and any attempt to levy penalty would result in suppliers abstaining from quoting or in quoting higher prices.

(*iii*) On delayed supplies, the Company admitted price increase though purchase orders did not contain escalation clause. The Management stated in February 1976 that this was done because the supply schedules were changed in view of the slow progress of the project.

Two instances are cited below :—

(*a*) The Company placed 158 orders aggregating Rs. 90.11 lakhs for 67 items of spare parts components and body panels during September

1969 to August 1975; out of these orders, supplies valuing Rs. 76.22 lakhs were not received upto October 1975. The purchase orders were not effectively pursued with the suppliers and no penalty for late supplies could be recovered as no penalty clause or risk purchase clause had been incorporated in the purchase orders. The Management stated (February 1976) that levy of penalty would have led to loss of interest on the part of suppliers which would adversely affect the production of the Company. Follow up action was not taken as production was not geared up to use the entire materials.

(*b*) An order was placed with a firm of Ahmedabad in September 1973 for supply of 13 items of components; 5000 units each were to be supplied in respect of four items and 2000 units each in respect of other items at a total cost of Rs. 3.25 lakhs. The Company, however, stipulated delivery schedule for 2500 units of each item as under :

500 units by October 1973

500 units by November 1973

1000 units by January 1974

500 units by March 1974.

Delays in delivery of these ranged between five to ten months. The Management stated (February 1976) that the order was placed for higher quantities to get price reduction and that the delivery schedule was not insisted upon and depending upon the production programme deliveries were taken of the minimum quantities required so as not to block up huge amounts in inventory.

In July 1974, prices of 11 items were raised upward though no escalation clause was provided in the supply order. This resulted in extra payment of Rs. 0.34 lakh on part supplies received by the Company subsequently.

9.6. *Advances for purchase of scooter parts.*—Heavy advances were paid to suppliers of scooter parts but as supplies were not received as per schedule, advances were not cleared for a long time. At the end of 1974, advances to the extent of Rs. 21.37 lakhs were outstanding against 84 parties. The yearwise break-up of the outstanding advances is given below :—

Year	Amount (in lakhs of Rupees)
1972 and earlier.	3.94
1973	5.69
1974	11.74

The Management stated (February 1976) that materials/machinery/services worth Rs. 12 lakhs had been received but accounting adjustments were pending for processing of bills.

10. Marketing assistance:

The Company introduced marketing assistance scheme from 1965 to help small scale manufacturers in selling their products to Government and semi-Government bodies. Under the scheme, the Company submits open tenders by adding reasonable profit depending upon the circumstances of each case. The articles dealt with are agricultural implements, water pumps, gas lighters, metal trays, timber clocks, electric fans, etc. manufactured by small industries. In 1973, the Company expanded the scope of marketing assistance by offering the products of small scale industries in the open market either directly to the consumers or through dealers.

The volume of sales under this scheme for the three years ending 31st December 1974 is tabulated below :—

	(Rupees in lakhs)		
	1972	1973	1974
(i) Sales to Government.	7.56	29.21	6.96
(ii) Sales to public	—	7.84	12.59

The large volume of sales to Government in the year 1973 was on account of heavy demand for scarcity relief works.

11. Machine tools:

In 1967, the Company introduced a scheme under which machinery required by small scale industrial units were to be procured by the Company and supplied by adding suitable percentage of profit. In February 1973, the Company was appointed as the sole selling agents of Hindustan Machine Tools Limited for the Gujarat area on commission of 2 per cent upto orders valuing Rs. 50 lakhs and 3 per cent for orders above Rs. 50 lakhs. The table below indicates the value of sale under this scheme in each of the three years upto 1974 :—

Year	Sales (Rupees in lakhs)
1972	15.99
1973	22.49
1974	15.12

The above sales included sales of products of Hindustan Machine Tools Limited (Rs. 7.39 lakhs) during 1974 as sole selling agents on which a commission of Rs. 0.15 lakh was earned.

12. Plastic mould shop:

In 1972, the Company started at Ahmedabad a section to produce plastic mould dies for small scale industrial units. Government granted a loan of Rs. 3.83 lakhs in January 1972 for financing the scheme. The Company purchased machinery of the value of Rs. 3.64 lakhs in 1973 with a capacity to produce 50 plastic mould dies per year.

The production performance for two years 1973 and 1974 is summarised below :—

	Installed capacity (Numbers)	Quantity produced (Numbers)	Percentage of utilisation
1973	50	1	2
1974	50	14	28

The under-utilisation of the installed capacity was attributed by the Management (November 1975) to lack of demand in the initial stages. The Management further stated (February 1976) that the Company was thinking to use the equipment for the requirement of scooter project also.

Working results of the section for the two years 1973 and 1974 are summarised below :—

(Rupees in lakhs)

	1973	1974
Opening stock of finished goods	Nil	0.02
Raw materials consumed	0.16	0.12
Salary and wages	0.24	0.34
Depreciation	0.82	0.44
Other expenses	0.64	0.13
	1.86	1.05
Closing stock of finished goods	0.02	0.03
Other receipts	0.12	0.14
	0.14	0.17
Cost of sales	1.72	0.88
Sales	Nil.	0.13
Loss	1.72	0.75

13. Stores control :

13.1. *Inventory position.*—The following table indicates the position of inventory, its distribution at the close of the year and the inventory expressed in terms of consumption/sales, for the three years upto 1974 :

	Year	Inventory at the end of the year.	Sales/consumption during the year.	Inventory expressed in terms of months' Sales/consumption.
		(Rupees in lakhs)		
Stock-in-trade (Trading goods)	1972	86.96	803.47	1
	1973	157.84	1325.91	1
	1974	151.98	1876.71	—
Finished products (Scooters)	1972	2.31	0.62	45
	1973	0.14	2.39	—
	1974	0.14	0.10	16
Raw materials.	1972	9.04	4.71	23
	1973	12.00	3.47	41
	1974	16.62	1.00	199
Stores and spares including dies, tools, etc.	1972	2.04	3.20	7
	1973	3.74	4.40	10
	1974	4.30	3.33	15

13.2. *Transit shortages/losses.*—(*a*) The Company receives large quantities of trading goods, *viz.*, pig iron, coal, coke, mild steel sheets, structurals, etc. through railways. The table given below indicates the total quantity of purchases and transit shortages noticed for the three years 1972 to 1974:—

Year	Material	Gross quantity purchased (in tonnes)	Transit shortages (in tonnes)	Percentace of shortage	Value of shortage (in lakhs of Rupees)
1972	Pig iron	65,134	282	0.43	1.29
	Sheets	7,898	12	0.15	0.31
	Structurals	12,116	5	0.04	0.05
	Coal	19,841	882	4.44	1.12

Year	Material	Gross quantity purchased (in tonnes)	Transit shortages (in tonnes)	Percentage of shortage	Value of shortage (in lakhs of Rupees)
1973	Pig iron	74,907	763	1.02	3.82
	Sheets	7,230	7	0.09	0.20
	Structurals	24,572	29	0.12	0.37
	Coal	70,965	3723	5.24	3.81
1974	Pig iron	92,427	1717	1.86	12.96
	Sheets	7,028	17	0.24	0.56
	Structurals	18,871	65	0.34	1.03
	Coal	72,728	5118	7.04	8.47

Claims of transit shortages were made in individual cases and during the three years 1972 to 1974, the following amounts were realised:—

	(Rupees in lakhs)
1972	0.64
1973	0.86
1974	0.66

The Company has raised claims against Railways for full wagon load shortages noticed in transit. Total claims aggregating Rs. 25.93 lakhs were raised during three years ending 31st December 1974 against the Railways out of which claims for Rs. 24.54 lakhs were settled and claims amounting to Rs. 1.39 lakhs were outstanding on 15th January 1976.

(*b*) The Rajkot branch of the Company had lodged claims aggregating Rs. 1.07 lakhs with the Railways for transit losses in coke, pig iron, etc. relating to the period upto April 1975.

(*c*) On 30th November 1971, the Ahmedabad branch of the Company preferred a claim of Rs. 0.24 lakh from the Railways for shortages of 59.03 tonnes of pig iron received on 10th and 19th May 1971. The Railways rejected the claim on the ground that it was time-barred.

14. Costing and cost control :

The Company works out standard costs at optimum production levels for major components of the scooter project. There is no work order costing system to calculate the actual cost of the components produced. The Management stated (February 1976) that a qualified Cost Accountant had been employed and the costing system would be introduced on a gradual basis.

15. Internal audit :

Upto 1974, internal audit work was carried out by a firm of Chartered Accountants engaged on annual contract basis. In 1975, internal audit was strengthened and a Manager (Audit) was appointed to organise internal audit wing.

16. Profitability analysis :

(a) *Financial position*.—The table below summarises the financial position of the Company of the three years ending 1974 :

(Rupees in lakhs)

	1972	1973	1974
A. Liabilities :			
Paid-up capital ..	29.37	46.56	52.40
Reserves and Surplus ..	24.81	28.36	40.42
Borrowings ..	92.29	148.27	195.90
Grants-in-aid ..	..	..	15.81
Trade dues and current liabilities ..	180.55	278.83	252.40
	327.02	502.02	556.93
B. Assets :			
Gross block ..	28.73	35.57	72.41
Less:Depreciation ..	10.66	15.35	20.31
Net fixed assets ..	18.07	20.22	52.10
Capital works-in-progress ..	..	3.75	13.08
Current assets, loans and advances	308.93	477.67	491.37
Investments ..	0.02	0.38	0.38
	327.02	502.02	556.93
Capital employed ..	146.45	219.06	291.07
Net worth ..	54.18	74.92	92.82

Note: (i) Capital employed represents net fixed assets plus working capital.

(ii) Net worth represents paid-up capital plus free reserves and surplus.

(b) *Working results.*—The table given below summarises the working results of the Company for the three years ending December 1974 :—

(Rupees in lakhs)

		1972	1973	1974
Income :				
(i)	Sales ..	806.42	1331.52	1881.47
(ii)	Other income ..	4.20	4.60	6.94
	Total(A) ..	810.62	1336.12	1888.41
Expenditure :				
(i)	Purchases	733.36	1321.85	1755.44
(ii)	Administrative and other expenses ..	37.83	51.09	65.36
(iii)	Depreciation ..	4.38	4.72	5.00
(iv)	Interest ..	9.74	13.36	26.01
(v)	Difference in opening and closing stock of goods including work in progress	(+)8.79	(—)72.26	(+)6.52
	Total (B) ..	794.10	1318.76	1858.33
(vi)	Net profit before tax, development rebate reserve and rehabilitation reserve (A) minus (B)	16.52	17.36	30.08
	Tax provision ..	9.61	10.29	18.02
	Net profit after tax	6.91	7.07	12.06
	Percentage of net profit to:			
	Capital employed ..	4.72	3.23	4.14
	Net worth ..	12.75	9.44	12.99
	Equity capital ..	23.53	15.18	23.01

Although sales had increased in 1973 by 65 per cent over that in the previous year, profitability had declined. This was attributed by the Management in November 1975 to increase in procurement prices of trading goods and increase in overheads.

The Company paid/declared dividends for the three years ending December 1974 as under :—

Year	Percentage	Amount (In lakhs of Rupees).
1972	12	3.53
1973	4	1.40
1974	4	2.08

(c) *Sundry debtors.*—The following table indicates the amounts outstanding under sundry debtors and the total turnover for the three years upto 1974 :—

(Rupees in lakhs)

		1972	1973	1974
(i)	Book debts at the end of the year	78.79 (3.31)*	66.54 (3.60)*	95.74 (8.27)*
(ii)	Turnover during the year. ..	806.42	1331.52	1881.47
(iii)	Percentage of debtors to turnover.	9.8	5.0	5.1

No provision has been made in accounts against book debts (Rs. 8.27 lakhs) and sundry advances (Rs. 1.46 lakhs) which are considered doubtful of recovery.

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

(Rupees in lakhs)

		Government undertakings/ departments.	Private parties.	
			Other debtors.	Hire purchase debtors.
(i)	Debts outstanding for more than one year but less than two years.	0.98	2.56	0.37
(ii)	Debts outstanding for two years and more but less than three years.	0.07	0.17	1.75
(iii)	Debts outstanding for three years and above.	0.31	0.51	3.99

**Note:—:*Figures in bracket indicate the amounts of debtors considered doubtful.

The Management stated (February 1976) that recoveries of Rs. 0.83 lakh from Government departments/undertakings and Rs. 1.25 lakhs from private parties had since been made.

17. Other topics of interest :

Purchase of galvanised corrugated sheets.—In September 1973, the State Government entrusted to the Company the work of purchase and distribution of galvanised corrugated sheets. The conditions provided *inter alia* that in case payment was delayed by more than 15 days from the date of handing over documents by the Company, an extra charge of Rs. 25 per tonne should be levied by the Company. The payments were delayed for a long time and the amount recoverable worked out to Rs. 1.01 lakhs, which is outstanding (February 1976).

SECTION IV

OTHER TOPICS OF INTEREST

GUJARAT MINERAL DEVELOPMENT CORPORATION LIMITED

1. Sale of fluorspar powder and bauxite :

(*a*) On 3rd July 1973, the Company entered into an agreement with a firm of Bombay for sale of acid grade fluorspar powder at Rs. 1350 per tonne, including packing charges. The sale agreement *inter alia* provided that the firm should lift a minimum quantity of 1200 tonnes yearly. The firm lifted only 1091.959 tonnes upto the end of May 1974. The selling price was revised to Rs. 1475 per tonne including packing charges from 1st June 1974. Although the terms and conditions of sale order provided that prices were subject to change and that bills could be raised at the prices prevailing at the time of delivery, the Company supplied a further quantity of 505.054 tonnes between June 1974 and October 1974 at the old rate of Rs. 1350 per tonne, resulting in a loss of Rs. 0.63 lakh.

(*b*) On 26th November 1970, the Company accepted an order from a firm of Bombay for supplying 20,000 tonnes bauxite, consisting of 10,000 tonnes bauxite having 58-60 per cent aluminium oxide at Rs. 33 per tonne and 10,000 tonnes bauxite having 57-58 per cent aluminium oxide at Rs. 27 per tonne. The agreement did not specify the period within which the material was to be lifted by the firm. The firm lifted 10631 tonnes of 58-60 per cent grade bauxite and 3376 tonnes of 57-58 per cent grade bauxite upto October 1972.

The Company invited fresh quotation in October 1972 and the same firm quoted a rate of Rs. 40 per tonne for bauxite having 58-60 per cent aluminium oxide. A fresh contract for sale of 20,000 tonnes bauxite (58-60 per cent aluminium oxide grade) was entered into with the same firm on 16th December 1972.

The Company supplied 2165 tonnes of bauxite (58-60 per cent grade) between 31st March 1973 and 7th June 1973 and charged to the firm at Rs. 40 per tonne. The firm, however, contended that this quantity should be charged at the old rate (Rs. 33 per tonne) as it had received less quantity against the first contract. The claim of the firm was accepted by the Company and Rs. 0.15 lakh were refunded in March 1975.

The Management stated (February 1976) that the matter had been reconsidered by the Board of Directors in December 1975 and that negotiations were being carried on with the party for arriving at a settlement.

2. Purchase of manganese steel castings:

In response to an open tender for the purchase of manganese steel castings, three parties quoted rates. Orders for the purchase of a part of the requirement were placed (July 1974) on two firms 'A' and 'B' which quoted higher rates than the lowest tenderer 'C' resulting in extra expenditure of Rs. 0.54 lakh as under :—

Item	Quantity	Price (per number) at which purchased	Lowest quotation of firm 'C'.	Difference Rupees. (in Rupees)
Fixed jaw plates (1110 Kg.)	1	28,516	11,655	16,861
Grinding ring (coarse) (560 Kg.)	2	15,194	7,601	15,186
Grinding ring (fine) (560 Kg.)	3	12,000	7,086	14,742
Mantle (424 Kg.)	1	11,500	4,452	7,048
			Total	53,837

The Management stated (July 1975) that the reason for purchasing the materials from the firms which had quoted higher rates was that the Company had previous experience with them while the other firm was unknown; as the spares were important in running the plant, their receipt in time was also one of the considerations. It was, however, seen that the Company had placed an order in July 1974 for such items with the lowest firm 'C' which had executed the order within the stipulated period (August 1975). In addition, firm 'C' reportedly manufactures and supplies certain parts to firm 'A' also.

GUJARAT AGRO MARINE PRODUCTS LIMITED

3. Sale of dried fish:

The Company purchased (December 1973) at Veraval 2,104 Kgm. of sharkfins and tails at a cost of Rs. 0.53 lakh for export. After processing, the material derived was only 1406 Kgm. Reasons for the process loss of 30 per cent as against normal loss of 8 per cent were stated to be under investigation (November 1975). The value of the abnormal loss worked out to Rs. 0.13 lakh.

Owing to sudden slump in the overseas and local markets, the processed fish sent to Bombay in May 1974 for gradation was stored upto September 1975. The total expenditure incurred, including the cost of purchase, interest and other overheads worked out to Rs. 0.68 lakh. In pursuance of a decision of the Board of Directors taken on 4th April 1975, the processed dried fish was sold on 5th September 1975 in the Bombay market for Rs. 0.16 lakh, resulting in a loss of Rs. 0.52 lakh.

4. Import of fish hooks:

Against the export of dried fish in 1972-73, the Company was granted an actual users licence for import of fish hooks and spare parts. The Company decided to import fish hooks from Japan and distribute it to fishermen on the condition that they should sell their catches to the Company to cover the cost of imported material and a small margin. Accordingly, 10 cases of fish hocks were ordered from Japan (November 1974). After taking delivery in Bombay, the fish hooks were brouht to Veraval on 18th March 1975. However, the local fishermen were not interested in these hooks as they got better return from trawler fishing. The hooks were, therefore, returned to Bombay to explore possibility of selling to actual users. The Company had incurred total expenditure of Rs. 0.41 lakh on this purchase including interest on capital, transportation charges fiom and to Bombay and other overheads. The Management stated (September 1975) that efforts were under way to dispose of the hooks in Bombay or at Bulsar.

CHAPTER II

STATUTORY CORPORATIONS

SECTION V

Introduction :

There were four Statutory Corporations in the State as on 31st March 1975, *viz.*, Gujarat Electricity Board, Gujarat State Road Transport Corporation, Gujarat State Warehousing Corporation and Gujarat State Financial Corporation.

(A) Gujarat Electricity Board :

The accounts of Gujarat Electricity Board for the year 1974-75 have not yet been finalised (January 1976). (*See* paragraphs in Section VI).

(B) Other Statutory Corporations :

1. *Paid-up capital.*—The aggregate of the paid-up capital contributions of the three other Corporations, *viz.*, Gujarat State Road Transport Corporation, Gujarat State Warehousing Corporation and Gujarat State Financial Corporation, was Rs. 2845.74 lakhs on 31st March 1975 as against Rs. 2537.63 lakhs on 31st March 1974. The break-up of the capital contribution of each Corporation as on 31st March 1975, according to the investments made by the State Government, Central Government and others was as follows :

(Rupees in lakhs)

Name of the Corporation.	State Government	Central Government, Central Warehousing Corporation, Reserve Bank of India.	Others	Total
Gujarat State Road Transport Corporation	1694.42*	693.32	—	2387.74
Gujarat State Warehousing Corporation	29.00*	29.00	—	58.00
Gujarat State Financial Corporation	189.01	170.00	40.99	400.00
	1912.43	892.32	40.99	2845.74

* Figures are as per the books of accounts of the Corporations and are under reconciliation with those mentioned in the Finance Accounts.

2. Long-term loans : The balance of long-term loans obtained by the hree Corporations was Rs. 4090.82 lakhs on 31st March 1975 and repre-ented net increase of Rs. 1193.47 lakhs over the balancc of Rs. 2897.35 akhs at the end of the previous year. The break-up of the long-term oans, according to the sources of finance, was as under :—

(Rupees in lakhs)

Name of the Corporation	State Government	Central Government, Central Warehousing Corporation, Reserve Bank of India	Others	Total
Gujarat State Road Transport Corporation	5.53	..	399.70	405.23
Gujarat State Warehousing Corporation	..	4.00	..	4.00
Gujarat State Financial Corporation	102.07	314.00	3265.52	3681.59
	107.60	318.00	3665.22	4090.82

3. Guarantees : Government has guaranteed repayment of the share capital of Gujarat State Financial Corporation.

Government has also guaranteed repayment of loans obtained by Gujarat State Road Transport Corporation and Gujarat State Financial Corporation to the extent of Rs. 3414.66 lakhs, of which the amount outstanding on 31st March 1975 was Rs. 2532.57 lakhs as shown below :—

(Rupees in lakhs)

	Amount guaranteed	Sums guaranteed and outstanding on 31st March 1975
Gujarat State Road Transport Corporation. ..	435.61	321.61
Gujarat State Financial Corporation. ..	2979.05*	2210.96*
	3414.66	2532.57

* Figures are as per the books of accounts of the Corporation and are under reconciliation with those mentioned in the Finance Accounts.

4. Profits and dividends : According to the annual accounts of the three Corporations, there was a total net loss (before tax) of Rs. 496.49 lakhs during the year 1974-75 as against total net loss (before tax) of Rs. 200.43 lakhs during 1973-74. The details of the profit/loss incurred and interest/dividend paid/declared by the three Corporations are given below:—

(Rupees in lakhs)

Name of the Corporation	Profit (+) Loss (—) before tax	Interest paid or dividend declared
Gujarat State Road Transport Corporation.	(—)555.39	145.51
Gujarat State Warehousing Corporation.	(—)2.59	—
Gujarat State Financial Corporation.	(+)61.49	12.12

A synoptic statement showing the summarised financial results of working of the three Corporations for 1974-75 is given in Annexure B.

SECTION VI

GUJARAT ELECTRICITY BOARD

(A) Rural Electrification Programme in the Gandhi centenary year:

On 1st April 1969, out of 18584 villages of the State, 1735 villages were electrified for all purposes and 1169 villages were electrified for agricultural purposes alone. In July 1969, the Board prepared a programme for electrification of 1500 villages for all purposes during the Gandhi centenary year (from 2nd October 1969 to 2nd October 1970) which was approved by Government in August 1969. The programme was split into two schemes, *viz*, (*i*) Financial participation scheme for electrification of 1300 villages under which people of the villages were required to contribute, by way of refundable deposit, a part of the cost, and (*ii*) Scheme of electrification of 200 *adivasi* villages.

The following paragraphs deal with the implementation of the programme:

2. Financial participation Scheme :

2.1. The Scheme for electrification of 1300 villages, *inter alia*, envisaged the following :—

(*a*) The Board would bear expenditure upto Rs. 12,000 on each village for installation of a transformer centre and drawing high tension tap line to the village boundary. For the remaining work, *viz*., laying low tension distribution lines in the village proper, the *panchayat* or the people of the village would have to provide funds by way of deposits for 10 years on which interest at 5 per cent would be paid.

(*b*) The gross revenue return on each such village should not be less than 20 per cent and if it was less than 20 per cent, the *panchayat* or the people of the village would pay an appropriate amount fixed as grant to the Board.

It was expected that a large number out of 1169 villages already electrified upto 1st April 1969 for agricultural purposes alone, along with new villages, would come forward for electrification for all purposes under the scheme.

2.2. Upto 2nd October 1970, the response from the villages was poor and only 600 villages came forward with proposals for electrification, out of which electrification of 440 villages was completed. The poor response was found by the Board to be due to the scarcity conditions prevailing in certain areas in the State. With a view to extending the benefit of the scheme to these areas as also to achieving the programme, the Board extended the period of the scheme upto 2nd October 1971. Subsequently, the period of the scheme was extended further, on yearly basis, upto 31st October 1974.

While extending the period of implementation, the Board made the following changes in the targets and other conditions of the scheme from time to time:—

(*i*) The number of villages to be electrified was increased to 2400 (excluding *adivasi* villages).

(*ii*) The gross revenue return was reduced to 15 per cent with effect from 2nd October 1970.

(*iii*) The limit of the expenditure to be borne by the Board was increased and fixed at Rs. 18,000 per village effective from May 1971.

(*iv*) Payment of deposits by the villages could be made in two instalments; the first instalment of 50 per cent of the amount was to be paid on approval of the scheme and the second instalment after one year from the date of payment of first instalment; this was subject to guarantee for payment of second instalment being given by the taluka or the district *panchayat*.

Against the target of 2400 villages, the Board received proposals from 2458 villages and completed electrification of 2044 villages upto 31st October 1974. The table given below indicates the achievement during the five year period ending 31st October 1974 :

Period	Target fixed	Proposals received	Electrification completed	Electrification in progress
		(in number of villages)		
2nd October 1969 to 1st October 1970	1300	600	440	160
2nd October 1970 to 31st August 1972	500	1093	1090	163
1st September 1972 to 31st July 1973	600	207	264	106
1st August 1973 to 31st October 1974	..	558	250	287*
Total	2400	2458	2044	287*

The scheme was discontinued from 31st October 1974 for want of funds. The Management stated (March 1976) that after October 1974 and upto 30th September 1975, 94 more villages had been electrified and the proposals for further 113 villages were approved, out of which only 34 villages had participated upto 30th September 1975. The Management

Note * Apart from 287 villages in which electrification was in progress the proposals received for 127 more villages were pending with the Board for sanction.

further stated (March 1976) that serious shortage of high tension steel wire required for re-inforcement in 1970-71 and of aluminium conductors in the years 1973 and 1974 impeded the progress of the scheme and hence it was decided by the Board to extend the scheme on yearly basis upto 31st October 1974.

2.3. *Financial analysis.*—For implementing the scheme, the Board had received loans from Government aggregating Rs. 235.00 lakhs (Rs. 175.00 lakhs in August 1969 and Rs. 60.00 lakhs in February 1973). The loans carried interest at 6.75 per cent and were repayable over a period of 30 years in twenty equal annual instalments commencing from the date of completion of ten years of drawal of the loans.

The details of the actual expenditure incurred on villages electrified upto 31st October 1974, estimated expenditure to be incurred on the remaining villages, the amounts received/receivable from the villages, etc., are given below:—

		Actual for 2044 villages electrified	Estimated for 287 villages sanctioned and in progress	Estimates for 127 villages to be sanctioned	Total for 2458 villages
				(Rupees in lakhs)	
(i)	Expenditure	514.53	86.10*	38.10*	638.73
(ii)	Receipts from villages:				
	(a) Deposits	249.09	46.11	20.08	315.28
	(b) Service connection charges	106.93	15.77	7.17	129.87
		356.02	61.88	27.25	445.15
(iii)	Expenditure met or to be met out of loans from Government.	158.51	24.22	10.85	193.58
(iv)	Loans received from Government	..	..	..	235.00
(v)	Net balance expected to be with the Board on completion of the scheme.	..	..	..	41.42

The Board closed the scheme with effect from 31st October 1974 for want of funds as Government had expressed its inability to sanction further Rs. 48 lakhs desired by the Board.

2.4. *Viability of the Scheme.*—When the scheme was formulated (July 1969), the Board had decided that the gross revenue on each village scheme would have to be not less than 20 per cent for making it viable and if the return

* Computed at Rs. 30,000 per village.

was less, *panchayat* or villagers themselves would have to pay appropriate amount as grant. Subsequently, the gross revenue was reduced to 15 per cent with effect from 2nd October 1970.

Against the anticipated shortfall in revenue, the Board has recovered Rs. 3.45 lakhs as grant from 2044 villages electrified upto 31st October 1974. For 287 villages, on which work was in progress, and 127 villages, where work was to be taken up, such grant recoverable was estimated at Rs. 5.61 lakhs. The Board has not ascertained the actual revenue realisations in respect of these villages after their electrification indicating the extent upto which there was shortfall of actual revenue below the minimum 20/15 per cent prescribed.

The Management stated (March 1976) that the scheme had not been formulated primarily with the financial returns in mind but the Board had tried to mobilise rural savings by way of contributions from the villages and thereby reduce the financial burden of the Board and Government.

3. Electrification of 200 adivasi villages:

3.1. At the instance of Government, the Board agreed (July 1969) to electrify 200 *adivasi* villages during the Gandhi centenary year subject to the following conditions :—

(*i*) 50 per cent of the cost of electricification of these villages would be given as outright grant, and

(*ii*) Government should either guarantee or give directive to Zila *Panchayat* concerned to guarantee regular payment of electricity bills to ensure 20 per cent return, atleast for the first three years after electrification.

In September 1969, Government agreed in principle to the above conditions. The Board prepared and submitted to Government in October 1969, a programme for electrification of 200 *adivasi* villages at an estimated cost of Rs. 104.16 lakhs, with an anticipated shortfall in revenue per year at Rs. 10.19 lakhs. The programme was approved by Government in December 1969.

3.2. Electrification of *adivasi* villages was undertaken with a view to commemorate the Gandhi centenary year ending on 2nd October 1970 but only 10 villages were electrified upto that date against the target of 200 villages. The progress of electrification achieved upto December 1974 is indicated below:-

Year	Number of villages electrified	
	During the year	Upto the end of the year
1969–70	7	7
1970–71	35	42
1971–72	68	110
1972–73	48	158
1973–74	4	162
1974–75 (upto December 1974)	4	166

The slow progress was attributed by the Board to the following reasons:—

(*i*) delay in finalisation of the list of villages, and

(*ii*) poor response from public.

3.3. ***Electrification of villages with less adivasi population.***

A list of *adivasi* villages prepared in October 1969 and approved by Government, was revised in November 1971 because it included villages with less than 45 per cent *adivasi* population. However, the Board had already commenced the work in such villages. When the revised list was received in January 1971, it was noticed that work had been taken up in 40 villages which were not included in the revised list. The progress of the work had also reached a stage when it could not be stopped. Government advised the Board (April 1971) to accommodate these 40 villages in other schemes but the Board expressed its inability to do so. Hence these 40 villages were included in the final list of 200 *adivasi* villages approved by the Board in November 1971.

3.4. *Financial analysis.*—The scheme was originally expected to cost Rs. 104.16 lakhs for electrification of 200 villages at an average cost of Rs. 52,080 per village. Actual expenditure incurred upto 31st December 1974 on electrification of 166 villages was Rs. 85.26 lakhs at an average cost of Rs. 51,360 per village. Out of this 50 per cent was to be paid by Government as grant.

Government had also agreed to bear recurring losses, if any, to the Board in revenue against 20 per cent return on capital invested for the first three years. On the basis of the estimated cost of Rs. 104.16 lakhs, the Board had estimated the annual revenue loss at Rs. 10.19 lakhs. The details of the estimated revenue, actual revenue realised and the shortfall in revenue for the four years upto 1974 are given below :—

(Rupees in lakhs)

Year	Total expenditure	Estimated revenue return	Actual revenue realised	Shortfall in revenue.
1971	29.83	0.82	0.19	0.63
1972	32.58	8.81	2.27	6.54
1973	14.34	10.73	2.63	8.10
1974	8.51	10.40	2.61	7.79
	85.26	30.76	7.70	23.06

(B) Stores control :

A brief mention was made of the stores organisation and purchase procedure of the Board in Paragraph 11 of Section IV of the Report of the

Comptroller and Auditor General of India for the year 1972-73 (Commercial). The following additional points have come to notice :

1. **Fixation of maximum and minimum limits of stock.**— There were eight regional stores and seventy divisional stores as on 31st March 1975. The Board has not worked out, for each item of stock, the maximum and minimum limits and the re-ordering quantities (March 1976) The Management stated (March 1976) that a large number of items of the Board's inventory were common for capital works as well as for operation and maintenance works; that the requirements of capital works with regard to individual items of stores fluctuated widely from time to time; there have been major un-certainties and fluctuations in the prices, supply position and lead time during the last 4 years and that systematic control for minimising or optimising the inventory became difficult because of such unpredictable factors.

2. **Inventory control** :—The table given below indicates the value of inventory at the end of each of the three years upto 1974-75.

	Value as on 31st March		
	1973	1974	1975
	(Rupees in lakhs)		
Stocks with operation and maintenance circles/divisions	1553	1414	1792
Stocks with construction circles/divisions	558	474	865
Ukai Hydro Project Circle	152	113	133
Total	2263	2001	2790*

During 1973-74, there was a marginal reduction in the stock holding which substantially increased in 1974-75 mainly due to excessive purchases made. The total value of purchase orders placed by the Board during the four years upto 1974-75 are given below:—

Year	Value (In crores of Rupees)
1971-72	18.72
1972-73	10.38
1973-74	20.54
1974-75	27.04

* *Note*: Figures are provisional as the accounts for 1974-75 are yet to be finalised.

Inventory at the end of 1972-73, 1973-74 and 1974-75 represented purchases for 26, 11 and 12 months during these years respectively. As most of the items of stock were available within the lead period of three to six months, the inventory of the Board as on 31st March 1975 would seem to be on the high side.

The Management stated (March 1976) that the orders frequently covered periods of several years and also the stocks at the end of the particular year might be swollen by the suddent receipt of materials ordered long back as in the case of steel, conductors, etc.

3. Surplus, slow moving and scrap stores :

(*i*) No action was taken since inception to classify the materials held in stock into non-moving, slow-moving, obsolete, scrap, etc. However, in March 1974 the Board instructed its store centres to classify the materials on hand as on 28th February 1974 in five categories, *viz*., (*i*) active (*ii*) slow-moving (*iii*) non-moving (*iv*) obsolete and (*v*) scrap and unserviceable, and transfer all materials falling under categories (*iii*) to (*v*) to the Regional Stores.

Scrutiny and segregation of stores as per these instructions have not been completed by all stores (October 1975). In respect of 68 out of 78 stores, where scrutiny was completed, it was noticed that out of the total stock of Rs. 1448 lakhs in December 1974, the value of slow-moving, non-moving, obsolete and unserviceable stores and scrap was for Rs. 467 lakhs as under:—

Description of stores	Value
Slow-moving	Rs. 239 lakhs
Non-moving	Rs. 105 lakhs
Obsolete	Rs. 25 lakhs
Unserviceable and scrap	Rs. 98 lakhs

The value of stores in the remaining 10 centres where segregation remained to be completed was Rs. 1343 lakhs.

(*ii*) The Board instructed in March 1974 all the stores officers to dispose of scrap and unserviceable materials through the Regional Stores. The Baroda Regional Store could dispose of 398 items valuing Rs. 18.96 lakhs during April 1974 to July 1975 and realised Rs. 26.62 lakhs. Details of such disposal at the other Regional Stores were not available.

(*iii*) Line material worth Rs. 33 lakhs purchased for Bhatia-Ranavav line has been lying idle in the Rajkot Construction Division Office for more than five years as construction of this line had been cancelled.

No action has been taken by the Board (November 1975) to utilise this material elsewhere.

(*iv*) All the diesel stations in the Gujarat and Saurashtra Regions were closed in 1965 and 1966 and almost all diesel sets have been sold. However, the Board was (November 1975) having diesel engine spare parts worth Rs. 5.98 lakhs.

(*v*) *Excess stock of paints*.—Review of the Board's inventories as at 30th June 1975 revealed that paints (of various types) worth Rs. 0.91 lakh were lying unused in the different stores centres. In addition to this, 2.290 tonnes of paint were lying at three centres, the value of which was not available.

(*vi*) *Idle equipment*.—(*a*) One coal dumper purchased for use in the Utran Power Station was transferred to Dhuvaran in the year 1967. The dumper was found unserviceable on receipt at Dhuvaran. The coal dumper was purchased in 1960-61, the book value of which was Rs. 0.58 lakh at the the time of transfer and the cost of spares available was Rs. 0.16 lakh. It has been lying in an unserviceable condition at Dhuvaran since 1967. Efforts made to sell the dumper have not been successful.

(*b*) The Board purchased certain equipment, as detailed below, which have remained unutilised from the date of their receipt :

Description of equipment	Number of items	Total value in lakhs of Rupees	Remarks
(1) 11 KV Metering panels	10	2.42	Received in February-May 1973 and lying idle at Vallabh Vidyanagar Regional Stores.
(2) (i) 33 KV Kiosk	7	3.57	Lying idle at Vallabh Vidyanagar Regional Stores.
(ii) 33 KV Metering set	8	0.89	
(3) Feeder panels	15	1.26	Lying idle in Bhuj Stores. These were imported and received during 1960-1962 but could not be utilised due to late receipt and high rate of growth of load.
3.3 KV Transformers	3	0.72	Lying idle since 1969-70.
(4) (i) 11 KV Breaker	1	0.20	Lying at Narol Regional Stores, Vatva. These have been declared obsolete.
(ii) Metering panel	1	0.12	
(iii) 11 KV OCB Kiosk	5	0.60	

Description of equipment	Numqer of items	Total value in lakhs of Rupees	Remarks
(5) 25 KVA Transformers	16	0.98	Lying idle in Regional Stores Office, Mehsana. These were purchased prior to 1968.
50 KVA Transformers	5	0.35	
(6) 11 KV OBC Panels	5	1.37	Lying idle at Navsari R.S.O These have been declared obsolete as breaking capacity is 100 MVA or 150 MVA.
11 KV Panels	1	0.27	
Breakers with control panels	11	0.26	
Plates	6	0.08	
R. S. Joists		2.58	These joists were received in December 1970 (Rs. 1.46 lakhs) and in March 1971 (Rs. 1.12 lakhs).

4. Non-maintenance of records :

The materials received from the suppliers or drawn from the Regional Stores are stored in the division or Power House and utilised as and when needed. Although the cost of these materials when received/drawn was charged direct to revenue, it was noticed during test check that detailed accounts of receipts and utilisation of stores valuing Rs. 29.45 lakhs were not kept as prescribed by the Board. A few such cases noticed during local audit of divisions are given below:—

(*i*) materials valued at Rs. 10.28 lakhs drawn by Petlad Division Office for service connections during the years 1969-70 to 1972-73.

(*ii*) materials received in Shapur Thermal Power station from Regional Stores of the value of Rs. 5.54 lakhs and purchased for Rs. 7.66 lakhs in the years 1970-71 and 1971-72.

(*iii*) materials valued at Rs. 1.97 lakhs issued in July-August 1969 from the Sabarmati Divisional Stores to Barejadi Sub-division.

(*iv*) materials of the value of Rs. 9.54 lakhs issued in the Surendranagar O & M division to Sub-Division offices in the years from 1969-70 to 1971-72.

5. Issue of materials :

Rural electrification work is being carried out on labour contract basis and materials are issued by the Board. The contractors are required to maintain accounts of materials supplied to them. No security either in cash or bank/insurance guarantee is taken for materials supplied to the contractors. When the contractors, on completion of work, failed to return the materials issued in excess, the Board was not able to recover the value thereof and was put to loss. A few such cases are detailed below:—

(*i*) In Surat Division, materials worth Rs. 3.18 lakhs were issued in excess of requirement to three contractors during the years 1969-70 to 1972-73. As the excess materials were not returned, the Board filed suits against the contactors in 1975. The Board stated (October 1975) that responsibility for the excess issue of materials in one case had been fixed and the employee concerned had been demoted and that in other cases action was in progress (January 1976).

(*ii*) The Board had obtained a decree from the court in 1969 against a contractor for Rs.0.13 lakh, being the cost of materials which were not returned by him. The decree has not been executed (January 1976) as the conractor does not possess any immovable property.

(*iii*) Talod Divisional office filed suits in 1973 for recovery of Rs. 2.53 lakhs, being the value of excess materials not returned by three contractors. The court decided these cases in favour of the Board. However, the Board is not able to execute the decree against one contractor (from whom recovery of Rs. 0.92 lakh is due) as he has no property. In the other two cases, action to execute the decree and recover this amount is in progress (January 1976).

6. Purchase of galvanised steel wires :

(*i*) In July 1973, the Board placed an order on a firm of Calcutta for supply of 200 tonnes each of 7/2.50 mm and 7/3.75 mm stay wire at Rs. 2290 and Rs. 2249 per tonne respectively at a total cost of Rs. 9.08 lakhs on firm price basis, as per its quotation. The order was not accepted by the firm as some of the terms and conditions of the order were not in accordance with its offer. However, after necessary amendments to the terms and conditions, the firm accepted the order on 5th October 1973. The delivery was to commence within 30 days from the date of acceptance of the order and to be completed within 6 months thereafter. The firm did not commence the supply and approached the Board for increase in price. After discussion with the firm's representative, the Board decided in July 1974 to grant increase of Rs. 1175 per tonne (Rs. 1000 per tonne due to increase in price of zinc, lead, steel, etc. and Rs. 175 per tonne due to change in specification of wire). As the firm had quoted firm prices, there was no price variation clause in the purchase order. However, while agreeing to grant price increase in July 1974, the Board, at the instance of the firm, also accepted a price variation clause to cover future increase in prices. The price increase would involve extra expenditure of Rs. 4.70 lakhs to the Board. The firm commenced supplies only from March 1975 and 175 tonnes of wire were received upto 31st December 1975.

The Management stated (March 1976) that the enormous price increases which took place in the second half of 1973-74 created an abnormal situation and the Board had to take practical measures to enure continued supplies.

When the firm refused to accept the order, the Board had negotiations (August 1973) over prices, terms and conditions of supply with other tenderers of whom a firm of Hyderabad had offered 50 tonnes each of 7/2.50 mm and 7/3.75 mm wire at Rs. 2250 and Rs. 2475 per tonne for delivery within 30 days and a firm of Madras had quoted same price of Rs. 2650 per tonne for both sizes. Had the Board placed orders on these firms, it would have incurred extra expenditure of only Rs. 1.38 lakhs.

The Management stated (March 1976) that negotiations with the other firm were carried out well before price increases took place and that there was no reason to believe that the Hyderabad firm would have agreed to supply at the same old rates even after the abnormal price increases. However, it was seen that the Hyderabad firm had agreed to supply within 30 days and the Madras firm said that it had 100 tonnes of each size in ready stock.

(*ii*) In November 1972, the Board had placed an order for 400 tonnes of G. I. plain wire of 8 S.W.G. and 50 tonnes of 10 S.W.G. wire on a firm price basis on the same Calcutta firm at Rs. 2050 and Rs. 2090 per tonne respectively.

The firm failed to supply balance quantity of 100 tonnes of 8 SWG wire and approached the Board for increase in price of wire due to increase in prices by the J.P.C. with effect from October 1973, and also increase in price of zinc, lead, etc., The Board, in June 1974, approved an increase of Rs. 750 per tonne, i. e., to Rs. 2800 per tonne for purchase of 95 tonnes. Considering that the prices were firm, and as per the contract the supply was to be commenced on 18th January 1973 and completed by 18th May 1973, the increase in price appears to have resulted in extra expenditure of Rs. 0.71 lakh to the Board.

7. Purchase of aluminium brass condenser tubes :

In June 1972, the Board placed an order with a firm of New Delhi for 1000 pieces of aluminium brass solid drawn seamless condenser tubes at a total cost of Rs. 0.90 lakh. As per contract, the tubes were to be supplied before October 1972. The firm failed to supply the tubes giving the reason as power cut in the State. In November 1973, the Board placed an order on another firm for supply of 1000 condenser tubes at total cost of Rs. 1.60 lakhs at the risk and cost of the New Delhi firm. Recovery of Rs. 0.70 lakh had not yet been made from the defaulting firm (December 1975).

8. Purchase of fish plates :

In February 1973 the Board placed an order on a firm of Calcutta for supply of 17,000 fish plates, bolts and nuts at Rs. 5.50 per piece for a railway siding work at Ukai Thermal Power Station at a total cost of Rs. 93,500. The Board also required an equal quanity of the material for Gandhinagar Power Station railway siding. Instead of placing order for this additional requirment in February 1973 or taking advantage of repeat order for 50 per cent of the quantity, *i. e.*, 8500 numbers available under the order placed in February 1973, the Board invited tenders again in October 1973 for the full quantity. The lowest offer was from the same firm at Rs. 6 per piece subject to J.P.C. price variation. It was valid upto November 1973. The Board could not finalise the tender before the expiry of the validity date. The supplier, therefore, revised the rate to Rs. 6.80 per piece in March 1974. The Board placed order in March 1974 at the revised rate.

If the Board could take advantage of the repeat order clause in the contract for 50 per cent quantity and place order for the remaining quantity within the validity period, extra expenditure of Rs. 17,850 could have been avoided.

9. Carting contract :

The Board awards contract annually for carting materials for the Thermal Power Station Ukai. The contract for the year 1974 was to expire on 27th December 1974. Tenders for the contract for the next year were invited and opened on 20th December 1974. A contract was awarded on 3rd March 1975 to the same party. The rate quoted by the contractor for the contract commencing from 28th December 1974 was lower than the rate quoted for the earlier period. The project office of the Board recommended acceptance of the tender to the head office but no decision was taken till 3rd March 1975. Meanwhile, the contractor was allowed to continue to cart the materials. Payment for the carting work done during the period from 28th December 1974 to 2nd March 1975 was made at old rates which were higher resulting in extra expenditure of Rs. 0.44 lakh.

10. Disposal of equipment :

In response to a tender enquiry for sale of diesel generating set, 12 parties quoted their rates. The Board accepted the offer of a party 'A' of Baroda at Rs. 6.50 lakhs inspite of the instructions of Government to sell the set at a price ranging from Rs. 8.70 lakhs to Rs. 8.75 lakhs. The Board also overlooked two higher offers of a firm 'B' of Rs. 11.13 lakhs and of firm 'C' of Rs. 8.71 lakhs. Offer of firm 'B', was rejected on the ground that the firm had not paid earnest money deposit. No reasons were found recorded for rejecting the offer of firm 'C'. The Board could have realised Rs. 4.63 lakhs or Rs. 2.21 lakhs more had the offers of firm 'B' or firm 'C' been considered.

11. Transportation of steel materials :

Steel required by the Board is obtained on the basis of indents placed on the Joint Plant Committee which makes allotment on various manufacturers. The consignments are despatched to the destinations intimated by the Board while placing the indents. In the following two cases, proper intimation of destinations was not given resulting in extra expenditure of Rs. 0.42 lakh on retransportation of the material to the required destinations:—

(*i*) In June 1971, the Board placed an order for supply of 748 tonnes of heavy rails required for erection of Ukai-Nizar and Ukai-Sagbara lines on Hindustan Steel Limited with delivery at Navsari Railway Station instead of Ukai-Songadh Railway Station, which was the nearest rail head. Out of this, 735.324 tonnes were received at Navsari in July 1971 and transported to Ukai-Songadh Railway Station by incurring extra expenditure of Rs. 0.18 lakh.

(*ii*) A part of an order placed in March 1971 for supply of R. S. girders, on f.o.r. destination, was required to be supplied to the Mehsana Region. The Regional Stores, Mehsana received 3651 girders in February. March and August 1973. Owing to paucity of space at the Regional Stores and also because five out of nine works in the area had been completed by then, 1324 girders had to be transferred to Nadiad, Broach and Rajkot in March and September 1973 by incurring extra expenditure of Rs. 0.23 lakh on freight and labour charges. The Board stated (October 1974) that the destination once given in the indent could not be changed subsequently. It was, however, observed that the suppliers had accepted earlier requests of the Board for alteration of destinations.

(C) Sale of Thermal Power Station, Porbandar.

The Thermal Power Station at Porbandar, commissioned in 1960, was designed to meet the requirements of power, steam and cooling water of a soda ash factory at Porbandar and also for supply of power in and around Porbandar area. The soda ash factory was consuming 4000 KVA of electric power, 14000 gallons per minute of sea cooling water and 45 tonnes per hour of steam.

In February 1970, the consumer factory informed the Board that it proposed to expand its production capacity and would require additional power of 1500 KVA, sea cooling water of 8000 gallons per minute and 50 tonnes of steam per hour either from the end of 1972 or beginning of 1973. In January 1971, the Board examined the request for the additional requirements and found that while it was possible to meet the additional demand of electricity, it was not possible to meet the other two demands unless new plants and equipment, costing Rs. 1.50 crores, were installed. Alternatively, generation of electricity should be stopped completely to meet the other requirements. The Board, therefore, appointed (January 1971) a committee to discuss the matter with the consumer and arrive at arrangements mutually acceptable. In May 1971, the committee recommended the sale of the Power house to the consumer company for Rs. 275 lakhs of which Rs. 50 lakhs were to be realised at the time of handing over possession and the balance was to be paid in seven equated annual instalments with interest at 9-1/2 per cent. The possession was to be handed over between January and July 1974. In June 1971, the Board approved the committee's recommendations and Government accorded approval to the sale in October 1971. The possession of the Power house was handed over on 15th June 1973. The following points were noticed about fixation of the sale price and settlement of other issues.

(*a*) *Fixation of sale price.*—The original cost and depreciated value of the building, plant and equipment of the power house as on 31st March 1971 were assessed by the Board on 28th February 1971 at Rs. 253 lakhs and Rs. 189 lakhs respectively. On the same date the Board assessed the market value of these assets at Rs. 554 lakhs and depreciated value as Rs. 413 lakhs. The market value was derived from the original price in Rupees by taking it at 280 per cent on imported plants and at 180 per cent on indigenous plants. The sale price was evaluated at Rs. 275 lakhs by the committee on the presumption that the possession was to be handed over between January and July 1974. It was also contemplated that the value would be reduced at the rate of approximately Rs. 10 lakhs per annum towards depreciation. Although at the request of the purchaser, possession of the power house was handed over early in June 1973, the price was not increased by Rs. 10 lakhs.

(*b*) *Recovery of cost of stores, spares, etc.*—In terms of the agreement, stores (including coal and spares) of the power house were also to be sold at book value against advance payment. These stores were transferred to the purchaser against payment of estimated value of Rs. 25.46 lakhs. Final value had been ascertained at Rs. 31.41 lakhs in November 1973. The balance amount of Rs. 5.95 lakhs has not been recovered (March 1976) as the purchaser has disputed the valuation. The Management stated (March 1976) that actual inventory of stocks could not be taken on the date of handing over of the power station because of severe labour troubles and, therefore. estimated value was recovered and that the matter was under discussion with the purchaser for settlement.

(*c*) *Non-recovery of additional capital expenditure:*—In terms of the agreement for sale of the power house, any capital expenditure from the date of signing the agreement upto the date of handing over was to be incurred with the consent of the purchaser. The Board after securing the purchaser's consent, incurred Rs. 2.73 lakhs towards capital expenditure, which is yet (March 1976) to be recovered.

(*d*) *Non-recovery of cost of unused charged stores.*—On 15th June 1973, when possession of the power house was handed over, there were 221 items of stores, spares and other materials issued but lying unused in the operating sections of the power house. The value of these items has not separately been ascertained and claimed from the purchaser (March 1976).

SECTION VII

GUJARAT STATE WAREHOUSING CORPORATION

1. Introduction :

The Gujarat State Warehousing Corporation was established by Government on 5th December 1960 under Section 28 of the Agricultural Produce (Development and Warehousing) Corporations Act, 1956. It started functioning in February 1961. The Act of 1956 was, however, repealed by Section 43(1) of the Warehousing Corporations Act, 1962 (hereinafter referred to as "the Act") and the Corporation was deemed to be a State Warehousing Corporation under Section 18 read with Section 43(2) (g) of the Act.

A review on the working of the Corporation was included in paragraphs 60 to 62 of the Report of the Comptroller and Auditor General for the year 1971-72, Government of Gujarat.

2. Functions :

The main functions of the Corporation are:—

(*a*) to acquire and build godowns and warehouses at such places within the State as it may, with the previous approval of the Central Warehousing Corporation, determine;

(*b*) to run warehouses in the State for storage of agricultural produce, seeds, manures, fertilizers, agricultural implements and notified commodities and to arrange facilities for their transport to and from the Warehouses; and

(*c*) to act as an agent of the Central Warehousing Corporation or of Government for the purpose of purchase, sale, storage and distribution of agricultural produce, seeds, manures, fertilizers, agricultural implements and notified commodities.

3. Organisational set-up :

In terms of Section 20 of the Act, the general superintendence and management of the affairs of the Corporation vest in a Board of Directors, which consists of eleven directors including the Chairman and the Managing Director. Five directors are nominated by the Central Warehousing Corporation and five directors are nominated by Government. The Managing Director is appointed by Government in consultation with other directors and with the prior approval of the Central Warehousing Corporation.

In terms of Section 25 of the Act, an Executive Committee has been constituted consisting of the Chairman, the Managing Director and three other directors. Subject to the general and special directions given by the Board of Directors, the Executive Committee is authorised to deal with any matter within the competence of the Corporation.

4. Capital structure :

(*a*) *Share capital.*—The authorised capital of the Corporation as on 31st March 1975 was Rs. 2.00 crores (two lakhs shares of Rs. 100 each) being the maximum amount prescribed under Section 19 of the Act. The issued, subscribed and paid-up capital of the Corporation as on 31st March 1975 was Rs. 58.00 lakhs (58,000 shares of Rs. 100 each) contributed equally by the Central Warehousing Corporation (Rs. 29.00 lakhs) and Government (Rs. 29.00 lakhs).

(*b*) *Loans.*—In September 1974, the Corporation obtained a loan of Rs. 4 lakhs from the Central Warehousing Corporation for construction of warehouses in the State. The loan bears interest at 8 per cent per annum on the principal, payable on each anniversary with a rebate of 0.25 per cent for timely repayment of instalments and payment of interest. The loan is repayable in 10 equal instalments commencing from the sixth anniversary of the date of drawal.

5. Performance analysis :

5.1 *Targets and achievements.*—(*a*) The following table indicates the number of warehouses set up (both constructed and hired) by the Corporation and capacity established as at the end of the four years upto 1974-75:-

Particulars	1971-72	1972-73	1973-74	1974-75
Warehouses at the beginning of the year.	31	30	37	38
Warehouses set up during the year.	..	7	4	4
Warehouses closed/merged during the year	1	..	3	6
Warehouses at the end of the year	30	37	38	36
Capacity established : (In tonnes)				
Constructed (owned)	7,150	9,650	21,675	28,025
Hired	36,837	37,307	22,528	23,432
Total :	43,987	46,957	44,203	51,457

(*b*) *Construction of godowns.*—At the end of the year 1971-72, the Corporation had the constructed capacity of 7150 tonnes. In January 1973, the Corporation set up its own construction cell headed by an Executive

Engineer to look after the construction of godowns in the State. The tab below indicates the projected capacity, targets fixed and the capacity achieve by the Corporation in the construction of godowns in the State during th three years ending 1974-75 :

Year	Projected capacity (In tonnes)	Targets fixed		Achievements		Percentage of shortfal to targeted capacity
		Number of ware-houses	Capacity (in tonnes)	Number of ware-houses	Capacity (in tonnes)	
1972-73	10,000	7	9,350	2	2,500	73.3
1973-74	20,000	16	24,375	9	11,875	51.3
1974-75	20,000	10	16,875	3	6,250	62.9

In addition, one godown of 250 tonnes capacity at Sidhpur centre wa acquired by the Corporation in the year 1973-74 in settlement of a clai against a defaulting depositor.

The Management attributed (November 1975) the shortfall in the con struction of warehouses mainly to paucity of funds. In this connectio it may be mentioned that upto 1974-75, the Corporation held funds in fixe and savings deposits with the State Bank of India and cooperative bank ranging up to Rs. 18 lakhs.

(c) *Acquisition of land.*—For construction of warehouses, the Corpora tion acquired 22.73 acres freehold land valued at Rs. 2.58 lakhs at 19 cen tres and also took possession of 2.05 acres of land at 4 centres on leasehol basis at annual lease rent of Rs. 4,981. Two plots of land measurin 2.11 acres were acquired in December 1973 and March 1975 respectively the cost of which has not been assessed (February 1976).

In addition to this, one plot of land measuring 110'×80' at Umreth was received free of cost from the Agricultural Produce Marketin Committee, Umreth, in March 1973.

The documents of title to the immovable properties at different centre such as Sidhpur, Mahuva, Kapadwanj, Kathalal, Umreth, Broach anc Godhra, though acquired during 1969-70 to 1974-75, are incomplet (January 1976). The delay in execution of title deeds has been attribute (February 1976) to absence of specific staff for the purpose and also to technical formalities.

Although land was acquired at three centres, (Viramgam in Decembe 1973, Kathlal in May 1973 and Umreth in March 1973), construction of th warehouses at these places has not been taken up (March 1976). Th Management stated (February 1976) that construction would be taken up on availability of funds.

5.2 *Utilisation of storage capacity.*—(*a*) The table given below indicates the available capacity and utilisation in respect of both hired and owned warehouses for the five years upto 1974-75 :

(In tonnes)

Year	Number of centres at the end of year	Average capacity available	Average occupancy	Percentage of occupancy
1970–71	31	81005	68210	84.2
1971–72	30	43056	27710	64.4
1972–73	37	47933	23130	48.6
1973–74	38	42317	15151	35.8
1974–75	36	40597	16583	40.8

There is a marked decline both in the capacity available and the percentage of utilisation since 1970-71. This was attributed by the Management (February 1976) mainly to complete withdrawal of pool fertilizers of the Government of India stored in different warehouses throughout the State, takeover of the wholesale trade in wheat by Government, frequent drought conditions prevailing in the State and restrictions imposed by the Reserve Bank of India on advances and credits on foodgrains and other cash crops.

(*b*) The Corporation has not been assessing the storage capacity available and utilised separately for owned and hired godowns. A test check of the occupancy of owned godowns for the three years upto 1974-75 indicated that occupancy was very poor in some centres as detailed below :

Name of Centre (Year of construction)		1972–73	1973–74	1974–75
			(Figures in tonnes)	
(a) Amreli (1971)	Capacity	1000	1000	1000
	Utilised	350	538	606
(b) Bodeli (1971)	Capacity	1850	1850	1850
	Utilised	210	267	368
(c) Rakhial (December 1973)	Capacity	..	1250	1250
	Utilised	..	Nil	Nil
(d) Anjar (October 1973)	Capacity	..	1250	1250
	Utilised		374	132
(e) Kapadwanj (January 1974)	Capacity	..	1250	1250
	Utilised		509	364

Nam e of Centre (Year of construction)			1972–73	1973–74	1974–75
			(Figures in tonnes)		
(f)	Harij (December 1973)	Capacity	..	2250	2250
		Utilised		512	954
(g)	Vyara (May 1974)	Capacity	..	..	1250
		Utilised			104
(h)	Talod (1971)	Capacity	1000	1000	1000
		Utilised	725	776	441

(c) *Working of individual centres.*—The Corporation has not built up any system to show the results of working of each warehouse. However, a review of the working of hired godowns based on the warehouse receipts and the rent charges as available, revealed that the following centres could not earn enough receipts to meet even the rental charges incurred by the Corporation during the period of three years from 1972-73 to 1974-75 :

Name of the centre	Year	Warehouse Receipts	Rent paid	Shortfall
			(In Rupees)	
Palanpur ..	1972–73	..	1800	1800
	1973–74	..	1800	1800
	1974–75	..	1800	1800
		..	5400	5400
Porbandar ..	1972–73	..	2100	2100
	1973–74	36	2100	2064
	1974–75	..	165	165
		36	4365	4329
Jamjodhpur ..	1972–73	125	1440	1315
	1973–74	204	1440	1236
	1974–75	..	120	120
		329	3000	2671
Morvi ..	1972–73	3515	5505	1990
	1973–74	63	6680	6617
	1974–75	1649	3094	1445
		5227	15279	10052
	Total	5592	28044	22452

There was heavy loss in working of the four centres. As against the aggregate income of Rs. 5592, the Corporation had paid on rental charges alone Rs. 28,044, besides pay and allowances, insurance and other incidental expenses. Timely action for release of godowns, when the deposits were not forthcoming, had not been taken. In 1974-75, the Corporation, at the instance of Central Warehousing Corporation, took action to dehire the godowns at Porbandar and Jamjodhpur.

The Management stated (November 1975) that the godowns were ,not de-hired, despite shrinkage in custom, on the expectation of increased business in future.

(*d*) The particulars of depositor-wise utilisation (in terms of percentage) of the storage capacity (under the broad categories) for the five years ending 1974-75 are given below :

(Percentage)

Year	Co-operatives	Producers	Traders	Government and Government under-takings
1970–71	7	3	15	75
1971–72	49	—	23	28
1972–73	—	1	17	82
1973–74	4	—	26	70
1974–75	1	—	18	81

(*e*) *Custom handled.*—The volume of custom handled under the principal commodities during the three years upto 1974-75 is indicated below :

(Quantity in tonnes)

Commodity stored	1972–73		1973–74		1974–75	
	Quan-tity	Percen-tage to total custom	Quan-tity	Percent-tage to total cuostom	Quan-tity	Percen-tage to total custom
Foodgrains and pulses	—	—	6294	33.46	3693	16.74
Fertilizers	2400	15.38	7583	40.32	9123	41.36
Groundnut oil and oil seeds	3660	23.45	1508	8.02	6777	30.72
Cotton bales	6760	43.31	288	1.53	38	0.17
Other commodities	2789	17.86	3136	16.67	2429	11.01
Total	15609	100.00	18809	100.00	22060	100.00
Warehouse charges earned (In lakhs of Rupees)	10.45		7.60		9.61	

The decline in warehousing receipts in 1973-74 despite increase in volume of custom over previous years was attributed by the Management (November 1975) to the following:—

(*i*) short periods of storage ; and

(*ii*) storing of bulk goods of Government sponsored agencies at special rates which were below the normal rate of tariff applicable for custom.

6. Storage charges :

6.1 The Corporation fixes 'standard storage charges' for a standard bag of foodgrains, after taking into account the elements of rent, establishment, insurance, insecticides, fumigation, security measures and incidental expenses.

In fixation of rates, the prevailing rates of the Central Warehousing Corporation are also kept in view. The rates for commodities other than foodgrains are fixed after taking into account the nature of commodity, size of the package, the value of the commodity, the height upto which commodity can be stored and special requirements, if any, for storage of the commodities. The storage charges are then computed after determining the 'Bag equivalent'; that is, the ratio of space occpied by a package of other commodity to that of standard bag of foodgrain. The standard storage charges in vogue during the last three years upto 1974-75 were as follows :

Period	Rate in paise per standard foodgrain bag per month
1st April 1972 to 31st August 1972	18 paise
1st September 1972 to 31st January 1974	23 paise
1st February 1974 to 31st March 1975	28 paise

The rate of 18 paise was fixed in November 1965. The rate has further been revised from 1st April 1975 to 34 paise.

6.2 The following points may be mentioned in this regard:—

(*a*) A common rate of storage charges has been applied throughout the State regardless of the varying market conditions, rental for hired godown prevailing in different warehouse centres, though the norms laid down by the Central Warehousing Corporation in this respect do not preclude the State Warehousing Corporation from applying different rates of storage charges consistent with the prevailing local conditions and rent.

(*b*) Same charges are levied in respect of both hired and owned godowns, though the principles governing the fixation of standard storage charges as well as the elements governing the computation of storage charges materially differ in respect of hired and owned godowns. In respect of hired godowns, rent paid to the onwer should be taken into account whereas in respect of owned godowns incidence of capital cost in the form of depreciation, return on capital investment, local taxes and annual repairs and insurance should be substituted for rent. As the cost elements are different, the working of the storage charges rates for hired godowns and owned godowns could not be examined further as the Corporation has not maintained these details to work out the storage rates from time to time.

(*c*) There had been no periodical review of the structure of storage charges with changing conditions. The rates effective from 1st November 1965 were revised after about seven years, *i. e.* with effect from 1st September 1972. The Management stated (November 1975) that the Board of Directors of the Corporation thought that even when the standard rate of storage was 18 paise per bag per month, private depositors were not coming forward for warehousing and, if the rate was to be enhanced, the Corporation might not secure even the existing quantum of deposit.

(*d*) *Heavy incidence of rent element.*—According to the norm prescribed by the Central Warehousing Corporation, the rent element in the standard storage charge should not exceed 35 per cent. A study of the actual incidence of rent in respect of the hired godowns during the three years upto 1974-75 is indicated below:—

	1972–73		1973–74		1974–75
	up to August 1972	September 1972 to March 1973	April 1973 to January 1974	February to March 1974	April 1974 to March 1975
Storage capacity in terms of standard bags	373070	373070	225280	225280	234310
Assumed occupancy at 75 per cent of capacity	279802	279802	168960	168960	175733
Average rent per month in rupees	35890	35890	30929	30929	18476
Rent element per standard bag in paise	12.8	12.8	18.3	18.3	10.5
Storage charges for standard bag in paise	18	23	23	28	28
Percentage of rent to storage charge	71	55	78.9	65.3	37.5

In respect of owned godowns, element of rent is replaced by incidence of capital cost in the form of depreciation, repairs and maintenance, local taxes, interest on capital cost, etc. The Corporation has not assessed the actual incidence of these costs in the storage charges. The Management has attributed (February 1976) the high percentage of rent to godowns remaining partly vacant due to lack of custom.

(*e*) The Corporation had also allowed since 1st April 1965 a rebate of 20 per cent on storage charges to all the depositors who deposited a custom of 200 bags or more for a period of six months or more on a single warehouse receipt. The cooperatives were given an additional rebate of 10 per cent. Though the Corporation has been incurring losses since 1972-73, a re-appraisal was made in 1975 and the Corporation withdrew the rebate at the time of revision of storage charges effective from 1st April 1975. The Management stated (November 1975) that withdrawal of rebate was not contemplated earlier as it would have resulted in shrinkage of custom.

6.3 *Loss of revenue:*—The Food Corporation of India deposited 99,269 bags of fertilizers in four godowns in December 1973. Although the the prevailing storage rate of the Corporation for fertilizers was 15 paise per bag per month with effect from 1st December 1973, the Corporation intimated, in January 1974, the rate of 12 paise per bag per month. As a result of charging lower storage rate, the Corporation suffered a loss of Rs. 0.46 lakh in revenue upto the end of March 1975. While accepting the fertilizer bags for deposit, the Corporation did not insist on a definite period for storage or escalation in rates as and when revised but accepted the bags for storage for indefinite period. The fertilizer bags were lying in the Corporation's godowns (November 1975). The Corporation revised the storage rates for fertilizers to 18 paise and to 27 paise per bag per month effective from 1st February 1974 and 1st April 1975 respectively but the revised rates could not be made applicable to this deposit. There is, therefore, a recurring loss of warehouse revenue of Rs. 14,890 per month from April 1975 onwards. The Management stated (February 1976) that it would not be possible to apply revised rates for the customs, which were already stored.

7. Profitability analysis :

7.1 The table below indicates the working results of the Corporation for the three years ending 1974-75:—

(Rupees in lakhs)

	1972–73	1973–74	1974–75
A. Income.			
(a) Warehousing charges including service charges	10.45	7.60	9.61
(b) Interest on deposits	1.21	1.06	0.74
(c) Other items	0.02	0.05	0.04
Total	11.68	8.71	10.39

	1972–73	1973–74	1974–75
B. Expenditure			
(a) Pay and allowances	6.20	6.49	6.88
(b) Rent, rates, taxes and insurance	5.74	5.08	3.51
(c) Depreciation	0.32	0.88	1.14
(d) Other items	2.01	1.44	1.45
Total	14.27	13.89	12.98
Net Loss	2.59	5.18	2.59

(Rupees in lakhs)

7.2 The Corporation had been incurring losses since its inception to 1965-66 except some marginal profits during 1961-62 and 1962-63. The accumulated loss upto 1965-66 was Rs. 2.83 lakhs. Profitability of the Corporation improved continuously during the next six years, *i.e.* from 1966-67 to 1971-72, in which the aggregate profit of Rs. 31.99 lakhs was earned, as detailed below:

(Rupees in lakhs)

	Profits
1966–67	2.07
1967–68	0.63
1968–69	0.98
1969–70	11.97
1970–71	13.38
1971–72	2.96
	31.99

The increase in the profits of the Corporation during 1969-70 and 1970-71 was stated to be mainly due to increase in the storage requirment of stock of imported fertilizers of the Government of India.

The Corporation, however, started incurring losses again from 1972-73 onwards as shown above. The reasons for this adverse trend in the working results of the Corporation were stated mainly to be :

(*i*) substantial fall in Government as well as private custom, and

(*ii*) procurement and storage of wheat in the State in 1972-73 being entrusted to the Food Corporation of India, which had made its own arrangements of storage.

7.3 The table below indicates the administrative expenditure *vis-a-vis* the warehouse receipts for the three years upto 1974-75:—

(Rupees in lakhs)

	1972–73	1973–74	1974–75
Administrative expenditure	2.67	2.88	2.79
Warehouse receipts	10.45	7.60	9.61
Percentage of administrative expenses to warehouse receipts	25.6	37.9	29.00

The Central Warehousing Corporation has prescribed the norm of 8 per cent of warehouse receipts for the head office administrative expenses. The Management stated (February 1976) that the Corporation's overheads would be more because of the small capacity of its centres compared to those of the Central Warehousing Corporation.

7.4 *Utilisation of funds.*—The following table indicates the sources and utilisation of funds on the last day of the year for the three years upto 1974-75 :

(Rupees in lakhs)

	1972–73	1973–74	1974–75
Sources :			
Equity capital	40.00	45.00	58.00
Reserves and Surplus	16.27	10.89	7.72
Borrowings	..	..	4.00
Liabilities and provisions	15.66	15.68	14.80
Total	71.93	71.57	84.52
Utilised on :			
Net fixed assets	10.26	32.02	41.51
Sundry debtors, loans, advances, etc.	29.99	19.99	21.82
Cash and Bank balance	17.37	16.04	15.44
Short term deposits	14.31	3.52	5.75
Total	71.93	71.57	84.52

It may be seen that the equity capital obtained by the Corporation was much in excess of the expenditure incurred on its fixed assets, resulting in keeping large cash and bank balances. Of the cash and bank balances, substantial portions had been kept in savings accounts. The Management stated (February 1976) that as the Corporation's main customers were always late in settling claims it was necessary to have liquid cash to the extent of three months requirments in savings bank accounts at different centres.

7.5 *Dividend.*—Under Section 30(2) of the Act, the Corporation may declare a dividend out of its net annual profits. Dividend at 3.5 per cent was declared for the first time for the year 1969-70. It was declared at 8 per cent for the year 1970-71 and at 4 per cent for the year 1971-72. Total amount of Rs. 4.34 lakhs was paid towards dividend for these years. No dividend was declared for the subsequent years upto 1974–75.

7.6 *Credit control.*—(*a*) The following table indicates the volume of book debts and the warehouse receipts for the three years upto 1974-75.

(Rupees in lakhs)

Year	Book debts at the end of the year	Income from warehousing during the year	Percentage of debts to income
1972–73	14.00	10.45	134
1973–74	10.74	7.60	141
1974–75	14.56	9.61	151

It would be seen from above that the percentage of book debts to income has remained high and increasing.

The party-wise and the period-wise details of the debtors as on 31st March 1975 are tabulated below :

(Rupees in lakhs)

	Government Departments	Government undertakings	Private parties	Total
(i) Debt outstanding for less than one year	0.07	4.44	1.09	5.60
(ii) Debt outstanding for one year and more but less than two years	0.06	0.75	0.36	1.17
(iii) Debts outstanding for two years and more	5.26	2.53	—	7.79
Total	5.39	7.72	1.45	14.56

All debts have been classified as good but balances due from most of the parties have not been got confirmed. Some of the old outstandings due from the Food Corporation of India (Rs. 4.38 lakhs), the Government of India (Central Stores Depot Rs. 2.08 lakhs and Ministry of Food and Agriculture Rs. 3.14 lakhs) and the Fertilizer Corporation of India Limited (Rs. 0.41 lakh) remain to be recovered or settled (February 1976).

The Management stated (February 1976) that the possiblity of using coercive methods for recovery would be examined.

8. Accounting system:

The Corporation has not prepared any manual (November 1975) covering the following:—

(*i*) Accounting system and procedure;
(*ii*) Storage and preservation of commodities; and
(*iii*) Personnel and administration.

9. Other topics of interest:

9.1 *Shortage and wrong delivery of commodities.*—Mention was made in paragraph 96 of the Report of the Comptroller and Auditor General of India for the year 1969-70 about four cases of fraudulent practices involving Rs. 15.57 lakhs. Two other cases involving Rs. 1.23 lakhs came to notice which are described below:—

(*i*) Shortage of 943.77 quintals of ground nut valued at Rs. 0.94 lakh was noticed in July 1964 while giving delivery of the commodity to a depositor. The shortage was attributed to the negligence of the warehouseman who, while accepting the commodity, did not actually weigh it, but accepted the weight declared by the depositor and recorded it as such in the warehouse receipt. The depositor, at the time of taking delivery, demanded that the quantity delivered should be on the basis of quantity recorded in the warehouse receipt. The legal adviser of the Corporation had opined that the action of the warehouse man in issuing warehouse receipt on the strength of the weight declared by the depositor without checking the actual weight, was undesirable. The depositor filed a civil suit against the Corporation in 1967 which was decreed against the Corporation in September 1974 for Rs. 0.96 lakh (including cost). The Corporation has filed an appeal in the High Courrt. Final outcome is awaited (January 1976).

(*ii*) In another case, 200 bags of groundnut kernel (value Rs. 0.29 lakh) of a depositor firm were alleged to have been delivered to a wrong person, although the Corporation contended that the goods were delivered to one of the partners of the firm. The depositor filed a civil suit claiming the loss, which was decreed against the Corporation in December 1974 for Rs. 0.35 lakh (including costs). The Corporation has filed an appeal in the High Court. Final outcome is awaited (January 1976).

9.2 *Non-settlement of insurance premium.*—Goods stored in the Corporation's warehouses are insured against the risk of fire and burglary. Under the terms of the insurance policies, the Corporation is required to make provisional declaration of the value of stocks to be held in its warehouses at the beginning of the year and premium is paid provisionally on that basis. During the currency of the policy, the Corporation has to make declarations every month of the average value of stock actually held in the warehouses. At the end of the period of insurance, the actual premium payable is worked out after making adjustments on the basis of the average value of stocks held during the period. The Corporation has, however, since 1966-67, paid provisional premium of Rs. 4.75 lakhs to Union Co-operative Insurance Society towards insurance charges for the period from December 1966 to December 1972 on annual basis and Rs. 1.41 lakhs to Oriental Fire and General Insurance Company Limited for the period from December 1972 to December 1974 for coverage of risk of fire and burglary. But these provisional payments have not been (January 1976) finalised on the basis of monthly declaration of average stock sent by the warehouse centres concerned from time to time to the insurance companies.

SECTION VIII

OTHER TOPICS OF INTEREST

GUJARAT STATE ROAD TRANSPORT CORPORATION

1. Printing of tickets :

In July 1971, the Corporation entered into a rate contract with a firm of Ahmedabad, the only tenderer, for printing and supply of passenger tickets (size 2" × 4") at Rs. 139.50 per 1000 books of 100 tickets each for printing on NEPA newsprint paper and at Rs. 144.50 for printing on white printing paper. The contract was for a period of three years from 1st November 1971 to 31st October 1974, and it was subsequently extended upto 31st March 1975. According to the tender enquiry, the tenderers were required to furnish the current price of paper on the basis of which rates were to be quoted and for any variation in price of paper by more than 5 per cent, price adjustment was to be allowed. However, in the rate contract finally entered into, price variation on account of Government levies only was permitted.

Owing to shortage of paper and exorbitant price prevalent in the open market, the printer firm informed the Corporation in October 1973 that it would not be able to supply ticket books printed on NEPA newsprint. At the instance of the firm, the Corporation allowed (November 1973) the printers to purchase paper from open market and accepted price increase on account of increased cost of paper, on five occasions between 1st December 1973 and 31st March 1975.

It was, however, seen that the price increase allowed on cost of paper was not correctly worked out. The price increase was allowed with reference to basic cost of NEPA newsprint paper of 52 grams substance (at Rs. 45.44 per 1000 books) though the basic cost of paper of 58 grams substance as per tender worked out to Rs. 49.43 per 1000 books. Due to under-evaluation of basic cost of newsprint paper, excess price differential of Rs. 0.52 lakh was paid. The Management stated (December 1975) that the matter had been taken up with the firm.

2. Purchase of thin walled bearings :

In November 1971, the Corporation entered into a running rate contract for supply of thin walled bearings with a firm of Poona on the basis of rate contract finalised by the Association of State Road Transport Undertakings. According to the terms of the contract, on receipt of orders from the consignee, the firm was to indicate the period of delivery and if the firm failed to effect the supplies within the delivery stipulated, the Corporation was entitled to resort to risk purchase after giving 30 days' notice and after contacting the nearest distributor of the firm. However, the firm did not specify the period of delivery but confirmed the orders with the remarks "as and when available". Despite various reminders the firm did not supply the bearings. The Corporation purchased the bearings from open market without specifically intimating the firm of its intention to resort to risk purchase.

In August 1972, when orders for 10,254 sets of bearings were pending, the firm unilaterally withdrew from the rate contract. Upto 15th October 1972, the Corporation had purchased 2,697 sets of bearings out of the pending orders with the firm, from the open market at an extra cost of Rs. 1.31 lakhs. The Corporation could not claim the price difference from the firm as it had not followed the procedure of risk purchase prescribed in the rate contract. The Management stated (December 1975) that as no firm delivery period was given by the firm, it was not possible for the Corporation to decide the date on which the failure to supply occurred and hence a risk purchase notice could not be issued. As the firm was one of the two manufacturers of this item in the country, the Corporation apprehended that operation of the risk purchase clause would have led to strained commercial relation and it would not have got whatever meagre quantity was supplied by the firm.

3. Purchase of cotton rope nets :

In order to improve the safety of luggage carried on the roofs of the buses, the Corporation decided in December 1970 to raise the height of the luggage carrier by fitting an additional railing. Fifty buses with the added railing to the luggage carrier were put in operation in January 1971 on an experimental basis. The reports received from the divisions during September 1971 to January 1972 indicated that these buses with higher luggage carriers were more convenient and safe in carrying luggage/parcels.

While the favourable results of this experiment were known, the Corporation decided (March 1972) to test rope nets for securing luggage. After trying 200 rope nets in some divisons, the Corporation decided in October 1973 to provide rope nets on all the buses for securing luggage. After inviting open tenders, order for purchase of 3799 nets (valued Rs. 3.90 lakhs) at Rs. 102.60 each was placed on 15th January 1974 on a firm of Gujarat with the stipulation that delivery was to be completed by 31st March 1974.

On 23rd January 1974, the Corporation reconsidered the issue and decided to consult the labour unions regarding the use of rope nets. On 31st January 1974, the supplier was requested to withhold the supply of nets ordered. Despite the request to withhold the supply the firm continued supplies. In all 1965 nets were supplied, of which 965 nets were received between February 1974 and April 1974. The advice to withhold the supply was not made known to the divisions where the deliveries were to be effected

The labour unions, who were consulted opined that conductors as a normal practice do not climb up to the roof of the bus to load and unload the passengers' luggage; this was left to the passengers or porters and that under the circumstances it would not be realistic to expect conductors to make use of the nets. The Corporation finally decided (June 1974) that the height of the luggage carriers fixed on the buses with double railing might be further raised by providing one more railing keeping in view that the overall height remained within the maximum limit permissible under the Motor Vehicle Rules.

The total cost of 1965 rope nets supplied amounted to Rs. 2.02 lakhs. The extra cost of raising the height of luggage carrier by providing with one more railing came to Rs. 40 in 1970 and Rs. 80 in 1974 per bus against Rs. 102 for providing a net. Had the Corporation considered the results of the experiment of operating 50 buses with added railing the expenditure of Rs. 2.02 lakhs on purchase of rope nets could have been avoided.

4. Excess employment of crew :

The cost of employment of drivers and conductors represents nearly 55 per cent of the total cost of the Corporation's establishment, which constitutes nearly 28 per cent of the total cost of operation. A study by Audit about deployment of crew indicated the following :

The Corporation had not prescribed any standards for determination of crew requirements for operation of services. The heads of units were authorised to appoint drivers and conductors on the basis of the number of schedules operated, operating time of a schedule, with the provisions for weekly off and leave reserve at 1/6th and 1/8th of the crew required for operation.

Based on these optimum requirements, the crew employed during 1973-74 and 1974-75 were found to be in excess of the actual requirements in 10 out of the 12 units, where the study was undertaken. The average number of crew employed in excess of the actual requirments during the monsoon months (July to October), when there was large scale curtailment of operations and for the rest of the year (November to June) were as below :

(Crew in numbers)

	Seasonal periods	
	Monsoon months	Rest of the year
1973-74		
(i) Average crew required (including reserve for weekly offs/leave).	15434	17794
(ii) Avearge crew actually employed	18214	18380
(iii) Average excess crew employed	2780	586
1974-75		
(i) Average crew required (including reserve for weekly offs/leave).	14830	20054
(ii) Average crew actually employed	16756	20577
(iii) Average excess crew employed	1925	523

The Management attributed the excess crew to absences on long leave on account of sickness like T. B., cancer, etc., and demands for casual contracts.

The Corporation which had been following the practice of retrenchment of crew during the monsoon months had not, however, retrenched any drivers since 1971. As for the conductors it was laid down that retrenchment would be made of those conductors who had not completed 240 days of service. During the monsoon months of 1973-74 and 1974-75, 710 and 919 conductors respectively were retrenched. Owing to the decision not to retrench any drivers during the years 1972-73 to 1974-75, the Corporation had to retain in service 999, 798 and 822 drivers who had not completed 240 days of service, incurring expenditure of Rs. 7.27 lakhs, Rs. 6.03 lakhs and Rs. 11.67 lakhs on their wages during the monsoon period of the three years respectively.

The Management stated that the decision not to retrench drivers during the monsoon of 1973-74 and 1974-75 was due to dearth of suitable drivers and that the excess crew were given "In service training" during monsoon. The Corporation resumed retrenchment of drivers during the monsoon of 1975-76 owing to its adverse financial position.

Ahmedabad
The 21 MAY 1976

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

Countersigned

New Delhi
The 25 MAY 1976

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

ANNEXURE

STATEMENT SHOWING SUMMARISED FINANCIAL RESULTS

(Referred to in paragraph 1 of

Sr. No.	Name of the Company	Name of the Department	Date of incorporation	Period of accounts	Capital invested	Profit(+) Loss (—)
1	2	3	4	5	6	7
1.	Gujarat State Textile Corporation Limited.	Industries, Mines and Power	30th November 1968.	January to December 1974	180.22	(+)15.53
2.	Gujarat Export Corporation Limitd.	-do-	14th October 1965.	1974–75	17.04	(+)11.54
3.	Gujarat Industrial Investment Corporation Limited.	-do-	12th August 1968.	1974–75	..	(+)29.12
4.	Gujarat Mineral Development Corporation Limited	-do-	15th May 1963	1974–75	472.66	(+)12.38
5.	Gujarat Small Industries Corporation Limited	-do-	26th May 1962	January to December 1974.	131.97	(+)30.08
6.	Gujarat Agro Industries Corporation Limited.	Agriculture, Forest and Co-operation	9th May 1969	1974–75	463.22	(+) 6 38
7.	Gujarat Dairy Development Corporation Limited.	-do-	29th March 1973	1974–75	21.39	(—)10.34
	Snbsidiary Companies					
8.	Gujarat Agro Foods Limited.	-do-	29th October 1970	January to December 1974	53.90	(—) 1 38
9.	Gujarat Agro Oil Enterprises Ltd.	-do-	21st April 1971	-do-	32.76	(—) 1.02
10.	Gujarat Agro Marine Products Limited.	-do-	17th December 1971	-do-	25.01	(—) 2.90

Note:— (1) "Capital invested" represents paid up capital plus long term loans plus

(2) "Capital employed" (excluding for Gujarat Industrial Investment Corpora- plus or minus working capital.

(3) "Capital employed" in respect of Gujarat Industrial Investment Corpora- paid up capital, bonds, free reserves and borrowings.

'A'

OF GOVERNMENT COMPANIES FOR THE YEAR 1974–75

Section I of Chapter I at page 1) (Rupees in lakhs)

Total interest charged to profit and loss account	Interest on long term loans	Total return on capital invested (7+9)	Percentage of total return on capital invested	Capital employed	Total return on capital employed.(7+8)	Percentage of total return on capital employed	Remarks
8	9	10	11	12	13	14	15
10.05	..	15.53	8.62	332.72	25.58	7.69	
2.61	..	11.54	67.72	24.20	14.15	58.47	
103.28	103.28	..	..	2032.42	132.40	6.51	
21.15	5.68	18.06	3.82	534.86	33.53	6.27	
26.01	4.63	34.71	26.30	291.07	56.09	19.27	
0.85	0.71	7.09	1.53	398.56	7.23	1.81	
..	..	(—)10.34	..	9.06	(—)10.34	..	
5.67	5.67	4.29	7.96	40.61	4.29	10.56	
5.48	2.58	1.56	4.76	137.17	4.46	3.25	
2.19	2.19	(-)0.71	..	27.34	(—)0.71	..	

free reserves.

tion Limited) represents net fixed assets (excluding capital works in progress)

tion Limited represents a mean of opening and closing balances of

ANNEXUR

STATEMENT SHOWING SUMMARISED FINANCIAL RESULTS O

(Refered to in paragraph 4 o

Sr. No.	Name	Name of the Department	Date of incorporation	Total capital invested	Profit(+) Loss (—)	Total interest charged to profit and loss account
1	2	3	4	5	6	7
1.	Gujarat State Road Transport Corporation	Home	1st May 1960	2316.73	(—)555.39	199.03
2.	Gujarat State Warehousing Corporation	Agriculture, Forest and Co-operation.	5th December 1960	75.22	(—)2.59	0.15
3.	Gujarat State Financial Corporation	Industries, Mines and Power	1st May 1960	..	(+)61.49	186.86

Note:— (1) "Capital invested" (excluding Gujarat State Financial Corporation)

(2) "Capital employed" (excluding Gujarat State Financial Corporation minus working capital.

(3) In respect of Gujarat State Financial Corporation, capital employed repre- bonds, deposits and borrowings.

'B'

OTHER STATUTORY CORPORATIONS FOR THE YEAR 1974-75

Section V of Chapter II at page 36)

(Rupees in lakhs)

Interest on long term loans	Total return on capital invested (6+8)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (6+7)	Percentage of total return on capital employed	Remarks
8	9	10	11	12	13	14
166.05	(—)389.34	..	2296.96	(—)365.79	..	
0.15	(—)2.44	..	75.22	(—)2.44	..	
..	..	..	3584.26	248.35	6.93	

represents paid up capital plus long term loans plus free reserves.

represents net fixed assets (excluding capital works in progress) plus or

sents mean of the opening and closing balances of paid-up capital, reserves,

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Errata

Reference to page number	Line number	For	Read
1	2nd line of foot note.	reeon	recon
8.	1st line	licences	licences,
8	1st line	lakh	lakhs,
8	5th line 11th line 23rd line	polyster	polyester
21	20th line	Februa y	February
23	29th line	sale	sales
26	2nd line from bottom	'the'	delete 'the'
27	8th line	Company of	Company for
32	32nd line	Sep ember	September
33	8th line	brouht	brought
43	3rd line	th ee	three
43	8th line	suddent	sudden
43	22nd line	was for Rs. 467	was Rs. 467
45	9th line item 6 of the table, last column	R.S.O	R.S.O.

Reference to page number	Line number	For	Read
47	26th line	etc.,	etc..
54	14th line from bottom	110'×80'	110'×80'.
59	3rd line from bottom	charge	charges
64	10th line from bottom	Courvt	court
66	7th line	(size 2"×4")	(size 2"×4")
70	Serial No. 6 Column No. 7	(+)638	(+)6.38
	Serial No. 8 Column No. 7	(—) 138	(—) 1.38