सत्यमेव जयते

REPORT

OF THE

COMPTROLLER AND AUDITOR GENERAL

OF INDIA

FOR THE YEAR 1976-77

(COMMERCIAL)

GOVERNMENT OF WEST BENGAL

ERRATA

Sl. No.	Page No.	Reference to Para/Line		For	Read
1.	7	4	heading	Plan programme	Plan programmes
2.	10		Last line of the page	961	1961
3.	14	5.07	Last sentence of the page	The Management had also reported (January 1977) to the Board of Directors that the root cause of Cotton i.e., use of superior (costlier) cotton as raw material for under-utilisation of cotton.	The Management had also reported (January 1977) to the Board of Directors that the root cause of high losses and leakages in the mills of the Company lay in under-utilisation of Cotton.
4.	15	6.01	Item(i) of the table	project re-report	project report
5.	18	7.03	Item(a) under heading 'Kalyani unit' of the table	routing	routine
6	19	7.06	1st line of the para	factors	factor
7.	21	8.04	5 (of the para) ..	porduction	production
8.	26		Column under heading 'Actual efficiency' — 3rd line of the table	excedded	exceeded
9.	28		Headline for 1976-77 of the table	Klyani	Kalyani
10.	34	14.02	4th line of the page	Directors	Director
11.	34		Heading of the last column of the table	Finishing secton	Finishing section
12.	37	18.01	7th line of the para	management	Management
13.	41	4.02	1 (of the page)	Company	Company,
14.	44	7.03	2nd line in the table under		
			Column 6	113*	113**
			Column 8	148*	148**
15.	51		Heading of the column for 'April 1976' of the table	Feed for for dry cattle	Feed for dry Cattle
16.	55		3rd line of the 1st column of the table	Grandnut	Groundnut
17.	61	4	11th line	ex-words	*ex*-works
18.	67		2nd line from bottom	for 76-77	for 1976-77

ERRATA—*contd.*

Sl. No.	Page No.	Reference to Para/Line		For	Read
19.	68		Bottom figure under column for '1974-75' of the table	6	36
20.	74	3.06	9 (of the para)	mill, for	mill for
21.	78	5.02 (ii)	13 (of the para)	Authority stated	Authority had stated
22.	79		2nd line	per cent.	per cent
23.	83	7.04	7 from bottom	not, however	not, however,
24.	92	9 (ii)	4th line of the para	Textitle	Textile
25.	96	15	2nd line of the para	Section	section
26.	97	17	7th line of the para	inasmuch as	in as much as
27.	97	17	4th line from bottom	lakhks	lakhs
28.	98	1	3rd line of the para	proceesing	processing
29.	102	10	7th line of the para	Pontaly	Penalty
30.	104	12 (e)	2nd line of the para	more that 10 years	more than 10 years
31.	105		2nd line from bottom	mater	matter
32.	109	18 (a)	3rd line of the para	occured	occurred
33.	111		22nd line of the page	resolved February 1976 that	resolved (February 1976) that
34.	112		4th line from top	(January 1978)	(January 1978).
35.	116	1	12th line	Rs. 45.41 each	Rs. 45.51 each
36.	117	3	7th line of the para	3st May 1977	31st May 1977
37.	117	3	12th line of the para	Rs. 19.190	Rs. 19,190
38.	119		Reference :	Page (ii)	Page (i)
39.	120		ANNEXURE 'B' Headline of the table	financiai	financial
40.	120		Reference :	Page 1	Page 2
41.	120		ANNEXURE 'B' SL. No. 3 under column (2) of the table	West Bengal Industraial Development	West Bengal Industrial Development

ERRATA—*concld.*

Sl. No.	Page No.	Reference to Para/Line		For	Read
42.	121	Notes :	under Annexure 'B'—4th line from bottom	exeludins	excluding
43.	121	Notes :	under Annexure 'B'—2nd line from bottom	bondg	bonds
44.	122		Annexure 'C' Heading of column (6) of the table	Total capital inveatd	Total capital invested
45.	122			Anneuxre 'C'	Annexure 'C'
46.	122		Annexure 'C' Figure in column 7 at Sl. No. 1	(+) 102.70	(+) 102.70*
47.	122	Note :	under Annexure 'C'—2nd line	Work-in-progres	work-in-progress

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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:

(i) Government Companies;

(ii) Statutory Corporations; and

(iii) Departmentally managed commercial undertakings..

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

2. In the case of Government Companies, audit is conducted by professional auditors appointed on the advice of the Comptroller and Auditor General, but the latter is authorised under section 619(3) 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 professional auditors. The Companies Act further empowers the Comptroller and Auditor General to issue directives to the auditors in regard to the performance of their functions. In November 1962, such directives were issued to the auditors of the Government Companies having paid-up capital of Rupees one crore or above for looking into certain specific aspects of the working of the Companies. These were revised in December 1965 and February 1969.

3. There are, however, certain Companies where Government have invested funds but the accounts of which are not subject to audit by the Comptroller and Auditor General. A list of such undertakings where Government investment is more than Rs.10 lakhs as on 31st March 1977 is given in Annexure 'A'.

4. In respect of Calcutta State Transport Corporation, North Bengal State Transport Corporation, Durgapur State Transport Corporation and West Bengal State Electricity Board, the Comptroller and Auditor General is the sole auditor, while in respect of West Bengal State Warehousing Corporation and West Bengal

Financial Corporation, he has the right to conduct the audit of the concerns independently of the audit done by the professional auditors appointed under the respective Acts.

5. The points brought out in the 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

SECTION I

Government Companies

1. Introduction

There were 26 Companies of the State Government as on 31st March 1977 as against 22 Companies on 31st March 1976. During 1976-77, four new Companies, *viz.*, West Bengal Tea Development Corporation Limited, West Bengal State Leather Industries Development Corporation Limited, West Bengal Ceramic Development Corporation Limited and West Bengal Handicrafts Development Corporation Limited were incorporated.

Of these, 10 Companies submitted their accounts for 1976-77. Accounts of the other 16 Companies are in arrears (December 1977) as shown below:

Name of the Company	Year(s) for which accounts are in arrears
Durgapur Chemicals Limited ..	1976-77
State Fisheries Development Corporation Limited ..	1976-77
West Bengal Small Industries Corporation Limited ..	1976-77
The Electro-Medical and Allied Industries Limited ..	1976-77
Westinghouse Saxby Farmer Limited ..	1976-77
West Bengal Tourism Development Corporation Limited	1976-77
West Bengal Sugar Industries Development Corporation Limited	1976-77
West Bengal State Minor Irrigation Corporation Limited	1976-77
West Bengal Livestock Processing Development Corporation Limited	1976-77
West Bengal Agro-Industries Corporation Limited ..	1976-77
West Bengal Handloom and Powerloom Development Corporation Limited	1975-76 and 1976-77
Basumati Corporation Limited ..	1975-76 and 1976-77

Name of the Company	Year(s) for which accounts are in arrears
West Bengal Dairy and Poultry Development Corporation Limited	1975-76 and 1976-77
West Bengal State Textile Corporation Limited	1975-76 and 1976-77
West Bengal Ceramic Development Corporation Limited	1976-77
West Bengal Handicrafts Development Corporation Limited	1976-77

A synoptic statement showing the summarised financial results of the working of 15 Companies, on the basis of the latest available accounts, is given in Annexure 'B'.

2. Investment and guarantees

The total investment by the State Government by way of share capital, as on 31st March 1977, in the 10 Companies, the accounts of which for 1976-77 have been received, was Rs.2,943.58* lakhs.

Government have also given guarantees for repayment of loans| overdrafts and amounts raised by issue of bonds|debentures in respect of three Companies as detailed below:

	(In lakhs of Rupees)
Maximum amount guaranteed ..	1,344.00
Amount guaranteed and outstanding on 31st March 1977:—	
Principal and interest ..	1,276.20*

3. Profits and losses

According to the annual accounts for 1976-77 prepared by the 10 Companies, there was a total net profit of Rs.320.81 lakhs during 1976-77 as against a total net loss of Rs.493.19 lakhs during 1975-76 in respect of 13 Companies. Six Companies, *viz.*, Durgapur Projects Limited, West Bengal Industrial Development Corporation Limited, West Bengal Mineral Development and Trading Corporation Limited, West Bengal Electronics Industry Development

*Differs from the figures shown in the Finance Accounts for 1976-77 The difference is under reconciliation.

Corporation Limited, West Bengal Essential Commodities Supply Corporation Limited and West Bengal Forest Development Corporation Limited earned profits aggregating Rs.525.39 lakhs in 1976-77 against their total paid-up capital of Rs.2,730.37 lakhs. Four other Companies with aggregate paid-up capital of Rs.213.21 lakhs sustained losses totalling Rs.204.58 lakhs during 1976-77.

4. Borrowings

The borrowings (loans and cash credit) of the 10 Companies stood at Rs.6,080.67 lakhs at the end of 1976-77 as against Rs.8,184.37 lakhs at the end of 1975-76 in respect of 13 Companies.

5. Further, there were two Companies in the State coming under section 619-B of the Companies Act, 1956 as on 31st March 1977. The aggregate paid-up capital of the two Companies, *viz.*, Indian Mechanisation and Allied Products Limited and Aluminium Manufacturing Company Limited, was Rs.60.00 lakhs as on 31st March 1977. Of these, Rs.42.11 lakhs were held by the State Government and Companies and Corporations owned and controlled by Government.

The accounts of Indian Mechanisation and Allied Products Limited for the years ending October 1975 and 1976 and that of Aluminium Manufacturing Company Limited for the year 1976-77 are awaited (December 1977).

SECTION II

The Kalyani Spinning Mills Limited

1. Introduction

1.01. The Kalyani Spinning Mills Limited was incorporated on 13th January 1960 as a Government Company with the following main objects:

(a) To acquire and take over from the Government of West Bengal the undertaking for setting up the Kalyani Spinning Mills at Kalyani;

(b) to start one or more cotton, jute, staple fibre, silk, nylon or any other textile fibre spinning, weaving and processing mills in India;

(c) to manufacture all kinds of yarns or process such yarns;

(d) to carry on with the business of all by-products, e.g., wastes, etc., either sell or process them to yarn;

(e) to manufacture textile machinery and spare parts and stores with or without collaboration with other firms; and

(f) to establish, maintain and operate training institutions for textile technology and all its allied subjects and for researches in the same.

The activities of the Company were limited mainly to manufacture of yarn from cotton and sale thereof along with saleable waste produce.

1.02. Initially, the Company had only one mill (set up for producing yarn of higher counts to cater to the needs of skilled weavers of West Bengal) situated at Kalyani in Nadia district, which started production in February 1961. Later, at the instance of Government the Company decided in March 1963 that a second unit should be established at Habra in 24-Parganas district for production of coarser yarn for which there was huge demand from handloom weavers as well as from powerloom industries of West Bengal. The second mill went into production in August 1966.

1.03. The Company was registered as a private limited company but by virtue of the provisions of section 43A(IA) of the Companies Act, 1956 (Amendment Act, 1974), it became a public limited company from 1st February 1975.

1.04. The working of the Company was last reviewed in paragraph 58 of the Report of the Comptroller and Auditor General of India for the year 1970-71. The Report was considered by the

Committee on Public Undertakings (1975-76) in their Second Report (April 1976). Government and the Company are yet to take action on the recommendations of the Committee (December 1977).

2. Organisational set-up

2.01. The Management of the Company is vested in a Board of Directors headed by a Chairman. All the directors, including the Chairman and the Managing Director, are nominated by Government. The number of directors, including the Chairman, as on 31st March 1977, was five.

2.02. The Chief Executive of the Company is its Managing Director. Administrative and financial powers have been delegated by the Board of Directors to the Managing Director for carrying on the day-to-day affairs of the Company. The two mills are in the charge of Managers, one each for a mill. The post of the Chief Accounts Officer has been lying vacant since July 1975.

3. Capital structure

3.01. The authorised capital of the Company is Rs.250 lakhs divided into 25,000 equity shares of Rs.1,000 each. The paid-up capital of the Company, as on 31st March 1977, was Rs.158.21 lakhs subscribed entirely by the State Government.

In addition, the Company obtained loans aggregating Rs.628.61 lakhs from the State Government between December 1960 and March 1977, out of which Rs.43.61 lakhs were repaid leaving a balance of Rs.585.00 lakhs outstanding as on 31st March 1977. Of the balance, repayment of Rs.210.05 lakhs was overdue.

Interest accrued and due but not paid, as on 31st March 1977, on these loans amounted to Rs.137.00 lakhs after adjustment of rebate of Rs.26.73 lakhs, which was, however, admissible only if timely payment of interest had been made. Penal interest on overdue instalments of principal and interest due amounted to Rs.54.97 lakhs and Rs.23.74 lakhs respectively as on 31st March 1977. The Management stated (September 1977) that Government had been approached from time to time for allowing rebate of Rs.26.73 lakhs and waiving the penal interest. Further developments are awaited (December 1977).

3.02. The Company also has a cash credit arrangement since 1966-67 with the State Bank of India, on a permanent basis, up to a limit of Rs.85 lakhs against hypothecation of its stock and guarantee given by Government. In order to finance the purchase of imported cotton, the limit was temporarily raised to Rs.144 lakhs in January 1974. The table below indicates the position of cash credit account during the three years up to 1976-77:

Year	Rate of interest		Total amount of interest		Outstanding balance at the end of the year
	Normal	Penal	Normal	Penal	
	(per cent per annum)		(In lakhs of Rupees)		
1974-75	11 to 13	Nil	14·49	Nil	108·70
1975-76 . ..	16	Nil	20·45	Nil	129·15
1976-77 . ..	16	2	22·15	2·77	154·07*

In this connection the following points were observed:

(i) The temporary guarantee by Government for repayment of additional amount of Rs.59 lakhs, originally given for a period of one year, was renewed from time to time up to 16th May 1977. Government had imposed in June 1974 a condition that the Company would have to pay a service charge at half per cent per annum on both permanent and temporary guarantees, according to such details and in such manner as might be laid down. The Management stated (August 1977) that as the manner and mode of payment had not been intimated by Government, no payment was made on this account.

(ii) Against the general practice of depositing the realisations from the hypothecated stock, as and when disposed of, in the cash credit account, the Company started (June 1974) depositing such realisations in a separate current account with the same bank. The bank, therefore, objected to this practice and the cash credit account became inoperative from June 1974.

(iii) The Company, after discussions with the bank (May 1977), approached Government with two alternative proposals for "permanent solution of the irregularities as regards cash credit account". *viz.*, (a) conversion of the drawals over Rs.85 lakhs into a proper account or (b) repayment of the excess amount over the permanent limit of Rs.85 lakhs. The bank was willing (May 1977) to consider the first proposal for converting the excess drawal of Rs.72 lakhs into a frozen account to be amortised over a reasonable period of time, say 5 to 7

*Exceeded the limit by Rs. 10·07 lakhs due to accumulation of interest.

years, provided Government stood guarantee for repayment thereof. The second alternative involved financing by Government of the excess amount of Rs.72 lakhs drawn by the Company to enable it to bring down the cash credit limit to Rs.85 lakhs, so as to operate the account again. Decision of Government in this regard is awaited (February 1978). In the meantime, the outstanding balance of the cash credit account had gone up to Rs.160.98 lakhs on 30th June 1977 owing to addition of interest charges, against which the value of the stock holdings of the Company was Rs.56.96 lakhs.

4. Plan programme.

4.01. Funds received by the Company as loan at interest varying between 5½ and 8 per cent, with rebate for timely payment at ½ to 2 per cent under the Plan schemes, up to 31st March 1977, were as indicated below:

Plan period	Amount received (In lakhs of Rupees)	Purpose
Second Plan	20·00	Development of Kalyani unit
Third Plan	50·39	Development of Kalyani unit
	87·70	Establishment of the second unit at Habra
Fourth Plan	29·19	Establishment of the second unit at Habra
	16·50	Expansion of the second unit at Habra
Fifth Plan	34·95	Establishment of cotton waste spinning plant and surgical cotton plant
	25·00	Modernisation scheme

4.02. Out of the amount received during the Fourth Plan period, Rs.29.19 lakhs were spent for establishment of the Company's Habra unit, Rs.9.00 lakhs were spent for expansion of that unit, and the balance of Rs.7.50 lakhs was utilised as working capital.

In April 1975, the Company had decided that a separate bank account should be opened with the Plan funds and that no portion of the Plan money should be spent for any purpose other than that for which it was sanctioned.

The entire amount of Rs.34.95 lakhs received during 1974-75 (Rs.10.95 lakhs) and 1975-76 (Rs.24.00 lakhs) for establishment of waste spinning plant and surgical cotton plant was, however, utilised by the Company for meeting its working capital requirements. Out of Rs.25.00 lakhs received during 1976-77 for modernisation scheme, Rs.12.50 lakhs were utilised as working capital and the balance was kept in a separate account with the State Bank of India (short-term deposit account). Thus, no programme envisaged under the Fifth Plan has been taken up (February 1978) for implementation. The Management stated (August 1977) that as the Company had been suffering from acute financial crisis due to heavy cash losses, utilisation of the Plan funds as working capital became unavoidable.

4.03. In 1973-74, the Company proposed to Government to take up three schemes at an estimated cost of Rs.247.32 lakhs during the Fifth Plan period, as indicated below:

	(Rupees in lakhs)
(1) Expansion of Habra unit by 14,900 spindles	111·57
(2) Expansion of Kalyani unit by 12,760 spindles .. .	119·00
(3) Establishment of Cotton Waste Spinning Plant	16·75

It was subsequently decided (October 1974) by the Company to install a small plant for manufacture of surgical cotton, which would be an additional process in the waste plant, for which the financial requirement was estimated at about Rs.7.00 lakhs. The Company had envisaged that 50 per cent of the funds for the three schemes initially proposed would be provided by Government and the remaining 50 per cent would be available from internal sources.

The Management stated (July 1977) that there was no "financial basis" for the schemes at items (1) and (2) above in view of the total commitment of only around a crore of rupees from the Planning Commission for the five years and that the idea that 50 per cent of the resources could come from the Company's internal sources proved to be a case of an unjustified optimism as it had been suffering recurring cash losses.

4.04. The Management had stated (October 1974) that top priority had been given to the waste spinning plant and an additional ancillary unit, *viz.*, surgical cotton plant, in view of the following considerations:

(i) Additional expenditure for civil construction work for housing the plants was not necessary.

(ii) Waste produced at the mills would be fully utilised, instead of being sold in the market.

(iii) There was good market for surgical cotton and the plant could be installed at a small cost.

(iv) No separate industrial licence was required for such plant.

(v) The plant could be installed within a very short time.

It was further stated (April 1975) by the Management that the Company had adequate quantity of cotton waste available from both the mills which was being sold cheap and that this waste, being of fairly good quality, could be effectively used for spinning waste yarn.

4.05. The schemes for establishment of cotton waste spinning plant and surgical cotton plant have not been implemented and the money received from Government on this account has been utilised as working capital of the Company. The Management stated (July 1977) that since the Company had been passing through acute financial crisis the proposal for setting up of waste spinning plant had been deferred.

4.06. In a meeting of the working group of the Planning Commission on large and medium industries and minerals, held in January 1976, the attention of the State Government representatives was drawn to the fact that the production of surgical cotton was reserved for the small-scale sector and, therefore, the matter was required to be examined in consultation with the Department of Industrial Development from the policy angle. The Company approached (July 1977) Government for necessary directions in the matter, which were awaited (December 1977).

5. Profitability analysis

5.01. **Financial position:** The table below summarises the financial position of the Company under the broad headings for the three years up to 1976-77:

LIABILITIES	1974-75	1975-76	1976-77
		(In lakhs of Rupees)	
(a) Paid-up capital	158·21	158·21	158·21
(b) Reserves and surplus	33·26	32·26	5·36
(c) Borrowing (including cash credit)	459·83	595·28	739·07
(d) Trade dues and other current liabilities	235·68	281·57	330·32
Total	886·98	1,067·32	1,232·96
ASSETS			
(e) Gross block	477·02	481·66	483·38
(f) *Less* : depreciation	353·64	369·20	382·35
(g) Net fixed assets	123·38	112·46	101·03
(h) Capital works-in-progress	5·47	2·57	1·34
(i) Current assets, loans and advances	192·02	·136·22	138·89
(j) Cumulative loss	566·11	816·07	991·70
Total	886·98	1,067·32	1,232·96
Capital employed	98·09	(—)8·60	(—)60·89
Net worth	(—)374·64	(—)625·60	(—)828·13

Notes : (1) Capital employed represents net fixed assets *plus/minus* working capital.

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

5.02. **Working results:** The table below indicates the working results of the Company since inception:

Year			Kalyani Unit Profit (+)/ Loss (−)	Habra Unit Profit (+)/ Loss (−)	Total Profit (+)/ Loss (−)
			(In lakhs of Rupees)		
*1960-61	..	..	(−)3·02	..	(−)3·02
1961-62	..	..	(−)8·47	..	(−)8·47
1962-63	..	..	(+)18·87	..	(+)18·87
1963-64	..	..	(+)26·95	..	(+)26·95
1964-65	..	..	(+)19·26	..	(+)19·26
1965-66	..	..	(+)10·72	..	(+)10·72
1966-67	..	..	(+)9·88	(−)8·55	(+)1·33
1967-68	..	..	(−)6·22	(−)60·36	(−)66·58
1968-69	..	..	(−)27·51	(−)45·93	(−)73·44
1969-70	..	..	(−)27·02	(−)46·73	(−)73·75
1970-71	..	..	(−)10·75	(−)44·05	(−)54·80
1971-72	..	..	(−)33·98	(−)61·90	(−)95·88
1972-73	..	..	(−)6·99	(−)48·33	(−)55·32
1973-74	..	..	(−)22·89	(−)29·73	(−)52·62
1974-75	..	..	(−)66·73	(−)80·54	(−)147·27
1975-76	..	..	(−)139·98	(−)110·98	(−)250·96
1976-77	..	..	(−)119·68	(−)82·85	(−)202·53

The accumulated loss as on 31st March 1977 amounted to Rs.991.70 lakhs.

*1960-61 covers the period from 13th January 1960 (the date of incorporation) to 31st March 961.

5·03. The following table indicates the unit-wise details of income and expenditure of the Company for the three years up to 1976-77:

	1974-75			1975-76			1976-77		
	Kalyani unit	Habra unit	Total	Kalyani unit	Habra unit	Total	Kalyani unit	Habra unit	Total
				(In lakhs of Rupees)					
Income—									
(a) Sales	227·19	123·87	351·06	185·67	108·08	293·75	163·21	127·35	290·56
(b) Miscellaneous income	0·74	0·35	1·09	0·80	0·36	1·16	1·51	0·37	1·88
Total ..	227·93	124·22	352·15	186·47	108·44	294·91	164·72	127·72	292·44
Expenditure—									
(a) Raw materials and fuel consumed ..	167·09	94·64	261·73	115·67	82·73	198·40	112·25	100·01	212·26
(b) Stores, spares and tools	9·18	3·89	13·07	8·29	4·30	12·59	6·88	5·30	12·18
(c) Wages	68·22	42·80	111·02	70·83	46·15	116·98	68·10	45·47	113·57
(d) Difference in opening and closing stock of stock-in-process.	0·35	(—)1·68	(—)1·33	2·97	1·00	3·97	(—)2·39	(—)2·22	(—)4·61
(e) Difference in opening and closing stock of finished goods.	(—)23·06	7·13	(—)15·93	40·15	23·01	63·16	4·82	(—)0·97	3·85
Manufacturing cost of goods sold ..	221·78	146·78	368·56	237·91	157·19	395·10	189·66	147·59	337·25
(f) Administration and other overheads ..	53·55	27·18	80·73	60·27	25·00	85·27	58·14	22·21	80·35
(g) Interest	14·68	18·61	33·29	24·27	25·67	49·94	33·14	31·08	64·22
(h) Depreciation	4·65	12·19	16·84	4·00	11·56	15·56	3·46	9·69	13·15
Total cost of goods sold ..	294·66	204·76	499·42	326·45	219·42	545·87	284·40	210·57	494·97
Net loss	66·73	80·54	147·27	139·98	110·98	250·96	119·68	82·85	202·53

5.04. The Management stated (June 1977) that the condition of the Company started deteriorating from 1967-68. The losses, however, came down from Rs.95.54 lakhs in 1971-72 to Rs.55.06 lakhs in 1972-73 and Rs.49.60 lakhs in 1973-74 but during those years the Indian textile industry had secured record profits, the average profitability being as high as Rs.200 per spindle per year; by this standard, the Company should have made a profit of about Rs.150 lakhs during 1973-74 against the actual loss of Rs.49.60 lakhs (excluding development rebate reserve).

5.05. The general reasons for the heavy losses during 1969-70 to 1976-77, as brought out in the records of the Company from time to time, were as follows:

(a) Employment of labour in excess of requirement and low labour productivity.

(b) Low machine productivity.

(c) High percentage of waste.

(d) Increase in the wage bill and salary bill on account of defreezing of rates of dearness allowance payable to workers in 1971-72 and steep increase in the variable dearness allowance in 1974-75.

(e) Power failures and load-shedding, resulting in loss of production.

(f) Sharp rise in the rates of central excise duties on yarn in 1974-75.

(g) Increasing interest charges on the mounting bank loans from July 1975 onwards due to cash losses and erosion of working capital.

(h) Cost of cotton, paid by the Company, was high compared to mills in other States being nearer to the production areas of this basic raw material.

(i) Recession in the cotton textile industry throughout the country from August 1974, resulting in sales at prices much below the production cost.

5.06. **Surveys and enquiries:** (a) Ahmedabad Textile Industry's Research Association (ATIRA) was appointed (July 1972) by the Company, with the approval of Government, to undertake a survey of both the units with a view to reporting and making recommendations regarding—

(i) standard of production and workload of each worker in the various sections of the mills;

(ii) measures to be adopted to set right the imbalance in staffing pattern, if any;

(iii) actual requirement of additional workers;

(iv) use of cotton; and

(v) measures to run the units economically.

The survey was conducted by ATIRA during the period from 17th January 1973 to 15th February 1973. The results of the survey, along with the recommendations of ATIRA, were sent to the Company in three parts by August 1974. No action has been taken to implement the major recommendations. The ATIRA report was stated (June 1977) by the Management to be lying with Government.

An expenditure of Rs.0.11 lakh was incurred by the Company in connection with the study made by ATIRA.

(b) A committee of enquiry, consisting of three members, was set up by Government in July 1975 for making a probe into the affairs of the Company and suggesting measures to make it viable and to enable it to tide over the financial crisis. The Management stated (September 1977) that the findings of the committee submitted directly to Government, were not made available to the Company and hence no steps could be taken in regard to implementation of the same.

(c) The Company appointed (March 1976) a firm of Calcutta to undertake a job-time-motion study in respect of both the units. They were required to carry out the following tasks:

(i) preparation of job description for all categories of workers;

(ii) necessary work measurement;

(iii) determination of production norms based on work measurement and on any other relevant data;

(iv) determination of manpower requirement for different jobs based on production norms and any other relevant data; and

(v) determination of surplus workers in the two units, if any.

The report of the consultancy firm was received by the Company in September 1976 and was submitted (November 1976) to Government. The Company has not (February 1978) received any instructions from Government in the matter.

The Company had agreed (March 1976) to pay Rs.0.12 lakh to the consultancy firm towards its professional charges, of which Rs.0.10 lakh was paid in March 1976.

(d) At the instance of Government (May 1976), a team of the Indian Statistical Institute conducted a technical study and survey of the operations of the units with the objects of devising ways and means for increasing productivity, improving quality and reducing losses. The Management stated (September 1977) that the relevant report had not been received by the Company.

(e) The Company got itself enrolled as a member of South India Textile Research Association (SITRA) from August 1976 with Rs.0.12 lakh as annual contribution subject to revision by the Association from time to time. At the request (July and September 1976) of the Company, SITRA made an in-depth study of the manpower employed by it and its techno-economic viability during September and October 1976. It submitted (December 1976) reports suggesting measures to reduce the losses. SITRA reports indicated that the poor performance of the Company was mainly due to—

(i) total lack of discipline and control over the operatives;

(ii) extremely low production per spindle per shift which was the lowest recorded by a member mill of SITRA;

(iii) excessive number of operatives (400 in Kalyani and 300 in Habra);

(iv) very low ring frame utilisation; and

(v) low yarn realisation due to high percentage of waste.

SITRA gave its recommendations for remedial measures.

The report of SITRA was sent to Government in February 1977.

The Management stated (May 1977) that some of the technical parts of the SITRA report had been implemented by the Managers of the units and that all the technical deficiencies could be set right provided funds were available. The Management further stated that it would be possible to implement the recommendations provided that the workers were willing to co-operate.

5.07. The records indicated that there has been under-utilisation of cotton, i.e., use of superior (costlier) cotton as raw material for producing yarn of lower counts (which yielded comparatively poor return), in the units of the Company. The Management had also reported (January 1977) to the Board of Directors that the root cause of cotton, i.e., use of superior (costlier) cotton as raw material for under-utilisation of cotton.

The Management further stated (July 1977) that the workmen at Kalyani were habituated from the very beginning to the use of only the best quality cotton which was easy to work with and that they had refused to work except with the superior quality cotton.

On a test check of the local records at Habra unit it was noticed that 0.30 lakh kg. of cotton meant for 60s mixing, were utilised in 40s mixing during the period from 20th July 1975 to 1st August 1975. The unit management stated (July 1975) that cotton for 60s was issued in 40s mixing owing to shortage of cotton of inferior quality.

6. Production performance

6.01. The following table indicates the actual production of yarn against the rated capacity as per the project reports as well as the targets fixed by the Management, during the five years up to 1976-77:

	1972-73	1973-74	1974-75	1975-76	1976-77
		(Figures of yarn in lakhs of kg.)			
(i) Rated capacity as per project report—					
Kalyani unit	12·89	12·89	12·89	12·89	12·89
Habra unit	20·05	20·05	20·05	20·05	20·05
(ii) Target of production—					
Kalyani unit	8·83	9·16	8·87	9·67	10·42
Habra unit	9·89	9·64	7·96	11·29	9·92
(iii) Actual production—					
Kalyani unit	8·84	8·20	8·04	6·70	5·66
Habra unit	9·43	8·82	6·11	6·25	6·87
(iv) Shortfall of actual production—					
(a) from the rated capacity (i—iii)—					
Kalyani unit	4·05	4·69	4·85	6·19	7·23
Habra unit	10·62	11·23	13·94	13·80	13·18
(b) from the target of production (ii—iii)—					
Kalyani unit	(—)0·01	0·96	0·83	2·97	4·76
Habra unit	0·46	0·82	1·85	5·04	3·05
(v) Percentage of shortfall—					
(a) to rated capacity—					
Kalyani unit	31·4	36·4	37·6	48·0	56·1
Habra unit	53·0	56·0	69·5	68·8	65·7
(b) to target of production—					
Kalyani unit	..	10·5	9·4	30·7	45·7
Habra unit	4·7	8·5	23·2	44·6	30·8

6.02. The targets of production were fixed at a level much below the rated capacity. Particularly in case of the Habra unit, the target was less than 50 per cent of the rated capacity on an average. The Management stated (September 1977) that the targets depended on the condition of machinery, capacity of workmen and the quality of cotton available. Actual production fell appreciably short even of the low targets fixed. The estimated annual requirement of yarn in the State was 370 lakh kgs.in 1974-75. Even assuming that there had not been any increase in the requirement, the Company produced only 3.8, 3.5 and 3.4 per cent of the requirement of yarn in the State during 1974-75, 1975-76 and 1976-77 respectively.

6.03. As reported by the Management to the Board of Directors from time to time, the main reasons for the poor production were as follows:

(a) **Low machine productivity:** All the ring frames at the Kalyani unit and many at the Habra unit were of slow productive type. Moreover, continuous running of the machines in three shifts for years together, without proper maintenance, caused deterioration in the condition of the machines.

(b) Power failure and load-shedding, leading to idle capacity of machines.

(c) Labour indiscipline, unrest and absenteeism.

(d) Lack of supervision and guidance and soft shopfloor management.

(e) Disturbed law and order situation in the neighbourhood of the units.

6.04. It was noticed (May 1977) during test check of the mill records that a major cause for the loss of production at the Kalyani unit was lapping and jamming, mainly due to uncontrolled humidity within the mill. During 1975-76 and 1976-77, 0.93 lakh kg. and 1.19 lakh kg. of yarn could not be produced at ring frame stage at the Kalyani unit due to this factor.

ATIRA had observed in May 1974 that although the unit had a good humidity control system, the capacity of the humidification plant was not adequate for the size of the mill, which resulted in large fluctuations in the relative humidity levels in all the sections.

SITRA had recommended (December 1976) that the humidification plant should be set right and provision should be made for a better air exhaust system.

The Kalyani unit management had pointed out (November 1976) to the Managing Director that the humidification plant at the Kalyani unit had not been giving desired result, which had affected production adversely and that it was necessary to modify the existing plant and also to install additional equipment and facilities to make it an effective instrument for control of temperature and relative humidity. A proposal was also drawn up (November 1976) by the Kalyani unit management and approved (January 1977) by the Company for this purpose, to be executed in three phases, at an estimated cost of Rs.4.50 lakhs. The proposal is under consideration of Government (December 1977).

6.05. **Counts of yarn produced:** The project reports envisaged that the average count of production of yarn would be 80s and 30s at the Kalyani and Habra units respectively.

The following table will indicate the average count of actual production during the five years ending 1976-77:

	1972-73	1973-74	1974-75	1975-76	1976-77
Kalyani unit	65·57	67·15	64·50	54·10	55·50
Habra unit	32·86	37·15	44·32	35·67	36·20

Failure of the Kalyani unit to produce higher counts of yarn prevented the highly skilled weavers of the nearby Nabadwip and Santipur areas from utilising the products of this unit.

7. Working of spindles

7.01. The table below indicates the position as to the number of spindles commissioned, working of the spindles and the percentage of idle spindles, during the five years ending 1976-77:

Unit	Year	Average number of spindles commissioned	Average number of spindles worked per shift	Percentage of spindles lying idle per shift
Kalyani	1972-73	50,160	41,730	16·8
	1973-74	50,160	42,154	16·0
	1974-75	50,540	40,439	20·0
	1975-76	50,600	29,972	41·1
	1976-77	50,600	32,170	36·4
Habra	1972-73	24,996	18,849	24·6
	1973-74	26,251	19,827	24·5
	1974-75	26,393	17,752	32·7
	1975-76	28,076	14,409	48·7
	1976-77	28,076	18,362	34·6

Source : Figures furnished by the Management.

7.02. A team of surveyors of the Textile Commissioner considered (December 1968) that idle spindles within a ceiling of five per cent could be treated as reasonable. No norm for idle spindles has, however, been fixed by the Company.

The Management stated (May 1977) that idleness of spindles depended on various uncontrollable factors. The Management further stated (September 1977) that there had been a very high percentage of idleness in the undertaking and fixing a norm which could not be adhered to would not serve any useful purpose.

Scrutiny of local records, however, revealed that there were many identifiable causes for the idle spindles some of which were avoidable| controllable.

7.03. Cause-wise analysis of percentage of idle spindles during the five years ending 1976-77, as worked out by the Management, is indicated below:

Reasons for idle spindles	1972-73	1973-74	1974-75	1975-76	1976-77
		(Figures in percentage)			
Kalyani unit					
(a) Cleaning and routing maintenance	1·8	1·9	1·9	1·7	1·3
(b) Count changing	0·2	0·1	0·1	..	0·2
(c) Break-down	1·0	0·7	0·9	0·7	1·3
(d) Power failure	1·8	3·6	9·5	3·7	3·0
(e) Shortage of hands ..	8·9	4·1	3·6	3·4	5·7
(f) Shortage of roves ...	..	..	..	..	13·0
(g) Shortage of empties ..	1·4	2·7	0·4	26·2	10·5
(h) Others	1·7	2·9	3·6	5·4	0·8
Total ..	16·8	16·0	20·0	41·1	36·4
Habra unit					
(a) Cleaning and routine maintenance	1·2	1·1	3·0	2·5	1·6
(b) Count changing	0·1	0·1	0·2	0·1	0·1
(c) Break-down	3·4	3·6	1·8	0·6	0·9
(d) Power failure	3·6	6·5	11·1	7·2	4·6
(e) Shortage of hands	9·2	11·1	12·1	7·0	9·3
(f) Shortage of roves ..	1·0	..	0·2	22·7	14·0
(g) Shortage of empties ..	3·4	0·4	1·4	3·2	1·4
(h) Others	2·7	1·7	2·9	5·4	2·7
Total ..	24·6	24·5	32·7	48·7	34·6

7.04. **Shortage of cotton:** From 1975-76, shortage of cotton has become a major factor responsible for idle spindles. On a test check of records, it was noticed that the ring frames at the Kalyani unit did not function according to programme during the period from 12th January to 27th February 1977 and from 15th to 23rd March 1977, on account of shortage of cotton. Except for 20s and 30s groups, there was no cotton in stock at the Kalyani unit from 28th January to 14th February 1977. Stock of cotton of all categories was nil during the period from 14th to 17th March 1977 and on 22nd March 1977.

At the Habra unit, there was shortage of cotton during the whole year 1975-76, which resulted in idleness of 22.7 per cent of the spindles on this account.

In April 1974, the Manager of the unit recommended use of cotton wastes for mixing with cotton for manufacturing yarn of low counts. It was decided by the Company (November 1976) to mix all types of wastes belonging to hand strip, flat strip and comber groups; the Management further decided (January 1977) to mix cylinder and doff strips 36|40s for producing yarn of low counts. Owing, however, to the delay in taking decision in this regard, considerable quantities of waste of the aforesaid types were sold to outside parties. Had suitable adjustment in use of cotton with appropriate mixing of saleable waste of better quality been made, the capacity of the Habra unit, which is meant for producing yarn of lower count could have been better utilised.

The Management stated (August 1977) that cotton could not be procured in sufficient quantity in time due to shortage of funds to meet the demand.

7.05. **Shortage of skilled hands:** Shortage of skilled hands was another major cause for poor utilisation of ring frames both at Kalyani and Habra.

Though the overall number of workers employed was much in excess of requirement (vide paragraph 14) the spindles had to remain idle due to shortage of hands on account of the imbalance of the workers' strength among different categories|sections.

7.06. **Shortage of empties:** A third controllable factors contributing to the idleness of spindles is shortage of empty bobbins. It had a particularly adverse effect at the Kalyani unit during 1975-76 and 1976-77. Against the overall percentage of idle spindles of 41.1, shortage of empties alone was responsible for 26.2 per cent during 1975-76. Although ATIRA recommended in April 1973 that the circulation system of ring bobbin should be improved to avoid stoppage of ring frames due to short supply of empty bobbins, the position deteriorated further. Accumulation of ring bobbins with material at the finishing section was responsible for this situation. The Management stated (September 1977) that this was due to negligence of the workers who did not give the minimum required output on various pleas and that new bobbins were not introduced by indenting from stores as "the nature of the workmen is to block huge bobbins purposely".

On a test check of store records it was noticed that 73,764 bobbins were issued to the mill during the period from 14th April 1975 to 21st May 1975. No stock account as regards circulation of bobbins, rejected bobbins, lost bobbins, etc., was maintained at the mill end.

8. **Waste**

8.01 SITRA had stated (December 1976) that the units should set up norms for different categories of waste of cotton at the various stages of processing and ensure that the actual waste conformed to these norms.

8.02. **Usable waste:** According to the survey report (December 1968) submitted by the Surveyor of the Textile Commissioner, the percentage of usable waste should have been well within 5 per cent. SITRA also recommended (December 1976) the norm of usable waste at 5 per cent of ring frame production as per the break-up given below:

Category of waste	Percentage
Sliver and lap	1.5
Roving ends	0.5
Bonda and Pneumafil ..	3.0

The Management had stated in May 1977 that norm of percentage of waste had not been fixed by the Company. In June 1977, the Management further stated that the following norms had been prescribed (June 1977) as regards usable waste on the basis of working efficiency of the workers, atmospheric condition prevailing in the department as well as the prevailing norms in the industry:

Category of waste	Percentage fixed
Sliver	2
Pneumafil	3
Bonda	2

8.03. The actual usable waste of different categories, during the last two years, was as shown below:

Category of waste	1975-76 Total ring frame production	1975-76 Total waste	1975-76 waste percentage	1976-77 Total ring frame production	1976-77 Total waste	1976-77 Waste percentage
	(In lakhs of kg.)			(In lakhs of kg.)		
A. Kalyani unit ..	6·92	..	..	6·29	..	..
(a) Sliver and lap ..	..	0·30	4·3	..	0·48	7·6
(b) Roving ends ..	..	0·15	2·1	..	0·16	2·6
(c) Bonda ..	..	0·27	3·9	..	0·48	7·6
(d) Penumafil ..	..	0·55	8·0	..	0·53	8·4
B. Habra unit ..	6·25	..	..	6·97	..	..
(a) Sliver, lap and roving ends	..	0·38	6·1	..	0·25	3·6
(b) Bonda ..	..	0·26	4·2	..	0·35	5·0
(c) Pneumafil ..	..	0·27	4·3	..	0·33	4·7

8.04. There was considerable rise in the percentage of waste at the Kalyani unit in 1976-77. The Management stated (May 1977) that this was due mainly to use of higher percentage of waste in raw cotton mixing, use of various types of cotton and break inflow or production at different processes owing to irregular porduction for shortage of raw materials.

8.05. **Saleable waste:** Proper records were not maintained in regard to the saleable waste arisings at different production centres of the mills. Quantity of waste is determined periodically after despatch of accumulated waste to the stores sections.

8.06. **Soft waste:** According to the Management, the quantity of saleable waste depends on trash and short fibre content in the mixing and the machine condition at different stages. The Management stated (May 1977) that other conditions remaining normal, saleable soft waste in comb variety should be around 22 per cent and in carded variety it should be around 14 per cent.

The actual quantity of waste arisings during the last two years is shown below:

	1975-76	1976-77
Kalyani unit		
(a) Total consumption of raw material (in lakh kg.)	8·74	7·42
(b) Total soft saleable waste (in lakh kg.)	1·89	1·80
(c) Percentage of waste	21·6	24·3

(Separate figures for the comb and carded varieties were not available with the unit).

	1975-76	1976-77
Habra unit		
(a) Total consumption of raw material (in lakh kg.)	7·41	8·41
(b) Total soft saleable waste (in lakh kg.)	1·05	1·52
(c) Percentage of waste	14·2	18·1

(No comb variety is produced at the Habra unit).

The Management stated (May 1977) that the percentage of saleable waste at the Kalyani unit was high because of high trash content in the cotton and poor machine conditions, particularly in the carding and comb sections.

8.07. **Hard waste:** The Management stated (June 1977) that the norm of hard waste had been fixed at 1.5 per cent of ring frame production. The quantity of hard waste produced during the last two years was as under:

	1975-76	1976-77
Kalyani unit		
(a) Total ring frame production (in lakh kg.)	6·92	6·29
(b) Total hard waste (in lakh kg.)	0·19	0·20
(c) Percentage of hard waste	2·7	3·2
Habra unit		
(a) Total ring frame production (in lakh kg.)	6·25	6·97
(b) Total hard waste (in lakh kg.)	0·11	0·12
(c) Percentage of hard waste	1·8	1·7

According to SITRA (December 1976), the following were the causes of high percentage of hard waste at the Kalyani unit:

(a) double gaiting in ring frames;

(b) left-over yarn cops being high (even half cops were stripped at times);

(c) spoiled cops due to poor material handling; and

(d) too much yarn being used for piecing up a break.

The Management, however, stated (September 1977) that the percentage of hard waste was high due to negligence of workers.

8.08. **Invisible waste:** SITRA stated (December 1977) that the mills should calculate the invisible loss every three months and ensure that the same did not exceed 1.5 per cent. No record was maintained in this regard up to March 1977.

8.09. **Disposal of waste:** Cotton waste accumulates at the mill, from time to time, resulting in scarcity of space in the stores. The following table will indicate the position of saleable waste during the three years ending 1976-77:

	1974-75		1975-76		1976-77	
	Kalyani unit	Habra unit	Kalyani unit	Habra unit	Kalyani unit	Habra unit
	(In lakhs of kg.)					
Opening balance ..	0·89	0·38	1·25	0·61	0·55	0·53
Arisings during the year	2·01	1·14	2·08	1·16	2·00	1·64
Internal utilisation and disposal during the year	1·65	0·91	2·78	1·24	1·85	1·72
Closing balance ..	1·25	0·61	0·55	0·53	0·70	0·45

The stocks as on 31st March 1977 have been valued at Rs.2.61 lakhs and Rs.1.51 lakhs in respect of the Kalyani and Habra units respectively.

8.10. The Company generally follows last-in-first-out method for issue of cotton waste for sale. Scrutiny (September 1977) of the local records at Habra unit revealed that this has resulted in deterioration in the quality of the cotton waste put in the stores first. Complete records of stock of waste were not maintained. No physical verification report in this regard was made available. Huge quantities of waste cotton were lying in heaps in the mill premises at Kalyani without any record in the stock book.

9. Operation of the units

9.01. At neither of the units log books or history sheets of different plants and machines were maintained. As such, machine-wise activity in the units could not be verified. Some machines in different operational sections were lying idle as indicated below:

Unit	Section	Particulars of machines remaining idle	Reasons	Year of purchase	Cost (In lakhs of Rupees)
Kalyani	Comber	Two platts (U. K. make) century comber	Shortage of spare parts	1965-66	1·98
	Ring frame	Eight Texmaco ring frames	Out of order ..	1960-61	3·01
	Doubling	One doubling frame	Lack of parts ..	1960-61	0·38
Habra	Carding	Eight CVIIP platts cards	Want of spare parts	1966-67	11·43
	Comber	Seven platts century combers including two lap formers and two pre-combed globe frames	Revision in programme. The project report had provided production of carded and combed items in the ratio of 1 : 1	1966-67	16·39

9.02. Besides, the following machines, although installed, have not been commissioned (December 1977):

Unit	Section	Particulars of machines installed but not commissioned — Name	Number	Value (Rupees in lakhs)	Year of installation
Kalyani	.. Ring frame	TEXMACO ring frame ..	1	0·52	1969-70
Habra	.. Draw frame	One Globe Platts draw frame	1	0·55	1969-70
	Ring frame	TEXMACO make ring frame	12	6·94	1974-75
	Doubling ..	NMM make doubling frame	1	0·77	1973-74

9.03. The condition of different parts of the machines was unsatisfactory in many cases, as discussed below:

(i) Manager of the Kalyani unit stated in May 1977 as follows:—

(a) The beaters and lattices in the blow room of the Kalyani unit were in a very bad shape and the machines had been kept working by patch work.

(b) The condition of flexible fillets in almost all the cards in the carding section of the Kalyani unit was very poor.

(c) The condition of ring frames at the Kalyani unit was very unsatisfactory and in a majority of the machines inserts had not been changed during the past 16 years.

(d) Condition of the doubling frames, particularly that of the rings, was very unsatisfactory at the doubling section in the Kalyani unit.

(ii) SITRA observed (December 1976) that the condition of half laps and top combers (combing section) at the Kalyani unit was very bad.

(iii) ATIRA had observed (May 1974) that the general condition of the cards in the carding section at the Habra unit was not satisfactory.

The Management stated (January 1977) that the spinning plant at Kalyani deteriorated in the past ten years mainly because of lack of proper maintenance, regular and routine replacements of spares and accessories. At the Habra unit also (which is a comparatively new establishment) routine maintenance was stated by the Management (January 1977) to have been neglected due to want of replacements for worn out spares. The Management stated (July 1977) further, as under, in this regard:

(a) Proper maintenance preventive or otherwise and routine replacement of parts could not take place as the Company's finances continued to be unsatisfactory ever since 1968.

(b) Indiscipline among maintenance staff was also responsible for the poor performance.

A 'renovation, rectification and modernisation' scheme, involving estimated expenditure of Rs.76.33 lakhs and Rs.22.17 lakhs in respect of the Kalyani and the Habra units respectively, was approved by the Company in February 1977. At the instance of Government, the Company examined the scheme further and divided the same in August 1977 in two parts involving the following outlays:

		(Rupees in lakhs)
Part I :	Kalyani unit	27.60
	Habra unit	10.83
Part II:	Kalyani unit	48.76
	Habra unit	8.04

The revised scheme has been sent (September 1977) to Government. Further developments are awaited (December 1977).

9.04. **Efficiency of draw frame and fly frame sections:** Draw frame section is the place where variations in preceding processes are eliminated and slivers are levelled. Fly frame section receives the sliver from draw frame section and gives the cotton the first twist. SITRA was of the opinion that the normal efficiency of the draw frame section and fly frame section should be 80 per cent and 82 to 85 per cent respectively. SITRA observed (December 1976), on the basis of its study, that the actual efficiency was as under:

Unit	Section	Actual efficiency	Remarks of the Management
Kalyani	Draw frame*	40 per cent	Efficiency of draw frame section was low mainly because of indiscipline among workers (May 1977).
	Fly frame	30 per cent	Efficiency would be much higher if the workers were a little more attentive and less prone to idle away time (May 1977).
Habra	Draw frame	Never exceeded 50 per cent	No remarks
	Fly frame	Quite low	Strict supervision has been imposed for better efficiency (April 1977).

10. Purchase procedure

10.01. **Stores:** The procedure for purchase of stores was laid down by the Company in May 1964. Some of the deviations from the procedure, noticed during test check, are given below:

(i) According to the purchase procedure, for purchase of stores worth more than Rs.1,000 and below Rs.10,000, enquiries should be addressed to all firms in the approved list of the Company, dealing with the stores in question. No approved list|panel of suppliers in respect of different items of stores was maintained by the Company.

(ii) Open tenders for purchase of stores worth more than Rs.10,000 were to be invited. This provision was not strictly followed.

(iii) Many instances of piecemeal purchases at varying rates came to notice. The Management stated (August 1977) that bulk purchases could not be made due to paucity of funds and piecemeal purchases were made to run the units.

10.02. **Cotton:** Government ordered in July 1972 to constitute a cotton purchase committee, consisting of the Managing Director and the Secretary of the Company, an expert and two union representatives, which would give directions for making cotton purchases. All cotton purchases were to be made by inviting open tenders and all cases of acceptance of tenders on the committee's recommendation were to be placed before the Board of Directors for approval. The cotton purchase committee was set up in July 1972.

10.03. In some cases there were delays in getting the purchases approved by the Board of Directors. For example, *ex post facto* approval was accorded by the Board of Directors in September 1975 in respect of all cotton purchased between 26th May 1973 and 18th August 1975 (19,074 bales, value: about Rs.4 crores).

10.04. From December 1975, there was a change in the procedure; it was decided by the Company that cotton should be purchased mainly from Government agencies and purchases from private parties should be minimised. Since then, the Company has been purchasing indigenous cotton in bulk from the Maharashtra State Co-operative Marketing Federation Limited and imported cotton from the Cotton Corporation of India Limited.

10.05. The Company constituted, in February 1976, a technical committee consisting of Managers of both the units and the Assistant Statistician, to carry out a preliminary technical scrutiny of cotton samples and to record the staple length, class, strength, etc., of the samples. The final selection of the samples for the purchase is, however, to be made by the cotton purchase committee.

10.06. An order for purchase of 1,000 bales of Shankar-4 cotton was placed with a firm of Calcutta in February 1975 at Rs.4,000 per candy. Although cotton was ready for despatch as soon as the contract was executed, actual delivery was taken by the Company on different dates from 31st July 1975 to 26th March 1976. The firm claimed carrying charge of Rs.3.64 lakhs from the Company for the delay in clearance of the cotton. The matter is pending arbitration (September 1977).

10.07. It was noticed (August 1977) that the Company made piecemeal local purchases of 1,175 bales of Shankar-4 cotton during the period from August 1975 to February 1976 at rates varying between Rs.4,150 and Rs.4,400 per candy against the rate of Rs.4,000 per candy at which 1,000 bales of cotton of this specification was purchased (vide paragraph 10.06), but could not be lifted by the Company owing to paucity of funds.

10.08. **Carrying charges:** During 1976-77, the Company made arrangements for procurement of bulk of its requirement of cotton from Maharashtra State Co-operative Marketing Federation Limited (MSCMF) and the Cotton Corporation of India Limited (CCI). The Company could not take delivery from the warehouses of the suppliers as per the agreed schedule and had to pay carrying charges of Rs.7.48 lakhs and Rs.0.25 lakh to MSCMF and CCI respectively during the year. The Management stated (August 1977) that the delivery of cotton could not be taken in time on account of paucity of funds.

The Company does not prepare any cash flow chart. The purchase orders are placed without assessing the likely fund position at the time of the contracted delivery dates. The Management stated (August 1977) that on account of uncertainty in the market prices and release of funds by Government, it was not possible to prepare any effective cash flow chart. It was also stated that seasonal contracts for purchase of cotton were entered into to take the opportunity of lower prices and to ensure regular supply of good quality cotton and that the payment of carrying charge was an insurance against future price rise of cotton and it was inevitable if the Company had no funds to carry two to three months' stock with it.

11. Inventory control

11.01. The Company has two stores, one at each unit. The value of stores and spare parts (including tools) purchased and consumed, during the three years ending 1976-77, was as follows:

	1974-75			1975-76		
	Kalyani unit	Habra unit	Total	Kalyani unit	Habra unit	Total
	(In lakhs of Rupees)					
Opening balance ..	10·01	9·11	19·12	9·84	9·31	19·15
Purchases during the year	9·01	4·09	13·10	7·82	4·09	11·91
Consumption during the year.	9·18	3·89	13·07	8·29	4·31	12·60
Closing balance ..	9·84	9·31	19·15	9·37	9·09	18·46

	1976-77		
	Kalyani unit	Habra unit	Total
	(In lakhs of Rupees)		
Opening balance ..	9·37	9·09	18·46
Purchases during the year	4·37	4·39	8·76
Consumption during the year	6·89	5·30	12·19
Closing balance ..	6·85	8·18	15·03

The total closing stock was equal to 17.6, 17.6 and 14.8 months' consumption during 1974-75, 1975-76 and 1976-77 respectively. On a further analysis it was seen that the ratio of the holding of stock to the consumption was comparatively much higher at the Habra unit where the closing stock was equal to 28.7, 25.3 and 18.5 months' consumption during 1974-75, 1975-76 and 1976-77 respectively, the corresponding figures at the Kalyani unit being 12.9, 13.6 and 11.9.

11.02. The Company has prescribed a 'stores procedure' in May 1964. Test check of the stores records disclosed the following points:

(i) Minimum, maximum and re-ordering levels of stores and spares were not fixed.

(ii) Physical verification of stores was conducted only once at the end of each year, instead of quarterly as per the prescribed procedure.

(iii) As per the stores procedure, the Store Officer is required to prepare, at the end of each month, stock statement to be forwarded to the Accounts Section. This was not done.

(iv) Issue of stores items of non-consumable nature is to be made on replacement basis, i.e., one item is to be issued on production of the broken or the obsolete item. No record of the broken/obsolete items was maintained.

(v) No survey was conducted by the Company to assess the slow moving or obsolete stores items. A test check (August 1977) showed that 75 items of stores, valuing Rs.0.35 lakh in all, were lying idle at the Kalyani unit without any movement during the seven years up to 1976-77.

(vi) Stores ledgers were not priced.

(vii) Consumption of stores, as shown in the accounts, was being arrived at by deducting the closing stock found during physical verification from the total of opening stock and purchases during the year and not by working out the actual consumption of stores with reference to stores issue vouchers; the physical verification reports for 1974-75 to 1976-77 did not indicate any shortage or excess.

11.03. The following table indicates the position of purchase, consumption and stocking of cotton during the three years up to 1976-77:

	1974-75			1975-76		
	Kalyani unit	Habra unit	Total	Kalyani unit	Habra unit	Total
	(In lakhs of Rupees)					
Opening balance ..	79·99	16·72	96·71	6·57	17·32	23·89
Purchases during the year	83 42	87·54	170·96	107·19	59·02	166·21
Consumption during the year	156·84	86·94	243·78	102·46	72·34	174·80
Closing balance ..	6·57	17·32	23·89	11·30	4·00	15·30

	1976-77		
	Kalyani unit	Habra unit	Total
	(In lakhs of Rupees)		
Opening Balance	11·30	4·00	15·30
Purchases during the year	101·04	85·36	186·40
Consumption during the year	102·90	83 51	186·41
Closing balance	9·44	5·85	15·29

The closing stock was equal to 1.78, 1.05 and 0.98 months' consumption during 1974-75, 1975-76 and 1976-77 respectively.

12. Distribution of yarn

12.01. The Company was established mainly for meeting the requirements of yarn of the weavers in West Bengal. It would be noticed from the table in para 12.04 below that bulk of the Company's produce was sold to private dealers and only a small fraction was sold to the West Bengal Handloom and Powerloom Development Corporation Limited and West Bengal State Handloom Weavers' Co-operative Society Limited for distribution to the weavers. The Management stated (August 1977) that the responsibility for procurement and distribution of yarn for the weavers rests with the West Bengal Handloom and Powerloom Development Corporation Limited and the West Bengal State Handloom Weavers' Co-operative Society Limited.

12.02. Government decided in April 1974 that in order to give a fillip to the co-operative sector and the small weavers whom the West Bengal State Handloom Weavers' Co-operative Society Limited serves, 2 per cent rebate from the highest price obtained through tender may be allowed to the Society and 50 per cent of the stock in hand should be given to the Society.

After the formation of West Bengal Handloom and Powerloom Development Corporation Limited in September 1973, it was decided (July 1974) by the Company to allocate 33 per cent of the yarn to the Corporation and another 33 per cent to the West Bengal State Handloom Weavers' Co-operative Society Limited and to sell the rest to the highest bidder.

12.03. According to the Management, a country-wide recession in textile industry had set in in August 1974 and huge stock of yarn had begun to accumulate. The expectation that West Bengal Handloom and Powerloom Development Corporation Limited and West Bengal State Handloom Weavers' Co-operative Society Limited would lift their quota did not materialise.

In November 1974, when the unsold stock of yarn accumulated to the estimated value of about Rs.1.00 crore, the Company decided to sell the yarn, by contacting private parties and offering discounts, in order to procure funds for meeting daily expenses. The discounts allowed amounted to Rs.10.95 lakhs and Rs.5.25 lakhs during 1974-75 and 1975-76 respectively.

The Management, however, admitted (September 1977) that the accumulation of yarn of the value of Rs.1.00 crore was unusual in spite of the fall in demand and that such accumulation could have been avoided by proper sales planning.

12.04. The table given below will indicate the party-wise sales pattern of yarn during the three years up to 1976-77:

(Value in lakhs of Rupees)

Name of the party	1974-75 Value	1974-75 Percentage of sales to total sales	1975-76 Value	1975-76 Percentage of sales to total sales	1976-77 Value	1976-77 Percentage of sales to total sales
Rehabilitation Industries Corporation Limited	6·27	1·8	4 00	1 4	5·12	1·8
West Bengal State Handloom Weavers' Co-operative Society Limited.	61·74	17 9	20·60	7·2	30 93	10·9
West Bengal Handloom and Powerloom Development Corporation Limited.	21 45	6·2	4·28	1·5	26·32	9·2
Tripura Handloom and Handicraft Development Corporation Limited.	..	..	0·32	0·1	..	..
Government parties ..	1·60	0·5	2·08	0·8	0·38	0·1
Private parties ..	231·42	67·1	208·26	73·1	213·91	75·0
Others	22·25	6·5	45·29	15·9	8·39	3·0
Total ..	344 73	100·0	284 83	100·0	285·05	100 0

The major portion of the sale was made to private parties. One single party procured 52.9, 67.0 and 29.7 per cent of the total sales of yarn made during 1974-75, 1975-76 and 1976-77 respectively. There is no record as to how much of the yarn produced by the Company reached the weavers of the State. The Management stated (August 1977) that yarn traders procured yarn from different producers from this State and other States for disposal to the ultimate users of yarn.

12.05. The table below indicates the percentage of cost of sales to total sales (both yarn and cotton waste) during the four years up to 1976-77:

	1973-74	1974-75	1975-76	1976-77
Sales (Rupees in lakhs)	331·95	351·05	293·75	290·56
Cost of sales (Rupees in lakhs)	381·55	498·32	544 71	493·09
Percentage of cost of sales to sales	114·9	142·0	185 4	169·7

Selling of yarn at price below the cost of production was a normal feature of the Company. The Management stated (September 1977) that any correlation between the cost of production and selling price was not possible. The former was very high for the Company while the latter depended on the all-India demand and supply position.

12.06. A party was allotted (March 1976) 50 bales (90.718 kg. per bale) of 100s combed yarn at the rate of Rs.46.30 per kg. The party lifted only 10 bales during July-August 1976. In January 1977, the party lodged a complaint about the poor quality of the yarn. The balance material was disposed of in March 1977 to different parties at much lower rates resulting in loss of Rs.0.40 lakh.

The Management stated (September 1977) that the Company did not take any serious action against the party who backed out and that legal action would take a long time for settlement. As regards recovery of earnest money|security deposit, the Management stated (September 1977) that the same was not in vogue in textile industry.

12.07. The Management decided (October 1975) to sell yarn locally both at Kalyani and at Habra, after getting the rates approved by the Managing Director. Accordingly, 0.15 lakh kg. (value: Rs.3.86 lakhs) and 0.09 lakh kg. (value: Rs.2.14 lakhs) were sold locally at the Kalyani unit during 1975-76 and 1976-77 respectively. No local sale was, however, made from the Habra unit. The system of local sale was discontinued from August 1976.

The Management stated (September 1977) that local sale was more in the nature of an attempt to popularise the yarn, the results of which were not very encouraging.

13. Quality control

13.01. On a test check (August 1977) of the sales records, it was noticed that purchasers reported about the poor quality of yarn from time to time. Generally, the complaints were as follows:—

(a) Most of the counts were spun on coarser side and in order to maintain proper weight, the length became shorter, which was very important for warp purpose.

(b) Combing of yarn was not perfect as it contained flaffs and unevenness.

(c) In hosiery yarn, there was winding defect and unevenness.

(d) There was unequal twisting in double yarn.

(e) The yarn was less glazy.

13.02. On receipt of complaint from customers, the Company sent (December 1976) samples of yarn to SITRA for testing on one occasion. On examination, SITRA also reported (February 1977) that the quality of the yarn was not up to the mark.

13.03. ATIRA in its report on the technological performance of the Company stated (May 1974) that—

(i) yarn lea strength for some of the counts was found to be inadequate, and

(ii) yarns for all counts were considered neppy.

The Management stated (August 1977) that several factors were responsible for the poor quality, as shown below:

(a) general indiscipline of the workers;

(b) unsatisfactory condition of the cards; and

(c) indifferent quality of some bales of cotton.

13.04. There is a small statistical-cum-quality control department at the Kalyani unit, which functions for the Habra unit as well. The main function of the department was testing of cotton. It was, however, noticed that the department worked out the counts and strength of yarn on the basis of random sampling. It was stated (August 1977) by the Management that quality control was not possible owing to shortage of hands.

14. Manpower analysis

14.01. The following table indicates the staff position of the Company at the close of each of the five years up to 1976-77:

	Officers and staff	Workers	
		Kalyani unit	Habra unit
Requirement as per project report	254	818	950
Actual strength at the end of—			
1972-73	288	1,551	990
1973-74	321	1,713	986
1974-75	334	1,704	1,047
1975-76	331	1,671	1,041
1976-77	335	1,604	1,028

14.02. While the staff employed has been in excess of the requirements indicated in the project report, the production has been below the rated capacity (c.f. paragraph 6.01). The Managing Directors stated (in an agenda note to the Board of Directors in June 1977) that all the workers recruited between 1967 and 1975 were in excess and a burden on the Company.

14.03. In its report. on productivity survey of the spinning department of the Company, ATIRA had stated (April 1973) that the labour productivity of the units was alarmingly low, the productivity of the Kalyani unit and the Habra unit being 45 and 43 per cent of that of a standard mill. ATIRA had observed that employment of more than the required number of operatives was a cause for low labour productivity. In a later report (on the measures to reduce the losses), SITRA also commented (December 1976) that employment of too many workers was responsible for low labour productivity. It further observed that there was no fixed work assignment for any of the categories of operatives.

14.04. SITRA stated (December 1976) that a time study might be necessary to decide precisely the requirement of the number of operatives under each category. A consultant firm appointed (March 1976) to undertake a job-time-motion study assessed (September 1976) the required labour strength. In its report, SITRA also made recommendation in this direction. The table given below will indicate the actual labour strength in the units during the four years ending 1976-77 *vis-a-vis* the recommended labour strength:

	Preparatory section	Ring frame section	Finishing secton
A. *Kalyani unit—*			
(a) Number of workers as per project report ..	162	227	264
(b) Labour strength recommended by—			
(i) SITRA	223	328	386
(ii) Consultant firm	217	369	457
(c) Actual labour strength during—			
1973-74	273	456	659
1974-75	241	418	678
1975-76	249	408	653
1976-77	249	423	589
B. *Habra unit—*			
(a) Number of workers as per project report ..	198	239	396
(b) Labour strength recommended by—			
(i) SITRA	146	207	251
(ii) Consultant firm	111	209	241
(c) Actual labour strength during—			
1973-74	146	256	351
1974-75	157	287	370
1975-76	157	306	362
1976-77	155	292	357

14.05. Besides deployment of excessive labour force, there was also imbalance in the labour structure. SITRA stated (December 1976) in its report that the workers should be prepared to work in any department where they may be transferred. The Management stated (July 1977) that some transfers of workmen from one unit to another were made on trial basis but they were found to be totally unsuitable. The Management added that the skill of the workmen was below average because recruitments from the very beginning were made on considerations other than suitability of the candidates. It was further stated that the unskilled workers, who had been inducted in the past, did not reach even the level of semi-skilled workers.

14.06. Although the overall labour strength was much in excess of requirement, considerable amount was paid on account of overtime as shown below:

Year	Amount of overtime		
	Kalyani unit	Habra unit	Total
	(In lakhs of Rupees)		
1974-75	0·85	2·58	3·43
1975-76	0·62	1·77	2·39
1976-77	0·33	1·41	1·74

The Management stated (August 1977) that overtime was allowed on account of absenteeism and that the Managers had been instructed to reduce the overtime to the minimum.

14.07. A test check of the labour records at both the units, during May-June 1977, showed the following:

(i) Time of arrival and departure of the workers was not recorded in the attendance cards or in the attendance registers maintained by the Time Keeping Office.

(ii) Attendance was not controlled by time recording clock. At the Kalyani unit, a time recording clock was purchased in 1961 at a cost of Rs.0.02 lakh. After use for a short period, the clock went out of order. It was repaired in 1974 but it is not being utilised. The Management stated (June 1977) that one clock was not sufficient and that it was subjected to rough handling by workmen.

(iii) Relevant column of the attendance cards was kept blank on the day of absence of the respective workers without specifically marking the absence.

(iv) No record was maintained to assess the idle labour hours.

15. Internal audit

There is no system of internal audit in vogue in the Company. The Company appointed (October 1977) a firm of Chartered Accountants as Internal Auditors, on probation for six months, on a monthly fee of Rs.1,000. The appointment of the firm was terminated by the Company in November 1977 as the firm was not in a position to commence the work earlier than February 1978.

16. Costing system

The Company follows the system of process costing. The following deficiencies in the costing system were noticed:

(a) The cost sheets, determining the cost of production per unit of each class of products were prepared once for each year. There was no system of fixing standard cost or assessing the estimated cost in advance. The time-lag of actual determination of the historical cost from the close of the year was considerable. As a result, fixation of sales price could not be correlated to the cost of production. The costing system did not also help in controlling the cost of production.

(b) Reconciliation of the cost accounts with the financial accounts was not done.

(c) Cost of idle labour was not assessed.

(d) Except for spindles, idle machine hours were not calculated. The facilities of the units lying idle were not ascertained. The Management stated (August 1977) that spinning industry required running of the full spindles which, in turn, were expected to keep other sections busy to the required extent and hence in the spinning industry it was a convention to analyse the idle spindles only.

17. Sundry debtors

The following table indicates the position of sundry debtors of the Company for the three years up to 1976-77:

Year	Balance of sundry debtors as at the close of the year	Total sales during the year	Percentage of debts to to sales
	(In lakhs of Rupees)		
1974-75	1·68	351·05	0·5
1975-76	3·61	293·75	1·2
1976-77	6·21	290·56	2·1

Confirmation of balances was not generally obtained from the debtors concerned. Outstanding dues against a party as on 31st March 1977 was Rs.0.99 lakh in the books of the Company while the party admitted only Rs.0.13 lakh.

18. Other points of interest

18.01. **Provident fund:** The Provident fund of the Company, which is an exempted establishment under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 is administered by a Board of Trustees consisting of five trustees nominated by the Management and five trustees elected by the members of staff. The provident fund accounts were in arrears (December 1977) for 1972-73 onwards. The management stated (August 1977) that a firm of Chartered Accountants, had been engaged (May 1976) for bringing the arrear accounts up to date. As arrear provident fund accounts could not be brought up to date, appointment of the firm was terminated by the Management in November 1977.

Provident fund dues have not been regularly deposited by the Company with the Board of Trustees. The outstanding provident fund dues, as on 31st March 1977, aggregated Rs.25.42 lakhs, as detailed below:

	(Rupees in lakhs)
Employees' contribution (including loan recoveries)	16.10
Employers' contribution	9.32

The Management stated (August 1977) that the dues could not be deposited in time on account of financial difficulties.

18.02. **Outstanding Employees' State Insurance (ESI) dues:** The Company did not make timely payment of ESI contributions during 1975-76 and 1976-77 due to paucity of funds as stated (August 1977) by the Management.

The outstanding dues on this account as on 31st March 1977 were as under:

	Kalyani unit	Habra unit	Total
	(In lakhs of Rupees)		
Employers' contribution to E.S.I.	2·79	1·73	4·52
Employees' contribution to E.S.I.	1·32	0·85	2·17
Total ..	4·11	2·58	6·69

18.03. **Outstanding power bills:** The Company could not make timely payment to the West Bengal State Electricity Board for the electricity supplied to the units. The outstanding dues on this account, as on 31st March 1977, were Rs.46.86 lakhs, the year-wise break-up of which is as under:

			(Rupees in lakhs)
1975-76	..	..	23.55
1976-77	..	...	23.31

The non-payment of power bills in time involved additional liability towards 'late payment surcharge' to the tune of Rs.4.46 lakhs and Rs.8.29 lakhs during 1975-76 and 1976-77 respectively.

The Management stated (August 1977) that the liability remained outstanding due to acute shortage of working capital.

18.04. **Non-realisation of outstanding claim:** The Company made excess payment of Rs.0.46 lakh to a cotton supplier; the payments were made during the period from July 1972 to May 1973 on the basis of (inflated) provisional invoices.

Besides, an advance of Rs.0.50 lakh was made (May 1973) to the same party against provisional invoice for 18 bales of cotton, against which not a single bale has been received (December 1977).

In order to realise the dues of Rs. 0.96 lakh, the Accounts Section of the Company had suggested (July 1974) legal action against the party. But no such action was taken by the Company till August 1977 when the Management decided to file a suit for recovery of the money. The suit has not been filed (December 1977).

The paragraphs on the working of the Company were sent to Government in November 1977; reply is awaited (February 1978).

SECTION III

West Bengal Dairy and Poultry Development Corporation Limited

1. Introduction

West Bengal Dairy and Poultry Development Corporation Limited was incorporated on 4th February 1969 with the following main objects:

(i) To establish, maintain and operate dairy farms and dairy factories to produce, procure and process milk and milk products.

(ii) To aid, advise and assist, through loan schemes, the development of livestock and to protect and promote the interests of dairy co-operatives and dairy industries in the State.

(iii) To arrange for procurement of high yielding cross-bred or other breeds of cattle as may be needed for establishment of dairy farms.

(iv) To introduce new improvements in the sphere of livestock, and manufacture balanced livestock feed and to make it available to dairy farmers and stock owners.

(v) To establish, maintain and operate poultry farms to produce eggs, egg products and chicken, to deal in import, export and transport of poultry products.

(vi) To introduce various types of high-yielding fodder crops.

2. Organisational set-up

The Management of the Company vests in a Board of Directors. There were six directors as on 31st July 1977. The Managing Director, appointed by Government, is the Chief Executive of the Company.

There are two production units of the Company at Siliguri (Darjeeling) and Kalyani (Nadia); the registered office is in Calcutta. Administrative control of the units lies with a Manager appointed for each unit.

3. Capital structure

3.01. The authorised capital of the Company is Rs.100 lakhs. divided into one lakh shares of Rs.100 each. The paid-up capital of the Company, entirely subscribed by the State Government, was Rs.32.15 lakhs as on 30th June 1977.

3.02. In addition, the Company obtained loans from the State Government from time to time. The outstanding amount of loan was Rs.81.36 lakhs as on 30th June 1977. Repayment of any instalment of the principal had not fallen due but the Company was required to make annual payment of interest on the loans, which has not been made (December 1977), the amount due being Rs.11.96 lakhs as on 30th June 1977.

4. Financial results

4.01. **Financial position:** The Company has not prepared its accounts for the years ended 30th June 1976 and 30th June 1977 (April 1978). The table below summarises the financial position of the Company, under broad headings, for the three years ending 30th June 1975:

	1972-73	1973-74	1974-75
	(In lakhs of Rupees)		
LIABILITIES--			
(a) Paid-up capital	17·00	32·15	32·15
(b) Reserves and surplus	9·75	11·58	1·01
(c) Borrowings	29·05	29·05	38·05
(d) Trade dues and other current liabilities (including provisions) ..	25·12	40·91	36·84
Total ..	80·92	113·69	108·05
ASSETS--			
(e) Gross block	9·26	13·24	47·26
(f) *Less*: depreciation	2·24	3·76	7·89
(g) Net fixed assets	7·02	9·48	39·37
(h) Development and commissioning expenses (capital works-in-progress) ..	22·62	29·55	..
(i) Current assets, loans and advances	51·28	74·66	67·19
(j) Miscellaneous expenses	..	..	1·49
Total ..	80·92	113·69	108·05
Capital employed (@)	33·18	43·23	69·87
Net worth †	26·75	43·73	31·67

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

† Net worth represents paid-up capital *plus* reserves and surplus *minus* intangible assets.

4.02. **Working results:** The working results of the Company for the three years ending 30th June 1975, are as follows:

	1972-73	1973-74	1974-75
	(In lakhs of Rupees)		
(a) Sales	124·94	217·32	171·61
(b) Cost of sales	121·29	215·49	176·46
(c) Profit (+)/Loss (−) before tax ..	(+)3·65	(+)1·83	(−)4·85

The reduction of profit in the year ending 30th June 1974 has been attributed (December 1977) by the Management to the rising cost of finished products in the Siliguri Dairy, owing to increase in the procurement cost of raw milk, salary and wages, depreciation and cost of fuel. The loss in the year ending 30th June 1975 was attributed to the Feed Milling Plant incurring loss (Rs.1.70 lakhs) during the gestation period and to the interest of Rs.2.53 lakhs payable on Government loan.

The Company has not declared any dividend during any of the years of its operation.

5. **Performance analysis**

In addition to establishing one dairy at Siliguri and a compounded feed mixing plant at Kalyani, the activities of the Company included trading in dairy and poultry feed and dairy and poultry products. Details of the schemes undertaken by the Company are given in the succeeding paragraphs.

6. **Milk Supply Scheme (North Bengal)**

6.01. The floods of October 1968 at Jalpaiguri had reduced the cattle population of the area and, therefore, the Directorate of Dairy Development started a miniature dairy at Jalpaiguri in October 1968, with a capacity of 4,000 litres of milk per day, prepared from skimmed milk powder for distribution in Jalpaiguri town. The dairy was shifted to Siliguri in April 1970, from where milk was supplied to both the townships of Jalpaiguri and Siliguri. Under the scheme, 1,500 to 1,600 litres of double toned milk were being sold daily when the scheme was handed over to the Company in November 1970. The terms and conditions on which transfer was made were not on record. The Company increased the quantity of production and supply to 4,000 litres of milk per day (December 1972).

The scope of the scheme was enlarged by the Company in January 1972 to cover procurement of surplus milk produced in Darjeeling district and supply to Siliguri town. For this purpose, the Company opened a dairy including a chilling plant at Siliguri (April 1970), a chilling plant at Ghoom (February 1971), a pasteurising plant at Siliguri (December 1972) and a chilling plant at Kurseong (December 1973). The Company started (February 1971) collection of milk from the hill areas of Darjeeling district for processing at the Siliguri dairy.

6.02. The quantities of raw milk collected from the various collection centres and chilling plants, milk sold and raw milk rejected at the Siliguri dairy, during the four years ending 30th June 1977, are shown below:

Year ending 30th June	Raw milk			Double toned milk sold	Standard milk sold	Cow milk sold	Total milk sold
	Collected	Rejected	Percentage of rejection to quantities collected				
	(Quantities of milk in lakhs of litres)						
1974 ..	11·44	0·38	3·3	15·60	2·77	..	18·37
1975 ..	13·12	0·45	3·4	Nil	14·67	..	14·67
1976 ..	14·83	0·37	2·5	2·24	13·56	0·07	15·87
1977 ..	15·05*	Nil	..	5·61	8·92	0·52	15·05

It will be noticed that while procurement of milk increased from 11.44 lakh litres in 1973-74 to 15.05 lakh litres in 1976-77, the sales did not show a corresponding increase. The Management stated (August 1977) that this was due to reduction in quantity of double toned milk produced for sale which was restricted to hospitals and other institutions only.

6.03. The table below indicates the quantity of milk collected and quantities which curdled or turned sour or were lost in handling, during the three years ending 30th June 1976:

Year ending 30th June	Quantities of milk (In lakhs of litres)				Percentage of milk		
	Collected	Curdled	Sour	Handling loss	Curdled to collected	Sour to collected	Handling loss to collected
1974 ..	11·44	0·38	0·60	0·04	3·3	5·2	0·4
1975 ..	13·12	0·45	0·57	0·04	3·4	4·3	0·3
1976 ..	14·83	0·37	0·79	0·06	2·5	5·4	0·4

*This includes 14·53 lakhs litres of processed milk purchased from the Himalayan Milk Producers' Union Limited (HIMUL) from 1st August 1976 to 30th April 1977. Only wholesome milk was accepted from HIMUL, and hence there was no curdling and consequent rejection.

While cream is separated from sour milk, the curdled milk is totally wasted. After separation of cream from the sour milk, the residue has got no use. The Management stated (January 1977) that curdling or souring of milk is unavoidable in dairy business. The Management had, however, not prescribed any standard for losses in this regard. The Management further stated (August 1977) that the high incidence of curdling in 1973-74 and 1974-75 and souring in 1973-74 was due to human error and in 1975-76 the sales did not increase in proportion to the collection resulting in accumulation and souring of the milk.

The Company stopped procurement and processing of milk in August 1976 but continued to distribute milk (supplied by HIMUL) up to April 1977. This operation was closed in May 1977.

7. **Siliguri dairy**

7.01. The capital cost incurred by the Company on the dairy at Siliguri and the chilling plants, etc. was as under:

Name of the unit	Capital cost as on 30th June 1976 (Rupees in lakhs)
Chilling plant (Ghoom)	2.85
Dairy at Siliguri (including collection centres) ..	10.65*
Chilling plant (Kurseong)	2.08
Total	15.58

7.02. The capacity of the chilling plants at Ghoom and Kurseong were 5,850 litres (bulk cooler: 1,850 litres per shift: chiller: 4,000 litres per day) and 2,000 litres per shift respectively. The chiller at Ghoom, installed in July 1976, was not, however, commissioned by the Company and it was leased out to HIMUL in August 1976.

*Includes Rs. 1·71 lakhs being the cost of one complete refrigeration unit which was installed in December 1974 but was not commissioned. The unit could not be commissioned immediately after installation as bulk power supply had not been arranged. Reasons for not commissioning, after bulk power was available (December 1975) were not on record. An amount of Rs. 0·19 lakh is still (December 1977) to be paid to the supplier of the unit.

7.03. The average capacity utilisation per day in the dairy and the chilling plants, during the three years ending 30th June 1976, was as under:

	Capacity	1973-74		1974-75		1975-76	
		Handled (in litres)	Percentage of utilisation	Handled (in litres)	Percentage of utilisation	Handled (in litres)	Percentage of utilisation
Siliguri dairy	10,000	5,033	50	4,018	40	4,350	43
Ghoom chilling plant.	1,850*	1,897	102**	2,101	113*	2,743	148*
Kurseong chilling plant.	2,000	301	15	591	30	306	15

The utilisation of the Siliguri dairy and the Kurseong chilling plant was much below the installed capacity. The Management stated (January 1977) that due to non-availability of raw milk as well as market for processed milk, the dairy could not utilise its full capacity. The Kurseong chilling plant developed some leakage in the cooling coil and stopped functioning from 27th October 1975. The chilling plant was leased out to HIMUL in August 1976 (c.f. paragraph 8.01).

7.04. The quantity of cream obtained from surplus wholesome and sour milk, during the three years ending 30th June 1976, was as below:

Year ending 30th June	Wholesome milk used (in litres)	Cream obtained (in Kg)	Percentage of cream to milk	Sour milk used (in litres)	Cream obtained (in Kg)	Percentage of cream to milk	Total cream (in Kg)
1974	1,20,831	10,221	8·5	59,918	4,481	7·5	14,702
1975	73,607	5,605	7·6	56,650	5,047	8·9	10,652
1976 ..	99,136	5,624	5·7	79,370	4,248	5·4	9,872

The percentage of cream obtained from year to year or from sour milk and wholesome milk varied from 5.4 to 8.9. No norms had been fixed by the Company in this regard. The Management stated (January 1977) that the percentage of cream varied since the content of fat in raw milk collected each day varied and the difference in the

*Excluding the capacity of 4,000 litres a day of the chiller installed (July 1976) but not commissioned

**The Company operated one shift of eight hours. The shift was extended beyond eight hours by operating on overtime, but the quantity handled on overtime was shown against the single shift working.

atmospheric temperature also caused variation in the fat content in the milk. The degree of acidity also accounted for variation in fat content.

7.05. The quantity of cream that was not required for processing milk was converted into ghee. The quantity of cream used and ghee manufactured therefrom, during the three years ending 30th June 1976, was as below:

Year ending 30th June	Cream used (in Kg)	Ghee manufactured (in Kg)	Percentage of ghee to cream
1974	9,985	3,365	33·7
1975	7,947	2,537	31·9
1976	9,946	4,364	43·9

The percentage of ghee manufactured to cream used varied from year to year. The Management stated (January 1977) that the percentage of fat in cream varied in each lot of cream.

The Management stated (August 1977) that ghee was manufactured by country method and, therefore, it was not possible to recoup the whole fat content in the milk or cream, and consequently variation in the fat content in the form of ghee was unavoidable.

7.06. The dairy had in stock 3,000 kg. of skimmed milk powder on 30th June 1977. There was no use of the powder after October 1976, but the stock-taking on 3rd July 1977 revealed a shortage of 1,113 kg. valued at Rs.0.16 lakh. The balance 1,887kg. valued at Rs.0.26 lakh, was found to be damaged. The Company has not calculated its salvage value but is examining (December 1977) the possibility of utilising the stock in its feed milling plant. The shortage and damage have also not been investigated.

The Management stated (August 1977) that the shortage accumulated over a period of 6 years.

7.07. The dairy had sent 820 kg. of ghee, valued at Rs.0.20 lakh, for sale to Calcutta in April|May 1976; this was returned to Siliguri in July 1976 since the product was acidic in character. This ghee, along with another 185 kg. valued at Rs.0.05 lakh manufactured in the same period, remained in stock even after the dairy was closed down (August 1976). The stock is still being held at Siliguri (December 1977). The ghee was neither re-processed nor otherwise disposed of. The ghee had become unfit for human consumption, hence the possibility of its use as fat in cattle feed was being considered (February 1978).

7.08. The operating results of the Siliguri (North Zone) unit of the Company, for the five years ending 30th June 1975, are summarised below (the subsequent years' accounts have not been finalised):

Year ending 30th June	Total expenditure including opening stock and purchases	Earnings including closing stock	Profit (+)/ Loss (−)
	(In lakhs of Rupees)		
1971	4·55	4·33	(−)0·22
1972	12·18	12·26	(+)0·08
1973	18·95	18·57	(−)0·38
1974	24·65	21·82	(−)2·83
1975	30·49	27·00	(−)3·49

8. Closing down of Siliguri dairy

8.01. A co-operative of the milk producers of North Bengal, registered as Himalayan Co-operative Milk Producers' Union Limited (HIMUL), was formed in January 1973, which started collection of surplus milk in Darjeeling district and the processing thereof at its dairy at Matigara (Siliguri). The area of operation of the Company's Siliguri dairy and of HIMUL, therefore, overlapped. It was agreed (June 1976) between HIMUL and the Company that procurement of milk in the Darjeeling hills would be left to HIMUL and marketing of a portion of the milk and milk products processed at the Matigara dairy of HIMUL would be done by the Company. The Company's dairy plant at Siliguri thus became redundant as the Company had no milk to process. Therefore, the Board of Directors decided (June 1976) to close down the dairy at Siliguri. The following steps were taken/envisaged:

(i) The chilling plants at Ghoom and Kurseong were leased out (August 1976) to HIMUL on payment of 4 paise per litre of milk chilled (subject to a minimum of Rs.100 a day) for a period of three years. The Company expected (June 1976) that HIMUL would be able to chill milk more than 2,500 litres per day.

(ii) The Company would establish a new dairy at Malda by transferring the plant and machinery and furniture and fixtures from Siliguri.

The Company estimated (June 1976) that from the date the dairy at Siliguri was closed down (August 1976) to the date of commissioning of a new dairy at Malda, it was likely to incur losses of

Rs.0.23 lakh per month on account of salary and wages, rent, depreciation, interest, etc. It was also estimated that against the guaranteed payment of Rs.100 a day for the chilling plants at Ghoom and Kurseong, the incidence of interest charges and depreciation would be approximately Rs.170 a day.

8.02. Before deciding (April 1976) to establish the dairy at Malda, the Company did not undertake a feasibility study with a view to assessing the following:

(i) availability of milk in the adjoining areas to feed a modern dairy having a capacity of 10,000 litres per day;

(ii) marketability of the processed milk in the area;

(iii) alternate use or disposal of the site at Siliguri;

(iv) expenditure on account of transfer of the fixed assets from Siliguri to Malda;

(v) cost of dismantling and installation of plant and machinery; and

(vi) security or safe custody of the plant and machinery, valued at Rs.9.85 lakhs, in Siliguri before despatch to Malda.

8.03. Of the assets worth Rs.9.85 lakhs at site, two storage tanks and one pasteurising unit, valued at Rs.2.70 lakhs, only were transferred to Malda till December 1977 though it had been contemplated (April 1976) that the new dairy at Malda would be set up within three months from the closure (August 1976) of the dairy at Siliguri. The assets still remaining at Siliguri are of the value of Rs.7.15 lakhs. The place is neither walled nor properly guarded. The assets are not insured against burglary. A theft of valuable materials and parts of a transformer was reported to the Police in August 1977. The extent of loss was assessed (December 1977) at Rs.0.24 lakh.

The Management did not take any decision as regards future utilisation of the plant, building or site of Siliguri dairy (December 1977).

8.04. The chilling plants at Ghoom and Kurseong were utilised by HIMUL from 31st December 1976 and 1st March 1977 respectively. In terms of the contract entered into (December 1976) between the Company and the HIMUL, the Company was entitled to charge 4 paise per litre of milk chilled by HIMUL in the plants. The records showed that HIMUL chilled at Ghoom 6,39,818 litres of milk from January 1977 to June 1977 and thus the Company was entitled to Rs.25,593 as chilling charge. The Company was entitled to a further sum of Rs.12,851, for the period from August 1976 to December 1976, at the agreed minimum rate on the same account.

But HIMUL refused (July 1977) to make any payment on the ground that "storage tank" had not been supplied along with chilling plant and that chilling was incomplete without storage facility. The plant at Kurseong could not be utilised by HIMUL before March 1977 due to a leakage in the chilling (cooling) coils noticed in October 1975, which was not set right by the Company. HIMUL got the plant repaired by March 1977. HIMUL has not made any payment for chilling in the Kurseong plant also (December 1977).

The Company was entitled to a further sum of Rs.0.78 lakh on various accounts from the HIMUL as on 30th June 1977, *viz.*, for milk supplied, staff salary, etc., but HIMUL lodged (July 1977) a counter-claim for Rs.0.65 lakh on account of milk supplied to the Company during April 1977. The claims have not yet been settled (December 1977).

9. Distribution of standard milk

9.01 The Company took up (July|August 1970) a scheme for distribution of milk in the urban areas adjacent to but outside Calcutta; the milk was to be purchased from the State Milk Commissioner. The Company started marketing of this milk through the agents appointed by it in the areas not covered by the Greater Calcutta Milk Supply scheme of the State Government. The Company received the milk at the dairy at Belgachia (Calcutta) and transported the same through transport contractors to the distributing agents of the Company in the consumption centres.

9.02. The quantities of milk sold by the Company and the commission earned during the three years ending 30th June 1977 are indicated in the table below:

Year ending 30th June	Sold		Commission earned
	Quantity (In lakhs of litres)	Value	
		(In lakhs of Rupees)	
1975	31·96	45·06	2·49
1976	36·01	55·97	2·88
1977	23·88	42·71	3·39

The Company did not work out whether commission earned covered the distribution expenses including overhead charges.

9.03. The arrangements with the distributing agents comtemplated that milk would be despatched to the agents against advance payment of the price thereof. Credit sales were, however, made to some of the distributors during 1973 to 1975. Individual accounts of the debtors were not maintained and delivery challans and challans of milk received were not preserved. Some of the records were destroyed in a fire (June 1975). The reconstructed accounts (August 1977) revealed a debt of Rs.1.69 lakhs as on 30th June 1975, of which Rs.1.55 lakhs has been disowned by the agents.

9.04. The arrangements between the Company and the Milk Commissioner contemplated refund of the value of milk which got curdled, provided the same was returned to the dairy within 24 hours of the sale. During the period from July 1974 to June 1977, 0.29 lakh litres of milk was curdled for which the Company deducted, from time to time, Rs.0.45 lakh from the bills of the Milk Commissioner, but the latter has rejected (April|May 1977) the claims on the ground that the milk had deteriorated due to its transportation to a long distance in a van without insulation and also due to inclement weather condition.

10. **Supply of wheat bran**

10.01. The Company was appointed (May 1970) by the State Government as the sole distributor for the entire State for 50 per cent of the wheat bran produced in the roller flour mills of the State. The remaining 50 per cent was also brought under Government control and its distribution entrusted (June 1973) to the Company. The control was lifted in June 1974.

10.02. The Company started distribution of wheat bran (December 1970) through various agents and dealers appointed by it. The Company received its quota from the State Government and made allotment of monthly quotas to the consumers in the public sector, co-operatives and approved agents for lifting stock direct from the flour mills, on which a specified amount as commission (25 paise per bag of 37.5 kg.) was to be received by the Company. The quantities of wheat bran produced and allotted to the Company, during the three years ending 30th June 1974, are shown below:

Year ending 30th June	Quantity produced in the State	Quantity allotted to the Company
	(In tonnes)	
1972	50,563	25,281
1973	45,800	22,900
1974	38,980	28,260

The quantity for which delivery order was issued by the Company, the quantity lifted by the dealers and the commission receivable by the Company on these transactions could not be ascertained for want of records which were stated (January 1977) to be with the police. It could also not be ascertained whether the due amounts of commission had actually been realised by the Company from all the allottees.

11. Kalyani feed milling plant

11.01. Mention was made in paragraph 5 of Section III of the Report of the Comptroller and Auditor General of India for the year 1974-75 (Commercial) of the setting up by the Company of its feed milling plant at Kalyani and of the producton in the plant (2 tonnes per hour) being much below the designed capacity (5 tonnes per hour), and the cost of production (Rs.138.65 per quintal) being much in excess of the market price (Rs.97 and Rs.90 per quintal for milch and dry ration respectively).

11.02. The production capacity of the plant was increased from 5 tonnes to 7 tonnes per hour by installing two small hammer mills in August 1976 at a cost of Rs.0.16 lakh. The new mills were, however, ready for production in November 1976 on completion of the trial runs. The Company started its second shift of operation from 5th November 1976. The actual performance against the rated capacity, during the three years ending 30th June 1977, is indicated below:

Period /Year ending 30th June	Rated capacity	Actual production	Percentage of production to capacity
	(Figures in tonnes)		
1975	6,960	1,099	15·8
1976	9,320	3,821	40·9
July 1976 to October 1976 ..	3,820	2,564	67·1
November 1976 to June 1977 ..	21,896	8,016	36·6

It will be noticed that actual production continued to be much below the rated capacity. Some of the factors responsible for loss of production, as stated by the Management (February 1977), were load-shedding, break-down of plant, hammer mill and over-head coil and non-availability of raw material.

11.03. The Company does not maintain any records for determining the actual cost of production of different types of animal and poultry feed produced by it. It prepared estimates of cost of production in April 1976 and January 1977 on the assumption of production of 500 tonnes and 1,300 tonnes per month respectively. The Company never reached this level of production and the estimates of cost were unrealistic. Further, the estimates were based on the cost of raw materials ruling at the time of last purchase of each such commodity and did not take into account the subsequent increases in price. It was noticed that the Company's sale price for cattle feed, after providing for the dealers' commission, was appreciably less than even its estimated cost of production, as shown in the table below:

	April 1976		January 1977/ February 1977	
	Feed for milch cattle	Feed for for dry cattle	Feed for milch cattle	Feed for dry cattle
	(In rupees per quintal)			
Estimated cost	85·43	77·73	117·05	108·90
Sale price after deduction of sellers' commission of Rs. 8 per quintal.	84·00	72·00	102·00	94·00
Loss	1·43	5·73	15·05	14·90

The Management stated (January 1977) that there was stiff competition and the Company being a fairly new one it had to fix prices of its products considering all aspects of market.

12. Poultry marketing scheme

12.01. In June 1970, the Company took up the business of trading in poultry products. The quantum of poultry products purchased, sold and damaged, during the five years ending 30th June 1977, is indicated below:

Year ending 30th June	Eggs			Poultry meat		
	Purchased	Sold	Damaged	Purchased	Sold	Damaged
	(in numbers)			(in Kg.)		
1973	29,266	28,668	85	1,649·32	1,646·08	6·50
1974	6,584	6,564	129	350·87	346·36	5·81
1975	4,344	4,422	144	1,287·84	1,306·85	11·59
1976	20,532	20,210	63	1,227·00	1,238·00	Nil
1977	1,23,886	1,20,066	1,662	1,893·97	1,841·51	21·22

12.02. Profitability of the scheme was not assessed by the Management, except for the two years ending 30th June 1973. The working results for the two years ending 30th June 1973 were as under:

Year ending 30th June	Sales including closing stock	Total expenditure including opening stock and purchase	Profit (+)/ Loss (−)
	(In lakhs of Rupees)		
1972	1·13	1·23	(−)0·10
1973	11·52	11·46	(+)0·06

12.03. **Poultry loan scheme:** In order to popularise poultry farming and to help small farmers in starting poultry farms, the Company took up a poultry loan scheme in 1970-71 and earmarked an amount of Rs.1.26 lakhs for the purpose. Up to June 1973, the Company disbursed Rs.0.29 lakh to 15 parties from whom Rs.0.28 lakh was outstanding as on 30th June 1977. The Company did not advance loans after June 1973.

The Management stated (August 1976) that steps were being taken to realise the dues from the parties and certificate cases under the Public Demands Recovery Act were being filed against the defaulting loanees. The position remains unchanged (December 1977).

13. Inventory control

13.01. The operations of the Company involved the consumption of about 9,000 tonnes of more than 20 types of raw materials, *viz.*, rice bran, mustard cake, sal seed cake, skimmed milk powder, etc. in 1976-77, in its feed milling plant at Kalyani.

13.02. The Company has no stores manual. No material budget is also prepared. Measures have also not been taken for planning, programming and scheduling of purchases. No safe limit of stock or minimum, maximum or reorder level has been prescribed. A test check (from June to October 1976) showed that the stock of nine items in June, nine in July and thirteen in August were either nil or almost nil. Similarly, four items were completely exhausted in October. The materials involved were maize, rice-bran, rice-polish, groundnut cake, coconut cake, sal seed cake, etc., which were essential for manufacture of feed. There was, on the other hand, overstoring in some cases, resulting in an unnecessary blocking of capital. For example 51 months' requirement, on the basis of average monthly consumption during 1976-77, of starmin (cattle special) mineral mixture (value: Rs.2.06 lakhs) had been held in stock in April 1977.

13.03. The Board of Directors of the Company approved (July 1973) delegation of power for purchases. In the case of emergency purchase, the upper limit was fixed at Rs.50.000 in each case for the Managers and Rs.1,00,000 for the Managing Director. In March 1976, three purchase committees were constituted for (i) the head office, (ii) the Kalyani feed milling plant, and (iii) the Siliguri (North Zone) office.

Purchases on most occasions were made not by inviting open tenders but by negotiations or by obtaining limited quotations.

13.04. The Company has not introduced the system of preparing "goods received notes" on receipt of materials and of bin cards or other identification marks of stack for storing of materials. Issues to production are not done or accounted for on actual weighment but in number of bags. A test check of issues showed that 123 bags of rice-bran during January 1977 to March 1977 and 156 bags of wheat polish in December 1976 (which were found excess in stock) were issued for production but were not accounted for. In the absence of annual stock-taking by actual weighment, actual excess or shortage in receipt or issue could not be detected. Similarly, during 1976-77, against assumed (by counting of bags) issue of 9,734 tonnes of materials for production, the quantity of feed produced was 10,580 tonnes. No reasons for the excess production, compared to the input, were available (December 1977).

13.05. **Inventory holdings:** *Position in inventory*—The table below indicates the position of inventory at the end of the four years up to 1974-75:

	Closing stock as on 30th June			
	1972	1973	1974	1975
	(In lakhs of Rupees)			
Raw materials	0·75	0·42	5·46	20·97
Consumable articles	0·04	0·07	0·28	0·82
Finished goods	0·34	0·11	0·40	0·96

There was substantial increase in the closing stock of raw materials as on 30th June 1974 and 1975 as there was procurement of material in anticipation of production in the feed milling plant of the Company, which came into operation since August 1974.

14. Accounting system

14.01. The Company has not prepared any accounting manual laying down the accounting procedures.

Certain defects in the maintenance of books of accounts, as mentioned below, are persisting. These were also pointed out by the Statutory Auditors:

(a) Store Ledgers are not being properly maintained in any unit or at the head office.

(b) The following registers and accounts have not been maintained till 30th June 1977:

(i) Purchases and sales day books.

(ii) Journal proper.

(iii) Register of monthly reconciliation with bank.

(iv) Personal ledger accounts for agents of standard milk, up to the year 1975-76.

(v) Register of advances at Kalyani feed milling plant.

(vi) Assets register in any of the units or at the head office.

(vii) Dead stock register.

(c)(i) Cash book was not properly written at Siliguri (North Zone) office in 1975-76.

(ii) Cash is not regularly verified by the competent authority at Siliguri.

14.02. On physical verification of cash at Siliguri (North Zone) office in June 1976 the Accounts Officer detected a shortage of Rs.14,733.60 against the book balance of Rs.52,736.27. On completing the writing of cash book, final shortage of Rs.4,733.10 was found. The Board has allowed (April 1977) recovery of the amount from the cashier by monthly instalments of Rs.100 each.

14.03. **Internal audit and internal check:** Since August 1975, the Company has a cell under an Internal Audit Officer, who is responsible to the Secretary. Internal audit manual has not been compiled. During the year ending 30th June 1977, the cell did not exercise any internal audit checks.

15. Other points of interest

15.01. **Losses on purchase:** During 1975-76, supply orders for 1,350 tonnes of maize, 150 tonnes of groundnut cake, 50 tonnes of sal seed cake and 50 tonnes of copra had been placed by the Company on some suppliers (including two Co-operative Federations). The suppliers failed to effect any supply and the

Company cancelled the orders and placed fresh orders at higher rates, as shown in the summary below, on the same or other suppliers:—

Material	Original orders: Month in which ordered	Original orders: Quantity ordered (Tonnes)	Revised orders: Month in which ordered	Revised orders: Quantity ordered (Tonnes)	Increase in price (Rupees per tonne)	Extra cost owing to increase in price (In lakhs of Rupees)
Maize	December 1975	50	February 1976	50	115 to 130	0·06
	June 1976	300	August to October 1976	300	120 to 185	0·32
	November 1976	1,000	January, February 1977	334	118 to 340	0·90
Groundnut cake	June 1976	150	August and December 1976 January 1977	150	231 to 487	0·61
Sal seed cake	June 1976	50	November 1976	50	249	0·12
Copra	February 1976	50	June 1976	27	400	0·11
				Total	..	2·12

The total extra expenditure incurred was Rs.2.12 lakhs, the increases varying from 21 per cent in the case of maize to about 120 per cent in the case of sal seed cake over the costs at the original rates. Out of the extra expenditure of Rs.2.12 lakhs, nearly 43 per cent (Rs.0.87 lakh) arose from payments for supplies made at higher rates by the suppliers which had failed to supply at the lower rates originally ordered.

The Management stated (December 1977) that the revised orders became necessary due to the following reasons:

(i) Two Co-operative Federations failed to make supplies (extra cost: Rs.0.38 lakh).

(ii) Orders were not placed within the period (3 to 7 days) of validity of the offers by the firms due to need for meeting formal requirements (extra cost: Rs.0.84 lakh).

(iii) Orders not accepted by the firm which raised dispute about quality of material (extra cost: Rs.0.90 lakh).

15.02. **Purchase of sal seed cake :** The season of availability of sal seed cake is June|July each year. Orders for the supply of 667 tonnes of the material were placed on several firms in January and February 1977 at rates varying from Rs.629 to Rs.690 per tonne. Up to the third week of June 1977, 211 tonnes of the material were supplied under these orders.

The delivery schedule laid down in the original purchase orders expired in March 1977 and with the advent of the season in June|July 1977, the market price fell to about Rs.400 per tonne. However, 240 tonnes of sal seed cake was accepted by the Company between 28th June 1977 and 11th July 1977 at the agreed rates, involving payment of Rs.0.67 lakh in excess of the value at the market rate of Rs.400 per tonne.

The Management stated (August 1977) that the price was high due to crop failure and export of sal seed cake in 1975-76 and that they could not foresee that price would fall and hence kept the orders alive; but the price fall was sudden. They further stated that procurement had to be suspended due to storage and administrative problems.

SECTION IV

Other points of interest

WEST BENGAL AGRO-INDUSTRIES CORPORATION LIMITED

1. (a) **Sale of wheat seeds**

The Company procured 3,919.19 tonnes of wheat seeds, during the period from August 1974 to November 1974, at Rs.2,960 per tonne, with the object of helping the farmers by timely distribution of seeds to them. The Company could not, however, distribute 382.2 tonnes of seeds in time.

The unsold wheat seeds were disposed of (January and February 1975) at a reduced price of Rs.1,550 per tonne for late sowing. The loss due to such reduction of price as compared to the procurement cost was Rs.5.39 lakhs.

The Management stated (October 1977) that if the seeds had not been disposed of at the reduced price, these would have become fully unfit for use in the next season and the Corporation would have faced a greater loss.

(b) **Sale of jute seeds**

The Company purchased 110 tonnes of jute seeds during 1972-73 from a firm of Maharashtra at Rs.4,500 per tonne for distribution to farmers. Of this quantity, the Company could not distribute 50 tonnes, out of which 45 tonnes were sold (December 1973) at a reduced price of Rs.1,150 per tonne.

The Company suffered a loss of Rs.1.51 lakhs due to sale at reduced price and Rs.0.23 lakh due to failure to dispose of the balance quantity which became unfit for sowing.

The Management stated (October 1977) that sales were made at a reduced price to avoid total loss.

(c) **Sale of potato seeds**

In March 1974, the Company procured 180 tonnes of *Kufri-Chandramukhi* potato seed at Rs.1,565 per tonne for distribution to the farmers during the *rabi* season of 1974. The Company distributed 85 tonnes of the seed to the farmers during October to December 1974. The remaining quantity (95 tonnes) was sold (December 1974) to the general public as table potato at the reduced rate of Rs.750 per tonne. The Company sustained a loss of Rs.0.57 lakh in the whole deal.

The Management stated (October 1977) that "the potato seeds, which could not be disposed of as seeds till the beginning of December 1974, were disposed of to avoid deterioration and to stop running cost and further loss".

It was also stated (October 1977), "The requirements of different kinds of seeds are generally assessed in accordance with the agricultural programme of the State Government. As a public undertaking, this Corporation cannot always be guided by conservative commercial considerations. Moreover, seed trade is basically a risky trade as the demands are strictly seasonal and seeds are to be booked normally one season earlier".

The matter was brought to the notice of Government in October 1976; reply is awaited (December 1977).

2. Delay in preferring claims against the Railways

A claim for non-receipt or short-receipt of materials transported by the Railways is required to be lodged with the Railways within six months from the date of booking.

During March 1975 to September 1975, the Company could not lodge 44 cases of claims for short-receipt of materials within this time limit (claims being raised after 7 to 9 months from the date of booking) and, therefore, the Railways rejected the claims aggregating Rs.2.29 lakhs on the ground of delay in lodging the same.

The Management stated (October 1977) that "all these consignments were received within a period of four months during August 1974 and November 1974. During the period the entire manpower resources of the Corporation were engaged in receipt and disposal of wheat seeds. As a result, the cases of transit losses did not receive adequate attention".

The matter was brought to the notice of Government in October 1976; reply is awaited (January 1978).

THE DURGAPUR CHEMICALS LIMITED

3. Two Government Companies, *viz.*, The Durgapur Chemicals Limited and Westinghouse Saxby Farmer Limited, were under the same Managing Director from April 1975 to September 1977. The former Company made some purchases from|entered into various contracts with the latter Company during this period.

Some points noticed during the course of test check of the purchase records of the Durgapur Chemicals Limited are mentioned below:

(a) **Contract for construction of rake classifier:** The Company decided (July 1975) to construct a salt washer plant (rake classifier) for obtaining the desired quality of salt for its caustic chlorine plant as the required quality of salt was not available from the suppliers. A turn-key order was placed in January 1976 on Westinghouse Saxby Farmer Limited, the lowest bidder, at Rs.7.10 lakhs. As per the terms of the contract, a sum of Rs.1.73 lakhs was advanced to the suppliers in February 1976.

In June 1976, the Company cancelled the order on the ground of technical difficulties. The cancellation was accepted by the suppliers (June 1976) subject to payment of claims against the actual expenditure already incurred by the latter. The supplier preferred (August 1976) a claim for Rs.0.78 lakh which was revised (February 1977) to Rs.0.70 lakh, being payment made by it to the sub-contractor and agreed (February 1977) to refund the balance of Rs.1.03 lakhs. Final settlement had not been reached and the balance amount is yet to be refunded by the supplier (December 1977).

The advance of Rs.1.73 lakhs was paid to the supplier out of a 'bridging loan' from a nationalised bank (rate of interest being 15 per cent per annum), on which the interest charges amounted to Rs.0.48 lakh up to 31st December 1977. In addition, the Company is committed to making payment of Rs.0.70 lakh, the expenditure actually incurred by the supplier in the execution of this contract.

The Company is using salt which is not of the required quality in its caustic chlorine plant.

The matter was reported to the Company| Government in July 1977; replies are awaited (January 1978).

(b) **Purchase of copper anode rods:** The Company placed (May 1975) an order with Westinghouse Saxby Farmer Limited for supply of 600 pieces of copper anode rods for use in its Phthalic Anhydride Plant at Rs.125 each. The rods were received in July 1975.

The Company placed another order in the same month for 300 pieces of copper anode rods of the same specification with a manufacturing firm of Calcutta at Rs.73.90 each. Previously, such anode rods used to be purchased from the Calcutta firm and these gave satisfactory performance. Westinghouse Saxby Farmer Limited was not the manufacturer of or a dealer in copper anode rods. Compared to the rate of the Calcutta firm, the extra expenditure involved in the purchase from Westinghouse Saxby Farmer Limited amounted to Rs.0.31 lakh.

The Management stated (July 1977) that owing to paucity of funds copper anode rods could not be procured from the manufacturing firm on payment of cash and that Westinghouse Saxby Farmer Limited extended 90 days' credit facility.

Had the Company met the cost of the purchase out of the available balance of a bridging loan from a bank (at interest rate of 15 per cent) the liability for interest for 90 days would have been Rs.0.03 lakh.

(c) **Purchase of hot pressed naphthalene:** Mention was made in paragraph 4.4 of the Report of the Comptroller and Auditor General of India for the year 1972-73 (Commercial) that naphthalene of Durgapur Projects Limited was intended to be used in the Phthalic Anhydride Plant as per the project report, but owing to impurities in the naphthalene of Durgapur Projects Limited, the Company procured hot pressed naphthalene from Hindustan Steel Limited (H.S.L.).

During May 1976, purchase orders for 2,180 tonnes of hot pressed naphthalene were placed on different plants of H.S.L. at Rs.2,100 per tonne and 598.14 tonnes of the material was obtained during April 1976 to July 1976.

In June 1976, the Company procured 50.05 tonnes of hot pressed naphthalene at Rs.2,835 per tonne from Westinghouse Saxby Farmer Limited which was neither a manufacturer of nor a dealer in hot pressed naphthalene. Westinghouse Saxby Farmer Limited procured naphthalene from H.S.L. for supply to the Company.

Purchase of hot pressed naphthalene at the higher price resulted in an extra expenditure of Rs.0.37 lakh. The Management stated (July 1977) that the Company's dues to H.S.L. for earlier supplies of naphthalene were so high that H.S.L. had completely stopped supply of the material. Finding no alternative, the Company had to procure from the other source to maintain uninterrupted production of phthalic anhydride.

The Company paid Rs.1.27 lakhs to Westinghouse Saxby Farmer Limited, for the above supply, during June and July 1976.

(d) **Purchase of salt:** Mention was made in paragraph 4 of Section IV of the Report of the Comptroller and Auditor General of India for the year 1975-76 (Commercial) regarding purchase of salt from Westinghouse Saxby Farmer Limited up to December 1975.

In July 1976, the Company placed an order on Westinghouse Saxby Farmer Limited for procurement of 4,000 tonnes of salt at Rs.247 per tonne f.o.r. destination. The latter supplied 3,426.800 tonnes of salt between June 1976 and October 1976 against this order. The stipulation of the supply order was (1) 90 days' credit and (2) guaranteed quality as per specification. But according to the Management (February 1977), the material supplied was of inferior quality not conforming to the prescribed specifications. The Company had advanced (September 1976 to November 1976) Rs.1.70 lakhs to the supplier against this order and paid the balance of Rs.6.76 lakhs by 31st March 1977.

The Company purchased 2,256.600 tonnes of salt at Rs.225 to 240 per tonne f.o.r. destination from other suppliers also, during the period from June 1976 to December 1976. Compared to the prevailing maximum market price (Rs.240 per tonne), the above deal resulted in an extra expenditure of Rs.0.24 lakh.

The matter was reported to the Company|Government in July 1977; replies are awaited (January 1978).

4. **Purchase of 'reboiler D-101'**

Open tenders were invited (October 1972) by the Company for fabrication and supply of a 'reboiler D-101' for its Phthalic Anhydride Plant for replacement of the existing worn out reboiler. Three quotations were received and the offer of firm 'A' was the lowest at Rs.2.35 lakhs f.o.r. Durgapur. Another firm 'B' offered the second lowest price at Rs.2.24 lakhs f.o.r. Ahmedabad. Although the Managing Director passed orders (February 1973) for issue of letter of intent to the lowest bidder, fresh tenders were invited by the General Manager in November 1973 for the same work. Four quotations were received against this tender enquiry and firm 'A' again quoted the lowest rate of Rs.3.25 lakhs ex-words Karamsad (near Ahmedabad). The second lowest tender was for Rs.3.47 lakhs f.o.r. Ahmedabad from firm 'B'. The lowest tender was not accepted this time also on technical grounds.

The second lowest tenderer suggested (December 1973) that the main shell thickness of the dishedend of the reboiler should be 30 m.m. instead of 25 m.m. as specified in the tender notice. in view of the high corrosion rate in the plant and a revised price of Rs.3.95 lakhs *ex*-works Ahmedabad was quoted by it in December 1973. Formal order was placed in April 1974 on firm 'B' at the revised price, the period of delivery being twelve months from the date of order.

The Management were aware of the high rate of corrosion in the reboiler plant, as the Company had to replace the dishedends in 1971-72 and after only a few months it was observed by an outside expert (CMERI) that the thickness of the shell had gone down to "limiting stage". But the specifications in both the tenders were not fixed accordingly. Had the Company included the correct specification of dishedend shell in its first tender and finalised the matter with firm 'B' against the first tender, it could have avoided an extra expenditure of Rs.1.24 lakhs due to enhancement of their price in the second offer.

The suppliers prayed for extension of time for delivery, up to February 1976, on the ground that the required drawings were handed over to them in February 1975. The Company extended the time up to 15th September 1975 and paid in July 1974 Rs.1.32 lakhs to the suppliers as advance. The reboiler has not been received (November 1977). The existing reboiler of the Phthalic Plant underwent severe damage in January 1977 and there was no production of phthalic anhydride during 10th January 1977 to 18th March 1977, involving loss of production of 630 tonnes of phthalic anhydride (value: Rs.53.98 lakhs). As the delivery of the new reboiler was uncertain, the damaged unit was got repaired (March 1977) by a Calcutta firm as an emergency measure at a cost of Rs.2.87 lakhs.

The matter was reported to the Company|Government in July 1977; replies are awaited (January 1978).

5. Extra expenditure

The Company placed (May 1974) an order for supply of 100 empty cylinders, on negotiation basis, for transporation of liquid chlorine on Bharat Heavy Plates and Vessels Limited, Vishakapatnam at Rs.8.20 lakhs *ex*-Vishakapatnam; the price was subject to escalation in accordance with an agreed formula.

As per the supply order, 30 per cent of the total price was payable in advance. The Company paid (August 1974) to the suppliers Rs.2.46 lakhs by borrowing from a nationalised bank, the rate of interest being 15 per cent per annum.

In September 1975, the suppliers raised the price of each cylinder from Rs.8.200 to Rs.12,760 on grounds of rise in the cost of labour and of various components. The Company agreed (February 1976) to lift 50 cylinders if the price was fixed at Rs.10,000 each. The suppliers agreed on 28th February 1976 to accept a price of Rs.10,500 if the Company would lift all the 100 cylinders.

The Company had also placed (March 1974) an order for 225 cylinders on a Japanese firm under XII Yen credit, which were received in November 1974. The Managing Director commented (February 1976) that the "reason for buying so many chlorine cylinders from Vishakapatnam firm also was obscure". Evidently, the actual requirement of cylinders had not been properly assessed.

No decision has been taken about lifting the cylinders from the Vishakapatnam firm (December 1977). Meanwhile, the advance paid to it has remained unrecovered and the Company has incurred Rs.1.20 lakhs towards interest for 39 months on the advance.

The matter was reported to the Company|Government in November 1977; replies are awaited (January 1978).

6. Demurrage charges

The Company, having failed to obtain clearance of stores materials within the free time allowed by the Railways, incurred demurrage in 126 cases during 1974-75 and in 182 cases in 1975-76 and paid sums aggregating Rs.0.45 lakh on this account during these years.

The Management stated (July 1977) that demurrage and wharfage charges had to be paid owing to paucity of funds.

The matter was reported to the Company|Government in November 1977; replies are awaited (January 1978).

WEST BENGAL SUGAR INDUSTRIES DEVELOPMENT CORPORATION LIMITED

7. Delay in supply and erection of plant and machinery

The Company was set up by the State Government in May 1973 with the main object of promoting and developing sugar industries in the State. It purchased in June 1973 a closed sugar mill, formerly owned by National Sugar Mill Company Limited (in liquidation). The Company decided (September 1973) to rehabilitate the mill at an estimated cost of Rs.1.03 lakhs.

In November 1973, the Company, on the advice of its consultants, placed an order for purchase of a turbo set at Rs.7.75 lakhs on a firm of Calcutta, on negotiation basis. The delivery and erection of the plant and machinery, as stipulated in the order, were to be completed within August 1974 and October 1974 respectively. The purchase order also provided for recovery of liquidated damages in case of failure on the part of the suppliers to deliver the plant and machinery and to complete erection thereof within the specified dates.

Actual delivery of the plant and machinery was completed on 28th November 1974 and erection thereof on 15th December 1974. As a result of the delay in commissioning the turbo set and consequent non-availability of power, there was a loss of 64 tonnes of sugar valuing Rs.1.30 lakhs, at the processing stage. No claim for liquidated damage was made; instead a claim for the loss of sugar in process was lodged with the suppliers (February 1975).

Subsequently, on the advice of the suppliers, the claim was withdrawn and a fresh claim for the loss was preferred (March 1975) with the sub-contractor under the suppliers. The claim was refused (March 1975) by the sub-contractor on the ground that he had no agreement with the Company.

The Company obtained (August 1974) a bank guarantee of Rs.0.39 lakh from the suppliers, valid up to 29th August 1975, for timely completion of the work. The Company did not invoke the bank guarantee to recover the liquidated damage, but released the same in January 1976.

The Management stated (October 1976) that the Company had failed to prefer claim of liquidated damage on the suppliers as the delay in installation of the plant was caused by the delay in supply of the switch board by its sub-contractor for reasons beyond his control.

The matter was reported to Government in November 1977; reply is awaited (January 1978).

CHAPTER II

SECTION V

Statutory Corporations

Introduction

There were six Statutory Corporations in the State as on 31st March 1977, *viz.*, West Bengal State Electricity Board, Calcutta State Transport Corporation, North Bengal State Transport Corporation, Durgapur State Transport Corporation, West Bengal Financial Corporation and West Bengal State Warehousing Corporation.

A. WEST BENGAL STATE ELECTRICITY BOARD

1. Loan capital

The aggregate of long-term loans, including loans from Government, bonds, debentures and deposits, obtained by the Board, was Rs.31,298.01 lakhs at the end of 1976-77 representing an increase of Rs.5,557.61 lakhs over the total long-term loans of Rs.25,740.40 lakhs at the end of the previous year.

2. Guarantee

Government have guaranteed repayment of loans of Rs.14,924.97* lakhs obtained by the Board under section 65 of the Electricity (Supply) Act, 1948, against which Rs.13,153.60* lakhs were outstanding as on 31st March 1977.

3. Surplus

The Board had a surplus of Rs.102.70 lakhs in 1976-77 (being the amount appropriated towards contribution to general reserve) as against Rs.93.85 lakhs in the previous year.

A synoptic statement showing the summarised financial results of the working of the Board for 1976-77 is given in Annexure 'C'.

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*Differs from the details of guarantee shown in the Finance Accounts for 1976-77. The difference is under reconciliation.

B. OTHER STATUTORY CORPORATIONS

4. The accounts of the following four Corporations, for the years mentioned against each, have not been finalised (December 1977):

Name of the Corporation		Years for which accounts are in arrears
Calcutta State Transport Corporation	..	1975-76 and 1976-77
North Bengal State Transport Corporation	..	1973-74 to 1976-77
Durgapur State Transport Corporation	..	1974-75 to 1976-77
West Bengal State Warehousing Corporation		1975-76 to 1976-77

5. **Paid-up capital**

The capital of West Bengal Financial Corporation at the close of 1976-77 was Rs.220 lakhs (including share application money of Rs.30 lakhs) as against Rs.170 lakhs at the close of the previous year. The contribution towards capital of the Durgapur State Transport Corporation by the State Government as on 31st March 1974 was Rs.119.00 lakhs.

6. **Loans**

The aggregate of long-term loans obtained by the two Corporations, *viz.*, West Bengal Financial Corporation and Durgapur State Transport Corporation at the close of the years mentioned against each was as noted below:

		At the close of the year	Amount (In lakhs of Rupees)
West Bengal Financial Corporation	..	1976-77	1,233·01
Durgapur State Transport Corporation	..	1973-74	10·55

7. Guarantees

Government have guaranteed repayment of principal and the payment of dividend on shares of Rs.170.00* lakhs and also repayment of loans of Rs.530.00* lakhs obtained through issue of bonds by the West Bengal Financial Corporation; repayment of any part of these loans has not become due.

8. Profits|losses

According to the latest available annual accounts, the working results of the two Corporations were as given below:

	Year	Net profit (+)/ Net loss (−) (In lakhs of Rupees)
(a) West Bengal Financial Corporation . .	1976-77	(+)37·47
(b) Durgapur State Transport Corporation . .	1973-74	(−)13·88

A synoptic statement showing the summarised financial results of working of the two Corporations, on the basis of their latest available accounts, is given in Annexure 'C'.

*Differs from the details shown in the Finance Accounts for 76-77. The difference is under reconciliation.

SECTION VI

West Bengal State Electricity Board

SANTALDIH THERMAL POWER PROJECT

1. Introduction

1.01. The Planning Commission approved (September 1966) the setting up at Santaldih of the first stage of a Thermal Power Project, consisting of four generating units of 120 MW each. The first and second units of the project were commissioned in January 1974 and August 1975 respectively. As per schedule prepared in July 1977, the third unit was expected to be commissioned in February 1978, followed by the fourth unit in December 1978.

1.02. The working of the project was reviewed in Section IV of the Report of the Comptroller and Auditor General of India for the year 1972-73 (Commercial). The report was discussed by the Committee on Public Undertakings (1976-77); its report is awaited (December 1977).

2. Performance of units I and II

2.01. The performance of the first two units during the three years up to 1976-77 is indicated in the following table:

	1974-75	1975-76	1976-77
(a) Installed capacity (MW)	120	240	240
(b) Maximum generating capacity (Mkwh)	777·6	1,296·0	1,555·2
(c) Total power actually generated (Mkwh)	373·2	447·9	626·8
(d) Percentage of power generated to generting capacity ..	48·0	34·6	40·3
(e) Auxiliary consumption (Mkwh)	44·1	58·6	69·0
(f) Percentage of auxiliary consumption to total generation	11·8	13·1	11·0
(g) Units sent out (Mkwh)	329·1	389·3	557·7
(h) Average load (MW)	42·6	51·0	71·6
(i) Plant load factor (percentage of average load to peak load)	44·8	35·2	34·1
(j) Plant utilisation factor (percentage of average load to installed capacity)	6	21	30

2.02. The reasons for low generation during 1974-75 were mentioned in paragraph 4.3(h) of Section V of the Report of the Comptroller and Auditor General of India for the year 1973-74 (Commercial). Extensive outages, causing low generation, during the three years up to 1976-77 were as follows:

	1974-75	1975-76		1976-77	
	Unit I	Unit I	Unit II	Unit I	Unit II
Scheduled outages on overhauling (hours)	Nil	2,213	Nil	674	Nil
Forced outages (hours)	2,265	1,644	2,078	954	7,237

2.03. The first overhauling of the turbo-generator and boiler of unit I fell due in January 1975 but was taken up in February 1976 The overhauling, which was undertaken departmentally at a cost of Rs.0.44 lakh, took 113 days as against 45 days fixed (June 1975) by the Central Electricity Authority. It was noticed that the actual overhauling had commenced 31 days after the shut-down, against 3 to 4 days required for cooling down.

The Chief Engineer (Thermal) stated (September 1977), *inter alia,* that it was difficult to muster either from within or outside the organisation skilled and unskilled personnel required to reduce the maintenance down-time and, therefore, the minimum time required for thorough maintenance of turbo-generator after about 20,000 running hours, would be 90 days.

2.04. The main reasons for the forced outages, as stated by the Management in September 1977, were as follows:

Year	Unit I	Unit II
1974-75	Economiser tube leakage, recirculation valve leakage, fire in windbox, etc.	....
1975-76	Economiser tube leakage, sparking in commutator brushes, etc.	Tube leakage, fire in boiler panel cubicle, control and power cable, etc.
1976-77	Furnace-wall tube leakage, mild steel stop valve leakage, etc.	Bending of turbine shaft.

2.05. A fire broke out on 21st December 1975 near the second unit, causing severe damage to its boiler and some cables. The unit was repaired and recommissioned on 6th January 1976. A claim covering the repair charges amounting to Rs.8.63 lakhs was lodged with the insurer in March 1977 but it has not been settled (February 1978). In its report submitted to the Board in February 1976, a departmental enquiry Committee (appointed by the Board in January 1976) had pointed out lapses on the part of supervisory officers. A special enquiry committee (constituted in March 1976) headed by a former Chairman of the Central Electricity Authority endorsed (August 1976) the views of the previous enquiry committee but did not fix responsibility for the mishap. The special committee recommended (August 1976), *inter alia*, that the financial loss due to loss of generation should be assessed. This has not been done (December 1977).

The unit again went out of commission on 24th April 1976 following severe damage to the high pressure rotor of the turbo-generator. It was repaired and recommissioned on 16th February 1977 by the manufacturers of the turbo-generator at a cost of Rs.7.64 lakhs. A committee appointed by the Board in July 1976, headed by the Chief Engineer (Thermal), enquired into the causes of the damage and attributed (February 1977) it to malfunctioning of the turbo-visory instruments, some of which were considered by the Board (April 1977) to be in need of replacement and/or augmentation. No action has been taken in this direction (February 1978). The committee further observed (February 1977) that 'the shift personnel did not possess adequate specialisation and experience necessary for tackling an abnormal situation'. It was, however, noticed during audit (August 1977) that there was no regular scheme for training of the operation personnel.

No formal agreement had been entered into with the suppliers (BHEL) of the turbo-generators. The general conditions of sale, however, provided for a performance warranty for a year from the date of commissioning. Although the damage to unit II occurred within the warranty period and it was due to defective instruments, no claim for compensation has been preferred with the suppliers (February 1978).

2.06. The Ministry of Energy, Government of India, appointed its Consulant (Power) to make an in-depth study of the problems of the project. Some of the constraints identified (June 1977) by the Consultant, hampering smooth performance of the units, were as follows:

(a) Defects in the turbo-visory instruments, resulting in erratic operation and malfunctioning, deterioration and damage to equipment;

(b) deficiency in the design of equipment;

(c) defects in several control equipment and instrumentation, resulting in the absence of automatic control vital for the effective and safe functioning of the plant; and

(d) supply (by Bharat Heavy Electricals Limited and others) of sub-standard materials like valves, flanges, high-pressure gland packing, multi-point temperature recorders, etc.

3. Operational highlights

3.01. The project report envisaged the use of 1.39 million tonnes of middlings classified as Grade III, out of an annual fuel requirement of 3.25 million tonnes. But instead of Grade III, coal of Grades I and II is being used in the Power Station. The ratio between Grade I and II has been adopted by the Board at 6:1. Separate account for each grade of coal used has not been maintained. The total consumption of coal and consumption per kwh generated, during the three years up to 1976-77, are given in the following table:

	1974-75	1975-76	1976-77
Total consumption of coal (in lakhs of tonnes)	1·94	2·29	3·17
Consumption of coal per kwh of energy produced (in kg) ..	0·519	0·512	0·506

One of the reasons for which the project site was selected was the easy availability of middlings from a nearby coal washery. The middlings were, however, not used owing to their high sand and shale content. The Board decided in March 1977 to purchase from the same washery 600 tonnes of middlings of improved variety per day at Rs.60 per tonne as against Rs.84 per tonne being paid for slack coal.

The purchase of middlings was reported (September 1977) by the Management to be held up due to increase of ash content to 37 per cent in the samples obtained (March 1977) against 35 per cent earlier agreed to by the washery authorities. The steam generators were, however, designed to use coal with ash content up to 45 per cent.

While deciding to purchase middlings, the Board had to agree (March 1977) to their transportation by road as the conveyor equipment (acquired by the Board in 1973 at a cost of Rs.20.71 lakhs to link the coal washery and the power plant site which were to be commissioned by January 1974) have not been installed (December 1977).

3.02. Although the coal handling plant, acquired during 1971-73 and commissioned in January 1974 at a cost of Rs.156 lakhs, was designed to handle coal mechanically, manual handling by outside agencies had been resorted to since inception due to frequent breakdown of different parts of the coal handling plant. The quantities of coal handled by contractors and payment made therefor since inception were as follows:

	Total quantity of coal handled	Quantity of coal handled by contractors	Amounts paid to the contractors
	(in tonnes)		(In lakhs of Rupees)
1973-74 (from January 1974)	N.A.	8,024	0·72
1974-75	2,28,119	19,466	2·17
1975-76	2,08,608	5,610	0·42
1976-77	3,50,854	1,172	0·09
1977-78 (Up to August 1977)	N.A.	15,892	1·61

N.A.=Not available.

The heavy payment made in 1974-75 was reportedly due mainly to the break-downs suffered by the wagon-tippler during that year. This, however, could not be verified for non-maintenance of necessary log books by the Management.

From the records it was seen that one of the reasons for the frequent break-down of the coal handling plant was defective design of drum pulleys of the conveyors. The supplier of the plant had replaced from time to time, 22 drum pulleys free of cost, but could not provide a permanent solution. Another supplier of conveyors, who was approached by the Management on its own, had recommended (March 1976) replacement of 31 drum pulleys with accessories and offered to complete the work at a cost of Rs.3.14 lakhs. The offer, which was valid up to October 1976, was,however, not accepted, the reasons for which were not on record. The conveyors have been kept in operation by welding the affected parts as and when required.

Manual unloading of coal was resorted to on account of break-downs and under-utilisation of a wagon-tippler, the extent of which could not be ascertained due to non-maintenance of any log book for the coal handling plant till April 1977. Although the wagon-tippler was designed to unload 10 to 12 wagons an hour, it was noticed on a test check of records that in May 1977, on an average, two wagons were unloaded per hour. A break-down of the wagon-tippler in July 1977 lasted for 17 days, which resulted in manual unloading of coal by outside agencies at a cost of Rs.1.61 lakhs. A second tippler, which was scheduled to be commissioned by December 1975, could have reduced manual handling of coal. Erection work of the second tippler awarded (October 1975) to a firm, was extended up to February 1977 due to non-completion of its foundation work, which was entrusted to another firm [c.f. paragraph 5.03(ii)]. The same has not been commissioned (December 1977).

An inhaul beetle charger, acquired at a cost of Rs.4.41 lakhs as a part of the coal handling plant, was meant for hauling coal wagons on to the tippler platform for unloading. The charger could not be commissioned due to non-provision of suitable gradient in the tippler platform to enable the unloaded wagon to slide down the platform. The wagons are being hauled in with the help of locomotives.

Manual unloading of coal was further occasioned by a break-down of the stacker-*cum*-reclaimer in October 1976 due to breakage of the pinion of its motorised drum. The pinion was repaired in July 1977 at a cost of Rs.0.07 lakh but the stacker has not been commissioned for want of cable required for its recommissioning. An order was placed in December 1976 with a firm of West Germany for supply of 700 metres of cable at a cost of DM 29,400 (Rs.1.09 lakhs). The cables, which were scheduled to be delivered within June 1977, have not been received (January 1978).

3.03. No standard for consumption of fuel has been fixed. The total consumption of oil and the consumption per kwh, during the three years up to 1976-77, are given in the following table:

	1974-75	1975-76	1976-77
Total consumption of oil (in kl)	4,951	12,637	7,568
Consumption of oil per kwh of energy produced (in litre)	0·013	0·028	0·012

It was resolved in a meeting held under the auspices of the Central Water and Power Commission in June 1974 that furnace oil of high viscosity should be used in place of light diesel oil, in view of the depleting supply of the latter in the country. The Chief Engineer (Thermal) had instructed (April 1975) the power station authorities to complete, within August 1975, installation of additional heating appliances required to receive furnace oil of high viscosity from September 1975. The Management stated (April 1978) that the installation was completed in March 1978, but final connection could not be made as the power station could not be completely shut down.

It was noticed that the use of high viscosity furnace oil would have been cheaper, the price difference varying from Rs.52.24 to Rs.139.55 per kl. Had furnace oil been used in place of light diesel oil between September 1975 and July 1977 extra expenditure of Rs.7.22 lakhs would have been avoided.

3.04. Thermal efficiency of the power plants, i.e., the rate of conversion of heat energy into electrical energy has not been determined. It was reported (September 1977) by the Chief Engineer (Thermal) to the Central Electricity Authority that the efficiency test could not be conducted owing to non-availability of the two units together on stable generation.

It was, however, noticed (September 1977) from the records that another reason for which the tests could not be conducted was non-provision of tapping points for taking samples of coal and ash at the feeder and ash outlets respectively. No action has been taken to make good the deficiencies arising out of the defective design in the concerned area of the plant nor were the shortcomings pursued with the Board's consultants (September 1977). Also instrumentations were not adequate to record the results of such tests for which the supplier concerned was reported (September 1977) to have been approached (September 1977) for necessary rectification. Further developments are awaited (January 1978).

3.05. The cost of generation of power, inclusive of depreciation charges, interest on capital and other indirect charges, as envisaged in the project report (December 1965) was 7.86 paise per kwh. The actual cost of generation, excluding depreciation charges, interest on capital and other indirect charges, and other relevant data for the three years up to 1976-77 are given below:

	1974-75	1975-76	1976-77
(a) Total cost of generation of power (per unit in paise) ..	7·46	9·29	7·57
(b) Cost of fuel for generation of power (per unit in paise) ..	3·94	7·56	5·65
(c) Cost of fuel as percentage of cost of power	52·8	81·4	74·6
(d) Cost of power sent out (per unit in paise)	8·46	10·69	8·50

3.06. Coal fed into the boilers of the two units is required to be pulverised. This is done in four coal mills attached to each boiler. One of the coal pulverising mills attached to unit I ran into trouble in September and October 1975 and completely broke down in September 1976. An order for demolition of the mill foundation was placed in March 1977 on a Calcutta firm, at Rs.0.44 lakh. Another order for dismantling the mill, regrouting of foundation and re-assembly of the mill was placed simultaneously with the manufacturers of the mill, for Rs.0.80 lakh. The work has not been completed (December 1977).

The power station management observed (December 1976) that the damage to the coal pulverising mill was due to inherent defect resulting from either bad workmanship of the manufacturers of the mill or faulty supervision of erection by the consultants. While according sanction to the repair charges, the Finance Wing of the Board observed (February 1977) that the charges should be borne by either of the two parties involved. The matter has, however, not been placed before the Board (March 1978).

3.07. An order for erection of partition walls in all the coal bunkers was placed on a Calcutta firm in June 1974. The rate for erection of the walls, pertaining to units I and II, was Rs.1,250 per tonne against Rs.300 per tonne for wall pertaining to units III and IV. While according sanction to the rates in July 1975, the Board's tender sub-committee had observed that construction of the walls in bunkers of units I and II was very difficult as unit I had already been commissioned and unit II was to be commissioned shortly. The partition walls in bunkers of units I and II involving erection work of 60 tonnes were constructed (February 1976) partly by the firm (27 tonnes at a cost of Rs.0.34 lakh) and the remaining work was completed departmentally (33 tonnes at a cost of Rs.0.25 lakh). An expenditure of Rs.0.41 lakh could be avoided had the above partition walls been constructed before the commissioning of the units at a cost of Rs.0.18 lakh (at the rate of Rs.300 per tonne).

The Management stated (July 1977) that the partition walls could not be erected earlier as there was no provision for these in the drawing prepared by the consultants.

3.08. The requirement of water, as envisaged in the original project report, was 26 cusecs and 55 cusecs for two and four units respectively. Though the present requirement of water is met from the Damodar Valley Corporation (DVC) the ultimate need was planned to be fulfilled by drawing water from Tenughat Dam in Bihar then under construction. The Board's share in the cost of construction of the dam was estimated at Rs.257 lakhs.

The Board entered (October 1976) into an agreement with DVC to draw water from the river Gowai. The amount payable to DVC against the drawal of water up to March 1977 was assessed at Rs.9.92 lakhs. It was, however, noticed from the records that no metering arrangement for recording the drawal of water had been made. The quantum of water drawn was reported by the Board (July 1976) to have been calculated on the basis of running hours of the pumps for which no log books were maintained.

Considering the uncertainty about availability of water from Tenughat Dam, as also to provide an alternative source for emergency requirement of water, the Board decided (May 1975) to exploit underground water at the project site at a cost not exceeding Rs.1 lakh. Accordingly, an order was placed (July 1975) with a Calcutta firm for conducting test in the project area at a cost of Rs.0.81 lakh. The test was in progress and Rs.0.55 lakh had been spent up to March 1978.

An order was placed (June 1977) with a local co-operative society for providing security to the property of the Board at the intake pump house and for controlling flow of water to the pump, at Rs.0.36 lakh per annum. It was, however, noticed that the pump house was guarded by the National Volunteer Force. Also, the flow of water to the pump house was solely controlled by DVC. The annual payment of Rs.0.36 lakh did not appear to have brought any benefit. The matter was reported to the Board in August 1977; reply is awaited (December 1977).

3.09. The performance of two sets of mechanical dust collectors, acquired between 1972 and 1974 at a cost of Rs.13.31 lakhs, was to be tested soon after commissioning of the units at full load, as per the stipulations in the contract with the suppliers of the sets. The tests could not, however, be carried out (February 1978) owing to absence of provision of the required tapping points and non-fitting of the accessories in the system, essential for such test. According to the Management (September 1977), the said provisions could not be made due to the haste in which the units had been commissioned. According to the Board's consultants (February 1976) the test, if carried out at that stage would not be indicative of the performances of the sets on account of wear and tear already suffered by them and inability of the units to reach the full load.

3.10. As indicated in paragraph 6.06 of section V of the Report of the Comptroller and Auditor General of India for 1974-75 (Commercial), the delay in the erection of steam generator contributed to the delay in commissioning of unit II. The following cases of undue advantage to the suppliers of steam generators were noticed during subsequent audit:

(a) The steam generating units were purchased through the Director General of Supplies and Disposals, New Delhi (DGS & D). While extending the delivery schedule of the first and second units from January 1971 and September 1971 respectively to March 1973, DGS & D had stipulated (May 1974), *inter alia,* that increase in customs duty on imported components, taking place after the scheduled delivery dates, would be borne by the suppliers. The Board had already paid (between May 1971 and March 1973) increased customs duty amounting to Rs.1.47 lakhs. The Board, however, decided in May 1976 not to recover the excess duty from the suppliers.

(b) DGS & D had also stipulated (May 1974) that liquidated damages, due to delay in supply of steam generators, were recoverable from the suppliers as per the terms of the contract; no liquidated damages were recovered. The power station informed (August 1975) DGS & D that the Board had not suffered any loss or inconvenience due to the delay in supply. This was contrary to the assessment of the State Planning Board that production valuing about Rs.24 crores was lost between June 1972 and May 1973 on account of the delay in commissioning of the plant, vide paragraph 5.3 of section V of the Report of the Comptroller and Auditor General of India for the year 1972-73 (Commercial).

4. Revision of project cost

The revision of cost estimates, made from time to time, is given in the following table:

(In lakhs of Rupees)

Project report (December 1965)	..	6,050
Revised estimate (April 1967)	..	7,556
Revised project report (March 1972)	..	8,690
Revised estimate (January 1976)	..	10,000
Revised estimate (February 1977)	..	10,041

Delay in completion of the project and consequent rise in costs was stated to have contributed to the upward revision of the estimates from time to time. The expenditure on the project up to March 1977 was Rs.6,809.29 lakhs.

5. Construction of units III and IV

5.01. As mentioned in paragraph 1.01, units III and IV are expected to be commissioned by February and December 1978 respectively. The Board has, from time to time, ascribed the delay in commissioning of the units mainly to—

(a) delay in the supply of turbo-generator and other equipment by BHEL.

(b) delay in the supply of control instruments by a firm of Kota, and

(c) continued shortage of funds.

5.02. While awarding some of the contracts pertaining to units III and IV, the Board did not observe the normal procedures, on the consideration of quicker execution of the works concerned. It was, however, observed that neither the works were completed in time, nor was the benefit of competitive|cheaper rates derived, as would appear from the following cases:

(i) An order for earthwork in the marshalling yard and plant area was awarded (April 1973) to a local firm, for Rs.16.54 lakhs, without inviting open tenders. The tender sub-committee of the Board justified (May 1973) the action on grounds of quicker completion of the • work and the contractor's readiness to execute the work at the same rates at which a similar work relating to units I and II had been awarded to him in April 1970. After the letter of intent, a confirmatory order had not been issued stipulating the period of completion of the work. The contractor executed work valuing Rs.7.17 lakhs during the period from April 1973 to February 1977. Despite the slow progress and poor quality of the work, the contractor was granted (February 1977) an increase of Rs.1.59 lakhs, being 17 per cent of the unexecuted part of the work valuing Rs.9.37 lakhs, on the ground of increase in labour rates and price of POL.

(ii) An order for construction of second chimney was awarded (July 1975) to a firm of Bombay, which was the second lowest tenderer at Rs.19.09 lakhs, on the grounds that the firm had more experience in that type of work and that its completion time was 12 months (from the date the site was to be made ready), as against 24 months offered by the lowest tenderer, at Rs.18.49 lakhs. The firm actually commenced the work more than three months after the site was made ready in December 1975. The work was completed in November 1977 at a cost of Rs.19.12 lakhs. While urging the contractor to speed up the work, the Chief Engineer (Thermal) of the Central Electricity Authority stated (August 1976) that non-completion of the chimney had delayed commissioning of unit III. Penalty amounting to Rs.1.91 lakhs, leviable as per the contract for the delay in completion, has not been imposed (March 1978).

(iii) Construction work of concrete floor and roof slabs of the power house building was entrusted to a firm of Calcutta, for Rs.16.37 lakhs without inviting open tenders. The Board's tender sub-committee justified (November 1974) the action on the ground that the execution of the work by the firm would be quicker as it had been engaged on a similar job pertaining to units

I and II. The work was to be completed by May 1976 as per the orders. Up to March 1978, ninety-six per cent. of the work had been completed. In this connection it may be mentioned that the firm had delayed the works pertaining to units I and II.

The work of roofing, insulation, water-proofing and allied civil works was entrusted to the same firm for Rs.7.08 lakhs in preference to the lowest offer of Rs.6.28 lakhs on the ground that the firm had more experience in that type of work. The work was to have been completed by August 1977. The contractor applied (September 1977) for extension of time up to December 1977; the work has not been completed (March 1978).

(iv) In response to invitation of tender (June 1975) for construction of the workshop building, a firm quoted (July 1975) the lowest rate at Rs.8.08 lakhs. A work order was not, however, issued to the firm. Fresh tenders were invited in December 1976 and order for the work was issued to another firm, for Rs.9.19 lakhs. Reasons for not awarding the order on the basis of the first tender were not on record.

5.03. Although commissioning of units III and IV has been delayed, to a large extent, due to the contractors not sticking to the time schedule, the Board has generally not imposed any penalty leviable under the contracts. In one case no penalty clause was incorporated in the contract. The following are some of the illustrative cases:

(i) A work order for construction of "raw water treatment plant extension" was placed (February 1974) with a firm at a cost of Rs.4.27 lakhs. The work was to be completed by February 1976 as per the terms of the order. The contractor delayed commencement of the work by seven months and completed the same in April 1977. A penalty amounting to Rs.0.43 lakh, leviable as per the terms of the order for that part of the delay, which was wholly attributable to the contractor, has not been imposed (March 1978).

(ii) Certain civil works in turbo-generator foundation, boiler area, cooling tower area, coal handling area, etc. were entrusted (March 1973) to a firm of Bombay, at Rs.56.77 lakhs; the works were to be completed by November 1974. Although most of the drawings for the works were released by June 1973, the contractor commenced work in November 1973. The work is in progress (March 1978) No penalty for the delay in completion of the work has been imposed; on the contrary, the rates of the contractor were increased (November 1975) by 10 per cent on the unfinished portion of the work valuing Rs.26.75 lakhs on the grounds of (a) non-availability of drawings in sequence, (b) non-availability of sites regularly, and (c) uncertainty of payments. These conditions, though initially stipulated by the firm in its tender, had been withdrawn by it prior to awarding of the contract.

(iii) Construction of the plant area road part II was awarded (August 1973) to a local firm, for Rs.11.15 lakhs. The work was to be completed by November 1974. Till March 1978, work valuing Rs.10.40 lakhs had been completed. Despite the unsatisfactory performance of the contractor an increase of 55 per cent in the rate of brick work was allowed (February 1977) on the unfinished brick work valuing about Rs.2 lakhs. No penalty clause was incorporated in the contract.

5.04. Commissioning of units III and IV was further delayed due to delay in placement of orders for some supplies and erection works of the electrical wing. It was noticed that issue of confirmatory orders, in five cases, for supplies and erection valuing Rs.42.14 lakhs, was delayed by eight to 22 months after the respective tenders had been opened. Though some contractors agreed to commence work on the strength of the letters of intent, they could not do so owing to the refusal by the Board's consultants to release the cable drawings before issue of the confirmatory orders.

6. Consultancy agreements

6.01. Mention was made in paragraph 3.5 of section IV of the Report of the Comptroller and Auditor General of India for the year 1972-73 (Commercial) about deficiencies in the agreement (May 1966) with the consultants. One of the reasons for the delay in completion of various works was the delay on the part of the consultants in handing over designs and lay-out drawings. This, along with the cases of defects in the plant lay-out, as mentioned in paragraphs 3.04, 3.06 and 3.07, which affected the operation of the plant, were not taken up with the consultants for rectifications and|or compensation.

6.02. The consultants were, however, granted by the Board (May 1977) a sum of Rs.21.58 lakhs in excess of the contractual fees of Rs.142.73 lakhs. This is stated by the Board (May 1977) to have been necessitated by execution of the work of the four units of the first stage in two phases, as per the details given below:

(i) A sum of Rs.11.85 lakhs was paid for additional services rendered by the civil construction personnel of the consultants at Rs.32,200 per month during the period from September 1974 to June 1977 and at Rs.15,000 per month from July 1977 to December 1977. The contract, however, provided for payment for overstayal of erection supervision personnel only.

(ii) A sum of Rs.9.73 lakhs was paid for rendering additional services in connection with detailed engineering and preparation of drawings The extra services comprised mostly preparation of some drawings|specifications, although the consultants were required to prepare all these as per the contract.

The contract with the consultants has not been amended so far (December 1977).

6.03. A revised profitability analysis of the project, requested by the Board in 1974 to be prepared by the consultants, has not been prepared (February 1978).

7. Other points of interest

7.01. **Insurance claims:** (a) Certain quantities of cables were found damaged and unserviceable by a contractor of the Board in April 1973. The damage was presumed by the power station authorities to have resulted from an attempt of theft, but the matter was neither reported to the Police nor enquired into departmentally. As such, the insurer rejected (August 1975) a claim preferred in January 1974 for loss of Rs.0.48 lakh on the ground that the Board was not able to substantiate that the damage to the cables had been caused by theft.

(b) Certain equipment and accessories pertaining to a turbo-generator were supplied by BHEL in 1968 and 1969. The packages containing the equipment were neither inspected nor verified with the packing list. On a joint inspection and verification with the suppliers, conducted between July and September 1970, equipment and accessories valuing Rs.0.66 lakh were found either missing or damaged, for which the Board preferred (January 1974) a claim on the insurer. The insurer was not willing to accept full liability for the loss since the power station authorities could not substantiate the loss and a departmental enquiry did not also reveal any definite clue for the loss. Subsequently, however, the insurer reimbursed (July 1976) the loss to the extent of Rs.0.38 lakh on a compromise basis.

The Board had, however, failed to take note of the suppliers' letter of October 1972 that the value of the missing|damaged items was Rs.1.89 lakhs and did not revise its claim with the insurer accordingly.

In January 1977, the suppliers preferred a claim amounting to Rs.1.57 lakhs for the items supplied in replacement of the missing| damaged items. The suppliers' claim has not been settled (December 1977).

7.02. **Other claims:** (a) An order for supply of 1,704 tonnes of cement was placed (February 1973) with a cement manufacturing firm and a sum of Rs.3.03 lakhs, being the cost thereof, was paid in March 1973. The cement was to be supplied by June 1973. The Board received in April 1973. 499.85 tonnes of cement valuing Rs.0.88 lakh and no further supply was received thereafter. The Board claimed (August 1973) from the firm refund of Rs.2.15 lakhs, being the cost of undelivered cement. The power station received (January 1977) a sum of Rs.2.02 lakhs from the firm but the claim for the remaining sum of Rs.0.13 lakh was not pursued (February 1978).

The power station did not also prefer a claim for interest on the amount of advance deposit against which cement was not supplied, in terms of a Government of India circular issued in May 1975, resulting in loss of interest of Rs.0.43 lakh (calculated at 8 per cent on Rs.2.15 lakhs from July 1974 to December 1976).

(b) Four works of steel fabrication, valuing Rs.18.30 lakhs, were entrusted to a firm of Calcutta, between April 1969 and March 1972. Raw steel of various specifications, aggregating 1183.976 tonnes, was supplied to the firm between September 1969 and December 1972. It was seen from the records that following unsatisfactory supply of fabricated materials and poor performance, the Board, after getting fabricated steel totalling 896.661 tonnes (including wastage), allotted (April 1974) the remaining work to another contractor. It was decided in October 1976, to recover the cost of unreturned steel from the former contractor at the penal rate of Rs.1,500 per tonne and to impose on it penalty at the contractual rate of 10 per cent. The cost of unreturned steel amounted to Rs.3.56 lakhs; penalty, if imposed, would amount to Rs.1.83 lakhs. Rupees 0.70 lakh were also recoverable from the former contractor on account of cost of certain materials supplied and certain services rendered to it. The amounts deducted from bills and some other dues of the contractor aggregated Rs.2.96 lakhs. The Board has not preferred any claim for the balance amount and penalty (February 1978).

7.03. **Overtime allowance:** The incidence of overtime allowance paid to the staff in the operation wing of the project was as below:

	Pay and allowances	Overtime allowance	Percentage of overtime allowance to pay and allowances
	(In lakhs of Rupees)		
1974-75	16·00	7·00	43·7
1975-76	24·14	10·57	43·8
1976-77	36·24	13·25	36·6

A test check of the relevant records, in September 1977, showed that there was no time office, and time cards or job cards were not maintained; there was no effective control over overtime work, and the hours of overtime work of individual workers were in excess of the limits prescribed in the Factories Act, 1948.

7.04. **Theft of materials:** In December 1975, 214 sealed barrels of transformer oil valuing Rs.3.10 lakhs were found short and missing from the plant area. The matter was reported to the Police in the same month; report of police investigation is awaited (February 1978). A departmental inquiry committee, set up in January 1976 to investigate into the alleged theft, gave the following findings in March 1976:

(i) arrangements for proper storing had not been made and maintenance of relevant records was not adequate;

(ii) existing security arrangement was not adequate; and

(iii) annual verification of stores was not done up to 1974-75.

The committee did not, however fix any responsibility for the loss.

A test check showed that the stores accounting procedure, laid down by the Board, was not being properly followed in as much as stores receipts and issue vouchers were not being made out and entries of receipts and issues were not being made according to the rules and in order of occurrence.

SECTION VII

West Bengal State Electricity Board

Billing and Collection

1. Introduction

The Board supplies energy to various categories of consumers. The table below indicates, category-wise, the number of consumers at the end of each of the years 1974-75 to 1976-77:

Category	Number of consumer at the close of		
	1974-75	1975-76	1976-77
Domestic	2,01,357	2,36,344	2,58,961
Commercial	85,921	94,434	1,13,030
Industrial—			
(i) Low tension (L.T.) and Medium tension (M.T.).	17,156	19,493	21,585
(ii) High tension (H.T.) ..	622	623	678
Public lighting	285	369	397
Agriculture	8,607	10,884	17,463
Public water works	107	201	236
Railway traction	11	11	12
Distributing licensees	11	14	15
Miscellaneous	70	144	152
Total ..	3,14,147	3,62,517	4,12,529

For all the consumers, charges are collected through monthly bills prepared on the basis of consumption of energy as recorded in the meters. The Board's tariff schedule was last revised in October 1975.

No manual detailing the procedure to be followed in regard to billing and collection has been prescribed by the Board (February 1978). Various administrative orders and circulars have, however, been issued from time to time prescribing the procedure for different categories of consumers and according to the nature of the connected load.

The figures of demand raised and collection of revenue for the five years up to 1976-77 are given below:

Year	Balance outstanding at the beginning of the year	Demand raised during the year	Total amount due for collection	Amount collected during the year	Closing balance	Percentage of collection to total dues
	(In lakhs of Rupees)					
1972-73	594·30	2,587·50	3,181·80	2,611·42	570·38	82·1
1973-74	570·38	2,962·49	3,532·87	2,897·78	635·09	82·0
1974-75	635·09	4,006·06	4,641·15	3,829·91	811·24	82·5
1975-76	811·24	6,005·56	6,816·80	5,537·99	1,278·81	81·2
1976-77	1,278·81	7,409·44	8,688·25	7,441·31	1,246·94	85·6

It will be noticed that the arrears of revenue have, on the whole, been showing an increasing trend.

2. The work of assessment, billing and collection of revenue in respect of bulk consumers with connected load of 500 KVA and above, including inter-State supplies, has been centralised in a separate wing under the Deputy Chief Engineer (Commercial). Distribution circles, operation and maintenance/rural electrification divisions are responsible for billing and collection of receipts of other bulk consumers, i.e., with connected load of 50 KVA and above. Assistant Engineers in the sub-divisions and Station Superintendents in the supply stations are responsible for collection of revenue from medium and low voltage consumers under their respective charges.

3. **Billing procedure**

Meter readings in respect of all the bulk consumers are to be taken by the Assistant Engineers concerned and those in respect of low and medium voltage consumers are to be taken by Meter Readers within the specified dates every month. Test check of meter readings taken by Meter Reader is done by the Station Superintendent who is required to personally verify the meter readings in the premises of at least 20 consumers in a month. In eight supply stations, the records of which were subjected to test check during July and August 1977, meter readings had not been regularly verified by the Station Superintendents, and in no case the prescribed quantum of check had been exercised.

In the case of non-centralised bulk consumers (below 500 KVA), the meters are to be read by the Assistant Engineer concerned who is to calculate the load and power factors and incorporate the same in the meter reading statement sent to the Circle or Divisional Office, as the case may be. Thereafter, the bill is to be prepared and after check by the Accounts Wing, it is to be despatched to the consumer over the signature of the Divisional Engineer. Meter reading statements, in respect of centralised bulk consumers (500 KVA and above), are to be prepared by the Assistant Engineer concerned and sent to the Deputy Chief Engineer (Commercial) who is to raise the bill within 10th of the following month. In the case of low and medium voltage consumers bills are to be prepared in the supply station and despatched to the consumers. Bills are required to be paid within the due date, i.e., 20 days and 15 days from the date of issue in respect of bulk and other consumers respectively, and in the event of failure in payment by the due date, late payment surcharge is to be levied at the prescribed rate. Notice of disconnection is to be issued in the event of failure in making payment within the due date and physical disconnection is to take place seven days thereafter as a penal measure. The Station-in-charge is required to ensure that the number of bills prepared in each month tallies with the number of meter readings taken in that month.

4. Delay in meter reading and issue of first bill

A connection given to a new consumer is required to be entered in the consumers' register, forthwith, detailing the full particulars of the consumer and the first bill is to be issued thereafter as soon as the meter reading has been taken. A test check, carried out in July and August 1977 in seven supply stations, showed that there had been considerable delay in recording new connections in the consumers register, resulting in corresponding delays ranging from two months to one year in taking the first meter reading and issue of first bills. It was also noticed that full time Meter Readers, appointed by the Board, did not take the readings regularly. In three Group Supply Stations, 76 consumers, who were given connections between September 1976 and May 1977, had not been billed, either for the minimum charges or for the energy actually consumed, up to December 1977, because meter readings had not been taken, even though the particulars of the consumers had been recorded in the meter cards.

5. Mechanised billing

Preparation of bills is done manually in all the units of the Board, except in Burdwan, Siliguri and Naihati units where bills are prepared mechanically through Bradma machines with effect from February 1970, January 1977 and April 1977 respectively. For introduction of a similar system at Barrackpore, machines valued at Rs.0.83 lakh were acquired in November 1976. These could not, however, be installed (December 1977) for want of accommodation.

6. Despatch of bills and collection

As per the procedure followed by the Board, all energy bills are sent to the consumers by post. Though the due date of payment is inscribed on the bill at the time of its preparation so as to allow a period of 15 or 20 days, as the case may be, to the consumer for payment, it was noticed in the course of test check of the records of 5 supply stations, during July and August 1977, that the bills were generally despatched late and in 45 cases these were, as claimed by the consumers, received by them after the due date of payment. The Board does not maintain any record about the actual date of despatch of bills.

Payment of all categories of bills is accepted in cash or by cheque or by bank draft at the collecting centres of the respective units against proper receipt. The amounts so collected are remitted to the bank or to the circle|divisional office concerned through bank draft or in cash along with copies of the receipts. As per the standing orders of the Board, revenue collected at out-stations should be remitted to the circle|divisional office on the next working day. It was noticed, in the course of test check, during September and October 1977 that this procedure was not generally followed; for example, in one supply station collections from 24th February 1977 to 17th March 1977 were remitted to divisional office between 2nd and 25th March 1977; in another supply station there was no remittance in January 1977 against the collection of Rs.9,049; and again in one supply station collection made on 24th December 1976 was remitted on 3rd January 1977. There was also no systematic check to ensure that the amounts collected were properly deposited.

7. Ledger posting and reconciliation

Payments received against bills are required to be posted in the consumers ledger in the case of bulk consumers and demand lists in the case of low and medium voltage consumers, with a view to watching recoveries against assessment and taking necessary action against defaulters. Mention was made in paragraph 11.3 of section V of the Report of the Comptroller and Auditor General of India (Commercial) for the year 1973-74 about non-reconciliation of demand lists with the daily cash statement.

In order to have an effective check on the recoveries as well as to ascertain the outstanding dues against the individual consumers, the Board introduced in February 1974 revenue control ledger with effect from 1973-74, in addition to the demand list. It was, however, seen that though revenue control ledgers were being maintained by the collecting units, the arrears of dues relating to periods prior to 1973-74 in respect of individual consumers were not brought into account in the control ledger as opening balance. As a result, the total outstanding dues against the individual consumers remained unassessed. Moreover, the postings of the monthly collections in the consumers ledger and revenue control ledger should be reconciled with the amount of collection entered in the cash book, but in no division this work was up to date (March 1978). These deficiencies in the maintenance of accounts facilitated irregularities including defalcations as well as loss of revenue. Some of the cases noticed in test audit during January-July 1977 are enumerated below:

(i) In the case of five consumers under a supply station, six receipts were issued during 1974-1976 for the amounts paid against the demands actually raised but smaller amounts were exhibited in the office copies (duplicate and triplicate) of the receipts and such smaller amounts were accounted for, resulting in short-accountal of receipts to the extent of Rs.540.

In the same supply station, in 41 cases during 1975-76, the chargeable units were fraudulently changed in the demand lists by altering the figures of present and previous readings to the advantage of the consumers concerned. This resulted in loss of revenue to the extent of Rs.2,197.

In some cases, short amounts were received from the consumers but full amounts of the claims were posted in the control ledgers. There were also cases of unauthorised reduction of units consumed in the demand lists, and realisation of less amounts from the consumers concerned. In certain cases, no amount was received against the demands raised but full amount was shown as realised in the control ledger by inserting false receipt numbers. The total number of consumers concerned in those cases was 172 and the loss of revenue involved aggregated Rs.6,066.

The Management stated (August 1977) that the concerned Assistants in these cases had been placed under suspension and proceedings were in progress.

(ii) In the cash book of another supply station, a sum of Rs.2,732, in the form of demand draft, was recorded (on 20th August 1976) to have been remitted to the concerned circle office along with two other demand drafts through daily cash statement. The first copy of the statement meant for the circle office did not include the draft for Rs.2,732 whereas the second copy of the statement retained in the supply station included this draft. Verification by Audit brought out that no draft for Rs.2,732 had been issued by the bank in favour of the Board. In the same supply station, as against Rs.7,678 collected on five occasions during 1974-75 and 1976-77, amounts totalling Rs.7,308 were recorded in the cash book.

(iii) Payments against bills are required to be accepted only if the full amount of the bills are tendered. It was, however, noticed that from 41 consumers, part payments were accepted (during October 1975-December 1976) in a supply station and no action was taken to recover the balance amount. There was short-recovery of Rs.3,157 in these cases.

Again, in 28 cases, the correct amount of demand was realised from the consumers concerned but subsequently the figures in the duplicate copy of the receipts were altered by inserting lesser amounts than shown in the original demands. The amount involved in these cases was Rs.3,624.

When a consumer makes payment by cheque, it is posted in the cash book and also in the consumers ledger. In the event of the cheque being dishonoured, the fact is required to be reported to the consumer immediately along with a demand for payment of the amount with late payment surcharge. Simultaneously, suitable entries are required to be made in the cash book, ledger account as well as in the dishonoured cheque register and the Unit Officer concerned is required to ensure that there is no undue delay in realisation of the dues. A test check of records of some units showed that in five units, 71 dishonoured cheques, involving Rs.0.24 lakh, were returned to the consumers during December 1973 to January 1977 but subsequent realisations were not made.

In another circle office, cheques tendered by a colliery against energy bills for five months, covering the period from December 1970 to December 1972, aggregating Rs.0.28 lakh, were dishonoured by the bank and the amounts were not subsequently paid by the consumer. The claims became time-barred.

After nationalisation of collieries, the Board submitted (May 1976) a claim before the Commissioner of Payments appointed by the Government of India. The Board stated (January 1977) that the claim had been accepted by the Commissioner of Payments but the amount has not been received (December 1977).

8. Meter testing and replacement

Periodical testing of meters and timely repairs|replacement of defective meters is essential not only for correct billing of energy sold but also to provide a reliable basis for determining the quantum of line losses. The primary responsibility for looking after the proper functioning of the meters of bulk consumers devolves upon the concerned Operation and Maintenance Engineers. The responsibility for periodical inspection, rectification of defects at site and timely replacement of defective meters has been assigned to the Board's Testing Wing and in the case of any suspicion, the Assistant Engineers concerned are required to carry out preliminary check and to submit a 'defect report', if any, in the prescribed *pro forma* direct to the Testing Wing. In addition, Officers from Commercial, Testing and Transmission and Distribution Wings of the Board are to carry out surprise inspections of the bulk consumers' meters and action taken on the reports of such surprise inspection by the Chief Engineer (T & D) is to be reported to the Chairman of the Board.

It was, however, noticed that the Operation and Maintenance Engineers were not keeping constant watch upon proper functioning of the meters installed on the premises of the consumers and no detailed records regarding meters found defective and replaced were maintained. Division|sub-division-wise consolidated lists of defective meters were not being sent regularly from the respective circle offices to the Testing Wing. As for example, in Krishnagar Circle, four meters, found defective during October 1971 to May 1976, had not been replaced up to May 1977. One meter replaced in May 1977 showed a consumption of 2420 units in July 1977 as against 1767 units per month billed on average basis during the previous five and a half years. In one circle, 13 defective meters detected during January 1976 to June 1977 had not been rectified|replaced and the energy bills of the consumers were being prepared on the basis of the consumption recorded in those defective meters. In another circle in Calcutta, defects in 14 meters, detected and intimated to the Testing Wing between February 1977 and May 1977, were attended to only in July 1977 although the Testing Wing was required to take action within one month of receipt of the information.

In all the supply stations, the records of which were subjected to test check, cases of defective meters which had not been repaired or replaced had come to notice. The monthly list of defective meters showing irregular readings submitted by the Meter Readers had also not been attended to in time.

A test check of the meter cards for 1974-75 to 1976-77 showed that, in eight supply stations, as many as 349 defective meters marked "stopped", "nil", "average", etc., had not been replaced for periods ranging from 2 to 17 months.

9. Sundry debtors for energy supplied

The following are the details regarding the total gross revenue and the total debtors for the five years up to 1976-77:—

Year			Total gross revenue during the year	Total debtors at the end of the year	Percentage of debtors to gross revenue
			(In lakhs of Rupees)		
1972-73	..	..	2,624·75	601·53	22·9
1973-74	..	..	2,985·32	690·09	23·1
1974-75	..	..	3,822·10	855·80	22·4
1975-76	..	..	5,630·78	1,326·16	23·6
1976-77	..	..	6,980·19	1,333·30	19·1

The amount due for energy supplied, at the end of 1976-77, stood at Rs.1,246.94 lakhs as against Rs.811.24 lakhs and Rs.1,278.81 lakhs as at the close of 1974-75 and 1975-76 respectively. No year-wise and party-wise analysis of the debtors has been made either by the field units or by the Board's office. There is also no uniform procedure for periodical review of the old cases with a view to initiating legal action for recovery of the claims within the period of three years of its becoming due for payment to prevent the claims from becoming time-barred. No action has been taken to determine the amounts which have become time-barred or to fix responsibility for it. The irrecoverable dues have also not been written off. Provision for bad and doubtful debts has been made in the accounts from year to year on *ad hoc* basis, without reference to the age of the debts and prospects of their recovery. As against the arrears of Rs.1,246.94 lakhs as on 31st March 1977, the total provision for bad and doubtful debts was Rs.7.02 lakhs.

In December 1976, the Board had directed all the collecting units to prepare consolidated records showing consumer-wise and month-wise details of outstanding dues from the year 1971-72 with a view to taking effective action for their realisation, ignoring such dues prior to 1971-72. On test check during July and August 1977, it was noticed that the consolidated records had not been prepared in any of the collecting units.

From a report of October 1976, submitted by the Station Superintendent of a supply station, it was observed that dues aggregating Rs.1.08 lakhs relating to the period prior to 1972 had remained unrealised in the absence of month-wise and consumer-wise details of accounts owing to non-maintenance of demand ledgers properly (the outstanding dues at the end of the month had not been worked out and carried forward to the next month) and also for want of relevant records (meter cards, demand lists, receipt books, etc.). The dues have become time-barred.

It was noticed that in a large number of cases, steps against the consumers in default were not taken immediately after the first default, resulting in the arrears exceeding appreciably the amounts of their security deposit. Some of the cases of old and heavy balances outstanding are mentioned below:

(i) Two bulk consumers (above 500 KVA), under 24-Parganas North and Himalayan Divisions had been defaulting in payment of energy bills, including late payment surcharge, during the period from March 1975 to September 1977 and April 1976 to August 1977 respectively and the total amount outstanding in this respect was Rs.107.87 lakhs. The dues have neither been realised nor penal action taken (December 1977).

(ii) Consequent upon the promulgation of the Sick Textile Undertakings Ordinance, dated 21st September 1974, a cotton mill, drawing bulk power supply, came under the National Textitle Corporation Limited with retrospective effect from 1st April 1974. The total dues in respect of the aforesaid consumer covering the period from July 1969 to November 1972 were Rs.3.60 lakhs, out of which Rs.2.55 lakhs were paid by the consumer in monthly instalment of Rs.0.10 lakh from December 1972 to September 1974, in addition to an advance of Rs.0.35 lakh. There were, therefore, outstanding dues of Rs.1.05 lakhs relating to pre-takeover period as on 1st October 1974. The amount was not paid as the pre-takeover liabilities were to be met by the Commissioner of Payments as per the provisions of the Ordinance. A claim for the above amount had been lodged by the Board with the Commissioner of Payments in April 1977. The amount has not been recovered (December 1977).

(iii) A money suit, for realisation of Rs.0.12 lakh from a bulk consumer under the Nadia circle, had been filed (30th March 1974) in the court of Krishnagar. The suit was decreed *ex parte* on 9th November 1974 in favour of the Board with cost. The decree has not been executed and the amount of Rs.0.13 lakh remains unrealised (December 1977).

10. Disconnection of supply

Every distribution unit is required to maintain a register wherein all cases of default in payment of dues, necessitating disconnection of supply, are to be noted.

It was noticed during test audit (July|August 1977) that the register was not maintained properly in most of the units and in many cases, the dates of removal of meter, progressive dues of each consumer, etc., were not recorded in the register. Moreover, in a number of cases disconnection notices were not served against the defaulters and in cases where such notices were served, physical disconnection was not effected. As a result, supply of energy in many cases had not been discontinued in spite of persistent default in payment of energy bills with consequent mounting up of outstanding dues.

A test check of the records showed that a sum of Rs.1.20 lakhs had remained outstanding against 1,582 disconnected consumers since 1968-69. In addition, 343 defaulters had been allowed supply of power without realisation of their previous dues ranging from three to nine months' consumption. Outstanding dues involved in these cases worked out to Rs.0.48 lakh.

In one circle, the outstanding dues, in respect of 17 disconnected bulk consumers, aggregated Rs.5.92 lakhs as on 31st August 1977 against security deposits of Rs.0.20 lakh held by the Board. In addition. dues aggregating Rs.21.32 lakhs were outstanding in respect of two centralised bulk consumers (500 KVA and above) whose lines were disconnected between February 1975 and April 1976, against the security of Rs.5.78 lakhs held by the Board.

11. Security deposit

11.01. Security from the consumers is obtained in cash or in one of the approved modes (*viz.* bank guarantee. postal certificate, etc.) before providing supplies of energy, to safeguard the interest of the Board. The amount of security is determined with reference to two months' estimated consumption. In November 1976, the Board introduced a revised formula for calculating the amount of security with reference to the connected load. The revised formula involved upward revision of security in most of the cases.

Security deposit has not been obtained from existing low and medium voltage consumers at the enhanced rates. A test check of the records of five supply stations showed that in the case of 1,281 consumers the security deposits held fell short by Rs.7.16 lakhs.

The revision of the Board's charges for supply of energy has also necessitated the revision of security of bulk consumers. On a test check of the records of two circles, it was noticed that the securities of 12 bulk consumers were awaiting enhancement by amounts totalling Rs.1.74 lakhs.

11.02. **Non-accountal of security:** The securities furnished by consumers to the erstwhile licensees, whose undertakings have been taken over by the Board from time to time, have not been transferred to the Board's account.

A test check of the records of some of the unit offices showed that in seven circles and supply stations, 8,848 postal certificates, which were obtained from consumers in lieu of cash security, had matured for encashment between August 1970 and February 1977. These involved Rs.4.03 lakhs and were awaiting encashment (December 1977).

Security in the form of bank guarantee is also obtained from the bulk consumers. The bank guarantee is to be renewed after the expiry of its validity period. A test check showed that in a circle office, bank guarantees furnished by bulk consumers, the validity period of which had already expired, had not been renewed (December 1977). The amount involved is Rs.0.86 lakh.

12. Delay in realisation of dues

The Board, at the request of a political party received through the State Government, provided temporary connection for supply of power at the camp for holding its annual session at the Salt Lake Township in December 1972, without obtaining security deposit of Rs.2.00 lakhs and the estimated service connection charge of Rs.5.53 lakhs recoverable in advance as per the rules of the Board. A request for payment of service connection charge was made by the Board to the State Government in November 1972 instead of the consumer; no request for payment of the security deposit has, however, been made.

Bills for energy charges for Rs.1.07 lakhs, raised by the Board from time to time during June-October 1973, were not paid by the consumer (December 1977).

While the Board is yet to recover the estimated service connection charge, an expenditure of Rs.13.72 lakhs had been booked in the accounts of the Board for the service connection. The final cost has, however, not been worked out (December 1977).

13. Undercharge

As per the revised standard rates and charges, which came into force with effect from December 1974, rate 'F' is applicable for supply at high voltage to non-industrial consumers such as, educational institutions, hospitals, radio transmitting centres, railway stations, cinema houses, commercial establishments, etc. In the case of two radio stations and one non-industrial bulk consumer, chargeable under rate 'F' from December 1974, rate 'E(a)' was charged up to December 1975, January 1976 and December 1976 respectively; thereafter, rate 'F' was charged and realised. As a result of the delay in the application of appropriate tariff, there was short-recovery of revenue aggregating Rs.5.32 lakhs in those cases, which remains to be recovered (December 1977).

In another case of supply to a storing and distribution centre of an oil company, non-application of the revised tariff (rate 'F') which should have been applied with effect from December 1974, resulted in short-realisation of revenue of Rs.0.22 lakh up to July 1977.

Connections to six tea estates and two State Government organisations under the Himalayan Division and one State Government organisation under the Birbhum Division were given as low tension consumers (industrial), although the connected load of each of these consumers exceeded 50 H.P. and all the consumers should have been treated as bulk consumers. This resulted in undercharges totalling Rs.0.95 lakh during 1976-77. In the Howrah Division, similar undercharges in respect of five consumers amounted to Rs.0.58 lakh during 1976-77.

14. Meter cards and meter readings

In the course of test check of meter cards, during 1973-74 to 1976-77, several cases of losses of revenue were noticed. Some of these are mentioned below:

(i) In 20 supply stations, the differences between the previous meter readings and present readings of 124 consumers of low and medimum voltage, were wrongly calculated, resulting in short-realisation of revenue aggregating Rs.0.62 lakh. Recoveries of the undercharges have not been made from the consumers concerned (December 1977).

(ii) An industrial consumer was supplied with a meter having multiplying factor of 10. The meter cards of the consumer for the period prior to 22nd February 1974 were not available. The units billed for during the period from that date to 22nd May 1976 were not multiplied by 10, except in the case of readings taken on 25th July 1975 and 12th September 1975. This resulted in short-realisation of revenue of Rs.0.16 lakh.

(iii) Connections to a cluster of 24 motors of 5 H.P. each were given to the Assistant Engineer, Survey and Investigation, Hooghly Sub-division II, Government of West Bengal on 9th December 1973, for supply of energy to shallow tubewells. No meter for recording the consumption of energy was installed and thus the actual consumption could not be determined. The supply station concerned had, however, raised the demand each year, as shown below, without any specific authority for adopting this procedure:

(a) February to May at 450 kwh per month.

(b) June to September at 100 kwh per month.

(c) October to January at 150 kwh per month.

15. Non-payment of electricity duty

Mention was made of non-payment of electricity duty by the Board to Government. in paragraph 5.04(ii) of Section V of the Report of the Comptroller and Auditor General of India (Commercial) for the year 1974-75. The table below shows the position of outstanding duty for the years 1975-76 and 1976-77:

Year	Outstandings at the beginning of the year	Collections during the year	Payments to Government during the year	Outstandings at the end of the year
	(In lakhs of Rupees)			
1975-76	365·40	195·07	123·76	436·71
1976-77	436·71	227·77	85·44	579·04

16. Street lighting

16.01. Mention was made in paragraph 11 of section V of the Report of the Comptroller and Auditor General of India (Commercial) for the year 1974-75 about acquisition by the Board of private electric supply undertakings. After takeover, the Board's standard rates for street lighting were enforced on all municipalities, except in six municipalities which refused to accept the Board's rates on the plea that these were much higher than those of the ex-licensees. This resulted in an undercharge of Rs.4.08 lakhs for the period from November 1972 to November 1974.

With the general revision of tariff in December 1974, the Board enforced the revised rates for street lighting uniformly in all the municipalities but did not realise the undercharge mentioned above.

16.02. **Loss due to delay in switching off street lights:** According to an agreement entered into in November 1974 by the Board with a Municipality for supply of energy for street lighting, the Board was to provide supply during the hours specified by the Municipality. In November 1974, the Municipality requested the Board to switch off the supply every day at various points commencing at 1 A.M.; switching off was to be completed by 2 A.M. The Board could not, however, arrange to complete the switching off before 3 A.M. As the energy charges are recovered on the basis of area-wise time schedule intimated by the Municipality the delay in switching off resulted in non-recovery of energy charges for supplies beyond the scheduled hours. The estimated undercharge during the period from November 1974 to October 1976 was Rs.1.15 lakhs.

17. Yearly minimum charge

Yearly minimum charges are leviable in cases where the charges for the energy consumed in a year do not cover the prescribed minimum. With a view to finding out the amount of shortfall in respect of an individual consumer, a register containing the details of monthly charges of energy for a year is required to be maintained. A test check showed that in many collecting units the register was not maintained properly inasmuch as particulars regarding the connected load, the amount of minimum charge, charges raised for monthly consumption, etc. were wanting; the bills for shortfall of yearly minimum charges were not raised timely after the close of the year.

There were heavy outstanding dues on account of shortfall of yearly minimum charge. In 41 supply stations, amounts totalling Rs.6.03 lakhs pertaining to the period 1972-73 to 1976-77 were outstanding from 1,849 industrial consumers (December 1977). Out of this, recovery of Rs.0.74 lakh had become time-barred. In many supply stations, the register of monthly charges was not maintained for the year 1976-77. The shortfall, if any, in these cases remained unassessed. On a test check in three supply stations it was noticed that amounts aggregating Rs.1.61 lakhs, being the shortfall in the minimum charge for the year 1976-77 were due for realisation from 289 consumers (December 1977).

As per the agreements for supply, yearly minimum guaranteed revenue is payable by bulk consumers even if there is no consumption of energy or the charges for consumption of energy are less than the agreed minimum guaranteed revenue. It was found on test check that the recovery of amounts aggregating Rs.3.14 lakhks on account of yearly minimum guaranteed revenue from three bulk consumers, relating to the years 1974-75 and 1975-76, had been waived by the Secretary|Chairman without ratification of the same by the Board.

SECTION VIII

West Bengal State Electricity Board

Purchases and stores control

1. Introduction

The purchase wing of the Board is headed by a Deputy Chief Engineer (Stores and Purchase) who is responsible for assessing the requirements and processing the purchase of bulk of the materials procured by the Board. Purchase action for the stores required for the projects is, however, taken by the concerned project authorities. The Superintending Engineers of the Circles, Divisional Engineers and Assistant Engineers have also been delegated powers for the local purchase of stores, up to certain limits. Purchases in excess of Rs.0.25 lakh in each case require approval of the tender committee of the Board. In the succeeding paragraphs, purchase and accountal of stores, mainly relating to central purchase, have been discussed.

Mention was made in paragraph 12 of section V of the Report of the Comptroller and Auditor General of India (Commercial) for the year 1974-75 that the Board had not prepared any purchase and stores manual. The Board's purchases are being regulated by orders issued from time to time. A Material Controller of the rank of Additional Chief Engineer has been appointed in May 1977 to study the existing procedure and methods and to recommend improvements. Recommendations are awaited (December 1977).

2. Purchase of stores

The central purchase organisation processes the indents received from the executing units of the Board and arranges for bulk procurement of the required quantity of stores. All other stores are purchased locally on the basis of requisitions. The Superintending Engineers in charge of circles have also been delegated with powers for purchase of stores up to certain limits.

The following cases were noticed during test audit.

3. Extra expenditure on purchase of towers

An order for design, fabrication and supply of 220 KV D.C. towers (about 4,015 tonnes) for the Durgapur-Kasba line was placed (March 1973) on the basis of tenders on a firm of Calcutta at Rs.1,755 per tonne. As per the supply order, the quantity for supply was variable by 15 per cent. Survey of the line was, however, not undertaken before placement of the order. After the survey was completed in September 1974, additional 185.04 tonnes of various towers were found to be necessary. The suppliers did not take up the additional fabrication job at the agreed rate on the plea that it would not be able to obtain the additional steel necessary at Joint Plant Committee rates. An order for the additional quantity was ultimately placed with the same firm in June 1976 at the negotiated rate of Rs.4,800 per tonne. Placement of the original order without proper survey resulted in extra liability of Rs.5.63 lakhs. The work is in progress (February 1978).

The matter was reported to the Board and Government in March 1977; replies are awaited (January 1978).

4. Delay in paying advance

An order for supply of two bulldozers was placed (9th November 1973) on Bharat Earth Movers Limited at Rs.6.25 lakhs each. As per the terms of payment, 30 per cent of the value of the equipment was to be paid in advance at the time of placement of the order. However, the Board failed to pay the advance along with the order for reasons not on record. The suppliers informed (18th February 1974) the Board that it had not booked the order in the absence of any advance payment and the price of the equipment was revised to Rs.7.62 lakhs each. As there was no other supplier, these being proprietory items, the Board accepted (March 1974) the enhanced price and paid an advance of Rs.4.57 lakhs in March 1974. A fresh supply order was issued in May 1974. Although there was no provision for escalation, the suppliers requested the Board on 15th May 1974 to increase the price to Rs.10.50 lakhs each with a rebate of 10 per cent, on the ground of an all round increase in cost. The Board, instead of insisting upon supply at the agreed price, issued, after negotiation, a revised order on 2nd January 1975 at Rs.10.05 lakhs each subject to rebate of 10 per cent. The supply was completed in January 1975. The party had billed for a total sum of Rs.18.69 lakhs out of which Rs.18.33 lakhs had been paid (Rs.4.57 lakhs in March 1974 and Rs.13.76 lakhs in February 1975), leaving a balance of Rs.0.36 lakh due to the suppliers.

The matter was reported to the Board/Government in September 1976; replies are awaited (January 1978).

5. Delay in issue of despatch instruction

An order was placed (30th June 1973) on a firm of Calcutta, for purchase of 9.250 tonnes of bolts and nuts of specified sizes at rates, varying according to size, from Rs.246.55 to Rs.305.55 per 50 kg. The supplies were to be completed within two months, i.e., by 31st August 1973. As per the order, detailed despatch instructions were required to be issued by the Superintending Engineer. The issue of despatch instructions was delayed up to 24th September 1973. Meanwhile, in view of the rise in price of raw materials announced by J.P.C., the suppliers had increased the rates from Rs.264.55 to Rs.328.65 from 1st October 1973, Rs.287.65 to Rs.362.35 from 5th November 1973 and Rs.319.05 to Rs.395.30 from 8th April 1974, per 50 kg. Revised order on the basis of the enhanced rates was issued on 16th August 1974. The supplies were completed in October 1974. The extra expenditure due to the increase in rates amounted to Rs.0.27 lakh.

The matter was reported to the Board|Government in March 1977; replies are awaited (January 1978).

6. Extra expenditure owing to delay in supply

An order was placed (17th February 1973) by the Board on a firm of Bangalore for purchase of 27,300 disc insulators for the Durgapur-Kasba 220 KV line at the firm price of Rs.38.88 each f.o.r. destination. The supplies were to commence within 9 months and to be completed within 15 months, i.e., by June 1974, at the rate of 13,000 to 15,600 disc insulators per quarter. The suppliers failed even to commence the delivery within the stipulated period, but the Board agreed to an increase in price to Rs.52.65 each from 25th January 1975 and to Rs.59.23 each from 16th July 1975 on the ground of increase in the price of raw materials. The supplies were made between May 1975 and September 1975. Payment made to the firm at the increased rates resulted in an extra expenditure of Rs.5.55 lakhs.

The matter was reported to the Board|Government in December 1977; replies are awaited (January 1978).

7. Delay in finalising purchase order

Bharat Heavy Electricals Limited offered its rates (30th April 1975) for spare parts (load tap changers) of power transformers at Rs.17,226 per set. The Board did not issue the purchase order within the validity of the offer, *viz.* up to 31st May 1975. On placement of the orders on 15th January 1976 for three sets, the suppliers refused to supply the spares at the originally quoted price. Purchases were ultimately made (supply order placed on 2nd March 1976) at Rs.79,836 for the three sets involving an extra expenditure of Rs.0.28 lakh.

The matter was reported to the Board|Government in December 1977; replies are awaited (January 1978).

8. Delay in sending technical details

Letter of intent for supply of 22 L.T. panels of 433 volts with one circuit breaker and one panel with two circuit breakers was placed (January 1974) with a firm of Delhi at Rs.13,600 each for delivery by December 1974. It was stated in the letter of intent that a formal purchase order along with necessary technical details would be sent shortly. The technical details were, however, sent to the suppliers in May 1975, i.e., 16 months after placement of the letter of intent and a formal order was placed in June 1975 stipulating completion of supply by September 1975. After supplying five panels, the firm expressed its inability (December 1975) to supply the remaining materials on the ground that the cost of panel had gone up owing to increase in price of the basic components. It asked for an increased price of Rs.19,105 each. The tender committee agreed (April 1976) to the enhanced price after observing that the delay in the supply of technical details and placement of the formal purchase order was responsible for the extra expenditure on the purchase of panels.

The firm supplied the remaining 18 panels up to November 1976 on which the Board incurred extra expenditure of Rs.0.99 lakh.

The matter was reported to the Board|Government in September 1977; replies are awaited (January 1978).

9. Purchase at a higher rate

Tenders for purchase of ACSR-'Rabbit' conductor were opened on 26th June 1975. The Board's requirements of the material during 1975-76 were assessed (September 1975) by the Board's central purchase wing at 2,763 km. and accordingly, orders were placed (December 1975) on various firms. The following table shows the quantities ordered, the quantities supplied and the dates of completion of supply:—

		Quantity ordered (in km.)	Value per km. (in rupees)	Quantity supplied (in km.)	Date of completion of supply
Firm A	..	1,000	2,517·16	996·098	5th February 1976
Firm B	..	800	2,517·16	803·606	6th April 1977
Firm C	..	100	2,517·16	99·613	7th January 1976
Firm D	..	300	2,517·16	61·801	3rd December 1976
Firm E	..	500	2,570·00	500·063	31st March 1976
		2,700			

On 23rd December 1975, the Deputy Chief Engineer (Stores and Purchase) assessed that there was urgent requirement for a further 2,000 km. of the conductor; the basis of this assessment was not, however, kept on record. Without the approval of the tender committee, supply order was placed on another firm F at Rs.2,818 per km. which was quoted by the firm in response to the tender opened on 26th June 1975 and which had not been accepted earlier by the tender committee. Firm 'F' completed the supply in February 1976. Purchase from Firm 'F' resulted in an extra expenditure of Rs.6 lakhs compared to the rates at which supplies were obtained from firms A to D.

The matter was reported to the Board|Government in June 1977; replies are awaited (January 1978).

10. Refund of penalty

An order for supply of 5,000 km. of ACSR conductor was placed (June 1972) with a firm for Rs.51.94 lakhs with stipulated delivery between July 1972 and January 1973. The Board reserved the right to repudiate the contract in the event of late delivery. The delivery period could, however, be extended on imposition of a penalty. The firm delivered 2,270.549 km. by the stipulated period of delivery and completed the supply by July 1973. Pentaly of Rs.0.55 lakh, leviable under the contract for late delivery, was deducted from the bills of the suppliers.

On a request of the firm (May 1974), extension in the delivery period was allowed *ex post facto* in July 1975; consequently, the penalty was refunded in October 1975.

The matter was reported to the Board|Government in August 1976; replies are awaited (January 1978).

11. Rejection of lowest tender

Tenders were invited in July 1975 for supply of cement testing and soil testing laboratory equipment. Four offers were received. The quotations of two of the tenderers were not accepted as they did not quote for all the items. An order for both the equipment at Rs.0.94 lakh was placed with the higher of the two acceptable tenderers, in May 1976. The Board rejected the lower tender on the ground that the equipment did not conform to ISI specifications. The tenderer had, however, reported in September 1975 that the equipment offered conformed to the ISI specifications. The Board was not informed of this when decision on purchase was taken. Non-acceptance of the lower offer resulted in an extra expenditure of Rs.0.18 lakh.

The matter was reported to Government|Board in April 1977; replies are awaited (January 1978).

12. Idle outlay on stores

(a) (i) In April 1974 and February 1975, the Board purchased 200 tonnes (Value: Rs.7.64 lakhs) and 184.20 tonnes (Value: Rs.5.28 lakhs) of galvanised corrugated iron sheets from the Executive Engineer, Mahananda Embankment Division, Malda (Irrigation Department) and Hindustan Steel Limited respectively for use in Jaldhaka Hydel Project—Stage II. Out of the 200 tonnes purchased from the Mahananda Embankment Division, Malda, 108 tonnes were lifted in December 1974 and the remaining 92 tonnes had not been lifted up to March 1978, although full payment (Rs.7.64 lakhs) was made in April 1974. There had been no utilisation of the material valuing Rs.12.92 lakhs for more than two years.

The matter was reported to the Board|Government in June 1977; replies are awaited (January 1978).

(ii) (a) In June 1974 and during January-September 1975, the Board purchased 644.6 tonnes of GCI sheets (value: Rs.18.94 lakhs) from the Mahananda Embankment Division, Malda (90 tonnes) and Hindustan Steel Limited (554.6 tonnes) respectively for the Rinchington Hydel Project. Although payment was made (June 1974) for the entire 90 tonnes, the Board had not lifted 67 tonnes of the sheets from the Mahananda Embankment Division up to March 1978. The Rinchington Project utilised 80.7 tonnes of sheets and sold 18 tonnes. On 31st March 1977, 477.5 tonnes (Value: Rs.13.67 lakhs) were shown as having been transferred to Rammam Hydel Project. However, 423.14 tonnes (value: Rs.12 lakhs) remained undelivered (March 1978).

In connection with the purchase of GCI sheets from the Mahananda Embankment Division, Malda, the Accounts Member of the Board had recorded (May 1974) that it would not be justifiable to go in for such a large volume of purchase since the Board had already placed its indent for the materials required for the two projects mentioned above with Hindustan Steel Limited.

The matter was reported to the Board|Government in November 1977; replies are awaited (January 1978).

(b) A quantity of 1,073 tonnes of 12 mm. mild steel rounds was purchased between August 1974 and November 1975 at a cost of Rs.20.98 lakhs by the Board's central purchase organisation for the construction work at Jaldhaka Hydel Project—Stage II, Rinchington Hydel Project, etc. Out of this, 782 tonnes of rounds (value: Rs.15.29 lakhs) were lying idle in the stores (August 1977). The Divisional Engineer (Stores) reported (July 1977) to the Deputy Chief Engineer (Stores and Purchase) that the rounds were subject to deterioration by heavy rusting and pitting on account of prolonged storage in the open yard.

The matter was reported to the Board|Government in March 1977; replies are awaited (January 1978).

(c) Ninetynine items of materials for internal wiring in houses of consumers (value: Rs.0.62 lakh) purchased 15 to 20 years back for utilisation in a scheme could not be utilised, the scheme having been abandoned in 1966. These materials were sold in auction (May 1976) for Rs.0.15 lakh only. This resulted in a loss of Rs.0.47 lakh apart from the blocking up of funds for 15 to 20 years.

The matter was reported to the Board|Government in December 1977; replies are awaited (January 1978).

(d) Steel materials of different varieties, costing Rs.59.68 lakhs were purchased during 1975-76 for fabrication work in Kolaghat Thermal Power Project. The materials were lying unused (February 1978). Tenders for fabrication and erection of structures were invited in March 1975 and opened in May 1975 but issue of the work order has been kept pending reportedly owing to paucity of fund.

The matter was reported to Government|Board in December 1977; replies are awaited (January 1978).

(e) Spare parts of diesel sets (value: Rs.0.37 lakh) have been lying idle (February 1978) for more that 10 years. The Divisional Engineer (Stores and Purchase) had stated (June 1976) that the diesel sets for which these spare parts were purchased were no longer in operation. The Additional Chief Engineer (North Bengal) stated in December 1977 that action to dispose of the materials was being initiated.

(f) Fourteen transformers of different ratings (value: Rs.2.79 lakhs), 1,560 metres of underground cable (value: Rs.1.82 lakhs) and 1,582 metres of 'Tropodur' single core cable (value: Rs.0.98 lakh) were sent by the Chord Road central store to the Siliguri divisional store during the period from 1962 to 1970 even though the latter had not placed any requisition therefor. These stores were lying unutilised up to February 1978.

13. **Inspection of materials**

There is no system as such for ensuring timely inspection and quality control of the materials purchased. Two cases of receipt of defective materials are given below:

(a) In April 1973, the Board imported from a firm of West Germany one consignment of recording instrument (value: Rs.0.49 lakh) which contained four isolating transformers in place of six measuring converters. No inspection was conducted on the arrival of the instrument. The supply of wrong components was detected only at the time of installation, i.e., two years after the arrival of the instrument. The foreign suppliers, however, replaced (February 1976) the components free of cost but the Board had to pay the import duty of Rs.0.20 lakh again. The Board claimed the refund of import duty on the returned components in April 1976, which was rejected by the Government of India, Department of Revenue and Banking as the claim had not been preferred within six months from the date of payment of duty.

The matter was reported to the Board|Government in March 1977; replies are awaited (January 1978).

(b) Mention was made in paragraph 12.07 (vi) of section V of the Report of the Comptroller and Auditor General of India for the year 1974-75 (Commercial) regarding purchase of 8,000 steel lattice poles (from a firm of Bombay), which remained unutilised. Another order for supply of 1,600 steel lattice poles and 80 pairs of steel belts was placed (January 1972), with the same firm for delivery within 10 weeks at Burdwan (800 poles), Midnapore (400 poles) and Berhampore (400 poles). The order stipulated that full value of each consignment despatched, calculated at Rs.2,600 per tonne, would be paid against invoices submitted through bank along with proof of despatch; final settlement of the claim was, however, to be based on the total number of complete poles supplied.

In Berhampore, delivery of the poles in the stores was obtained (October 1972) through a road transport contractor after unloading from the railway wagons. The Assistant Engineer concerned took the delivery of the materials without verification. Later, when shortage in the weight of poles received came to his notice, the Assistant Engineer requested for a short certificate from the Railways, which was received in October 1973. The supplier lodged a claim with the Railways in November 1973 which was rejected as time-barred. A detailed survey in June 1975 revealed that 218 complete poles and 182 incomplete ploes had been received by the store. Wanting parts of the incomplete poles had not been supplied (February 1978). However, a sum of Rs.6.82 lakhs was paid to the firm out of the total cost of Rs.6.92 lakhs. The incomplete poles were lying unutilised (February 1978).

The mater was reported to the Board|Government in May 1977; replies are awaited (January 1978).

14. **Stores control**

The stores wing comprises two central stores (*viz.* at Majerhat and Chord Road Stores at Shyamnagar), circle stores, divisional stores and sub-divisional stores.

The stores materials purchased centrally in bulk are generally received in the central stores. Materials are issued from the central stores to the different stores of the Board on the basis of indents.

The Board has not (November 1977) introduced a scientific system of stores control.

The present system does not provide for:

(a) proper grouping of stores and their categorisation into fast moving and slow moving items,

(b) maximum and minimum limits and the reordering level, for each item of stores,

(c) periodical reporting to the top Management of the position of the ground balance of stores and their money value,

(d) physical verification of stores by an independent agency,

(e) issue of bulk purchase orders after proper assessment of actual requirements,

(f) periodical survey and disposal of obsolete and scrap materials salvaged from transmission lines, transformers, etc., and

(g) timely transfer back to store of materials issued to works but not consumed therein.

15. **Closing of stock registers**

Under the orders issued by the Board in April 1969, stock accounts are required to be reviewed and closed at the end of each month. Test check of the accounts of some units showed that stores accounts were not maintained up-to-date and closed at the prescribed intervals. For instance, stock registers had not been closed in the following units for the periods noted against each:

Name of the division		Period
Jalpaiguri (O & M) Division	..	April 1974 to March 1977
Survey and Investigation Circle	..	April 1974 to March 1977
Siliguri EHT Circle (II)	..	September 1974 to March 1977
Rinchington Hydel Project	..	April 1976 to March 1977
Bankura Rural Electrification Division	..	April 1976 to March 1977

16. Stock adjustment account

The stock adjustment account is a suspense account in which discrepancies relating to stores, *viz.* difference between quantitative ledger and priced stock ledger, shortages and excesses found on physical verification, losses, thefts, etc. are accounted for by transfer from the stock account pending investigation and final clearance through write off, recovery, etc. The investigation and follow up action is to be taken expeditiously. This has generally not been done. As a result, the net debit balance in this account amounted to Rs.1.28 crores as on 31st March 1977.

During physical verification of Burdwan Rural Electrification Construction Stores, conducted by the internal audit wing of the Board in 1974-75, 76.170 km. of ACSR conductor, valued at Rs.0.69 lakh, were found short. The shortages have been adjusted by debit to the stock adjustment account without any investigation of the shortage.

17. Non-accountal|short-accountal of stores

Shortages of stores materials and non-accountal or short-accountal of stores receipts were noticed in a number of divisions of the Board. Some examples are given below:

(i) Store materials for maintenance works (value: Rs.1.77 lakhs), received on transfer by the Jhargram Group Electric Supply Station from Kharagpur Divisional Store during April 1974 to March 1976, were not accounted for. Physical verification of stores in the Supply Station has not been conducted (January 1978) after 1973-74.

In the same Supply Station, the closing stock of materials valuing Rs.0.50 lakh as on 31st March 1975 was not carried forward in the subsequent years' ledgers. Again, 25.225 km. of AAC conductor (value: Rs.0.14 lakh) were received on transfer in the Supply Station during 1974-75 but only 0.225 km. of AAC conductor were accounted for. The balance in stock of AAC conductor was shown as 0.225 km. on 31st March of 1975 and 1976, but the opening balance on 1st April 1976 was shown as 9.550 km. though there had been no further receipt or issue thereagainst.

The cases were reported to the Board|Government in September 1977; replies are awaited (January 1978).

(ii) Detailed survey of store materials of Bankura Rural Electrification Sub-division, conducted in September 1976 by the Assistant Engineer, revealed shortages of different materials valued at Rs.0.58 lakh which included 1,003 sal wood poles (value: Rs.0.44 lakh). No investigation has been made (January 1978) in regard to the shortages.

The matter was reported to the Board|Government in May 1977; replies are awaited (January 1978).

(iii) In the Bandel Thermal Power Station, receipts of coal are accounted for on the basis of railway receipt weight and issue thereof is calculated on the basis of feeder speed and checked with the actual generation of power and the assumed heat rate of the plant.

In August 1975, the stock of coal of the Bandel Thermal Power Station was ascertained by physical verification at 35,000 tonnes against the book balance of 93,000 tonnes, revealing a shortage of 58,000 tonnes valuing Rs.51.86 lakhs. Again, a physical survey of the coal stock was made in March 1977 when it was revealed that the physical stock of coal was 60,000 tonnes against the book balance of 75,000 tonnes, resulting in shortage of 15,000 tonnes valuing Rs.13.81 lakhs. The shortages, thus found, were adjusted by debiting the suspense head of account, *viz.* 'Miscellaneous Advance' and crediting the 'stock of coal' in the annual accounts of the Board for the years 1975-76 and 1976-77 respectively.

According to the Power station management (June 1977), the shortage of coal was attributable to the following reasons:—

(a) Pilferage, (b) ground loss and windage loss, (c) spontaneous combustion, and (d) allowable percentage of error in the weigh-bridge at the railway yard.

(iv) **Shortage of petrol:** A test check (October 1976) of the accounts of the Board's petrol depot at Majerhat Central Store showed that 11,03,900 litres of petrol were received during the period from April 1973 to March 1976. There was an opening balance of 14,355 litres, and the pump issued 10,51,315 litres during the period, leaving a balance of 66,940 litres as on 31st March 1976. The actual physical balance on that date was found by the

Assistant Engineer to be 8,331 litres. The approved loss by evaporation on the opening stock and receipts during a year, was fixed by the Board at 1 per cent. Even allowing for this, there was a shortage of 46,605 litres. Further, on a check of the petrol pump, the Indian Oil Corporation Limited stated in January 1976 that there was excess flow of 0.02 litre in every 5 litres owing to defect in the metering unit. After allowing for the excess flow of 4,205 litres for the three years up to 31st March 1976, the shortage would still stand at 42,400 litres valued at Rs.1.35 lakhs.. The Indian Oil Corporation Limited was of the opinion that possibility of leakage in the underground tank was remote and that issue of petrol was somehow manipulated. But responsibility has not been fixed (February 1978) for the loss.

The matter was reported to the Board|Government in March 1977; replies are awaited (February 1978).

18. **Theft from stores**

(a) Thefts of five wave traps (power line carrier communication equipment) valued at Rs.0.75 lakh were reported by the Divisional Engineer to the Police as having occured on the nights of 28th June, 3rd July and 8th July 1977 in the Mahinagar Store under the Baruipur Rural Electrification Division. The equipment did not belong to this Division and these were not entered in its stores ledger. The Divisional Engineer reported (July 1977) to his Superintending Engineer that the Mahinagar store had become a dumping place of all sorts of materials without any security arrangement. There was no regular watchman to guard the stores although the value of stores was Rs.31.29 lakhs as on 31st March 1977. Results of the police investigation are awaited (February 1978).

The matter was reported to the Board|Government in December 1977; replies are awaited (February 1978).

(b) During the period from July 1974 to June 1977, theft of materials of values aggregating Rs.0.58 lakh took place in the Burdwan Rural Electrification Division store on 21 occasions. The recurring incidence of theft showed that there was no proper security arrangement in the store although the value of store was Rs.43.46 lakhs in March 1977. The matter had been reported by the Board to the Police from time to time but no investigation reports were received (February 1978).

The matter was reported to the Board|Government in December 1977; replies are awaited (February 1978).

19. **Issue of materials against forged indents**

(a) Pandua Rural Electrification Sub-divisional stores despatched (28th September 1976) 29.970 km. of ACSR conductor (value : Rs.0.55 lakh) to the Serampore Rural Electrification Sub-division through a transport contractor. The consignment was not delivered. According to the Assistant Engineer of the despatching sub-division, some miscreants introduced themselves as the representatives of the transport contractor and fraudulently lifted the materials from the sub-divisional stores under fake signatures of the indenting officer. The fact came to the knowledge of the Assistant Engineer on 4th December 1976 and it was then reported to the Police; investigation report is awaited (February 1978).

(b) Howrah Rural Electrification Construction Sub-division Store, during the period from 12th October 1976 to 3rd November 1976, despatched 111.239 km. of ACSR conductor and 6.4 tonnes of GI stay wire, valuing Rs.2.14 lakhs, to the Divisional Engineer, Hooghly (O & M) Division, the Divisional Engineer, Burdwan Rural Electrification Division and the Divisional Engineer, Bankura Rural Electrification Division, through transport contractors. The consignments were not delivered to the respective consignees. According to the Assistant Engineer of the despatching Sub-division these were fraudulently lifted by some miscreants under fake signatures of the indenting officers. The matter came to the knowledge of the Assistant Engineer on 15th December 1976 and was reported to the Police; investigation report is awaited (February 1978).

A committee headed by the Senior Accounts Officer, Howrah Rural Electrification and Distribution Circle was formed on 24th December 1976 to investigate into the incidents mentioned in (a) and (b) above; report is awaited from the committee (February 1978).

The matter was reported to the Board|Government in August 1977; replies are awaited (February 1978).

20. **Short-delivery of materials by contractors**

Transportation of steel materials from Mechada Railway Station to Kolaghat Thermal Power Project, including its stacking, was entrusted, on limited tender basis, in November 1974 and February 1975 to a contractor, who was not in the Board's classified list of transport contractors. The contractor carried out the transportation job during the period from November 1974 to February 1975, but reportedly did not stack the material properly. It was brought out on 16th February 1975 that the contractor had lifted 12 pieces of 12 mm thick 10-metre long mild steel plain plates (5.829 tonnes) from the Mechada Railway yard but had not delivered the same. Though a complaint was made to a Police Station at Tamluk (20 km from Mechada), no complaint was lodged with the local Police Station. Inventory of the steel materials transported by the contractor was made in May 1975 through another contractor at a cost of Rs.0.15 lakh and the aggregate quantity of 109.602 tonnes valued at Rs.2.19 lakhs was found short. The total loss incurred by the Board was Rs.2.05 lakhs as below:

		(Rupees)
Cost of 109.602 tonnes of steel	..	2,19,204
Cost of re-stacking ..	..	15,000
Demurrage and wharfage charges paid by the Board.		6,257
	..	2,40,461
Less amount payable to the transport contractor being transportation cost and refund of security deposit.		35,000
		2,05,461

The local officials of the Board did not examine the receipts of the materials regularly with reference to the railway receipts and continued to allow the contractor to transport further materials before getting the materials properly stacked.

The Board's tender committee resolved February 1976 that suitable action be taken for any lapses on the part of the supervising personnel. No action has, however, been taken (February 1978).

The matter was reported to the Board|Government in April 1977; replies are awaited (February 1978).

21. Materials not returned by contractor

On 1st July 1972, an order was placed by the Additional Chief Engineer (Rural Electrification) on a firm of Calcutta for construction of lines in connection with electrification of 40 villages under the Falta Police-Station, on labour contract basis, for Rs.1.63 lakhs. The work was to be completed within December 1974. The contractor, after completing electrification works in 11 villages, stopped the work in March 1975. The contractor, however, did not return the unconsumed materials (steel materials, pipes, poles, etc.) valued at Rs.1.15 lakhs. In this connection, the Deputy Chief Accounts Officer observed (31st July 1975) "Normally materials are issued to the contractor covering the requirements of a fortnight or so; but in this case a few months' requirements appear to have been issued at a time. This is objectionable and tends to show that there was no control over issue of materials to the contractor". The contractor could not be traced. Recovery of the cost of unconsumed materials has not been made (January 1978) This resulted in a loss of Rs.1.01 lakhs, after deducting the security deposit and unpaid claims of the contractor.

The matter was reported to the Board|Government in June 1977; replies are awaited (January 1978).

22. **Unacknowledged materials**

Acknowledgements for receipt of materials issued by the Central Stores are not regularly received from the recipient stores. There is no system to ensure that the materials obtained from the Central Stores are duly accounted for in the recipient stores. During the period from 1973-74 to 1975-76, the Central Store at Chord Road raised debits aggregating Rs.4.35 crores against different recipient stores for the materials supplied but not acknowledged by the consignees (February 1978). Non-acceptance of debits in time is fraught with risks as non-delivery or short-delivery of materials|stores may remain undetected.

In November 1973, December 1973 and March 1974, steel materials valued at Rs.0.81 lakh, Rs.1.14 lakhs and Rs.0.40 lakh respectively, were transferred from the Chord Road Central Store to the Birbhum (O & M) Division store. The issues were accounted for in the accounts of the Central Store in January 1974, February 1974 and May 1974 respectively. The transfer debits raised against the Birbhum (O & M) Division in January 1974, February 1974, and May 1974 were, however, returned unaccepted (March 1976) on the ground that the materials had not been received by the recipient store. No investigation has been made in this regard (January 1978).

The matter was reported to the Board|Government in March 1977; replies are awaited (January 1978).

23. **Materials rendered unserviceable**

(a) The Purulia Rural Electrification Construction Division and Burdwan Rural Electrification Construction Division purchased 15,764 and 1,739 untreated sal wood poles respectively during the period from June 1972 to January 1974. But consequent upon frequent failure of untreated and jointed poles, it was decided by the Chief Engineer in March 1973 not to use such poles in the construction of transmission lines; as a result, 4,078 poles (value: Rs.1.62 lakhs) of Purulia and 312 poles (valued: Rs.0.13 lakh) of Burdwan remained in stock (January 1978). Owing to prolonged stacking in the open yard these were damaged.

The Board directed (April 1977) the Superintending Engineer that the entire stock of unserviceable poles lying at Purulia and Burdwan be disposed of immediately by public auction. Auction sale has not been effected (January 1978).

Besides, 9,253 sal wood poles valued at Rs.4.01 lakhs in the Bankura and Howrah Rural Electrification Division stores were also rendered unserviceable. No action has been taken for their disposal (January 1978).

The matter was reported to the Board|Government in May 1977; replies are awaited (January 1978).

(b) Owing to prolonged storage in the open yard at the Chord Road Central Store, the cable drums were damaged. The Board had, therefore, to get the cables re-wound on new drums. The job was entrusted to a firm engaged for laying cable at rates fixed by negotiation. During the period from February 1974 to January 1976, 17.155 km. of cables were got re-wound at a cost of Rs.0.80 lakh.

The matter was reported to the Board|Government in March 1977; replies are awaited (January 1978).

24. **Carriage contract**

Tenders were invited in January 1976 by the Superintending Engineer, Jaldhaka Hydel Project for transportation of 486 tonnes of mild steel rounds from Santaldih to Jaldhaka Hydel Project. Tenders received were opened on 27th January 1976. The work was entrusted to the lowest tenderer at Rs.204 per tonne only on 16th August 1976. In the meantime, three orders for transportation of the said materials were placed (two in January 1976 and one in July 1976) with another transport contractor, by the Chief Engineer (Transmission and Distribution), Calcutta at the rates of Rs.355.50, Rs.358 and Rs.382 per tonne. This contractor transported 163.975 tonnes between March and July 1976. This resulted in an extra expenditure of Rs.0.26 lakh.

The matter was reported to the Board|Government in June 1977; replies are awaited (January 1978).

25. **Damage|loss in transit**

Out of five crates containing oil circuit breakers despatched by Bharat Heavy Electricals Limited, Bhopal, two crates costing Rs.0.53 lakh were received (23rd May 1974) in damaged condition. The Board delayed open-*cum*-assessment delivery and actually lifted the materials on 13th September 1975 after payment of wharfage charges of Rs.0.11 lakh. These were found in damaged condition. Owing to the delay on the part of the Board in obtaining open-*cum*-assessment delivery from the Railways and consequent failure to lodge claim for compensation with the Railways, the Board was put to a loss of Rs.0.64 lakh. An insurance cover was taken for transit risk only, as such no claim could be preferred with the insurer. The supplier did not entertain a claim for replacement. A proposal for write off of the loss is under consideration (January 1978).

The matter was reported to the Board|Government in September 1977; replies are awaited (January 1978).

26. **Disposal of surplus stores**

The Board formed (May 1977) a committee of three Members (Thermal, Electrical and Distribution) to conduct a review of various items of stores lying for a long time in the Central Store at Chord Road, segregating the items which could be used in the Board's work. On the basis of an inspection by the committee conducted in June 1977, store materials valued at Rs.2.09 crores were declared surplus in July 1977. The committee found that out of the surplus stores, materials valued at Rs.78.48 lakhs remained idle for more than five years. The committee recommened that materials valued at Rs.20.95 lakhs could be disposed of as the same had become rusted and unserviceable. The Board accepted the recommendations of the committee and directed (August 1977) the Material Controller to dispose of the unserviceable stores through public auction. The disposal remains to be made (February 1978).

The Board also directed the Material Controller to arrange for immediate circulation of a list of the items which could be used in the Board's own works, among the units concerned asking them to arrange for lifting the materials from the Chord Road Central Store.

Similar review of stock items in the other stores has not been made (February 1978).

27. **Hiring of godown**

With a view to establishing a stores godown for Burdwan Circle, an open yard was hired at a monthly rent of Rs.1,609 from December 1971. One Stores Officer and four Watchmen were appointed for the purpose in March|April 1972. The yard could not, however, be utilised as the approach road was very narrow and not suitable for trucks carrying materials to the yard. The possession of the yard was given up from December 1972. The Board spent Rs.0.19 lakh towards rent of the yard and Rs.0.09 lakh on account of entertainment of the Stores Officer and the Watchmen during the period. The Watchmen were transferred to other divisions after December 1972. The services of the Stores Officer were continued to be retained in the office of the Superintending Engineer though there was no sanction for the post. Rupees 0.40 lakh were spent for entertainment of the post of the Stores Officer from December 1972 to December 1976.

The matter was reported to the Board|Government in November 1976; replies are awaited (January 1978).

28. **Non-utilisation of the plant and machinery**

(a) A transformer oil reclamation unit (capacity: 2,000 litres per week), set up in the Majerhat Central Store in February 1976 at a cost of Rs.0.56 lakh, remained unutilised up to November 1977. As per a test report, the unit could reclaim 75 per cent of used oil. The Central Power Research Institute, Bangalore, estimated (March 1976) the cost of reclaiming used oil at 40 paise per litre. The quantity of used oil available between January 1975 and March 1976 was 62,790 litres. This could yield about 47,000 litres of reconditioned oil at a cost of Rs.0.19 lakh. The Board purchased 1,42,956 litres of transformer oil between March 1976 and October 1976 valuing Rs.10.83 lakhs. Had the used oil been reclaimed, a part of this purchase could be avoided.

The matter was reported to the Board|Government in November 1977: replies are awaited (January 1978).

(b) For the purpose of exploratory drilling for Rinchington and Rammam Hydel Projects, one 'Acker' heavy duty drilling machine was purchased in October 1973 at a cost of Rs.0.81 lakh and kept in the Jaldhaka Hydel Project store. The machine has remained unutilised (January 1978).

The matter was reported to the Board|Government in June 1977; replies are awaited (January 1978).

(c) A plant for treatment of timber was set up in 1966 at the Siliguri divisional stores at a cost of Rs.0.45 lakh. It has remained idle since 1969 (February 1978).

SECTION IX

Other points of interest

CALCUTTA STATE TRANSPORT CORPORATION

1. Disposal of empty steel drums

The Corporation receives lubricating oil, gear oil, etc., from the Indian Oil Corporation Limited in new steel drums of 205 litres capacity. There was no standing arrangement for disposal of the empty drums. Some of the drums were disposed of by auction in 1972. Thereafter in November 1975 and again in April 1976, empty drums in good condition, numbering 1525, were sold at Rs.70 each by negotiation with the buyers.

Drums were stored in open space and allowed to accumulate for several years. By November 1975 the number of drums accumulated was 4,120 and these had deteriorated in quality. These were sold to different parties from time to time during the period from March 1976 to December 1976 at rates varying between Rs.10 and Rs.45.41 each depending upon their quality.

The matter was reported to Government|Corporation in November 1977, their replies are awaited (January 1978).

2. Unutilised land

In accordance with a decision (April 1965) of the Corporation, a plot of land measuring 17 Cottahs 9 Chataks 34 Sq. ft., situated at Territi Bazar, Calcutta, was purchased in August 1966 at a cost of Rs.6.22 lakhs for construction of a multistoreyed building for the Corporation's head office and its city office. Further expenditure of Rs.0.26 lakh was incurred in providing barbed wire fencing and boundary wall and preparation of plans and designs. The Corporation observed (May 1976) that the site would not be suitable for the aforesaid purpose because of the continuing congested condition of the road in the business area and it was decided to dispose of the land. Further developments are awaited (January 1978).

The Corporation continued to retain two floors (hired in May and August 1959) of a building at a rent of Rs.11,617 per month. Owing to operational deficits no rent has actually been paid since the occupation of the accommodation, the liability on this account amounted to Rs.24.75 lakhs up to the end of 1976-77.

The Management stated (November 1977) that no tangible action could be taken to construct the required office accommodation, as originally contemplated, for lack of financial resources.

The matter was reported to Government in September 1977; reply is awaited (January 1978).

3. Used engine oil

Used engine oil has resale value, the current rate (January 1977) being Rs.505 per barrel (205 litres). No detailed stock account, showing the receipt and disposal of used engine oil, was maintained in any depot. One depot (Taratala), opened in February 1966, where the average monthly intake of used engine oil was assessed at two barrels, disposed of 20 barrels of used oil and showed a stock of 27 barrels as on 3st May 1977. Total receipt of used oil in the depot from February 1966 to May 1977 should have been about 270 barrels as against the accountal of 47 barrels indicating a shortage of 233 barrels valued Rs.1,12,615 at the current (1977) rates. In another depot (Manicktala) there was a shortage of 38 barrels of used oil valuing Rs.19.190 during the period from April 1974 to June 1976.

The boilers in the Corporation's tyre shop are designed to use furnace oil as fuel which is obtained at Rs.1.02 per litre from the Indian Oil Corporation Limited. During the period from March 1975 to January 1977, the boilers consumed 15,990 litres of used engine oil, although regular supply of furnace oil was available. The disposal value of used engine oil (Rs.2.46 per litre) being higher than the cost of furnace oil, consumption of used engine oil in boilers entailed extra expenditure of Rs.0.23 lakh.

The matter was reported to Government|Corporation in October 1977; replies are awaited (January 1978).

4. Recruitment of additional drivers

Mention was made in paragraph 16.02 of section VI of the Report of the Comptroller and Auditor General of India (Commercial) for the year 1974-75 of employment of drivers by the Corporation in excess of the admissible strength on the basis of 3 drivers per bus. It was noticed (April 1977) in test audit that the Corporation had 1,929 drivers in May 1976 (with which it could outshed 640 buses per day) but it was outshedding on an average 600 buses per day. Action was, however, initiated (May 1976) to recruit additional 330 drivers in the expectation that the number of buses outshedded would be increased to 750 per day. Sixtytwo additional drivers were appointed during the period from January 1977 to June 1977 but there was no increase in the number of buses outshedded. The average number of buses outshedded per day during January 1977 to September 1977 was 571 only. The appointment of additional drivers, was, thus not justified. This has resulted in an extra expenditure of Rs.1.93 lakhs up to December 1977 on the pay and allowances of the additional drivers.

The Management stated (November 1977) that 105 drivers were served (August to November 1976) with notices of discharge on medical grounds, out of which 67 left (November 1976 to February 1977) service and 38 obtained injunctions from the court in January 1977. Meanwhile, 13 drivers were also superannuated in the normal course. Thus the recruitment of additional 62 drivers was fully justified.

It was, however, seen that recruitment of 126 drivers was separately made by the Corporation during August 1976 to January 1977 against the discharged/superannuated drivers.

The matter was reported to Government in October 1977; reply is awaited (January 1978).

(S. R. MUKERJI).
Accountant General-II,
West Bengal.

Calcutta,

The

Countersigned.

(GIAN PRAKASH),
Comptroller and Auditor General of India.

New Delhi,

The 12 .10 1978

ANNEXURE 'A'

(*Reference*: Paragraph 3 of prefatory remarks, Page ii)

List of companies in which Government have invested more than Rs.10 lakhs but which are not subject to audit by the Comptroller and Auditor General.

Serial number	Name of the company	Total investment up to the end of 1976-77 (In lakhs of Rupees)
1.	Engel India Machines and Tools Limited ..	22.25
2.	Gluconate Limited	35.00
3.	Eastern Distilleries (Private) Limited ..	19.50
4.	Sen Raleigh Limited	35.00
5.	Krishna Silicate and Glass Works Limited ..	55.00
6.	Great Eastern Hotel Limited	46.25
7.	Incheck Tyres Limited	30.00
8.	Mackintosh Burn Limited	10.80
9.	Duncan Brothers and Company Limited ..	11.01

ANNEXURE 'B'

(*Reference* : Paragraph 1 of section I, page 1)

Statement showing summarised financial results of Government Companies

(Figures in columns 6 to 10, 12 and 13 indicate lakhs of Rupees)

Sl. No.	Name of the Company	Name of the Department	Date of incorporation	Period of accounts	Total capital invested	Profit (+) / Loss (—)	Total interest charged to Profit and Loss Account	Interest on long-term loan	Total return on capital invested (7+9)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (7+8)	Percentage of total return on capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1.	The Kalyani Spinning Mills Limited	Public undertakings.	13-1-1960	1976-77	743·21	(—)202·53	64·22	27·82	(—)174·71	..	(—)60·89	(—)138·31	..
2.	The Durgapur Projects Limited	Ditto ..	6-9-1961	1976-77	6,176·80	(+)479·52	240·93	240·93	(+)720·45	11·66	4,186·36	(+)720·45	17·21
3.	West Bengal Industraial Development Corporation Limited	Commerce and Industries	6-1-1967	1976-77	..	(+)30·96	64·03	64·03	..	..	1,447·44	(+)94·99	6·56
4.	West Bengal Minaral Development and Trading Corporation Limited	Ditto ..	23-2-1973	1976-77	47·51	(+)4·39	..	..	(+)4·39	9·24	37·59	(+)4·39	11·68
5.	West Bengal Electronics Industry Development Corporation Limited	Ditto ..	4-2-1974	1976-77	74·00	(+)0·14	..	..	(+)0·14	0·19	65·56	(+)0·14	0·21
6.	West Bengal Essential Commodities Supply Corporation Limited	Food and Supply	15-3-1974	1976-77	61·62	(+)9·10	4·49	2·49	(+)11·59	18·81	83·75	(+)13·59	16·23
7.	West Bengal Forest Development Corporation Limited	Forest ..	19-7-1974	1976-77	195·45	(+)1·28	..	..	(+)1·28	0·65	195·45	(+)1·28	0·65

8.	West Bengal Pharmaceutical and Phytochemical Development Corporation Limited	Commerce and Industries	28-3-1974	1976-77	18·50	(−)1·26	..	..	(−)1·26	..	12·96	(−)1·26	..
9.	The West Bengal Leather Industries Development Corporation Limited	Ditto ..	3-3-1976	1976-77	42·19	(−)0·47	..	..	(−)0·47	..	41·32	(−)0·47	..
10.	West Bengal Tea Development Corporation Limited	Ditto ..	4-8-1976	1976-77	1·00	(−)0·32	..	..	(−)0·32	..	0·34	(−)0·32	..
11.	The Electro Medical and Allied Industries Limited	Public undertakings	29-6-1961	1975-76	86·10	(+)0·47	2·42	2·42	(+)2·89	3·36	65·50	(+)2·89	4·41
12.	West Bengal Agro-Industries Corporation Limited	Ditto ..	16-8-1968	1975-76	617·02	(−)110·54	46·77	9·39	(−)101·15	..	896·83	(−)63·77	..
13.	West Bengal Live Stock Processing Development Corporation Limited	Animal Husbandry and Veterinary Services	9-4-1974	1975-76	11·00	(−)0·86	..	..	(−)0·86	..	9·85	(−)0·86	..
14.	West Bengal Tourism Development Corporation Limited	Tourism ..	29-4-1974	1975-76	94·76	(−)6·58	..	..	(−)6·53	..	90·36	(−)6·53	..
15.	West Bengal Dairy and Poultry Development Corporation Limited	Public undertakings	4-2-1969	1974-75	71·21	(−)4·85	2·54	2·53	(−)2·32	..	69·87	(−)2·31	..

Notes : (1) 'Capital invested' represents paid-up capital *plus* long-term loans *plus* free reserves at the close of the year.

(2) 'Capital employed' (except in case of West Bengal Industrial Development Corporation Limited) represents net fixed assets (excludins works-in-progress) *plus* or *minus* working capital. In the case of West Bengal Industrial Development Corporation Limited 'Capital employed' represents mean capital employed, i.e., mean of the aggregate of opening and closing balances of (i) paid-up capital, (ii) bondg and debentures, (iii) reserves, (iv) borrowing including refinance, and (v) deposits.

ANNEUXRE 'C'

(*Reference* : Paragraphs 3 and 8 of section V, Page 65 and 67)

Statement showing summarised financial results of Statutory Corporations/Board

Sl. No.	Name of the Corporation/Board	Name of the Department	Date of incorporation	Period of accounts	Total capital invesetd	Profit(+) / Loss(−)	Total interest charged to Profit and Loss Account	Interest on long-term loan	Total return on capital invested (7+9)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (7+8)	Percentage of total return on capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
					(Figures in column 6 to 10, 12 and 13 indicate lakhs of Rupees)								
	(i) Electricity Board												
1.	West Bengal State Electricity Board	Power ..	1-5-1955	1976-77	34,408·13	(+)102·70	1,245·54	1,225·06	1,327·76	3·86	20,271·59	1,348·24	6·65
	(ii) Other Statutory Corporations												
2.	West Bengal Financial Corporation	Public Undertakings	1-3-1954	1976-77	..	(+)37·47	62·46	62·46	..	..	1,361·26	99·93	7·34
3.	Durgapur State Transport Corporation	Home (Transport)	7-12-1973	7-12-1973 to 31-3-1974	129·55	(−)13·88	2·59	2·59	(−)11·29	..	83·30	(−)11·29	..

Note : (1) "Capital invested" represents paid-up capital *plus* long-term loans *plus* free reserves at the close of the year.

(2) "Capital employed" (except in the case of West Bengal Financial Corporation) represents net fixed assets (excluding works-in-progres) *plus* working capital. In case of West Bengal Financial Corporation, "Capital employed" represents mean of the aggregate of opening and closing balances of (i) paid-up capital, (ii) bonds and debentures, (iii) reserves, (iv) borrowings including refinance, and (v) deposits·

*(3) This represents contribution to general reserve in terms of Section 67(viii) of the Electricity (Supply) Act, 1948.

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