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GOVERNMENT OF GUJARAT

REPORT OF THE
COMPTROLLER
AND
AUDITOR GENERAL OF INDIA
FOR THE YEAR 1981-82
(COMMERCIAL)



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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 :

Government Companies;
Statutory Corporations; and
Departmentally-managed Commercial Undertakings.

2. 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.

3. The cases mentioned in the Report are those which came to notice in the course of audit of accounts during the year 1981-82 as well as those which had come to notice in earlier years but could not be dealt with in the previous Reports; matters relating to the period subsequent to 1981-82 have also been included wherever considered necessary.

4. In the case of Government Companies, audit is conducted by Company auditors appointed on the advice of the Comptroller and Auditor General of India 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 statutory auditors. The Companies

(ii)

Act further empowers the Comptroller and Auditor General of India to issue directives to the auditors in regard to the performance of their functions. Such directives were issued to the auditors from time to time.

5. There are, however, certain companies other than Government Companies in which Government has invested funds but the accounts of which are not subject to audit by the Comptroller and Auditor General. As on 31st March 1982, there were 48 such companies in which Government investment stood at Rs. 19,80.21 lakhs. The particulars of such companies in which Government investment was Rs. 25 lakhs and above (as on 31st March 1982) are given below :

	Investment (Rupees in lakhs)
Gujarat Narmada Valley Fertilisers Company Limited, Bharuch	14,04.10
Narmada Cement Company Limited, Bombay	2,09.90
Shree Digvijay Woollen Mills Limited, Jamnagar	53.00
Surat Electricity Company Limited, Surat	25.03
The Ahmedabad Electricity Company Limited, Ahmedabad.	1,50.00
Total	<u>18,42.03</u>

6. In respect of Gujarat Electricity Board, Gujarat State Road Transport Corporation and Gujarat Industrial Development Corporation which are Statutory Corporations, the Comptroller and Auditor General is the sole auditor, while in respect of Gujarat State Financial Corporation

(iii)

and Gujarat State Warehousing Corporation he has the right to conduct audit of their accounts independently of the audit conducted by the Chartered Accountants appointed under the respective Acts.

7. 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

1.1 Introduction

There were 37 Government Companies (including 14 subsidiaries) as on 31st March 1982, as against 35 Government Companies (including 12 subsidiaries) as at the close of the previous year. The following Companies were added during the year :

Name of Company	Date of incorporation	Authorised capital (Rupees in lakhs)
1. Gujarat Drugs and Chemicals Limited	17th January 1980	80.00
2. Gujarat Mulco Electronics Limited	3rd October 1981	100.00

The Gujarat Drugs and Chemicals Limited, formerly a subsidiary of the Indian Drugs and Pharmaceuticals Limited, became a subsidiary of the Gujarat Industrial Investment Corporation Limited (GIIC) from 5th January 1982. The Gujarat Mulco Electronics Limited is also a subsidiary of GIIC.

1.2 Compilation of accounts

Twenty-three Companies (including 12 subsidiaries) finalised their accounts for the year 1981-82. In addition, 3 Companies finalised their accounts for earlier years. A

synoptic statement showing the summarised financial results of 26 Companies based on the latest available accounts is given in Appendix 'A'. The accounts of the Gujarat Mulco Electronics Limited were not due. The accounts of the following 13 Companies were in arrears for the periods noted against each:

Name of Company	Extent of arrears
1. Gujarat Water Resources Development Corporation Limited	1978-79 to 1981-82
2. Gujarat State Land Development Corporation Limited	April 1979 to June 1980 and 1980-81*
3. Gujarat State Handicrafts and Handloom Development Corporation Limited	1979-80 to 1981-82
4. Gujarat Tractor Corporation Limited	1980-81 and 1981-82
5. Gujarat State Handloom Development Corporation Limited	1980-81 and 1981-82
6. Gujarat Rural Industries Marketing Corporation Limited	1980-81 and 1981-82
7. Gujarat State Civil Supplies Corporation Limited	26th September 1980 to 30th September 1981
8. Gujarat Insecticides Limited	30th August 1980 to 31st December 1981

*Company changed its accounting year ending March to ending June.

Name of Company	Extent of arrears
9. Gujarat State Construction Corporation Limited	1980-81*
10. Gujarat Agro-Industries Corporation Limited	1981-82
11. Gujarat Scheduled Castes Economic Development Corporation Limited	1981-82
12. Gujarat Sheep and Wool Development Corporation Limited	1981-82
13. Gujarat State Rural Development Corporation Limited	1981-82

The position of arrears in the compilation of accounts was last brought to the notice of Government in May 1983.

1.3 Paid-up capital

As against the aggregate paid-up capital of Rs. 45,79.71 lakhs in 35 Companies as on 31st March 1981, the aggregate paid-up capital as on 31st March 1982 increased to Rs. 54,30.63 lakhs in 37 Companies as detailed below :

Particular	Number of Companies	Investment by			Total
		State ** Government	Government of India	Others	
(Rupees in lakhs)					
1. Wholly owned by the State Government	15	33,40.18	..	..	33,40.18

*The financial year ends in July every year.

**The amount as per Finance Accounts is Rs. 39,73.34 lakhs. The difference of Rs. 2,67.37 lakhs is under reconciliation.

Particular	Number of Companies	Investment by			Total
		State Govern- ment	Govern- ment of India	Others	
(Rupees in lakhs)					
2. Companies jointly owned with Govern- ment of India/ others	8	9,00.53	4,84.00	44.06	14,28.59
3. Subsidiary com- panies	14	..	..	6,61.86	6,61.86
Total ..	37	42,40.71	4,84.00	7,05.92	54,30.63

1.4 Loans

The balance of long-term loans outstanding in respect of 23 Companies (excluding subsidiaries) as on 31st March 1982 was Rs.1,48,00.97 lakhs (State Government:Rs.70,94.11 lakhs; Government of India: Rs.7.34 lakhs; other parties: Rs.76,56.37 lakhs; deferred payment credit: Rs. 43.15 lakhs) as against Rs. 1,13,93.08 lakhs as on 31st March 1981 (17 Companies excluding subsidiaries).

1.5 Guarantees

1.5.1 The State Government had guaranteed the repayment of loans and payment of interest thereon raised by 12 Companies. The amount guaranteed and the amount outstanding thereagainst as on 31st March 1982 were

Rs. 1,01,71.60 lakhs and Rs. 63,43.18 lakhs, respectively, as detailed below :

Name of Company	Amount guaranteed	Amount outstanding
	(Rupees in lakhs)	
1. Gujarat Agro-Marine Products Limited	25.07	25.07
2. Gujarat Communications and Electronics Limited	10.00	10.00
3. Gujarat Dairy Development Corporation Limited	5.00	5.00
4. Gujarat Industrial Investment Corporation Limited	25,92.50	1,02.76
5. Gujarat Scheduled Castes Economic Development Corporation Limited	6,86.00	3,53.27
6. Gujarat State Civil Supplies Corporation Limited	9,33.00	5,00.00
7. Gujarat State Construction Corporation Limited	63.00	63.00
8. Gujarat State Handloom Development Corporation Limited	75.00	11.39
9. Gujarat State Land Development Corporation Limited	2.91	2.91
10. Gujarat State Textile Corporation Limited	12,74.27	12,74.27
11. Gujarat Tractor Corporation Limited	50.00	45.00
12. Gujarat Water Resources Development Corporation Limited	44,54.85	39,50.51
Total ..	1,01,71.60*	63,43.18*

*The figures as per Finance Accounts (12 Companies) are Rs. 89,53.47 lakhs and Rs. 82,56.10 lakhs respectively; differences are under reconciliation.

Besides, the State Government had guaranteed repayment of share capital and payment of dividend at 4 *per cent* thereon in respect of Gujarat Small Industries Corporation Limited. The paid-up capital as on 31st March 1982 was Rs. 2,00.00 lakhs.

1.5.2 In consideration of the guarantees given by Government, the Companies have to pay guarantee commission to Government. Payment of guarantee commission amounting to Rs. 1.29 lakhs was in arrears as on 31st March 1982 in respect of 3 Companies *viz.*, Gujarat Dairy Development Corporation Limited (Rs.0.03 lakh), Gujarat State Construction Corporation Limited (Rs. 0.31 lakh) and Gujarat Tractor Corporation Limited (Rs. 0.95 lakh).

1.6 Performance of the Companies

1.6.1 The following table gives details of 9 Companies (including 2 subsidiaries) which finalised their accounts for 1981-82 and earned profit during the year and the comparative figures for the previous year :

Name of Company	Paid-up capital		Profit (+)/Loss(-)	
	1980-81	1981-82	1980-81	1981-82
(Rupees in lakhs)				
1. Gujarat Agro-Marine Products Limited	25.01	25.01	(+) 7.89	(+) 4.00
2. Gujarat Agro-Oil Enterprises Limited	6.16	6.16	(+) 9.10	(+) 9.30

Name of Company	Paid-up capital		Profit (+)/Loss(—)	
	1980-81	1981-82	1980-81	1981-82
	(Rupees in lakhs)			
3. Gujarat Communications and Electronics Limited	240.01	320.01	(+) 9.72	(+)10.73
4. Gujarat Dairy Development Corporation Limited	133.97	148.97	(—)240.62	(+) 7.79
5. Gujarat Industrial Investment Corporation Limited	500.00	500.00	(+)39.71	(+)52.16
6. Gujarat Mineral Development Corporation Limited	318.00	318.00	(+)80.93	(+)195.23
7. Gujarat State Forest Development Corporation Limited	130.01	142.69	(+)18.98	(+)13.92
8. Gujarat State Seeds Corporation Limited	37.00	37.00	(+)88.14	(+)39.79
9. Gujarat State Textile Corporation Limited	162.50	162.50	(+)28.43	(+)20.50
Total ..	15,52.66	16,60.34	(+)42.28	(+)353.42

1.6.2 During the year 3 Companies viz., Gujarat Agro-Oil Enterprises Limited, Gujarat Mineral Development Corporation Limited and Gujarat State Seeds Corporation Limited had declared dividend at 6,10 and 10 per cent respectively (total disbursement : Rs. 35.87 lakhs).

1.6.3 The following table gives details of 6 Companies (including 3 subsidiaries) which finalised their accounts for

1981-82 and incurred loss during the year and comparative figures for the previous year:

Name of Company	Paid-up capital		Profit (+)/Loss(-)	
	1980-81	1981-82	1980-81	1981-82
	(Rupees in lakhs)			
1. Girnar Scooters Limited	*	*	(-)0.07	(-)0.05
2. Gujarat Agro—Foods Limited	14.90	14.91	(+)1.37	(-)11.79
3. Gujarat Small Industries Corporation Limited	60.00	2,00.00	(-)57.92	(-)33.08
4. Gujarat State Export Corporation Limited@	15.00	15.00	(-)16.34	(-)5.08
5. Polymers Corporation of Gujarat Limited	5,33.66	5,33.67	(-)3,64.99	(-)4,97.86
6. Tourism Corporation of Gujarat Limited	81.51	86.51	(-)15.67	(-)24.26
Total ..	7,05.07	8,50.09	(-)4,53.62	(-)5,72.12

(a) Gujarat Small Industries Corporation Limited which incurred a loss of Rs. 33.08 lakhs (accumulated loss at the end of December 1981: Rs.166.28 lakhs) declared a guaranteed dividend of 4 *per cent* on the paid-up capital of Rs.60.00 lakhs for the period from 1st January 1981 to 10th August

* Represents paid-up capital of Rs. 70.

@ Company changed its accounting year ending March to ending November; figures for 1981-82 are for 8 months.

1981 and Rs. 140.00 lakhs for the period from 11th August 1981 to 31st December 1981 out of the subvention of Rs. 4.59 lakhs received from the State Government. The Company had received subvention of Rs.13.05 lakhs for the years 1962 (Rs. 0.14 lakh), 1975 (Rs. 1.16 lakhs), 1976 (Rs. 2.36 lakhs), 1979 (Rs. 2.40 lakhs), 1980 (Rs. 2.40 lakhs) and 1981 (Rs. 4.59 lakhs).

(b) Polymers Corporation of Gujarat Limited incurred a loss of Rs. 497.86 lakhs during 1981-82 as compared to Rs. 364.99 lakhs during 1980-81. The increase in loss was mainly due to unremunerative prices.

1.6.4 The accumulated loss in respect of 7 Companies (paid-up capital : Rs. 10,09.07 lakhs) amounted to Rs. 15,53.22 lakhs. Particulars of 2 Companies (including one subsidiary) the accumulated loss of which had exceeded their paid-up capital are given below:

Name of Company	Year ending	Paid-up capital	Accumulated loss
(Rupees in lakhs)			
1. Gujarat Dairy Development Corporation Limited	March 1982	1,48.97	3,52.55
2. Polymers Corporation of Gujarat Limited	March 1982	5,33.67	10,22.18

1.6.5 The following table gives details of 8 Companies (including 7 subsidiaries) which were under construction

and the total expenditure incurred during the year 1981-82 *vis-a-vis* in previous year:

Name of Company	Paid-up capital		Expenditure during	
	1980-81	1981-82	1980-81	1981-82
	(Rupees in lakhs)			
1. Cement Corporation of Gujarat Limited	2.50	2.50	3.17	15.94
2. Gujarat Amino-Chem Limited	*	*	5.05	8.14
3. Gujarat Drugs and Chemicals Limited	*	*	2.46	2.59
4. Gujarat Nylons Limited	2.50	2.50	0.87	2.41
5. Gujarat State Petro-Chemicals Corporation Limited	59.01	59.01	6.91	5.62
6. Gujarat Trans-Receivers Limited	..	0.10	..	0.73
7. Gujarat Tyres Limited	5.00	5.00	0.36	0.07
8. Steel Corporation of Gujarat Limited	*	*	0.03	0.16

*Represents paid-up capital of Rs. 70.

1.7 In addition there were 5 Companies covered under Section 619 B of the Companies Act, 1956 as detailed below:

Name of Company	Latest year of account	Paid-up capital	Investment by		Profit(+)/ Loss(—) during the year
			State Government	Government Companies	
(Rupees in lakhs)					
1. Gujarat Industrial and Technical Consultancy Organisation Limited	1981-82	5.00	..	5.00	(+)0.40
2. Gujarat Leather Industries Limited	1980-81	48.00	..	24.48	(—)19.33
3. Gujarat State Fertilizers Company Limited	1981	15,99.67	7,84.09	3,76.58	(+)10,80.48
4. Gujarat State Machine Tools Corporation Limited	1981-82	2,21.66	..	114.75	(—)88.91
5. Rapicut Carbides Limited	1980-81	29.50	..	16.24	(—)5.62

1.8 The Companies Act, 1956 empowers the Comptroller and Auditor General of India to issue directions to the auditors of Government Companies in regard to performance of their functions. In pursuance of the directives so issued,

special reports of the Company auditors on the accounts of 6 Companies were received during the year. The important points noticed in these reports are summarised below :

Nature of defect	Number of Companies where defects were noticed	Reference to serial number in Appendix 'A'
Non-confirmation of balances of outstanding debts	2	14,20
Non-fixation of standard cost of major products	3	3,8,20
Non-furnishing the information of manpower employed and manpower envisaged in project reports	3	3,8,20
Non-preparation of manual for detailed accounting system	3	5,8,14
Non-preparation of budget	2	3,14
Non-existence of system for ascertaining idle time	1	3
Non-fixation of maximum and minimum levels for stores and spares	2	3,8

1.9 Under Section 619 (4) of the Companies Act, 1956 the Comptroller and Auditor General of India has a right to comment upon or supplement the audit reports of the Company auditors. Accordingly, the annual accounts of

Government Companies are reviewed on a selective basis. Some of the errors / omissions, *etc.*, noticed in the course of review of the annual accounts for the year 1981-82 are detailed as under :

(1) Understatement of capital works-in-progress (Rs. 0.50 lakh) / fixed assets (Rs.0.37 lakh) by Rs.0.87 lakh. (Gujarat Agro-Foods Limited / Gujarat Mineral Development Corporation Limited).

(2) Understatement (Rs. 2,43.20 lakhs) / Non-disclosure (Rs. 3.69 lakhs) of contingent liabilities of Rs. 2,46.89 lakhs. (Gujarat State Textile Corporation Limited / Gujarat Agro-Foods Limited).

(3) Non-accountal of cash subsidy of Rs.3.67 lakhs. (Gujarat Agro-Foods Limited).

(4) Non-provision of interest liability of Rs. 5.62 lakhs. (Gujarat Agro-Oil Enterprises Limited).

(5) Understatement/overstatement of profit by Rs.0.21 lakh/Rs. 0.17 lakh. (Gujarat State Rural Development Corporation Limited/Gujarat Communications and Electronics Limited).

(6) Incorrect classification of interest accrued and due of Rs. 11.09 lakhs. (Gujarat Mineral Development Corporation Limited and Gujarat State Textile Corporation Limited).

SECTION II
GUJARAT STATE FOREST DEVELOPMENT
CORPORATION LIMITED

2.1 Introduction

The National Commission on Agriculture in their interim report of August 1972 on 'Production Forestry, Man-made Forests' recommended a project for development of forests through the Forest Development Corporations with the primary object of increasing production by changing-over from conservation oriented forestry to production oriented forestry. In the existing system prevalent in Gujarat State, right of collection and sale of minor forest products, such as *mahuda* flowers, *mahuda* seeds (*doli*), *timru ashirtry* leaves for *bidi* making and *kadaya* gum, etc., from an area of 17,087 sq.kms (approximately 8.8 per cent of the total area of the State) spread over 18 forest divisions was being assigned either by annual auction or on annual licence *cum* royalty basis to the contractors. The contractors in turn collected the minor forest products through *adivasis* on payment of wages. According to the Project Report on minor forest produce which was got prepared by the Officer on Special Duty in the Forest Department of the Government of Gujarat in June 1976, the contractors had neither resources nor adequate knowledge and did not evince interest in the developmental work in the short contractual period of one year, besides they did not pay adequate wages to the backward *adivasi* labour. Gujarat State Forest Development Corporation Limited was set up in August 1976 with the object of bringing about economic growth of forest produce and its extraction by eliminating the middlemen.

2.2 Objects

The main objects of the Company are *inter-alia* :

- to undertake proper and scientific exploitation of the forest products for the purpose of improving qualitative and quantitative yield of forest products and for development of industries based on forest products;
- to carry on business of collecting, processing and marketing of various forest products ;
- to carry on the business of planting, producing, buying, selling and/or in any way dealing in all forest products and
- to produce, collect, process, export and import all and improved varieties of forest seeds of all kinds.

2.3 Activities

The Company has undertaken the following activities:

(i) Collection, processing and marketing of minor forest products, namely *bidi* leaves, *mahuda* flowers, *mahuda* seeds and *kadaya* gum,

(ii) Establishment of nurseries for raising of plantation stock of minor forest product species and distributing the same free of cost to villagers, *panchayats* and Forest department,

(iii) Research in forestry and forest management, and

(iv) Imparting training to *adivasis* in the skill of rolling of *bidis*.

2.4 Organisational set-up

The Management of the Company is vested in a Board consisting of 12 directors appointed by the State Government; of these 4 directors (including the Managing Director) are officials and 8 are non-officials.

The Company has seven project divisions situated at Himatnagar, Godhra, Baria, Chhota-Udepur, Rajpipla, Bansda and Bhuj for the collection of minor forest products (*mahuda* flowers and seeds, *bidi* leaves, gum, honey, *etc.*) and one project division at Bansda (Vanil Project) for the manufacture of door-window frames and shutters.

2.5 Capital structure

The Company was registered with an authorised capital of Rs. 1 crore, divided into one lakh equity shares of Rs.100 each; it was increased to Rs.2 crores(October 1977) and to Rs.4 crores (September 1980) to meet the requirements for expansion and diversification of the Company's activities. The authorised and the paid-up capital of the Company were Rs. 400 lakhs and Rs. 180.01 lakhs (Central Government : Rs.30.00 lakhs; State Government : Rs. 150.01 lakhs) respectively as on 30th September 1982.

2.6 Borrowings

2.6.1 The total amount borrowed by the Company up to 30th September 1982 was Rs. 142.80 lakhs. The details of the borrowings are given on page 17.

Serial number	Source of the loan	Month/year of loan	Amount sanctioned	Amount drawn	Terms of repayment	Balance outstanding as on 30th September 1982 (Rupees in lakhs)	Rate of interest
			(Rupees in lakhs)				
1	Term loan from Gujarat Industrial Investment Corporation Limited (GIIC)	May 1981	51.00	21.80	Within 8 years with 2 years moratorium	21.80	12.5 per cent if refinance is available and 14.00 per cent other-wise, payable half yearly.
2	Term loan from consortium of 4 Banks	March 1982	490.00	40.00	Within 12 years with moratorium of 7 years	40.00	12.5 per cent with a penal rate of 2.5 per cent in default of repayment of principal and payment of interest (payable yearly)
3	Cash credit from State Bank of India	July 1982	130.00	81.00	..	32.31	16.0 per cent
		Total	671.00	142.80		94.11	

2.6.2 Loan at Serial number one was sanctioned by GIIC for Rs. 51 lakhs at the interest rate of 14 *per cent per annum* subject to a lower rate of 12.5 *per cent* if refinance from Industrial Development Bank of India (IDBI) was available against mortgage and/or hypothecation of movable and immovable assets of the Company. The Company availed of Rs. 21.80 lakhs in May 1981. As the IDBI agreed to refinance the loan only in October 1982, the Company had to pay interest at the higher rate of 14 *per cent* up to September 1982. The balance amount of loan of Rs. 29.20 lakhs could not be availed of as the GIIC was not agreeable to release the amount, since the title to the land on which the buildings to be mortgaged were constructed, was not acceptable to them. As a result the Company had to obtain a guarantee for Rs. 15 lakhs from a bank to get the instalment of loan of Rs. 12.50 lakhs released (October 1982). The Company had to pay a guarantee commission of Rs. 11,250 for 9 months. A further instalment of Rs. 8.20 lakhs was drawn on 31st March 1983. The Company had also to pay commitment charges of Rs. 0.44 lakh on balance amount of undrawn loan from August 1981 to March 1983.

2.6.3 In April 1981 the Company approached the State Government for sanction of a loan amounting to Rs. 30.00 lakhs for its capital expenditure requirements in intensive and integrated development of Bulsar forest, pending receipt of money from other sources (a consortium of banks). The loan of Rs. 30.00 lakhs was received on 10th November 1981 and was repayable within six months along with interest at the rate of 11 *per cent*. However, due to uncertainty in the availability of cash resources from the consortium of banks,

it was decided (November 1981) not to incur capital expenditure on the development of Bulsar forest from this short term loan. Instead of repaying the loan immediately in November 1981 the amount was deposited with the banks in short term deposits. The repayment was made only in March 1982 when the consortium released the first instalment of Rs. 40 lakhs for the project. The retention of loan funds in short term deposits carrying low rate of interest resulted in an avoidable expenditure of interest of Rs. 0.61 lakh being difference of interest paid at 11.0 *per cent* and interest received at 4.5 *per cent*.

2.7 Working results

The table below indicates the working results of the Company for the three years up to 1981-82 :

	1979-80	1980-81	1981-82
Income	(Rupees in lakhs)		
(a) Sales	191.96	233.97	296.67
(b) Miscellaneous receipts	7.02	7.21	6.47
(c) Accretion in stocks	24.60	56.38	98.29
Total ..	223.58	297.56	401.43

	1979-80	1980-81	1981-82
Expenditure	(Rupees in lakhs)		
(a) MFP collection charges ..	126.30	177.67	226.15
(b) Purchases <i>less</i> sawn timber capitalised	7.38	21.22	70.87
(c) Royalty	21.32	20.82	27.17
(d) Rent, rates and taxes ..	2.13	2.17	3.73
(e) Registration and licence fees ..	0.32	0.02	0.04
(f) Other administrative and selling expenses.	46.25	61.49	83.44
	<hr/>		
Total ..	203.70	283.39	411.40
	<hr/>		
Profit (+) / Loss (—)	(+)19.88	(+)14.17	(—)9.97

The decrease in profit during the year 1980-81 (compared to the profit realised in the year 1979-80) was mainly due to loss incurred on purchase and sale of *mahuda* flower owing to lack of demand (*vide* paragraph No. 3.9.3 *infra*). The loss of Rs. 9.97 lakhs as compared to the previous year's profit of Rs. 14.17 lakhs during the year 1981-82 was mainly due to the loss of Rs. 21.48 lakhs in *Vanil Udyog* of the Company which faced teething troubles, being the first year of its operation.

2.8 Collection of minor forest produce (MFP)

2.8.1 Prior to the formation of the Company the system prevalent in the Gujarat State for collection and sale of MFP was to give annual licence-cum-royalty rights to the contractors who were having their own infrastructure for collecting MFP from primary collectors (*viz.*, *adivasis*). In the process it was found that the contractors exploited *adivasis* by resorting to malpractices (underpayment and underweighment). It was, therefore, decided (June 1976) to progressively switchover to the collection of MFP directly from *adivasis* and to eliminate the intermediary/middlemen and to ensure adequate payment of wages to the *adivasis*. However, as the activity of collection of MFP was spread over a large area of the State which would require huge infrastructure (which would have to be maintained round the year though the work would be seasonal) to organise direct collection, the Company decided (January 1977) to make use of the available infrastructure by appointing existing traders/contractors on commission basis. The commission payable to the individual traders and Co-operative Societies was Rs. 10 and Rs. 20 per quintal of *Mahuda* flowers and *Mahuda* seeds respectively. For other MFP it was payable at 10 per cent of the wages paid to the primary collectors.

The following table indicates the number of agencies engaged for collection and commission paid during the six years ending 1981-82 :

Number of collection centre at the close of the year	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
Individual agents ..	1,200	869	680	1,095	1,297	1,639

Number of collection centre at the close of the year	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
Co-operative societies	83	127	86	35	32	85
Direct collection centres	..	..	6	18	12	23
Total ..	1,283	996	772	1,148	1,341	1,747

Commission paid (Rupees in lakhs)	2.95	7.02	7.03	8.49	11.25	15.67
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Though the number of agents declined in 1977-78 and 1978-79, it steadily increased from 1979-80 and reached the maximum in 1981-82 and the bulk of collection was still being undertaken by the agents. The Company could not thus achieve the object of eliminating the middlemen as envisaged at the time of formation of the Company.

2.8.2 Fixation of collection charges

(a) Collection charges (wages to *adivasis*, who are the primary collectors) per unit of produce in each season were fixed after taking into consideration the minimum wages prescribed by the Government, market price of the product prevailing in and outside the State and anticipated collection potential of the season.

For ensuring proper payment of wages to *adivasis* engaged in the collection of MFP the Company had prescribed certain returns to be sent by the collection agencies. Records for payment and collection were also required to be maintained indicating daily collection of MFP and wages paid. The *adivasis* were also given cards wherein day to day collections of *Manuda* flowers/seeds and *timru* leaves tendered by them to the agents and wages paid were required to be recorded.

The Company decided (September 1981) to give additional incentive wages in lieu of *price* increase at Rs. 5 per bag of *bidi* leaves collected in 1981 season (year 1980-81).

Accordingly an amount of Rs. 5.74 lakhs (1,14,825 bags) was debited to collection charges against which an amount of Rs. 4.97 lakhs was disbursed on 99,455 bags and balance amount of Rs. 0.77 lakh on 15,370 bags could not be disbursed as party-wise details of the collection could not be verified. A sum of Rs. 0.29 lakh had to be credited back to profit and loss account for the year 1981-82 as there was no prospect for payment after verification. The balance of Rs. 0.48 lakh was also lying undisbursed (June 1983).

2.8.3 Production potential

The table below indicates the collection of major items of MFP from inception to 1981-82 against estimated collection :

Year	<i>Bidi</i> leaves		<i>Mahuda</i> flowers		<i>Mahuda</i> seeds		Gum	
	Esti- mated	Actuals	Esti- mated	Actuals	Esti- mated	Actuals	Esti- mated	Actuals
	(Bags in lakhs)		(Quintals in lakhs)		(Quintals)		(Quintals)	
1976-77	1.36	1.04	0.41	0.05	12,000	1,054	..	..
1977-78	1.21	1.32	0.50	0.50	16,000	12,048	1,320	590
1978-79	1.40	1.14	0.55	0.55	13,000	9,194	3,350	3,325
1979-80	1.27	1.10	0.51	0.56	11,000	10,367	4,070	2,936
1980-81	1.20	1.15	0.54	0.60	10,000	6,682	3,000	1,478
1981-82	1.15	1.16	0.55	1.00	8,000	12,858	1,500	1,784

The Company had further collected other miscellaneous products to the extent of 20,079 quintals in the year 1981-82. Wide variations in the estimated and actual quanti-

ties of *mahuda* flowers and seeds collected during 1976-77 were stated to be due to abnormal seasonal conditions whereas the variation in collection of gum during 1979-80 and 1980-81 was explained to be on account of persistent cloudy weather.

2.9 Sale of minor forest product

2.9.1 The Management estimates probable collections of MFP (i.e. *Mahuda* flowers, *Mahuda* seeds, *bidi* leaves, gum and others) in various procurement centres before the commencement of procurement seasons and determines *upset* prices (product-wise and centre-wise) with reference to the estimated (based on past actuals) cost of collection, commission, transportation, storage (godown rent), royalty, interest on capital invested and profit margin and after taking into consideration prevailing market conditions in and outside the State.

Bidi leaves are sold by auction to the highest bidders. Other products are sold by inviting tenders to the wholesalers as well as at fixed prices in retail also.

The table below indicates sale of main items of MFP during the six years up to 1981-82 :

Year	Bidi leaves		<i>Mahuda</i> flowers		<i>Mahuda</i> seeds		Gum	
	Bags (in thousands)	Sale value	Quantity (in quintals)	Sale value	Quantity (in quintals)	Sale value	Quantity (in quintals)	Sale value
	(Sale value in lakhs of rupees)							
1976-77	102	43.79	245	0.34	..	..	..	..
1977-78	132	65.82	22,995	17.14	12,310	35.13	522	4.93
1978-79	111	62.63	82,040	56.99	5,236	16.81	1,459	13.37
1979-80	112	70.41	46,061	68.34	8,881	32.37	760	5.45
1980-81	111	101.87	34,616	68.67	7,019	29.87	1,787	10.72
1981-82	92	94.43	66,542	103.01	7,767	32.33	1,468	10.75

2.9.2 The table below indicates produce-wise gross profit on sales during the four years up to 1981-82 as assessed by the Management :

Profit (+) / Loss (—) during the year

Year	Profit (+) / Loss (—) during the year					Total (+)
	<i>Bidi</i> leaves	<i>Mahuda</i> flowers	<i>Mahuda</i> seeds	<i>Gum</i>		
	(Rupees in lakhs)					
1978-79 ..	(+)16.20	(+)11.58	(+)3.87	(+)1.74		33.39
1979-80 ..	(+)21.67	(+)26.44	(+)6.59	(—)0.11		54.59
1980-81 ..	(+)41.89	(+)20.04	(+)8.28	(—)5.53		64.68
1981-82 ..	(+)34.69	(+) 4.41	(+)9.40	(+)6.08		54.58

The Management reported (February 1983) to the Board that the substantial fall in the profit margin in *Mahuda* flowers (Rs. 15.63 lakhs) during the year 1981-82 as compared to the previous year was on account of bumper crop resulting in the fall in sale prices; the loss of Rs. 5.53 lakhs in gum during the year 1980-81 was due to writing down of the value of closing stock of the year 1980-81 (gum *salai*: Rs. 5.92 lakhs) owing to lack of demand. The quantity was, however, sold in 1981-82 resulting in a profit of Rs. 5.66 lakhs in the deal.

2.9.3 Sale of *mahuda* flowers

(a) In the years 1977-78 and 1981-82 the Company could not find market for *mahuda* flowers inspite of due publicity. On account of this the stock of 16,153 quintals was sold

at reduced prices, far below the bare cost of collection, resulting in a loss of Rs. 14.95 lakhs as shown below :

Year of sale	Quantity (Quintals)	Bare cost (Rupees per quintal)	Average sale price	Loss (Rupees)
1977-78 ..	4,631	269.54	89.60	8,33,302
1981-82 ..	11,522	153.80	96.39	6,61,478
Total ..	16,153			14,94,780

(b) In 1977-78 and 1978-79 the Company accepted, after invitation of tenders, the offers of four parties for the sale of 3,890 quintals of *mahuda* flowers at the rates ranging from Rs. 65 to Rs. 77 per quintal. The parties, however, failed to lift 2,090 quintals of *mahuda* flowers valued Rs. 1.55 lakhs (at accepted sale price). This quantity was later sold at a loss of Rs. 0.80 lakh and the earnest money deposits aggregating to Rs. 0.22 lakh only was forfeited, apart from blacklisting the parties, although terms of sale provided for the disposal of the goods at the risk and cost of the purchaser.

(c) In 1981-82 the Company accepted, after invitation of tenders, the offers of five parties for the purchase of 3,242 quintals of *mahuda* flowers at a total sale price of Rs.8.23 lakhs. The purchasers, however, backed out and the materials had to be sold at the risk and cost of the defaulting parties involving a loss of Rs. 3.18 lakhs. Under the terms of contracts of the acceptance of offers, the purchasers had to pay interest amounting to Rs. 0.64 lakh on the value of unlifted material and Rs. 0.29 lakh towards godown rent.

Against a total claim of Rs. 4.11 lakhs only earnest money deposits (aggregating to Rs. 0.85 lakh) were forfeited. To avoid long drawn out litigation, the Management decided (June 1982 / March 1983) to compromise with three parties for the payment of Rs. 2.23 lakhs in instalments (after a waiver of Rs. 0.91 lakh towards godown rent and interest) of which only Rs. 0.50 lakh were recovered (June 1983).

(d) During 1981-82 a sum of Rs. 0.98 lakh was recovered towards interest (Rs. 0.63 lakh) and godown rent (Rs. 0.35 lakh) from seventeen purchasers (quantity: 14,732 quintals) for late lifting of the *mahuda* flowers by them. After the decision to waive interest and godown charges in two of the three cases referred to in sub-paragraph (c) above, these purchasers also represented (June 1982) for waiving of these charges (which had already been paid by them), in consideration of their having lifted the material as per the contract inspite of heavy slump in the market. The Company accepted the representations and accordingly refunded the amounts to them (June 1982).

(e) (1) An offer for the purchase of 500 quintals of *mahuda* flowers at Rs. 180 per quintal received in May 1982 was rejected on the ground that the single order quantity was small, although the Company had already sold single order quantities up to 100 quintals before and after the rejection of the above offer. Subsequently the material was sold at Rs. 116 per quintal (July 1982) to another party which resulted in a loss of Rs. 0.32 lakh.

(2) In response to a tender, an offer of Rs.130.25 per quintal for the purchase of 2,500 quintals of *mahuda* flowers was

received (June 1982) from a party but the offer was rejected without assigning any reasons. This quantity was later sold to the same party in July 1982 at the rate of Rs. 121 per quintal resulting in a loss of Rs. 0.23 lakh.

2.10 Socio-economic impact

2.10.1 One of the important objects of the project was economical betterment of *adivasis* (population 35.61 lakhs as per 1971 census) to be achieved through more employment opportunities and progressive increase in their wages by about 20 *per cent* by eliminating middlemen from procurement of minor forest produce. The project report envisaged the wage bill to be around Rs. 650 lakhs by generating 120 lakh mandays over a period of 5 years up to 1980-81.

2.10.2 Targets for increase in wages contemplated as per project report and actual wages paid from 1976-77 to 1981-82 are tabulated on page 29.

Year	<i>Bidi</i> leaves		<i>Mahuda</i> flowers		<i>Mahuda</i> seeds		<i>Kadaya</i> gum		
	Wages per bag of 5 kgs		Wages per quintal		Wages per quintal		Wages per quintal		
	Esti- mated	Actual	Esti- mated	Actual	Esti- mated	Actual	Esti- mated	Actual	
				(Rupees)					
1976-77	..	20.00	22.50	40.00	70.00	150.00	150.00	..	No coll- ection
1977-78	..	21.00	20.00	42.00	40.00	158.00	180.00	630.00	500.00
1978-79	..	22.00	20.00	44.00	100.00	165.00	225.00	660.00	550.00
1979-80	..	24.00	25.00	48.00	100.00	180.00	250.00	750.00	600.00
1980-81	..	24.00	35.00	48.00	180.00	180.00	250.00	750.00	700.00
1981-82	45.00	..	100.00	..	250.00	..	1,200.00

Inspite of increase in the wage rates the total earning of *adivasis* and mandays generated during the five years up to 1980-81 were Rs. 442.87 lakhs and 87.39 lakhs as against Rs. 650 lakhs and 120 lakhs anticipated as per project report; the year-wise details up to 1981-82 are as under :

Year				Earning of adivasis (Rupees in lakhs)	Mandays generated (lakhs)
1976-77	..	..	..	26.63	8.89
1977-78	..	..	..	66.78	12.50
1978-79	..	..	..	80.32	18.00
1979-80	..	....	..	110.48	20.00
1980-81	..	..	..	158.66	28.00
1981-82	..	..	..	200.43	26.15
			Total	<u>643.30</u>	<u>113.54</u>

It is observed that even at the end of the sixth year total mandays generated were only 113.54 lakhs as against 120.00 lakhs estimated over a period of five years (up to 1980-81) though the wage bill reached Rs. 643.30 lakhs as against Rs. 650 lakhs estimated for a period of 5 years (up to 1980-81).

2.11 Manufacture of *bidis* :

2.11.1 The Company, with the object of creating new avenues of employment and increasing the wage earning capacity of tribals started 3 centres for imparting six

monthly training course in making *bidis* in 1977-78. The training course was fully subsidised by Government under tribal sub-plan and Small Farmers Development Agency through Block Development Officers/Project Administrators of respective areas. The training programme provided for training of a batch of 60 trainees for six months under expert instructors. Number of centres was increased from time to time and there were 12 centres at the end of September 1982. The trainees were being given a stipend of Rs. 100 per month. Up to 1981-82 the Company had imparted training to 1,453 *adivasis* but could provide employment opportunity to 250 persons only in their own *bidi* making production centres at about 10 places. An amount of Rs. 10.08 lakhs was received as subsidy towards stipend, expenses and instructor's pay up to 1981-82 in reimbursement of the expenditure incurred by the Company.

2.11.2 *Bidi* making activity was also undertaken by the Company from 1977-78. The details of purchases, production and sale of *bidis* from 1977-78 to 1981-82 were as under :

Year				Purchase and production	Sale	Shortages/ samples, etc.
				(figures in lakhs)		
1977-78	..	..	..	0.49	Nil	..
1978-79	..	..	..	54.37	35.50	1.09
1979-80	..	..	..	158.07	77.14	6.35
1980-81	..	..	..	143.84	98.48	11.13
1981-82	..	..	..	267.45	168.62	53.10
			Total ..	<u>624.22</u>	<u>379.74</u>	

On account of fungus attack and poor quality value (Rs. 0.41 lakh) of 35.40 lakh *bidis* (produced in 1979-80) was written off and accounted for at token value of Rs. 3,540 during 1980-81. Out of this 20.72 lakh *bidis* (written down value : Rs. 2,072) were destroyed; 10.11 lakh *bidis* were sold for Rs. 0.26 lakh and 4.57 lakh *bidis* were in stock at the end of the year 1981-82 (September 1982).

In 1979-80, 7,01,117 *bidis* (value : Rs. 8,479) were found short (in three centres); a complaint was lodged with the police in March 1981 against a *bidi* supervisor for loss of 3,09,647 *bidis* (value : Rs. 5,196); the matter was still under investigation (June 1983).

Scheme-wise profitability was computed from 1980-81 which showed a nominal loss of Rs.41 in *bidi* making activity during the year 1980-81 and loss of Rs. 1.29 lakhs during the year 1981-82. The loss was mainly due to lack of market for the product.

2.12 Trenching of trees

The best quality *bidi* leaves are collected from trees with a girth below 60 cms as trees with a girth above 60 cms had poor quality of leaves. As a developmental activity it was envisaged in the project report to artificially induce root suckers by digging trenches around such trees having girth above 60 cms and it was envisaged to cover 18.5 lakh such trees over a period of four years from 1976-77 to 1979-80 by spending Rs. 0.5 lakh in the first year and Rs. 6 lakhs each in the remaining three years. This was expected to have a pay back period of 14 years after fourth

year. The Company did not technically consider this proposition profitable and abandoned it after initial attempts.

In lieu of this, the Company undertook a similar result oriented scheme of pruning* of trees. An expenditure of Rs.6.65 lakhs was incurred on the scheme during the six years ended 30th September 1982. The Company had not kept any records to show the number of trees pruned and the advantages obtained therefrom, in the absence of which it could not be ascertained whether the scheme had achieved its objective.

2.13 Vanil udyog

2.13.1 Project delay

In order to provide a sound financial base for the Company, it was decided (May 1977) to diversify its activities and establish an "Integrated Multipurpose Wood Working Unit" (referred to as Vanil Udyog) in Bansda forest. It was to undertake manufacture of wooden doors and window frames and shutters, wooden furniture, packing cases and bobbins.

A project report was got prepared (February 1979) from a consultant which envisaged the setting up of a saw mill and a wood working unit with a capacity to process 9,000 cum round teak and non-teak wood (65 per cent teak; 35 per cent non-teak) per annum (300 working days in a year) at a total capital outlay of Rs.134 lakhs. The factory site was initially proposed to be located at Bansda but it had

*This is the process of cutting bigger trees from the top and smaller trees from the lower side to improve quality of the leaf.

to be located at a place 7 kms away from the original site, due to uneven terrain and heavy forestry which would need levelling and clearance at a heavy cost (which was not taken into consideration while preparing the project report by the consultants). On account of this the total capital outlay was increased to Rs. 175 lakhs, out of which the Company had spent Rs.132.54 lakhs up to 30th September 1982. The project was commissioned in January 1982. The increase in capital outlay due to change in site, apart from the delay in commissioning, was 31 *per cent* above the original estimated outlay.

2.13.2 *Production performance*

The table below indicates the production performance of the saw mill for the first nine month up to September 1982:

Item	Log sawing capacity for 210 days (in cubic meter)	Sawing done in 210 days (Per cent)	Production capacity utilised (Per cent)	Out turn	
				Estimated	Actual
(i) Round-log teak grade I	4,095	2,056	50	925	946
" II					
" III					
(ii) Non-teak Sadad, Haldu, etc.	2,205	1,064	48	702	397

(i) The saw mill worked for one and a half shift only as against estimated three shifts as per project report mainly for want of demand for finished goods.

(ii) Outturn of non-teak wood was only 397 cum as against 702 cum estimated. The shortfall of 305 cum

(value: Rs. 2.44 lakhs) resulted in a loss of Rs. 2 lakhs after allowing for the sale of waste at an average price of Rs. 138 per cum. The Management stated (June 1983) that non-teak wood showed several defects such as rots, knots and splits in greater proportion resulting in low yield. However, these aspects should have already been taken into account while assessing the estimated outturn.

2.13.3 The table below indicates targets and achievements of manufacturing of door, window frames and shutters and furniture articles during the period January to September 1982 :

Product	Estimated volume of wood to be processed	Wood actually processed
	(in cubic meters)	
(i) Manufacture of door/window shutters and frames	2,510	280
(ii) Manufacture of sofa sets, chairs, cots, etc.	Not assessed	29

The shortfall in the manufacturing activity was (as stated in the Directors' report) due to inadequate market. The project report envisaged the requirements of Government controlled bodies (Gujarat Housing Board, Building and Construction Department, etc.) at 2 lakh cums of wood work *per annum* but these bodies had not entrusted any job to the factory. The Management stated (June 1983) that orders worth Rs. 50 lakhs were received from these organisations and it would take some time to establish its product in the market on the basis of its quality and durability.

2.14 Other topics of interest

(a) Power supply to the factory

An HT power supply (200 Kw connection) was given by Gujarat Electricity Board (GEB) to the factory on 26th January 1982. Scrutiny of the contract with GEB as well as monthly energy bills from January to October 1982 revealed that the Company did not approach GEB as well as the Collector for Electricity duty for allowing concessions/rebates admissible to new industries which resulted in an avoidable expenditure of Rs. 0.30 lakh for the following reasons:

- not obtaining exemption from payment of electricity duty allowed for five years to new industries (Rs.14,459);
- not obtaining benefit of billing for actual demand during developmental period (Rs. 8,984); and
- not availing of 10 *per cent* rebate in consumption charges allowed to new industries in backward areas for first five years (Rs. 6,849).

Further, the Company had to pay a penalty of Rs. 0.08 lakh for non-maintenance of power factor.

(b) In the tribal areas of Bansda and Dharampur a mobile shop to cater to the needs of tribals for grocery and vegetables was also started (January 1980) which bartered minor forest produce against grocery articles and vegetables. No separate results were available for sales made at the mobile shop, as no separate accounts were kept for such collections. The scheme had since been suspended (June 1981) as it did not become popular.

2.15 Accounts manual

An accounts manual has been prepared by the Company (June 1982) but the same has not been finalised and adopted by the Board.

2.16 Internal audit

The Company has no internal audit cell, but a firm of chartered accountants was engaged for the work since inception. Scope, functions and procedure for the conduct of audit, were, however, not prescribed by the Company (October 1982) though the State Government had issued instructions (July 1981) that before appointing internal auditors in public sector undertakings the work load for the internal auditors should be assessed and the scope and functions to be carried out, should be defined. The Company, however, had not complied with these so far (February 1983).

Important findings of the internal auditors were, however, brought to the notice of the Board of Directors.

It was seen from the annual reports of the internal auditors that the main observations were relating to the system of maintenance of accounts and lack of uniformity therein at different project divisions.

2.17 Summing up

(i) The Company was established in August 1976 with the object of bringing economic growth of forest produces and their collection by eliminating middlemen.

(ii) One of the objects of the Company was to eliminate middlemen in the collection of MFPs and to organise direct collection. This was, however, not achieved as the Company could not create necessary infrastructure required.

(iii) The GIIC sanctioned a loan of Rs. 51 lakhs to the Company in May 1981 on which interest at lower rate was admissible if refinance from IDBI was available. Company availed of a loan of Rs. 42.50 lakhs. As refinance was granted only in October 1982, the Company had to pay additional interest of Rs. 0.46 lakh. Balance loan amount could not be availed of due to inability to complete certain formalities, but an instalment of Rs. 12.50 lakhs was, however, obtained against a bank guarantee (October 1982). A further instalment of Rs. 8.20 lakhs was got released on 31st March 1983. This necessitated a payment of commitment charges of Rs. 0.44 lakh in addition to guarantee commission of Rs. 0.11 lakh.

(iv) In November 1981 the Company raised a temporary loan of Rs. 30 lakhs and instead of using it, kept it in short term deposits, resulting in an extra expenditure of Rs. 0.61 lakh towards interest.

(v) During 1977 and 1981 seasons the Company could not find market for 16,153 quintals of *mahuda* flowers and sold the same at a loss of Rs. 14.95 lakhs.

(vi) Action was not taken for the recovery of loss of Rs. 0.58 lakh from four tenderers who backed out from the contract of purchase.

(vii) The outturn of non-teak wood products in the saw mill unit was far less than the estimated quantity resulting in a loss of Rs. 2 lakhs.

SECTION III

GUJARAT STATE SEEDS CORPORATION
LIMITED**3.1 Historical background**

Prior to the formation of Gujarat State Seeds Corporation Limited, the breeder seeds were produced by the Gujarat Agricultural University; foundation seeds partly by the University and partly by *Panchayats* and farmers and certified seeds were produced by the farmers. The Department of Agriculture carried out the work of certification of seeds. Procurement and distribution of certified seeds was looked after by co-operatives. Based on the suggestion of the National Commission on Agriculture that the production of foundation seeds of local varieties should be the responsibility of the State Governments, which should specifically nominate or create one or more institutional agencies for the purpose, and in order, therefore, to have an unified control over production and distribution of seeds and for administrative convenience, the State Government decided (March 1975) to form a Company styled "Gujarat State Seeds Corporation Limited" under the Companies Act, 1956 with an authorised share capital of Rs. 50 lakhs. The Company was accordingly incorporated on 16th April 1975 and it commenced its business on 15th November 1975.

The initial share capital contribution was Rs. 2.00 lakhs from State Government and Rs. 10.00 lakhs from Gujarat Agricultural University. The contribution by the State Government was subsequently increased to Rs. 9.00 lakhs

(March 1976) and to Rs. 14.00 lakhs (December 1976); after which the Company became a Government Company. The Company's accounts are made up for 12 months from October to September next year.

3.2 Object

The main objects of the Company are *inter alia* :

- to finance, protect, promote and develop seed production activities and industries based upon seed ; to achieve self sufficiency in seed production and its export ;
- to promote, set-up, develop, assist and finance units, farms and agencies producing, processing, distributing, packing, transporting, selling seeds of any kind and to ensure that the seeds are available to the farmers at reasonable rates; and
- to aid any company or corporation or association, Government or any local body or other body corporate or a co-operative society with capital, credit or resources for carrying on activities which will help the preservation, production, growth and modernisation of seeds,

3.3 Organisation

The Board of Directors (consisting of 15 directors) had set up (February 1981) five committees viz., Cotton Committee; Bajra, Maize and Jowar Committee; Oilseeds and Pulses Committee; Wheat and Paddy Committee; Fruits, Vegetables

and Fodder Crop Committee. The main functions of these committees are :

- to review production programme before sanction by the Board and
- to recommend procurement and distribution (including fixing of the price) of seeds for approval by the Board.

3.4 Capital structure

As on 30th September 1982, the authorised capital of the Company was Rs. 1 crore divided into one lakh equity shares of Rs. 100 each, the paid-up capital was Rs. 47.00 lakhs. In addition, the State Government had granted from time to time loans to the Company; the sum outstanding as on 30th September 1982 was Rs. 112.60 lakhs.

Two loans of Rs. 100 lakhs and Rs. 200 lakhs taken in March 1981 and December 1981 fell due for repayment on 30th September 1981 and 3rd June 1982 respectively. The Company did not repay these loans on due dates although it had sufficient funds (on due dates and thereafter) as the Company had approached Government to extend dates of repayment which were not, however, extended. The loans were actually repaid on 9th December 1981 and 12th July 1982 respectively. The delay in repayment of these loans resulted in avoidable payment of interest of Rs. 5.86 lakhs which included penal interest of Rs. 2.27 lakhs at 2.5 *per cent* above the normal rate of interest.

3.5 Working results

The working results of the Company for the three years up to 1981-82 were as under :

	1979-80	1980-81	1981-82
	(Rupees in lakhs)		
InCome			
Sale of seeds	677.23	674.37	776.74
Other income	8.84	24.08	53.75
Accretion (+)/Decretion (—) to stock (—)141.60 (+)20.62 (—)12.72			
Total ..	544.47	719.07	817.77
Expenditure			
Purchases	330.14	558.02	635.46
Trading and processing expenses ..	63.22	59.17	52.09
Payment to and provision for employees	15.10	19.61	22.91
Administration and selling expenses	16.51	19.36	26.73
Interest and depreciation	30.24	21.39	16.72
Provisions for doubtful debts and advances	1.13	1.73	..
Total ..	456.34	679.28	753.91
Profit ..	88.13	39.79	63.86

As regards the decline in profits during 1980-81 followed by some increase during 1981-82, the Management stated (March 1983) as under :

(i) The large profit during 1979-80 was due to sale of closing stock of cotton seeds (4.48 lakh kgs) of the earlier year ;

(ii) (a) In 1980-81, the production of Varalaxmi cotton seed was 0.74 lakh kgs whereas the sale was very low and unsold stock was carried forward to next year ;

(b) At the instance of the State Government, *Jowar* worth Rs. 10 lakhs was purchased which could not be sold and had to be destroyed ;

(c) Further, a rebate at Rs. 2 per kg was allowed to the cotton seed users; and

(iii) In 1981-82 stock of Varalaxmi cotten seed carried forward from 1980-81 was sold.

3.6 Production

(a) General

Prior to the formation of the Company, the programme of production and distribution of high yielding variety seeds in the State was entrusted by the State Government (June 1967) to Gujarat State Co-operative Marketing Society Limited (now Federation). Similarly, the production and distribution of hybrid castor seeds was also entrusted (June 1971) to the society. According to the terms and conditions laid down, the losses, if any, that the society might have incurred were to be met out of the Loss Reserve Fund *and if the Loss Reserve Fund was not adequate the same were to be reimbursed by the Government to the extent of the shortfall.

On formation of the Company in 1975, with a view to unifying all activities of seed production and marketing under one roof, the Government reconsidered (April 1976) the policy and decided that the Gujarat Agricultural University would be responsible for production of breeder seeds whereas the Company would be the agency for production, processing

*The sale price is fixed so as to include contribution to this fund.

and distribution of the remaining stages of the seeds, *i.e.* parent/foundation seeds and certified seeds. It was laid down by the Government subsequently (December 1976) that the Company, Gujarat Agricultural University and Gujarat State Co-operative Marketing Federation Limited would take up the production and distribution of seeds without contravening the provisions of Seeds Act, 1966 and the rules made thereunder. These agencies were, however, to take up such programmes on their own and were to fix their own purchase and sale prices and were to meet the losses, if any, incurred by them. The State Level Seed Planning and Co-ordination Committee constituted by the Government in April 1976 was to assess the requirement of seeds in the State and to recommend to these agencies, a programme of production of seeds every year sufficiently in advance.

The Management stated (September 1982) that the Committee started functioning from 1982-83. Till then the Company itself was, therefore, planning its production programme.

The activities of the Company are related to the agricultural seasons, *viz.*, *Kharif*, *Rabi* and Summer and comprised production, procurement, processing and distribution. The months of sales and purchase of seeds corresponding to each season are indicated below :

Season	Sales	Purchases
<i>Kharif</i> : (June to October)	May-July	November-December
<i>Rabi</i> : (November to March)	October-November	March-April
<i>Summer</i> : (February to May)	February-March	May

(b) Production and procurement programme

The breeder seeds constitute the basis of all further seeds production. The breeder seed (nucleus seed) needed for the production of foundation seed in the initial period were obtained primarily from Gujarat Agricultural University and also from other sources depending upon the requirement of parent/foundation seeds of different varieties of crops to cater to the needs of the State. In September 1978, it was decided that the parent and the foundation seeds, will be produced by the Agricultural University in consultation with the Company and the Company shall lift entire stock of the seeds so produced so as to have unified trade control on the source seed in the State and the private trade may not have access to such source seed.

The foundation seed which is marked by genetic purity and other physical characteristics is multiplied from breeder seed. Considering the area covered with improved seeds in the State and targets fixed by the Department of Agriculture for coverage of improved seeds in the year and on the basis of experience of the realistic demand for improved varieties of different crops in the State, the seeds production programme for each year was fixed by the Company. As the Company does not have its own farm, the entire seed production programme is given to the producer farmers under contract in different pockets in complete blocks giving preference keeping in view the production potentiality of a particular area, quality of production, experience in seed production and its management. The resultant produce from a given seed production programme is then procured by the Company as per terms mutually agreed. At the time of calamities and

to meet other contingent requirement certain improved seeds are procured from other sources too.

The Company procures seeds (after cleaning and grading) at the price mutually agreed to by the Company with the producers in advance while allotting programme of production. The seeds are then sent for certification in order to maintain and to make available to the public, high quality seeds and to propagate materials of superior crop plant varieties so grown and distributed as to ensure genetic identity and genetic purity.

The table below indicates the targets of production, actuals and the percentage of actuals to targets for the three years ending 30th September 1982 :

Year ending September	Target		Actuals		Percentage of actuals to target	
	Acreage	Production	Acreage	Production	Acreage	Production
	(Quintals)		(Quintals)			
Bajra						
1980	5,575	21,725	3,057	14,820	54.8	68.2
1981	6,200	28,000	6,661	24,503	107.4	87.5
1982	5,000	25,000	1,622	9,609	32.4	38.4
Maize						
1980	300	2,400	113	701	37.7	29.2
1981	100	500	100	345	100.0	69.0
1982	..	350	..	..	..	..
Jowar						
1980	200	600	241	124	120.5	20.6
1981	75	650	85	24	133.3	3.7
1982	20	20	..	..	..	..

Year ending September	Target		Actuals		Percentage of actuals to target	
	Acreage	Production (Quintals)	Acreage	Production (Quintals)	Acreage	Production
Wheat						
1980	500	5,000	551	4,401	110.2	88.0
1981	1,000	10,000	766	10,819	76.6	108.2
1982	800	10,400	956	12,512	119.5	120.4
Groundnut						
1980	350	1,500	262	258	74.9	17.2
1981	1,000	10,500	1,574	1,914	157.4	18.2
1982	1,650	5,355	2,313	5,683	140.2	106.1
Til						
1980	..	..	184	76	..	..
1981	200	500	325	217	162.5	43.5
1982	115	230	113	249	28.3	108.4
Mustard						
1980	250	2,000	292	17	116.8	10.5
1981	230	1,150	245	1,170	106.5	101.7
1982	300	1,200	286	1,349	95.3	112.4
Moong						
1980	530	1,440	356	197	67.2	13.7
1981	585	2,000	277	429	47.4	21.4
1982	675	2,150	697	408	103.3	19.0
Cumin						
1980	100	200	100	171	100.0	85.6
1981	25	50	45	138	180.0	275.6
1982	20	60	10	22	50.0	37.0
Lucerne						
1981	10	22	10	6	100.0	27.0
1982	125	125	35	13	28.2	10.4

From the above, it would be seen that the Company had not achieved the targets fixed in respect of main crop seeds, *viz.*, Bajra, Maize, and *Jowar* both in terms of acreage and

quantity in the years 1979-80 and 1981-82. In the year 1980-81 the area under cultivation exceeded the target but the production was much below it.

As a result of poor performance of production of seeds for Maize and *Jowar*, the Company stopped the production programme in respect of these seeds from the year 1981-82.

As regards production of wheat seeds, though the area brought under cultivation was more than 100 *per cent*, the targets fixed for production for the year 1979-80 could not be attained; however, in subsequent years, the targets fixed were achieved both in terms of acreage (except 1980-81) and quantity.

The targets as fixed for the production of *Moong* seeds were not achieved in all the years. In respect of the groundnut seeds, the targets for production as fixed were not achieved in the years 1979-80 and 1980-81. The targets fixed for production of mustard seeds were achieved only in the years 1980-81 and 1981-82 whereas target for cumin seeds production was achieved only in the year 1980-81. From the year 1980-81, the production of lucerne seeds was also undertaken but the output was poor.

The Company attributed the variances to :

- (i) marketing policy for *bajra* seeds;
- (ii) lack of interest on the part of producers in production of maize seeds ;
- (iii) lack of seed setting for *Jowar*;
- (iv) attack of pest and diseases to *moong* seeds; and
- (v) unfavourable climatic condition.

(c) Yield per acre

After allotting the plots for the seed production to the farmers, with a view to achieve the maximum production per acre and to get better quality of seeds, the Company periodically inspects the plots and provides guidance and instructions through circulars and oral explanations during season.

The table below summarises the estimated output and actual production per acre for the years 1979-80 to 1981-82:

Crop	Year ending September	Production per acre	
		Estimated (In quintals)	Actuals
Bajra	.. 1980	3.90	4.85
	1981	4.51	3.68
	1982	5.00	5.92
Maize	.. 1980	8.00	6.20
	1981	5.00	3.45
	1982	—	..
Jowar	.. 1980	3.00	0.51
	1981	8.66	0.28
	1982	..	..
Wheat	.. 1980	10.00	7.98
	1981	10.00	14.12
	1982	13.00	13.08
Groundnut	.. 1980	4.28	0.98
	1981	10.50	1.21
	1982	3.24	2.45
Til	.. 1980	..	0.41
	1981	2.50	0.66
	1982	2.00	2.20

Crop	Year ending September	Production per acre	
		Estimated	Actuals
(In quintals)			
<i>Moong</i>	.. 1980	2.71	0.55
	1981	3.41	1.54
	1982	3.18	0.58
Mustard	.. 1980	8.00	0.05
	1981	5.00	4.77
	1982	4.00	4.71
Cumin	.. 1980	2.00	1.71
	1981	2.00	3.06
	1982	3.00	2.22
Lucerne	.. 1980	..	..
	1981	2.20	0.59
	1982	1.00	0.36

The estimated production per *acre* in respect of maize, *jower*, groundnut, moong and lucerne seeds was not achieved in all the years. The Management attributed (March 1983) the low yield, to producers retaining a part of the production for their own use and also their reluctance to give the seeds produced (though required to do so as per terms of agreement) when the agreed procurement price was found to be lower than the market price and also in cases of failure of crop. During audit, it was noticed that for *Rabi* 1979 season, production programme in 292 *acres* was allotted to five producers of Parbatpura Co-operative Society, Parbatpura, district Mehsana, for production of mustard seeds. As the producers did not give the entire production of seeds the Company dropped the Society from the allotment of plots during next season.

(d) *Hybrid cotton*

In order to save the farmers from exploitation by traders to whom seeds were being sold by producers (who were

authorised by the Department of Agriculture to produce Cotton seeds), the Company decided (May 1976) to undertake the production, processing and distribution of hybrid seeds of cotton viz., Shanker-4. In the year 1976-77, an attempt was made for production of hybrid cotton seeds. However, as a production programme was already distributed by the Department of Agriculture, it was not possible for the Company to completely control the programme.

The Company approached the Government in December 1976 and the Department of Agriculture agreed in principle that in order to ensure supply of quality seeds at reasonable prices to the farmers, the activity of production, processing and distribution of hybrid cotton seeds be handled by the Company entirely from the year 1977-78.

Accordingly, from the year 1977-78, the Company followed the system of allotment of seed production plots as was till then done by the Director of Agriculture. Subsequently, in the year 1979-80 it was decided that the production plots would be distributed on *pro-rata* basis to District / Taluka Multipurpose Co-operative Societies by inviting applications from those interested and subject to a payment of Rs. 125 towards deposit to be treated as registration fees on allotment of plots. Selection of the societies was to be made on the basis of a draw of lots system. The Company had also issued certain guidelines to be observed by the co-operative societies for distribution of plots to the farmers. The final list of the seed production plots accepted by the Company was prepared jointly by the Company with the Seed Certification Agency (SCA).

Arrangements for ginning, grading and sampling, *etc.*, were made for the benefit of growers in consultation with the SCA at ginning centres which were having adequate facilities *viz.*, number of gins, storage and transportation.

After ginning, the cotton seeds are graded and a sample drawn by the SCA. The samples undergo a grow-out test according to the provisions contained in the Seeds Act and Rules (minimum standard prescribed for germination by the SCA was 65 *per cent* for genetical test as well as germination test). The lots which did not meet with the required standards of certification are retested by the SCA and the lots that failed on retesting are rejected. Successful lots are marked as " Certified Seeds " with the label of SCA in sealed bags and collected by the Company from the producers for further processing at the Company's godown.

To protect the interest of the cotton growing farmers the Board decided (January 1979) that the seeds that had not met with the minimum standards of certification on testing / retesting in respect of genetical test as well as germination test need not be returned to the producers but procured by the Company at nominal fixed price (at Rs. 1.50 per kg). All payments to the producers are made through their village multipurpose co-operative societies.

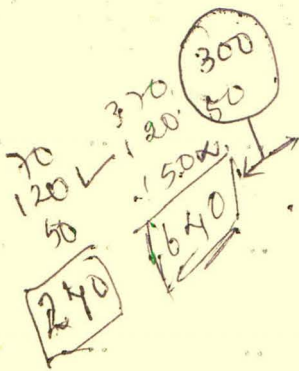
The table on page 52-A summarises the targets, actuals and the percentage of actuals to targets in respect of production of various varieties of cotton seeds for the five years ending September 1982.

es and production in quintals)

e S	Actual target			
	SRT-1		Varalaxmi	
	Area	Production	Area	Production
10,857.47	.	..	96.3	99.6
4,855.27	.	..	134.6	167.0
958.16	.	..	103.1	98.3
4,427.45	161	..	42.3	72.2
4,767.34	42	79.5	..	..

52-A

1-22



During the years 1977-78 and 1980-81, the targets fixed for Shanker-4 cotton seeds (both in terms of acreage and quantity) were achieved by the Company; whereas in the years 1979-80 and 1981-82, there was shortfall in the production of seeds by 60.1 and 40.4 *per cent* (the area for cultivation undertaken was 98 *per cent* and 85 *per cent*).

As regards Varalaxmi, the Company had not undertaken any production programme in the year 1981-82; the shortfall in the acreage and production was 58 *per cent* and 28 *per cent* in the previous year. A new variety of hybrid Shanker-6 was introduced in the year 1980-81; the Company achieved the targets in 1980-81 but in 1981-82 it could achieve 70.3 *per cent* in acreage and 37.9 *per cent* in production. During 1981-82, the Company undertook production programme for another new variety of hybrid cotton (SRT-1) and achieved 79.5 *per cent* of the target of production even though 100 *per cent* acreage was covered.

The main reasons for shortfall in the production as attributed by the Management (April 1983) were :

- (i) unfavourable climate ;
- (ii) diseases or insect infestation ; and
- (iii) non-availability of labourers at proper time during season.

The table below summarises the variety-wise estimated and actual yield per *acre* in respect of hybrid cotton seeds for five years up to 1981-82 :

Year ending September	Proudction per acre							
	Estimated				Actual			
	S-4	VL	S-6	SRT-1	S-4	VL	S-6	SRT-1
	(In quintals)							
1978	4.00	5.03	..	..	4.06	5.21	..	..
1979	4.00	5.00	..	..	3.91	6.20	..	..
1980	4.00	4.00	..	..	1.63	3.81	..	..
1981	4.00	4.00	4.00	..	4.20	6.82	2.57	..
1982	4.00	..	4.00	10.00	2.79	..	2.15	7.95

S-4 : Shanker-4, VL : Varalaxmi and S-6 : Shanker-6.

The actual yield per *acre* for the years 1978-79, 1979-80 and 1981-82 in respect of Shanker-4, for the years 1980-81 and 1981-82 in respect of Shanker-6 and for the year 1981-82 in respect of SRT-1 was very low.

The low yield was attributed by the Management (April 1983) mainly to the following reasons :

- (i) Producers keep certain quantity for their own use as they have to pay more for the seeds in the next season;
- (ii) Certain producers do not fulfil the conditions regarding sowing, isolation, handing over the produce in full, *etc.*, as prescribed by the Company; and
- (iii) some producers do not give back any seeds due to failure of crop.

The Board while reviewing the production and procurement of hybrid cotton for the year 1981-82 (March 1982) observed that certain producers who had not tendered their produce at all or tendered below 50 *per cent* may not be considered in the next production programme. It also decided that in case of Shanker-6, that the cases of producers who had not handed over the produce at all or handed over less than the estimated quantity and had violated the agreement signed for the production programme, may be investigated so as to enable the Company to handover the matter for further investigation by the Intelligence Department of State. But no action has been taken in the matter (April 1983).

3.7 Contribution of the Company towards meeting the demand in the State

The table below indicates the quantity of seeds produced by the Company in relation to the requirements of high yielding variety seeds in the State in respect of *bajra*, *jowar*, *maize*, *wheat*, *pulses*, *groundnut* and *cotton* during the years 1976-77 to 1981-82 :

Serial number/ crop	Year ending September	Requirement of seeds in the State	Quantity pro- duced by the Company	Percentage of Company's production to State's require- ments
(In quintals)				
1 <i>Bajra</i>				
(i)	1977	29,425	64	0.2
(ii)	1978	31,350	..	..
(iii)	1979	31,140	9,717	31.2
(iv)	1980	28,470	14,820	52.6
(v)	1981	31,680	24,502	77.3
(vi)	1982	30,480	9,604	31.5

Serial number/ crop	Year ending September	Requirement of seeds in the State	Quantity pro- duced by the Company	Percentage of Company's pro- duction to State's requirements
(In quintals)				
2 Jowar				
(i)	1977	3,751	5	0.1
(ii)	1978	3,213	65	2.0
(iii)	1979	2,400	309	12.9
(iv)	1980	3,300	123	3.7
(v)	1981	7,100	24	0.3
(vi)	1982	6,700	-	-
3 Maize				
(i)	1977	7,328	909	12.4
(ii)	1978	8,226	47	0.6
(iii)	1979	9,300	31	0.3
(iv)	1980	9,300	701	7.7
(v)	1981	12,150	355	2.9
(vi)	1982	12,900	-	-
4 Wheat				
(i)	1977	50,640	..	..
(ii)	1978	5,820	1,582	27.2
(iii)	1979	45,000	3,192	7.1
(iv)	1980	47,000	4,400	9.4
(v)	1981	47,500	10,819	22.8
(vi)	1982	50,000	12,511	25.0
5 Cotton				
(i)	1977	..	..	..
(ii)	1978	5,475	11,822	215.9
(iii)	1979	7,950	6,525	82.1
(iv)	1980	8,125	2,138	26.3
(v)	1981	7,500	5,708	76.1
(vi)	1982	7,500	5,678	75.7

Serial number/ crop	Year ending September	Requirement of seeds in the State	Quantity produced by the Company	Percentage of Company's pro- duction to State's requirements
------------------------	--------------------------	--------------------------------------	--	---

(In quintals)

6 Pulses

(i)	1977	..	..	--
(ii)	1978	..	--	--
(iii)	1979	1,000	718	71.7
(iv)	1980	1,000	572	57.2
(v)	1981	2,300	666	29.0
(vi)	1982	2,500	449	18.0

7 Groundnut

(i)	1977	--	--	--
(ii)	1978	--	--	--
(iii)	1979	3,100	500	16.1
(iv)	1980	3,200	253	7.9
(v)	1981	19,750	1,913	9.7
(vi)	1982	1,99,400	5,506	2.8

The Company's production of high yielding varieties of seeds *vis-a-vis* State's requirement has been falling from year to year except in the case of cotton; in case of *bajra* it has fallen steeply to 31.5 per cent in 1981-82 as against 77.3 per cent in 1980-81. The Company's share to total requirement of wheat and pulses was just 25 per cent and 18 per cent respectively. In case of other crops *viz.*, *jowar*, *maize* and *groundnut* it was poor. The reasons for poor contribution to the total requirement and also the falling trend have not been

analysed by the Company to know the constraints, if any, faced by it in not substantially contributing to the State's seed requirements.

3.8 Sales and sales performance

3.8.1 The Board authorised (May 1976), the Managing Director to fix the prices of the seeds for the various crops taking into account the procurement price plus transport, storage, insurance, processing and packing charges, seeds certification fees, interest on investment, contribution to Loss Reserve Fund, service charges, etc., on the pattern followed by the National Seeds Corporation Limited.

The Company had no accounting arrangement to assess the profit or loss in distribution of various crop seeds undertaken in a particular year. The Management, however, stated (July 1983) that the Company could stabilise prices and guarantee reasonable sale price to the producers.

3.8.2 Sales performance

The table on pages 59-61 indicates the details of sales target, achievement and percentage of achievement of the various crop seeds for the three years up to 1981-82.

Crop	Target		Actual 1979		Percentage of actual to target	
	Quantity (Quintals)	Value (Rupees in lakhs)	Quantity (Quintals)	Value (Rupees in lakhs)	Quantity	Value
1979-80						
Bajra	20,000	110.00	24,739.92	150.33	123.70	136.66
Jowar	570	3.99	636.85	3.44	111.72	86.21
Maize			1,330.15	5.41		
Wheat	9,100	22.75	10,036.36	26.62	110.29	117.01
Pulses	2,190	12.76	1,196.85	6.62	54.65	51.88
Groundnut	2,000	9.00	9,827.95	41.76	491.39	464.00
Castor			2,334.96	18.72		
Til			62.43	0.51		
Mustard	1,100	6.60	219.23	1.33	19.93	20.15
Cumin	50	1.25	36.15	0.92	72.30	73.60
Cotton	9,846	354.75	7,291.68	413.99	74.05	116.70
Lucerne	150	3.00	329.72	6.81	219.81	227.00
Others	205	2.05	481.49	0.74	234.87	36.09

(Continued on pages 60-61)

Crop	Target		Actual		Percentage of actual to target	
	Quantity (Quintals)	Value (Rupees in lakhs)	Quantity (Quintals)	Value (Rupees in lakhs)	Quantity	Value
1980-81						
Bajra	32,000	192.00	23,619.16	138.65	73.81	72.21
Jowar	605	5.45	740.38	3.01	122.37	55.23
Maize	1,100	4.80	160.59	0.56	14.60	11.60
Wheat	12,500	31.50	14,902.32	39.03	119.21	123.90
Pulses	1,100	6.08	1,169.71	6.21	106.33	102.13
Groundnut	7,000	32.70	17,030.96	72.73	243.30	222.41
Castor	3,000	27.00	45.74	0.32	1.52	1.18
Til	..	..	564.19	5.91	..	..
Mustard	250	1.56	637.54	5.39	255.01	345.51
Cumin	150	3.00	194.99	3.73	129.99	239.10
Cotton	6,500	401.00	5,314.25	385.29	81.75	96.08
Lucerne	300	6.60	91.16	1.17	30.38	17.72
Others	..	..	2,547.13	12.31	..	..

1981-82

Bajra	24,695.29	131.04	8,986.74	53.59	36.39	40.89
Jowar	100.00	0.50	157.05	1.03	157.05	206.00
Maize	350.00	1.05	527.78	0.92	150.79	87.62
Wheat	19,148.00	55.53	22,046.91	60.67	115.14	109.25
Pulses	2,879.00	16.39	1,319.53	6.68	45.83	40.75
Groundnut	10,000.00	70.00	38,966.47	199.71	389.66	285.30
Castor	1,350.00	13.50	676.57	9.35	50.11	69.26
Til	230.00	2.53	178.57	1.83	77.64	72.33
Mustard	1,170.00	9.36	433.73	2.36	37.07	25.21
Cumin	146.81	3.23	131.81	2.63	89.78	81.42
Cotton	7,722.04	419.03	6,965.59	436.48	90.20	104.16
Lucerne	7.00	0.21	8.32	0.24	118.85	114.28
Others	448.00	2.18	582.87	1.18	130.10	54.12

Note : Actual sales include the quantity / value of mixture sales.

The sales were very much lower than expected both in terms of quantity and value, in respect of pulses and mustard seeds in 1979-80 and 1981-82, castor seeds in 1980-81 and 1981-82, lucerne in 1980-81 and *bajra* seeds in 1981-82. The sale of maize seeds in the years 1980-81 and 1981-82 and *jowar* seeds in the year 1980-81 was also very low as against the expected sales.

The reasons for low sales and less realisation in value were not analysed by the Company.

3.8.3 *Losses in storage of seeds*

In the process of planning of production to meet the requirements of ensuing season and to create reserve stock to meet the adverse effect of natural calamities and also to have control on prices, certain seeds remain unsold at the end of the season. Due to longer storage period, on their becoming substandard/unfit to be distributed as seeds, the same are transferred to a mixture account and sold as grain. The losses sustained during the three years 1978-79 to 1980-81 amounted to Rs. 2.33 lakhs, Rs. 1.49 lakhs and Rs. 3.25 lakhs respectively which were written off by the Board. Losses in respect of 1981-82 have not yet been (May 1983) evaluated by the Management. Details of crop-wise quantity handled and transferred to mixture account and the losses suffered are given in the table on pages 64-65.

1979-80

Serial Number	Crop	Total quantity in crop held	Quantity transferred	Percent of total	Loss due to waste
		(Tonne)	(Tonne)	(%)	(Tonne)
1	Bajra	2,948	33	1.1	62,040
2	Maize	137	44	32.1	70,234
3	Maize	113	..	..	..
4	Wheat	1,891	60	3.2	14,333
5	Cotton variety	138	4	2.9	8,711
6	Hybrid cotton	1,768	8	0.5	14,732
7	Groundnut	..	6	1.7	1,717
8	Pulses	..	..	..	..
9	Rajdhani	..	..	..	..
10	Mustard	..	..	..	..
11	Lucerne	..	..	..	..
12	Chilies (wala)	..	..	..	..
13	Vegetable	..	..	..	..
14	Soyabean	..	..	..	..
15	Other	..	..	..	..
Total		..	..	..	2,33,384

STATEMENT

* Indicates multiple quantity

Serial Number	Crop	1979-80			
		Total quantity handled	Quantity transferred	Percentage of transfer	Loss due to transfer
		(Tonnes)			(Rupees)
1	<i>Bajra</i>	2,948	32	1.1	65,040
2	<i>Jowar</i>	125	44	35.2	30,254
3	Maize	113	*	..	198
4	Wheat	1,894	60	3.2	46,392
5	Cotton varieties	128	4	3.1	8,225
6	Hybrid cotton	1,766	6	0.3	81,522
7	Groundnut	241	4	1.7	1,750
8	Pulses	..	..	..	..
9	Paddy	..	..	..	..
10	Mustard	..	..	..	..
11	Lucerne	..	..	..	..
12	Chillies (Jwala)	..	..	..	..
13	Vegetables	..	..	..	..
14	Soyabean	..	..	..	..
15	Others	..	..	..	..
Total		..	..	..	2,33,381

* Indicate negligible quantity.

1980-81				1981-82			
Total quantity handled	Quantity transferred	Percentage of transfer	Loss due to transfer	Total quantity handled	Quantity transferred	Percentage of transfer	Loss due to transfer
(Tonnes)			(Rupees)	(Tonnes)			(Rupees)
2,568	*	..	443	2,530	12	0.5	50,574
60	10	16.7	36,366	162	56	34.6	43,700
217	1	0.5	3,495	118	30	25.4	38,972
2,431	15	0.6	10,951	3,671	291	7.9	58,121
207	11	5.3	19,448	44	24	54.5	1,312
650	11	1.7	..	575	1	0.2	19,526
1,350	76	5.6	..	1,757	142	8.1	..
162	14	8.6	14,951	138	20	14.5	30,108
48	24	50.0	9,456	..	..	..	..
25	*	..	..	24	*	..	826
..	..	..	..	1	1	100.0	10,412
..	..	..	..	*	*	..	23,595
8	1	12.5	24,394	..	..	..	..
..	..	..	..	253	2	0.8	6,520
110	40	36.4	29,902	53	9	17.0	41,385
			<u>1,49,406</u>				<u>3,25,051</u>

Although the Company had written off the losses of about Rs.7.08 lakhs and the percentage of transfers to mixture account to the total quantity in certain cases was high, it had not analysed these cases nor issued guidelines for reducing such losses. A test check in audit revealed the following:

(i) *Loss of Rs. 2.35 lakhs in disposal of CJ-104 Bajra seeds*

In June 1981, the Company purchased 1,53,887 kgs of CJ 104 bajra seeds at Rs. 4.25 per kg out of the Summer 1981 programme from three parties of Sabarkantha district at a total cost of Rs. 6.54 lakhs. Only 44,395 kgs were sold in 1980-81 and 1981-82 leaving a balance of 1,10,401 kgs (including 909 kgs storage excess) at the end of September 1982.

Considering the fact that the stock was lying over for the past two years, the Board decided (August 1982) to dispose it of in open market and invited tenders (September 1982). Out of 2 tenders received and opened on 20th September 1982, the higher tender was of a Bombay firm at the rate of Rs. 2.05 per kg which was accepted and a quantity of 1,06,933 kgs was lifted.

Thus in disposing of the seeds, the Company suffered a loss of Rs. 2.35 lakhs. No action was taken to dispose of the balance stock (3,468 kgs : value : Rs.14,739) (April 1983).

The Management stated (March 1983) that the Company had suffered a loss as the variety was out of cultivation in

subsequent years resulting in lower demand of farmers as compared to balance stock available with the Company.

(ii) *Loss of Rs. 4.08 lakhs-Sale of wheat seeds*

The Company was having a total stock of 22,30,011 kgs of seeds as on 30th September 1981. Out of this a quantity of 16,09,261 kgs was sold during the season and the balance quantity of 6,20,750 kgs was transferred to mixture account for sale in open market.

The purchase price of seeds transferred to mixture account during 1981-82 was Rs.16.00 lakhs.

During January 1982 to August 1982 the Company disposed of 2,41,680 kgs of seeds inclusive of old stock carried over (at an average sale rate of Rs.1.83 per kg) for Rs. 4.41 lakhs at Gandhinagar and during November 1981 to March 1982, 3,79,860 kgs (at an average rate of Rs. 1.97 per kg) for Rs. 7.53 lakhs at Amreli incurring a loss of Rs. 4.08 lakhs in the deal.

3.9 Other topics of interest

(i) *Loss of Rs. 7.97 lakhs due to excessive purchase of CSH-5 Jowar seeds*

With a view to overcoming the difficulties experienced in the *Kharif*-1980 season for the supply of CSH-5 *jowar* seeds in the State, the requirement for *Kharif*-1981 season was assessed after consulting various agencies in March 1981; the Company procured in May/June 1981, 101.667 tonnes of CSH-5 *jowar* certified seeds at a total cost of Rs. 9.48 lakhs; the total requirement was of 124 tonnes. The

Company was then having a stock of 7.760 tonnes (value: Rs.0.74 lakh) of earlier year. Out of the total stock 109.427 tonnes the Company could sell only 22.301 tonnes (value: Rs.2.25 lakhs). The balance quantity of 80.876 tonnes (after disposal of 6,130 kgs as mixture) was written off by the Company (May 1982) and the cost thereof was adjusted in 1980-81 accounts as the seeds had lost germination power. This resulted in a loss of Rs.7.97 lakhs besides the loss of interest on the amount invested and transportation, godown expenses incurred, *etc.* On inquiry about the poor sale of about 22 tonnes out of 109 tonnes involving loss of Rs.7.97 lakhs, the Management stated (June 1982) that due to atmospheric change, the cultivation of this variety of seeds was meagre and the farmers growing this type of *jowar* diverted their production to other more remunerative crops. The Management further explained that *jowar* loses its germination power quickly and the quality deteriorates rapidly due to high percentage of carbohydrates contained in it. The loss was written off by the Board in May 1982 and the stock of the CSH-5 *jowar* seeds was destroyed by the Company in April 1983.

(ii) *Loss of Rs. 0.47 lakh due to procurement of uncertified seeds of Lok-1 Wheat*

Against the production programme of *Rabi-1980*, the Company procured (April/May 1981) 1,31,120 kgs of Lok-1 wheat seeds from various farmers of Amreli district at a total cost of Rs.2.75 lakhs, although the seeds tendered by the farmers were not certified by the Certification Agency.

Since the seeds procured were not certified by the Agency, the Company disposed of the same in October/November 1981 as normal grain realising Rs.2.48 lakhs resulting in a loss of Rs.0.27 lakh in sale value and a loss of Rs.0.20 lakh on interest on blocked up funds plus storage/incidental charges. The Management stated (June 1982) that (i) the breeder seeds procured from Gujarat Agricultural University after repacking at Company's godown was supplied to the farmers by the Company for undertaking the production programme; (ii) it was not possible to ascertain as to whether the breeder seeds as supplied by the University were not up to the quality or a mechanical mixture took place at Company's godown or at the time of sowing by the farmers; (iii) the farmers were paid only at 15 *per cent* higher than the quoted market price as against agreed price of 20 *per cent* in order to maintain the business prestige of the Company. It was further stated that in order to avoid such losses in future the Company was now purchasing the breeder seeds from Agricultural University in the packing in which the same were to be supplied to the farmers for production programme.

(iii) *Disposal of bajra seeds*

A Jaipur firm approached the Company (February 1981) for purchase of *bajra* BJ-104 certified seeds in whatever quantity the Company could supply. After negotiations (March 1981) the firm informed that they were ready to lift 15,00,000 kgs of *bajra* seeds in *Kharif* 1981 season. During June-July 1981, the Company supplied certified/truthful

bajra seeds of various varieties (and a small quantity of *til*) of aggregate value of Rs. 71.30 lakhs as under :

Particulars	Quantity (kgs)	Rate per kg (Rupees)	Amount
Certified BJ-104 <i>bajra</i>	5,40,000	5.85	31,59,000
Seasamum <i>Til</i>	12,000	11.00	1,31,040*
Certified BK-560 <i>bajra</i>	21,075	5.85	1,23,289
Certified BJ-104 <i>bajra</i>	5,41,746	5.85	31,69,214
Truthful BJ-104 <i>bajra</i>	63,075	4.60	2,90,145
CM-46 (Truthful) <i>bajra</i>	55,950	4.60	2,57,370
	Total ..		71,30,058

As per the terms of the sale agreement, the firm was to make full payment by 31st August 1981 at the latest. The firm paid only Rs. 40.29 lakhs by the due date and approached the Company (October 1981) to allow them to pay the balance on realisation of unsold stocks lying with them. The firm paid a further sum of Rs. 21.79 lakhs during September 1981 to December 1982. An amount of Rs. 9.22 lakhs was outstanding representing Rs. 5.47 lakhs in respect of truthful seeds and Rs. 3.75 lakhs in respect of others. The Board constituted (December 1981) a Committee to negotiate with the firm for expeditious recovery and based on its report (November 1982) decided (January 1983) to collect at reduced rate of Re.1 per kg on truthful seeds, thus foregoing an amount of Rs. 4.28 lakhs out of Rs.5.47 lakhs due. The balance of Rs. 1.19 lakhs was paid by the firm in April 1983 and the amount of Rs. 3.75 lakhs due in respect of other seeds was paid in March 1983.

* (Less : Commission @ 0.50 p + 4% tax)

The Company had thus incurred a loss of Rs. 4.28 lakhs due to the waiver of the dues apart from loss of interest of Rs. 3.27 lakhs on the amounts outstanding recovery from the firm from time to time.

(iv) Loss of Rs. 4.72 lakhs in processing of failed cotton seeds

The Company decided (July 1980) to get the stock (as at the end of June 1980) of 1,22,775 kgs of failed cotton seeds crushed in any co-operative oil mill. Initially there was no response from the oil mills contacted by the Company; in February 1982, one oil mill at Mehsana had indicated willingness to crush the failed seeds at a rate of Rs.4 per 20 kgs. The Company awarded (February 1982) the work of crushing of cotton seeds to the firm without inviting tenders on the basis of a single quotation.

The work was required to be completed within 8 to 10 days. However, the crushing of 1,08,355 kg seeds was completed between 18th March and 12th April 1982; the firm represented that due to lower rate of processing charges and longer period involved in crushing, they had incurred heavy losses and demanded increased rate of Rs. 7 per 20 kgs. However, the Board agreed (April 1982) to pay at a rate of Rs.5 per 20 kgs. The Company got 10,365 kgs of oil and 88,192 kgs of cattle feed (cotton cake); there was a shortage of 9,798 kgs in processing. On disposal of oil, etc., the Company realised Rs. 1.33 lakhs as against the cost of Rs. 6.05 lakhs (including other charges) of 1,08,355 kgs of cotton seeds crushed. This resulted in loss of Rs. 4.72 lakhs to the Company.

The Management stated (October 1982) that as no other party was ready for crushing, tenders were not invited and the balance quantity of seeds was under dispute as regards the earlier test results. The Management further stated (March 1983) that in order to safeguard the interest of cotton growing farmers and to maintain high purity standard in cotton market the Company had decided in January 1979 not to return the failed seeds to producers but to procure at lower rate of Rs. 1.50 per kg and dispose of in the manner to be decided by the Company.

The percentage of failed seeds to the production achieved had indicated an increasing trend as shown on page 73.

Year ending September	Number of producers	Total production	Failed	Number of producers represent- ing failed seeds	Percentage of		Amount involved
					failed produ- cers	failed produc- tion	
		(In kilogrammes)					(Rupees)
1978	14,504	11,82,177.1	22,946.0	857	5.6	1.9	34,419.00
1979	6,411	6,52,496.2	72,441.0	843	13.1	11.1	1,08,661.50
1980	4,090	2,13,823.0	27,387.6	764	18.8	12.8	41,081.40
1981	8,548	5,70,785.9	40,866.2	724	8.5	7.3	6,299.30
1982	11,883	5,67,797.7	45,066.4	1,073	9.0	7.9	67,599.60
						Total	3,13,060.80

The Management stated (March 1983) that in general, the percentage of failed cotton seeds varies due to:

- (a) adverse climatic conditions;
- (b) deterioration because of insects and pests;
- (c) less germination power in un-matured seeds; and
- (d) mixing of impure seeds with pure seeds by the producers; *etc.*

Action in respect of balance stock of 14,420 kgs. which had further increased to 1,00,352 kgs as at end of September 1982, with the procurement of failed seeds in 1980-81 and 1981-82, is yet to be taken.

(v) *Procurement of 170-Co2 Cotton seed*

In response to a telephone enquiry of a Government Company of Jaipur (February 1980) followed by discussions between the two Managing Directors (March 1980), the Company procured (April 1980) 300 quintals of cotton seeds for supplying to the Jaipur Company at a total cost of Rs. 0.93 lakh. A telegraphic order to despatch 50 quintals of 170-Co2 cotton seeds was received on 6th May 1980 which was, however, cancelled (10th May 1980) telegraphically. The quantity so procured was subsequently disposed of, between June 1980 to September 1980 (5,385 kgs : value : Rs. 0.24 lakh) and between September 1981 and October 1981 (13,612 kgs : value : Rs. 0.29 lakh). A quantity of 9,017 kgs left after adjusting 1,986 kgs as process loss (value: Rs. 0.11 lakh) was crushed alongwith other failed seeds.

Though the Company, had incurred a loss of Rs. 0.29 lakh (apart from interest on the amount blocked up in the above transaction) it had not pursued the matter with the other company for damages.

(vi) (a) *Irregular payment of special conveyance allowance*

The Company decided (September 1975) to grant a special conveyance allowance of Rs. 40 to its employees to meet with additional expenditure incurred on journeys performed between Ahmedabad and Gandhinagar from 12th May 1975; the date from which the office was shifted from Ahmedabad (located temporarily) to its registered address at Gandhinagar. As per this decision the allowance was payable to employees until residential accommodation was offered to them at Gandhinagar. The Government of Gujarat informed (October 1979) the Company that the fixed conveyance allowance could have been granted only for a short period and is not admissible on permanent basis or for longer duration. While pointing out the position in respect of Government employees in whose case such payment was stopped, the Government directed the Company to discontinue such allowance immediately. The Government while inviting the attention to the directives from the Finance Department enquired from the Company the reasons for payment of conveyance allowance to its employees although the office of the Company was at Gandhinagar from inception and also directed to furnish the employee-wise details of the payment made by the Company. The Company was also asked to discontinue the payment forthwith. The Company has not submitted any details to the Government as desired and had decided (November 1979) to discontinue the payment from

1st April 1980. The details of payment of this allowance made for over five years called for by Audit (July 1981) were not furnished (July 1983).

(b) *Excess Payment of bonus*

The Company while computing the payment of bonus for the year ending September 1980 ignored the payment of deputation allowance paid to deputationist for the purpose of ceiling of Rs. 1600 fixed for admissibility of bonus and paid irregularly Rs. 5,734 to four employees. On this being pointed out in Audit (July 1981) the Company waived (January 1983) the recovery.

3.10 Sundry debtors

The rules of the Company do not envisage credit sales. However, an amount of Rs. 18.47 lakhs was outstanding recovery from Government departments and private parties as on 30th September 1982. The sales during the three years ended 30th September 1982 and the debtors thereagainst are given below :

Year ending September	Debtors		Total	Sales	Percentage of debtors to sales
	Government de- partment	Private parties			
(Rupees in lakhs)					
1980	1.23	36.19	37.42	677.23	5.5
1981	6.21	57.49	63.70	674.37	9.5
1982	1.70	16.77	18.47	776.74	2.4

The outstanding amount of Rs. 18.47 lakhs as on 30th September 1982 included Rs. 11.22 lakhs and Rs. 2.19 lakhs due from two parties of which Company had decided (January 1983) to forgo recovery of Rs. 4.28 lakhs as business concession (Para 3.9 (iii)) and Rs. 0.94 lakh considered as legally not tenable.

3.11 Seed bank

With a view to meeting requirements of seeds in case of failure of crops due to natural calamities like floods, long dry spells, *etc.*, the Company in May 1975 submitted a scheme to the State Government to build a buffer stock of quality seeds in the form of a "Seed Bank". It was envisaged to purchase a total quantity of 2,275 tonnes of quality seeds of paddy, jowar, wheat and maize and store them. The amount of Rs. 45 lakhs required for the purchase was to be advanced by the State Government in the form of a loan to the Company. The seeds were to be stored for about a year and at the end of the year, if not utilised, they were to be disposed of in the open market and fresh stocks bought so that validity of seeds would not be lost. Government informed (July 1975 and March 1976) that the Company might arrange for a loan of Rs. 45 lakhs from nationalised banks and implement the scheme of its own. At the instance of the Company the State Government approached (May 1980) Government of India for approval of the scheme and sanction an amount of Rs. 50 lakhs for implementing the scheme. The Government of India informed (August 1980) that similar scheme *viz.*, "Reserved stocks of certified and foundation seeds" was already operated by them through National Seeds Corporation Limited (NSC) and approved the proposal

of the State Government to form its own 'Seed Bank.' The scheme has not been implemented yet (May 1983). The Government of India, however, in June 1982 had invited proposals from State Governments alongwith five year projections of the seeds proposed to be kept in buffer stock and the financial implications to formulate the said scheme on a principle of 50:50 sharing by Central and State Governments to be approved by the Planning Commission. The Company has submitted a proposal (September 1982); final decision was awaited.

3.12 Internal audit

The Company had not established an internal audit wing, but a firm of Chartered Accountants had been appointed as Internal Auditors each year from 1977-78 onwards. The Board appointed the firm of Chartered Accountants on payment of Rs. 225 per month as audit fees for the financial year 1977-78 and audit fee was increased to Rs. 350 per month from financial year 1978-79 onwards due to increased turnover and quantum of work as a result of expansion of Company's activities.

A review of reports of auditors disclosed that important records maintained in technical branch regarding allotment of plots for programmes, assessment reports of field inspection staff, actual production of crops and its accounting, reports of seed certification agency regarding passed/failed seeds as a result of appeal and tallying of posting of production register into records of marketing branch were not subjected to scrutiny by the internal auditors. Compliance reports of management were not on record.

3.13 Accounting manual

No accounting manual containing the financial and accounting procedures has been prepared by the Company (April 1983).

3.14 Man-power analysis

(i) The table below indicates the staff strength at the end of the three years up to 1981-82 :

Category of staff	Actual strength as at 30th September		
	1980	1981	1982
1. Technical	69	85	80
2 Non-technical	43	50	60
Total	112	135	140

(ii) During the three years ending September 1982, the Company had 61,76 and 71 Seed Officers/Supervisors for production programme. The table below indicates the acreage inspected per Seed Supervisor during those three years :

Year	Acreage inspected	Number of Seeds officers/ Supervisors	Average acreage inspected
1979-80	6,098.25	61	100
1980-81	12,037.35	76	158
1981-82	9,060.09	71	127

The National Seeds Corporation Limited had fixed norms of acreage for inspection per seed production assistant per season as Hybrid crops : 300 acres; all other crops: 500 acres ; vegetable crops : 100 acres. The Company, however, had not fixed any such norms in this regard specifying the nature of duties of Seed Officers/Supervisors (March 1983).

3.15 Summing up

(i) The Company was formed in April 1975 to have an unified control over production and distribution of seeds.

(ii) The objects of the Company *inter alia* included promotion and development of seed production; to achieve self sufficiency in seed production and to ensure availability of seeds to the farmers at reasonable rates.

(iii) Eventhough a State Level Seed Planning and Coordination Committee was constituted in April 1976 to assess the requirement of seeds and to recommend to the agencies a production programme every year sufficiently in advance, the Committee started functioning from 1982-83 and till 1981-82 the Company had been planning production programme. The Company had no farms and production of seeds was arranged through farmers by allotment of production programmes. The Company procured seeds (after cleaning and grading) at a price mutually agreed to by the Company and the producers while allotting programmes.

(iv) The Company had not achieved targets fixed in respect of main crop seeds (*Bajra, Maize and Jowar*) both in terms of acreage and quantity in 1979-80 and 1981-82; in

1980-81 area was over 100 *per cent*, but production was below target; the Company stopped production of Maize and Jowar from 1981-82.

The targets of production of *Moong*, Groundnut (except 1981-82) seeds were not achieved for all the three years up to 1981-82. The production of seeds per *acre* was not achieved in respect of Maize, Jowar, Groundnut, *Til* (except 1981-82), *Moong*, Mustard (except 1981-82), Cumin (except 1980-81) seeds in all the three years up to 1981-82.

(v) To save farmers from exploitation by traders, the Company decided to undertake production, processing and distribution of hybrid cotton seeds; from 1976-77 it took up production and from 1977-78 production, processing and distribution work completely. In 1979-80 and 1981-82 there was shortfall in production of Shanker-4 seeds by 60.1 and 40.4 *per cent* respectively. In Varalaxmi variety the shortfall was by 28 *per cent* in 1980-81 and its production was not undertaken in 1981-82. Regarding non-achievement of production and procurement of hybrid cotton seeds, the Company observed that certain producers had not tendered their produce fully or partly. Though action was contemplated against such defaulters, it was not taken (April 1983).

(vi) The Company's contribution towards demand of the State for seeds was falling from year to year except in the case of cotton.

(vii) The Management stated that the Company could stabilise prices and guarantee reasonable sale price to the producers.

(viii) The Company's profits during 1979-80 were Rs. 88.13 lakhs which declined to Rs. 39.79 lakhs in 1980-81 and increased to Rs. 63.86 lakhs in 1981-82.

(ix) Sales performance was lower than expected in 1979-80 and 1981-82 for pulses and mustard seeds; in 1980-81 and 1981-82 for castor, in 1980-81 for lucerne and in 1981-82 for *bajra*. Some cases of losses in sale of seeds were noticed as detailed hereunder :

(a) Of the 1.54 lakh kgs of *bajra* seeds procured in June 1981, only 0.44 lakh kgs were disposed of till September 1982; the demand of this variety of seed was low as it went out of cultivation. Its disposal resulted in a loss of Rs. 2.35 lakhs.

(b) In disposal of wheat (6.21 lakh kgs) found surplus , a loss of Rs. 4.08 lakhs was incurred.

(c) Due to improper assessment of the requirement of *Jowar* seeds for *Kharif* 1981 season, Company had to dispose of 81 tonnes at a loss of Rs. 7.97 lakhs.

(d) In sale deal of Rs. 71.30 lakhs, the Company had waived an amount of Rs. 4.28 lakhs due to non-enforcement of prior payment terms.

(e) In crushing of failed cotton seeds and disposal of oil, the Company lost Rs. 4.72 lakhs.

(x) Eventhough credit sales were not permitted as per rules, the Company had been selling on credit; it had debtors

aggregating Rs. 18.47 lakhs as at 30th September 1982 of which only two parties accounted for Rs.13.41 lakhs (the Company had decided in January 1983 to forgo Rs. 5.22 lakhs from these two debtors).

(xi) Internal audit through a firm of Chartered Accountants was not comprehensive; no accounting manual was prepared.

SECTION IV

GUJARAT STATE EXPORT CORPORATION LIMITED

4.1 Introduction

The Gujarat Export Corporation Limited was incorporated on 14th October 1965 with the object of boosting up export trade. The name was changed to 'Gujarat State Export Corporation Limited' from 2nd February 1979. The Management of the Company is vested in a Board of Directors, consisting of not more than 12 directors, including the Chairman and the Managing Director. One-third of the number of directors in the Board including the Chairman and the Managing Director are nominated by the Government of Gujarat.

4.2 Objects

The main objects of the Company are to :

(i) organize and effect exports and to import such goods and commodities as the Company may determine from time to time;

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

(iii) arrange 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

(iv) arrange participation by manufacturers in fairs and exhibitions in India and abroad.

4.3 Capital structure

The authorised capital of the Company is Rs. 50 lakhs. The paid-up capital as on 31st March 1982, inclusive of bonus shares of the value of Rs. 5 lakhs, was Rs. 15 lakhs, out of which Rs. 8.49 lakhs were subscribed by the State Government and Rs. 6.51 lakhs by the public.

The Company also had arrangements for cash credit facilities, from three nationalised banks, up to a maximum limit of Rs. 421.00 lakhs to augment its resources for financing exports and imports. Of the total outstanding balance of Rs. 43.62 lakhs (September 1982), Rs. 14.27 lakhs were outstanding in respect of foreign bill purchases of which a balance of Rs. 1.50 lakhs was recoverable from three parties since 1979-80.

The Management stated that it was in touch with the overseas parties for recovery of the outstanding bills purchased.

4.4 Working results

4.4.1 The table on page 86 summarises the working results of the Company for the four years ended November 1981.

1978-79 1979-80 1980-81 April-
November-
1981*

(Rupees in lakhs)

Income

(i) Sales

(a) Exports	2,11.72	2,92.24	1,11.56	2,15.41
(b) Imports	1,00.77	1,74.92	86.37	90.40
(ii) Commission charges ..	8.67	10.26	5.39	6.02
(iii) Other income ..	11.56	10.20	14.07	7.25
(iv) Increase (+)/decrease(-) in stock	(+)20.36	(-)0.39	(-)14.59	(-)3.70

Total ..	3,53.08	4,87.23	2,02.80	3,15.38
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Expenditure

(i) Purchases	2,97.48	4,26.94	1,76.25	2,86.92
(ii) Administrative and other expenses	49.17	56.42	31.88	26.75
(iii) Commission on sales to				
(a) Overseas exclusive distributor	8.11	3.12	..	..
(b) Others	0.15	0.05	0.08	0.48
(iv) Depreciation	0.99	0.88	0.76	0.44
(v) Interest	3.86	3.77	10.17	5.87
Total ..	3,59.76	4,91.18	2,19.14	3,20.46
Loss ..	(-)6.68	(-)3.95	(-)16.34	(-)5.08

* The Company has changed its accounting year from the financial year to a year ending 30th November from 1981-82. Hence the accounts were for the period from April 1981 to November 1981.

4.4.2 The Company was making profit up to the year 1977-78 but started incurring losses thereafter on account of decline in sales, due to which the accumulated reserves came down from Rs. 20.13 lakhs at the end of 1978-79 to Rs. 5.97 lakhs at the end of November 1981.

4.4.3 The decline in sales (exports) was attributed by the Company (October 1982) to (i) the principal overseas buyers preferring to deal directly with the manufacturers in India; and (ii) delays in realisation of remittances from buyers in African market due to foreign exchange difficulties, compelling the Company to withdraw from the African market.

4.5 Performance

4.5.1 Exports and imports

The table below summarises the details of export and import business carried out by the Company during the last seven years :

Year	Exports		Imports	
	Target	Achievement	Target	Achievement
	(Rupees in lakhs)			
1975-76	..	* 3,73.79	* 1,04.71	
1976-77	..	* 3,35.79	* 94.25	
1977-78	..	* 2,87.10	* 1,38.69	
1978-79	..	* 2,11.72	* 1,00.77	
1979-80	..	* 2,92.24	* 1,74.92	
1980-81	..	5,00.00 1,11.56	* 86.37	
1981-82 (April to November 1981)	4,44.00	2,15.41	* 90.40	

*Targets were not fixed.

In the two years 1980-81 and 1981-82 when the Company had fixed the targets for exports, it could achieve only 22 *per cent* and 49 *per cent* thereof respectively.

The Management stated (April 1981) that the downward trend in the export business from 1975-76 and the fluctuations in import sales were primarily due to fall in export of engineering goods from Rs. 345.22 lakhs in 1975-76 to Rs. 85.42 lakhs in 1981-82 (8 months), the export of engineering goods being predominantly to one country only (Saudi Arabia), which started direct dealing with local manufacturers.

4.5.2 *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 bank on such advances under the Reserve Bank of India’s directives from time to time, plus one *per cent* service charges (which was discontinued from 1978 to help the exporters make their products more competitive). The amount of assistance extended during the seven years ending November 1981 was as under :

Year	Packing credit	Cash assistance	Draw-back	Others	Total
	(Rupees in lakhs)				
1975-76	1,03.73	37.48	0.36	..	1,41.57
1976-77	83.86	35.65	3.44	..	1,22.95
1977-78	33.18	18.19	0.61	1.58	53.56

Year	Packing credit	Cash assistance	Draw-back	Others	Total
	(Rupees in lakhs)				
1978-79	44.62	16.94	..	..	61.56
1979-80	1,34.09	26.55	..	..	1,60.64
1980-81	9.11	0.75	0.69	..	10.55
April—November 1981	18.11	3.96	1.07	..	23.14

An amount of Rs. 6.58 lakhs was, however, outstanding for recovery from 9 parties (November 1982) of which Rs. 0.23 lakh (of 1972-73) and Rs. 0.45 lakh (of 1975-76) were considered doubtful.

4.5.3 Fairs and exhibitions

The Company participated in 13 International, 7 all India and 7 State level fairs and exhibitions during 1975-76 to 1980-81.

The expenditure incurred and income earned by way of rent from the fairs and exhibitions was as under :

Year	Expenditure	Income
	(Rupees in lakhs)	
1. 1975-76	0.82	0.15
2. 1976-77	0.95	0.55
3. 1977-78	1.27	0.56
4. 1978-79	3.14	1.40
5. 1979-80	1.14	0.39
6. 1980-81	*	*
7. April-November 1981	*	*
	<u>7.32</u>	<u>3.05</u>

*There were no fairs in 1980-81 and from April to November 1981.

In addition, with a view to promote and expand Company's exports, the Company incurred expenses on foreign trips and booked orders as under :

Year	Number of trips made	Expenditure incurred on foreign tour	Orders booked on foreign trips by officials
(Rupees in lakhs)			
1. 1975-76	5	0.92	3.91
2. 1976-77	4	0.82	3,85.81
3. 1977-78	9	2.05	1,57.66
4. 1978-79	12	3.38	1,27.78
5. 1979-80	4	0.94	Nil
		8.11	6,75.16

Thus, inspite of the heavy expenses on fairs, exhibitions and foreign tours, the exports which were Rs. 3,73.79 lakhs in 1975-76 declined year after year, reaching a low level of Rs. 1,11.56 lakhs in the year 1980-81. Further, the Company had to withdraw from the African market as already stated in paragraph 4.4.3 *supra*.

4.6. Export cases

(i) *Purchase of mango pulp and juice for export*

A Saudi Arabian party had shown interest in February 1977 in importing mango pulp and juice. The Company negotiated (March 1977) with the Gujarat Agro-Industries Corporation

Limited (GAIC) for having the export agency for their mango pulp and juice. GAIC offered (May 1977) 10,000 cartons of mango juice, 3,000 cartons non-alphonso mango pulp (Totapuri) and 2,000 cartons of non-alphonso mango pulp (other than Totapuri) for export at 5 *per cent* commission at a price of Rs. 11.20 lakhs *f.o.b.* Bombay. The Company accepted the offer (August 1977) and placed the order for mango juice (15,000 cartons) and mango pulp (3,810 cartons) *f. o. b.* Bombay at Rs. 12.18 lakhs for shipment in October 1977, though there was no confirmed export order from Saudi Arabian party.

The entire quantity ordered by the Company was offered by GAIC for immediate delivery (August 1977) with a shelf life of 12 months. The matter was placed before the Board (September 1977) which decided to purchase mango pulp/juice worth Rs. 2 to 3 lakhs only. The Managing Director, however, ignoring Board's decision confirmed the order in full and made payment of Rs. 10 lakhs during September 1977 to August 1978. The Company could not lift the material and the proposals of GAIC to dispose of the material otherwise were not accepted (December 1977 and May 1978) in the hope of getting export orders.

However, during February 1978 to September 1978 out of 3,810 cartons of mango pulp, 2,310 cartons (value : Rs. 2.88 lakhs) were exported (*f. o. b.* value : Rs. 3.03 lakhs) and value of 810 cartons (Rs. 0.99 lakh) was realised. For the remaining 1,500 cartons sold to a company in United Kingdom in July 1978 (value : Rs. 2.04 lakhs), an amount of Rs. 0.92 lakh was received and the balance of Rs. 1.12 lakhs remained to be recovered.

Balance 1,500 cartons of mango pulp were sent to a Vadodara party who, after inspecting the cartons, had agreed to accept 180 cartons only at Rs. 65 *per* carton inclusive of all taxes (May 1980), the balance 1,320 cartons were destroyed as they were unfit for human consumption. Out of 15,000 cartons of mango juice only 903 cartons were exported (February 1980) to Djibouti (value : Rs. 0.27 lakh) and value was received. Remaining 14,097 cartons being unfit for human consumption were destroyed.

The entire transaction, which resulted in loss of Rs. 12.67 lakhs as per settlement with GAIC was put up to the Board (March 1980) which observed (September 1980) that it was inappropriate for the Managing Director to have exceeded the authority given by the Board. The State Government desired (July 1981) to examine the question of taking legal action against the persons concerned. In the legal opinion obtained by the Company (February 1982) the Solicitors opined that the Managing Director was liable for negligence and proceedings for recovery of damages could be taken against him. The legal opinion obtained had since been forwarded to the Government. Further action is awaited (July 1983).

(ii) *Supply of button making machines*

A company of Kampala placed an order (April 1977) for supply of two button making machines (one for plastic nylon machine and the other for bakelite powder) against their import licence and opened an irrevocable letter of

credit (LC) for Rs. 2.84 lakhs. The delivery and shipment of one machine (plastic nylon) was effected in October 1977 for Rs. 1.06 lakhs. The buyer got the period of LC extended up to 23rd March 1979 and assured the Company that if the balance amount of LC (Rs. 1.78 lakhs) fell short of the price, the Company could draw a bill of exchange, which would be honoured.

The Company supplied the second machine in March 1979 (value: Rs 2.11 lakhs). The documents were negotiated through a bank (April 1979) against LC; a bill of exchange for Rs. 2.11 lakhs was also drawn on the buyer. The Shipping Corporation of India, carriers of the consignment, discharged 15 cases at Mombasa (April 1979); 8 cases were kept in customs warehouse and 7 were with Kenya Port Authority. As the consignments were not cleared (August 1979), the carriers asked (September 1979) the Company to intimate the consignee to clear the same within a month, failing which they would be auctioned; the Company could not locate the consignee. The customs authorities auctioned the consignment after Gazette notices (October-December 1979). The balance (Rs.0.53 lakh) payable to the Company after adjustment of charges was claimed by the Company (June 1981).

Since the drawee was not traceable and due to non-realisation of money, the State Bank of India debited the amount to the Company (Rs. 2.40 lakhs: principal and interest) in March 1980. The Company has filed a suit against the carriers (October 1981) for recovery of damages (Rs. 2.11 lakhs); the results are awaited (June 1983).

(iii) *Export of nail making machine spares to Kenya*

In 1978-79 Company air lifted 34 consignments of nail making machine spares (value:Rs. 1.24 lakhs) to a Nairobi based Kenyan firm and negotiated the documents on payments at sight basis, through State Bank of India. The overseas buyer cleared only 19 consignments up to October 1978 leaving balance 15 consignments (value: Rs. 0.53 lakh) uncleared which were held by the Kenya Airfreight Handling Limited, Nairobi. The bankers also intimated the Company regarding non-realisation of value of 15 bills from time to time. The Company requested Kenya Airfreight Handling Limited and cargo division of Air India (March 1980) to look after the consignments and keep them in a safe place and see that they were not auctioned as the Company was in search of an alternate buyer.

In January 1980, the Company learnt from the manufacturer / supplier of the machines that the ordering firm was taken over by another firm of Nairobi. Therefore the Company requested (February 1980) the Bank to get the 15 outstanding bills noted and protested which was done (October 1980). The successor firm agreed (October 1980) to retire the documents, if Kenya Airfreight Handling Limited waived the storage charges and asked the Company to authorise them to collect the consignments. The Kenya Airfreight Handling Limited also agreed to waive 50 *per cent* of the demurrage, if the consignments were cleared within 15 days from the date of granting this facility (November 1980). Therefore, the Company agreed

(23rd December 1980) to bear 25 *per cent* of the demurrage charges in order to get the consignment released. As delivery was not taken, some of the consignments were placed on auction by the Customs. Thereupon the successor firm requested (February 1981) the Company to release consignments against 165 days delivery against acceptance plus interest at 11 *per cent* per annum so as to avoid further storage charges. Reserve Bank of India agreed to this in April 1981 and the firm took the delivery of the 12 remaining consignments (January 1982). The fate of the remaining 3 consignments was not known (July 1983). The firm had accepted only 8 fresh bills drawn and due on 19th November 1981, which were dishonoured (February 1982) and the amount has not been received (December 1982). As the shipments were made without obtaining credit limit on the buyer, Export Credit and Guarantee Corporation rejected the claim (May 1981).

As the airway bills were not negotiable documents, exporters were advised (Paragraph 11C-3 of the Exchange Control Manual issued by the Reserve Bank of India) in their own interest to consign air cargo to overseas branches/ correspondents of authorised dealer in order to obviate possibilities of loss arising from non-payment by buyers except where irrevocable letter of credit had been opened by buyer or advance remittance had been received. The Company had not followed this procedure which resulted in a loss of Rs. 0.65 lakh by way of value of 15 consignments (Rs. 0.53 lakh) and bank interest (Rs. 0.12 lakh).

(iv) *Export of wire nail making machines and working tools to Kenya*

A Kenyan company placed a confirmed order (January 1979) for the supply of nail making machine with working tools on the Company which in turn placed a supply order on a Rajkot firm.

The importing party established a confirmed irrevocable letter of credit for Rs. 2.01 lakhs against their import licence valid up to 9th March 1979. As per letter of credit, draft was to be drawn payable at sight and was to be accompanied by the documents referred to therein including a clean report of findings by the inspecting agents as to the quality and quantity inspection.

The Company effected the shipment in March 1979 and negotiated the documents which were not accompanied by the clean report as stipulated in the letter of credit. When the shipment reached Mombasa (April 1979), the overseas buyer did not take delivery of the documents and clear the consignment in absence of the clean report.

The inspecting agents intimated the Company (May 1979) that the price charged was higher than that charged to other buyers and asked for reduction of 3 to 5 *per cent*. The Company agreed to a 3 *per cent* reduction in *f.o.b.* value and forwarded (May 1979) the revised invoice and the clean report.

The late submission of the report and invoice resulted in delayed delivery entailing demurrage charges which the

buyer did not accept and payment for the consignment was not made. The Company advised (December 1979) the bankers to receive the consignment payment less demurrage charges and sought for approval of the RBI for reduction in realisation value.

The Company had to bear interest payment of Rs. 0.18 lakh on the bills discounted; other charges were stated to have been borne by the manufacturer supplier.

(v) *Export of C. I. foot valves and hose collar to Sudan*

A Sudanese firm placed an order (August 1977) with the Company for the supply of C.I. foot valves and hose collars and the Company in turn placed a supply order on an Ahmedabad firm (September 1977). As per terms of the contract, the goods were required to be shipped in two equal lots within 10/12 weeks. The first lot was shipped in January 1978 and the second lot was shipped in March 1978. The buyer paid the bill in local (Sudanese) currency (April 1978), which was not a permitted currency as per Exchange Control Regulations. Further, it was learnt in May 1978 that the carriers were in liquidation and the steamer was confiscated at Hodedah port by the Sudanese Port Authorities to recover port dues. The Company could not take any action to get the release of the goods nor claim anything from the insurers. As per Sudanese laws, value of the consignment could not be remitted to the Company unless the goods reached the buyer and a customs certificate was issued. The Management stated (November 1982) that it had already filed a claim with the official liquidator of the Shipping

Company; in the meantime the value of the goods (Rs. 0.60 lakh) was frozen and Rs. 0.19 lakh were paid towards interest on the bills discounted.

(vi) *Supply of spare parts of diesel engines*

The Company exported spare parts of diesel engines to Sudan during 1979-80 and received payment thereof in local currency in four cases and remittance could not be had in India. In two cases payments were arranged and received in India. In third case a claim for Rs. 3.12 lakhs against a total claim of Rs. 3.47 lakhs was received resulting in a loss of Rs. 0.35 lakh. In the fourth case claim for Rs. 1.47 lakhs was rejected by the ECGC as shipment was made after the expiry of the specific time limit and the Company had to bear entire loss of Rs. 1.47 lakhs. In addition Company had to bear overdue interest of Rs. 0.21 lakh on the bills discounted in absence of any specific provision in the supply contract with the manufacturer supplier. The terms of payments were against documents instead of irrevocable letters of credit or payment terms in permitted currencies in which case losses of Rs. 2.03 lakhs could have been avoided.

4.7 Financial assistance

(a) *Cash assistance advances*

During the year 1978-79 the Company granted advances aggregating Rs. 4.02 lakhs to two parties against the cash assistance receivable by them from the Government against the three consignments exported (value : Rs. 10.66 lakhs).

Application for cash assistance claims (Rs. 2.43 lakhs) were not made within the stipulated time limit for two consignments and hence the claims were rejected. In the third case cash assistance claim allowed was adjusted against the previous claims wrongly allowed. Hence the amount advanced in the three cases remained outstanding for recovery from the two parties but the Company was not charging any interest on these advances from 1st April 1980. The interest not charged would amount to Rs. 1.99 lakhs up to 31st October 1982.

The Company stated (December 1982) that the matter of outstanding cash assistance was being pursued with the concerned authorities and on receipt thereof the same would be adjusted. For non-charging of interest on advances from 1st April 1980 it was stated that there being inordinate delay in grant of cash assistance by the Government it would have been unfair on the part of the Company if interest had been charged after that date.

(b) Avoidable payment of interest

The Exchange Control Regulations stipulate that the amount representing full export value of the goods exported must be realised by the exporter within three months from the date of exports in case of shipments to Pakistan and Afghanistan and within six months from date of exports in case of shipments to all other countries. However, this was not done in a number of cases which ultimately resulted in avoidable payment of interest on bills discounted by the Company. A review of such cases of interest payments of Rs. 10,000 or more paid during April 1980 to November

1981, revealed that out of a total interest of Rs. 14.23 lakhs paid during the period on bills discounted by the Company, in six cases alone extra payment of interest amounted to Rs. 7.52 lakhs. This was due to non-payment or late payment by the overseas buyers of the value of goods exported by the Company. The Company had to bear this extra interest payments as the supply contracts did not provide for the recovery of such interest payments.

4.8 Internal audit

It was pointed out in paragraph 6.4 of the Report of the Comptroller and Auditor General of India for 1974-75 that the Company had not introduced any system of internal control and check of accounts. The Management had stated (July 1975) that a system of internal audit would be introduced on availability of a suitable person for the post of internal auditor. Thereafter the Company had entrusted the work of internal audit to a firm of Chartered Accountants for the year 1976-77. In October 1977 the Board of Directors was informed that the management audit through internal audit system could be better achieved if the Company was having its own internal audit department instead of getting the same through a firm of Chartered Accountants. The Board had then decided to have internal audit by an internal agency responsible to the Board. However, there was no progress made in this direction. The Management stated (October 1982) that looking to the cost involved as compared to its utility, no internal auditors had been appointed after the year 1976-77, specifically, in view of the fact that

there after the business of the Company had started declining. There is, however, always a need for an independent internal audit.

4.9 Accounts manual

An accounting manual covering the organisational set-up, delegation of powers to various categories of officers, forms in which the accounts are to be maintained and the manner in which the business is to be transacted has not been prepared and got approved by the Board. The Management stated (October 1982) that the preparation of the accounting manual was under consideration.

4.10 Other topics of interest

(a) *Imposition of fine Rs. 0.50 lakh*

Twenty cases of spherical roller bearings (value : Rs. 0.66 lakh) were imported by the Company from U. K. by sea in March 1977 against an import licence, against an item which covered taper thrust roller bearings. As the spherical roller bearings imported were not covered by the description in the licence list, Customs authorities, in terms of Note (6) of Schedule II of Volume II Policy Book, allowed only 10 *per cent* of the face-value of the licence *i. e.*, Rs. 14,967 and the rest of the goods were treated as not covered by the licence produced. The Deputy Collector of Customs, Bombay imposed a fine of Rs. 0.50 lakh in lieu of confiscation of the goods.

(b) *Import : Under-invoicing*

The Company obtained an actual users import licence for Rs. 10.65 lakhs in December 1975 (valid for 24 months)

and agreed (November 1976) to import items valued at Rs. 1.00 lakh for a party 'A', introduced to the Company by a broker, on payment of 15 per cent service charges.

Party 'A' negotiated with a foreign firm of Switzerland for supply of measuring instruments. The Company allowed the party to act on its behalf in placement of order, selection of the items, financing, receiving the original documents, etc., which normally should be done by the Company, as the documents and consignments were to come in its name as holder of the licence. The consignments were received by air in December 1976 and February 1977.

The Directorate of Revenue Intelligence (DRI) gathered that the goods covered by the consignments were grossly under-invoiced and were imported by a party who was not the actual user and who had selected the items and placed orders/indents on the foreign supplier, received the documents and financed the entire transaction. The case was taken up by the DRI for investigation. The Office premises and residence of party 'A' were searched by the Officers of the DRI and incriminating documents were seized (March 1977) and after inspection of consignments (July 1977) the same were confiscated.

The investigation revealed that the party 'A' was in contact with a foreign supplier in Switzerland and had made arrangements with them to under-invoice the consignments.

A show cause notice under Section 124 of the Customs Act, 1962 was served on party 'A' and the Company for contravention of the provisions of Section 112 (iii) for under-

invoicing. The case was heard in December 1977 by the Collector of Customs, Bombay, who in addition to confiscation of the goods, imposed a penalty of Rs. 2 lakhs on the party 'A' and Rs. 1 lakh on the Company.

The Company's action in allowing the party to act on its behalf and consequent under-invoicing and underdeclaration of the value of goods imported resulted in the avoidable and irregular payment of the penalty of Rs. 1 lakh by the Company.

- There were five Statutory Corporations in the State as on 31st March 1982 :
- Gujarat Electricity Board.
 - Gujarat Industrial Development Corporation.
 - Gujarat State Financial Corporation.
 - Gujarat State Road Transport Corporation, and
 - Gujarat State Warehousing Corporation.

A synoptic statement showing the summarised financial results of the Corporations based on the accounts for 1981-82 is given in Appendix III.

5.2 Gujarat Electricity Board

The working results and operational performance of Gujarat Electricity Board and a review on the working of Ukai Hydro Power Station have been dealt with in Section VI of this Report.

CHAPTER II

STATUTORY CORPORATIONS

SECTION V

5.1 Introduction

There were five Statutory Corporations in the State as on 31st March 1982 :

- Gujarat Electricity Board,
- Gujarat Industrial Development Corporation,
- Gujarat State Financial Corporation,
- Gujarat State Road Transport Corporation, and
- Gujarat State Warehousing Corporation.

A synoptic statement showing the summarised financial results of the Corporations based on the accounts for 1981-82 is given in Appendix 'B'.

5.2 Gujarat Electricity Board

The working results and operational performance of Gujarat Electricity Board and a review on the working of Ukai Hydro Power Station have been dealt with in Section VI of this Report.

5.3 Gujarat Industrial Development Corporation

5.3.1 Introduction

Gujarat Industrial Development Corporation was formed in August 1962 under the Gujarat Industrial Development Act, 1962.

5.3.2 Capital

The capital requirements of the Corporation are provided in the form of loans from the State Government, the public and from the financial institutions.

The aggregate of long-term loans (including loans from Government) obtained by the Corporation was Rs. 85,19.74 lakhs at the end of 1981-82 and represented an increase of Rs. 13,58.49 (19.0 *per cent*) on the long-term loans of Rs. 71,61.25 lakhs as at the end of the previous year. Details of loans obtained from different sources and outstanding at the close of the two years up to March 1982 were as follows :

Surces	Amount outstanding as on 31st March		Percentage increase
	1981	1982	
(Rupees in lakhs)			
1. State Government	23,64.90	32,03.63	35.5
2. Public	18,63.99	19,73.50	5.9
3. Banks	17,44.58	21,68.34	24.3

Sources	Amount outstanding as on 31st March		Percentage— increase
	1981	1982	
4. Life Insurance Corporation of India	9,48.00	8,85.50	..
5. Housing and Urban Development Corporation	2,13.78	2,88.77	35.1
6. Others	26.00	..	..
	-----	-----	-----
Total ..	71,61.25	85,19.74	19.0
	-----	-----	-----

Government had also given subsidies to the Corporation for development of rural industrial estates and for implementing the scheme for providing employment to educated unemployed persons and other schemes sponsored by Government. The amount of subsidy remaining unutilised or unadjusted as on 31st March 1982 was Rs. 2,14.13 lakhs out of Rs. 3,99.85 lakhs received till that date.

5.3.3 Guarantees

Government had guaranteed the repayment of loans raised by the Corporation to the extent of Rs. 43,13.21 lakhs* and the payment of interest thereon. The amount of principal guaranteed and outstanding as on 31st March 1982 was Rs. 38,52.40 lakhs*.

* The figures as per Finance Accounts are Rs. 64,54.32 lakhs and Rs. 62,21.19 lakhs respectively; the differences are under reconciliation.

5.3.4 Financial position

The financial position of the Corporation at the close of three years up to March 1982 is given in the following table:

Liabilities	1979-80	1980-81	1981-82
	(Rupees in lakhs)		
(a) Loans	50,82.89	71,61.25	85,19.74
(b) Subsidy from Government ..	2,33.36	2,40.34	2,14.13
(c) Reserve and surplus ..	1,85.77	2,26.64	2,67.32
(d) Receipt on capital account ..	19,86.71	24,98.08	31,87.54
(e) Current liabilities and provisions (including deposits)	13,53.40	17,64.30	24,83.94
Total ..	88,42.13	118,90.61	146,72.67
Assets			
(a) Gross block ..	60.85	74.45	80.37
(b) Less : Depreciation ..	24.60	30.60	37.80
(c) Net fixed assets ..	36.25	43.85	42.57
(d) Capital expenditure on development of industrial estates, etc.	69,20.60	92,29.49	116,52.03
(e) Investments	76.94	76.94	76.94
(f) Other assets	17,69.54	24,81.20	28,46.14
(g) Miscellaneous expenditure ..	38.80	59.13	54.99
Total ..	88,42.13	118,90.61	146,72.67
@ Capital employed ..	68,77.96	88,07.52	111,57.52
£ Capital invested ..	52,68.66	73,87.89	87,87.06

@ Capital employed represents the mean of the aggregates of opening and closing balances of reserves and surplus, subsidy from Government, borrowings and receipt on capital account.

£ Capital invested represents long-term loans *plus* free reserves.

5.3.5 Working results

The working results of the Corporation for the three years up to 1981-82 are summarised below :

	1979-80	1980-81	1981-82
	(Rupees in lakhs)		
(a) Revenue receipts	6,09.01	7,74.82	10,05.23
(b) Net expenditure (after capitalisation)	5,69.33	7,33.94	9,64.55
(c) Excess of income over expenditure	39.68	40.88	40.68
(d) Provision for replacement and renewals	19.91	30.52	30.05
(e) Net surplus	19.77	10.36	10.63
(f) Total return on			
(a) Capital employed	3,89.97	5,49.54	7,66.92
(b) Capital invested	3,89.97	5,49.54	7,66.92
	(Per cent)		
(g) Rate of return on			
(a) Capital employed	5.7	6.2	6.9
(b) Capital invested	7.4	7.4	8.7

5.3.6 Operational performance

The following table indicates the operational performance of the Corporation for the three years up to 1981-82 :

		As on 31st March		
		1980	1981	1982
(a) Number of estates	..	111	132	139
(b) Area acquired	..	6,653.0	8,842.0	9,399.0
(c) Area developed	..	3,951.3	4,726.7	5,026.0
(d) Area allotted	..	2,632.7	2,985.8	3,355.3

As on 31st March

	1980	1981	1982
	(Numbers)		
(e) Number of sheds			
(i) constructed	5,437	6,530	7,237
(ii) allotted	5,234	6,189	6,870
(f) Number of housing quarters..			
(i) constructed	3,244	4,118	6,341
(ii) allotted	2,995	3,524	4,271
	(Per cent)		
(g) Percentage of			
(i) area developed to area acquired	59.4	53.5	53.5
(ii) area allotted to area developed	66.6	63.2	66.8
(iii) sheds allotted to sheds constructed	96.3	94.8	94.9
(iv) quarters allotted to quar- ters constructed	92.3	85.6	67.4

5.4 Gujarat State Financial Corporation

5.4.1 Introduction

Gujarat State Financial Corporation was established in May 1960 under the State Financial Corporations Act, 1951. The jurisdiction of the Corporation was extended to serve the union territory of Dadra and Nagar Haveli also with effect from 11th May 1967.

5.4.2 Capital

The paid-up capital of the Corporation as on 31st March 1982 remained unchanged at Rs. 10,00.00 lakhs (State Government : Rs. 4,89.04 lakhs, Industrial Development Bank of India : Rs. 4,70.00 lakhs and others :Rs. 40.96 lakhs)

5.4.3 Guarantees

The Government had guaranteed the repayment of share capital of Rs. 9,00.00 lakhs* (excluding special share capital of Rs. 1,00.00 lakhs) under Section 6(1) of the State Financial Corporations Act, 1951 and payment of minimum dividend thereon at the rate of $3\frac{1}{2}$ per cent. The table below indicates the details of other guarantees given by Government for repayment of loans and fixed deposits raised/received by the Corporation and payment of interest thereon :

Particulars	Years of guarantee	Amount guaranteed	Amount outstanding as on 31st March 1982		
			Principal	Interest	Total
(Rupees in lakhs)					
Loans ..	1965-66 to 1981-82	65,49.50	59,94.50	Nil	59,94.50
Fixed deposits ..	1965-66 to 1978-79	5,00.00	31.11	Nil	31.11
Total ..		70,49.50**	60,25.61	Nil	60,25.61**

*The figure as per Finance Accounts is Rs. 7,00.00 lakhs; the difference is under reconciliation.

**The figures as per Finance Accounts are Rs. 86,06.05 lakhs and Rs. 80,62.17 lakhs respectively; differences are under reconciliation.

5.4.4 Financial position

The table below summarises the financial position of the Corporation under the broad headings for the three years up to 1981-82 :

	1979-80	1980-81	1981-82
	(Rupees in lakhs)		
Capital and liabilities			
(a) Paid -up capital ..	10,00.00	10,00.00	10,00.00
(b) Reserve fund, other reserves and surplus	6,89.76	7,98.68	8,34.65
(c) Borrowings			
(i) Bonds and debentures ..	46,19.50	53,34.50	59,94.50
(ii) Deposits ..	1,62.19	64.49	31.11
(iii) Industrial Development Bank of India	46,82.51	58,16.65	66,71.91
(iv) Loans towards share capital			
(a) State Government ..	2,00.00	2,00.00	4,13.34
(b) Industrial Development Bank of India	2,00.00	2,00.00	4,32.38
(v) Others (including State Government loans)	1,43.16	1,66.10	2,41.10
(d) Other liabilities and provisions	3,59.43	3,61.25	2,70.82
Total ..	1,20,56.55	1,39,41.67	1,58,89.81

	1979-80	1980-81	1981-82
(Rupees in lakhs)			
Assets			
(a) Cash and bank balances ..	4,08.88	4,41.25	8,77.63
(b) Investments ..	1,18.23	1,14.91	69.62
(c) Loans and advances ..	98,04.41	1,16,37.84	1,37,91.37
(d) Net fixed assets ..	9.62	14.92	18.49
(e) Other assets ..	17,15.41	17,32.75	11,32.70
Total ..	1,20,56.55	1,39,41.67	1,58,89.81
£Capital employed ..	1,05,63.37	1,26,07.27	1,45,83.95
+Capital invested ..	1,10,91.12	1,29,53.74	1,49,87.56

5.4.5 Working results

The following table gives details of working results of the Corporation for the three years up to 1981-82 :

Particulars	1979-80	1980-81	1981-82
(Rupees in lakhs)			
1. Income			
(a) Interest on loans ..	9,47.43	10,86.49	7,49.54
(b) Other income ..	53.20	53.71	86.38
Total ..	10,00.63	11,40.20	8,35.92
2. Expenses			
(a) Interest on long-term loans	5,84.44	7,10.73	5,81.25
(b) other expenses ..	1,62.87	3,47.56	2,28.36
Total ..	7,47.31	10,58.29	8,09.61

£Capital employed represents the mean of the aggregates of the opening and closing balances of paid-up capital, reserves (other than those which have been funded specifically and backed by investment outside), bonds, deposits and borrowings (including refinance).

+Capital invested represents paid-up capital plus long-term loans plus free reserves.

Particulars	1979-80	1980-80 (Rupees in lakhs)	1981-82
3. Profit before tax ..	2,53.32	81.91	26.31
4. Provision for tax ..	90.86	29.06	5.42
5. Other appropriation ..	1,30.47	37.00	20.50
6. Amount available for dividend ..	31.99	31.78	16.02*
7. Dividend paid ..	24.55	31.50	**
8. Total return on			
(a) Capital employed ..	8,37.76	7,92.64	6,07.56
(b) Capital invested ..	8,37.76	7,92.64	6,07.56
9. Percentage of return on		(Per cent)	
(a) Capital employed ..	7.9	6.3	4.2
(b) Capital invested ..	7.6	6.1	4.1

The Corporation has switched over with effect from 1st April 1981 to cash system of accounting from mercantile system followed in earlier years. As a result the amounts of income/expenses and profit before tax show a downward trend as compared to earlier years.

5.4.6 Disbursement and recovery of loans

The performance of the Corporation in the disbursement / recovery of loans during the three years up to 1981-82 is indicated on pages 114-115.

*Includes refund of Income-tax for earlier years, surplus carried forward from previous year and adjustments of previous years.

**Due to inadequacy of profits Corporation has approached the State-Government for subvention of Rs. 31.50 lakhs to pay guaranteed dividend for the year 1981-82.

Particulars	1979-80		1980-81	
	Number	Amount (Rupees in lakhs)	Number	Amount (Rupees in lakhs)
1 Applications pending at the beginning of the year	456	16,68.84	371	18,27.97
2 Applications received	2,200	78,09.32	2,293	1,03,93.40
3 Total	2,656	94,78.16	2,664	1,22,21.37
4 Applications sanctioned	1,492	36,35.11	1,405	45,34.06
5 Applications cancelled/ withdrawn / rejected / closed	793	34,73.45	856	42,20.76
6 Difference between loan applied and sanctioned	---	5,41.63	---	5,92.84
7 Applications pending at the close of the year	371	18,27.97	403	28,73.71
8 Loans disbursed	1,117	22,28.53	957	27,50.97
9 Amount outstanding at the close of year	8,228	98,04.41*	9,041	1,12,34.54*
10 Amount overdue for reco- very at the end of the year				
(a) Principal	6,030	21,77.87	6,882	28,65.15
(b) Interest	6,030	10,57.85	6,882	9,57.51
11 Percentage of default to total loans outstanding	73.3	33.0	76.1	34.0

*The figure of outstanding loans at the end of the year includes other

** Party-wise break-up of amount of instalments whether of principal or compiled by the Corporation.

1981-82		Cumulative since inception	
Number	Amount (Rupees in lakhs)	Number	Amount (Rupees in lakhs)
403	28,73.71	..	..
2,309	1,07,11.59	24,264	6,08,03.50
2,712	1,35,85.30	24,264	6,08,03.50
1,614	59 10.15	17,922	3,24,23.86
821	52,05.45	6,065	2,14,65.80
..	9,00.54	..	53,44.68
277	15,69.16	277	15,69.16
1,069	33,04.78	12,448	1,92,16.06
9,780	1,34,09.32	..	..
**	28,66.75	..	..
**	12,5..26	..	..
..	30.7	..	..

charges debited to loanee's accounts.

interest overdue for recovery as on 31st March 1982 were not

5.5 Gujarat State Road Transport Corporation

The working results and operational performance of Gujarat State Road Transport Corporation, review of un-economic routes operated by the Corporation and a review on purchase of chassis and body building are dealt with in Section VII of this Report.

5.6 Gujarat State Warehousing Corporation

5.6.1 *Introduction*

The Gujarat State Warehousing Corporation was established by the State Government on 5th December 1960, under Section 28 of the Agricultural Produce (Development and Warehousing) Corporations Act, 1956 (repealed by the Warehousing Corporations Act, 1962). It started functioning in February 1961.

5.6.2 *Capital*

The paid-up capital of the Corporation was Rs. 1,53.00 lakhs (State Government : Rs. 95.50 lakhs ; Central Warehousing Corporation : Rs. 57.50 lakhs) as on 31st March 1982. As per the provisions contained in Section 19(2) of the Act, contribution by the State Government and Central Warehousing Corporation has to be in equal proportions. However, out of the matching contribution for the years 1976-77 (Rs. 7.00 lakhs) and 1978-79 (Rs. 31.00 lakhs) due from the Central Warehousing Corporation; Rs. 18.00 lakhs were received in the year 1982-83.

5.6.3 Financial position

The table below summarises the financial position of the Corporation under the broad headings for the three years up to 1981-82 :

Liabilities		1979-80	1980-81	1981-82
		(Rupees in lakhs)		
(a) Paid-up capital	..	1,53.00	1,53.00	1,53.00
(b) Reserves and surplus	..	1,03.57	1,01.29	1,19.71
(c) Borrowings	..	4.00	..	..
(d) Trade dues and other current liabilities (including provisions)		1,40.02	1,17.47	2,03.19
Total	..	4,00.59	3,71.76	4,75.90
Assets				
(a) Gross block	..	94.12	1,23.03	1,50.07
(b) Less : Depreciation	..	13.98	16.94	20.62
(c) Net fixed assets	..	80.14	1,06.09	1,29.45
(d) Capital works-in-progress		10.88	11.32	17.83
(e) Current assets, loans and advances	..	3,09.57	2,54.35	3,28.62
Total	..	4,00.59	3,71.76	4,75.90
*Capital employed	..	2,40.51	2,33.79	2,45.70
**Capital invested	..	2,51.39	2,45.11	2,63.53

*Capital employed represents fixed assets *plus* working capital.

**Capital invested represents paid-up capital *plus* long-term loans *plus* free reserves.

5.6.4. Working results

The following table gives the details of working results of the Corporation for the three years up to 1981-82:

Particulars	1979-80	1980-81	1981-82
	(Rupees in lakhs)		
1. Income			
(i) Warehousing charges ..	49.32	42.78	45.78
(ii) Other income ..	14.53	30.69	24.92
Total ..	63.85	73.47	70.70
2. Expenses			
(i) Establishment charges	17.80	19.94	20.11
(ii) Interest	0.31	0.16	..
(iii) Other expenses ..	32.19	35.50	28.86
Total ..	50.30	55.60	48.97
3. Profit before tax ..	13.55	17.87	21.73
4. Provision for tax ..	3.24	3.72	3.31
5. Other appropriations ..	3.58	11.43	6.61
6. Amount available for dividend*	19.65	15.14	17.77
7. Dividend paid for previous year	7.32	9.18	**
8. Total return on			
(a) Capital employed ..	13.86	18.03	21.73
(b) Capital invested ..	13.86	18.03	21.73
	(Per cent)		
9. Rate of return on			
(a) Capital employed ..	5.8	7.7	8.8
(b) Capital invested ..	5.5	7.4	8.3

*Includes surplus from earlier years.

**Dividend for the year 1980-81 has not been disbursed although dividend @ 6% (Rs. 9.18 lakhs) was recommended by the Board of Directors and approved by members at the Annual General Meeting for 1980-81.

Gross income had decreased by about Rs.2.77 lakhs whereas income from warehousing charges increased by Rs. 3.00 lakhs. This was due to increase in average occupancy from 81,433 tonnes in 1980-81 to 98,901 tonnes in the year 1981-82.

The shortfall in other income of Rs. 5.77 lakhs was mainly due to less handling of imported cement (83,628 tonnes as against 1,08,817 tonnes in 1980-81).

5.6.5 Operational performance

The following table gives details of storage capacity created, capacity utilised and other information about the performance of the Corporation for the three years up to 1981-82 :

Particulars	1979-80	1980-81	1981-82
1. Number of stations covered	86	55	51
2. Storage capacity created up to end of the year (tonnes in lakhs)			
(a) Owned	0.73	0.71*	0.77
(b) Hired	1.45	0.84**	0.86
Total	2.18	1.55	1.63
3. Average capacity utilised during the year (tonnes in lakhs)	1.26	0.82	0.99
4. Percentage of utilisation ..	57.8	52.9	60.6
5. Average revenue per tonne per year (Rupees)	50.7	89.6	71.4
6. Average expenses per tonne per year (Rupees)	39.9	67.8	49.5

*The reduction in constructed capacity was due to adoption of uniform formula for calculating capacity by Central and State Warehousing Corporations.

**The reduction was due to closure of 24 centres where custom was withdrawn and there was no possibility of attracting fresh custom.

SECTION VI

GUJARAT ELECTRICITY BOARD

6.1 Introduction

Gujarat Electricity Board was formed in May 1960 under Section 5(1) of the Electricity (Supply) Act, 1948.

6.2 Capital

The capital requirements of the Board are provided in the form of loans from the Government, the public, the banks and other financial institutions.

The aggregate of the long-term loans (including loans from Government) obtained by the Board was Rs. 902,03.70 lakhs at the end of 1981-82 and represented an increase of Rs. 121,74.14 lakhs *i. e.* 15.6 *per cent* on the long-term loans of Rs. 780,29.56 lakhs as at the end of the previous year. Details of loans obtained from different sources and outstanding at the close of the two years up to March 1982 were as follows :

Source	Amount outstanding as on 31st March		Percentage increase
	1981	1982	
	(Rupees in lakhs)		
1. State Government	523,13.58	598,83.58	14.5
2. Debenture/Bonds	122,35.57	142,13.39	16.2
3 Life Insurance Corporation of India	59,09.08	67,56.75	14.3

Source	Amount outstanding as on 31st March		Percentage increase
	1981	1982	
(Rupees in lakhs)			
4. Rural Electrification Corporation Limited	38,73.71	50,82.85	31.2
5. Agricultural Re-finance and Development Corporation	24,97.15	25,09.21	0.5
6. Agricultural Finance Corporation	6,75.68	5,22.40	..
7. Industrial Development Bank of India	2.83	4,25.27	**
8. Commercial Banks ..	2.52	1.64	..
9. Deferred payments ..	8.96	7.09	..
10. Others ..	5,10.48	8,01.52	57.0
Total ..	780,29.56	902,03.70	15.6

6.3 Guarantees

Government had guaranteed the repayment of loans raised by the Board to the extent of Rs. 340,80.86* lakhs and the payment of interest thereon. The amount of principal guaranteed and outstanding as on 31st March 1982 was Rs. 235,91.20 lakhs.*

*The figures as per Finance Accounts are Rs. 339,61.75 lakhs and Rs. 338,88.89 lakhs; the differences are under reconciliation.

**Percentage increase is very high in this case.

6.4 Financial position

The financial position of the Board at the close of three years up to 1981-82 is given in the following table :

<i>Liabilities</i>	1979-80	1980-81	1981-82
	(Rupees in lakhs)		
(a) Loans from Government	423,99.90	523,13.58	598,83.58
(b) Other long-term loans (including bonds)	213,10.88	257,15.98	303,20.12
(c) Reserves and surplus	67,34.58	83,99.21	108,09.58
(d) Current liabilities and provisions	186,27.63	212,40.87	248,80.00
Total	890,72.99	1076,69.64	1258,93.28
<i>Assets</i>			
(a) Gross fixed assets	636,02.05	688,17.63	809,59.79
(b) <i>Less</i> : Depreciation	97,24.51	111,90.35	127,26.39
(c) Net fixed assets	538,77.54	576,27.28	682,33.40
(d) Capital works-in-progress	180,43.30	268,19.97	322,54.06
(e) Current assets and miscellaneous expenditure	171,52.15	232,22.39	254,05.82
Total	890,72.99	1076,69.64	1258,93.28
(i) Capital employed	523,03.29	594,28.99	686,31.46
(ii) Capital invested	692,00.33	840,94.57	970,14.78

Notes : (i) Capital employed represents net fixed assets (excluding capital works-in-progress) *plus* working capital.

(ii) Capital invested represents long-term loans *plus* free reserves.

5.5 Working results

The working results of the Board for the three years up to 1981-82 are summarised below :

	1979-81	1980-81	1981-82
	(Rupees in lakhs)		
(a) Revenue receipts	211,13.80	245,32.23	326,27.61
(b) Subsidy / Subvention from Government	25.47	39,99.57	5,37.37
Total	211,39.27	285,31.80	331,64.98
(c) Revenue expenditure	154,90.29	230,05.25	263,98.80
(d) Gross surplus	56,48.98	55,26.55	67,66.18
(e) Appropriations			
(i) Interest on Govern- ment loans	31,58.71	25,60.41	25,60.41
(ii) Interest on other loans/bonds	15,43.28	18,96.39	25,47.56
(iii) Preliminary expe- nses written off	..	5.69	..
(iv) Contribution to dis- count sinking fund	5.43	4.92	4.74
(v) Repayment of loans other than Govern- ment loans	9,41.56	10,59.14	16,53.47
Total	56,48.98	55,26.55	67,66.18
(f) Total return on capital employed	58,58.03£	56,55.16£	69,23.44£
(g) Total return on capital invested	56,43.55	55,15.94	67,61.44
(h) Rate of return on			
(i) Capital employed	11.2	9.5	10.1
(ii) Capital invested	8.2	6.6	7.0

£ Includes interest of Rs. 2,14.48 lakhs, Rs. 1,39.22 lakhs and Rs. 1,62.00 lakhs included under revenue expenditure for 1979-80, 1980-81 and 1981-82 respectively.

As on 31st March 1982 the Board had a cumulative contingent liability of Rs. 87,97.50 lakhs as detailed below :

	For the year 1981-82	Cumulative as on 31st March 1982
Interest on Government loans .. ..	..	49,70.73
Depreciation which could not be provided ..	8,92.15	38,26.77
Total ..	<u>8,92.15</u>	<u>87,97.50</u>

6.6 Operational performance

The following table indicates the operational performance of the Board for the three years up to 1981-82 :

Particulars	1979-80	1980-81	1981-82
		(M W)	
1. Installed capacity			
(i) Thermal	1,512.5	1,512.5	1,722.5
(ii) Hydro	300.0	300.0	300.0
(iii) Others	56.5	56.5	56.5
Total* ..	<u>1,869.0</u>	<u>1,869.0</u>	<u>2,079.0</u>
2. Normal maximum demand..	1,632.0	1,798.0	2,000.0
3. Power generated		(Mkwh)	
(i) Thermal	6,126.502	6,925.812	7,444.680
(ii) Hydro	1,206.333	888.463	1,139.140
(iii) Others	75.860	46.462	22.010
Total ..	<u>7,408.695</u>	<u>7,860.737</u>	<u>8,605.830</u>

* These do not include Gujarat Electricity Board's share (190 MW) in installed capacity in Tarapur Atomic Power Project.

Particulars	1979-80	1980-81 (Mkwh)	1981-82
4. <i>Less :</i>			
Auxiliary consumption including transformation loss ..	748.278	727.273	770.750
5. Net power generated ..	6,660.417	7,133.464	7,335.080
6. Power purchased ..	845.953	988.804	980.803
7. Total power available for sale	7,506.370	8,122.268	8,815.883
8. Power sold	6,243.776	6,516.731	7,047.219
9. Transformation, transmission and distribution loss ..	1,262.594	1,605.537	1,768.664
		(per cent)	
10. Load factor	57.6	56.2	54.7
11. Transmission and distribution loss (9 to 7)	16.8	19.8	20.1
		(Kwh)	
12. Number of units generated per Kw of installed capacity	3,964	4,206	4,139

6.7 The following table gives other details about the working of the Board as at the end of three years up to 1981-82 :

Particulars	1979-80	1980-81 (Numbers)	1981-82
(1) Villages/towns electrified (cumulative)	10,867	12,515	13,645
(2) Pumpsets/wells energised (cumulative)	2,02,853	2,31,226*	2,51,616
(3) Sub-stations	225	229	243
(4) Transmission/distribution lines (kilometres)			
(i) High/medium voltage	69,748	75,618	81,152
(ii) Low voltage	62,736	69,892	76,028
(5) Connected load (MW)	3,759.321	4,199.036	4,572.860
(6) Number of consumers	23,09,700	25,43,155	26,66,423
(7) Number of employees	28,068	29,932	31,864
(8) Total expenditure on staff (Rupees in lakhs)	3,020	4,057	5,311
(9) Percentage of expenditure on staff to total expenditure	19.5	17.6	20.1

*Figures for 1980-81 have been corrected by the Board.

6.8. The following table gives the details of power sold, revenue, expenses and profit/loss per Kwh sold during the three years up to 1981-82 :

	1979-80	1980-81 (Mkwh)	1981-82
(1) Units sold			
(a) Agriculture (percentage share to total)	1,213.199 (19.4)	1,298.405 (19.9)	1,275.474 (18.1)
(b) Industrial (percentage share to total)	3,213.447 (51.5)	3,329.561 (51.1)	3,656.346 (51.9)
(c) Commercial	63.849	74.522	86.232
(d) Domestic	368.787	393.046	442.363
(e) Others	1,384.494	1,421.197	1,586.804
Total	6,243.776	6,516.731	7,047.219
		(Paise per Kwh)	
(2) Revenue (excluding subsidy from Government)	33.82	37.65	46.30
(3) Expenditure*	27.71	36.38	38.73
(4) Profit (+)/loss (-)	(+)6.11	(+)1.27	(+)7.57

6.9 Ukai Hydro-electric Power Station

6.9.1 Introduction

The Ukai Hydro-electric Power Station was conceived in 1955 as a part of the Ukai Multipurpose River Valley Project of the State Government. It envisaged the installation of a power station with a generating capacity of 160 MW comprising four units of 40 MW capacity each to operate at a load factor of 60 *per cent* and was approved by the Planning Commission in 1961. However, on the

* Inclusive of total depreciation for the year but excluding interest on loans.

advice of the Central Water and Power Commission, Government decided in March 1965 to design it as a peaking station with a capacity of 300 MW (four units of 75 MW each) for operation at a low load factor of 30 *per cent*. In March 1967, Government entrusted the construction of the power station to the Gujarat Electricity Board, while the intake structure, penstocks, control gates and tail race channel which formed part of the main dam and allied works, were to be executed by the Public Works Department of the Government.

The construction of the power station estimated (May 1968) to cost Rs. 22.60 crores (works to be executed by the Board : Rs. 17.38 crores) and expected to be completed by 1972-73, was commenced in April 1967 and was completed and commissioned in March 1976 (fourth unit) at a cost of Rs. 16.24 crores.

In March 1983, Government decided that

(i) the total cost on dam works (Rs. 77.47 crores) was allocable between power and irrigation in the ratio of 65.88 to 34.12; the power component (Rs. 51.04 crores) was to be borne by the Board;

(ii) the maintenance cost also was to be shared in the same ratio ; and

(iii) the sum of Rs. 16.02 crores advanced to the Board for construction of the power house, along with the sums referred to in (i) and (ii) and also part of cost of Unit III incurred by the Public Works Department, in all aggregating Rs. 73.24 crores should be treated as a loan under Section 64 of the Electricity (Supply) Act, 1948.

6.9.2 Performance of the power station

The installed capacity of the station is 300 MW consisting of four sets of 75 MW each for operation at a low load factor of 30 per cent for peak demands. The sets have also been designed to take 15 per cent continuous overload so as to enable the utilisation of the large quantity of water available during rainy season. Thus, the actual capacity would work out to 344 MW. Further, an average performance efficiency of not less than 88.2 per cent under a net head of 47.8 metres was guaranteed by the manufacturers Bharat Heavy Electricals Limited (BHEL) in respect of the turbines supplied by them. The generating sets are, however, yet to be tested with regard to their performance (December 1982).

The following table analyses the overall performance of the power station on the basis of hours available for operation, hours actually utilised for generation of electricity and shortfall in generation and reasons therefor :

<i>Particulars</i>	1977-78	1978-79	1979-80	1980-81	1981-82
1. Installed capacity (MW)	300	300	300	300	300
2. Maximum demand (MW)	225	222	225	300	300
3. (a) Total hours available for operation in the year	35,040	35,040	35,136	35,040	35,040
(b) Less :					
(i) Reserved shut down hours*	1,007	1,346	4,784	8,266	10,356
(ii) Planned shut down hours**	3,903	2,476	10,387	10,387	6,163

* Reserved shut down indicates shut down due to non-requirement by the system (though ready to operate).

** Planned shut down indicates closure for preplanned preventive maintenance.

<i>Particulars</i>	1977-78	1978-79	1979-80	1980-81	1981-82
(iii) Forced shut down hours*	10,668	12,379	1,493	2,331	642
(b) Total non-operated hours	15,578	16,201	16,664	20,984	17,161
(c) Total hours actually operated (a-b)	19,462	18,839	18,472	14,056	17,879
4. Units which could have generated in hours available for operation (Mkwh)	2628	2628	2635	2628	2628
5. Units which could have been generated in hours actually operated (Mkwh)	1460	1413	1385	1054	1341
6. Units actually generated (Mkwh)	1292	1161	1206	888	1139
7. Shortfall in generation due to non-operated hours (Mkwh) (4—5)	1168	1215	1250	1574	1287
8. Shortfall in generation due to under utilisation of capacity during actually operated hours (Mkwh) (5—6)	168	252	179	166	202
			(Per cent)		
9. Percentage of non-operated hours to available hours	44.5	46.2	47.4	59.9	49.0
10. Percentage of under utilisation during actually operated hours	11.5	17.8	12.9	15.7	15.1

* Forced shut down represents break down of the plant due to deficiency in design and manufacturing defects.

Unit-II was not at all in operation during 1977-78. Similarly, unit IV was not in operation during 1979-80. Generally not more than two sets were in actual operation for most of the time.

There was also a steep decrease in generation during 1980-81 as all the sets required frequent maintenance and renovation.

Hours lost were mostly on account of planned shut down for rectification of defects in the sets, modifications, etc. The Board has not prescribed any percentage of permissible under-utilisation of capacity during operation nor analysed reasons for variations from year to year.

6.9.3 Renovation/rectification work of 4 sets

(a) (i) After commissioning of the units, each unit developed certain defects within the warranty period. The major problems which, according to the Board, were attributable to design and manufacturing defects in the sets were resolved and the defects rectified from time to time between May 1975 to March 1979 by BHEL under warranty clause of the contract (except in respect of Unit IV-*vide* paragraph (ii) below).

Unit-wise record of the expenditure on account of cost of material issued, wages to labourers, cost of other services rendered by the Board for renovation work, etc., which was recoverable from BHEL under warranty clause of the contract was not maintained.

Out of Rs. 8.08 lakhs to be recovered from BHEL according to the Board Rs. 3.35 lakhs only were so far recovered/adjusted from BHEL (December 1982).

(ii) Frequent closure of Unit IV

Unit IV was commissioned on 4th March 1976. This unit had met with frequent breakdowns mainly due to design and manufacturing defects requiring repairs/renovation at frequent intervals and was out of operation particularly during the following periods for the reasons mentioned against each period :

<i>Periods of closure</i>	<i>Brief reasons for breakdown</i>
December 1978, February 1979 and March 1979	Defective machine condition and renovation.
April 1979 to March 1980	Defect in generator shaft and high bearing temperature.
April 1980 to June 1980	Defect in generator shaft and high bearing temperature and renovation.
15th January 1981 and February 1981	Failure of support rings.
March 1981	Tripping of generator.
April 1981 to July 1981	Low head or high TRC level, high temperature of generator guide bearing and air leakage of ABCB valve.
December 1981, February 1982 and March 1982	High temperature of the bearing.

*Periods of closure**Brief reasons for breakdown*

April 1982 to July 1982	For replacement of the generator guide bearing support ring with a modified arrangement to give more rigidity, and to prevent cracking in operation (as per BHEL's recommissioning report of August 1982).
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Even after completion of renovation work and recommissioning during August 1982 this unit had been giving frequent troubles and it had to be kept out of operation due to various reasons viz., tripping of the machine on account of low voltage and low frequency, maintenance of runner piston cylinder and thrust bearing pads and leakage of oil, etc. The matter has again been taken up with manufacturers (BHEL) for necessary rectification of these defects (December 1982).

(iii) In spite of the renovation/rectification of the three units, done by BHEL under warranty clause of the contract, defects such as frequent failure of insulation in stator coils and bus bar, pads and wobbling of rotating parts, etc., had persisted in these sets. To overcome these defects, the Board insisted on BHEL to install third bearing and static excitation system on all the sets at an estimated cost of Rs. 150.00 lakhs. BHEL had provided a third bearing on Unit II for trial run and final results were awaited.

(b) Spares worth Rs. 26.97 lakhs to be supplied by BHEL alongwith the main equipments were not received

(December 1982) eventhough they had agreed (September 1981) to supply the same by February 1982.

(c) The value of the following items supplied by Board to BHEL for rectification works was yet to be ascertained and recovered from BHEL.

Serial Number	Name of item	Quantity (numbers)
1	L. P. oil pumpset (Unit I and II)	2
2	Flow indicators (Unit IV)	2
3	Generator guide bearings	35
4	High capacity LP pumpset	One set

6.9.4 *Non-levy of liquidated damages*

As per clause 11 of the agreement executed during November 1968 with BHEL for supply of the four generating sets for the power station, the recovery of loss suffered by the Board for not being able to put the assets to commercial and efficient use, as a consequence of delay in supply of generating sets subject to a maximum of 5 per cent of contract value of the works was to be effected from the supplier. The Board has not yet invoked the provisions of this clause (December 1982).

6.9.5 *Unintended financial benefit to contractor—Rs. 3 lakhs*

(i) The contract for construction of the power house and allied works at Ukai was awarded to a firm of Bombay during

March 1967 at an estimated cost of Rs. 242.96 lakhs and was completed in May 1976 at a cost of Rs. 305.27 lakhs. The expenditure incurred in excess over estimated cost was mainly attributable to price escalation and *ex-gratia* and other payments made to the firm for dewatering and desilting due to flooding of site during execution.

During the course of execution of the work, the contractor realised that the work of construction of draft tubes required special design, shuttering and form work. The contractor, therefore, asked for (February 1970) payment for the additional work involved therein; this claim was rejected by the Board on the ground that the contract rates were inclusive of the work and nothing extra was payable. As the contractor was not satisfied with the decision, he represented again (January 1972) for reconsideration of his claim, on the ground that he had incurred total loss of about Rs. 15.23 lakhs on this work. The Board considered this loss as extremely large and sanctioned in April 1972 an *ex-gratia* payment of Rs. 3 lakhs taking into account the total loss to be borne by the contractor not only in the form work but also as a result of the floods in 1970. The amount was paid to the contractor in May 1972.

Under the provisions of the contract, the contractor had taken an all risk insurance policy under which a claim for Rs. 4.31 lakhs for the loss suffered during the execution of the work was lodged. The claim was also settled by the insurance company for Rs. 1.20 lakhs. The contractor, had not intimated the Board about the settlement of this claim and the Board also did not ascertain the same before sanctioning the *ex-gratia* payment. Thus the amount was, on one hand,

not at all payable as per the terms of the contract and on the other hand was partially reimbursed and as such amounted to an unintended financial benefit to the contractor.

When this was pointed out in audit, an amount of Rs. 1.20 lakhs was withheld which is still (July 1983) lying unadjusted even after expiry of a period of about seven years.

(ii) The work was completed in May 1976, yet an amount of Rs. 0.27 lakh was not recovered towards cost of material issued to the contractor during the course of execution of the work.

6.9.6 Delay in erection and commission of left bank canal power station

(a) The proposal for installation and commissioning of a small hydro power station with two units each of 2.5 MW at the off-take of left bank canal of Ukai dam was approved by the Planning Commission in 1973 at an estimated cost of Rs. 204 lakhs which was subsequently revised (February 1977) to Rs. 305 lakhs due to increase in cost of equipments. As per the project report, power generation of 33 million units per year with an estimated cost of 10.7 paise per Kwh and a revenue return of 10.8 *per cent* realisable from the second year of the operation of the project was envisaged. Based on the assumption that the project would be cleared for execution before the end of March 1976, the first unit was scheduled for commissioning by December 1978 and the second unit by March 1979. Government had carried out certain ancilliary works at a total cost of Rs. 20.81 lakhs up to February 1976.

Up to September 1982 a total expenditure of Rs. 46.92 lakhs only was booked and some civil works were yet to be taken up (December 1982).

(b) Defective order

The Board had placed an order for this work (December 1977) on a firm of Vadodara for supply of 2 turpo generators (2.5 MW) in October 1977 at a cost of Rs. 144.84 lakhs. As per terms and conditions of the supply order an interest bearing (14.5 *per cent* per annum) advance (Rs. 36.21 lakhs) equivalent to 25 *per cent* of the total value of equipments was paid to the supplier in March 1978. There was no stipulation in the supply order regarding mode of recovery of interest on the advance (quarterly, half yearly or annually). In April 1982 the project office was informed by the Controller of Finance that in case of large advances granted to contractors endeavour should be made to recover interest quarterly. In this case the interest was recovered annually till 1981-82 and quarterly thereafter.

Thus due to not stipulating recovery of interest in quarterly instalments in the supply order initially, the Board had not been realising interest quarterly, which resulted in a loss of Rs. 1.38 lakhs during the period from March 1978 to March 1982.

6.9.7 *Inventory control*

The power station was under construction till March 1976 when its Unit IV was commissioned.

The following table gives details of receipts, issues and closing stock of stores held during the five years up to 1981-82:

Year	Balance at the beginning of the year	Receipts during the year	Issues during the year	Balance of stock held at the close of the year	Stock held in months consumption
	(Rupees in lakhs)				
1977-78	63.73	53.74	20.33	97.14	57
1978-79	97.14	15.70	38.50	74.34	23
1979-80	74.34	30.37	32.17	72.44	27
1980-81	72.44	46.10	14.91	103.63	83
1981-82	103.63	24.13	22.45	105.31	56

The Board has not yet fixed the minimum, maximum and ordering limits for each item of stores.

6.9.8 Manpower analysis

(i) The Central Water and Power Commission had suggested 79 posts of technical and non-technical staff for the operation and maintenance of machines in the power station. Considering the work-load and other requirements including maintenance of water works, colony buildings, gardens and watch and ward of power station, the Board sanctioned regular staff from time to time. The following table indicates the sanctioned posts, working strength and

the expenditure incurred on the pay and allowances, *etc.*, for the five years ending March 1982 :

Year	Number of posts			Total expenditure	
	Sanctioned	Operated	Vacant	Overtime allowance	Pay and allowances
				(Rupees in lakhs)	
1977-78	198	187	11	1.54	19.47
1978-79	202	184	18	2.33	23.03
1979-80	203	184	19	1.96	25.08
1980-81	207	182	25	2.84	31.01
1981-82	206	184	22	3.07	36.17

Over and above the regular working strength, the project office had engaged large number of workers on nominal muster rolls (NMR) during the above mentioned period. The average number of NMR workers engaged per month and the total expenditure incurred on their wages (including bonus and overtime allowance) for the five years up to March 1982 are tabulated below :

Year			Average number of workers on NMR per month	Total expenditure on NMR during the year
				(Rupees in lakhs)
1977-78	..	..	372	4.24
1978-79	..	..	359	4.69
1979-80	..	..	336	4.51
1980-81	..	..	175	3.17
1981-82	..	..	138	3.91

(ii) As per Board's instructions, the expenditure on overtime allowance is required to be restricted to the barest minimum and should not normally exceed 20 *per cent* of the wages of the concerned employees. In emergent circumstances, the prior approval of the Chairman is required to be obtained for payment in excess of the above mentioned limit. It was observed that the Project Office had regularly paid overtime allowance to all categories of employees including those on NMRs, which was ranging up to 236 *per cent* of the wages of the employees and prior approval of the Chairman was not obtained in any case.

The expenditure on overtime allowance was incurred for the operation and maintenance staff of the power house which was ranging from 10.5 *per cent* of the total wages of the staff on operations and maintenance in June 1979 to 81.4 *per cent* in October 1981.

Overtime allowance was also paid to Civil construction works' staff and Security staff for which persons were also employed regularly on NMR.

(iii) As per the Service regulations of the Board, Deputy Engineers are not entitled to the overtime allowance as they are not covered under the Factories Act, 1948. It was noticed that the Project Office continued to make payment of overtime allowance to them eventhough the irregularity was pointed out by Audit in August 1977.

(iv) The Board has not fixed any norms for employment of staff for the power station. As such, sanctioned posts and working strength including NMR workers varied from

year to year. Accordingly, units generated per employee, employed during the five years ending 31st March 1982 has also varied as under :

Year	Number of employees		Total number of employees	Total units generated during the year	Units generated (Per employee)	
	Regular	NMR (Average per month)			Based on regular staff operated	Based on total number of employees including NMR
(Units in thousand Kwh)						
1977-78	187	372	559	1292255	6910.45	2311.73
1978-79	184	359	543	1160919	6309.34	2137.97
1979-80	184	336	520	1206333	6556.16	2319.87
1980-81	182	175	357	888463	4881.66	2488.69
1981-82	184	138	322	1139140	6190.98	3537.70

6.9.9 Cost analysis

The following table shows the cost of generation for the five years from 1977-78 to 1981-82 :

Particulars	1977-78	1978-79	1979-80	1980-81	1981-82
Installed capacity of power station (MW)	300	300	300	300	300
Capital cost as per project books* (Rupees in lakhs)	1490.24	1493.19	1494.45	1501.42	1502.88
Capital cost per MW of installed capacity (Rupees in lakhs)	4.97	4.98	4.98	5.00	5.01
Units generated (Mwh)	1292.26	1160.92	1206.33	888.46	1139.14
Total cost of generation (Rupees in lakhs)	249.25	422.28	413.48	370.64	444.41
Cost per unit generated (in paise)	1.93	3.65	3.43	4.18	3.91

* (Does not include proportionate cost to be borne by the Board in respect of works executed by the Government).

The increase in cost of generation from 3.43 paise per unit 1979-80 to 4.18 paise per unit in 1980-81 was mainly due to the increase in salaries and wages as a result of regularisation of services of persons engaged on NMR, in the past; also due to abnormal decrease in the generation on all the four units.

6.10 Other topics of interest

(i) *Loss in disposal of scrapped power transformers*

The Board invited tenders for the disposal of nine scrapped power transformers which were opened on 20th December 1978. The highest offer was from a party of Bangalore at Rs. 5.00 lakhs. The offer was valid for 60 days *i. e.* up to 17th February 1979.

As there was delay in confirming the acceptance of the offer, the Board requested the party (7th February 1979) to extend the validity of the offer up to 15th March 1979. However, the firm refused to extend the validity period beyond 60 days and asked the Board to refund their earnest money deposit (Rs. 12,500) immediately. The Board accepted the offer and communicated it by a telegram on 17th February 1979 (which was received by the tenderer on 19th February 1979) followed by a detailed order sent on 7th March 1979. The party did not accept the order as the same was received after the validity period of 60 days. The Board, however, insisted on acceptance and lifting of the materials but did not succeed. The Board issued notice through its advocate but had to refund the earnest money deposit as the contract between the parties was not concluded. Subsequently, these

scrapped power transformers were sold to other firms in February 1980 and January 1981 for Rs. 3.31 lakh and Rs. 0.14 lakh respectively (total Rs. 3.45 lakhs for the transformers) resulting in an avoidable loss of Rs. 1.55 lakh to the Board (Rs. 1.69 lakhs with taxes).

(ii) *Loss due to delay in acceptance of offer*

The Board, after inviting open tenders, placed an order on 16th December 1980 for supply of 400 tonnes of 16 mm M. S. round steel bars at Rs. 3,900 per tonne on a party of Ahmedabad. The supply was completed as per delivery schedule. The supplier visited the Board's office and expressed willingness to supply additional 400 tonnes of bars on the same terms and conditions. The Board also indicated its willingness to consider the offer. The supplier thereupon submitted a written offer on 14th January 1981 which was kept valid for 7 days as the Board had promised to place an order within seven days. However, the Board could place order only on 5th February 1981 which was not accepted by the party stating that the validity of his offer was over and rates were revised upward. The party, however, offered on 31st January 1981 to supply 400 tonnes at Rs. 4040 per tonne provided this rate was also confirmed by the Board within three days. The Board had not accepted this revised offer. The Board, however, placed an order for 168 tonnes of 16 mm bars on this party at Rs. 4100 per tonne in March 1982. The failure of the Board to accept the offer and place the order within the validity period resulted in an avoidable extra expenditure of Rs. 0.34 lakh .

➤ *Non acceptance of tender*

Tenders for sale of 15,000 cum of blow mill rejected stuff (coal) were invited and were opened on 9th February 1983. The Chief Engineer, Thermal Power Station, kai, recommended (19th February 1983) acceptance of the highest offer of a party from Fort Songadh for Rs. 26.15 lakhs and also second highest offer of a Bombay firm for Rs. 22.65 lakhs if Fort Songadh party failed to lift the stuff. On 21st February 1983 Fort Songadh party informed the Chief Engineer that his offer was conditional enumerating eleven conditions which were forwarded to the Board. However, the party withdrew his conditions on 17th March 1983. Instead of accepting either of these two offers, the Board reinvited tenders on 30th March 1983 and accepted on the same day the offer of the Bombay party for sale of 15,000 cum for Rs. 19.70 lakhs. The rejection of earlier highest offer of Fort Songadh party and sale of this stuff to the subsequent highest offerer of Bombay for Rs. 19.70 lakhs resulted in a loss of Rs. 6.45 lakhs.

(iv) *Disposal of unused aluminium brass condenser tubes*

During 1970 the Board purchased 7,000 aluminium brass condenser tubes (value : Rs.9.97 lakhs). As leakages were noticed during actual use of the tubes, the Board decided in 1974 to use cupro-nickel tubes in the place of these tubes. There were 5,471 tubes in stock when the Board switched over to the use of cupro-nickel tubes. These aluminium brass condenser tubes were declared as surplus (value : Rs. 7.82 lakhs) and were disposed of in May/June 1982 for Rs. 10.66 lakhs. (Rs. 10.10 lakhs value plus Rs.0.56 lakh sales tax)

When it was decided in 1974 not to use these tubes, the stock of 5,471 tubes should have been declared surplus and disposed of. Eventhough the sale has resulted in a surplus of Rs. 2.28 lakhs, if the inventory carrying cost (at 18 per cent per annum viz., Rs. 18.84 lakhs) was considered for storing them for 13 years from 1970, the net loss to the Board would work out to Rs. 16.56 lakhs.

(v) *Surplus stores*

A review of statement of surplus and non-moving items as on 31st March 1982 of few stores centres revealed that a large number of items were held in stock since several years ranging from 3 to 15 years. A few such cases having a value of Rs. 10,000 and above are as under:

Name of the stores centre	Description of stores	Value (Rupees in lakhs)	Lying since how many years
Rajkot Regional Stores	Stranded copper wire, aluminium cables, cable boxes, cable glands, O.C.B., L. T. distribution transformers of 3.3 and 33/11 KV, etc.	9.11	5 to 15
Jamnagar City Division	Copper/G. I. Wire, cables solderless fittings.	0.77	over 6
Construction Division, Nadiad	A.C.S.R. Gnat and Deer conductor, 66 KV and 33 KV current transformers.	4.38	5 to 8
Mehsana Regional Stores	PVC cables, terminal clamps, 66 KV AB switch, capacitors, aluminium cables, etc.	3.09	4 to 8
Palanpur O and M Division	Truck tyres.	0.10	6 to 12

Name of the stores centre	Description of stores	Value (Rupees in lakhs)	Lying since how many years
Construction Division, Mehsana	HEL Relay penal, auto reclosing relay, C. T. Ratio with accessories.	1.62	3
Vadodara Regional Store	Aluminium cables compressor joint for dog conductor.	2.49	3 to 5
Wanakbori Power Project	7618.176 tonnes of Steel in excess of requirement.	381.00	Date of purchase not available.
Dhuvaran Power Station	Cables, clipper spring drivers, electric motors, transformers of various capacities, stainless steel for compressor joints, etc.	12.19	3 to 15 years and more.
Ukai Thermal Power Station	30 items of cables, servo and mobile oils, CI pressure pipes, copper strips, telephone cables etc.	37.6	Since 1978
Dhuvaran, Vadodara, Ukai Hydro, Bhuj, Dhoraji and Vatva stores	Diesel spare parts.	1.48	Since 1965 on closure of diesel generating sets.
116 Stores centres, and Ukai Thermal Power Station	Defective equipments awaiting repairs.	40.27	Dates of receipts are not available.

SECTION VII

GUJARAT STATE ROAD TRANSPORT CORPORATION

7.1 Introduction

The Gujarat State Road Transport Corporation was established on 1st May 1960 under Section 3 of the Road Transport Corporations Act, 1950.

7.2 Capital

Under Section 23 (i) of the Road Transport Corporations Act, 1950 the State Government and the Central Government had agreed to contribute to the capital of the Corporation in the ratio of 2:1. The capital of the Corporation was Rs. 97,84.63 lakhs (State Government : Rs. 70,37.42 lakhs*, Central Government : Rs. 27,47.21 lakhs) as on 31st March 1982 as against the capital of Rs. 88,06.63 lakhs (State Government: Rs. 63,37.42 lakhs; Central Government Rs. 24,69.21 lakhs) as on 31st March 1981. The shortfall in the capital contribution of the Central Government as on 31st March 1982 was Rs. 7,71.50 lakhs. The Central Government had disallowed an amount of Rs. 4,35.00 lakhs representing matching contribution towards additional contribution released by the State Government during 1980-81 stating that it had no prior consent of the Central Government and approval of the Planning Commission. Out of the shortfall of Rs. 3,36.50 lakhs, the Central Government had sanctioned Rs. 61 lakhs (June 1982) and the balance of Rs. 2,75.50 lakhs is yet (June 1983) to be received.

*Figures as per Finance Accounts is Rs. 69,96.99 lakhs; difference is under reconciliation.

3 Guarantees

The table below indicates the details of guarantees given by Government for repayment of loans raised by the Corporation :

Particulars	Years of guarantee	Amount guaranteed	Amount outstanding as on 31st March 1982
(Rupees in lakhs)			
1. Public loans	1978-79 to 1980-81	3,30.00	3,30.00
2. Bank loans	1976-77 to 1981-82	5,30.00	1,70.00
	Total ..	8,60.00*	5,00.00*

4 Financial position

The table below summarises the financial position of the Corporation under the broad headings for the three years up to 1981-82 :

Capital and liabilities	1979-80	1980-81	1981-82
(Rupees in lakhs)			
(a) Capital	65,78.63	88,06.63	97,84.63
(b) Borrowings	11,31.38	11,80.83	13,15.42
(c) Funds@	14,48.22	14,48.28	14,48.53
(d) Trade dues and other current liabilities (including provisions)	20,82.28	34,02.96	69,02.67
Total ..	112,40.51	148,38.70	194,51.25

*Figure as per Finance Accounts are Rs. 10,66.70 lakhs and Rs. 9,52.70 lakhs respectively; differences are under reconciliation.

@Funds excludes depreciation fund.

	1979-80	1980-81	1981-82
Assets		(Rupees in lakhs)	
(a) Gross block	109,03.38	121,62.79	144,31.20
(b) Less : Depreciation ..	57,54.86	70,20.09	86,15.47
(c) Net fixed assets	51,48.52	51,42.70	58,15.73
(d) Capital works-in-progress (including cost of chassis)	3,88.71	12,45.75	11,11.50
(e) Investments	3,48.76	3,51.43	3,49.91
(f) Current assets, loans and advances	19,28.80	21,14.06	25,14.63
(g) Accumulated losses ..	34,25.72	59,84.76	96,59.48
Total	112,40.51	148,38.70	194,51.25
*Capital employed	49,35.30	38,15.72	13,58.56
**Capital invested	76,92.73	99,80.64	110,95.07

7.5 Working results

The following table gives details of the working results of the Corporation for the three years upto 1981-82 :

Particulars	1979-80	1980-81	1981-82
	(Rupees in lakhs)		
1. (a) Operating			
Revenue	120,61.10	131,57.98	162,21.94
Expenditure	126,16.39	156,55.71	197,25.38
Deficit (—)	(—)5,55.29	(—)24,97.73	(—)35,03.44
(b) Non-operating			
Revenue	4,95.60	5,29.26	5,45.52
Expenditure	4,80.43	5,90.56	7,16.80
Surplus (+)/ Deficit (—)	(+)15.17	(—)61.30	(—)1,71.28

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

**Capital invested represents paid-up capital plus long-term loans plus free reserves.

Particulars	1979-80	1980-81	1981-82
		(Rupees in lakhs)	
(c) Total			
Revenue ..	125,56.70	136,87.24	167,67.46
Expenditure	130,96.82	162,46.27	204,42.18
(d) Net loss	5,40.12	25,59.03	36,74.72
2. Interest on capital and loans (net after deducting interest on investments)	4,71.22	5,73.99	7,02.76
3. Total return on			
(a) Capital employed	(—)68.90	(—)19,85.04	(—)29,71.96
(b) Capital invested	(—)65.57	(—)19,77.16	(—)29,66.53

During the year, the Corporation incurred a loss of Rs. 36,74.72 lakhs as against Rs. 25,59.03 lakhs in the previous year. The increase in loss (Rs. 11,15.69 lakhs) during the year as compared to the previous year was mainly due to increase of Rs. 41,95.91 lakhs in revenue expenditure against a corresponding increase in revenue receipt of Rs. 30,80.22 lakhs only. The increase in expenditure was mainly on fuel (Rs. 12,85.41 lakhs), stores (Rs. 6,49.00 lakhs) rent, rates and taxes (Rs. 7,39.92 lakhs) and salaries and allowances (Rs. 3,88.86 lakhs). The increase in revenue earning per kilometre from 238.66 paise in 1980-81 to 263.63 paise in 1981-82 was attributed by the Corporation to reduction in effective kilometres on routes with comparatively lower load factor and revision of fares from 23rd September 1981.

7.6 Operational performance

The table below indicates the operational performance of the Corporation for the three years up to 1981-82 :

Particulars	1979-80	1980-81	1981-82
1. Average number of vehicles held	6,101	6,489	6,907
2. Average number of vehicles on road	4,925	5,168	5,548
3. Percentage of utilisation ..	80.7	79.6	80.3
4. Number of routes operated at the end of the year	10,437	11,241	12,098
5. Route Kms ..	5,21,496	5,59,617	6,19,627
6. Kms operated (in lakhs)			
(a) Gross ..	53,09.64	55,78.09	62,25.32
(b) Effective ..	52,53.42	55,13.38	61,53.24
(c) Dead ..	56.22	64.71	72.08
7. Percentage of dead Kms to gross Kms	1.1	1.2	1.2
8. Average Kms covered per bus per day	294.2	295.8	306.8
9. Average revenue per Km (paise)	229	239	264
10. Increase in operating revenue per Km over previous year's revenue (in percentage)	4.0	4.4	10.5
11. Average expenditure per Km (paise)	240	284	321
12. Increase in operating expenditure per Km over previous year's expenditure (in percentage)	5.2	18.3	13.0
13. Profit (+)/Loss (-) per Km (paise)	(-)-11	(-)-45	(-)-57
14. Number of operating depots	112	114	116
15. Average number of break-down per lakh Kms	4.9	5.4	6.1

Particulars	1979-80	1980-81	1981-82
6. Average number of accidents per lakh Kms	0.36	0.38	0.38
7. Passenger Kms operated (in crores)	28,62.06	30,19.13	33,85.51
9. Occupancy ratio ..	74.2	76.7	75.1

7 Uneconomic routes

7.7.1 Economic viability of operation of mofussil routes

7.7.1.1 The Corporation worked out the economic viability of mofussil routes operated in each division for the month of March for each of the three years up to 1981-82, as indicated below :

	1979-80	1980-81 (Number)	1981-82
1. Number of routes not meeting direct running cost	1,148	2,409	3,281
2. Number of routes not meeting operating cost	3,652	5,394	4,485
3. Number of routes not meeting total cost	2,201	1,937	2,563
4. Number of routes making profit	2,560	493	614
5. Total routes ..	9,561	10,233	10,943
Percentage of	(per cent)		
(a) Routes not meeting direct running cost	12.0	23.6	30.0
(b) Routes not meeting operating cost	38.2	52.7	41.0
(c) Routes not meeting total cost	23.0	18.9	23.4
(d) Routes making profit ..	26.8	4.8	5.6

- Note : (i) Direct running cost includes cost of diesel, stores, reconditioning and depreciation.
- (ii) Operating cost includes direct running cost plus cost of operating staff-traffic, workshop and maintenance.
- (iii) Total cost includes total operating cost plus direct and indirect overheads but does not include passenger tax.

The cost of operation had increased from year to year resulting in more and more routes becoming uneconomical. There were 10,329 routes (constituting 94.4 *per cent* of the total number of routes) at the end of the year 1981-82 which could not meet the total operating cost as against 7,001 (73.3 *per cent*) and 9,740 (95.2 *per cent*) routes in the earlier two years up to 1980-81 respectively. The number of routes making profit was 2,560 (26.8 *per cent* of total routes) in 1979-80 and the number declined to 614 only (5.6 *per cent*) in 1981-82. According to the statistical department of the Corporation, as against the normal load factor of 70 *per cent* that could be reasonably expected, the load factor required to be reached during 1979-80 and 1980-81 was 78 *per cent* and 95 *per cent* respectively in order to achieve break-even level and this, therefore, indicated the uneconomical level of fare structure due to high cost of operation.

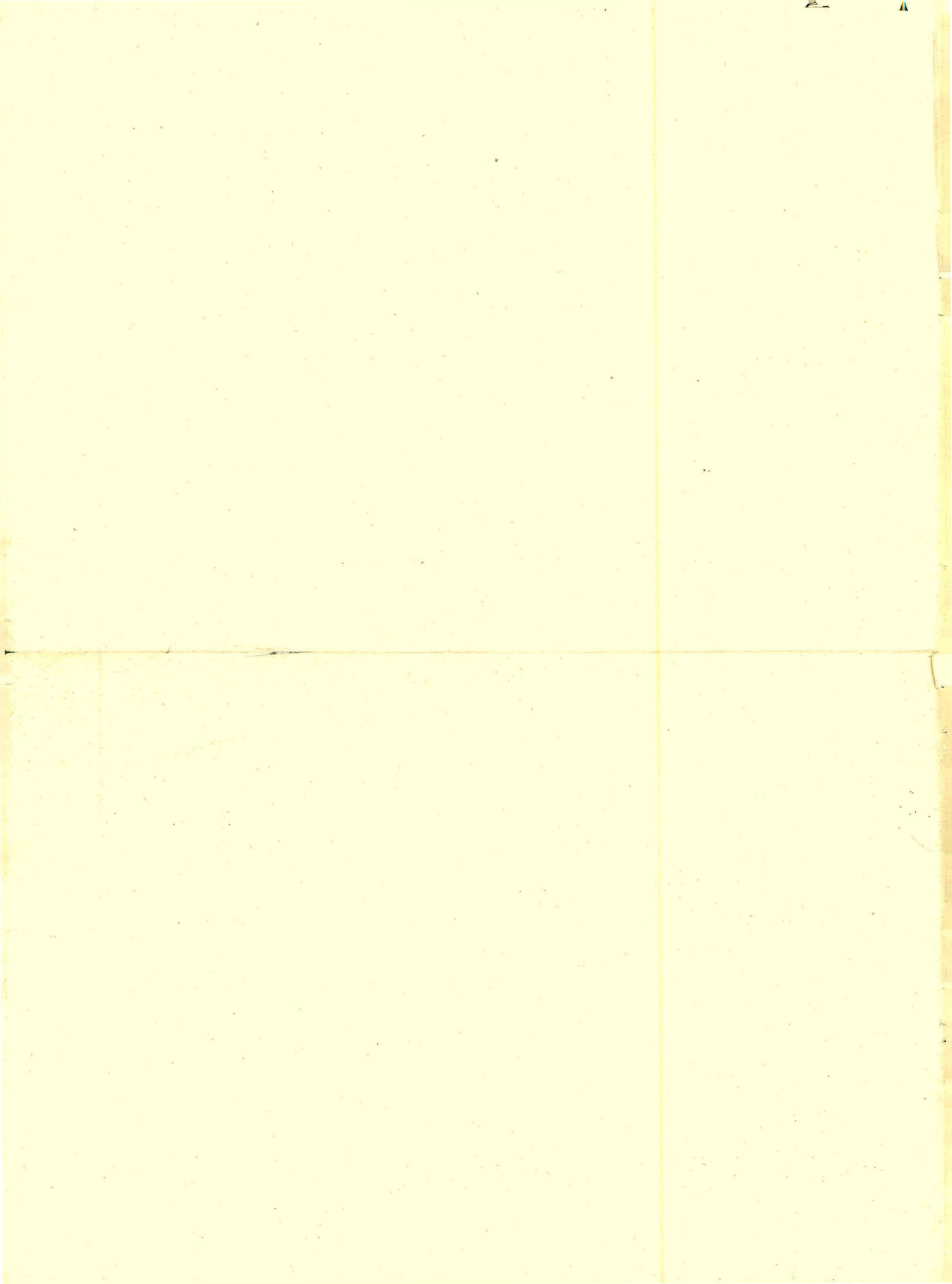
7.7.1.2 The division-wise analysis of operation of routes also revealed that certain divisions namely Palanpur, Ahmedabad, Nadiad and Rajkot were having higher percentage of routes (18, 15, 16 and 15 *per cent* respectively) not meeting direct running cost as compared to the overall percentage of 12.0 in 1979-80. The position continued in 1982-83 also.

7.7.1.3 In Junagadh division there were only 68 routes (9 *per cent* of the total routes operated by the division) which were not meeting even direct running cost in 1979-80 as against overall percentage of 12.0 for the Corporation. These however, increased to 347 routes (43 *per cent* of the total routes operated by the division in 1981-82) as against overall percentage of 30.0 for the Corporation. Reasons for the sudden

ERRATA

Report of the Comptroller and Auditor General of India for the
year ended 31 March 1991 (Commercial) - Government of Gujarat.

Reference to			
Page Number	Line Number	For	Read
(ix)	5th	1.81 crores	1.21 crores
15	Column 5 - Total	208.44	212.14
29	Last line	Gujarat	Gujarat State
50	Column-4 Serial-4	15267	15257
51	Column-2 Serial-6	(d) Dead	(c) Dead
79	Highlights: 4th line	extration	extraction
86	Column - 1985-86 Total	587.23	587.54
86	Column - 1986-87 Serial (b)(1)	236.12	256.12
92	Column - 1987-89 Serial-2	25.37	15.37
101	6th	looser	loser
116	(b) 2nd line	saw	sawn
136	Column-6 Total	37.42	37.32
179	Column - 1987-88 Percentage	5.87	5.85
182	Column-5 last line	9250	9205
213	Sub para (ii) 4th line	15.115 per cent	15.15 per cent
238	Sub para (b) 1st line	intimated sanction	initiated action
258	first para - last line	related to	-
280	Column-6(a) Serial-27	January	January 1988
312	Table - heading 4th line	1987-87	1987-88



increase in number of uneconomic routes being operated had not been analysed.

7.7.2 Operation of uneconomic routes of luxury services

7.7.2.1 The Corporation commenced operation of luxury bus services from June 1965 with a view to provide more comfortable services to the passengers. The losses incurred in such operations continued though the fares were revised thrice in January 1976, April 1979 and September 1981. The position of such uneconomic operation for the three years up to 1981-82 was as detailed below :

Particulars	1979-80	1980-81	1981-82
1. Number of routes operated	28	28	26
2. Number of routes not meeting even direct running cost	4	8	4
3. Number of routes not meeting operating cost	6	7	9
4. Number of routes not meeting total cost	4	7	1
5. Number of routes making profit	14	6	2
6. Effective kilometres operated (in lakhs)	44.97	40.80	47.08
7. Load factor (per cent)	71.8	76.2	79.1
8. Deficit (Rupees in lakhs)	2.65	11.49	18.12
9. Deficit per kilometre (in paise)	6	28	38

Though the fares were revised twice in April 1979 and September 1981 and the load factor increased from 71.8 per

cent in 1979-80 to 79.1 per cent in 1981-82, the deficit increased from Rs. 2.65 lakhs in 1979-80 to Rs. 18.12 lakhs in 1981-82. This was attributed by the Corporation mainly to heavy increase in cost of operation. This shows that the enhanced revised fares did not make the operation remunerative. As against 14 out of 28 routes, making profit in 1979-80 only 6 routes in 1980-81 and 2 routes in 1981-82 were making profit and all other routes were incurring losses. The number of uneconomic routes was, thus, increasing from year to year. The operational analysis as carried out by the Corporation indicated that out of four routes not covering even running cost in 1979-80 three routes were closed during the year and one route was continued in 1980-81 and also in 1981-82. The four routes which were operated at below running cost in 1980-81 were continued in 1981-82. Though the Corporation reviewed the position of uneconomic operation of luxury services in March every year, certain luxury routes which were found running at below running cost, were neither discontinued nor any changes were made in fare structure to make them recover operational cost. The operation of luxury service is not obligatory on the part of the Corporation.

7.7.2.2 The operational results of a few luxury service routes which incurred heavy losses during the three years

p to 1981-82 are indicated as below :

Route	Year	Load factor (per cent)	Distance covered (in lakh kilometres)	Total earnings	Total operating expenses	Loss during the year
(Rupees in lakhs)						
1. Rajkot-Bombay and back	1979-80	56.0	5.17	8.21	11.07	2.86
	1980-81	51.0	4.90	6.98	12.43	5.46
	1981-82	53.5	5.02	9.20	14.67	5.47
2. Dwarka-Ahmedabad and back	1979-80	79.5	3.12	6.06	6.68	0.62
	1980-81	69.0	2.97	6.16	7.53	1.36
	1981-82	65.5	3.08	6.46	9.01	2.55
3. Jamnagar-Vadodara and back	1979-80	84.0	2.94	6.17	6.30	0.13
	1980-81	64.5	2.75	5.49	6.98	1.49
	1981-82	78.0	2.81	6.27	8.20	1.93
4. Vadodara-Bhavnagar and back	1979-80	56.5	0.79	1.11	1.68	0.57
	1980-81	59.6	1.02	1.54	2.57	1.04
	1981-82	67.6	1.79	3.30	5.22	0.92
5. Ahmedabad-Valsad and back	1979-80	51.6	0.93	1.32	2.00	0.68
	1980-81	53.1	0.96	1.52	2.44	0.91
	1981-82	33.9	0.75	0.96	2.19	1.23
6. Porbandar-Ahmedabad and back	1979-80	74.0	2.87	5.26	6.14	0.89
	1980-81	73.5	2.62	5.38	6.65	1.27
	1981-82	78.5	2.67	6.57	7.80	1.23
7. Jamnagar-Ahmedabad and back	1979-80	84.5	2.26	4.91	4.83	0.08
	1980-81	81.0	1.99	4.99	5.06	0.06
	1981-82	76.0	1.87	4.22	5.48	1.26
8. Bhuj-Ahmedabad and back	1981-82	83.9	3.12	7.17	9.12	1.95

7.7.2.3 The table below indicates certain luxury routes wherein there were wide variations in traffic earnings between up trips and down trips as seen from the load factor obtained during these trips. The reasons for such variations in load factor were not analysed.

Name of route	Year	Distance in km	Fare per seat (Rupees)	Load	Load
				factor up trip	factor down trip
				(Per cent)	
Ahmedabad- Valsad	1979-80	376	30.30	32.1 (88)	71.1 (195)
	1980-81	376	30.30	33.6 (100)	72.7 (217)
	1981-82	376	34.45	N.A.	N.A.
Rajkot- Vadodra	1979-80	358	28.95	76.0 (193)	52.0 (126)
Rajkot- Ahmedabad	1979-80	236	19.75	88.0 (270)	47.0 (145)
Vadodara- Ahmedabad	1979-80	112	10.50	88.1 (270)	64.1 (145)
	1980-81	112	10.50	96.4 (270)	79.1 (222)
	1981-82	112	12.40	97.79 (307)	76.61 (241)
Ahmedabad- Bombay	1980-81	558	52.70	54.9 (189)	10.5 (37)
	1981-82	558	75.90	72.6 (330)	55.3 (203)
Rajkot- Bombay	1980-81	745	69.55	41.0 (115)	61.0 (170)
	1981-82	745	74.30	60.0 (203)	47.0 (163)

Note : The figures in bracket indicate earning per km in paise.

7.7.3. City bus services

The city bus services are operated in six cities and towns — viz., Vadodara, Surat, Rajkot, Navsari, Surendranagar and Gandhinagar. The table below indicates the number of routes operated and their operational results for the three years up to 1981-82:

	1979-80	1980-81	1981-82
1. Number of routes operated (as on 31st March)	925	987	1,064
2. Total route length (in kms)	7,900	8,627	9,589
3. Effective kilometres covered (in lakhs)	266.44	274.61	292.68
4. Load factor (<i>per cent</i>)	87.6	85.5 (Paise)	86.7
5. Revenue per km	212	213	246
6. Operational expenses per km	273	315	385
7. Loss per km	61	102	139
	(Rupees in lakhs)		
8. Gross earnings	565.28	586.12	720.53
9. Gross expenditure	729.07	865.03	1,126.01
10. Loss	163.79	278.91	405.48

The increase in number of routes operated was on account of starting of some new routes in the existing towns/cities only and no new service was introduced by the Corporation in any other city.

The operation of city services remained uneconomic and the loss increased from year to year. The centre-wise operational results of city bus services for the three years up to 1981-82 are given below :

Operational particulars	Year	Vadodara	Gandhi-nagar (including Ahmedabad- Gandhi- nagar routes)	Navsari	Rajkot (including Surendra- nagar)	Surat	Total
(Rupees in lakhs)							
Gross cost of operation ..	1979-80	258.46	119.42	30.33	92.98	227.88	729.07
	1980-81	307.51	143.60	37.02	108.74	268.16	865.03
	1981-82	399.15	188.62	46.87	144.30	347.07	1,126.01
Gross earnings	1979-80	205.42	86.27	25.04	58.88	189.67	565.28
	1980-81	212.29	90.54	26.55	66.17	190.57	586.12
	1981-82	266.88	123.07	31.74	79.62	219.22	720.53
Deficit	1979-80	53.04	33.15	5.29	34.10	38.21	163.79
	1980-81	95.22	53.06	10.47	42.57	77.59	278.91
	1981-82	132.27	65.55	15.13	64.68	127.85	405.48

The city bus operations resulted in loss at all places during the three years up to 1981-82.

The economic viability of the operation of city bus services and city routes at various levels of cost of operation had not been analysed by the Corporation.

Though the cost of operation had gone up substantially from 315 paise per km in 1980-81 to 385 paise per km, in 1981-82 the Corporation had not submitted any proposal to the State Government in 1982 to increase fares of city bus services, except for Gandhinagar city services (including Gandhinagar-Ahmedabad route). The fares of *mofussil* services and that of Gandhinagar city services (including Ahmedabad-Gandhinagar route) were revised upward by 23.6 *per cent* with effect from 26th April 1982 by the Government, as recommended by the Corporation ; the fares of other city services remained unaffected.

As the Government had agreed (April 1966) to reimburse to the Corporation losses in operating city services in Gandhinagar city (including Ahmedabad-Gandhinagar route, the operation of which was of *mofussil* nature), the Corporation had taken up that operation as a special case. The concessional fare structure was prescribed by the Government (June 1970) for this service as the existing city service fare structure was not conducive to the growth of the new capital. However, such reimbursement was subsequently considered by Government as not feasible (March 1972) from legal point of view. The Government had further stated (January 1974)

that the fares were fixed under Section 43 of the Motor Vehicles Act, 1939 after due consideration and added that the Corporation should not restrict its operation to remunerative routes only and even if the Corporation suffered some losses on such routes, it should have no grievances. As a result, the Corporation had been running these services in Gandhinagar city and on Ahmedabad-Gandhinagar route continuously at loss. The loss suffered on this account alone between 1974-75 and 1981-82 would work out to Rs. 270.50 lakhs.

7.8 Purchase of chassis and body building

7.8.1 Introduction

The budget estimates for the years 1979-80, 1980-81 and 1981-82 envisaged growth of passenger traffic in the State at a steady rate of 15 *per cent* every year and to cope with the increase in traffic, the number of schedules to be operated had to be increased at least by 8 *per cent* every year (2 *per cent* for new routes and 6 *per cent* for increase in frequency of services on existing routes). However, the Corporation restricted the programme of expansion and extension of bus services to 6.6 *per cent* in 1979-80, 6 *per cent* in 1980-81 and 0.8 *per cent* in 1981-82; no expansion was planned at all for the year 1982-83. The table below indicates the growth of operation

schedules and the position of fleet held by the Corporation during the three years up to 1981-82 :

Particulars	1979-80	1980-81	1981-82
Maximum number of schedules operated in summer time table of previous year	4,915	5,237	5,551
Maximum number of schedules operated in summer time table during the year	5,237	5,551	5,595
Increase in number of schedules during the year	322	314	44
Percentage increase	6.6	6.0	0.8
Total strength of fleet at the end of the year	6,404	6,678	7,126
Number of overaged vehicles retained in the fleet	661	857	942

As the Corporation could not add adequate number of new vehicles for the purpose of expansion and replacement of old vehicles in its fleet as explained in subsequent paragraph, the expansion was not full fledged; ultimately no expansion was planned in 1982-83. This was mainly due to financial constraints experienced by the Corporation during all these three years. The Corporation had incurred loss of Rs. 5,40.12 lakhs in 1979-80, Rs. 25,59.03 lakhs in 1980-81 and Rs. 36,74.72 lakhs in 1981-82; the internal resources which were being partly utilised to meet the capital

Note : Overaged vehicles mean vehicles which have completed the stipulated life of 5.40 lakh kms (Leyland and Tata 1210 D), 5.15 lakh kms (Tata 1210 A) and 5.08 lakh kms (Tata 312) and are not replaced.

expenditure on purchase of chassis had completely been depleted by the end of the year 1981-82. Inadequate addition of new vehicles in the fleet as compared to requirement based on the growth of traffic in the State, resulted in increase in the number of overaged vehicles in the fleet of the Corporation from 661 in 1979-80 to 942 in 1981-82. The retention of a large number of overaged vehicles in the fleet would affect adversely not only the quality of service but also the maintenance work of the depots.

7.8.2 Purchase of chassis

Subject to availability of funds the number of chassis to be purchased each year is determined after taking into consideration the programme of expansion of schedules and replacement of overaged vehicles becoming due for scrapping. During the period from 1979-80 to 1981-82, the Corporation purchased chassis of two makes in the ratio of 50:50 from the local dealers of the chassis manufacturers. The number of chassis to be purchased, the number of chassis for which orders were placed, the number of chassis actually received and the expenditure incurred thereon during each of the three years up to 1981-82 are indicated in the table given below :

Year	Requirement of vehicles	Vehicles ordered	Vehicles actually received	Expenditure (Rupees in lakhs)
1979-80	1,263	1,100	1,049(a)	13,95.43
1980-81	1,545	1,450	1,071(b)	16,35.45
1981-82	1,380	1,100	939(c)	16,52.18

(a) Orders for supply of remaining 51 chassis were cancelled due to non-supply.

(b) Short supply of 379 chassis was attributed by the management mainly to labour unrest, power cut, *etc.*, faced by the chassis manufacturers. Orders for supply of remaining 379 chassis were, therefore, cancelled.

(c) Out of 161 chassis short supplied, short supply of 2 chassis was due to cancellation of the orders by the Corporation owing to financial stringency and the orders for the balance quantity representing non-supply by the manufacturers were cancelled.

7.8.3 *Advances against purchase of chassis*

(a) According to the terms of purchase orders placed on local dealers of both the chassis suppliers, 100 per cent advance payments were made on production of *pro-forma* invoices intimating that the chassis were ready for delivery at the dealer's regional sales depot. The chassis were required to be delivered within 24 hours after receipt of advance payment. It was, however, noticed in the case of 51 chassis against which advances of Rs. 83.44 lakhs were granted between November 1980 and January 1982 that there was a delay of 10 to 42 days in delivering the chassis and in the case of 26 chassis for which advances of Rs. 42.00 lakhs were granted between June 1980 and February 1982, there was a delay ranging from 10 to 27 days. There was no provision in the purchase orders for recovery of interest in the event of delay in delivery of chassis even after receipt of 100 per cent advances.

(b) Against *pro-forma* invoice for 18 chassis, the local dealer received an advance of Rs. 23.94 lakhs on 5th April 1980 but 4 chassis which were damaged in transit could not be supplied and the firm refunded the advance of Rs. 5.40 lakhs by a cheque dated 11th April 1980 which was realised on 21st April 1980.

Advances of Rs. 97.47 lakhs were given between 24th March 1982 and 30th March 1982 against *pro-forma* invoices for supply of 56 chassis. As 6 chassis were supplied with 4 tyres only instead of 6 tyres each, the firm refunded the excess advance of Rs. 0.56 lakh on 13th May 1982.

(c) An order for purchase of 20 double decker tractor chassis to be despatched from Madras coupled with Mahindra Owen double decker trailers to be picked up en-route at Pimpri near Pune, was placed (November 1980) on a local dealer at a price of Rs. 2,68,601 each to be confirmed by certificate to be produced from the internal auditors of manufacturers. Advances of Rs. 54.67 lakhs, being 98 per cent, of the invoice prices were paid on receipt of intimation that tractor chassis were ready for despatch from Madras during 26th December 1980 to 16th March 1981. Taking 23 days as normal time for receipt of chassis at Ahmedabad, from the date of advance (as happened in the case of 5 chassis received on 26th February 1981) there was a delay ranging from 12 days to 26 days in receipt of other 15 chassis at Ahmedabad. The matter had not been taken up with the local dealer for the delay nor the certificates from the internal auditors were insisted upon though the prices were

increased twice after placement of order, once by Rs. 3,440 and again by Rs. 7,743 per chassis.

7.8.4 *Execution of order-Short supply of tyres*

According to the terms of purchase orders placed for both the makes of chassis, the chassis were to be supplied with six tyres fitted thereon. Of the total 3,059 chassis received during the three years 1979-80 (1049), 1980-81 (1071) and 1981-82 (939), 1252 chassis were received with 4 tyres only instead of 6 tyres and the chassis suppliers had, however, granted deletion allowance for short supply of two tyres with each chassis. As the procurement cost of tyres to the Corporation was more than the deletion allowance granted from time to time by the chassis suppliers the Corporation could have insisted upon the supply of chassis with six tyres only as per the term of the purchase orders. The difference in the cost of 848 tyres short supplied amounted to Rs. 1.00 lakh for the year 1981-82.

7.8.5 *Body building*

The entire work of new bus body building of the Corporation is done by itself at its Central Workshop at Ahmedabad. The capital investment on the workshop stood at Rs. 149.01 lakhs as at 31st March 1982.

Besides doing bus body building work, the workshop has been equipped to attend to :

- (a) major accident repairs,
- (b) reconditioning of vehicles, bodies, engines and other major assemblies,
- (c) retreading of tyres, and

(d) bus body building of outside agencies viz., State Government and Semi-Government institutions.

The position of the bus body building work of the Corporation has been reviewed for the three years up to 31st March 1982 and the points noticed in audit are mentioned hereunder—

(A) *Body-building planning and production*

The coach shop of the workshop had a capacity to build 1080 new bus bodies and to repair and recondition 300 bus bodies in a year. The facilities can, however, be diverted from the body building line to the repair and reconditioning line and vice-versa as required. The number of bus bodies built as compared to the production planned for the three years up to 1981-82 were as under :

	Body building					
	1979-80		1980-81		1981-82	
	Planned	Actual	Planned	Actual	Planned	Actual
			(Number)			
(i) Ordinary	1,174	1,074	1,046	1,048	795	888
(ii) Luxury coaches	16	16	11	11	5	5
(iii) Double deckers	10	..	..	..	20	20
Total	1,200	1,090**	1,057	1,059**	820	913**
For outside agencies						
(i) State Government	..	101	..	53	..	88
(ii) Oil and Natural Gas Commission	..	17	..	2	..	..
(iii) Others	..	..	..	9	..	4
Total	121*	118	66*	64	95*	92

*Adhoc provision was made for private vehicles.

**Includes bus bodies built in anticipation of receipt of chassis and bus bodies built on old vehicles.

It may be observed from the table above that :

(a) The production of bus bodies for the Corporation had gone down from year to year resulting in under utilisation of capacity ;

(b) In 1979-80, even the actual production of bus bodies for the Corporation fell short of the planned production by 113 numbers.

(B) Availability of chassis and progress of body building

The table below indicates the details of receipt of chassis, progress of body building and registration of vehicles for the three years up to 1981-82 :

Particulars	1979-80	1980-81	1981-82
a) Number of chassis available for body building including chassis under body building as on 1st April	1,175	1,154	1,057
(b) Number of bodies built during the year	1,092	1,032	909
(c) Number of chassis available for body building at the end of the year	83	122	148
(d) Number of vehicles available for registration	1,221	1,143	1,261
(e) Number of vehicles registered during the year	1,110	791	1,080
(f) Number of vehicles awaiting registration at the end of year	111	352	181

It was noticed from the table given above that :

(a) Eventhough the number of chassis available for body building decreased from year to year, the number of bodies built during the year decreased faster resulting in increase in the number of chassis lying idle at the end of each of these three years. There were 148 chassis lying unutilised on 31st March 1982 as against 122 on 31st March 1981 and 83 as on 31st March 1980.

(b) Though the number of vehicles available for registration was lower in 1980-81 as compared to that in 1979-80 and also that in 1981-82, the actual number registered was substantially lower resulting in a number of vehicles built remaining unregistered, reasons for which are not available.

(c) Increasing number of chassis awaiting body building and ready built vehicles awaiting registration at the end of each of these years indicate that there was no coordination between the departments controlling the purchase of chassis, planning and production of vehicles and allotment of completed vehicles to the divisions according to their requirement. This resulted in blocking up of the funds of the Corporation both in the chassis lying in the yard and ready vehicles awaiting registration and despatch to the divisions.

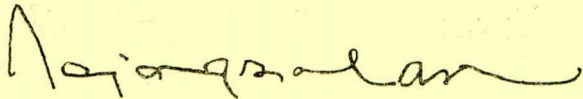
(C) Delay in body building of luxury coaches in 1980-81

In 1979-80, the building of luxury coaches on 10 chassis received in January 1980 was taken up and it was completed by April 1980. The coaches were despatched to the divisions in May 1980. In 1980-81 the building of luxury coaches on 6 chassis received in June 1980 was taken up in July 1980 and it was completed by May 1981 only. The construction of 5 luxury coaches on chassis received in December 1980 was completed in September 1981. The time taken to complete these 11 luxury coaches was 10 to 11 months as compared to 4 to 5 months taken in 1979-80 for a lot of another 10 coaches. This had resulted in 11 chassis remaining unutilised for about six months. Further the 6 coaches completed in May 1981 were despatched to divisions in May 1981 (3), July 1981 (1) and August 1981 (2) and 5 coaches completed in September 1981 were despatched to divisions in October 1981 (3) and

November 1981 (2). Hence there was a further delay of about 15 vehicle months in the despatch of the coaches to divisions.

(D) Body building of double decker buses

The Corporation had planned to build 20 double decker buses for which tractor chassis/trailers were received in February 1981 (11), March 1981 (2) and April 1981 (7). The double decker buses were built and despatched to divisions in September 1981 (10), October 1981 (4), December 1981 (4) and January 1982 (2). The period taken in completing body building thus ranged from 6 to 9 months. There was further delay of two months in despatch of 3 double decker buses to divisions after getting their registration which involved in blocking up of funds of the Corporation amounting to Rs. 12.23 lakhs for two months.

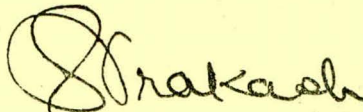


Ahmedabad,
The

(D. RAJAGOPALAN)
Accountant General-I, Gujarat

22 DEC 1983

Countersigned



New Delhi,
The

(GIAN PRAKASH)
Comptroller and Auditor General of India.

31 DEC 1983

Summarised financial results

(Referred to in paragraph)

Sr. No.	Name of the Company	Date of incorporation	Accounts for the year ending	Capital invested	Profit(+) Loss(-)
1	2	3	4	5	6
1	Gujarat Small Industries Corporation Limited	26th March 1962	December 1981	464.50	(-)33.
2	Girnar Scooters Limited	9th September 1976	June 1981	0.59	(-)0.
3	Gujarat Mineral Development Corporation Limited	15th May 1963	March 1982	1200.41	(+)195.2
4	Gujarat State Export Corporation Limited	14th October 1965	November 1981*	30.99	(-)5.0
5	Gujarat Industrial Investment Corporation Limited	12th August 1968	March 1982	8421.42	(+)52.1
6	Gujarat Tyres Limited	29th March 1973	March 1982	69.50	..@
7	Gujarat Limited	Nylons 29th March 1973	March 1982	13.88	..@

Government Companies

Section-I (Chapter-I)

(Figures in columns 5 to 11 are in lakhs of rupees)

Total Interest charged to profit and loss account	Interest on long- term loans	Total return on capital invested (6+8)	Capital employed	Total return on capital employed (6+7)	Percentage of total return on	
					Capital invested	Capital employed
7	8	9	10	11	12	13
148.93	83.99	50.91	902.21	115.85	11.0	12.8
...	...	(-)/0.05	..	(-)/0.05	Subsidiary of the Company at serial number 1.	
46.57	63.77	259.00	948.81	241.80	21.6	25.5
5.87	5.87	0.79	25.84	0.79	2.5	3.1
470.49	470.49	522.65	7596.46	522.65	6.2	6.9
...	..	..	11.29	..	Subsidiary of the Company at serial number 5.	
...	..	..	9.07	..	Subsidiary of the Company at serial number 5.	

1	2	3	4	5
8	Polymers Corporation of Gujarat Limited	29th March 1973	March 1982	1223.65 (—)497
9	Cement Corporation of Gujarat Limited	29th March 1973	March 1982	25.50 ..@
10	Steel Corporation of Gujarat Limited	16th January 1975	March 1982	24.49 ..@
11	Gujarat Amino-Chem Limited	17th January 1980	March 1982	62.35 ..@
12	Gujarat Drugs and Chemicals Limited	17th January 1980	March 1982	7.41 ..@
13	Gujarat Trans-Receiver Limited	26th March 1981	March 1982	4.18 ..@
14	Gujarat State Textile Corporation Limited	30th November 1968	March 1982	365.96 (+)20.5
15	Gujarat Agro—Foods Limited £	20th October 1970	February 1982	147.81 (—)11.79
16	Gujarat Agro — Oil Enterprises Limited £	21st April 1971	December 1981	50.81 (+)9.30
17	Gujarat Agro—Marine Products Limited £	17th December 1971	December 1981	171.20 (+)4.00
18	Gujarat Dairy Development Corporation Limited	29th March 1973	March 1982	325.44 (+)7.79
19	Gujarat State Seeds Corporation Limited	16th April 1975	September 1981	124.81 (+)39.79

—contd.

7	8	9	10	11	12	13
31.17	152.38	(—)345.48	1129.22	(—)266.69	Subsidiary of the Company at serial number 5.	
..	..	..	24.94	..	Subsidiary of the Company at serial number 5.	
..	..	..	0.03	..	Subsidiary of the Company at serial number 5.	
..	..	..	(—)0.01	..	Subsidiary of the Company at serial number 5.	
..	..	..	(—)10.99	..	Subsidiary of the Company at serial number 5.	
..	..	..	2.76	..	Subsidiary of the Company at serial number 5.	
8.46	6.82	27.32	363.96	28.96	7.5	8.0
18.30	..	(—)11.79	119.79	6.51	..	5.4
0.09	..	9.30	72.82	9.39	18.3	12.9
11.64	11.64	15.64	152.38	15.64	9.1	10.3
9.98	9.98	17.77	349.15	17.77	5.5	5.1
19.77	1.81	41.60	222.67	59.56	33.3	26.7

1	2	3	4	5	6
20	Gujarat Communications and Electronics Limited	30th May 1975	March 1982	589.33	(+)10.4
21	Tourism Corporation of Gujarat Limited	10th June 1975	March 1982	82.57	(-)24.4
22	Gujarat State Forest Development Corporation Limited	20th August 1976	September 1981	186.73	(+)13.4
23	Gujarat State Rural Development Corporation Limited	9th July 1977	March 1981	38.00	(-)0.0
24	Gujarat State Petro-Chemicals Corporation Limited	29th January 1979	March 1982	59.01	..(
25	Gujarat Scheduled Castes Economic Development Corporation Limited	29th November 1979	March 1981	125.95	(-)0.7
26	Gujarat State Handicrafts and Handloom Development Corporation Limited	10th August 1973	March 1979	104.38	(-)1.18

- Notes : (i) Capital invested represents paid-up capital *plus*
- (ii) Capital employed (excluding that in respect of net fixed assets (excluding capital works-in-
- (iii) Capital employed in respect of Gujarat Industrial opening and closing balances of paid-up capital, backed by outside investments) and borrowings.
- * Company has changed its accounting year from the period of 8 months.
- @ Entire expenses during the year were capitalised.
- £ Subsidiary of Gujarat Agro-Industries Corpora-

?—contd.

7	8	9	10	11	12	13
44.90	19.43	30.16	488.69	55.63	5.1	11.4
..	..	(—)24.26	82.31	(—)24.26	..	..
1.56	1.22	15.14	177.60	15.48	8.1	8.7
0.05	..	(—)0.01	36.30	0.04	..	0.1
..	..	..	32.37	..	..	..
5.41	..	(—)0.75	337.25	4.66	..	1.4
4.59	3.26	2.08	142.57	3.41	2.0	2.4

long-term loans *plus* free reserves.

Gujarat Industrial Investment Corporation Limited) represents progress) *plus* working capital.

Investment Corporation Limited represents the mean of the bonds, reserves (other than those specifically funded and

March ending to November ending; the accounts were for

tion Limited.

APPENDI

Summarised financial results
(Referred to in paragraph 5.

Sr. No.	Name of Corporation	Name of Department	Date of incorporation	Capital invested	Profit(-) Loss(-)	
1	2	3	4	5	6	
1	Gujarat Board	Electricity	Industries, Mines and power	1st May 1960	97014.78(+)	1653.47
2	Gujarat Development Corporation	Industrial	Industries, Mines and power	4th August 1962	8787.06	(+)10.0
3	Gujarat State Financial Corporation	Financial	Industries, Mines and power	1st May 1960	14987.56	(+)26.3
4	Gujarat State Road Transport Corporation	Road	Home	1st May 1960	11095.07	(—)3674.7
5	Gujarat State Warehousing Corporation	Warehousing	Agriculture, Forests and Co-operation	5th December 1960	263.53	(+)21.7

- Notes :
- (i) Capital invested represents paid-up capital plus long-term
 - (ii) Capital employed in respect of Gujarat State Financial opening and closing balances of paid-up capital, specifically and backed by investments outside), bonds, of Gujarat Industrial Development Corporation, it represents reserves and surplus, subsidy from Government borrowances it represents net fixed assets (excluding capital works-@ The surplus is worked out as per the provisions of the ble commercial surplus.

*Represents net amount of interest after deducting inte-

Statutory Corporations for the year 1981-82

Section V

(Figures in columns 5 to 11 are in lakhs of Rupees)

Total interest charged to Profit and Loss account	Interest on long-term loans	Total return on capital invested (6+8)	Capital employed	Total return on capital employed (6+7)	Percentage of total return on capital invested	Percentage to the return on capital employed
7	8	9	10	11	12	13
5269.97	5107.97	6761.44	68631.46	6923.44	7.0	10.1
756.29	756.29	766.92	11157.52	766.92	8.7	6.9
581.25	581.25	607.56	14583.95	607.56	4.1	4.2
702.76*	708.19	(—)2966.53	1358.56	(—)2971.96	..	—
—	..	21.73	245.70	21.73	8.3	8.8

loans *plus* free reserves.

Corporation represents the mean of the aggregates of reserves (other than those which have been funded deposits and borrowings (including refinance). In case of the mean of the aggregates of opening and closing balances and receipts on capital account. In other three (in-progress) *plus* working capital.

Electricity (Supply) Act, 1948 which does not show compar-

rest received.

(Bk) H-46—23

48.01

99.7

81.9

1.22

983

Handwritten scribbles and numbers, including a large '2' and '56' written vertically, and '200' written horizontally.



(C)

COMPTROLLER AND AUDITOR GENERAL OF INDIA
1983

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②

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71041
54

50.0

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(-)

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(-)

0.04

(-)