REPORT

OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR

1986-87

(COMMERCIAL)

GOVERNMENT OF WEST BENGAL

TABLE OF CONTENTS

CHAPTER V

ANNEXURES

ERRATA

Report of the Comptroller and Auditor-General of India for the year 1986-87 (Commercial) --Government of West Bengal

Sl. No.	Page No.	Para No.	Line No.	For	Read
1.	1	1.2	7th	aggregated	aggregated to
2.	1	1.2	9th	amount	amounts
3.	1	1.4	5th	Eompanies	Companies
4.	3	1.11	2nd	tbe	the
5.	5	1.16	1st	procuedure	procedure
6.	10	2.2.2(a)	3rd	Rs. 177·46 crores	Rs. 176·37 crores
7.	10	2.2.2(a)	Table column 4 & 7	(a) Rs. 127·33 (b) Rs. 167·11 (c) Rs. 177·46	Rs. 126·24 Rs. 166·02 Rs. 176·37
8.	14	2.2.5	Table	(—) 44·89	(+) 44·89
9.	16	2.2.5(a) (vii)	1st	516·13 lakh	516·13 lakhs
10.	18	2.3.3	3rd 2nd sub-para	Controller	Comptroller
11.	26	2.6.2	4th	Corporation on/	Corporation/
12.	31	Sl. No. 4	Table	2758·11	2759·11
13.	41	3A.6.1	1st line	requring	requiring
14.	44	3A.6.2 4th sub-para	11th line from bottom	that no case	that in no case
15.	-Do-	,,	6th line from bottom	such action, For default	such action for default
16.	45	3A.6.2(i)	7th	Reasous one	Reasons
17.	48	3A.6.2(iii) (b)	11th line from bottom	preceeding	preceding
18.	67	3B	10th	intstalled	installed
19.	70	3B.5	10th 2nd sub-para	intances	instances
20.	72	3B.6.1	item (v)	unrest,	unrest
21.	90	3C.4.3	5th	—	After Annexure 7 add-which is summarised below

Sl. No.	Page No.	Para No.	Line No.	For	Read
22.	98	4A.3	9th	succeesding	succeeding
23.	125	4B.4.4 2nd sub-para	19th	preceeding	preceding
	-Do-	-Do-	20th	preceeding	preceding
24.	185	Annexure 2	Table heading	results working	working results
25.	190	Column No. 10	3rd	539·20	589·20
26.	195	Annexure 8	Sl. 4 item 3	PVC cable Sq mm 4 core 1.1 KV	PVC cable 6 sq mm 4 core 1.1 kms

PREFACE

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

—Government Companies;

—Statutory Corporations and

—Departmentally-managed commercial Undertakings.

2. This Report deals with the results of audit of accounts of Government Companies and Statutory Corporations including the West Bengal State Electricity Board and has been prepared for submission to the Government of West Bengal for presentation to the Legislature under Section 19A of the Comptroller and Auditor General's (Duties Powers and Conditions of Service) Act, 1971, as amended in March 1984. The results of audit relating to departmentally-managed commercial undertakings are contained in the Report of the Comptroller and Auditor General of India (Civil)—Government of West Bengal.

3. There are, however, certain companies which in spite of Government investment are not subject to audit by the Comptroller and Auditor General of India as Government or Government owned/controlled Companies/Corporations hold less than 51 *per cent* of the shares. A list of such undertakings in which Government investment was more than Rs. 10 lakhs as on 31st March 1987 is given in Annexure 1.

4. In respect of the three State Road Transport Corporations and West Bengal State Electricity Board, which are Statutory Corporations, the Comptroller and Auditor General of India is the sole auditor. In respect of West Bengal Financial Corporation and West Bengal State Warehousing Corporation, he has the right to conduct the audit of their accounts independently of the audit conducted by the Chartered Accountants appointed under the respective Acts. The audit of accounts of West Bengal Industrial Infrastructure Development Corporation was entrusted to the Comptroller and Auditor General of India under Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, initially for a period of 5 years from 6th June 1978 and was subsequently extended in September 1983 for another 5 years from 6th June 1983. The audit reports on the annual accounts of all these Corporations are being forwarded separately to the Government of West Bengal.

5. The cases mentioned in this Report are those which came to notice in the course of audit of accounts during the year 1986-87 as well as those which had come to the notice in earlier years but could not be dealt with in previous Reports. Matters relating to the period subsequent to 1986-87 have also been included, wherever considered necessary.

CHAPTER I

OVERVIEW

1.1 The State had 48 Government Companies (including 12 subsidiaries), one 619B Company and Seven Statutory Corporations as on 31st March 1987.

(*Paragraphs* 2.2.1,2.2.5 and 2.3.1)

1.2 The aggregate paid-up capital of these companies as on 31st March 1987 was Rs. 194·82 crores of which Rs. 184·47 crores and Rs. 3·76 crores were invested by the State and Central Governments respectively. The balance of loans, including loans advanced by the State Government, in respect of 24 Companies including two subsidiaries outstanding as on 31st March 1987 aggregated Rs. 422·31 crores. Repayment of loans and interest thereon in respect of 17 Companies carried guarantee by State Government. The amount guaranteed and outstanding there-against as on 31st March 1987 were Rs. 97·40 crores and Rs. 81·24 crores respectively.

[*Paragraphs* 2.2.2 (*a*) to (*c*)]

1.3 Only 7 Companies including one subsidiary had finalised their accounts for the year 1986-87. The accounts of remaining 41 Companies including 11 subsidiaries were in arrears for periods ranging from 1 to 8 years.

(*Paragraphs* 2.2.3)

1.4 On the basis of latest available accounts which varied from Company to Company, the cumulative losses of 31 Companies came to Rs. 235·69 crores while 4 Companies together earned profit of Rs. 6·35 crores. The cumulative losses (Rs. 221·18 crores) sustained by 15 Eompanies exceeded their paid-up capital of Rs. 84·05 crores.

[*Paragraph* 2.2.4(ii)]

1.5 As a result of supplementary audit under section 619(4) of the Companies Act, 1956 of the accounts of 18 Companies, certified by the Chartered Accountants, there was decrease in profit and net increase in loss to the extent of Rs. 1·23 lakhs and Rs. 657·25 lakhs respectively.

[*Paragraph* 2.2.6(ii)]

1.6 The audit of annual accounts of West Bengal State Electricity Board vests solely with the Comptroller and Auditor General of India. The accounts of the Board had been prepared up to the year 1986-87 and their audit was in progress (February 1988). The accounts so prepared showed a net deficit of Rs. 8·17 crores for the year 1986-87.

(*Paragraphs* 2.3.2 and 2.4.4)

1.7 The accounts of the Calcutta State Transport Corporation had been prepared up to 1985-86 and the audit thereof was in progress (February 1988). The accounts so prepared showed a net deficit of Rs. 30·99 crores for the year 1985-86. The accounts of the Durgapur State Transport Corporation and North Bengal State Transport Corporation had been finalised up to 1976-77 and 1981-82 respectively and the audit reports thereon had been issued to the respective Corporations and Government on 26th June 1985 and on 10th March 1988 respectively.

(*Paragraphs* 2.3.2 and 2.5.3)

1.8 While the West Bengal Financial Corporation had finalised its accounts up to 1986-87, the West Bengal State Warehousing Corporation had finalised its accounts only up to 1982-83.

(*Paragraph* 2.3.3)

1.9 The audit of the West Bengal Industrial Infrastructure Development Corporation had been entrusted to the Comptroller and Auditor General of India under Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 initially for 5 years from June 1978 which was subsequently extended by another 5 years effective from June 1983. Accounts of the Corporation had been finalised up to 1979-80 and Audit Report thereon was issued to the Corporation and the Government on 11th February 1988.

(*Paragraph* 2.3.4)

1.10 The activities of three Government Companies *viz.*, West Bengal Industrial Development Corporation Limited, Webel Video Devices Limited and The State Fisheries Development Corporation Limited Inland fish farms activity were reviewed in audit.

(*Paragraphs* 3A, 3B and 3C)

1.11 Review of West Bengal Industrial Development Corporation Limited showed that tbe Company had rendered financial assistance of about Rs. 20,636·81 lakhs by way of investment (Rs. 3,472·10 lakhs), seed capital (Rs. 135·87 lakhs), loans (Rs. 10,902·32 lakhs) and subsidy (Rs. 6,126·52 lakhs) to 224 industrial Units (198 in private sector, 5 in public sector and 21 in joint sector) in 15 districts up to 31st March 1987. Only 3·2 *per cent* of the assistance went for units coming up in four "No Industry Districts". Out of 90 units in private sector in which Company's investment was Rs. 1,032·19 lakhs, 58 units commenced production and the Company had received dividends from only 13 units. Company's financial assistance to 6 units belonging to a particular group of industries was Rs. 307·44 lakhs and of these, 3 units had received more than one type of financial assistance. Central/State Government subsidy amounting to Rs. 237·25 lakhs remained undisbursed. The Company appointed its nominee on the board of directors of only 37 units against 198 units in private sector. Out of 5 public sector units, 3 have been sustaining losses. 6 units out of 21 units in joint sector commenced production of which 4 were running in loss.

Out of Rs. 10,902·32 lakhs disbursed as loan to assisted units, the repayment of loans aggregating Rs. 1,122·26 lakhs and interest on loans to the extent of Rs. 1,050·56 lakhs were overdue as on 31st March 1987. Poor recovery did not enable the Company to cover more units by recycling the funds. The Company could not make a dent in promoting industries in "No Industry Districts". Out of 224 assisted units, 119 had gone into production, 61 were under different stages of implementation and 44 had either become sick or had closed down. The Company did not have information regarding the reasons for non-commissioning of such a large number of units in the absence of follow-up action. It also did not have a proper system of monitoring the progress of these units due to which it could not take appropriate remedial steps.

(*Paragraphs* 3A.1 to 3A.11)

1.12 Review of Webel Video Devices Limited, a wholly owned subsidiary of West Bengal Electronics Industry Development Corporation Limited disclosed that the Company had no Managing Director since its formation (August 1977) to 1st August 1978 and again from 1st July 1983 to date (February 1988). Though the entire paid-up capital of Rs. 104·50 lakhs as on 30th September 1986 was subscribed by the holding company, it did not take any active part in day to day working of the Company. Instead, it allowed an industrialist to nominate two directors on the Board of the Company without insisting upon 25 *per cent* equity participation by him as per "Memorandum of Understanding" entered into with the industrialist in August 1985. The technical consultant who was responsible for trial run and commissioning of the plant left the organisation long before the trial run and commissioning of the plant. Accounts of the Company from 1980-81 onwards have not been finalised. Project scheduled to be commissioned in September 1978, was actually commissioned in August 1980 at a cost of Rs. 127·54 lakhs (booked up to September 1980). The time over-run was attributable to delay in completion of civil works and belated supply of equipment. The Company could never achieve its installed capacity (40,000 tubes *per annum*). Actual production varied from 9·7 *per cent* to 42·9 *per cent* of the installed capacity during the six years up to 1985-86. Low production was attributable to heavy rate of rejections, shortage of working capital, power shortage and persistent labour trouble. There was imbalance in process capacity as the exhaust oven was capable of producing only 8,400 tubes in one shift or 16,800 tubes in two shifts *per annum* against the overall capacity of 40,000 tubes *per annum*. Installation of additional ovens did not also improve performance. Higher cost of production and availability of tubes at cheaper price in the market affected the sales performance of the organisation. With such low record of achievement the Company has been sustaining loss, the extent of which is unascertainable in the absence of accounts from 1981-82 onwards.

(*Paragraphs* 3B.1 to 3B.9)

1.13 The State Fisheries Development Corporation Limited was established to augment fish supply in and around Calcutta by establishing/developing mainly brackish water and sweet water fishing farms. Review of the inland fish farms of the Company showed that yield per acre was far below the norms and the areas under possession could not entirely be brought under culture. Productions varied from 24·4 to 73·8 *per cent* of the capacity. The Company, thus, could not create any appreciable impact on the supply position in the market in Calcutta, let alone any impression on the fish market in the State as a whole. Inability to take appropriate action in time on the recommendations of the Committee on Public Undertakings mainly contributed to the decline in the fortunes of the Company.

(*Paragraphs* 3C.1 to 3C.5)

1.14 Some of the activities of the West Bengal State Electricity Board *viz.*, Fifth Unit (210 MW) Extension Project of Bandel Thermal Power Station, Billing and Revenue Control and Purchase procedure and Stores Control were also reviewed in audit.

(*Paragraphs* 4A, 4B, 4C)

1.15 A Review of the Fifth Unit (210 MW) Extension Project of Bandel Thermal Power Station disclosed that the unit was installed after a delay of about 6 years from the scheduled date of commissioning at an extra cost of Rs. 66·20 crores. Extra cost was mainly due to delay in completion of the civil, mechanical and electrical works. Consultants for the unit were appointed despite their services having been found deficient on earlier occasions. There were delays in release of the drawings and lay out designs by the consultants and in many cases the drawings so released had to undergo revisions by the consultants repeatedly. The failure of the consultants in incorporating suitable terms and conditions while drafting agreements with Contractors/Suppliers to safeguard the interest of Board resulted in acceptance of unjustified wage escalation clauses with a monetary impact of Rs. 17·23 lakhs till May 1984. The agreement with the consultant contributed to the blurring of responsibility with the result that the consultants could not be held responsible for delay in commissioning of the plant and consequent loss of revenue. Over payment to the supplier of equipment without considering the relevant provisions in the offer/order/agreement, shortfall in generation due to high forced outages, consumption of fuel in excess of norms, etc., were also noticed.

(*Paragraphs* 4A.1 to 4A.7)

1.16 A review of the billing and revenue control procuedure of the West Bengal State Electricity Board disclosed that in about 50 *per cent* of the cases bills were raised long after the prescribed period, meters for measuring consumption of energy were not rectified or replaced for a long time after they had developed defects and claims in those cases were regulated in an arbitrary manner deviating from the prescribed formula. Many cases of undercharge and short collection of revenue for various reasons were also noticed. Collection as a percentage of the total demand had been declining from year to year with accumulation of increasing arrears. Vigorous pursuance to realise the outstanding amount was lacking. The dues were allowed to accumulate and in many cases, the security deposit was not adequate to cover the dues. The Board did not utilise the mechanism of adjusting the security deposit towards outstanding dues and demanding replenishment/enhancement of security deposit to contain the overdues. Fuel surcharge and demand charges were not levied on the low and medium voltage industrial consumers. The rate of annual minimum charges fixed in 1978-79 remained unchanged in spite of increase in the cost of inputs. Internal control was not adequate and commensurate with the size of activities of the Board.

(*Paragraphs* 4B.1 to 4B.9)

1.17 Review of purchase procedure and stores control of the West Bengal State Electricity Board showed that there was no material budgeting. There were instances of concurrent placement of orders by different units for the same item on the same firm at different rates in the absence of co-ordinated procurement policy. Borrowed funds were used to procure materials in excess of requirements. The controls were lacking in the cases of materials issued to sub-contractors.

Piecemeal purchases from different sources at different rates had entailed extra expenditure. Diversion of funds intended for rural electrification programmes to other areas led to payment of interest and demurrage charges. The Board could not avail itself of concessional rate of sales tax because of non-furnishing of requisite form to the suppliers. Obsolete, non-moving and slow-moving items of stores were not identified periodically for disposal. While large number of stores materials were lying unutilised, new connections to low and medium voltage consumers could not be provided for want of certain critical items. No periodical physical verification of stores by independent stock verifiers were conducted and shortages noticed during verification were not investigated and responsibilities fixed. To study the problems in the system of management and control of inventory and to recommend measures of keeping the inventory at satisfactory level, a Committee was constituted and recommendations of the Committee excepting one, had not been considered by the Board.

(*Paragraphs* 4C.1 to 4C.12)

1.18 Besides, a test check of records of the Government Companies and Statutory Corporations revealed:

—avoidable loss of Rs. 5·14 lakhs due to spontaneous fire in the Silo bunkar of the Durgapur Projects Limited due to storage beyond permissible duration,

(*Paragraph* 5A.1)

—avoidable expenditure of Rs. 2·37 lakhs towards rent of godown at Calcutta retained by the Durgapur Projects Limited even after the purpose for which it was hired was over,

(*Paragraph* 5A.2)

—avoidable loss of Rs. 4·62 lakhs by Calcutta Tramways Company (1978) Limited due to not taking delivery of three under frames from the suppliers,

(*Paragraph* 5A.3)

—procurment without proper assessment of demand for and due to improper storage of wheat seeds and potato seeds, by West Bengal State Seed Corporation Limited and West Bengal Agro-Industries Corporation Limited resulting in losses to the tune of Rs. 3·76 lakhs and Rs. 4·52 lakhs respectively,

(*Paragraphs* 5A.4 & 5A.5)

—avoidable expenditure of Rs. 5·77 lakhs incurred by the State Electricity Board due to non-invitation of open tenders,

(*Paragraph* 5B.2)

—premature failure of a major portion of 291 double decker buses built at a total cost of Rs. 23·93 crores by Calcutta State Transport Corporation due to injudicious selection of 2 AL PD—5/1 chassis which were unsuitable to Calcutta roads and injudicious investment of Rs. 56·85 lakhs by the Corporation in forty Hindustan make buses without testing their suitability/performance on Calcutta roads.

(*Paragraph* 5B.5)

CHAPTER II

2. GENERAL VIEW OF GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

2.1 Introduction

This Chapter contains particulars about the investment in and state of accounts etc., of the Government Companies and Statutory Corporations.

Paragraph 2.2 gives a general view of Government Companies, paragraphs 2.3 deals with general aspects relating to Statutory Corporations and paragraphs 2.4 to 2.9 give more details about each Statutory Corporation including its financial and operational performance.

2.2 Government Companies—General View

2.2.1 There were 48 Government Companies (including 12 subsidiaries) as on 31st March 1987 in the State, as against 45 Government Companies (including 11 subsidiaries) as on 31st March 1986. During the year 1986-87 three new companies, according to the information received by Audit, were incorporated and one Company namely Limelight Industries Limited hitherto a Government Company became a subsidiary of West Bengal Small Industries Corporation Limited. The particulars of the three new Companies are as given below:

Sl. No.	Name of Company	Date of incorporation	Date of becoming Government Company	Authorised capital (Rs. in crores)
1.	Britannia Engineering Products & Services Limited	14th April 1986	14th April 1986	15·00
2.	The West Bengal Power Development Corporation Limited	5th July 1985	5th July 1985	10·00
3.	Webel Carbon and Metal Film Resistors Limited	1st August 1983	1st August 1983	0·75

2.2.2 The particulars of up-to-date paid-up capital, outstanding loans, amount of guarantees given by the State Government and the amount outstanding thereagainst, working results, etc., in respect of all the Government Companies are given in Annexure 2. The position is summarised below:

(*a*) Against the aggregate paid-up capital of Rs. 156·70 crores in 45 companies (including 11 subsidiaries) as on 31st March 1986, the aggregate paid-up capital as on 31st March 1987 stood at Rs. 177·46 crores in 48 Government Companies (including 12 subsidiaries) as per particulars given below:

Sl. No.	Particulars	Number of companies	Investment by State Government	Central Government	Others	Total investment
				(Rupees in crores)		
1.	Companies wholly owned by the State Government	24	127 33	—	—	127·33
2.	Companies jointly owned with Central Government/Others	12	39·16	3 64	2·81	45·61
3.	Subsidiary Companies	12	0 62	0·12	3·78	4·52
		48	167·11	3·76	6·59	177·46

(*b*) The balance of long-term loans outstanding in respect of 24 companies including 2 subsidiaries as on 31st March 1987 was Rs. ·422·31 crores (State Government: Rs. 299·96 crores, others: Rs. 120·28 crores and deferred payment credits: Rs. 2·07 crores) as against Rs. 363·55 crores (State Government: Rs. 255·66 crores, others: Rs. 95·93 crores and deferred payment credits: Rs. 11·96 crores) as on 31st March 1986 in respect of 27 companies including 4 subsidiaries.

(*c*) The State Government had guaranteed the repayment of loans raised by 17 companies and payment of interest thereon. The amounts guaranteed and outstanding thereagainst as on 31st March 1987 were Rs. 97·40 crores and Rs. 81·24 crores respectively as shown in Annexure 2.

The Companies have to pay commission in consideration of guarantees given by the Government. The payment of guarantee commission was in arrears to the extent of Rs. 1·21 crores payable by 9 Companies as shown in Annexure 2.

2.2.3 A synoptic statement showing the financial results of all the Companies based on the latest available accounts is given in Annexure 3.

Out of 48 Companies for which accounts up to 1986-87 were due, only 7 Companies (including one subsidiary) had finalised their accounts (position as on 31st December 1987) for the year 1986-87 (serial numbers 4, 7, 11, 17, 23, 30* and 46 of

*Subsidiary Company.

Annexure 2). In addition 20 Companies including 7 subsidiaries had finalised their accounts for some earlier years since the previous Report (Serial numbers 1, 2, 9, 10, 13, 15, 16, 18, 19, 21, 24, 26*, 28*, 32, 35*, 36*, 37*, 38*, 39* and 45 of Annexure 2) during the period covered by the Report.

It will be observed from Annexures 2 and 3 that the accounts of 41 Companies (including 11 subsidiaries) were in arrears. The position of arrears is summarised below:

Sl. No.	Extent of arrears	No. of years involved	Number of Companies		Investment by				Reference to Sl. No. of Annexure 3
					Government		Holding Companies		
			Com- panies	Sub- sidiary com- panies	Capital	Loans	Capital	Loans	
					(Rupees in crores)				
1.	1979-80 to 1986-87	8	1	—	0 10	2·54	—	—	22
2.	1980-81 to 1986-87	7	—	1	—	—	0 96	—	29*
3.	1981-82 to 1986-87	6	2	—	4 31	1·35	—	—	9, 14
4.	1982-83 to 1986-87	5	1	1	9 55	—	0 49	NA	15, 26*
5.	1983-84 to 1986-87	4	7	1	19 69	32·61	0·02	NA	2, 8, 10, 24, 25, 33, 38*, 48
6.	1984-85 to 1986-87	3	5	4	5·17	36 10	0 72	0 09	1, 3, 31, 34, 36*, 40*, 42, 43*, 44*
7.	1985-86 to 1986-87	2	5	—	16 12	44 82	—	—	5, 6, 13, 18, 20
8.	1986-87	1	9	4	62 47	80 32	1 34	0 82	12, 16, 19, 21, 27, 28*, 32, 35*, 37*, 39*, 41, 45, 47

In the absence of finalisation of accounts the productivity of the investment of Rs. 315·15 crores (capital: Rs. 117·41 crores and loans: Rs. 197·74 crores) by the State Government and Rs. 4·44 crores (capital: Rs. 3·53 crores and loans: Rs. 0·91

*Subsidiary Company.

crore) by the holding companies in these companies could not be conclusively vouchsafed.

The position of arrears in finalisation of accounts was last brought to the notice of Government in January 1988 at the level of the Chief Secretary to the Government of West Bengal.

2.2.4 In regard to the working results of the Companies, the following further observations are made:

(*i*) In respect of 7 Companies which finalised their accounts for 1986-87, the following position is reflected:

(*a*) One Company earned profit of Rs. 2·18 crores during 1986-87 and declared dividend of Rs. 15·00 lakhs representing 15 *per cent* of the paid-up capital. The particulars in respect of the Company giving the comparative position of the previous year are given below:

Sl. No.	Name of Company	Paid-up capital		Profit (+)/ Loss (−)		Percentage of profit to paid-up capital	
		1986-87	1985-86	1986-87	1985-86	1986-87	1985-86
		(Rupees in crores)				(*Per cent*)	
1.	Webel Telecommunication Industries Limited	1 00	1 00	(+)2 18	(+)1 88	218	188

(*b*) During the year 1986-87, five companies incurred losses aggregating Rs. 10·14 crores. Particulars in respect of them, giving the comparative position of the previous year, are given below:

Sl. No.	Name of Company	Paid-up capital		Profit (+)/Loss (−)	
		1986-87	1985-86	1986-87	1985-86
		(Rupees in crores)			
1.	The Durgapur Projects Limited	46 76	45·15	(−) 6·52	(−)9·32
2.	West Bengal Industrial Development Corporation Limited	14·76	12 35	(−) 1·30	(+)1·23
3.	West Bengal Mineral Development and Trading Corporation Limited	2 90	2·18	(−) 0 59	(−)0·33
4.	West Bengal Pharmaceutical and Phytochemical Development Corporation Limited	2·21	1 71	(−) 0·19	(−)0·14
5.	West Dinajpur Spinning Mills Limited	6·25	5·70	(−) 1·54	(−)1·26
	Total	72 88	67 09	(−)10·14	(−)9·82

(*c*) One company *viz.*, I.P.P. Limited which has finalised its accounts for 1986-87 was under construction.

(*ii*) As shown in Annexure 2, the accumulated losses in respect of 15 companies (including two subsidiaries) as reflected in the accounts received up to the period noted against each, had exceeded their paid-up capital at the close of the year:

Sl. No.	Name of Company	Year up to which accounts prepared	Paid-up capital at the close of the year	Accumulated loss up to the end of the year	Serial number of Annexure 2
			(Rupees in lakhs)		
1.	The Kalyani Spinning Mills Limited	1983-84	158·21	3,189·34	1
2.	Electro-Medical and Allied Industries Limited	1983-84	25·00	223·95	3
3.	The Durgapur Projects Limited	1986-87	4,676·16	6,771·18	4
4.	Durgapur Chemicals Limited	1984-85	509·31	4,265·21	5
5.	Westinghouse Saxby Farmer Limited	1982-83	100 00	2,618·16	10
6.	West Bengal Sugar Industries Development Corporation Limited	1984-85	236 60	603·23	13
7.	West Bengal Tourism Development Corporation Limited	1985-86	104·56	133·33	19
8.	Basumati Corporation Limited	1978-79	10 00	67·07	22
9.	West Bengal State Leather Industries Development Corporation Limited	1982-83	66 92	81·26	24
10.	West Bengal Ceramic Development Corporation Limited	1982-83	97·73	213·11	25
11.	West Bengal Tea Development Corporation Limited	1985-86	261 00	314·42	27
12.	Webel Business Machines Limited (subsidiary of West Bengal Electronics Industry Development Corporation Limited)	1985-86	19 03	27·36	28
13.	The Shalimar Works (1980) Limited	1983-84	75 00	198·14	34
14.	Webel-NICCO Electronics Limited (subsidiary of West Bengal Electronics Industry Development Corporation Limited)	1983-84	25·00	60 16	36
15.	The Calcutta Tramways Company (1978) Limited	1985-86	2,040·13	3,352·42	41

2.2.5 In addition there was one company covered under Section 619B of the Companies Act, 1956 as detailed below:

Sl. No.	Name of Company	Latest year of accounts	Paid-up capital	Investment by Government Companies	Profit(+)/ Loss(−) during the year
			(Rupees in lakhs)		
1.	West Bengal Filaments and Lamps Limited	1986-87	250·92	80·60	(−)44·89

2.2.6 Some of the important observations made by Statutory Auditors and as a result of audit by the Comptroller and Auditor General of India in respect of the accounts of the Companies audited during the year are mentioned below:

(*i*) The Companies Act, 1956, empowers the Comptroller and Auditor General of India to issue directives to the Auditors of the Government Companies in regard to the performance of their functions. In pursuance of the directives so issued, reports of the Company auditors on the accounts of thirteen Companies were received by 31st December 1987.

The important points noticed in these reports are summarised below:

Sl. No.	Nature of defects	Number of Companies where defects were noticed	Reference to Sl. No. of Annexure 2
1.	Non-maintenance of Internal Audit Manual defining the scope and programmes of work of the internal auditors	10	2, 4, 10, 11, 15, 17, 18, 21, 23, 27
2.	Non-fixation of minimum and maximum limits of stores/ spares	4	4, 23, 27, 41
3.	Non-fixation of norms of requirement/deployment of manpower	3	10, 18, 41
4.	Non-maintenance of Accounting Manual	6	2, 10, 11, 18, 21, 27
5.	Non-preparation of annual budgets	3	15, 18, 21
6.	Non-fixation of norms for consumption of major raw materials for manufacture of major products	1	10
7.	Non-fixation of production targets and non-maintenance of periodical quantity accounts	2	17, 23
8.	Non-maintenance of Asset Register	1	10
9.	Absence of effective system of obtaining confirmation of debts	5	10, 11, 15, 17, 41
10.	Absence of system of ascertaining idle time for labour, machinery and fixation of standard cost of various products	1	27

(*ii*) Under Section 619(4) of the Companies Act, 1956, the Comptroller and Auditor General of India has a right to comment upon or supplement the report of Company Auditors. Under this provision, the review of annual accounts of Government Companies is being conducted in selected cases. The accounts of 18 companies were selected for such review during the period from April 1986 to December 1987.

The net effect of the comments issued under Section 619(4) of the Act, *ibid*, was as follows:

Details	Number of accounts	Monetary effect (Rupees in lakhs)
(*i*) Increase in profit	—	Nil
(*ii*) Decrease in profit	1	1·23
(*iii*) Increase in loss	3	738·78
(*iv*) Decrease in loss	3	81·53
(*v*) Non-disclosure of material facts	7	217·81

Some of the major errors and omissions noticed in the course of review of annual accounts of some of these companies, not pointed out by Statutory Auditors, are mentioned below:

(*a*) **The Durgapur Projects Limited (accounts for the year 1986-87)**

(*i*) Liabilities as well as stores and spare parts (stock in transit) for the year 1986-87 were understated by Rs. 26·58 lakhs due to non-provision of customs duty payable on materials arrived at the port in March 1987.

(*ii*) Expenditure during construction was overstated by Rs. 6·33 lakhs due to excess provision for penal interest on the loan of Rs. 316·63 lakhs obtained from the State Government although the loan was not due for repayment.

(*iii*) Expenditure during construction (purchase of power: Rs. 20·90 lakhs) had been understated by Rs. 1·18 lakhs due to short accountal of 2·10 lakhs units of power imported for 6th unit resulting in overstatement of loss to the same extent.

(*iv*) 2,447·20 lakhs units of electricity supplied by 6th unit which was not declared commercial, was sold by the Company at inter system transaction rate of 56 paise per unit. However, credit to expenditure during construction was taken only at 50 paise per unit resulting in overstatement of capital expenditure during construction and understatement of loss to the extent of Rs. 162·32 lakhs.

(*v*) Interest accrued and due and interest accrued but not due were understated by Rs. 10·51 lakhs and Rs. 1·51 lakhs respectively due to short provision of penal rate of interest on loans (Rs. 481 lakhs) received from the Central Electricity Authority.

(*vi*) As against actual admissible rate of fuel surcharge of 33 paise per KWH from 1st April to 30th September 1986 and 27·38 paise from 1st October 1986 to 31st March 1987 a flat rate of 40·88 paise per KWH was charged on 460 million units of energy sold resulting in overstatement of sale by Rs. 476·22 lakhs and understatement of loss to the same extent.

(*vii*) 516·13 lakh units of power sold through DVC during the period from December 1986 to March 1987 was charged at 66·5 paise per unit instead of inter system transaction rate of 56 paise per unit resulting in overstatement of sales and understatement of loss to the extent of Rs. 54·19 lakhs.

(*b*) **West Bengal Small Industries Corporation Limited (accounts for the year 1982-83)**

Loss was understated by Rs. 1·72 lakhs on account of non-provision of interest on working capital loan (Rs. 1·58 lakhs), loan received under hire-purchase scheme (Rs. 5,375) and accrued interest on loan taken from a subsidiary (Rs. 8,630).

(*c*) **West Bengal Dairy and Poultry Development Corporation Limited (accounts for the year 1980-81)**

Interest amounting to Rs. 1·23 lakhs had not been provided for on State Government loans of Rs. 35·58 lakhs (interest being Rs. 53,366) and Rs. 7·00 lakhs (interest being Rs. 70,000) resulting in overstatement of profit for the year and understatement of current liabilities to that extent.

(*d*) **West Bengal State Minor Irrigation Corporation Limited (accounts for the year 1980-81)**

An advance amounting to Rs. 192·00 lakhs received (April 1978) by the Company was refunded (January 1980) as per State Government order for non-execution of certain schemes. The Company earned interest of Rs. 9·78 lakhs thereon by investing in short-term deposit. The Company had neither paid the interest claimed (January 1980) by the State Government nor provided for the liability resulting in understatement of other liabilities and loss for the year to that extent.

2.3 **Statutory Corporations—General aspects**

2.3.1 There were seven Statutory Corporations in the State as on 31st March 1987, *viz*:

West Bengal State Electricity Board;
Calcutta State Transport Corporation;
North Bengal State Transport Corporation;
Durgapur State Transport Corporation;
West Bengal Financial Corporation;
West Bengal State Warehousing Corporation; and
West Bengal Industrial Infrastructure Development Corporation.

2.3.2 The West Bengal State Electricity Board was constituted on 1st May 1955 under Section 5(*i*) of the Electricity (Supply) Act, 1948 and North Bengal State Transport Corporation, Calcutta State Transport Corporation and Durgapur State Transport Corporation were constituted on 15th April 1960, 15th June 1960 and 7th December 1973 respectively under the Road Transport Corporations Act, 1950.

Under the respective Acts, the audits of the West Bengal State Electricity Board and the State Transport Corporations vest solely with the Comptroller and Auditor General of India. Separate Audit Reports mainly incorporating the comments on the annual accounts of each year, are issued separately to the organisations and to Government.

The annual accounts along with the separate Audit Reports of the Board up to the year 1984-85 had been presented to the State Legislature while the accounts for the year 1985-86 and the Separate Audit Report thereon issued on 29th October 1987 had not been presented to the State Legislature so far (December 1987). The audit of annual accounts for the year 1986-87 received in January 1988 was in progress (February 1988).

The accounts of the Calcutta State Transport Corporation had been prepared up to 1985-86. The audit of annual accounts of the Corporation for the year 1985-86 received in August 1987 was in progress (February 1988). The separate Audit Report along with certified copy of accounts for the year 1984-85 issued to the Corporation and Government on 21st September 1987 had not been presented to the State Legislature so far (February 1988).

The accounts of the Durgapur State Transport Corporation and North Bengal State Transport Corporation had been finalised up to the year 1976-77 and 1981-82 and Audit Reports thereon were issued to the Corporations and Government on 26th June 1985 and on 10th March 1988 respectively. The annual accounts along with the separate Audit Reports up to the year 1976-77 in respect of Durgapur State Transport Corporation had been presented to the State Legislature. Separate Audit Report for the year 1981-82 in respect of the North Bengal State Transport Corporation had not been presented to the State Legislature so far (February 1988).

2.3.3 The West Bengal Financial Corporation was constituted on 1st March 1954 under Section 3(*i*) of the State Financial Corporation Act, 1951 and the West Bengal State Warehousing Corporation was constituted on 31st March 1958 under the Agricultural Produce (Development and Warehousing) Corporation Act, 1956 replaced by the Warehousing Corporation Act, 1962.

Under the respective Acts, the accounts of the Organisations are audited by the Chartered Accountants appointed by the State Government in consultation with the Controller and Auditor General of India and the latter may also undertake audit of the Corporations separately. Separate Audit Reports in respect of the annual accounts of the Corporations are also issued by the Comptroller and Auditor General of India. The annual accounts of the two Corporations had been certified by the Chartered Accountants up to the year 1986-87 and 1983-84 respectively. Separate Audit Reports on the annual accounts had been issued in respect of West Bengal Financial Corporation up to 1986-87 and in respect of West Bengal State Warehousing Corporation up to 1982-83 to the respective Corporations and Government while the separate Audit Report for the year 1983-84 in respect of West Bengal State Warehousing Corporation was under finalisation (March 1988).

2.3.4 The West Bengal Industrial Infrastructure Development Corporation (WBIIDC) was constituted in November 1973 under the West Bengal Industrial Infrastructure Development Corporation Ordinance 1973, subsequently replaced by West Bengal Industrial Infrastructure Development Corporation Act, 1974.

The Audit of the accounts of the Corporation has been entrusted to the Comptroller and Auditor General of India under

Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended in March 1984 initially for a period of 5 years from June 1978 which was subsequently extended in September 1983 for another 5 years effective from June 1983.

Separate Audit Report, mainly incorporating the comments on the annual accounts are issued separately to the Corporation and Government. The accounts of the Corporation had been finalised up to 1979-80. Audit Report on the annual accounts for the year 1979-80 was issued to the Corporation and Government on 11th February 1988. The separate Audit Report for the year 1975-76 was placed before the State Legislature on 11th June 1987 and the Audit Reports for the years 1976-77 to 1979-80 were yet to be placed before the State Legislature (February 1988).

2.3.5 The working results of these seven Statutory Corporations for the latest years for which accounts have been finalised are summarised in Annexure 4. Salient points about the accounts and physical performance of these Statutory Corporations are given in paragraphs 2.4 to 2.9.

2.4 West Bengal State Electricity Board

2.4.1 The Capital requirements of the Board are met by way of loans from Government, the public, the banks and other financial institutions.

The aggregate of long-term loans (including loans from Government) obtained by the Board and outstanding on 31st March 1987 was Rs. 1,192·35 crores and represented a decrease of Rs. 114·99 crores compared to the long-term loans of Rs. 1,307·34 crores outstanding at the end of previous year. Particulars of loans obtained from the State Government and other sources and outstanding at the close of March 1986 and March 1987, are as follows:

Sl. No.	Source	Amount outstanding as on 31st March		Percentage decrease
		1986	1987	(Percentage)
		(Rupees in crores)		
1.	State Government	604·52	451·63	—
2.	Others	702·82	740·72	—
	Total	1,307·34	1,192·35	8·8

2.4.2 Government had guaranteed repayment of loans raised by the Board to the extent of Rs. 1,013·34 crores and payment of interest thereon. The amount of principal guaranteed and outstanding thereagainst as on 31st March 1987 was Rs. 725·54 crores. The Board has to pay guarantee fee in consideration of the guarantees given by the Government. The payment of guarantee fee to the extent of Rs. 11·15 crores was in arrears as at the close of March 1986.

2.4.3 The financial position of the Board at the end of the three years up to March 1987 is given below:

	1984-85	1985-86	1986-87
		(Rupees in crores)	
			(Provisional)
A. Liabilities			
1. Long-term loans from			
(*a*) Government	504·37	604·52	451·63
(*b*) Other sources	674·80	702·82	740·72
2. Subvention and grants from			
(*a*) Government	—	—	—
(*b*) Others	56·45	63·29	72·72
3. Overdrafts/Ways and means advances from Government	19·65	28·53	16·30
4. Interest on loans	262·44	311·86	298·42
5. Deposits from public	15·65	18·23	21·86
6. Current liabilities and provisions ..	159·67	277·47	269·65
7. (*a*) Reserves and reserve funds ..	6·73	6·74	6·74
(*b*) Surplus(+)/Deficit(−)	(−)194·03	(−)223·94	(−)232·11
Total—A	1,505·73	1,789·52	1,645·93
B. Assets			
1. Gross fixed assets	569·59	904·68	568·98
(*a*) Depreciation	132·16	152·02	170·70
(*b*) Net fixed assets	437·43	752·66	398·28
2. Capital Works-in-Progress	701·87	559·29	512·62
3. Current assets	366·43	477·57	735·03
Total—B	1,505·73	1,789·52	1,645·93
C. Capital employed	574·54	594·14	878·53
D. Capital invested	1,180·46	1,314·00	1,289·34

Notes: 1. Capital employed represents net fixed astets (excluding capital works-in-progress) *plus* working capital.

2. Capital invested represents paid-up capital *plus* long-term loan*Splus* Free-Reserves.

2.4.4 Up to 1984-85, the order of allocation of gross surplus was prescribed according to the then existing Section 67 of the Electricity (Supply) Act, 1948. The provisions of the Act had been revised (August 1983) providing for showing the working results on uniform commercial accounting system applicable for accounts from 1985-86 onwards.

The working results of the Board for the three years up to 1986-87 on comparative commercial basis are summarised below:

	1984-85	1985-86	1986-87
		(Rupees in crores)	
1. (*a*) Revenue receipts	214·08	288·24	348·01
(*b*) Subsidy from the State Government ..	13·17	20·89	28·45
Total	227·25	209·13	376·46
2. Revenue expenditure including write off of intangible assets	201·70	252·92	318·71
3. (*a*) Gross surplus (+)/deficit (−) for the year	(+)25·55	(+)56·21	(+)57·75
(*b*) Adjustments relating to previous years ..	(+)20·93	(−) 3·65	(+) 0·11
(*c*) Surplus (+)/deficit (−)	(+)46·48	(+)52·56	(+)57·86
4. Appropriations:			
(*a*) Depreciation	19·99	19·48	19·35
(*b*) Interest on Government loans ..	42·22	47·24	44·32
(*c*) Interest on other loans and bonds ..	52·20	65·21	50·90
(*d*) Total interest on loans	94·42	112·45	95·22
(*e*) *Less* interest capitalised	32·75	49·46	48·54
(*f*) Interest charged to revenue ..	61·67	62·99	46·68
5. Net surplus (+)/deficit (−)	(−)35·18	(−)29·91	(−) 8·17
6. Total return:			
On capital employed	26·49	33·08	38·51
On capital invested	26·02	28·14	36·64
7. Percentage of return:			
On capital employed	4·6	5·6	4·4
On capital invested	2·2	2·1	2·8

The following major irregularities and omissions were pointed out in the Audit Report on the annual accounts of the Board for the year 1985-86 referred to in paragraph 2.3.2 *supra.* Some of these have been persisting for long.

(1) Fixed Assets (Gross Block: Rs. 90,468·00 lakhs) do not include Rs. 403·77 lakhs being the value of works completed and put to use but shown under "Capital Expenditure in Progress" and Rs. 318·63 lakhs being the value of capital spares of generating units exhibited under "Stock of Materials at other Stores".

(2) Other receivables (Rs. 6,991·07 lakhs) stand overstated by Rs. 36·15 lakhs (net) on account of (*i*) inclusion of claims at higher rate than that approved by the State Government from a Co-operative Society, (*ii*) claims already waived by the Board but not written off, and (*iii*) non-adjustment of cheques received from consumers but subsequently dishonoured.

(3) Cash and bank balances (Rs. 1,796·69 lakhs) stand understated by Rs. 126·39 lakhs due to non-accountal of cheques/drafts received, cheques issued but time barred or cancelled, setting off of bank balances against overdraft and overstated by Rs. 1·84 lakhs on account of non-adjustment of value of cheques deposited but not credited and non-accountal of bank debits, resulting in net understatement by Rs. 124·55 lakhs.

2.4.5 The following table indicates the operational performance of the Board for the three years up to 1986-87:

	1984-85	1985-86	1986-87
		(MW)	
1. **Installed capacity:**			
(*i*) Thermal	1,024·00	1,444·00	1,024·00
(*ii*) Hydel	45·80	45·00	45·60
(*iii*) Others	120·00	118·80	118·80
Total—1	1,189·80	1,607·80	1,188·40
		(MKWH)	
2. **Power generated:**			
(*i*) Thermal	3,538·65	4,566·66	3,745·09
(*ii*) Hydel	131·91	130·90	109·20
(*iii*) Others	71·22	57·00	38·99
Total—2	3,741·78	4,754·56	3,893·28

	1984-85	1985-86	1986-87
3. *Less:* Auxiliary consumption	380·02	480·41	387·86
4. Net Power generated (2—3)	3,361·76	4,274·15	3,505·42
5. Power purchased/procured	819·39	734·27	1,867·12
6. Total Power available for sale (4+5) ..	4,181·15	5,008·42	5,372·54
7. Normal maximum demand	983·00	862·00	950·00
8. Power sold	3,250·40	3,848·78	4,107·29
9. (*i*) Transmission and distribution loss ..	929·45	1,158·34	1,263·95
(*ii*) Free supply to Bhutan	1·30	1·30	1·30
		(*Per cent*)	
10. Load factor	69·1	60·5	NA
11. Percentage of generation to installed capacity	35·9	33·8	37·4
12. Percentage of transmission and distribution losses to total power available for sale ..	22·2	23·1	23·5
		(KWH)	
13. Number of units generated per KW of installed capacity	3,145·0	2,957·2	3276·1
14. Number of Villages/Towns electrified ..	NA	NA	NA
15. (*a*) Pumpsets/Wells energised ..	NA	NA	NA
(*b*) Pumpsets/Wells awaiting energisation	NA	NA	NA
16. Number of Substations (33 KV and above)	NA	NA	NA
17. Transmission/Distribution losses:			
(*i*) High/Medium voltage	NA	NA	
(*ii*) Low voltage	NA	NA	
18. Number of consumers (in lakhs) ..	NA	NA	
19. Number of employees	NA	NA	
20. Total expenditure on staff (Rupees in lakhs)	6,994·00	7,847·44	8,090·35
21. Percentage of expenditure on staff to total revenue expenditure—	24·7	23·4	21·0
22. Break-up of sale of energy according to categories of consumers (Mkwh):			
(*a*) Agriculture	111·49	127·16	
(*b*) Industries	1,156·21	1,541·11	
(*c*) Commercial	263·61	156·30	
(*d*) Domestic	211·93	257·80	
(*e*) Others	1,507·16	1,766·41	
Total—22	3,250·40	3,848·78	
		In paise	
23. (*a*) Revenue per Kwh (excluding subsidy)	64·26	74·89	
(*b*) Expenditure per Kwh	68·20	87·14	
(*c*) Profit (+)/Loss (—) per Kwh ..	(—)3·94	(—)12·25	

2.5 **Calcutta State Transport Corporation**

2.5.1 Under Section 23(*i*) of the Road Transport Corporations Act, 1950, the State Government and the Central Government had agreed to contribute the capital in the ratio of 6·08:1.

The capital of the Corporation as on 31st March 1987 amounting to Rs. 708·46 lakhs (Rs. 608·46 lakhs contributed by the State Government and Rs. 100·00 lakhs by the Central Government) was the same as on 31st March 1986. Interest on capital received from the State Government and the Central Government is payable at the rate of 4 to 6 *per cent* and 6·25 *per cent* respectively. Interest amounting to Rs. 893·33 lakhs was payable on capital up to the year 1986-87.

2.5.2 The Corporation has finalised its accounts up to the year 1985-86 and the accounts for the year 1986-87 were in arrears (February 1988).

The financial position of the Corporation at the end of three years up to 1985-86 is given below:

	1983-84	1984-85	1985-86
		(Rupees in lakhs)	
A. *Liabilities*			
1. Capital	708·46	708·46	708·46
2. Reserves and Surplus	2,430·84	2,792·45	3,179·11
3. Borrowings	7,249·78	8,272·78	9,441·32
4. Trade dues and other current liabilities ..	3,318·15	3,721·39	4,434·84
Total—A	13,707·23	15,495·08	17,763·73
B. *Assets*			
1. Gross block	6,735·32	6,948·65	7,693·58
2. *Less* Depreciation	3,092·90	3,348·72	3,835·56
3. Net fixed assets	3,642·42	3,599·93	3,858·02
4. Capital work-in-progress	127·02	59·33	53·86
5. Investments	2,013·46	2,243·83	2,521·60
6. Current assets, loans and advances ..	2,302·60	2,588·61	2,648·34
7. Accumulated loss	5,621·73	7,003·38	8,681·91
Total—B	13,707·23	15,495·08	17,763·73

	1983-84	1984-85	1985-86
		(Rupees in lakhs)	
C. *Capital invested	7,958·23	8,981·23	10,149·78
D. **Capital employed	2,587·83	2,336·44	1,917·92

2.5.3 The working results of the Corporation for the three years up to 1985-86 are summarised below:

Particulars	1983-84	1984-85	1985-86
		(Rupees in lakhs)	
1. (*a*) Operating:			
Revenue	1,628·95	1,426·60	1,551·34
Expenditure	3,617·01	3,826·05	4,169·77
Deficit	1,988·06	2,399·45	2,618·43
(*b*) Non-operating:			
Revenue	90·95	112·86	83·06
Expenditure	423·28	467·65	563·96
Deficit	332·33	354·79	480·90
2. Total Revenue	1,719·90	1,539·46	1,634·40
3. Total Expenditure	4,040·29	4,293·70	4,733·73
4. Net loss	2,320·39	2,754·24	3,099·33
5. Interest on capital and loan	435·72	485·32	567·53
6. Total return on:			
(*i*) Capital employed	(−)1,884·67	(−)2,268·92	(−)2,531·80
(*ii*) Capital invested	(−)1,925·81	(−)2,310·05	(−)2,572·93

*Capital invested represents capital *plus* long-term loans and free reserve.
**Capital employed represents net fixed assets (excluding capital work-in-progress) *plus* working capital.

2.5.4 The table below indicates the physical performance of the Corporation for the three years up to 1986-87:

	1984-85	1985-86	1986-87
1. Average number of vehicles held ..	1,145·5	1,166	1,204
2. Average number of vehicles on road per shift	653	721	658
3. Percentage of utilisation	57·0	61·84	54·65

	1984-85	1995-86	1986-87
4. Kilometres covered (in lakhs):			
(*a*) Gross	395·36	407·42	434·16
(*b*) Effective	374·38	383·14	402·00
(*c*) Dead	20·97	24·27	32·16
5. Percentage of dead kms to gross kms ..	5·31	5·96	7·41
6. Average kms covered per vehicle per day ..	160	163	167
7. Average revenue per km (in paise) ..	409·94	429·73	NA
8. Average expenditure per km (in paise) ..	1,132·53	1,200·07	NA
9. Loss per km (in paise)	722·59	770·34	NA
10. Total route kms	9,828·16	10,379·58	105·88
11. Number of operating depots	9	9	9
12. Average number of break-downs per lakh kms	265·22	250·68	167·00
13. Average number of accidents per lakh kms	1·40	1·30	1·23
14. Passenger kms scheduled (in lakhs) ..	30,416	28,148	25,454
15. Passenger kms operated (in lakhs) ..	26,324	23,770	NA
*16. Occupancy ratio (*per cent*)	87	84	NA

*Occupancy ratio means total seat kms occupied (in lakhs) out of total seat kms offered (in lakhs) expressed in percentage.

2.6 North Bengal State Transport Corporation

2.6.1 The capital of the Corporation amounting to Rs. 825·56 lakhs (Rs. 587·04 lakhs contributed by the State Government and Rs. 238·52 lakhs by the Central Government) as on 31st March 1987 was the same as on March 1986.

2.6.2 The accounts of the Corporation were in arrears since 1985-86 onwards. Audit of accounts for the years 1979-80 to 1981-82 were completed and Audit reports thereon were issued to the Corporation on/Government in December 1987, January 1988 and March 1988 respectively. The audit of accounts for the years 1982-83, 1983-84 (received on 26th November 1987) and for 1984-85 (received on 12th February 1988) was in progress (February 1988).

2.6.3 Data of the operational performance of the Corporation for the three years up to 1986-87 is given below:

		1984-85	1985-86	1986-87
1.	Average number of vehicles held* ..	418	353	418
2.	Average number of vehicles on road** ..	242	303	350
3.	Percentage of utilisation	55	85	84
4.	Kilometres covered (in lakhs):			
	(*a*) Gross	187·94	192·47	288·99
	(*b*) Effective	186·40	190·92	286·72
	(*c*) Dead	1·54	1·55	2·27
5.	Percentage of dead kms to gross kms ..	0·82	0·81	0·79
6.	Average kms covered per bus per day ..	200	163	209
7.	Average revenue per km (in paise) ..	251	280	289
8.	Average expenditure per km (in paise) ..	631	704	578
9.	Loss per km (in paise)***	380	424	289
10.	Total route kms	21,982	25,696	37,200
11.	Number of operating depots	17	17	17
12.	Average number of break-downs per lakh kms	15	15	15
13.	Average number of accidents per lakh kms	0·25	0·21	0·19
14.	Passenger kms scheduled (in lakhs) ..	4,349·48	5,205·18	7,518·30
15.	Passenger kms operated (in lakhs) ..	3,697·09	4,528·55	4,210·25
16.	Occupancy ratio (*per cent*)	85	87	56

*Excluding 46 trucks held in 1984-85, 25 trucks in 1985-86 and 31 trucks in 1986-87.
**Excluding 13 trucks in 1984-85, 18 trucks in 1985-86 and 26 trucks in 1986-87.
***Includes information in respect of goods transport service.

2.7 **Durgapur State Transport Corporation**

2.7.1 As on 31st March 1987 the capital of the Corporation was Rs. 1,549·87 lakhs (wholly subscribed by the State Government) as against the capital of Rs. 1,431·87 lakhs as on 31st March 1986.

2.7.2 The accounts of the Corporation for 1977-78 and onwards were in arrears.

2.7.3 Data on the operational performance of the Corporation for the three years up to 1986-87 is given below:

	1984-85	1985-86	1986-87
1. Average number of vehicles held ..	186	203	223
2. Average number of vehicles on road per shift	97	106	103
3. Percentage of utilisation	52	52	46
4. Kilometres covered (in lakh kms):			
(a) Gross	72·20	81·63	84·45
(b) Effective	66·07	75·36	76·62
(c) Dead	6·13	6·27	7·83
5. Percentage of dead kms to gross kms ..	8	8	10
6. Average kms covered per vehicles per day ..	251	195	94
7. Average revenue per km (in paise) ..	263	272	256
8. Average expenditure per km (in paise) ..	746	721	756
9. Loss per km (in paise)	483	449	500
10. Number of operating depots	1	1	1
11. Average number of break-downs per lakh kms	20	21	21
12. Average number of accidents per lakh kms	1·37	0·54	0·70
13. Passenger kms scheduled (in lakhs) ..	3,304	3,768	NA
14. Passenger kms operated (in lakhs) ..	2,314	2,440	NA
15. Occupancy ratio (*per cent*)	70	65	57

2.8 West Bengal Financial Corporation

2.8.1 The paid-up capital of the Corporation as on 31st March 1987 was Rs. 1,000·00 lakhs [Rs. 475·89 lakhs contributed by the State Government, Rs. 475·88 lakhs by the Industrial Development Bank of India (IDBI) and Rs. 48·23 lakhs by others], as against Rs. 951·27 lakhs (Rs. 451·52 lakhs contributed by the State Government, Rs. 451·52 lakhs by IDBI and Rs. 48·23 lakhs by others) as on 31st March 1986.

Government had guaranteed under Section 6(*i*) of the State Financial Corporations Act, 1951 the repayment of share capital of Rs. 920·00 lakhs (excluding special share capital of Rs. 80 lakhs) and payment of minimum dividend thereon at 3·5 *per cent*. Subvention paid by Government (during the nonprofit earning period of the Corporation) towards the guaranteed dividend amounted to Rs. 11·87 lakhs which was outstanding for repayment as on 31st March 1987.

Government had also guaranteed repayment of market loan of Rs. 3,547·50 lakhs raised by the Corporation through bonds and debentures. Amount of principal outstanding thereagainst as on 31st March 1987 was Rs. 3,547·50 lakhs.

2.8.2 The table below summarises the financial position of the Corporation under the broad headings at the end of the three years up to 1986-87:

	1984-85	1985-86	1986-87
		(Rupees in lakhs)	
A. Liabilities:			
1. Paid-up capital	936·27	1,000·00*	1,095·00†
2. Reserve fund, other reserves and surplus	456·35	606·31	687·31
3. Borrowings:			
(i) Bonds and debentures ..	2,420·00	2,915·00	3,547·50
(ii) Others	2,950·76	3,748·05	4,763·19
4. Subvention paid by State Government on account of dividend	11·87	11·87	11·87
5. Other liabilities and provisions ..	335·29	452·96	786·28
Total—A	7,110·54	8,734·19	10,891·15
B. Assets:			
1. Cash and Bank balances ..	160·93	148·48	180·80
2. Investments	16·28	16·28	18·28
3. Loans and Advances	6,730·16	8,274·02	10,381·52
4. Debentures, shares etc., acquired under underwriting agreements ..	37·37	36·34	41·34
5. Net fixed assets	9·71	9·51	14·13
6. Dividend deficit account ..	11·87	11·87	11·87
7. Other Assets	144·22	237·69	243·21
Total—B	7,110·54	8,734·19	10,891·15
C. **Capital Employed	6,143·33	7,525·84	9,286·20
D. ***Capital Invested	6,612·59	8,170·08	10,189·16

*Includes Rs. 48·73 lakhs of share application money. (+) Includes Rs. 95·00 lakhs of share application money.

**Capital employed represents the 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.

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

2.8.3 The following table gives details of the working results of the Corporation for the three years up to 1986-87:

Particulars	1984-85	1985-86	1986-87
		(Rupees in lakhs)	
1. Income:			
(a) Interest on loans and advances ..	534·17	663·12	851·76
(b) Other income	10·71	10·70	15·79
Total—1	544 88	673·82	867·55
2. Expenditure:			
(a) Interest on long-term loans ..	392·71	442·98	610·22
(b) Other expenses	63·40	79·22	95·88
Total—2	456·11	522·20	706·10
3. Profit before tax	88·77	151·62	161·45
4. Provision for tax	24·00	56·00	55·00
5. Profit after tax	64·77	95·62	106·45
6. Other appropriations	35·51	60·65	66·58
7. Amount available for dividend ..	29·26	34·97	39·87
8. Dividend paid	2·17	1·69	1·49
9. (a) Capital employed	6,143·33	7,525·84	9,286·20
(b) Capital invested	6,612·59	8,170·08	10,189·16
10. Total return on:			
(a) Capital employed	481·48	594·60	771·66
(b) Capital invested	481·48	594·60	771·66
11. Percentage of return on:			
(a) Capital employed	7·8	7·9	8·3
(b) Capital invested	7·3	7·3	7·6

2.8.4 The following table indicates the position regarding the receipts and disposal of applications of loans for the three years up to 1986-87:

Particulars	1984-85		1985-86		1986-87		Cumulative	
	Number	Amount (Rupees in lakhs)	Number	Amount (Rupees in lakhs)	Number	Amount (Rupees in lakhs)	Number	Amount (Rupees in lakhs)
1. Applications pending at the beginning of the year	362	537·62	271	303·76	291	408·00	—	—
2. Applications received during the year ..	2426	3,210·48	1901	3,889·33	1730	5,441·66	12923	33,079·75
3. Total	2788	3,748·10	2172	4,193·09	2021	5,849·66	12923	33,079·75
4. Applications sanctioned during the year	2162	2,758·11	1581	3,315·33	1653	4,079·93	10714	24,413·26
5. (*a*) Applications cancelled/withdrawn/reduced	281	335·19	249	368·49	97	1,008·15	1681	5,543·15
(*b*) Rejected	74	167·73	51	101·27	—	296·29	256	2,658·05
6. Applications pending at the close of the year	271	303·76	291	403·00	271	465·29	271	465·29
7. Loans disbursed	1814	1,568·85	1030	2,087·10	1355	2,636·68	6139	13,174·19
8. Loans outstanding at the close of the year	3546	7,652·84	4523	9,670·78	5871	10,381·52	5871	10,381·52
9. Amount overdue for recovery at the close of the year:								
(*a*) Principal	—	449·14	—	475·14	—	599·32	—	599·32
(*b*) Interest	—	669·02	—	709·02	—	1,316·28	—	1,316·28
(*c*) Total	—	1,118·16	—	1,184·16	618	1,915·60	618	1,915·60
					(*Per cent*)			
10. Percentage of default to total loans outstanding		15·2		12·52		18·45		18·45

2.8.5 Investment made by the Corporation at the close of the year 1986-87 included Rs. 12·52 lakhs towards share capital and Rs. 950·32 lakhs towards loans (including interest of Rs. 482·12 lakhs) on 92 units lying closed or considered sick (representing 28 *per cent* and 7·75 *per cent* of the total investment by the Corporation in all the units in share capital and loans respectively). The Corporation had made a provision of Rs. 19·12 lakhs towards bad and doubtful debts up to 31st March 1987.

2.9 **West Bengal State Warehousing Corporation**

2.9.1 The paid-up capital of the Corporation as on 31st March 1987 was Rs. 449·40 lakhs (Rs. 244·70 lakhs contributed by the State Government and Rs. 204·70 lakhs by Central Warehousing Corporation) against Rs. 399·40 lakhs (Rs. 224·70 lakhs contributed by the State Government and Rs. 174·70 lakhs by Central Warehousing Corporation) as on 31st March 1986.

2.9.2 The table below summarises the financial position of the Corporation at the end of the three years up to 1983-84:

	1981-82	1982-83	1983-84
		(Rupees in lakhs)	
A. Liabilities:			
1. Paid-up capital	319·40	319·40	379·40
2. Reserve and surplus	101·34	118·44	123·52
3. Trade dues and other current liabilities	108·93	132·51	127·26
Total—A	529·67	570·35	630·18
B. Assets:			
1. Gross block	145·69	153·76	195·52
2. *Less:* Depreciation	30·26	32·74	35·86
3. Net fixed assets	115·43	121·02	159·66
4. Capital work-in-progress	5·38	7·80	60·97
5. Investment	19·25	25·68	32·48
6. Current assets, loans and advances ..	389·61	415·85	377·07
Total—B	529·67	570·35	630·18
C. *Capital employed	396·11	404·36	409·47

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

2.9.3 The following table gives the details of the working results of the Corporation for the three years up to 1983-84:

Particulars	1981-82	1982-83	1983-84
		(Rupees in lakhs)	
1. Income:			
(*i*) Warehousing charges	155·92	164·89	151·13
(*ii*) Other receipts	3·83	7·21	6·41
Total—1	159·75	172·10	157·54
2. Expenditure:			
(*i*) Establishment charges	58·38	72·06	70·92
(*ii*) Other expenses	65·51	67·05	73·22
Total—2	123·89	139·11	144·14
3. Profit before tax	35·86	32·99	13·40
4. Provision for tax	2·13	4·07	3·82
5. Other appropriations	6·07	6·15	3·51
6. Amount available for dividend	27·66	22·77	6·07
7. Proposed dividend	12·72	18·02	17·27
(*Per cent*)	5	5	5
8. Total return on capital employed ..	35·86	32·99	13·40
		(*Per cent*)	
9. Percentage of return on capital employed ..	9·1	8·2	3·3

2.9.4 The following table gives details of the storage capacity created, capacity utilised and other information about performance of the Corporation for the three years up to 1986-87:

Particulars	1984-85	1985-86	1986-87
1. Number of stations covered	39	38	40
		(Tonnes in lakhs)	
2. Storage capacity created up to the end of the year:			
(*a*) Owned	0·53	0·63	0·76
(*b*) Hired	1·55	1·58	1·54
Total	2·08	2·21	2·30

Particulars	1984-85	1985-86	1986-87
3. Average capacity utilised during the year ..	1·80	1·92	2·03
		(Per cent)	
4. Percentage of utilisation	88	87	87
		(Rupees)	
5. Average revenue per tonne	82·00	83·00	NA
6. Average expenses per tonne	75·00	79·00	NA

2.10 West Bengal Industrial Infrastructure Development Corporation

2.10.1 The Corporation has no share capital of its own. The Corporation has obtained long-term loans from the State Government from time to time. Outstanding balance of loans as on 31st March 1980 was Rs. 267·34 lakhs as against Rs. 270·92 lakhs as on 31st March 1979.

2.10.2 The table below summarises the financial position of the Corporation at the end of the three years up to 1979-80:

	1977-78	1978-79	1979-80
		(Rupees in lakhs)	
A. Liabilities:			
1. Loans from State Government ..	275·56	270·92	267·34
2. Net Balance of Deposit Works ..	161·23	145·04	125·96
3. Reserve and Surplus	2·71	4·28	3·84
4. Trade dues and other current liabilities	58·26	75·48	115·30
Total—A	497·76	495·72	512·44
B. Assets:			
1. Gross Block	62·94	80·10	87·02
2. *Less:* Depreciation	0·35	0·39	0·44
3. Net Block	62·59	79·71	86·58
4. Expenditure for Development of Industrial areas and estates	17·56	22·19	30·67
5. Current assets and loans and advances	417·61	393·82	395·19
Total—B	497·76	495·72	512·44
C. *Capital employed	421·94	398·05	366·47
D. **Capital invested	278·27	275·20	271·18

*Capital employed represents Net Fixed Assets *plus* working capital.
**Capital invested represents long-term loans *plus* free reserves.

2.10.3 The following table gives the details of the working results of the Corporation for the three years up to 1979-80:

Particulars	1977-78	1978-79	1979-80
		(Rupees in lakhs)	
A. Income:			
1. Annual rent of land and building ..	0·08	0·10	0·02
2. Recoveries of Overheads on development work cost at 12½ *per cent*	1·01	2·24	2·81
3. Interest from Bank	8·58	13·15	15·06
4. Interest from Entrepreneurs ..	1·91	2·59	7·54
5. Water Supply and Electricity Supply charges	—	0·24	1·84
6. Miscellaneous income	0·08	0·13	0·07
Total—A	11·66	18·45	27·34
B. Expenditure:			
1. Administrative expenses	2·10	3·15	4·89
2. Interest on loan	8·92	13·05	22·25
3. Other expenses	0·50	0·68	0·65
Total—B	11·52	16·88	27·79
C. Profit (+)/Loss (−) before tax ..	(+)0·14	(+)1·57	(−)0·45
D. Provision for tax	Nil	Nil	Nil
E. Net profit (+)/Loss (−)	(+)0·14	(+)1·57	(−)0·45
F. Total return on:			
(*a*) Capital employed	9·06	14·62	21·80
(*b*) Capital invested	9·06	14·62	21·80
		(*Per cent*)	
G. Percentage of total return on:			
(*a*) Capital employed	2·1	3·7	5·9
(*b*) Capital invested	3·3	5·3	8·0

CHAPTER III

3. REVIEWS RELATING TO GOVERNMENT COMPANIES

This Chapter contains reviews on the working of the following three Companies:

3A. West Bengal Industrial Development Corporation Limited

3B. Webel Video Devices Limited

3C. The State Fisheries Development Corporation Limited—Inland Fish Farms.

3A. WEST BENGAL INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

HIGHLIGHTS

After following the accrual system of accounting all along, the Company suddenly switched over to cash basis of accounting during 1986-87 with the result the accounts of the Company do not reflect a true and fair view of the results of working and the financial position of the Company.

During 20 years of its working, although the Company had rendered financial assistance of about Rs. 20,636·81 lakhs to 224 industrial units in 15 districts (198 units in private sector, 5 in public sector, and 21 in joint sector), only 3·2 *per cent* of the assistance went for units coming up in 4 "No Industry Districts". One such district did not get any financial assistance. Out of 224 units, 119 units had gone into production, 61 units were under implementation and 44 units had either become sick or had closed down.

The Company invested Rs. 982·19 lakhs in the equity and Rs. 50 lakhs in the debentures of 90 industrial units in the private sector; out of them 58 units (assistance: Rs. 807·75 lakhs) commenced production, 23 units (assistance: Rs. 138·05 lakhs) were under implementation and 9 units (assistance: Rs. 86·39 lakhs) had either become sick or had closed down. The Company had received dividends of Rs. 14·79 lakhs during the three years up to 1986-87 from 13 units in which its investment was Rs. 69·60 lakhs. The other producing units did not pay any dividend. Of them, 31 units with Company's investment of Rs. 140·80 lakhs were under an obligation to buy back their shares as they failed to pay dividend for three years or more. However, this provision was not invoked.

The Company appointed its nominees on the Board of Directors of only 37 units out of 198 units in private sector up to June 1987.

All the three public sector units, in which Company participated in equity shares of Rs. 178 lakhs had been sustaining losses.

Out of 21 industrial units in joint sector, in which the Company had invested Rs. 2,253·91 lakhs by way of equity participation and Rs. 178·32 lakhs in the form of loan, 6 units (Company's investment in equity: Rs. 425·54 lakhs and loan: Rs. 178·32 lakhs) were under production, 9 units (Company's investment: Rs. 1,828·37 lakhs) were under various stages of implementation and 6 units on which the Company had spent Rs. 72·10 lakhs had been abandoned. Out of 6 units under production, 4 units were running in loss. One unit (Company's investment: Rs. 4·45 lakhs) had declared dividend.

The Company disbursed Rs. 135·87 lakhs on concessional terms to 14 units under the "Seed Capital Assistance" scheme of IDBI up to 31st March 1987. An amount of Rs. 0·99 lakh was outstanding from these units towards service charges.

Out of Rs. 10,902·32 lakhs disbursed as loans (term loan: Rs. 6,313·45 lakhs, bridge loan: Rs. 1,918·68 lakhs and short-term loan: Rs. 2,670·19 lakhs) to industrial units, Rs. 6,803·34 lakhs were outstanding as on 31st March 1987. Bridge loan and short-term loans granted for short tenure to units were not being recovered promptly. The repayment of loans aggregating Rs. 1,122·26 lakhs and interest on loans to the extent of Rs. 1,050·56 lakhs were overdue as on 31st March 1987. 34 units assisted with term-loan of Rs. 1,104·92 lakhs had either become sick or had closed down. In 2 cases loans (Rs. 47·50 lakhs) were outstanding for over 5 years. Poor recovery did not enable the Company to cover more units by recycling the funds.

Under the terms imposed by the IDBI for levy of commitment-charges at 1 *per cent* on the amount not drawn within 2 years of sanction of refinance, the Company paid Rs. 22·42 lakhs as commitment charges to the bank for amounts not drawn as per schedule. Of Rs. 22·42 lakhs, Rs. 16·11 lakhs were passed on to the assisted unit.

As on 31st March 1987, Company's financial assistance to 6 units belonging to a group of industries was Rs. 307·44 lakhs. Out of 6 units, 3 units received more than one type of financial assistance, Rs. 146·95 lakhs towards principal and interest were overdue from them as on that date. Fresh loans were disbursed to a unit of the same group of industries when other units had defaulted.

Out of Rs. 6,363·77 lakhs received from Central/State Governments, Rs. 6,126·52 lakhs were disbursed to industrial units for implementation of various schemes, leaving a balance of Rs. 237·25 lakhs undisbursed as on 31st March 1987.

There is no system of periodical review or monitoring of progress made by the units. The Company did not also evolve any system of submission of periodical reports by its nominee directors on the working on the units to the Board of Directors of the Company. The Company had also not assessed the generation of employment consequent on the investment made.

3A.1 **Introduction**

West Bengal Industrial Development Corporation Limited was incorporated as wholly-owned Government Company on 6th January 1967 with the main object to secure and assist in the expeditious and orderly establishment, growth and development of Industries in West Bengal. The present activities of the Company are mainly confined to financial assistance to industrial units through equity participation, loans and administration of Government incentive schemes.

3A.2 **Audit scope**

The working of the Company was last reviewed in the Report of the Comptroller and Auditor General of India for the year 1977-78 (Commercial). The Committee on Public Undertakings examined the review and furnished its recommendations/observations in its Twentieth Report presented to the Legislature on 27th March 1987. The results of a further review conducted in Audit (July-November 1987) are discussed in the succeeding paragraphs.

3A.3 **Organisational set-up**

The management of the Company is vested in a Board of Directors which had 16 directors as on 31st March 1987. Out of 16 directors, 5 directors were nominated by State Government and the rest were appointed by the Company. The Chairman-cum-Managing Director is the Chief Executive of the Company.

3A.4 **Capital structure**

Against the authorised capital of Rs. 20 crores, the paid-up capital (including deposits against shares of Rs. 41 lakhs) of the Company as on 31st March 1987 was Rs. 14·76 crores wholly subscribed by the State Government.

In addition, the Company obtained from time to time unsecured loans from the State Government, the outstanding amount of which as on 31st March 1987 was Rs. 10·90 crores. A sum of Rs. 243·77 lakhs was overdue for payment towards instalments of principal (Rs. 22·00 lakhs) and interest (Rs. 221·77 lakhs) as on that date. Terms and conditions for repayment of principal in respect of loans amounting to Rs. 214·50 lakhs and payment of interest thereon had not yet been finalised by the State Government (October 1987).

Since 1978-79 it also availed of re-finance facility from Industrial Development Bank of India (IDBI) amounting to Rs. 42·36 crores up to 31st March 1987 for extension of term-loan assistance to the industrial units in private, public and joint sectors. The outstanding amount as on 31st March 1987 was Rs. 32·85 crores.

The Company received loans and subsidies amounting to Rs. 6,363·77 lakhs from Central/State Governments for implementation of various schemes, out of which Rs. 237·25 lakhs had remained unutilised at the end of March 1987.

The Company had also been raising funds every year since 1972-73 by public issue of bonds (carrying gradually increasing rates of interest ranging from 6 to 11 *per cent*) guaranteed by Government for the repayment of principal and payment of interest thereon. Meant initially for investment in assisted companies and meeting the costs of various projects undertaken, bonds issued since 1984-85 were mostly utilised, in the face of the Company's growing shortage of funds, for redemption of bonds issued earlier and payment of interest thereon. As on 31st March 1987, the balance of guarantee commission payable by the Company to Government was Rs. 81·35 lakhs. The debtequity ratio of the Company at the end of 3 years up to 1986-87 was 5·83 : 1, 5·44 : 1 and 5·47 : 1 respectively.

3A.5 **Overall financial position**

After following accrual system of accounting all along, the Company switched over to cash basis accounting during 1986-87, as a result, showed for the first time substantial loss on cash basis as against profit in earlier years. The financial position as on 31st March 1987 according to the latest accounts is summarised below:

Sources		(Rupees in lakhs)
(*i*) Paid-up capital		1,476·42
(*ii*) Reserves and surplus		293·03
(*iii*) Borrowings:		
(*a*) From State Government	1,090·00	
(*b*) On bonds	3,494·00	
(*c*) Secured loan from United Commercial Bank ..	1·23	
(*d*) Unsecured loans from Industrial Development Bank of India	3,284·57	7,869·80
(*iv*) Deposits from State/Central Government:		
(*a*) Under incentive schemes (net after disbursement) ..	237·25	
(*b*) For Haldia Petro-Chemicals Limited	1,726·80	1,964·05
(*v*) Trade dues and other current liabilities		411·59
		12,014·89
Application		
(*vi*) Gross block	20·22	
(*vii*) *Less:* Depreciation	8·05	
(*viii*) Net fixed assets		12·17
(*ix*) Investment in shares of:		
(*a*) Government Companies	182·00	
(*b*) Joint Sector Companies	672·45	
(*c*) Other Companies	467·86	1,322·31

(Rupees in lakhs)

(x) Loans and advances to:		
(a) Government Companies	150·78	
(b) Joint Sector Companies	265·48	
(c) Deposits utilised for Haldia Petro-Chemicals Limited	518·21	
(d) Other Companies	6,512·20	
(e) Other parties	442·82	7,889·49
(xi) Current assets:		
(a) Deposit with Pay and Accounts Office of State Government	1,208·59	
(b) Other current assets	1,546·08	2,754·67
(xii) Misc. expenditure to the extent not written off or adjusted		36·25
		12,014·89

The preparation of accounts on cash basis was not only opposed to the basic concept of commercial accounting system but also not in conformity with the provisions of the Companies Act, 1956.

Analysis in the subsequent paragraphs would reveal that considerable part of the loan assistance had become sticky for which the latest accounts did not make any provision simply because these were prepared on cash basis.

3A.6 **Financial assistance**

3A.6.1 Entrepreneurs requring financial assistance either in the form of participation in Equity Share Capital or as a loan are to submit applications to the Company giving details about the installed capacity and estimated cost of the project, location, availability of infrastructure facilities, marketability of product, existing financial arrangement, etc. The Company takes up technical and financial appraisals to ascertain the feasibility of the project and background of the entrepreneur. Sanction for financial assistance is accorded after satisfying itself about the viability of the project and disbursement of finance is made after entering into an agreement with the entrepreneur.

The following table summarises the number of units assisted, number of units went into commercial production/under implementation/became sick and the Company's investment in the form of equity participation and loans etc., up to 31st March 1987:

Particulars	Contributions to Share Capital		Debenture/Loan assistance		Total assistance	
	Number of units	Amount (Rupees in lakhs)	Number of units	Amount (Rupees in lakhs)	Number of units	Amount (Rupees in lakhs)
(1)	(2)	(3)	(4)	(5)	(6)**	(7)
1. *Private Sector:*						
Assistance extended	90	982·19	190	10,659·02	198	11,641·21
(a) Units in commercial production	58	769·42	95	6,240·24	95	7,009·66
(b) Units under implementation	23	138·05	61	3,130·01	61	3,268·06
(c) Units closed/became sick .. —	9	74·72	34	1,288·77	38	1,363·49
2. *Public Sector:*						
Assistance extended	2	178 00	4	122·98	5	300·98
(a) Units in commercial production	2	178·00	4	122·98	5	300·98
(b) Units under implementation	Nil	Nil	Nil	Nil	Nil	Nil
(c) Units closed/became sick	Nil	Nil	Nil	Nil	Nil	Nil
3. *Joint Sector:*						
Assistance extended	11	2,253 91	5	178·32	11	2,432·23
(a) Units in production	6	425 54	5	178·32	6	603·86
(b) Units under implementation	5	1,828·37	Nil	Nil	5	1,828·37
*(c) Units closed/became sick	Nil+6	Nil	Nil	Nil	6	Nil

*6 units for which Rs. 72·10 lakhs were spent are not shown in the table.
**The figure in Col. No. 6 does not work up to the total of Col. Nos. 2 & 4 as one unit gets both types of assistance.

As may be seen from the above table, the Company's financial assistance to 224 industrial units (198 units in private sector, 5 units in public sector and 21 units in joint sector) as on 31st March 1987 was Rs. 20,636·81 lakhs in 15 districts, out of which 119 units (Company's assistance: Rs. 13,249·53 lakhs) had gone into production, 61 units (Company's assistance: Rs. 5,710·61 lakhs) were under implementation and 44 units (Company's assistance: Rs. 1,676·67 lakhs) had either become sick or had been closed down.

The table below gives further break-up of the Company's financial assistance in various forms to different sectors up to the end of March 1987:

Type of assistance	Private sector	Public sector	Joint sector	Extent of assistance up to 1986-87
		(Rupees in lakhs)		
(*i*) Equity participation	982·19	178·00	2,253·91	3,414·10
(*ii*) Debentures	50·00	8·00	—	58·00
(*iii*) Seed capital assistance	135·87	—	—	135·87
(*iv*) Term loan	6,059·15	114·98	139·32	6,313·45
(*v*) Bridge loan	1,893·68	—	25·00	1,918·68
(*vi*) Short-term loan	2,656·19	—	14·00	2,670·19
(*vii*) Assistance under West Bengal Incentive Schemes	5,401·40	199·78	61·70	5,662·88
(*viii*) Central subsidy	463·64	—	—	463·64
	17,642·12	500·76	2,493·93	20,636·81

Over 85 *per cent* of this assistance went for projects in private sector and only 3·2 *per cent* went to units in 4 districts (Darjeeling, Jalpaiguri, Purulia and Bankura) notified as "No Industry Districts" by the Government of India. There was no investment in the district of Coochbehar which also fell under "No Industry Districts". The assistance had thus, by and large, been Given towards augmenting the industrial growth of the districts which were already industrially developed.

The performance of the Company under the various schemes is discussed in the succeeding paragraphs.

3A.6.2 *Assistance by way of investment*

(*i*) *Private Sector*

Up to 31st March 1987, the Company invested Rs. 1,032·19 lakhs in 90 industrial units in private sector (including Rs. 50 lakhs debentures held in 3 units) manufacturing paper, textiles, machinery and engineering goods, industrial gas, food stuff, electronic equipment, oil etc. out of the above 90 units, 58 units (Company's assistance: Rs. 807·75 lakhs) had gone into production, 23 (Company's assistance: Rs. 138·05 lakhs) were under implementation and 9 (Company's assistance: Rs. 86·39 lakhs) had either become sick or had been closed down.

Shares of 25 assisted units (Company's investment: Rs. 152·06 lakhs) were quoted in the stock exchange of which market value of shares (Rs. 65·68 lakhs) in 17 units (31st March 1987) was less than the face value (Rs. 87·24 lakhs). The Company had neither assessed the working of 65 assisted units (Company's investment: Rs. 880·13 lakhs) nor ascertained from time to time the market value of shares held in the companies which were not quoted.

The Company received dividend of Rs. 5·68 lakhs, Rs. 4·70 lakhs and Rs. 4·41 lakhs during the three years up to 1986-87 respectively from 13 private sector units (Company's investment: Rs. 69·60 lakhs). Of these, two units (Company's investment: Rs. 11·41 lakhs) did not pay dividend in 1985-86 and 1986-87. No dividend had been received from 31 units (Company's investment: Rs. 140·80 lakhs) which were in production for more than three years.

As per agreement with the Company, the promoter of a unit is required to purchase the Equity Shares held by the Company at per value in case the unit fails to pay dividend on such shares for three consecutive years from the date of coming into production. It was noticed that no case did the Company invoke this clause of buy-back of shares with the units concerned to get rid of unproductive investment. The Management stated in January 1986 that the Company was not in a position to apply the same yardstick to everyone of them for enforcing the "buy back" clause as taking such action.

For default would create an impression that the Company was rigid and unhelpful to entrepreneurs and that the cases of default were being scrutinised for suitable action. No such scrutiny had, however, been undertaken by the Company so far to take action against cases of unjustified defaults (October 1987).

The Company did not also consider disinvesting Rs. 37·93 lakhs invested in seven units which were running profitably for the last three years up to 1986-87 in order to recycle the funds.

Although the State Government directed the Company in March 1979 to appoint Directors in each of the Units in the private sector, the Company had nominated directors only in 37 units out of 198 units up to June 1987. Reasous one for not nominating its directors in the remaining units were not on record.

(*ii*) *Public Sector*

Out of five public sector units assisted by the Company and in production as on 31st March 1987 one unit where Company's investment in debentures was Rs. 8 lakhs was working well and earned an accumulated profit of Rs. 2,280·66 lakhs up to 1986-87 and one unit which had availed of loan of Rs. 82 lakhs as on 31st March 1987 had gone into production only in February 1987.

From the annual accounts of the other three units it was seen that all of them were sustaining losses from inception as shown below:

Unit	Accounts finalised up to	Shares	Investment in		Paid-up capital	Accumulated Loss
			Debentures	Loans		
			(Rupees in lakhs)			
'L'	1986-87	—	—	24·38	221·10	80·53
'M'	1985-86	171·00	—	8·60	1,009·00	115·34
'N'	1984-85	7·00	—	—	236·60	603·23

It would be seen from the above that the accumulated loss in 'N' unit (Rs. 603·23 lakhs) exceeded its Paid-up Capital, (Rs. 236·60 lakhs).

The Management attributed (July 1985-November 1987) the losses in two units to the following:

(*a*) Loss sustained by an uneconomic unit (Fractional unit) at Telipara adversely affected the overall results of working in the case of unit 'L' and

(*b*) non-availability of sugarcane due to its inability to bring more areas under cultivation within its command area on the one hand and higher price offered for sugarcane by *Gur* Mills in the case of unit 'N'.

The Company had not analysed the reasons for losses in unit 'M'.

(iii) Joint Sector

The Company had invested Rs. 2,253·91 lakhs up to 1986-87 in Share Capital (including advance against shares for Rs. 1,783·27 lakhs) of 11 Joint Sector projects (Capital cost: Rs. 1,182·16 crores) against private promoters and public contribution of Rs. 1,118·70 lakhs and Rs. 187·05 lakhs respectively. Six of these units (Capital cost: Rs. 39·16 crores) in which the Company had invested Rs. 425·54 lakhs had gone into production and five units (Capital cost: Rs. 1,143 crores) in which the Company's investment was Rs. 1,828·37 lakhs were under implementation (December 1987).

Four more projects (Capital cost: Rs. 315 crores) which had been undertaken during 1984-85 were in initial stages. Six units (Capital cost: Rs. 182·60 crores) on which Rs. 72·10 lakhs had been spent towards project development expenses including preliminary expenses, acquisition of fixed assets etc., by the Company up to 1986-87 had been abandoned. In addition, the Company had advanced Rs. 178·32 lakhs as loans including bridge loans of Rs. 25 lakhs to these joint sector projects.

Equity participation by the Company in joint sector projects was intended to be 26 *per cent*, that of private promoters 25 *per cent* and the balance 49 *per cent* by public. It was, however, seen in audit that Company's participation in six out of 11 joint sector projects was more than 26 *per cent.* In three other projects there was no investment either by private promoters or by public.

Out of six units which had gone into production, one unit was working well and earned an accumulated profit of Rs. 65·42 lakhs up to 1985-86 and one unit had started commercial production only in January 1987. The performance of the balance four units (Company's investment: Rs. 368·05 lakhs) was not unsatisfactory. From the annual accounts of the four units it was seen that all of them were running in losses from inception as shown below:

Units	Products	Date of commencement of production	Paid-up capital	Company's investment	Accumulated loss	Up to the year
				(Rupees in lakhs)		
*G	Watch	March 1980	4·90	2·40	9·37	1985-86
H	Tungsten Filament	September 1982	250·92	66·10	116·82	1985-86
I	Slurry Explosives	July 1986	200·00	100·00	56·65	1986-87
J	Aluminium Rolled Products	October 1986	767·37	199·55	244·98	1986-87

It would be seen from the above that the accumulated loss in unit 'G' (Rs. 9·37 lakhs) exceeded its Paid-up Capital (Rs. 4·90 lakhs). The Management attributed (April 1985-November 1987) the losses in these four units to the following:

(*a*) Unit 'G'

(*i*) continuous labour unrest and

(*ii*) exodus of skilled labour.

(*b*) Unit 'H'

(*i*) liberal imports of filaments and cathodes in the context of worldwide recession in the lamp industry and

(*ii*) sluggish market condition for lamp.

(*c*) Unit 'I'

(*i*) Shortage of working capital during July 1986 to November 1986 and

(*ii*) poor off-take by Coal India Limited.

(*d*) Unit 'J'

(*i*) teething troubles

(*ii*) problem with the operation of the slitting line equipment and

(*iii*) steep increase in the cost of production due to increased cost of aluminium ingots and other inputs and non-recovery of cost due to prevailing difficult market conditions.

Out of six joint sector projects in production, in which an investment of Rs. 425·54 lakhs was made by the Company, only one unit in which Rs. 4·45 lakhs were invested had declared dividend from 1977-78 and Company's share amounted to Rs. 0·48 lakh, Rs. 0·71 lakh, Rs. 0·24 lakh, Rs. 0·29 lakh and Rs. 0·78 lakh only during the 5 years ending 1985-86.

The performance of three of the six completed projects and progress of three of the 5 projects under implementation and 3 of the six projects abandoned is discussed below.

3A.6.2(*iii*) (*A*) *Units under production*

(*i*) Unit 'J' was incorporated in July 1982 with an Authorised Capital of Rs. 9 crores for the manufacture of 10,000 tonnes of aluminium rolled products per annum in the district of Hooghly at an estimated cost of Rs. 22 crores with an employment potential of around 250 persons. The unit started its commercial production in October 1986. The Company invested Rs. 199·55 lakhs in 19,95,508 Equity Shares of Rs. 10 each against the investment of Rs. 191·87 lakhs by the co-promoter in the equity of the unit. Public issue of Equity Shares of the unit as on 31st March 1987 was Rs. 376·08 lakhs. Since the unit incurred a loss amounting to Rs. 2·45 crores during October 1986 to March 1987 and was not expected by the co-promoter to break even till 1996, the co-promoter came up (August 1987) with an amalgamation proposal. As per the scheme of amalgamation, against 6 shares of Rs. 10 each of the Unit 'J', the holder would get one share of Rs. 10 in the co-promoter's Company. The Company would also dispose of the entire shares so acquired in favour of the co-promoter or its nominee for Rs. 275 lakhs. The merger proposal obtained the Court's approval in August 1987 and was awaiting clearance from Government of India (February 1988).

The fact that within 6 months of its commencing commercial production the unit was assessed not to break even till 1996, indicates that the viability of the project was not adequately examined initially and the Company had not foreseen essential factors like availability of raw materials, etc. Further, the Company's acceptance of the merger proposal within 6 months of the unit commencing commercial production was premature as generally new units undergo various teething troubles during the first 2 to 3 years of their working.

As per the terms of the joint sector agreement, disposal of holdings of shares by either of the promoters would be effected on the basis of either:

(*a*) a fair valuation which would be conducted by the Auditors of the Company or

(*b*) the average price of the shares on the recognised stock exchange on which such shares were quoted for the preceeding six months of such offer being made, whichever is higher.

Since the average price of shares of Unit 'J' on the Calcutta Stock Exchange was Rs. 20·46 *per* share during the six months prior to the date of merger agreement (August 1987), the Company could have sold its 19,95,508 shares in Unit 'J' for Rs. 408·38 lakhs against Rs. 275 lakhs receivable as per the merger terms. The Company, however, accepted (September 1987) an advance of Rs. 1 crore against the sale proposal. Further while trading its shares with the shares of the co-promoter Company, the Company did not also consider the other alternative of off loading the same at the market value. Thus when the merger is implemented, the Company is likely to sustain a loss of Rs. 133·38 lakhs.

3A.6.2(*iii*) (*A*) (*ii*) Unit 'A' was incorporated in December 1973 with an Authorised Capital of Rs. 1 crore with a private firm as co-promoter to produce 3,000 tonnes of maleic anhydride *per annum* in the district of Nadia. The Company invested during April 1975 to July 1983 Rs. 20·88 lakhs in shares against private promoter's shares of Rs. 6·61 lakhs and also paid Rs. 25 lakhs in March 1979 as bridge loan to be repaid out of term-loan receivable from the Industrial Credit and Investment Corporation of India (ICICI). Another bridge loan of Rs. 10 lakhs was given to the unit in April 1987 against public issue of shares scheduled for September-October 1987. On the failure of the co-promoter to contribute his share in the capital of the unit, an investment Company 'E' belonging to a particular group of industries came forward to take up the unit in joint venture with the Company provided it was given a loan of Rs. 10 lakhs. The loan was disbursed by the Company in September 1983 which was repayable by the investment Company (Company 'E') along with interest by September 1986. The loan along with interest accrued thereon was not, however, repaid although their share in the capital of the unit was contributed.

The project cost was revised in July 1984 to Rs. 599·24 lakhs from Rs. 293 lakhs and again to Rs. 800 lakhs in March 1986 with employment potential of around 200 persons. The project scheduled to be commissioned in 1975 was actually commissioned in January 1987.

Total investment in the unit stood at Rs. 88·04 lakhs (Investment in shares: Rs. 53·04 lakhs and loan: Rs. 35 lakhs). The bridge loan of Rs. 25 lakhs disbursed in March 1979 by the Company was not repaid although term loans aggregating Rs. 88 lakhs was received by the Joint Sector Company from ICICI up to December 1984. The Company did not immediately inform ICICI about the payment of the bridge loans to the unit with a request to adjust the bridge loan out of the loans payable by them. As on 30th September 1987, Rs. 57·15 lakhs (Principal: Rs. 35 lakhs and interest Rs. 22·15 lakhs) and Rs. 15·71 lakhs (Principal: Rs. 10 lakhs and interest: Rs. 5·71 lakhs) were overdue from the Joint Sector Company and the co-promoter respectively. Since the co-promoter was not able to bring in his further share in the capital of the unit, which was preventing the unit from obtaining release of full financial assistance from ICICI, the co-promoters had proposed (November 1986) to amalgamate the unit with another unit of his group. These proposals of the co-promoter were under consideration of the Company (December 1987).

3A.6.2(*iii*) (*A*) (*iii*) Unit 'I' was incorporated in April 1981 with an Authorised Capital of Rs. 200 lakhs in collaboration with a firm of Hyderabad to produce 20,000 tonnes of slurry explosives *per annum*. The project estimated to cost Rs. 4·77 crores with employment potential of about 220 persons was to be commissioned by March 1983. The Commissioning of the project was delayed mainly on account of delay in receipt of various statutory clearances and the unit commenced commercial production from the middle of June 1986. The total assistance by the Company up to 31st March 1987 was Rs. 190 lakhs in equity (Rs. 100 lakhs) and loan (Rs. 90 lakhs). As on 31st March 1987, Rs. 23·52 lakhs (principal: Rs. 15 lakhs and interest: Rs. 8·52 lakhs) was overdue from the unit. The unit incurred an accumulated loss of Rs. 56·65 lakhs up to June 1987 against the Paid-up Capital of Rs. 200 lakhs. The Management attributed (September 1987) the losses to low productivity due to poor off-take of its product by Coal India Limited (CIL). There were no recorded reasons for non-lifting of products by CIL.

3A.6.2(*iii*) (*B*) *Units under implementation*

(*i*) In order to implement a letter of intent received in November 1977 (validity extended from time to time up to December 1987) by the Company for setting up a naphtha-based Petro-chemical Complex at Haldia, it submitted (May 1980) a detailed project report to the Government of India which was expected to participate (40 *per cent*) in the equity of the project (estimated cost: Rs. 1,400 crores) along with the State Government (40 *per cent*) and the Company (20 *per cent*). Subsequently in July 1984 Government of India expressed its inability to participate in the project for various reasons including resource constraints and advised the State Government to proceed on its own. Eventually, the Company entered into (May 1985) a joint sector agreement with two industrialists of Calcutta and, as a result, Unit 'K' a Joint Sector Company was incorporated on 16th September 1985 with an Authorised Capital of Rs. 10 crores to which the Company was to subscribe to the extent of

26 *per cent*, the collaborators to the extent of 24·99 *per cent* and the remaining 49·01 *per cent* to be offered to the public. Of the deposits totalling Rs. 1,726·80 lakhs received from the State Government between March 1978 and February 1987, expenditure totalling Rs. 518·21 lakhs was incurred up to 31st March 1987 by Company's Petro-chemicals Project division on land and roads (Rs. 380·10 lakhs) project consultancy (Rs. 30·31 lakhs), administrative expenses (Rs. 85·69 lakhs) and other items including advances (Rs. 22·11 lakhs). A sum of Rs. 1,208·59 lakhs remained unutilised up to 31st March 1987.

As per terms of the joint sector agreement, an amount (Rs. 482 lakhs) equivalent to the expenditure incurred by the Company on the project up to the date of agreement (May 1985) was to be invested by the co-promoters in the Joint Sector Company in three equal instalments by March 1987. It was noticed in audit that till February 1988 the Company did not satisfy itself whether the said sum was duly invested. It was also noticed that although the Joint Sector Company admitted (February 1987) expenditure totalling Rs. 491·51 lakhs out of Rs. 518·21 lakhs incurred by the Company up to 31st March 1987, shares had not yet been allotted by the unit in favour of the Company (February 1988).

The technical collaboration with firms of West Germany and U.S.A. were cleared by the Government and the product mix which comprises ethylene, propylene, butadiene etc., had been approved by the technical collaborator. Letter of intent had been transferred from the Company to joint sector unit and MRTP clearance and environmental clearance from the angle of pollution etc., had also been obtained. Application for financial assistance made to All India Financial Institutions was being appraised by them (February 1988).

3A.6.2(*iii*) (*B*) (*ii*) Joint sector agreements were entered into in September 1982 and September 1985 respectively with two companies belonging to the same group for implementation of two projects, one for the manufacture of nitro-chlorobenzene and other chemicals (estimated project cost: Rs. 14·31 crores) and the other for the manufacture of nylon filament yarn (estimated project cost: Rs. 170 crores) to be set up in district of Bankura. The delay in implementing the projects was stated (August 1987) to be due to delay in obtaining Government of India approval for appointment of foreign collaborator and for clearance for import of capital goods. Expenditure incurred by the Company on the two projects up to 31st March 1987 amounted to Rs. 1·82 lakhs and Rs. 1·61 lakhs respectively.

3A.6.2(*iii*) (*C*) *Abandoned Units*

(*i*) The Company along with a firm of Calcutta promoted (January 1974) a Joint Sector Company with an Authorised Capital of Rs. 1,000 lakhs to manufacture five lakhs automobile tyres and tubes *per annum*. The project was estimated to cost Rs. 3,250 lakhs. As per the industrial licence received by the Company in July 1975, the project was to be commissioned within two years. A plot of leasehold land in Durgapur was acquired (September 1975) by the unit for the project for Rs. 22·92 lakhs and was developed at a cost of Rs. 18·72 lakhs. As per terms of an agreement with a firm of U.K. which was to supply technical know-how at a fee of Rs. 33·75 lakhs, a sum of Rs. 11·25 lakhs was paid (September 1975). Fees totalling Rs. 10·05 lakhs were also paid between February 1976 and March 1979 to a firm of Calcutta for technical consultancy. Besides the above, preliminary expenditure amounting to Rs. 24·33 lakhs was incurred by the unit. The co-promoter of the project, however, withdrew its participation in March 1976 on grounds of financial constraints. Assurance by financial institutions for term-loan (Rs. 500 lakhs) and underwriting of shares (Rs. 100 lakhs) was also withdrawn (August 1977) following inordinate delay in implementing the project. The industrial licence was also revoked (November 1983) by the Government of India due to inordinate delay in implementation. After incurring expenditure totalling Rs. 87·27 lakhs of which the co-promoter's contribution was Rs. 13·06 lakhs, the Board of Directors of the unit decided (March 1983) to dispose of its fixed assets and go in for voluntary liquidation. Accordingly, the plot of land was disposed of (May 1986) for Rs. 22·85 lakhs and the proceeds were paid to the Company against its contribution of Rs. 64·56 lakhs. The loss of the Company's remaining investment of Rs. 41·71 lakhs up to 31st March 1987 would have been much less if the expenditure of Rs. 39·89 lakhs incurred till the withdrawal of the co-promoter was shared equally as per terms of the agreement. The unit was yet to be wound up (December 1987).

Withdrawal of co-promoter being the key factor for abandonment of the project, the Company did not seem to have analysed the genuineness of the reason put-forth by the co-promoter for withdrawal. Having accepted the withdrawal, the Company at least should have attempted to revive the project in either private sector or public sector. By not making any such attempt, the Company allowed the expenditure incurred on technical know-how etc. to remain unfruitful.

3A.6.2(*iii*) (*C*) (*ii*) In order to implement a letter of intent received by a firm in September 1972 for the establishment of an alloy steel plant in the district of Purulia, the Company appointed (January 1973) a consultant for preparation of a project report and formed (January 1974) in collaboration with another firm, a Joint Sector Company. Negotiations were carried on with a firm of West Germany for technical know-how and the agreement reached with the firm was submitted (November 1975) to the Government of India for approval. Because of the delay in getting clearance from Government, the technical collaborator did not extend their agreement which expired in March 1977. Before Government approval was received in August 1977, the co-promoter backed out. The letter of intent was cancelled in February 1978. The amount of Rs. 4·80 lakhs spent by the Company towards cost of survey, project report and registration had not been written off in the accounts although the project was abandoned in August 1977.

3A.6.2(*iii*) (*C*) (*iii*) Based on the availability of forestry raw materials, the Company got a techno-economic viability report prepared (December 1974) at a total cost of Rs. 2·09 lakhs for a newsprint plant of 250 tonnes per day (tpd) capacity to be set up in North Bengal. Subsequently, West Bengal Forest Development Corporation Limited (a State Government Undertaking) expressed (November 1979) its inability to ensure uninterrupted supply of raw materials and, therefore, the project was not pursued further. The letter of intent received (July 1974) for the project and valid up to 31st January 1978 finally lapsed.

3A.6.3 **Seed Capital assistance**

This assistance is applicable to new entrepreneurs of small and medium scale under the refinance scheme of Industrial Development Bank of India (IDBI). The amount of assistance per project is normally not to exceed Rs. 15 lakhs. The scheme is applicable to project costing up to Rs. 3 crores. The assistance is in the form of an interest-free loan recoverable in suitable instalments with a service charge of one *per cent per annum* with a provision for moratorium up to 5 years in the repayment of instalments of principal. The Company disburses the amount and gets the same fully reimbursed by IDBI. The cumulative disbursements up to 31st March 1987 amounted to Rs. 135·87 lakhs to 14 units of which Rs. 0·99 lakh was outstanding from these units towards service charges as on 31st March 1987.

3A.6.4 **Loan assistance**

3A.6.4.(*a*) *Term Loans*

3A.6.4.(*a*)(*i*) *Sanction of loans*

The Company sanctions term loans to industrial unit under the refinance scheme of Industrial Development Bank of India (IDBI) up to a maximum of Rs. 90 lakhs in each case for acqusition of fixed assets in the case of new project or for expansion/modernisation of existing unit provided the unit is technically viable and its cost does not exceed Rs. 3 crores. Re-finance is available to the extent of 90 *per cent* of the loan to projects set up in specified backward areas and of 80 *per cent* of loan to projects set up in other areas. The rate of interest payable to IDBI is 12·5 *per cent* in respect of backward areas and 14 *per cent* in other areas. The interest chargeable to the beneficiaries by the Company is 3·5 *per cent* above the rate paid to IDBI. Under the refinance scheme disbursement of loans is first made to the units by the Company and the same is reimbursed by IDBI after adjusting its dues towards principal and interest. The Company also provides term loans to units from its own funds where the scheme is outside the purview of IDBI and charges the same rate of interest as under the refinance scheme.

The Company conducts a detailed appraisal for the evaluation of projects for which loan assistance is sought and the loans are sanctioned on the basis of these appraisals. The Company allows a moratorium period up to 2 years for the repayment of loan; the repayment is to be made in half-yearly instalments spread over 3 to 7 years depending on the cash flow of assisted units. Longer moratorium period up to 3 years is also allowed to units operating in backward areas.

During the last three years up to 1986-87 the Company had received 94 applications for term loans aggregating Rs. 5,805·54 lakhs, out of which 13 applications for Rs. 716·57 lakhs had either lapsed or were withdrawn or cancelled while 3 applications for Rs. 190 lakhs were pending sanction as on 31st March 1987.

3A.6.4.(*a*) (*ii*) *Disbursement of loans*

The disbursement of loans is made in instalments and is linked with the progress made by the assisted unit in regard to implementing the project, based on reports submitted by the Company's Officers after spot inspection. The cumulative disbursement of term loans up to 31st March 1987 to 190 units amounted to Rs. 6,313·45 lakhs (57·9 *per cent* of total loans disbursed). Out of the 190 units, 95 (Loans: Rs. 2,078·52 lakhs) had gone into production, 61 (Loans: Rs. 3,130·01 lakhs) were under various stages of implementation of the projects (March 1987) and 34 (Loans: Rs. 1,104·92 lakhs) had either become sick or had been closed down.

A test check in audit revealed that there was considerable delay in disbursing the first instalment of loans sanctioned. Out of 93 applications sanctioned during April 1979 to March 1985 for Rs. 3,826·54 lakhs, in 38 cases disbursement of 1st instalment was made after one year or more from the date of sanction. Although the main reason was the inability on the part of the promoters to bring in the necessary finance, the Company did not analyse fully the details of constraints in this regard.

The refinance sanctioned by IDBI was valid for two years subject to a commitment charge at the rate of one *per cent* on the quantum of refinance not availed of, which is passed by the Company to the loanees concerned. Although the Company did not keep a record of the commitment charges it had to bear itself on account of not altogether availing of loans by entrepreneurs, it was noticed in audit that against commitment charges totalling Rs. 22·42 lakhs paid by the Company to IDBI up to 1986-87, it could pass on only Rs. 16·11 lakhs to the entrepreneurs.

3A.6.4.(*b*) *Bridge Loan*

Bridge loans are granted to assisted units against valid sanction of term loan or against sanction of subsidy up to the maximum extent of the loan/subsidy already sanctioned, if delay is anticipated in disbursement of such loan or subsidy for a period of not exceeding one year on disbursement of term loan/ subsidy whichever is earlier.

Up to 31st March 1987, this facility amounting 'to Rs. 1,918·68 lakhs had been extended to the beneficiaries. Of this, a sum of Rs. 129·39 lakhs was outstanding (March 1987) from 24 units including one Joint sector unit. In addition, interest payment of Rs. 54·81 lakhs was also in default. In two cases (Rs. 47·50 lakhs), the outstanding was over five years old and not backed up by any security.

A few cases which were in default are discussed below:

3A.6.4.(*b*) (*i*) The Company disbursed in January 1983 a bridge loan of Rs. 4 lakhs against generator subsidy to a unit which was later found to be entitled to a subsidy of only Rs. 1·12 lakhs and the same was adjusted in December 1983 against the bridge loan and interest accrued thereon. Power subsidy of Rs. 3·86 lakhs receivable by the unit between may 1985 and December 1986 was adjusted against the unit's outstanding balance of secured term loan of Rs. 25 lakhs instead of adjusting the same against unsecured bridge loan remained overdue. No action was taken by the Company to realise the balance amount of the bridge loan with interest which rose to Rs. 3·45 lakhs as on 31st March 1987 (Principal: Rs. 3 lakhs and interest: Rs. 0·45 lakh).

3A.6.4.(*b*) (*ii*) Two bridge loans of Rs. 9 lakhs and Rs. 3 lakhs were disbursed to another unit in August 1980 and January 1982 respectively against its entitlement of central investment subsidy of Rs. 15 lakhs. The loans could not be adjusted as the unit did not subsequently claim its subsidy since the unit not having gone into production. No legal action could be taken against the unit as the loans had been disbursed without executing any agreement. The Company had also not taken action to fix responsibility for disbursing bridge loans without entering into agreements. As on 31st March 1987, interest accrued on the loans amounted to Rs. 11·72 lakhs.

3A.6.4.(*b*) (*iii*) A bridge loan of Rs. 3 lakhs was disbursed in July 1982 to a unit against its entitlement of central investment subsidy of Rs. 5 lakhs. Since the unit had not yet gone into production, the unit did not claim the subsidy. The loan along with interest of Rs. 2·88 lakhs remained outstanding as on 31st March 1987. No action was, however, taken by the Company to recover the same (October 1987).

It was noticed that in the meanwhile the unit was declared sick (July 1986) even before completion of the Project pointing to the Company's unrealistic assessment of the viability of the unit.

3A.6.4.(*c*) *Short-term loans*

The Company introduced payment of short-term loans to units against bank guarantee mainly to meet their working capital requirements, repayable within a year. The cumulative disbursements up to 31st March 1987 amounted to Rs. 2,670·19 lakhs. Though these loans were sanctioned as temporary loans, they remained outstanding for long periods. Short-term loans overdue as on 31st March 1987 from various units amounted to Rs. 194·26 lakhs. It was noticed in audit that for failure to repay the loans, the Company invoked the bank guarantees given by four banks in respect of 11 loans disbursed between February 1978 and December 1980. Although not a single guarantee had been honoured by the banks, the Company did not contemplate any legal action against them, for reasons not on record. As on 31st March 1987, overdue of principal and interest from these units amounted to Rs. 98·57 lakhs and Rs. 88·16 lakhs respectively. The Company did not also consider adjustment of its dues against interest being paid by it to the banks on bonds (Rs. 1,433 lakhs) held by the latter.

3A.7 **Recovery of dues**

3A.7.1 The Company had disbursed loans aggregating Rs. 10,902·32 lakhs from inception to 31st March 1987, of which Rs. 6,803·34 lakhs were outstanding as on that date. The repayment of loans aggregating Rs. 1,122·26 lakhs and interest on loans to the extent of Rs. 1,050·56 lakhs were overdue as on 31st March 1987. The details of the amount that fell due from the assisted units and the amount recovered during each of the 5 years up to 1986-87 are given in Annexure-5.

It would be seen that out of the total realisable amount of Rs. 3,043·42 lakhs (Principal: Rs. 1,531·86 lakhs and Interest: Rs. 1,511·56 lakhs) old arrears (relating to the period up to 1985-86) accounted for Rs. 1,732·39 lakhs (Principal: Rs. 874·95 lakhs and Interest: Rs. 857·44 lakhs) and an amount of Rs. 870·60 lakhs (Rs. 292·50 lakhs against old arrears) only was recovered during the year 1986-87. This constituted 28·6 *per cent* of the amount due for recovery (Rs. 3,043·42 lakhs). Dues outstanding for more than two years amounted to Rs. 805·67 lakhs. The recovery of current dues (Rs. 609 lakhs) which was 60·8 *per cent* of the current demand (Rs. 1,001·72 lakhs) during 1982-83, had gone down to 44·1 *per cent* during 1986-87. The Company did not have complete information of assisted units which had become sick or had closed down and the exact reasons for default. Poor recoveries of dues did not enable the Company to cover more units by recycling the funds.

3A.7.2 As on 31st March 1987, ten law suits filed by the Company between July 1974 and March 1981 against ten defaulting loanees for recovery of its dues (Principal: Rs. 24·81 lakhs and Interest: Rs. 38·71 lakhs) were pending. Recovery through legal proceedings being time-consuming (as apparent from the fact that during the 10 years up to 1986-87, only one out of 11 cases was settled), relevant provisions (Sections 29, 30, 31 and 32) of the State Financial Corporations Act, 1951 under which the assets of a loanee can be taken over and disposed of in case of a default, have been made applicable (December 1986) to the Company by the Government of India. Although overdues of Principal and Interest amounted to Rs. 2,172·82 lakhs as on 31st March 1987, the power so bestowed was not enforced (December 1987).

As would appear from the mounting overdues, action taken from time to time for recovery of dues did not appear adequate. Although the Board of Directors ordered (September 1983) to prepare quarterly statements in respect of defaulting units and take necessary follow-up action, no such action was, however, initiated. Pursuant to another order (May 1986) of the Board to gear up the recovery machinery, a Default Review Committee (DRC) consisting of higher management personnel was formed. The Committee held two meetings in December 1986 and March 1987 and reviewed the cases of 24 defaulters (overdues Principal: Rs. 450·47 lakhs and interest: Rs. 410·18 lakhs) out of 160 defaulters (overdues Principal: Rs. 1,122·26 lakhs and Interest: Rs. 1,050·56 lakhs) as on 31st March 1987. Till 30th September 1987, only Rs. 9·88 lakhs towards interest from one defaulter could be realised. Although the Committee recommended during December 1986 and March 1987 to take immediate legal action against seven loanees (outstanding dues: Rs. 326·16 lakhs), no such action was initiated (October 1987).

3A.7.3 The following cases would highlight the poor prospects of recovery of loans along with interest thereon:

3A.7.3.(*i*) In order to implement a project (estimated Project Cost: Rs. 80·71 lakhs) for annual production of 4,000 tonnes of carbon black, the Company invested up to March 1980 Rs. 16·22 lakhs (40 *per cent*) in the equity of a private company and advanced (1979) short-term loans aggregating Rs. 35 lakhs against bank guarantee valid up to March 1981 to be repaid with interest within the validity of guarantee. The bank guarantee invoked on the failure of the unit to repay the loan was not honoured by the bank and the matter was also not pursued by the Company. The unit commenced production in 1979-80 and utilised only 35 *per cent* of its installed capacity in 1982-83. Efforts to make the unit viable with a change of management and a further loan (October 1983) of Rs. 40 lakhs from Industrial Reconstruction Bank of India (IRBI) having failed, the unit felt that increase in the capacity to 10,000 tonnes *per* annum with additional capital investment was required but no financial support was forthcoming. Following non-payment of dues of principal (Rs. 40 lakhs) and interest (Rs. 15·64 lakhs) as on 31st March 1986 an application was moved on behalf of IRBI in the Calcutta High Court (July 1986) to obtain order of the Court for sale of the assets of the unit and appointment of Receiver, etc. The Hon'ble High Court directed (November 1986) the petitioner and all the respondents (including the Company) to deposit Rs. 10,000 each with the Receiver for the purpose of holding the sale of the unit's assets. The Company did not deposit the sum with the official Receiver as its claim was not secured. The Court ordered (December 1986) that as the Company did not pay the amount, it would have no claim on the assets in the hands of the Receiver. Thus, Company's investment in shares (Rs. 16·22 lakhs), short-term loan (Rs. 35 lakhs) and interest (Rs. 26·41 lakhs) accrued thereon up to 31st March 1987 aggregating Rs. 77·63 lakhs in the unit became doubtful of recovery.

3A.7.3.(*ii*) The Company invested (August 1976) Rs. 8 lakhs in the debenture of a unit for establishment of a plant for the manufacture of bicycle chains (estimated project cost: Rs. 65·73 lakhs) and after commissioning of the plant in February 1977, disbursed (April 1979) a term-loan of Rs. 6·50 lakhs to meet increase in project cost by Rs. 17·25 lakhs resulting from additional capital expenditure and delay in implementation. Even then production suffered badly mainly due to shortage of working capital and the plant was closed down in August 1981.

The accumulated loss of the unit up to November 1981 rose to Rs. 105 lakhs despite fresh funds received from other financial institutions. It was wound up in April 1983 by a court's order. Its assets were valued (October 1984) by official liquidator at Rs. 17·95 lakhs but all efforts to sell the assets failed (October 1987). As on 31st March 1987, the outstanding dues from the unit amounted to Rs. 30·61 lakhs (Debentures and loans Rs. 14·50 lakhs and interest on debentures and loans: Rs. 16·11 lakhs).

3A.7.3.(*iii*) A Company engaged in manufacturing Cement was incorporated in December 1973 as a wholly-owned subsidiary of the Company to produce 12,000 tonnes of burnt dolomite *per annum* using dolomite from North Bengal. The plant was commissioned in February 1981 and incurred a cumulative loss of Rs. 179·47 lakhs up to 31st March 1984 against its paid-up capital of Rs. 51 lakhs. Failing to make the project viable, the Company sold (April 1984) its entire shares of Rs. 51 lakhs to a firm of New Delhi at the rate of Rs. 2 *per* share of Rs. 10 each.

As per terms of sale, Company's loans totalling Rs. 125·76 lakhs along with interest of Rs. 48 lakhs thereon up to February 1984 plus further interest would be paid by the firm within 13 years as per specified schedule. The firm defaulted in payment of principal and paid only Rs. 37·26 lakhs towards interest up to 31st March 1987. The terms of payment were further revised (April 1985) and loan of Rs. 125·76 lakhs and interest of Rs. 28·28 lakhs thereon were outstanding as on 31st March 1987.

3A.7.3.(*iv*) A scooter manufacturing factory incorporated in March 1974 in joint sector with rated capacity of 30,000 scooters *per annum* commenced commercial production in December 1976 and manufactured only 1,537 scooters up to June 1981. Various plans for revitalisation/diversification attempted during the period from 1979-80 to 1982-83 failed and a lock-out was declared in April 1983. It suffered a cumulative loss of Rs. 251·51 lakhs up to June 1983. The unit having chronic sickness, steps similar to those in respect of the Cement manufacturing unit mentioned earlier were taken. Ultimately the Unit was amalgamated with the same firm of Delhi. The Company sold (June 1984) its shares worth Rs. 19·20 lakhs in the joint sector company to the firm of New Delhi at a token price of rupee one only. The resultant loss in investment was adjusted in the accounts of the Company for 1984-85 excepting Rs. 9·89 lakhs advanced to the unit for investment in shares.

No decision has yet been taken on the recovery of loans totalling Rs. 259·88 lakhs disbursed to the unit along with interest of Rs. 40·88 lakhs accruing thereon till 31st March 1987.

3A.8 **Assistance to a particular group of industries**

3A.8.1 As on 31st March 1987, Company's financial assistance to a particular group of industries was Rs. 307·44 lakhs. Out of 6 units, 3 units received more than one type of financial assistance. The summarised position of Company's assistance and overdues of principal and interest as on 31st March 1987 is shown in the following table:

Units	Assistance by way of investment	Loan assistance	Overdues		
			Principal	Interest	Total
			(Rupees in lakhs)		
A	53·04	25·00	25·00	19·46	44·46
B	5·00	33·00	33·00	19·90	52·90
C	10·00	90·00	18·84	2·54	21·38
D	—	37·40	9·40	2·56	11·96
E	—	10·00	10·00	5·71	15·71
F	—	44·00	—	0·54	0·54
Total	68·04	239·40	96·24	50·71	146·95

3A.8.2 On a scrutiny of records it was noticed in audit that fresh loans were disbursed to a unit of a group of industries when other units of the same group defaulted in paying overdues of principal and interest, as would be seen from the table given below:

Units	Position as on									
	April 1982		October 1983		March 1984		March 1985		December 1985	
	Default	Loan disbursed	Default	Loan disbursed	Default	Loan disbursed	Default	Loan disbursed	Default	Loan disbursed
	(Rupees in lakhs)									
A	27·76	—	32·43	—	34·16	—	37·87	—	40·97	—
B	—	33·00	11·45	—	7·50	—	27·62	—	15·60	—
C	—	—	0·14	40·00	3·79	—	—	23·00	8·07	—
D	—	—	—	25·40	—	12·00	—	—	8·02	—
E	—	—	—	10·00	—	—	—	—	5·00	—
F	—	—	—	—	—	—	—	—	—	44·00
-	27·76	33·00	44·02	75·40	45·45	12·00	65·49	23·00	77·66	44·00

Out of the three units in which the Company had invested Rs. 68·04 lakhs (including advance against shares of Rs. 53·04 lakhs to Unit 'A'), unit 'C' (Company's investment in shares: Rs. 10 lakhs) had paid dividend of Rs. 2·89 lakhs and Unit 'B' (Company's investment in shares: Rs. 5 lakhs) had not paid any dividend so far (October 1987).

A scrutiny of the accounts of unit 'B' for the year ended 31st December 1985 revealed that the unit lent Rs. 77 lakhs to its subsidiaries/associates, invested Rs. 50·12 lakhs in their shares, repaid loans of Rs. 31·13 lakhs received from other financial institutions and sold shares worth Rs. 20·68 lakhs in another company and earned a pre-tax profit of Rs. 57·47 lakhs. Dividend on 11 *per cent* cumulative preference shares held by the Company was, however, not paid nor its overdues of principal and interest on loans repaid during the year. When the Managing Director of unit 'B' was a Director on the Board of the Company during 1985-86 it could realise interest of Rs. 9·79 lakhs only out of its total overdues of Rs. 142·30 lakhs up to 31st March 1986 (Principal: Rs. 78·86 lakhs and Interest: Rs. 63·44 lakhs) from the six units of the group.

For shifting its office, the Company hired (August 1979) a premises owned by unit 'C' on leasehold basis initially for five years. As per terms of the lease, rent and service charges at rates of Rs. 3·50 per sft. and Rs. 1·50 per sft. per month respectively were payable to the unit for an area of 26,000 sft. The Company neither shifted its office to the new premises nor used the same in any other way till 9th July 1980 and thereby incurred an infructuous expenditure of Rs. 14·30 lakhs, reasons for which were not on record. The Company sub-let the premises to Steel Authority of India Limited (SAIL) on 10th July 1980 on identical terms of lease.

The following further points were noticed:

(*i*) As per terms of the lease, the Company disbursed term loans of Rs. 21·84 lakhs and Rs. 9·36 lakhs in August 1979 and December 1980 respectively to unit 'C' carrying interest rate of 9·5 *per cent per annum* (against Company's existing rate of 10 *per cent* on term loans). The loans were repayable from August 1979 at the rate of Rs. 65,000 *per* month which was to be adjusted against half of the lease rent. Interest would be chargeable at the accepted rate on the balance of loans at the end of each month and payable in equal monthly instalments commencing from the month following the month in which the loans would have been fully repaid. By this arrangement, the Company allowed concessions to unit 'C' of (*a*) Rs. 0·47 lakh, being short-charge of interest at the rate of half *per cent* on the loan of Rs. 31·20 lakhs and (*b*) Rs. 0·57 lakh by charging simple rate of interest instead of compounded rate as charged by the Company in respect of other loanees.

(*ii*) Between September 1981 and December 1982, the Company paid to unit 'C' sums totalling Rs. 8·50 lakhs towards reimbursement of occupier's share of municipal tax and surcharge thereon without satisfying itself that the tax and surcharge had been actually paid by the unit to the municipality. Company's claim of January 1983 for reimbursement in turn by SAIL was refused (May 1983) on the ground that the latter was not satisfied about the genuineness of the claims. No action was taken to consult the legal advisers and to initiate legal proceeding against unit 'C' (October 1987).

3A.9 **Administration of incentives**

The Company has been acting as the disbursing agency on behalf of the State Government in operating various incentive schemes to promote industrial growth. The following are the particulars of disbursements made towards various Incentive Schemes up to 1986-87:

Schemes	Up to 1981-82	1982-83	1983-84	1984-85 (Rupees in lakhs)	1985-86	1986-87	Total
(*i*) Sales tax refund loan	1,703·80	258·19	269·12	448·84	470·09	351·53	3501·57
(*ii*) Power subsidy	627·08	136·46	125·19	172·08	171·40	202·59	1434·80
(*iii*) Subsidy for feasibility reports	11·47	0·37	0·49	—	1·67	0·20	14 20
(*iv*) 15 *per cent* capital investment subsidy	2·88	16·44	23·35	41·79	63·00	78·18	225·64
(*v*) 15 *per cent* subsidy for installation of captive power Generator Scheme 1979	193·61	69·99	50·78	33·92	18·58	5·66	372·54
(*vi*) Others	4·36	0·31	6·83	9·49	59·86	33·28	114·13
							5662·88

Up to 31st March 1987, the Company received Rs. 5,869·87 lakhs from the State Government under the above schemes and disbursed Rs. 5,662·88 lakhs till that date leaving a balance of Rs. 206·99 lakhs unutilised.

The Management stated (February 1988) that the undisbursed amount at the end of each year was being disbursed during the beginning of the subsequent financial year. The Company was not levying any agency charges for rendering services under these schemes.

3A.10 **Central outright grant/subsidy scheme**

With a view to promoting industries in the backward areas, Government of India introduced (August 1971), a scheme for payment of subsidy to new industrial units set up in notified backward areas and also to existing units undertaking substantial expansion in such backward areas. The subsidy, equivalent to 10 *per cent* to 25 *per cent* of fixed capital investment subject to a ceiling of Rs. 10 lakhs to Rs. 50 lakhs was payable to each industrial unit. The subsidy is disbursed after obtaining prior sanction of the State Level Committee appointed for the purpose and the reimbursement is claimed from the Government of India through the Committee. The cumulative disbursement up to 31st March 1987 to 59 units amounted to Rs. 463·64 lakhs against receipt of Rs. 493·90 lakhs.

It was noticed in audit that in one case, the Company disbursed a sum of Rs. 11·90 lakhs without physically verifying the fixed assets acquired by the unit and in another case Rs. 2·12 lakhs were disbursed without examining the books of accounts of the unit.

3A.11 **Monitoring and follow-up**

Although the Company has a monitoring and Follow-up Cell headed by a Manager, it does not have a system of monitoring the growth of industries and utilisation of funds by the assisted units. No consolidated record about the units financed by it showing such details as the health of the projects implemented, units under implementation, units which had become sick, closed down or abandoned and the detailed reasons therefor was maintained. The Company also did not have records showing the total employment potential proposed to be created by virtue of implementation of the project financed by it and the actual employment potential created. In the absence of such records the extent to which the financing activities had helped in the industrial growth of the State and the extent to which the funds provided are utilised, could not be determined.

The Company set up (April 1978) the follow-up cell under the charge of a Special Secretary to monitor the performance of assisted units. The cell inspected 42, 58 and 72 units out of 178, 202 and 224 units assisted during 1984-85, 1985-86 and 1986-87 respectively but results of such inspections were neither consolidated nor placed before the Board. The inspections did not, however, cover the stages of implementation of the units, health of the units whether running or closed down along with the reasons therefor.

The Committee on Public Undertakings in its twentieth Report observed (February 1987) that when a "follow-up department" had been there, everything should have been on record.

Despite the Government's directives, the Company did not nominate its Directors in 161 units out of 198 units in private sector; in those cases where it nominated its Directors, it did not evolve any system of submission, by its nominee directors, of periodical reports on the working of the assisted units to the Board of Directors of the Company with the result the Company had no knowledge of the State of affairs of various assisted units and had not been able to make necessary steps either to prevent a unit from becoming sick or to effect recoveries by periodical reviews.

3A.12 **Other topics of interest**

Pursuant to a Court order (April 1981), the Management of a closed paper mill was vested in the Company pending valuation of assets of the mill and ultimate take-over by the State Government. The Company constituted (April 1981) a Board of Management to run the mill and received, between May 1981 and March 1987, loans totalling Rs. 938 lakhs towards working capital as well as acquisition of fixed assets of the mill from the Government. The Court order stipulated, *inter-alia* that any fixed asset acquired by the mill from funds provided by the Company would be owned by the latter. Without having reference to the Court or the State Government, the Company disbursed the Government loans to the Board of Management of the mill as loans bearing the same rate of interest as the Government loans. Neither any agreement was executed for the purpose nor were claims for the interest raised on Board of Management of the mill, although such interest was shown as Company's income from 1982-83 to 1985-86. It was noticed that interest of Rs. 41·54 lakhs accruing on loans of Rs. 255 lakhs disbursed to the Board of Management for acquisition of fixed assets figured as company's income. It was further noticed that the Company paid income tax totalling Rs. 22·72 lakhs on such interest income. Since the assets so generated remained the property of the Company in terms of the said Court order, payment of income tax on this account could have been avoided had the funds given for acquisition of fixed assets been shown as advance and not as loans bearing interest.

The above matters were reported to the Company and the Government in February 1988; their replies had not been received (March 1988).

3B WEBEL VIDEO DEVICES LIMITED

HIGHLIGHTS

The Company incorporated in August 1977 as a wholly owned subsidiary of West Bengal Electronics Industry Development Corporation Limited with a paid-up capital of Rs. 104·50 lakhs as on 30th September 1986.

Total borrowings of the Company from the financial institutions amounted to Rs. 64·06 lakhs as at the end of 30th September 1986. Of these, Rs. 23·20 lakhs towards principal was overdue for repayment to two financial institutions. Accounts of the Company from 1980-81 onwards were yet to be received in audit.

The Company had no Managing Director since its formation to 1st August 1978 and again from 1st July 1983 to date (February 1988). The technical consultant of the Company functioned as whole time Managing Director of the Company from 2nd August 1978 to 25th May 1980 without prior approval of State Government. Though the entire paid-up capital was subscribed by the holding company, it did not take any active part in day to day working of the Company and allowed an industrialist to nominate two directors on the Board of the Company without insisting upon 25 *per cent* equity participation by him as per "Memorandum of Understanding" entered into with him in August 1985.

The Technical consultant who was responsible for trial run and commissioning of the plant had left the organisation long before the trial run and commissioning of the plant, but he was paid full consultancy fees.

Project scheduled to be commissioned in September 1978, was actually commissioned in August 1980.

After commissioning it was noticed that against the overall licenced capacity of 40,000 tubes *per annum* the exhaust oven was capable of producing only 8,400 tubes in one shift or 16,800 tubes per annum in two shifts causing process imbalances.

Actual production of the Company varied from 9·7 *per cent* to 42·9 *per cent* of the licenced/intstalled capacity during the six years up to 1985-86 due to heavy rejection, shortage of working capital, power shortage and persistent labour trouble.

High cost of production due to under-utilisation of capacity and availability of tubes at cheaper price in the market affected the sales performance. Manufacturing cost increased due to payment of demurrage, port charges etc., and low productivity.

3B.1 **Introduction**

West Bengal Electronics Industry Development Corporation Limited (WBEIDC), a Government of West Bengal Undertaking, obtained a letter of intent in May 1974 for manufacture of 40,000 black and white picture tubes *per annum* and proposed to implement the project in collaboration with Bharat Electronics Limited (BEL). The efforts having failed the Company decided to enter the picture tube market on its own with the technical assistance of a private individual, who was formerly associated with BEL and had a unit of his own at Madras for manufacture of T.V. deflection components. A wholly owned subsidiary Company under the name of WEBEL Video Devices Limited was incorporated on 26th August 1977 to promote and develop electronics and allied industries in West Bengal. The project was formulated in May 1977 at a cost of Rs. 140 lakhs (revised upward to Rs. 157 lakhs in February 1978) for commencing commercial production from October 1978. However, the commercial production started only in November 1980. In the meantime, a "Memorandum of Understanding" was entered into in August 1985 with an industrialist, who was to contribute 25 *per cent* of the capital as his share. He had, however, not contributed to the equity till November 1987 when the "Memorandum of Understanding" was cancelled.

The activity of the Company has so far (February 1988) been confined to manufacture of black and white T.V. picture tubes:-

3B.2 **Audit Scope**

A review of the activities of the Company was conducted by audit between May and July 1987 and salient features emerging therefrom are discussed in the following paragraphs:

3B.3 **Organisational set-up**

The management of the Company is vested in a Board of Directors consisting of a part time Chairman and four other Directors. The Company had no Managing Director since its formation to 1st August 1978 and again from 1st July 1983 to date (February 1988). The technical consultant of the Company functioned as whole time Managing Director of the Company from 2nd August 1978 to 25th May 1980 without the prior approval of the State Government. Thereafter, one of the Directors of the Company acted as the Managing Director for about a month in May to June 1980. A retired Railway Official was then appointed as Managing Director from 1st July 1980 and he continued till 30th June 1983. Pursuant to "Memorandum of Understanding" reached in August 1985 with an industrialist, an agreement was entered into with a private firm on 7th October 1985 for lending managerial assistance, if needed. The industrialist was to participate in equity shares to the extent of 25 *per cent* and in consideration two of his nominees were to be given representation on the Board. A representative of the private firm was appointed as the Chief Executive, who managed day to day affairs of the Company from 1st July 1987 to 1st December 1987 when an Executive Director was appointed by the Company in his place. Two nominees of the industrialist were also taken on the Board even though the equity participation was not forthcoming from the industrialist. They are continuing (February 1988) although the "Memorandum of Understanding" had been cancelled in November 1987.

3B.4 **Capital structure**

As on 30th September 1986, the Company's authorised capital was Rs 150 lakhs and the paid-up capital as on that date was Rs 104·50 lakhs, wholly contributed by the holding Company (WBEIDC). In addition, the Company obtained long-term loans of Rs 64·06 lakhs from two financial institutions and one nationalised bank. The Company did not repay any amount towards principal and the overdues of instalments as on 30th September 1986 amounted to Rs 23·20 lakhs to two financial institutions.

Interest accrued and due on these loans up to 30th September 1986 but not paid amounted to Rs 58·87 lakhs, according to the statement of financial position of the Company prepared in February 1987 by a firm of Chartered Accountants.

The Company had also obtained funds from time to time from the holding company to meet its immediate working capital and other requirements. The funds so received remained unclassified in the books of the Company. The Board of Directors of the Company determined the amount at Rs. 79·37 lakhs as unsecured loan outstanding as on 30th September 1986. There is, however, no formal loan agreement, nor any confirmation of the balances from the holding Company. Interest accrued and due on these loans up to 30th September 1986 had been worked out to Rs 28·22 lakhs by the firm of Chartered Accountants.

The Company had a cash credit arrangement with a nationalised bank up to a limit of Rs 18·30 lakhs, which was increased to Rs. 23·70 lakhs in August 1983. The amount outstanding as on 30th September 1986 was Rs 25·91 lakhs, including provisional interest. .

3B.5 **Project implementation**

The capital cost estimates for the project as initially conceived, assumed capital investment of Rs 140 lakhs with scheduled date of commencement of production in October 1978 with an ultimate capacity of 40,000 picture tubes per annum working in double shift. These estimates were revised upward in February 1978 to Rs 157 lakhs (including margin money of Rs 20·13 lakhs). The project started commercial production only in November 1980 and produced about 3,886 picture tubes in 1980-81. The production gradually increased to 17,168 in 1982-83 after which it started declining and came down to slightly over 5,000 picture tubes in 1985-86 (ending September 1986).

The latest accounts of the Company audited by the statutory auditors and as well as audit under Section 619(4) of the Companies Act are for the year 1979-80. The Accounts for 1980-81 have been certified by the Statutory Auditors, provisional accounts have been drawn for the years 1981-82 and 1982-83. Of these, accounts for 1982-83 await approval of the Board of Directors (February 1988). The Company has not maintained accounts showing the expenditure against each of the components, as indicated in the project estimates, with the result that the capital expenditure actually incurred on completion of the project remains unascertainable. According to the accounts for 1979-80, the capital expenditure booked till September 1980 was Rs. 127·54 lakhs.

Although the Company proposed to meet the expenditure partly from equity and partly from financial institutions and banks, formal sanction for institutional finances was not received till March 1981 although Rs 20 lakhs from West Bengal Industrial Development Corporation Limited (WBIDC) and Rs. 22·24 lakhs from West Bengal Financial Corporation (WBFC) were received in September 1979 and May 1980 respectively.

The main difficulty faced by the Company in getting the loans sanctioned was its inability to comply with the procedural formalities indicated by the financing institutions, leading to delay in formal sanction of the loans. In the meantime, the capital expenditure had to be financed by drawing loans from time to time from the holding company. Apart from this delay in mobilisation of funds, which led to delay in completion of the project and commencement of commercial production, belated completion of civil works and supply of equipment also contributed to the delay. A few intances of delay in implementation of the project are discussed below:

(*i*) The construction of the factory sheds and other buildings was to be completed within five months from the commencement of the work. The contractor could not commence the work on receipt of the work order in December 1977 due to non-receipt of drawings from the architect and delay in supply of materials like steel and cement. No responsibility was fixed on the architect for delays in releasing design and drawings. All payments had been made to the architect by withholding only Rs. 0·14 lakh. On account of its inability to maintain steady supply of materials, the work was suspended in March-April 1978. This work was completed only in May 1980. In the meantime, the Company received shipment of imported equipment at Calcutta Port in September 1978, which could not be released due to delay in completion of the civil works. The Company ultimately released the consignment only in March 1979, incurring an extra expenditure of Rs. 1·11 lakhs on account of port rent. Another consignment of machinery/equipment which arrived in April 1978 at Calcutta Port could not likewise be released before March 1979 on account of absence of adequate storage facilities at the site. This involved an extra expenditure of Rs. 0·15 lakh on port rent.

(*ii*) The completion of supply and installation of the air-conditioning and water chilling plant were delayed on account of the omission on the part of the Company management to furnish the required certificate for availing of the concessional rate of excise duty for which the contractor had to be paid an extra amount of Rs. 0·15 lakh.

(*iii*) Although the work for supply, installation and commissioning of the sub-station at the Company's factory premises was to be completed by August 1978, the firm supplied the equipment in March 1979 and installed the same in September 1979. No penalty was, however, imposed on the defaulting firm.

(*iv*) Before formulation of the project an individual was appointed as a technical consultant by the holding company initially for a period of one year subject to extension for a further period of three months at a lump sum fee of Rs. 0·60 lakh for supply of technical know-how, preparation of the project report and commissioning by September 1978. All the rights, duties and obligations in the agreement were transferred to the company in September 1977 on its formation and the period of consultancy services extended up to July 1978. The commencement of trial run was, however, delayed for two years mainly due to delay in completion of civil works. From August 1978 the consultant was appointed by the Company as its Managing Director without the approval of the State Government. He left the post of Managing Director in May 1980 before the completion of the trial run.

As discussed in the analysis of performances, the process rejection was very high, there was imbalance in the capacity of various processes ultimately affecting the installed capacity and the production was not stabilised. Inspite of that the consultant was paid in full, the instalment of Rs. 0·10 lakh having been paid in 1983.

3B.6 **Performance analysis**

3B.6.1 *Capacity utilisation*

According to the project report, the commercial production was to start in October 1978 reaching the ultimate capacity of 60,000 black and white picture tubes from the 3rd year, the capacity build up being 25,000, 40,000 and 60,000 respectively. However, the licenced capacity was only 40,000 picture tubes in two shifts based on daily output for 250 days. The production commenced only in November 1980 and the actual production during the six years ending September 1986 is indicated in the table below against the licenced/installed capacity of 40,000 picture tubes *per annum*:

	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86
			(Numbers)			
Licenced/Installed capacity	40,000	40,000	40,000	40,000	40,000	40,0000
Actual production	3,886	10,050	17,168	12,080	7,450	5,931
Percentage of actual production to licenced/installed capacity	9·7	25·1	42·9	30·2	18·6	14·8
Total number of employees	58	90	114	111	108	107
Production per employee	67	112	151	109	69	55

It will be seen from the above table that capacity utilisation ranged from 9·7 *per cent* to 42·9 *per cent* of the installed capacity and indicated declining trend from 1983-84 onwards, even though demand was not a constraint. The Management attributed the under-utilisation to the following:

(*i*) Initial teething trouble;
(*ii*) Delay in identification of various sources of raw materials;
(*iii*) Non-availability of imported raw materials;
(*iv*) Lack of trained personnel;
(*v*) Poor labour productivity due to industrial unrest, and
(*vi*) Severe power shortage.

In a communication to Industrial Development Bank of India (IDBI) it was indicated in August 1979 that the exhaust oven would work only in one shift, as it had higher capacity, although other equipment would be used for more than one shift. The project report also assumed one exhaust oven. The supplier's literature indicated that two ovens would be required to achieve a production of 40,000 tubes *per annum* in two shifts. However, orders were placed for only one exhaust oven.

After commissioning the unit, the Management noticed (February 1981) that the exhaust oven could produce only 8,400 picture tubes *per annum* in one shift or 16,800 picture tubes *per annum* in two shifts against the licenced capacity of 40,000 tubes, revealing process imbalance for which no explanations were forthcoming from the technical consultant who had by then left the organisation. According to the Management, one exhaust oven instead of two was installed by the consultant knowing fully well that the licenced capacity of 40,000 tubes *per annum* could never be achieved despite higher capacity of all other equipment. Apparently, the assumption in project report was unrealistic. In order to augment production, three more static ovens of BEL make were installed in 1983-84. Even then the production did not pick up.

3B.6.2 *High process rejection requiring re-work*

3B.6.2 (*i*) The manufacture of television picture tube comprises 15 operations. Before reaching the finished stage, a glass shell may be rejected more than once in any or more of the operations. They could be converted into finished stock after re-processing or may be rejected outright. The Company did not fix any norm for rejection at different operations, nor was any overall norm fixed for ultimate rejection. No indication was given therein about the number of glass shells received in the shop floor but not processed in any of the operations. Tubes of two different lengths were processed but the production records did not maintain any distinctive identification of products which required re-processing or were rejected outright. No annual reconciliation statement was prepared to show that the aggregate of finished output, outright rejection and work-in-process/tubes awaiting processing agreed with the aggregate inputs in different forms. 24 inches glass shells were introduced in the process in 1981-82, 1982-83 and 1983-84. Finished output of this product came out for the first time only in 1983-84 at the end of which 1,194 shells should have either been rejected or remained as work-in-process. However, the opening work-in-progress of both the 20 inches and 24 inches shells during 1984-85 was shown only as 704. Interestingly, on a physical verification as on 30th September 1984 it was reported that 1,141,24 inches shells were lying in the shop floor even though there was no fresh issue during 1984-85 and the opening stock of both 20 and 24 inches tubes was only 704. This clearly indicated that production records were incomplete.

The Company also did not maintain records for utilisation of different machines to enable one to assess the intensity of usage of different production facilities. There is also some uncertainty about the ultimate installed capacity of the project, which was indicated as 60,000 tubes in the project report against the licenced capacity of 40,000 tubes. In any case, licenced capacity is in terms of finished products net of rejection. The lower is the process rejection, the higher would be the output and the extent of capacity utilisation in terms of the licenced capacities.

3B.6.2 (*ii*) The table below indicates the number of picture tubes for which inputs were introduced in the system during the three years ending 1985-86, the number of picture tubes ultimately obtained as finished products, the extent of process rejection which was re-worked as obtained from incomplete production records maintained by the Company:

Year	Opening work-in-progress	New issues	Total quantity processed	Closing work-in-progress	Total quantity coming out of the process	Finished products as shown in the records	Total rejection in the process either re-worked or destroyed	Rejection/re-work as a percentage of input processed
				(Number)				
1983-84	993	12,315	13,308	704	12,604	12,080	6,306	47
1984-85	704	7,523	8,227	411	7,816	7,450	4,422	54
1985-86	411	4,700	5,111	93	5,018	5,931	7,116	139

N.B. : (1) Figures compiled from production records.
(2) As records are incomplete, discrepancies exist.

3B.6.2 (*iii*) The process rejections are, however, re-processed and only a part is finally rejected. The table below analyses further the rejection into those re-processed and those destroyed involving complete loss of materials and labour:

Year	Rejection re-processed	Destroyed	Total rejection
		(Number)	
1983-84	5,920	386	6,306
1984-85	4,198	224	4,422
1985-86	6,911	205	7,116

Re-processing, however, involves additional cost of some materials and time cost in the form of labour and overhead, which are to be borne by the tubes finally approved for sale.

In view of the high rates of rejection, the Board directed (January 1982) the Management to initiate remedial measures to reduce rejection rates. No effective steps have, however, been taken by the Management so far (February 1988) in this regard. The Management contended (December 1987) that the rejection percentage was within the international norms and accumulated process rejection of 30 *per cent* could be considered as rare achievement. But the profile prepared in August 1985 by the holding company observed as under:

"Apart from the unusually high rejection rates at various stages of processing, particularly in the bulb processing and tube processing area, the overall rejection rate was also, for a fairly long spell, higher than the industrial norm".

As already mentioned, the Company did not maintain records for utilisation of machines and labour; it also did not maintain complete production records; further, it did not maintain records relating to loss of production on account of factors like absence of raw materials, power shortage, industrial unrest, etc. As a result, it is not possible to ascertain if the Company would have been able to achieve the licenced capacity of 40,000 tubes *per annum* with the quantum of rejection actually arising in the process, which has been claimed by the Management as normal.

3B.6.3 *Product profitability and contribution analysis*

The accounts of the Company for 1981-82 onwards have not been audited by Statutory Auditors. The profitability trend as emerging from the unaudited available data is indicated in the table below for 1980-81 to 1982-83:

	1980-81	1981-82 (Rupees in lakhs)	1982-83
Value of production	22·16	41·70	74·26
Less: Consumption of raw materials and stores	24·73	29·29	54·29
Contribution	(–) 2·57	12·41	19·97
Less: Fuel & Electricity	4·28	7·98	8·75
	(–) 6·85	4·43	11·22
Less: Employees' cost	5·71	7·21	10·70
	(–)12·56	(–) 2·78	0·52
Less: Other expenses excluding depreciation and interest	4·51	5·68	10·36
Results of working before charging depreciation and interest	(–)17·07	(–) 8·46	(–) 9·84
Less: Depreciation	27·43	21·45	17·25
	(–)44·50	(–)29·91	(–)27·09
Less: Interest	10·92	12·68	13·07
	(–)55·42	(–)42·59	(–)40·16

It would be seen from the above table that the contribution during 1980-81 was negative. It was only in 1982-83 when the production was highest the contribution could cover the fuel and employees' cost.

3B.6.4 *Manpower analysis and productivity*

No comprehensive and scientific work study has been conducted to assess the staff requirements of the Company. No norms in terms of man hours have been fixed (February 1988). As a result, there is no mechanism available to measure the efficiency and productivity of the workmen.

The table below shows the comparative position of the value added per employee and salaries and wages per employee during the three years up to 1982-83:

	1980-81	1981-82	1982-83
Value of production (Rupees in lakhs) ..	22 16	41·70	74 26
Less: Consumption of raw materials, stores, power and fuel (Rupees in lakhs) ..	29 01	37·27	63 04
Value added (Rupees in lakhs)	(−)6 85	4 43	11·22
Number of employees	58	90	114
Value added per employee (Rupees) ..	(−)11,810	4,922	9,842
Salary, Wages and other benefits (Rupees in lakhs)	5·71	7·21	10·70
Salary, Wages and other benefits per employee (Rupees)	9,845	8,011	9,386

It will be seen that value added per employee was inadequate even to cover the salaries and wages paid to an employee during 1980-81 and 1981-82.

3B.7 **Buying efficiency**

On a test check of purchases following cases of infructuous/extra expenditure were noticed:

Figures for all the years are provisional.

(*i*) The Company procured 1,500 pieces of electron gun from a firm of USA in August 1981. While using a few guns (about 50 pieces) in manufacturing 20 inches picture tubes on trial basis in January 1982, the component was found unsatisfactory due to defocussing defects. Instead of bringing the fact to the notice of the supplier then and there, the Management tried again in May 1984 to use the component in manufacturing 24 inches picture tubes. Efforts being unsuccessful this time also, the entire lot (1,450 pieces) was rejected by the Management. The fact was brought to the notice of the supplier only in June 1984 with no result. Thus, the expenditure incurred by the Company in procuring the material amounting to Rs 0·65 lakh including cost, terminal charge etc., proved infructuous.

The Management stated (December 1987) that no performance guarantee clause was incorporated in the purchase order and no separate agreement was entered into as their normal practice was to issue a purchase order only.

(*ii*) In February 1983 an order for purchase of 27,092 pieces of glass shells and 8,000 pieces of neck flares at the rate of US $ 10·20 each and US $ 0·36 each respectively was placed on a firm of Korea. The above rates were firm throughout the year 1983. Delivery was to be made in five batches, the first batch commencing in April 1983 and the final batch in November 1983. The Company received two consignments in June 1983 and opened letter of credit for the third batch of 3,456 pieces of glass shells in August 1983, when the supplier proposed to increase the price of glass shells from US $ 10·20 to US $ 11·532 each which was accepted by the Company. Accordingly, the Company increased the value of letter of credit already opened. Justification for acceptance of enhanced rate was not on record. As a result, the Company had to incur an extra expenditure of US $ 4,603·392 (Rs 0·47 lakh, exchange rate being US $ 9·885=Rs 100) for procurement of 3,456 pieces of glass shells at enhanced rate.

3B.8 Sales performance

According to the project report, the requirement of black and white picture tubes in the country by 1980 was assessed at 3 lakhs. Before the Company came into production in November 1980 the demand of country was partially met by two manufacturers of picture tubes. These units could produce only 60,000 picture tubes against their licenced capacity of 2·40 lakhs *per annum*. The gap between demand and supply was met through import from Eastern European Countries. In 1980-81 the Company appeared in the field with a licenced capacity of 40,000 picture tubes *per annum*, thus making the total licenced capacity of the country to 2·80 lakhs *per annum*.

The table below indicates the sales as estimated by the Company in its project report in financial term, actual sales and percentage of achievement for the six years up to 1985-86.

	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86
			(Rupees in lakhs)			
Sales estimated in the project report	107·97	161·71	242·96	237·60	237·60	237 60
Actual sales	16·74	44·01	76 06	42·28	32·57	26·83
			(Per cent)			
Percentage of sales to sales estimated in project report	15·5	27·2	31·3	17·8	13·7	11·3

It would be seen from the above table that the Company could achieve only 11·3 *per cent* to 31·3 *per cent* of the projected sale during the six years of its working. Lower sales was attributable to under utilisation of capacity and competition from other manufacturers in the market.

The Company produced only 9·7 *per cent* to 42·9 *per cent* of its installed/licenced capacity during the 6 years up to 1985-86 which was negligible as compared to all India requirements.

The Company markets its product through direct sales. Selling price of the product is not fixed with reference to any cost/scientific data. It is regulated by the principle of what the market can bear.

The customer composition of the Company for the 6 years up to 1985-86 was as follows:

Figures for all the years are provisional.

	1980-81		1981-82		1982-83		1983-84		1984-85		1985-86	
	Value (Rupees in lakhs)	Percentage to total sale	Value (Rupees in lakhs)	Percentage to total sale	Value (Rupees in lakhs)	Percentage to total sale	Value (Rupees in lakhs)	Percentage to total sale	Value (Rupees in lakhs)	Percentage to total sale	Value (Rupees in lakhs)	Percentage to total sale
A.	7·29	43·55	16·41	37·29	26·50	34·84	20·20	47·96	6·54	20·08	12·74	47·49
B.	6·03	36·02	10·90	24·77	17·08	22·46	6·40	15·14	2·08	6·39	—	—
C.	—	—	5·54	12·59	6·98	9·18	5·96	14·10	5·81	17·84	—	—
D.	1·54	9·20	—	—	5·07	6·67	3·00	7·10	5·04	15·47	0·07	0·26
E.	—	—	—	—	7·67	10·08	0·98	2·32	0·13	0·40	—	—
F.	—	—	—	—	4·98	6·55	—	—	1·68	5·16	—	—
G.	—	—	—	—	—	—	—	—	—	—	7·50	27·95
Others	1·88	11·23	11·16	25·35	7·78	10·22	5·56	13·38	11·29	34·66	6·52	24·30
	16·74		44·01		76·06		42·28		32·57		26·83	

Figures for all the years are provisional.

It would be seen from the above table that the demand of the Company's product had been declining gradually from 1983-84 onwards. A test check of production and sales, however, revealed that the Company could not market all its product during each year and the product started accumulating from October 1983 due to its selling prices being higher than the prevailing market prices at that time. In view of the fiscal policy of the Government of India, import duty on certain raw materials for picture tubes had been reduced with effect from August 1983 and all the manufacturers other than this Company had reduced their selling prices. As there was no shortage of picture tubes in the market, the customers of the Eastern India switched over to other reputed sources. Due to higher selling price, the stock of picture tubes reached a peak level of 5,464 in April 1984.

In July 1984 the prices were, however, brought down which were lower than the prices dictated by the other manufacturers at that time. According to the Management the prices had to be reduced in order to survive in a highly competitive market.

Neither the Company nor the holding company periodically conducts market surveys, obtains information regarding demand for the product, evaluates competition and trends in the market to boost up Company's production and sales.

The Board of Directors of the Company decided (April 1984) that the Management Committee after making a comprehensive indepth study of the current sales problem should frame the overall sales policy of the Company and to submit proposal to the Board for consideration. No proposals, however, were submitted (July 1987).

3B.9 **Inventory control**

The table below indicates the comparative position of inventory and its distribution at the close of 5 years up to 1984-85:

	1980-81	1981-82	1982-83	1983-84	1984-85
			(Rupees in lakhs)		
(*i*) Raw materials	4·35	3·08	6·46	7·14	6·06
(*ii*) Stores and spares	6·98	3·04	3·03	4·13	4·35
(*iii*) Semi-finished goods	5·72	4·63	3·02	7·16	0·58
(*iv*) Finished goods	0·01	0·01	1·79	16·29	4·25
(*v*) Consumption of raw materials ..	24·67	24·07	52·35	27·31	16·58
(*vi*) Consumption of stores and spares ..	0·06	5·22	1·94	0·80	0·60

Figures for all the years are provisional.

The stock of raw materials represented 4·4 months' consumption in 1984-85 as compared with 3·1 months' in 1983-84, 1·5 months' in 1982-83, 1·5 months' in 1981-82 and 2·1 months' in 1980-81. Stores and spares represented 87 months' consumption in 1984-85, as compared with 62 months' in 1983-84, 18·8 months' in 1982-83, 7·0 months' in 1981-82 and 1,396 months' in 1980-81. Stock of finished goods represented 1·7 months' sales during 1984-85, as compared with 4·7 months' during 1983-84 and 0·3 months' during 1982-83. The closing stock of picture tubes reached peak level of 4·7 months' sales at the end of 1983-84.

The following deficiencies were noticed during audit of stores records and accounts:

(*i*) The minimum, maximum and re-ordering levels of raw materials, stores and spares were not fixed.

(*ii*) Physical verification of stores although conducted by the Company at the close of each year, particulars of shortages/excèsses and damaged items were not indicated in the statements of physical verification. Only the ground balances were recorded in the statement and carried forward as opening balance in the next year's cardex without investigating into the reasons for shortages/excesses.

(*iii*) There was no system to identify non-moving and slow-moving items of stores and no record was maintained in respect of unserviceable materials and their disposal. It was noticed in audit that stores valuing Rs 0·44 lakh had not moved for more than three years. There was slow-moving/unserviceable stock of different kinds of paints (313 litres) procured before 1982.

(*iv*) No record was maintained to account for and to watch return/replacement of items of stores rejected on quality inspection.

(*v*) 1,296 imported electron guns received in March 1986 were found lying on the shop floor pending inspection (July 1987).

The Management stated (December 1987) that since the dimension of exhaust tube of Rumanian gun was different from that of other sources of purchase, application could not be performed suitably. Compression head matching with Rumanian guns had, however, been procured and the guns would be tested shortly.

(*vi*) Neither any procedure for accountal and disposal of empties, containers and scraps was laid down nor any account thereof was maintained.

Though the Board vehemently criticised (September 1983) the deficiencies/lapses in inventory management, no improvement in this regard has been achieved so far (February 1988).

3B.10 **Other points of interest**

The Company has been making heavy payments towards demurrage, port rent, container detention charges etc., on imported raw materials due to delay in (*i*) placement of fund and shipping documents to the clearing agent (*ii*) destuffing the containers within the specified free time etc. A few cases which came to notice during audit are given below:

(*i*) A consignment of 2,304 pieces of glass shells despatched by a firm of Korea on 5th July 1984 arrived at Calcutta Port on 13th September 1984 and was got released by the clearing agent only on 11th October 1984 on payment of demurrage charge amounting to Rs 0·46 lakh to Calcutta Port Authority. It was noticed in audit that the delivery could not be taken in time due to non-availability of bill of lading and delay in releasing the fund to the clearing agent.

(*ii*) 4,608 pieces of glass shells landed at Calcutta Port on 26th January 1986 from Korea were got released on 12th June 1986 on payment of port demurrage charges (Rs. 6·27 lakhs), Cargo rent (Rs. 0·87 lakh) and container detention charges (Rs. 0·25 lakh) due to delay in destuffing the container within the specified free time. There was no recorded reason for delay in clearing the consignment.

(*iii*) 18 tonnes of potassium silicate arrived at Calcutta Port on 17th March 1986 from a firm of France were got released only on 9th January 1987 on payment of container detention charges (Rs. 0·61 lakh) and demurrage charges (Rs. 2·09 lakhs). It was noticed in audit that though the Company was informed of the date of arrival of the consignment in March 1986 by the clearing agent, the Company had released the fund on 11th December 1986 and the consignment was taken delivery by the clearing agent on 9th January 1987. There was no recorded reason for delay in releasing the fund to the clearing agent and for non-clearance the consignment by the clearing agent immediately on receipt of the fund.

(*iv*) A consignment of 1,296 pieces of glass shells arrived at Bombay Port from Rumania on 8th April 1986 was got released only in January 1987 on payment of Rs 1·95 lakhs as port rent and Rs 0·89 lakh on account of container detention charges owing to delay in destuffing the container. Reasons for not clearing the consignment in time were not on record.

3C. THE STATE FISHERIES DEVELOPMENT CORPORATION LIMITED—INLAND FISH FARMS

HIGHLIGHTS

The main purpose of the formation of the Company was to augment fish supply in and around Calcutta by establishing/developing mainly brackish water and sweet water fishing farms of the State Government. The Company's annual production was only 213 tonnes to 644 tonnes during the four years up to 1986-87, representing about 0·13 *per cent* of the annual consumption of 3 lakh tonnes in Calcutta. The production was only 24·4 to 73·8 *per cent* of the production capacity envisaged in the project report. Shortfall in production was attributable to undertaking of schemes without proper consideration of the technical aspects, incomplete implementation of the schemes and lack of remedial action. Even if the company's existing farms are able to produce the full quantity envisaged in the project report, they would be able to meet the demand only to the extent of 873 tonnes per annum the contribution to the market would thus being very negligible.

The Committee on Public Undertakings in their twelfth report observed (February 1982) that the Company had not been able to create any appreciable impact on the supply market in Calcutta, not to speak of creating such impact on the supply market in the State as a whole. The Committee failed to understand how the Company would be able to solve such a gigantic problem with such low records of achievement. The Committee was seriously concerned with such poor performance of the Company and was of the opinion that inept administration, lack of managerial skill, bad supervision and lack of imagination in drawing up proper programmes had contributed to this state of affairs in the Company. The Committee, however, recommended that the Company should properly identify the deficiencies and weak points in the schemes relating to fish farms whenever they occur and take remedial measures promptly to eradicate those deficiencies to maximise production.

No remedial action, was, however, taken to eradicate the deficiencies to achieve maximum production. The performance of the Company continues to be dismal and its contribution to the city's requirement was practically nil (February 1988).

3C.1 **Introduction**

The State Fisheries Development Corporation Limited was incorporated on 30th March 1986 with the main object to develop the fishing industry in the States by acquiring/establishing tanks, lakes, reservoirs, bheries, tidal swampy areas, etc., and sale of fish and other by-products within the country and abroad. The present activities of the Company are mainly confined to inland and marine fisheries.

3C.2 **Audit scope**

The working of the Company including inland fish farms was last reviewed in the Report of the Comptroller and Auditor General of India for the year 1979-80 (Commercial)—Government of West Bengal, which was yet to be discussed by the Committee on Public Undertakings (February 1988). The present review attempts to assess how far the Company had been able to achieve economic viability of its inland fish farms.

3C.3 **Working results of inland fish farms**

The overall financial results of the inland fisheries showing the revenue earned, expenditure incurred inclusive of depreciation but excluding interest on capital for the period from 1980-81 to 1984-85 were as detailed below:

Year	Income	Expenditure	Profit (+)/ Loss (−)
		(Rupees in lakhs)	
1980-81	8·40	11·68	(−) 3·28
1981-82	16·97	28·79	(−)11·82
1982-83	41·27	33·71	(+) 7·56
1983-84	54·87	44·32	(+)10·55
1984-85	68·27	61·02	(+) 7·25

The Company had not yet (February 1988) prepared the accounts for the years 1985-86 and 1986-87. However, as assessed by Audit with reference to the books of accounts and other records, the inland fisheries had sustained losses in 1985-86 (Rs 7·11 lakhs) and 1986-87 (Rs 7·13 lakhs) before charging depreciation interest on capital etc.

3C.4 **Appraisal of activities**

Pisciculture operations are conducted within land boundaries through brackish water fish farming reservoir fisheries, sweet-water fish farming and sewage-fed fish farms.

The table below indicates the farmwise area acquired, effective water area, target of production *per* acre fixed and range of actual production *per* acre:

Name of the farm	Area acquired (in acres)	Effective water area (in acres)	Percentage of area brought under culture	Target of production fixed by Government (in kg per acre)	Actual production per acre (in kgs)
A. *Brackish water*					
1. Frasergunge ..	374·88	116·35	31·0	370	166·3 to 233·3
2. Digha	914·00	100	10·9	370	135·9 to 183·7
3. Alampore ..	532·00	200	37·6	370	230·3 to 323·7
4. Henry's Island ..	494·20	234·80	47·5	370	22·7 to 103·6
B. *Fresh water*					
1. Basanti	36·82	36·82	100	450	33·9 to 95·2
2. Serpentine Jheel ..	6·75	6·75	100	450	390·8 to 1,150·8
3. Krishnabandh and Gantalbandh ..	122·23	122·23	100	450	15·2 to 65·8
4. Haldia ..	24·71	24·71	100	450	301·1 to 409·2
5. Narghat	5·15	5·15	100	450	21·7 to 550·7
6. Kolaghat ..	54·00	54·00	100	450	64·0 to 89·5
7. Katnadighi ..	20·00	20·00	100	450	320·9
8. Kutighat ..	17·61	17·61	100	450	NA
C. *Reservoir*					
1. Kangsabati & Kumari	28,800	28,800	100	7	0·18 to 0·51
2. Hinglow	252·04	252·04	100	NA	8·6 to 47·9
D. *Sewage fed*					
1. Nalban	435·04	316·28	72·7	NA	179·9 to 3,993·3
2. Goltala	182·92	182·92	100	NA	799·9 to 1,343·3

Some aspects of the working of these farms are discussed in the succeeding paragraphs.

3C.4.1 *Brackish Water Fish Farms*

The Company established (January-February 1968) sweet water fish farms at Frasergunge and Digha in the districts of 24-Parganas and Midnapore respectively at a capital cost of Rs 19·02 lakhs. It also took over Alampore fish farm of Midnapore district from the Directorate of Fisheries in August 1968. The technical report envisaged annual production of 191 and 270 tonnes at Frasergunge and Digha farms respectively earning profits of Rs 0.67 lakh and Rs 0·86 lakh respectively from 4th year onwards (1971-72) and earning profits of Rs. 3 lakhs and Rs 4·58 lakhs respectively *per annum* from 1984-85 after meeting all the liabilities. The Alampore farm was expected to produce 112 tonnes of fish *per annum* and to generate profit of Rs 1·15 lakhs from 1970-71 onwards and earning profit of Rs 1·59 lakhs from 1979-80 after meeting all the liabilities.

The projections were optimistic as the farms were not suited to sweet water pisciculture due to high salinity resulting from their proximity to seacoast. The pisciculture was shifted to brackish water fish culture with special emphasis on prawn culture from 1976-77 onwards. Yet the production during the years 1983-84 to 1986-87 at the Frasergunge farm had ranged between 166·3 kgs *per* acre and 233·3 kgs *per* acre as against the target of 370 kgs *per* acre fixed (1970) by the State Government. The effective water area was 116·35 acres against total acquired area of 374·88 acres (Land area: 258·53 acres; water area: 116·35 acres) and the marginal deficit of Rs 0·03 lakh to Rs 0·06 lakh every year had increased to Rs 1·39 lakhs in 1986-87. There were no recorded reasons for not bringing the entire area under culture. In respect of Digha farm the operation was confined to 100 acres out of 914 acres of available water area. The average production of the farm varied from 135·9 kgs to 183·7 kgs *per* acre as against the target of 370 kgs *per* acre and the deficit of the farm was running from year to year up to 1985-86 going up from Rs 0·42 lakh in 1983-84 to Rs 1·48 lakhs in 1985-86 but coming down to Rs 0·92 lakh in 1986-87.

The Alampore fish farm, where operations were confined to an area of 200 acres out of the total water area of 532 acres had shown better results with production *per* acre varying from 230·3 kgs in 1983-84 to 323·7 kgs in 1986-87 and the farm is making profit ranging from Rs 1·05 lakhs in 1982-83 to Rs 2·30 lakhs in 1986-87. The major area of the farm, being shallow, used to dry up every year leaving a negligible area for perennial culture. The Company developed 200 acres of water area by desilting and re-excavation. Reasons for not bringing the balance 332 acres of water area under farming were not on record.

Henry's Island, being a mangrove island subjected to regular tidal inundation with almost all high tides of the year, was considered to be an ideal site for brackish water pisciculture and as such a brackish water farm over an area of 234·80 acres out of the total area of 494·20 acres had been established between 1978 and 1981 at a total cost of Rs 62·32 lakhs from funds provided by Government of India and West Bengal. The scheme was expected to yield an annual production of 100 tonnes. The production of fish had fallen from 23,186 kgs achieved in 1984-85 to 6,645 kgs in 1986-87 and the *per* acre yield had varied between 22·7 kgs and 103·6 kgs as against the target of 370 kgs *per* acre. The operating losses had gone up from Rs 0·24 lakh in 1983-84 to Rs 1·70 lakhs in 1986-87, except in 1984-85 when it showed operational gain of Rs 1·00 lakh. It was noticed in audit that steep fall in production and low yield *per* acre were due to erratic liberation of fingerlings which ranged from 0·06 lakh to 0·10 lakh *per* acre during the five years up to 1985-86.

Farm-wise details are given in Annexure 6.

3C.4.2 *Reservoir Fisheries*

3C.4.2(*i*) *Kangsabati-Kumari Reservoir*

The Company took over (February 1974) Kangsabati-Kumari reservoir (28,800 acres) in between the districts of Bankura and Purulia from the Irrigation and Waterways department of the State Government on lease basis with the object of developing reservoir fisheries in the State. The scheme was formulated at a cost of Rs 15·75 lakhs spread over a period of 10 years with a recurring expenditure of Rs 4·40 lakhs *per annum.* The scheme was expected to generate profit of about Rs 3·60 lakhs *per annum* from 7th year onwards harvesting 200 tonnes of fish *per annum* from the total water area of 45 square miles (28,800 acres).

The scheme did not perform well as the annual production varied between 5·3 tonnes and 14·7 tonnes during the six years ending 1979-80 as against the original estimate of 200 tonnes and the modest target of 30 tonnes set on the reappraisal of the project in 1976. The poor progress was explained by the Management before the Committee on Public Undertakings (COPU) in February 1982 as under:

(*a*) The rivers feeding the reservoir run through barren hill tracts without any vegetation and that the catchment area of the reservoir did not have any thick jungle. There was no possibility of nutrient rich water to reach the reservoir to increase its productivity.

(*b*) Until and unless the productivity of the reservoir increases, the programme of stocking the fingerlings of major carps to increase its stocking density can have only limited success.

Since these factors were known from the beginning, the very selection of the site for undertaking fishery operation would seem to be injudicious. The Committee on Public Undertakings also held (February 1982) that from the very initial stage the scheme had so many limitations that it did not seem to be a very economically viable one and the management despite being familiar with the limitations of the scheme since its very inception, banked upon the scheme considerably.

To increase the productivity, the management undertook (1977) the programme of culture of major carps fingerlings in fish ponds along the periphery of the reservoir where suitable substratum was available supported by introduction of advanced fingerlings in the reservoir and protection of natural breeding. But the production of fish which had increased to about 14·7 tonnes in 1979-80 came down further as shown in the table given below:

Year	Target fixed	Achievement	Percentage achievement to target	Revenue realised	Expenditure incurred	Profit (+)/ Loss (−)
	(In kilograms)			(Rupees in lakhs)		
1981-82	30,000	7,200	24·0	1·27	1 98	(−)0·71
1982-83	30,000	3,310	11·0	0 94	2 06	(−)1 12
1983-84	30,000	1,870	6·2	0 23	1 67	(−)1 44
1984-85	30,000	3,783	12·6	0 25	2 06	(−)1 81
1985-86	30,000	1,273	4·2	0 09	2·38	(−)2 29
1986-87	30,000	90	0·3	0 01	3 61	(−)3·60

The Company decided and proposed in November 1984 to hand over the reservoir to the Government, their approval was awaited (December 1987). The Company, however, continued to maintain their establishment on which expenditure of Rs. 2·06 lakhs, Rs 2·38 lakhs and Rs 3·61 lakhs had been incurred in the years 1984-85, 1985-86 and 1986-87. It could have saved this expenditure by unilaterally ceasing its operation.

3C.4.2(*ii*) *Hinglo Reservoir*

Hinglo reservoir covering a total water area of 252·04 acres was taken over by the Company towards the end of 1979. The actual performance of the reservoir during the last 6 years up to 1986-87 was as follows:

Year	Target fixed	Achievement	Percentage of achievement to target	Revenue realised	Expenditure incurred	Profit (+)/ Loss (–)
	(In kilograms)			(Rupees in lakhs)		
1981-82	Not fixed	10,200	—	0·85	0·55	(+)0·30
1982-83	Not fixed	9,468	—	0·88	0·80	(+)0·08
1983-84	Not fixed	2,161	—	0·18	0·81	(–)0·63
1984-85	Not fixed	2,760	—	0·30	0·80	(–)0·50
1985-86	Not fixed	12,061	—	1·45	1·54	(–)0·09
1986-87	24,925	—	36·9	0·99	1·77	(–)0·78

It would be seen from the above that the scheme had incurred losses in all the years under review barring 1981-82 and 1982-83 when the scheme made marginal profits of Rs. 0·30 lakh and Rs 0·08 lakh respectively. An expenditure of Rs 0·34 lakh towards its development up to 1980-81 did not give the desired result. Constraints for fish exploitation in the reservoir, if any had not been analysed by the Company (December 1987).

3C.4.3 *Sweet water fish farms*

The Company took over 12 fish farms between April 1979 and June 1985 covering a total fishable area of 373·87 acres from the Directorate of Fisheries for rearing sweet water fishes. These farms had been made suitable for culture operation after extensive development work. The development expenditure on these acquired farms amounted to Rs 11·08 lakhs as on 31st March 1985. Out of 12 farms, 4 farms (fishable area: 85·60 acres) at Belgachia, Joka, Sarasanka and Rodon developed at a cost of Rs 0·99 lakh were kept in abeyance since they did not yield any production. Recurring expenditure of about Rs 0·20 lakh is being incurred *per annum* for maintenance of these 4 farms. Average production of fish from sweet water fish farms was estimated (1970) by the State Government to be 450 kgs *per* acre. The actual performance of 8 farms in comparison with that estimated is given in Annexure 7

Name of farm	Period	Fishable area (in acres)	Production estimated at 450 kgs per acre (in kgs)	Actual production (in kgs)	Percentage of achievement	Profit (+) Loss (−) (Rupees in lakhs)
1. Basanti	1982-83 to 1984-85	36 82	49,707	6,957	14 0	(−)0 51
2. Serpentine Jheel	1982-83 to 1986-87	6·75	15,188	26,984	177 7	(−)1 10
3. Krishnabandh and Gantalbandh	1982-83 to 1985-86	122 23	2,20,014	20,110	9 1	(−)3 27
4. Haldia	1984-85 to 1986-87	24·71	33,359	25,343	75 9	(−)0 68
5. Narghat	1984-85 to 1986-87	5 15	7,439	3,423	46 0	(−)1 17
6. Kolaghat	1984-85 to 1986-87	54 0	72,900	12,122	16 6	(−)3 28
7. Katnadighi	1986-87	20 0	9,000	6,419	71 3	(+)0 07
8. Kutighat	1986-87	17 61	7,925	NA		NA

It would be seen from the above that all the farms excepting Serpentine Jheel did not achieve the *per* acre production (450 kgs) estimated by the State Government in all the years under review. Basanti, Krishnabandh, Haldia, Narghat and Kolaghat farms which were under operation for considerable period have not shown any good sign of their vitality up to 1986-87. The farms which were developed at a cost of Rs 2·02 lakhs did not give the desired result. As the rate of production was far from satisfactory in Basanti farm, the Company decided in November 1984 to transfer the farms to the Government.

After obtaining their approval, the farm was handed over to Government in 1986-87. Krishnabandh farm had been incurring losses since its acquisition in August 1979. During the last 5 years of operation up to 1986-87 a sum of Rs. 7·45 lakhs was spent on the scheme while only Rs. 3·31 lakhs of income was earned. The losses were ascribed (January 1984) by the Officer-in-Charge of the farm to (*i*) low growth rate of fish due to presence of huge quantity of acquastic weeds in the tanks, (*ii*) problems of fishing on account of depth of water and uneven bottom of the tanks and (*iii*) poaching due to inadequate number of field guards. To improve productivity, the local management suggested (January 1984) several steps e.g., mechanical clearance of weeds, release of grass carps, increase in the natural fertility, etc., but no remedial action had so far (November 1987) been taken by the Company, reasons for which were not on record.

Serpentine Jheel which showed profit during 1982-83 and 1983-84 due to achieving the production target had fallen into losses during the subsequent years due to fall in the production.

3C.4.4 *Sewage-fed fish farms*

The Company took over in September 1979 two sewage-fed fish farms at Nalban and Goltala from State Government covering a total water area of 435·04 acres and 182·92 acres respectively. Out of 435·04 acres of water area, only 87·50 acres could be brought under culture in Nalban farm up to 1985-86 and subsequently the effective water area was increased to 316·28 acres while in Goltala, the entire area acquired was brought under culture.

The table below indicates the details of catches made against targets fixed, value fetched and direct expenditure incurred in both the farms during the five years up to 1986-87.

Name of farm	Year	Target fixed	Achievement	Percentage of achievement to target	Revenue realised	Expenditure incurred	Profit(+)/Loss(−)
		(In kilograms)			(Rupees in lakhs)		
Goltala ..	1982-83	Not fixed	2,71,469	—	13·20	8·59	(+)4·61
	1983-84	Not fixed	2,45,729	—	16·16	10·45	(+)5·71
	1984-85	Not fixed	2,09,113	—	18·22	9·13	(+)9·09
	1985-86	1,44,000	1,64,219	114·0	18·35	12·38	(+)5·97
	1986-87	2,50,000	1,46,332	58·5	11·79	14·17	(−)2·38
Nalban ..	1982-83	Not fixed	34,290	—	1·43	2·59	(−)1·16
	1983-84	Not fixed	87,462	—	8·91	7·88	(+)1·03
	1984-85	71,000	88,906	125·2	7·20	10·13	(−)2·93
	1985-86	1,68,000	15,740	9·4	2·14	8·89	(−)6·75
	1986-87	90,000	3,49,413*	388	35·33	30·14	(+)5·14

*Fishing area was increased from 87·50 acres in 1985-86 to 316·28 acres in 1986-87.

It would be seen from the above table that Goltala farm had made profit in all the years under review barring 1986-87 when the farm sustained a loss of Rs 2·38 lakhs but the production was showing a continuously downward trend, the reasons for which were not analysed by the Company. While there was profit in Goltala farm in almost all the years, Nalban farm adjacent to Goltala farm had suffered losses in all the years under review barring 1983-84 and 1986-87 when the farm had made a profit of Rs 1·03 lakhs and Rs 5·14 lakhs respectively.

Losses in Nalban farm were ascribed (January 1985) by the local management to (*i*) non-cultivation of 347·54 acres out of total water area of 435·04 acres due to high density of acquatic weeds, (*ii*) high siltation owing to lack of water flushing facility of the fishery creating unhealthy condition for the fish population, (*iii*) broken and eroded dykes of the fishery causing escape of fish during rainy season, (*iv*) presence of large number of unwanted/predatory fish population and (*v*) poaching.

In May 1985, the management contemplated to lease out Nalban farm to a Co-operative Society to be formed by the workers of the farm. No further development had taken place so far (November 1987).

3C.5 Seed culture

3C.5(*i*) In Frasergunge, Digha and Alampur farms, prawn and mullet are being cultured along with Indian Major carps for meeting Company's own requirement. Table below indicates the quantum of prawn and mullet seeds liberated in rearing and nursery ponds and production obtained per lakh seeds in the three farms during the three years up to 1985-86:

Name of farm	Year	Water area under culture (Acres)	Liberation of seeds: Total	Liberation of seeds: Per acre	Production obtained: Total	Production obtained: Per acre	Production of fish per lakh seeds (kg)
			(Number in lakhs)		(In kilograms)		
Frasergunge ..	1983-84	82 0	NA	—	2,060 2	25 1	NA
	1984-85	74 4	8·33	0 11	5,506·1	74 0	661 0
	1985-86	104 3	10 38	0 09	4,576 6	43 9	440 9
Digha ..	1983-84	81 9	0·58	0 01	2,040 9	24 9	3,518·8
	1984-85	81 9	1 97	0 02	1,086 8	13 3	551 7
	1985-86	67·0	4 05	0 06	1,337 8	20·0	330 3
Alampur ..	1983-84	174 0	8 42	0 05	1,757·7	10 2	208 8
	1984-85	174 0	9 53	0 06	1,937 0	11·1	203 3
	1985-86	150 0	7 23	0 05	3,601 5	24 0	498·1

The table above indicates that there were wide fluctuations amongst the farms in liberation of seeds *per* acre which varied from 0·01 lakh to 0·11 lakh and the production *per* acre varied from 10·2 kilograms to 74 kilograms. There was steep decline in production of prawn and mullet per lakh seeds in Frasergunge and Digha farms during 1985-86 as compared to earlier years. For want of adequate records it was not possible to ascertain in audit what was the quantity of fish lifted out of fingerlings liberated during 1986-87 from the rearing and nursery ponds. Reasons for such divergences/shortfalls were neither explained nor investigated by the management so far (December 1987).

3C.5 (*ii*) Culture of prawn and mullets was taken up exclusively for the first time in 100 hectares of Henry's Island from February 1981 in anticipation that in the initial year the average production of 200 kilograms *per* acre of water area would be obtained. With an ecological balance being set up in the system through effective inflow and outflow of sea water, the production rate was likely to improve further. The Government of West Bengal, however, had estimated that an annual production of 370 kgs *per* acre could be achieved in brackish water farm. But the production rate in the farm was far below the rate anticipated and was, in fact, on the decline even after operation of the scheme for five years up to 1985-86 as shown below:

Year	Effective water area (acres)	Liberation of seeds		Fish caught		Production per lakh seeds
		Total	Per acre	Total	Per acre	
		(Number in lakhs)		(In kilograms)		
1981-82 ..	121·2	11·20	0·09	5,138	42·4	458·8
1982-83 ..	121·2	8·93	0·07	12,581	104·0	1,408·8
1983-84 ..	136·2	8·47	0·06	14,113	103·6	1,666·2
1984-85 ..	234·8	17·65	0·08	23,186	98·7	1,313·6
1985-86 ..	234·8	22·7	0·10	5,341	22·7	235·2

For want of adequate records it was not possible to comment upon the quantity of seeds liberated and the production of fish *per* lakh seeds liberated during 1986-87. Reasons for such low productivity were not analysed by the management. It was, however, noticed in audit that low production was due to erratic liberation of seeds (varying from 0·06 lakh to 0·10 lakh per acre) and at times non-functioning of the intermediate sluices owing to defects in their construction.

Though the defects in the sluices were rectified in March 1985, the production in 1985-86 declined to 5,341 kilograms as against 23,186 kilograms in 1984-85. The farm management attributed (July 1987) the following for low production in 1985-86:

(*a*) low rainfall during the seeding season,
(*b*) insufficient flushing in of tidal water causing high salinity in the tank-water and high mortality in seeds and
(*c*) non-availability of quality seeds.

The Company, however, did not take any measure to overcome the constraints at (*b*) and (*c*) above.

The matter was reported to the Company and the Government (January 1988); their replies had not been received (March 1988).

CHAPTER IV

4. REVIEWS RELATING TO STATUTORY CORPORATIONS

This chapter contains reviews on the working of West Bengal State Electricity Board:

4A Fifth Unit (210 MW) Extension Project of Bandel Thermal Power Station

4B Billing and Revenue Control

4C Purchase Procedure and Stores Control

WEST BENGAL STATE ELECTRICITY BOARD

4A. Fifth Unit (210 MW) Extension Project of the Bandel Thermal Power Station

HIGHLIGHTS

The capacity of Bandel Thermal Power Station was increased from 350 MW to 560 MW by installation of Unit V with 210 MW capacity in March 1983 after a delay of about 6 years from the scheduled date of commissioning. The original estimates of Rs 33·31 crores were revised from time to time and finally to Rs 99·51 crores which were yet to be approved by the Planning Commission (February 1986); the increase of Rs 66·20 crores in the estimated cost was mainly due to delay in completion of the works resulting in increase in the cost of various civil, mechanical and electrical works and also due to increase in the volume of work even after finalisation of drawings.

There were delays in release of the drawings and layout designs by the consultants and in many cases the drawings so released had undergone revision by the consultants repeatedly due to peculiarities of site conditions.

The agreement with the consultants did not lay down the detailed scope of work and terms and conditions including penalty clause to safeguard the Board's interest in the event of failure on the part of the consultants. The consultants were appointed by the Board despite their services having been found unsatisfactory on earlier occasions when engaged on similar works of the Board, as reported earlier in Audit Reports for the years 1972-73, 1976-77 and 1983-84.

The delay in commissioning was also partly due to delay in (*a*) finalisation of tender documents, (*b*) opening letters of credit, (*c*) making available the working sites to the contractors for civil works, (*d*) supply of machinery and equipment etc., most of which were avoidable.

Payment of unjustified escalation in wages in certain contracts in the absence of proper advice by the Consultants, over Payment of Rs 55·55 lakhs to the supplier of the boiler without considering the relevant provisions in the offer-order/agreement, shortfall in generation due to high forced outages, consumption of fuel in excess of norms were also some of the points noticed during test check.

4A.1 **Introduction**

Bandel Thermal Power Station (BTPS) comprising four Units of 87·5 MW capacity each was set up between December 1965 and October 1966 with an installed capacity of 350 MW. For augmenting power generation in the State, the Planning Commission approved in August 1972 further extension of the Station by installation of an additional Unit of 210 MW (Unit V) at an estimated cost of Rs 33·31 crores.

The Unit scheduled for commissioning in March 1977, was commissioned only in March 1983.

Some aspects noticed in audit in the working of the additional unit of BTPS are discussed in the succeeding paragraphs.

4A.2 **Project estimates**

The original estimate of Rs 33·31 crores was revised to Rs 63·51 crores in October 1976 mainly due to under estimation of costs and non-provision of certain items of civil, mechanical and electrical works. These revised estimate was further revised from time to time and was last revised to Rs 99·51 crores in February 1984.

The approval of the Planning Commission for the revised estimates was awaited (February 1988).

The actual expenditure incurred up to 31st March 1986 was Rs. 81·95 crores.

The increase in cost by Rs 36·00 crores with reference to the first revised estimate of October 1976, was attributable to:

(*i*) increase in the cost of various civil, mechanical and electrical works (Rs 15·27 crores),

(*ii*) increase in the quantum of work consequent on finalisation of drawings (Rs 17·92 crores) and

(*iii*) increase in establishment cost and overheads either due to wage increase or slippages in the project construction (Rs 2·81 crores).

It was not possible to identify individual items contributing to the increase in quantum of works and the detailed reasons for the increase in cost, in the absence of analysis of variations.

4A.3 **Consultancy Services**

A firm of Calcutta was engaged on negotiation in January 1973 to provide consultancy services covering design engineering and supervision of construction and start up services. The payments for these services were to be made as under:

(*i*) 2·28 *per cent* of the assumed ceiling project cost derived from the estimated cost approved by the Planning Commission excluding therefrom the cost of colony, establishment etc., or

(*ii*) 1·86 *per cent* of the actual cost of installation of the unit to be derived on the scheduled date of commissioning of the unit by excluding cost of colony establishment, etc., from the then approved estimated project cost, at the option of the consultants.

Up to October 1985 payments aggegating to Rs 1·06 crores had been made to the consultants as full and final settlement of consultancy fee reclaiming actual cost of installation as Rs. 57·05 crores.

The agreement with the consultants did not lay down the time schedule for completion of various items of work to be adhered to by them. A test check of the work done by the consultants revealed that in a number of cases progress of works was affected due to delay in preparation of tender documents, in releasing designs and layout drawings, in revising the designs and drawings being unsuitable to the working conditions and extra expenditure on account of modifications and rectifications.

Interestingly enough, the same consultants were appointed by the Board earlier on similar nature of works in Santaldih and Kolaghat Thermal Power Projects of the Board and it was reported in Audit Reports for 1972-73, 1976-77 and also 1983-84 that the consultants were responsible for delays in completion of the projects and that the Board could not fix any responsibility in the absence of penal provision in the agreements. There was no justification whatsoever in appointing these consultants, that too, on negotiation basis, on this project, despite the experience with the consultants on earlier occasions.

In the instant case also, in the absence of a suitable penalty clause in the agreement, the Board could not fix up responsibility and impose penalty on the consultant for their lapses/failures which led to time and cost over runs in execution of works, as discussed in the succeesding paragraphs.

4A.4 **Delay in commissioning of the unit**

The unit originally scheduled for commissioning in March 1977, was actually commissioned in March 1983 pending completion of coal handling plant and automatic voltage regulator system. The Unit was put to commercial operation in May 1983. The details of various stages of work completed are shown below:

	Expected dates of completion	Actual dates of completion
(*i*) Hydraulic test of the boiler	October 1976	January 1982
(*ii*) First lighting of the boiler	NA	February 1982
(*iii*) Commissioning	March 1977	March 1983

The delay in commissioning was, as could be seen from the records, mainly due to the following reasons:

(*i*) non-availability of adequate funds;

(*ii*) delay in finalisation of tender documents, in releasing drawings by the consultants, opening letters of credit by the Board etc.,

(*iii*) frequent changes in designs relating to various civil, mechanical and electrical works resulting in abnormal increase in volume of works,

(*iv*) delay in making available the working sites to the contractors,

(*v*) delay in supply of machines and equipment and

(*vi*) slow performance by most of the contractors working at site.

4A.4.1 *Civil works*

One of the main reasons for delay in commissioning of the Unit was delay in completion of major civil works. There were considerable delays ranging from 24 to 66 months in the completion of major civil works as per details given below:

Description of work	Date of work order	Date of handing over of sites	Time allowed for completion	Time taken for completion	Delay	Value of work order	Actual expenditure up to 31.3.87
				(in months)		(Rupees in lakhs)	
(*i*) Construction of civil works comprising driven cast-in-situ-piles, pile caps, tie-beams, basement water proofing grounding and miscellaneous work	December 1974	January 1976	16	60	44	99·78	137·25
(*ii*) Construction of discharge tunnel and other auxiliary work	September 1975	June 1977	18	42	24	23·08	34·61
(*iii*) Fabrication and erection of structural steel works	September 1975	January 1977	18	78	60	172·25	331·51
(*iv*) Construction of intake and pump house	November 1975	March 1977	13	79	66	71·78	93·73
(*v*) Turbo-generator and other equipment, sub-station and transformer yard foundation	July 1976	March 1977	12	70	58	42·88	96·75
(*vi*) Civil and architectural work for construction of Power House building	September 1977	July 1978	28	77	49	68·78	84·63
(*vii*) Civil work for coal handling plant	April 1978	May 1978	27	71	44	56·87	67·27
(*viii*) Civil and architectural work for wagon tippler and associated works	May 1980	August 1981	12	69	57	34·85	52·68

The delays in completion of works were, as could be seen from the records, mainly due to

(*i*) delay in furnishing drawings,

(*ii*) delay in making available the working site to the contractors,

(*iii*) excess quantity of work involved.

4A.4.2 *Delay in supply of equipment*

The suppliers in most of the cases, failed to keep up the delivery schedules given in the purchase orders. The table below indicates the scheduled and actual dates of delivery, period of delay in respect of some important items:

Particulars	Month and year of delivery		Period of delay (in months)
	Scheduled	Actual	
(*a*) Turbo-generator	March 1975	July 1978	40
(*b*) Boiler	March 1977	March 1983	72
(*c*) Coal handling plant	May 1977	February 1979	21
(*d*) Boiler feed pump	September 1976	March 1981	54

4A.4.3 A few cases of delay in completion of civil works and in supply of equipment noticed in audit are discussed in the following paragraphs.

4A.4.3(*i*) In July 1976 the Board issued letter of intent for Turbo-Generator and other equipment foundation, ground floor trenches for mechanical, electrical services foundation and trenches in sub-station and transformer yard to a firm of Calcutta followed by a detailed order in September 1977 for Rs 42·83 lakhs. The work was to commence in March 1977 and scheduled to be completed within 12 months from the date of commencement (i.e., by March 1978). In July 1978 the contractors suspended the work owing to their internal problems when 43 *per cent* of the work (Rs 18·50 lakhs) was completed. Due to suspension of work by the firm, the contract was terminated and Rs 0·73 lakh was withheld by the Board in September 1978. The validity of the bank guarantee of Rs 0·43 lakh furnished by the firm as security expired in November 1977 and the same was not extended further. The Board did not lodge any claim for compensation with the firm as advised by the Legal Adviser of the Board in August 1978, reasons for which were not on record.

Residual work (57 *per cent*) was awarded in January 1979 to a firm of Calcutta for Rs 43·55 lakhs with the stipulation to complete the work by February 1980. The work commenced in March 1979 was completed in December 1982 at a cost of Rs 78·25 lakhs. Thus, the total cost was increased by 126 *per cent* over the value (Rs. 42·88 lakhs) of original order placed in September 1977 and after expiry of 58 months from the scheduled date (March 1978) of completion. The delay in completion of work was attributed (April 1980) by the Project to late release of transformer yard, Boiler and E.S.P. area control room sites, due to activities by other agencies, frequent changes in drawings resulting in considerable increase in volume of work. It was noticed in audit that there had been occasional hold up in the work due to delay in receiving drawings from the consultants and also due to additions and alterations made in the drawings even after the work was taken up by the contractor. The progress of work was also adversely affected due to go slow policy of the workers on the one hand and their refusal to allow the contractor to employ additional labour from outside on the other.

4A.4.3(*ii*) In September 1972 the Board issued letter of intent for buying a 210 MW Power Generating Equipment to a firm of New Delhi followed by a detailed order in September 1981 for Rs 11·31 crores (f.o.r. works). Equipment was scheduled to be delivered by March 1975 to match the targetted date (March 1977) of commissioning. In May 1978 work for erection, testing and commissioning of the Equipment was awarded to the same firm for Rs 62·00 lakhs stipulating the date of completion as October 1980. Though supply of equipment was completed in July 1978 (after 40 months from the scheduled date for completion of supply) the erection work commenced in May 1979 (after ten months from the completion of supply of equipment) and was completed in May 1983 (after 31 months from the scheduled date of completion). The delay, as noticed (August 1987) in audit, was due to frequent changes in drawings mainly in the area of Turbine Main Oil Tank, condenser shells and expansion tanks noticed during initial testing of the equipment, which necessitated a good number of modifications to the equipment already manufactured and supplied by the firm to the unit. The extent of responsibility of the consultants supplier for the frequent changes in the drawings after installation of the equipment was not determined. Extra expenditure incurred due to modifications was not also worked out by the Project so far

(August 1987). Up to the end of August 1987, an amount of Rs 11·83 crores for supply and Rs 68·20 lakhs for erection, testing and commissioning of the equipment were paid to the firm, which included Rs 6·20 lakhs towards material and labour escalation. An amount of Rs 4·62 lakhs was due (August 1987) for payment to the firm on account of supply of equipment. The Board did not levy any penalty on the firm (August 1987) in spite of considerable delay in supplies and commissioning of the equipment by them. The Management, however, stated (July 1987) that modifications in drawings were made in a number of cases due to certain peculiarities of site conditions and the same were carried out to avoid serious problems which might arise at the time of commissioning and operation of the unit.

The contention of the Board is not tenable in view of the fact that since four units were already set up at the same site earlier, there could not have been any peculiarities in the site conditions which were not already known to the Board. Besides the earlier units were also set up engaging the same firm of consultants, who should have foreseen, the site conditions with their past experience in the site, and finalised the designs and drawings accordingly.

Thus overlooking the site conditions while preparing the designs, despite past experience led to frequent modifications and consequent delay in execution of works.

4A.4.3(*iii*) In February 1976 the Board issued letter of intent for design, manufacture and supply of Coal Handling Plant to a firm of Kumardhubi followed by a detailed order in October 1976 at a lump sum price of Rs. 200·65 lakhs. The entire supply was to be completed by February 1978. Although the firm supplied ninetyfive *per cent* of the components by February 1979, erection work of the plant could not be taken up immediately as the progress of civil work was very poor. Civil work for coal handling plant was awarded in April 1978 (i.e., after 26 months from the date of placement of letter of intent for the machinery) to a firm of Calcutta at a cost of Rs. 56·87 lakhs. The civil work scheduled for completion in June 1980 was completed in February 1984 (i.e., after 44 months from the scheduled date of completion) at a total cost of Rs. 67·27 lakhs. Delay was attributed (August 1984) by the Project to:

(*a*) frequent changes in drawings and late release of the same by the consultants;

(*b*) abnormal increase in the scope of work;

(*c*) non-availability of sheet piles in store;
(*d*) severe sand blowing and seepage of water and
(*e*) labour unrest.

It was noticed in audit that working drawings were not available in time specially of the area of conveyor at 6A and 6B tunnel. At times work could not progress to the desired extent because of changes required in the detailed drawings specially in the area of crusher house and transfer house. Procurement of sheet piles took about 7 to 8 months for which work had to be totally stopped. Extra piling work was also needed due to sand blowing in some area.

In May 1979, erection work of the plant was taken up departmentally under supplier's supervision. But as the progress was very poor due to deployment of labourers elsewhere, the residual work of erection and commissioning was awarded in May 1983 to a firm of Calcutta at a cost of Rs. 7·20 lakhs. The work scheduled to be completed in October 1983 was actually completed in July 1984 at a total cost of Rs. 10·96 lakhs.

Thus, in the absence of effective co-ordination there was inordinate delay (48 months) in erection of the plant. The actual cost also increased by 44·09 *per cent* as compared to original estimate.

The following points were also noticed:

(*a*) After expiry of performance guarantee period in August 1980, certain inherent defects in the design of the crusher house were noticed (May 1982). Order for rectification and modification of structural steel work at crusher house was placed in August 1982 with a firm of Calcutta at a negotiated price of Rs. 5·00 lakhs. The modification work scheduled to be completed in December 1982, was completed in December 1983. No investigation was, however, conducted to identify the extent of responsibility of the supplier, erector and the consultants so as to recover the cost of modifications.

(*b*) 43·429 tonnes of fabricated steel (cost: Rs. 2·76 lakhs) supplied by the firm of Kumardhubi against an order placed in May 1977 were found missing in January 1984. A further order for fabrication of structural steel was, therefore, placed in April 1984 to a firm of Calcutta at Rs. 0·65 lakh. No investigation for the loss amounting to Rs. 2·76 lakhs was made and no claim under erection insurance cover had been lodged with the insurers so far (August 1987). The loss of Rs. 2·76 lakhs (cost of 43·429 tonnes of steel: Rs. 2·11 lakhs and fabrication charges: Rs. 0·65 lakh) was yet (August 1987) to be written off by the Board.

(*c*) Order placed with the firm of Kumardhubi in October 1976 included supply of 3,365 metres of Dunlop made conveyor belting of different sizes at a cost of Rs. 16·65 lakhs. The firm supplied the entire belting during January 1978 to February 1978 at a total cost of Rs. 20·07 lakhs (cost of belting Rs. 18·56 lakhs including Rs. 1·91 lakhs on account of price escalation *plus* Central Sales Tax Rs. 1·51 lakhs). It was noticed (August 1987) in audit that the firm of Kumardhubi paid Rs. 0·74 lakh towards Central Sales Tax at the rate of 4 *per cent* for carrying conveyor belting (3,365 metres) from manufacturer's works at Sahaganj in West Bengal to Kumardhubi in Bihar and charged the Board Rs. 1·51 lakhs on account of Central sales tax at the rate of 4 *per cent* including Rs. 0·74 lakh already paid by them for supplying the same conveyor belting from their works at Kumardhubi (Bihar) to the project site without any further process. In addition, the Project had to bear excess transportation cost amounting to Rs. 0·16 lakh. As the conveyor belting was required for use in generation of power, the Board was entitled to a concessional rate of West Bengal Sales Tax of one *per cent* by issuing necessary sales tax declaration form. Thus, the excess payment of Rs. 1·32 lakhs (Rs. 1·51 lakhs minus Rs. 0·19 lakh) on account of Central sales tax apart from excess transportation cost of Rs. 0·16 lakh could have been avoided had the conveyor belting been procured direct from the manufacturer at Sahaganj. It was noticed in audit that the Project availed the sales tax at concessional rate of one *per cent* by procuring 400 metres of belting from the manufacturer of Sahaganj direct in June 1979.

4A.4.3(*iv*) Order for design, manufacture, delivery, installation, testing and commissioning of wagon tippler was placed in July 1979 with a firm of Jamshedpur at a total cost of Rs. 45·08 lakhs. The work was scheduled to be completed by June 1980. Although most of the components were ready for supply in February 1980, delivery could not be taken up due to poor progress in civil works. Order for civil work for wagon tippler and associated works was placed in May 1980 (i.e., after 10 months from the date of placement of order for supply of tippler) with the same firm of Calcutta, who had already delayed the completion of civil works for Coal Handling Plant, at a cost of Rs. 27·88 lakhs. The work scheduled to be completed by May

1981 was completed in January 1985 (after 44 months from the scheduled date of completion) at a total cost of Rs. 52·68 lakhs. Erection of wagon tippler, commenced in September 1983, was completed in June 1985. Inordinate delay of 60 months was attributed (June 1983) by the project authorities to:

(*a*) non-availability of construction drawings from the consultants (66 days);

(*b*) 300 *per cent* increase in piling work as compared to the original estimate prepared by the consultants. It was noticed in audit that actual sheet piling work was 2,376·45 sq.m. as against 715 sq.m. envisaged in the original estimate. This abnormal increase in piling work was due to non-ascertainment of sub-soil condition by the Board/consultant at the time of preparation of estimate. About 193 days were required in driving the excess quantity of sheet piles;

(*c*) non-availability of sheet piles from store (205 days) and

(*d*) severe sand blowing and seepage of water (182 days).

Thus, due to delay in awarding civil works, the erection of wagon tippler was delayed by 60 months and actual cost of civil works increased by 89 *per cent* as compared to original estimate. In addition, an avoidable expenditure of Rs. 1·63 lakhs was also incurred for storage of the components of the wagon tippler in the warehouse of the supplier between the period from 1st August 1981 to 30th April 1983 as the site was not ready to accept the components which were awaiting despatch (February 1980) by the supplier.

To meet immediate requirements, the project authorities procured (September 1981), without prior inspection, 18·4 tonnes of sheet piles on hire basis (at the rate of 20 *per cent* of the cost of sheet hired) from Calcutta Metropolitan Development Authorities (CMDA) after making an advance of Rs. 3·01 lakhs towards cost of 60 tonnes of sheet piles (originally intended to procure) in August 1981. The sheet piles were required to be returned to CMDA in good conditions, failing which cost of sheets was deductible from the advance made. As the entire sheet piles were found distorted and defective at the time of their use, those were returned (November 1982) to CMDA in defective condition, after incurring a total expenditure of Rs. 0·18 lakh on transport. Advance amounting to Rs. 3·01 lakhs paid to CMDA in August 1981 was lying unadjusted (February 1988).

Thus, procurement of defective sheet piles without prior inspection resulted in an infructuous expenditure of Rs. 0·18 lakh on account of transport charges apart from loss of interest amounting to Rs. 2·90 lakhs on blocked up funds of Rs. 3·01 lakhs for the period from August 1981 to March 1987 computed at the rate of 17 *per cent per* annum.

Since the sheets (18·4 tonnes) were returned on the ground of their being very defective there is remote chance of realisation of Rs. 0·92 lakh being the cost of sheet piles returned in defective condition.

The Project authorities stated (July 1987) that action was taken (July 1987) to realise the advance.

4A.4.3(*v*) In May 1977 the Board issued a letter of intent for fabrication, erection, testing and commissioning of large diameter circulating water, demineralised water and raw water piping including excavation, back filling and fabrication and erection of miscellaneous tanks to a firm of Calcutta followed by a detailed order in July 1977 at a total cost of Rs. 16·00 lakhs. The work was scheduled to be completed within 72 weeks from the date of letter of intent (i.e., by November 1978). The work commenced in June 1977 and on 11th April 1978 the firm suspended the work due to their internal problems by which time 23 *per cent* of the work was completed. In July 1978, the contract was terminated while the amount payable to the firm against works completed was Rs. 0·67 lakh (out of works completed Rs. 3·68 lakhs). Security deposit of Rs. 0·85 lakh as furnished by the firm in terms of the order was also confiscated in July 1978. The Board while ratifying the action taken by the Project had, *inter alia*, directed (August 1978) that no further payment to the defaulting contractor should be made since the order placed with the firm in May 1977 did not stipulate recovery of excess expenditure in case of failure of the firm to complete the work in time. In June 1979 residual work (77 *per cent*) was awarded to a firm of Calcutta for Rs. 14·39 lakhs. The work scheduled for completion in March 1980 was completed in September 1981 at a total cost of Rs. 14·49 lakhs. The delay of 18 months was mainly due to engagement of other agencies in the area. The excess expenditure of Rs. 2·17 lakhs (compared to original contract value of Rs. 16·00 lakhs) incurred for the work could not be recovered from the defaulting firm in the absence of a suitable clause in the order. It was, however, noticed in audit that a further payment of Rs. 0·40 lakh was made by the project in January 1984 without assigning any reason, in contravention of the Boards' decision not to make any further payments.

4A.5 **Performance of the Unit**

4A.5.1 As per the operational reports of the generating station, the following are the details of the performance of the unit for the last three years up to 1986-87:

	1984-85	1985-86	1986-87
1. Installed capacity (MW)	210	210	210
2. Total hours available for operation in the year	8,760	8,760	8,760
3. Total hours actually operated	6,657	6,721	7,617
4. Total non-operated hours	2,103	2,039	1,143
5. Percentage of plant availability	75·99	72	86·95
6. Percentage of non-operated hours to available hours	24·01	23·28	13·05
7. Possible generation in hours actually operated on the basis of installed capacity (Mkwh) ..	1,397·970	1,411·410	1,599·570
8. Actual generation including auxiliary consumption (Mkwh)	1,064·449	1,129·832	1,290·442
9. Shortfall in generation due to under utilisation of capacity during actually operated hours (Mkwh)	333·521	281·578	309·128
10. Percentage of shortfall to possible generation ..	23·86	19·95	19·33
11. Auxiliary consumption (Mkwh)	82·873	84·289	92·715
12. Percentage of auxiliary consumption to gross generation	7·79	7·46	7·18
13. Plant load factor (gross generation to generation at installed capacity in *per cent*)			
(*a*) As per project report	65	65	65
(*b*) Actual as per generation	57·86	61·41	70·14

The following points emerged:

(*i*) The percentage of actual generation was low even with reference to the possible generation in the actual hours operated and the shortfall ranged from 19·33 *per cent* to 23·86 *per cent*.

(*ii*) Hours lost were mostly on account of planned and forced shut down for rectification of defects noticed during operation, modification etc. The Board had not prescribed any percentage of permissible under utilisation of capacity during operation.

(*iii*) The project report relating to the Unit shows the plant load factor at 65 *per cent* against which the average plant load factor attained by the Unit during 1984-85 and 1985-86 was 57·86 *per cent* and 61·41 *per cent* respectively. The plant load factor, however, improved to 70·14 *per cent* in 1986-87.

(*iv*) The plant availability was assessed at 82·19 *per cent* in the project report of the Unit, against which the actual plant availability was 75·99 *per cent* and 76·72 *per cent* during 1984-85 and 1985-86 respectively. The low plant availability during 1984-85 and 1985-86 was largely due to extensive shut down of the Unit owing to planned and forced outages.

(*v*) One of the major constraints responsible for low generation was lower demand in the system. This was due to imbalance in the transmission and distribution system mainly on account of delay in taking up/completion of transmission and distribution projects and augmentation of existing sub-station transformers to match with the commissioning of the Unit. Thus the systems of generation, transmission and distribution were not properly planned and synchronised.

4A.5.2 *Outages*

Details of outages (planned and forced) during the three years up to 1986-87 are given in the table below:

	1984-85	1985-86	1986-87
Available hours in the year	8,760	8,760	8,760
Planned shut down hours	1,737	—	—
Forced shut down hours	366	2,039	1,143
Total outages	2,103	2,039	1,143
Percentage of forced shut down to available hours ..	4·18	23·28	13 05
Percentage of planned shut down to available hours	19·83	—	—

There were, thus 3,548 forced outage hours, in all, during the three years up to 1986-87 resulting in loss of generation to the extent of 595·067 Mkwh valued Rs. 42·39 crores (approx.). The forced outages could have been minimised by adequate planning.

The following observations are made:

(*i*) The Unit remained shut down for a long period of 826 hours during 1985-86 owing to leakage of boiler tubes. The same boiler tube had developed leakages during 1984-85 and as a result, the Unit was shut down for 153 hours. Despite the earlier failures, no significant efforts were taken to avoid major break-down which occurred in 1985-86.

(*ii*) During 1986-87, isolator trouble and trouble in burner management system caused by poor quality of coal accounted for 368 shut down hours and failure of induced draft fan entailed 54 shut down hours as assessed by the Board.

(*iii*) During 1985-86, malfunctioning of main system of safety valve and loss of excitation accounted for 109 and 63 shut down hours respectively.

(*iv*) Maintenance due to operational problem was a major contributing factor to the forced outages; 712 hours of outages being attributed to this in 1985-86, and 215 hours in 1986-87.

4A.5.3 *Overhaul of boiler and turbo-generator*

As per the Indian Boilers Act, 1923 the boiler is required to be overhauled once a year. Neither the periodicity of taking up the overhaul of the turbo-generator nor the period within which overhaul of boiler and turbo-generator is to be completed was prescribed by the Board. According to the report (June 1975) of a Committee on "Modernisation of maintenance procedure in Large Thermal Stations" set up in April 1975 by the Central Electricity Authority, maintenance of a boiler over an year should take 30 days while a turbo-generator should take 45 days for capital maintenance once in every three to five years.

The boiler of the Unit was taken out for overhaul during 15th January 1985 to 28th March 1985 and 42 days were spent in excess of the norm. Reasons for delay in completion of overhaul had not been analysed by the Board (August 1987).

It was, however, noticed in audit that the boiler of the Unit was not overhauled during 1985-86 and 1986-87. Thus, overhauls were not being carried out as per the recommendations of the Committee. The Board, however, stated (July 1987) that the boiler and turbo-generator would be taken up for overhauling in November-December 1987. The work had not been taken up so far (February 1988).

4A.5.4 *Fuel Consumption*

(*i*) *Coal*

The entire coal requirement of the Unit was expected to be met from Ranigunj coal mines. The boiler of the Unit was designed to burn coal up to 28 *per cent* ash content and calorific value up to 4,850 K Cal/kg. The Unit was not able to get its entire coal requirements from the Ranigunj collieries and had, therefore, to procure coal from other collieries like Mugma. The supplies received from collieries other than Ranigunj exceeded the prescribed limit (28 *per cent*) of ash content and were of lower heat value.

A test check of the details of coal handled over the three years up to 1986-87 showed that 35 to 40 *per cent* of the coal received was of higher ash content which ranged between 40 and 50 *per cent* and lower calorific value ranging from 3,360 to 4,850 K Cal/kg. It was also noticed in audit that combustibility of ash at the Unit ranged between 9·9 *per cent* and 49·5 *per cent* which would indicate inadequate utilisation of the coal fed into the boilers.

Consumption of coal per Kwh of energy generated was estimated in the Project Report at 0·495 kg. The Board while enforcing economy in the consumption of fuel for its thermal power stations had prescribed (July 1983) the norm of consumption of coal per Kwh of energy generated at 0·450 kg with prescribed limited (28 *per cent*) ash content. The actual consumption of coal during the three years up to 1986-87 in respect of this unit was as follows:

	1984-85	1985-86	1986-87
Total consumption in lakh tonnes	5 28	5 58	6 56
Consumption of coal per Kwh (in kgs) ..	0 496	0 494	0 508

As may be seen from the above the coal consumption of the Unit varied from 0·494 kg to 0·508 kg per unit against the prescribed norm of 0·450 kg per unit. Thus, there was a total excess consumption of 1·735 lakh tonnes of coal during the 3 years up to 1986-87 costing Rs. 642·28 lakhs.

It was noticed in audit that the excess consumption of coal was mainly due to the poor quality of coal in terms of high ash and moisture content and lower calorific value. Use of low grade coal resulted in injuries to the boiler and excess consumption of furnace oil. No analysis was, however, made (August 1987) by the Project to ascertain the extent of injuries to the boiler due to use of low grade coal. Operational problems faced due to consumption of coal beyond the permissible limit were not stated by the Project. The quality of coal actually supplied entitled the Board to claim penalty for the adverse variation in calorific value. The Project lodged claims for the period from April 1983 to December 1986 aggregating Rs. 142·06 lakhs, against which claims of value of Rs. 97·71 lakhs up to March 1986 were realised (March 1987) by the Board from the supplier from coal supply bills. The balance claims of Rs. 44·35 lakhs for the period from April 1986 to December 1986 were yet to be settled (August 1987).

(*ii*) *Furnace oil*

Furnace oil is used for starting up of the boiler, controlling instability and as a supplement to coal. No standard for consumption of oil was mentioned in the Project report prepared in August 1972. The Board, however, while enforcing economy in the consumption of fuel for the thermal power stations had prescribed (July 1983) the norm of 0·0076 litre of oil consumption per Kwh of energy generated. In the absence of flow meter, consumption of oil was calculated on the basis of duration of fuel support and stock of oil in hand from time to time. The table below indicates actual consumption of oil, excess consumption of oil compared to norms, value of excess oil consumed during the three years up to 1986-87:

	1984-85	1985-86	1986-87
Consumption of oil (in KLs)	16,925·398	14,830·302	12,643·437
Consumption per Kwh (in litre)	0·015	0·013	0·009
Power generated in M Kwh 1064449 (0·015—0·0076) = 787692	1,064·449	1,129·832	1,290·442
Excess consumption compared to norm of 0·0076 KLs/Kwh (in KLs) ..	7,876·920	6,101·090	1,806·620
Value of excess oil consumed (Rupees in lakhs) ..	261·38	216·57	64·76

Value of excess oil consumed during the three years up to 1986-87 aggregated to Rs. 542·71 lakhs.

An analysis (by Audit) of the performance of the Unit revealed that large number of forced shut down and start ups as discussed in para 4A.5.2 *supra* and low off take had contributed to high consumption of furnace oil.

4A.5.5 *Payment of demurrage*

Due to detention of coal wagons and oil tankers beyond permissible free time, Rs. 100·59 lakhs were paid to the Railways as demurrage charges between January 1983 and December 1986.

Heavy payment of demurrages was attributed (June 1987) by the Project mainly to irregular placement of wagons by the Railways. Project had taken up (June 1987) the matter with the Railways pointing out that Railways were trying to place the rakes in such an irregular manner that payment of demurrage at a very high rate became unavoidable. Further developments were awaited (August 1987). No detailed analysis of the causes with a view to taking remedial measures to minimise the incidence of demurrage was, however, made so far (February 1988).

4A.6 **Cost of Generation**

Cost of generation per unit was estimated at 12 paise in the revised estimates for the Project as early as in 1976-77. Estimates of cost of generation were not, however, revised up to August 1987 for comparison of actuals with estimated cost for assessing the cost efficiency of the generating unit. Based on the cost data made available, the cost of generation per Kwh of energy during the four years up to 1986-87 was worked out (August 1987) in audit to be 33 paise, 34 paise, 34 paise and 35 paise respectively as against 12 paise estimated in the revised estimates for the Project.

The increase in cost of generation from year to year as noticed (August 1987) in audit was, however, mainly due to increase in consumption of furnace oil and coal in excess of norms, increase in the cost of fuel and increase in maintenance cost.

4A.7 **Other points of interest**

(*i*) *Acceptance of unreasonable wage escalation terms*

In September 1975 a letter of intent for fabrication and erection of structural steel work was issued to a firm of Calcutta followed by a detailed order in August 1976 at a total cost of Rs. 2·07 crores. The work scheduled to be completed in March 1977 was commenced in October 1975 and completed in March 1983 (after a lapse of 72 months from the scheduled date of completion). As noticed in audit (August 1987), the delay was mainly due to delay in releasing complete drawings by the consultants and frequent changes in designs resulting in considerable increase in the volume of works. For works completed up to March 1983 valuing Rs. 3·32 crores, the firm was paid Rs. 2·64 crores up to June 1987 inclusive of wage escalation of Rs. 37·89 lakhs. To work out wage escalation on the basis of a prescribed formula, the basic minimum wage of Rs. 479·05 on the base date of 1st October 1975 was accepted by the Project in terms of the offer received from the firm in April 1975 without verifying the reasonableness of the same with reference to the prevailing escalation rates adopted by other leading fabrication firms working in the area. The minimum wage of Rs. 479·05 was also subject to review by the Board at an interval of six months. The formula so accepted would work out that for every rupee or part thereof exceeding fifty paise per month of 208 hours by which the wage structure of the minimum rated worker varies from that of the base date (1st October 1975) shall be adjusted by 0·3 *per cent*.

It was, however, noticed in audit that up to February 1984 wage escalation was admitted without reviewing the minimum wage of unskilled labour from time to time. In May 1984 it was noticed by the Project that the wage escalation formula as incorporated in the order was 600 *per cent* in comparison to the Standard Reserve Bank of India wage escalation formula. As per R.B.I. formula, wage escalation was calculated at 0·05 *per cent* for every rupee or part thereof as against 0·3 *per cent* specified in the order. It was also noticed on scrutiny of the wage records maintained by the firm that actual payments made by the firm to its labour were lower than the claim for increased wage preferred from time to time. It was worked out in audit that up to May 1984, an amount of Rs. 17·23 lakhs was paid to the firm towards unjustified wage escalation as compared to R.B.I. wage escalation formula. The matter was referred (December 1985) to an arbitrator in terms of the order whose award was still awaited (August 1987).

Similarly, because of acceptance of unjustified wage escalation clauses in case of two other civil and electrical works awarded to two firms of Calcutta, a further unjustified payment of wage escalation of Rs. 5·21 lakhs was also noticed (May 1986 and February 1987) by the Project.

The scope of consultancy services, as agreed to in the agreement, *inter alia* includes evaluation of tenders and recommendations for all phases of work. The consultants were thus primarily responsible for the terms and conditions incorporated in various agreements entered into with suppliers/contractors. The failure of the consultants in exercising adequate caution in framing the terms and conditions resulted in the Boards' agreeing to an unjustified wage escalation clauses in the above contracts. The cases were not put up to the Board so far (August 1987) for fixing responsibility.

(*ii*) *Extra expenditure due to overstayal of contractor at site*

In August 1979 letter of intent for supply of 310·95 kilometres of cable was placed with a firm of Calcutta followed by a firm order in December 1979 for Rs. 138·46 lakhs. In terms of the supply order 100 *per cent* payment for the cable was to be made against despatch documents. To facilitate smooth execution, work order for erection, testing, commissioning of electrical equipment and erection of cable trays, cabling and grounding work was also placed in October 1979 with the same firm of Calcutta for Rs. 19·91 lakhs. Erection, testing and commissioning was scheduled to be completed by August 1980 while the supply was scheduled to be completed during January 1980 to October 1980. It was noticed (August 1987) in audit that in regard to scheduled time for completion, there was no co-relation between the erection and supply orders, as supply was expected to be completed by October 1980 while the erection work was to be completed by August 1980 which was not possible in the absence of complete supply of cables by August 1980. The erection work was not, therefore, completed in time mainly due to inordinate delay (37 months) in delivery of the cables by the firm and in making available the working site to the firm. Supply of cable was commenced in January 1980 and completed in July 1982 while the total work was completed in September 1983. Delay in execution of the work entailed an extra expenditure of Rs. 4·44 lakhs for overstayal of the contractor at site for 37 months.

Reasons for non-imposition of penalty in terms of the supply order (December 1979) for delay in delivery of the cable by the supplier were not on record.

(*iii*) *Overpayment of Rs. 93·07 lakhs*

In November 1972, a letter of intent for supply and erection of steam generating unit was issued to a firm of Durgapur, followed by a detailed purchase order in December 1973 for Rs. 5·66 crores with additional foreign exchange component of 1·95 million U.K. pounds. The work scheduled to be completed in March 1977 was actually completed in March 1983. The delay of 72 months was attributed mainly to delay in releasing complete drawings by the consultants and frequent changes in designs resulting in considerable increase in the volume of work. For work completed up to March 1983 valuing Rs. 15·07 crores, the firm was paid Rs. 14·69 crores up to January 1986. The payments made to the contractor were not in conformity with the provisions of the agreement. In December 1984, while reviewing the payments made to the firm it was noticed by the Project that the firm was paid Rs. 93·07 lakhs in excess on account of wage escalation (Rs. 78·26 lakhs), excise duty, sales tax etc. (Rs. 7·24 lakhs), energy charges (Rs. 3·49 lakhs), unadjusted advances (Rs. 3 lakhs) and works not done (Rs. 1·08 lakhs).

As the pending claim of Rs. 37·52 lakhs was not sufficient to cover the excess payment of Rs. 93·07 lakhs, the Board preferred a claim with the firm in September 1985 for refund of the amount, for which the firm had agreed in October 1985 to refund only Rs. 8·18 lakhs. The balance claim was, however, rejected outright by the firm without assigning any reason. The Board while noting the overpayment made had, *inter alia*, directed in December 1985 that responsibility be fixed for the same.

This was, however, not done so far (August 1987).

(*iv*) *Loss due to non-availing of concessional Sales Tax*

In terms of Section 8 of the Central Sales Tax Act, 1956 and Section 5(*i*) of West Bengal Finance (Sales Tax) Act, 1941, the Board was eligible for payment of concessional sales tax on purchase of materials on production of specified particulars to the suppliers in form 'C'. It was observed in audit that the Project failed to furnish the required form 'C' in time to the suppliers in 95 cases during the period from August 1975 to March 1983, which resulted an extra payment of Rs. 7·81 lakhs towards Sales Tax.

The matter was referred to the Board and the Government in September 1987, their replies had not been received (February 1988).

4B. BILLING AND REVENUE CONTROL

HIGHLIGHTS

The West Bengal State Electricity Board supplies energy to almost a million consumers, of which only about 1,300 high voltage consumers accounted for nearly one-third of the total revenue of Rs. 343·46 crores (1986-87) while 45,000 low and medium voltage industrial consumers accounted for about 39 *per cent* of the total revenue.

New service connections had been very much lagging behind. As many as 350 applications for new connections from High Voltage consumers were pending at the end of 1986-87, 232 of which were pending awaiting inspection, preparation of estimates and completion of works, all of which were attributable to the Board.

There was failure to obtain security deposit or to demand additional deposit. The dues were allowed to accumulate and in many cases, the security deposit was found inadequate to cover the dues from the consumers, whose service connections were disconnected.

Defective meters were not rectified or replaced for a long time. Bills in many such cases were preferred in an arbitrary manner, deviating from the prescribed formula of average consumption of the previous three months resulting in short billing of more than Rs. 30 lakhs. Although a three tier meter reading system was introduced in September 1985, there was no record to indicate the extent of surprise meter readings taken, while the extent of coverage of supervisory meter reading was not prescribed.

In almost 50 *per cent* of the cases of decentralised High Voltage Consumers, bills for energy consumption were not sent within the prescribed period. Apart from delay in raising bills, many cases were noticed of undercharge and short collection of revenue involving Rs. 362·58 lakhs due to various omissions and commissions.

The arrears of revenue due from consumers at the end of the year had been increasing from year to year with declining percentage of collection. In order to improve the financial position of the State Electricity Boards, Government of India suggested measures like improvement in capacity utilisation, reduction in operational cost and transmission and distribution loss and increase in tariff structure. The Board resorted to increase in tariff structure only. However, in this effort fuel surcharge and demand charges were not levied on the low and medium voltage industrial consumers.

Internal control system was deficient. Work relating to posting, totalling and reconciliation of consumers' demand ledgers and revenue control ladgers was in arrears and there was lack of co-ordination between the revenue earning units and the testing wing of the Board. The Board had no information as to the number of defective meters of low and medium voltage consumers and progress towards their replacements.

There was delay in remittance of collections by the local branches of the State Bank of India as well as delay in giving credit to the Board's collection account by the main branch of the State Bank of India. Reconciliation of deposits and remittances had not been done regularly. The internal control over raising bills, collection of dues and remittance for credit to the account of the Board was thus inadequate.

4B.1 **Introduction**

The revenue of the Board from sale of energy was Rs. 343·46 crores in 1986-87 when the number of consumers of all types was 9·96 lakhs. The classification of the consumers, according to type of supply for the last 3 years, was as given in the table below:

	Number of consumers at the end of		
	1984-85	1985-86	1986-87
A. Low and medium voltage consumers (connected load up to 49 KVA*)			
Domestic and Commercial	7,62,598	8,40,220	9,07,029
Industrial	40,507	43,257	45,323
Agriculture	32,915	39,199	42,324
	8,36,020	9,22,676	9,94,676
B. Decentralised high voltage consumers (connected load from 50 KVA* to 499 KVA)	955	1,029	1,113
Centralised high voltage consumers (connected load 500 KVA* and above)	165	171	183
Total	8,37,140	9,23,876	9,95,972

*KVA—Kilovoltampere.

The bulk of high voltage consumers, though least in number, account for nearly one-third of the total revenue. The low and medium voltage industrial consumers account for about 39 *per cent* of the total revenue of the Board.

Energy charges are collected through monthly bills (except in the case of domestic consumers) on the basis of the meter readings and according to the approved tariff.

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 Additional Chief Engineer (Commercial). Superintending Engineers of Operation and Maintenance (O & M) Circles are responsible for billing and collection in respect of revenue of decentralised high voltage consumers having connected load of 50 KVA and above (up to 499 KVA). Assistant Engineers and Station Superintendents of supply stations are responsible for billing and collection of revenue in respect of medium and low voltage consumers under their respective charges.

Although instructions were issued from time to time for regulating, billing and collection of revenue, they had not been codified in the form of a formalised manual so far (February 1988).

Some aspects of billing, collection and revenue procedure of the Board were reviewed and mentioned in Section VII of the Report of the Comptroller and Auditor-General of India for 1976-77 (Commercial). The present review primarily covers the points noticed on test check of billing and revenue control procedure in respect of high voltage and low and medium voltage industrial consumers during the period from 1982-83 to 1986-87.

4B.2 **New service connections**

Normally, on receipt of application for new service connection from high voltage consumer, a joint inspection by the Board's officials and the consumers' representative is held, after which an estimate for service connection charges is prepared by the Board and the consumer is advised to deposit the amount. On receipt of service connection charges, an agreement is entered into between the Board and the consumer for supply of electrical energy for a period of five years from the date of effecting service connection. Thereafter, a work order is issued for construction of lines and on completion of it, the same is tested by the Chief Electrical Inspector of the State Government, and power release order is obtained from the State Government and on receipt of it, necessary security deposit is obtained from the consumer. After compliance of all the formalities, the consumer is intimated to take supply of energy within two months from the date of such intimation. However, the Board had not laid down any time limit for effecting new service connection.

Test check of records revealed that there had been considerable delays, varying from 19 to 55 months in effecting new service connections to high voltage consumers during the years from 1979-80 to 1986-87. Test check of records further revealed that 131 applications for new service connections from high voltage consumers were pending at the beginning of 1984-85 and 464 applications for new service connections under this category were received during 1984-85 to 1986-87. Only 245 connections were effected during the period, leaving thereby a balance of 350 applications pending at the end of 1986-87 for the following reasons:

Inspection awaited	73
Estimates under preparation	91
Issue of work order awaited	17
Incomplete work	68
Connection awaited for system constraints ..	21
Service connection charge not received	80

Age-wise analysis of the pending applications was not available with the Board.

Particulars of new service connections applied for and the connections given to low and medium voltage consumers during the above three years were not on record. It was, however, noticed in audit that a total of 19,439 applications for new service connections from low and medium voltage consumers were pending at the end of 1985-86. The Board did not analyse (August 1987) the reasons for such a large number of pending applications for new connections.

4B.3 **Security deposits**

4B.3.1 Before providing supply of energy, security deposit is obtained from the consumers in cash or in one of the approved modes (e.g. bank guarantee, postal certificate etc.) to safeguard the interest of the Board.

The Board introduced (November 1976) a revised formula for calculating the amount of security deposit on the basis of two months' estimated consumption with reference to the connected load and revised tariff. A test check of records at Howrah (O&M) Circle revealed that revised security deposit amounting to Rs. 14·74 lakhs due from 23 decentralised high voltage consumers under it was not realised (August 1987), although necessary notices had been issued by the Board during the period from May 1984 to March 1987.

Following irregularities were also noticed during test check of records at four O&M Circles of the Board.

4B.3.2 Two decentralised H.V. consumers of Howrah (O&M) Circle drawing power in excess of their contract load applied (April 1984 and March 1985) for enhancement of load demand from 125 KVA to 300 KVA to which the Board did not respond for reasons not on record. However, the actual load demand of the two consumers varied from 152 KVA to 211 KVA during the period from March 1985 to April 1987. The Board could not realise additional security deposit amounting to Rs. 3·15 lakhs therefor.

4B.3.3 A decentralised H.V. consumer of Burdwan (O&M) Circle executed (May 1977) an agreement with the Board for drawal of electrical energy at a contract demand of 300 KVA, against which connection was given in September 1977. The security deposit initially obtained (June 1977) was Rs. 33,720. The consumer was disconnected in August 1980 for non-payment of energy charges (Rs. 2·45 lakhs) for the period from March 1978 to July 1980. The consumer was reconnected in May 1981 after payment of Rs. 1·00 lakh and was allowed to pay the balance amount of Rs. 1·45 lakhs in 12 equal monthly instalments.

At the time of reconnection (May 1981), the Board did not obtain fresh security deposit (Rs. 2·04 lakhs) as per prevailing tariff. The consumer was subsequently disconnected in July 1982 for non-payment of bills for Rs. 1·15 lakhs pertaining to the period from January 1982 to June 1982 including 5 arrear instalments. The dues of the consumer as on 31st March 1985 amounted to Rs. 2·27 lakhs. Had the Board obtained security deposit of Rs. 2·04 lakhs at the rate prevailing in May 1981 there would not have been any uncovered balance of dues. The consumer had stopped payment of energy charges since January 1982, but the Board effected disconnection only in July 1982. Reasons for allowing the consumer to draw power for six months (from January 1982 to June 1982) were not furnished by the Board (August 1987).

4B.3.4 A decentralised H.V. consumer of Burdwan (O&M) Circle had been drawing power since February 1977 at a contract demand of 125 KVA as per agreement executed in January 1977. There was nothing on record to indicate that security deposit amounting to Rs. 19,200 was at all obtained from the consumer. Records further revealed that the consumer was allowed (January 1986) to switch over to the high voltage metering arrangement from low voltage to cope with the enhanced load demand of 300 KVA, for which installation and commissioning of a 11 KV switchgear was effected by the local management (January 1986) against a deposit of Rs. 38,051 made (March 1979) by the consumer as service connection charges. However, in respect of enhanced load demand for 300 KVA no fresh agreement was executed and the required security deposit amounting to Rs. 2·10 lakhs was not obtained from the consumer (August 1987).

4B.3.5 *Outstanding dues from disconnected consumers*

The security deposit is a device to prevent accumulation of arrears as it can be applied by the Board towards liquidation of energy charges overdue from the consumers and the consumers can be asked in terms of the agreement to replenish the deposit in such manner as may be prescribed by the Board. The amount of deposit can also be enhanced in the event of its inadequacy either by reasons of increase in tariff or a change in the connected load and contract demand. Failure to pay the deposit in the said manner would be a breach of the agreement enabling the Board to disconnect the supply after giving 7 days' notice. It was, however, noticed that these provisions were not invoked and there was failure to obtain the security deposit or to demand additional deposit leading to mounting arrears of revenue as discussed below:

As per report of the Commercial Manager (Distribution) of the Board, dues against disconnected high voltage consumers (decentralised) were Rs. 61·25 lakhs as on 31st March 1987, of which Rs. 60·25 lakhs were due from non-government consumers and Rs. 1·00 lakh from Government consumers. It was noticed during test check of records that 41 decentralised and 1 centralised high voltage consumers were disconnected between February 1967 and August 1986 due to non-payment of energy bills. The outstanding dues from such consumers as on 31st March 1987 in respect of only four revenue circles of the Board amounted to Rs. 57·07 lakhs as against their security deposit of Rs. 18·75 lakhs held by the Board, as detailed below:

	Midnapur (O&M) Circle	Howrah (O&M) Circle	Burdwan (O&M) Circle	Additional Chief Engineer (Com)
(*i*) Number of consumers	5	28	8	1
(*ii*) Security deposit held (Rupees in lakhs)	1·25	5·06	1·10	11·34

	Midnapur (O&M) Circle	Howrah (O&M) Circle	Burdwan (O&M) Circle	Additional Chief Engineer (Com)
(*iii*) Period when outstanding dues exceeded the security deposit for the first time	March 1983 to December 1986	August 1973 to February 1986	February 1967 to August 1986	February 1986
(*iv*) Particulars of disconnection	March 1983 to December 1986	August 1973 to February 1986	February 1967 to August 1986	March 1986
(*v*) Outstanding dues as on 31st March 1987 (Rupees in lakhs)	3 59	16 04	6·66	30 78
(*vi*) Amount of uncovered energy charges (Rupees in lakhs)	2·34	10·98	5 56	19 44

Out of the outstanding dues of Rs. 57·07 lakhs a sum of Rs. 12·59 lakhs had been adjusted against security deposit leaving a balance of security deposit of Rs. 6·16 lakhs (yet to be adjusted) and a sum of Rs. 38·32 lakhs remained uncovered by any security deposit held by the Board. Had the Board promptly adjusted the dues against security deposits and obtained fresh deposits on points of disconnection, the outstanding dues would have been substantially lower.

There were further 25 high voltage consumers under Burdwan (O&M) Circle who had security deposit with the Board amounting to Rs. 1·42 lakhs only against outstanding dues of Rs. 7·47 lakhs as on 31st March 1987. The dates of disconnection against them were, however, not on records produced to audit.

4B.4 Metering arrangements

4B.4.1 As per existing procedure, the Board is required to arrange for installation of suitable meters at the premises of the consumers to record the extent of electrical energy supplied to/consumed by them. It was also obligatory (September 1985) for all Operation and Maintenance and Testing units of the Board to rectify/replace the defective meters within 72 hours in respect of centralised consumers and within one week in respect of decentralised high voltage consumers from the date of receiving intimation of the meters going out of order. Test check of records, however, revealed that in 19 cases meters of high voltage decentralised consumers under Howrah, Burdwan, Midnapore and Himalayan (O&M) Circles were not rectified or replaced for a period varying from 2 to 111 months during October 1976 to March 1987, as detailed below:

Sl. No.	Name of the circle		Number of consumers	Period for which meters remained unrepaired/unreplaced			
				Up to six months	From six to 12 months	More than one year but less than five years	More than five years
1.	Howrah (O&M) Circle	..	2	1	—	1	—
2.	Burdwan (O&M) Circle	..	3	1	1	1	—
3.	Midnapore (O&M) Circle	..	5	—	1	4	—
4.	Himalayan (O&M) Circle	..	9	2	1	5	1
			19	4	3	11	1

4B.4.2 According to the report placed in the 8th meeting of the Revenue Co-ordination Committee (RCC) (set up in September 1985) of the Board held on 15th June 1987, 30 meters of centralised high voltage (H.V.) consumers and 197 meters of decentralised H.V. consumers were defective at the end of April 1987 for reasons mentioned below:

	Nature of defect			Number of defective meters at the premises of	
				Centralised bulk consumers	Decentralised bulk consumers
(i)	Defects in meters (KwH with MDI)	..	..	17	103
(ii)	Defects in meters (RKVAH)	..	..	—	59
(iii)	Defects in current transformer (CT)	..	..	9	15
(iv)	Defects in power transformer (PT)	..	..	3	11
(v)	Defects in Oil circuit breaker (OCB)	..	..	1	9
				30	197

The period from which the meters remained defective was not indicated in the reports.

Test check of records further revealed that 4,900 meters of low and medium voltage consumers were defective at the end of October 1986 (position as on 31st March 1987 was not on record).

4B.4.3 Clause 13(3) of the agreement with the high voltage consumers provided that in the event of any meter being found defective the power and energy consumption during the period when the meter was deemed to be defective, should be determined by taking average consumption and other parameters for the preceding three months or during any subsequent period that might be reasonably comparable. It was, however, noticed that in such cases local management (O&M) Circles of the Board preferred bills arbitrarily, either on the basis of load factor (LF), or on the basis of consumption in the corresponding month of the previous year and sometimes according to the arbitrary estimate of the local management.

Test check revealed that in 23 cases the local management preferred claims deviating from the average consumption of the previous 3 months resulting in a short claim of Rs. 30·44 lakhs, as detailed below, during October 1976 to August 1987:

Sl. No.	Name of the Circle	Nature of defect	Number of consumers	Demand as per average consumption for the last three months	Demand claimed	Short fall	Amount (Rupees in lakhs)
1.	Howrah (O&M) Circle	MDI and Kwh defective	2	1092 KVA 60855 Kwh	851 KVA 40113 Kwh	241 KVA 20742 Kwh	0·24
2.	Burdwan (O&M) Circle	MDI defective	3	5234 KVA	4138 KVA	1096 KVA	0·52
3.	Midnapore (O&M) Circle	MDI and Kwh defective	5	9948 KVA 9611238 Kwh	8738 KVA 1246823 Kwh	1210 KVA 8364415 Kwh	2·99
4.	Himalayan (O&M) Circle	MDI defective	9	28107 KVA	19588 KVA	8519 KVA	3·83
5.	Additional Chief Engineer (Com.)	MDI and Kwh defective	4	96629 KVA 7090469 Kwh	82134 KVA 4581140 Kwh	14495 KVA 2509329 Kwh	22 86
	Total		23				30 44

4B.4.4 Following irregularities were also noticed during test check of records in different units of the Board:

Test check of records at Burdwan and Midnapore (O&M) Circles revealed that due to defects developed in power transformer (PT), current transformer (CT) and oil circuit breaker

(OCB) of the metering arrangements, power supply was continued to 9 (Burdwan 7 and Midnapore 2) decentralised high voltage consumers during the period from July 1980 to date (August 1987), bypassing the metering system. Claims for energy charges against the consumers had been preferred on an arbitrary basis. This had continued for more than seven years, during which period metered supply was not restored to regulate charges according to actual consumption. Test check of records further revealed that owing to outage of 33 KV metering CT in 'R' phase associated with the metering installation in November 1986 in respect of a centralised high voltage consumer, the unmetered supply of power was effected bypassing the metering circuit up to May 1987. Although local management (Additional Chief Engineer—Commercial) apprehended (March 1987) loss of revenue due to such unmetered power supply, the extent of loss was not assessed (August 1987).

Metering arrangement was restored in May 1987 but the provisional bill preferred earlier was not adjusted on the basis of three months' average consumption of the preceeding period. The average demand for the preceeding three months was 5748 KVA. Had the Board preferred bills on that basis, as per clause 13(3) of the agreement, it could have earned revenue of Rs. 1·66 lakhs for the period from November 1986 to May 1987.

4B.5 **Meter reading**

4B.5.1 In terms of Board's circular of June 1983, monthly meter readings of high voltage consumers was to be taken on any day between 26th and last day of a month. It was, however, noticed in audit that in 405 out of 1,113 cases of decentralised high voltage consumers, there had been delay of one to two months in taking meter readings during the year 1986-87.

4B.5.2 The Board introduced (September 1985) a three-tier meter reading system consisting of normal meter reading, supervisory meter reading and surprise meter reading, as mentioned below, to ensure accuracy of readings in respect of high voltage consumers:

(*i*) *Normal meter reading*

Assistant Engineers (AEs) should obtain meter readings at the premises of decentralised H.V. consumers and carry on necessary reconciliation with those of the previous months.

(*ii*) *Supervisory meter reading*

Superintending Engineers of O&M Circles should devise a system of such readings by an officer above the rank of AE, copies of such programme are to be sent to the Member (Finance and Accounts) and Commercial Manager (Distribution) of the Board in confidential cover by the last week of the preceding month but extent of coverage had not been prescribed. As per report (June 1987) of the Commercial Manager (Distribution) of the Board, supervisory meter readings were taken in 462 cases (out of 1064 live H.V. consumers) in nine O&M Circles during the period May 1986 to April 1987. It was also noticed in audit that no supervisory meter reading was conducted by the Midnapore (O&M) Circle during the above period, the reasons for which were not explained by the SE of the circle.

(*iii*) *Surprise meter reading*

Superintending Engineers of the O&M Circles should devise a system of surprise meter reading by an officer above the rank of Assistant Engineer, necesary programme for which is to be sent to the Member (F&A) by the 15th of the preceeding month. The result of such surprise checking should be sent to the Member (F&A) and the Commercial Manager (Distribution) by the 7th of the following month in sealed cover.

Particulars of surprise meter readings and results thereof were, however, not on record (August 1987).

4B.6 **Billing**

4B.6.1 Bills for energy consumption are required to be despatched monthly under certificate of posting by 10th of the following month allowing 15 days' time to low and medium voltage consumers and 20 days' time to high voltage consumers for making payments. It was, however, noticed that out of 12,369 decentralised H.V. consumers, bills were sent only in 6,298 cases during 1986-87 within the due date. In one of the Circles (Himalayan O&M), the delay ranged between one month and four months in raising bills in respect of low and medium voltage consumers. Delay in raising bills leads to delay in collection of revenue involving avoidable payment of interest on borrowings.

Apart from delay, many cases of undercharge and short collection of revenue for various reasons, as discussed below, also came to notice.

4B.6.2 *Non-application of correct multiplying factor*

For correct assessment of energy consumption, the units consumed in terms of Kilowatt/hour (Kwh) and maximum demand (KVA) recorded in the meters are required to be multiplied by the multiplying factor (MF) of the respective meters installed in the premises of the consumer. Test check of monthly energy bills of three O&M Circles revealed that the local management did not apply the correct multiplying factor in respect of three high voltage consumers during the period from April 1978 to September 1984, resulting in undercharge of Rs. 3·24 lakhs. Although in subsequent bills correct multiplying factors were applied, supplementary claims in adjustment of the undercharges mentioned above were not preferred (February 1988).

4B.6.3 *Wrong calculation of power factor*

In terms of the agreement with high voltage consumers, monthly maximum demand of the consumer for supply of power in each month shall be based upon the highest KVA delivered to the consumer at the point of supply during any consecutive 30 minutes in the month. In a case where KVA demand indicator is not installed, monthly maximum demand in KVA is to be estimated by dividing the readings in kilowatts of the maximum demand indicator by the monthly average power factor (PF) calculated from the number of units (Kwh) and Reactive Kilovolt ampere hours (RKVAH) as recorded in the meters of the same month. It was noticed during test check that in the Himalayan (O&M) Circle, power factor was calculated incorrectly in respect of nine high voltage consumers during the period from May 1981 to January 1987, resulting in an undercharge of Rs. 0·65 lakh.

4B.6.4 *Non-application of appropriate tariff*

(*i*) Prior to April 1985, standard rates and charges were applicable to consumers having combined load for cold storage and ice factory. From April 1985, concessional tariff was allowed in respect of cold storage on the condition of installation of separate meters for cold storages. Concessional tariff was, however, charged to a decentralised high voltage consumer, who had not installed separate meters, resulting in an undercharge of Rs. 1·63 lakhs for the period from April 1985 to July 1987. Supplementary claim was yet (August 1987) to be preferred.

(*ii*) For supply of electricity, higher rates are applicable in respect of waterworks, which do not come under the purview of the Factories Act. It was, however, noticed that the lower rate applicable to industrial consumers was applied to three waterworks, which did not come under the purview of the Factories Act, leading to an aggregate undercharge of Rs. 2·47 lakhs up to 25th September 1983. Supplementary bills had not been raised so far (August 1987) in these cases.

4B.6.5 *Non-levy of late payment surcharge*

If the consumer fails to make payments within the due dates specified in the bills, late payment surcharge is leviable. A test check of records of two group supply stations revealed that late payment surcharge amounting to Rs. 17·48 lakhs pertaining to the period from January 1978 to April 1986 was not levied, although the payments had been made after the expiry of the due dates.

In the case of a centralised high voltage consumer, late payment surcharge amounting to Rs. 0·88 lakh for the months of December 1982, January 1983 and May 1983 was also not levied for reasons not placed on record.

4B.6.6 *Non-recovery of annual minimum charges*

In the event of the actual energy consumption falling short of the annual contract demand, the difference between the annual minimum charge and the amount paid on the basis of the actual consumption is recoverable from the consumer at the end of the financial year. Test check revealed that in Midnapore O&M Circle, differential charge amounting to Rs. 1·46 lakhs was not claimed (till August 1987) from five high voltage consumers for the year 1986-87.

The shortfall in annual minimum charges in respect of two other circles for the year 1986-87 could not be assessed, as the relevant registers were incomplete (August 1987).

Shortfall in annual minimum charges amounting to Rs. 2·07 lakhs was also not claimed from 322 low and medium voltage industrial consumers under five group electric supply stations for varying periods during 1982-83 to 1985-86.

Reasons for not preferring these claims had not been explained (August 1987).

Test check further revealed that annual minimum charges amounting to Rs. 2·47 lakhs due from a centralised consumer for the year 1985-86 were also not claimed by the Board for reasons not placed on record (August 1987).

4B.6.7 *Irregular reduction in annual minimum charges*

The agreement with high voltage consumers provides for proportionate reduction in minimum charge in the event of the consumer not being able to draw power for reasons beyond his control, as specified in the agreement or in the event of the Board being unable to supply power for similar causes beyond its control, provided the consumers notify the Board in writing within 15 days from the dates of occurrence of the event with necessary details to prove that the occurrence is preventing or has prevented the consumers from receiving or using the full quantum of contractual demand. The agreement clearly prohibits any remission in the agreed minimum charge without receiving such a notice. On a test check it was revealed that annual minimum charge was reduced by Rs. 177·23 lakhs in respect of three consumers during 1980-81 to 1985-86 in contravention of the provisions in the agreement. This included remission of Rs. 170·16 lakhs in the case of a Central Government Company.

If a consumer fails to draw supply of energy within two months from the date of receipt of intimation from the Board, minimum charge is payable by the consumer according to the agreement. However, in two circles minimum charges amounting to Rs. 4·16 lakhs were not claimed by the local management from seven consumers during the period from August 1986 to March 1987.

4B.6.8. *Miscellaneous cases of undercharge*

(*i*) Against the meter reading of 41153 Kwh in April 1987 bill was raised for supply of 4153 Kwh, against a high voltage consumer under Himalayan (O&M) Circle leading to underbilling of Rs. 0·28 lakh.

(*ii*) The accuracy of the trivector meter (TVM*) in recording the consumption for June 1985 having been challenged by a high voltage consumer in July 1985, the Board preferred claim for July 1985 provisionally on the basis of maximum demand reading (8160 KVA) of June 1985 against the actual consumption of 13880 KVA recorded by the TVM. On testing the TVM, it was found to be in order in January 1987. In spite of that, no

*TVM Trivector meter

supplementary bill was raised against the consumer in adjustment of the provisional claim made for July 1985 on the basis of maximum demand reading. This resulted in a loss of revenue of Rs. 3·72 lakhs.

(*iii*) The transformers of the installed meters at the premises of a high voltage consumer became loose in April 1984. As a result, the meters recorded lower consumption during the period from April 1984 to April 1986 resulting in a short claim of Rs. 1·52 lakhs, as assessed (August 1986) by the local management. No supplementary claim was, however, preferred (till August 1987).

4B.6.9 *Loss of revenue*

A centralised high voltage consumer was disconnected (April 1976) due to default in payment of energy bills for Rs. 7·89 lakhs. After take over of the Company by the Central Government the new management cleared (May 1980) all outstanding dues pertaining to the pre-takeover period, and the service connection was restored at the premises of the consumer in May 1980. Since there had been delay in payment of dues, late payment surcharge (LPSC) amounting to Rs. 4·07 lakhs was claimed by the Board in July 1980. The consumer not only failed to pay the LPSC but also delayed the payment of energy charges for the months from November 1980 to June 1981. A claim for Rs. 4·36 lakhs as LPSC made by the Board during November 1980 to June 1981, was not paid by the consumer. The consumer further defaulted in payment of energy bills for the months since July 1983 and the outstanding dues mounted to Rs. 31·05 lakhs by August 1983. In November 1983, the Board issued a disconnection notice on receipt of which the consumer filed (November 1983) a case in the Calcutta High Court and obtained an interim injunction restraining the Board from disconnecting the power supply. The High Court directed (June 1984) the Board to settle the amount of dues which would be paid by the petitioner within six weeks from the date of issue of the order, failing which the Board would be at liberty to take action according to law or relevant rule for realisation of arrear dues upon proper notice. The above order of the Court (June 1984) was misplaced in the Board's office and the Board did not take any action for over a year; but allowed the consumer to consume power, leading to accumulation of outstanding dues to Rs. 164·02 lakhs up to January 1988.

The causes for misplacement of the High Court orders (June 1984) were not investigated by the Board (August 1987).

4B.6.10 *Non-application of standard tariff and transmission and distribution loss*

The Board decided in September 1979 to supply bulk power to an Electric Co-operative Society of Singur & Haripal which was granted a licence by the State Government in terms of the Indian Electricity Act, 1910 to carry on business of supply of electricity and transferred (December 1980) the assets valuing Rs. 59·5 lakhs (depreciated value) in Singur and Haripal police station areas to the Society against which payment of Rs. 29·75 lakhs only had been received so far (May 1987). Bulk power supply at 11 KV to the Society commenced from 15th December 1980 without any agreement and metering arrangements. In the absence of any agreement fixing tariff payable by the Society, the Board raised from time to time energy bills at its standard bulk supply rates (varied from time to time) on the basis of power sold by the Society to its own consumers with additional ten *per cent* as transmission and distribution losses. The Society, however, continued to pay energy bills at the rate of 13·20 paise per Kwh on the plea that such rate was worked out in accordance with the Puri Committee formula in the Project Report of the Society. The matter was referred (March 1982) by the Board to the State Government which constituted (May 1982) a Tariff Review Committee to recommend the tariff payable by the Co-operative Society. On the basis of recommendations made by the Committee (June 1983) the State Government directed (September 1983) to fix tariff at 24·07 paise per Kwh for supply of power to the Society during 15th December 1980 to 31st March 1981 and 28·71 paise per Kwh from 1st April 1981 onwards, which was also accepted (June 1983) by the Board as a compromise at the instance of the State Government. In June 1984 the State Government further directed unilaterally and without asigning any reasons, that tariff should be fixed at 13·20 paise per Kwh during 15th December 1980 to 18th September 1983 against the Board's overall unit rates of 55·11 paise to 67·74 paise fixed for the period and 28·71 paise per Kwh from 19th September 1983 onwards on the basis of energy sold by the Society to its consumers with additional five *per cent* towards transmission and distribution losses till energy meters are installed by the Board. Government also directed the Board to install necessary energy meters positively by June 1984. Thus, the Board suffered a loss of revenue of Rs. 42·92 lakhs due to reduction of tariff by the Government for the period from December 1980 to 18th September 1983. In the absence of energy meter, Board suffered a further loss of Rs. 24·29 lakhs during the period from December 1980 to March 1986 towards transmission and distribution loss in excess of five *per cent*, as actual transmission and distribution loss during all these years varied from 13 to 21 *per cent* of power sent out for sale. The energy meters had not been installed as yet (August 1987) and the balance amount of Rs. 29·75 lakhs on account of assets transferred (December 1980) to the Society remained unrealised (May 1987). This resulted in a loss of interest to the tune of Rs. 34·81 lakhs up to May 1987 apart from locking up of funds of Rs. 29·75 lakhs for more than 6 years.

The management stated (November 1987) that a proposal for lodging claim with the State Government for necessary compensation was under consideration of the Board.

4B.6.11 *Unauthorised drawal of power*

Industrial consumers having installed capacity with aggregate rated horse power (HP) exceeding 50 and monthly maximum damand of 50 KVA or more are treated as high voltage consumers attracting additional payment of monthly demand and fuel surcharge. A test check of records revealed that in 16 group electricity supply stations of the Board 184 industrial consumers extended their connected load varying from 57 HP to 163 HP during the period from October 1983 to June 1987. In 48 of these cases monthly demand exceeded 50 KVA. According to assessment by Audit an aggregate amount of Rs. 27·38 lakhs was recoverable from these consumers for the period from October 1983 to March 1987, if they had been converted into high voltage consumers after disconnection as medium voltage consumers. In addition, they were liable to pay fuel surcharge which could not be quantified in the absence of records indicating total energy consumed by them. The agreement, however, did not contain any provision for conversion of medium voltage industrial consumers into high voltage consumers in the event of the consumers extending their connected load in an unauthorised manner. The Board issued (March 1987) a circular for disconnecting such unauthorised low and medium voltage consumers and for persuading them to apply for high voltage connection. This did not, however, have any effect so far (August 1987).

4B.6.12 *Non-adjustment of fuel surcharge*

In addition to the rates indicated in the tariff, (as revised from time to time) fuel surcharge as estimated by the Board, is realised from HV consumers having connected load of 50 KVA and above to recover the additional cost incurred on fuel. It was, however, noticed in audit that no fuel surcharge was levied so far (August 1987) on the low and medium voltage industrial consumers. Text check of records revealed that cost of oil used in diesel generating sets had not been taken into account for determination of fuel surcharge from time to time although 928·07 million kilowatt/hour (MKwh) of power was generated through diesel generating sets during 1979-80 to 1985-86.

The tariff provides for halfyearly determination of fuel surcharge. It was noticed in audit that during the period from April 1982 to March 1987 the Board determined final rates of fuel surcharge in January 1983, December 1983, April 1984, March 1985, April 1985, February 1986, September 1986 and February 1987 after a delay ranging from 3 to 11 months.

Test check of records revealed that due to delay in fixation of final rates (36·92 paise per Kwh) of fuel surcharge and charging of the same at lower provisional rates (35 paise per Kwh) during the period from October 1985 to March 1986, Rs. 13·92 lakhs due to the Board from decentralised HV consumers remained unrealised (August 1987).

4B.6.13 *Non-realisation of rebate on electricity duty*

The Board realises electricity duty from the consumers at the time of collecting energy charges for payment to the State Government within a prescribed period as per provisions of Bengal Electricity Duty Rules, 1985. Excess payment of electricity duty for the years 1979-80 and 1980-81 was reported in paragraph 8.05.2 of Section VIII of the Report of the Comptroller and Auditor-General of India for the year 1982-83 (Commercial). Test check further revealed that although the actual amount of electricity duty collected and payable was not assessed by the Board for payment to the State Government, a sum of Rs. 1760·59 lakhs was paid and adjusted against Government loan/subsidy on ad-hoc basis during the years from 1982-83 to 1986-87. Accordingly, the Board was eligible to receive rebate amounting to Rs. 17·60 lakhs. Test check of records revealed that the Board claimed rebate for Rs. 5·80 lakhs only and received Rs. 1·45 lakhs up to 1986-87. Thus, owing to failure in paying electricity duty (Rs. 1760·59 lakhs) in time as well as in submitting claims for allowable rebate (Rs. 17·60 lakhs), there had been loss of revenue to the tune of Rs. 11·80 lakhs (Rs. 17·60—Rs. 5·80) during the years 1982-83 to 1986-87 and rebate amounting to Rs. 4·35 lakhs remained unrealised up to March 1987.

4B.7 Collection of revenue

4B.7.1 Collection of revenue is one of the important areas which ultimately affects the liquidity position of the Board. From the details given below, it would be seen that collection in a year did not cover even demand of that year during the years from 1983-84 to 1986-87 and arrears had been increasing from year to year. It would be also evident that the percentage of collection to total demand decreased to 79 during 1986-87 as compared to 87 in 1982-83 and the outstanding dues increased by 210 *per cent* during 1986-87 as compared to that of 1982-83. The table below indicates the amount of demand raised and collection of revenue during the five years up to 1986-87:

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 demand	Demand for the year
			(Rupees in lakhs)				
1982-83	3250 96	18368 17	21619 13	18816·29	2802 84	87	102
1983-84	2802 84	20141·61	23244 45	18820 99	4423 46	81	92
1984-85	4423 46	21099 08	25522 54	21041·13	4481 41	82	100
1985-86	4481 41	28421·63	32903 04	25909·64	6993 40	79	91
1986-87	6993 40	34346 00	41339 40	32637 03	8702 37	79	95

4B.7.2 A test check of records of different circles revealed that there were 364 high voltage consumers (dues: Rs. 2,911·13 lakhs) each owing Rs. 10,000 or more out of the total outstanding dues of Rs. 3,989·22 lakhs as on 31st March 1987 vide break-up given below:

	Dues from each consumers	Number of consumers	Amount outstanding (Rupees in lakhs)
(*i*)	Exceeding Rs. 10 lakhs	30	2385·41
(*ii*)	Exceeding Rs. 1 lakh and up to Rs. 10 lakhs ..	112	420·79
(*iii*)	Exceeding Rs. 50,000 and up to Rs. 1 lakh ..	85	68·89
(*iv*)	Exceeding Rs. 10,000 and up to Rs. 50,000 ..	137	36·04
(*v*)	Less than Rs. 10,000	NA	1078·09
	Total		3989·22

The amount of outstanding dues as on 31st March 1987 in respect of low and medium voltage consumers was not available on record (August 1987).

4B.8 **Tariff**

The Board is empowered to fix tariff for supply of power to its consumers under Section 49 of the Electricity (Supply) Act, 1948 and in accordance with the West Bengal State Electricity Board (General Tariff) Regulation, 1965. During the six years ending 1986-87, the Board revised its tariff in October 1981, September 1983, April 1985 and June 1986 mainly to meet the shortfall in revenue resulting from increase in operational cost as well as to earn a return of 9·5 *per cent* on the capital base up to 1983-84 and 3 *per cent* from 1985-86 on the fixed assets in service at the beginning of the year as per provisions of the Electricity (Supply) Amendment Act, 1983.

The Board had all along been sustaining losses in operation, the loss in 1985-86 being Rs. 26·26 crores.

In order to tide over the financial crisis of State Electricity Boards, Government of India suggested (July 1981) that the State Electricity Boards should improve the capacity utilisation of the generating plants, reduce operational cost and transmission and distribution loss and increase tariff structure commensurate with the rising cost of basic inputs. It was observed in audit that the Board could not adopt the first three measures but resorted to the fourth one (tariff revision) for improving its financial position.

However, even in this effort no fuel surcharge was levied on low and medium voltage industrial consumers, although it played a vital role in determining the cost of generation and the Board's revenue position. While energy as well as demand charges were realised from high voltage consumers, no demand charge was levied on the low and medium voltage industrial consumers since inception. Annual minimum charge (17 paise/Kwh) fixed (October 1978) on the basis of cost trend of 1977-78 had not been revised so far (August 1987), although the cost of energy sold per Kwh increased to 59·85 paise in 1986-87 (excluding fuel surcharge and interest).

4B.9 **Internal Control**

4B.9.1 The Board set up (September 1985) a Revenue Co-ordination Committee (RCC) under the Chairmanship of the Member (Finance and Accounts) to deal with all important policy matters connected with billing and collection of revenue, reconciliation of remittances and preparation of reports thereon and recommend action for decision of the Board once in a month. It was, however, noticed in audit that RCC held only 8 meetings during September 1985 to June 1987. Despite formation of the RCC no significant improvement was noticed in raising demand and collection of revenue by the group supply stations and replacement of defective meters at the premises of the consumers within the time (72 hours in respect of centralised and one week in respect of decentralised HV consumers) stipulated (September 1985) by the Board. It was reported (June 1987) by the chief Engineer (Distribution) of the Board that the work relating to posting, totalling and reconciliation of consumers' demand ledgers and revenue control ledgers maintained at various group supply stations was in arrears and as the arrears could not be overtaken, current work could not also be done. Test check of records revealed that out of 342 group supply stations, only 26 furnished reconciled demand lists, 285 submitted partly reconciled lists and 31 did not furnish any demand list to their respective accounting units.

It was also observed that there was lack of co-ordination between the revenue earning units and the testing wing of the Board. Reports submitted (June 1987) by the Additional Chief Engineer (Commercial) and Commercial Manager (Distribution) indicated (June 1987) that in April 1987 number of defective meters in respect of centralised high voltage consumers and decentralised high voltage consumers were 30 and 197 respectively, against which the testing wing of the Board indicated 3 and 39 cases. Discrepancy in the number of defective meters was not reconciled by the RCC (August 1987).

The Board had no information as to the number of defective meters and progress towards replacement of defective meters from the premises of medium and low voltage consumers as on 31st March 1987. The Board's Chief Engineer (Distribution) intimated (June 1987) that due to omission to take meter readings in cent *per cent* cases correct report regarding the number of defective meters was not available. Actually, the number remained suppressed causing delay in replacement of defective meters.

4B.9.2 As per existing system the collecting units of the Board are required to deposit the collection money in the local branches of the State Bank of India (SBI) on the day following the date of collection for crediting the same to the Board's 'Collection account'. According to the standing arrangements with the SBI the credit balance of the Collection account' is to be remitted by the local branches to the main branch of the SBI at Calcutta twice in a week and also on the last day of a month. Statements of remittances relating to each week and each month are to be sent by the local branch of SBI to the depositing units of the Board as well as to the Funds and Payments section of the Board at Calcutta. The collecting units of the Board are required to reconcile the deposits with the remittances and discrepancy, if any, should be pursued with the bank till final reconciliation. Similarly, the Funds and Payments section of the Board should reconcile the remittances of the local branches with the credits given by the main branch of the SBI at Calcutta.

Test check of records of 3 divisions of the Board revealed that there had been delays, ranging between 4 days and 28 days, in remitting the collection money (Rs. 11·58 lakhs) by 11 group supply stations to the bank during the period from December 1984 to March 1986. It was also noticed that in respect of Bijonbari Group supply station bill collection money amounting to Rs. 1,930·45 received and entered in the daily cash statement in May 1984 was deposited with the bank in April 1985.

Test check of records further revealed that 88 cheques and drafts amounting to Rs. 2·48 lakhs being the collection amount of Siliguri Group supply station for May 1978 were misplaced and subsequently found in August 1982 in the drawer of an officer of the Himalayan (O&M) Circle. Out of those cheques/drafts, Rs. 0·88 lakh was realised against 59 cheques/drafts up to August 1987 by way of either revalidation or receipt of fresh cheques in lieu thereof and the balance 29 cheques/drafts etc., for Rs. 1·60 lakhs remained unrealised/unadjusted (August 1987). No action was, however, taken by the Board against the delinquent officer so far (August 1987).

Test check of records in Burdwan and Howrah (O&M) Circles revealed that during the period from April 1987 to September 1987 revenue amounting to Rs. 38·21 lakhs was remitted by the local units of the Board to the local branches of SBI after 2 to 14 days and revenue to the tune of Rs. 51·75 lakhs was given credit by the banks after 6 to 60 days.

It was further noticed that out of Rs. 40·77 lakhs deposited by Nadia North (O&M) Division of the Board in June 1977, Rs. 20·27 lakhs only were remitted by the Krishnagar Branch of SBI so far (January 1988). A sum of Rs. 6·91 lakhs deposited by Burdwan (O&M) Circle during the period from September 1982 to October 1987 was not also credited by the local branch of SBI till date (January 1988).

Reasons for non-remittance of the amounts by the local branches of the SBI had not been investigated by the Board.

Reconciliation of remittances with the credits given by the main branch of SBI Calcutta was also not done regularly by the 'Funds and Payments' section of the Board up to 1986-87. Reconciliation of remittances pertaining to the period from April 1987 to September 1987 was, however, started by the 'Funds and Payments' section only in November 1987. Test check of records revealed that there had been delays, ranging from 4 to 54 days, in giving credit to the Board's collection account by the main branch of the SBI Calcutta against remittances made by 17 local branches of the bank during the period from April 1987 to September 1987 involving Rs. 1349·03 lakhs.

Delay in remittances by the local branches of the bank as well as delay in giving credit to the Board's collection account by the main branch of the SBI, resulted in non-availability of funds to the Board for which Board had to operate cash credit at high rate of interest.

4C. PURCHASE PROCEDURE AND STORES CONTROL

HIGHLIGHTS

The management and control of inventory suffered from grave shortcomings.

(*i*) There was no material budgeting, indents received and orders placed had no relation to the budget provisions. The value of orders placed for repairs and maintenance works during 1982-83 to 1986-87 represented 361 *per cent* of the amounts allocated in the budgets.

(*ii*) There was no co-ordinated procurement, in the absence of which there was concurrent placement of orders by different units for the same item on the same firm at different rates; material received under one of these orders was lying in the stores unutilised.

(*iii*) Borrowed funds were used to go in for purchases in excess of requirements and for programmes, for which not even administrative approvals were obtained; items valued Rs. 6·07 crores remained idle.

(*iv*) Controls were lacking in the case of materials issued to sub-contractors in processing contracts; short return of steel billets by re-rolling contractor cost the Board Rs. 5·69 lakhs.

(*v*) Piece-meal purchase of cables from different sources at different rates resulted in avoidable expenditure of Rs. 17·41 lakhs.

(*vi*) Diversion of funds intended for Rural Electrification programmes to other areas led to payment of interest (Rs. 4·26 lakhs) and demurrage charges (Rs. 4·70 lakhs) on clearance of materials for the programme.

(*vii*) In 50 cases because of non-furnishing of 'C' Form to suppliers the Board could not avail of concessional rate of sales tax (Rs. 14·53 lakhs).

(*viii*) Advances of Rs. 10·35 lakhs paid to cement manufacturers between January 1984 and November 1984 remained unadjusted.

(*ix*) Obsolete, non-moving and slow-moving items of stores were not identified for periodical disposal. Test check of records of 9 stores revealed slow-moving (Rs. 1·92 crores) and non-moving (Rs. 4·25 crores) items, materials valuing Rs. 2·18 crores lying for more than 5 years either due to defective materials not having been replaced by the suppliers or due to delay in inspection by the Board. Idleness of stores items was, as noticed by audit, mainly due to procurement of materials much in advance or much in excess of requirements. While large number of items of inventory were lying unutilised as at the end of July 1986 new connections to 66,000 low and medium voltage consumers could not be provided for want of certain critical items, pointing to injudicious and ill-planned purchases.

(*x*) No periodical physical verifications of stores by independent stock verifiers were conducted and shortages noticed during verification, when conducted, were not investigated and responsibilities fixed.

The Board constituted (September 1983) a High Power Committee to study the problems in the system of management and control of inventory and to recommend measures for keeping the inventory at satisfactory level. The Committee in its report of April 1984, *inter alia,* stressed the need for reduction in number of stores units, introducing A B C analysis system, fixation of clear cut purchase policy and delegation of powers for local purchases, fixation of reasonable lead time for purchases, preparation of materials budget, continuous physical verification of critical items of stock, regular identification of obsolete/unserviceable and surplus stores materials etc. Although all the above recommendations are the minimum requirements for an effective inventory control management, the Board had, accepted and implemented only the reorganisation of stores, reducing considerably the number of stores. Rest of the recommendations had not even been considered by Board so far. As a result the benefits that accrue from the operation of healthy system, principles and procedures are not being derived by the Board.

4C.1 **Introduction**

Some of the irregularities noticed during audit in the system of purchase procedure and stores control obtaining in the Board were earlier commented upon in Section VIII of the Report of the Comptroller and Auditor-General of India (Commercial) for the year 1976-77 Government of West Bengal. The Committee on Public Undertakings (COPU) West Bengal discussed the review during June to August 1985 and the Report containing their recommendations was awaited (February 1988). Certain salient points noticed in audit on test check of subsequent transactions are brought out in the succeeding paragraphs.

4C.2 **Procedures for purchase and maintenance of stores and organisational set up**

4C.2.1 The Board had not prepared any Purchase and Stores Manual nor laid down a well get purchase procedure till June 1978. Purchases and stores control were being regulated by orders issued from time to time at various levels and as a result following deficiencies in the system were noticed:

(*i*) absence of overall purchase policy of the Board to restrict unnecessary procurement and stock build up;

(*ii*) delay in getting materials due to defective/incomplete purchase orders;

(*iii*) improper inspection of materials due to absence of independent inspection wing comprising experienced and technically qualified personnel;

(*iv*) issue of materials without proper authentication, in excess of the requirement and before being formally accepted in the stores; and

(*v*) non-maintenance of uniform records and documents in all the stores.

A Material Controller, upgraded to the rank of Additional Chief Engineer was appointed by the Board in May 1977 to study the existing purchase and inventory control procedure and methods and to recommend improvements. A Material Manual detailing the purchase procedure to be followed and necessary steps to be taken towards effective inventory control was prepared and adopted by the Board in June 1978. Purchase and store formations of the Board function within the ambit of such Manual. The Material Controller is assisted by one Deputy Chief Engineer, four Superintending Engineers (one each in charge of purchases, stores, inspection and co-ordination), three Superintendents (one each in charge of claims, customs clearance and movements) and one Senior Assistant Financial Adviser.

4C.2.2 To study the various problems in the existing system of management and control of inventory and to recommend measures for keeping the inventory at a satisfactory level, the Board further constituted a High Power Committee in September 1983. The Committee submitted its Report in April 1984 which, *inter alia*, stressed the need for the following:

—reduction in number of stores units;

—categorisation including ABC analysis of stores and their rationalised codification;

—fixation of purchase policy with clear instructions and delegation of powers for local purchases;
—fixation of reasonable lead time for purchases;
—planning of purchases and distribution of stores and preparation of materials purchase and materials usage budgets;
—continuous physical verification of critical items of stock and regular identification of obsolete/unserviceable and surplus stores materials and their disposal.

While considering the report of the High Power Committee, the Board directed (September 1984) that the recommendation for reduction in number of stores units be implemented by 30th October 1984. Accordingly, the stores were re-organised (September-October 1984) into central, regional and sub-divisional stores; the effect being reorganisation of 4 regional and 66 divisional stores into 9 regional stores, the number of sub-divisional stores remaining the same. The other recommendations of the Committee were yet to be accepted and implemented (September 1987).

4C.2.3 Purchase wing at the Board's Headquarters, working under the control of Material Controller, takes action for centralised purchase of materials for transmission and distribution wing on the basis of annual indents received from respective Chief Engineers. Though the stores lying with the central, regional and sub-divisional stores are taken into account while assessing the annual requirements by the respective Chief Engineers, the consumption pattern of the previous years is generally not taken into consideration while indenting, to facilitate fair assessment of the requirements resulting in occasionally execessive procurement of stores.

Purchase action for the stores required for the power generating units and projects under construction is, however, taken by the concerned unit/project authorities while purchase action for stores required for the new extra-high tension lines is taken by the Planning and Engineering wing of the Board. Purchases in excess of Rs. 50 lakhs and Rs. 1 crore in each case require approval of the Tender Committee and the Board respectively, while purchases from Rs. 4 lakhs to Rs. 50 lakhs fall within the powers of respective Chief Engineers.

Field officers of the Transmission and Distribution wing *viz.*, Divisional Engineer, Superintending Engineers and Zonal Managers also make local purchases under their delegated powers up to the limit of Rs. 1 lakh to Rs. 4 lakhs in each single order under emergent circumstances after obtaining a non-availability certificate from the regional or central stores. Review of purchase cases revealed that emergency purchases were sometimes made without obtaining the relevant certificate from the central stores and also by placing orders piece-meal.

4C.3 **Review of purchases**

4C.3.1 Table below indicates the opening balance, purchases, consumption and closing balance of stores and spares excluding stock or inventory in respect of ongoing capital projects, for the five years up to 1985-86.

Year	Opening balance	Receipt	Total	Consumption	Closing balance
			(Rupees in crores)		
1981-82	28·39	111·70	140·09	98·36	41·73
1982-83	41·73	168·20	209·93	175·69	34·24
1983-84	34·24	128·14	162·38	131·26	31·12
1984-85	31·12	122·66	153·78	123·44	30·34
1985-86	30·34	148·02	178·36	136·96	41·40

The Board was holding huge stock of stores and spares with reference to the average annual rate of consumption. The closing stock represented 5·09, 2·34, 2·85, 2·95 and 3·63 months' consumption during each year respectively.

According to Section 61 of the Electricity (Supply) Act, 1948, the Board was to prepare and submit to the State Government in February each year, an annual financial statement showing estimated capital and revenue receipts and expenditures for the ensuing year. The correctness of the aforesaid financial budget was dependent on preparation of draft annual plan supported by detailed materials budget. Materials budget prescribed in the Material Manual was not prepared by the Board in any year, reasons for which were not intimated (September 1987). Funds required for the materials were, however, included in the estimates of the respective units without detailed list of materials required. Review of records of transmission and distribution wing revealed that as against the total estimates of Rs. 31·25 crores under repairs and maintenance works for the five years ending 1986-87, 1,143 purchase orders valued Rs. 112·82 crores were placed by Central Purchase wing.

The purchase orders placed for the repairs and maintenance works under Transmission and Distribution wing was thus 361 *per cent* of the total estimates for repairs and maintenance even after ignoring the orders for local purchases made by the field officers for the same purpose, which indicated little control over the procurement plan.

Year-wise break-up of value of materials provided in the budgets, value of materials for which orders were placed and percentage thereof for the last five years up to 1986-87 is as follows:

Year	Revised Budget estimates	Order placed	Percentage of increase
	(Rupees in crores)		
1982-83	5·61	12·58	124
1983-84	6 34	14·16	123
1984-85	6·27	23·86	281
1985-86	6 03	23·17	284
1986-87	7·00	39 05	458
	31·25	112·82	261

4C.3.2 A test check in audit conducted during April to August 1986 and September 1987 of purchases including cases of transportation of materials required for transmission and distribution wing of the Board, revealed the following irregularities:

(*i*) placement of orders for the same type of material by different wings at different rates;

(*ii*) deviations from the laid down purchase regulations;

(*iii*) purchase at higher rates;

(*iv*) delays in taking delivery due to diversion of funds to other purposes entailing payment of wharfage;

(*v*) extra expenditure loss due to procedural delays;

(*vi*) non-availing of concessional rates of sales tax;

(*vii*) delays in preferring various claims;

(*viii*) purchase of materials to utilise IDA and other credits although the projects to be financed by such credits had not even been administratively approved.

Some illustrative cases are discussed in the succeeding paragraphs.

4C.3.3 *Placement of orders by different wings*

According to the existing procedure all stores required for EHT construction circles/divisions should be purchased through the Planning and Engineering Wing of the Board. By deviating from this procedure, an order for manufacture, testing, supply and delivery of two 220 KV air blast circuit breakers with spares, tools and associated equipment for installation of one each at Durgapur and Santaldih sub-stations was placed in October 1978 by the Central Purchasé wing on a firm of Baroda for Rs. 9·70 lakhs. An order for two more circuit breakers of same capacity with spares, tools and associated equipment for installation at the same sub-station was placed in November 1978 by the Planning and Engineering Wing of the Board on the same firm of Baroda at Rs. 7·57 lakhs. Both the orders were placed on the same firm on single quotation basis. Thus, due to lack of co-ordination between various wings of the Board and placement of purchase orders by different wings at different rates on the same firm, the Board incurred an extra expenditure of Rs. 2·13 lakhs.

Breakers against the orders of October 1978 and November 1978 were received during May 1980 to January 1981 and December 1980 to February 1981 respectively against full payment on proof of despatch as per the terms of the purchase orders. The breakers procured against order of November 1978 were, however, installed at Howrah and Durgapur sub-station as late as in September 1985 and June 1986 respectively.

Out of the two breakers received during May 1980 to January 1981 against order of October 1978, one was lying idle (September 1987) at Santaldih while theother one (value: Rs. 4·85 lakhs) received in June 1980 by the Construction Division-I, Construction Circle-II, Durgapur in damaged condition and the performance guarantee of which expired in September 1983, was lying in defective condition at Durgapur (June 1986). No action was also taken by the Board to encash the bank guarantee of Rs. 1·18 lakhs before its validity expired on 30th September 1983. The matter was, however, taken up by the Board with the supplier in May 1980. In July 1986 the damaged breaker was re-transported at an additional cost of Rs. 0·13 lakh to supplier's workshop at Baroda for free repair. The breaker is yet (September 1987) to be received back from the supplier. Recovery of additional transport cost of Rs. 0·13 lakh from the supplier was also awaited (September 1987).

This injudicious procurement of two breakers along with spares, tools, etc., in excess of requirement resulted in a loss of interest to the tune of Rs. 11·79 lakhs up to September 1987 on Rs. 9·70 lakhs locked up for more than 6 to 7 years.

4C.3.4 *Purchase at higher rates*

(*i*) In February 1982, the Board decided that the State based industries may be allowed price preference up to a ceiling of 10 *per cent* for the purpose of negotiation only in order to bring them down to the lowest acceptable price, provided the firms were agreeable to adhere to the specified quality, delivery schedule and other terms and conditions of the tender and the product was manufactured within the State and supplied therefrom. On a test check the following points were noticed:

(*a*) In February 1984, an order was placed by the Material Controller on a firm (2nd lowest) of Joka for supply of 37,500 numbers of 5-10 Amp single phase meters to be supplied by July 1984 at Rs. 105 *per* meter on the grounds of inspection facility and easy availability of meters from the State based firm, in preference to the lowest offer of a Delhi firm at Rs. 85 *per* meter on whom an order was placed in June 1984 for supply of 1,000 meters only within one month from the date of order. Both the prices were f.o.r. destination and as per terms of payment in both the cases 90 *per cent* value was to be paid within 2 months from the date of receipt of bill and balance 10 *per cent* within 30 days from the date of bills along with Store Receipt Vouchers. The State based fii m was not invited for negotiation in order to bring their rate down to the lowest acceptable price.

It was, however, noticed in audit that the meters supplied by the firm of Delhi within the specified time were found to be satisfactory while 5,225 meters, out of 37,500 meters supplied by the firm of Joka up to December 1984, were found defective after installation.

Placement of orders at higher rate had thus resulted in an avoidable extra expenditure of Rs. 7·50 lakhs. As the meters were also not supplied in time by the firm of Joka, the main purpose of acceptance of higher offer was also frustrated.

Further, in all cases, these defects were noticed while installing the meters, by which time the guarantee period had expired and hence the matter could not be taken up by the

Board with the supplier for replacement of the defective meters (value: Rs. 5·49 lakhs).

The meters were, however, repaired between April and May 1986 incurring an additional expenditure of Rs. 2·80 lakhs.

(*b*) Similarly, orders for 3,500 numbers of 11 KV 200 Amp TPGO isolators were placed, at the instance of the Government with a view to help a sick unit, in May 1986 and February 1987 on a firm of Calcutta at their negotiated rate of Rs. 1,450 *per* isolator, although the lowest rate for similar isolator purchased in July 1985 and February 1987 from another firm of Howrah was Rs. 1,311 only. Twentyfive *per cent* of the value of the order was agreed to be paid to the firm in advance. It was noticed that a third order for 1,548 insulators was placed in August 1987, to be supplied by March 1988, although the firm had already defaulted in supply to the extent of 1,050 isolators out of the earlier orders of May 1986 and February 1987.

Up to September 1987, the firm had not supplied the balance 1,050 isolators against which the advance paid from time to time by the Board was Rs. 3·80 lakhs. Placement of orders at higher rates had thus resulted not only in an avoidable extra expenditure of Rs. 7·02 lakhs but also in delayed supplies, apart fromlocking up of funds of Rs. 3·08 lakhs.

(*ii*) According to the prescribed purchase procedure of the Board, repeat orders can he placed on the suppliers within a period of three months from the date of original orders and the values of repeat orders should not exceed 25 *per cent* of the values of original orders.

It was noticed in audit that the Board procured (October 1984) 15,000 low tension stay sets from a firm of Howrah at Rs. 41 *per* set on single quotation basis. Further procurement of 2,000 sets of the same material from the same firm was made in May 1985 at Rs. 58 *per* set. Failure on the part of the Board to place repeat order within the prescribed time limit of 3 months resulted in an avoidable extra expenditure of Rs. 0·34 lakh.

4C.3.4 (*iii*) Although the requirement of 2 core 4 sq. mm.—1·1 KV PVC cable was assessed by the Board in December 1983 at 1,750 kilometres, 1,600 kilometres of cables were purchased piecemeal from different firms at different rates during the period from January 1984 to January 1985. Piecemeal purchases, thus resulted in an extra expenditure of Rs. 17·41 lakhs as compared to the lowest rate of purchase. No action was, however, taken to obtain competitive rates for effecting economy.

4C.3.5 *Extra expenditure due to procedural delay*

The Board placed (December 1983) orders on two firms 'A' and 'B' of Calcutta for supply of 1,200 and 800 numbers of 9 metre long steel tubular poles respectively at Rs. 632 *per* pole with the stipulation to deliver the poles within three months from the date of orders *i.e.*, by March 1984.

Firm 'A' supplied 600 poles by March 1984 and the balance 600 by June 1985. Firm 'B' supplied 300 poles by March 1984 and the balance 500 by May 1985. Delay in delivery of 1,100 poles was due to delay in inspection ranging from 2 months to 7 months and final clearance for despatch by the Board. Delivery period was, therefore, extended up to June 1985. Due to statutory increase in price of steel (with effect from 22nd June 1984) the firms were allowed (October 1984) the enhanced price of Rs. 723 per pole. Thus, delay in inspection and final clearance of the poles for despatch requiring extension of time for delivery had resulted in an extra expenditure of Rs. 1·00 lakh on 1,100 poles supplied beyond 22nd June 1984.

4C.3.6 *Extra expenditure due to belated clearance of consignments*

(*i*) Orders valuing Rs. 12·91 crores were placed in March 1980 by the Board on eleven firms for supply of conductors, transformers and other line construction materials of different specification required for implementation of various rural electrification schemes. Materials were to be received by the Board as per delivery schedule stipulated in the order on retirement of documents through letters of credit opened in banks. It was, however, noticed in audit that in 127 cases between January 1981 and January 1982 the Board failed to retire documents for delivery of materials valuing Rs. 2·56 crores. As a result, it had to bear (December 1981 and March 1986) interest charges of Rs. 4·26 lakhs levied by banks for the delays ranging from 12 to 87 days. The delay in retiring the documents was mainly due to diversion of funds meant for rural electrification programme to some other programme.

Further, due to delay in retirement of documents, consignments attracted demurrage and wharfage charges at the destination Railway stations for which, in 21 cases an amount of Rs. 2·25 lakhs was paid to the Railways between July 1981 and March 1982 by Burdwan regional store (Rs. 0·52 lakh) and Chord Road regional store (Rs. 1·73 lakhs).

(*ii*) It was also noticed in audit that during April

1982 to March 1984 a further amount of Rs. 2·45 lakhs was paid by Chord Road regional store (Rs. 1·55 lakhs) and Burdwan regional store (Rs. 0·90 lakh) to the Railways on account of wharfage and demurrage charges as they failed to clear 43 consignments within free time (6 hours) allowed either due to delays (ranging between 11 days and 34 days) in retirement of documents through banks or procedural delays in passing on the despatch documents to stores for clearance of consignments.

These cases were not investigated by the Management and put up to the Board for orders (September 1987). The investigation was required to be conducted with a view to evolve procedure which will cut down the delay and reduce payment of wharfage.

(*iii*) Against an order of 12th December 1984 for 1,700 tonnes of cement placed by the Superintending Engineer (Civil), Hydel Construction Circle, Siliguri, 1,663·90 tonnes of cement reached New Jalpaiguri Railway station on 20th June 1985. The consignment was despatched from Tilda on 13th June 1985 on freight pre-paid basis. Owing to non-receipt of Railway receipt (R.R.) in time, the cement was unloaded on 22nd June 1985 from wagons on production of Indemnity Bond and was kept in the Railway godown at New Jalpaiguri. The Railway authorities at New Jalpaiguri had demanded (22nd June 1985) assumed freight before the cement being finally lifted from their custody. Assumed freight of Rs. 1·12 lakhs for 1,663·90 tonnes of cement was, however, paid on 27th June 1985 and 28th June 1985. Further, an amount of Rs. 2·56 lakhs was paid on account of wharfage charges for the period from 22nd June 1985 to 3rd July 1985 for storing of cement in Railway warehouse which could have been avoided had the assumed freight of Rs. 1·12 lakhs been paid in time. The Board had lodged in August 1985 a claim for Rs. 3·68 lakhs with the Railways for realisation of the wharfage charges and assumed freight so paid. Out of Rs. 3·68 lakhs, Rs. 3·12 lakhs was realised in January 1987 and the balance claim of Rs. 0·56 lakh was rejected by the Railways in April 1987. Reasons for delay in receipt of the Railway receipts and rejection of claim by the Railways have neither been investigated nor responsibility, if any, fixed (September 1987).

4C.3.7 *Extra expenditure due to non-availment of concessional rates of Sales Tax*

In terms of Section 8 of the Central Sales Tax Act, 1956 and Section 5(*i*) of the West Bengal Finance (Sales Tax) Act, 1941, the Board was eligible for payment of concessional rates of sales tax on purchase of materials on submission of specified particulars (in Form C) to the suppliers. On a test check, it was observed that the Board failed to submit the required Form C to the suppliers in 50 cases during May 1974 to April 1985 resulting in an extra expenditure of Rs. 14·53 lakhs towards sales tax as shown in the table below:

Indenting units	Material	Number of purchase orders	Period of purchase	Quantity	Sales tax at concessional rate	Sales tax actually paid	Excess expenditure
					(Rupees in lakhs)		
Kolaghat Thermal Power Station	Steel	25	May 1974 to May 1980	6,818·6 tonnes	5·71	15·24	9·53
	Steel	4	July 1979 to January 1981	1,700 tonnes	0·47	1·88	1·41
Operation and Maintenance Wing	Steel	15	November 1984 to April 1985	928·6 tonnes	2·41	4·81	2·40
Bandel Thermal Power Station (5th Unit)	Cement	1	December 1979	2,500 tonnes	0 37	0·93	0·56
SE 400 KV CC-I	Cement	5	January 1983 to July 1983	1,523 tonnes	0·42	1·05	0·63
						Total	14·53

4C.3.8 *Rejection of claim*

In October 1982, Board imported some spare parts for the gas turbine units from a firm of United Kingdom, who had supplied and commissioned five gas turbine units during 1979-80. As per supplier's invoice (September 1982), the item number 1 of the bill of entry comprised goods valuing Rs. 6·61 lakhs (£39,869·76), which included 50 filters valuing Rs. 5 lakhs (£30,150). The supplier, however, informed the Board on 28th October 1982 that the value of the filters was only Rs. 1·54 lakhs (£ 603) and not Rs. 5 lakhs (£ 30,150) which was mentioned in their original invoice by mistake. Although the Board was aware of the mistake in the original invoice in October 1982 itself, it had paid customs duty of Rs. 1·79 lakhs on 5th January

1983 with reference to the original invoice and lodged a claim for refund of the excess customs duty of Rs. 7·79 lakhs only on 21st January 1983, duly enclosing a photo copy of the letter of October 1982 received from the supplier. The Customs department rejected (March 1984) the claim for non-submission of original copies of the import documents sought for in February 1984. Board's first (June 1984) and second appeals (July 1985) were rejected (April 1985 and December 1985) by the appellate authority in view of non-production of necessary supporting documents. The Board filed (May 1986) a further appeal without necessary documents, which was still pending with the authority (September 1987).

There were no recorded reasons for non-submission of the required documents to the Customs department.

4C.3.9 *Procurement of Cement*

Based on the quarterly requirements of the Board, the Central Electricity Authority issues the allotment orders for cement which are reallotted amongst the Units. The Units of the Board are required to procure their requirement against the allotted quantity from cement manufacturers/dealers by making advance payments to the latter. There was no proper watch on the quantity of cement despatched by the manufacturers/dealers against advances. As per records of the office of the Material Controller, advance payments aggregating Rs. 10·35 lakhs were made to the manufacturers/dealers during the period from January 1984 to November 1984. The amount was yet (September 1987) to be adjusted after reconciling the accounts of cement received against advance payments.

The delay in adjustment of the advances would indicate lack of adequate control over the receipt of materials against advances paid.

It was further noticed in audit that the allotment of cement during the last four years ending 1986-87 was on an average about 58 *per cent* of the annual requirements. In spite of lesser allotment, the Board did not lift the entire quota allotted in all the years.

4C.3.10 *Delay in recovery from reroller*

(*i*) An order was placed (April 1980) on a firm of Calcutta for conversion of 1,000 tonnes of billets into different steel sections at Rs. 400 *per* tonne of finished steel delivered. In terms of the order, re-rolling job was to be carried out in batches of 100 tonnes against bank guarantee of Rs. 2·50 lakhs. 10 *per cent* of billets was considered as normal process loss. Billets were continued to be issued to the firm without ensuring return of all the finished steel sections against issues in earlier batches. The Board had also not reconciled at any point of time the quantities of billets issued and finished steel received from the firm to ascertain whether the returnable quantity was received. It was noticed in audit that during August 1980 to July 1981 (even after expiry of bank guarantee) the firm lifted 500 tonnes of billets against which 396·845 tonnes of finished steel sections was returned up to July 1981 leaving a balance of 59·061 tonnes of billets valued Rs. 2·79 lakhs. No action was taken to recover the cost (Rs. 2·79 lakhs) of 59·061 tonnes of billets retained (September 1987) by the firm either from re-rolling and other charges of Rs. 1·76 lakhs released from time to time or to have the bank guarantee of Rs. 2·50 lakhs which expired on 3rd May 1981 extended to cover the period of supply.

(*ii*) An order for conversion of 200 tonnes of billets (value Rs. 8·44 lakhs) into various steel sections was placed in February 1984 on a firm of Calcutta at Rs. 428 *per* tonne of finished steel delivered. In terms of the order, the firm was to furnish a bank guarantee equivalent to 105 *per cent* of cost of billets supplied for conversion and to deliver 90 tonnes of finished steel sections against 100 sonnes of billets to be supplied to them. For wastage above 10 *per cent*, cost of billets was to be realised from the firm at double the market rate. The firm lifted (up to June 1984) 266·45 tonnes of billets valuing Rs. 11·25 lakhs, against a bank guarantee of Rs. 8·00 lakhs as against a bank guarantee of Rs. 11·81 lakhs that should have been obtained in terms of the order, thus leaving a shortfall of Rs. 3·81 lakhs.

Out of 266·45 tonnes of billets, the firm returned (up to November 1984) 178·09 tonnes of different finished steel sections. Rerolling charges for 178·09 tonnes amounting to Rs. 0·65 lakh were released between April and December 1984, leaving a ,balanc of Rs. 0·11 lakh. No action was taken to realise the value (Rs. 2·90 lakhs) of balance 68·57 tonnes and billets not returned (September 1987) by the firm. No action was also taken to encash the Bank guarantee of Rs. 8·00 lakhs before it expired on 31st May 1985 due to absence of a total control over quantities of billets issued and finished steel received thereagainst.

4C.4 **Inventory control and idle outlay on stores**

4C.4.1 From the table in paragraph 4 *supra* it would be evident that the inventory holding by the Board was very much on the high side during 1981-82 (5·09 months' consumption), which was reduced during 1982-83, but showed a continuous increase since 1983-84. No analysis was made to examine how far increase in the value of stock holding was due to increase in the quantity of inventory or increase in price thereof. Norms of inventory holding by the regional, divisional and sub-divisional stores at least for fast moving and high value items were not fixed and procedure for identification and disposal of slow moving and non-moving items had also not been implemented so far (September 1987).

Attempts were, however, made since June 1985 to identify idle items of stores which did not move for more than five years. Idle items valuing Rs. 3·30 crores at 43 sites out of 485 stores sites were identified by August 1986, which mainly included conductors (Rs. 1·30 crores), cables (Rs. 1·23 crores), transformers (Rs. 0·59 crore), steel (Rs. 0·13 crore) and wires (Rs. 0·05 crore) of various capacities, sizes and specifications.

Test check of records of nine stores further revealed slow-moving (Rs. 1·92 crores) and non-moving (Rs. 4·25 crores) items valuing Rs. 6·17 crores as shown in Annexure 8. Action had not been taken so far (September 1987) to identify obsolete or surplus items of stores for early disposal. In addition, materials valuing Rs. 2·18 crores were also lying in different stores for more than 5 years either due to defective materials not having been replaced by the suppliers or delay in inspection by the Board. Effective action was also not taken so far (September 1987) to utilise the materials early. It was noticed that while large number of items of inventory were lying idle, the distribution of electricity was badly affected due to shortage of some essential items. As at the end of July 1986 the Board could not provide power supply for more than six months to 66,000 low and medium voltage consumers who had already deposited service connection charges of Rs. 52·80 lakhs, mainly due to shortage of certain steel sections, conductors, etc. Loss incurred by the Board due to delay in providing power supply was calculated at Rs. 5 lakhs per month (approximately).

Idleness of store items as noticed in audit was mainly due to lack of planning and acquisition/procurement much in excess or much in advance of requirements. Some cases are discussed in the succeeding paragraphs.

4C.4.2 On the basis of indents for the year 1983-84 received (January 1983) from the Chief Engineer (Transmission and Distribution), orders for 2,425 kilometres of 100 sq. mm-ACSR Dog conductors valued Rs. 2·06 crores were placed in April 1983 under IDBI rediscounting scheme on eleven firms. The conductors were received by June 1983. It was noticed that the conductors could not be utilised during 1983-84. The total consumption of conductors during June 1983 to March 1987 was 2,257 kilometres. As on 31st March 1987, 168 kilometres of conductors valuing Rs. 14·27 lakhs were lying at different regional stores rendering the initial assessment of requirement unrealistic.

4C.4.3 Against three orders under International Development Association (IDA) credit valuing Rs. 1·36 crores (foreign exchange components of 7,03,454 German DM, 21,12628 Japanese Yen and 12,864 US Dollars) placed in December 1978 by the Planning and Engineering wing on three firms of Kerala, Madras and Bombay, 120 types of power line carrier communication equipment and accessories totalling 4,896 items were received in the communication circle store and 32 types of equipment totalling 4,424 items were received in regional stores, Siliguri during September 1980 to June 1983.

All the equipment and accessories could not be utilised over a period of four years. In September 1986 Superintending Engineer (Communication Circle) stated that due to delay in coming up of the transmission lines and sub-stations, the installation of communication equipment was delayed and with the coming up of new installations, sub-stations and transmission lines in North Bengal and South Bengal areas, there may be scope for utilising the items in future. It was, however, noticed that out of 9,320 items, only 1,163 items were utilised up to September 1987 in the absence of requirement, remaining 8,157 items of accessories and equipment were lying idle. Value of 4,856 items out of 8,157 items worked out to Rs. 43·51 lakhs. Value of remaining 3,301 items could not be ascertained for want of details.

4C.4.4 Against orders valuing Rs. 4·85 crores placed in November 1978 under IDA credit on eight firms by the Planning and Engineering wing, 1,000 kilometres of 260 sq. mm-ACSR Zebra conductor (Rs. 3·12 crores), 66,755 disc insulators (Rs. 0·86 crore) and 15 types of other line construction materials (Rs. 0·87 crore) for construction of 220 KV Durgapur-Kasba third circuit line were received at Adisaptagram and Durgapur divisional stores during April 1980 to March 1981 but the same could not be utilised (September 1987) on the specified work as administrative approval for construction of the extra-high tension line was yet (September 1987) to be accorded by the Board. Material valuing Rs. 0·88 crore was diverted (April 1980 to March 1987) to other purposes. Remaining materials valuing Rs. 3·97 crores procured out of borrowed fund were lying idle for more than 5 years. Conductor drums (691 numbers) lying in the open yard necessitated rewinding at an additional cost of Rs. 1·27 lakhs *per* annum since 1984-85 onwards. Reasons for acquisition of materials without administrative approval for the work and for not according administrative approval for projects to utilise the IDA credit funds before the expiry of the time for its utilisation were not clarified (September 1987).

4C.4.5 Against orders valuing Rs. 1·83 crores placed in June 1983 under IDA credit on four firms by Planning and Engineering wing, 300 kilometres of 260 sq. mm-ACSR Zebra conductor (Rs. 0·76 crore), 16,000 numbers of disc insulators (Rs. 0·20 crore) and 1,194 tonnes of tower members and other materials (Rs. 0·87 crore) for construction of 220 KV double circuit Kolaghat-Haldia line were received at Tamluk divisional store during July 1983 to October 1983. These materials could not, however, be utilised on the specified work as there was abnormal delay in according administrative approval for construction of the extra-high tension line by the Board. Materials valuing Rs. 0·17 crore were diverted (March 1985 to August 1986) to other purposes. The administrative approval had, however, been accorded in June 1987 and the work order for erection of the line was issued in July 1987 only.

Reasons for acquisition of materials without administrative approval for the work were not clarified (September 1987).

4C.4.6 In February 1971, 600 tonnes of 4 mm HT wire valued at Rs. 20·45 lakhs was purchased by Material Controller for manufacture of PCC poles. During the period from 1972-73 to 1974-75 a quantity of 20·730 tonnes only was issued. The balance quantity of 579·270 tonnes was declared as surplus in 1973 by the Material Controller due to procurement of PCC poles from the market. While 576·015 tonnes valued at Rs. 19·62 lakhs was sold to a party in May 1978 for Rs. 7·31 lakhs, a quantity of 3·255 tonnes valued at Rs. 0·11 lakh could not be traced during physical verification. Thus, the Board suffered a loss of Rs. 12·42 lakhs on procurement of materials of excess of actual requirement.

4C.4.7 Against the requirement of 35·17 tonnes of 7/10 SWG stay wire, Burdwan Construction Division received during November 1984 to March 1985, 113·163 tonnes of stay wire (value Rs. 10·30 lakhs) from a firm of Calcutta under an order placed in October 1984 by the Material Controller despite requests to the contrary made by the Divisional Engineer during January to March 1985. A quantity of 78 tonnes of stay wire valuing Rs. 7·10 lakhs was thus lying unused as on 31st March 1985 with the division. There had been no further issue thereagainst up to April 1987. This resulted in loss of interest of Rs. 1·60 lakhs on Rs. 7·10 lakhs locked up for more than two years.

4C.4.8 Under the existing delegation of powers, in cases of urgency divisional heads were allowed to make local purchases not exceeding Rs. 1 lakh in each single order. A test check of records of some divisions revealed that materials purchased locally on urgent basis were not utilised for long periods resulting in locking up of funds as discussed below:

(*a*) Habra (O&M) Division had purchased locally 1,000 litres of red oxide paint at Rs. 50 *per* litre in March 1981, of which only 248 litres were consumed up to January 1983. In May 1982 and January 1983 further quantities of 600 litres and 300 litres of paint were purchased at Rs. 49·74 *per* litre. Out of the stock of 1,652 litres lying at the end of January 1983, only 144 litres were consumed during January 1983 to September 1987. Usability of the balance 1,508 litres of paints valued Rs. 0·75 lakh appears to be remote at this distant date (September 1987).

(*b*) Kurseong Distribution Division purchased locally various materials valuing Rs. 2·25 lakhs during January 1982 to September 1984, out of which material valuing Rs. 1·64 lakhs remained unutilised (September 1987).

(*c*) For improvement of marshalling yard 16,642 meters of rails valuing Rs. 30·18 lakhs were procured by the Bandel fifth unit extension project during April 1983 to March 1985. However, only 4,125 meters were actually utilised in the work as bulk of the rails required for the work were supplied by the Railways against the work order for improvement of marshalling yard placed with them in May 1982. The work was completed in July 1985 rendering 12,517 meters of rails valuing Rs. 22·70 lakhs surplus to the requirement. Action was not taken in time to persuade the Railways to utilise the rails procured by the Unit.

The stock of rail was at first transferred to the Operation and Maintenance store of the same power station for carrying out maintenance work in April 1985. As the entire stock remained unutilised for more than two years at BTPS, the Executive Director (Generation) decided (October 1987) to direct the rail to Kolaghat and Santaldih Thermal Power Stations for its use in their marshalling yards. Accordingly, 4,020 meters and 8,257 meteres of rail were transferred to Kolaghat and Santaldih Power Stations respectively in October-November 1987 leaving a balance of 240 metres at Bandel. The entire stock was yet to be utilised (December 1987).

4C.4.9 Against purchase order issued in May 1980 by the Material Controller, 197·330 kilometres of 50 sq. mm. Aluminium ANT conductor valuing Rs. 7·80 lakhs was received in August 1981 by Malda Construction Division (D) from a firm of Calcutta without any indent made by the division. Total consumption of conductor by the division (including sub-division) since receipt of the consignment till March 1987 was only 91·645 kilometres. Unit authorities stated in March 1985 that the division was not aware of the reasons for supply of the item directly to divisional stores without any indent.

It was also noticed in audit that 2,624 kilometres of conductor of similar specifications valued at Rs. 1·18 crores was also lying idle (March 1987) at seven other stores sites for a number of years. Relevant purchase orders for acquisition of the materials could not be linked by the Management (September 1987).

4C.4.10 For utilisation in Bishnupur-Kenduadihi 33 KV line, 152·67 kilometres of 100 sq. mm^2 ACSR-Dog conductor valuing Rs. 14·16 lakhs was received in February 1981 by Construction Division I, Construction Circle II, Durgapur. Relevant purchase order and source of receipt were not made available for audit scrutiny. Consequent upon transfer of work, the conductor was also transferred in February 1982 to Bishnupur sub-division under Construction Division-II, Construction Circle-II, Chandannagore. Out of 152·67 kilometres of conductor, 35·63 kilometres were issued in July and August 1985 for construction of concerned transmission line. 115 kilometres of ACSR Dog conductor required to complete the work was drawn in August and September 1985 by the sub-division from regional stores, Burdwan keeping 117·04 kilometres of conductor (value: Rs. 10·83 lakhs) of similar specification idle with the sub-division. Construction of transmission line was completed in September 1985.

The unutilised 64 cable drums containing 117·04 kilometres of conductor were completely damaged and necessitated rewinding at an additional cost of Rs. 0·83 lakh. No action was taken to utilise the material elsewhere (September 1987).

The Unit authorities stated in August 1986 that the reasons for drawal of conductor from regional stores while there was sufficient stock of conductor of similar specification at the divisional store were not known to them.

4C.4.11 Letter of intent was issued in June 1980 to a firm of United Kingdom for supply of one Thermovision at Rs. 8·65 lakhs with a foreign exchange component of 2,57,815 Swedish Kronar. Confirmatory order was placed in August 1981. The equipment was required by the Superintending Engineer (O&M) Circle I, Calcutta to detect the failure of connection, bus-bars midspan joints in overhead system in a preplanned way. The equipment was received in January 1982 but could not be utilised due to problem of storing liquid nitrogen required for operation of the same which was a foreseeable factor. This had resulted in locking up of capital of Rs. 8·65 lakhs for more than five years and loss of interest of Rs. 2·08 lakhs thereon up to October 1987.

4C.5 **Accountal of stores**

Test check of receipt and issue of store materials revealed that materials issued from different regional and central stores were not being acknowledged in time by the recepient divisions and sub-divisions. In case of central stores, Chord Road, materials valuing Rs. 17·06 crores were issued to different divisions and sub-divisions during the three years ending 31st March 1985, out of which acknowledgements for Rs. 11·23 crores were received leaving a balance of Rs. 5·83 crores yet to be acknowledged (September 1987). Out of the unacknowledged balance, Rs. 1·48 crores, Rs. 1·34 crores and Rs. 3·00 crores pertain to the years 1982-83, 1983-84 and 1984-85 respectively. The matter had not been investigated and reconciled so far (September 1987).

It was, however, noticed that from April 1985 materials were not being issued from the central stores to different divisions and sub-divisions who had defaulted in acknowledgement of receipt of the materials despatched to them on earlier occasion.

In the absence of periodical reconciliation of the quantity of coal and light diesel oil ordered which was paid for in advance, actual quantity received thereagainst by the Thermal Power Stations and receipt of coal and oil against unlinked wagons, the shortages against the ordered quantity could not be ascertained in time. Receipt of coal and oil were being taken into account on the basis of quantity indicated in the Railway receipt or supplier's invoice instead of actual quantity received while the consumption was being recorded on an assumed rate of consumption *per* unit of electricity generated. The figures of closing stock were thus derived in an indirect manner. No physical verification of closing stock was also being conducted at the end of each year to test accuracy of the figures shown in the closing inventory. It was also noticed that in Kolaghat Thermal Power Station no records of receipt and consumption of light diesel oil had been maintained against orders for supply of 61,439 KL of oil placed between October 1983 and March 1986 though the value thereof amounting to Rs. 18·46 crores was paid in advance. In the absence of such records, the actual quantity of oil received by the Unit could not be verified in audit. Reasons for non-maintenance of records were also not intimated (September 1987).

4C.6 **Issue of materials to contractors**

Bill (or list) of Materials required for the works were not supplied by the Technical wing in many cases to the stores. In the absence of this control, materials in excess of the requirements were issued to contractors in a number of cases. The Board did not at any point of time ascertain or work out whether excess materials were issued on any work and if so, the extent thereof, in order to watch the return of the material or to recover the cost of such unreturned material from the contractors concerned. The Board did not also attempt to check the correctness of the quantities returned but only accounted for their receipt.

In Burdwan Construction Division and Barasat Construction Division, return of materials issued to the contractors valuing Rs. 26·85 lakhs (55 cases during March 1982 to March 1985) and Rs. 15·71 lakhs (33 cases during April 1984 to March 1985) respectively were noticed. In all the cases materials returned to the stores were those issued in excess of requirements for the works.

4C.7 **Issue of materials against forged indent**

As per normal procedure followed by the Board, transfer of stores from one unit to other belonging to different divisions or circles required the approval of both the divisional and circle heads on the indent form.

It was noticed (August 1986) that on the basis of an unapproved indent, materials valued Rs. 0·51 lakh were issued in February 1983 by Chanchal construction sub-division to Madhyamgram construction sub-division. The materials and also the consignees' copy of store transfer note were taken delivery by a contractor on behalf of the consignee. It was subsequently (May 1983) traced by the consignor that the indent was forged while final bill and security deposit of the contractor totalling Rs. 0·14 lakh were only pending with the Division.

The case was reported to the Police authorities in July 1983 for investigation. A further investigation by the Vigilance Cell of the Board was also conducted in August 1983. The results of such investigation were awaited (September 1987) even after four years.

4C.8 Issue of materials to outside parties

(*i*) In January 1984 Superintending Engineer, Salt Lake Construction Circle at the instance of State Government issued 4·454 kilometres of UG cables valuing Rs. 7·85 lakhs to the Secretary, Salt Lake Stadium Complex on cost realisation basis without formal approval of the Board. No advance payment was insisted upon before issue of cables. Bill for Rs. 9·03 lakhs towards the cost of cables preferred on 20th June 1984 had not been realised so far (February 1988).

(*ii*) On a request (November 1979) of the National Thermal Power Corporation, Super Thermal Power Project, Farakka, Bandel fifth unit extension project issued 9·90 tonnes of steel valuing Rs. 0·28 lakh in December 1979 on loan basis without approval of the Board. It was noticed in audit that steel was not received back up to September 1987. Effective action was also not taken during December 1979 to June 1987 to recover the steel. In July 1987 the Unit authority, had however, stated that action was taken (July 1987) to recover the material or cost thereof.

4C.9 Discrepancy in stock account

Mention was made in paragraph 16 of Section VIII of the Report of the Comptroller and Auditor-General of India (Commercial) for the year 1976-77 that net debit in the Stock Adjustment suspense account pending investigation as on 31st

March 1977 stood at Rs. 1·28 crores. It was noticed that difference between the quantitative and priced stores ledgers, shortages and excesses found on physical verification, losses and thefts, irregular issues and receipts etc., were adjusted by debit and credit to this head pending investigation/scrutiny. On verification it was seen that such scrutiny/investigation and adjustment/write off of the balances in the account was not carried out expeditiously and as a result, there was a net credit balance in the account amounting to Rs. 3·54 crores as on 31st March 1987. Reasons for not carrying out scrutiny/investigation work for settlement of the suspense account were not on record and the chances of realising the recoverable amount, if any, were remote at this distant date (February 1988).

4C.10 **Physical verification of stores**

4C.10.1 Material Manual, *inter alia*, specifies the need for store verification by an independent group of verifiers under the control of Deputy Material Controller to cover all items of stores once a year. The High Power Committee also had stressed (April 1984) the need for verification by experienced personnel from Material Management and Finance Organisations of the critical items which called for verification at an interval of less than a year according to their importance. Verification of all items of stores once a year or verification of items of stores of importance periodically, by independent verifiers was not, however, introduced up to March 1987.

Some points noticed on review of physical verification reports are dealt with below:

4C.10.2 Stores valuing Rs. 3·62 crores belonging to the defunct (December 1982) Construction Division II, Barasat were not physically verified till April 1987 since April 1982. As on 1st April 1982 discrepancies in 69 items noticed between quantitative stores leadgers and priced stores ledgers involving shortages (51 items) and excesses (18 items) valuing Rs. 20·79 lakhs and Rs. 5·59 lakhs respectively were pending investigation and regularisation. Store records relating to newly formed Construction Division III and defunct Construction Division II were not, however, made up to date and reconciled with priced stock ledgers as inexperienced and non-conversant personnel were stated (December 1985) by the Unit authorities to have been posted in the division.

4C.10.3 In Burdwan (Construction) Division and Berhampur

(O&M) Division physical verification at the close of March 1985 revealed unserviceable and stolen items as shown below:

Name of Division	Unserviceable		Stolen		Total	
	Number of items	Value (Rupees in lakhs)	Number of items	Value (Rupees in lakhs)	Number of items	Value (Rupees in lakhs)
Burdwan (Construction) Division	105	2·80	10	1·97	115	4·77
Berhampur (O & M) Division	49	0·26	14	0·23	63	0·49

Neither disposal action for the unserviceable items was taken nor investigation carried out for the stolen items so far (September 1987).

4C.10.4 In December 1984 shortage of materials valuing Rs. 7·25 lakhs were noticed during physical verification of stores under Salt Lake Coustruction (D) Circle. In May 1985, Secretary of the Board had requested the Zonal Manager, Calcutta (D) zone to investigate the matter thoroughly and submit a report within one month detailing exact reasons for the shortages and fix up responsibility. No investigation had, however, been conducted so far (December 1987).

4C.10.5 In Santaldih Thermal Power Station physical verification of coal at the close of November 1984 revealed a shortage of 24,652 tonnes of coal valuing Rs. 0·83 crore. Similarly in Bandel Thermal Power Station physical verification at the close of March 1987 revealed an excess of 34,885 tonnes of coal valuing Rs. 1·34 crores. The stock of coal in both the power stations was physically verified after a gap of 6 years and 3 years respectively. No investigation had, however, been conducted so far (September 1987) to ascertain the exact reasons for the shortages and excesses noticed during physical verifications.

4C.11 **Storage and Security**

Some cases of theft and loss by fire are detailed below:

(*a*) (*i*) The Stores Officers, Mahinagar regional stores reported (November 1983) that store materials valuing Rs. 2·74 lakhs involving seven items were taken by dacoits on 27th November 1983. Local Management observed (October 1984) that improper security arrangement, non-renovation of godowns and boundary walls and also non-replacement of Home Guards by Armed Guards were the reasons for the theft.

No action was taken by the Board to improve the security arrangements (September 1987).

(*ii*) Divisional Engineer, Calcutta (O&M) Division reported in October 1982 that various store materials valuing Rs. 1·51 lakhs were taken by some miscreants on 4th October 1982 from Amtala 33 KV sub-station store. No security guard was posted at the store even though there was a sanctioned post of security guard. FIR was lodged with the police on 4th October 1982. No departmental enquiry had been conducted so far (September 1987) by the Board.

(*b*) In Jalpaiguri Group Electric Supply, stores materials valuing Rs. 5·00 lakhs were destroyed completely on 31st March 1983 due to fire. Departmental enquiry committee was formed in June 1983 to investigate into the causes of fire. Report of the committee was awaited (September 1987) even after four years.

4C.12 **Review of claims**

A test check (September 1987) of records revealed that out of 1,561 cases of claims lodged by the Units with the carriers and insurers during April 1982 to March 1987, 228 cases involving Rs. 3·57 crores were only settled. Out of the balance 1,333 claims, value of 224 claims was assessed at Rs. 7·37 crores and the remaining 1,109 claims could not be valued as the Units did not furnish the required details to the Material Controller for processing the claims further.

Review of 30 claim cases in respect of Kolaghat Thermal Power Project lodged during April 1982 to March 1984 revealed that claims for loss of materials in 20 cases having not been lodged with the carriers within the prescribed time limit were rejected. Out of the 20 rejected claims loss in one claim amounted to Rs. 28·95 lakhs as reported in paragraph 9.02.7.1 of the Report of the Comptroller and Auditor-General of India for 1983-84 (Commercial). The value of loss in the remaining 19 cases could not be ascertained (September 1987) for want of required particulars.

It was also noticed that 64 claims in respect of Bandel fifth unit extension project lodged during July 1977 to August 1985 could not be pursued effectively with the insurer for want of complete information and non-ascertainment of actual loss by the Project authority. The cases have become time barred; they have also not been placed before the Board so far (September 1987) for necessary direction.

The matter was reported to the Board and the Government in December 1987; their replies had not been received (February 1988).

CHAPTER V

5. MISCELLANEOUS TOPICS OF INTEREST RELATING TO GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

A. *GOVERNMENT COMPANIES*

THE DURGAPUR PROJECTS LIMITED

5A.1 Loss due to fire in silo bunker

The Coal Washery Plant of the Company renders services to the Coke Oven Plant by supplying direct feed coal after primary and secondary crushing besides supply of washed coal. Coal supplied by the coal washery is kept in the coal yard and silo bunkers. As per the fire safety provisions, the coal kept in the silo bunkers is required to be used within 15 days from the date of storage and in no case beyond 21 days to avoid fire hazards.

Due to heavy diversion of coal meant for coke oven plant to the bunkers and coal yard to avoid payment of demurrages on rail wagons and non-drawal therefrom due to stoppage of ovens during March/April 1985, and also because of, prolonged storage of coal in the bunkers, a spontaneous fire broke out in the silo bunker in April 1985. The fire could be extinguished after a month by removing the coal from the silo bunker. As a result, 3,500 tonnes of direct feed coal valued at Rs. 11·02 lakhs got burnt and became unsuitable for use in coke ovens for production of metallurgical coke as the ash content in the burnt coal was found to be more than 30 *per cent* as against the prescribed range of 15·6 to 17·9 *per cent.* Out of 3,500 tonnes of burnt coal, 2,086 tonnes valuing Rs. 3·65 lakhs were transferred to the power plant coal yard between February and April 1987 at a cost of Rs. 0·12 lakh for use in its boilers and the balance 1,414 tonnes valuing Rs. 2·47 lakhs was yet to be transferred (November 1987).

Thus, the prolonged accumulation of crushed coal in the silo bunker caused an avoidable loss of Rs. 5·02 lakhs including cost of transportation of salvaged burnt coal amounting to Rs. 0·12 lakh. Though the bunkers were insured, the stock of coal kept in the silo bunkers was not covered under any insurance policy. Hence the Company could not prefer any claim with the insurer. It was, however, observed (July 1986) that the raw coal in bunkers was continued to be stored for more than 15 days despite the event of fire.

The matter was reported to the Company and the Government in December 1987; their replies had not been received (February 1988).

5A.2 **Avoidable expenditure towards godown rent**

In May 1978, the Company hired a godown in Calcutta owned by a State Government Undertaking for storage of steel materials to be issued to the fabricators in and around Calcutta, who were engaged in construction of 6th Unit of the Power Plant at Durgapur. The Company was to pay rent of Rs. 8·00 *per* tonne *per* month and an ad-valorem surcharge of 3 paise *per* Rs. 100 or part thereof and the charges were to be paid on the highest balance of stock on any day of the particular month.

Though there was no issue of steel to the fabricators since September 1984 and the plant was put to trial run in July 1985 and commissioned on 1st January 1987, the Company had not so far (November 1987) reconciled the quantities of steel material stored in the hired godown, issued to the fabricators and the balance quantity available in the godown. However, the godown rent was being paid regularly on the basis of stock statements furnished by the godown owner. As per stock statement for the month of September 1984, 765·318 tonnes of steel materials of different specifications valued Rs. 25·47 lakhs were lying in the godown. There was no movement of steel materials from the godown since September 1984 to August 1985 and 158·914 tonnes of steel materials were transferred from time to time between September 1985 and May 1987 to the Company's own stores at Durgapur leaving the balance stock of 606·404 tonnes valued Rs. 20·22 lakhs in the hired godown (November 1987). Neither the balance materials had been transferred to the Company's own stores at Durgapur nor any action taken for vacating the godown so far (November 1987) even after fulfilment of the purpose for which the godown was hired *viz.*, facilitating issue of steel to the fabricators located in and around Calcutta. Thus, the Company had incurred an avoidable expenditure of Rs. 2·37 lakhs on account of payment of rent for the period from September 1984 to August 1987. Had the entire stock of 765·318 tonnes of steel materials been transferred to its own godown at Durgapur in September 1984, the extra expenditure of Rs. 2·37 lakhs could have been avoided.

The matter was reported to the Company and the Government in December 1987; their replies had not been received (February 1988).

THE CALCUTTA TRAMWAYS COMPANY (1978) LIMITED

5A.3 **Loss on procurement of underframes of tramcars**

The Company placed a repeat order in January 1983 on a Calcutta firm, which was an assisted unit of Industrial Reconstruction Bank of India (IRBI), for manufacture and supply of 14 sets of steel underframe of tramcars by September 1983 at a total cost of Rs. 16·03 lakhs (excluding taxes and duties) on the same terms and conditions as contained in the earlier order executed in February 1982.

Although the agreement provided for 10 *per cent* advance payment at the time of order against bank guarantee, the payment terms were revised at the instance of the State Government to make 20 *per cent* advance payment in two instalments. A sum of Rs. 3·23 lakhs was thus paid to the supplier in February and June 1983 without obtaining any bank guarantee. Between July 1983 and January 1984, a further payment of Rs. 8·33 lakhs was made to the firm towards 80 *per cent* payment for 9 sets of underframes after inspection of the progress of construction. The Company, however, took delivery of only 6 sets worth Rs. 6·94 lakhs by April 1984. Reasons for not taking delivery of the remaining 3 sets despite the intimation from the supplier that the frames were completed and were ready for delivery, were not on record. These three sets were not taken delivery till May 1985, when the Company came to know that the firm had closed down and no official was available. As a result, the advance of Rs. 4·62 lakhs in respect of the sets not taken delivery remained unadjusted (September 1987).

When the Company sought (December 1986) assistance of the Industrial Reconstruction Bank of India for adjustment of the outstanding advance, they expressed their helplessness on the ground that the Company had not obtained any bank guarantee from the firm and that they themselves had recalled their loan.

The omission of the Company to obtain bank guarantee before making advance payment and later reluctance to take delivery of the underframes thus resulted in an avoidable loss of Rs. 4·62 lakhs.

The matter was reported to the Company and the Government in October 1987; their replies had not been received (February 1988).

WEST BENGAL STATE SEED CORPORATION LIMITED

5A.4 **Loss on sale of wheat seeds**

The Company procured 280·45 tonnes of certified "Sonalika" wheat seeds at a cost of Rs. 10·11 lakhs (at Rs. 3,500 *per* tonne *plus* sales tax at 3 *per cent*) from Rajasthan State Seed Corporation Limited in October 1985 for distribution amongst the growers of wheat in the districts of Nadia and Burdwan during *Rabi* 1985 without any assessment of requirement. Out of the quantity of 280·45 tonnes so purchased, only 79·11 tonnes were distributed at Rs. 4,250 *per* tonne to the growers within the sowing season and the balance of 201·34 tonnes (71·8 *per cent* of procurement) valued Rs. 7·26 lakhs was sold (February 1986) in auction for Rs. 3·50 lakhs.

The shortfall in distribution was attributed by the Management (January 1988) to (*i*) loss of vigour due to improper storage of seeds in hired godown and (*ii*) lack of demand due to unfavourable climatic condition. However, the Chairman of the Corporation had found (January 1986) the reasons put forth by the Company for non-disposal of major portion of wheat seeds as not convincing at all, and he had wanted the matter to be pursued in greater detail. But no action had been taken by the Company.

Thus, the Company suffered a loss of Rs. 3·76 lakhs due to procurement of wheat seeds without proper assessment of demand and due to their improper storage.

The matter was reported to the Company and the Government (January 1988); their replies had not been received (February 1988).

WEST BENGAL AGRO-INDUSTRIES CORPORATION LIMITED

5A.5 **Loss on account of improper storage of potato seeds**

(*a*) For *Rabi* 1983, the Company procured (February 1983) 474·490 tonnes of potato seeds for distribution to the potato cultivators at a total cost of Rs. 8·16 lakhs and stored the same in its Kanainatsal cold storage. After disposal of 182·650 tonnes (38·5 *per cent* of quantity procured) for Rs. 4·79 lakhs during October to November 1983 and incurring a handling loss including shrinkages of 60·642 tonnes (12·8 *per cent* of quantity procured), the Company had a left-out stock of 231·198 tonnes (48·7 *per cent* of quantity procured). The left-out stock having become decomposed during storage was sold (December 1983) in auction at reduced rates for Rs. 1·03 lakhs.

The Company lodged a claim for Rs. 3·13 lakhs with the insurer and while settling the claim the insurer, *inter alia*, stated (November 1985) that primary cause of deterioration of seeds was power failure and as such the loss was not indemnificable as per policy. The insurer, however, admitted the loss for failure of compressor which contributed about 9 *per cent* of the loss and settled the claim (December 1985) for only Rs. 0·18 lakh. The Company thus sustained a net loss of Rs. 2·16 lakhs due to non-inclusion of power failure as a cause for damages in the insurance policy.

(*b*) Consequent upon the loss suffered by the Company in *Rabi* 1983, the Company decided in January 1984 to procure minimum quantity of seeds for *Rabi* 1984. Accordingly, in February 1984 the Company procured 290·059 tonnes of seeds at a cost of Rs. 6·24 lakhs and kept the same in its own cold storage. The Company could, however, distribute 123·400 tonnes (42·5 *per cent* of quantity procured) during October to November 1984 for Rs. 3·76 lakhs. The Company did not pay attention to the maintenance of required temperature, despite its past experience and thus the remaining 116·510 tonnes (excluding handling loss, shrinkages, etc., of 50·149 tonnes which was 17·3 *per cent* against prescribed norm of 12 *per cent* of quantity procured) had "sprouted" during storage due to lack of temperature regulation resulting in exposure of seeds to higher temperature. As the seed lost its vigour, the left-over stock (40·2 *per cent* of the quantity procured) was disposed of in January 1985 in auction for Rs. 0·12 lakh against the procurement cost of Rs. 2·60 lakhs. The Company thus sustained a further loss of Rs. 2·36 lakhs by improper storage of seeds.

The claim of Rs. 2·48 lakhs preferred by the Company in April 1985 with the insurer remained unsettled (July 1987).

The matter was reported to the Company and the Government in August 1987; their replies had not been received (February 1988).

WEST BENGAL STATE MINOR IRRIGATION CORPORATION LIMITED

5A.6 Shortage of Steel Tubes

Since its inception in January 1974, the stocks lying in any of the stores of the Company were never verified physically up to March 1983. Physical verification of stock at Burdwan Central Store conducted in March 1983, however, revealed shortages of steel tubes valued Rs. 2·96 lakhs. In February 1984, after a lapse of about a year, the Divisional Engineer of Burdwan Division of the Company lodged a complaint with the Police that the tubes had been stolen sometime during 1977 to 1983 and that the Store Supervisor (who was on deputation from a department of the State Government) who retired from service on 31st March 1983 had failed to give any satisfactory account of the materials. As suggested (February 1984) by Police, the Company requested the Chief Engineer (Agriculture), Government of West Bengal in March 1984 to stop payment of the retirement benefits to the Store Supervisor, to whom payment had, however, already been made by them.

In August 1986, the Superintendent of Police reported that the theft of materials could not be proved during investigation and that the officials in charge of the Store were not aware as to when and how the materials were removed. He also opined that the case of theft was reported to Police just to justify the shortages detected during physical verification and suggested the Company to take departmental action against the concerned officials. No departmental enquiry for the loss of Rs. 2·96 lakhs had, however, been conducted by the Company so far (October 1987) to ascertain the exact reasons for the loss for fixing responsibility.

The matter was reported to the Company and the Government in November 1987; their replies had not been received (February 1988).

B. *STATUTORY CORPORATIONS*

WEST BENGAL STATE ELECTRICITY BOARD

5B.1 Unproductive expenditure on abandoned schemes

Mention was made in paragraph 7.03.3.4 of the Report of the Comptroller and Auditor-General of India for the year 1981-82

(Commercial) regarding abandonment of seventysix schemes for electrification of 7,091 *mauzas* against the target of 9,499 *mouzas* in different districts of West Bengal after incurring an expenditure of Rs. 37·69 crores on these schemes. Scrutiny of records further revealed that orders valuing Rs. 5·05 lakhs were placed during November 1980 to March 1983 on six firms for construction of lines including sub-stations for electrification of villages in four districts of West Bengal *viz.*, Burdwan, 24-Parganas, Hooghly and Birbhum on labour contract basis. The materials required for the works were to be supplied by the Board. Though the works were to be completed within one and half to four months from the dates of orders, the firms actually commenced works after expiry of two to eleven months from the stipulated dates and left between July 1981 and March 1984 without completing the works. The Board paid labour charges amounting to Rs. 2·19 lakhs to the contractors between September 1981 and May 1984 and in five cases materials worth Rs. 12·28 lakhs were consumed. The contractors, however, did not return the unconsumed materials valued at Rs. 2·50 lakhs lying in their custody. The value of materials recoverable, if any, from one firm was not on record. No action had been taken by the Board against the contractors for non-completion of the works and for recovery of the materials lying in their custody. Thus, the expenditure of Rs. 14·47 lakhs (materials: Rs. 12·28 lakhs and labour charges: Rs. 2·19 lakhs) incurred on the installation remained unproductive.

The matter was reported to the Board and the Government in March 1987; their replies had not been received (February 1988).

5B.2 Extra expenditure due to rejection of the lowest offer

Instead of open tenders, the General Manager, Kolaghat Thermal Power Station invited (March 1984) limited tenders for unloading, transporting and stacking of coal/middlings without recording any reason. Although the rates received (varying from Rs. 25·50 *per* tonne to Rs. 71·00 *per* tonne) were very high compared to the ruling rate of Rs. 11·69 *per* tonne for similar work at Santaldih Thermal Power Station, the contract was awarded to the second lowest tenderer at Rs. 27 *per* tonne without obtaining the orders of higher authority, after rejecting the lowest tender on the ground of his being a total newcomer, without credentials and good track record. The contention of the

Board for rejecting the lowest offer is not tenable since limited tenders are generally issued only to those firms who are enlisted by the Board considering their past experience.

The letter of intent was issued in June 1984 and 51,485 tonnes were handled during June 1984 to October 1984. When open tender was invited in August 1984 for the subsequent period, the contract was finalised at a lower rate of Rs. 15·79 *per* tonne. The Board had, thus, to incur avoidable expenditure of Rs. 5·77 lakhs with reference to lower rate obtained against open tender.

The matter was brought to the notice of the Board and the Government in March 1987; their replies had not been received (February 1988).

5B.3 Extra expenditure due to procurement of transformer well in advance

One 12·5 KVA power transformer (value: Rs. 10·73 lakhs) for Lakshmikantapur sub-station was procured by the Board in October 1976 and kept on road-side embankment awaiting completion of construction of the sub-station. The order for construction of the sub-station was placed only in February 1977 and the same was completed in November 1981 against scheduled date of completion of June 1977 due to delay in giving the lay-out, in handing over the final drawings and in supplying raw materials to the contractors by the Board. The transformer was, however, placed on the plinth only in July 1981.

In April 1983 while synchronising the completion of the sub-station work with erection of Joka-Lakshmikantapur 132 KVA transmission line, the transformer was required to undergo vacuum dehydration-cum-hot filtration process for getting improved insulation resistance (IR) value as the same had been found (April 1983) much reduced due to long storage. For recovery of IR value with steady supply of power, the Board hired two 50 KVA diesel generating sets with operators for the period from 17th May 1983 to 25th August 1983 at hire charges of Rs. 800 *per* day *per* set and thus incurred an expenditure of Rs. 1·88 lakhs (Rs. 1·62 lakhs on hire charges and Rs. 0·26 lakh towards cost of fuel). Further, six radiators of the transformer were damaged due to long storage and had to be replaced (May 1983) at a cost of Rs. 0·60 lakh. Thus, the Board incurred an extra expenditure amounting to Rs. 2·48 lakhs towards improvement of the IR value and replacement of radiators due to procurement of the transformer long before placement of order for construction of the sub-station, due to abnormal delay in its completion and due to further delay in sychronisation.

The matter was reported to the Board and the Government in July 1987; their replies had not been received (February 1988).

5B.4 Avoidable extra expenditure due to delay in finalisation of tenders

In response to an enquiry of November 1982 for supply of various spares required for the maintenance of coal conveyor system of Santaldih Thermal Power Station (STPS), a firm of Gujarat quoted in December 1982 a basic price of Rs. 17·39 lakhs inclusive of packing and forwarding charges (total value: Rs. 19·90 lakhs) with validity of offer up to 15th August 1983. The offer was subject to price variation and as per terms of payment, 30 *per cent* of the basic price of spares was to be paid as interest free advance at the time of placement of order. Order was, however, placed belatedly in September 1984 at a basic price of Rs. 18·59 lakhs inclusive of packing and forwarding charges (total value: Rs. 21·27 lakhs) and the materials were received between July 1985 and September 1986.

Delay in placing the order was due to prolonged time taken (21 months between December 1982 and September 1984) to finalise the purchase order because of (*i*) loss of quotation documents in the office of the Chief Engineer of the Power Station, (*ii*) demand for payment of interest free advance with the purchase order and (*iii*) settling the points raised by the firm (November 1983) regarding price escalation on the ground of an all around increase in cost of raw materials and labour.

Failure to finalise the order within the validity period (August 1983) of the offer resulted in the Board incurring an avoidable extra expenditure of Rs. 1·20 lakhs. The Board had not contemplated any action to fix responsibility for delay in finalising the order so far (February 1988).

The matter was reported to the Board and the Government in January 1987; their replies had not been received (February 1988).

5B.5 **Premature failure of 291 double decker buses**

To improve the public transport services provided by the Calcutta State Transport Corporation (CSTC) a project, Calcutta Urban Transport Project (CUTP), was undertaken in October 1980 under the aegis of the International Development Association (IDA), Government of India and the Government of West Bengal. The project provided a package of programmes covering replacement of part of the existing fleet by new fleet, improvement of maintenance and repair facilities of the workshops with a view to increasing the fleet strength from existing 50 *per cent* to 82 *per cent* by the end of 1983-84 which would have resulted in higher kilometre run *per* bus *per* day and reduced the deficit of the Corporation from Rs. 11·5 crores in 1979-80 to about Rs. 9·2 crores in 1983-84. The Corporation's share of the project was amounting to Rs. 43·64 crores which envisaged among other things, replacement of 530 existing buses, by reduction in active life of Corporation's fleet to 8 years, by 291 double decker and 239 single decker buses.

The Corporation's fleet at the commencement of the project (1980-81) consisted of 542 single decker and 393 double decker Model ALPD-2/1, 3/1) including semi-articulated double decker (SADD) buses. Although these were giving satisfactory services, the Corporation did not go in for double decker chassis of model ALPD-2/1 and 3/1 and global tenders were floated in June 1980 on the basis of the tender documents prepared by a consultant approved by IDA. Only two tenders, one from Sweden and the other local, were received out of which the lower one of a firm of Madras for their chassis (model ALPD-5/1) with 680 Engine and pneumocyclic gearbox, a prototype of which was already being tested by the Corporation since February 1980, but had not given a good performance, was accepted. The Board of the Corporation resolved (January 1981) to reduce the number of ALPD-5/1 chassis to 154 and place order for 137 SADD chassis, but it was overruled (February 1981) by the State Government on the ground that the Corporation had failed to press the point when the tender documents were being finalised.

In accordance with the decision taken by the State Government, the Corporation placed (March 1981) letter of intent on the lowest tenderer for supply of 291 ALPD-5/1 chasiss at a total cost of Rs. 13·60 crores and after making futile efforts to impose certain conditions not contemplated in the tender notice which were not agreed to by the supplier and the Government, finally placed the purchase order in May 1981 with the stipulation to commence supply from December 1981 and complete the same by December 1983 in quarterly instalments.

The supplier, however, confirmed (April 1981) during their acceptance of the offer that the quality of bulk supply of chassis would be better than that of the prototype. The contract agreement executed (April 1981) envisaged that the contractor should adopt a suitable quality assurance programme to ensure that the equipment and services were in accordance with the specifications embodied in the tender and such programme should be finally accepted by the engineer appointed by the Corporation for the purpose before award of the contract. But, no such engineer was actually appointed by the Corporation to adopt suitable quality assurance programme, reasons for which were not on record. The entire supply of chassis were received during December 1981 to September 1983. 291 double decker buses were built at a total cost of Rs. 23·93 crores (chassis: Rs. 17·89 crores and body building: Rs. 6·04 crores) and were put on road between March 1982 and January 1984.

The table below indicates the operational efficiency of these 291 buses during the five years up to 1986-87.

Particulars	1982-83	1983-84	1984-85	1985-86	1986-87
(*i*) Number of vehicles (as on 31st March)	160	291	291	291	291
(*ii*) Scheduled kilometres (in lakh kilometres)	39·50	156·12	182·35	183 63	162·67
(*iii*) Effective kilometres operated (in lakh kilometres)	30·70	102·12	72·37	55·76	39·72
(*iv*) Operational efficiency (*per cent*)	77·7	65·4	39·7	30·4	24·3
(*v*) Shortfall in run (in lakh kilometres)	8·80	54·00	109·98	127·87	122·95
(*vi*) Loss of revenue (Rupees in lakhs; on the basis of average realisation *per* km)	31·94	250·40	438·82	516·59	535·45

The operational efficiency had declined from 77·7 *per cent* in 1982-83 to 24·3 *per cent* in 1986-87 and the Corporation suffered a loss of revenue amounting to Rs. 1773·20 lakhs during the period from April 1982 to March 1987 due to shortfall in 423·60 lakh kilometres run.

The low operational efficiency was stated (June 1987) to be due to premature failure of engines, gearboxes and chassis and hold-up of the buses (165 buses as on 24th June 1987) at depots for overhauling of engines, gearboxes and repairs of chassis cracks.

In his report the Chief Mechanical Engineer of the Corporation observed (September 1986) that the double decker buses started giving troubles from the very beginning and a good number of buses reflected serious and chronic defects like chassis cracks, failure of engines and gearboxes after covering on an average 64,911 kms (on 68 buses), 61,350 kms (on 127 buses) and 52,094 kms (on 23 buses) against prescribed life of 7 lakh kms, 2 lakh kms and 0·75 lakh kms in respect of chassis, engine and gearbox respectively. He further concluded that the failure of buses was due to defects in design which varied from that of the prototype in regard to leading area, crank shaft journal diametre leading to seizure of engines in many cases and manufacturing deficiencies of 680 engines. This faulty design was affecting directly all units and components and thereby causing failures even after undertaking all precautionary measures.

The engineer of the supplier's firm, however, attributed (October 1984) the causes of premature failure of the buses to bad quality of materials supplied by their contractors, bad road conditions, overloading and poor maintenance. The firm rectified from time to time 125 chassis, 104 engines, 37 gearboxes and 223 other components against total failure of 142 chassis, 214 engines, 52 gearboxes and 228 other components free of cost by June 1986.

In spite of undertaking the above rectification jobs, there remained a wide gap between the performance of buses targetted to be put on road and actual achievement thereagainst. The average fleet utilisation *per* day was only 92·5 buses (September 1986) out of 291 buses.

The London Transport International Services Limited, England, a consultant appointed by the State Government in June 1985 to study, *inter alia*, the performance of vehicles in long distance and city services, opined (September 1985) that sophisticated engines, pneumocyclic gearboxes, less rugged chassis/suspension, fail-safe brake chambers and dependence on foreign spare parts were the factors responsible for such premature failures, as these were not in conformity with the Calcutta roads and environment.

Thus, the scheme for improvement of efficiency of CSTC fleet by putting 291 new DD buses on road at a total cost of Rs. 23·93 crores was frustrated due to purchase of sophisticated chassis which was not suitable for Calcutta roads and the vehicles became a burden on the Corporation due to frequent failures. Out of 291 DD vehicles, 162 remained off road as on 31st March 1987 (1 bus from 1983-84, 10 buses from 1984-85, 62 buses from 1985-86 and 89 buses from 1986-87) due to major failures. The percentage of the DD buses put on road was only 31 as against 82 *per cent* envisaged in the Project Report and 50 *per cent* at the commencement of the Project. The position has worsened after the implementation of the project as compared to that obtaining at the commencement thereof and has inflicted a cumulative revenue loss of Rs. 1773·20 lakhs up to 31st March 1987 after saddling it with a capital expenditure of Rs. 23·93 crores. The Corporation did not take any initiative to declare these long off road buses as condemned in spite of their repeated failure involving retention of crew (1,435) on idle buses.

The matter was reported to the Corporation and the Government in February 1988; their replies had not been received (March 1988).

5B.6 **Premature condemnation of buses**

Mention was made in paragraph 11·14 of Section XI of the Report of the Comptroller and Auditor General of India for the year 1982-83 (Commercial) regarding premature condemnation of thirtythree 'Hindusthan' make single decker buses costing Rs. 44·24 lakhs.

It was further noticed (February 1987) in audit that seven more 'Hindusthan' make single decker buses costing Rs. 12·62 lakhs put on road during June 1980 to March 1981 were found to be working unsatisfactorily and had to be prematurely withdrawn from routes in a phased manner during the period from June 1984 to November 1985 after plying 0·72 lakh to 1·13 lakhs kilometres against the prescribed life of 4 lakh kilometre. Of these 40 condemned buses, 33 were disposed of in September 1987 for Rs. 8·74 lakhs and the remaining 7 buses awaited (January 1988) disposal.

The 'Hindusthan' make buses were procured by the Corporation in pursuance of the policy of the State Government (June

1975) to purchase vehicles manufactured within the State to avoid recession in automobile industry in the State in 1975. In the course of inspection of all the forty condemned buses the Condemnation Committee, however, observed (April 1986) that no State Transport Undertaking was operating 'Hindusthan' make buses and in view of heavy passenger load and acute traffic congestion in Calcutta, 'Hindusthan' make buses should have been put on trial basis before making bulk purchase. The Committee opined that the vehicles were beyond economic repairs because of their high rate of break-downs and poor utilisation.

The procurement of 'Hindusthan' buses without testing their suitability/performance resulted in an injudicious investment of Rs. 56·86 lakhs and loss of revenue of Rs. 377·82 lakhs (approx) with reference to prescribed life of 4 lakh kilometres.

The matter was reported to the Corporation and the Government in February 1987; their replies had not been received (February 1988).

5B.7 Idle investment on Water Softening Plant

With a view to enhancing the life of the engines, order for supply, installation and commissioning of eight Water Softening Plants at the rate of Rs. 8,000 *plus* installation and commissioning charges of Rs. 500 each was placed on a firm of Calcutta in February 1985. Although the firm in their quotation demanded full payment for the plants after inspection and of installation charges within 7 days of installation and commissioning, the purchase order provided for payment of 98 *per cent* against proforma invoice without any security. There was no provision in the purchase order for imposing penalty on failure of the firm to install the plants as also in the event of any breach of the contract. An advance payment of Rs. 0·67 lakh was made in April 1985. The firm supplied the plants in May 1985, but did not install them in spite of request by the Corporation. Instead, it came out (March 1986) with a proposal to enhance the installation and commissioning charges to Rs. 1,500 each on the ground of increase in cost since April 1985, which was not accepted by the Corporation. The decision of the Corporation to have them installed departmentally (April 1986) could not be implemented (August 1987) due to alleged non-supply of vital parts of the plants by the supplier which was noticed only one year after the supply of the plants as the plants were not inspected immediately on their receipt. Thus, the expenditure of Rs. 0·67 lakh inclusive of unnecessary advance payment of Rs. 0·04 lakh towards installation and commissioning charges had remained unproductive and the Corporation could not take any penal action against the firm due to unduly liberal terms in the purchase order.

The matter was reported to the Corporation and the Government in September 1987; their replies had not been received (February 1988).

Calcutta,
The
20 JAN 1989

(A. N. MUKHOPADHYAY)
Accountant General (Audit)-1
West Bengal

Countersigned

T. N. Chaturvedi

New Delhi,
The
10 FEB 1989
10 FEB 1989

(T. N. CHATURVEDI)
Comptroller and Auditor
General of India

ANNEXURE I

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

Sl. No.	Name of Companies	Total amount invested up to 1986-87
		(Rupees in lakhs)
1.	Engel India Machine and Tools Limited	299 46
2.	Gluconate Limited	229 58
3.	Eastern Distillaries (Pvt.) Limited	44·79
4.	Sen Raleigh Limited	70·00
5.	Krishna Silicate and Glass Works Limited	930·57
6.	Incheck Tyres Limited	35·00
7.	Mackintosh Burn Limited	166·75
8.	Great Eastern Hotel Limited	70·25
9.	Duncan Brothers and Company Limited	34·58
10.	Britannia Engineering Company Limited	532·94
11.	Kinnison Jute Mills Company Limited	281·48
12.	Alok Udyog Vanaspati & Plywood Limited	48·60
13.	Dr. Paul Lohmann (I) Limited	218·43
14.	Aluminium Corporation of India Limited	20·00
15.	Appolloy Zipper Company Limited	220·85
16.	Kolay Iron & Steel Company Limited	15·00
17.	India Health Institute and Laboratory Limited	200·34
18.	Bharat Jute Mills Limited	50·00
19.	National Iron and Steel Company Limited	686·44
20.	National Pipes and Tubes Limited	109 32
21.	Lily Biscuit Company and Lily Barley Limited	187·34
22.	India Belting and Cotton Mills Limited	53·59
23.	The Calcutta Electric Supply Corporation (India) Limited ..	4,360·00
24.	Bengal Laxmi Cotton Mills	56·67
25.	Sree Saraswaty Press Limited	41·57
26.	Bengal Belting Corporation Limited	13·75
27.	A Stock Company Limited	17·75
	Total	8,995 05

ANNEXURE 2

Statement showing particulars of up-to-date paid-up capital, outstanding loans, amount of guarantees given by Government, amount outstanding thereagainst and working results of all Government Companies

(Referred to in Paragraph 2. 2. 2 page 9)

Sl No.	Name of Company	Name of the administrative department	Paid-up capital as at the end of 1986-87				Loan outstanding at the close of the current year	Amount of guarantee given	Amount of guarantee outstanding at the close of the current year	Outstanding guarantee commission payable at the close of the current year	Position at the end of the year for which accounts were finalised			Any excess of loss over paid-up capital	Remarks
			State Government	Central Government	Others	Total					Year for which accounts were finalised	Paid-up capital at the end of the year	Accumulated Profit (+)/ Loss (−)		
1	2	3	3(*a*)	3(*b*)	3(*c*)	3(*d*)	4	5(*a*)	5(*b*)	5(*c*)	6(*a*)	6(*b*)	6(*c*)	6(*d*)	7
			(Figures in columns 3(*a*) to 5(*c*) and 6(*b*) to 6(*d*) are rupees in lakhs)												
1.	The Kalyani Spinning Mills Limited	Public Undertakings	158·21	Nil	Nil	158·21	2718 12	490·05	490 05	10·21	1983-84	158·21	(−)3189·34	(−)3031·13	
2.	West Bengal Small Industries Corporation Limited	Cottage and Small Scale Industries	587·93	Nil	Nil	587·93	NA	NA	NA	NA	1982-83	217·14	(−) 22·29	—	
3.	Electro-Medical and Allied Industries Limited	Public Undertakings	24·99	Nil	0·01	25·00	256·35	Nil	Nil	Nil	1983-84	25·00	(−) 223·95	(−) 198·95	
4.	The Durgapur Projects Limited	-do-	4676·16	Nil	Nil	4676·16	13972·00	2970·50	2970·50*	14·11	1986-87	4676·16	(−)6771·18	(—)2095·02	*Excludes outstanding interest of Rs. 30·72 lakhs on the loans guaranteed by the Government
5.	Durgapur Chemicals Limited	-do-	509·31	Nil	Nil	509·31	4081·23	300·00	233·39	—	1984-85	509·31	(—)4265·21	(—)3755·90	
6.	State Fisheries Development Corporation Limited	Fisheries	115·00	Nil	Nil	115·00	NA	NA	NA	NA	1984-85	115·00	(—) 114·63	—	
7.	West Bengal Industrial Development Corporation Limited	Commerce and Industries	1476·42	Nil	Nil	1476·42	7868·57	3494·00	3494.00	80·99	1986-87	1476·42	(−) 35·09	—	
8.	West Bengal Agro-Industries Corporation Limited	Public Undertakings	552·50	269·02	Nil	821·52	NA	Nil	Nil	Nil	1982-83	811·52	(—) 121·99	—	
9.	West Bengal Dairy and Poultry Development Corporation Limited	-do-	94·15	Nil	Nil	94·15	35·58	Nil	Nil	Nil	1980-81	62·15	(—) 22·07	—	
10.	Westinghouse Saxby Farmer Limited	-do-	87·75	Nil	12·25	100·00	3233·75	244·30	244·30	3·75	1982-83	100·00	(—)2618·16	(—)2518·16	
11.	West Bengal Mineral Development and Trading Corporation Limited	Commerce and Industries	290·07	Nil	Nil	290·07	82·00	30·00	30·00	0·36	1986-87	290·08	(−) 275·08	—	
12.	West Bengal Agro Textile Corporation Limited	Industrial Reconstruction	141·97	Nil	0·03	142·00	932·01	50·00	Nil	0·11	1985-86	142·00	(+) 39·17	—	
13.	West Bengal Sugar Industries Development Corporation Limited	Commerce and Industries	278·75	Nil	7·00	285·75	354·08	—	—	5·29	1984-85	236·60	(−) 603·23	(−) 366·63	
14.	West Bengal Handloom and Powerloom Development Corporation Limited	Cottage and Small Scale Industries	334·04	Nil	2·50	336·54	99·35	300·00	106·18	NA	1980-81	173·54	(−) 17·10	—	
15.	West Bengal State Minor Irrigation Corporation Limited	Agriculture and Community Development	955·00	Nil	Nil	955·00	NA	NA	NA	NA	1981-82	605·00	(−) 211·19	—	

ANNEXURE 2 (*Contd.*)

Statement showing particulars of up-to-date paid-up capital, outstanding loans, amount of guarantees given by Government, amount outstanding thereagainst and working results of all Government Companies

(Referred to in Paragraph 2. 2. 2 page 9)

Sl No.	Name of Company	Name of the administrative department	Paid-up capital as at the end of 1986-87				Loan outstanding at the close of the current year	Amount of guarantee given	Amount of guarantee outstanding at the close of the current year	Outstanding guarantee commission payable at the close of the current year	Position at the end of the year for which accounts were finalised			Any excess of loss over paid-up capital	Remarks
			State Government	Central Government	Others	Total					Year for which accounts were finalised	Paid-up capital at the end of the year	Accumulated Profit (+)/ Loss (–)		
1	2	3	3(*a*)	3(*b*)	3(*c*)	3(*d*)	4	5(*a*)	5(*b*)	5(*c*)	6(*a*)	6(*b*)	6(*c*)	6(*d*)	7
				(Figures in columns 3(*a*) to 5(*c*) and 6(*b*) to 6(d) are rupees in lakhs)											
16.	West Bengal Electronics Industry Development Corporation Limited	Commerce and Industries	1238·00	Nil	171·00	1409·00	836·62	25·00	11·00	NA	1985-86	1009·00	(–) 115·34	—	
17.	West Bengal Pharmaceutical and Phytochemical Development Corporation Limited	-do-	221·10	Nil	Nil	221·10	69·08	58·08	58·08	NA	1986-87	221·10	(–) 80·53	—	
18.	West Bengal Livestock Processing Development Corporation Limited	Animal Husbandry and Veterinary Services	167·00	25·00	Nil	192·00	Nil	2·33	0·01	NA	1984-85	143·00	(–) 51·82	—	
19.	West Bengal Tourism Development Corporation Limited	Tourism	108·56	Nil	Nil	108·56	NA	NA	NA	NA	1985-86	104·56	(–) 133·33	(–) 28·77	
20.	West Bengal Forest Development Corporation Limited	Forest	439·72	70·00	Nil	509·72	46·81	73·07	52·81	Nil	1984-85	458·72	(–) 16·90	—	
21.	West Bengal Essential Commodities Supply Corporation Limited	Food and Supplies	108·00	Nil	Nil	108·00	Nil	1200·00	Nil	5·41	1985-86	108·00	(+) 326·16	—	
22.	Basumati Corporation Limited	Information and Cultural Affairs	10·00	Nil	Nil	10·00	254·08	—	—	—	1978-79	10·00	(–) 67·07	(–) 57·07	
23.	The West Dinajpur Spinning Mills Limited	Public Undertakings	602·42	Nil	23·00	625·42	374·00	400·00	374·00	Nil	1986-87	625·42	(–) 280·55	—	
24.	West Bengal State Leather Industries Development Corporation Limited	Cottage and Small Scale Industries	111·25	Nil	Nil	111·25	27·50	—	—	—	1982-83	66·92	(–) 81·26	(–) 14·34	
25.	West Bengal Ceramic Development Corporation Limited	Public Undertakings	97·73	Nil	Nil	97·73	NA	NA	NA	NA	1982-83	97·73	(–) 213·11	(–) 115·38	
26	West Bengal Handicrafts Development Corporation Limited (subsidiary of West Bengal Small Industries Corporation Limited)	Cottage and Small Scale Industries	Nil	12·00	36·50	48·50	NA	NA	NA	NA	1981-82	35·50	(–) 6·30	—	
27.	West Bengal Tea Development Corporation Limited	Commerce and Industries	261·00	Nil	Nil	261·00	NA	NA	NA	NA	1985-86	261·00	(–) 314·42	(–) 53·42	
28.	Webel Business Machines Limited (subsidiary of West Bengal Electronics Industry Development Corporation Limited)	-do-	Nil	Nil	22·50	22·50	NA	NA	NA	NA	1985-86	19·03	(–) 27·36	(–) 8·33	

ANNEXURE 2 (*Contd.*)

Statement showing particulars of up-to-date paid-up capital, outstanding loans, amount of guarantees given by Government, amount outstanding thereagainst and results working of all Government Companies

(Referred to in paragraph 2. 2. 2 page 9)

Sl. No.	Name of Company	Name of the administrative department	Paid-up capital as at the end of 1986-87				Loan out-standing at the close of the current year	Amount of guarantee given	Amount of guarantee outstanding at the close of the current year	Outstanding guarantee commission payable at the close of the current year	Position at the end of the year for which accounts were finalised			Any excess of loss over paid-up capital	Remarks
			State Government	Central Government	Others	Total					Year for which accounts were finalised	Paid-up capital at the end of the year	Accumulated Profit (+)/ Loss (–)		
1	2	3	3(*a*)	3(*b*)	3(*c*)	3(*d*)	4	5(*a*)	5(*b*)	5(*c*)	6(*a*)	6(*b*)	6(*c*)	6(*d*)	7
			(Figures in columns 3(*a*) to 5(*c*) and 6(*b*) to 6(d) are rupees in lakhs)												
29.	Webel Video Devices (subsidiary of West Bengal Electronics Industry Development Corporation Limited)	-do-	Nil	Nil	95 50	95 50	NA	NA	NA	NA	1979-80	95·50	—	—	Under construction
30.	Webel Telecommunication Industries Limited (subsidiary of West Bengal Electronics Industry Development Corporation Limited)	-do-	60·00	Nil	40 00	100 00	Nil	Nil	Nil	Nil	1986-87	100·00	(+) 257·40	—	
31.	West Bengal Fish Seed Development Corporation Limited	Fisheries	49 00	Nil	15 00	64·00	NA	NA	NA	NA	1984-85	94·00	—	—	Under construction
32.	West Bengal Film Development Corporation Limited	Information and Cultural Affairs	262·57	Nil	Nil	262·57	263 00	NA	NA	NA	1985-86	216·57	(–) 63·14	—	
33.	West Bengal State Seed Development Corporation Limited	Agriculture	200 00	Nil	Nil	200 00	Nil	Nil	Nil	Nil	1982-83	100·00	—	—	Under construction
34.	The Shalimar Works (1980) Limited	Industrial Reconstruction	100 50	Nil	Nil	100 50	347·00	69 36	50 00	1 07	1983-84	75 00	(–) 198·14	(–) 123 14	
35.	Webel Precison Industries Limited (subsidiary of West Bengal Electronics Industry Development Corporation Limited)	Commerce and Industries	Nil	Nil	42 90	42·90	Nil	Nil	Nil	Nil	1985-86	40·62	—	—	Under construction
36.	Webel Nicco Electronics Limited (subsidiary of West Bengal Electronics Industry Development Corporation Limited)	-do-	Nil	Nil	33·34	33 34	9·10	13 00	9·48	—	1983-84	25·00	(–) 60·16	(–) 35·16	
37.	Webel Electronics Communication System Limited (subsidiary of West Bengal Electronics Industry Development Corporation Limited)	-do-	Nil	Nil	20 54	20 54	NA	NA	NA	NA	1985-86	20·54	(–) 16·69	—	
38.	Webel Computer Limited (subsidiary of West Bengal Electronics Industry Development Corporation Limited)	-do-	Nil	Nil	1 59	1·59	NA	NA	NA	NA	1982-83	9·29	—	—	Commercial operation has not yet been started
39.	Webel Crystals Limited (subsidiary of West Bengal Electronics Industry Development Corporation Limited)	-do-	Nil	Nil	48 53	48 53	82·00	—	—	—	1985-86	43·58	—	—	-do-

ANNEXURE 2 (*Contd.*)

Statement showing particulars of up-to-date paid-up capital, outstanding loans, amount of guarantees given by Government, amount outstanding thereagainst and working results of all Government Companies

(Referred to in Paragraph 2. 2. 2 page 9)

Sl No.	Name of Company	Name of the administrative department	Paid-up capital as at the end of 1986-87				Loan outstanding at the close of the current year	Amount of guarantee given	Amount of guarantee outstanding at the close of the current year	Outstanding guarantee commission payable at the close of the current year	Position at the end of the year for which accounts were finalised			Any excess of loss over paid-up capital	Remarks
			State Government	Central Government	Others	Total					Year for which accounts were finalised	Paid-up capital at the end of the year	Accumulated Profit (+)/ Loss (−)		
1	2	3	3(*a*)	3(*b*)	3(*c*)	3(*d*)	4	5(*a*)	5(*b*)	5(*c*)	6(*a*)	6(*b*)	6(*c*)	6(*d*)	7
			(Figures in columns 3(*a*) to 5(*c*) and 6(*b*) to 6(d) are rupees in lakhs)												
40.	Silpabarta Printing Press Limited (subsidiary of West Bengal Small Industries Corporation)	Cottage and Small Scale Industries	Nil	Nil	15·00	15 00	NA	NA	NA	NA	1983-84	15·00	(+) 12·74	—	
41.	The Calcutta Tramways Company (1978) Limited	Home (Transport)	2040·13	Nil	Nil	2040·13	5467·53	20·00	NA	NA	1985-86	2040·13	(−)3352·42	(−)1312·29	
42.	Neo Pipes and Tubes Company Limited	Commerce and Industries	170·00	Nil	Nil	170·00	288·62	NA	NA	NA	1983-84	Nil	—	—	Under construction
43.	Lime Light Industries Limited (subsidiary of West Bengal Small Industries Corporation Limited)	-do-	1·53	Nil	1·47	3·00	NA	NA	NA	NA	1983-84	3·00	Nil	—	Under construction
44.	West Bengal Projects Limited (subsidiary of West Bengal Small Industries Corporation Limited)	Cottage and Small Scale Industries	Nil	Nil	20·50	20·50	NA	NA	NA	NA	—	—	—	—	Under construction
45.	The West Bengal Power Development Corporation Limited	Public Undertakings	1·10	NA	NA	1·10	NA	NA	NA	NA	—	—	—	—	Under construction
46.	IPP Limited	Industrial Reconstruction	0·01	Nil	Nil	0·01	Nil	Nil	Nil	Nil	1986-87	0·01	—	—	Under construction
47.	Britannia Engineering Products and Services Limited	-do-	70·00	Nil	Nil	70 00	532·94	Nil	Nil	Nil	—	—	—	—	Under construction
48.	Webel Carbon and Metal Film Registors Limited	Commerce and Industries	Nil	Nil	50·00	50·00	NA	NA	NA	NA	—	—	—	—	Under construction

ANNEXURE 3

Summarised Financial Results of all Government Companies for the year for which accounts were finalised

(Referred to in paragraph 2. 2. 3 page 10)

Sl. No.	Name of Company	Name of the administrative department	Date of incorporation	Year of accounts	Year in which finalised	Total capital invested at the end of the year of accounts	Profit (+)/ Loss (−)	Total interest charged to profit and loss account	Interest on long-term loan	Total return on capital invested (8+10)	Capital employed	Total return on capital employed (8+9)	Percentage of total return on capital invested	Percentage of total return on capital employed	Remarks
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
						(Figures in columns 7 to 13 are rupees in lakhs)									
1.	The Kalyani Spinning Mills Limited	Public Undertakings	13th January 1960	1983-84	1987-88	1886·83	(−) 442·34	172·05	126·89	(−) 315·45	(−) 881·61	(−) 270·29	..	..	
2.	West Bengal Small Industries Corporation Limited	Cottage and Small Scale Industries	29th March 1961	1982-83	1987-88	554·73	(−) 32·52	69·46	3·60	(−) 28·92	599·56	36·94	..	6·2	
3.	Electro-Medical and Allied Industries Limited	Public Undertakings	29th June 1961	1983-84	1985-86	240·35	(−) 34 63	19·22	93·79	59·16	22·44	(−) 15·41	24·6	..	
4.	The Durgapur Projects Limited	-do-	6th September 1961	1986-87	1987-88	18648·16	(−) 651·87	445·98	411·34	(−) 240·53	7971·78	(−) 205·89	..	..	
5.	Durgapur Chemicals Limited	-do-	31st March 1963	1984-85	1986-87	2967·08	(−) 574 58	205·86	192 04	(−) 382·54	(−)1278·41	(−) 368·72	..	..	
6.	State Fisheries Development Corporation Limited	Fisheries	30th March 1966	1984-85	1986-87	505·37	(+) 4·54	9·84	6·43	10·97	172·27	14·38	2·2	8·3	
7.	West Bengal Industrial Development Corporation Limited	Commerce and Industries	6th January 1967	1986-87	1987-88	9551·98	(−) 130·07	397·24	390·27	260·20	9098·80	267·17	2·7	2·9	
8.	West Bengal Agro-Industries Corporation Limited	Public Undertakings	16th August 1968	1982-83	1986-87	1144·63	(+) 2·17	27·15	25·51	27·68	1020·08	29·32	2·4	2·9	
9.	West Bengal Dairy and Poultry Development Corporation Limited	-do-	4th February 1969	1980-81	1987-88	129 96	(+) 3·77	2·13	2·13	5·90	107·89	5·90	4 5	5·5	
10.	Westinghouse Saxby Farmer Limited	-do-	19th July 1969	1982-83	1987-88	2105 56	(−) 351·17	211·89	147·59	(−) 203·58	(−) 227·12	(−) 139·28	..	..	
11.	West Bengal Mineral Development and Trading Corporation Limited	Commerce and Industries	23rd February 1973	1986-87	1987-88	372·08	(−) 59·23	14·19	7·47	(−) 51·76	124·23	(−) 45·04	..	..	
12.	West Bengal Agro-Textile Corporation Limited	Industrial Reconstruction	19th March 1973	1985-86	1986-87	862·77	(+) 39·17	1·96	Nil	39 17	862·78	41·13	4·5	4·8	
13.	West Bengal Sugar Industries Development Corporatign Limited	Commerce and Industries	30th May 1973	1984-85	1987-88	638·68	(−) 94·82	35·36	35·36	(−) 59·46	(−) 21·80	(−) 59·46	..	..	
14.	West Bengal Handloom and Powerloom Development Corporation Limited	Cottage and Small Scale Industries	25th September 1973	1980-81	1983-84	213·79	(+) 5·69	9·22	7·12	12·81	221·08	14·91	4·6	6·7	
15.	West Bengal State Minor Irrigation Corporation Limited	Agriculture and Community Development	29th January 1974	1981-82	1987-88	1169·35	(−) 95·37	38·13	37·59	(−) 57·78	862·81	(−) 57·24	..	..	
16.	West Bengal Electronics Industry Development Corporation Limited	Commerce and Industries	4th February 1974	1985-86	1987-88	1511·75	(−) 23·76	27 08	27·08	3·32	820·21	3·32	0·2	0·4	

ANNEXURE 3 (*Contd.*)

Summarised Financial Results of all Government Companies for the year for which accounts were finalised

(Referred to in paragraph 2. 2. 3 page 10)

Sl. No.	Name of Company	Name of the administrative department	Date of incorporation	Year of accounts	Year in which finalised	Total capital invested at the end of the year of accounts	Profit (+)/ Loss (−)	Total interest charged to profit and loss account	Interest on long-term loan	Total return on capital invested (8+10)	Capital employed	Total return on capital employed (8+9)	Percentage of total return on capital invested	Percentage of total return on capital employed	Remarks
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
						(Figures in columns 7 to 13 are rupees in lakhs)									
17.	West Bengal Pharmaceutical and Phyto-chemical Development Corporation Limited	Commerce and Industries	28th March 1974	1986-87	1987-88	279·18	(−) 18·56	1·17	1·17	(−) 17·39	92·42	(−) 17·39	..	..	
18.	West Bengal Livestock Processing Development Corporation Limited	Animal Husbandry and Veterinary Services	9th April 1974	1984-85	1987-88	156·29	(−) 15·11	Nil	Nil	(−) 15·11	100·66	(−) 15·11	..	..	
19.	West Bengal Tourism Development Corporation Limited	Tourism	29th April 1974	1985-86	1987-88	234·79	(−) 23·58	6·03	6·03	(−) 17·55	101·30	(−) 17·55	..	..	
20.	West Bengal Forest Development Corporation Limited	Forest	19th July 1974	1984-85	1986-87	532·47	(+) 8·05	Nil	Nil	495·65	8·05	8·05	1·5	1·6	
21.	Basumati Corporation Limited	Information and Cultural Affairs	4th February 1975	1978-79	1987-88	82·40	(−) 17·45	Nil	Nil	(−) 17·45	−15·33	(−) 17·45	..	..	
22.	West Bengal Essential Commodities Supply Corporation Limited	Food and Supplies	15th October 1974	1985-86	1986-87	710·38	(+) 326·16	23·34	..	326·16	710·38	349·50	45·9	49·2	
23.	West Dinajpur Spinning Mills Limited	Public Undertakings	22nd August 1975	1986-87	1987-88	1004·39	(−) 153·72	50·78	50·78	(−) 102·94	723·09	(−) 102·94	..	..	
24.	West Bengal State Leather Industries Development Corporation Limited	Cottage and Small Scale Industries	3rd March 1976	1982-83	1987-88	104·73	(−) 19·53	1·81	1·80	(−) 17·73	32·42	(−) 17·72	..	..	
25.	West Bengal Ceramic Development Corporation Limited	Public Undertakings	31st March 1976	1982-83	1986-87	254·96	(−) 43·28	9·47	9·47	(−) 33·81	39·78	(−) 33·81	..	..	
26.	West Bengal Handicrafts Development Corporation Limited (subsidiary of West Bengal Small Industries Corporation Limited)	Cottage and Small Scale Industries	1st June 1976	1981-82	1987-88	51·51	(+) 1·18	0·77	0·77	1·95	45·12	1·95	3·8	4·3	
27.	West Bengal Tea Development Corporation Limited	Commerce and Industries	4th August 1976	1985-86	1986-87	508·10	(−) 77·26	22·04	58·24	(−) 19·02	193·68	(−) 55·22	..	..	
28.	Webel Business Machines Limited (subsidiary of WBEIDC)	-do-	20th December 1976	1985-86	1987-88	45·51	(−) 4·64	6·35	2·90	(−) 1·74	14·40	1·71	..	11·9	
29.	Webel Video Devices Limited (subsidiary of WBEIDC)	-do-	26th August 1977	1979-80	1982-83	136·24	..	..	..	..	136·62	..	..	..	Under construction
30.	Webel Telecommunication Industries Limited (subsidiary of WBEIDC)	-do-	2nd April 1979	1986-87	1987-88	367·99	(+) 217·92	8·68	Nil	217·92	402·57	226·60	59·2	56·3	

ANNEXURE 3 (*Contd.*)

Summarised Financial Results of all Government Companies for the year for which accounts were finalised

(Referred to in paragraph 2. 2. 3 page 10)

Sl. No.	Name of Company	Name of the administrative department	Date of incorporation	Year of accounts	Year in which finalised	Total capital invested at the end of the year of accounts	Profit (+)/ Loss (−)	Total interest charged to profit and loss account	Interest on long-term loan	Total return on capital invested (8+10)	Capital employed	Total return on capital employed (8+9)	Percentage of total return on capital invested	Percentage of total return on capital employed	Remarks
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
						(Figures in columns 7 to 13 are rupees in lakhs)									
31.	West Bengal Fish Seed Development Corporation Limited	Fisheries	27th March 1980	1983-84	1984-85	64·00	..	..	..	..	16·95	..	..	..	Under construction
32.	West Bengal Film Development Corporation Limited	Information and Cultural Affairs	5th May 1980	1985-86	1987-88	448·57	(−) 35·06	21·21	21·21	(−) 13·85	15·38	(−) 13·85	..	..	Commercial operation has not yet been started
33.	West Bengal State Seed Development Corporation Limited	Agriculture	13th November 1980	1982-83	1984-85	122·30	(+) 4·80	0·82	..	0·80	127·95	5·02	3·7	4·4	
34.	The Shalimar Works (1980) Limited	Industrial Reconstruction	12th January 1981	1983-84	1984-85	221·00	(−) 59·76	11·59	9·00	(−) 50·76	47·08	(−) 48·17	..	..	
35.	Webel Precision Industries Limited (subsidiary of WBEIDC)	Commerce and Industries	23rd March 1981	1985-86	1987-88	40·62	..	Nil	Nil	Nil	2·34	Nil	..	..	Under construction
36.	Webel-Nicco Electronics Limited (subsidiary of WBEIDC)	-do-	15th June 1981	1983-84	1987-88	49·81	(−) 22·00	3·95	3·95	(−) 18·05	(−) 10·92	(−) 18·05	..	..	
37.	Webel Electronics Communication System Limited (subsidiary of WBEIDC)	-do-	18th September 1981	1985-86	1987-88	68·36	(−) 2·87	5·96	2·92	0·05	65·42	3·09	0·07	4·7	
38.	Webel-Jenson and Nicholson Limited formerly Webel Computer Limited (subsidiary of WBEIDC)	-do-	25th September 1981	1982-83	1987-88	9·29	..	Nil	Nil	Nil	1·72	Nil	..	..	Under construction
39.	Webel Crystals Limited (subsidiary of WBEIDC)	-do-	19th March 1982	1985-86	1987-88	115·67	..	8·22	8·22	8·22	32·00	8·22	7·1	25·8	Under construction
40.	Silpabarta Printing Press Limited (subsidiary of WBSIC)	Cottage and Small Scale Industries	23rd September 1982	1983-84	1986-87	45·30	(+) 2·74	Nil	Nil	2·74	45·30	2·74	6·0	6·0	
41.	The Calcutta Tramways Company (1978) Limited	Home (Transport)	15th October 1982	1985-86	1986-87	9158·68	(−)1379·61	363·62	295·95	(−)1083·65	3685·60	(−)1015·99	..	..	
42.	Neo Pipes and Tubes Company Limited (subsidiary of WBSIC)	Commerce and Industries	12th January 1983	1983-84	1986-87	..	..	..	..	..	..	..	..	..	Under construction
43.	Limelight Industries Limited	-do-	5th May 1983	1983-84	1986-87	3·00	..	..	..	..	0·97	..	..	..	Under construction
44.	West Bengal Projects Limited	Cottage and Small Scale Industries	9th February 1984	..	..	..	..	..	..	..	..	..	..	..	Under construction
45.	The West Bengal Power Development Corporation Limited	Public Undertakings	5th July 1985	1985-86	1987-88	1·10	..	..	..	..	..	..	..	..	Under construction
46.	IPP Limited	Industrial Reconstruction	17th July 1985	1986-87	1987-88	..	..	..	..	..	..	..	..	..	Under construction
47.	Britannia Engineering Products & Services Limited	-do-	14th April 1986	..	..	..	..	..	..	..	..	..	..	..	Under construction
48.	Webel Carbon & Metal Film Registors Limited	Commerce and Industries	1st August 1983	..	..	..	..	..	..	..	..	..	..	..	Under construction

ANNEXURE 4

Statement showing the summarised Financial Results of the Statutory Corporations for the latest year for which annual accounts have been finalised

(Referred to in Paragraph 2. 3. 5 page 19)

(Figures in columns 6 to 12 are rupees in lakhs)

Sl. No.	Name of the Corporation/Board	Name of the administrative department	Year of incorporation	Period of accounts	Total capital invested	Prgfit (+)/ Loss (−)	Total interest charged to profit and loss account	Interest on long-term loans	Total return on capital invested (7+9)	Capital employed	Total return on capital employed (7+8)	Percentage of total return on capital invested	Percentage of total return on capital employed	Remarks
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1.	West Bengal State Electricity Board	Power	1st May 1955	1986-87	128934·30	(−) 817·00	4667·66	4480·58	3663·58	87853·31	3850·66	2·8	4·4	
2.	Calcutta State Transport Corporation	Home (Transport)	15th June 1960	1985-86	10149·78	(−) 3099·33	567·53	526·40	(—)2572·93	1917·92	(—) 2531·80	..	..	
3.	North Bengal State Transport Corporation	Home (Transport)	15th April 1960	1984-85	3127·70	(−) 777·98	194·41	188·78	(−) 539·20	(−) 1210·79	(−) 583·57	..	..	
4.	Durgapur State Transport Corporation	Home (Transport)	7th December 1973	1976-77	304·45	(−) 70·42	17·53	17·53	(−) 52·89	125·95	(−) 52·89	..	..	
5.	West Bengal Financial Corporation	Finance	1st March 1954	1986-87	10189·16	(+) 161·44	610·22	610·22	771·66	9286·20	771·66	7·6	8·3	
6.	West Bengal State Warehousing Corporation	Public Undertakings	31st March 1958	1983-84	402·49	(+) 13·40	..	..	13·40	409·47	13·40	2·3	3·3	
7.	West Bengal Industrial Infrastructure Development Corporation	Commerce and Industries	9th November 1973	1979-80	271·18	(−) 0·45	22·25	22·25	21·80	366·47	21·80	8·0	5·9	

Note : (*A*) Capital invested represents paid-up capital *plus* long-term loans *plus* free reserves.

(*B*) Capital employed (except in the case of West Bengal Financial Corporation) represents net fixed assets (excluding work- in-progress) *plus* Working Capital. In case of West Bengal Financial Corporation, capital employed represent means of the aggregates of opening and closing balances of (*i*) paid-up capital, (*ii*) bonds and deoentures, (*iii*) reserves, (*iv*) borrowings including refinance and (*v*) deposits.

ANNEXURE 5

(Referred to in Paragraph 3A.7 Page 57)

Statement showing the overdues of principal and interest and the amount outstanding at the end of 5 years up to 1986-87

	1982-83		1983-84		1984-85		1985-86		1986-87	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	(Rupees in lakhs)									
(*i*) Overdues at the beginning of the year	463·93	183 89	475·43	293·11	484·36	373·37	640·31	555·85	874·95	857·44
(*ii*) Demand raised during the year	696·10	305·62	271·13	324·26	647·45	473·78	632·24	668·79	656·91	654·12
(*iii*) Total dues for recovery ..	1160·03	489·51	746·56	617·37	1131·81	847·15	1272·55	1224·64	1531·86	1511·56
(*iv*) Amount recovered during the year	694·60	196·40	262 20	244·00	491·50	291·30	397·60	367·20	409·60	461·00
(*v*) Total overdues at the end of the year	475·43	293·11	484·36	373·36	640·31	555·85	874·95	857·44	1122·26	1050·56
(*vi*) Total outstanding ..	2571·16	293·11	3405·22	373·87	4512·89	607·88	5570·65	939·15	6803·34	1114·15
(*vii*) Percentage of recovery:										
(*a*) to total due for recovery	59·01	40·12	35·12	39·52	43·43	34·39	31·24	29·98	26·74	30·50
(*b*) to demand raised during the year	98·35	64·26	96·71	75·25	75·91	61·48	62·89	54·90	62·35	70·48
(*viii*) Percentage of total overdues to total outstanding ..	18·40	100·00	14·22	100·00	14·19	91·44	15·70	91·30	16·50	94 29

The age-wise analysis of overdues of principal and interest, as on 31st March 1987, was as follows:

	Principal	Interest	Total
	(Rupees in lakhs)		
(*a*) Less than 1 year	364·49	482·10	846·59
(*b*) More than 1 year but less than 2 years	267·85	252·71	520·56
(*c*) Two years and more but less than 3 years	123·96	157·85	281·81
(*d*) Over 3 years	365·96	157·90	523·86
	1122·26	1050·56	2172·82

ANNEXURE 6

(Referred to in Paragraph 3C.4.1 Page 87)

Statement showing the details of brackish water fish farms for the four years up to 1986-87

Name of the farms	Year	Effective water area (acres)	Target fixed	Achievement	Percentage of achievement to targets	Production per acre (kgs)	Revenue realised	Direct expenditure incurred	Profit (+)/ Loss (−)
			(In kilograms)					(Rupees in lakhs)	
Frasergunge	1983-84	116·35	20,000	19,344	96·7	166·3	2·06	2·10	(−)0·04
	1984-85	116·35	26,000	24,586	94·6	211·3	2·48	2·51	(−)0·03
	1985-86	116·35	22,600	87,139	120·1	233·3	2·93	2·99	(−)0·06
	1986-87	116·35	36,500	24,984	68·4	214·7	2·85	4·24	(−)1·39
Digha	1983-84	100·00	18,300	17,902	97·9	179·0	1·68	2·10	(−)0·42
	1984-85	100·00	20,900	15,676	75·0	156·8	1·51	2·55	(−)1·04
	1985-86	100·00	26,200	13,592	51·9	135·9	1·63	3·11	(−)1·48
	1986-87	100·00	26,000	18,367	70·6	183·7	3·02	3·94	(−)0·92
Alampore	1983-84	200·00	41,000	46,051	112·3	230·3	4·96	3·91	(+)1·05
	1984-85	200·00	54,000	54,851	101·6	274·3	6·45	4·23	(+)2·12
	1985-86	200·00	62,000	63,262	102·3	316·3	7·22	5·44	(+)1·78
	1986-87	200·00	64,000	64,730	101·1	323·7	9·34	7·04	(+)2·30
Henry's Island	1983-84	136·20	16,470	14,133	85·7	103·6	1·22	1·46	(−)0·24
	1984-85	234·80	27,314	23,186	84·9	98·7	2·64	1·64	(+)1·00
	1985-86	234·80	55,700	5,341	9·6	22·7	0·87	2·29	(−)1·42
	1986-87	234·80	15,000	6,645	44·3	28·3	1·24	2·94	(−)1·70

ANNEXURE 7

(Referred to in Paragraph 3C.4.3 Page 90)

Statement showing the performance of 8 sweet water fish farms

Name of farms	Year	Fishable area in acres	Target fixed	Achievement	Production per acre	Revenue realised	Expenditure incurred	Profit (+)/ Loss (−)
			(In kilograms)			(Rupees in lakhs)		
(i) Basanti	1982-83	36·82	Not fixed	2,203	59·8	0·22	0·44	(−)0·22
	1983-84	36·82	Not fixed	3,504	95·2	0·29	0·30	(−)0·01
	1984-85	36·82	Not fixed	1,250	33·9	0·12	0·40	(−)0·28
	1985-86	36·82	Not fixed	NA	NA	0·03	0·20	(−)0·17
(ii) Serpentine Jheel ..	1982-83	6·75	Not fixed	7,768	1,150·8	0·82	0·47	(+)0·35
	1983-84	6·75	Not fixed	7,012	1,038·8	0·73	0·55	(+)0·18
	1984-85	6·75	Not fixed	4,766	706·1	0·62	0·64	(−)0·02
	1985-86	6·75	10,000	2,638	390·8	0·37	0·73	(−)0·36
	1986-87	6·75	14,000	4,800	711·1	0·63	0·82	(−)0·19
(iii) Krishnabandh and Gantalbandh ..	1982-83	122·23	17,329	5,677	32·8	0·72	1·24	(−)0·54
	1983-84	122·23	17,940	2,729	15·2	0·48	1·51	(−)1·03
	1984-85	122·23	9,132	6,007	65·8	0·71	1·91	(−)1·20
	1985-86	122·23	7,100	5,697	46·6	0·77	1·27	(−)0·50
	1986-87	122·23	NA	NA	NA	0·63	1·52	(−)0·89
(iv) Haldia	1984-85	24·71	Not fixed	7,441	301·1	0·87	0·91	(−)0·04
	1985-86	24·71	Not fixed	10,112	409·2	1·23	1·26	(−)0·03
	1986-87	24·71	25,000	7,790	315·3	0·82	1·43	(−)0 61
(v) Narghat	1984-85	5·15	Not fixed	112	21·7	0·01	0·26	(−)0·25
	1985-86	5·15	Not fixed	2,836	550·7	0·33	0·58	(−)0·25
	1986-87	5·15	15,000	475	92·2	0·05	0·72	(−)0·67
(vi) Kolaghat	1984-85	54·0	Not fixed	3,455	64·0	0·40	1·25	(−)0·86
	1985-86	54·0	Not fixed	3,834	71·0	0·69	2·05	(−)1·36
	1986-87	54·0	13,000	4,833	89·5	0·65	1·71	(−)1·06
(vii) Katnadighi	1986-87	20·0	4,500	6,419	320·9	0·75	0 68	(+)0·07
(viii) Kutighat	1986-87	17·61	NA	NA	—	NA	NA	NA

ANNEXURE 8

(*Referred to in Paragraph 4C.4.1 Page 153*)

Statement showing slow moving and non-moving materials under operation, maintenance, transmission and distribution stores

Sl. No.	Name of store in which materials lying idle	Name of work for which required	Name of materials	Month/Year of receipt	Quantity received	Balance quantity as on 31st March 1987	Value (Rupees in lakhs)	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1.	Construction Division-II Construction Circle-I Store at Beldanga	Transmission and Distribution work	Tower members of various sizes	1978-79	114·90 tonnes	114·90 tonnes	8·05	
2.	Santipur Regional Store	Operation and Maintenance work	11 KV pin insulator	April 1979	44,800 Nos.	11,998 Nos.	1·92	
3.	Construction Division-I Construction Circle-I Store, Baruipur	Transmission and Distribution work	220 KV 1250 AMPS, 7500 KVA Airblast Circuit breaker	1979-80	3 Nos.	3 Nos.	12·31	
		-do-	220 KV dual ratio transformer	1979-80	12 Nos.	12 Nos.	3·87	
		-do-	132 KV 2 pole MVA Minimum Oil circuit breaker	1979-80	1 No.	1 No.	1·38	
		-do-	Other line Construction materials of various specifications	1979-80	—	—	8·53	

4. Siliguri O & M Division	Operation and Maintenance work	Power cable 50 Sq. mm 3 core	June 1980	14·597 Kms	14·597 Kms	18·83	
	-do-	Power cable 35 Sq. mm 3 core	June 1980	1·492 Kms	1·492 Kms	1·14	
	-do-	PVC cable Sq. mm 4 core 1·1 KV	June 1980	49·164 Kms	44·344 Kms	5·37	
5. Construction Division-II Construction Circle-II Store, Adisaptagram	Transmission and Distribution work	Tower members of various sizes	1980-81	710·98 tonnes	710·98 tonnes	49·77	
	-do-	ACSR Deer-Conductor 260 mm^2	January 1982	15 Kms	15 Kms	3·60	
	220 KV Durgapur-Kasba 3rd Circuit Line	ACSR Zebra-Conductor 260 mm^2	April 1980 to March 1981	523·117 Kms	523·117 Kms	138·00	
	-do-	Disc. insulators of various specifications	-do-	23,150 Nos.	22,469 Nos.	53·00	
	-do-	Other Line Construction materials of various specifications	-do-	—	—	17·00	
6. Malda Construction Division Store	Transmission and Distribution work	All aluminium conductor ANT-50 mm^2	August 1981	197·330 tonnes	105·685 tonnes	4·14	
7. Mahinagar Regional Store	Operation and Maintenance work	33 KV pin insulator	April 1983 to January 1984	2,500 Nos.	1,395 Nos.	0·23	510 Nos. stolen
8. Siliguri Regional Store	Transmission and Distribution work	ACSR Wolf Conductor 150 mm^2	December 1983 to January 1984	40 Kms	40 Kms	5·59	
		ACSR Dog Conductor 100 mm^2	February 1984 to May 1984	97·134 Kms	79·546 Kms	6·82	

ANNEXURE 8—(*Contd.*)

(*Referred to in Paragraph 4C.4.1 Page 153*)

Statement showing slow moving and non-moving materials under operation, maintenance, transmission and distribution stores

Sl. No.	Name of store in which materials lying idle	Name of work for which required	Name of materials	Month/Year of receipt	Quantity received	Balance quantity as on 31st March 1987	Value (Rupees in lakhs)	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
9.	Construction Division-I Construction Circle-II Store, Durgapur	220 KV Durgapur-Kasba 3rd Circuit Line	ACSR Zebra-Conductor 260 mm²	April 1980 to March 1981	475·629 Kms	475·629 Kms	174·00	
		-do-	Disc. insulators of various specifications	-do-	27,513 Nos.	22,806 Nos.	33·00	
		-do-	Other Line construction materials of various specifications	-do-	—	—	70·00	
							616·55	