



**REPORT OF THE**

**COMPTROLLER AND**

**AUDITOR GENERAL OF INDIA**

**FOR THE YEAR 1977-78**  
**( COMMERCIAL )**

**GOVERNMENT OF GUJARAT**



REPORT OF THE  
COMPTROLLER AND  
AUDITOR GENERAL OF INDIA

FOR THE YEAR 1977-78  
(CONTINUED)

GOVERNMENT OF GUJARAT

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## PREFATORY REMARKS

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

- (i) Government Companies;
- (ii) Statutory Corporations; and
- (iii) Departmentally managed commercial undertakings.

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

3. The cases mentioned in the Report are those which came to notice of Audit during the year 1977-78 as well as those which had come to notice in earlier years but could not be dealt with in the previous Reports; matters relating to the period subsequent to 1977-78 have also been included, wherever necessary.

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

5. There are certain companies in which Government has invested funds but the accounts of which are not subject to audit by the Comptroller and Auditor General. Names of such companies in which Government

has invested more than Rs. 25 lakhs are given below :—

	Government investment up to 1977-78 (Rupees in lakhs)	Percentage of Government investment to total paid-up capital
Shree Digvijay Woollen Mills Limited	33.40	32.12
Gujarat Alkalies and Chemicals Limited	170.00	41.92
Gujarat Narmada Valley Fertilizers Company Limited	1,404.10	50.00

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

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

CHAPTER I  
GOVERNMENT COMPANIES

SECTION I

**1.1. Introduction :**

There were 28 companies (including 11 subsidiaries) of the State Government as on 31st March 1978. During the year, two new companies, viz. Gujarat State Rural Development Corporation Limited and Gujarat Tractor Corporation Limited, were incorporated while another company, viz. Gujarat Sheep and Wool Development Corporation Limited, which was registered in December 1970, became a Government Company.

A synoptic statement showing the summarised financial results of seventeen companies (including three subsidiaries) for their accounting years ending in 1977-78 and one other company for the year ended 31st March 1977 is given in Appendix 'A'. The accounts of the following companies for the years ending in 1977-78 or earlier have not been finalised (April 1979).

Name of the Company	Accounts for the year ending
Gujarat State Handicrafts and Handloom Development Corporation Limited	31st March 1978
Gujarat Water Resources Development Corporation Limited	30th July 1974 to 30th July 1977

The arrears in finalisation of the accounts by the above companies have been reported to Government (June 1979).

One company, viz. Gujarat Tractor Corporation Limited, incorporated during 1977-78 will be preparing its first accounts in the year 1978-79. Eight subsidiary companies had capitalised the entire expenditure incurred during 1977-78, as these were at the construction stage.

**1.2. Paid-up capital :**

The total paid-up capital of 14 companies (excluding subsidiaries), which had finalised their accounts for their accounting years ending in 1977-78, stood at Rs. 1,509.63 lakhs during 1977-78, out of which Government investment was Rs. 1,257.89 lakhs.\* This represented an increase of Rs. 182.41 lakhs over the paid-up capital of Rs. 1,327.22 lakhs in respect of ten companies during the previous year.

\* Difference between this figure and the figure of Rs.1,236.86 lakhs exhibited in statement no. 14 of Finance Accounts 1977-78 is under reconciliation.

### 1.3. Long-term loans :

The balance of long-term loans outstanding against ten companies (excluding subsidiaries) was Rs. 4,051.61 lakhs as on 31st March 1978 (Rs. 2,211.63 lakhs from the State Government, Rs. 1,825.99 lakhs from other parties and Rs. 13.99 lakhs as deferred payment credit). This represented an increase of Rs. 1,000.20 lakhs over the outstanding balance of Rs. 3,051.41 lakhs in respect of six companies as on 31st March 1977.

### 1.4. Guarantees :

The State Government had guaranteed repayment of the share capital of one company, viz. Gujarat Small Industries Corporation Limited, up to a maximum amount of Rs. 60.00 lakhs\* against which Rs. 60.00 lakhs were outstanding as on 31st March 1978.

The State Government guaranteed repayment of loans, including deferred payment credits, to the extent of Rs. 1,666.55 lakhs † raised by two companies (viz. Gujarat Agro Industries Corporation Limited and Gujarat Industrial Investment Corporation Limited), against which loans including deferred payment credits aggregating Rs. 1,659.00 lakhs † were outstanding as on 31st March 1978.

### 1.5. Profits and dividends :

1.5.1. The working results of seventeen companies (including three subsidiaries) for the accounting years ending in 1977-78, as compared to the previous year, are analysed below :—

Particulars	Number of Companies	Aggregate of		Percentage of profit to paid-up capital
		Paid-up capital	Profits(+) Losses(-)	
(Rupees in lakhs)				
Companies other than subsidiaries :				
(i) Which earned profits	7 (6)	1,272.37 (1,193.36)	(+)103.58 [ (+) 92.17]	8.14 (7.72)
(ii) Which sustained losses	7 (4)	237.26 (133.86)	(-)54.62 [ (-)53.02]	.. ..
Total	14 (10)	1,509.63 (1,327.22)	(+)48.96 [ (+)39.15]	3.24 (2.95)

\*These figures differ from those ( Rs. 45.00 lakhs and Rs. 30.00 lakhs) exhibited in Finance Accounts 1977-78. The differences are under reconciliation.

† These figures differ from those (Rs.2,009.98 lakhs and Rs.1,970.50 lakhs) exhibited in statement no. 6 of Finance Accounts 1977-78. The differences are under reconciliation.



Particulars	Number of Companies	Aggregate of		Percentage of profit to paid-up capital
		Paid-up capital	Profits(+) Losses(-)	
( Rupees in lakhs )				
Subsidiary Companies :				
(i) Which earned profits	3 (2)	45.91 (20.90)	(+)34.73 [ (+)14.69 ]	75.65 (70.29)
(ii) Which sustained losses	∴ (1)	(25.01)	[ (-)2.56 ]	∴
Total	3 (3)	45.91 (45.91)	(+)34.73 [ (+)12.13 ]	75.65 (26.42)

Note.—Figures in brackets represent figures for previous year.

1.5.2. The profits of two companies were substantially higher during 1977-78 than their profits during 1976-77 and that of one company showed a marginal increase in 1977-78, while two companies, which had incurred losses during 1976-77, earned a profit in 1977-78. Relevant details are indicated below :—

Name of the Company	Profit during	
	1976-77	1977-78
	(Rupees in lakhs)	
Gujarat Mineral Development Corporation Limited	32.32	46.17
Gujarat Agro Industries Corporation Limited	2.11	17.81
Gujarat State Textile Corporation Limited	10.32	12.42
Gujarat Small Industries Corporation Limited	(—)36.97	10.92
Gujarat State Seeds Corporation Limited	(—)1.98	3.33

1.5.3. In 1977-78, the profits of two companies were lower than the profits earned by them in 1976-77, as indicated below :—

Name of the Company	Profit during	
	1976-77	1977-78
	(Rupees in lakhs)	
Gujarat Export Corporation Limited	12.82	11.32
Gujarat Industrial Investment Corporation Limited	5.26	1.61

1.5.4. The following companies incurred losses in 1977-78:—

Name of the Company	Loss sustained during	
	1976-77	1977-78
	(Rupees in lakhs)	
Gujarat Dairy Development Corporation Limited	13.92	11.77
Gujarat Communications and Electronics Limited	2.12	5.23
Tourism Corporation of Gujarat Limited	0.01	0.45
Gujarat State Construction Corporation Limited	(A)	6.87
Gujarat State Forest Development Corporation Limited	(B)	17.49
Gujarat State Rural Development Corporation Limited	(B)	0.45
Gujarat Sheep and Wool Development Corporation Limited	9.96	12.36

(A) This company had earned a profit of Rs. 29.34 lakhs in 1976-77.

(B) This is first year's working of these companies.

1.5.5. Three companies (excluding subsidiaries) declared dividends aggregating Rs. 17.36 lakhs for the year ending in 1977-78, as indicated below :—

Name of the Company	Distributable surplus	Amount retained in business	Dividend declared	Percentage of dividend to paid-up capital
(Rupees in lakhs)				
Gujarat Export Corporation Limited	10.47	8.22	2.25	15
Gujarat Mineral Development Corporation Limited	42.65	29.93	12.72	4
Gujarat Small Industries Corporation Limited	10.01	7.62	2.39	4

1.6. In accordance with Section 619 B of the Companies Act, 1956 (effective from February 1975), a company became subject to provisions of Section 619 of the Act, as if it were a Government Company, if 51 per cent or more of the company's paid-up share capital was held by one or more of the following or any combination thereof, namely, the Central or one or more State Governments and one or more Government companies or Corporations owned or controlled by Government. There was one such Company in the State, viz. Gujarat State Fertilizers Company Limited, with a paid-up capital of Rs. 1,499.62 lakhs of which Rs. 1,056.54 lakhs was held by the State Government and companies and Corporations owned or controlled by Government. The working results of the Company for the year ended 31st December 1977 showed a net profit of Rs. 2,411.43 lakhs before tax and investment allowance, as against a profit of Rs. 2,798.98 lakhs earned in the previous year.

1.7. Under sub-section 5 of Section 619 of the Companies Act, 1956, comments of the Comptroller and Auditor General of India upon the audit report of a Government Company are required to be placed before the annual general meeting of the company at the same time and in the same manner as the audit report. Certain Companies had not observed this statutory requirement and had not placed the comments of the Comptroller and Auditor General of India before the annual general meeting.

Relevant details are given below.—

Name of the Company	Accounts for the year ending
Gujarat State Construction Corporation Limited	.. 31st July 1975 31st July 1976 31st July 1977
Gujarat Agro Industries Corporation Limited..	31st March 1975 31st March 1976 31st March 1977
Gujarat Agro-Foods Limited	.. 31st December 1973 31st December 1974 31st December 1975 31st December 1976
Gujarat Agro-Oil Enterprises Limited	.. 31st December 1973 31st December 1974 31st December 1976
Gujarat Agro-Marine Products Limited	.. 31st December 1973 31st December 1974 31st December 1975 31st December 1976
Gujarat State Handicrafts and Handloom Development Corporation Limited	.. 31st March 1974 31st March 1975 31st March 1976
Gujarat Dairy Development Corporation Limited	.. 31st March 1977
Gujarat Aromatics Limited	.. 31st March 1977
Tourism Corporation of Gujarat Limited	.. 31st August 1976 31st August 1977
Gujarat Sheep and Wool Development Corporation Limited	31st March 1978

Under Section 619(4) of the Companies Act, 1956, the auditor of a Government Company has to submit a copy of his report to the Comptroller and Auditor General of India who has a right to comment upon the audit report. As the comments of the Comptroller and Auditor General of India are required to be placed before the annual general meeting at the same time as the auditor's report, *vide* Section 619(5) *ibid*, it is necessary

that the auditor's report and the accounts should be submitted to the Comptroller and Auditor General of India sufficiently before the holding of annual general meeting. In respect of the accounts of Gujarat State Construction Corporation Limited for the year ending 31st July 1977, the auditors signed their report on 27th April 1978, and the auditor's report and the accounts were furnished to the Comptroller and Auditor General of India on 17th May 1978. Meanwhile, the accounts were placed at the annual general meeting of the Corporation held on 28th April 1978 without the comments of the Comptroller and Auditor General of India in violation of the provisions of the Companies Act, 1956.

(a) to provide or supply...  
(b) to provide...  
(c) to provide...  
(d) to provide...  
(e) to provide...

2.5. Organizational set-up :

The management of the Company is vested in a Board of Directors consisting of seven directors. One-fifth of the directors are nominated by the holding company's management. The Board of Directors and the Managing Director are elected in accordance with the provisions of the Companies Act, 1956.

2.6. Capital structure

Out of the net-up capital of Rs. 14.74 lakhs as on 31st December 1977, the holding company has subscribed Rs. 12.74 lakhs and the balance Rs. 2.00 lakhs is held by the Government of Gujarat.

The Company has taken up the following activities:-  
1. Construction of...  
2. Construction of...  
3. Construction of...

The Company has also taken up the following activities:-  
1. Construction of...  
2. Construction of...  
3. Construction of...

## SECTION II

## GUJARAT AGRO-FOODS LIMITED

**2.1 Introduction ;**

Gujarat Agro-Foods Limited, a subsidiary of Gujarat Agro Industries Corporation Limited, was incorporated on 20th October 1970.

**2.2 Objects :**

The main objects of the Company are :—

- (a) to construct or acquire cold storages and warehouses,
- (b) to provide cold storage, canning, freezing, processing, preserving and other facilities for agricultural produce and other dairy products to agriculturists, merchants, dealers and others,
- (c) to carry on freezing and refrigeration activities and provide such facilities to others, and
- (d) to manufacture and deal in ice.

**2.3 Organisational set-up ;**

The management of the Company is vested in a Board of Directors consisting of twelve directors. One-third of the directors are nominated by the holding company as permanent directors. The posts of the Chairman and the Managing Director are filled in from amongst the directors nominated by the holding company.

**2.4 Capital structure :**

Out of the paid-up capital of Rs. 14.74 lakhs as on 31st December 1977, the holding company had subscribed Rs. 13.47 lakhs, the balance being held by the farmers.

The Company also received loans from time to time from the holding company. The amount of loan so received and outstanding on 31st December 1977 was Rs. 69.94 lakhs. For its fruit canning factory at Gandevi, the Company also obtained loans from banks by hypothecating factory stock and plant and machinery. The amount of such loan outstanding on 31st December 1977 was Rs. 7.28 lakhs.

**2.5 Operations :**

The Company has taken up the following activities:—

- (i) setting-up and running cold storages at Deesa, Boriavi and Chhani and
- (ii) setting-up and running a factory at Gandevi for processing and canning fruit and vegetable products.

Mention about some aspects of the working of the Company was made in paragraph 11 of Section II of the Report of the Comptroller and Auditor General of India for the year 1973-74 (Commercial). The points noticed during subsequent test check (October 1978) are indicated in the succeeding paragraphs:

## 2.6 Operation of cold storages :

### 2.6.1 Storage capacity and utilisation :

The total storage capacity of 6,000 tonnes of the three cold storages at Deesa, Boriavi and Chhani as on 31st December 1973 has been increased to 8,000 tonnes by 31st December 1977. While no new cold storage was set-up since March 1973, the capacity of cold storage at Deesa has been increased by 2,000 tonnes.

The cold storages were utilised for storage of the potatoes procured by the Company as well as those received from outside agencies or given out on rent. The details of the storage capacity available, storage actually done, occupancy, and loss in storage in respect of the three cold storages, for the four years up to December 1977, are given below:—

Year	Storage capacity available (in tonnes)	Maximum storage actually done (in tonnes)			Occupancy (percentage)	Loss in storage on disposal (in tonnes)	Percentage of storage loss
		Own	Private parties	Total			
<b>I. Deesa</b>							
1974	2,000	2,106	85	2,191	109.9	132	6.3
1975	2,000	2,218	87	2,305	115.2	199	8.6
1976	4,000	4,357	118	4,475	111.9	293	6.7
1977	4,000	4,204	..	4,204	105.1	328	7.8
<b>II. Boriavi</b>							
1974	2,000	2,385	..	2,385	119.2	223	9.4
1975	2,000	1,968	..	1,968	98.4	119	6.0
1976	2,000	1,582	..	1,582	79.1	96	6.1
1977	2,000	413	1,579	1,992	99.6	36	8.5
<b>III. Chhani :</b>							
1974	2,000	1,095	591	1,686	83.1	88	8.0
1975	2,000	1,776	25	1,801	90.1	155	8.7
1976	2,000	Nil	750	750	37.2	Nil	Nil
1977	2,000	Nil	2,108	2,108	99.1	Nil	Nil

It would be seen from the above table that the storage capacity was generally fully utilised. The reason for low occupancy in Boriavi and Chhani

storages during 1976 was explained by the Management (May 1977) to cancellation of reservation of 500 tonnes space at Boriavi and 1500 tonnes space at Chhani by Food Corporation of India. Due to cancellation of space, the Company incurred a loss of Rs. 2.29 lakhs in revenue by way of storage charges. No reservation charges were also recovered from the Food Corporation of India. The case had been referred to arbitration in February 1978. The award of the arbitrator is awaited (April 1979).

The Company considers 7 per cent as normal loss in storage. From the above details, it would be seen that the losses at Deesa in 1975 and 1977, at Boriavi in 1974 and 1977 and at Chhani in 1974 and 1975 were in excess of 7 per cent. Reasons for excessive losses have not been investigated (April 1979).

### 2.6.2 Utilisation of ice plants :

An ice plant of capacity of 10 tonnes per day/1200 tonnes per annum (season being March to June) was also installed at each of the cold storage units at Deesa, Chhani and Boriavi. The details of utilisation of the ice plants for the four years ending December 1977, are given below.—

Year	Boriavi		Chhani		Deesa	
	Actual production (in tonnes)	Percentage of capacity utilised	Actual production (in tonnes)	Percentage of capacity utilised	Actual production (in tonnes)	Percentage of capacity utilised
1974	319	26.6	89	7.4	655	54.6
1975	215	17.9	..	..	564	47.0
1976	252	21.0	132	11.0	544	45.3
1977	337	28.1	..	..	701	58.4

The Management stated (September 1978) that while the units at Boriavi and Deesa were located in the rural area, the Chhani unit was located in the interior, the nearest village being 2 k.m. away and hence the demand for ice being less, the production was regulated accordingly. Moreover the unit at Chhani has to face competition from a number of private cold storages located in Baroda city, which sell ice at rates cheaper than those offered by the Company. In 1975, ice was not manufactured by Chhani unit due to pollution of water in the well which was remedied in 1976.



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22	25	acount	account
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42	26	9 04	9.04
44	33	2,84	2.84
47	15	fre	free
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52	1	Nunder	Number
55	21	aggragating	aggregating
59	19	pør	per
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70	3	1.01	1.1
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73	12	(—) 12. 6	(—) 12.36
75	12	2,717.47	2,716.47

In 1977, the entire unit including ice plant was given out on lease for one year to a co-operative society which did not extend the lease for 1978; it was used for departmental storage of potatoes in 1978.

## 2.7 Fruit canning factory :

### 2.7.1. Capacity and utilisation :

A fruit canning factory at Gandevi, with a capacity of 5 to 6 tonnes per shift, was commissioned on 19th June 1975 at a total cost of Rs. 13.14 lakhs. The operational data of the plant for the three years ending December 1977 is summarised below :—

	1975	1976	1977
1. Working days available ...	164	304	304
2. Number of days the plant actually worked	N/A	224	225
3. Number of shifts per day ..	3	3	3
4. Total number of shifts the plant actually worked	N/A	451	396
5. Production (in tonnes)—			
(a) Mango pulp, juice :			
Budgeted .. ..	N/A	350	400
Actual .. ..	31.500	106.400	369.900
(b) Tomato ketchup :			
Budgeted .. ..	N/A	50	20
Actual .. ..	Nil	19.000	1.900
(c) Processed vegetables :			
Budgeted .. ..	N/A	250	200
Actual .. ..	Nil	Nil	87.000
(d) Other :			
Budgeted .. ..	N/A	..	30
Actual .. ..	Nil	Nil	3.300
6. Shortfall in production (in tonnes) :			
(a) Mango pulp, juice .. ..	N/A	243.600 (69.6)	30.100 (7.5)
(b) Tomato ketchup .. ..	N/A	31.000 (62)	18.100 (90.05)
(c) Processed vegetables .. ..	N/A	250.000 (100)	113.000 (56.5)
(d) Others .. ..	N/A	..	26.700 (89)

(Figures in brackets indicate percentage of shortfall)

The reasons for shortfall in production as analysed by the Management for the years 1976 and 1977, were as under :—

- (i) Failure of mango crop and abnormal high prices of mangoes (1976 and 1977).
- (ii) Increase in prices of tomato to an uneconomical level (1976) and failure of tomato crop (1977).
- (iii) Non-availability of vegetables at reasonable prices due to heavy rains (1976).
- (iv) Late receipt of tins (1976).
- (v) Boiler capacity of 350 Kg. per hour was insufficient to cope up with the daily production of mango slices and vegetables.

In order to improve the boiler capacity, the Company is considering to shift spare oil fired boiler at Bareja plant of Gujarat Agro-Oil Enterprises Limited and instal it at this plant. The boiler has not been shifted so far (April 1979).

There is no system of working out losses in production by comparing the quantity put through the process and quantity of finished products obtained. The Company has also not fixed any norms of handling and process losses.

Although the factory has been in operation since 1975, a detailed system of costing has not been introduced. A statement is prepared quarterly showing the total costs of production for controllable and non-controllable expenditure under different heads, revenue earned and profit / loss incurred for the quarter and up to the end of that quarter for information of the Board of Directors. In the absence of detailed costing system, selling prices are fixed on the basis of market conditions, keeping in view the prices of similar products of other manufacturers.

#### 2.7.2. Spoilage of canned products. :

During the year 1976, the Company manufactured 18,926 Kg. tomato ketchup. Out of this, 9,264 Kg. stock valuing Rs. 0.36 lakh was written off during the year 1977 as it had outlived its shelf-life and could not be put to sale in the market under the Food Products Order, 1975.

Percentage of spoilage was very high. The Management has not investigated the reasons for excessive production or why the products could not be sold within its shelf-life.

2.7.3. *Export of canned fruit and vegetable products :*

(a) The Company accepted (11th May 1977) an offer from Gujarat Export Corporation Limited, another State Government Company for purchase of mango juice and pulp for the purpose of export with the following stipulations regarding delivery :—

(i) Mango juice would be exported by the buyer in the months of July–August 1977 and mango pulp by the end of July 1977.

(ii) If the buyer desired to have delivery over a prolonged period, the rates would be raised to the extent of interest on the inventory at the rate of 15 per cent on *f. o. b.* price for the period for which the goods were kept. The buyer confirmed the offer on 17th May 1977 and agreed to lift the material by the end of September 1977.

The details about quantity on order, quantity lifted by the buyer, sale value and payment received are given below :—

Item	Quantity on order (in cartons)	Quantity lifted (in cartons)	Rate per carton (in rupees)	Sale value (Rupees in lakhs)	Payment received (Rupees in lakhs)
Mango juice	15,000	10	50	7.50	5.94*
Mango pulp Totapuri	2,700	2,700	120	3.24	3.24
Other variety	1,110	1,110	130	1.44	1.44
				12.18	10.62

The buyer Company had not lifted so far (November 1978) 14,990 cartons of mango juice valuing Rs. 7.49 lakhs manufactured as early as in August 1977. In this connection it may be mentioned that there is no provision in the sale order, for recovery of damages if the ordered quantity is not lifted by the buyer.

The Company has not fixed any keeping period of canned foods. However, normal keeping period is reported to be 18 months. As the period of 18 months has already lapsed, the material will not be approved under Food Products Order of the Government of India and may have to be destroyed, as there is limited demand for the product in the local market.

(b) *Rejection of exported goods :*

In the following cases, the products exported by the Company through the exporting firms have been rejected by the health authorities of the foreign countries :—

(i) Two hundred cartons of canned vegetables valuing Rs. 0.19 lakh shipped to U. K. through a firm were rejected by the Port Health Authorities in U. K. in November 1977 on the ground of high lead contents in the tins. (Lead contents of samples averaged out at 282 parts per million which was considered above the maximum permissible limit of 250 parts per million).

The firm claimed reimbursement from the Company stating that it was the normal responsibility of all manufacturers of processed foods in India for reimbursing the foreign buyers for either quality claim or rejection of goods by importing countries' health authorities. The final decision has not been taken on the claim (January 1979). The Management has, however, not investigated whether the tins were sub-standard and if so, the circumstances in which the said tins which did not satisfy the internationally accepted standards of permissible lead contents were purchased for packing products meant for export.

(ii) In August 1978 the Company shipped 500 cartons of mango juice (each carton containing 48 X 170 gms. tins) valuing Rs. 0.19 lakh *f. o. b.* through a firm of Bombay, to Abu Dhabi (United Arab Emirates). The shipment was on condition that in the event of rejection of goods by the health authorities in the country of import, the Company would compensate the agents to the extent of *f. o. b.* value of goods. The above cartons were rejected and destroyed by the health authorities of Abu Dhabi as being unfit for human consumption. The Lloyd's survey report contained a statement to the effect that "it is possible that this consignment came in contact with water at some unknown stage in transit". Thus although the fault of the Company was not established, the agent's claim for compensation was accepted for Rs. 0.19 lakh by the Company in January 1979, because of undertaking given to the agent to compensate him for rejection of goods by the health authorities in the importing countries.

## 2.8. Working results :

The working results of the Company for the four years ending 31st December 1977 were as follows. :-

	1974	1975	1976	1977
	(Rupees in lakhs)			
Sales and other income	46.17	43.33	59.30	76.16
Increase in stock	..	0.96	5.16	13.26
	46.17	44.29	64.46	89.42
Expenditure (including prior period adjustments)	47.57	50.09	56.66	85.59
Profit (+) / Loss (-) before tax and development rebate reserve	(-)1.40	(-)5.80	(+)7.80	(+)3.83
Progressive loss (before devevelopment rebate reserve) up to the end of the year	(-)7.07	(-)12.87	(-)5.07	(-)1.24

The unit-wise details of profit / loss as analysed by the Management are given below :-

Units	1974	1975	1976	1977
	(Rupees in lakhs)			
Head Office	(-)0.02*	..	..	(-)0.75*
Deesa	(+)0.50	(-)1.23	(+)7.19	(+)3.73
Boriavi	(+)0.04	(-)1.14	(+)2.69	(-)0.59
Chhani	(-)1.83	(-)2.09	(-)0.74	(+)0.08
Gandevi	(-)0.09 †	(-)1.34	(-)1.34	(+)1.36
Total	(-)1.40	(-)5.80	(+)7.80	(+)3.83

\* Represents unrecouped expenses.

† Represents share of head office expenses and interest on loan taken from the holding company for the installation of fruit canning factory at Gandevi.

The Management explained the profits/losses for the four years as under :—

(i) The loss of Rs. 1.40 lakhs suffered by the Company in 1974 was attributed to the loss incurred by Chhani unit (Rs. 1.83 lakhs) which was due to less procurement of potatoes. The loss was partly off-set by profits in Deesa and Boriavi units.

(ii) During 1975, all the units incurred losses due to market fluctuations, resulting in lower realisation of sale prices of potatoes as compared to procurement prices, and the commencement of fruit canning factory in the middle of the year.

(iii) The profit of Rs. 7.80 lakhs has been earned during 1976 after setting off losses of Rs. 0.74 lakh (Chhani unit) which was due to non-utilisation of capacities by the Food Corporation of India and Rs. 1.34 lakhs (Gandevi unit) which was due to high prices of mangoes and non-availability of packing materials in time.

(iv) In 1977, only Boriavi unit had incurred a loss of Rs. 0.59 lakh which was due to switching over of business from procurement and sale to hiring of capacities.

## 2.9. Internal audit :

From the accounts of 1974 onwards, the Company appoints every year a firm of Chartered Accountants as internal auditors, at an annual fee of Rs. 3,000. The scope of the work covers vouching of all prime entry books like cash book, sales and purchase journals, etc. and to submit half yearly audit reports in respect of all four units (three cold storages and one fruit canning factory) and also head office. The internal auditors are also required to carry out annual physical verification of all assets of the Company at the four units and to submit their report to the Company. During the year 1977, fourteen reports were submitted by the internal auditors.

Besides, the firm of Chartered Accountants, the internal audit cell of the holding company also conducts the internal audit of the Company. Internal audit cell had submitted its report (January 1978) in respect of the audit of the Company conducted by it for the period 1st January 1977 to 31st October 1977.

## 2.10. Summing up :

From a reading of the above, the following points emerge :—

(i) Loss in revenue due to cancellation of rented space due to non-recovery of reservation charges and heavy losses of potatoes in storage



in excess of normal percentage, which are not investigated (paragraph 2.6.1.).

(ii) Under-utilisation of ice-plants (paragraph 2.6.2.).

(iii) Under-utilisation of fruit canning factory (paragraph 2.7.1.).

(iv) Spoilage of canned products in packed tins and their rejection by the purchasers; reasons for spoilage and sub-standard packing due to which goods were rejected by purchasers not investigated (paragraphs 2.7.2. and 2.7.3.).

## SECTION III

**GUJARAT AGRO-OIL ENTERPRISES LIMITED****3.1 Introduction :**

Gujarat Agro-Oil Enterprises Limited was incorporated on 21st April 1971 as a subsidiary of Gujarat Agro Industries Corporation Limited.

The main object of the Company is to extract oil from bran, nuts, oil seeds, oil cakes and other substances.

In order to fulfil its objectives, the Company has undertaken the following activities :—

- (i) extraction of oil from rice bran at its captive plant,
- (ii) purchase and sale of ground-nut oil on its own, and
- (iii) procurement of ground-nut oil from millers as levy on behalf of State Government and its distribution through fair-price shops.

These activities are discussed in the succeeding paragraphs.

The management of the Company is vested in a board of twelve directors, including the Chairman and the Managing Director, who are nominated by the holding company. One-third of the number of directors are nominated by the holding company and are permanent directors.

The working of the Company was reviewed in paragraph 12 of Section II of the Report of the Comptroller and Auditor General of India for the year 1973-74 (Commercial).

**3.2 Capital structure :**

The authorised capital of the Company is Rs. 50.00 lakhs, divided into 50,000 shares of Rs. 100 each. The paid-up capital as on 31st December 1977 was Rs. 6.16 lakhs, out of which shares for Rs. 6.00 lakhs were subscribed by the holding company.

**3.3 Working results :**

The table below summaries the working results of the Company for the four years up to 31st December 1977:—

	1974	1975	1976	1977
	(Rupees in lakhs)			
<i>Income :</i>				
Sales .. .. .	181.42	124.87	280.15	148.81
Other income .. .. .	10.15	17.68	7.67	42.30
	<u>191.57</u>	<u>142.55</u>	<u>287.82</u>	<u>191.11</u>
Increase(+)/ decrease(—) in stock	(+)10.71	(—)9.42	(+)1.88	(—)5.11
Total income .. .. .	<u>202.28</u>	<u>133.13</u>	<u>289.70</u>	<u>186.00</u>

	1974	1975	1976	1977
	(Rupees in lakhs)			
<i>Expenditure :</i>				
Goods, raw materials, stores, <i>etc.</i>	162.37	104.55	244.69	109.48
Salaries, wages, allowances, <i>etc.</i>	8.86	5.90	5.12	7.42
Other expenses .. ..	32.07	29.78	32.87	42.48
Total expenditure .. ..	203.30	140.23	282.68	159.38
Profit(+)/Loss(-) before income tax	(- )1.02	(- )7.10	(+ )7.02	(+ )26.62
Provision for income tax .. ..	..	..	..	8.56
Net profit after tax .. ..	(- )1.02	(- )7.10	(+ )7.02	(+ )18.06

The losses during 1974 and 1975 were attributed by the Management to (i) unsatisfactory operating results of Kapadwanj plant taken on lease (which was commented in paragraph 12.4 of Section II of the Report of the Comptroller and Auditor General of India for 1973-74 (Commercial) and higher interest charges (1974) and (ii) decline in the prices of rice bran oil which ruled high at the beginning of the year (1975).

The profit in the year 1976 was attributed (June 1977) to efficient working of the rice bran oil extraction plant coupled with steady market conditions. The increase in profit during 1977 can be ascribed to large scale agency work of procurement and sale of ground-nut oil on behalf of the State Government, which brought a substantial income of Rs. 39.79 lakhs by way of commission/service charges. In addition, surplus has arisen in respect of amounts received from Government to cover incidental charges on transportation, loading, unloading, storage, stacking, *etc.* at a flat rate, against which the actual expenditure incurred by the Company was much less (*vide* remarks in paragraph 3.6 below).

### 3.4 Rice bran oil extraction plant :

#### 3.4.1 Delay in commissioning :

A contract for the supply, fabrication and erection of the machinery for extraction of oil from rice bran was awarded in April 1971, on turn-key basis, to a firm of Bombay for Rs. 17.27 lakhs. The terms of the

contract, *inter alia*, provided for handing over the plant, duly commissioned on 7th January 1972, failing which penalty at 0.05 per cent of the value of the work, for each day of delay in completion of the plant, was leviable, subject to a maximum overall penalty of 5 per cent of the value of the order. The plant was handed over on 1st August 1972 with a guarantee for satisfactory performance for one year, *i. e.* up to 31st July 1973. Against the maximum penalty of Rs. 0.86 lakh leviable, the Company, considering the delay was partly due to circumstances beyond the control of the firm, recovered (December 1977) a token penalty of Rs. 0.05 lakh.

The final trial run of the plant was taken on 17th July 1972. During the operation of the plant, the meal cooler (valuing Rs. 0.75 lakh) of the plant did not work satisfactorily. The meal cooler used to get clogged and the loss of fines of the deoiled meal was observed by the Company to be excessive, *i. e.* 3 per cent as against the normal fines loss of 1 per cent, due to defects in the design of the meal cooler. As the meal cooler was found to be non-workable, it was disconnected and kept idle from March 1973. The contractor did not set right or replace the meal cooler. The Company recovered (December 1977) Rs. 0.40 lakh only towards estimated cost of modifications to the meal cooler; the loss suffered on account of excessive loss of fines was not taken into account. The meal cooler has not yet been replaced or modified (April 1979).

#### 3.4.2 Operation of the plant :

(a) The details of the number of days the plant actually worked and the productive/non-productive hours are indicated below :—

	1974	1975	1976	1977
1 Working days available ..	299	308	357	354
2 Less : Annual maintenance days ..	41	38	29	104
3 Net working days available ..	258	270	328	250
4 Number of days the plant actually worked	216	247	297	205
5 Shortfall in working days ..	42	23	31	45
6 Working hours available	5,184	5,928	7,128	4,920
7 Productive hours ..	4,411	5,109	6,189	4,260
8 Non-productive hours ..	773	819	939	660
9 Percentage of non-productive hours to working hours.	14.9	13.8	13.2	13.4

Reason-wise break-up of the shortfall in working days and in productive hours, as explained by the Management (December 1978), is analysed below :—

Reasons	1974		1975		1976		1977	
	Days	Hours	Days	Hours	Days	Hours	Days	Hours
i. Break-down of the plant	29	..	11	619	31	743	37	544
ii. Power failure	..	1	5	128	..	110	6	87
iii. Shortage of raw-materials, hexane, fuel, etc.	12	..	7	72	..	86	2	29

Reason-wise break-up of shortfall in productive hours is not available for 1974.

It will be seen that the break-down of the plant has contributed the maximum loss of working days and productive hours in addition to closure for normal annual maintenance.

(b) Details of the quantity of rice bran processed and finished products obtained for the four years up to 1977 are given below :—

	1974	1975	1976	1977
Working days available (excluding annual maintenance days)	258	270	328	250
Processing capacity per day (in tonnes)	40	40	40	40
Processing capacity per year (in tonnes)	10,320	10,800	13,120	10,000
Actual quantity processed (in tonnes)				
(a) Rice bran	6,273	9,448	14,756	10,018
(b) Other ( <i>neem, mahuva</i> cakes, etc.)	3,243	388	..	..
	9,516	9,836	14,756	10,018
Products obtained (in tonnes)				
(a) Oil	..	1,584	1,267	2,086
(b) Oil-cakes	..	8,729	8,524	12,782

The Company has not laid down the norms for loss of oil in the process. In the contracts for purchase of rice bran, the Company stipulates a mini-

imum 16 per cent oil content in the rice bran. The following table gives the details of rice bran processed, oil obtained and loss of oil in process for the three years 1975 to 1977 :—

	1975	1976	1977
	(Quantities in tonnes)		
Rice bran processed ..	9,448	14,756	10,018
Quantity of oil that should have been obtained at stipulated percentage	1,511	2,361	1,603
Actual quantity of oil obtained ..	1,244	2,086	1,331
Oil left out in oil cakes at 1 per cent of quantity of cakes (as per trade practice)	80	128	87
Total quantity of oil obtained ..	1,324	2,214	1,418
Percentage of oil obtained	14.03	15.05	14.15
Shortfall in yield of oil:			
(a) Quantity ..	187	147	185
(b) Percentage ..	1.97	0.95	1.85
Value of shortfall (Rupees in lakhs)	7.11	6.54	6.11

The Management had stated ( August 1978 ) that for low quality of rice bran, rebate in prices was being recovered from suppliers.

### 3.4.3 Costing :

Although the plant has been operating since 1972, a detailed and scientific costing system, has not been introduced. The Company is, therefore, not in a position to fix selling prices, based on cost. The selling prices are determined on the basis of market trends in Bombay and Gujarat.

Taking into account the total cost of operation of the plant (excluding head office overheads), the running of the plant resulted in a loss of Rs. 17.58 lakhs in the year 1975 and profit of Rs. 2.84 lakhs and Rs. 7.6 lakhs in the years 1976 and 1977 respectively.

### 3.4.4 Excess consumption of hexane :

For extraction of oil from rice bran, raw rice bran is required to be dissolved in a solvent called 'hexane'. The suppliers of plant had guaranteed the maximum consumption of hexane at 14 litres per tonne of rice bran.

processed. The details of the quantity of rice bran processed and hexane consumed during 1972 to 1978 are given below:—

Year	Consumption of rice bran (in tonnes)	Actual consumption of hexane (in litres)	Optimum consumption of hexane envisaged (in litres)	Excess consumption of hexane (in litres)	Average price of hexane (in rupees per litre)	Cost of excess hexane consumed (Rupees in lakhs)
1972	2,492	90,538	34,888	55,650	1.08	0.60
1973	812	23,584	11,368	12,216	1.36	0.17
1974	8,435	1,24,948	1,18,090	6,858	2.40	0.17
1975	9,707	1,93,016	1,35,898	57,118	2.30	1.31
1976	14,756	1,75,679	2,06,584	..	2.30	..
1977	10,018	1,82,861	1,40,252	42,609	2.30	0.98
1978	12,277	1,81,441	1,71,878	9,563	2.37	0.23

The extra cost due to the excess consumption of hexane was Rs. 3.46 lakhs. The Company could not recover penalty from the suppliers for the excess consumption, as certain preconditions covering the guarantee for hexane consumption, viz. operation of the plant at optimum capacity and quality of raw materials could not be fulfilled by it.

#### 3.4.5 Annual maintenance and repairs :

The plant is normally shut-down for annual maintenance, overhaul and repairs in October-November each year. The details of the annual expenditure on repairs incurred for the four years from 1974 to 1977 are given below:—

Year	Expenditure on repairs (Rupees in lakhs)
1974	..
1975	..
1976	..
1977	..

In the middle of 1977, consumption of hexane was rising gradually. The Company, therefore, decided to carry out major overhauling in the plant so as to replace many parts worn out on account of continuous functioning since the commissioning of the plant. The plant was, therefore, closed down in the middle of September 1977 and it remained under shut-down and repairs till the end of the year. The plant was brought to use in January 1978. Though there was marked improvement in the consumption of hexane it continued to be in excess of the optimum as will be seen from the details in paragraph 3.4.4 above.

### 3.5 Idle stores :

In paragraph 12.4 of Section II of the Report of the Comptroller and Auditor General of India for the year 1973-74 (Commercial), mention was made about the Company taking an oil mill and a cotton ginning and pressing factory at Kapadwanj on lease for five years from 15th November 1972 and after running the mill for two years, terminating the lease on 15th November 1974. On the date of returning the Units to the lessor, the Company had on hand stores valued at Rs. 0.77 lakh purchased for running of the units. These stores were transferred to the oil extraction plant at Bareja in December 1974. The Company did not promptly assess the usefulness of these stores for Bareja Plant and take action for their disposal. The stores were not useful to the plant and were lying idle, blocking up the money as well as storage space. Stores valued at Rs. 0.15 lakh were sold in July 1978 for Rs. 0.08 lakh. Action for disposal of the remaining stores of Rs. 0.62 lakh remained to be taken (April 1979).

### 3.6 Procurement of ground-nut oil on behalf of the State Government :

In November 1976, the State Government entrusted to the Company the work of procurement of ground-nut oil from millers under the voluntary levy scheme for the 1976-77 season and its subsequent distribution to the public. The expenses for collection were to be met by Government. While the cost of oil was to be reimbursed on the basis of invoices of millers, the incidental expenses on procurement and distribution, like transportation, loading, unloading, stacking, storage, quality examination charges, commission to sub-agents, octroi, remittance charges, etc. were to be paid at a fixed rate of Rs. 3.15 per tin purchased. For the services rendered, the Company was to receive service charges at 60 paise per tin purchased. These rates for incidental expenses and service charges were fixed by Government in December 1977 on the basis of the costing data furnished by the Company in July 1977.

Between December 1976 and December 1977, the Company recovered from Government Rs. 199.07 lakhs towards incidental expenses, on the basis of the fixed rate, for 63,19,724 tins of ground-nut oil. The actual incidental expenditure incurred by the Company up to 9th August 1978 (when about 47,000 tins of oil were in stock) was Rs. 135.15 lakhs; thus a surplus of Rs. 63.92 lakhs was generated. Out of this, Rs. 2.67 lakhs in respect of octroi charges will be required to be refunded to Government as per the instructions of Government, leaving a net surplus of Rs. 61.25 lakhs with the Company. The Management stated (February 1979) that lesser expenditure, particularly in respect of transportation and storage, was mainly consequent to despatch of oil from oil mills directly to distribution points instead of through storage points as anticipated earlier while fixing the rates; and that actual liability for the expenses could not be worked out as the bills for expenses were awaited from some agents.



The Company also received Rs. 37.80 lakhs as service charges from Government. Actual administration expenses incurred for the work amounted to Rs. 17.59 lakhs. Thus, the Company made a profit of Rs. 20.21 lakhs on this deal.

### 3.7 Internal audit :

From the accounts of the year 1975 onwards, the Company appoints every year a firm of Chartered Accountants as internal auditors, at an annual fee of Rs. 2,000. The scope of the work covers vouching of all prime entry books like cash book, sales and purchase journals, general journals (every alternate month), bank reconciliation on the last date of audit, surprise counting of cash and stores at each visit and stock-taking at the end of the year. During 1977, three reports were issued by the internal auditors. The reports of internal auditors did not bring out any important points of irregularities or lapses.

Besides the firm of Chartered Accountants, the internal audit cell of the holding company also carries out internal audit of the Company. The internal audit cell conducted audit for the year 1977 and submitted a report in March 1978.

### 3.8 Summing up :

From a perusal of the above paragraphs, the following points emerge :—

(i) Delay in commissioning rice bran oil extraction plant, taking over the plant with a defective meal cooler which has not been replaced though a token penalty has been levied (paragraph 3.4.1).

(ii) Losses of working days and productive hours in operation of the plant, mainly due to the break-down of the plant [paragraph 3.4.2(a)].

(iii) Non-fixing of norm for loss of oil in processing [paragraph 3.4.2(b)].

(iv) Non-maintenance of a system of costing for rice bran oil extraction plant (paragraph 3.4.3).

(v) Excessive consumption of hexane, inspite of heavy expenditure on repairs and overhauling (paragraphs 3.4.4 and 3.4.5).

(vi) Surplus stores of leased oil mill kept idle for four years without adequate action for disposal (paragraph 3.5).

## SECTION IV

## GUJARAT AGRO-MARINE PRODUCTS LIMITED

## 4.1 Introduction :

Gujarat Agro-Marine Products Limited was incorporated on 17th December 1971 as a subsidiary of Gujarat Agro Industries Corporation Limited. It commenced business from 6th June 1972.

The main objects of the Company are to :—

- (i) carry on business of surveying, prospecting, catching, selling, marketing, import and export of all varieties of fish and marine products and their by-products; and
- (ii) carry on business of manufacturing, servicing, repairing, renting, selling, import and export of boats, trawlers and other equipment.

The management of the Company is vested in a board of twelve directors, including the Chairman and the Managing Director.

## 4.2 Capital structure :

The authorised capital of the Company is Rs. 200.00 lakhs, divided into two lakh shares of Rs. 100 each. The paid-up capital as on 31st December 1977 was Rs. 25.01 lakhs, subscribed wholly by the holding company.

In addition, the Company had also obtained loans from the holding company, from the State Government and deferred payment credit from the builders of fishing trawlers. Total amount of loans outstanding as on 31st December 1977 was Rs. 119.88 lakhs as detailed below :—

	(Rupees in lakhs)
(i) Loan from the holding company	.. 28.01
(ii) Loans from the State Government	.. 47.22
(iii) Deferred payment credit	.. 44.65
	<hr/> 119.88 <hr/>

In respect of the loans of Rs. 47.22 lakhs from the State Government received for purchase of two Mexican fishing trawlers, the State Government has agreed (February 1977), to grant subsidy equal to the amount of interest paid by the Company for the first five years from the dates of drawal of the loans. The holding company, in respect of its loan, had decided not to charge interest for the years 1974 to 1977.

Deferred payment credit, representing 80 per cent of the price of two Mexican trawlers equivalent to US. \$. 5,37,662, carries interest at 7 per cent and is guaranteed by the State Bank of India which in turn has obtained a counter-guarantee from the State Government and the Company.

Mention about some aspects of the working of the Company was made in the Report of the Comptroller and Auditor General of India for the year 1973-74 (Commercial). Subsequent test-check (September 1978) disclosed the following :—

#### 4.3 Working results :

The working results of the Company for the three years ending 31st December 1977 were as follows:—

	1975	1976	1977
	(Rupees in lakhs)		
Sales and other income .. .. .	75.17	69.80	137.29
Increase(+)/decrease(—) in stock .. .. .	(—) 1.52	(+) 1.85	(+) 12.69
	<u>73.65</u>	<u>71.65</u>	<u>149.98</u>
Expenditure .. .. .	80.72	74.21	145.66
Profit(+)/loss (—)for the year .. .. .	(—)7.07	(—)2.56	(+)4.32
Prior period adjustments expenditure(—)/receipts (+).	(—)0.15	(—)0.15	(+)0.36
Progressive loss to the end of the year	(—)38.30	(—)41.01	(—)36.33

The continued losses for the two years 1975 and 1976 were ascribed by the Management to failure of the fishing season, resulting in poor procurement and downward trend in price of fish products like fish meal. The Company earned profit for the first time during the year 1977; this was mainly from the margin available in sale of boats and commission on sale of marine engines and outboard motors. The statutory auditors of the Company have reported that the expenditure to the extent of Rs. 3.18 lakhs incurred on items like guarantee fee to the State Government / Bank, interest charges, salaries and allowances, advertisement, travelling expenses, etc. which had been capitalised, was of revenue nature. This would have reduced the profits for the year if it had not been capitalised but treated as revenue expenditure.

Because of the continued heavy losses, the Board of Directors considered (March 1976) that unless the Company could diversify and expand its

activities, the prospects of the Company were bleak and till some final solution was found, the Company should cut its losses by stopping all its activities in trading in fish. The Company has diversified by taking up building of boats (August 1975) and distribution of marine engines (April 1974).

#### 4.4 Operations :

The Company has undertaken the following activities :—

- (i) procuring and selling fresh and dry fish and fish-meal powder,
- (ii) construction and sale of wooden fishing trawlers,
- (iii) operation of deep sea fishing by trawlers and
- (iv) distribution of 'Ruston' marine diesel engines and 'Johnson' outboard motors.

The salient features relating to some of the above activities of the Company are discussed in the subsequent paragraphs.

#### 4.5 Sale of fish and by-products :

##### 4.5.1 Exploitation of fresh water tanks :

The Board of Directors approved a scheme in April 1975 for exploitation of inland water for fishing according to which the Company was to undertake exploitation of 65 tanks within one year to catch 150 tonnes of fish, as detailed below :—

District	Number of tanks	Expected catch (in tonnes)
Kaira .. ..	50	10
Godhra .. ..	5	70
Baroda .. ..	5	30
Kaira (irrigation tanks) ..	5	40
	65	150

The operation of the scheme was expected to bring in a net margin of Rs. 1.05 lakhs per annum. The scheme was operated from January 1975 to August 1975, during which period total catch of fish was 11,544 tonnes at cost of Rs. 0.78 lakh; the scheme was abandoned after August 1975 due to poor results. The Company suffered a loss of Rs. 0.23 lakh in running this scheme.

The Company attributed (January 1978) the poor performance to (i) basing the expected catch on figures furnished by the Commissioner of Fisheries, (ii) location of tanks at distant places from one another involving loss of time in moving from one tank to another, (iii) shortage of personnel for full exploitation, and (iv) low productivity of fish in the tanks. It may be stated that neither any project report was prepared nor any expert associated before the scheme was taken up.

#### 4.5.2 Shortage of dry fish :

Veraval unit of the Company adjusted, during the period from May 1974 to October 1974, 80 tonnes dry fish (Dhoma and Kutto) in the stock register on account of shortage. This shortage valuing Rs. 1.18 lakhs was adjusted without investigation and was approved by the Board of Directors in October 1975. The shortage was stated to have arisen due to transfer of dry fish to Jafrabad unit for processing into fish meal, where it remained unutilised for long time till it got infested and destroyed by maggots. The Company had not fixed any norms for storage loss of dry fish.

#### 4.5.3 Loss in disposal of vehicles and stores ;

As the activity of purchase and sale of fish was resulting in heavy losses, the Company gradually reduced and brought to a standstill these activities by March 1976. As a result, some vehicles and packing materials purchased earlier were sold. In this connection the following points were noticed :—

(i) One jeep and one pick-up van purchased in February / August 1972 (cost : Rs. 0.62 lakh and depreciated value as on 1st January 1975 : Rs. 0.43 lakh) were sold in August 1975 at Rs. 0.11 lakh, resulting in a loss of Rs. 0.32 lakh.

(ii) In response to invitation of tenders in August 1975 for disposal of one Bedford truck purchased in September 1972 (cost : Rs. 0.55 lakh), the highest offer received was for Rs. 0.20 lakh against depreciated value of Rs. 0.35 lakh. Due to delay in communicating acceptance of the offer, which was done on 24th November 1975 *i.e.* after expiry of the validity period on 15th September 1975, the tenderer refused to accept the delivery. The truck was ultimately sold by auction in April 1977 at Rs. 0.07 lakh, resulting in a loss of Rs. 0.28 lakh. Had the communication of the acceptance been made within the validity of the offer the loss would have been Rs. 0.15 lakh. Reasons for the delay in acceptance of the offer were not recorded.

(iii) Packing materials of Rs. 0.56 lakh purchased in 1972 for export trade, which was discontinued in 1973, were disposed of in May 1976 for Rs. 0.13 lakh, resulting in loss of Rs. 0.43 lakh.

#### 4.6 Loss in operation and sale of boats :

Mention was made in paragraph 13.6 of Section II of the Report of the Comptroller and Auditor General of India for the year 1973-74 (Commercial) about uneconomic operations of 10 boats purchased for departmental catch of fish. In this connection, the following further points have been noticed :—

(i) *Operation during fishing season 1974-75* : The Company hired out seven boats to fishermen during the fishing season 1974-75 (October 1974 to May 1975) while three boats were operated departmentally. From the departmental operations, the Company earned Rs. 0.19 lakh from sale of fish caught against which an expenditure of Rs. 0.83 lakh was incurred, resulting in a loss of Rs. 0.64 lakh. On the boats hired out, the Company received Rs. 2.66 lakhs as hire charges and incurred expenditure of Rs. 6.09 lakhs by way of depreciation, interest, repairs and insurance charges, resulting in loss of Rs. 3.43 lakhs.

(ii) *Sale of Boats* : (a) Because of heavy losses, the Company decided (February 1975) not to operate the boats in the fishing season 1975-76 but to dispose them of to intending fishermen. After spending Rs. 1.24 lakhs on repairs to these boats to make them sea-worthy, the boats were sold to ten fishermen for Rs. 14.00 lakhs against the depreciated value of Rs. 15.53 lakhs. An amount of Rs. 0.16 lakh was realised from sale of the accessories. The Company, thus, suffered a loss of Rs. 2.61 lakhs in the sale of these boats.

(b) Out of the sale price of Rs. 14.00 lakhs, an amount of Rs. 12.00 lakhs was recovered as under :

		(Rupees in lakhs)
Down payment by fishermen	.. ..	1.00
<i>Paid by—</i>		
Gujarat State Financial Corporation treating as advance to fishermen.		8.50
State Government treating as subsidy to fishermen		2.50

The Company had treated the balance Rs. 2.00 lakhs as advance to the fishermen, which was secured by second charge on boats, recoverable in 18 monthly instalments commencing after one month from the date of delivery (April 1976 to October 1976) of the boats. (No recovery was to be effected during the months of June to August). The interest on the advance was recoverable at 12½ per cent per annum. Instalments aggregating Rs. 1.32 lakhs and interest of Rs. 0.36 lakh were in arrears on 31st December 1977.

In January 1978, the Company decided to waive interest on the condition that the fishermen should pay the instalments regularly. However, the fishermen are not paying instalments regularly. Although, the Management had stated (September 1978) that legal action would be taken for recovery of the outstanding amount; no steps in this direction have been taken so far (April 1979).

#### 4.7 Boat building yard :

*Performance.*—With a view to diversify its activities the Company decided (August 1975) to set-up a boat building yard at Porbandar. Initially, target to build ten boats during the year 1976 was fixed (September 1975) which was revised (January 1976) to twenty boats. The Company collected deposits from the intending fishermen at the rate of Rs. 10,000 per boat with the condition to deliver the boats within six months from the date of deposit. The selling price per boat was fixed at Rs. 50,500 for size 42' OAL (over all length) and Rs. 67,670 for size 48' OAL up to June 1977 and thereafter at Rs. 56,100 and Rs. 75,735 respectively.

Twenty three boats were built at cost of Rs. 13.35 lakhs and 19 boats (cost : Rs. 6.66 lakhs) were under construction on 31st December 1977. Out of the 23 boats, nineteen (cost : Rs. 10.30 lakhs) were sold up to December 1977 at Rs. 11.47 lakhs. No estimate of cost was prepared. The average cost of manufacture of a 42' size boat amounted to Rs. 45,598 and for a 48' size boat Rs. 57,278 up to June 1977 and Rs. 72,817 thereafter. Although the cost of manufacture of individual boats varied from Rs. 37,253 to Rs. 52,632 for 42' boat and from Rs. 51,045 to Rs. 64,469 up to June 1977 and from Rs. 68,074 to Rs. 75,854 from July 1977 for 48' boat, the Company has not analysed the reasons for wide variations in cost of manufacture of individual boats.

The Company made a profit of Rs. 1.30 lakhs in sale of 15 boats and incurred loss of Rs. 0.13 lakh in sale of four boats. Because of fixed price, the Company could not recover escalation in cost of manufacture.

It was also noticed that the Company had not strictly adhered to recovery of deposit at Rs. 10,000 per boat in advance and also not maintained the binding due date of delivery of boat within six months from the date of deposit; delay ranged from four to eight months. The delay was attributed (January 1979) to the fact that manufacture of boat was started only after clearance of loan by Gujarat State Financial Corporation to the fishermen.

#### 4.8 Deep sea fishing :

##### 4.8.1 Purchase of trawlers :

Although the Company was incurring heavy losses in fishing trade, it decided (February 1974) to undertake deep sea fishing activity through trawlers, taking advantage of a scheme of the Government of India

formulated in June 1973 for arranging import on a limited scale, up to two trawlers per party with arrangement for construction and supply of equal number of indigenously manufactured trawlers. The Government of India allotted (April 1975) two trawlers offered by a firm of Mexico.

After negotiations with the Mexican builders, a price of US \$ 3,36,039 per trawler (equivalent to Rs. 28.42 lakhs), for delivery ex-builder's yard, was agreed in February 1976 between the Government of India and the builders. According to the terms, 20 per cent of the price was to be paid within 30 days and the balance 80 per cent of the price was payable in 13 half yearly instalments, with interest at 7 per cent on reducing balance commencing on completion of 12 months from the date of delivery of the trawlers. For this credit allowed, the Company was to furnish a letter of guarantee from its bankers in favour of the banker of the builders. Total expenditure of Rs. 73.70 lakhs had been incurred on the purchase of the trawlers up to June 1978.

#### 4.8.2 *Delay in operations :*

As per the production schedule communicated by the Mexican builders through the Government of India (June 1976), the two trawlers were to be delivered by July 1977, which was subsequently extended to October 1977. The trawlers were taken over by the Company's representative at Mexico on 8th November 1977 and ferried to Houston for onward transportation to India on board a vessel of the Shipping Corporation of India Limited. Although the trawlers reached Houston during the last week of November 1977, the vessel of the Shipping Corporation of India finally sailed for India on 3rd January 1978 and off-loaded at Cochin on 9th February 1978 instead of at Bombay as desired by the Company due to the floating crane at Bombay port being out of commission. An expenditure of Rs. 14.69 lakhs has been incurred on transportation of the trawlers. As the trawlers had to be subjected to certain modifications as per requirements of Mercantile Marine Department of India (MMD), they could be put to commercial operations only from January 1979. The 8 months period of guarantee about the materials used for construction and workmanship for proper functioning stipulated in the contract had already expired in July 1978.

In view of the expected delivery of the trawlers by October 1977, the Company envisaged (July 1977), a profit of about Rs. 11.59 lakhs in 1977 on operation of these trawlers which did not materialise as these trawlers could be put into operations from January 1979 only. The Company had engaged float staff since November 1977 on which expenditure of about Rs. 0.14 lakh per month is being incurred.

#### 4.8.3 *Defects in the trawlers :*

Although the Company had spent \$ 3,600 per vessel on supervision of trawlers during construction, it had to carry out several modifications a



substantial cost to suit the requirements of Mercantile Marine Department of India apart from loss of time of over seven months after off-loading the trawlers at Indian shore. Although the delivery was taken after taking requisite trials in Mexico, the following defects/deficiencies were noticed in the trawlers during transit/trial voyages subsequently:—

(i) Hydraulic pipe connecting the storage tank to the hydraulic pump of one vessel started leaking when load was given to the winch.

(ii) The line throwing apparatus supplied by the builders were not provided with rockets. As the make of this apparatus supplied by the builders were not likely to be approved by MMD, a new apparatus had to be purchased and provided.

(iii) 'Stability data', after conducting inclination tests by American Bureau of Shipping, were not provided by the builders.

(iv) Sea water pump of one vessel has been leaking and the sea water pump of another vessel is reported to be not of proper type needing replacement. Gear box of one vessel gave trouble during voyage from Cochin to Bombay and had to be repaired at an intermediate port.

(v) Both the vessels were received without any spares for the main engines, auxiliary engines, the refrigeration system, echometer, etc. There are no representatives in India for the makes of engines, compressors and other equipment fitted on the vessels and the essential spares will have to be imported by establishing direct contact with the manufacturers.

(vi) Running the main engine of one vessel at its normal 1,200 RPM is likely to heat up the engine excessively.

4.8.4 As a precondition for release of import licence for purchase of Mexican trawlers, the Company had executed a bond, guaranteed by the Government of Gujarat in August 1974, agreeing to place an order for two indigenous trawlers, failing which to pay Rs.6 lakhs to the Government of India. No action has been taken so far (April 1979) to place order for trawlers with any Indian shipyard, pending assessment of the economics of operation of the imported trawlers.

#### 4.9 Summing up :

From a perusal of the above paragraphs, the following points emerge :—

(i) Heavy losses were incurred in the business of buying and selling fish, and fish products like fish meal, which amounted to Rs. 36.33 lakhs up to 1977 (paragraph 4.3).

(ii) Loss in exploitation of fresh water fish (Rs. 0.23 lakh), heavy shortage in dry fish (Rs. 1.18 lakhs), and loss in disposal of transportation vehicles and stores (Rs. 1.03 lakhs) due to discontinuance of business of fresh fish (paragraph 4.5).

(iii) Heavy losses in operation/hiring out of fishing boats (Rs. 3.4 lakhs), loss in the disposal of boats (Rs. 2.61 lakhs) and arrear (Rs. 1.68 lakhs) in the recovery of sale price (with interest) of the boat (paragraph 4.6).

(iv) Although the main business of trading in fish had not proved to be profitable, a decision was taken to purchase imported deep-sea fishing trawlers at a cost of Rs. 73.70 lakhs (including price escalation of Rs. 4.44 lakhs) which have been put into operation very late. The trawlers received were found to contain defects/deficiencies in many respects requiring modifications at substantial cost (paragraph 4.8).

These observations were brought to the notice of the Company/Government in October 1978; their replies are awaited (April 1979).

CHAPTER II  
STATUTORY CORPORATIONS

SECTION V

**5.1 Introduction :**

There were five Statutory Corporations in the State as on 31st March 1978. Four Corporations viz. Gujarat Electricity Board, Gujarat State Road Transport Corporation, Gujarat State Financial Corporation and Gujarat State Warehousing Corporation were set up under the Acts of Parliament; and one Corporation, viz. Gujarat Industrial Development Corporation under an Act of State Legislature.

**5.2 Gujarat Electricity Board :**

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

5.2.2 *Capital.*—The capital requirements of the Board are provided by loans from Government, the public, banks and other financial institutions.

The aggregate of long-term loans, including loans from Government, obtained by the Board was Rs. 45,044.09 lakhs at the end of 1977-78 and represented an increase of Rs. 7,409.58 lakhs over the long-term loans of Rs. 37,634.51 lakhs at the end of the previous year. Details of loans obtained from different sources and outstanding as on 31st March 1978 as per the books of the Board were as follows:—

Source	Amount (Rupees in lakhs)
State Government	30,242.66*
Deferred payment credit from suppliers of equipment.	48.00
Other sources	14,753.43
Total	45,044.09

5.2.3. *Guarantees.*—Government had guaranteed repayment of loans raised by the Board to the extent of Rs. 14,669.70 lakhs † and payment of interest thereon. The amount of principal guaranteed and outstanding on 31st March 1978 was Rs. 13,797.29 lakhs.†

\* Difference between this figure and the figure of Rs. 31,727.33 lakhs exhibited in statement no. 18 of Finance Accounts 1977-78 is under reconciliation.

† These figures differ from Rs. 13,147.47 lakhs and Rs. 13,074.61 lakhs exhibited in statement no. 6 of Finance Accounts 1977-78. The differences are under reconciliation.

5.2.4. *Profits.*—The Board appropriated Rs. 213.28 lakhs during 1977-78 towards the general reserve in terms of Section 67 (viii) of the Electricity (Supply) Act, 1948. As adequate surplus was not available, interest liability to the extent of Rs. 439.85 lakhs pertaining to 1977-78 on loans from the State Government was not discharged. The cumulative interest due but not paid as on 31st March 1978 amounted to Rs. 4,970.73 lakhs.

A synoptic statement showing the summarised financial results of the Board for the year 1977-78 is given in Appendix 'B'.

### 5.3 Gujarat Industrial Development Corporation :

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

5.3.2. *Capital.*—Under the Act, the capital requirements of the Corporation are provided by loans from State Government, the public, banks and other institutions.

The total long-term loans, including loans from Government, obtained by the Corporation was Rs. 4,162.09 lakhs at the end of 1977-78 and represented an increase of Rs. 423.62 lakhs over the long-term loans of Rs. 3,738.47 lakhs at the end of the previous year. Details of loans obtained from different sources and outstanding as on 31st March 1978 were as follows:—

Source				Amount (Rupees in lakhs)
State Government	..	..	..	1,251.47
Other sources	..	..	..	2,910.62
				4,162.09

5.3.3. *Guarantees.*—Government had guaranteed repayment of loans raised by the Corporation to the extent of Rs. 3,622.99 lakhs and payment of interest thereon. The amount of principal guaranteed and outstanding on 31st March 1978 was Rs. 2,386.12 lakhs\*.

5.3.4. *Profits.*—The Corporation earned an excess of income over expenditure of Rs. 16.43 lakhs on revenue account during the year 1977-78 as against Rs. 14.90 lakhs earned in the previous year.

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\* Difference between this figure and the figure of Rs. 3,389.86 lakhs exhibited in statement no. 6 of Finance Accounts 1977-78 is under reconciliation.

#### 5.4 Other Statutory Corporations :

5.4.1. *Paid-up capital.*—The aggregate of the paid-up capital of the three other Corporations, viz. Gujarat State Road Transport Corporation, Gujarat State Financial Corporation and Gujarat State Warehousing Corporation was Rs. 5,004.33 lakhs as on 31st March 1978 as against Rs. 4,101.33 lakhs on 31st March 1977. The capital of each Corporation as on 31st March 1978 in terms of investments made by the State Government, the Central Government and others is indicated below :—

Name of the Corporation	Investments by			Total
	State Government	Central Government, Industrial Development Bank of India and Central Warehousing Corporation	Others	
	(Rupees in lakhs)			
Gujarat State Road Transport Corporation	2,953.42*	1,128.91	..	4,082.33
Gujarat State Financial Corporation	389.01	370.00	40.99	800.00
Gujarat State Warehousing Corporation	64.50	57.50	..	122.00
	3,406.93	1,556.41	40.99	5,004.33

5.4.2. *Long-term loans.*—The long-term loans obtained by the three Corporations and outstanding on 31st March 1978 amounted to Rs. 7,498.69 lakhs and represented an increase of Rs. 990.19 lakhs over the outstanding balance of Rs. 6,508.50 lakhs at the end of the previous year. The details

\* Difference between this figure and the figure of Rs. 2,912.99 lakhs exhibited in statement no. 14 of Finance Accounts 1977-78 is under reconciliation.

of the long-term loans were as under :

Name of the Corporation	Sources of loans			Total
	State Government	Central Government, Industrial Development Bank of India and Central Warehousing Corporation	Others	
	(Rupees in lakhs)			
Gujarat State Road Transport Corporation	4.26	34.67	969.10	1,008.03
Gujarat State Financial Corporation	42.10	2,938.34	3,506.22	6,486.66
Gujarat State Warehousing Corporation	..	4.00	..	4.00
	<u>46.36</u>	<u>2,977.01</u>	<u>4,475.32</u>	<u>7,498.69</u>

5.4.3. *Guarantees.*—Government has guaranteed repayment of the share capital of Rs. 700.00 lakhs\* of the Gujarat State Financial Corporation, which was outstanding on 31st March 1978 and payment of annual dividend of  $3\frac{1}{2}$  per cent.

Government has also guaranteed repayment of loans obtained by the Gujarat State Road Transport Corporation and of the loans and deposits obtained by the Gujarat State Financial Corporation to the extent of Rs. 6,002.66 lakhs, of which, amount outstanding on 31st

\* This figure differs from the figures of Rs. 700.00 lakhs and Rs. 600.00 lakhs exhibited in statement no. 6 of Finance Accounts 1977-78. The difference is under reconciliation.

March 1978 was Rs. 4,212.83 lakhs as shown below :—

Name of the Corporation	Amount guaranteed	Sums guaranteed and outstanding on 31st Marh 1978
	(Rupees in lakhs)	
Gujarat State Road Transport Corporation.	771.61*	706.61*
Gujarat State Financial Corporation	5,231.05	3,506.22†

5.4.4. *Profits and dividend.*—The Gujarat State Road Transport Corporation incurred a loss of Rs. 363.91 lakhs, while the Gujarat State Financial Corporation and the Gujarat State Warehousing Corporation earned profits of Rs. 127.92 lakhs and Rs. 27.77 lakhs respectively during 1977-78. Relevant details in this regard are indicated below :—

Name of the Corporation	Profit (+) loss(—) before tax	Interest paid	Dividend declared	Percentage of dividend
	(Rupees in lakhs)			
Gujarat State Road Transport Corporation	(—)363.91	224.68§	..	..
Gujarat State Financial Corporation	(+)127.92	..	21.40	3.5
Gujarat State Warehousing Corporation	(+)27.77	..	7.32	6.0

A synoptic statement showing the summarised financial results of working of these three Corporations for 1977-78 is given in Appendix "B".

\* These figures differ from those (Rs. 1,021.61 lakhs and Rs. 907.61 lakhs) exhibited in statement no. 6 of Finance Accounts 1977-78. The differences are under reconciliation.

† Difference between this figure and figure of Rs. 4,687.17 lakhs exhibited in statement no. 6 of Finance Accounts 1977-78 is under reconciliation.

§ The entire capital has been contributed by the Government of India and the State Government, in which the Corporation is required to pay interest.

## SECTION VI

### GUJARAT STATE FINANCIAL CORPORATION

**6.01 Introduction.**—The Corporation was established on 1st May 1960 under Section 3(1) of the State Financial Corporations Act, 1951 (hereinafter referred to as the 'Act'). The jurisdiction of the Corporation was extended to serve the Union Territory of Dadra and Nagar Haveli also with effect from 11th May 1967.

**6.02 Functions.**—(a) The Corporation is empowered, under the Act, to carry on and transact mainly the following kinds of business :—

- (i) granting loans and advances or subscribing to debentures of industrial concerns ;
- (ii) underwriting and subscribing to shares, bonds and debentures ;
- (iii) guaranteeing loans, deferred payments raised by industrial concerns in the open market or from scheduled banks or State co-operative banks ; and
- (iv) acting as an agent of the Central or State Government, or Industrial Development Bank of India (IDBI) or Industrial Finance Corporation of India or other financial institutions in respect of matters connected with, or arising out of the grant of loans and advances or subscription to debentures of industrial concerns.

(b) Under Section 39(1) of the Act, the Board shall be guided by such instructions on questions of policy as may be given to it by the State Government. No such instructions have been issued to the Corporation by the State Government.

#### 6.03 Capital structure :

(a) The authorised capital of the Corporation fixed by the State Government in terms of Section 4 of the Act, is Rs. 10 crores. The contributed capital as on 31st March 1978 was Rs. 8 crores as under :—

	Number of shares held	Amount (Rupees in lakhs)
(a) <i>State Government :</i>		
(i) Under Section 4(3) of the Act	.. 3,36,000	336.00
(ii) Under Section 4(5) of the Act	.. 3,015	3.02
(iii) Special capital issued under Section 4A of the Act.	50,000	50.00



	Number of shares held	Amount (Rupees in lakhs)
(b) <i>Industrial Development Bank of India</i> :		
(i) Under Section 4(3) of the Act ..	3,20,000	320.00
(ii) Special capital issued under Section 4A of the Act	50,000	50.00
(c) Scheduled banks, insurance companies, co-operative banks and other financial institutions	40,035	40.03
(d) Other parties	950	0.95
	8,00,000	800.00

(b) Capital to the extent of Rs. 7.00 crores (other than special capital issued under Section 4A of the Act), has been guaranteed by the State Government as to repayment of principal and payment of annual minimum dividend of  $3\frac{1}{2}$  per cent under Section 6(1) of the Act.

(c) The Corporation raised special share capital of Rs. 40 lakhs during 1976-77 and Rs. 60 lakhs during 1977-78, making total of Rs. 100 lakhs up to 31st March 1978, contributed equally by the State Government and Industrial Development Bank of India. The object of raising this capital was to provide assistance on soft terms to new projects to be set up by technicians / entrepreneurs/craftsmen in the small scale sector, which were basically viable but which had difficulties of being implemented because of financial handicaps of the promoters. Under the scheme, new entrepreneurs / craftsmen were eligible to get assistance up to a limit of 20 per cent of the cost of a project or Rs. 2.00 lakhs, whichever was less, to meet the shortfall in the expected level of normal financial contribution of the promoters. The assistance bears 1 per cent interest with a moratorium of 5 years. Up to 31st March 1978, the Corporation was able to sanction assistance aggregating Rs. 9.70 lakhs to eight units. By June 1978, the sanction of assistance rose to Rs. 13.62 lakhs, out of which disbursement of Rs. 4.60 lakhs only (Rs. 2.60 lakhs as loan and Rs. 2 lakhs by way of subscription to preference shares) was made. The Management attributed (August 1978) the slow utilisation of the funds to late receipt of clarifications sought from Industrial Development Bank of India to the guidelines issued by the latter in December 1976.

#### 6.04 Resources and their utilisation :

6.04.1. The table on page 42 indicates the position regarding net resources available at the end of each year and their utilisation for the three years up to 1977-78.

As on 31st March

	1976	1977	1978
	(Rupees in lakhs)		
<i>Resources :</i>			
(1) Contributed capital ..	500.00	640.00	800.00
(2) Reserves (including balance of profits)	225.52	321.13	399.52
(3) Borrowings :—			
(i) Market bonds ..	2,185.37	2,790.36	3,289.50
(ii) Fixed deposits ..	499.39	497.50	216.72
(iii) Industrial Development Bank of India	1,520.45	2,373.30	2,938.34
(iv) Reserve Bank of India	270.00	..	..
(v) State Government ..	53.39	2.10	42.10
(vi) Overdraft from banks ..	35.14	61.77	13.92
(4) Others (undischarged liabilities)	191.04	244.97	227.50
	<u>5,480.30</u>	<u>6,931.13</u>	<u>7,927.60</u>
<i>Utilisation :</i>			
(1) Loans ..	4,736.87	5,554.23	6,562.06
(2) Investment:			
Government securities	19.27	19.27	19.27
Shares/debentures ..	117.74	117.74	119.78
(3) Net capital assets ..	7.85	8.80	9.04
(4) Other assets (Amount receivable)	569.06	764.78	995.31
(5) Cash and bank balances ..	29.51	466.31	222.14
	<u>5,480.30</u>	<u>6,931.13</u>	<u>7,927.60</u>

#### 6.04.2 Issue of bonds ahead of requirements :

In February 1977, the Corporation indicated to Industrial Development Bank of India its requirement of funds for the year 1977-78 at Rs. 750.00 lakhs and expressed its willingness to go in the market for issue of bonds, in May 1977. The Industrial Development Bank of India permitted (May 1977) the Corporation to go in for raising Rs. 300.00 lakhs with permission to retain subscription up to 10 per cent in excess. At the end of March 1977,

the Corporation's cash and bank balances were Rs. 466.31 lakhs out of which Rs. 449.00 lakhs were in term deposits. Even by the end of June 1977, the Corporation had term deposits with banks amounting to Rs. 398.00 lakhs. Still, it offered on 29th June 1977 bonds for Rs. 300 lakhs at interest of  $6\frac{1}{2}$  per cent which were subscribed for Rs. 330.00 lakhs by seven banks. As the funds were not immediately required, the amounts were kept in fixed deposits with the same seven banks, for a period of 182 days at 5 per cent interest. Thus, the Corporation lost Rs 2.06 lakhs by way of difference in interest due to issue of bonds in advance of the requirements. During most part of the year 1977-78, the Corporation carried large cash balances (including term deposits) exceeding Rs. 300.00 lakhs and the balance as on 31st March 1978 was Rs. 222.14 lakhs.

The Management stated (January 1979) that heavy disbursements were expected during the last three months of 1976-77 and the projected statement of sources and uses of funds indicated a deficit of Rs. 1 crore. Though the expectations of the Management for heavy disbursement during 1976-77 did not materialise, it did not take steps to scale down the proposed amount for issue of bonds.

#### 6.04.3 Fixed deposits :

Under Section 8 of the Act, the Corporation is authorised to accept from the State Government or with the prior approval of the State Government and the Reserve Bank of India (Industrial Development Bank of India from 16th February 1976), from a local authority or any other person, deposits repayable after the expiry of a period of twelve months or more from the date of making of the deposit. The State Government had permitted the Corporation to accept deposits up to Rs. 100 lakhs in December 1966; the limit was raised to Rs. 150.00 lakhs in June 1971 and to Rs. 400.00 lakhs in October 1974. The limit has been further raised to Rs. 500 lakhs in October 1975.

The rates of interest approved by the Corporation from time to time were as under :—

Period of deposit	Rates of interest (per cent)			
	Up to 10th September 1974	From 11th September 1974	From 1st July 1977	From 1st January 1978
One year and above but up to 3 years.*	6.75 to 7.50	8.00	6.00	6.00
Above 3 years, but up to 5 years	7.75	9.00	8.00	7.00
Above 5 years	.. 8.00	10.00	10.00	7.50

\*Note:—Rate of 6.75 per cent was for deposits up to 24 months while the rate of 7.50 per cent was for deposits for 24 months and over but less than 36 months.

While revising the rates effective from 11th September 1974, the Corporation decided that where the deposit was repaid before the date of maturity, interest was to be paid at two *per cent* less than the rate of interest applicable to the period for which the deposit remained with the Corporation.

#### 6.04.4 Refinance and commitment charges :

(a) As the Corporation's funds are tied up to the extent of commitments made by it to the loanees, a nominal charge called commitment charge is levied on such loans which remain undrawn after a specified period. The levy of commitment charge at one *per cent* ( $\frac{1}{2}$  *per cent* for specified backward districts) on the amount of loan remaining undrawn after the expiry of a period ranging from 3 to 6 months of the date of sanction is incorporated as a condition in the sanctions issued by the Corporation. Where the loans are eligible for refinance, the Corporation decided (January 1977) to charge commitment charges from the date Industrial Development Bank of India charged commitment charges on refinance and in other cases at the expiry of six months from the date of sanction. Similarly for the amount of refinance sanctioned, the Industrial Development Bank of India charges from the Corporation, commitment charges at one *per cent* ( $\frac{1}{2}$  *per cent* for loans in specified backward districts) for the amount remaining undrawn after six months.

As the drawal of refinance is dependent on disbursement of the loans, the Corporation recovers commitment charges from the loanees for the amount of loans remaining undisbursed and pays commitment charges to Industrial Development Bank of India on the amount of refinance not drawn. The following figures show the amount of commitment charges paid by the Corporation to the Industrial Development Bank of India and also recovered by the Corporation from loanees during the five years upto 1977-78.

Year	Amount recovered from loanees	Amount paid to Industrial Development Bank of India
( Rupees in lakhs )		
1973-74	3.34	2.10
1974-75	5.96	2.84
1975-76	6.52	5.11
1976-77	7.33	9.58
1977-78	7.90	10.70

The commitment charges are accounted for on actual basis and the outstanding recoveries are not assessed. The claims of Industrial Development Bank of India are paid half yearly up to June and December each year ; while in case of recovery from loanees, such amounts, are recovered as and when the party in default comes for loan instalment. It was decided by the Corporation (May 1978) to verify the reasons for commitment charges paid being on higher side than the commitment charges recovered during 1976-77 and 1977-78 and to take steps to reduce the commitment charges payable. No records in support of steps, if any, taken in this regard by the Corporation were made available.

(b) It would appear that the system is defective in so far as the payments to Industrial Development Bank of India are being made on their claims without properly verifying and linking the undrawn amount in the ledger account of each loanee. Moreover, the cases where the amounts have remained undrawn are not reviewed specifically to find out why the loanees are not forth coming for their disbursements, how they have proceeded with their projects, whether the balance loan undrawn could be cancelled, and simultaneously also to cancel the undrawn limit of refinance from Industrial Development Bank of India and thus save commitment charges. In this connection, the following points came to notice:—

(i) Out of the commitment charges of Rs. 9.00 lakhs paid half-yearly to the Industrial Development Bank of India on 26th August 1977 and 24th February 1978, Rs. 2.76 lakhs represented commitment charges at one *per cent* on the refinance sanctioned during the period from 1969-70 to 1974-75 but remaining undrawn. The Corporation has not taken any action to review the cases and get the refinance cancelled.

(ii) Out of fifteen cases subjected to test check, in three cases, refinance of Rs. 7.94 lakhs, Rs. 5.64 lakhs and Rs. 0.86 lakh sanctioned by the Industrial Development Bank of India in April 1975, May 1976 and June 1977 respectively were not drawn by the Corporation due to non-disbursement of loans upto March 1978. In aggregate Rs. 0.14 lakh were paid to the Industrial Development Bank of India towards commitment charges

during 1977-78 on these refinance sanctions. However, no commitment charges according to conditions of loan sanctions were being recovered from the parties, as the parties had not come forward to draw the loans and according to the practice in vogue, commitment charges are being recovered at the time of disbursement of the loans. In three other cases, refinance sanctioned ( Rs. 26.70 lakhs in 1974 and 1975 ) was partly drawn ( Rs. 12.29 lakhs ) and also fully repaid before 31st March 1978, yet no action was taken to assess the necessity of continuing the undrawn refinance for which commitment charges of Rs. 0.14 lakh were paid during 1977-78. In the remaining nine cases, refinance was sanctioned for Rs. 101.12 lakhs (during 1975 to 1977), out of which refinance drawn by the Corporation up to 31st March 1978 was Rs. 67.28 lakhs, commitment charges paid to Industrial Development Bank of India during 1977-78 amounted to Rs. 0.38 lakh while commitment charges amounting to Rs. 1,301 only were recovered from the parties.

The Management stated (January 1979) that, in deserving cases, the Corporation waived the commitment charges notwithstanding the fact that it had to pay these charges to Industrial Development Bank of India; that all cases of undrawn refinance were being reviewed by undertaking inspections of units with a view to find out whether the parties were interested in disbursement, otherwise to get the refinance cancelled and that introduction of reconciliation between the statement of commitment charges of Industrial Development Bank of India and the Corporation's records was under consideration.

#### **6.05 Operations :**

In fulfilment of its objects the Corporation has taken up the following activities :—

- (i) Grant of loans to medium and small scale industries.
- (ii) Giving guarantees for deferred payment credits obtained by the industries for purchase of machinery.
- (iii) Underwriting of shares issued by new industries.

These activities are discussed in the succeeding paragraphs.

## 6.06 Loan operations :

### 6.06.1 General :

Sole proprietors, partnership firms, private and public limited companies and co-operative societies, which had set up or are proposing to set up manufacturing, mining, fishing, transport or any other type of industry or for setting up an industrial estate in Gujarat State and the territories of Dadra and Nagar Haveli are eligible for the loan assistance.

For the grant of loans, the Corporation has formulated different schemes, as detailed below, to meet the requirement of different types of industries/entrepreneurs :—

- (i) New entrepreneurs scheme.
- (ii) Fishing loans.
- (iii) Transport industry.
- (iv) Mini loans scheme.
- (v) Interest free sales tax loans.
- (vi) General scheme-not covered under any of the special schemes.

### 6.06.2 Sanctions and disbursements :

(a) The table on pages 48-49 indicates the details of the loan applications dealt with, sanctioned, lapsed and those pending at the end of each of the three years upto 1977-78 :—

1975-76

Particulars of applications		Number	Amount
(a)	Pending at the beginning of the year ..	472	2,166.79
(b)	Received during the year .. ..	1,530	2,869.57
(c)	Dealt with during the year .. ..	2,002	5,036.36
(d)	Sanctioned during the year .. ..	1,206	1,979.15
(e)	Lapsed, withdrawn, closed and rejected ..	456	1,494.99
(f)	Difference between loan applied for and that sanctioned	..	641.62
(g)	Pending at the close of the year ..	340	920.60
(h)	Percentage of amount sanctioned (d) to applied for (c).	..	39.3
(i)	Percentage of amount lapsed <i>etc.</i> (e) to that applied for (c)	..	29.7
(j)	Percentage of amount pending (g) to the amount applied for (c).	..	18.3

(Source: Annual Reports of the Corporation for the respective years.)



( Amounts—Rupees in lakhs )

1976-77		1977-78		Cumulative since inception	
Number	Amount	Number	Amount	Number	Amount
340	920.60	201	783.71	..	..
1,282	3,161.27	1,603	3,747.63	15,668	26,226.62
1,622	4,081.87	1,804	4,531.34	15,668	26,226.62
1,060	1,851.29	1,227	2,453.85	12,217	15,496.04
361	1,090.86	269	959.99	3,143	7,154.01
..	356.01	..	386.14	..	2,845.21
201	783.71	308	731.36	308	731.36
..	45.4	..	54.2	..	59.1
..	26.7	..	21.2	..	27.3
..	19.2	..	16.1	..	2.7

The table below indicates the position of loans sanctioned (net *i. e.* after deducting amount reduced/cancelled) and the actual disbursements during the five years upto March 1978:—

Year	Loan applications sanctioned (net)		Loan disbursed		Percentage of loan disbursed to loan sanctioned ( net )
	Number	Amount	Number	Amount	
					( Amounts—Rupees in lakhs )
1973-74	1,032	1,757.28	776	846.52	48.2
1974-75	872	1,850.63	994	1,432.43	77.4
1975-76	1,135	1,610.94	817	1,210.97	75.2
1976-77	998	1,599.66	658	1,219.99	76.3
1977-78	1,126	2,190.73	879	1,395.29	63.7

(Source : Annual Reports of the Corporation for the respective years).

It would be seen from the above that the percentage of loans actually disbursed to the sanctioned amount declined from 76.3 in 1976-77 to 63.7 in 1977-78.

The Management attributed (January 1979) this decline to the Government's announcement of certain concessions in stamp duty, effective from 1st April 1978, which prompted the parties not to seek disbursement during the last quarter of 1977-78.

The Corporation has not prepared break-up of the undisbursed amount into amounts partly undrawn and fully undrawn. No data regarding year-wise analysis of undisbursed amount was made. The main reasons for the undrawn amount were stated to be the delay in implementation of projects and non-compliance with the prescribed requirements of the Corporation by the loanees.

(b) Amount-wise distribution of loans sanctioned upto 1977-78 is given below :—

Loan Particulars	Total sanctions upto 31st March 1978		Percentage of total	
	Number of units	Amount (Rupees in lakhs)	Number of units	Amount
(i) Upto Rs. 2 lakhs	9,316	4,976.64	76.3	32.1
(ii) Over Rs. 2 lakhs and up to Rs. 5 lakhs	969	3,161.00	7.9	20.4
(iii) Over Rs. 5 lakhs and up to Rs. 10 lakhs	384	2,940.33	3.1	18.9
(iv) Over Rs. 10 lakhs	223	4,334.61	1.8	28.0
(v) Flood loans, etc.	1,325	83.46	10.9	0.6
	12,217	15,496.04	100.0	100.0

(Source : 18th Annual Report of the Corporation for the year 1977-78).

It would be seen from the above that though loans in excess of Rs. 10 lakhs constituted 1.8 per cent of number of units, such loans worked out to 28.0 per cent of the total amount disbursed, indicating that substantial portion of loan assistance has gone to a small number of larger units.

### 6.06.3 Recovery :

#### 6.06.3.1 Outstanding loans:

As on 31st March 1978, loans amounting to Rs. 6,562.06 lakhs were outstanding, as detailed below :—

Category of loan	Purpose	Number of loanees	Amount out- standing (Rupees in lakhs)
1. General loan	Acquiring assets ( open to all )	4,042	5,402.98
2. New entrepreneur scheme	Promotion of new entrepreneurs	330	329.29

Category of loan	Purpose	Number of loanees	Amount outstanding (Rupee in lakhs)
3. Fishing loan	Acquisition of fishing trawlers and mechanisation of fishing vessels	690	619.5
4. Transport loan	Acquisition of transport vehicles	166	39.2
5. Mini loans (SSI)	Loans to small scale industries up to Rs. 10,000 in each case	1,151	57.9
6. Interest free sales tax loans	For encouraging setting up new industries or for expansions	7	53.9
7. Rehabilitation loans	Rehabilitation of units which suffered from natural or other difficulties	662	25.1
8. Central subsidy temporary loan	Loans pending receipt of subsidy from the Government of India for setting up industries in backward districts	83	29.2
9. Balisana project loan	Margin loan for setting up industries at Balisana village	6	3.2
10. Special capital loan	Loans granted to technicians, craftsmen, etc. for bridging difference between normal expected contribution from promoter and actual contribution brought in as per his ability	1	1.3
Total		7,138	6,562.0

The amount outstanding includes Rs. 1,426.70 lakhs relating to the period from 1960-61 to 1967-68. The principal and interest overdue as on 31st March 1978 from 2,792 loanees amounted to Rs. 1,771.95 lakhs of which the principal outstanding was Rs. 1,230.05 lakhs. The Corporation has not, however, worked out the year-wise analysis of overdue instalments.

6.06.3:2 *Recovery performance :*

(a) Details of amounts that fell due and the amounts recovered during the three years up to 1977-78 are given below :—

	1975-76		1976-77		1977-78	
	Prin- cipal	Inte- rest	Prin- cipal	Inte- rest	Prin- cipal	Inte- rest
	( Rupees in lakhs )					
1. Amount in arrears at the beginning of the year	189.03	93.22	654.18	264.24	1,002.87	349.76
2. Amount that fell due during the year	776.32	441.37	742.90	442.89	652.69	554.15
3. Total amount recoverable	965.35	534.59	1,397.08	707.13	1,655.56	903.91
4. Amount recovered during the year	311.17	270.35	394.21	357.37	425.51	362.01
5. Amount in arrears at the end of the year	654.18	264.24	1,002.87	349.76	1,230.05	541.90
6. Percentage of amount recovered to total amount recoverable (4 to 3)	32.2	50.6	28.2	50.5	25.7	40.1

(Source: The Corporation's Annual Reports of respective years).

The percentage of recoveries to total amount due has been low. It has not exceeded 33 *per cent* in the case of the principal and 51 *per cent* in the case of interest in any one of these three years.

Arrears of principal (Rs. 1,230.05 lakhs) represented 18.7 *per cent* of the total loans outstanding (Rs. 6,562.06 lakhs) at the end of March 1978 and interest (Rs. 541.90 lakhs) was 67.41 *per cent* of interest accrued (Rs. 803.88 lakhs which includes interest accrued but not due of Rs. 261.57 lakhs) as on 31st March 1978.

The category-wise break-up of the arrears of principal and interest as on 31st March 1978 is as under :—

	Principal	Interest
	( Rupees in lakhs )	
(i) Corporation loans .. ..	1,017.88	458.59
(ii) New entrepreneurs scheme loans	42.35	28.99
(iii) Fishing loans .. ..	114.16	37.75
(iv) Transport loans .. ..	30.03	9.14
(v) Small scale industries loans ..	25.63	7.43
Total ..	1,230.05	541.90

(b) Sick units :

On 3rd February 1977, the Corporation decided to conduct a study of 25 defaulting sick units from which Rs. 44.76 lakhs (principal : Rs. 22.13 lakhs and interest : Rs. 22.63 lakhs) were in arrears. The work was assigned to a study team of Entrepreneurship Development Programme (a training organisation set up by the four Corporations of the State), at a fee of Rs. 0.25 lakh.

The study report, submitted in August 1977, revealed that out of 25 units selected, only 16 units (principal overdue : Rs. 16.49 lakhs and interest : Rs. 20.79 lakhs) were really sick, six units (overdue principal: Rs. 1.89 lakhs and interest : Rs. 1.03 lakhs) were doing well and were in a position to pay normal interest and instalments and three units (overdue principal: Rs. 3.75 lakhs and interest : Rs. 0.81 lakh) deserved drastic steps for recovery of the dues as the integrity and intentions of the parties were questionable. In respect of four units (overdue principal : Rs. 4.25 lakhs, interest : Rs. 1.26 lakhs and other dues : Rs. 0.14 lakh), the team had observed that laxity in follow-up action by the Corporation had permitted these units to default.

The study team had further pointed out lack of proper post-disbursement follow-up to review the progress and also failure on the part of the Corporation to conduct systematic review of working results of the sick units. The Corporation considered ( August 1977 ) the report and decided to implement the suggestions therein. Further developments are awaited (April 1979).

6.06.4 *New entrepreneurs scheme loans :*

(a) A scheme was introduced in 1973 for inducting new entrepreneurs having experience in the techniques of production, sales, accounting or other related fields for establishing industries. The scheme is operated by the Corporation jointly with the Gujarat Industrial Investment Corporation Limited and Gujarat Industrial Development Corporation. Under the scheme, small units having projects envisaging investments up to Rs. 3 lakhs in fixed assets are provided assistance up to 100 per cent, including margin for the working capital. This Corporation provides loan for meeting 90 per cent cost of fixed assets while balance amount plus margin for working capital is provided by Gujarat Industrial Investment Corporation Limited. Sheds are provided by Gujarat Industrial Development Corporation. From 1st April 1978, the Corporation has taken over the entire operation of the scheme in order to facilitate the new entrepreneurs to get assistance from a single source. The rate of interest was fixed at 9 per cent. The loans are repayable in half yearly instalments within a period of 4 to 9 years depending on the type of the project. A moratorium of 24 months is generally given for gestation period.

Under the scheme, 476 entrepreneurs were sanctioned a total loan of Rs. 533.58 lakhs up to 31st March 1978, out of which Rs.334.25 lakhs were disbursed to 330 entrepreneurs. Amounts aggregating Rs. 327.99 lakhs were outstanding from 330 entrepreneurs as on 31st March 1978. Further, Rs. 1.30 lakhs were due on account of insurance, legal charges, etc. Interest outstanding on that date was Rs. 42.58 lakhs.

Rupees 42.35 lakhs as principal and Rs. 28.99 lakhs as interest were overdue for recovery as on 31st March 1978. An analysis of the default position for the three years up to 1977-78 is given below :—

Year	Total amount of instalments which fell due during the year (including arrears at the beginning)		Total amount of instalment in default at the end of the year		Percentage of default to total amount due	
	Prin- cipal	Inte- rest	Prin- cipal	Inte- rest	Prin- cipal	Inte- rest
	( Rupees in lakhs )					
1975-76	2.79	17.11	2.14	3.93	76.7	23.0
1976-77	20.45	17.41	19.60	12.02	95.8	56.3
1977-78	45.47	22.63	42.35	28.99	93.1	83.7

It will be seen from the above table that the position of default is not

happy. The Corporation was not having details of the cases where post-disbursement inspection was carried out and of the units which had ceased functioning.

The Management stated ( January 1979 ) that after taking over the entire operation of the scheme from the Gujarat Industrial Investment Corporation Limited from 1st April 1978, all cases financed were inspected and the survey revealed that the units were facing marketing and financial problems as a result of which they were unable to honour the repayment commitments.

(b) *Entrepreneurship Development Programme :*

The Corporation has jointly organised, with three State Government undertakings ( Gujarat Industrial Investment Corporation Limited, Gujarat Industrial Development Corporation and Gujarat Small Industries Corporation Limited ), entrepreneurship development programmes under which training is given to new entrepreneurs for setting up industries or trades. The Corporation shares equally with the other three undertakings the cost of this training which is provided by Gujarat Industrial Investment Corporation Limited. The scheme was introduced in 1971. After completion of training for three months if the entrepreneur wants to establish an industry, he is given loan under 'new entrepreneurs scheme'. According to the Corporation's annual reports, 2070 prospective entrepreneurs were trained during the five years 1973-74 to 1977-78. However, details of persons trained so far, number of persons who had started industries after getting training and the actual number of persons out of them who were actively engaged in industrial sphere were not available. As such, the results of the scheme and its effect on new entrepreneur scheme loans could not be evaluated.

6.06.5 *Fishing loans :*

6.06.5.1 For helping the exploitation of the marine resources available off the west coast of the State, the Corporation introduced a scheme in 1971-72 for assisting the fishermen. Under the scheme, loans for acquisition of fishing trawlers and / or mechanisation of fishing vessels are advanced to the extent of 75 per cent of the value of assets. The amount is repayable in monthly instalments ( barring June to September being rough seasons ) in a period ranging from 4 to 7 years and interest is payable half-yearly in September and March each year. The vessels and / or the accessories are to be hypothecated to the Corporation.

Up to 31st March 1978, the Corporation sanctioned loans amounting to Rs. 819.43 lakhs to 822 units, of which Rs. 667.80 lakhs were disbursed to 693 units. As on 31st March 1978, an amount of Rs. 619.58 lakhs was outstanding from 690 units. In addition, Rs. 64.38 lakhs were due as interest. The amounts of overdue instalments of principal and interest as on 31st March 1978 were Rs. 114.16 lakhs and Rs. 37.75 lakhs respectively.



The comparative position of the amount of instalments of principal and interest which fell due for repayment and the amount of principal and interest in default at the end of each of the three years upto 1977-78 were as under :—

Year	Total amount which fell due during the year (including arrears at the beginning)		Total amount in default at the end of the year		Percentage of default to total amount recoverable	
	Principal	Interest	Principal	Interest	Principal	Interest
	(Rupees in lakhs)					
1975-76	46.80	23.64	30.31	12.74	64.8	53.9
1976-77	77.73	30.83	59.01	19.14	75.9	43.9
1977-78	133.64	45.77	114.16	37.75	85.4	58.2

The percentage of default is very high. The Management has not analysed the reasons for such heavy defaults. It was noticed that the documents hypothecating the marine vessels were not registered and hence loans were not properly secured. It was also noticed that suits were filed in respect of 8 cases (Rs. 1.30 lakhs). In respect of 13 cases (Rs. 9.77 lakhs) no recoveries could be made for over two years and as such the units were treated as closed\* and action initiated for recovery. Out of 13 cases, five vessels were confiscated.

The Management explained (January 1979) that as the fishermen were from weaker section of the society, it had not been possible to effect recovery.

The Corporation undertook in May 1977 a new scheme of assisting small mechanised sailing vessels. A loan of Rs. 68 lakhs was sanctioned to 10 units, of which an amount of Rs. 2.60 lakhs only was disbursed to one unit. Collateral security of not less than 50 per cent of the loan is prescribed in addition to the mortgage of the vessels, etc. It is also prescribed that a percentage of realisation from sale of fish by the units should be deposited to a special account in the name of the Corporation towards recovery of instalments. Such conditions were, however, not prescribed in earlier loans for purchase of fishing vessels.

#### 6.06.5.2 The following case deserves mention :

A loan of Rs. 1.11 lakhs was sanctioned in October 1972 to a party for acquisition of a fishing trawler. The loan was disbursed on 26th April 1973. The loanee was in default of payment of instalment and interest. The trawler was confiscated on 2nd January 1976 and the entire loan with interest aggregating Rs. 1.25 lakhs was recalled on 25th February 1976. As the loanee paid a sum of Rs. 0.07 lakh in cash, Rs. 0.08 lakh by a post-

\* Closed means loanees in default of repayment of six or more instalments.

dated ( 24th March 1976 ) cheque and agreed to pay the balance amount of Rs. 1.10 lakhs in instalments, the trawler was released by the Corporation on 30th March 1976. The post-dated cheque was dishonoured and the trawler was again confiscated by the Corporation on 6th April 1976. The trawler was again released on 7th January 1977 on a payment of Rs. 0.05 lakh. In the meantime, the condition of the trawler had deteriorated as the engine and gear box got damaged by water entering the engine room and the Corporation had agreed to postpone recovery till October 1977. But no further payments were received by the Corporation (December 1978). In this connection, it has been noticed that at no stage, the Corporation thought of obtaining additional security for the loan of any other assets of the loanee or third party guarantee.

The Management stated (January 1979) that a notice recalling the loan had been issued and it was not the practice to ask for third party guarantee as such a condition would be difficult to be complied with by fishermen who belong to weaker section.

#### 6.06.6 *Transport loans :*

The Corporation introduced, in September/October 1969, a scheme for assisting truck operators/drivers. Refinance was available on such loans from IDBI. The scheme was suspended from August 1974 in view of the difficulties involved in recovery of dues, heavy defaults and the strain on the Corporation's resources.

During the operation of the scheme between October 1969 and July 1974, the Corporation sanctioned loans amounting to Rs. 524.28 lakhs to 1026 loanees. The actual disbursement was Rs. 493.20 lakhs to 920 loanees. As at 31st March 1978, Rs. 39.91 lakhs were outstanding from 189 loanees which include insurance, legal and other expenses recoverable from them. In addition, an amount of Rs. 10.14 lakhs was outstanding as interest on those loans. The amount in default of principal and interest in respect of 112 loanees was Rs. 30.03 lakhs and Rs. 9.14 lakhs respectively as on 31st March 1978. Of the 112 defaulters, 52 loanees from whom a sum of Rs. 20.33 lakhs was outstanding, were declared by the Corporation to have ceased operations. Suits were, however, filed in two cases where the outstanding amount was Rs. 1.26 lakhs.

As per the terms of sanction, the Corporation was to verify the existence of vehicles once in three months. There was no record to show that the vehicles were duly inspected. In case of defaults in repayment, the Corporation is empowered to confiscate the vehicles. However, confiscation was not resorted to in a big way up to 1972-73. The Corporation seized 58 vehicles (up to 31st March 1978) which have been disposed of by public auction. Against total dues of Rs. 37.73 lakhs outstanding from them, Rs. 21.81 lakhs were realised on disposal. The balance of Rs. 15.92 lakhs may have to be written off as loss after settlement of insurance claims (April 1979).

The Corporation had written off as bad debts an amount of Rs. 4.39 lakhs against 23 transport loanees. Out of this, an amount of Rs. 4.18 lakhs was written off as it was found difficult to contact the concerned loanees who had no properties/assets, and that to file legal suits would be time consuming and expensive. No guarantee from third party was obtained before sanction of loan in any case.

#### 6.06.7 Mini loans (small scale industries loans) :

In December 1969, the State Government decided to transfer the work of sanctioning loans up to Rs. 10,000 in each case to the Corporation with effect from 1st January 1970. According to this scheme, the Corporation advanced loans to small entrepreneurs for acquisition of fixed assets. Loans up to 80 per cent of the cost of such assets were granted, leaving a margin of 20 per cent. The rate of interest was concessional at 5 per cent (raised to 6 per cent from 6th March 1971) as the State Government was subsidising to the extent of 1½ per cent. No refinance was, however, available to the Corporation from Industrial Development Bank of India. The rate of interest was increased to 7½ per cent in 1974-75 and 8 per cent in 1976-77, to meet the higher administrative cost. A service charge of 1.5 per cent was also levied from 1974-75 onwards.

During 1977-78, the Corporation sanctioned Rs. 22.03 lakhs to 341 units as against Rs. 14.62 lakhs to 218 units in 1976-77 and Rs. 14.45 lakhs to 208 units in 1975-76. Up to 31st March 1978, loans aggregating Rs. 149.00 lakhs had been sanctioned to 2102 units, since inception. The position of defaulting units for the past three years is tabulated below :—

As on 31st March	Total number of units assisted	Number of defaulting units	Amount in default		
			Principal	Interest	Total
( Rupees in lakhs )					
1976	1,543	739	16.30	5.31	21.61
1977	1,761	532	20.35	5.37	25.72
1978	2,102	673	25.63	7.43	33.06

According to the position on 31st March 1978, the percentage of total defaulting units to total units assisted works out to 32.0 while the instalments in arrears (Rs. 25.63 lakhs) work out to 44.2 per cent of total loans outstanding (Rs. 57.94 lakhs).

The Corporation has decided that where loanees are in default of six or more instalments, interest should not be accounted for on accrual basis. These units are known as closed units. Out of 673 units in default of Rs. 33.06 lakhs, 143 units (amount in default: Rs. 8.49 lakhs) were treated as closed by the Corporation. It was further noticed that in respect of eight loanees (Rs. 0.64 lakh) the parties were not in existence, while in respect of other eleven loanees (Rs. 1.20 lakhs) the units were closed for want of work or otherwise. In respect of 5 loanees (Rs. 0.58 lakh), suits were filed.

A test check of 26 case files (Rs. 1.45 lakhs) revealed that the appraisals made before sanctioning loans did not contain any specific information relating to the credit worthiness of the parties. Post-disbursement inspection reports were not available in any case.

It was explained by the Management (January 1979) that the amount of loan being small, a detailed appraisal was neither considered necessary nor desirable as it would entail lot of work and result in delays and inconvenience to the parties. The policy of sanctioning loans without proper appraisal can lead to loans being sanctioned to parties from whom recoveries would be doubtful, leading to losses due to non-recovery, and the loans not being used for the purpose for which they are sanctioned.

#### 6.06.8 *Interest free sales tax loan :*

With a view to encourage setting up of new industries or substantial expansion of existing industries in Gujarat, a new scheme was introduced by the State Government in January 1972, whereby existing industries desiring to establish new industrial units as well as new industries established in Gujarat were given interest free sales tax loans. This was intended to stimulate growth of industries in the State. The minimum capital outlay of such units was to be Rs. 7.5 lakhs. The loan was repayable from the sixth year in which the loan was first granted, in ten equal annual instalments. It was available to such units which had paid sales tax, any where in India, of amounts not less than Rs. 2 lakhs per annum during the preceding three years or against the sales tax that would be paid out of its new production or expansion over a period of 5 years after going into production.

The Corporation and the Gujarat Industrial Investment Corporation Limited were to grant the loans from their own resources or against refinance facilities wherever available. The loan was to be limited to 20 per cent of the capital outlay on the new unit/expansion/industry. The financial agencies were to be subsidised by Government to the extent of loss on account of interest, limited to the interest paid on their borrowings plus half per cent. The scheme was to be effective from January 1972 to December 1974 but it was continued thereafter.

Up to 31st March 1978, the Corporation sanctioned total loans amounting to Rs. 66.37 lakhs to eight units under the scheme, including loans amounting to Rs. 53.94 lakhs disbursed earlier under the Corporation's normal schemes and brought under this scheme. It could be seen that

fresh assistance (Rs. 12.43 lakhs) under the scheme was very nominal and did not fulfil the objective of the scheme.

#### 6.06.9. Loan for an industrial estate :

A loan of Rs. 5 lakhs was sanctioned in February 1973 to a loanee for construction of a private industrial estate at Naroda, near Ahmedabad, in an area where an estate of Gujarat Industrial Development Corporation was in existence. An amount of Rs. 0.35 lakh was disbursed between October 1975 and April 1976. Detailed appraisal of the loan proposal, required to be made before sanction, was not made available to audit. However, as three years had lapsed since sanction, it was decided by the Corporation in July 1976 that a fresh appraisal was necessary. The loanee, however, did not co-operate and hence the Corporation recalled the entire loan in December 1976. Up to March 1978, a sum of Rs. 0.57 lakh was outstanding towards principal and interest (including penal interest). A suit was filed against the loanee in October 1977 which has not been decided yet (April 1979).

#### 6.07 Deferred payment guarantee. :

The Corporation guarantees payment upto 90 per cent of the cost of the machinery purchased by the industries, in India, on deferred payment basis and charges  $1\frac{1}{2}$  per cent as interest on the balance outstanding at the beginning of the year with  $\frac{1}{2}$  per cent rebate for prompt payment. The Corporation obtains hypothecation of such machinery and counter guarantee of the proprietor/partners/directors of the unit assisted. If the instalments are not paid on due dates, the Corporation pays the supplier the due amount and treats it as a loan to the party at the usual rate of interest on loans. Normally, guarantee is given by the Corporation for a period up to eight years.

The following table indicates the details of the deferred payment guarantees sanctioned during the six years up to 1977-78 :—

Year	Guarantee sanctioned during the year		Sanctioned outstanding at the end of the year	
	Number of units	Amount (Rupees in lakhs).	Number of units	Amount (Rupees in lakhs)
1972-73	6	38.13	32	126.48
1973-74	2	18.88	30	116.09
1974-75	2	12.67	28	110.59
1975-76	3	43.65	27	90.62
1976-77	..	(—)2.00	19	76.96
1977-78	..	..	14	51.33
Total since inception	47	326.80		

Of the total guarantee sanctioned, only ten units (Rs. 20.66 lakhs) pertained to small scale industries. No fresh guarantees were sanctioned to small scale units since 1972-73.

The Corporation has not collected the details of the amounts which was required to honour in case of defaults made by the parties for whom the guarantee was given. A test check in Audit of the records revealed that the Corporation was required to make payments amounting to Rs. 33.73 lakhs up to 31st March 1978 in respect of eight parties who had defaulted in making payment of instalments on due dates, treating the amount as loans to them. Out of these, three parties (amount involved: Rs. 17.34 lakhs) have started repaying the amounts to the Corporation as loans; whereas other five parties (amount involved: Rs. 16.39 lakhs) have not been repaying the dues to the Corporation.

#### 6.08 Underwriting of shares :

(i) The Corporation started underwriting operations from 1964-65. Initially, the State Government was providing funds to the Corporation to enable it to purchase shares that devolved on it. This arrangement was terminated with effect from 1st January 1974. The amount of Rs. 102.00 lakhs received for this purpose has been redeemed to Government in 1975-76 (Rs. 50.78 lakhs) and 1976-77 (Rs. 51.28 lakhs). The amount now invested in underwriting is from the Corporation's own funds. The Corporation has, however, not laid down any norms or regulations for such investments.

(ii) Up to 31st March 1978, the Corporation underwrote shares for Rs. 145.65 lakhs of 32 concerns, of which shares for Rs. 124.70 lakhs devolved on it (27 concerns). As on 31st March 1978, shares valued at Rs. 119.78 lakhs were with the Corporation, *vide* the details given below :—

	Shares quoted		Shares unquoted	Total at cost
	Cost price	Market value (Rupees in lakhs)		
Preference shares	25.57	21.43	58.69	84.26
Equity shares	22.40	12.60	13.12	35.52
	<u>47.97</u>	<u>34.03</u>	<u>71.81</u>	<u>119.78</u>

The value of the unquoted shares has not been evaluated by the Corporation with reference to the financial position of the Companies. No reserve to cover the loss or fall in the value of shares underwritten has been created.

(iii) The Corporation received dividends on the investment as follows :—

(Rupees in lakhs)

1975-76	2.22	After adjustment of Rs. 0.52 lakh paid to Government under earlier loan arrangement.
1976-77	14.44	
1977-78	9.29	

The return on capital invested during 1977-78 was 7.8 per cent on a total share holding of Rs 119.78 lakhs. The Corporation was holding shares of 23 concerns of which only six paid dividend during 1977-78. Sixteen concerns, where the Corporation's shareholding was Rs 66.14 lakhs, have not declared/paid any dividend up to 1977-78. The Corporation was holding shares in five companies beyond the limit of seven years laid down under Section 25(1)(f) of the Act for disposal which have not declared any dividend.

(iv) The underwriting agreements, *inter alia*, stipulate that in the event of the Corporation being required to hold shares as a result of the underwriting agreement, the promoters would re-purchase such of the shares as may have to be held by the Corporation, not later than seven years from the date of allotment of such shares, at face value together with the arrears of preferential dividend, if any, at the time of such re-purchase. There were 12 such cases of amounts aggregating Rs. 81.40 lakhs (face value). The Management stated (September 1977) that as per legal opinion, the promoters could not be called upon to re-purchase the shares.

#### 5.09 Government of India subsidy for selected backward districts :

In August 1971, Government of India formulated a scheme for giving outright grant or subsidy to the industrial units to be set up in selected backward districts/areas. The scheme was essentially applicable to those units whose total capital investment would not exceed Rs. 50.00 lakhs, increased to Rs. 100.00 lakhs in June 1973. The subsidy was to be given at 10 per cent, increased to 15 per cent from 1st March 1973, of cost of fixed capital investment. The scheme, *inter alia*, envisaged (i) registration of such eligible units prior to taking effective steps to set up new unit or undertake substantial expansion, (ii) setting up a State Level Committee to go into the eligibility of the units to qualify for subsidy and the quantum of subsidy and (iii) nomination of State Financial Corporation to work as an agent for disbursement of the subsidy and claiming the same from Central Government through State Government as also to get the amount of subsidy refunded in

case the unit goes out of production within five years or due to other reasons. There was no provision in the scheme for payment of interest to the Corporation, for the period intervening the actual disbursement of the subsidy by the Corporation and the reimbursement of the amount by Government.

Under this scheme, the Corporation started disbursement of the subsidy to the units financed by it, from February 1973. After the payments are made, approval of the State Level Committee is obtained to regularise the payment. As the approval of the State Level Committee is very late in coming and reimbursement of the amount is further delayed, large sums are blocked up for long periods without earning any interest, as will be evident from a detailed analysis of amounts recoverable towards subsidy as on 31st March 1978 given below :—

	Already approved by the State Level Committee	Awaiting approval of the State Level Committee
( Rupees in lakhs )		
Corporation Loans	53.19	27.27
New entrepreneurs scheme	0.81	1.95
Small scale industries scheme	0.30	..
Total	54.30	29.22

The amount of Rs 53.19 lakhs comprised of claims of Rs. 13.38 lakhs related to the period from December 1975 to February 1977 and Rs. 39.81 lakhs related to the period from March 1977 to March 1978. On these claims, the Corporation has not earned any income by way of interest till the money is actually received as there is no provision in the scheme for such interest. The amount of loss of interest on this account has not been assessed ( April 1979 ).

Out of the claim of Rs. 13.38 lakhs relating to the period up to February 1977, reimbursement for Rs. 0.34 lakh only pertaining to January-February 1977 was received in March 1979. The balance of Rs. 13.04 lakhs was outstanding ( April 1979 ). Out of the claim of Rs. 39.81 lakhs relating to the period from March 1977 to March 1978, reimbursement of Rs. 35.83 lakhs was received up to April 1979.



## 6.10 Financial position and working results :

### 6.10.1 Financial position :

The financial position of the Corporation for the three years up to 1977-78 is summarised below :—

	1975-76	1976-77	1977-78
	( Rupees in lakhs )		
<b>Liabilities :</b>			
Paid-up capital .. ..	500.00	640.00	800.00
Reserves and surplus .. ..	209.58	303.56	378.13
Borrowings .. ..	4,563.73	5,725.03	6,500.58
Trade dues and current liabilities	220.32†	272.55†	255.58†
	<u>5,493.63</u>	<u>6,941.14</u>	<u>7,934.29</u>
<b>Assets :</b>			
Net fixed assets .. ..	7.85	8.80	9.04
Investments ( at cost ) .. ..	137.01	137.01	139.05
Loans and advances .. ..	4,736.87	5,554.23	6,562.06
Other current assets .. ..	598.56	1,231.09	1,217.46
Dividend deficit .. ..	13.34	10.01	6.68
	<u>5,493.63</u>	<u>6,941.14</u>	<u>7,934.29</u>
Capital employed* .. ..	4,740.90	5,970.95	7,173.65
Net worth** .. ..	696.24	933.55	1,171.45

† Includes dividend liability of Rs. 15.94 lakhs, Rs. 17.57 lakhs and Rs. 21.40 lakhs for the years 1975-76, 1976-77 and 1977-78 respectively.

\* Capital employed represents the mean of the opening and closing balances of paid-up capital, bonds, free reserves and borrowings.

\*\* Net worth represents paid-up capital plus reserves less miscellaneous expenses and losses.

## 6.10.2 Working results :

(a) The working results of the Corporation for the three years up to 1977-78 were as follows :—

	1975-76	1976-77	1977-78
	(Rupees in lakhs)		
(i) Income			
Interest and dividends ..	456.86	575.67	614.57
Other income ..	29.62	16.34	18.65
	<u>486.48</u>	<u>592.01</u>	<u>633.22</u>
(ii) Expenditure :			
Interest ..	284.54	326.71	401.11
Other financial expenses* ..	13.88	33.76	30.52
Bad debts ..	22.45	11.21	5.35
Salaries and other administrative expenses	44.12	69.67	68.32
	<u>364.99</u>	<u>441.35</u>	<u>505.30</u>
(iii) (a) Profit before tax ..	121.49	150.66	127.92
(b) Tax provision (including for previous year)	49.00	64.18	47.97
(c) Profit after tax ..	72.49	86.48	79.95
(iv) Percentage of profit after tax to :			
(a) Capital employed ..	1.5	1.5	1.1
(b) Net worth ..	10.4	9.3	6.8
(c) Paid-up capital ..	14.5	13.5	10.0
(v) Percentage of salaries and other administrative expenses to interest and other receipts during the year	9.1	11.8	10.8

\* Includes expenses on guarantee fees, discount and brokerage, stamp duty and commitment charges.

The Management attributed ( July 1978 ) the decrease in profit of the year 1977-78 to (i) non-charging of interest on loans in respect of accounts where suits have been filed ( Rs. 55.54 lakhs), (ii) the burden of subsidy which was to be borne by the State Government ( Rs. 32.32 lakhs ) and (iii) reduction of penal interest ( Rs. 27.19 lakhs ).

(b) The Corporation has sanctioned minimum guaranteed dividend of 3.5 per cent on capital, other than the special capital. It has not declared any dividend on special capital raised during 1976-77 and 1977-78. Up to 1967-68, the Corporation received subvention from the State Government, under Section 6 read with Section 35 of the Act, for payment of guaranteed dividend amounting to Rs. 13.34 lakhs up to 1967-68. Since 1968-69, the Corporation has been able to meet its dividend liability. The amount of the subvention was repayable when the Corporation earned sufficient profits. In order to strengthen the resource position of the Corporation, Government has, however, at the request of the Corporation, agreed ( May 1978 ) to forego refund of the subvention amount subject to the condition that a special reserve of an equivalent amount is created which may be converted into capital at appropriate time.

### 6.11 Summing up :

From a perusal of the above paragraphs, the following points emerge:—

(i) Raising of funds too much in advance of requirements, *viz.* raising special capital of Rs. 1 crore against which disbursements were only to the extent of Rs. 4.60 lakhs up to June 1978 [paragraph 6.03 (c)] and loss of interest ( Rs. 2.06 lakhs ) on raising bonds in advance and keeping them in fixed deposits ( paragraph 6.04.2 ).

(ii) Non-drawal or delay in drawal of sanctioned refinance resulting in substantial payment of commitment charges to Industrial Development Bank of India, which were even more than commitment charges recovered by the Corporation due to lack of system of recovering commitment charges from Corporation's loanees at fixed intervals, non-review of old cases of undrawn sanctions for cancellation resulting in continued payment of commitment charges, and lack of system of reconciliation of figures of commitment charges as per statement of Industrial Development Bank of India and as per the records of the Corporation ( paragraph 6.04.4 ).

(iii) Declining trend of disbursement of loans *vis-a-vis* sanctions and non-preparation of year-wise analysis of undrawn sanctions with further break-up into amounts partly undrawn and fully undrawn [ paragraph 6.06.2 (a)]; substantial portion of loan assistance had gone to a small number of larger units [ paragraph 6.06.2 (b) ].

(iv) Overall position of recovery of principal and interest show declining trend with the amount in arrears increasing; non-preparation of age-wise analysis of arrears, a special study of 25 sick units revealed laxity in follow-up action by the Corporation in four cases ( paragraphs 6.06.3.2 and 6.06.9 ).

(v) Recoveries of principal and interest under new entrepreneurs scheme loans were very poor due to units facing marketing and financial problems [ paragraph 6.06.4(a)]; no data was kept of the persons trained under entrepreneurship development programme and number of persons who had engaged themselves in industries after training [paragraph 6.06.4(b)].

(vi) Heavy incidence of default in respect of fishing loans, transport loans, mini loans ; non-registration of documents of hypothecation of marine vessels; non-confiscation of vessels, trucks, *etc* of defaulting loanees; sanction of loans without verification of antecedents or credit worthiness of the parties; outstanding insurance claims in respect of transport loans in default ( paragraphs 6.06.5, 6.06.6 and 6.06.7 ).

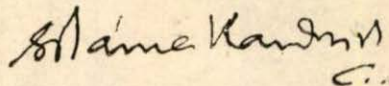
(vii) Liability for payment of Rs. 33.73 lakhs devolving on the Corporation under the deferred payment guarantee scheme in respect of eight parties, out of which five parties (amount involved: Rs. 16.39 lakhs) have not been repaying to the Corporation ( paragraph 6.07 ).

(viii) Acquisition of shares (Rs. 119.78 lakhs ), due to underwriting obligations, in 23 companies, out of which sixteen companies have not paid any dividend; the Corporation's inability to enforce an undertaking given by the promoters of 12 companies to re-purchase the shares (value: Rs. 81.40 lakhs ) at par within seven years due to some legal difficulty not noticed at the time of agreement ( paragraph 6.08 ).

(ix) Disbursement of subsidy to industries in selected backward districts without prior approval of appropriate authority resulting in blocking up of the Corporation's funds for long periods for which no interest is recoverable ( paragraph 6.09 ).

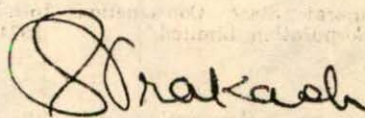
Ahmedabad,  
The

9 JUL 1979



(S. RAMACHANDRAN)  
Accountant General, Gujarat.

Countersigned



(GIAN PRAKASH)  
Comptroller and Auditor General of India.

New Delhi,

The 20 JUL 1979

## APPENDIX

## Summarised financial results

(Referred to in paragraph 1.01)

Sl. No.	Name of the Company	Date of incorporation	Account for the year ending	Capital invested	Profit(+) Loss (-)
1	2	3	4	5	6
					<b>Industries, Mines and</b>
1	Gujarat State Textile Corporation Limited	30th November 1968	March 1978	445.80	(+)12.42
2	Gujarat Export Corporation Limited	14th October 1965	March 1978	41.79	(+)11.32
3	Gujarat Industrial Investment Corporation Limited	12th August 1968	March 1978	..	(+)1.61
4	Gujarat Mineral Development Corporation Limited	15th May 1963	March 1978	749.13	(+)46.17
5	Gujarat Communications and Electronics Limited	30th May 1975	March 1978	37.56	(-)5.23
6	Gujarat Small Industries Corporation Limited	26th May 1962	December 1977	159.43	(+)10.92
7	Gujarat State Handicrafts and Handloom Development Corporation Limited	10th August 1973	March 1977	41.74	(-)2.39
					<b>Public Works</b>
8	Gujarat State Construction Corporation Limited	16th December 1974	July 1977	145.06	(-)6.87
					<b>Home</b>
9	Tourism Corporation of Gujarat Limited	10th June 1975	August 1977	11.01	(-)0.45
					<b>Agriculture, Forest and</b>
10	Gujarat Agro Industries Corporation Limited	9th May 1969	March 1978	518.86	(+)17.81
11	Gujarat Dairy Development Corporation Limited	29th March 1973	March 1978	83.39	(-)11.77
12	Gujarat State Forest Development Corporation Limited	20th August 1976	September 1977	45.01	(-)17.49

'A'

## of Government Companies

of Section I of Chapter II

(Figures in columns 5 to 9, 11 and 12 are in lakhs of rupees)

Total interest charged to Profit and Loss account	Interest on long-term loans	Total return on capital invested (6+8)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (6+7)	Percentage of total return on capital employed	Remarks
7	8	9	10	11	12	13	14
<b>Power Department</b>							
24.26	24.26	36.68	8.23	445.80	36.68	8.23	
3.21	..	11.32	27.09	41.16	14.53	35.30	
169.74	169.74	..	..	3,204.38	171.35	5.35	
19.48	19.48	65.65	8.76	569.64	65.65	11.52	
1.10	1.10	(-)4.13	..	32.38	(-)4.13	..	
33.64	8.15	19.07	11.96	250.33	44.56	17.80	
0.98	0.98	(-)1.41	..	39.67	(-)1.41	..	
<b>Department</b>							
17.01	11.71	4.84	3.34	200.88	10.14	5.05	
<b>Department</b>							
..	..	(-)0.45	..	10.18	(-)0.45	..	
<b>Co-operaton Department</b>							
7.02	1.04	18.85	3.63	481.91	24.83	5.15	
1.29	1.29	(-)10.48	..	21.87	(-)10.48	..	
..	..	(-)17.49	..	26.54	(-)17.49	..	

Sl. No.	Name of the Company	Date of incorporation	Account for the year ending	Capital invested	Profit(+) Loss(-)
1	2	3	4	5	6
13	Gujarat State Seeds Corporation Limited	16th April 1975	March 1978	50.35	(+)3.33
14	Gujarat State Rural Development Corporation Limited	8th July 1977	March 1978	30.00	(-)0.45
15	Gujarat Sheep and Wool Development Corporation Limited	9th December 1970	March 1978	70.54	(-)12.36
<i>Subsidiary Companies :</i>					
				<b>Agriculture, Forest and</b>	
16	Gujarat Agro-Foods Limited	20th October 1970	December 1977	84.68	(+)3.78
17	Gujarat Agro-Oil Enterprises Limited	21st April 1971	December 1977	23.24	(+)26.63
18	Gujarat Agro-Marine Products Limited	17th December 1971	December 1977	144.89	(+)4.32

- Notes : (1) Capital invested represents paid-up capital *plus* long-term loans *plus* (2) Capital employed (excluding that in respect of Gujarat Industrial capital works-in-progress) *plus* working capital.  
(3) Capital employed in respect of Gujarat Industrial Investment Corporation capital, bonds, reserves (other than those specifically funded



'A'—(Concl'd.)

( Figures in columns 5 to 9, 11 and 12 are in lakhs of rupees )

Total interest charged to Profit and Loss Account	Interest on long-term loans	Total return on capital invested (6+8)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (6+7)	Percentage of total return on capital employed	Remarks
7	8	9	10	11	12	13	14
2.38	..	3.33	6.61	200.16	5.71	2.85	
..	..	(—)0.45	..	29.06	(—)0.45	..	
2.08	..	(—)12.56	..	54.33	(—)10.28	..	

**Co-operation Department**

3.28	1.82	5.60	6.61	90.54	7.06	7.80	
4.57	4.44	31.07	133.69	23.51	31.20	132.71	
..	..	4.32	2.98	40.82	4.32	10.58	

free reserves.

Investment Corporation Limited) represents net fixed assets (excluding Limited represents the mean of the opening and closing balances of paid-up and backed by outside investment) and borrowings.

## APPENDIX

Summarised financial results of

(Referred to in paragraphs

Sl. No.	Name of the Corporation	Name of the Department	Date of incorporation	Total capital invested	Profit(+) Loss (-)
1	2	3	4	5	6
1	Gujarat Electricity Board	Industries, Mines and Power	1st May 1960	50,123.64	(+)213.28*
2	Gujarat State Road Transport Corporation	Home	1st May 1960	5,090.36	(-)363.91
3	Gujarat State Financial Corporation	Industries, Mines and Power	1st May 1960	..	(+)127.92
4	Gujarat State Warehousing Corporation	Agriculture, Forest and Co-operation	5th December 1960	209.34	(+)27.77

- Notes.—(1) Capital invested represents paid-up capital plus long-term loans plus
- (2) Capital employed in respect of Gujarat State Financial Corporation reserves (other than those which have been funded specifically and including refinance). In other three cases, it represents net fixed assets
- (3) \*Represents contribution to General Reserve in terms of Section 67 (viii)

'B'

## Statutory Corporations for the year 1977-78

5.2.4 and 5.4.4 of Section V of Chapter II )

(Figures in columns 5 to 9, 11 and 12 are in lakhs of rupees)

Total interest charged to Profit and Loss Account	Interest on long-term loans	Total return on capital invested (6+8)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (6+7)	Percentage of total return on capital employed	Remarks
7	8	9	10	11	12	13	14
3,007.56	2,717.47	2,929.75	5.84	35,889.00	3,220.84	9.97	
310.63	278.87	(- )85.04	..	3,227.14	(- )55.71	..	
401.11	..	..	..	7,173.55	529.03	7.37	
0.31	0.31	28.08	13.41	206.38	28.08	13.60	

free reserves,

represents the mean of the opening and closing balances of paid-up capital, backed by investments outside), bonds, deposits and borrowings (excluding capital works-in-progress) plus working capital, of the Electricity (Supply) Act, 1948.

Year	1870	1871	1872	1873	1874	1875	1876	1877	1878	1879	1880
Population	1,000,000	1,050,000	1,100,000	1,150,000	1,200,000	1,250,000	1,300,000	1,350,000	1,400,000	1,450,000	1,500,000
Area (sq. miles)	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Exports	100,000,000	110,000,000	120,000,000	130,000,000	140,000,000	150,000,000	160,000,000	170,000,000	180,000,000	190,000,000	200,000,000
Imports	80,000,000	85,000,000	90,000,000	95,000,000	100,000,000	105,000,000	110,000,000	115,000,000	120,000,000	125,000,000	130,000,000
Balance of Trade	20,000,000	25,000,000	30,000,000	35,000,000	40,000,000	45,000,000	50,000,000	55,000,000	60,000,000	65,000,000	70,000,000