



REPORT OF THE
COMPTROLLER AND
AUDITOR GENERAL OF INDIA

FOR THE YEAR 1976-77
(COMMERCIAL)

GOVERNMENT OF GUJARAT



REPORT OF THE
COMPTROLLER AND
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FOR THE YEAR 1970-71
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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 1976-77 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 1976-77 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 upto 1976-77(in lakhs of rupees)	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	700.10	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

1.01. Introduction :

There were 24 Companies (including 10 subsidiaries) of the State Government as on 31st March 1977. During the year, one new Company, Gujarat State Forest Development Corporation Limited, was incorporated, while another Company, Gujarat State Seeds Corporation Limited, which was registered in April 1975, became a Government Company.

A synoptic statement showing the summarised financial results of thirteen Companies (including three subsidiaries) for their accounting years ending in 1976-77 and one other Company for the year ended 31st March 1976, is given in Appendix 'A'. The accounts of Gujarat State Handicrafts and Handloom Development Corporation Limited for the year 1976-77 have not been finalised (May 1978). The accounts of the Gujarat Water Resources Development Corporation Limited are also in arrears since May 1971. Gujarat State Forest Development Corporation Limited, incorporated during 1976-77, will be preparing its first accounts in the year 1977-78. Seven subsidiary Companies had capitalised the entire expenditure incurred during 1976-77, as these were at the construction stage.

1.02. Paid-up capital :

The total paid-up capital of ten Companies (excluding subsidiaries), which had finalised their accounts for the year 1976-77 stood at Rs. 1,327.22 lakhs at the end of 1976-77, out of which Government investment was Rs. 1,099.14 lakhs.* This represented an increase of Rs. 36.06 lakhs over the paid-up capital of Rs. 1,291.16 lakhs in respect of the same ten Companies at the end of the previous year.

1.03. Long-term loans :

The balance of long-term loans outstanding against six Companies (excluding subsidiaries) was Rs. 3,051.41 lakhs as on 31st March 1977 (Rs. 1,485.74 lakhs from the State Government, Rs. 1,558.00 lakhs from other parties and Rs. 7.67 lakhs as deferred payment credit). This represented an increase of Rs. 585.81 lakhs over the outstanding balance of Rs. 2,465.60 lakhs in respect of seven Companies as on 31st March 1976.

* Difference between this figure and the figure of Rs. 1,096.44 lakhs exhibited in statement no. 14 of Finance Accounts 1976-77 is under reconciliation.

1.04. Guarantees :

The State Government had guaranteed repayment of the share capital of one Company, Gujarat Small Industries Corporation Limited, upto a maximum amount of Rs. 60.00 lakhs† against which Rs. 59.45† lakhs were outstanding as on 31st March 1977.

The State Government guaranteed repayment of loans, including deferred payment credits, to the extent of Rs.1,556.55 lakhs* raised by two Companies (Gujarat Agro Industries Corporation Limited and Gujarat Industrial Investment Corporation Limited), against which loans including deferred payment credits aggregating Rs. 1,552.72 lakhs* were outstanding as on 31st March 1977.

1.05. Profits and dividends :

1.05.1. The working results of thirteen Companies (including three subsidiaries) for the accounting years ending in 1976-77, 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 (Rupees in lakhs)	Profits(+) Losses(-)	
Companies other than subsidiaries :				
(i) which earned profits ..	6 (5)	1,193.36 (790.50)	(+)92.17 [(+)52.41]	7.72 (6.63)
(ii) which sustained losses ..	4 (4)	133.86 (500.65)	(-)53.02 [(-)54.11]	.. ..
Total ..	10 (9)	1,327.22 (1,291.15)	(+)39.15 [(-)1.70]	2.95 ..
Subsidiary Companies :				
(i) which earned profits ..	2 (..)	20.90 (..)	(+)14.69 (..)	70.29 (..)
(ii) which sustained losses ..	1 (3)	25.01 (39.18)	(-)2.56 [(-)5.30]	.. ..
Total ..	3 (3)	45.91 (39.18)	(+)12.13 [(-)5.30]	26.42 ..

Note : Figures in brackets represent figures for the previous year.

† These figures differ from those (Rs. 45.00 lakhs and Rs. 30.00 lakhs) exhibited in Finance Accounts 1976-77. The difference is under reconciliation.

* These figures differ from those (Rs. 1,899.98 lakhs and Rs. 1,860.50 lakhs) exhibited in statement no. 6 of Finance Accounts 1976-77. The difference is under reconciliation.

1.05.2. The profits of three Companies during 1976-77 were substantially higher than their profits in 1975-76, while another Company, which incurred a loss during 1975-76, earned a profit in 1976-77. Relevant details are indicated below :—

Name of the Company	Profits during	
	1975-76 (Rupees in lakhs)	1976-77
Gujarat State Textile Corporation Limited	4.91	10.32
Gujarat Mineral Development Corporation Limited	7.82	32.32
Gujarat State Construction Corporation Limited	8.01	29.34
Gujarat Agro Industries Corporation Limited	(—)14.69	2.11

1.05.3. In 1976-77, the profits of two Companies were substantially lower than the profits earned by them in 1975-76, as indicated below :—

Name of the Company	Profits during	
	1975-76 (Rupees in lakhs)	1976-77
Gujarat Industrial Investment Corporation Limited	14.94	5.26
Gujarat Export Corporation Limited	16.73	12.82

1.05.4. The following Companies (excluding subsidiaries) incurred losses in 1976-77:—

Name of the Company	Loss sustained during	
	1975-76 (Rupees in lakhs)	1976-77
Gujarat Small Industries Corporation Limited	20.12	36.97
Gujarat Dairy Development Corporation Limited	18.23	13.92
Gujarat Communications and Electronics Limited	1.07	2.12
Tourism Corporation of Gujarat Limited .. ..	..	0.01@

The State Government paid a subsidy of Rs. 2.62 lakhs in 1974-75, Rs. 5.68 lakhs in 1975-76 and Rs. 2.50 lakhs in 1976-77 to the Gujarat Dairy Development Corporation Limited as reimbursement of the loss incurred by the Company in running the Junagadh dairy transferred from Government. A further sum of Rs. 3.00 lakhs was received by the Company in 1977-78 in reimbursement of the loss incurred during 1975-76.

@ This is first year's working of this Company.

1.05.5. Four Companies (excluding subsidiaries) declared dividends aggregating Rs. 19.42 lakhs for the year ending in 1976-77, 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	10.50	8.25	2.25	15
Gujarat State Construction Corporation Limited	21.84	20.64	1.20	12
Gujarat State Textile Corporation Limited	5.85	2.60	3.25	2
Gujarat Mineral Development Corporation Limited	20.79	8.07	12.72	4

In addition, the Gujarat Small Industries Corporation Limited, which incurred a loss in the year 1976, has proposed to declare a dividend at 4 *per cent* (guaranteed by the Government of Gujarat) to be paid out of the subvention to be received from the State Government.

1.06. In accordance with Section 619-B of the Companies Act, 1956 (effective from February 1975), a company became subject to the provisions of Section 619 of the Act, as if it were 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, Gujarat State Fertilizers Company Limited, with a paid-up capital of Rs. 1,499.62 lakhs, of which Rs. 1,058.13 lakhs was held by the State Government and Companies and Corporations owned or controlled by Governments. The working result of the Company for the year ended 31st December 1976 showed a net profit of Rs. 2,798.98 lakhs before tax and development rebate reserve/investment allowance, as against a profit of Rs. 2,118.17 lakhs earned in the previous year.

SECTION II

GUJARAT DAIRY DEVELOPMENT CORPORATION LIMITED

2.01. Introduction :

The Gujarat Dairy Development Corporation Limited was incorporated on 29th March 1973 as a wholly owned Government Company.

The main objects of the Company are to :

- (i) produce, buy, collect, sell and distribute milk and all kinds of milk products;
- (ii) promote, develop, organise and finance units, farms and agencies in the field of dairy farming ;
- (iii) promote and develop cattle husbandary for increasing milk production and quality of milk by improved and scientific means;
- (iv) assist, promote and encourage the establishment and formation of co-operative primary societies and co-operative unions of milk producers and enter into arrangements with them for the purpose of channelising milk production, collection and distribution;
- (v) set-up a net work system for milk procurement to provide the necessary economic incentive for increasing milk production; and
- (vi) provide training, technical and other consultancy services and render guidance and supervision in designing, erecting and operating dairies.

The Company has taken up the following activities:—

- (i) operation of two dairies at Junagadh and Jamnagar, transferred to it by Government;
- (ii) administration of a district co-operative milk producers' union and provision of consultancy services to five unions;
- (iii) implementation, on agency basis, of cattle and dairy development programme in the districts of Amreli and Jamnagar; and
- (iv) training of personnel of co-operative dairy societies.

2.02. Organisational set-up :

The management of the Company is vested in a Board of twelve Directors including the Chairman and the Managing Director, appointed by Government. The Managing Director is the Chief Executive, and has been delegated powers for the day-to-day management of the Company's affairs.

2.03. Capital Structure :

2.03.1 *Share capital*.—The authorised capital of the Company is Rs. 2.00 crores. The paid-up capital as on 31st March 1977 was Rs. 59.39 lakhs.

2.03.2. *Borrowings*.—The Company had obtained a loan of Rs. 10.00 lakhs from the State Government in November 1975 for running the Jamnagar dairy. The loan is repayable in ten equated annual instalments, the first instalment to be paid one year after the date of disbursement, and carries interest at 10 per cent per annum with a rebate of one per cent for timely payment of the instalments of principal and interest; in the event of default, an additional penal interest of two per cent is leviable. The Company failed to pay the first instalment of principal (Rs. 1.00 lakh) and interest (Rs. 1.00 lakh) which fell due in November 1976 and requested Government in February 1977 to treat the amount as “grant towards capital expenditure”. No decision has been taken by Government on this request as yet (May 1978).

2.04. Dairying activities :

2.04.1 *Acquisition of dairies*.—In the initial months after its formation, the Company devoted itself, at the instance of Government, to studying the cattle and milk producing potential of five districts (Amreli, Jamnagar, Junagadh, Kutch and Valsad) in which dairying was not developed and to preparing reports for the development of co-operative milk dairies in these districts. At that time, a Government owned dairy at Junagadh (established in 1965) was continuously operating at a loss, while another dairy at Jamnagar established by Government and handed over to the Jamnagar Municipality in 1968 was lying idle on account of the inability of the Municipality to run it.

The State Government, therefore, decided to hand over these two dairies to the Company for operation and development. Accordingly, the Company took over the dairy at Junagadh from 1st October 1973 and that at Jamnagar from 2nd October 1975.

According to the terms and conditions governing the transfer of the dairies to the Company, the value of their assets handed over to and accepted by the Company was to be treated as Government's contribution to the share capital of the Company. In terms of a Government order issued in April 1974 for the valuation of different assets of the Junagadh dairy, Government computed their value at Rs. 18.01 lakhs and communicated this to the Company in July 1977; the latter is, however, yet to verify and accept the valuation (May 1978). The value of the assets of Jamnagar dairy was fixed at Rs. 9.33 lakhs by Government in March 1976. This was, however, not accepted by the Company which suggested in February 1977 that the assets may be valued at their depreciated value (Rs. 6.06 lakhs). Government is yet to take a final decision on this question and consequently

necessary adjustments for bringing into account the value of the assets have not been carried out (May 1978).

2.04.2. Performance :

(a) *Procurement of milk.*—The Company does not have a cattle farm of its own and procures raw milk for the dairies from producers. Raw milk for the Junagadh dairy is procured mostly from nearby villages through rural milk producers' co-operatives and from Government dairy farms. Additional milk, available from the implementation of the Cattle and Dairy Development Programme in Amreli district under the Drought Prone Areas Programme, was also procured from January 1975 by the dairy. The quantity of milk purchased by the dairy during the four years ending 31st March 1977 is indicated below :—

Year					Quantity (in lakh litres)
1973-74	..	..	..	..	1.96
1974-75	..	..	..	..	8.65
1975-76	..	..	..	..	14.68*
1976-77	..	..	..	..	11.98**

Initially, the Jamnagar dairy was only obtaining processed toned milk from the Junagadh dairy for distribution after reprocessing and the quantity thus obtained between October 1975 and September 1976 amounted to 5.16 lakh litres. A beginning was, however, made in July 1976 to procure raw milk from the milk producers' co-operatives established in the area by the Company and till 31st March 1977, the dairy had procured 2.57 lakh litres raw milk from these sources.

Details of the expected daily procurement of raw milk envisaged in the Company's annual budgets and of the quantities actually procured during the four years ending 31st March 1977 in respect of the Junagadh dairy and during 1976-77 in respect of the Jamnagar dairy are tabulated below :—

Year	Junagadh dairy		Jamnagar dairy	
	Expected	Actual (in litres)	Expected	Actual
1973-74	..	1,000	1,075	..
1974-75	..	5,000	2,370	..
1975-76	..	13,000	4,011	..
1976-77	..	10,000	3,283	5,000
				1,025

* Includes 5.00 lakh litres of processed milk purchased from the Dudhsagar dairy of Mehsana District Co-operative Milk Producers' Union.

** Includes 3.08 lakh litres of processed milk purchased from the above Union.

The Management stated (December 1977) that the expected quantity could not be procured due to various constraints, such as lack of enthusiasm for becoming members of milk producers' co-operatives, difficulties in marketing of milk, *etc.*

(b) Processing

(i) *Output.*—Raw milk purchased is processed to obtain milk of uniform quality with 3.1 per cent to 5 per cent fat content, which is sold as toned/standard liquid milk. The surplus milk that cannot be sold in retail as well as the milk that gets sour or curdled is converted into other milk products like cream, butter, ghee, butter milk, *etc.* The output of these items during the four years ending 31st March 1977 in respect of the Junagadh dairy and during 1976-77 in respect of the Jamnagar dairy is indicated below :—

Particulars	Junagadh dairy				Jamnagar dairy 1976-77
	1973-74	1974-75	1975-76	1976-77	
(i) Raw milk processed .. (in lakh litres)	1.96	8.65	18.55*	15.60*	5.05**
(ii) Products obtained :					
Milk (in lakh litres) ..	1.68	7.97	17.39	15.07	4.46
Cream (in lakh kilograms)	0.02	0.29	0.82	0.58	0.09
Butter (in lakh kilograms)	0.01	0.21	0.35	0.50	0.05
Ghee (in lakh kilograms)	0.01	0.15	0.48@	0.37	0.03
Butter Milk (in lakh litres)	..	0.63	2.07	1.57	0.33

(ii) *Utilisation of capacity.*—In September 1973, the National Dairy Development Board had assessed the installed capacity of each of the two dairies at 10,000 litres per day. The Company, however, fixed the rated capacity of each of the two dairies at 5,000 litres per day after taking into account the age and technical performance of the processing plants installed therein. The actual quantities processed, including milk produced from skimmed milk powder in the plants of the two dairies, against the rated capacity, during the four years ending 31st March 1977

* Includes 5.00 lakh litres and 3.08 lakh litres of standard milk purchased from Dudhsagar dairy of Mehsana District Co-operative Milk Producers' Union in 1975-76 and 1976-77 respectively.

** Includes 2.20 lakh litres of standard milk received from Junagadh dairy and reprocessed.

@ Includes 0.03 lakh kilograms of ghee purchased from Gujarat Milk Marketing Federation.

in respect of the Junagadh dairy and during 1975-76 and 1976-77 in respect of the Jamnagar dairy, were as shown below :—

Dairy	Year	Average quantity processed per day (in litres)	Percentage utilisation of rated capacity
Junagadh	1973-74(a)	1,075	21.5
	1974-75	2,370	47.4
	1975-76	4,011	80.2
	1976-77	4,275	85.5
Jamnagar	1975-76(b)	2,142	42.8
	1976-77	2,312	46.2

In the periodical progress reports submitted to the Board of Directors, the Management attributed the under-utilisation of the capacity to the reduction in procurement on account of marketing constraints faced in the disposal of processed milk.

(iii) *Processing efficiency.*—The Company had not maintained any record of milk solids, viz. fat and solid-not-fat of milk purchased, processed and disposed of during 1973-74 and 1974-75. The Management stated (December 1977) that during 1973-74 and 1974-75, payments for purchases were being made only on the basis of quantities of milk purchased and not on the basis of fat content, which was the practice followed earlier. Though a record of milk solids of the whole milk procured was maintained from 1975-76 onwards, loss thereof in processing at various stages had not been worked out. The Management stated (December 1977) that as the dairies mainly processed only liquid milk, no necessity was felt for detailed accounting at various stages of processing.

Details of loss of fat in handling and processing, suffered by the Junagadh dairy during 1975-76 and 1976-77 and by the Jamnagar dairy during 1976-77 are tabulated below :—

	Junagadh		Jamnagar
	1975-76	1976-77	1976-77
	(in thousand kilograms)		
1. (a) Total quantity of fat available in milk and milk products	134.6	100.5	24.3
(b) Less quantity of fat available in the stocks -in-hand at the close of the year	5.5	5.4	2.7
(c) Net quantity of fat which should have been available in the saleable products	129.1	95.1	21.6

(a) From 1st October 1973.

(b) From 2nd October 1975.

	Junagadh		Jamnagar
	1975-76	1976-77	1976-77
	(in thousand kilograms)		
2. Quantity of fat actually disposed of in products sold	116.9	91.6	19.1
3. Quantity unaccounted for (loss)	12.2	3.5	2.5
4. Percentage of unaccounted quantity to total	9.03	3.48	10.29
5. Average purchase price per kilogram (in rupees)	26.00	26.00	30.50
6. Value of loss (in lakhs of rupees)	2.16	0.91	0.76

The fat loss was attributed (December 1977) by the Management to under-utilisation of handling capacity and procurement from neighbouring districts and from Mehsana, involving long leads.

(iv) *Milk losses.*—The Company has not fixed any norms in regards to losses on account of sourage and curdling. However, in the project reports prepared in 1975 for expansion of the dairies, one *per cent* for souring and curdling had been assumed. The details of milk lost by sourage and curdling in the Junagadh dairy during the four years ending 31st March 1977 and in the Jamnagar dairy during 1976-77 are given below :—

Year	Total quantity of milk handled (in lakh litres)	Curdled and sour milk	
		Quantity (in lakh litres)	Percentage
Junagadh dairy			
1973-74	1.96	0.22	11.2
1974-75	8.65	0.56	6.5
1975-76	18.61@	1.19	6.4
1976-77	15.76@	0.77	4.9
Jamnagar dairy			
1976-77	5.05	0.18	3.6

It may be seen from the above that the percentage of loss due to sourage and curdling was much higher than the norm of one *per cent*. The Management attributed (December 1977) the increase in losses to conditions beyond their control like interruption of electricity supply.

2.04.3. Distribution and sales :

(a) *Distribution arrangements.*—Milk is distributed loose in retail in the towns of Junagadh and Jamnagar through distribution centres set-up by the respective dairies and managed by part-time centre managers appointed by the dairies. Forty six such distribution centres under

@ Includes opening stock.

Junagadh dairy and seventeen centres under Jamnagar dairy were functioning as on 31st March 1977. All the centre managers, other than ten managers appointed by the Junagadh dairy, were paid a commission on the sales at 5 paise per litre; while six of the ten managers under the Junagadh dairy were paid a monthly wage of Rs. 60, the remaining four managers were paid a daily wage of Rs. 1.75 each.

Up to April 1975, a system of supplying milk in exchange for coupons sold in advance to the customers was in vogue in the areas served by the dairies. The coupon system was, however, discontinued from May 1975 following the detection of certain malpractices in one of the centres (dealt with in sub-paragraph (d) below) and sales on cash payment introduced instead. The cash collections are to be handed over to the dairy by the centre managers daily along with the account of milk receipts and sales.

(b) *Sales* .—The details of sale of milk and milk products, for the four years ending 31st March 1977, in respect of the Junagadh dairy and during 1975-76 and 1976-77 in respect of the Jamnagar dairy, are tabulated below :—

Product		Junagadh dairy				Jamnagar dairy	
		1973-74	1974-75	1975-76	1976-77	1975-76	1976-77
Milk	Quantity (in lakh litres)	1.66	7.15	12.88*	19.73@	2.94	4.46
	Sale proceeds (in lakhs of rupees)	2.10	10.80	23.48	36.73	5.94	9.08
Cream	Quantity (in kilograms)	14	33	37	8	..	..
	Sale proceeds (in rupees)	4	438	483	96	..	..
Butter	Quantity (in kilograms)	78	34.5	4.5	8	..	..
	Sale proceeds (in rupees)	1,304	605	80	136	..	..
Ghee	Quantity (in kilograms)	786	6,880	55,680	37,375	..	2,922
	Sale proceeds (in lakhs of rupees)	0.16	1.46	11.25	7.54	..	0.65
Butter milk	Quantity (in lakh litres)	..	0.63	2.07	1.57	..	0.22
	Sale proceeds (in lakhs of rupees)	..	0.08	0.27	0.25	..	0.06
Skim milk for others	Quantity (in lakh litres)	..	..	..	..	..	3.66
	Sale proceeds (in lakhs of rupees)	..	..	..	..	..	1.21

* In addition, Junagadh dairy supplied 2.95 lakh litres (value: Rs.4.87 lakhs) and 2.20 lakh litres (value : Rs. 3.98 lakhs) of milk in the years 1975-76 and 1976-77 respectively to Jamnagar dairy.

@ Includes 7.03 lakh litres (value : Rs. 8.84 lakhs) sold to Rajkot dairy directly from Chalala centre of Drought Prone Areas Programme.

(c) *Selling price* .—The selling price of milk and milk products is fixed by the Company after taking into account the price prevailing in other dairies in the State as well as the sale price of milk marketed by private traders. The selling prices prevailing during the four years ending 31st March 1977 in respect of the Junagadh dairy and during 1975-76 and 1976-77 in respect of the Jamnagar dairy were as under :

Dairy	Year	Selling price per litre
Junagadh	1973-74	From Rs. 1.10 to Rs. 1.30
	1974-75	From Rs. 1.30 to Rs. 1.60
	1975-76	From Rs. 1.60 to Rs. 1.80
	1976-77	From Rs. 1.80 to Rs. 2.00
Jamnagar	1975-76	Rs. 2.00
	1976-77	Rs. 2.00

Proper process cost accounts, which would enable the Company to fix cost-based selling prices, had not been maintained.

(d) *Alleged misappropriation of funds* .—As stated earlier, till April 1975, the dairies supplied milk in exchange of coupons sold in advance. Under the coupon system, the coupon books were to be issued by the Dairy Manager to the coupon issue clerk, after obtaining his signature, who was to remit the money realised from sale of coupons to the cashier on the same day or the following day. The coupon issue clerk was required to maintain a register showing the date-wise details of coupon books received, sold and in hand and also the amount realised from sales.

It was noticed during test check in audit of the accounts of coupon books for the year 1973-74 that the coupon issue clerk had not accounted for the sale of 515 coupon books (value Rs.0.12 lakh) during October 1973 to September 1974. The non-accountal of these sales was facilitated by the failure of the Dairy Manager to check the entries in the register maintained by the coupon issue clerk and the daily stocks of coupon books as recorded in the register with the actual stocks in hand. There was also no system of linking the coupons tendered for purchasing milk with the coupon sale register. The coupon issue clerk, suspected of having misappropriated the value of the unaccounted coupon books, was suspended in December 1974 and the Company filed criminal cases against him with the police and in a court. Further developments are awaited (May 1978).

(e) *Sundry debtors*.—The following table indicates the amounts due from debtors and the total turnover (sales, service/agency charges, etc.) for the four years ending 31st March 1977:—

	1973-74	1974-75	1975-76	1976-77
	(Rupees in lakhs)			
(i) Book debts at the end of the year	0.14	1.27	5.15	4.24
(ii) Turnover during the year (including agency and service charges)	2.27	12.76	42.04	56.45
(iii) Percentage of debts to turnover	6.1	9.9	12.2	7.5
(iv) Debts considered doubtful .. .. .	..	..	0.06	0.14

In Jamnagar dairy, amounts aggregating Rs. 0.31 lakh were outstanding from the centre managers towards sale of milk. Nine centre managers, from whom Rs. 0.26 lakh were due and who were no longer in service, disowned their liability in this regard. No agreements had been executed with the centre managers nor had any security been obtained from them. The Management stated (December 1977) that having been asked all of a sudden on 1st October 1975 to take over the Jamnagar dairy from the municipality and distribute milk in Jamnagar from 2nd October 1975, the Company did not have much time for completing formalities like obtaining surety bonds, etc., from the centre managers and that deposits were obtained from most managers subsequently, the Management further stated that criminal cases were being filed for the recovery of dues.

2.04.4. Expansion programmes :

(a) *Junagadh dairy*.—Before taking over the dairy, the Company had entrusted (May 1973) a study of the working of the dairy to the National Dairy Development Board, on payment of a fee of Rs. 2,500. The Board, which was also required to suggest measures for improving the working of the dairy so as to make it a viable unit, recommended in their report, submitted in September 1973, that with its existing plant, the dairy should attain a daily handling capacity of 10,000 litres of milk within a year of the take-over from the then existing capacity of 5,000 litres and thereafter be handed over to the District Co-operative Milk Producers' Union and be expanded to a feeder dairy with a daily handling capacity of 60,000 litres of raw milk. After expansion, the dairy was expected to break even at 55 per cent of its capacity, i. e. at a procurement level of 33,000 litres per day, during the third year of operation.

The Company did not, however, implement the recommendations of the National Dairy Development Board. Although the existing capacity of the dairy remained considerably under-utilised as indicated in paragraph 2.04.2 (b) (ii), the Company prepared a project report in 1975 for increasing the daily handling capacity of the dairy initially to 25,000 litres at an estimated cost of Rs.12.87 lakhs and subsequently to 40,000 litres at an estimated cost of Rs.10.09 lakhs. No time schedule for the execution of the expansion programme was, however, laid down.

After inviting tenders in June 1976 for implementing the first phase of the expansion programme, the Company awarded a contract (value: Rs. 14.57 lakhs) in July 1976 to a firm for the supply, erection, installation and commissioning of a complete milk processing plant, with butter churner, ghee kettle and casein vat, with a capacity to handle 25,000 litres raw milk per day. Though, in terms of the contract, the work was to be completed by 31st December 1976, the firm informed the Company in August 1976 that it was not possible to complete the entire work by the end of December 1976 and that while efforts would be made to complete the bulk of the work by that date, the work would in any case be completed by February 1977. The firm had not, however, completed the work even till May 1978. The firm was paid Rs. 14.10 lakhs up to December 1977.

According to the general terms and conditions forming part of the contract, a penalty at the rate of half *per cent* of the value of each item was leviable for each week's delay, subject to a maximum of 5 *per cent* of the net value of each item of the accepted order, which remained undelivered, not erected or not commissioned after the due date. The Company is, however, yet to take up with the firm the question of levying penalty for the delay in commissioning the plant. The Management stated (December 1977) that while the civil work was hampered due to acute shortage of cement, the expansion programme was required to be executed in such a manner so that the routine functioning of the dairy was not disturbed and that the question of levying penalty would be considered in consultation with the National Dairy Development Board.

(b) *Jamnagar dairy*.— The Company prepared a project report in May 1975 for the expansion of the dairy to be implemented in four stages and involving an additional capital outlay of Rs. 36.50 lakhs. The project report envisaged that the collection and sales of milk would be (i) 3,000 litres per day in the first stage of expansion, (ii) 6,000 litres in the second stage, (iii) 10,000 litres in the third stage, and (iv) 15,000 litres in the fourth stage during lean seasons, expandable to 25,000 litres in the flush season. The break-even point was expected to be reached in the third stage. No time schedule was, however, laid down for the completion of different stages of the expansion scheme.

After inviting tenders in March 1976 the Company placed an order (value: Rs. 14.08 lakhs) in June 1976 on a firm of Secunderabad for the supply, erection and commissioning, by 31st October 1976, of equipment for the expansion of the dairy, to handle 25,000 litres of milk daily.

Although the firm installed the requisite equipment in January 1977, these had not been commissioned till April 1978 on account of certain defects in the refrigeration and pasteuriser plants. The firm had been asked by the Company in November 1977 to rectify the defects and commission the plant within a week. The plant was commissioned and taken over by the Company on 6th May 1978 subject to the firm attending to rectification/ replacement of certain items of equipment.

According to the general terms and conditions of the order, the firm was liable to pay penalty at the rate of $\frac{1}{2}$ per cent of the value of each item for every week's delay, subject to a maximum of 5 per cent of the net value of each item of the accepted order which remained undelivered, not erected or not commissioned on the due date. The Management stated (December 1977) that the question of levying penalty was under consideration in consultation with the National Dairy Development Board.

2.04.5. Other points of interest:

(a) *Surplus staff*.—According to the terms and conditions governing the transfer of Junagadh dairy, all the existing employees of the dairy were to be initially transferred on deputation to the Company, without any deputation allowance, with an option to get themselves absorbed in the Company within two years. Accordingly, 66 employees of different categories were transferred to the Company in October 1973. Between November 1973 and December 1975, the Company declared 61 employees surplus to the requirements and requested Government to repatriate them; sixty three of the sixty six employees transferred to the Company also exercised option for reversion to Government service. However, till July 1977, only 37 employees had been repatriated and the Company utilised the services of only five employees (two junior clerks, a refrigerator operator, a driver and a boiler attendant). The expenditure on the pay and allowances of the surplus employees amounted to Rs. 2.27 lakhs from the date they were declared surplus up to March 1977 (in the case of those who were yet to be repatriated) or up to the date of repatriation (in the case of those who were repatriated).

While confirming the facts mentioned in the paragraph, the Management stated (December 1977) that though the Company had repeatedly requested the State Government to repatriate the staff who had exercised their option to be repatriated on the expiry of their deputation, Government was unable to give them postings and consequently such staff remained with the Company beyond the expiry of the period of deputation.

(b) *Idle assets*.—In terms of another condition of transfer of the Junagadh dairy, the Company had the option to take over only such of those vehicles, dead stock and furniture as it might choose. As on 1st October 1973, the dairy had 16 vehicles (depreciated value : Rs. 1.52 lakhs), comprising two new truck chassis (value : Rs. 0.61 lakh), seven other vehicles in working conditions (value : Rs. 0.81 lakh), and seven unserviceable vehicles (value : Rs. 0.10 lakh).

In view of the fact that the transportation of milk procured for the dairy was entrusted to contractors, the Company requested Government in January 1975 to allow it to retain only one jeep (value Rs. 0.02 lakh). Government, however, decided in October 1975 not to accede to the request on the ground that the Company had not exercised its option immediately after the take-over of the dairy and the vehicles, having been kept in the open, had deteriorated to scrap. The fifteen vehicles (value : Rs. 1.50 lakhs) not taken back by Government and their spare parts, tyres and tubes (value : Rs. 0.12 lakh) were lying unused since October 1973 with the Company (May 1978). The Management stated (December 1977) that they had requested Government either to pay a grant of Rs. 1 lakh to the Company to enable it to pay taxes on the vehicles from the date of take over or to allow the Company to treat the vehicles as having been taken over with effect from 1st January 1978 to enable their immediate disposal and that Government's reply to this proposal was awaited.

(c) *Condenser and water softening plant* .—At the time of take-over of the Junagadh dairy, the condensers of its refrigeration plant were worn out and scale formation in the boiler, pipe fitting, etc. had also reduced the efficiency of the plant. In their report of September 1973, the National Dairy Development Board had recommended the replacement of the condensers preferably with condensers of atmospheric type, with a view to setting right the refrigeration system and the installation of a water softening plant to overcome the problem of hardness of water. The Company placed orders in April 1974 for four sets of condensers and in May 1974 for the water softening plant through the National Dairy Development Board.

The condensers (cost : Rs. 0.39 lakh), received in April 1975, were not installed and commissioned till June 1976. Consequently, the Company had to incur an avoidable expenditure of Rs. 0.39 lakh on the purchase of ice during May 1975 to June 1976.

The equipment for the water softening plant (cost : Rs. 0.36 lakh) were to be delivered within three months of the date of issue of the order, *i. e.* by August 1974. In terms of a guarantee clause in the purchase order, the equipment were to be repaired/replaced, without any extra cost, if any item or part thereof was found defective on account of bad workmanship or the use of sub-standard material, within 12 months from the date of commissioning of the plant or 18 months from the date of receipt of equipment at the site, whichever was earlier. The equipment were received only in March 1975, due to delay in giving despatch instructions and had been commissioned in April 1978 and consequently the guarantee period had lapsed.

The Management stated (December 1977) that a decision had been taken for the installation of the condensers and water softening plant along with the expansion of the dairy with a view to avoiding duplication and reducing expenditure.

2.05. Administration of co-operative milk producers' unions:

The Company was entrusted with the administration of the Ahmedabad District Co-operative Milk Producers' Union and was also acting as consultants to district co-operative milk producers' unions at Bharuch, Jamnagar, Kutch, Panchmahals and Valsad.

2.05.1. Ahmedabad District Co-operative Milk Producers' Union.—

In February 1974, the State Government entrusted the Company, under the Gujarat Co-operative Societies Act, 1961, with the complete administration of the Ahmedabad District Co-operative Milk Producers' Union, which had run into financial difficulties owing to inefficient management. The terms and conditions under which the Company was to administer the union specifying, *inter alia*, matters like recovery of administration charges, grant of financial assistance, limits up to which expenditure could be incurred on behalf of the union, *etc.*, were, however, not laid down. The Company administered the affairs of the union from April 1974 to September 1975 when the arrangement was terminated by Government at the request of the members of the union.

During the period from April 1974 to September 1975, the Company advanced to the union a loan of Rs. 2.00 lakhs carrying interest at 13 *per cent per annum* and repayable in monthly instalments of Rs. 0.10 lakh including interest. In addition, the Company also made purchases valued at Rs. 0.13 lakh on behalf of the union. The union repaid to the Company Rs. 1.45 lakhs towards the loan and Rs. 0.06 lakh as interest and an amount of Rs. 1.33 lakhs (balance of loan : Rs. 0.55 lakh ; interest : Rs. 0.27 lakh ; cost of purchases : Rs. 0.13 lakh ; and agency (administration) charges : Rs. 0.38 lakh) was recoverable from the union as on 31st March 1977. In the accounts of the union for the year 1975-76 available with the Company, its liability to the Company had, however, been shown only as Rs. 0.55 lakh. The Company had not maintained separate accounts of the expenditure incurred on the administration of the union and the accounts with the union were yet to be settled finally (May 1978). The Management stated (December 1977) that a claim in respect of the outstanding amount had been lodged with the liquidator of the union.

2.05.2. Kutch District Co-operative Milk Producers' Union.—

By an agreement entered into with the Company in April 1976, the union agreed to take technical guidance from the Company, on agency basis, from 1st February 1976. According to the agreement, all the expenditure on staff, including persons deputed by the Company, and other expenses were to be borne by the union. The Company had not, however, maintained separate accounts of the expenditure incurred by it on behalf of the union. Agency charges calculated at 1 *per cent* of the average realisations from sale of milk upto 2,000 litres per day and at 0.5 *per cent*, of the realisations in respect of the quantity sold in excess of 2,000 litres per day, were also payable by the union every three months, subject to profits being made by it. As the union had incurred losses, no agency charges were paid by it.

In August 1976, the Company advanced Rs. 0.25 lakh to the union to enable it to tide over its financial problems without, however, executing any agreement stipulating the terms and conditions in regard to the repayment of loan, recovery of interest, security, etc. The advance was yet to be repaid by the union (March 1978). The Management stated (December 1977) that Company had approached the union for executing the agreement.

2.06. Cattle and Dairy Development Programme :

2.06.1. Mention was made in paragraph 17 of the Supplementary Report of the Comptroller and Auditor General of India for the year 1973-74 (Civil), Government of Gujarat of some aspects of implementation of the Centrally sponsored Drought Prone Areas Programme in the State during the Fourth Five Year Plan. In May 1974, the State Government formulated a programme for the development of cattle and dairy in the drought prone areas of the State, to be implemented during the Fifth Plan period (1974-75 to 1978-79) in the districts of Amreli and Jamnagar as part of the Drought Prone Areas Programme. The programme, which laid stress on the building up of a sound infrastructure for milk production, envisaged, *inter alia*, the organisation of milk co-operative societies and establishment of milk cooling/chilling units in selected areas for the storage and marketing of milk. The State Government entrusted to the Company the implementation, on agency basis, of the programme in Amreli District (January 1975) and Jamnagar District (September 1976). For implementing the programme, the Company was to receive an agency commission, calculated at the rate of $3\frac{1}{2}$ per cent of the expenditure incurred on the programme, which was to be financed by the State Government.

Results of a test check in audit (August 1977) of the records relating to the implementation of the programme in Amreli District as well as subsequent development are mentioned in the succeeding paragraphs.

2.06.2. *Financial outlay and expenditure.*—Up to 31st March 1977, an expenditure of Rs. 35.27 lakhs was incurred by the Company on the implementation of the programme in the District, as against the plan outlay of Rs. 79.00 lakhs. Details of the budget allotments and actual expenditure incurred by the Company, during the three years period ending 31st March 1977 are indicated below :—

Year	Budget allotment	Funds received	Actual expenditure	Progressive expenditure to the end of the year
		(Rupees in lakhs)		
1974-75*	.. 20.07	20.07	6.23	6.23
1975-76	.. 16.51	7.00	16.79	23.02
1976-77	.. 15.78	11.24	12.25	35.27

* January to March 1975.

The Company had not maintained separate accounts in respect of the expenditure incurred from the funds received by it from the State Government for the programme, with the result that the segregation of capital and revenue expenditure, with a view to ensuring that the expenditure incurred was in accordance with the limits specified in this regard by the State Government, was not possible. The Company had also not maintained an asset register indicating the details of the assets created out of the funds released for the programme and their cost. The Management stated (December 1977) that separate accounts were being maintained from 1st April 1977 and that asset registers were under preparation.

2.06.3. Implementation :

(a) *Achievements.*—The programme, implemented in four talukas, aimed at setting up 170 co-operative societies, with a daily milk production of 62,900 litres and procurable surplus of 27,700 litres, by the end of March 1979. These societies were primarily intended to serve as collection centres for milk to be supplied to the dairies of the Company, which processed and marketed the milk. As against the target of 100 societies, with a daily capacity for procuring 17,094 litres of milk, to be established by the end of March 1977, 101 societies were established which procured, on an average, 5,618 litres of milk daily.

The Management stated (December 1977) that the targets of milk procurement were adopted on the basis of the recommendations of the National Dairy Development Board, but the area being drought-prone it was difficult to procure more milk. The Management stated further that the societies were also started in the lean season to obviate the problem of marketing the milk and hence procurement was less.

(b) *Installation of chilling plant.*—The procurement and installation of equipment, on turn-key basis, for a chilling centre of 10,000 litres capacity per day (expandable to 20,000 litres per day) at Chalala at a cost of Rs. 6.67 lakhs, was entrusted by the Company to the National Dairy Development Board in August 1974. A formal agreement in this regard was, however, finalised only in August 1976, according to which the Company was to pay to the Board a service fee calculated at the rate of 5 per cent of the total cost of equipment supplied and their installation. No time limit for the supply of equipment and their commissioning was, however, specified in the agreement. The equipment, though received at site between May 1975 and December 1975, were erected and commissioned only by May 1977. An 'on account' payment of Rs. 5.68 lakhs was made to the Board during March 1975 to March 1976. Pending installation of the plant, 0.65 lakh litres of milk, collected at the Chalala Centre between August 1976 and March 1977 soured and curdled during transit to Rajkot and had to be sold to the Rajkot dairy at a lower price, resulting in a loss of Rs. 0.36 lakh when compared with the procurement price.

The Management attributed (December 1977) the delay in erection and commissioning of the plant to the non-completion of civil works in time on account of delay in purchase of land and scarcity of construction materials like cement.

2.06.4. *Payment of subsidy.*—The programme provided for the grant of subsidies to the economically weaker sections of the farming community, in possession of milch animals and forming into milk societies, at the following scales :—

(a) Rupees 2,000 per society during the first year for purchase of milk testing equipment;

(b) Rupees 1,000 per society during the first year for purchase of acid and alcohol, required for testing fat and solids-not-fat contents in milk;

(c) Management subsidy during the first, second and third years at Rs. 150 per month, Rs. 100 per month and Rs. 75 per month respectively per society; and

(d) Rupees 6,000 per society or actual expenditure incurred, whichever was less, during the first three years towards costs of transportation of milk from the villages to the chilling centre and then to the Junagadh dairy.

The Company had not, however, regulated the payment of subsidy in accordance with the above norms and had over paid an amount of Rs. 1.46 lakhs (Rs. 0.18 lakh for purchase of testing equipment; Rs. 0.14 lakh as managerial subsidy and Rs. 1.14 lakhs as transportation subsidy). The Management stated (December 1977) that in the initial stages, the subsidy was paid according to the *ad hoc* rates approved by the Drought Prone Areas Programme Agency of the district, which were slightly higher than the norms laid down by Government and that action to adjust the excess subsidy was under consideration.

2.07. Training of personnel of co-operative dairy societies :

The schemes approved by the Planning Commission for implementation by the State Government under the Employment Promotion Programme (1974-75) included a scheme for the training of personnel of co-operative dairy societies, with a capital outlay of Rs. 0.30 lakh plus 15 per cent towards incidental expenses. In November 1974, the State Government entrusted the implementation of the scheme to the Company. The scheme, as formulated by the State Government, envisaged that theoretical training for 20 days and practical training for 10 days would be imparted to 50 trainees in each of the six districts of Ahmedabad, Amreli, Junagadh, Kutch, Panchmahals and Valsad, where the Company was to undertake the task of organising milk producers' co-operative societies. In March 1975, the Company imparted training to 247 trainees in three districts (Ahmedabad : 36,

Amreli: 145 and Junagadh : 66) at an expenditure of Rs. 0.25 lakh towards stipend and Rs. 0.04 lakh towards incidentals. Of these, only 158 trainees (Ahmedabad: 25; Amreli: 88; and Junagadh: 45) were reported by the Management to have been employed as on 30th June 1977. The Management stated (December 1977) that while some of the trainees were reluctant to be employed at places far away from their villages, employment was being provided to them as and when new societies were organised.

2.08. Financial position and working results :

2.08.1. *Financial position.*—The financial position of the Company for the four years ending 31st March 1977 is summarised below :—

	1973-74	1974-75	1975-76	1976-77
	(Rupees in lakhs)			
<i>Liabilities :</i>				
(1) Paid-up capital	10.39*	21.39	33.39	59.39
(2) Borrowings ..	..	..	10.00	10.00
(3) Trade dues and current liabilities ..	1.44	17.46	14.83	22.94
	11.83	38.85	58.22	92.33
<i>Assets :</i>				
(4) Gross block**	0.53	1.23	1.73	21.22
(5) Less : Depreciation ..	0.08	0.25	0.48	4.52
(6) Net fixed assets ..	0.45	0.98	1.25	16.70
(7) Capital works-in-progress ..	..	0.62	0.73	6.17
(8) Current assets, loans and advances	7.47	25.55	32.15	33.95
(9) Miscellaneous expenses ..	0.41	0.46	0.46	0.46
(10) Accumulated losses ..	3.50	11.24	23.63	35.05
	11.83	38.85	58.22	92.33
Capital employed†	6.48	9.07	18.57@	27.71
Net Worth‡	6.48	9.69	9.30	23.88

* Includes share application money of Rs. 5 lakhs, shares in respect of which were to be allotted.

** Does not include the value of assets of Junagadh and Jamnagar dairies taken over from Government, *vide* paragraph 2.04.1.

@ In Annexure 'A' of the Report of the Comptroller and Auditor General of India for the year 1975-76, capital employed was shown as Rs. 19.30 lakhs due to inclusion of Rs. 0.73 lakh in respect of capital works in progress.

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

‡ Net worth represents paid-up capital *less* intangible assets.

2.08.2. *Working results.*—the working results of the Company for the four years ending 31st March 1977 were as follows:—

	1973-74	1974-75	1975-76	1976-77
	(Rupees in lakhs)			
<i>Expenditure :</i>				
1. Consumption of milk	2.48	14.49	43.74	46.54
2. Payment to employees (salaries, wages, etc.)	1.90	4.82	10.60	9.31
3. Operating expenses including depreciation*	0.45	1.49	2.54	6.80
4. Selling, distribution and administrative expenses	1.07	2.59	3.94	8.83
5. Total expenditure	5.90	23.39	60.82	71.48
<i>Revenue :</i>				
6. Sale of milk and milk products ...	2.27	12.35	41.23	55.53
7. Other income	0.13	0.70	1.36	2.03
8. Total revenue	2.40	13.05	42.59	57.56
9. Loss for the year	3.50	10.34	18.23	13.92
10. Prior period adjustment for expenses (+) / revenue (—)	—	(+)0.02	(—)0.16	..
11. Net loss	3.50	10.36	18.07	13.92
12. Loss reimbursable from Government	2.62	5.68	6.47	Not computed

At the time of their transfer to the Company, the two dairies at Junagadh and Jamnagar were losing concerns. Having regard to the fact that the Company might take time to make them economically viable, Government decided (June 1974 and February 1977) to reimburse to the Company the entire loss, if any, incurred in the first year of operation, 75 per cent of the loss in the second year and 50 per cent and 25 per cent respectively of the losses suffered in the third and fourth years. The amounts so reimbursed were to be repaid by the Company to Government out of the

* Operating expenses do not include depreciation on the assets of Junagadh and Jamnagar dairies.

future profits of the dairies. Details of the losses incurred so far by the Junagadh dairy and the amounts reimbursable and actually reimbursed by Government are indicated below :—

Name of the dairy	Year	Loss incurred	Amount reimbursable	Amount reimbursed
(Rupees in lakhs)				
Junagadh .. ..	.. 1973-74	2.62	2.62	2.62
	1974-75	7.57	5.68	5.68
	1975-76	12.94	6.47	5.50
	1976-77	1.13	0.28	..

The Jamnagar dairy had incurred a loss of Rs. 0.72 lakh during 1975-76 and the Company had requested Government in June 1977 to treat the first year of operation from 1st April 1976 on the ground that the dairy was not in working condition on the date of its take over (1st October 1975) and was closed immediately thereafter as it was further damaged in a cyclone and that consequently it could not be commissioned till the end of 1975-76. Pending a final decision of Government on this request, the amount reimbursable for the year 1976-77 (loss incurred Rs. 8.04 lakhs) was yet to be computed and claimed from Government (March 1978).

The Management attributed (March 1977) the following reasons for the heavy losses incurred by the Junagadh dairy :—

(i) the daily rated capacity of the dairy was only 5,000 litres against the break-even capacity of 30,000/40,000 litres recommended by the National Dairy Development Board;

(ii) incurrence of heavy overhead expenses due to the appointment of the Company's own staff in addition to Government employees not required by the Company and who were yet to be repatriated; and

(iii) occasional sale of milk at a loss to another dairy at Rajkot due to lack of local demand.

The above observations were brought to the notice of Government in September 1977; their reply is awaited (May 1978).

SECTION III

GUJARAT STATE CONSTRUCTION CORPORATION LIMITED

3.01 Introduction :

The Gujarat State Construction Corporation Limited was incorporated on 16th December 1974 and commenced business from 15th February 1975.

The main objects of the Company, as set out in its Memorandum of Association, are as follows : —

(a) to undertake the execution and construction of works and conveniences of all kinds including irrigation works, road and bridge works, buildings, harbour works, public health works and electrical works;

(b) to carry on the business of builders, contractors, architects, consultants, *etc.* ;

(c) to assist financially industrial or commercial enterprises, housing projects and engineering works; and

(d) to promote the formation of industrial estates, commercial or residential townships, colonies, co-operative housing and/or industrial societies, *etc.*

3.02 Organisational set-up :

The Company is managed by a Board of eight Directors, including the Chairman and the Managing Director, all nominated by Government. The Chairman is elected from among the directors nominated by Government while the Managing Director, who is the chief executive and has been delegated powers for the day-to-day management of the Company's affairs, is appointed by Government.

For execution of works, the Company has established field units, supervised by Resident Engineers of the rank of Superintending Engineer or Executive Engineer or Deputy Engineer, depending on the volume of the works handled. There were seven such field units as on 31st July 1977. The field units execute works entrusted to the Company mainly through piece workers (sub-contractors) and are responsible for the supervision of works and rendition of accounts to the Company's head office at Gandhinagar.

3.03 Capital structure :

3.03.1 *Share capital.*—The authorised capital of the Company is Rs. 5 crores. The paid-up capital as on 31st July 1977 was Rs. 25 lakhs, wholly subscribed by the State Government.

3.03.2 *Borrowings*.—The Company had obtained from the State Government loans of Rs. 20.00 lakhs and Rs. 35.00 lakhs respectively in February 1975 and March 1977, repayable in ten equated annual instalments and bearing interest at 12 per cent and 16 per cent respectively. While the first instalment of principal (Rs. 2.00 lakhs) and interest (Rs. 2.40 lakhs) in respect of the former loan was repaid in February 1976 as scheduled, the second and third instalments (Rs. 4.00 lakhs) with interest due (Rs. 5.65 lakhs) as well as the first instalment of Rs. 3.50 lakhs of the second loan together with interest due (Rs. 5.98 lakhs) were paid in March 1978.

In addition, the value (Rs. 94.31 lakhs) of machinery and equipment transferred to the Company by Government between November 1975 and March 1977 was treated as loan in March 1977. The terms and conditions governing the loan were, however, yet to be finalised by Government (May 1978).

3.04 Activities undertaken and physical progress :

In pursuance of its objects, the Company has so far concentrated only on construction activities. Other activities like assisting financially industrial or commercial enterprises, housing projects, engineering works, etc.; and promotion of the formation of industrial estates, residential townships and colonies, co-operative housing and industrial societies, etc., are yet to be undertaken.

At the time of its formation, it was intended by the State Government that the Company would be entrusted, on negotiation basis, some of the important and major construction works handled departmentally by the State Public Works Department as well as works for the execution of which no contractors were forthcoming or works in respect of which the rates quoted by contractors were considered unreasonably high. The Company could also undertake works through competitive bidding in tenders.

The Company, while considering in 1976 proposals in regard to its staffing pattern, had expected to execute works valued at over Rs. 5 crores in 1975-76 and over Rs. 7 crores in 1976-77. However, the value of works actually executed by the Company amounted to only Rs. 3.16 crores in 1975-76 and Rs. 3.49 crores in 1976-77. Relevant details in this regard are indicated below :—

Particulars	Years (August-July)			Total
	1974-75	1975-76	1976-77	
	(Value in lakhs of rupees)			
(i) Works tendered for :				
Number	9	59	50	118
Value	1,842.37	6,060.25	4,226.55	12,129.17
(ii) Works secured :				
Number	3	10	17	30
Value	183.50	532.83	988.01	1,704.34

Particulars	Year (August-July)			Total
	1974-75	1975-76	1976-77	
	(Value in lakhs of rupees)			
(iii) Works executed :				
(a) Completed works				
Number .. .. .	..	5	4	9
Value .. .. .	..	228.70	172.06	400.76
(b) Works-in-progress :				
Number .. .. .	..	3	7	11
Value .. .. .	..	58.68	87.17	145.85
(iv) Value of works on hand at the end of the year.	124.82	341.78	981.09	981.09

Of the 30 works (total value:Rs. 1,704.34 lakhs) secured by the Company during the three year period 1974-75 to 1976-77 (relevant details in respect of which are indicated in Appendix 'B'), all but four works (value:Rs. 37.91 lakhs) were entrusted to it by Government after negotiations on the basis of the tenders submitted by the Company.

The reasons for the poor performance have not been analysed by the Company (March 1978).

3.05 Construction performance :

3.05.1 *Profitability analysis.*—The Company had not evolved any system/procedure nor maintained suitable records, work-wise, indicating details of expenditure incurred on each work *vis-a-vis* the estimates, so as to be in a position to ascertain the profits made/losses incurred on each work executed by it. It had, however, been reviewing annually the financial performance of each of its field units. The results as revealed by such reviews, for the three years ending 31st July 1977 are indicated in the table below :—

	1974-75	1975-76	1976-77 *
(i) Total number of field units	2	7	7 *
(ii) (a) Number of field units which earned profits.	2	5	4
(b) Amount of profits earned by these units (in lakhs of rupees).	12.37	52.67	29.35

* Provisional pending finalisation of accounts.

	1974-75	1975-76	1976-77*
(iii) (a) Number of field units which incurred losses	Nil	2	3
(b) Amount of losses incurred by these units (in lakhs of rupees).	Nil	2.93	52.18
(iv) Head office expenses to be adjusted (in lakhs of rupees).	4.36	20.40	17.88
(v) Net profit (+) / Loss (—)	.. .. (+)8.01	(+)29.34	(—)40.71

The Management, while reviewing the performance of the field units for the year 1976-77, observed (November 1977) that the substantial losses in two of the three units (Banswara : Rs. 14.89 lakhs and Kadana : Rs. 35.01 lakhs) were due to —

(a) the rates paid to piece workers for excavation in different strata of soil being higher than the rates admissible under the terms of contract (Banswara unit), and

(b) rates paid for work done being lower than the actual cost of execution arising out of (i) higher cost of compressed air supplied to piece workers free of cost and inefficient working of compressors, (ii) higher cost of departmental transport and under-utilisation of transport and earth moving equipment, and (iii) higher overhead rates (Kadana unit).

3.05.2 Results of a scrutiny in audit of the records of some of the works undertaken by the Company are mentioned in the succeeding paragraphs.

(a) *Delay in execution of works* .— In terms of the time schedules prescribed in the relevant agreements for the works entrusted to the Company, fourteen works were to be completed in all respects during the period from February 1975 to July 1977. However, up to July 1977 only nine works were completed. Of these, two works were completed in accordance with the prescribed schedule, while four other works were completed after the stipulated period, the delay in these cases ranging from one to seven months. Relevant details in respect of the remaining three completed works were not available. Five of the works were still in progress (March 1978) and in these cases, the Company had asked for extension of the time schedule, approval for which had not been received (May 1978). The Management attributed (October 1977) the delay in completion of five of the works still in progress to the early onset of the monsoon, heavy rains and cyclone, existence of excessive sub-soil water, increase in the quantum of work, shortage of cement, etc.

* Provisional pending finalisation of accounts.

The Company had not maintained suitable records to assess the additional incidence of field and head office overheads and other expenses on account of such delays.

(b) *Payment of penalty for non-adherence to contractual provisions* .—

(i) The terms and conditions of the contract relating to the work of excavation of tail channel for the additional spillway of Kadana Project (Phase-I), entrusted to the Company in March 1975, provided, *inter alia*, that the useful rubble salvaged during excavation in hard rock which was estimated at 1.5 per cent of the total quantity of hard rock involved, should be stacked properly at sites specified for the purpose by the contractee (the State Public Works Department). The Company salvaged only 5,283 cubic metres of useful rubble, as against 8,785 cubic metres that should have been salvaged out of the total quantity (5.86 lakhs cubic metres) excavated in hard rock. The salvaged rubble was also not stacked properly as stipulated. The contractee, therefore, levied in March 1977 a total penalty of Rs.0.49 lakh (wastage of rubble in hard rock excavation: Rs. 0.44 lakh and non-stacking of salvaged rubble : Rs. 0.05 lakh).

In addition, in terms of the contract, the excavated material, after recovery of useful rubble, was to be dumped at sites specified by the contractee. A penalty of Rs. 0.22 lakh was levied by the contractee for failure to stack 8,135 cubic metres of excavated material at proper leads.

The penalty levied was recovered by the contractee from the final bill of the Company paid in March 1977.

(ii) Similarly, a penalty of Rs. 0.78 lakh was levied in respect of the work of excavation of approach channel for the additional spillway of Kadana Project (Phase-I), entrusted to the Company in April 1976, on the ground that useful rubble salvaged from the excavated material was not stacked properly, at sites specified by the Engineer-in-charge, resulting in wastage of useful rubble, and was recovered from the running account bills of the Company.

(c) *Failure to enforce contractual provisions*.—Some instances where the Company had not taken action to enforce the terms of the contracts in regard to payment of extra rates and price escalation are mentioned below :—

(i) The contracts for the construction of a ring bund for the protection of a durgah and temple and for the construction of an approach road at Galiakot (value : Rs. 165.08 lakhs), entrusted to the Company by the Government of Rajasthan, provided, *inter alia*, that if the actual quantities executed against each item of work exceeded the tendered quantities specified in the schedule of items by more than twenty *per cent*, the excess over twenty *per cent* would qualify for payment at revised

rates to be agreed upon after consultation with the Chief Engineer (Mahi Bajaj Sagar), Public Works Department, Government of Rajasthan. The works were completed on 28th February 1977. It was noticed in audit during test check (September 1977) that though the quantities actually executed in respect of the ring bund and the approach road exceeded the estimated quantities respectively by 37 per cent and 63 per cent, the Company had not taken action to claim extra rates for the excess quantities (May 1978).

A special condition attached to these contracts also provided for payments on account of price escalation according to a formula laid down in the contracts. The Company could not, however, claim extra payments on account of price escalation following increase in prices of materials in the absence of suitable records to assess the increase in prices (March 1978).

(ii) The terms and conditions of the contract for the fabrication, supply and erection of radial gates at Dharoi dam (tendered value: Rs. 98.71 lakhs) awarded by the Government of Gujarat in July 1976, provided for price escalation on account of rise in the wholesale consumer price index to be computed with reference to the base price on the first day of the month of filing the tender, i. e. 1st March 1975. Claims on this account were to be preferred in each running account bill. Work to the extent of Rs. 48.01 lakhs had been executed up to July 1977. Though the data maintained in this regard by the Commission. of Labour, Government of Gujarat, indicated that the wholesale consumer price index had increased from 964 in March 1975 to 976 in July 1977, the Company's field unit had not ascertained details of the increases in the cost of materials, labour etc., which would enable the Company to prefer claims on this account.

3.06. Plant and Machinery :

3.06.1 *Acquisition of machinery.*—For efficient execution of the works entrusted to it, the Company acquired, between November 1975 and March 1977, heavy earth moving and other ancillary equipment, totally valued at Rs. 200.76 lakhs, either by direct purchase from suppliers (cost: Rs. 103.42 lakhs) or by transfer from Government (cost: Rs. 97.34 lakhs). Equipment obtained from Government were transferred on 'as is where is' basis at depreciated cost, after the Company had intimated its requirements of machinery.

Of the equipment thus transferred, one Cat loader (cost: Rs. 7.41 lakhs) and three tippers (cost: Rs. 3.98 lakhs) were found, on receipt, to be in a broken-down condition. While the Cat loader was sent for repairs in August 1977 to a firm in Bombay and was yet to be received back (March 1978), the three tippers alongwith certain other equipment (cost: Rs. 26.03 lakhs) received from Government were declared surplus to requirements in June 1977 by the Management. The Company, therefore, requested

Government in July 1977 that these equipment (total cost: Rs. 30.01 lakhs) might be retransferred to Government. The request was, however, rejected by Government in September 1977. Further developments are awaited (May 1978).

3.06.2. *Utilisation of machinery.*—Up to July 1976, the Company had neither fixed nor prepared any data regarding utilisation of its machinery and equipment indicating (i) the hours for which they were available for work, (ii) the hours for which they could be put to use and (iii) the hours of actual utilisation. Details of utilisation of the machinery and equipment (other than the Cat loader under repairs and the three tippers declared surplus) for the year 1976-77 (August 1976-July 1977) are tabulated below :—

Sr. No.	Particulars of machinery and equipments and location	Number of machines	Hours		Percentage of utilisation
			Scheduled	Actual	
1	<i>Compressors :</i>				
	Kadana	16	62,366	28,159	45.2
	Banswara	3	3,800	721	19.0
2	<i>Komatsu dozers :</i>				
	Kadana	3	11,004	2,198	20.0
	Banswara	1	1,100	155	14.1
3	<i>Cat loaders :</i>				
	Kadana	5	11,136	1,638	14.7
	Banswara	2	3,800	825	21.7
4	<i>Hitachi dozers :</i>				
	Kadana	3	6,468	1,755	27.1
	Banswara	2	3,200	1,806	56.4
5	<i>Hino Dumpers :</i>				
	Kadana	5	15,740	2,543	16.2
	Banswara	3	5,346	803	15.0
6	<i>Demag dragline :</i>				
	Banswara	1	750	93	12.4
7	<i>Tippers :</i>				
	Kadana	33	19,000*	9,800*	51.6
	Banswara	6	5,250	1,073	20.4
8	<i>Water tankers :</i>				
	Kadana	3	1,638*	976*	59.6
	Banswara	1	900	149	16.6

* These figures represent number of shifts.

While one Hyster vibratory roller (cost: Rs. 3.00 lakhs) received from Government in March 1977 was not utilised till May 1978 in the absence of work, a wood ridge scrapper (cost: Rs. 0.80 lakh) transferred by Government to the Company in April 1977 was also idle (May 1978), as the tractor required for its operation had not been transferred by Government and was reported to be under repair. The Management attributed (September 1977) the poor utilisation of the machinery and equipment to the purchase of old equipment from Government on "as is where is" basis, long repair periods owing to difficulty in obtaining spare parts, frequent break-downs and lack of adequate demand from the piece workers engaged by the Company.

3.06.3 *Hiring of plant and machinery.*—Prior to August 1976, the Company was recovering hire charges in respect of plant and machinery made available to piece workers engaged by it for execution of various works at rates charged by the State Public Works Department for non-Government use. In August 1976, the Company fixed hire charges on the basis of the cost of fuel and oil, operational labour, maintenance, repairs and overheads. The field units of the Company, while recovering the hire charges at these rates, were required to keep the expenditure on fuel, operational labour, maintenance, minor repairs and other overhead components within the limits of hire charges fixed. It was, however, noticed in audit that in the field unit at Kadana, where machinery valued at Rs. 132.75 lakhs were kept, proper records were not maintained to compare the actual expenses incurred on these accounts with the hire charges recovered. In the field unit at Banswara, on the other hand, such expenditure, excluding depreciation, was incurred in excess of the prescribed limits, resulting in an under-absorption of Rs. 0.36 lakh (excluding depreciation and interest) in 1976-77. The Management stated (September 1977) that the under-recovery was due to the frequent break-down of the bulldozer and loader, which consumed larger quantities of oil than the theoretically calculated quantities taken into account while fixing the hire rates.

Some instances noticed in audit of under-recovery/non-recovery of hire charges from piece workers are mentiofied below :—

(i) The field unit at Banswara had effected recoveries in respect of machinery hired out to four piece workers between February 1977 and July 1977 on an *ad hoc* basis, without regard to the prescribed rates. This resulted in a short recovery of Rs. 2.80 lakhs from the piece workers. The Management stated (September 1977) that the under-recovery of hire charges from the four piece workers would be effected from their future bills.

(ii) Machinery obtained by the Company from the Government of Rajasthan for the Mahi Bajaj Sagar work, on payment of hire charges amounting to Rs. 0.49 lakh, were made available to the piece workers engaged on the work. Though, in terms of the agreements entered into with the piece workers, the hire charges were to be recovered from the running account bills, this was not done (May 1978).

3.07 Financial results

3 07.1 *Financial position.*—The accounts of the Company for the year 1976-77 (ending on 31st July 1977) have not been finalised (March 1978). The table below summarises the financial position of the Company for 1974-75 and 1975-76 :—

	1974-75	1975-76
	(Rupees in lakhs)	
<i>A. Liabilities :</i>		
1. Paid-up capital	10.00	10.00
2. Reserves and surplus	5.54	26.17
3. Borrowings	20.00	82.89
4. Trade dues and current liabilities	19.14	66.95
	<u>54.68</u>	<u>186.01</u>
<i>B. Assets :</i>		
5. Gross block	35.32	125.80
6. Less : Depreciation	3.08	16.25
7. Net fixed assets	32.24	109.55
8. Investments .. .. .	..	1.00
9. Current assets, loans and advances	21.62	75.46
10. Preliminary expenses	0.82	..
	<u>54.68</u>	<u>186.01</u>
Capital employed*	34.72	118.06
Net worth†	14.72	36.17

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

† Net worth represents paid-up capital *plus* reserves *less* intangible assets.

3.07.2 *Working results.*—The working results of the Company for the two years 1974-75 and 1975-76 are given below :—

	1974-75	1975-76
	(Rupees in lakhs)	
<i>Income :</i>		
Income from works executed ..	58.68	315.87
Other receipts (including works-in-progress at the close of the year).	2.93	54.18
Total	61.61	370.05
<i>Expenditure :</i>		
Works expenditure	50.53	327.53
Depreciation	3.07	13.18
Total	53.60	340.71
Profit before tax	8.01	29.34
Provision for income tax	1.27	7.50
Net Profit (after tax)	6.74	21.84

The Company paid dividend of Rs. 1.20 lakhs at 12 per cent for each of the two years 1974-75 and 1975-76. Although the accounts for the year 1976-77 are yet to be finalised, according to its provisional estimates in this regard, the Company expects to incur a loss of Rs. 40.71 lakhs during the year as indicated earlier in paragraph 3.05.1

3.08. Deficiencies in accounting system :

3.08.1. *Non-reconciliation of quantities of work done.*—As stated earlier, the Company executes works taken on contract by engaging piece workers (sub-contractors). It was observed during the course of audit that proper watch on the quantities of work done by and on recoveries due from piece workers was not kept. As a result, overpayments amounting to Rs. 3.50 lakhs were made to seven piece workers during December 1975 to July 1977, which had not been recovered till October 1977.

3.08.2. *Material control.*—(a) In addition to the materials obtained from Government departments entrusting works to it, the Company also resorts to purchase of materials from the market for issue to piece workers. The rates of storage and supervision charges to be recovered on such issues were not fixed and intimated to the field units. As a result, while one unit (Kadana) charged these at 2 per cent, another unit (Banswara) did not effect any recovery at all on this account. The financial impact of this omission could not be ascertained on account of non-fixation of rates for the purpose.

(b) Consumption statements (material abstracts), showing the job-wise and piece worker-wise allocation, were not prepared by the field units.

The actual consumption was also not compared with the theoretical consumption calculated on the basis of technical standards/specifications.

Owing to non-preparation of monthly material abstracts, job-wise and piece worker-wise, recoveries were made on an *ad hoc* basis without reference to the actual quantities and as a result, an amount of Rs. 0.50 lakh only was recovered from four piece workers employed by the Banswara unit on excavation works in the Mahi Bajaj Sagar project, against Rs. 1.01 lakhs representing the actual cost of materials issued, though the conditions of the contract provided for recovery of the entire cost from the running account bills of the piece workers. The Management stated (October 1977) that the recoveries of the balance amount would be effected gradually from subsequent bills of the piece workers.

3.08.3 *Work evaluation*.—The Tendering Cell of the Company prepares cost estimates in respect of works to be tendered indicating the break-up of various elements of cost. A percentage, varying from ten to fifteen, is added to the estimates to provide for a margin of profit. The Company has not, however, evolved any system of comparing the actual expenditure on the works completed and those in progress with the estimates and analysing the causes for variations and their impact on the margin of profit with a view to taking corrective measures.

The Company has also not prepared any financial budget for exercising control over expenditure.

3.09 Costing and cost control :

The Company has not evolved any costing system whereby the costs of the major components of works in a contract or of the contract as a whole could be ascertained while the work is in progress. The Company does not also prepare cost sheets of various works after completion of the final accounts, nor has the Company maintained any register indicating the particulars of the works, *viz.* estimated cost, date of commencement of work, scheduled date of completion, actual date of completion, norms of material consumption, labour and overheads, actual expenditure under material, labour and overheads, actual cost on completion of the work, contract value, *etc.*

3.10 Internal audit :

Having no internal audit cell of its own, the Company had appointed a firm of Chartered Accountants to work as internal auditors and taxation advisers, on payment of fees of Rs. 4,500, Rs. 10,000 and Rs. 12,000 respectively for the years 1974-75, 1975-76 and 1976-77. The scope of work to be done by the firm had not, however, been defined (March 1978) and the Internal Audit Reports, submitted to the Management during December 1974 to April 1977, were confined to comments of a routine and procedural nature.

These observations were brought to the notice of the Company/Government in September 1977; their replies are awaited (May 1978).

CHAPTER II
STATUTORY CORPORATIONS

SECTION IV

4.01. Introduction:

There were four Statutory Corporations in the State as on 31st March 1977, viz., Gujarat Electricity Board, Gujarat State Road Transport Corporation, Gujarat State Financial Corporation and Gujarat State Ware-Housing Corporation.

An analysis of the capital structure, working results, etc., of these Corporations is given below, separately in respect of (a) Gujarat Electricity Board and (b) other Statutory Corporations.

4.02 Gujarat Electricity Board:

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

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

The aggregate of long-term loans, including loans from Government, obtained by the Board was Rs. 37,634.51 lakhs at the end of 1976-77 and represented an increase of Rs. 5,552.05 lakhs over the long-term loans of Rs. 32,082.46 lakhs at the end of the previous year. Details of loans obtained from different sources and outstanding as on 31st March 1977 were as follows :—

Source	Amount (Rupees in lakhs)
State Government	25,442.17*
Deferred payment credit from suppliers of equipment	72.01
Other sources	12,120.33
Total	37,634.51

4.02.3. *Guarantees* .—Government had guaranteed repayment of loans raised by the Board to the extent of Rs. 12,386.91 lakhs† and payment of interest thereon. The amount of principal guaranteed and outstanding on 31st March 1977 was Rs. 11,936.56 lakhs.†

*Difference between this figure and the figure of Rs. 25,637.86 lakhs exhibited in statement no. 18 of Finance Accounts 1976-77 is under reconciliation.

† These figures differ from those (Rs. 10,570.25 lakhs and Rs. 10,497.39 lakhs) exhibited in statement no. 6 of Finance Accounts 1976-77. The difference is under reconciliation.

4.02.4. *Profits.*—The Board had a surplus of Rs. 169.63 lakhs during 1976-77 appropriated towards the general reserve in terms of Section 67 (viii) of the Electricity (Supply) Act, 1948. Interest liability (Rs. 1,232.62 lakhs) pertaining to 1976-77 on loans from the State Government was not discharged as adequate surplus was not available. The cumulative interest due but not paid as on 31st March 1977 amounted to Rs. 4,530.88 lakhs.

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

4.03. Other Statutory Corporations :

4.03.1. *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. 4,101.33 lakhs on 31st March 1977 as against Rs. 3,367.33 lakhs on 31st March 1976. The capital of each Corporation as on 31st March 1977 in terms of investments made by the State Government, the Central Government and others is indicated below :—

Name of the Corporation	Investments made by			Total
	State Government	Central Government, Industrial Development Bank of India and Central Warehousing Corporation	Others	
(Rupees in lakhs)				
Gujarat State Road Transport Corporation.	2,419.42*	963.91	..	3,383.33
Gujarat State Financial Corporation.	309.01	290.00	40.99	640.00
Gujarat State Warehousing Corporation.	44.00	34.00	..	78.00
	2,772.43	1,287.91	40.99	4,101.33

* Difference between this figure and the figure of Rs. 2,378.99 lakhs exhibited in statement no. 14 of Finance Accounts 1976-77 is under reconciliation.

4.03.2. *Long-term loans.*—The long-term loans obtained by the three Corporations and outstanding on 31st March 1977 amounted to Rs. 6,508.50 lakhs and represented an increase of Rs. 1,380.08 lakhs over the outstanding balance of Rs. 5,128.42 lakhs at the end of the previous year. The details of the long-term loans were as under :—

Name of the Corporation	Source 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.	4.69	37.33	801.36	843.38
Gujarat State Financial Corporation.	..	2,373.30	3,287.86	5,661.16
Gujarat State Warehousing Corporation.	..	4.00	..	4.00
	4.69	2,414.63	4,089.22	6,508.54

4.03.3. *Guarantees.*—Government has guaranteed repayment of the share capital of the Gujarat State Financial Corporation.

Government has also guaranteed repayment of loans obtained by the Gujarat State Road Transport Corporation and of loans and deposits obtained by the Gujarat State Financial Corporation to the extent of Rs. 5,095.16 lakhs, of which the amount outstanding on 31st March 1977 was Rs. 3,784.47 lakhs as shown below :—

Name of the Corporation	Amount guaranteed	Sums guaranteed and outstanding on 31st March 1977
(Rupees in lakhs)		
Gujarat State Road Transport Corporation ..	721.61	496.61 *
Gujarat State Financial Corporation ..	4,373.55	3,287.86 **

* This figure differs from the figure of Rs. 607.61 lakhs exhibited in statement no. 6 of Finance Accounts 1976-77. The difference is under reconciliation.

** This figure differs from the figure of Rs. 3,829.67 lakhs exhibited in statement no. 6 of Finance Accounts 1976-77. The difference is under reconciliation.

4.03.4. *Profits and dividends*.—The Gujarat State Road Transport Corporation incurred a loss of Rs. 245.56 lakhs, while the Gujarat State Financial Corporation and the Gujarat State Warehousing Corporation earned profits of Rs. 150.66 lakhs and Rs. 38.15 lakhs respectively during 1976-77. Relevant details in this regard are indicated below :—

Name of the Corporation	Proffit (+) loss (—) before tax	Interest paid	Dividend declared
(Rupees in lakhs)			
Gujarat State Road Transport Corporation.	(—)245.56	182.77*	..
Gujarat State Financial Coporation	(+)150.66	..	17.57
Gujarat State Warehousing Corporation	(+)38.15	..	9.36

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

4.04. In addition to the above four Statutory Corporations, there was one Corporation, Gujarat Industrial Development Corporation, established in August 1962 under the Gujarat Industrial Development Act, 1962. Some aspects of the working of this Corporation were dealt with in Section V of the Report of the Comptroller and Auditor General of India for the year 1975-76 (Commercial).

* The entire capital has been contributed by the Central Government and the State Government, on which the Corporation is required to pay interest.

SECTION V

GUJARAT ELECTRICITY BOARD

5.01. Introduction :

The total generation capacity available with the Board from different sources at the close of each of the three years ending 31st March 1977 was as under :—

					As on 31st March			
					1975	1976	1977	
					(capacity in MW)			
<i>A. Steam :</i>								
(i)	Dhuvaran	..	..	..	534.0	534.0	534.0
(ii)	Utran	..	..	..	67.5	67.5	61.0 (derated)
(iii)	Kandla	..	..	..	16.0	16.0	15.0
(iv)	Shapur	..	..	..	16.0	16.0	16.0
(v)	Sikka	..	..	..	16.0	12.0	12.0
(vi)	Ukai	..	..	..	..	120.0	240.0
(vii)	Gandhinagar	..	..	..	..	..	120.0
Total A :					..	649.5	765.5	998.0
<i>B. Gas turbine :</i>								
	Dhuvaran	..	..	..	54.0	54.0	54.0
<i>C. Hydel :</i>								
	Ukai :	..	..	..	150.0	300.0	300.0
<i>D.</i>								
	Internal combustion	..	..	..	5.4	..	..
Total of Board's own capacity					..	858.9	1,119.5	1,352.0
Share of power from Tarapur Atomic Power Station.					..	190.0	190.0	190.0
Total available capacity					..	1,048.9	1,309.5	1,542.0

The details of the quantum of electricity available from different sources during each of the three years ending 31st March 1977, are indicated below :—

	1974-75	1975-76	1976-77
	(in million Kwh)		
<i>A. Steam :</i>			
(i) Dhuvaran	3,017	2,774	2,865
(ii) Utran	401	373	335
(iii) Kandla	36	34	12
(iv) Shapur	55	31	27
(v) Sikka	44	14	9
(vi) Ukai .. ..	..	..	424
(vii) Gandhinagar .. ..	..	..	5
<i>B. Gas Turbine :</i>			
Dhuvaran	135	145	103
<i>C. Hydel :</i>			
Ukai	450	824	1,272
<i>D Internal combustion .. ..</i>	..	..	..
<i>E. Total generation from Board's stations</i>	4,138	4,195	5,052
<i>F. Power received from Tarapur Atomic Power Station.</i>	668	969	998
<i>G. Power purchased from others ..</i>	137	93	54
<i>H. Power returned to other Boards/ licensee which was received in the past as loan.</i>	..	..	(—)549
<i>I. Total power available with the Board</i>	4,943	5,257	5,555

Certain aspects of the working of the Board were dealt with in paragraphs 2.18 to 2.29 of Section VI of the Report of the Comptroller and Auditor General of India for the year 1975-76 (Commercial). Results of a scrutiny in audit of some aspects of the working of the Ukai Hydro Electric Power Station and of the Utran Thermal Power Station as well as certain other points relating to the operations of the Board are mentioned in the succeeding paragraphs.

5.02 Ukai Hydroelectric Power Station :

5.02.1 *Background information.*—The Ukai Hydroelectric Power Station was conceived in 1955 as a part of the Ukai Multipurpose River Valley Project of the Government of Gujarat. The original scheme, which envisaged the installation of a generating capacity of 160 MW, comprising four units of 40 MW capacity each, and to operate at a load factor of 60 per cent, was approved by the Planning Commission in 1961. However, on the advice of the Central Water and Power Commission, Government decided in March 1965 to design it as a peaking station with a capacity of 300 MW (4 units of 75 MW each) for operation at a low load factor of 30 per cent. In March 1967, Government entrusted the construction of the power station to the Gujarat Electricity Board, while the intake structure, penstocks, control gates and tail race channel, which formed part of the main dam and allied works, were to be executed by the Public Works Department of Government.

The power station, construction of which commenced in April 1967, was completed and commissioned in March 1976. The entire cost of construction of the power station (Rs. 1,514.50 lakhs) was met by Government by providing funds to the Board from time to time. Government has neither formally handed over possession of the power station to the Board nor specified any terms and conditions for the running of the power station by the Board (May 1978).

5.02.2 *Project estimates and cost.*—Details of the original estimates prepared by the Board in June 1966, revised estimates prepared in May 1968 and actual expenditure incurred up to 31st March 1977 are indicated below :—

	Original estimates (June 1966)	Revised estimates (May 1968)	Actual expenditure (up to 31st March 1977)
(i) <i>Works executed by the Board</i>	(Rupees in lakhs)		
Electrical Works	1,086.39	1,328.71	1,049.12@
Civil Works	396.94	409.67	465.38
(ii) Work executed by Government	403.24	521.60	516.76
Total	1,886.57	2,259.98	2,031.26

@ Includes cost of spares (Rs. 12.00 lakhs) received with equipment.

The excess of expenditure over estimates in respect of civil works was attributable to the construction of a larger number of quarters and other buildings for school, hospital, hostel, market blocks, guest house, etc., which were not included in either the original or the revised estimates as well as increase in quantities of certain items of work and payment on account of escalation.

5.02.3 Execution of works and commissioning of the station.—

Some aspects of execution of works and commissioning of the station are dealt with in the following paragraphs.

5.02.3.1 *Delay in commissioning the station.*— (a) Mention was made in paragraph 7.03 (a) of Section IV of the Report of the Comptroller and Auditor General of India for the year 1972-73 (Commercial), about the delay in commissioning the station. Though, in terms of the revised schedule fixed in February 1966, the four units of the power station were to be commissioned between October 1973 and November 1975, these were actually commissioned only between July 1974 and March 1976, as indicated below:—

			Revised dates fixed in February 1966	Actual dates of commissioning
Unit I	..	..	.. 1971-72	July 1974
Unit II	..	..	.. 1971-72	December 1974
Unit III	..	..	.. 1972-73	April 1975
Unit IV	..	..	.. 1972-73	March 1976

The delay in commissioning was attributed (November 1975) by the Management to the delay in supply of the generating sets by Bharat Heavy Electricals Limited.

According to the agreement with Bharat Heavy Electricals Limited, the generating sets were to be delivered between April 1971 and March 1972. As the Board desired to commission the first unit by June 1971, it was also provided in the agreement that the suppliers would make efforts to improve the delivery of units

I and II. Actual deliveries were, however, delayed by three to four years, as can be seen from the following table :—

		Date of delivery stipulated in the agreement	Actual date of delivery
Unit I	..	.. April 1971	March 1974
Unit II	..	.. August 1971	November 1974
Unit III	..	.. December 1971	March 1975
Unit IV	..	.. March 1972	February 1976

Although all the four generating sets were commissioned between July 1974 and March 1976, none of these sets worked satisfactorily, reportedly due to deficiencies in design and manufacturing defects. The defects were being rectified/modified by the suppliers under the warranty clause (May 1978). In terms of the agreement with Bharat Heavy Electricals Limited, supervision charges were payable only in respect of erection and commissioning of the generating sets. The Board, however, paid between February and October 1977, Rs. 0.84 lakh as supervision charges for the engineers of Bharat Heavy Electricals Limited attending to the rectification/modification of the sets.

(b) Mention was also made in paragraph 7.03(a) of Section IV of the Report of the Comptroller and Auditor General of India for the year 1972-73 (Commercial) of the non-enforcement by the Board of the provision in the agreement for recovery of the loss suffered by the Board for not being able to put the assets to commercial and efficient use as a consequence of delay in the supply of the generating sets, subject to a maximum of 5 per cent of the contract value. The Board was yet to invoke this provision (May 1978). The Management stated (March 1978) that a decision on the question of levying liquidated damages would be taken after the defects and deficiencies in all the four sets were rectified.

It may be mentioned in this connection that payments aggregating Rs. 483.49 lakhs had been made by the Board to Bharat Heavy Electricals Limited during the period March 1968 to March 1972, in accordance with the provisions of the agreement.

5.02.3.2. *Civil works for power house.*—The construction of the power house and allied works, awarded to a firm of contractors in March 1967, at an estimated cost of Rs. 242.96 lakhs, was completed in May 1976 at a cost of Rs. 305.27 lakhs. The excess of expenditure over estimated cost was mainly attributable to price escalation and *ex-gratia* and other payments made to the firm for dewatering and desilting due to flooding during

execution. Certain aspects of execution of the civil works were mentioned in paragraph 7.03 of Section IV of the Report of the Comptroller and Auditor General of India for the year 1972-73 (Commercial). Further developments in this regard and certain other aspects of execution of civil works are dealt with in the succeeding paragraphs.

(a) *Delay in execution of the work.*—As the construction of the power house and allied works was tied up with the construction of the dam being constructed by the Public Works Department of Government through other contractors, certain completion dates were prescribed in the contract as detailed below :—

Item of work	Prescribed date of completion
(i) Excavation	15th June 1967
(ii) First stage concreting up to crane level for all units including service bay	15th June 1968
(iii) Second stage concreting of all units	31st March 1969
(iv) Whole work	31st July 1970

In May 1968, the programme of work was revised. The revised schedule and the actual progress there against are indicated below :—

		Revised programme (percentage to be completed)	Actual progress (percentage com- pleted)
1967-68	Excavation	80	50
1968-69	Excavation	100	88
	Concreting	60	..
1969-70	Excavation	..	98
	Concreting	90	9.6
1970-71	Excavation	..	99
	Concreting	100	46.9
1971-72	Excavation	..	99.8
	Concreting	..	75
1972-73	Excavation	..	100
	Concreting	..	89

The work was completed on 31st May 1976. Till March 1976, the Board paid to the firm Rs. 30.50 lakhs representing escalation charges on labour, explosives, diesel oil and tyres. Bulk of these payments (Rs. 21.60 lakhs) relating to 1972-73 and thereafter could have been avoided even if the work had been completed according to the revised schedule.

Although there was considerable delay in completion, the Board had not imposed the penalty (Rs. 15.26 lakhs) leviable in terms of the contract nor formally extended the time limit for the completion of various components of the work. The Management, while attributing (March 1978) the delay to unprecedented floods during 1968, 1970 and 1972, late receipt of drawings for concreting from the Central Water and Power Commission and late receipt of data as well as parts and equipment to be embedded in concrete from Bharat Heavy Electricals Limited, stated that the matter regarding extension of time limit without penalty was under consideration.

(b) *Supply of steel*.—(i) The contract in respect of the civil works provided, *inter alia*, for the supply of steel by the Board at the rate of Rs. 900 per tonne. From time to time during the period December 1968 and June 1975, the Board issued to the firm of contractors entrusted with the civil works in advance of the commencement of the individual items of work specified in the tender and on the basis of estimated requirements, a total quantity of 4,695.30 tonnes of different categories of steel, such as structural steel, mild steel flats, round bars, *etc.* Measurements taken periodically by the Board's engineers of the work done by the firm revealed that as against the total quantity of 4,695.30 tonnes of steel issued to the firm, only 4,296.75 tonnes had been consumed on various items of work specified in the tender. The firm informed the Board in January 1975 that it had utilised 78 tonnes of steel on miscellaneous items of work and sold 124 tonnes as scrap and returned, till September 1975, 176.41 tonnes to the Board, leaving a quantity of 20.14 tonnes unaccounted for. The Board recovered Rs 1.30 lakhs from the firm, representing the cost of 124 tonnes of steel claimed to have been sold as scrap by the firm and of 20.14 tonnes unaccounted for calculated at the issue rate of Rs. 900 per tonne.

The following points were noticed in audit in this connection :—

- (1) Though, in terms of the provisions of the contract, the firm was required to maintain proper records of receipt, consumption and balance stock of steel, such records were not maintained by it.
- (2) The firm had not obtained the permission of the Board for the disposal of the steel as scrap; neither had the personnel of the Board verified, prior to the sale of the material, that it was in fact scrap.
- (3) The issue rate of Rs. 900 per tonne at which recoveries were effected by the Board in respect of 144.14 tonnes of steel not utilised on the works was considerably lower than the then prevailing market rates (Rs. 4,000 per tonne in the case of structural steel and plates and Rs. 3,000 per tonne in the case of mild steel bars). Supervision charges recoverable at 15 *per cent* in terms of the Board's rules on the subject were also not recovered in respect of the excess issues. This resulted in a total short recovery of Rs. 3.87 lakhs.

The Management stated (March 1978) that in a big work of this type, the use of steel for miscellaneous items of work was inevitable and that the firm had resorted to the disposal of 124 tonnes of steel as scrap as they had not accepted earlier pieces of smaller lengths. The Management further stated that the quantity of about 20 tonnes of steel unaccounted for by the firm was negligible in a contract of this magnitude.

(ii) Rates in the contract were specified item-wise and accordingly the Board was required to pay for the steel used in the works at the rates specified in each item. The unit of measurement mentioned for the purpose in the contract was ton (British ton) in respect of one item. However, the Board paid the firm on metric ton (tonne) basis, which resulted in an excess payment of Rs. 0.90 lakh in respect of 68.6864 tonnes of steel. The Board decided in December 1976 to recover the excess payment from the firm's final bill. The Management, however, stated (March 1978) that on receipt of a representation from the firm, that the mention of the rate in terms of British ton in respect of one item was a typographical error as the whole tender was submitted on metric ton basis, the matter was still under consideration.

(c) *Non-recovery of cost of excavated material used by Government.*— With a view to making the best use of the material excavated from the power house foundations in the initial stages of its construction and to reducing the cost of the dam, the Board agreed, in consultation with the Public Works Department, to dump the excavated material in areas to be specified by the latter. Accordingly, the Public Works Department allotted certain areas where the land involved for the re-use of the material was small. Between 1967 and 1969, the Board dumped 1,44,836 cubic metres of excavated material in these areas, out of which 29,714 cubic metres, dumped directly at sites where the dam works were under execution, were used by the Public Works Department. In July 1973, the Board raised a claim on the Public Works Department for Rs. 12.44 lakhs for the entire quantity of the excavated material dumped by them. In computing the value of the excavated material, the Board had adopted the rate of Rs. 8.80 per cubic metre, representing the rate at which the Public Works Department had earlier charged the Board for the use of the material excavated by them from the tail race channel for levelling the switchyard. In August 1974, the Public Works Department agreed to pay an amount of Rs. 0.36 lakh alone for 29,714 cubic metres of material dumped directly at the work site, at Rs. 1.20 per cubic metre. The claim had, however, not been settled till May 1978. The Management stated (March 1978) that the question of recovery was under correspondence with the Public Works Department.

5.02.3.3. *Supply and erection of structures for switchyard.*—The contract for the supply and erection of structures for the switchyard of the power station (cost : Rs. 7.41 lakhs) was also awarded in February 1971 to the

same firm of contractors entrusted with the construction of the power house. The terms of the contract provided, *inter alia*, that steel would be arranged by the firm itself. However, as it could not obtain the required steel from elsewhere, the Board supplied, at the instance of the firm, 164.376 tonnes of steel between December 1971 and August 1972 and charged the firm Rs. 1.54 lakhs at the Joint Plant Committee rates, without adding supervision charges of Rs. 0.23 lakh at 15 per cent, in accordance with the Board's rules. Till March 1978, the Board recovered an amount of Rs. 0.95 lakh on this account from the bills of the firm, leaving a balance of Rs. 0.59 lakh yet to be recovered in addition to the supervision charges of Rs. 0.23 lakh. While the management stated (March 1978) that the amount of Rs. 0.59 lakh would be recovered from the final bill of the firm, no reply was, however, furnished to Audit in regard to the non-recovery of supervision charges

5.02.4. Performance of the station.—

(a) As stated earlier in paragraph 5.02.1, the installed capacity of the station is 300 MW, consisting of four sets of 75 MW each, for operation at a low load factor of 30 per cent for meeting peak demands. The sets have also been designed to take 15 per cent continuous overload so as to enable the utilisation of the large quantity of water available during rainy season. Thus, the actual capacity would work out to 344 MW. Further, an average performance efficiency of not less than 88.2 per cent under a net head of 47.8 metres was guaranteed by Bharat Heavy Electricals Limited in respect of the turbines supplied by them. The generating sets are, however, yet to be tested in regard to their performance (May 1978). As already indicated in paragraph 5.02 3.1, defects were noticed in all the sets, necessitating considerable modifications/rectifications, which were being attended to (May 1978) by the suppliers. Hence, not more than two sets were in actual operation for most of the time. The Management stated (March 1978) that based on the water available from the reservoir, two sets were more than sufficient to generate the power potential available from the scheme and that the additional capacity was only to take care of the peaking requirements.

Some data on the working of the power station, furnished by the Ukai Power Station, for the three years ending 31st March 1977 are given below:—

	1974-75	1975-76	1976-77
Installed capacity (MW)	150	300	300
Maximum demand (MW)	139	272	256
Units generated (Mkwh)	472.32	826.03	1,272.59
Units used in auxiliary consumption (Mkwh)	13.15	35.52	59.31

	1974-75	1975-76	1976-77
Percentage of auxiliary consumption to units generated	2.8	4.3	4.7
Units available for transmission(Mkwh) ..	459.17	790.51	1,213.28
Average load (MW) (units generated ÷ total hours in the year)	105	125	145
Load factor (percentage of units generated to maximum demand)	75.5	45.9	56.7
Plant factor (percentage of average load to installed capacity)	70.0	41.7	48.3

(b) The following table analyses the overall performance of the power station on the basis of hours available and hours actually used for generation of electricity for the three years ending 31st March 1977:—

	1974-75	1975-76	1976-77
1 (a) Total hours available for operation in the year.			
<i>Unit</i> <i>Date of commissioning :</i>			
I 8th July 1974	6,405	8,784	8,760
II 13th December 1974	2,598	8,784	8,760
III 22nd April 1975 .. ..	..	8,261	8,760
IV 4th March 1976 .. ..	..	636	8,760
Total	9,003	26,465	35,040
<i>Less :</i>			
(i) Reserved shut down hours	23	267	2,086
(ii) Planned shut down hours	1,018	10,079	6,030
(iii) Forced shut down hours	283	1,489	7,166
(b) Total hours actually operated	7,679	14,630	19,758
2. Units which could have been generated in the actual hours operated (in million Kwh).	575.925	1097.250	1481.850
3. Units actually generated (in million Kwh)	472.320	826.026	1272.590
4. Short fall in generation (2-3) (in million Kwh).	103.605	271.224	209.260

Hours lost were mostly on account of planned shut down for rectification of defects in the sets, modifications, *etc.* Hours lost on account of forced shut down represent break-down of the plant due to deficiency in design and manufacturing defects, as pointed out in paragraph 5.02.3.1.

5.02.5. *Manpower analysis.*—The Central Water and Power Commission had suggested 79 posts of technical and non-technical staff for the operation and maintenance of machines in the power station. The Board required staff for maintenance of water works, colony buildings, garden, watch and ward, *etc.* Further, the operation and maintenance staff were also required to be associated with their work from the construction stage so as to have a proper understanding of the work, which would also obviate employment of separate staff for construction purposes. After considering the additional requirement of staff for the works referred to earlier, the Board approved in June 1969 the creation of 137 posts of different categories (including 79 posts suggested by the Central Water and Power Commission). In addition, four more posts were sanctioned in 1974 and 1975. Thus, in all, there were 141 sanctioned posts as on 31st March 1977. The actual number of persons employed was, however, higher at 163, 181 and 189 as on 31st March 1975, 1976 and 1977 respectively. The total expenditure on the pay and allowances on the staff appointed in excess of the sanctioned strength alone amounted to Rs. 31.76 lakhs during the period 1970-71 to 1976-77. The employment of staff in excess of the sanctioned strength was yet to be regularised (May 1978). The Management stated (March 1978) that some construction staff were continued to complete the remaining finishing items of the project and to attend to the rectification of the generating sets.

5.02.6. *Inventory control.*—The power station was under construction till March 1976 and, therefore, the stores purchased were mainly for project work. The details of receipts and issues of stores during the last seven years are given below:—

Year	Balance at the beginning of the year	Receipts during the year	Issues during the year	Balance at the close of the year
(Rupees in lakhs)				
1970-71	33.97	61.22	35.78	59.41
1971-72	59.41	115.13	62.04	112.50
1972-73	112.50	151.75	109.85	154.40
1973-74	154.40	216.21	257.39	113.22
1974-75	113.22	748.01	745.33	115.90
1975-76	115.90	194.76	265.95	44.71
1976-77	44.71	38.13	31.24	51.60

The Board has not yet fixed maximum, minimum and ordering limits for each item of stores. The Management stated (March 1978) that the requirements for fixing limits for storing as well as ordering would be clearer after the rehabilitation programmes of all the units were completed.

In October 1976, the power station classified its stores holding as under:—

Category			Total number of items	Value (Rupees in lakhs)
Active materials	..	..	211	10.82
Slow moving	..	..	600	18.08
Non-moving	..	..	105	3.35
Obsolete	..	..	1	0.10
Scrap and unserviceable	..	..	35	1.60
			952	33.95

Between February and October 1977, thirteen items of scrapped and unserviceable stores were disposed of by auction for Rs. 2.17 lakhs. The Management stated (March 1978) that further action was being taken to dispose of scrap and unserviceable materials wherever necessary.

5.02.7. *Cost analysis.*—The pay and allowances of the staff employed and depreciation charges, which are subject to adjustment on finalisation of various contracts, are being compiled at present. Government has not allocated and transferred to the Board the proportionate cost of the dam and expenditure on other works executed by the Public Works Department. In the circumstances, the actual cost of generation was not available.

Government, to whom the paragraph was sent in October 1977, endorsed in March 1978, the views of the Management incorporated in the paragraph.

5.03. Utran Thermal Power Station :

5.03.1. *Background information.*—The Utran Thermal Power Station, established in November 1952 by the erstwhile Bombay Government, with an installed capacity of 15 MW (2×7.5 MW), was handed over to the Bombay State Electricity Board

on its formation in November 1954. The capacity of the station was augmented from time to time, by the installation of one 7.5 MW set in July 1955, one 15 MW set in March 1959 and two sets of 15 MW each in December 1959 raising the total installed capacity of the station to 67.5 MW. The power station was transferred to the Gujarat Electricity Board from 1st May 1960 on the formation of Gujarat State. In May 1976, as two of the sets initially installed (1952) had completed a large part of their useful life and had aged, the Board derated them to 5 MW each. The 7.5 MW set installed in July 1955 was also derated to 6 MW. Thus, the derated capacity of the station as on 31st March 1977 was 61 MW.

5.03.2. Performance :

(a) Relevant details in regard to the performance of the station during the three year period ending 31st March 1977, compiled on the basis of information furnished by the power station, are indicated below:—

Particulars		1974-75	1975-76	1976-77
(i)	Installed capacity (MW)	67.5	67.5	61.0 (Derated)
(ii)	Capital cost (in lakhs of rupees) ..	505.87	505.98	506.52
(iii)	Capital cost per MW of installed capacity (in lakhs of rupees)	7.49	7.50	8.30
(iv)	Maximum demand (MW)	65.5	60.0	55.0
(v)	Minimum demand (MW)	8.0	1.5	3.0
(iv)	Units generated (in million Kwh) ..	401.46	372.82	334.80
(vii)	Units used in auxiliary consumption (in million Kwh)	30.56	31.03	30.20
(viii)	Percentage of auxiliary consumption to units generated	7.6	8.3	9.0
(ix)	Units available for transmission (in million Kwh)	370.90	341.79	304.60
(x)	Average load (MW) (units generated divided by total hours in the year).	45.8	42.4	38.2
(xi)	Load factor (percentage of units generated to maximum demand).	70.0	70.7	69.5
(xii)	Plant factor (percentage of average load to installed capacity).	67.9	62.8	62.6

The Management stated (October 1977) that the reduction in the units generated was attributable to the derating of the sets, on account of aging, as well as to the reduction in the load on the station owing to the commissioning of a power station at Ukai.

(b) The following table shows the performance of the station on the basis of the hours available and hours actually used for generation for the three years ending 31st March 1977 :—

Particulars	1974-75	1975-76	1976-77
1.(a) Total hours available for operation in the year.	52,560	52,704	52,560
<i>Less :</i>			
(i) Stand-by hours* .. .. .	..	..	..
(ii) Planned shut down hours	2,982	3,449	4,154
(iii) Forced shut down hours	454	586	7,775
(b) Total hours actually operated.	.. 49,124	48,669	40,631
2. Units which could have been generated in the actual hours operated (in million Kwh)	555.49	549.46	421.28
3. Units actually generated (in million Kwh)	401.46	372.82	334.80
4. Shortfall in generation (2-3) (in million Kwh)	154.03	176.64	86.48

The increase in hours of forced outages in 1976-77 was attributed by the Management (October 1977) to the failure of one 6 MW set in June 1976, as a result of deterioration of the insulation of its stator winding owing to aging. As regards the shortfall in generation, the Management explained (October 1977) that the generation depended on the system demand at a given time of day and night, on which the Board had no control.

5.03.3 Maintenance and overhaul.—

(a) *Boilers.*—The power station has five low pressure boilers of 50,000 lbs. per hour capacity each, (three of which were installed in November 1952 at a capital cost of Rs. 48 lakhs and two in July 1955 at a capital cost of Rs. 32 lakhs) and three high pressure boilers of 2,00,000 lbs. per hour capacity each (installed in 1959 at a capital cost of Rs. 120.94 lakhs). These boilers are overhauled annually.

(b) *Generating sets.*—While no statutory overhaul has been prescribed in respect of the generating sets, the Board, on the advice of the manufacturers and after taking into account the site conditions, has laid down that the turbines installed at the power station should generally be overhauled after operating for 40,000 hours. Complete records of the dates on which such periodical overhauls were done and of the extent to which the turbines had been operated between two overhauls were, however, not available.

* There were no stand-by hours as the turbines were not stopped, except on account of forced or planned outages.

While overhauling, in November 1971, one of the 15MW sets installed in December 1959, a hair line crack was noticed on its rotor shaft. With a view to meeting any contingency that might arise, an order for the purchase of a spare rotor, complete with stator glands and blades (cost: Rs. 16.83 lakhs) was placed on the foreign manufacturers in July 1973. The equipment, due for delivery in November 1975, was received in November 1976 on account of delay in the receipt by the manufacturers of the main rotor forging from their suppliers. The new rotor, of a different design, had not been put into operation till March 1978 as the overhauling of the set, in which it was to be installed, had not been taken up (till September 1977, this set had run for 48,122 hours). Consequently, its performance could not be assessed. The Power Station Superintendent stated (July 1977) that the delay in overhauling did not have any adverse effect on the working of the set.

5.03.4. *Cost trends.*—The cost of generation for the three years ending 31st March 1977 of the station is given below :—

	1974-75	1975-76	1976-77
Installed capacity (MW)	67.5	67.5	61.0
Generation (in million Kwh)	401.46	372.82	334.80
Auxiliary consumption (in million Kwh)	30.56	31.03	30.20
Units sent out (in million Kwh)	370.90	341.79	304.60
Total cost of generation (in lakhs of rupees)	201.20	197.43	311.19
Cost per Kwh generated (in paise) :			
(i) Fuel	3.1	3.2	6.7
(ii) Repairs, maintenance, oil, stores, etc.	0.2	0.3	0.3
(iii) Salaries, wages and overheads	1.1	1.2	1.6
(iv) Depreciation	0.6	0.6	0.7
Total	5.0	5.3	9.3
Cost of auxiliary consumption per Kwh (in paise)	0.4	0.5	0.9
Cost per unit sent out (in paise)	5.4	5.8	10.2

The increase in the cost of generation from 5.0 paise per unit in 1974-75 to 9.3 paise per unit in 1976-77 was mainly due to the increase in the price of gas provisionally taken into account in working out the cost, as indicated later in paragraph 5.03.6(a).

5.03.5 *Manpower analysis.*—The Board has not laid down any norms for employment of staff at the power station. The number of generation employees employed and total units generated for the four years ending 31st March 1977 are given below :—

Year	Number of generation employees on the last day	Total Units generated during the year	Units generated per generation employee
(Units in thousand Kwh)			
1973-74	474	3,47,670	732
1974-75	471	4,01,460	852
1975-76	471	3,72,820	792
1976-77	451	3,34,800	742

5.03.6. *Other points of interest.*—

(a) *Contract for associated gas.*—Three boilers (2,00,000 lbs/hour capacity each) were converted to use gas from 29th September 1965. A contract with the Oil and Natural Gas Commission for supply of associated gas, for the period from 29th September 1965 to 31st March 1979, was signed on 18th December 1975, after a lapse of ten years from the commencement of supply.

The details of the price paid for different periods for supply at the power station (including transport, royalty, sales tax, etc.) were as under:—

Period	Rate per 1000 cubic metres (Rupees)
29th September 1965 to 5th May 1970	66.88
6th May 1970 to 31st March 1971	67.44
1st April 1971 to 30th September 1975	85.94
1st October 1975 to 11th December 1975	86.58
12th December 1975 to 31st March 1976	86.75

Pending fixation of the price for the period after March 1976, the Board has been making payments for gas supplied provisionally at Rs. 86.92 per 1000 cubic metres from April 1976 to July 1977 and at Rs. 89.50 per 1000 cubic metres from August 1977 onwards. For purposes of costing and accounting, however, the Board has adopted, on an *ad hoc* basis, the provisional price of Rs. 250 per 1000 cubic metres for the year 1976-77.

The consumption of gas is to be billed for monthly by the Oil and Natural Gas Commission, on the basis of the quantity of gas consumed. At the same time, the agreement provides for the levy of a minimum charge calculated on 75 per cent of the estimated daily consumption of 3 lakh cubic metres of gas. The minimum charge was, however, to be limited to 66 2/3 per cent of the daily consumption of 3 lakh cubic metres up to three months in a year, if the boilers were shut down for annual inspection by the Inspector of Boilers, provided notice of seven days was given to the Oil and Natural Gas Commission for such closure. During December 1970 and February-March 1971, when the boilers were shut down, though the consumption was above 66 2/3 per cent but less than 75 per cent of the daily minimum, the payment was made at 75 per cent of the daily minimum consumption, instead of on the basis of actual consumption, resulting in excess payment of Rs. 0.36 lakh on 0.55 lakh cubic metres of gas not used. The Management stated (July 1977) that the agreement was not executed during this period and, therefore, this clause was not made effective. It may, however, be mentioned in this connection that as the agreement came into force with retrospective effect, the Board should have claimed the amount from the Oil and Natural Gas Commission.

(b) A weigh-bridge costing Rs. 0.26 lakh was installed in 1952 for weighing coal received in four wheeler wagons. While coal was being received up to November 1972 both in box wagons and four wheeler wagons, thereafter it was being received only in box wagons. Consequently, the weigh-bridge could not be utilised for weighing of coal and receipts were, therefore, accounted for according to the weight recorded in the railway receipts. Consumption was also recorded on approximate basis as coal meters were not in order. Purchase of coal has also been stopped temporarily since October 1976 owing to restricted use of coal.

According to the railway rules, the freight charges indicated in the railway receipts have to be paid in full even if any of the wagon does not reach the destination. Claims for the cost of coal and freight paid thereon have to be lodged with the Railways for such missing/undelivered consignments. Claims of Rs. 2.04 lakhs lodged with the Railways during 1975-76 were still to be settled (May 1978).

Government, to whom the above observations were reported in August 1977, endorsed in December 1977, the views of the Management incorporated in the paragraph.

5.04. Tariff, revenue assessment, billing and collection :

5.04.1 *Introduction.*—Section 59 of the Electricity (Supply) Act, 1948, enjoins that the Board shall not, as far as practicable and after taking credit for any subventions from the State Government under Section 63

of the Act, carry on its operations under the Act at a loss, and shall adjust its charges accordingly from time to time. In order to ensure that this stipulation is fulfilled, it is necessary for the Board to —

(i) frame a suitable tariff for supply of electricity after taking into account the cost of operations as well as to revise the tariff whenever found necessary to obviate losses ; and

(ii) evolve suitable procedures and systems for the accounting of power connections, recording consumption of electricity, for the prompt assessment, billing and collection of revenue and checking of consumers' premises to prevent unauthorised connections and pilferage of electricity.

Results of a scrutiny in audit of these aspects are mentioned in the succeeding paragraphs.

5.04.2. Tariff structure:

5.04.2.1. *Tariff in force.*—(a) Sections 46 and 49 of the Electricity (Supply) Act, 1948, empower the Board to fix a Grid Tariff as well as to adjust its tariff rates for supply of electricity, which may be different for different categories of consumers and for different areas. The Board has, accordingly, introduced a uniform tariff throughout the State from May 1965, prescribing the charges to be levied in respect of different classes of consumers, including licensees. A single tariff, which provides for the levy of energy charges on the basis of units of electricity consumed, has been prescribed by the Board in respect of commercial and domestic consumers using low tension motive power up to 100 KVA load. The tariff in the case of high tension, agricultural and low tension consumers, with demand of 50 KW and more and who opt for a two part tariff, and of licensees consists of two parts and provides for the levy of (a) demand charges or fixed charges based on minimum billing demand (KVA) with reference to the demand indicated as required at the time of entering into agreements with the Board and the actual demand registered and (b) energy charges on the basis of actual units of electricity consumed.

As mentioned in paragraph 10.01 of Section IV of the Report of the Comptroller and Auditor General of India for the year 1972-73 (Commercial), the tariff introduced from May 1965 was revised with effect from 1st May 1968 for consumers excluding licensees and from 1st July 1968 for licensees, by the levy of a surcharge, and again revised with effect from January 1970. While the basic tariff structure has not been revised thereafter, the Board has, however, levied, from time to time between March 1974 and September 1976, additional charges, on an *ad hoc* basis, for different categories of consumers, ranging from 2 to 3 paise per

unit so as to offset the increase in the cost of operations. The rates of additional charges currently in force for different categories of consumers are as follows :—

Category	Additional charge per unit (in paise)
Residential lights and fans	3*
Domestic appliances and small power	11
Cinemas	11
Low tension motive power	11
Agricultural	8
Public lighting	3
High tension industrial connections	8
Licenseses	8

Though the levy of such additional charges on an *ad hoc* basis, instead of revising the tariff, has resulted in the accrual of additional revenue to the Board, the increase in the cost of operations has not been fully offset by the periodical revision of these charges; consequently, the Board has not been able to meet the interest liability on Government loans to the full extent. The extent to which costs have remained unrecovered on this account before and after making the statutory contribution to General Reserve for the four years ending 31st March 1977 is indicated below :—

	1973-74	1974-75	1975-76	1976-77
	(Rupees in lakhs)			
Shortfall in revenue <i>vis-a-vis</i> total costs (including interest charges) shown as contingent liability in the accounts.	460.88	671.71	833.01	1,232.62
Contribution to General Reserve	114.88	124.31	114.55	169.63
Net shortfall before contribution to General Reserve	346.00	547.40	718.46	1,062.99

With a view to rationalising the tariff, the Board engaged in June 1976 the services of the Indian Institute of Management, Ahmedabad, on a lump sum fee of Rs. 15,000, to conduct within six months, a study of the Board's tariff structure. The report of the Institute received in March 1978, was stated to be under study by the Board (May 1978).

(b) The table on pages 58-59 indicates the power sold to different categories of consumers and revenue realised therefrom, compared with the average cost per unit sold, for the four years ending 31st March 1977.

*Applicable only to those consumers whose monthly consumption exceeds 40 units.

Category of consumers	1973-74				1974-75			
	Units sold (Mkwh)	Revenue realised (Rupees in lakhs)	Revenue per unit sold (in paise)	Average cost (including element of interest, etc.) per unit sold (in paise)	Units sold (Mkwh)	Revenue realised (Rupees in lakhs)	Revenue per unit sold (in paise)	Average cost (including element of interest, etc.) per unit sold (in paise)
High tension industrial	1,366.152	1,716.54	13		1,526.362	2,878.14	19	
Licensees ..	533.307	738.27	14		541.896	1,120.54	21	
Bulk supply to other States	127.353	101.01	8		7.074	15.09	21	
Railway traction.	..	0.20	..		35.667	18.81	5	
Irrigation-Agricultural	608.018	1,140.70	19		976.501	1,804.56	18	
Others ..	509.255	1,322.86	26		590.519	1,613.82	27	
Total ..	3,144.085	5,019.58	16	18	3,678.019	7,450.96	20	23

1975-76				1976-77			
Units sold (Mkwh)	Revenue realised (Rupees in lakhs)	Revenue per unit sold (in paise)	Average cost (including element of interest, etc.) per unit sold (in paise)	Units sold (Mkwh)	Revenue realised (Rupees in lakhs)	Revenue per unit sold (in paise)	Average cost (including element of interest, etc.) per unit sold (in paise)
1,641.733	3,148.24	19		1,848.646	4,199.13	23	
676.125	1,475.23	22		847.798	2,046.31	24	
67.833	17.90	3		225.952	385.34	17	
90.413	123.08	14		103.141	191.39	19	
838.156	1,816.75	22		889.951	2,203.49	25	
660.385	1,996.58	30		776.986	2,557.46	33	
3,974.645	8,577.78	22	25	4,692.474	11,583.12	25	28

5.04.2.2. *Fuel adjustment charges.*—Mention was made in paragraph 10.06 of Section IV of the Report of the Comptroller and Auditor General of India for the year 1972-73 (Commercial) of the inclusion of a provision for the levy of fuel adjustment charges in the tariff relating to high tension consumers and licensees and of the non-revision of these charges after March 1972. Consequent upon the increase in prices of oil, the main fuel used for generation of power by the Board, and the use of larger quantities of costlier furnace oil owing to the inability of Indian Oil Corporation Limited to supply cheaper residual fuel oil to the extent required by it, the Board revised the rate of fuel adjustment charges from 2.5 paise per unit, in vogue since March 1972, to 9.0 paise per unit with effect from June 1974. However, in September 1974, following criticism by high tension consumers of the high rate of these charges as well as reduction in the use of furnace oil consequent upon the receipt of increased supplies of residual fuel oil, the Board reduced this rate to 5.5 paise per unit, which is still in force (May 1978).

The following points were noticed in this connection :—

(a) Though the levy of a fuel adjustment charge was aimed at recovering variations in fuel cost, the rates had been fixed from time to time on an *ad hoc* basis and bore no relation to the actual increase in costs. Thus, while the rate was fixed initially in January 1970 at one paise per unit on a provisional basis pending fixation of the price of residual fuel oil which was then under negotiation with Indian Oil Corporation Limited, a study (July 1971) by the Board of the fuel cost during January to December 1970 disclosed that the fuel cost had increased by about 1.746 paise per unit as against the rate of 1.5 paise per unit fixed with effect from June 1971. Again, though it was found during February-March 1972 that the incidence of fuel cost would increase by 2.83 paise per unit because of the use of costlier furnace oil, the rate was revised to only 2.5 paise per unit from March 1972 onwards. Subsequently also, the Board had assessed in November 1974 that the overall increase in fuel cost then ranged from 6.1 to 6.3 paise per unit as against the rate of 5.5 paise per unit effective from September 1974. The assessment of the Board on this occasion had also not taken into account a claim on account of fuel surcharge expected to be received from the Tarapur Atomic Power Station for the power supplied by it to the Board.

(b) The price payable by the Board to Indian Oil Corporation Limited for residual fuel oil was under dispute from 1965-66 onwards and the dispute had been referred to arbitration in February 1973. Pending settlement of the dispute, the Board had initially worked out the rates of fuel adjustment charges by assuming the price of residual fuel oil at Rs. 45 per tonne; subsequently while revising the rate to 9.0 paise per unit with effect from June 1974, the price of residual fuel oil had been enhanced to Rs. 100 per tonne. In terms of the Residual Fuel Oil Price Award, declared by the Arbitrator (a retired Chief Justice of the Supreme Court) in April 1966, the prices of residual fuel oil were, however, fixed at rates ranging from

Rs. 75 per tonne for the year 1965-66 to Rs. 336 per tonne for the year 1975-76. The Board has neither refixed the rate of fuel adjustment charge nor revised the tariff so as to recover the increase in fuel cost (May 1978).

5.04.2.3 *Tariff for supply of power for railway traction.*—In October 1969, the Board entered into an agreement with the Western Railway Administration for supply of power for railway traction, subject, *inter alia*, to the following conditions :—

(i) the agreement would remain in force for a period of 12 years from the date of commencement of supply;

(ii) energy charges would be levied at a flat rate of 8 paise per unit (the average rate per unit in January 1966) without any adjustments on account of variations in cost of fuel; and

(iii) in the event of a substantial increase in the generation cost, the Board would be within its rights to increase the rate proportionately in consultation with the consumer.

These provisions worked to the Board's disadvantage as indicated below :—

(a) Since a flat rate had been accepted in the agreement, the Board could not recover the additional charges of 3 paise, 6 paise and 8 paise per unit levied on other high tension consumers respectively with effect from 1st March 1974, 1st January 1976 and 1st July 1976. In January 1974, in the context of the increase in the cost of its operations, the Board, however, took up with the Railway Administration the question of increasing the rate of energy charges to 11 paise per unit and levying the additional charge applicable to other high tension consumers. The Railway Administration agreed in March 1974 to the energy charges being increased to 9 paise per unit with effect from 1st April 1975 and additional charges of 3 paise per unit and 4.5 paise per unit being levied respectively from 1st April 1976 and 1st September 1976. Thus, as against the additional charge of 8 paise per unit levied in respect of other high tension consumers with effect from 1st July 1976, the Board was able to recover as additional charge only 4.5 paise per unit from the Railway Administration that too only from a later date. The revenue forgone on this account from 1st April 1974 to 31st March 1977 was about Rs. 63.41 lakhs.

(b) In terms of the agreement, the Board could not also recover the fuel adjustment charge from the Railways as was being done in the case of other high tension consumers. However, because of substantial increase in its fuel cost, the Board approached the Railway Administration

in March 1974 for payment of the fuel adjustment charge, who agreed in November 1974 to the levy of the charge at the following rates :—

Period	Rate
1st April 1974 to 31st March 1975 ..	2.5 paise per unit
1st April 1975 onwards ..	The rate at which it was recovered from other high tension consumers, i. e. 5.5 paise per unit.

The loss of revenue owing to non-recovery of the fuel adjustment charge on par with other high tension consumers was Rs. 14.48 lakhs for the period from 1st April 1973 to 31st March 1975.

5.04.2.4. Tariff for licensees :

(a) *Distribution of power through rural electricity co-operatives.*—Mention was made in paragraph 2 of Section VII of the Report of the Comptroller and Auditor General of India for the year 1973-74 (Commercial) of the supply of power at a concessional flat rate of 10 paise per unit (12.5 paise per unit with effect from June 1974) to the Kodinar Rural Electricity Co-operative Society and of the payment of a subsidy by the Board to the society.

Between January 1975 and December 1975 the Board refunded Rs. 6.76 lakhs to the society as subsidy, representing the difference between the tariff and the flat rate of 12.5 paise per unit effective from June 1974. In July 1976, it was decided, in a meeting with the Chairman of the society, that the tariff for the society would be regulated in the following manner:—

(i) power would be supplied to the society at a provisional rate of 16 paise per unit from February 1976 to August 1976 and at the rate of 18 paise per unit from September 1976;

(ii) the society would pass on to the Board the fuel adjustment charge recovered from its consumers from June 1974 in excess of 2.5 paise per unit; and

(iii) this arrangement would remain in force till 31st December 1976, before which the matter would be sorted out again.

Before these decisions could be implemented, the Rural Electrification Corporation Limited, which had financed the society, requested the Board in July 1976 to supply power to the society at an overall flat rate of 12.5 paise per unit for a period of five years from 1st January 1976. This was not agreed to by the Board.

The society defaulted in the payment of energy charges to the Board from September 1976 onwards and the arrears on this account, computed at the rate of 18 paise per unit agreed upon in July 1976, amounted to Rs. 24.85 lakhs in March 1977. Energy charges from April 1977 onwards were, however, paid by the society at the rate of 18 paise per unit. The Board had not recovered the arrears from the society nor levied delayed payment charges (May 1978).

(b) *Supply of electricity to Baroda Municipal Corporation.*—In paragraph 10.03 (b) of Section IV of the Report of the Comptroller and Auditor General of India for the year 1972-73 (Commercial), mention was made about the incorrect deduction of rebate of Rs. 1.56 lakhs per month by the Baroda Municipal Corporation even after the expiry of the agreement executed in this regard with the Board.

Though a decision had been taken in December 1972 that the Municipal Corporation would pay energy charges from 1st April 1973 in accordance with the Board's grid tariff and would not claim any rebate from that date onwards and that the question of rebate claimed during the earlier period from January 1971 be referred to arbitration, the Corporation continued to deduct the rebate till March 1974. The total amount so withheld by the Corporation from January 1971 to March 1974 and delayed payment charges recoverable thereon up to 18th August 1974 (when the matter was referred to arbitration), amounted respectively to Rs. 60.77 lakhs and Rs. 28.31 lakhs. As the arbitrator to whom the dispute was referred was taking much time in deciding the case, the Board requested Government in July 1977 to assist in resolving the dispute between the two corporate bodies. While action was yet to be taken by Government on this request, the arbitration proceedings, on which the Board had incurred an expenditure of Rs. 0.07 lakh till March 1978 had also not been completed (May 1978).

Besides, fuel adjustment charges (Rs. 103.37 lakhs) pertaining to the period from June 1974 to June 1976 were also paid belatedly by the Municipal Corporation during the period from July 1975 to March 1977. The Board, instead of recovering delayed payment charges, decided in June 1975, to charge interest at 14 per cent per annum for the periods the amounts remained unpaid. The interest amounting to Rs. 6.93 lakhs, as against Rs. 11.40 lakhs leviable as delayed payment charges, was yet to be paid by the Municipal Corporation (May 1978).

5.04.2.5. *Concessions to high tension consumers.*—(a) Although, as stated earlier in paragraph 5.04.2.2, the rate of fuel adjustment charge was increased to 1.5 paise per unit with effect from June 1971, one high tension consumer, the biggest of the Board, continued to pay these charges only at the original rate of one paise per unit, on the plea that the Board had recovered these charges in excess in the

past. At a meeting held in March 1973 between the consumer and the Board, the consumer offered to pay fuel adjustment charge bills as prepared by the Board from December 1972 onwards and to pay the arrears amounting to Rs. 51.12 lakhs for the period from July 1971 to November 1972 after the Residual Fuel Oil Price Award was declared by the arbitrator, which was agreed to by the Board. The award was declared in April 1976 and the consumer paid the arrears in July 1976. Normally, in accordance with the tariff rules of the Board, the consumer would have been liable to pay delayed payment charges amounting to Rs. 51.34 lakhs on the arrears. However, in view of the fact that while accepting the offer of the consumer in March 1973, it had not stipulated that such charges would be recovered, the Board charged interest at 14 per cent which, because of reluctance on the part of the consumer to accept, was reduced to 9 per cent in March 1977. Interest amounting to Rs. 19.02 lakhs was accordingly paid by the consumer in March 1977. The Board had thus forgone delayed payment charges amounting to Rs. 37.32 lakhs.

Though the consumer had agreed in March 1973 to pay fuel surcharge bills as prepared by the Board from December 1972 onwards, the fuel surcharge bills for the period from June 1974 to January 1975 were only partially paid by the consumer on the ground that the charges were incorrectly levied. The arrears on this account amounted to Rs. 67.98 lakhs. The Board took up the matter with Government and at a meeting held in February 1975 among the officers of the Board, Government and the consumer, it was decided that the consumer would pay the arrears in four equated monthly instalments, commencing from 7th March 1975 and that no interest would be charged if payments were made as stipulated. The consumer accordingly paid the arrears. The amount of interest/delayed payment charges forgone in terms of this settlement worked out to Rs. 7.16 lakhs.

(b) An agreement was executed in July 1971 between a high tension consumer (a Bhavnagar concern) and the Board for the supply of 10,000 KVA power. Due to shortage of power, the consumer was given 4700 KVA power from 19th January 1972 during night hours (10 p.m. to 6 a.m.); the agreement with the consumer was, however, not revised. As the consumer started drawing more power from the date of release, the actual drawals ranging from 6,480 KVA to 8,640 KVA, the Board raised bills against the consumer levying demand charges at the normal rate of Rs. 10 to Rs. 12 per KVA for 4,700 KVA and at the penal rate of Rs. 20 per KVA in respect of the drawals in excess of 4,700 KVA. The consumer refused to pay the demand charges at the higher rate for excess drawal, on the plea that the contract demand was 10,000 KVA in terms of the agreement. After discussions with the consumer in April 1972, the Board decided to treat the contract demand as 8,640 KVA, which was the maximum demand established in February 1972: the contract demand was subsequently further increased, at the instance of the consumer, to 10,000 KVA from October 1973 and the energy bills were revised

accordingly. In view of the fact that the consumer had claimed that the contract demand was 10,000 KVA, there appears to have been little justification for the lower fixation of the contract demand at 8,640 KVA. This resulted in short recovery of demand charges by Rs. 0.86 lakh for the period from January 1972 to September 1973. In addition, the Board also waived in April 1973 the recovery of delayed payment charges amounting to Rs. 0.09 lakh for the period from January to March 1972.

The consumer defaulted in payment of energy bills from June 1974 onwards and the total arrears accumulated up to October 1975 amounted to Rs. 21.45 lakhs. The concern was closed down in August 1975 and went into liquidation in November 1975.

5.04.2.6 *Tariff for low tension consumers.*—In the case of consumers who contract for motive power of 50 KW and above but not more than 100 KW at low tension, a two part tariff is applicable which provides for the levy of demand charges at Rs. 7 per KW, in addition to energy charges for the quantum of energy consumed. There is, however, no provision for the levy of a higher rate of demand charges in case the actual demand registered during the month is in excess of the contract demand, while such a provision exists in the tariff applicable to high tension consumers. Consequently, consumers can take advantage by contracting for 100 KW or less and drawing more power. A few instances, noticed in audit in Jamnagar Division, of consumers taking advantage of this lacuna in this tariff are indicated below :—

Consumer	Contract demand (KW)	Demand established (KW)	Month
A	67	152	1st January 1973
		157	31st January 1973
B	70	160	1st January 1973
		160	February 1973
C	99	160	May 1974
		160	June 1974
D	70	300	July 1974
		300	September 1974
		300	October 1974
E	90	110	May 1974
		114	July 1974
		100	August 1974
		104	January 1975
F	90	122	April 1974
		122	May 1974
		120	June 1974
		125	April 1975
		105	May 1975
		107	June 1975

The Board has not taken steps to remove this lacuna in the tariff (May 1978).

5.04.3 Revenue assessment, billing and collection :

5.04.3.1. *General*.—The following table shows the revenue earned by the Board during the four years ending 31st March 1977 together with power sold and the percentage of growth :—

	1973-74	1974-75	1975-76	1976-77
Power sold (in MkwH) ..	3,144	3,678	3,975	4,692
Percentage of growth ..	6.6	17.0	8.1	18.0
Revenue from power sold .. (in lakhs of rupees)	5,019.58	7,450.96	8,577.78	11,583.12
Percentage of growth ..	12.7	48.4	15.1	35.0

5.04.3.2. *Non-observance of prescribed procedures for release of new connections*.—Before laying service lines to consumers' premises for release of power, the consumers concerned, particularly high tension, low tension motive power and agricultural consumers, are required to execute agreements with the Board containing, *inter alia*, the terms and conditions in regard to contracted load, period of validity, minimum guarantee charges, deposits, if any, to be paid, *etc.* Once the service lines are laid and the Board is ready to release supply, the Board is required to serve notices to the consumers asking them to avail of supply within three months, failing which the consumers would become liable to pay certain specified minimum charges from the date of expiry of the notice period till the date of availing of the supply. Bills for minimum charges in such cases are also required to be served as soon as they become due. Non-observance of these procedures/delay in issuing bills for minimum charges, resulting in loss of revenue, were, however, noticed during a test check in audit. Some instances are mentioned below :—

(a) In four divisions of the Board (Baroda, Godhra, Mahemdabad and Sabarmati) agreements for supply of power had not been entered into with consumers in 664 cases pertaining to the period from April 1974 to March 1977.

(b) On the completion of the work of laying high tension service line, the Board issued a notice to the consumer firm at Baroda in August 1974 to avail of the power as reserved by them (350 KVA) within three months. The firm did not avail of the supply and on receipt of bills for minimum charges informed the Board in July 1975 that they were not interested in taking the power. As no agreement had been executed with the firm, the Board decided in December 1975 to waive the

minimum charges for the period from November 1974 to November 1975, amounting to Rs. 0.40 lakh, and to bill the party for one month only (Rs. 0.03 lakh) treating the supply as temporary.

(c) A connection of 80 H.P. was released to a co-operative society of Vadia sub-division on 7th December 1971. The agreement was, however, not executed with the society. Though the connection was released in December 1971, the society did not avail of the supply nor pay the bills for minimum charges issued by the Board from time to time. The supply was disconnected in December 1973. As no agreement was executed with the consumer, the Board could not take any legal action for recovery of the dues. On 17th November 1975, after executing a new agreement, power supply was again released. The arrears of minimum charges amounting to Rs. 0.16 lakh for the period from 7th December 1971 to 31st October 1975 were waived by the Board.

(d) Minimum charges recoverable from 1,809 consumers of various categories in four divisions (Dabhoi, Godhra, Sabarmati and Talod) on account of failure to avail of the power after the expiry of the notice period, amounted to Rs. 20.82 lakhs up to 31st March 1977.

(e) In 45 cases in Sihor sub-division under the Operation and Maintenance Division, Bhavnagar, though the laying of service lines was completed and three months' notices were also served on the consumers between 1971 and 1973, bills for minimum charges amounting to Rs. 0.25 lakh were not issued on the expiry of the notice periods, but only in August 1976 with retrospective effect. The consumers refused to pay these bills on the ground that they were not bound to pay the bills with retrospective effect. Further developments were awaited (March 1978).

5.04.3.3. *Incorrect billing due to wrong reading of meters.*—Two cases, noticed during test check in audit, of incorrect billing due to wrong reading of meters are mentioned below :—

(a) The meter, installed in February 1968 in the premises of a consumer, had a multiplying factor of 10 and the reading shown by it was, therefore, required to be multiplied by 10 to arrive at the actual units of energy consumed. This fact was not intimated to the Billing Section by the technical staff who released the connection and energy bills for the period from February 1968 to November 1975 were preferred without applying the multiplying factor. The mistake was detected in January 1976, after a meter reader doubted the correctness of the consumption figures while recording the reading for December 1975. The Board preferred thereafter a supplementary claim for Rs.1.56 lakhs for the period from February 1968 to November 1975, which was, however, not paid by the consumer till December 1976. The Board, therefore, filed a civil suit in January 1977 for recovery of the amount, which was pending (May 1978).

(b) According to the meter reading of a motive power consumer, taken by a Technical Assistant, no electricity had been consumed during the period from March 1970 to January 1971, although up to February 1970 the average monthly consumption was 9,422 units. In March 1971, after taking the meter reading, he recorded a consumption of 7,122 units for February 1971. The reading taken subsequently in April 1971 by another meter reader showed that 1,02,890 units had been consumed since bills for energy charges had been preferred last and taking into account the consumer's average monthly consumption in the past, this appeared to indicate that these units had been consumed during the period March 1970 to March 1971. A bill for Rs. 0.16 lakh was accordingly raised in April 1971, which the consumer refused (February 1972) to pay on the plea that the readings recorded were incorrect. On the Board disconnecting the supply in March 1973, the consumer obtained a stay order from the court against disconnection of the supply. The Board thereafter compounded the case in August 1973 at Rs. 0.09 lakh, out of which the consumer paid Rs. 0.05 lakh on 19th August 1973; the balance amount was remaining unpaid till May 1978.

The Board has not taken any action against the defaulting technical staff in these two cases (May 1978).

5.04.3.4 *Incorrect application of tariff.*—

(a) A high tension consumer, with a load of 200 KVA, had been charged from August 1975 onwards at the lower tariff applicable to industrial consumption although the power was used by the consumer for non-industrial purposes like water-supply, air conditioning of office and hostels, etc., for which a higher tariff was applicable. The short recovery on this account for March 1976 alone worked out to Rs.1,385, while relevant details for other months were not available. Though the matter was reported to the Board in December 1976, the Board had neither assessed the total short recovery on this account, with a view to recovering the difference, nor corrected the method of billing (March 1978).

(b) The tariff for the supply of high tension power enjoins on the consumers to provide separate meters for recording consumption for non-industrial purposes like office, residential quarters, street lights, canteens, dispensaries, etc. According to the Board's rules, if separate meters are not installed, 10 per cent of the total monthly consumption is to be treated as lighting load and charged at the higher rate of 18 paise plus additional charges of 8 paise per unit. Nine consumers, in three divisions (Anand, Porbandar and Sabarmati) had not installed separate meters for recording consumption for non-industrial purposes. They were, however, billed only according to the lower tariff applicable to industrial consumption, which resulted in an under-charge of Rs. 1.35 lakhs. Reasons for applying the lower tariff in these cases were not available on record.

5.04.3.5. Defective meters.—(a) In order to ensure correct assessment of revenue, meters installed in the premises of consumers should record consumption correctly. In nine sub-divisions of three divisions (Himatnagar, Palitana and Sabarmati), however, 3,308 single phase and 150 three phase meters were found defective by the meter readers at the time of taking monthly meter readings ; as a result, the consumers were billed either the minimum charges or on a rough assessment basis. In Palitana town sub-division, reading of consumption of power by 14 consumers was not taken from the date of release of the connections (during October 1975 to January 1976) as the meters were declared defective and bills for minimum charges alone were issued to the consumers. The defective meters were replaced only after January 1976. The reasons for installing defective meters had not been investigated.

(b) Some instances of loss of revenue due to installation of defective meters are mentioned below :—

(i) At the time of departmental checking of the installation of a consumer on 24th January 1972, the meter was found to be moving slow. A supplementary bill for Rs. 0.35 lakh preferred for the period from February 1970 (date of installation) to January 1972 was, however, disputed (June 1973) by the consumer in a court of law. The Board filed a counter civil suit for recovery of the amount in July 1974. Both the suits were pending (May 1978).

(ii) The trivecto meter of a high tension consumer was found defective in June 1973. A new trivecto meter was, therefore, installed in July 1973 which showed that the maximum demand of the consumer was, on an average, 939 KVA, against which the maximum demand recorded by the old meter during the period January 1968 to June 1973 ranged between 627 KVA and 825 KVA. Though an amount of Rs. 0.83 lakh was found to be recoverable from the consumer for this period, the Board issued a bill for Rs. 0.30 lakh only for the period from January to June 1973. The consumer, after disputing the claim initially, paid the amount subsequently. Reasons for not issuing a bill in respect of the earlier period were awaited (May 1978).

(iii) The bills of a L. T. motive power consumer for August 1972 and September 1972 were prepared on the basis of the recorded demand of 190 KW. against the contracted demand of 100 KW. Thereafter, the meter was stated to have gone out of order and the consumer was billed on the

basis of the contracted demand from October 1972 till August 1977. The defective meter was replaced in September 1977. Computed on the basis of the recorded demand of 190 KW, the short recovery from October 1972 to August 1977 would work out to Rs. 0.37 lakh.

(iv) Bills in respect of consumers whose meters are found to be defective or to have stopped are to be prepared on the basis of the average consumption during the three months preceding the month in which such defects are noticed. Though the meters of ten agricultural consumers in Baroda division were found defective/to have stopped at the time of taking the meter reading on various dates between March 1974 and March 1977, they were not served even with bills based on average consumption. This resulted in a loss of revenue of Rs. 0.29 lakh, computed on the average consumption of the consumers.

5.04.3.6 *Arrears of electricity dues.*—The table below indicates details of amounts outstanding from consumers for electricity supplied and of amounts under litigation, as on the last day of March of the three years ending 31st March 1977 *vis-a-vis* the revenue assessed as due from sale of electricity:—

Year	Revenue assessed on sale of electricity	Total outstanding on the last day of the year*	Amounts under litigation	Percentage of outstandings to revenue assessed
(Rupees in lakhs)				
1974-75	7,450.96	359.63	71.77	4.83
1975-76	8,577.78	450.12	92.88	5.25
1976-77	11,583.90	483.25	147.55	4.17

Age-wise analysis of the outstandings had not been prepared by the Board.

Amounts under litigation included, *inter alia*, the following cases:—

(i) Arrears amounting to Rs. 60.77 lakhs due from the Baroda Municipal Corporation which was under arbitration as mentioned in paragraph 5.04.2.4 (b)

(ii) Seven consumer organisations, against whom Rs. 49.19 lakhs were outstanding, were under liquidation and the Board had lodged between 1968 and 1975, claims in six of these cases with the liquidators, which were pending settlement (May 1978).

(iii) Between November 1973 and May 1977, the Board had filed civil suits against 16 consumers to recover Rs. 19.15 lakhs due from them, which were pending (May 1978).

* Source :—Quarterly reports submitted by the Management to the Board

(iv) In April 1977, the Board lodged a claim with the Commissioner of Payment for recovery of Rs. 9.17 lakhs outstanding from two textile mills, taken over by the Central Government. Further developments were awaited (May 1978).

5.04.4. *Loss of Revenue.*—

Varsoda Gram Panchayat was given street light connection in October 1966 under an agreement valid for seven years. As the Panchayat defaulted in the payment of bills for energy/minimum charges since the date of connection, though demands were raised regularly, the Board filed two civil suits in 1968 and 1971 and obtained two decrees in December 1969 (Rs. 0.02 lakh) and in October 1972 (Rs. 0.09 lakh) for the recovery of its dues amounting to Rs. 0.11 lakh for the period from October 1966 to August 1970. No action was, however, taken to enforce the claims in respect of minimum charges amounting to Rs. 0.13 lakh for the period from September 1970 to November 1973 (when the supply was disconnected), which became time-barred. The Management audit in December 1976 that details of the property of the Panchayat were being collected from the Taluka Development Officer for the execution of the decrees. Further developments are awaited (May 1978).

5.04.5. *Electricity Duty.*—In terms of the Bombay Electricity Duty Act, 1958, adopted by the Government of Gujarat in 1960, every licensee is required to collect and pay to the State Government, at the time and in the manner prescribed, the proper electricity duty payable on the units of energy supplied by him to the consumers. The Act also provides that any sum due on account of electricity duty, if not paid at the time and in the manner prescribed, is recoverable with interest at 12 per cent per annum.

During the course of test check in audit (June 1975 to May 1977), the following points were noticed :—

(a) According to the Bombay Electricity Duty (Gujarat) Rules, 1968, where there are combined installations for supplying energy for different purposes for which electricity duty is leviable at different rates, the consumer is required to instal separate meters or sub-meters for recording consumption of electrical energy for different purposes separately, failing which the electricity duty was to be levied as if energy was consumed for that purpose for which a higher rate of electricity duty was leviable. It was noticed that though separate meters were not installed for combined installations in nine cases, electricity duty was charged at the lower rate, which resulted in under-recovery of Rs. 0.78 lakh, during January 1969 to March 1977, out of which Rs. 0.12 lakh were recovered till March 1978.

(b) In fifteen cases, short recovery of electricity duty to the tune of Rs. 0.77 lakh relating to the period January 1969 to February 1977, due to incorrect application of the electricity duty rates as prescribed from time to time, was noticed. Out of this, Rs. 0.38 lakh had been recovered till March 1978.

(c) According to the Bombay Electricity Duty Act, 1958, electricity duty is payable by the Board on the energy consumed by it after 1st January 1969 for office, commercial or residential purposes. Electricity duty on energy consumed by the Board for such purposes in two of its divisions (Sabarmati and Surat) was not paid since January 1969. Non-payment of duty in one division (Sabarmati) from January 1973 to March 1976 and in the other division (Surat) during 1974-75 and 1975-76 amounted to Rs. 0.18 lakh. The short payment for the earlier periods had not been assessed (March 1978).

These observations were brought to the notice of the Board/Government in November 1977; their replies are awaited (May 1978).

5.05. Other points of interest :

5.05.1 *Electrification of a village.*—As part of a district level scheme, sanctioned in 1970-71, to electrify 28 villages, the State Government approved in March 1972, in consultation with the gram panchayat of Bet Dwarka village, a proposal of the Board to instal diesel generating sets and lay distribution lines in the village on the condition that the assets created would be handed over to the gram panchayat which would generate and distribute electricity and bear all costs of operation and maintenance. Government granted an interest free loan of Rs. 2.01 lakhs to the Board for this work. The work was commenced in October 1972 and completed in October 1973. Subsequently, it was decided to electrify a suburb of the village, which had been left out earlier, and Government sanctioned in October 1973 a loan of Rs. 0.54 lakh to the Board for this purpose, which was to bear interest at 6.75 per cent per annum. This work was completed in June 1974. The total expenditure incurred on both the works amounted to Rs. 1.89 lakhs.

The gram panchayat did not, however, take over possession of the assets and in July 1974 expressed its unwillingness to operate and maintain the electricity distribution system. The Board also informed Government in June 1976 of its inability to operate the sets and distribute electricity in the area on the ground that it would not be an economical proposition owing to lack of any agricultural or industrial potential in the area and the consequential insufficiency of load.

The assets created between October 1972 and June 1974 at a cost of Rs. 1.89 lakhs have thus remained idle (May 1978).

The matter was reported to the Board/Government in November 1977; their replies are awaited (May 1978).

5.05.2. *Temporary electrification in Godhra City.*—The assets of the Godhra Electricity Company, a licensee, were to be taken over by the Board on the midnight of 15th November 1972. The licensee, however, did not hand over possession of the assets and, therefore, the supply of power to the licensee was cut off by the Board from the midnight of 15th November 1972. At the same time with a view to maintaining essential services in the city, the Board decided to supply power to the city, railway station, hospital, etc. Accordingly, materials valuing Rs. 1.13 lakhs were drawn during 16th to 18th November 1972 from the stores to erect temporary lines for the supply of power through the Board's lines in the licensee's area. Subsequently, as the State Government took over the management of the Godhra Electricity Company under the Defence of India Rules with effect from 19th November 1972, the supply lines constructed by the Board were no longer required and were to be dismantled. Dismantled materials valued at Rs. 0.71 lakh alone were returned to the stores. The shortage of materials (value : Rs. 0.42 lakh) had neither been reported to the Board nor was any responsibility fixed for the loss (May 1978).

The matter was reported to the Board/Government in November 1977; their replies are awaited (May 1978).

GUJARAT STATE ROAD TRANSPORT CORPORATION**6.01. Construction of dormitories :**

The Corporation decided in 1972 to construct dormitories at its divisional head quarters to provide facilities to drivers, conductors and other line and technical staff, for overnight stay when they had to join duty early in the morning or get off duty late at night. A token charge of Rs. 5 per month per head was to be recovered from those using the dormitories. Two such dormitories were constructed at Junagadh (December 1974) and Mehsana (May 1975) at a cost of Rs. 0.83 lakh and Rs. 1.10 lakhs respectively (excluding cost of land). While the dormitory at Mehsana was handed over to the Divisional Controller, Mehsana in September 1975, the Divisional Controller, Junagadh took over the dormitory at Junagadh from the Civil Engineering Department only in February 1976 due to lack of response from the employees for making use of the facilities provided therein.

The dormitories were constructed in open plots of land already available with the Corporation for construction of staff colonies or office buildings and hence they came to be situated away from the depots/bus stations where the staff had to report for duty. The staff were, therefore, not willing to pay the charges and make use of the dormitories, which remained vacant.

The Government stated (January 1978) that since April 1977, the dormitory at Junagadh was being used as a training centre-cum-conference room as and when required and that a decision had been taken to use the dormitory at Mehsana as a welfare centre. Thus, the two dormitories in which an investment of Rs. 1.93 lakhs had been made for a specific purpose, have not served the purpose intended.

6.02. Purchase of seat cushions and back squabs :

In May 1974, the Corporation invited tenders, to be valid till 28th October 1974, for the purchase of seat cushions (26,700 running metres) and back squabs (19,400 running metres) of different sizes, in response to which fourteen offers were received. The tenders were opened on 28th June 1974 and the Works Manager of the central workshop was asked on 17th August 1974 to technically evaluate the offers and advise in

regard to their suitability. After examining the samples furnished by the tenderers, the Works Manager recommended on 7th September 1974 the following three offers in order of preference :—

Order of preference	Firm	Type of product	Rate per running metre (in rupees)	
			Seat cushions	Back squabs
I	A	Rubberised Coir	44.00	13.20
II	B	Polyurethane foam rubber	49.64	16.00
III	C	'U' foam rubber	66.86	17.25

The Standing Committee (Supplies and Contracts) of the Association of State Road Transport Undertakings had also circulated in September 1974 the rates finalised by them in respect of seat cushions and back squabs, which were higher than the quotations received by the Corporation. Though the Corporation was aware that these rates were higher and that seat cushions/back squabs made of rubberised coir purchased on a trial basis on an earlier occasion had not rendered satisfactory service, action was not taken to finalise the purchase on the basis of the offers received from the other two firms before the expiry of the period of their validity; instead, the purchase department asked the Works Manager on 20th January 1975 to reconsider his recommendation in regard to the offer of firm 'A'. Pending a final decision on their tenders, the three firms extended, at the request of the Corporation, the period of validity of their offers till 31st March 1975. On 10th February 1975, the Works Manager, after reconsidering his earlier decision, recommended the offers of only firms 'B' and 'C' as the first and second source respectively on the ground that the offer of firm 'A' was not in accordance with the specifications stipulated in the tender notice.

No decision was, however, taken on the tenders till May 1975, when the central workshop reported the likelihood of fabrication of new bus bodies being held up on account of shortage of seat cushions and back squabs. The purchase department, therefore, placed an order on 31st May 1975, with the approval of the General Manager, on firm 'B' for 6,507 running metres of seat cushions and 6,355 running metres of back squabs, representing three months' requirements of the central workshop. On receipt of the order, the firm expressed its inability on 9th June 1975 to supply the material at the rates quoted earlier on the ground that while the rates of excise duty had been increased in the meantime from 60 per cent to 70 per cent, the prices of raw materials had also increased by 40 to 100 per

cent and offered to supply the quantities ordered at Rs. 64.09 and Rs. 17.51 per running metre for seat cushions and back squabs respectively. The firm had also then pointed out that the rates could still be higher in respect of future requirements.

Thereafter, in July 1975, the Corporation conducted negotiations with firms 'B' and 'C' with a view to securing a reduction in their rates, when the two firms offered to supply the material at the following rates:—

Rate per metre

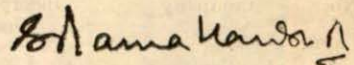
	Firm 'B'	Firm 'C'
Seat cushions ..	Rs. 64.09 for 6,507 metres ordered in May 1975 and Rs. 71.40 in respect of further quantities.	Rs. 66.86 in respect of supplies of the value of Rs. 2.50 lakhs and Rs. 80.92 in respect of additional quantities above this limit
Back squabs ..	Rs. 17.51 for 6,355 metres ordered in May 1975 and Rs. 17.25 in respect of further quantities.	Rs. 18.62 if orders were placed by 31st August 1975 and Rs. 27.85 thereafter

Following the negotiations, the Corporation confirmed on 18th July 1975 the purchase order placed in May 1975 on firm 'B' (total cost: Rs. 5.28 lakhs) and placed further orders (i) in November 1975 on firm 'C' for 4,003 running metres of seat cushions (total cost: Rs. 2.59 lakhs) and on firm 'B' for 13,299 running metres of back squabs (total cost: Rs. 2.37 lakhs) and (ii) in May 1976 on firm 'B' for 15,978 running metres of seat cushions (total cost: Rs. 11.41 lakhs) at rates agreed upon during negotiations. The failure to place orders within the validity period of the offers involved an extra expenditure of Rs. 3.79 lakhs in respect of the purchases made from firm 'B', excluding the element of increased excise duty.

The Management attributed (July 1977) the delay in taking a decision on the tenders to the following factors:—

- (i) the need to seek clarifications in regard to the exact percentage of excise duty chargeable on these items;
- (ii) the need to compare the quotations with the rates finalised by the Standing Committee (Supplies and Contracts) which were received on 21st September 1974; and
- (iii) the need to reconsider the earlier technical recommendation relating to the use of rubberised coir in the light of past experience.

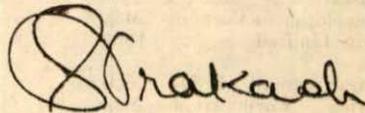
Government, to whom the matter was reported in October 1977, endorsed in December 1977 the views of the Management incorporated within.



(S. RAMACHANDRAN)
Accountant General, Gujarat.

Ahmedabad,
The 19 JUL 1978

Countersigned



New Delhi,
The 25 JUL 1978

(GIAN PRAKASH)
Comptroller and Auditor General of India.

APPENDIX

Summarised financial results of

(Referred to in paragaph 1.01

Sl. No.	Name of the Company	Date of incorporation	Accounts for the year ending	Capital invested	Profit(+)/ Loss(-)	Total interest charged to profit and loss account
1	2	3	4	5	6	7
Industries, Mines and						
1	Gujarat State Textile Corporation Limited	30th November 1968	December 1976	291.27	(+)10.32	16.45
2	Gujarat Export Corporation Limited	14th October 1965	March 1977	29.00	(+)12.82	4.59
3	Gujarat Industrial Investment Corporation Limited	12th August 1968	March 1977	..	(+)5.26	147.91
4	Gujarat Mineral Development Corporation Limited	15th May 1963	March 1977	597.80	(+)32.32	24.40
5	Gujarat Small Industries Corporation Limited	26th May 1962	December 1976	116.37	(-)36.97	27.71
6	Gujarat Communications and Electronics Limited	30th May 1975	March 1977	29.46	(-)2.12	..
7	Gujarat State Handicrafts and Handloom Development Corporation Limited	10th August 1973	March 1976	11.24	(-)2.39	0.38
Public Works						
8	Gujarat State Construction Corporation Limited	16th December 1974	July 1976	119.05	(+)29.34	9.51
Home						
9	Tourism Corporation of Gujarat Limited	10th June 1975	August 1976	1.01	(-)0.01	..

'A'

Government Companies

of Section I of Chapter I)

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

Interest on long term loans	Total return on capital invested (6+8)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (6+7)	Percentage of total return on capital employed	Remarks
8	9	10	11	12	13	14
Power Department						
16.45	26.77	9.19	291.27	26.77	9.19	
..	12.82	44.21	28.39	17.41	61.32	
147.91	..	..	2,746.25	153.17	5.58	
14.84	47.16	7.89	559.80	56.72	10.13	
4.76	(- 32.21)	..	174.47	(-)9.26	..	
..	(-)2.12	..	20.91	(-)2.12	..	
..	(-)2.39	..	16.60	(-)2.01	..	
Department						
9.51 *	38.85	32.63	118.06	38.85	32.91	
Department						
..	(-)0.01	..	0.63	(-)0.01	..	

Sl. No.	Name of the Company	Date of incorporation	Accounts for the year ending	Capital invested	Profit(+)/ Loss (-)	Total interest charged to profit and loss account
1	2	3	4	5	6	7
Agriculture, Forest and						
10	Gujarat Agro Industries Corporation Limited	9th May 1969	March 1977	452.59	(+)2.11	11.49
11	Gujarat Dairy Development Corporation Limited	29th March 1973	March 1977	69.39	(-)13.92	1.20
<i>Subsidiary Companies :</i>						
12	Gujarat Agro Foods Limited	29th October 1970	December 1976	79.94	(+)7.67	2.05
13	Gujarat Agro Oil Enterprises Limited	21st April 1971	December 1976	70.33	(+)7.02	3.57
14	Gujarat Agro Marine Products Limited	17th December 1971	December 1976	66.53	(-)2.56	2.52

- 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 paid-up capital, bonds, reserves (other than those specifically funded

A—(*Concl.*)

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

Interest on long term loans	Total return on capital invested (6+ 8)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (6+ 7)	Percentage of total return on capital employed	Remarks
8	9	10	11	12	13	14
Co-operation Department						
3.68	5.79	1.28	485.85	13.60	2.80	
1.20	(—)12.72	..	27.71	(—)12.72	..	
2.05	9.72	12.16	74.64	9.72	13.02	
3.15	10.17	14.46	69.10	10.59	15.32	
1.23	(—)1.33	..	25.30	(—)0.04	..	

free reserves.

Investment Corporation Limited) represents net fixed assets (excluding

Limited represents the mean of the opening and closing balances of and backed by outside investments) and borrowings.

APPENDIX

Details of works undertaken by Gujarat

(Referred to in paragraph

Sr. No.	Name of work	Tendered value (Rupees in lakhs)	Date of commencement of work
1	2	3	4
	<i>A. Kadana Project</i>		
1	Excavation of tail channel for the additional spillway (Phase-I)	150.00	15th March 1975
2	Fabrication, supply and erection of stop logs	8.50	April 1976
3	Excavation of tail channel of additional spillway (Phase-II)	150.65	20th April 1976.
4	Excavation of approach channel for the additional spillway (Phase-I)	39.92	20th April 1976
5	Construction of additional spillway	126.55	8th October 1976
6	Fabrication, supply and erection of radial gates of additional spillway	98.00	4th December 1976
7	Supply and erection of embedded parts for four penstock gates and stop logs	3.84	7th February 1977
8	Construction of spillway bridge for main dam	35.24	28th March 1977
9	Fabrication, supply and erection of supporting beam on line shaft for radial gates on main spillway	1.73	2nd June 1977
	<i>B. Mahi Bajaj Sagar Project-Banswara</i>		
10	Construction of approach channel with intake structure and masonry earthen portion of saddle dam No. 5	151.12	28th November 1976
11	Construction of tail race channel, tunnel and open cut excavation of Power House No. 1	401.92	29th November 1976
12	Construction of Kagdi pick-up weir, spillway and head regulators for left main channel	48.55	11th December 1976

'B'

State Construction Corporation Limited

3.04 of Section III)

Stipulated date of completion	Actual date of completion	Actual value of work executed (Rupees in lakhs)	Reasons for slow progress
5	6	7	8
14th September 1975	21st April 1976	155.15	..
Not available	1976-77	8.50	..
20th June 1977	In progress	105.86	No appreciable work was possible during 1976 on account of onset of the monsoon as well as limited working area being available.
20th June 1977	In progress	24.70	Impounding of water in the monsoon season owing to leakage from the ring bund.
7th December 1977	In progress	2.12	Work order was given late, and excavation was not complete in all the blocks.
4th December 1977	In progress	10.00	Information not available.
31st May 1977	In progress	2.78	Information not available.
31st August 1978	In progress	1.00	Late receipt of approval to designs and drawings and absence of approach to the first pier.
Not available	In progress	1.56	Information not available.
27th November 1978	In progress	18.14	Time taken in mobilising earth moving machinery, late receipt of working drawings from contractee, frequent changes in the alignments of channel, limited resources of piece workers and inability of piece workers to cope with the work.
28th November 1978	In progress	33.50	
10th June 1978	In progress	10.00	

Sr. No.	Name of work	Tendered value (Rupees in lakhs)	Date of commence- ment of work
1	2	3	4
	<i>C. Other miscellaneous works</i>		
13	Construction of ring bund for protection of durgah and Mataji temple at Galiakat	130.00	27th November 1975
14	Construction of new approach road to ring bund at Galiakat	35.00	20th November 1975
15	Excavation of Ukai right bank main canal	25.00	24th February 1975
16	Fabrication, supply and erection of radial gates for Dharoi dam	98.71	26th July 1976
17	Excavation of Panam main canal	42.70	14th December 1976
18	Construction of water filtration Plant at Palitana.	8.50	July 1975
19	Construction of raw water reservoir for Gujarat Industrial Development Corporation at Ankleshwar.	45.50	1st October 1975
20	Construction of water filtration Plant at Bhayavadar	1.30	16th January 1976
21	Construction of research and development building of Gujarat State Fertilizers Company Limited at Baroda	19.50	9th February 1976
22	Construction of main pumping station at Dabhoi	3.75	2nd May 1976
23	Construction of water tank at Dholera	3.15	20th October 1976
24	Construction of M. I. tank at Bhangoria	17.43	9th December 1976
25	Construction of underground distribution system of Diwa Block	18.33	16th December 1976
26	Construction of structure of underground distribution system of Diwa Block	3.74	4th April 1977
27	Construction of co-operative training college in Sector No. 30, Gandhinagar	7.28	10th January 1977
28	Construction of two godowns and one chowkidar's quarter in Sector No. 15, Gandhinagar	7.25	7th January 1977
29	Pile foundation for transmission line towers for Ahmedabad-Radhanpur Line	3.88	12th January 1977
30	Construction of M. I. tank at Hadmatia in Banaskantha District	17.30	25th May 1977

'B' (Concl'd.)

Stipulated date of completion	Actual date of completion	Actual value of work executed (Rupees in lakhs)	Reasons for slow progress
5	6	7	8
30th June 1977	28th February 1977	123.90	..
30th June 1977	28th February 1977	35.20	..
23rd November 1975	15th July 1976	19.34	..
28th October 1978	In progress	47.14	Information not available.
13th June 1978	In progress	9.13	Non-availability of labourers and piece workers due to late issue of work orders and non-availability of equipment.
Not available.	1975-76	7.41	..
31st March 1976	30th April 1976	45.50	..
Not available.	1975-76	1.30	..
31st October 1977	In progress	17.30	Information not available.
1st February 1977	In progress	2.70	Due to heavy rains and cyclone.
19th January 1978	In progress	0.81	Information not available.
8th December 1978	In progress	13.87	Information not available.
5th October 1977	In progress	14.14	Delay in acquisition of land by department and shortage of cement.
29th September 1977	In progress	0.52	Delay in supply of drawings, shortage of cement and changes in designs of covers for manholes.
9th July 1977	In progress	3.20	} Slow progress during March to July due to scarcity of cement and onset of monsoon
6th September 1977	In progress	4.02	
12th April 1977	16th July 1977	4.46	..
24th May 1978	Not yet started	..	Work could not be started due to monsoon.

APPENDIX

Summarised financial results of Statutory

(Referred to in paragraphs 4.02.4 and 4.03.4

Sr. No.	Name of the Corporation	Name of the Department	Date of incorporation	Total capital invested	Profit (+) Loss(-)	Total interest charged to profit and loss account
1	2	3	4	5	6	7
1	Gujarat Electricity Board	Industries, Mines and Power	1st May 1960	41,993.48	(+) 169.63*	2,318.01
2	Gujarat State-Road Transport Corporation	Home	1st May 1960	4,169.97	(-) 245.56	262.87
3	Gujarat State-Financial Corporation	Industries, Mines and power	1st May 1960	..	(+) 150.66	326.71
4	Gujarat State Warehousing Corporation	Agriculture, Forest and Co-operation	5th December 1960	161.65	(+) 38.15	0.32

Notes :— (1) Capital invested represents paid-up capital *plus* long-term loans *plus*

(2) Capital employed in respect of Gujarat State Financial Corporation of paid-up capital, reserves (other than those which have been funded borrowings (including refinance). In the other three cases, it representing capital.

(3) *Represents contribution to General Reserve in terms of Section

'C'

Corporations for the year 1976-77

of Section IV of Chapter II)

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

Interest on long term loans	Total return on capital invested (6+8)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (6+7)	Percentage of total return on capital employed	Remarks
8	9	10	11	12	13	14
2,006.55	2,176.18	5.18	30,531.31	2,482.88	8.13	
249.87	4.31	0.10	2,774.36	11.87	0.43	
..	..	..	5,970.95	477.37	7.99	
0.32	38.47	23.80	161.65	38.47	23.80	

free reserves.

represents the mean of the opening and closing balances specifically and backed by investments outside), bonds, deposits and assets net fixed assets (excluding capital works-in-progress) plus work-

67 (vii) of the Electricity (Supply) Act, 1948.

