Report of the Comptroller and Auditor General of India

for the year ended 31 March 1998

No. 2

(Commercial)

Government of West Bengal

TABLE OF CONTENTS

ANNEXURES

Preface

This Report deals with the activities of Government companies and Statutory corporations of the Government of West Bengal, accounts of which are audited by the Comptroller and Auditor General of India.

The report has been prepared in compliance with Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 as amended in 1984.

Audit of the accounts of the wholly owned Government companies is conducted by the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956. There are two Companies in which Government, Government companies and Government–owned corporations jointly hold 51 *per cent* of the shares. Accounts of these Companies are also audited by the Comptroller and Auditor General under Section 619B of the Companies Act, 1956. There are certain companies, which in spite of Government investment, are not subject to audit by the Comptroller and Auditor General of India as Government or Government-owned/ controlled companies/ corporations hold less than 51 *per cent* of the shares. A list of such undertakings in which Government's investment was more than Rs 10 lakh as on 31 March 1998 is given in Annexure-I.

Audit of transactions of the Government companies is conducted by the Comptroller and Auditor General under Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. In case of West Bengal State Electricity Board and three Road Transport Corporations viz. Calcutta State Transport Corporation, North Bengal State Transport Corporation and South Bengal State Transport Corporation, the Comptroller and Auditor General of India is the sole Auditor. In respect of West Bengal Financial Corporation and West Bengal State Warehousing Corporation, he has the right to conduct audit of their accounts independently. The audit of the accounts of West Bengal Industrial Infrastructure Development Corporation was entrusted to the CAG under Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, initially for a period of five years from 6 June 1978 which was extended in November 1989 for the accounting period up to 1990-91 and subsequently in November 1992 for the accounting period up to 1995-96, further extended till 2000-01 in May 1998. The Audit Reports on the annual accounts of all these Corporations are being forwarded separately to the Government of West Bengal.

The audit of three other Statutory corporations viz. West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation, Great Eastern Hotel Authority and West Bengal Minorities Development and Finance Corporation established in July 1976, May 1981 and October 1995 respectively have not been entrusted to the Comptroller and Auditor General of India till September 1998. However, the audit of transactions of West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation and Great Eastern Hotel Authority were taken up under Section 14 (2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 as amended in 1984.

This Report contains four chapters. Chapter-I discusses the general aspects of the results of working of the Government companies and Statutory corporations. It analyses the overall performance of these Companies and Corporations and some aspects of Government's interaction and control functions in these Companies/ Corporations.

Chapter-II deals with the reviews relating to the Government companies. During this year, the performance of Durgapur Chemicals Limited and The Durgapur Projects Limited was reviewed.

Chapter-III deals with the reviews relating to the Statutory corporations. This year's Report includes reviews on purchase and consumption of fuel and power load management by West Bengal State Electricity Board.

Chapter-IV deals with miscellaneous topics relating to loss, lack of economy or efficiency and other matters of public interest. The cases reported in this chapter came to notice in course of audit during the year 1997-98 as well as those noticed earlier but were not dealt with in the previous years' Reports. Matters relating to the period subsequent to 1997-98 have also been included wherever necessary. The topics covered in this chapter stress the need of more meaningful control and improved vigilance for obtaining better value for money.

OVERVIEW

OVERVIEW

The State had 61 Government companies (including 11 subsidiaries), two companies under the purview of Section 619B of the Companies Act, 1956 and ten Statutory corporations as on 31 March 1998. These are engaged in different production, development, financing and trading activities like engineering, textiles, iron and steel, electronics, agriculture and dairy, tourism, forest, transport, power, chemicals etc.

(Paragraphs 1.2.1,1.2.8 & 1.3.1)

Total investment in these 61 companies as on 31 March 1998 was Rs 3939.70 crore, of which Rs 1606.45 crore were in share capital and Rs 2333.25 crore were in long term loans. Of the total share capital of Rs 1606.45 crore, Rs 1585.94 crore were invested by State Government, Rs 7.66 crore by Central Government, Rs 8.62 crore by holding companies and Rs 4.23 crore by others. The State Government guaranteed the loans and credits given by the financial institutions and the guarantees outstanding as on 31 March 1998 stood at Rs 32.91 crore. The total outgo of State Government during 1997-98 in the form of equity, long term loan and subsidy amounted to Rs 640.84 crore.

(Paragraphs 1.2.1, 1.2.3 & Annexure-2)

Only nine companies had finalised their accounts for the year 1997-98 and the accounts of remaining 52 companies (including 10 subsidiaries) were in arrears for periods ranging from one year to 14 years. Thus, the result of investment in these companies are not conclusively known.

(Paragraph 1.2.4)

According to the latest finalised accounts of these companies 49 companies had incurred losses of Rs 210.60 crore, 11 companies earned profit of Rs 26.81 crore, one company was in pre-operative stage.

(Paragraph 1.2.4)

Out of nine companies which finalised their accounts for the year 1997-98, two companies earned profit of Rs 18.07 crore and seven companies suffered losses aggregating Rs 74.60 crore.

(Paragraphs 1.2.5.1 & 1.2.5.2)

Of the 49 loss making companies, investment of Rs 128.85 crore of Government as share capital in 37 companies under ten Departments had been eroded by their cumulative loss of Rs 1126.51 crore.

(Paragraph 1.2.5.3)

The aggregate paid-up capital of ten Statutory corporations as on 31 March 1998 was Rs 1518.95 crore of which Rs 1459.06 crore was invested by the State Government and Rs 59.89 crore by others. Loans to the extent of Rs 3227.77 crore were outstanding as on 31 March 1998 from these corporations of which Rs 1502.42 crore was due to the State Government and Rs 1725.35 crore to others.

(Paragraph 1.3.2)

Only one corporation had finalised their accounts for the year 1997-98 and the accounts of remaining nine corporations were in arrears for periods ranging from one year to seven years. According to latest financial accounts four corporations earned

profit of Rs 21.13 crore, five corporations suffered losses aggregating Rs 84.66 crore and one corporation had not finalised their first accounts.

(Paragraphs 1.3.3 & 1.3.4)

2 Reviews on Government companies

2A DURGAPUR CHEMICALS LIMITED

- **Durgapur Chemicals Limited was incorporated in July 1963 as a Government company to manufacture basic chemicals.**

(Paragraph 2A.1)

- **The Company had been incurring losses since inception due to under-utilisation of capacity, low productivity, payment of idle wages, excess consumption of raw materials and huge interest burden. The accumulated loss of Rs 186.00 crore as on 31 March 1998 had eroded its paid-up capital of Rs 5.09 crore.**

(Paragraphs 2A.7.1 & 2A.7.2)

- **Under-utilisation of capacity of Caustic Chlorine Plant and Monochloro Benzene Plant during the period from 1993-94 to 1997-98 resulted in loss of potential production of caustic soda lye and monochlorobenzene valued at Rs 43.74 crore. Further, 4374 tonnes of chlorine valued at Rs 2.86 crore was wasted due to its non-utilisation besides additional expenditure of Rs 0.55 crore on its treatment for making it harmless.**

(Paragraphs 2A.8.2, 2A.8.3 & 2A.8.5)

- **The existence of surplus staff resulted in payment of unproductive wages of Rs 7.36 crore during the five years up to 1997-98.**

(Paragraph 2A.10.1)

- **Raw materials, mercury and utilities were consumed in excess of the prescribed norms by the plants, resulting in excess expenditure of Rs 3.70 crore during the five years up to 1997-98.**

(Paragraph 2A.12)

- **The Company incurred loss of Rs 34.00 crore during the period from 1993-94 to 1997-98 on sale of monochlorobenzene due to fixation of its sale price lower than its cost of production.**

(Paragraph 2A.13.2(b))

2B THE DURGAPUR PROJECTS LIMITED

- **The Durgapur Projects Limited was incorporated in September 1961 to take over coke oven batteries, power plant and water treatment plant of Durgapur Industries Board for meeting the requirement of coke, gas, tar, water and energy of local industries.**

(Paragraph 2B.1)

- **As a result of poor performance of plants coupled with high incidence of operational cost, the Company suffered cash losses during 1993-94 to 1997-98 (except 1995-96) and its accumulated loss as on March 1998 was Rs 123.58 crore as against its paid-up capital of Rs 163.00 crore.**

(Paragraph 2B.5)

◆ The Company diverted Rs 22.95 crore for other purposes out of Rs 39.29 crore borrowed for different capital works but capitalised interest of Rs 12.13 crore payable on these diverted funds instead of charging to revenue.

(Paragraph 2B.6.3)

◆ Non-commissioning of coke oven battery No.1 rebuilt (December 1989) at a cost of Rs 13.67 crore, resulted not only in loss of interest of Rs 18.50 crore on the locked up funds up to September 1998 but also rendered infructuous a further expenditure of Rs 0.50 crore incurred on idle labour charges, consultancy fee and reconservation charges.

(Paragraph 2B.7.1.1)

◆ Out of five coke oven batteries, only two batteries were operative in coke oven complex but were under-utilised due to inadequate stock of different coal grades necessary for proper blending and also due to obsolescence of coal blending machine leading to production of 4.08 lakh MT of coke having high ash content during April 1993 to March 1998 resulting in loss of Rs 11.77 crore to the Company on its sale.

(Paragraph 2B.7.1.2)

◆ Under-recovery of gas as well as heat value of gas in gas plant, excess consumption of gas in coke oven batteries and shortfall in recovery of crude tar as compared to their respective norms resulted in loss of Rs 69.42 crore to the Company during 1993-94 to 1997-98.

(Paragraphs 2B.7.3 & 2B.7.4)

◆ Of the four units of the power station in operation during 1993-94 to 1997-98, plant availability ranged between 6.70 and 78.1 *per cent* (except 82.80 *per cent* in unit VI in 1994-95 and 83.70 *per cent* in unit III in 1997-98) against the norm of 80 *per cent* and shortfall in generation ranged between 29.9 and 51.8 *per cent* of possible generation. This resulted in loss of potential revenue of Rs 298.41 crore to the Company during 1993-94 to 1997-98.

(Paragraphs 2B.7.8.2, 2B.7.8.3(b) & 2B.7.8.3(c))

◆ Due to poor thermal efficiency there was excess consumption of 4428378.94 Million kilo calories (Mkcal) of heat equivalent to 10.29 lakh tonnes of coal valued at Rs 104.32 crore on generation of total 4549.11 MU of energy during 1993-94 to 1997-98.

(Paragraph 2B.7.8.7)

◆ The Company sustained loss of Rs 84.78 crore due to fixation of coke prices below cost of production (Rs 19.54 crore), excessive transmission loss (Rs 4.48 crore), sale of power below cost of generation (Rs 42.28 crore), delay in revision of prices of coal gas (Rs 1.12 crore) and power (Rs 6.26 crore) and extension of rebate on sale of coal gas (Rs 6.99 crore) and power (Rs 4.11 crore) during 1993-94 to 1997-98.

(Paragraphs 2B.8.1 to 2B.8.3)

3 Reviews relating to Statutory corporations

3A PURCHASE AND CONSUMPTION OF FUEL BY WEST BENGAL STATE ELECTRICITY BOARD

- **Consumption of coal in excess of norms in Bandel Thermal Power Station (BTPS) and Santaldih Thermal Power Station (STPS), owing to their operations at varying loads, resulted in excess cost of Rs 192.69 crore.**

(Paragraph 3A.4)

- **Due to delay in lodging claims and ineffective follow-up with coal companies, the Board's claim of Rs 106.75 crore towards grade slippage remained unrecovered.**

(Paragraph 3A.5.2)

- **Due to defective weighbridges, the Board had to absorb transit losses of 352757 tonnes of coal valued at Rs 39.51 crore. Also, coal shortages of 227229 tonnes (value Rs 31.69 crore) and oil shortages of 1011 KL (value Rs 0.36 crore) had not been investigated and responsibility fixed.**

(Paragraphs 3A.5.4 & 3A.7)

- **The Board had incurred high incidence of demurrage charges of Rs 10.89 crore due to defects in the conveyors of the coal handling plants, which restricted the functioning of wagon tipplers.**

(Paragraph 3A.5.5)

- **Failure to achieve the guaranteed thermal efficiency in BTPS and STPS in generation of power resulted in excess consumption of heat of 10106437 Mkcal equivalent to excess consumption of 19.44 lakh MT of coal valued at Rs 206.46 crore. Further, due to excess consumption of 5264.775 KL of HSD oil in gas turbines the Board incurred a loss of Rs 3.87 crore in running five gas turbines.**

(Paragraphs 3A.8 & 3A.9)

3B POWER LOAD MANAGEMENT BY WEST BENGAL STATE ELECTRICITY BOARD

- **An even flow of Electricity as per requirement is pre-requisite for proper Power Load Management. Inadequate Transmission & Distribution System could not evacuate the available power to the optimum level which had a bearing on efficient Power Load Management.**

(Paragraphs 3B.1 to 3B.4.2)

- **Capacity utilisation of the gas turbine units established to meet peak hour demand for power ranged from 6 to 22 *per cent* only during 1995-96 to 1997-98 resulting in shortfall of 279.30 Mkwh of power valued at Rs 42.08 crore.**

(Paragraph 3B.5.1)

- **Owing to system constraints, the Board had to run its thermal power stations beyond permissible frequency range. Due to this, there were three successive grid collapses during June 1990 to July 1995 causing loss of generation aggregating to 15.53 Mkwh valued at Rs 1.04 crore.**

(Paragraph 3B.6.1.1)

♦ Failure of the Board to pay NTPC's dues regularly, which increased from Rs 12.62 crore in March 1994 to Rs 537.24 crore as on September 1998, resulted in restriction imposed by NTPC in supply of power during peak hours.

(Paragraph 3B.6.1.3)

♦ Due to inadequate transmission net work for transfer of power to deficit region during off-peak hours and pushing of energy more than the requirement in the Board's system by some of the constituent units, the Board had to forcibly reduce its own generation of 2727.53 Mkwh of power valued at Rs 404.77 crore during 1993-94 to 1997-98.

(Paragraphs 3B.6.1.2 & 3B.6.3)

4. Miscellaneous topics of interest relating to Government companies and Statutory corporations

♦ West Bengal Tea Development Corporation Limited sustained a loss of Rs 0.22 crore due to use of unsuitable chemical in tea estate.

(Paragraph 4A.1.1)

♦ West Bengal State Seed Corporation Limited failed to invest idle funds in short-term deposits which led to loss of interest of Rs 0.34 crore. Similarly, West Bengal Agro Industries Corporation Limited failed to avail the offer for investment of Rs 2.54 crore at higher rate of interest resulting in loss of interest of Rs 0.36 crore.

(Paragraphs 4A.2.2 & 4A.3.1)

♦ West Bengal Dairy and Poultry Development Corporation Limited incorrectly assessed contractual monthly demand of power and lost Rs 0.19 crore.

(Paragraph 4A.7.1)

♦ West Bengal State Electricity Board did not invoke the risk purchase clause on the defaulting supplier and sustained a loss of Rs 0.57 crore on procurement of meters from another source at additional cost. Further, the Board incurred an extra expenditure of Rs 0.30 crore on procurement of cables due to rejection of technically acceptable lowest offer.

(Paragraphs 4B.1.1 & 4B.1.4)

Chapter-I

CHAPTER I

GENERAL VIEW OF GOVERNMENT COMPANIES INCLUDING DEEMED GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

1.1 Introduction

The accounts of Government companies and deemed Government companies (as defined in Section 619B of the Companies Act, 1956) are audited by Statutory Auditors who are appointed by Central Government on the advice of the Comptroller and Auditor General of India (CAG) as per provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619(4) of the Companies Act, 1956.

Of the Statutory corporations, the accounts of the West Bengal State Electricity Board and Calcutta, North Bengal and South Bengal State Transport Corporations are audited solely by the CAG under their respective Acts. The accounts of West Bengal Financial Corporation, West Bengal State Warehousing Corporation and West Bengal Industrial Infrastructure Development Corporation are audited by Chartered Accountants appointed by the State Government in consultation with the CAG who also undertakes the audit of these Corporations separately. Audit Reports on the accounts of all the Statutory corporations are issued by the CAG to the respective organisations/ State Government.

Audit of three other Statutory corporations *viz.* West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation, Great Eastern Hotel Authority and West Bengal Minorities Development and Finance Corporation established during July 1976, July 1980 and October 1995 respectively had not been entrusted to CAG till September 1998.

1.2 Government companies - General view

1.2.1 As on 31 March 1998, there were 61 Government companies (including 11 subsidiaries) with total investment of Rs 3939.70 crore (Share Capital: Rs 1606.45 crore; long term loans: Rs 2333.25 crore) as against 60 companies (including 11 subsidiaries) with a total investment of Rs 3340.56 crore as on 31 March 1997 (Share Capital: Rs 1553.81 crore; long term loans: Rs 1786.75 crore). During the year audit of one new company *viz.* Mayurakshi Cotton Mills (1990) Limited came under audit purview of CAG.

There was no sick/defunct company as on 30 September 1998.

1.2.2 Financial position and working results

The financial position and working results of all the Government companies are given in Annexures 2 & 3 respectively. The sector-wise investment and debt equity ratio in these companies for last two years upto 1997-98 are given in the table below :

Sl. No.	Sector/Type of PSU	At the end of						Debt Equity ratio in 1997-98 (previous year)
		1997-98			1996-97			
		Number	Equity	Loan	Number	Equity	Loan	
1	2	3	4	5	6	7	8	9
		(Rs in Crore)			(Rs in Crore)			
1	**Agriculture, Plantation and Wood based**							
	(A)Government companies	10	52.28	66.66	10	49.09	55.62	1.28:1 (1.13:1)
	(B)Subsidiary companies	-	-	-	-	-	-	-
2.	**Electrical, Electronics and Engineering**							
	(A)Government companies	9	134.10	189.75	9	122.75	166.11	1.41:1 (1.35:1)
	(B)Subsidiary companies	6	8.80	9.38	6	8.40	9 38	1.06:1 (1.12:1)
3	**Textile, Chemicals, Minerals, Cement and Clay**							
	(A)Government companies	11	36.29	323.35	10	32.94	291.96	8.91:1 (8 86:1)
	(B)Subsidiary companies	1	2.15	13.00	1	2.15	13.00	6.04:1 (6.05:1)
4	**Trading, Developmental and others**							
	(A)Government companies	15	69.66	144.44	15	61.31	131.40	2.07:1 (2.14:1)
	(B)Subsidiary companies	4	4.55	0.21	4	4.55	0.21	0.04:1 (0.05:1)
5.	**Financing**							
	(A) Government companies	1	132.18	7.00	1	106.18	7.00	0.05:1 (0.06:1)
	(B)Subsidiary companies	-	-	-	-	-	-	-
6.	**Power**							
	(A)Government companies	2	1117.57	1435.80	2	1117.57	976.60	1.28:1 (0.87:1)
	(B)Subsidiary companies	-	-	-	-	-	-	-
7	**Transport**							
	(A)Government companies	2	48.87	143.65	2	48.87	135.47	2.93:1 (2.77:1)
	(B)Subsidiary companies	-	-	-	-	-	-	-
	Total	**61**	**1606.45**	**2333.25**	**60**	**1553.81**	**1786.75**	

1.2.2.1 Analysis of Investments

Increase in investment by Rs 599.14 crore (Equity :Rs 52.64 crore and Loan : Rs 546.50 crore) was due to additional investment in existing companies. The State Government had not disinvested its shareholding in any Government-owned company during 1997-98.

1.2.3 Guarantees

The guarantees given by the State Government against loans and credits given by banks, etc. to the companies for the three years up to 1997-98 and outstanding as on 31 March 1998 are shown in the table below (See Annexure-4 also):

Year	Number of Companies	Amount guaranteed				Guaranteed amount outstanding as on 31 March
		Cash credit from Banks	Loan from other sources	Others	Total	
		(Rupees in crore)				
1995-96	9	6.09	6 62	5.56	18.27	707.70
1996-97	10	86.86	20.55	2.28	106 69	811.72
1997-98	7	9.21	31 12	-	40 33	32 91

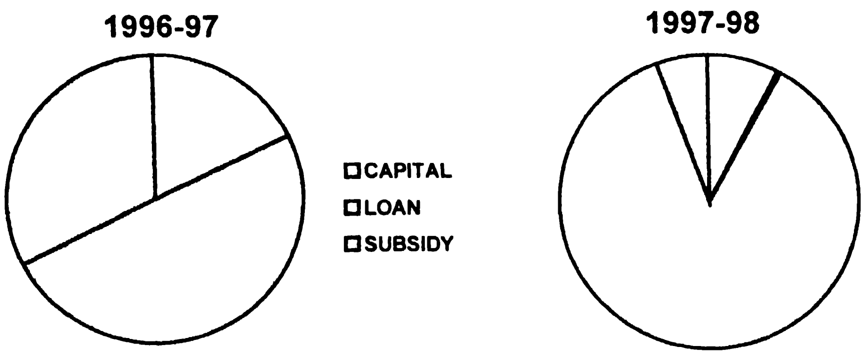
The companies have to pay guarantee fee in consideration of guarantees given by the Government. The payment of guarantee fee was in arrears to the extent of Rs 5.61 crore as on 31 March 1998 in respect of 12 companies as against an amount of Rs 25.69 crore as on 31 March 1997 in respect of 18 companies.

Budgetary outgo and waiver of dues

(i) The outgo from the State Government during the years 1995-96 to 1997-98 in the form of equity capital, loans and subsidy is as detailed below (See Annexures- 2 and 4 also):

Nature of outgo	1995-96	No of Companies	1996-97	No. of Companies	1997-98	No of Companies
	(Rupees in crore)					
Equity capital outgo from Budget	222.48	14	30 29	11	50 39	14
Loan given out from Budget	149 47	28	84 89	30	558.10	31
Subsidy	38.38	8	56 37	11	32 35	8
Total outgo	**410.33**		**171.55**		**640.84**	

The position of budgetary outgo during 1996-97 and 1997-98 is shown graphically in pie charts below :



(ii) The amounts of receipts due to the Government which were forgone by way of loans written off or interest waived during 1997-98 are given below (See Annexure- 4 also):

Sl No.	Nature of waiver	1997-98 (Rupees in crore)
1.	Loan repayments written off	-
2.	Interest waived	4 97
3.	Penal interest waived	0.01
	Total	**4.98**

1.2.4 Finalisation of accounts

Accountability of Government Companies to the legislature is achieved through submission of audited annual accounts within the prescribed time schedule to the Legislature. Under the provisions of Section 166, 210, 230, 619, 619A and 619B of the Companies Act,1956 read with Section 19 of the Comptroller and Auditor General's (DPC) Act, 1971, the accounts of the companies for each financial year are to be submitted for audit within six months of the end of that financial year. They are also to be laid before the Legislature within 9 months of the end of the financial year. Failure to observe statutory provisions relating to timely finalisation of accounts may attract penal provisions as laid down in the Companies Act, 1956.

In disregard of these statutory provisions, of 61 Government Companies, only 9 companies finalised the accounts for the year 1997-98 and the accounts of remaining 52 companies including 10 subsidiaries were in arrears as on 30 September 1998 for periods ranging from one year to 14 years (vide Annexure – 3A), as against 49 companies including 8 subsidiaries for periods ranging from one year to 13 years as on 30 September 1997.

According to the latest finalised accounts of these companies, 49 companies had incurred losses of Rs 210.60 crore, 11 companies earned profit of Rs 26.81 crore and one company was in pre-operative stage till 30 September 1998 as indicated in the table below:

Sl No.	No of companies	Year up to which accounts were finalised	Profit		Loss		Remarks		Reference to Sl Nos of Annexure-3
			No. of companies	Amount (Rs in crore)	No of companies	Amount (Rs in crore)	No. of companies	Latest position	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	9	1997-98	02	18 07	07	(-)74 60	-	-	13*,19,32, 33, 34, 42, 55, 58, 59
2	17	1996-97	04	4 84	13	(-)67.30	-	-	7, 11, 12*, 14*, 15*, 16*, 21, 22, 23, 24, 35, 37, 46* 48, 56, 57, 61
3.	07	1995-96	03	3 19	04	(-)14.63	-	-	1, 2, 4, 6, 20, 28, 39
4	05	1994-95	-	-	05	(-)21 94	-	-	18, 26, 36, 49, 60
5	07	1993-94	02	0.71	05	(-)7.38	-	-	5, 17 30*, 38, 45*, 51, 52
6.	05	1992-93	-	-	05	(-)9.05	-	-	27, 40, 43, 50, 53
7	04	1991-92	-	-	04	(-)11.09	-	-	25*, 31, 54, 29
8	05	1989-90	-	-	05	(-)4.39	-	-	3, 8, 9, 44, 47*
9	01	1987-88	-	-	01	(-)0 22	-	-	10
10	01	1983-84	-	-	-	-	01	Pre-operative stage	41*
Total	61		11	26.81	49	(-)210.60	01		

indicates Subsidiary companies

The main reason for arrears of accounts was delay in compiling them by the companies. The absence of qualified staff and delay in completion of audit by the Statutory Auditors also resulted in arrears in finalisation of accounts in some cases.

Administrative Departments have to ensure that the accounts are finalised and adopted by the companies in the annual general meeting within the time schedule prescribed in the Companies Act, 1956. Though the Heads of the concerned Administrative Departments and the Chief Secretary to the Government were apprised by Audit of the position of arrears quarterly, no effective measures were taken by the Government for timely finalisation of accounts. As a result the investment made in these companies remained outside the purview of audit. Further, due to prolonged delay and apathy in pulling up of arrears in accounts, the possibility of serious irregularities, fraud, non-detection of material errors in accounts *etc.* cannot be ruled out.

1.2.5. Working results

1.2.5.1 Profit making companies

Out of nine companies which had finalised their accounts for 1997-98 by 30 September 1998, only two companies earned profit of Rs 18.07 crore (1.88 *per cent*) on total paid-up capital of Rs 960.07 crore as per details given below:

Name of company	Paid up capital		Profit		Percentage of profit to paid up capital	
	1997-98	1996-97	1997-98	1996-97	1997-98	1996-97
	(	Rupees in crore		)		
Saraswaty Press Limited	5.50	3.90	1.12	1.22	20.36	31.28
The West Bengal Power Development Corporation Limited	954.57	954.57	16.95	6.52	1.77	0.68

1.2.5.2 Loss making companies

Seven companies incurred losses aggregating Rs 74.60 crore during the year 1997-98 as per details given below:

Name of company	Paid up capital		Loss(-) /Profit(+)	
	1997-98	1996-97	1997-98	1996-97
	(	Rupees in	crore	)
Webel Electronic Communication Systems Limited (Subsidiary of WBEIDC Limited)	0.84	0.84	(-)0.03	(-)0.84
National Iron and Steel Company (1984) Limited	12.00	12.00	(-)8.13	(-)7.78
West Bengal Agro-Textile Corporation Limited	1.42	1.42	(-)0.52	(-)1.73
Durgapur Chemicals Limited	5.09	5.09	(-)18.77	(-)12.69
The West Dinajpur Spinning Mills Limited	6.81	6.80	(-)2.94	(-)3.60
Greater Calcutta Gas Supply Corporation Limited	13.45	11.45	(-)7.33	(-)6.06
The Durgapur Projects Limited	163.00	163.00	(-)36.88	(-)21.24
Total	**202.61**	**200.60**	**(-)74.60**	**(-)53.94**

1.2.5.3 Capital erosion

According to the latest available accounts, out of 49 loss making companies the investment of Rs 128.85 crore as share capital of Government in 37 companies was eroded by their losses accumulated to Rs 1126.51 crore. The net worth of all of these companies was negative. The loans given by the Government to the companies are doubtful debts to the extent of the negative net worth. The loan funds are used to finance losses after the paid-up capital gets fully eroded. So there is little likelihood of the loans being received back by the Government. The details are as below:

Sl. No.	Name of Department/ Company	Year upto which accounts prepared	Paid -up Capital at the close of the year	Accumulated Loss upto the end of the year	Net worth*	State Govt. Loan
	Public Undertakings		(Rupees in crore)			
1.	The Kalyani Spinning Mills Limited	1995-96	3.28	94.38	(-)91.10	81.71
2.	Durgapur Chemicals Limited	1997-98	5.09	186.01	(-)180.92	106.25
3.	Westinghouse Saxby Farmer Limited	1996-97	1.00	190.12	(-)189.12	108.07
4.	The West Dinajpur Spinning Mills Limited	1997-98	6.81	26.15	(-)19.34	12.07
5.	West Bengal Ceramic Development Corporation Limited	1996-97	1.86	20.46	(-)18.60	11.56
6.	The Shalimar Works(1980) Limited	1996-97	1.25	29.86	(-)28.61	26.14
7.	Eastern Distilleries and Chemicals Limited	1994-95	0.20	2.86	(-)2.66	4.62
8.	West Bengal Agro Textile Corporation Limited	1997-98	1.42	2.25	(-)0.83	46.22
9.	West Bengal Chemical Industries Limited	1996-97	0.14	5.41	(-)5.27	4.02
	Fisheries					
10.	The State Fisheries Development Corporation Limited	1994-95	2.70	8.21	(-)5.51	1.73
	Commerce & Industries					
11.	Webel Informatics Limited	1991-92	0.40	1.75	(-)1.35	-
12.	Webel Electronic Communication Systems Limited (subsidiary of WBEIDC Limited)	1997-98	0.84	3.13	(-)2.29	-
13.	Webel Crystals Limited (subsidiary of WBEIDC Limited)	1996-97	1.69	4.52	(-)2.83	-
14.	West Bengal Mineral Development and Trading Corporation Limited	1994-95	4.43	11.85	(-)7.42	10.13
15.	West Bengal Sugar Industries Development Corporation Limited	1992-93	5.58	24.64	(-)19.06	15.47
16.	West Bengal Tea Development Corporation Limited	1989-90	3.99	6.70	(-)2.71	9.02
17.	Webel Video Devices Limited (subsidiary of WBEIDC Limited)	1996-97	4.80	24.86	(-)20.06	-
18.	Webel Power Electronics Limited (subsidiary of WBEIDC Limited)	1996-97	0.69	7.59	(-)6.90	-
19.	Greater Calcutta Gas Supply Corporation Limited	1997-98	13.45	39.54	(-)26.09	46.81
20.	Webel Mediatronics Limited (subsidiary of WBEIDC Limited)	1996-97	0.39	2.26	(-)1.87	-
	Industrial Reconstruction					
21.	Neo Pipes and Tubes Company Limited	1993-94	2.20	19.42	(-)17.22	8.79
22.	National Iron and Steel Company (1984) Limited	1997-98	12.00	63.14	(-)51.14	35.03
23.	The Carter Pooler Engineering Company Limited	1995-96	0.95	10.27	(-)9.32	6.49
24.	Gluconate Health Limited	1993-94	0.17	13.96	(-)13.79	10.17
25.	West Bengal Plywood and Allied Products Limited	1995-96	0.09	8.72	(-)8.63	6.18
26.	Engel India Machine and Tools(1987) Limited	1996-97	0.47	17.28	(-)16.81	17.40
27.	Krishna Silicate and Glass (1987) Limited	1991-92	-	6.16	(-)6.16	22.71
28.	I.P.P Limited	1996-97	0.50	32.75	(-)32.25	56.79
29.	Britannia Engineering Products and Services Limited	1994-95	10.28	17.91	(-)7.63	15.02

* Net worth represents paid-up capital (including free reserves and surplus) less accumulated loss.

Sl. No.	Name of Department/ Company	Year upto which accounts prepared	Paid –up Capital at the close of the year	Accumulated Loss upto the end of the year	Net worth*	State Govt. Loan
	Food Processing Industries					
30.	West Bengal State Food Processing and Horticulture Development Corporation Limited (Teesta Fruit and Vegetable Processing Limited)	1993-94	0.85	2.10	(-)1.25	1.07
	Minor Irrigation					
31.	West Bengal State Minor Irrigation Corporation Limited	1989-90	10.80	15.90	(-)5.10	Nil
	Tourism					
32.	West Bengal Tourism Development Corporation Limited	1996-97	2.97	3.98	(-)1.01	0.93
	Information & Cultural Affairs					
33.	Basumati Corporation Limited	1991-92	0.10	7.94	(-)7.84	5.43
34.	West Bengal Film Development Corporation Limited	1992-93	5.08	9.39	(-)4.31	6.69
	Cottage & Small Scale Industry					
35.	The West Bengal State Leather Industries Development Corpora-tion Limited	1989-90	1.98	2.32	(-)0.34	0.41
	Transport					
36.	The Calcutta Tramways Company (1978) Limited	1994-95	20.40	195.73	(-)175.33	114.76
37.	West Bengal Surface Transport Corporation Limited	1996-97	-	6.99	(-)6.99	-
	Total		**128.85**	**1126.51**		

The main reasons for the poor performance of these companies as analysed by Audit are obsolete plant and machinery, low capacity utilisation, heavy interest burden, high employees cost, shortage of working capital and market constraints.

Inspite of the poor performance leading to complete erosion of paid-up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further grant of loans, conversion of loan into equity, subsidy, etc. The total financial support provided during 1997-98 to these 37 companies amounted to Rs 109.80 crore.

1.2.5.4 Wage bills adding to losses

In 11 companies under 3 Departments, the wage bills contribute to the annual loss significantly as shown below. This would emerge by comparing the annual wage bill with the annual loss incurred by the companies. The wage bill also included bonus and incentives.

* Net worth represents paid-up capital (including free reserves and surplus) less accumulated loss.

Sl. No.	Name of Departments/ Companies	Year of Accounts	Total Wage Bill	Loss during the year	No. of employees
1	2	3	4	5	6
			(Rupees in lakh)		
	Industrial Reconstruction				
1.	National Iron and Steel Company (1984) Limited	1995-96	276.06	723.73	695
		1996-97	299.58	778.13	651
		1997-98	296.18	813.27	611
2.	Neo Pipes and Tubes Company Limited	1991-92	71.82	236.57	195
		1992-93	75.38	259.88	195
		1993-94	76.18	294.55	164
3.	Gluconate Health Limited	1991-92	142.52	146.63	509
		1992-93	216.96	374.97	682
		1993-94	237.02	383.55	682
4.	The Carter Pooler Engineering Company Limited	1993-94	84.80	158.30	230
		1994-95	88.17	204.75	225
		1995-96	90.68	242.83	217
	Public Undertakings				
5.	West Bengal Ceramic Development Corporation Limited	1994-95	66.33	204.65	230
		1995-96	73.96	241.72	222
		1996-97	82.34	254.85	216
6.	Westinghouse Saxby Farmer Limited	1994-95	320.24	1744.29	1197
		1995-96	335.41	1944.04	1175
		1996-97	332.07	1909.57	1135
7.	Shalimar Works (1980) Limited	1994-95	185.39	383.17	452
		1995-96	213.99	586.80	449
		1996-97	222.24	530.16	441
8.	The Kalyani Spinning Mills Limited	1993-94	584.22	723.69	2562
		1994-95	607.36	808.10	2550
		1995-96	740.06	953.93	2535
	Commerce and Industries				
9.	Webel Video Devices Limited (Subsidiary of WBEIDC Ltd)	1994-95	92.22	291.23	168
		1995-96	98.51	395.44	168
		1996-97	108.08	417.75	168
10.	West Bengal Sugar Industries Development Corporation Limited	1990-91	43.72	297.83	698
		1991-92	143.77	378.12	692
		1992-93	133.46	347.98	689
11.	Greater Calcutta Gas Supply Corporation Limited	1995-96	275.06	576.92	NA
		1996-97	314.97	606.04	671
		1997-98	339.78	733.01	654

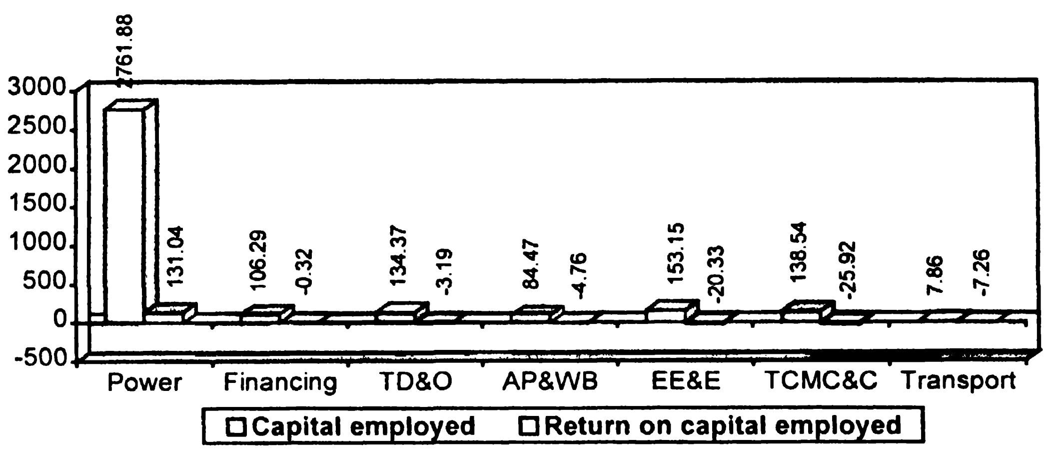
1.2.5.5 Return on capital employed

An attempt was made to analyse the return on capital employed in the Government companies during the year. Capital employed has been taken as net fixed assets (including capital work-in-progress) plus working capital. For calculating return on capital employed total interest charged to profit and loss account on borrowed funds is added to / subtracted from the net profit / loss as disclosed in the profit and loss account. Thus, during 1997-98 the total capital employed worked out to Rs 3386.56 crore in 61 companies and return thereon amounted to Rs 69.26 crore (2.04 *per cent*) as compared to return of Rs 83.62 crore during the previous year. Sector-wise return on capital employed during 1997-98 was as follows :

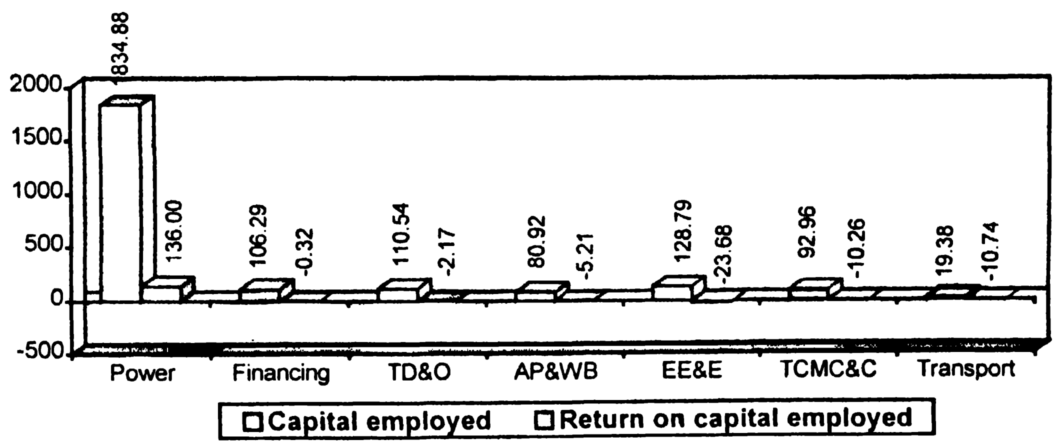
Sector	No. of Companies	Capital employed	Return on capital employed	Percentage of return on capital employed
		(Rupees in crore)		
Power	2	2761.88 (1834.98)	131.04 (136.00)	4.74 (7.80)
Financing	1	106.29 (106.29)	(-)0.32 ((-)0.32)	- -
Trading, developmental and others	19	134.37 (110.54)	(-)3.19 ((-)2.17)	- -
Agriculture, plantation and wood based	10	84.47 (80.92)	(-)4.76 ((-)5.21)	- -
Electrical, Electronics and Engineering	15	153.15 (128.79)	(-)20.33 ((-)23.68)	- -
Textile, chemicals, minerals, cement and clay	12	138.54 (92.96)	(-)25.92 ((-)10.26)	- -
Transport	2	7.86 (19.38)	(-)7.26 ((-)10.74)	- -
Total	**61**	**3386.56 (2373.86)**	**69.26 (83.62)**	**2.04 (3.52)**

(Figures for previous year given in brackets)

Return on capital employed is also shown below graphically.



1997-98



1996-97

1.2.6 Comments on accounts

1.2.6.1 Section 619(3) of the Companies Act, 1956 empowers the Comptroller and Auditor General of India to issue directives to the Statutory Auditors of Government companies in respect of performance of their functions. In pursuance of the directives so issued the supplementary report is to be received within one week from the date of certification of accounts by the Statutory Auditors. Supplementary reports of Statutory Auditors on the accounts of 22 companies were received during the year, of which 14 reports were received after delays ranging from 4 to 24 weeks. Important points noticed in these reports are summarised below :

Sl. No.	Nature of defects	Number of companies where defects were noticed	Reference to Sl. No. of Annexure-2
1.	Non-preparation of annual budgets	1	15*
2.	Non-maintenance of Accounting Manual	4	15*, 25*, 27, 30*
3.	Non-maintenance of Internal Audit Manual determining the scope and programme of work of Internal Auditors	10	4, 14*, 15*, 23, 25*, 30*, 37, 57, 60, 61
4.	Non-maintenance of Assets Register	3	15*, 27, 28
5.	Non-fixation of minimum and maximum limits of stores/spares	11	15*, 20, 21, 23, 25*, 27, 28, 37, 43, 60,61
6.	Non-fixation of norms for consumption of major raw materials for manufacture of major products	5	2, 15*, 23, 28, 37
7.	Non-fixation of norms of requirements/ deployment of manpower	14	4, 13*, 14*, 15*, 21, 23, 25*, 27, 28, 35, 37, 55, 60, 61
8.	Absence of system of ascertaining idle time for labour, machinery and fixation of standard cost of various products	15	2,4,13, 14*, 15*, 20, 23, 25*, 27, 28, 37, 42, 43, 60, 61
9.	Absence of effective system of determination of surplus/unserviceable raw materials, stores and spares	12	2, 4, 14*, 20, 23, 25*, 27, 28, 35, 37, 55, 60
10.	Non-fixation of norms of financial power	4	15*, 21, 25*, 35

* *Subsidiary company*

1.2.6.2 Under Section 619(4) of the Companies Act, 1956, the Comptroller and Auditor General of India has a right to comment upon or supplement the report of the Statutory Auditors. Under the provision, the review of annual accounts of Government companies is being conducted on selective basis. The accounts of 51 companies were selected for such review during the period from October 1997 to September 1998. The net effect of the comments issued under Section 619(4) of the Act, *ibid*, was as follows :

Details	Number of accounts	Monetary effect (Rupees in crore)
Decrease in profit	1	0.11
Increase in profit	2	0.16
Increase in loss	11	8.16
Decrease in loss	Nil	Nil
Non-disclosure of material fact	5	39.24

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

(a) West Bengal Handloom and Powerloom Development Corporation Limited (1991-92)

Loss for the year (Rs 81.59 lakh) and accumulated loss (Rs 263.89 lakh) were understated by Rs 156.28 lakh due to accounting of subsidy which was disallowed by the Development Commissioner, Government of India.

(b) West Bengal Chemical Industries Limited (1996-97)

Loss for the year (Rs 86.58 lakh) and accumulated loss (Rs 541.27 lakh) was understated by Rs 10.15 lakh and Rs 88.02 lakh respectively due to non provision of interest payable on the State Government loan of Rs 524.36 lakh.

(c)(i) Calcutta Tramways Company (1978) Limited (1993-94)

Accumulated loss (Rs 17855.81 lakh) was understated by Rs 44.87 lakh due to undercharge of accumulated depreciation on completed works booked under Capital Works in Progress under sub-head 'Extension of tramways to Joka'.

(ii) Calcutta Tramways Company (1978) Limited (1994-95)

Capital Works in Progress (Rs 109.04 lakh) was understated by Rs 154.93 lakh with corresponding overstatement of fixed assets by Rs 153.12 lakh and depreciation for the year by Rs 1.81 lakh due to accounting of 23 bus chassis under body building as fixed assets.

1.2.7 Capacity Utilisation

Average annual utilisation of the installed or rated capacity of the main product of 27 manufacturing/processing companies under seven Departments (to the extent of information available) for the two years up to 1997-98 are given in Annexure 5. The capacity is often uprated or downrated depending upon conditions of plant and machinery, available manpower, number of shifts worked, etc. Percentage utilisation of the capacity by these companies ranged between nil and 91 during the year 1997-98.

The main reasons for the low capacity utilisation in most of the companies were age old plant and machinery and constraints of working capital. This indicates the need for the Administrative Departments to monitor the utilisation of production capacity of the respective companies.

1.2.8 619B Companies

There were two companies covered under Section 619 B of the Companies Act, 1956, details of which are given below :

Name of Company	Latest year of accounts	Paid-up capital	Investment by Government companies	Profit(+)/Loss(-) during the year
		(Rupees in crore)		
WEBFIL Limited	1996-97	4.82	3.61	(-)1.72
Webel Carbon and Metal Film Resistors Limited	1994-95	0.73	0.61	(-)1.02

1.2.9 Other investments

The State Government has invested more than Rs 10.00 lakh each in 41 other companies. Though the Government has invested Rs 10.00 lakh and above in those companies they are not subject to audit by the CAG as Government/Government owned/ controlled companies/ corporations hold less than 51 *per cent* shares.

A list of these companies is given in Annexure-I. The total investment in these undertakings up to March 1998 was Rs 170.58 crore as against Rs 173.85 crore up to March 1997 (45 companies).

1.3 Statutory corporations

1.3.1 General aspects

There were ten Statutory corporations in the State as on 31 March 1998. Audit arrangement of these corporations are shown below :

Name of the Corporation	Statute under which constituted	Date of formation	Audit arrangement	Year up to which accounts finalised and SAR issued (September 1998)	Separate Audit Report(SAR) placed in Legislature up to the year	Authority for audit by the CAG
(1)	(2)	(3)	(4)	(5)	(6)	(7)
West Bengal State Electricity Board (WBSEB)	Section 5(I) of the Electricity (Supply) Act, 1948	1 May 1955	Sole audit by CAG	1996-97	1995-96 on 3 July 1997 (excepting for year 1991-92)	Section 69(2) of Electricity (Supply) Act, 1948
Calcutta State Transport Corporation (CSTC)	Road Transport Corporation Act,1950	1 June 1960	Sole audit by CAG	1994-95	1987-88	Section 33(2) of the Road Transport Corporation Act, 1950
North Bengal State Transport Corporation (NBSTC)	Road Transport Corporation Act,1950	15 April 1960	Sole audit by CAG	1991-92	1989-90	Section 33(2) of the Road Transport Corporation Act, 1950
South Bengal State Transport Corporation (SBSTC)	Road Transport Corporation Act,1950	7 December 1960	Sole audit by CAG	1994-95	1990-91	Section 33(2) of the Road Transport Corporation Act, 1950
West Bengal Financial Corporation (WBFC)	Section 3(1) of the State Financial Corporation Act, 1951	1 March 1954	Chartered Accountants SAR issued by CAG	1997-98	1994-95	Section 37 (6) of the State Financial Corporation Act, 1951
West Bengal State Warehousing Corporation (WBSWC)	Agricultural Produce (Development & Warehousing) Corporation Act, 1956 replaced by Warehousing Corporation Act 1962	31 March 1958	Chartered Accountants SAR issued by CAG	1995-96	1994-95	Section 31(8) of State Warehousing Corporation Act, 1962
West Bengal Industrial Infrastructure Development Corporation (WBIIDC)	West Bengal Industrial Infrastructure Development Corporation Ordinance, 1973. Replaced by West Bengal Industrial Infrastructure Development Act,1974	November 1973	Sole audit entrusted to the CAG up to 1995-96	1995-96	1992-93 (excepting for the years 1981-82 to 1993-84)	Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.
West Bengal Scheduled Castes and Scheduled Tribes Development And Finance Corporation (WBSCSTDFC)	West Bengal Scheduled Castes Development and Finance Corporation Act 1976. Amended 1980.	23 July 1976	Audit not yet entrusted	1990-91	-	Transaction audit taken up as per Section14 of DPC Act, 1971.
West Bengal Minorities Development and Finance Corporation (WBMDFC)	West Bengal Minorities Development and Finance Corporation Act 1995	10 October 1995	Audit not yet entrusted	1st Account not yet compiled	-	-
Great Eastern Hotel Authority (GEHA)	Acquisition of undertakings of the Great Eastern Hotel Act 1980	17 July 1980	Audit not yet entrusted	1996-97	-	Transaction audit taken up as per section 14 of DPC Act, 1971

1.3.2 Investment

The total investment in these Corporations as on 31 March 1998 was Rs 4746.72 crore (equity Rs 1518.95 crore, long term loan Rs 3227.77 crore) as against a total investment of Rs 4191.41 crore (equity Rs 1518.95 crore, long term loan Rs 2672.46 crore) as on 31 March 1997.

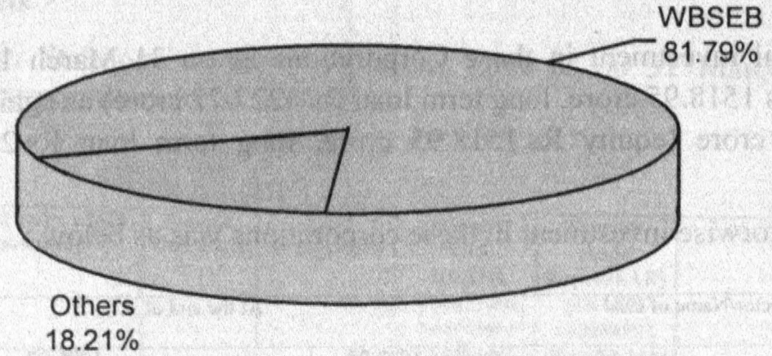
The sectorwise investment in these corporations was as below :

Sl. No.	Sector/Name of PSU	At the end of				Debt equity ratio
		1997-98		1996-97		
		Equity	Loan	Equity	Loan	
		(Rupees in crore)				
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Power					
1.	West Bengal State Electricity Board (WBSEB)	1352.62 (1352.62)	2529.79 (1174.46)	1352.62 (1352.62)	2073.28 (681.61)	1.87:1
	Transport					
2.	Calcutta State Transport Corporation (CSTC)	9.62 (8.62)	198.69 (144.54))	9.62 (8.62)	188.69 (134.54)	20.65:1
3.	North Bengal State Transport Corporation (NBSTC)	10.70 (5.87)	109.25 (100.05)	10.70 (5.87)	98.79 (78.55)	12.08:1
4.	South Bengal State Transport Corporation (SBSTC)	11.01 (11.01)	76.78 (62.39)	11.01 (11.01)	59.39 (52.27)	6.97:1
	Finance					
5.	West Bengal Financial Corporation (WBFC)	40.45 (28.96)	267.69 (Nil)	40.45 (28.96)	230.92 (Nil)	6.62:1
6.	West Bengal Scheduled Caste and Scheduled Tribes Development and Finance Corporation (WBSCSTDFC))	86.94 (48.17)	- -	86.94 (48.17)	- -	-
7.	West Bengal Minorities Development and Finance Corporation(WBMDFC)	NA	NA	NA	NA	NA
	Agriculture					
8.	West Bengal State Warehousing Corporation (WBSWC)	7.61 (3.81)	- -	7.61 (3.81)	- -	-
	Developmental					
9.	West Bengal Industrial Infrastructure Development Corporation (WBIIDC)	- -	21.83 (19.55)	- -	18.13 (15.85)	-
10.	Great Eastern Hotel Authority (GEHA)	- -	3.74 (1.43)	- -	3.26 (1.43)	-
	Total	1518.95 (1459.06)	3227.77 (1502.42)	1518.95 (1459.06)	2672.46 (962.25)	

(Figures in brackets denote State Government investment)

Out of total investment of Rs 4746.72 crore as on 31 March 1998, the investment in WBSEB alone was Rs 3882.41 crore (81.79 *per cent*)

Ratio of investment in WBSEB and other Statutory Corporations as on 31 March 1998 is shown graphically below :



1.3.2(i) Waiver of dues

The State Government had not waived dues of any corporation towards repayment of loan, interest on loan etc. during the year.

1.3.2(ii) Budgetary outgo

Budgetary outgo of the State Government in respect of these corporations during the last three years ending 1997-98 was as follows :

Particulars	Name of the Corporation	Amount (Rupees in crore)		
		1995-96	1996-97	1997-98
Capital	West Bengal State Electricity Board	671.72	-	-
	West Bengal Financial Corporation	0.50	4.00	3.75
	Total	672.22	4.00	3.75
Loan	West Bengal State Electricity Board	118.60	267.18	456.51
	Calcutta State Transport Corporation	8.00	10.34	10.00
	West Bengal Industrial Infrastructure Development Corporation	1.77	2.00	3.70
	South Bengal State Transport Corporation	6.34	7.20	10.12
	Total	134.71	286.72	480.33
Subsidy/ grant	South Bengal State Transport Corporation	9.76	12.29	11.95
	West Bengal Industrial Infrastructure Development Corporation	1.23	-	-
	West Bengal Financial Corporation	-	1.00	-
	Calcutta State Transport Corporation	51.70	61.89	56.28
	West Bengal State Electricity Board	81.71	245.52	90.00
	North Bengal State Transport Corporation	22.43	27.10	19.65
	West Bengal Scheduled Caste and Scheduled Tribes Development and Finance Corporation	-	-	36.29
	Total	**166.83**	**347.80**	**214.17**

1.3.3 Delay in finalisation of accounts

Accountability of the Statutory corporations to the Legislature is to be achieved through submission of audited annual accounts within the prescribed time schedule to the Legislature. Out of the ten corporations only one corporation viz. West Bengal Financial Corporation finalised its accounts up to 1997-98 by due date and the accounts of eight corporations were in arrears for periods ranging from one year to seven years as indicated in Annexure-6 (as on 30 September 1998). The remaining corporation, West Bengal Minorities Development and Finance Corporation incorporated on 10 October 1995, has not finalised its first accounts till date.

1.3.4 Profit earned by the Corporations

According to latest financial accounts, four corporations viz. WBSWC, WBIIDC, WBSEB and WBSCSTDFC earned profit of Rs 21.13 crore, five corporations incurred a loss of Rs 84.66 crore and one has not finalised its first accounts up to 30 September 1998.

1.3.5 Guarantee on loans

The guarantees given by the State Government against loans and credits given by the Banks etc. to the Statutory corporations for the preceding three years up to 1997-98 and outstanding as on 31 March 1998 are shown in the table as follows:

Guarantees (Purpose)	Amount guaranteed during			Guaranteed amount outstanding as on 31 March 1998
	1995-96	1996-97	1997-98	
	(Rupees in crore)			
Cash credit from Banks				
WBSEB	20.50	-	30.50	-
Loans from other sources				
WBSEB	84.40	756.96	54.69	1218.49
WBFC	19.14	38.85	20.07	163.06
CSTC	17.40	-	-	-
SBSTC	11.10	-	-	-

1.3.6 Subsidy

The Government gives subsidy to the corporations for specific schemes or programmes/ projects and also for other purposes. The details of subsidy released by State Government to the Statutory corporations during 1997-98 are as follows :-

(i) Subsidy amounting to Rs 90.00 crore was given to WBSEB to recoup revenue losses.

(ii) CSTC, NBSTC and SBSTC were given subsidy to the tune of Rs 56.28 crore, Rs 19.65 crore and Rs 11.95 crore respectively.

(iii) Subsidy amounting to Rs 36.29 crore was given to WBSCSTDFC.

1.3.7 Working results of statutory corporations

The working results of these ten Statutory corporations for the latest year for which accounts had been finalised are summarised in Annexure 6. Salient points on the accounts and physical performance of these Statutory corporations are given in paragraphs 1.4 to 1.10 *infra*.

1.4 West Bengal State Electricity Board

1.4.1 The capital requirements of WBSEB are met by way of equity capital from State Government and also by way of loans from State Government, public banks and other financial institutions.

The aggregate of long-term loans (including loans from Government) obtained by WBSEB and outstanding as on 31 March 1998 was Rs 2529.79 crore compared to the long-term loans of Rs 2073.28 crore outstanding at the end of previous year. Particulars of loans obtained from the State Government and other sources and outstanding at the close of March 1997 and March 1998 was as follows :

Sl.No.	Source	Amount outstanding as on 31 March	
		1997	1998 (Provisional)
		(Rupees in crore)	
1.	State Government	688.63	1174.46
2.	**Other sources**		
	Loan from public bonds	636.85	600.05
	Loan from LIC	253.97	300.25
	Loan from Electrification Corporation	244.61	200.03
	Other loans	249.22	255.00
	Total :	**2073.28**	**2529.79**

1.4.2 Government had guaranteed repayment of loans raised by WBSEB to the extent of Rs 1930.60 crore and payment of interest thereon. The amount outstanding thereagainst as on 31 March 1998 was Rs 1218.49 crore. WBSEB had to pay guarantee fee in consideration of the guarantees given by the Government. The payment of guarantee fee to the extent of Rs 64.79 crore was in arrears as on 31 March 1998.

1.4.3 WBSEB had finalised their accounts upto 1996-97. The financial position and working results of WBSEB for three years upto 1996-97 have been discussed in para 1.4.3 and 1.4.4. of the Audit Report (Commercial) for the year 1996-97.

1.4.4 Audit assessment of the working results of WBSEB

The major irregularities and omissions pointed out in the Separate Audit Report on the annual accounts of WBSEB for 1996-97 were as follows:

Revenue Accounts

1. Revenue from sale of power (Rs 145523 lakh) was understated by Rs 1407.70 lakh due to omission to account for revenue from sale of power for the year and treatment of revenue for the year as revenue for earlier years (Rs 1961.56 lakh) and treatment of revenue for earlier years as revenue for the year, wrong or excess accounting of revenue and treatment of consumers' contribution towards installation of new lines as revenue for the year (Rs 553.86 lakh).

2. Other income (Rs 2770 lakh) was understated by Rs 3.05 lakh due to omission to account for income accrued during the year and treatment of income for following year as revenue for the year.

3. Purchase of power (Rs 103348 lakh) was understated by Rs 7689.32 lakh due to omission to account for liability for the cost of power purchased for the year and erroneous accounting of liability for the cost of power purchased.

4. Generation of power (Rs 26728 lakh) was understated (net) by Rs 3061.52 lakh due to omission to account for cost of coal found short or lost in transit (Rs 3037.70 lakh) and omission to provide for the cost of water consumed for generation (Rs 23.82 lakh).

5. Repairs and maintenance (Rs 7463 lakh) was understated by Rs 343.40 lakh due to omission to account for cost of material, liquidating advance made for works completed, accounting for inter Unit transfers of repairs and maintenance expenditure, liability for services already received etc. (Rs 352.60 lakh) and omission to account for left over materials returned to store (Rs 9.20 lakh).

6. Employees cost (Rs 24050 lakh) was understated by Rs 7.99 lakh due to short accounting of cost of services received from the employees during the year.

7. Administration and General Expenditure (Rs 3381 lakh) was understated by Rs 47.52 lakh owing to non-provision of cost of services received during the year.

8. Depreciation and related debits (Rs 10839 lakh) was understated by Rs 352.67 lakh due to short accounting/non-accounting of depreciation on assets in use.

9. Other Debits (Rs 257 lakh) was understated by Rs 1700.62 lakh due to non-provision of bad debts (Rs 1553.56 lakh) and non-provision of shortage of materials noticed during physical verification (Rs 147.06 lakh).

As a result of the above irregularities/omissions the surplus (Rs 18.25 crore) of WBSEB would turn into deficit of Rs 346.83 crore.

Based on the Audit assessment of the working results of WBSEB for two years upto 1996-97 and taking into consideration the major irregularities and omissions pointed out in the separate Audit Reports on the annual accounts of WBSEB and not taking into account of the subsidy receivable from the State Government, the net deficit and percentage of return on the capital employed of WBSEB will be as under :

Sl.No.	Particulars	1995-96	1996-97
		(Rupees in	crore)
1.	Net surplus/(-) deficit as per Book of Accounts	17.22	18.25
2.	Subsidy from State Government	81.71	245.52
3.	Net surplus/(-) deficit before subsidy from the State Government (1) - (2)	(-) 64.49	(-) 227.27
4.	Net increase / decrease in net surplus/ (-) deficit on account of Audit comments on the annual accounts of WBSEB	(-) 235.05	(-) 365.08
5.	Net surplus / (-) deficit after taking into account of Audit comments but before subsidy from the State Government (3) - (4)	(-) 299.54	(-) 592.35
6	Total return on Capital employed	(-) 194.27	(-) 444.21
7.	Percentage of return on Capital employed	-	-

1.4.5 The following table indicates the operational performance of WBSEB for the three years up to 1997-98 :

		1995-96	1996-97	1997-98
1.	Installed capacity (MW) (Derated)			
	(i) Thermal	1010.00	1010.00	1010.00
	(ii) Hydel	58.95	84.45	97.20
	(iii) Diesel and Gas Turbine	78.00	78.00	118.00
	Total-1	1146.95	1172.45	1225.20
2.	Power generated (MKWH)			
	(i) Thermal	3061.62	3467.32	3533.10
	(ii) Hydel	132.15	281.34	296.87
	(iii) Diesel and Gas Turbine	15.05	12.03	15.64
	Total-2	3208.82	3760.69	3845.61
3.	Less: Auxiliary Consumption (MKWH)	367.95	392.32	429.47
4.	Net power generated (MKWH) (2-3)	2840.87	3368.37	3416.14
5.	Power purchased/procured (MKWH)	8458.98	8720.76	9024.03
6.	Total power available for sale (MKWH) (4+5-9(ii))	11298.81	12088.13	12439.17
7.	Normal maximum demand (MW)	1864.00	2207.00	2312.00
8.	Power sold (MKWH)	8949.47	9646.42	9935.87

		1995-96	1996-97	1997-98
9.	(i) Transmission and Distribution loss (MKWH)	2331.34	2423.73	2484.30
	(ii) Free supply to Bhutan (MKWH)	1.00	1.00	1.00
	(iii) Sub-station auxiliary (MKWH)	18.00	18.00	19.00
10.	Average load factor (percentage)	57	61	60
11.	Percentage of generation to installed capacity	31.94	36.62	35.83
12.	Percentage of transmission and distribution losses to total power available for sale	20.63	20.05	19.97
13.	Number of Units (KWH) generated per KW of installed capacity	2476.89	3207.55	3138.76
14.	Number of Villages/Towns electrified	89	66	48
15.	(a) Pumpsets/wells energised	1978	1541	1610
	(b) Pumpsets/wells awaiting	NA	NA	204
16.	Number of Sub-stations (33KV and above)	323	361	377
17.	Transmission/Distribution losses:			
	(i) High/Medium Voltage (MKWH)	NA	NA	NA
	(ii) Low Voltage (MKWH)	2331.34	2423.73	2484.30
18.	Number of consumers (In lakh)	23.40	25.74	27.74
19.	Number of employees	39393	38098	38259
20.	Consumers per employee	59	68	73
21.	•Total expenditure on staff (Rupees in lakh)	22060	24050	26343
22.	Average cost per employee (Rupees in lakh)	0.56	0.63	0.69
23.	Percentage of expenditure on staff to total revenue expenditure	13.90	12.90	11.18
24.	Break-up of sale of power according to categories of consumers (MKWH)			
	(a) Agriculture	1231.76	1365.87	1472.01
	(b) Industries	2061.60	2224.73	2444.71
	(c) Commercial	787.57	861.91	906.45
	(d) Domestic	1612.06	1932.25	2091.15
	(e) Others	3256.48	3261.66	3021.55
	Total-24	8949.47	9646.42	9935.87
25.	(a) Revenue per KWH (Rupees)*	1.49	1.48	1.82
	(b) Expenditure per KWH (Rupees)**	1.77	1.93	2.37
	(c) Loss per KWH (Rupees)	0.28	0.45	0.55

1.5 Calcutta State Transport Corporation

1.5.1 Under Section 23(i) of the Road Transport Corporations Act, 1950 the State Government and the Central Government had agreed to contribute to the capital, the ratio of which has not yet (September 1998) been settled.

The capital of the Corporation as on 31 March 1998 was Rs 962.24 lakh (Rs 862.24 lakh contributed by State Government and Rs 100 lakh contributed by the Central Government) which was also the same as on 31 March 1997. Interest on capital received

• Including employee costs capitalised

* Revenue per KWH has been arrived at after excluding subsidy from State Government

** This includes charges on account of depreciation and interest from the State Government and the Central Government is payable at the rate of 4 to 6 *per cent* and 6.25 *per cent* respectively.

1.5.2 The financial position and working results of the Corporation for the three years up to 1994-95 up to which accounts have been finalised by the Corporation till September 1998 are summarised below :

Financial position

		1992-93	1993-94	1994-95
		(Rupees in lakh)		
A.	Liabilities :			
	1. Capital	962.24	962.24	962.24
	2. Reserve and Surplus	151.76	174.87	687.46
	3. Borrowings	15634.07	16653.76	17816.75
	4. Trade dues and current liabilities	12385.95	12969.26	14074.60
		29134.02	**30760.13**	**33541.05**
B.	Assets :			
	(a) Fixed assets			
	(i) Gross fixed assets	12743.71	13366.55	13519.11
	(ii) Less Depreciation	8084.58	8352.51	8590.44
	(iii) Net fixed assets	4659.13	5014.04	4928.67
	(b) Investments	275.13	300.33	391.98
	(c) Current assets, Loans and advances	2474.10	2129.37	2972.80
	(d) Accumulated loss	21725.66	23316.39	25247.60
		29134.02	**30760.13**	**33541.05**
C.	Capital employed *	(-) 4994.80	(-) 5501.32	(-) 6299.47

Working results

	Particulars	1992-93	1993-94	1994-95
		(Rupees in lakh)		
1.	(a) Operating			
	Revenue	3796.58	3913.86	4050.20
	Expenditure	7581.75	8065.69	8585.27
	Deficit	3785.17	4151.83	4535.07
	(b) Non-operating			
	Revenue	133.61	123.91	827.83
	Expenditure	1112.04	1271.40	2020.86
	Deficit	978.43	1147.49	1193.03
2.	Total revenue	3930.19	4037.77	4878.03
3.	Total Expenditure	8693.79	9337.09	10606.13
4.	Net Profit (+)/Loss (-)	(-) 4763.60	(-) 5299.32	(-) 5728.10
5.	Interest on capital and loan	1122.65	1270.90	1325.05
6.	Total return on Capital employed	(-) 3641.05	(-) 4028.42	(-) 4403.05

1.5.3 Separate Audit Report on the annual statement of accounts of the Corporation for the year 1994-95 indicated net understatement of loss to the extent of Rs 12.71 crore.

1.5.4 The table below indicates the physical performance of the Corporation during the three years up to 1997-98 :

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

		1995-96	1996-97	1997-98
1.	Average number of vehicles held	1207	1197	1109
2.	Average number of vehicles on road	877	874	816
3.	Percentage of utilisation	72.60	73.02	73.58
4.	Number of employees	11413	10805	10250
5.	Employee vehicle ratio	9.45:1	9.03:1	9.24:1
6.	Kilometres covered (in lakh)			
	(a) Gross	688.95	678.31	631.05
	(b) Effective	614.92	617.69	579.32
	(c) Dead	74.03	60.62	51.73
7.	Percentage of dead kms to gross kms	10.75	8.94	8.20
8.	Average kms covered per vehicle per day	199.40	200.10	202.72
9.	Average revenue per km (in paise)	677.52	716.97	783.71
10.	Average expenditure per km (in paise)	1507.82	1631.75	1700.99
11.	Loss per km (in paise)	830.30	914.78	917.28
12.	Total route kms	23454	22924	23332
13.	Number of operating depots	11	11	11
14.	Average number of breakdowns per lakh kms	138.90	115.60	112.60
15.	Average number of accidents per lakh kms	0.67	0.60	0.61
16.	Passenger kms scheduled(in lakh)	29810.00	32175.30	27501.58
17.	Passenger kms operated (in lakh)	28639.48	28564.26	25223.33
18	*Occupancy ratio (*per cent*)	102.92	102.09	96.39

1.6 North Bengal State Transport Corporation

1.6.1 The capital of the Corporation was Rs 1069.56 lakh (Rs 587.04 lakh contributed by the State Government and Rs 482.52 lakh by the Central Government) as on 31 March 1998, which was the same as on 31 March 1997.

1.6.2 The Corporation finalised their accounts upto 1991-92. The financial position and working results of the corporation upto 1991-92 have been discussed in para 1.6.2 of the Audit Report (Commercial) for the year 1996-97.

1.6.3 The table below indicates the operational performance of the Corporation during the three years up to 1997-98:

		1995-96	1996-97	1997-98
1.	Average number of vehicles held	979	986	912
2.	Average number of vehicles on road	671	611	605
3.	Percentage of utilisation	69	67	66
4.	Number of employees	6872	6744	6578
5.	Employee vehicle ratio	7.02:1	6.84:1	7.21:1
6.	Kilometres covered (in lakh)			
	(a) Gross	670.34	623.76	602.88
	(b) Effective	651.64	604.80	583.06
	(c) Dead	18.70	18.96	19.82
7.	Percentage of dead kms to gross kms	2.79	3.04	3.29
8.	Average kms covered per vehicle per day	266	271	264
9.	Average revenue per km (in paise)	636	684	693
10.	Average expenditure per km (in paise)	858	1247	1309
11.	Loss per km (in paise)	222	563	616
12.	Total route in lakh kms	1.74	1.74	1.65
13.	Number of operating depots	21	21	21
14.	Average number of breakdowns per lakh kms	23.29	18.96	28.01
15.	Average number of accident per lakh kms	0.18	0.13	0.14
16.	Passenger kms scheduled (in lakh)	32582	30240	29153
17.	Passenger kms operated (in lakh)	23785	22015	19527
18	*Occupancy ratio (*per cent*)	73	73	67

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

1.7 South Bengal State Transport Corporation

1.7.1 South Bengal State Transport Corporation (erstwhile Durgapur State Transport Corporation) was incorporated on 7 December 1973 with a view to extending the facilities of road transport in five districts of South Bengal, namely Bardhaman, Birbhum, Bankura, Purulia and Medinipore. In March 1988 its area of operation was extended to all districts of West Bengal including Calcutta and excepting Jalpaiguri and Cooch Behar.

The capital of the Corporation was Rs 1100.93 lakh (wholly subscribed by the State Government) as on 31 March 1998 which was the same as on 31 March 1997.

1.7.2 The financial position and working results of the Corporation for the three years up to 1994-95 up to which their annual accounts have been finalised till 30 September 1998 are summarised below :

Financial position

		1992-93	1993-94	1994-95
		(Rupees in lakh)		
(A)	Liability			
	(a) Capital	1100.93	1100.93	1100.93
	(b) Reserve and surplus	12.53	(-) 8.97	(-) 31.79
	(c) Borrowings	2943.17	3537.93	4810.68
	(d) Trade dues & Current liabilities	2358.26	2665.88	2922.48
		6414.89	7295.77	8802.30
(B)	Assets			
	(a) Fixed assets			
	(i) Gross fixed assets	2550.47	2638.06	3389.92
	(ii) Less :depreciation	1348.42	1659.65	1988.52
	(iii) Net fixed assets	1202.05	978.41	1401.40
	(b) Capital work-in-progress	139.95	87.25	109.99
	(c) Investments	38.00	38.00	38.00
	(d) Current assets, loans and advances	537.28	732.28	832.00
	(e) Accumulated loss	4497.61	5459.82	6420.91
		6414.89	7295.77	8802.30
(C)	Capital employed *	(-) 479.02	(-) 955.19	(-) 688.85

Working results

		1992-93	1993-94	1994-95
		(Rupees in lakh)		
(a)	Operating revenue	1231.01	998.70	1149.02
	Operating expenditure	2183.18	2194.76	2378.03
	Deficit	(-) 952.17	(-) 1196.06	(-) 1229.01
(b)	Non-operating revenue (including subsidy)	647.86	832.76	952.75
	Non-operating expenditure	284.24	598.91	684.83
	Profit (+)/Deficit (-)	(+)363.62	(+) 233.85	(+) 267.92
(c)	Total revenue	1878.87	1831.46	2101.77
	Total expenditure	2467.42	2793.67	3062.86
	Net profit (+)/loss (-)	(-) 588.55	(-) 962.21	(-) 961.09
(d)	Total effective Kilometres operated (in lakh)	259.03	201.24	208.19
(e)	Average operating revenue per effective Kilometres (in paise)	475.24	504	567
(f)	Average operating expenditure per effective Kilometres (in paise)	842.83	1388	1471
(g)	Profit (+)/loss (-) per Kilometres (in paise)	(-) 367.59	(-) 884	(-) 904

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

1.7.3 The table below indicates the operational performance of the Corporation during the three years up to 1997-98 :

		1995-96	1996-97	1997-98
1.	Average number of vehicles held	633	557	688
2.	Average number of vehicles on road	260	239	307
3.	Percentage of utilisation	41	43	44.62
4.	Number of employees	2934	2866	2929
5.	Employee vehicle ratio	4.64:1	5.15:1	4.26:1
6.	Kilometres covered (in lakh)			
	(a) Gross	233.96	231.34	304.25
	(b) Effective	229.85	226.49	298.72
	(c) Dead	4.11	4.85	5.53
7.	Percentage of dead kms to gross kms	1.76	2.10	1.82
8.	Average kms covered per vehicle per day	242	260	267
9.	Average revenue per km (in paise)	560	611	656
10.	Average expenditure per km (in paise)	1370	1225	1146
11.	Loss per km (in paise)	810	614	490
12.	Total route kms	24130	39428	42839
13.	Number of operating depots	12	14	14
14.	Average number of breakdowns per lakh kms	65	49.74	39.11
15.	Average number of accidents per lakh kms	0.55	0.38	59.25
16.	Passenger kms scheduled (in lakh)	9654	10192	12844
17.	Passenger kms operated (in lakh)	7350	7161	9090
18.	*Occupancy ratio (*per cent*)	76	70	70.77

1.8 West Bengal Financial Corporation

1.8.1 The paid-up capital of the Corporation was Rs 4045.00 lakh (Rs 2895.885 lakh contributed by the State Government, Rs 1100.88 lakh contributed by the Industrial Development Bank of India (IDBI) and Rs 48.23 lakh by others) as on 31 March 1998, which was the same as on 31 March 1997.

The State Government had guaranteed under Section 6(1) of the State Financial Corporation Act, 1951, the repayment of entire share capital and payment of minimum dividend thereon at 3.5 *per cent* up to Rs 920 lakh and at 7.5 *per cent* on share capital in excess of it.

The State Government had also guaranteed repayment of all the loans with interest which includes Rs 163.06 crore raised by the Corporation through Bonds.

1.8.2 The table below summarises the financial position of the Corporation for the three years up to 1997-98:

			1995-96	1996-97	1997-98
			(Rupees in lakh)		
A.	Liabilities :				
	1.	Paid up Capital	4045.00	4045.00	4045.00
	2.	Reserve Fund, other reserves and surplus	1389.05	1749.59	2084.98
	3.	Borrowings :			
	(i)	Bonds and debentures	13548.80	14873.80	16305.80
	(ii)	Others	8217.30	8217.73	10523.59
	4.	Subvention paid by State Government on account of dividend	108.95	614.95	238.07
	5.	Other liabilities and provisions	"8104.04	""9283.18	"""9847.32
		Total - A	35413.14	38784.25	43044.76

"Includes Rs 625 lakh of share application money.
""Includes Rs 1025 lakh of share application money.
"""Includes Rs 1400 lakh of share application money.

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

			1995-96	1996-97	1997-98
B.	Assets :				
	1.	Cash and bank balance	557.39	809.36	1618.72
	2.	Investments	19.56	19.56	19.56
	3.	Loans and advances	28412.97	29831.17	32971.36
	4.	Debentures, shares, etc, acquired under underwriting agreements	17.40	17.40	17.40
	5.	Net fixed assets	27.81	39.76	40.00
	6.	Dividend deficit account	789.43	1027.51	1265.58
	7.	Other assets	406.35	612.29	616.95
	8.	Accumulated loss	5182.23	6427.20	6495.19
		Total - B	**35413.14**	**38784.25**	**43044.76**
C.	Capital employed *		26328.82	27927.86	28102.26

1.8.3 The working results of the Corporation for the three years up to 1997-98 are summarised below :

		1995-96	1996-97	1997-98
		(Rupees in lakh)		
1.	**Income :**			
	Interest on loans and advances	3079.26	3412.32	3755.71
	Other income	96.26	85.87	200.13
	Total - 1	**3175.52**	**3498.19**	**3955.84**
2.	**Expenditure :**			
	Interest on long term loans	2586.65	2117.14	3111.06
	Other expenses	438.15	479.71	656.30
	Total - 2	**3024.80**	**2596.85**	**3767.36**
3.	Profit(+)/Loss(-) before tax and provisions	(+) 150.72	(+) 901.34	(+) 188.48
4.	Provision for tax	23.50	279.87	71.08
5.	Profit after tax	127.22	621.47	117.40
6.	Provision for bad and doubtful debt	1285.44	1505.90	50.00
7.	Other appropriations	60.29	360.54	135.39
8.	Investment	-	-	-
9.	Amount available for dividend	-	-	-
10.	Dividend	-	-	-
11.	Net loss (3-6-7)	(-) 1218.51	(-)1244.96	(-) 67.99
12.	Total return on Capital employed	1368.14	972.17	3043.06
13.	Percentage of return on Capital employed	5.19	3.48	10.82

1.8.4 Separate Audit Report on the annual statement of accounts of the Corporation for the year 1997-98 indicated net understatement of profit (Rs 1.38 crore) to the extent of Rs 0.58 crore.

1.8.5 The following table indicates the position regarding the receipt and disposal of application of loans for the three years up to 1997-98 :

* Capital employed represents the mean of the aggregate of opening and closing balances of (i) paid up capital (ii) bonds and debentures (iii) reserves (iv) borrowings (including refinance) and deposits

Sl. No.	Particulars	1995-96 Number	1995-96 Amount (Rupees in lakh)	1996-97 Number	1996-97 Amount (Rupees in lakh)	1997-98 Number	1997-98 Amount (Rupees in lakh)
1.	Applications pending at the beginning of the year	95	996.90	82	433.91	79	994.28
2.	Applications received during the year	620	8585.60	504	7368.66	773	11511.95
3.	Total	715	9582.50	586	7802.57	852	12506.23
4.	Applications sanctioned during the year	448	6795.39	424	6173.72	643	10606.95
5.	(a) Applications cancelled/with-drawn/reduction in amount	185	2353.46	83	634.57	127	757.53
	(b) Rejected	-	-	-	-	-	-
6.	Applications pending at the close of the year	82	433.91	79	994.28	82	1141.75
7.	Loans disbursed	428	4786.57	533	5066.67	1032	7272.91
8.	Loans outstanding at the close of the year	15084	28412.97	15470	29868.13	15.447	32934.39
9.	Amount overdue for recovery at the close of the year:						
	(a) Principal	14187	2769.17	13150	2487.89	12500	2765.34
	(b) Interest	-	10891.31	-	11874.68	-	13927.71
	(c) Total	14187	13660.48	13150	14362.57	12500	16693.05
10.	Percentage of default to total loans outstanding	-	48.17	-	48.08	-	50.68

1.9 West Bengal State Warehousing Corporation

1.9.1 The paid-up capital of the Corporation including share suspense (money received towards shares not yet allotted) of Rs 55.00 lakh as on 31 March 1998 was Rs 761.40 lakh (Rs 380.70 lakh contributed by State Government and Rs 380.70 lakh by Central Warehousing Corporation).

1.9.2 Separate Audit Reports for the years 1993-94 to 1994-95 issued by the CAG from time to time during the period from 25 February 1997 and 5 March 1997 were not placed before the Annual General Meeting of the Corporation for want of specific provisions in the Warehousing Corporation Act, 1962.

1.9.3 The summarised financial position and working results of the Corporation for the three years up to 1995-96 up to which annual accounts have been finalised by the

Corporation till September 1998 are summarised below:

	Financial position	1993-94	1994-95	1995-96
		(Rupees in	lakh)	
A.	Liabilities			
1.	Paid up capital	670.40	706.40	706.40
2.	Reserves and surplus	554.78	613.98	930.98
3.	Trade dues and other current liabilities	497.76	569.56	684.04
	Total – A	**1722.94**	**1889.94**	**2321.42**
B.	Assets			
1.	Gross block	1015.57	1020.13	1070.84
2.	Less – Depreciation	306.23	342.28	377.20
3.	Net fixed assets	709.34	677.85	693.64
4.	Capital work-in-progress	-	11.48	-
5.	Investment	129.40	155.42	294.63
6.	Current assets, loans and advances	884.20	1045.19	1333.15
	Total – B	**1722.94**	**1889.94**	**2321.42**
C.	Capital employed*	1095.78	1164.96	1342.75

	Working results	1993-94	1994-95	1995-96
		(Rupees in	lakh)	
1.	Income			
(i)	Warehousing charges	406.02	509.77	759.30
(ii)	Other receipts	3.83	2.71	1.16
	Total – 1	**409.85**	**512.48**	**760.46**
2.	Expenditure			
(i)	Establishment charges	189.03	235.82	248.62
(ii)	Other expenses	168.68	199.18	240.76
	Total - 2	**357.71**	**435.00**	**489.38**
3.	Profit before tax	52.14	77.48	271.08
4.	Provision for tax	0.36	0.36	0.37
5.	Other appropriations	4.30	5.50	107.59
6.	Amount available for dividend	47.48	71.62	163.12
7.	Proposed dividend (percent)	45.18	48.05	3.00
8.	Total return on capital employed	52.14	77.48	271.08
9.	Percentage of total return on capital employed	4.76	6.65	20.18

1.9.4 The following table indicates details of storage capacity created, capacity utilised and other information about the performance of the corporation for the three years upto 1997-98 are shown below :-

		1995-96	1996-97	1997-98
1.	Number of the centres at the end of the year	32	32	32
2.	Average effective capacity created upto the end of the years	(In lakh	tonnes)	
	a) Own Godowns	1.36	1.39	1.37
	b) Hired Godowns	1.23	1.24	1.16
	Total	2.59	2.63	2.53
3.	Average capacity utilised during the years	1.95	1.46	1.27
4.	Percentage utilisation	75	56	50
5.	a) Average revenue per tonne (in rupees)	294	278	288
6.	b) Average expenditure per tonne (in rupees)	189	212	225

1.10 West Bengal Industrial Infrastructure Development Corporation

1.10.1 The Corporation had no share capital of its own. The Corporation has obtained long term loans from the State Government from time to time. Outstanding balance of loans as on 31 March 1998 was Rs 2474.60 lakh.

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

The financial position and working results of the Corporation for three years up to 1995-96 is summarised below:

	Financial Position	1993-94	1994-95	1995-96
		(Rupees in lakh)		
A.	Liabilities			
1.a)	Loans from Government	831.00	1469.37	1674.37
b)	Grant from Government	1510.62	1121.00	1211.00
2.	Net balance of deposit for deposit works	159.39	166.65	127.95
3.	Reserves and Surplus	412.06	300.92	215.96
4.	Amount repayable to IDBI	984.69	1443.83	1500.13
5.	Trade dues and current liabilities	119.04	97.13	91.11
	Total -A	**4016.80**	**4598.60**	**4820.52**
B.	Assets			
1.	Gross block	35.47	33.06	29.87
2.	Less Depreciation	3.80	3.53	3.21
3.	Net fixed assets	31.67	29.53	26.66
4.	Other assets (Land)	473.79	517.08	521.18
5.	Expenditure for development of industrial areas and estates and other schemes	2552.79	2666.95	2852.83
6.	Current assets, loans and advances	947.91	1378.18	1415.61
7.	Accumulated Deficit	10.64	6.85	4.24
	Total – B	**4016.80**	**4598.60**	**4820.52**
C.	Capital Employed	3887.12	4494.62	4725.17
D.	Net Worth	1499.98	1114.15	1206.76

	Working Results	1993-94	1994-95	1995-96
A.	Income	(Rupees in lakh)		
1.	Annual rent of land and building	28.65	28.45	31.61
2.	Recoveries of overheads on development work at 12.5 *per cent*	0.13	3.60	1.04
3.	Interest from Bank	47.43	41.16	51.50
4.	Interest from Entrepreneurs	0.54	0.48	0.41
5.	Water Supply and Electricity supply charges	36.62	39.56	48.14
6.	Miscellaneous Income	16.04	12.29	25.16
	Total – A	**129.41**	**125.54**	**157.86**
B.	Expenditure			
1.	Administrative expenses	103.37	108.56	134.70
2.	Interest on loans	4.50	4.00	5.00
3.	Depreciation and other expenses	12.61	9.20	15.55
	Total – B	**120.48**	**121.76**	**155.25**
C.	Profit (+)/Loss(-) before tax	(+)8.93	(+)3.78	(+)2.61
D.	Provision for Tax	-	-	-
E.	Profit (+)/Loss(-) after tax	(+)8.93	(+)3.78	(+)2.61
F.	Capital employed	3887.12	4494.62	4725.17
G.	Total return on capital employed	13.43	7.78	7.61
H.	Percentage of total return on capital employed	0.34	0.17	0.16

Notes : 1) Capital employed represents Net Fixed Assets including capital work-in-progress plus working capital.
2) Net worth represents long term loans from State and Central Government plus free revenue/surplus.

1.11 Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)

During the year 1997-98, the COPU completed discussion of four reviews and seven paragraphs of the Audit Reports (Commercial) for the years 1990-91, 1991-92, 1992-93, 1993-94 and 1994-95 respectively.

To accelerate the pace of Committee's deliberations on the outstanding Audit Reports, selective approach of discussion of the Audit Reports from the year 1987-88 onwards was adopted. Reviews and paragraphs included in the Audit Report (Commercial) prior to 1990-91 that had lost topical interest were skipped over for discussion by the Committee.

Position of discussion of Audit Reports pending in the COPU as on 31 March 1998 is given below :

Year of Audit Report(Commercial)	Pending Discussion	
	Reviews	Paragraphs
1990-91 (No.1)	1	5
1991-92 (No.2)	1	2
1992-93 (No.1)	4	5
1993-94 (No.1)	1	13
1994-95 (No.1)	3	7
1995-96 (No.1)	2	9
1996-97 (No.2)	3	9
Total	**15**	**50**

Audit Report for the year 1996-97 was placed before the State Legislature on 18 June 1998.

CHAPTER II

2A. DURGAPUR CHEMICALS LIMITED

Highlights

Durgapur Chemicals Limited, incorporated in July 1963 as a Government company to manufacture basic chemicals, had incurred losses since inception due to under-utilisation of capacity, low productivity, defective pricing, payment of idle wages, excess consumption of raw materials and huge interest burden. The accumulated loss of Rs 186.00 crore as on 31 March 1998 had eroded its paid-up capital of Rs 5.09 crore.

(Paragraphs 2A.1, 2A.7.1 & 2A.7.2)

Failure to repay the initial loan obtained from United Commercial Bank in time resulted in payment of excess interest of Rs 3.56 crore at compounded rate of interest besides payment of additional interest of Rs 1.34 crore on the amount of compound interest converted into interest-bearing loan.

(Paragraph 2A.6 (ii))

Capacity utilisation as compared to attainable capacity varied from 58 to 79 *per cent* in respect of Caustic Chlorine Plant (CCP) and 47 to 53 *per cent* in Monochloro Benzene Plant (MCBP) during the period from 1993-94 to 1997-98 which resulted in loss of potential production of caustic soda lye and monochlorobenzene valued at Rs 43.74 crore.

(Paragraphs 2A.8.2 & 2A.8.5)

Low utilisation of chlorine gas rendered 4374 tonnes of chlorine valued at Rs 2.86 crore as waste besides additional expenditure of Rs 0.55 crore on its treatment for making it harmless.

(Paragraph 2A.8.3)

There was loss of production of different products valued at Rs 59.39 crore in CCP and MCBP during 1993-98 due to stoppage of production owing to controllable factors.

(Paragraph 2A.8.7)

Despite incurring expenditure of Rs 9.89 crore towards renovation of CCP and MCBP, the plants could not be made viable and the Company continued to incur cash losses.

(Paragraph 2A.9)

Deployment of labour in excess of the requirement resulted in payment of unproductive wages of Rs 7.36 crore during the five years up to 1997-98.

(Paragraph 2A.10.1)

Promotion of 752 employees to higher scales of pay in violation of the Government's order resulted in excess payment of Rs 1.13 crore on salaries and wages during December 1992 to March 1998.

(Paragraph 2A.10.2)

Plant wise profitability and contribution analysis shows that CCP and MCBP incurred losses ranging from Rs 5.58 crore to Rs 8.62 crore and Rs 2.22 crore to Rs 8.00 crore respectively during the five years up to 1997-98.

(Paragraph 2A.11)

Raw materials, mercury and utilities were consumed in excess of the prescribed norms and resulted in extra expenditure of Rs 3.70 crore during the five years up to 1997-98.

(Paragraph 2A.12)

The Company incurred loss of Rs 34.00 crore during the period from 1993-94 to 1997-98 on sale of monochlorobenzene due to fixation of its sale price lower than its cost of production.

(Paragraph 2A.13.2(b))

Due to ineffective system of realisation of debts, as on March 1998 the Company's debts amounting to Rs 1.99 crore were overdue for recovery.

(Paragraph 2A.13.3)

The Company had unserviceable and non-moving stores and spares valued at Rs 0.81 crore for more than five years which had resulted in loss of interest at Rs 0.76 crore up to March 1998.

(Paragraph 2A.14)

2A.1 Introduction

Durgapur Chemicals Limited (DCL) was incorporated (July 1963) as a wholly-owned Government company to take over a joint-sector chemical project to manufacture basic chemicals for downstream industries. The assets and liabilities of the erstwhile chemical project were transferred (September 1963) to the Company at a cost of Rs 34.52 lakh (Equity shares: Rs 34.50 lakh; cash: Rs 0.02 lakh).

2A.2 Objectives

The Company was set up with a view to undertaking manufacture and sale of chemicals, drugs, explosives, ammunition, fats, fertilisers and organic intermediaries, mining natural deposits such as salt, soda and other chemical substances and treating such substances mined. However, the activities were presently confined to manufacture and sale of caustic soda lye, liquid chlorine, hydrochloric acid, monochlorobenzene, dichlorobenzene, pentachlorophenol and sodium pentachlorophenate etc., by use of salt procured from West Coast and benzene available from the neighbouring steel plants.

2A.3 Scope of audit

The working of the Company was reviewed and featured in the Report of the Comptroller and Auditor General of India for the year 1988-89 (Commercial). The recommendations of the Committee on Public Undertakings (COPU) are included in the Thirty Sixth Report (March 1997). Action Taken Note (ATN) on the recommendations of the COPU had not been submitted so far (September 1998).

The present review covers the activities of the Company for the period of five years from 1993-94 to 1997-98 conducted during December 1997 to February 1998 and in June 1998. The findings are presented in the succeeding paragraphs.

2A.4 Organisational set-up

The management of the Company is vested in a Board of Directors and the number of Directors from time to time is determined by the Governor of West Bengal. But it shall be not less than two. As on 31 March 1998 the Board consisted of nine Directors appointed by the State

Government. The Managing Director is the Chief Executive of the Company who is assisted by a Director (Finance) and three General Managers.

2A.5 Capital structure and borrowings

2A.5.1 Capital structure

The authorised share capital of the Company of Rs 5 crore was increased (December 1989) to Rs 5.10 crore against which paid-up capital stood at Rs 5.09 crore as on 31 March 1998, wholly subscribed by the State Government.

2A.6 Borrowings

(i) The Company obtained up to 31 March 1998, unsecured loans aggregating Rs 106.26 crore from the State Government to meet both capital and revenue expenditure at rates of interest varying between 6 and 15.5 *per cent per annum*. The amount outstanding as on 31 March 1998 amounted to Rs 195.79 crore (Principal: Rs 106.26 crore and Interest: Rs 89.53 crore) of which Rs 61.34 crore towards principal and Rs 84.39 crore towards interest were overdue as on March 1998 due to shortage of fund.

(ii) In order to relieve pressure on Government funds the Company resorted to borrowing of Rs 133.29 lakh at simple interest of 14 *per cent per annum* from United Commercial Bank between 1973-74 to 1977-78 for revamping programme. The State Government guaranteed payment of interest and repayment of principal. The Company neither paid the interest nor repaid the principal due to lack of funds and as a result, the bank compounded interest at the rate of 14 *per cent* per annum.

The Company paid compound interest of Rs 3.56 crore due to its failure to repay initial loan in time besides interest of Rs 1.34 crore on the outstanding interest converted into loan

Against total outstanding of Rs 596.61 lakh (principal Rs 133.29 lakh; simple interest Rs 106.96 lakh; compound interest Rs 356.36 lakh) up to March 1990, the Company had paid (during 1980-81 to 1986-87) only Rs 290.00 lakh (principal Rs 133.29 lakh; simple interest Rs 106.96 lakh; compound interest Rs 49.75 lakh) by taking loans (Rs 290.00 lakh) from the State Government. The balance amount of compound interest of Rs 306.61 lakh was converted (April 1990) by the bank partly into an interest free loan of Rs 118.79 lakh (repayable by July 1995) and the balance (Rs 187.82 lakh) as interest bearing loan (10 *per cent per annum*) repayable by July 1993.

The Company could not, however, adhere to the revised schedule and repaid total dues Rs 440.38 lakh (principal Rs 306.61 lakh; interest Rs 133.77 lakh) during April 1993 to July 1998 by obtaining further loan of Rs 440.38 lakh from the State Government. Thus, the objective of securing finance from bank to relieve pressure on Government's fund did not fructify as the decision led to payment of excess interest of Rs 356.36 lakh at compounded rate of interest besides payment of additional interest of Rs 133.77 lakh on the amount of compound interest converted into interest bearing loan.

2A.7 Financial position and working results

2A.7.1 Financial position

The accumulated loss as on 31 March 1998 was Rs 186.00 crore eroding paid up capital of Rs 5.09 crore

The table below summarises the financial position of the Company under broad headings for the five years upto1997-98:

	Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
		(	Rupees	in	crore)	
A.	**Liabilities**					
(i)	Paid-up capital	5.09	5.09	5.09	5.09	5.09
(ii)	Borrowings	78.93	86.43	92.17	98.37	106.26
(iii)	Trade dues and other current liabilities (including provisions)	62.94	71.17	80.98	90.02	102.70
	Total	**146.96**	**162.69**	**178.24**	**193.48**	**214.05**
B.	**Assets**					
(iv)	Gross block	19.89	21.58	22.35	23.28	24.47
(v)	Less depreciation	13.01	13.38	13.82	14.28	14.77
(vi)	Net fixed assets	6.88	8.20	8.53	9.00	9.70
(vii)	Capital work-in-progress	0.51	0.09	0.17	0.53	0.83
(viii)	Current assets	11.28	13.25	15.42	16.94	17.52
(ix)	Accumulated loss	128.29	141.15	154.12	167.01	186.00
	Total	**146.96**	**162.69**	**178.24**	**193.48**	**214.05**
(i)	*Capital employed	(-)44.27	(-)49.63	(-)56.86	(-)63.55	(-)74.65
(ii)	**Net worth	(-)123.20	(-)136.06	(-)149.03	(-)161.92	(-)180.91
(iii)	Debt equity Ratio	15.51:1	16.98:1	18.10:1	19.33:1	20.88:1

The following points emerge from the table:

the accumulated loss of Rs 186.00 crore as on 31 March 1998 had completely eroded paid-up capital of Rs 5.09 crore as on that date;

the negative net worth of Rs (-)123.20 crore as on 31 March 1994 increased to Rs (-)180.91 crore. The Board did not take any action to refer the Company to the Board for Industrial and Financial Reconstruction (BIFR) in terms of the Sick Industrial Companies (Special Provisions) Act, 1985 which was applicable to Government companies with effect from December 1991 although the accumulated loss of the Company exceeded the paid-up capital during the years even prior to 1991-92.

the debt-equity ratio of 15.51:1 in 1993-94 rose to 20.88:1 in 1997-98 due to high incidence of borrowed funds in the capital structure and also failure to repay the principal and interest towards loan. Though COPU had endorsed the recommendation (June 1988) of the Task Force Committee (set up in July 1987 to conduct an overall viability study of the Company) to restructure the capital base of the Company, the Management stated (July 1998) that capital restructuring would be considered only after elimination of cash loss.

* Capital employed represented net fixed assets (including capital work –in-progress) plus working capital.
** Net worth represented paid-up capital plus reserve and surplus less intangible assets.

2A.7.2Working results

The Company was incurring losses since inception except in 1968-69 when it earned profit of Rs 0.85 lakh. The cash losses were occurring since 1970-71. The working results of the Company for the last five years ending 1997-98 are given below:

Due to poor performance the cash losses sustained during the five years up to 1997-98 aggregated Rs 19.83 crore

	Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
A.	**Income**	(	Rupees	in	crore	)
(i)	Sales less taxes & duties	9.33	11.80	16.42	19.25	17.41
(ii)	Increase(+) / decrease (-) in stock	(+)0.78	(-)0.01	(-)0.07	(-)0.10	(+)0.02
(iii)	Other income	0.18	0.19	0.23	1.65	0.43
	Total	**10.29**	**11.98**	**16.58**	**20.80**	**17.86**
B.	**Variable costs**					
(i)	Raw materials	3.38	3.71	5.12	6.14	6.24
(ii)	Power & fuel	2.44	2.42	3.24	3.59	4.94
(iii)	Other manufacturing expenses	0.78	0.73	0.96	1.20	1.31
	Total	**6.60**	**6.86**	**9.32**	**10.93**	**12.49**
C.	**Contribution (A-B)**	3.69	5.12	7.26	9.86	5.37
D.	**Fixed costs**					
(i)	Employees' cost	5.78	6.68	7.19	8.06	9.00
(ii)	Other expenses	2.50	2.26	2.74	3.58	3.34
	Total	**8.28**	**8.94**	**9.93**	**11.64**	**12.34**
E.	**Cash loss (C-D)**	4.59	3.82	2.67	1.78	6.97
F.	Interest on Government loan	7.39	8.67	9.87	10.65	11.50
G.	Depreciation	0.60	0.37	0.43	0.47	0.50
H.	**Net loss**	**12.58**	**12.86**	**12.97**	**12.89**	**19.00**

The Company was not analysing product wise profitability of plants. The sharp increase in loss during 1997-98 was attributable to the fall in price of Caustic Soda Lye and Hydrochloric Acid during the year. The main reasons for loss as analysed in audit were:

increasing interest charges towards borrowed funds (Paragraph 2A.6 *supra*).

defective technology and under-utilisation of capacity of the plants (Paragraph 2A.8 *infra*).

low productivity /wastage *vis-à-vis* payment of idle wages to surplus labour (Paragraphs 2A.8, 2A.8.2, 2A.8.5 & 2A.10 *infra*).

forced shut-down due to controllable factors (Paragraph 2A.8.7 *infra*).

lack of planning in revival and expansion programme (Paragraph 2A.9 *infra*).

high cost structure (Paragraph 2A.11 *infra*).

excess consumption of raw materials and utilities (Paragraph 2A.12 *infra*).
lack of proper sales policy and pricing (Paragraph 2A.13.2 *infra*)

shortage of working capital due to non realisation of sales proceeds (Paragraph 2A.13.3 *infra*).

2A.8 Production performance

Plants

The Company's Chemical project was conceived to manufacture basic chemicals for down stream industries. Phenol from benzene and phthalic anhydride from napthalene were to be manufactured in the project which comprised mainly phenol plant, caustic chlorine plant, pentachlorophenol plant and phthalic anhydride plant. The phenol plant consisted of five units *viz.* Monochlorobenzene (MCB), Phenol distillation, High pressure synthesis, Salt recovery unit and Residue recovery unit (RRU).

The main inputs for manufacture of phenol are benzene, chlorine and caustic soda. The latter two were produced in caustic chlorine plant using salt produced as a by-product by phenol plant. Accordingly, viability of the Company was mainly dependent on the phenol plant which proved be a non-starter, as the technology selected in 1963 was outdated. The salt recovery unit of phenol plant was never operated, which had a crippling effect on the caustic chlorine plant. The selection of defective technology and non-operation of some units of phenol plant caused technical imbalance (Refer paragraph 2A.8.4 *infra*). Thus, the phenol plant which formed the nucleus of all the other plants was unviable *ab initio* as discussed in paragraph 6.2.3 of Report No.2 of the Comptroller and Auditor General of India (Commercial) – 1988-89. A diagram showing the flow of main inputs and the outputs obtained in the respective plants is given in the Annexure-7.

Production of all products (*viz.* caustic soda lye, chlorine, monochlorobenzene etc.) was stopped in July 1989 due to critical condition of all four plants rendering them unsafe for operation. After renovation of civil structures, etc. the production in caustic chlorine plant (CCP) and monochlorobenzene plant (MCBP) was resumed in June 1991 and February 1992 respectively. Due to abandonment of Salt Recovery Unit, Phenol Distillation Unit of MCBP, salt is procured from West Coast. The Phthalic Anhydride Plant which was producing phthalic anhydride was finally closed in July 1989 due to technological obsolescence of the plant. However, COPU recommended (March 1997) to restart the plant. But the Company took no action (September 1998).

2A.8.1 Product range

Caustic Soda lye is the main item produced by the Company using salt, electricity and water. Chlorine is a by-product in the process of manufacture of caustic soda. While some portion of chlorine is cooled, dried, compressed and liquified and stored in chlorine process vessels, the remaining portion is burnt in graphite ovens with hydrogen to produce hydrochloric acid. The acid with about 33 *per cent* concentration is taken for storage.

Monochlorobenzene is produced using benzene, chlorine, steam and light diesel oil. In the benzenechlorination, chlorobenzene is produced together with hydrochloric acid (BP) as a by-product.

2A.8.2 Production of Caustic Soda lye

> **Shortfall to attain the capacity on available working hours resulted in loss of potential production valued at Rs 14.66 crore in CCP**

The Caustic Chlorine Plant (CCP) was commissioned in April 1968 at a cost of Rs 274.82 lakh. The installed capacity of production of caustic soda lye and chlorine was fixed at 10500 tonnes and 8916 tonnes respectively per annum on the basis of 350 working days in a year as in 1968 and hourly production rate of 1.25 tonnes of caustic soda lye. However, the plant was working for more than 350 days in 1993-94 to 1997-98. The table below indicates the installed capacity, attainable capacity as worked out in audit, actual production and utilisation of capacity of CCP for production of caustic soda lye during the five years up to 1997-98:

	Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
			(	tonnes	)	
(i)	Installed capacity	10,500	10,500	10,500	10,500	10,500
(ii)	Actual hours worked	6,992	6,302	7,146	7,400	7272
(iii)	Attainable capacity {(ii) X 1.25 tonnes}	8,740	7,878	8,932	9,250	9090
(iv)	Target set by the Management	9,100	7,200	7,650	8,400	10,000
(v)	Actual production	5,153	5,074	6,519	7,156	7216
(vi)	Capacity utilisation (in percentage)					
(a)	to target	57	70	85	85	72
(b)	to installed capacity	49	48	62	68	69
(c)	to attainable capacity	58	64	73	77	79

It would be evident from the above that capacity utilisation as compared to attainable capacity varied between 58 and 79 *per cent* during the period 1993-94 to 1997-98. By operating 35112 hours during the five years up to 1997-98 the Company produced only 31118 tonnes of caustic soda lye against the attainable production of 43890 tonnes which resulted in loss of potential production of 12,772 tonnes of caustic soda lye valued at Rs 14.66 crore at its average sale price during each of the above years. Audit observed that though the targets for all the five years were fixed below installed capacity, the Company could not even achieve them. Further, there were stoppages of production for 8712 hours for five years up to 1997-98 due to forced shutdown resulting in loss of production of 10890 tonnes valued at Rs 12.47 crore (Refer paragraph 2A.8.7 *infra*).

The Management attributed (February 1998) the shortfall to time lag in achieving the desired level of power load due to frequent start-up of the plant; mechanical breakdown; power failure; and marketing constraints.

The contention of the Management is not tenable as the loss of potential production was worked out on the basis of actual hours worked.

2A.8.3 Production of chlorine

The table indicates the details regarding the production, utilisation and wastage of chlorine during the five years up to 1997-98:

	Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
			(	tonnes	)	
(i)	Installed capacity	8916	8916	8916	8916	8916
(ii)	Production	4565	4495	5776	6340	6393
(iii)	Sale of liquid chlorine	727	1141	1642	1642	1397
(iv)	Transfer to MCB & PCP plant (Captive consumption)	1861	1868	1642	2831	2891
(v)	Conversion to hydrochloric acid	395	688	1450	1474	1546
(vi)	Destroyed	1582	798	1042	393	559
(vii)	Average sale price (Rs.per tonne)	4693	8213	6677	8616	7650
(viii)	Value of destroyed chlorine (Rs in lakh) (vi X vii)	74.24	65.54	69.57	33.86	42.60

Thus out of 27569 tonnes of chlorine generated during the five years up to 1997-98, the Company utilised 23195 tonnes only for sale as liquid chlorine (6549 tonnes), for manufacture of monochlorobenzene (MCB) and pentachlorophenol (PCP) and hydrochloric acid (16646 tonnes).

Chlorine gas valued at Rs 2.86 crore was wasted due to its non utilisation besides incurring of additional expenditure of Rs 0.55 crore on making it harmless.

The Company failed to utilise balance (4374 tonnes) chlorine valued at Rs 2.86 crore which was wasted and rendered harmless by treating with lime by incurring additional expenditure of Rs 0.55 crore.

The huge wastage during 1993-94 to 1995-96 was due to lower utilisation of chlorine at MCB and PCP as well as lower capacity of hydrochloric acid unit (HCU) for conversion of chlorine. Subsequently, on installation of one additional HCU (capacity:30 tonnes per day) in August 1994 and increase in consumption of chlorine at MCB and PCP, the utilisation of chlorine in subsequent years improved thereby reducing wastages. However, it was seen in audit that three chemical units located in Eastern India had achieved more than 100 *per cent* utilisation of chlorine.

2A.8.4 Phenol plant (PP)

The phenol plant (PP) was commissioned in March 1970 at a cost of Rs 2.60 crore. The PP consisted of five units *viz.* Monochlorobenzene (MCB), Phenol distribution, High pressure synthesis, Salt Recovery Unit and Residue Recovery Unit (RRU). The plant was mainly meant for producing phenol and monochlorobenzene. However, since 1983, all the units of the PP except MCB and RRU were closed down due to technical obsolescence. As a result, common salt required for the CCP had to be transported at an additional cost of Rs 5.06 crore from West Coast during 1993-94 to 1997-98. At present, the production was confined to monochlorobenzene and by-products - mixed dichlorobenzene and hydrochloric acid.

The Task Force Committee (TFC) recommended (June 1988) for dismantling the redundant sections of the PP. No action was, however, taken even after a lapse of ten years (July 1998).

2A.8.5 Monochlorobenzene plant (MCBP)

The installed capacity of monochlorobenzene plant (MCBP) was fixed at 9900 tonnes per annum since inception (May 1970) on the basis of 330 working days. However, MCBP had worked for more than 330 days in 1993-94 to 1997-98. The table below indicates the installed capacity, attainable capacity (based on 1.25 MT of MCB for each hour actually worked), actual production and utilisation of capacity during the five years up to 1997-98:

	Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
		(		tonnes		)
(i)	Installed capacity	9900	9900	9900	9900	9900
(ii)	Actual hours worked	4231	4121	5998	5898	6145
(iii)	Attainable capacity [(ii) X 1.25]	5289	5151	7497	7373	7681
(iv)	Target set by the Management	5950	3940	4020	6240	5500
(v)	Actual production	2509	2642	3620	3917	3987
(vi)	Capacity utilisation (in percentage)					
(a)	to installed capacity	25	27	37	40	40
(b)	to attainable capacity	47	51	48	53	52

Thus, the capacity utilisation *vis-à-vis* attainable capacity varied between 47 and 53 per cent during 1993-94 to 1997-98. By operating 26393 hours during the five years ended 1997-98 the Company could obtain production of only 16675 tonnes of MCB against attainable production of 32991 tonnes which resulted in loss of potential production of 16,316 tonnes of MCB valued at Rs 29.08 crore at its average sale price during each of the above years. This was due to working of the MCBP at 51 *per cent* efficiency. Though the Company fixed the targets below the installed capacity, it could not even achieve those levels.

Failure to achieve attainable capacity in MCBP resulted in loss of potential production valued at Rs 29.08 crore

The Management attributed (February 1998) the reasons for under-utilisation to shutdown for maintenance, restricted supply of raw materials and mechanical breakdown. However, the loss of potential production was worked out on the basis of actual hours worked.

2A.8.6 Production of Hydrochloric acid

Hydrochloric acid is produced in MCBP as a by-product. According to the norm followed by the chemical industry, one unit of hydrochloric acid was to be produced against one unit of MCB produced. It was observed that of the 16675 tonnes of MCB generated during 1993-94 to 1997-98, only 12228 tonnes were converted to hydrochloric acid and the balance (4407 tonnes) valued at Rs 42.24 lakh could not be utilised and was wasted. The Management stated (February 1998) that due to presence of benzene in hydrocloric acid produced by the Company its market demand is less.

However, the Company commissioned in August 1994 four acid storage tanks (Capacity: 80 KL) at a cost of Rs 8.11 lakh for purpose of separation of benzene and hydrochloric acid, but as the tanks turned out to be defective, the separation of benzene could not be done effectively.

2A.8.7 Down time analysis

Based on the entries in the log books produced to Audit, it was noticed that there were stoppages in productions for 8712 hours and 17431 hours in CC plant and MCB plant, respectively during the last five years up to 1997-98. The table below indicates factor wise lost hours and consequential loss of production during the above period :

		Factors						
		Mechanical break down	Power failure	Process problem	Shortage of raw material	Marketing constraints	Other inclu-ding labour, pollution etc.	Total
	CCP							
(i)	Hours lost (Shut down)	4233	413	966	476	1680	944	8712
(ii)	percentage of shut down to total hours during five years	49	5	11	5	19	11	100
(iii)	Loss of production (in tonnes)							
	- CS lye	5291	516	1208	595	2100	1180	10890
	- Chlorine	4688	457	1070	527	1861	1045	9648
	- HCL (Synthetic)	2354	230	537	265	934	525	4845
	MCBP							
(i)	Hours lost (shut down)	5447	-	1941	7074	2969	-	17431
(ii)	percentage of shut down to total hours lost during five years	31	-	11	41	17	-	100
(iii)	loss of production in tonnes							
	- MCB	6809	-	2426	8843	3711	-	21789
	- HCL BP	6809	-	2426	8843	3711	-	21789

Leaving the loss of production due to power failure for 413 hours the Company could have avoided the stoppage of work for the remaining 25730 hours due to controllable factors by prompt preventive maintenance of plants which was carried out only when it became absolutely necessary. Based on the average sale price, the loss of production due to controllable factors during the five years up to 1997-98 was 10,374 tonnes of caustic soda lye, 9191 tonnes of chlorine, 4615 tonnes of HCL (synthetic), 21,789 tonnes of MCB and 21,789 tonnes of HCL (By product) all valued at Rs 59.39 crore.

Loss of potential production due to forced shut-down on account of controllable factors worked out to Rs 59.39 crore

2A.8.8 Pentachlorophenol plant (PCP)

The PCP commissioned (June 1969) at a cost of Rs 32.34 lakh was shut down in 1989 due to non-availability of phenol. The Company decided (July 1990) to revive the PCP plant with an investment of Rs 15.55 lakh. It was estimated that a contribution of Rs 26.20 lakh per annum could be achieved by producing 346 tonnes of PCP (at 35 per cent plant capacity). In the proposal, it was mentioned that there was no demand for PCP, whereas, a ready market for sodium pentachlorophenate (SPCP) (a product of pentachlorophenol mixed with hydrochloric acid and caustic soda) existed for which aggressive marketing was necessary. The Company, however, did not conduct a detailed market survey and assess economic viability before putting up the proposal.

Expenditure of Rs 0.24 crore towards revival of the PC Plant proved unfruitful

The Company re-started (December 1994) the plant after spending Rs 24.33 lakh for renovation. During the period from December 1994 to March 1998 (40 months) only 96 tonnes of PCP/ SPCP were produced against the targeted production of 1153 tonnes, out of which 89 tonnes were sold for Rs 39.75 lakh (contribution: Rs 1.92 lakh) against projected contribution of Rs 87.33 lakh for targeted production of 1153 tonnes. However, during July 1997 to March 1998, the Company also produced 16 tonnes monochlorophenol (MCP) and sold at Rs 6.67 lakh with contribution of Rs 0.11 lakh. The shortfall in production was due to lack of market for PCP/ SPCP of which the Management was aware at the time of investment decision.

Thus, the decision to restart the PCP plant, without assessing market, resulted in an unfruitful expenditure of Rs 24.33 lakh, which confirmed the opinion of COPU contained in its Thirty Sixth Report of 1997 that there was no proper planning by the Management for use of the plant.

2A.9. Revival and Expansion Programme

In accordance with the recommendations (June 1988) of Task Force Committee (TFC), the Management prepared (December 1990) an in-house project report for civil renovation of CCP and MCBP, conversion of graphite anode to metal anode and for improvement of capacity utilisation of above plants (80 *per cent* for CCP and 75 *per cent* for MCBP) at an estimated cost of Rs 8.66 crore. The work was to be completed by April 1991. The cost was revised (July 1996) to Rs 10.99 crore to be financed from Government loan. The project report envisaged that the cash loss of the Company would be eliminated by 1992-93.

Investment of Rs 9.89 crore on Revival and Expansion Programme of CCP and MCBP did not yield the desired results

Out of Rs 10.94 crore received from the Government as loan during the years 1990-97 the Company spent Rs 9.89 crore up to February 1998 towards revival and expansion programme. In the absence of details of expenditure, the purpose for which the balance amount of Rs 1.05 crore were spent could not be ascertained in audit.

Even after incurring an expenditure of Rs 9.89 crore, the renovation programme was not completed so far (September 1998) and the utilisation of the capacity of CCP and MCBP did not reach the level as envisaged (Refer paragraphs 2A.8.2 and 2A.8.5 *supra*). Thus, the viability of the units remained unresolved (September 1998) and the Company continued to incur cash losses (Refer paragraph 2A.7.2 *supra*).

2A.10 Manpower analysis and productivity

2A.10.1 The particulars of value of production, employees' cost and value addition etc. for the five years up to 1997-98 were as under:

	Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
		(	Rupees	in	lakh	)
(i)	Men in position (in number)	996	979	937	904	855
(ii)	Value of production	1011	1179	1635	1915	1743
(iii)	Less : Consumption of raw materials, stores, power & fuel etc	660	686	932	1093	1249
(iv)	Value added	351	493	703	822	494
(v)	Employees' cost	578	668	719	806	900

It would be seen from the above table that the value addition during all the years except 1996-97 was inadequate to meet the employees' cost.

It was seen in audit that against the requirement of 706 employees as per project report, the actual strength ranged between 996 to 855 during 1993-94 to 1997-98.The National Productivity Council (NPC), engaged (November 1995) by the Company for manpower study at a fee of Rs 2.15 lakh, reported (November 1996) that at the present level of operation and with the existing product mix, actual manpower should be in the region of 736 against the average strength of 934. The Company, however, did not take any action (September 1998) on NPC Report and no reasons were recorded. The surplus manpower as determined by NPC ranged between 260 and 119 during five years up to 1997-98 and expenditure of Rs 7.36 crore incurred towards salaries and wages of such surplus manpower during the period proved to be unproductive. Besides, the Company regularised (September 1997) 86 casual labourers as temporary employees with a recurring annual liability of Rs 30.21 lakh towards salary and wages.

Existence of surplus labour led to unproductive wages of Rs 7.36 crore

2A.10.2 Since inception the Company had not formulated any uniform policy in the matter of promotion of employees to higher scales or higher grades of pay. At times, promotions were based on joint meetings between employees' union and officers' associations while in other instances, these were with reference to West Bengal Service Rules 1981. Besides, the State Government directed (August 1992) that upgradation and filling up of posts of all categories should be done after obtaining prior approval of the Government.

Despite the Government directive the Board of Directors decided (December 1992), to upgrade those employees who had not got any promotion or any higher scale even after completion of eighteen years of continuous satisfactory service to immediately next higher scale, in terms of Rule 42(b) of West Bengal Service Rules 1981. Accordingly, 752 employees were promoted or given higher scales of pay from time to time with effect from 9 December 1992 resulting in excess payment of Rs 113.46 lakh to 752 employees on account of salaries and wages during December 1992 to March 1998.

The Management stated (March 1998) that as the decision in the matter was taken by Board of Directors, the Government had been intimated accordingly.

However, the fact remains that Board's decision was in violation of the Government orders.

2A.11 Plant profitability and contribution analysis

The Company had not compiled a Cost Accounting Manual so far (September 1998). Moreover, the Cost Audit Reports for the years 1993-94 to 1996-97 observed that the Company neither followed the system of standard costing or process costing for assessing the cost of production nor integrated the financial and cost accounting systems. This restricted the scope of cost control and cost reduction.

The cost records prepared by the Company did not allocate fixed and variable costs among the various lines of production. Hence, contribution and over-all profitability of individual products were not ascertainable.

However, the plant-wise profitability and contribution analysis of the CCP and MCBP are given in Annexure-8. CCP and MCBP have incurred losses ranging from Rs 5.58 crore to Rs 8.62 crore and Rs 2.22 crore to Rs 8.00 crore, respectively during the five years up to 1997-98. These losses were mainly attributable to high interest burden, increasing employees' cost and other fixed and variable expenses.

It was also noticed that during the last five years up to 1997-98 even to achieve break-even, the capacity utilisation needed ranged between 116 and 234 *per cent* and 160 and 608 *per cent* in respect of CCP and MCBP respectively. Such a level of higher utilisation was not possible in view of the age of the plants and the existing technology.

The Management stated (March 1998) that the Company's plants had outlived their operational life.

2A.12 Consumption of raw materials and fuel

A comparison of the actual consumption of raw materials (salt and benzene), mercury and utilities (steam, water and electricity) by the plants *vis-à-vis* norms revealed that there was excess consumption to the extent of Rs 3.70 crore during the five years up to 1997-98 as shown below :

The loss on account of excessive consumption of raw materials and utilities was Rs 3.70 crore

Plants	Item	Unit	Requirement as per norms	Actual consumption	Excess consumption	Value (Rupees in lakh)
CC Plant	Salt	Tonnes	49789	53016	3227	43 88
	Mercury	Kg	6224	12953	6729	14 63
	Electricity	Lakh KWH	1042	1111	69	104 00
MCB Plant	Benzene	Tonnes	12673	13074	401	50 65
Common facility	Steam	Tonnes	23303	31659	8356	67 94
	Water	Lakh Kilo-litre	21	65	44	88 81
Total						369.91

According to the Management (February 1998), the excess consumption was due to lower quality of salt, poor condition of primary and secondary cell[⊗] bodies for leakage of mercury and operation of cell on under load coupled with absence of cell maintenance for higher consumption of electricity. The acceptance of inferior quality salt would indicate that the Company did not ensure the quality of the salt at the time of inspection and acceptance and no steps were taken to improve the age old cell bodies in order to arrest continuous loss of mercury and environmental pollution as well as to control excess consumption of electricity. The Management did not, however, analyse the reasons for excess consumption of benzene, steam and water so far (September 1998).

2A.13 Sales performance

2A.13.1 Sales procedure

The marketing wing is headed by a General Manager (Commercial) who is assisted by an Assistant Manager (Sales) and a Sales Engineer.

The Company has no pre-determined pricing policy or standard price list. A Pricing Committee (PC) chaired by the Managing Director determined prices from time to time after considering the prevailing market price and demand thereof, and the decisions were approved subsequently by the Board. The PC, however, did not determine prices on the basis of an analysis of material and other costs.

2A.13.2 Sales targets and achievement

The table below indicates the targeted and actual sales during the five years up to 1997-98:

Year	Target	Actual	Shortfall	Percentage of shortfall to target
	(Rupees in crore)			
1993-94	22.53	10.11	12.42	55
1994-95	15.75	11.79	3.96	25
1995-96	18.76	16.35	2.41	13
1996-97	27.03	19.14	7.89	29
1997-98	28.07	17.51	10.56	38
Total	**112.14**	**74.90**	**37.24**	**33**

It would be seen from the table that the target had been fixed without assessing actual trend of sales. The shortfall of sales compared to target ranged between 13 and 55 *per cent* during five years up to 1997-98 and the reasons for the same were not analysed by the Management (September 1998).

The main bottlenecks in achieving the target as analysed by Audit were as under:

a) High cost structure leading to lower price realisation;

b) Lack of facility for gainful utilisation of chlorine to produce chlorine related products;

c) Dependence on Government buyers for marketability of its products; and

d) Preference of consumers for cheaper imports.

[⊗] Cell bodies consist of two parts using mercury cathode and metal anode. The first gives chlorine gas and second gives Hydrogen gas & caustic soda.

Even after thirty years of incorporation, the Company could not develop an effective marketing information system in order to assess both its own performance and to maximise the market potential.

In this connection the following points also deserve mention:

(a) During March 1993, the Company offered to sell 600 tonnes of caustic soda lye to Kesoram Rayon at a rate of Rs 11,600 per tonne excluding duties and taxes. Subsequently, the accepted price was reduced by the marketing wing of the Company without approval of PC, from Rs 11,600 to Rs 11,000 and to Rs 9000 and thereafter to Rs 7,100 per tonne without verifying market rate and accordingly three amendments for reduction in price and increase in quantity were issued between May 1993 and January 1994 on the grounds that the price quoted by the Company was higher than that of the other manufacturers. The Company supplied 839 tonnes of caustic soda lye at rates varying between Rs 11,000 and Rs 7,100 to the party during the period between May 1993 and August 1994.

Reduction in sale price without assessment of market rate and approval of Pricing Committee resulted in loss of revenue of Rs 26.81 lakh

It was, however, observed in audit that there was heavy demand in the market for caustic soda lye during May 1993 and August 1994. The price prevailed in Eastern India during this period ranged between Rs 11,500 and Rs 12,222 per tonne. and that Alkali Manufacturers' Association of India had made an upward revision of price twice during January 1993 to November 1994 at the rate of Rs 12,500 and Rs 16,000 respectively per tonne.

Hence, the reduction of sales price of caustic soda lye without proper assessment of market rate and approval of PC resulted in a loss of revenue of Rs 26.81 lakh to the Company.

(b) A review of the selling price of MCB fixed by PC revealed that the average yearly sales price ranged between Rs 16117 and Rs 19391 per tonne as against the yearly average cost of production ranging between Rs 34337 and Rs 43149 per tonne during the period 1993-94 to 1997-98. Considering the lower prices fixed by PC as compared to cost of production, the total loss suffered by the Company on sale of 16640 tonnes of MCB during these five years worked out to Rs 34.00 crore.

Sale of MCB below cost resulted in a loss of Rs 34.00 crore.

2A.13.3 Credit control

The terms of payment against supplies of various items were either on advance or on credit for periods ranging from 15 to 65 days of invoicing.

It was observed that out of total debts of Rs 597.61 lakh as on 31 March 1998, an amount of Rs 569.47 lakh (95 per cent) was realisable from nine Government organisations and six private parties, out of which four Government organisations (outstanding Rs 58.45 lakh) and three private parties (outstanding Rs 9.20 lakh) were not allowed credit days. Further, the amount overdue from nine Government organisations and five private parties stood at Rs 180.33 lakh and Rs 18.76 lakh as on 31 March 1998 respectively indicating that the system of follow-up and realisation of debts from Government organisations was not effective.

Rs 1.99 crore was overdue for recovery due to ineffective system of debt realisation

2A.14 Inventory control

The value of stores and spares varied from Rs 2.04 crore to Rs 2.58 crore during the last five years up to 1997-98 representing 15 months' to 21 months' consumption indicating high holding of stores and spares.

It was seen in audit that:

(i) Maximum, minimum and re-ordering levels and norms of consumption of major items of stores and spares were not fixed.

(ii) Unserviceable items and non-moving items of stores and spares were neither segregated from slow moving items, nor any effective action taken to dispose them. The Company held non-moving stores and spares valued at Rs 81 lakh for more than five years as on 31 March 1998 which resulted in consequent loss of interest amounting to Rs 76.25 lakh up to March 1998 due to their non-disposal.

Failure to dispose unserviceable and non-moving items of stores valued at Rs 0.81 crore led to loss of interest of Rs 0.76 crore

(iii) As at end of 31 March 1990, there was a stock of 53.280 tonnes of napthaline valued at Rs 5.66 lakh, recorded in the books of accounts. Since then there was no production and despatch till March 1998. A physical verification of stores conducted in April 1998 revealed that the quantity physically available was 26.28 tonnes valued at Rs 2.79 lakh only. No action was initiated to investigate the reasons for shortage of 27 tonnes valued at Rs 2.87 lakh (July 1998).

The above matters were reported to the Government in May 1998; their reply had not been received (September 1998).

Conclusion

The Company set up in 1963 with several objectives confined its activities to manufacturing and selling of few chemicals only and incurred recurring losses since inception. The accumulated loss had exceeded the paid-up capital. The losses were attributable to obsolescence of plants and technology, besides, suffering interest burden, increase in employees' cost and other fixed and variable expenses. The plants did not even achieve the break-even point. The Company failed to have an optimum product mix as a result of which it had to waste its major by-products. The Company also failed in its marketing efforts and as a result, it had to sell its products at prices lower than the cost of production and prevalent market prices.

In order to improve the performance of the Company some of the steps that could be considered are – upgradation of technology and replacement of obsolete plants, fixation of prices based on cost of production, reduction of manpower and effective cost control.

2B. THE DURGAPUR PROJECTS LIMITED

HIGHLIGHTS

The Company was incorporated in September 1961 to take over coke oven batteries, power plant and water treatment plant of Durgapur Industries Board for meeting the requirement of coke, gas, tar, water and energy of local industries.

(Paragraph 2B.1)

As a result of poor performance of plants coupled with high incidence of operational cost, the Company suffered cash losses during 1993-94 to 1997-98 (except 1995-96) and its accumulated loss as on March 1998 was Rs 123.58 crore as against its paid-up capital of Rs 163.00 crore.

(Paragraph 2B.5)

Out of outstanding amount of Rs 112.14 crore as on March 1998 of the loans obtained from financial institutions, Rs 16.10 crore were overdue for payment besides an outstanding amount of Rs 117.17 crore out of Government loan even after conversion of loan of Rs 87.46 crore (including interest : Rs 24.46 crore) into equity and waiver of interest of Rs 60.98 crore.

(Paragraphs 2B.6.2(i) and (ii))

Out of Rs 39.29 crore borrowed for different capital works, Rs 22.95 crore were diverted for other purposes and interest of Rs 12.13 crore payable on these diverted funds was wrongly capitalised instead of being charged to revenue.

(Paragraph 2B.6.3)

Non-commissioning of coke oven battery No.1 rebuilt (December 1989) at a cost of Rs 13.67 crore, resulted not only in loss of interest of Rs 18.50 crore on these locked up funds up to September 1998 but also rendered infructuous a further expenditure of Rs 0.50 crore incurred on idle labour charges, consultancy fee and reconservation charges.

(Paragraph 2B.7.1.1)

Out of five coke oven batteries, only two batteries were operative in the coke oven complex. Even these two operative batteries were under-utilised due to inadequate stock of different coal grades necessary for proper blending and obsolescence of coal blending machine which further led to production of 4.08 lakh MT of coke having high ash content during April 1993 to March 1998 and loss of Rs 11.77 crore to the Company on its sale.

(Paragraph 2B.7.1.2)

Under recovery of gas as well as heat value of gas in gas plant and excess consumption of gas in coke oven batteries as compared to their respective norms resulted in loss of Rs 60.77 crore to the Company during 1993-94 to 1997-98.

(Paragraph 2B.7.3)

Low quality of coal and longer time taken in coking resulted in shortfall in recovery of 17609 tonnes of crude tar valued at Rs 8.65 crore when compared to norms fixed for recovery.

(Paragraph 2B.7.4)

Out of the six units of power station, two units (I and II) were lying inoperative

due to non-availability of boilers/ bad health of turbo generators during 1993-94 to 1997-98, of the remaining four operative units, plant availability ranged between 6.70 and 78.1 *per cent* (except 82.80 *per cent* in unit VI in 1994-95 and 83.70 *per cent* in unit III in 1997-98) against the norm of 80 *per cent* and shortfall in generation ranged between 29.9 and 51.8 *per cent* of possible generation.

(Paragraphs 2B.7.8.2 & 2B.7.8.3(b))

Actual generation of power in four units was less compared to possible generation which resulted in loss of potential revenue of Rs 298.41 crore to the Company during 1993-94 to 1997-98.

(Paragraph 2B.7.8.3(c))

Inadequate monitoring and follow-up by the Company of the works taken up during planned outages resulted in excess time taken for completion of these works compared to norms with consequent loss of potential generation of 744.405 MU of power valued at Rs 73.84 crore during the five years up to 1997-98.

(Paragraph 2B.7.8.4(A))

Owing to forced outages of 35760 hours in the four units of power station during 1993-94 to 1997-98, the Company suffered a loss of potential generation of 11800.72 MU of power valued at Rs 1177.23 crore.

(Paragraph 2B.7.8.4(B))

Due to receipt of coal having less heat value, the Company suffered a loss of Rs 18.65 crore during March, April, August and December of each of the years from 1993-94 to 1997-98. Besides, the Company also suffered a loss of Rs 15.82 crore due to rejection of its claim (Rs 3.25 crore) towards coal grade variations and non-refund of differential amounts of different cesses (Rs 12.57 crore) refundable on the basis of coal grade variations claims accepted by Eastern Coalfields Limited.

(Paragraph 2B.7.8.6)

Poor thermal efficiency of the operative four units of power station led to excess consumption of 4428378.94 Mkcal of heat equivalent to 10.29 lakh tonnes of coal valued at Rs 104.32 crore on generation of total 4549.11 MU of energy during 1993-94 to 1997-98.

(Paragraph 2B.7.8.7)

Due to poor quality of coke produced by the Company, its coke prices were fixed even below the cost of production by Allocation Committee which resulted in a loss of Rs 19.54 crore on sale of 2.80 lakh tonnes of coke during 1993-94 to 1996-97.

(Paragraph 2B.8.1)

Delay in revision in prices of coal gas and extending of undue/ inadmissible rebates on its sale to Alloy Steel Plant, the Company suffered a loss of Rs 8.11 crore during April 1988 to March 1998. Besides, there was loss of Rs 3.81 crore in consumption and sale of the coal gas over and above the norm during 1993-94 to 1997-98.

(Paragraphs 2B.8.2(a) & (c))

The Company suffered a loss of Rs 57.69 crore during 1993-94 to 1997-98 due to excessive transmission and distribution loss (Rs 4.48 crore) as compared to norms, sale of power to West Bengal State Electricity Board below cost of generation (Rs 42.28 crore),

delay in implementation of revised tariff (Rs 6.26 crore), delay in realisation of electricity bills (Rs 0.56 crore) and extending of rebate to sick/ rehabilitated industries on State Government order (Rs 4.11 crore) for which the Company was not compensated by the Government.

(Paragraphs 2B.8.3(i) to (v))

As a result of excessive inventory of stock of coke and disintegration of higher sizes of coke into lower sizes, the Company suffered a loss of Rs 17.02 crore due to loss of interest (Rs 6.53 crore) on locked up funds and loss on sale of lower sizes of coke (Rs 10.49 crore) during 1993-94 to 1997-98.

(Paragraph 2B.9(a))

2B.1 Introduction

The Durgapur Projects Limited was incorporated as a wholly owned Government company on 6 September 1961 to take over the State-sponsored Durgapur Industries Board having a coke oven (with two batteries), by-product plants and a thermal power station with a view to contributing significantly to the growth of industries located in and around Durgapur in regard to coke, by-products and energy. The assets and liabilities of the project were taken over by the newly incorporated Company with effect from 15 September 1961.

2B.2 Objectives

The main objectives of the Company were :

- to carry on all kinds of business relating to coal and coal derivatives;
- to generate, distribute and supply electricity to cities, towns, villages, etc. and to light streets;
- to acquire / build tube-wells, reservoirs, sewers, drains etc. to secure adequate supplies of water for sale,
- to act as an agent for the Government and other authorities and to transport and carry on agency business of every kind.

2B.3 Organisational set-up

The management of the Company was vested in a Board of Directors, consisting of maximum 8 Directors, headed by a Chairman. As on 31 March 1998, there were 6 Directors nominated by the State Government and one Director from Industrial Development Bank of India (IDBI). The Managing Director is the Chief Executive of the Company who is assisted by the Works Manager, General Superintendents of different wings, the Secretary and the Controller of Finance and Accounts.

Further, the State Government appointed four Managing Directors (MD) during the five years up to March 1998 for periods ranging between 1 to 35 months. Beyond the scope of the Articles of Association, the State Government created (January 1996) a post of Joint Managing Director, who was inducted (September 1996) in Board and was appointed (September 1997) as MD in-charge in addition to his normal duties.

2B.4 Scope of audit

Comprehensive appraisals on the working of the Company were included in the Reports of the Comptroller and Auditor General of India for the years 1975-76 (Commercial) and 1987-88 (Commercial). These Reports were discussed by the Committee on Public Undertakings (COPU) in its Sixteenth (1985-86) and Thirty Seventh Report (1994-96) presented to the State Legislature on 25 April 1986 and 26 March 1997 respectively.

The results of the review conducted between November 1997 and April 1998 covering the workings of the Company since the last Report in general and for the five years from 1993-94 to 1997-98 in particular are discussed in the succeeding paragraphs.

2B.5 Financial position and working results

The Company compiled accounts up to 1997-98 (September 1998). The financial position and working results of the Company for the period from 1993-94 to 1997-98 are detailed in Annexure-9. A review of its working results and financial position revealed that the Company suffered cash losses during the period of 1993-94, 1994-95, 1996-97 and1997-98 and its accumulated loss as on March 1998 was Rs 123.58 crore as against its paid-up capital of Rs 163.00 crore. The cash losses were mainly due to poor production performance of its different plants and high incidence of operational cost.

It was further seen in audit that the Company showed net profit for the years 1993-94, 1995-96 and 1997-98 after prior period adjustments which was mainly attributable to waiver of interest by the State Government and accounting of arrears of energy charges.

Though the accumulated loss of the Company continued to be more than 50 *per cent* of the paid-up capital even before 1991-92, the Company did not apply to the Board for Industrial and Financial Reconstruction (BIFR) for registration as a potential sick industrial company as required under Section 23A of the Sick Industrial Companies (Special Provisions) Act, 1985 (applicable since December 1991 for Government companies) for reasons not on record.

Thus, the Company not only violated the provisions of the Act *ibid,* but also could not avail itself of the benefits of financial and organisational restructuring.

2B.6 Capital Structure

2B.6.1 Share Capital

Against the authorised capital of Rs 200 crore, the paid-up capital of the Company as on 31 March 1998 was Rs 163 crore, wholly subscribed by the State Government.

2B.6.2 Borrowings

(i) The Company received loans from the State Government from time to time to meet both revenue and capital expenditure. As on 31 March 1998, the total amount outstanding was Rs 117.17 crore (Principal: Rs 117.16 crore; Interest: Rs 0.01 crore) after conversion of Rs 87.46 crore (Principal: Rs 63 crore; Interest: Rs 24.46 crore) to equity and waiver of interest of Rs 60.98 crore.

(ii) The Company also raised loans to meet its capital expenditure from Power Finance Corporation Limited (PFC), Industrial Development Bank of India (IDBI), Central Electricity Authority (CEA) and also by issue of Bonds at interest ranging between 9.75 *per cent* and 16.75 *per cent per annum.*

As on 31 March 1998, the total amount outstanding on this account stood at Rs 112.14 crore (Principal: Rs 100.68 crore, Interest: Rs 11.46 crore) including over dues of Rs 16.10 crore (Principal: Rs 4.64 crore, Interest: Rs 11.46 crore) to CEA.

(iii) During 1993-94 to 1997-98, the Company had to avail the cash credit facility from United Bank of India to the extent of Rs 1.26 to 4.02 crore (against limit of Rs 5 crore) due to locking up of funds in inventories and poor cash management (Refer paragraphs 2B.6.4 and 2B.9 *infra*) and paid interest of Rs 1.36 crore. Further, from June 1992 to November 1995, the Company failed to submit the updated statements of the hypothecated assets, *viz.* inventories, book debts and trade creditors to the bank within 21 days of the close of each month resulting in payment of Rs 3.69 lakh as penalty to the bank.

2B.6.3 Diversion of funds

During 1993-94 to 1996-97, the Company received loan of Rs 39.29 crore from the State Government and other financial institutions towards different schemes of renovation/ modernisation of power plants, coke oven plants and other ancillary utilities. The Company spent Rs 12.94 crore for the schemes, invested Rs 3.40 crore in term deposit and diverted the balance amount of Rs 22.95 crore towards procurement of raw materials and stores.

The Company diverted Rs 22.95 crore of capital fund but capitalised interest of Rs 12.13 crore

However, the interest amounting to Rs 12.13 crore on diverted funds of Rs 22.95 crore was wrongly capitalised towards the cost of assets purchased out of the renovation/modernisation scheme. This has resulted in reduction of the loss of the Company besides inflating the cost of assets.

2B.6.4 Cash management

Till March 1995, the Company operated 20 current accounts (2 collection accounts; 18 disbursement accounts) with different banks at Durgapur and Calcutta. It was observed in audit that:

Between 1990-91 and 1996-97, the Company availed of cash credit facilities of Rs 0.02 crore to Rs 5.02 crore and paid interest of Rs 2.69 crore. However, the Company could have saved Rs 0.51 crore by way of timely transfer of amounts from collection accounts (Rs 0.39 crore) and by transfer of idle balances in current accounts (Rs 0.12 crore) to cash credit account.

Interest amounting to Rs 0.51 crore was not saved

Further, the Company kept (April 1991/ February 1993) amounts ranging between Rs 0.65 crore to Rs 4.50 crore, received from IDBI as loan, in current account for periods between 48 to 88 days without any interest. If the same had been invested in short term deposits (48 to 88 days), interest of Rs 45.41 lakh could have been earned.

Nine out of 20 current accounts were closed (July 1995 to October 1996) after being pointed out (January 1995) by Audit.

2B.7 Performance Analysis

The Company had four production wings *viz.* (a) the coke oven complex consisting of coke oven, benzol plant, gas grid, tar distillation plant and coal washery, (b) the power plant complex comprising six units of 395 MW capacity and arrangement for transmission and distribution of power, (c) water works and (d) spun pipe factory. However, the spun pipe factory was closed down since 1989-90 due to its uneconomic operational performance and its manpower diverted to other wings of the Company.

The performance of remaining three production wings is discussed in the succeeding paragraphs.

2B.7.1 Coke oven complex

2B.7.1.1Capacity built-up

The Company commissioned four coke oven batteries (I to IV) with 116 ovens and two lines of by-product plants during 1961 to 1972. In July 1987, a battery V with 40 ovens at a cost of Rs 28.50 crore was added.

Due to ageing of batteries, batteries (III and IV) with 58 ovens were closed down in September 1987. However, the Company did not take any steps to rebuild the same so far (September 1998). Further, batteries I and II with 58 ovens were damaged due to floods in 1978. These batteries with 60 ovens were rebuilt in December 1989 at a cost of Rs 30.30 crore. While battery No. II with 30 ovens (cost: Rs 16.63 crore) was commissioned in June 1991, battery No.I (cost: Rs 13.67 crore) was yet to be commissioned (September 1998) due to non-availability of raw materials and lack of market for finished product. As a result, the expenditure of Rs 13.67 crore incurred on rebuilding of battery I was locked up since 1989 on which the Company had suffered a loss of interest of Rs 18.50 crore up to September 1998. Besides, an amount of Rs 50.16 lakh spent (July 1991 to April 1995) towards idle labour charges, consultancy fee and reconservation charges in respect of battery I proved to be fruitless.

The Company sustained loss of interest of Rs 18.50 crore and incurred infructuous expenditure of Rs 0.50 crore on unplanned rebuilding of battery No.1 at a cost of Rs 13.67 crore

Thus, the Company had two batteries (II and V) with 70 ovens in operation during 1993-94 to 1997-98.

2B.7.1.2Production performance

The manufacturer of the plant guaranteed maximum coking time of 16 hours and 105 chargeable ovens per day.

The table below shows the installed capacity and actual utilisation of two batteries (II and V) during the period from 1993-94 to 1997-98:

		1993-94	1994-95	1995-96	1996-97	1997-98
i)	Raw coal input capacity on wet basis (in lakh tonnes)	6 94	6 94	6 94	6 94	6 94
ii)	Actual raw coal input on wet basis (in lakh tonnes)	2 83	2 72	4 57	4 22	2 23
iii)	Percentage of raw coal input to capacity	41	39	66	61	32

It would be seen from the table that percentage of raw coal charged ranged between 32 and 66 *per cent* of capacity resulting in under-utilisation of batteries.

According to the manufacturer's norm, the Company had to blend different types of coal i.e. 25 *per cent* washed and 15 *per cent* unwashed prime coking coal, 40 *per cent* medium coking coal and 20 *per cent* blendable coal to maintain quality of coke produced, while ash content and volatile matter of coal should be 18 to 20 *per cent* and 24 to 28 *per cent* respectively.

Audit observed that under-utilisation of capacity was attributable to inadequate stock of different coal grades necessary for proper blending and obsolescence of coal blending machine which led to production of high ash coke which had no demand. As a result, 4.08 lakh MT coke having high ash content had to be sold at price lower than its administered price leading to loss of revenue of Rs 11.77 crore between April 1993 and March 1998. Impact on other by-products is discussed in paragraphs 2B.7.3, 2B.7.4 and 2B.7.6 *infra*.

Loss of Rs 11.77 crore on sale of coke below the administered price

Though COPU recommended (April 1986/March 1997) entering into tri-partite agreement among the Company, the Government of West Bengal and coal companies to ensure supply of coal of requisite quality and quantity, no action was taken either by the Government or the Company (September 1998).

2B.7.2 Coal washery

The Company has a coal washery for washing high ash coal and separate crushing facility for oversize coal before use in the coke oven batteries. Sink (under size coal) generated was to be utilised in the power plant.

Against a capacity for washing 18.20 lakh tonnes of coal *per annum*, only 0.21 lakh tonnes were washed during 1993-94 and 1994-95. The washery was inoperative since 1995-96 due to worn out condition and high cost of production vis-à-vis market prices of washed coal procured from collieries. During 1993-94 to 1997-98, 9.57 lakh tonnes of coal were crushed at the coal washery at a loss of Rs 5.76 crore, which could have been done at the facilities available at coke oven plant itself. Had the Company closed down the operation of coal washery after 1994-95 and got the work of coal crushing done at coke oven plant, the services of workers working in it could have been fruitfully utilised in other units.

However, COPU recommended (April 1986/March 1997) renovation of washery to reduce high washing cost. But, the Company took no action (September 1998).

2B.7.3 Gas plant

The Company sustained loss of Rs 60.77 crore due to under recovery of coal gas, lower heat value of gas and excess consumption of heat in under-firing of batteries

When coal is coked, crude coal gas is produced which is passed through an exhauster and a scrubber for separating ammonia and benzol. The purified gas is stored in a gas holder from where it is supplied to the batteries for under-firing and also sold to the consumers through a booster pump.

It was seen in audit that:

(a) Against the prescribed recovery of 5589.63 lakh NM^3 of gas against 15.57 lakh tonnes of dry coal charged during 1993-94 to 1997-98, the actual recovery was 3677.22 lakh NM^3 resulting in loss of production of 1912.41 lakh NM^3 of gas valued at Rs 47.81 crore calculated at the sale price ranging between Rs 2.30 to Rs 2.85 per NM^3.

Further, against the prescribed recovery of the heat value of 18569860 lakh Kcal from 3677.22 lakh NM^3 of gas produced during 1993-94 to 1997-98, the actual heat value recovered was 16878316 lakh Kcal resulting in shortfall of recovery of heat value of 1691544 lakh Kcal valued at Rs 9.11 crore.

The Management attributed (June 1998) shortfall to low volatile matter and high ash content of coal, longer coking time and lower temperature for carbonisation. Audit, however, observed that if coal-blending machine was modernised, the problem of low volatile matter and high ash content could have been avoided. Further, the Management had deliberately resorted to longer coking time and lower temperature to restrict production.

(b) Coal gas is used for under-firing of batteries. As against the norm for consumption of 515 Kcal of heat per kg of wet coal fed, the actual consumption of heat during 1993-94 to 1997-98 was 558, 638, 533, 535 and 555 Kcal per kg respectively. The value of excess consumption of heat (137.79 lakh NM^3) was Rs 3.85 crore during the same period.

2B.7.4 Tar distillation plant

Crude tar is another by-product of coke oven. During the period from 1993-94 to 1997-98, the percentage of recovery ranged between 1.86 and 2.59 *per cent* against norm of 3.4 *per cent* resulting in shortfall of recovery of 17609 tonnes of crude tar valued at Rs 8.65 crore due to low quality of coal and longer coking time. Due to poor blending of coal, the quality of coal tar produced was also poor which resulted in under-utilisation of capacity of tar distillation plant as it could process only 0.02 lakh tonne of crude tar during five years up to 1997-98 against its capacity of processing of 1.65 lakh tonne (annual capacity: 0.33 lakh tonne).

2B.7.5 Benzol plant

The benzol plant could process crude benzol, obtained from coke oven batteries into motor benzol, industrial toluol, light solvent naptha, pure benzene and still bottom oil. The Company did not, however, recover the crude benzol since March 1993 due to non-availability of wash oil from tar distillation plant. As a result, 15261 KL of crude benzol worth Rs 12.82 crore was not recovered and hence wasted. The Company did not explore the possibility of running the plant by procuring wash oil from open market. The plant also remained idle since March 1993.

The Company did not recover 15261 KL of crude benzol valued at Rs 12.82 crore due to non-availability of wash oil.

2B.7.6 Cost of utilities of Coke Oven Group of Plants (COGP)

The Company did not fix norms for inputs like electricity, steam and water for COGP supplied by the power plant and water works. As the Company had no metering arrangements at the point of consumption, there was no control over the consumption of inputs and the same were apportioned among different plants of COGP on estimated basis.

During 1993-94 to 1997-98, cost of inputs apportioned to COGP were Rs 14.02 crore (electricity: Rs 7.95 crore; steam: Rs 3.61 crore and water: Rs 2.46 crore). It was noticed in audit that of the above total apportionment of cost of inputs, Rs 0.64 crore and Rs 1.37 crore had been apportioned to benzol plant and tar distillation plant respectively which in fact were lying inoperative since 1993-94. This apportionment of inputs' cost to inoperative plants was not justified. In this connection it was observed that the above inputs costing Rs 2.01 crore had either been wasted or consumed in excess of the estimates in the operative plants of COGP.

The Company either wasted or consumed in excess, electricity water and steam worth Rs 2.01 crore in operative plants of COGP

2B.7.7 Coal consumption

(a) Till July 1988, the grade of coal received was determined by joint sampling at the unloading point by the Company and coal companies. Thereafter, the Company was offered by the coal companies the facility of either joint sampling at loading point or accepting the results (colliery wise) as reported by Durgapur Steel Plant (DSP). Between July 1988 to May 1997, the Company lodged claims aggregating Rs 18.62 crore on BCCL for grade slippage on the basis of the results of DSP's analysis (Rs 14.61 crore) and its own analysis (Rs 4.01 crore) which had not been settled so far (September 1998).

(b) The Company accounted for the consumption of coal on estimation basis though there was a system of weighment resulting in shortages / excesses found at the time of physical verification. During 1991-92 to 1997-98, there was a net shortage of coal (0.63 lakh MT) valued at Rs 3.96 crore. A committee of Directors recommended (September 1995) the escorting of coal wagons and the Board also decided (December 1995) to install electronic weighment machine in order to curb the incidence of shortages. The decisions were yet to be implemented (September 1998).

2B.7.8 Power Station

2B.7.8.1 The total installed capacity of six units of the Power Station was 395 MW in January 1987 which was reduced to 390 MW after de-rating the capacity of unit III from 75 to 70 MW.

2B.7.8.2 During 1993-94 to 1997-98, the units I & II were operated for 942 and 1145 hours respectively due to non-availability of boilers since February 1983 and July 1994 respectively. Babcock and Wilcox India Limited suggested (December 1992) a total renovation of the boiler of unit I which was not taken up (September 1998). The state of health of the boiler and turbo-generator of unit II was also poor. As such, while assessing the performances of the Power station, these units were not taken into consideration.

2B.7.8.3 Operational performance

One parameter for measuring the efficiency of the power system is generation of power in Kwh per KW of installed capacity. The accepted norm of generation is 5000 Kwh of power per KW of installed capacity. The details of installed capacity, possible and actual generation of power, short fall in generation and plant load factor of units III to VI of the power station for the period 1993-94 to 1997-98 are given in Annexure-10. It would be seen in the Annexure that :-

(a) Against the standard generation of 5000 Kwh per KW installed / derated capacity, none of the units achieved the standard generation during 1993-94 to 1997-98 and the shortfall had ranged between 249 and 4678 Kwh during the above period.

(b) The Kulkarni Committee set up (1975) by the Government of India to suggest ways and means for improving generation in power houses, recommended (April 1975) that the generating units be available for operation up to 80 to 85 *per cent* of the total hours during the year, the rest of time being utilised for maintenance and overhaul of the plant. The Rajadhyaksha Committee in its report (September 1980) also considered 80 *per cent* plant availability to be reasonable after providing the balance to plant maintenance and forced outages. In this connection, it was noticed that except unit VI in 1994-95 and unit III in 1997-98, none of other units reached the norm of plant availability factor of 80 *per cent* during 1993-94 to 1997-98 as their availability ranged between 6.70 and 78.10 *per cent* during this period. The main reasons for low plant availability were the outages of the units due to longer periods taken for statutory overhauling, frequent shut down of the units for short maintenance, failure of boiler tubes, etc. The shortfall in generation ranged between 29.9 to 51.8 *per cent* of possible generation during 1993-94 to 1997-98.

Only units III and VI could achieve the norm of plant availability factor of 80 *per cent* in 1997-98 and 1994-95.

(c) During the 1993-94 to 1997-98 the units III to VI generated 4549.10 MU of energy against possible generation of 7526.47 MU during the working hours. Had the target of possible generation been achieved, the Company could have exported 2709.40 MU of energy to WBSEB (after consumption of 267.96 MU of energy in station auxiliaries)

There was shortfall in generation of 2709.40 MU during the period of operation resulting in loss of potential revenue of Rs 298.41 crore

and could have earned a potential revenue of Rs 298.41 crore. Similarly, against the annual installed capacity of generation of 2890.80 MU, the actual annual generation had ranged between 862.45 MU and 1007.41 MU during the period 1993-94 to 1997-98.

2B.7.8.4 Outages

A. Planned outages

It was seen in audit that during 1993-94 to 1997-98, three boilers were overhauled twice and one boiler was overhauled once by taking total of 13167 hours against the norm fixed (672 hours per boiler at one time) by Kulkarni Committee (in 1975) of 4704 hours, due to inadequate monitoring and lack of follow-up with the executing agencies. Similarly, Turbo Generator of unit V was overhauled in 1993-94 by taking 1513 hours against the norm of 1080 hours. Excess time of 8896 hours in planned outages for overhaul of above boilers and Turbo Generators resulted in loss of potential generation of 744.405 MU valued at Rs 73.84 crore during five years up to 1997-98.

The Company sustained loss of 744.405 MU of potential generation valued at Rs 73.84 crore due to excess time taken for maintenance of the power station

B. Forced Outages

The total forced outages of 35760 hours during 1993-94 to 1997-98 were due to turbogenerator trouble (8538 hours), tube/ valve leakage (8857 hours), auxiliary failure (3285 hours), boiler trouble (1884 hours), coal mill trouble (1442 hours), ID/ FD fan trouble (1288 hours), fire hazard (800 hours), no load (447 hours) and others (9219 hours), of which all except 'No Load' could have been avoided by timely and proper repairs and maintenance of boilers, turbogenerators and auxiliaries as well as constant monitoring. The loss of generation due to avoidable factors worked out to 10604.44 MU valued at Rs 1162.38 crore. A few instances of forced outages as seen in audit are discussed below:

Loss in generation was 10604.44 MU valued at Rs 1162.38 crore due to avoidable outages of the units of the power station

(i) Trouble in Turbo Generators

(a) Turbo generator (TG) of Unit III was shut down on 8 June 1996 due to vibration causing extensive damage to turbine rotor and stator blades. It was repaired (cost: Rs 11.40 lakh) after a delay of 35 days causing loss of potential generation of 50.4 MU valued at Rs 5.09 crore which could have been avoided if operational parameters had been monitored effectively.

(b) Unit VI was shut down for 2122 hours in 1993 for trouble in excitor gearbox when boiler overhauling was overdue. Again, the unit was shut down for 1628 hours in 1994 for overhauling of boiler. If both the works were taken up simultaneously, loss in potential generation of 179.80 MU valued at Rs 17.34 crore during overhauling period could have been avoided.

(ii) Tube/ valve leakages

(a) Unit VI was shut down for 2352 hours between April 1993 and September 1996 due to frequent leakages in super heater, economiser and re-heater tubes which could have been avoided by regular inspection of the vulnerable zones. Moreover, though the tubes were repaired (January/ March 1994) at a cost of Rs 17.32 lakh, the unit was shut down for 166 hours in April/ May 1994 on account of leakages. Thus, there was total loss of potential generation of 276.98 MU valued at Rs 27.47 crore.

(b) Unit IV was restarted on 1 November 1994 after overhauling but the unit had to be shut down for 640 hours in November/ December 1994 resulting in loss of potential generation of 48 MU valued at Rs 4.85 crore.

(iii) Boiler trouble

The Enquiry Committee found (September 1992) that the boiler of unit III exploded in August 1992 due to malfunctioning/ non-functioning of boiler/ instrumentation, defective operation and absence of operators. The unit was re-commissioned in August 1995 after repair of boiler at a cost of Rs 54.55 lakh thereby resulting in loss of potential generation of 329 MU between August 1992 to July 1995 valued at Rs 31.74 crore.

(iv) Other reasons

On 14 July 1993, boiler V was interchanged from TG-III to TG-V in 1.58 hours. But on 29 other occasions between 1993-94 and 1996-97, time taken ranged between 2.27 hours and 522.48 hours for which no reasons were on record. If a maximum of two hours was taken for each switchover, the excess time was 2698 hours leading to loss of potential generation of 188.86 MU valued at Rs 18.73 crore.

2B.7.8.5 Renovation and modernisation of power station

The Company took up (1983-1984) a scheme for renovation and modernisation of the power station units I to V (cost Rs 35.52 crore) for achieving the average plant load factor (PLF) of 46 *per cent* and increasing generation capacity by 50 MW, to be completed by March 1988. The paragraph 6.2.5 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1988 pointed out the details of the scheme and reasons for delay in completion of the scheme.

It was, further, seen in audit that the Company received (1984-1991) loan of Rs 36.07 crore from State sector (Rs 14.33 crore) and Central sector (Rs 21.74 crore) for implementing the scheme but actual expenditure there against was Rs 25.52 crore up to 31 March 1992 and the balance amount of Rs 10.55 crore was diverted for other purposes.

Even after incurring the expenditure of Rs 22.36 crore on renovation/ modernisation of units III to V, none of the units achieved the desired level of PLF (46 *per cent*) during 1993-94 to 1997-98 as their PLF ranged between 3.67 *per cent* and 44.95 *per cent* except unit VI in 1994-95 and 1996-97, during the above period. Further, Rs 3.16 crore spent for unit I & II proved to be fruitless because the units operated for negligible hours and needed thorough overhauling (refer paragraph 2B.7.8.2 *supra*).

2B.7.8.6 Procurement of coal for power station

The Company was getting coal from Eastern Coal Fields Limited (ECL) on the basis of allotment given by Coal Linkage Committee. The Company did not have any agreement with ECL from whom the entire requirement of coal was being procured. Gradation of coal was being done by ECL for billing purpose on the basis of grade-wise identification of collieries. Instead of arranging for joint sampling, the Company resorted to the procedure of identifying the grade on the basis of sampling done in its laboratory .

The records relating to March, April, August and December of each year during 1993-94 to 1997-98 revealed that during this period, the Company received 9.67 lakh tonnes of coal of six grades, out of which coal of grade B constituted 66 *per cent*. With such percentage of good quality coal, the Company should have received 52981127 Million Kilocalories (Mkcal) of heat at average heat value of each grade. But the plant received heat value to the extent of 4164401 Mkcal. Thus, the Company received less heat value to the extent of 1133726 Mkcal equivalent to 2.05 lakh tonnes of coal valued at Rs 18.65 crore which resulted in loss to the Company to that extent.

The Company suffered loss of Rs 18.65 crore on procurement of coal due to low heat value

In a reconciliation meeting (April 1997), held between the Company and ECL, it was decided that for supply of coal during the period from July 1992 to July 1996, 20 *per cent* of the quantity would be graded according to the grades mentioned in the bills and balance 80 *per cent* would be graded on the basis of average of the results of sampling at loading point and unloading point. During this period, the Company lodged claims aggregating Rs 36.27 crore out of which sum of Rs 33.02 crore was admitted, resulting in a loss of Rs 3.25 crore. The reasons for non-acceptance of claim (Rs 3.25 crore) were not on record.

The loss on account of grade slippage was to the extent of Rs 15.82 crore

Again, it was observed that the Company paid the cost of coal billed on the basis of gradation and other cesses and duties on the basic price. While accepting the slippage in grades billed, ECL did not allow refund of differential amounts of Rural Development cesses (35 *per cent*) and PR cesses (5 *per cent*) on the difference of basic prices of grades of coal billed and finally accepted. This resulted in a loss of Rs 12.57 crore during July 1992 to July 1996.

2B.7.8.7 Excess consumption of heat due to poor thermal efficiency

The thermal efficiency of a generating unit is an index of measuring the efficiency of the unit in converting the heat energy into electrical energy. The management of the Company did not make any efforts to determine the thermal efficiency after considering the state of the health of the boiler and turbo-generator of the units of the power station. However, the suppliers of the units guaranteed the consumption of heat per Kwh of power generated by units III to V as 2360 Kcal at thermal efficiency of 36.4 *per cent* and by unit VI as 2245.5 Kcal at thermal efficiency of 38.3 *per cent*.

The Company sustained loss of Rs 104.32 crore due to poor thermal efficiency of units III to VI of the power station

During the period from 1993-94 to 1997-98, the actual consumption of heat ranged between 3293 and 3524 Kcal/ Kwh for units III to V and between 3034 to 3157 Kcal/ Kwh for unit VI. The thermal efficiency ranged between 24.4 to 26.1 *per cent* for units III to V and between 27.2 to 28.3 *per cent* for unit VI. Hence, none of these units could achieve the guaranteed efficiency. As a result, there was excess consumption of heat to the tune of 4428378.94 Mkcal which was equivalent to 10.29 lakh tonnes of coal valued at Rs 104.32 crore for generating 4549.11 MU energy during 1993-94 to 1997-98. However, the Management did not take any steps to improve the thermal efficiency (September 1998).

2B.7.8.8 Auxiliary consumption

The Company did not fix any norms for auxiliary consumption of electricity. During 1993-94 to 1996-97, the rate of auxiliary consumption ranged between 9.8 to 17.9 *per cent* of gross generation of the power station against the norm of 9 *per cent* fixed by Central Electricity Authority resulting in excess consumption of 173.20 MU of electricity valued at Rs 22.68 crore.

Auxiliary consumption in excess of norm resulted in excess consumption of 173.20 MU of electricity valued at Rs 22.68 crore

2B.7.8.9 Excess consumption of water

Water is utilised in a power plant for cooling purposes, conversion into steam and disposal of ash in slurry form. The Company did not fix any norm for consumption of water. During the period from 1993-94 to 1997-98, the power plant consumed 19929.79 million gallons of water for generation of 4549.11 MU of energy. The consumption did not follow any definite pattern. It was, however, seen that the consumption in January 1995 appeared to be reasonable when it was 3 gallon per unit of energy. Taking this rate as standard, the excess consumption of water during 1993-94 to 1997-98 worked out to be 6282.46 million gallons (19929.79 million gallons minus 4549.11 MU X 3 gallons) valued at Rs 3.79 crore.

2B.7.8.10 Operation and maintenance works

Though the Company had requisite in-house facilities for operation and maintenance (O&M) of power plant, it had engaged the contractors for O & M and paid Rs 60.40 lakh during 1993-94 to 1997-98 as detailed below:

(i) Though the Company had winders in the electrical maintenance wing of the power plant and a central workshop with requisite facilities for repair of the motors, it had incurred an avoidable expenditure of Rs 15.89 lakh for rewinding the motors through contractors during 1993-94 to 1997-98, for which no reasons were on record.

(ii) The Company had a boiler maintenance wing with a strength of 90 persons to ensure proper functioning of Induced Draft (ID) and Forced Draft (FD) fans. The Company, however, engaged contractors for re-blading and re-babbiting of ID and FD fans during the period from 1993-94 to 1997-98 and incurred an avoidable expenditure of Rs 23.84 lakh during this period. No reasons for engagement of contractors were on record.

(iii) Though boiler II was inoperative since June 1994 the Company engaged (June 1994) Indure Limited (IL), New Delhi for operation and maintenance of the ash handling system (AHS) of the unit II for four months from 1 April 1994 and again in June 1996, to operate the AHS for one year from March 1996 to February 1997 and paid a sum of Rs 2.40 lakh to IL when the unit was actually under shutdown and no work was executed.

(iv) The unit VI of the power station remained out of operation for 215 days in three spells during April 1993 to October 1995 for overhauling of the boiler and trouble of the turbo-generator. But during this period, the Company paid a sum of Rs 5.76 lakh to IL for operation and maintenance of ash handling plant.

(v) For operation and maintenance of air conditioning plants of 190 tonne capacity, the Company issued (March 1994 and March 1998) four work orders valued at Rs 22.61 lakh on M/s. Blue Star Limited (BSL) which included service charges (between Rs 1800 to 1944 per tonne) and cost of deployment of three persons round the clock. It was seen in audit that the Power Station (BTPS) of WBSEB also placed an order in May 1993 with the firm for the same job which included payment of service charges at the rate of Rs 1807 per tonne only without any personnel cost, though the order envisaged (clause 01.9.03) deployment of a skilled technician round the clock. Though the order of BTPS was available, DPL did not consider the same and the reasons were not recorded. The Company incurred an avoidable expenditure of Rs 12.51 lakh on cost of personnel during July 1994 to April 1998.

2B.8 Sales performance

2B.8.1 Sale of coke

The price of hard and other fractions of coke based on their quality, were being fixed by an "Allocation Committee" formed (June 1991) by the State Government and allocation for sale of coke to the consumers was also being done by this committee. As the quality of coke produced by the Company was poor, the price for coke of the Company fixed by Allocation Committee during the period 1993-94 to 1996-97 was lower than the cost of production. As a result, the Company suffered a loss of Rs 19.54 crore on sale of 2.80 lakh tonnes of hard coke during this period and it could not recover the cost of production to that extent.

The Company sold coke below the cost of production and thereby sustained loss of Rs 19.54 crore

2B.8.2 Sale of coal gas

(a) The Company depended mainly upon the Alloy Steel Plant (ASP), a unit of Steel Authority of India, for sale of coke oven gas and entered into a contract (July 1988) with ASP for supply of gas for a period of five years, subsequently extended (February 1994) for another five years for supply of 5000 NM^3 of gas per day at Rs 8.77 per therm ('therm' equivalent to 25200 Kcal) subject to escalation for increase in cost of furnace oil.

It was seen in audit that when the landed cost of per KL of furnace oil was increased (November 1988/ July 1996) ranging between Rs 3196.26 to Rs 6715.91, the rate per therm worked out in audit ranged between Rs 8.95 and Rs 9.14. The Company did not, however, revise the prices accordingly and sustained a loss of Rs 1.12 crore on supply of 409.35 lakh therms of gas during the period from November 1988 to March 1998. Instead, the Company allowed rebate (from Rs 1.12 to Rs 2.35 per therm) of Rs 6.99 crore to ASP during April 1988 to March 1998 in order to compensate ASP's initial investment of Rs 70 lakh for obtaining the gas supply. The allowance of such rebate was not justified in view of the fact that the infrastructure was needed by ASP and not by the Company. Moreover, the rebate (Rs 3.00 crore) from November 1993 to March 1998 was in contravention to the directive of the Board issued in April 1988 to discontinue the same after expiry of first five years in June 1993.

The Company sustained loss of Rs 1.12 crore due to non-revision of price and extension of rebate of Rs 6.99 crore to Alloy Steel Plant

(b) According to the agreement, ASP paid the bills on the basis of gross calorific value (CV) up to March 1995. But from April 1995, the ASP paid the bills on the basis of net CV after deducting a sum of Rs 40.11 lakh during the period from April 1995 to March 1996. The Company accepted (January 1997) the deduction under protest though the same was against the provisions of the agreement.

Alloy Steel Plant deducted Rs 0.40 crore on the basis of net calorific value of coal gas

(c) After considering the normal loss (3 *per cent* of crude gas produced) of 110.32 lakh NM^3, the Company produced 3565.88 lakh NM^3 gas for own consumption and distribution during 1993-94 to 1997-98. But the total consumption and sales accounted for 3413.99 lakh NM^3, resulting in a loss of 152.89 lakh NM^3 of gas valued at Rs 3.81 crore. The Company did not investigate the reasons for such excess loss.

(d) The Company was utilising its 164 km long gas pipe line from Durgapur to Calcutta for supplying gas to M/S Greater Calcutta Gas Supply Corporation (GCGSC). But GCGSC stopped taking gas from the Company since May 1990 when Dankuni Coal Complex (DCC) started supplying gas to GCGSC. Since then the pipe line was being used by DCC for supplying gas to GCGSC (36 km) and also to ASP (128 km) on payment of wheeling charges by the consumers. The gas generated by the Company, got mixed up with that of DCC at the supply point in ASP premises at Durgapur. It was decided (November 1990) that the supply of gas by DCC to ASP would be measured according to the reading in the flow-meter existing in Bally Pressure Reducing Station (PRS) of the Company, and for measuring the supply by the Company, the quantity would be arrived at by deducting the recording in the flow-meter of Bally PRS from the reading recorded at the flow-meter of ASP without any specific mention for transmission loss.

There was loss of Rs 0.53 crore due to shortage of gas supplied to ASP. There was further loss of Rs 0.38 crore due to flaring up of gas

The supply of the Company was determined by deducting the gross supply made by DCC, and thereafter the quantum of line loss, if any, had to be borne by the Company only. Between November 1990 to March 1997, the quantum of loss in transmission was not worked out. However, it was seen that during April 1997 to February 1998 there was a difference 8.80 lakh NM^3 of gas (line loss) between the reading of flow-meters of ASP and the Company valued at Rs 52.86 lakh which was borne by the Company. Further, the Company had to flare up 14.79 lakh NM^3 of gas valued Rs 37.72 lakh in 1996-97 due to non-availability of pipe line.

(e) Between June 1992 to March 1997 the Company incurred an expenditure of Rs 4.26 crore towards the maintenance of the net-work of gas distribution against which Rs 2.23 crore was realisable from ASP and GCGSC. Thus, the Company sustained a loss of Rs 2.03 crore. Though there was a proposal for transferring the entire infrastructure to GCGSC as early as in April 1990, the Company was yet to finalise the matter (September 1998). Meanwhile, GCGSC installed its own pipe line from Bally PRS in July 1997 by rendering the pipe line of the Company idle.

2B.8.3 Sale of energy

For catering to the demand of 65 MVA to 16858 consumers in the command area, the Company had four kilometres of transmission lines with three power sub-stations with transformer capacity of 186 MVA and 40 distribution sub-stations.

After meeting the demand in its command area, the Company sold the balance power to WBSEB (ranging between 68 and 80 *per cent* of its power available) during the period from 1993-94 to 1997-98.

For selling the electricity in its command area, the Company fixed the tariff after getting the same approved by the State Government and for supplying energy to WBSEB, it charged the rates fixed by Eastern Regional Electricity Board (EREB).

The following audit observations on sale of energy arose:

(i) Transmission and distribution loss

With a small area as distribution zone and non-occurrence of any loss of energy for supplying to WBSEB, the Management fixed (December 1995) the norm towards loss in transmission and distribution(T&D) at eight *per cent* of the local sale. But during the period from 1993-94 to 1997-98, the rate of T&D loss rose from 9.8 *per cent* in 1993-94 to 12.3 *per cent* in 1997-98 resulting in loss of revenue to the tune of Rs 4.48 crore over the norm. The management did not investigate the reasons for excessive T&D loss.

The loss in transmission and distribution of energy ranged between 9.8 and 12.3 per cent against norm of 8 per cent resulting in loss of Rs 4.48 crore

(ii) Supply of energy to WBSEB

During the period from 1993-94 to 1997-98, the Company supplied 2126.04 MU of energy to WBSEB through 132/220 KV line and realised sale prices at the rates of 106 paise (1993-94) and 111 paise (1994-95 onwards) per unit against the cost of generation ranging between 122 paise and 137 paise per unit resulting in a loss of Rs 42.28 crore.

The Company sold energy to WBSEB at the rates below the generation cost resulting in loss of Rs 42.28 crore

As per the decision (April 1990) of the State Government, surplus power generated by the Company was treated as generation of WBSEB from 1 May 1990. In view of this development, the Commercial Committee of EREB advised (February 1996) the Company to settle the selling rates with WBSEB, instead of charging EREB pool rates. But the Company did not take any action to settle the same with WBSEB (September 1998).

(iii) Delay in implementation of tariffs

The Company was empowered under Section 57 of the Electricity (Supply) Act, 1948 to enhance its tariff from time to time after obtaining approval of the State Government who should be given maximum 60 days' time for approving the proposal and once the rates were approved by the Government these were to be implemented at once. But the Company also gave further notice of 60 days to the consumers after approval of rates by the State Government which was not needed as per the Act, *ibid.* This resulted in delay in implementing the revised tariff with effect from 1 November 1993, 10 February 1995 and 15 February 1997 by 56 days, 56 days and 41 days respectively and the Company sustained a loss of revenue of Rs 6.26 crore.

The Company delayed 41 to 56 days in implementing revised tariff and sustained loss of Rs 6.26 crore

(iv) Delay in realisation of bills

A test check revealed that the Company allowed nine high voltage consumers 30 days time from the date of presentation of energy bills for payment against 20 days' allowed by WBSEB. This resulted in loss of interest to the tune of Rs 55.82 lakh for extra time allowed.

(v) Concessions to new/ rehabilitated industries

The Company extended rebate on load factors to sick/rehabilitated industries amounting to Rs 4.11 crore during April 1996 to December 1997 on the order (May 1995) of the State Government. However, the order did not envisage any provision to make good the loss of revenue of the Company which was itself a sick company.

2B.9 Inventory control

(a) Stock of Coke

During the five years up to 1997-98, the Company had stock of finished coke valued at Rs 1.39 crore to 20.19 crore which was equivalent to 42 to 407 days' sales, thereby indicating lack of production and sales planning. This resulted in a loss of interest of Rs 6.53 crore on locking-up of funds in the finished goods.

The Company suffered loss of interest of Rs 6.53 crore due to accumulation of finished coke and a further loss of Rs 10.49 crore due to disintegration of hard coke

Further, due to huge stock piling and multiple handling, coke of higher sizes (0.67 lakh tonne) valued at Rs 15.09 crore was disintegrated into lower sizes (breeze coke) valued at lower price of Rs 4.60 crore resulting in a loss of Rs 10.49 crore.

(b) Raw materials and stores/ spares parts

During the period from 1993-94 to 1997-98, the Company had the stock of raw materials (i.e. coal and oil) valued at Rs 10.58 crore to Rs 38.23 crore which was equivalent to 1.22 to 3.62 months' consumption and stores and spare parts valued at Rs 22.32 crore to Rs 27.00 crore representing 31.8 to 40.7 months' consumption.

In this context the following observations are made:

(i) In spite of a very short lead time of one to two days for getting a rake load of coal (around 2000 tonnes) from ECL, the Company carried the high stock of coal (main raw material).

(ii) In order to exercise control over inventory of raw materials, stores and spare parts, the maximum, minimum and reordering levels were not fixed.

(iii) Though physical verification revealed shortages of coal valued at Rs 10.57 crore during 1993-94 to 1997-98, the Company had adjusted the same as consumption in the accounts without analysing the reasons for shortage.

(iv) The Company had not disposed of 34293 items (value not available) of non-moving stores, as identified (July 1991) for disposal by the Indian Institute of Material Management, by December 1992 for which reasons were not on record.

(v) The Company procured stores and spare parts valued at Rs 3.50 crore during June 1983 to August 1994 which had not moved since their receipt indicating ill-planned purchase without considering consumption pattern besides loss of interest of Rs 5.25 crore on this.

2B.10 Man power

In May 1995, the Company engaged the Indian Institute of Management (IIM) to assess the actual requirement of manpower and paid a sum of Rs 5 lakh to IIM. The report submitted (May 1996) by IIM was not considered by the Company so far (March 1998).

The Pay Committee formed (June 1988) by the State Government recommended to promote employees after five years experience in the feeder post. The recommendations were adopted (May 1990) without the requisite approval of the Board of Directors. But the Company continued to follow the old promotion policy where incumbents were promoted without assuming higher responsibilities even after one or two years experience in the feeder post resulting in increasing annual liability towards employees' cost.

Further, though the Company was suffering from under-utilisation of capacity of various plants, it paid overtime to the tune of Rs 4.92 crore to the employees during 1993-94 to 1997-98.

Despite under-utilisation of capacity the Company paid Rs 4.92 crore as overtime

2B.11 Other topics of interest

a) Avoidable expenditure

i) The Company submitted (November 1984) a proposal to the Central Electricity Authority (CEA) for setting up of a generating unit of 210 MW capacity at Durgapur after getting requisite geo-technical survey and soil investigation done at a cost of Rs 3.86 lakh. But the proposal was turned down (August 1992) by the CEA on the grounds of non-receipt of clearance by the Company from the Ministry of Environment and Forests, Government of India and inadequacies in cost estimates.

The Company, after obtaining (March 1993) environmental impact study report from the consultants at a cost of Rs 9.40 lakh, again submitted (October 1994) the proposal to the above Ministry for their clearance for installation of two 210/ 250 MW units. But the Ministry again turned down (January 1995) the proposal with the suggestion to locate an alternate site in view of the fact that the Airport Authority might not allow a stack height of 220 metre due to proximity of Panagarh Air Base and also to restrict the existing high level of pollution at Durgapur. The Company did not take any further action in this regard.

Thus, the Company incurred an avoidable expenditure of Rs 13.26 lakh on conducting geo-technical and environmental study for installation of new power plant without getting prior clearance for the project from the Ministry of Environment and Forests and Airport Authority

ii) In order to install Electrostatic Precipitators (ESPs) in units III to V of the power plant for containing the emission level at 150 mg / NM^3, the Company invited tenders in March 1986 based on the tender specifications finalised (March 1986) by Development Consultant Limited (DCL) at a cost of Rs 1.47 lakh. The offer of Voltas Limited at Rs 10.13 crore was found to be the lowest. However, the Company did not place the order on Voltas Limited on the plea of shortage of fund. It was, however, seen in audit that the Company had adequate funds (Rs 25.52 crore) for Renovation and Modernisation Scheme under which the installation of ESPs was carried out.

In December 1993, on receipt of a notice from Central Board of Pollution Control for closure of the power plant because of its high emission level, the Company again got (July 1994) tender specifications for supply of ESPs prepared by DCL at a cost of Rs 7 lakh. It was seen in audit that tender specifications submitted by the DCL in March 1986 and July 1994 were the same and the tender was finalised based on the specifications of DCL.

Thus, engagement of DCL again without properly assessing the requirement, resulted in an avoidable expenditure of Rs 7 lakh.

(b) Avoidable payment of commitment charges

Power Finance Corporation Limited (PFCL) sanctioned (July 1994) a loan of Rs 20.20 crore to the Company for installation of Electrostatic Precipitators (ESPs) at units III to V of the power plant against the total estimated cost of Rs 28.80 crore. The Company submitted (February 1995) the requisite documents to PFCL with schedule of drawal of loan –Rs 2.85 crore in 1995-96, Rs 12.10 crore in 1996-97 and Rs 5.25 crore in 1997-98.

Meanwhile, based on the quoted price (November 1994) of lowest tenderer (Rs 11.79

crore) for installation of ESPs the project cost was revised to Rs 16.85 crore. Accordingly, the Company requested (March 1996) PFCL to revise the amount of loan to Rs 11.79 crore with revision in schedule of drawal of loan. Though PFCL agreed (April 1996) to reduce the amount of loan, it declined to revise the schedule of drawal. As a result the Company failed to draw the loan according to the schedule and paid a sum of Rs 9.23 lakh on commitment charges to PFCL during 1995-96 to 1997-98. It was seen in audit that though the offer of lowest tenderer was known (November 1994) to the Company at the time of submission of schedule of drawal of loan, it failed to consider the same.

Thus, failure to assess financial requirement, the Company had to incur avoidable expenditure of Rs 9.23 lakh.

(c) Loss on distribution of water

During the period from 1993-94 to 1997-98 the Company sold 19956 Million Gallons (MG) of processed Water, but the billing was done for 15004 M.G. Thus, there was a distribution loss to the tune of 4952 M.G. of water valued at Rs.4.67 crore. The Company did not investigate the reasons for such a huge loss on distribution (September 1998).

The loss in distribution of water was Rs 4.67 crore

The above matters were reported to the Government and the Management in May 1998, their replies had not been received (September 1998).

Conclusion

Even after expiry of 27 years of its incorporation, the performance of the Company was not satisfactory as it incurred losses year after year and its accumulated loss fully eroded the paid-up capital. The poor performance of the Company was attributable to under-utilisation of the capacities of different units, high cost of production, poor recovery efficiency in respect of coke and by-products, high auxiliary consumption of energy and transmission and distribution losses, high incidents of consumption of raw materials and interest burden, sale of products below cost of production, high inventory carrying cost, obsolescence and inoperativeness of certain plants, etc.

In view of this the continuance of the Company in the present form needs to be reappraised.

CHAPTER III

WEST BENGAL STATE ELECTRICITY BOARD

3A. PURCHASE AND CONSUMPTION OF FUEL

HIGHLIGHTS

Consumption of coal in excess of norms in Bandel Thermal Power Station (BTPS) and Santaldih Thermal Power Station (STPS), owing to their operations at varying loads, resulted in excess cost of Rs 192.69 crore.

(Paragraph 3A.4)

Due to delay in lodging claims and ineffective follow-up with coal companies, the Board's claim of Rs 106.75 crore towards grade slippage remained unrecovered.

(Paragraph 3A.5.2)

The Board did not prefer claims of Rs 0.62 crore on account of breaking charges of oversize coal and Rs 0.35 crore towards cost and freight of coal equivalent to receipt of stones and shales.

(Paragraph 3A.5.3)

Due to defective weighbridges the Board had to bear transit losses of 352757 tonnes of coal valued at Rs 39.51 crore.

(Paragraph 3A.5.4)

The Board had incurred high incidence of demurrage charges of Rs 10.89 crore due to defects in the conveyors of the coal handling plants which restricted the functioning of wagon tipplers.

(Paragraph 3A.5.5)

Coal shortages of 227229 tonnes (value Rs 31.69crore) and oil shortages of 1011 KL (value Rs 0.36 crore) had not been investigated and responsibility fixed.

(Paragraph 3A.7)

Failure to achieve the guaranteed thermal efficiency in BTPS and STPS in generation of power resulted in excess consumption of heat of 10106437 Mkcal equivalent to excess consumption of 19.44 lakh MT of coal valued at Rs 206.46 crore.

(Paragraph 3A.8)

Due to excess consumption of 5264.775 KL of HSD oil in gas turbines the Board incurred a loss of Rs 3.87crore in running five gas turbines.

(Paragraph 3A.9)

3A.1 Introduction

West Bengal State Electricity Board (Board) has two thermal power stations (TPS) at Santaldih (capacity 480 MW) and Bandel (capacity 530 MW), seven hydel power stations (aggregate capacity 84.45 MW) in North Bengal, five gas turbines (aggregate capacity 100 MW) at Kasba, Haldia and Siliguri and diesel generating sets with an aggregate capacity of 18 MW. As such the power stations require coal, light diesel oil (LDO) and high speed diesel oil (HSD) to heat the boilers producing steam for operation of turbines and generators.

The Board receives coal from collieries of Eastern Coalfields Limited (ECL) and Bharat Coking Coal Limited (BCCL), subsidiary companies of Coal India Limited (CIL), while LDO and HSD are procured from Indian Oil Corporation Limited (IOC), all public sector units of the Government of India.

3A.2 Organisational set-up

The procurement, storage and consumption of fuel in the power stations are controlled by respective Divisional/ Superintending Engineers under the overall charge of the General Manager/ General Superintendent of each power station.

3A.3 Scope of Audit

A review on the subject covering the period from 1979-80 to 1982-83 featured in the Report of the Comptroller and Auditor General of India for the year 1982-83 (Commercial). The review had been skipped over for discussion by the Committee on Public Undertakings.

The present review covers the procedures relating to procurement, transportation, storage and efficiency in consumption of fuel for the five years up to March 1998. A test check of records of Bandel Thermal Power Station (BTPS), Santaldih Thermal Power Station (STPS), Haldia and Siliguri Gas Turbines and Jaldhaka Hydel Project (JHP) was conducted by Audit during the period January 1998 to April 1998.

3A.4 Power generation and fuel consumption at Thermal Power Stations

Against the norms of 0.450 kg per KWH the consumption of coal was in excess to the extent of 3.61 lakh MT, 3.44 lakh MT, 2.73 lakh MT, 3.42 lakh MT and 3.79 lakh MT during the five year up to 1997-98 at BTPS and STPS. The value of coal consumed in excess worked out to Rs 192.69 crore during this period. The consumption of coal in excess of norm was owing to operation of the units at varying loads.

Coal valued at Rs 192.69 crore was consumed in excess of norms in BTPS and STPS

3A.5 Coal

3A.5.1 Procedure for purchase of coal

The quantum of coal supplied is determined through the Linkage Committee of the Ministry of Energy (MOE), Government of India, New Delhi. The terms and conditions for supply of coal to the Board are settled periodically through meetings between members of the Board and Eastern Coalfield Limited (ECL), Bharat Coking Coal Limited (BCCL) and Coal India Limited (CIL). Coal is received at Bandel (BTPS) and Santaldih (STPS) thermal power stations by rail.

3A.5.2 Agreement with Coal Companies

The Board executed (May 1984) with CIL an agreement for three years for supply of coal which was valid up to May 1987. The Board continued (1998) to obtain supply of coal according to the terms and conditions of the said agreement without executing a new one. According to the Board, a new agreement could not be finalised due to difference of opinion as to the place of conducting joint sampling. As a result, the Board determined the quality and grade of coal in the laboratories of TPS. The Board indented four grades of coal i.e. B, C, D & E which were categorised on the basis of its calorific value. The sale price of four grades of coal on the basis of calorific value was decided by the Ministry of Coal and Mines up to March 1996 and thereafter by coal companies. Payment is made according to the grade of coal mentioned in the bills of coal companies.

The agreement specified a penalty/ bonus of Rs 2 per tonne for deviation of each 100 Kcal/ kg of coal supplied having calorific value below the lower or above the upper limits of the range specified for each grade of coal. Accordingly, joint sampling and

The Board failed to realise valid claims of Rs 72.25 crore towards grade slippage

analysis along with the collieries' representatives was conducted at receiving points i.e. at BTPS and STPS, on the basis of which the Board raised penalty bills.

The Central Electricity Authority decided (July 1991) that joint sampling of coal would continue to be carried out at the power stations in case of rail fed stations and at colliery in case of road/ rope-way supplies. However, the coal companies unilaterally discontinued joint sampling from June 1992 on the basis of the decision of the Committee of Secretaries, Government of India to the effect that joint sampling should be made at the loading points only. The Board lodged (February 1995) the claims of Rs 79.35 crore in respect of grade slippage of coal supplied during the period 1987-88 to May 1992, out of which an amount of Rs 7.10 crore was recovered and the balance (Rs 72.25 crore) was yet to be recovered. The responsibility for delays ranging from 3 to 7 years in lodging the claims was not fixed (September 1998).

Further, on the basis of the unilateral sample analysis conducted by the Board at TPS, the Board raised (May 1995 to December 1996) grade slippage bills of Rs 59.42 crore on coal companies for the period from June 1992 to May 1996, against which Rs 24.92 crore was deducted from coal companies' bills and the balance (Rs 34.50 crore) remained unadjusted (September 1998) indicating lack of follow-up of claims.

3A.5.3 Oversize coal and stones/ shales

As per the agreement, coal companies are liable to pay breaking charges at the rate of Re 1 per tonne for the quantity of oversize coal (i.e. more than 250 mm in size) if the same exceeds five *per cent* of quantity supplied in each rake. Further, the MOE decided (December 1986) that coal companies were to reimburse to the Board cost of coal equivalent to stones and shales content in the coal received and also proportionate transport charges.

The Board failed to lodge claims for Rs 0.62 crore incurred for breaking of oversize coal

The Combustion and Fuel Efficiency Wing of STPS and BTPS were required to generate daily coal status report (CSR) to ascertain the receipt of oversize coal and stone/ shales received with coal. While BTPS did not generate the CSR regularly with complete details of oversize coal/ stones, shales etc., STPS did not compile CSR at all. Further, the work orders placed on the contractors of both STPS and BTPS for breaking oversize coal did not ensure payment for breaking the actual quantity of oversize coal received but the payment was related to the number of shifts worked. As a result, the Board could not ascertain the total quantity of oversize coal, stones and shales received. A test check of available CSRs of BTPS and correspondence exchanged between STPS and ECL revealed that of 1,02,785 (BTPS: 62479, STPS: 40306) wagons of coal received from March/ April 1995 to February/ March 1998, 5546 (BTPS: 5360, STPS: 186) wagons contained oversize coal of 40390 MT (BTPS: 35463 MT, STPS: 4927 MT) which was in excess of five *per cent* of coal supplied in each wagon. The Board incurred an expenditure of Rs 61.66 lakh (BTPS: Rs 34.49 lakh, STPS: Rs 27.17 lakh) during 1993-94 to 1997-98 towards breaking of oversize coal. The Board did not lodge any claim so far (September 1998) for which no reasons were on record. No responsibility was fixed in this regard (September 1998).

Value of Rs 0.35 crore towards cost of stones and shales received remained unclaimed

Further, Audit observed that stones and shales (2337 MT) valued at Rs 31.75 lakh were received by BTPS and STPS between March 1995 and February 1998. The proportionate transportation charges worked out to Rs 3.60 lakh. The Board did not raise any claim (September 1998) for reimbursement of cost of coal equivalent to quantity of stones and shales received and the proportionate transportation charges in accordance with the decision of MOE referred above.

3A.5.4 Weighment of coal

(a) According to decision (December 1986) of the MOE:

(i) When wagons are electronically weighed at loading point, the weighment printout would be binding on all concerned and transit shortages must be borne by TPS;

(ii) When wagons are only weighed at TPS end, transit shortages would be recoverable from coal companies; and

(iii) Where no weighment facilities exist at both loading and receiving ends, weighment on volumetric basis would be operative.

Mention was made in Paragraph 4B.2.3 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1997 that the six numbers 100 MT "Weighline" pitless electronic in-motion (cost: Rs 48.26 lakh) weighing system procured (February 1995) from Indchem Instrumentation Limited, Madras and commissioned at BTPS in February 1996 were found defective since installation and the guarantee period had also expired in July 1996. The Board stated (July 1997) that the supplier had agreed to make the machines operative satisfactorily. Further in a meeting held (April 1998) at Corporate office of the Board, both power stations were directed to immediately take necessary steps for operation of weighment facility to ascertain actual quantity of coal received. However, weighment facility at BTPS was still inoperative (September 1998).

In the absence of any weighment facility, quantity of coal received at BTPS was accounted for on the basis of weight recorded in Railway Receipts (R/R) in case of linked wagons and on the basis of carrying capacity in case of diverted wagons. Hence transit loss, if any, sustained by BTPS could not be assessed. It was further seen in audit that the Government allowed (August 1997) write off of transit losses up to four *per cent* of coal to be received as per R/R during the year by actual weighment. However, BTPS booked transit loss of 52480 MT coal valued at Rs 7.42 crore for 1997-98 without weighment at power station.

Due to defective weighbridges the Board had to sustain transit losses of Rs 39.51 crore

At STPS, the existing two weighbridges were fitted (January/ September 1992) with digital display and computer printout system (cost: Rs 8.98 lakh), but the computer printout system was non-functional since installation. The manual record of digital display of the weighbridges as regards the quantity of coal received indicated short receipt of 3,00,277 MT of coal (value : Rs 32.09 crore) during five years up to March 1998. However, the Board did not lodge any claim for short receipt of coal (September 1998) for which no reasons were on record.

(b) At both BTPS and STPS, there was no system of weighment of coal actually consumed in operation. Consumption of coal was accounted for on presumptive weight of coal (0.560 and 0.650 kg per unit of actual power generated) against norms of 0.450 and 0.570 kg for BTPS and STPS respectively. The basis of determination of presumptive weight in excess of norms was not on record. As a result, actual consumption of coal, shortages, wastages, loss etc., could not be assessed.

3A.5.5 Demurrage

BTPS is equipped with three wagon tipplers (WT) with a total capacity of unloading 332 wagons of coal (i.e. approximate 7 rakes of 45 wagons) per day while STPS is equipped with two WT with a total unloading capacity of 70 wagons (i.e. 1.5 rakes of 45 wagons) per day, Railways allow the TPS free time of nine hours per rake for unloading. If rakes are detained beyond free time, demurrage is payable to Railways.

Against demurrage of Rs 25.44 crore (BTPS: Rs 19.87 crore, STPS: Rs 5.57 crore) claimed by Railways, Rs 14.55 crore (BTPS: Rs 11.85 crore, STPS: Rs 2.70 crore) was waived by the Railways on negotiation and the balance of Rs 10.89 crore (BTPS: Rs 8.02 crore, STPS: Rs 2.87 crore) was paid by the Board during the five years up to 1997-98.

The Board incurred high incidence of demurrage charges of Rs 10.89 crore

The Board stated (April 1997) that high incidence of demurrage in BTPS was mainly due to consecutive placement of rakes by the Railways and supply of over-size coal by ECL. The reply is not tenable as Railways placed generally one rake in a day and occasionally placed the second rake after 6 to 7 hours of placing the first rake. Further, test check revealed that during 1996-97, BTPS received 425 rakes against the capacity to handle 2555 rakes in the year of which only 69 rakes could be released within free time (9 hours), while the remaining 356 rakes were cleared after delays ranging from 0.30 hour to 111 hours. Even in respect of placement of single rake in a day, for 141 rakes, delays ranged between 0.30 hour and 61 hours. Regarding supply of over-size coal the Board neither quantified the volume of over-size coal nor preferred any claim with Coal India Limited as already mentioned in paragraph 3A.5.3 *supra*.

Audit noticed that conveyors U-1 and U-2 of BTPS were designed to feed coal both from WT-1 and WT-2 to either stage-I or stage-II of Coal Handling Plant (CHP). Due to defects in the gearboxes and chain since March 1983, WT-1 could not feed stage-II CHP which restricted functioning of WT. This resulted in under-utilisation of capacity of WT (15.43 to 22.14 *per cent*) leading to high incidence of demurrage. The Board took up (July 1996) the work of rectification, which was completed in January 1998 at a cost of Rs 20 lakh. Had this rectification work been carried out earlier, the Board could have restricted the high incidence of demurrage.

3A.5.6 Missing/ unconnected wagons

The Board makes the payment towards the cost of coal on the basis of particulars recorded in R/R which are generally received in advance of the actual arrival of rakes.

Rakes originally consigned to the Board but diverted subsequently stand missing in respect of the Board. Similarly, the Board also occasionally receives rakes with destination elsewhere, which are reckoned as unconnected wagons and the Board is liable to pay the cost of coal so received. Actual position of wagons booked by the Board and received at TPS were periodically reconciled with Railways.

Audit observed that up to March 1998, 15970 wagons of coal (BTPS: 13366 wagons, STPS: 2604 wagons) valued at Rs 69.70 crore (BTPS: Rs 56.38 crore, STPS: Rs 13.32 crore) were missing whereas 12,492 unconnected wagons of coal (BTPS: 11,783 wagons, STPS: 709) valued at Rs 53.85 crore (BTPS: Rs 50.09 crore, STPS: Rs 3.76 crore) were received. Therefore, an amount of Rs 15.85 crore (BTPS: Rs 6.29 crore, STPS: Rs 9.56 crore) was receivable from Railways by the Board as on 31 March 1998. Out of the sum amounting to Rs 15.85 crore, Rs 7.07 crore and Rs 8.78 crore remained outstanding for one to five years and more than five years respectively.

An amount of Rs 15.85 crore (net) was yet to be recovered from the Railways on account of missing wagons

3A.6 Oil

3A.6.1 Procurement and consumption of oil

Oil is procured from Indian Oil Corporation Limited (IOC). There is, however, no standing contract in this regard. The TPS intimates the periodical requirement of oil to

Central Electricity Authority (CEA) which in turn recommends the allocation of oil to IOC for supply to TPS at the price fixed by the Government of India from time to time.

3A.6.2 Transit shortage of oil

During the five years up to March 1998, the three power stations received 786.286 Kilo Litre (KL) of LDO short (BTPS: 293.292 KL, STPS: 485.854 KL, JHP: 7.140 KL), as compared to the quantity actually mentioned in the Railway Receipts/ Challans. Short receipt of 786.286 KL valued at Rs 59.24 lakh remained unclaimed (September 1998) without any recorded reasons.

Short receipt of oil valued at Rs 0.59 crore remained unclaimed without any recorded reasons

3A.6.3 Reconciliation of oil account

Indian Oil Corporation (IOC) supplies oil to the Board against advances paid to them on *pro forma* invoices. On reconciliation (August 1997) it was seen that the amount recoverable from IOC on account of short supply of oil against advances paid during January 1994 to December 1995 was Rs 21.54 lakh. The amount was neither realised nor adjusted against subsequent supplies (July 1998) for which no reasons were on record. The amount recoverable, if any, from IOC since December 1995 was not known as the reconciliation was not completed (September 1998).

Failure to furnish the requisite documents led to non-realisation of Rs 0.14 crore from IOC

It was also observed in audit that the Board could not realise Rs 14.46 lakh from IOC for the period prior to 30.4.1981 as the Board failed to furnish the statement of accounts of dues to IOC for reconciliation.

3A.7 Physical verification of coal and oil

The Accounts Manual of the Board provides for physical verification of the stock of coal and oil to be conducted on the closing date of the accounting year or on a date near to the closing date of the accounting year. No such annual physical verification was, however, conducted by the Board during the last five years up to March 1998 for which no reasons were on record. In the absence of physical verification, the closing stock of coal and oil was recorded in the annual accounts based on book balances as per the stock ledger.

The volumetric surveys conducted during November 1994, August 1995 and July 1997, however, showed a coal shortage of 2,27,228.910 MT (BTPS-4195 MT and STPS-2,23,033.910 MT) valued at Rs 31.69 crore. Dipstick measurements of oil conducted up to 18.3.1998 showed oil shortages of 1011 KL (STPS-1005 KL and JHP-6 KL) valued at Rs 0.36 crore. The total shortages of coal and oil was accounted for under stock of coal and oil under Current Assets in the accounts but it was not written off under the orders of competent authority. Neither were the reasons for shortages investigated nor any responsibility fixed (September 1998).

The Board did not investigate reasons for shortages of coal and oil valued at Rs 32.05 crore

3A.8 Thermal efficiency

The thermal efficiency of a power station is an index, which measures the efficiency of conversion of thermal energy to electrical energy. It is the output of electrical energy denoted as a percentage of heat energy contained in the fuel used in generation. Thermal efficiency at 34.88 *per cent* for units I to IV and at 35.03 *per cent* for unit V in respect of BTPS and 33.85 *per cent* in respect of STPS were guaranteed by the manufacturer. However, none of the units were able to achieve the percentage during the five years up to 1997-98 as indicated in the following table :

Units	Designed Thermal Efficiency	Actual Thermal Efficiency 1993-94	1994-95	1995-96	1996-97	1997-98
BTPS	(P e r c e n t a g e)					
I	34.88	26.61	28.33	29.48	30.31	32.30
II	34.88	26.68	28.20	29.75	29.85	32.38
III	34.88	26.53	28.24	29.53	30.01	31.88
IV	34.88	24.29	28.35	29.68	29.78	32.40
V	35.03	27.49	29.02	30.23	30.56	32.88
STPS						
I	33.85	24.69	24.71	25.83	26.51	26.17
II	33.85	20.06	24.82	32.81	26.52	27.48
III	33.85	24.71	24.94	25.79	26.45	25.35
IV	33.85	24.79	Nil	25.78	26.67	26.21

The reasons for not achieving the guaranteed thermal efficiency were attributed (July 1998) by the BTPS Management to operation of the TPS at varying loads due to low system demand and outages of machines, while STPS Management replied that the thermal efficiency was not determined by them. The contention of the Board relating to BTPS is not acceptable as loss of generation due to low system demand ranged between 3.49 and 9.17 *per cent* of total loss of generation in the five years up to 1997-98. Moreover, in the same period the Board procured from outside agencies 64 to 75 *per cent* of total power distributed.

Based on the level of guaranteed thermal efficiency the excess consumption of heat owing to low thermal efficiency during the period from 1993-94 to 1997-98 was 10106437 Mkcal (BTPS-4814362 Mkcal and STPS-5292075 Mkcal) equivalent to consumption of 19.44 lakh MT coal valued at Rs 206.46 crore during the same period.

Due to low thermal efficiency the Board consumed excess heat equivalent to 19.44 lakh MT coal valued at Rs 206.46 crore

3A.9 Gas Turbines

The Board installed (between July 1979 and February 1988) five gas turbines, each of 20 MW (Kasba-2, Haldia-2, and Siliguri-1) to meet the peak hour (17.00 to 22.00 hours) demand.

As per design, 0.40 litre of HSD oil was required for generation of one unit of electricity. It was noticed in audit that during 1993-94 to 1997-98 the Haldia and Siliguri units generated 66.100 MU requiring 26440.000 KL of HSD oil as per norms. Against this, 31704.775 KL of HSD oil was actually consumed resulting in excess consumption of 5264.775 KL of HSD oil valued at Rs 3.87 crore at an average rate of Rs 7353.97 per KL. Consequently, there was increase in cost of generation of power by 67 and 48 paise per KWH for Haldia and Siliguri units respectively on an average during five years up to 1997-98.

Excess consumption of HSD oil in gas turbines resulted in extra expenditure of Rs 3.87 crore

The excess consumption was attributed (January 1998) by the local Management to deteriorated conditions of the plant, low system frequency, supply of oil in hot state etc.

The above matters were reported to the Government and the Board in May 1998; their replies had not been received (September 1998).

Conclusion

The Board continuously incurred extra expenditure in its fuel consumption, because of receipt of low quality coal, oversize coal, stones/ shales and lower thermal efficiency. Without any proper arrangements the coal received at the TPS was never correctly weighed. Claims were not preferred with coal companies. The Board also did not investigate the causes for these deficiencies for correcting or minimising them.

3B.WEST BENGAL STATE ELECTRICITY BOARD

POWER LOAD MANAGEMENT

HIGHLIGHTS

An even flow of Electricity as per requirement is pre-requisite for proper Power Load Management. Inadequate Transmission & Distribution System could not evacuate the available Power to the optimum level which had a bearing on efficient Power Load Management.

(Paragraphs 3B.1 & 3B.4.2)

Capacity utilisation of the gas turbine units established to meet peak hour demand for power ranged from 6 to 22 *per cent* only during 1995-96 to 1997-98 resulting in shortfall of 279.30 Mkwh of power valued at Rs 42.08 crore.

(Paragraph 3B.5.1)

Owing to system constraints, the Board had to run its thermal power stations beyond permissible frequency range. Due to this, there were three successive grid collapses during June 1990 to July 1995 causing loss of generation aggregating 15.53 Mkwh valued at Rs 1.04 crore.

(Paragraph 3B.6.1.1)

Failure of the Board to pay NTPC's dues regularly, which increased from Rs 12.62 crore in March 1994 to Rs 537.24 crore as on September 1998, resulted in restriction imposed by NTPC in supply of power during peak hours.

(Paragraph 3B.6.1.3)

The Board had to resort to load shedding in absence of required availability of power. This resulted in non availability of 291.51 MKWH power to consumers with a consequential loss of revenue to the tune of Rs 45.89 crore.

(Paragraph 3B.6.2)

Due to inadequate transmission net work for transfer of power to deficit region during off-peak hours and pushing of energy more than the requirement in the Board's system by some of the constituent units during this period, the Board had to forcibly reduce its own generation of 2727.53 Mkwh of power valued at Rs 404.77 crore during 1993-94 to 1997-98.

(Paragraphs 3B.6.1.2 & 3B.6.3)

Delay in synchronisation of a thermal unit caused loss of potential generation of 14.40 Mkwh valued at Rs 2 crore.

(Paragraph 3B.7(i))

3B.1 Introduction

The power grid of the Board is mainly fed by power generated in its hydel and thermal generating stations besides power procured from West Bengal Power Development Corporation Limited (WBPDCL), Durgapur Project Limited (DPL), Damodar Valley Corporation (DVC), Dishergarh Power Supply Company Limited (DPS), National Thermal Power Corporation Limited (NTPC), National Hydel Power Corporation Limited (NHPC) and Power Grid Corporation of India Limited (PGCIL) etc.

To meet up shortfall in power availability and limitations of distribution net work, a streamlined load management system is necessary to ensure even flow of electricity as per requirements. This involves balancing the demand and supply by way of load demand forecasting on realistic basis, scheduling of generation, system improvement, enforcing power restriction, and load shedding.

3B.2 Scope of audit

To assess the economy, efficiency and effectiveness of the steps taken by the Board in managing the energy distribution from load despatch and grid operation for balancing the demand and supply of power during peak hours (17.00 to 22.00 hours) and off-peak hours. The review on Power load management for the five years up to March 1998 was conducted during the period from December 1996 to March 1997 and also in July 1998 and the salient features are set forth in the succeeding paragraphs.

3B.3 Organisational set-up

The Central load despatch wing of the Board situated at Howrah functions under Member, Generation of the Board. To facilitate load despatch in the North Bengal area the Board also established a regional load centre at Siliguri. In the existing control hierarchy of load management in the State, Power Grid Corporation of India Limited (PGCIL) and Eastern Regional Electricity Board(EREB) play a vital role. The load despatch wing of the Board is required to function with close co-ordination of these two central agencies.

3B.4 Power Demand Pattern and transmission facilities

3B.4.1 Growth of power demand

The total requirement of power in the State, power available thereagainst and shortfall during the five years up to 1997-98 are shown in the table below:

	1993-94	1994-95	1995-96	1996-97	1997-98
	(	M K	W H		)
A Total requirement of power	11870	13255	14345	14890	15519
B Total power available					
a By the Board					
(i) Thermal	3214	3271	2709	3089	3121
(ii) Hydel	110	86	131	280	295
Total (a)	3324	3357	2840	3369	3416
b By others					
(i) Thermal	7475	8976	10292	11366	11507
(ii) Hydel	794	732	1058	-	-
Total (b)	8269	9708	11350	11366	11507
C Grand Total (B)	11593	13065	14190	14735	14923
D Shortfall (A – B)	277	190	155	155	596

The table below indicates growth of annual peak and minimum demand in the Board's system during the five years up to 1997-98.

Year	Peak demand[1] (in MW)	Minimum demand[2] (in MW)	Gap (in MW)	Percentage increase over 1993-94	
				Peak demand	Minimum demand
1993-94	1541	471	1070	-	-
1994-95	1634	417	1217	6 04	-
1995-96	1747	509	1238	13 37	8 07
1996-97	1986	650	1336	28 88	38 00
1997-98	2073	680	1393	34 52	44 37

[1] Peak demand represents the maximum demand recorded by the Board on any day during the entire year.
[2] Minimum demand represents the lowest demand recorded by the Board on any day during the entire year.

It may be observed from the above that there was continuous increase in the peak demand. Besides, the gap between minimum and peak demand also increased during the five years as it rose from 1070 MW in 1993-94 to 1393 MW in 1997-98.

3B.4.2 Growth of transmission and distribution facilities

The increase in the facilities for transmission and distribution in the Board's system did not keep pace with the increase in demand for power. The table below indicates the transmission and distribution facilities built up *vis-à-vis* consumers growth and increase in demand for power for the five years up to 1997-98:

		1993-94	1994-95	1995-96	1996-97	1997-98	Percentage increase during 1997-98 over 1993-94
A	Power available (including power imported) (MKWH)						
	i) Board	3324	3357	2840	3369	3416	
	ii) Other State Sector*	5239	5716	6049	6174	5734	
	iii) Central Sector	623	1061	2410	2545	3289	
	Total (MKWH)	9186	10134	11299	12088	12439	33 39
B	Transmission and Distribution lines (CKM)						
i)	HT/EHT	5635	5635	5849	5965	5965	5 85
ii)	Sub transmission lines	70680	70968	71351	71410	71410	1 03
iii)	LT lines	66129	66319	66463	66532	66634	0 76
	Total(CKM)	142444	142922	143663	143907	144009	1 09
C.	Transformer capacity (MVA) (excluding distribution transformers)	8359	9287	9606	10177	10280	22 98
D	Number of consumers (in lakh)	19 79	21 11	23.40	25 74	27 74	40 17
E	Transmission lines per MKWH of total power availability (CKM) [B÷A]	15.50	14 10	12.71	11 90	11.58	-
F	Transformer capacity per MKWH of total power availability (MVA) [A÷C]	0.91	0 92	0 85	0 84	0.83	-

(Source: Annual statement of Accounts and Administrative Reports)

It would also be evident from the table above that the capacity of transformers per MKWH of power availability declined from 0.91 MVA in 1993-94 to 0.83 MVA in 1997-98. Similarly, the transmission and distribution line per MKWH of power availability also showed a declining trend from 15.50 CKM in 1993-94 to 11.58 CKM in 1997-98 while the percentage increase of total transformers and transmission lines at the end of 1997-98 over 1993-94 was 22.98 and 1.09 respectively. This indicated that Transmission and Distribution System was not commensurate with increased power available to utilise it to the optimum level. The loss sustained by the Board due to interruptions in the transmission system have been discussed in paragraph 3B.6.2 *infra*.

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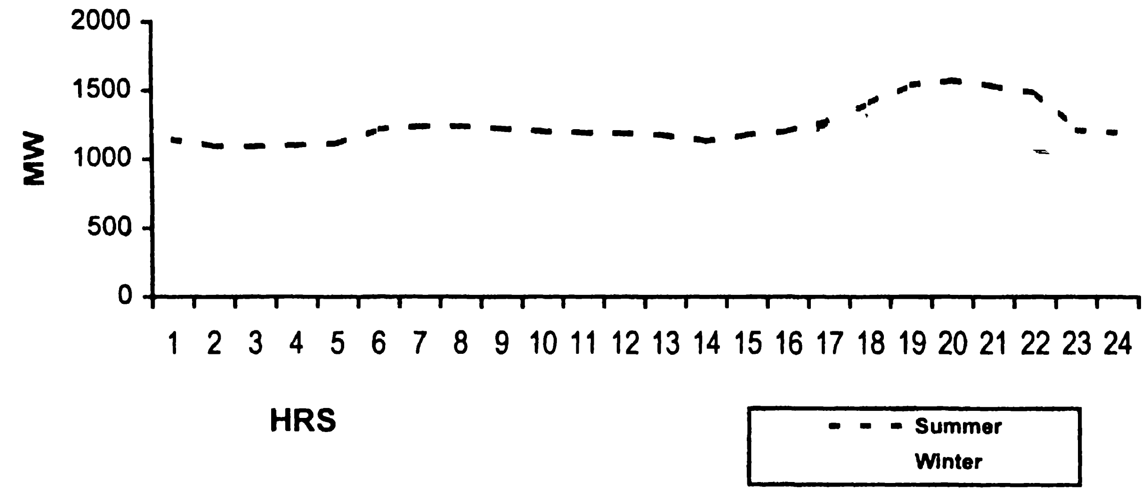
* Excluding free supply to Bhutan of 1MKWH for each year.

The Government stated (July 1998) that recently the Board had undertaken a transmission project for system improvement with the loan assistance of Overseas Economic Co-operation Fund (OECF), Japan. The project was scheduled to be completed by 2002.

3B.4.3 Demand Pattern

The load curve for the summer and winter months of 1997-98 in the Board's system is shown below:



While the demand on the grid varied widely during different times of each day, the Board could not vary the generation of power and import in tune with the demand on the grid, as the predominant factor in generation mix is thermal. This is because of the fact that these thermal units are to run at a specific installed capacity and maintenance of heat in the boiler. Frequent shut down, start up and forcible reduction of generation from these units would not only result in higher cost in terms of higher consumption of fuel, costlier oil support and higher heat loss but also reduce the life of the equipment due to erratic running. Besides, inter-regional and inter-state transmission system was not properly equipped to transmit the surplus power to the deficit regions during off-peak hours. The Government, stated (July 1998) that by utilising the existing links as far as practicable, efforts were being made to pass on the surplus power to states of neighbouring zone. In spite of the Government's efforts in the existing situation, full utilisation of the generating capacity of the available units is not feasible. In the above background, the Board had taken up several projects from 1971 onwards, to match the demand and supply of power but due to their poor performance/ non-completion/ leasing out, the planned results could not be achieved.

In the absence of adequate transmission facility surplus off-peak power could not be transmitted to the deficit region

The most noteworthy projects are as below:

erection and commissioning of five gas turbines of 20 MW each aggregating 100 MW capacity (i.e. 2 units at Kasba, 2 units at Haldia and one unit at Siliguri) having quick starting and stopping features to meet the peak hour load demand (refer paragraph 3B.5.1 *infra*);

- erection and commissioning of 166.41 MW hydel power stations (refer paragraph 3B.5.2 *infra*);
- construction of 150 KM Kolaghat-Rengali Single Circuit 400 KV transmission line so as to exchange power from hydel dominating state of Orissa (refer paragraph 3B.5.3 *infra*); and
- erection and commissioning of 900 MW capacity Purulia Pump Storage Project (PPSP) (refer paragraph 3B.5.4 *infra*).

The others steps taken to improve the position were:

- restrictions on power off-take during peak hours by the various categories of consumers and flattening the load curve by staggering of load as enforced by the State Government / Board from time to time to minimise peak hour demand as a short term measure (refer paragraph 3B.5.5 *infra*); and
- scheme of charging higher tariff during the peak hours (refer paragraph 3B.5.6 *infra*).

Implementation of these projects/ steps are discussed in the subsequent paragraphs.

3B.5. Implementation of the projects

3B.5.1 Gas turbine units

The five gas turbine units (two each at Haldia and Kasba and one at Siliguri) of 20 MW each were under-utilised during peak hours since their installation between July 1979 and February 1980. The Board did not take any action to improve the position. During the peak hours of three years up to 1997-98, the two Haldia units of 20 MW were operated between zero and 530 hours, the Siliguri unit of 20 MW between 359 and 404 hours and the two Kasba units of 20 MW for 314 hours during 1997-98 only. These five units worked for total 2702 hours against total 15332 hours available during the peak hours of the above period mainly due to frequent break down of machinery. Shortfall in generation of these five units during the above period ranged between 78 *per cent* and 94 *per cent* resulting in loss of potential generation of 279.30 Mkwh of power valued at Rs 42.08 crore. The Board had not analysed the reasons for such frequent breakdowns with a view to take remedial measures.

Poor capacity utilisation of gas turbine units caused loss of potential generation of 279.30 Mkwh of power valued at Rs 42.08 crore

Following deficiencies noticed in working of these units

(a) Haldia units

The Haldia Unit II had run intermittently with a defective air compressor between November 1983 and August 1988. In September 1988 the unit completely broke down owing to defects in the Air Compressor Rotor and Stator Blades. The unit could not be re-commissioned up to July 1998 even after incurring an expenditure of Rs 1.10 crore for its repair due to inordinate delay in supply of material, defective supply and lack of co-ordination and monitoring by the Board.

The Board incurred an expenditure of Rs 1.12 crore during September 1988 to July 1998 towards pay and allowances of idle staff.

(b) Kasba units

At the instance of the State Government two gas turbine units of 20 MW each at Kasba were leased out and transferred to Calcutta Electric Supply Corporation Limited

(CESC) in April 1991 at an annual rent of Rs 13 lakh which was subsequently revised to Rs 15 lakh in April 1994. In terms of the lease agreement, CESC was to operate the gas turbine sets only during peak hours i.e. 17.00 to 22.00 hours when there would be shortage of power in the CESC system. But due to the Board's failure to keep a watch over use of sets, CESC utilised the sets even during off-peak hours for the period November 1993 to February 1994 and generated 187 Mkwh power which was utilised for distribution to CESC's own consumers. As a result, CESC drew less power to the extent of 187 Mkwh valued Rs 21.59 crore from the Board's system for its consumers and the Board suffered loss of potential revenue to that extent. It was further noticed that during April 1991 to March 1997 by running the gas turbine sets for four hours during peak hours and supply the power so generated through its own system, CESC had saved Rs 170.13 lakh towards demand charges payable to the Board against which lease rent of Rs 84 lakh only was paid to the Board leading to a shortfall of the Board's potential revenue of Rs 86.13 lakh during the above period.

Failure of the Board to keep a watch on the leased assets resulted in shortfall of potential revenue of Rs 22.45 crore.

The above situation would, thus, indicate that the leasing out of gas turbine sets to CESC in April 1991 was not in the interest of the Board.

(c) Siliguri unit

The Siliguri unit was shut down for scheduled overhaul since 3 October 1990. It was only on 3 August 1991, that order for spares required for repair of the unit was placed. Against the order, material were actually received on 20 September 1991. During repair of the unit it was noticed that some critical items which were not foreseen and were left out of the procurement order. Order for procurement of these critical items of spares was placed on 28 September 1991 against which material were received on 3 June 1992. The unit was re-commissioned in August 1993 after 34 months from the scheduled date of overhaul since 3 October 1990. Due to delay in repair, 14 employees of this unit remained idle which lead to unproductive expenditure of Rs 31.21 lakh on their pay and allowances up to 31 July 1993.

In view of the poor performance of these five gas turbine units the very purpose of meeting sharp peak requirement of power was, thus, grossly defeated in spite of expenditure of Rs 28.16 crore towards their installation.

The Government stated (July 1998) that the gas turbine units were peaking generating units and their generation was used normally to make up any shortfall of generation during peak hours. Therefore, these units were run only when their generation was required during peak hours.

The contention of the Government was not correct as it was noticed in audit that these gas turbines worked for total of 2702 hours against total peak hours of 15332 from 1995-96 to 1997-98.

3B.5.2 Erection and commissioning of the new hydel units

The report on hydro potential prepared by the Board in 1987 envisaged establishment of 25 hydel power plants with the total capacity of 1009 MW by 2000 AD. According to the schemes prepared by the Board, eight hydel power stations with total capacity of 216 MW were sanctioned by the Planning Commission up to March 1993. Detailed project reports in respect of 17 hydel power stations for 793 MW were yet (September 1998) to be submitted by the survey and investigation wing of the Board. Of the eight sanctioned hydel schemes for 216 MW, six schemes for 46.91 MW were commissioned up to March 1993. One scheme for 50 MW (Rammam Hydro Electric Scheme) was commissioned during September 1995 to

February 1996 and one scheme (Teesta Canal Fall Hydro Electric Project) for 67.50 MW was under construction up to September 1998.

There was delay ranging from 161 months to 166 months in commissioning of the Rammam Hydro Electric scheme (50MW) with a cost escalation of Rs 39.57 crore. One unit of Teesta Canal Fall Hydro Electric scheme of 22.50 MW was commissioned in December 1997 after a delay of 56 months from the scheduled date of commissioning and its remaining two units of 22.50 MW each were yet (September 1998) to be commissioned. The total cost for the Teesta Canal Fall Hydro Electric scheme was escalated to the extent of Rs 285.57 crore up to July 1998. Of the total cost escalation of Rs 325.14 crore for the above two hydel schemes, it was noticed that Rs 66.31 crore was due to incorrect estimation.

Due to delay in commissioning of the new hydro power generating units the Board could not meet the growing demand for power from its own sources and became increasingly dependent on costlier power from outside sources as indicated in paragraph 3B.6.2 *infra*. It was noticed that the average cost of power from outside sources ranged from Re 0.97 to Re 1.18 per Kwh against the Board's average generation cost of Re 0.67 to Re 0.99 per Kwh during the three years up to 1996-97.

3B.5.3 Kolaghat-Rengali 400 KV single circuit transmission line

Owing to abnormal slippage of hydel and thermal units, the Board decided (March 1985) to exchange power with the State of Orissa. Accordingly, the Board issued work orders on 23 March 1985 for erection of 150 KM Kolaghat-Rengali 400 KV single circuit line at Rs 19.52 crore for completion by May 1990. Considering abnormal slippage of hydel and thermal units, the State Government committee on power (Subject Committee) in their report (1991-92) also recommended exchange of power from hydel power dominating State of Orissa by completing the line in scheduled time.

It was observed that against the completion schedule of May 1990 the work of Kolaghat Rangali transmission line could be completed in January 1992 at a cost of Rs 19.01 crore and charged at a lower rate of 220 KV from the same month. The line was ultimately charged at 400 KV only in June 1995. The delay in charging the line at the required rating of 400 KV was due to delay in completion of terminal arrangement. Meanwhile, the power position of Orissa changed and the State faced a power crisis with the result no hydel power was exported by it. Thus no power could be imported as planned to ease the Board's system and line constructed at a cost of Rs 19.01 crore could not be fully utilised for the intended purpose. The line is now being used to transmit surplus off-peak power to Orissa and Andhra Pradesh State Electricity Boards.

3B.5.4 Construction of Purulia Pump Storage Project

Under pump storage plant project two water reservoirs are constructed, upper reservoir at the slope of the hills and lower reservoir at the foot of the hills. The hydel power station is constructed in between of these two reservoirs and water for generation of power is drawn from the upper reservoir. The water requirement of this reservoir is met through rain water of catchment areas as well as pumping of water from the lower reservoir whereas the water in latter is collected from catchment areas as well as that discharged from the hydel power generating station constructed in the upper area. The pump storage plant can utilise the off-peak surplus power from thermal plants to pump water from lower reservoir to upper reservoir and can again generate hydel power during peak hours in order to meet the sharp peak demand. The project after implementation may help flatten the load curve and also help in lowering the average cost of generation besides creating a situation by which power load factor of the thermal units could be improved.

With the object of utilisation of the surplus off peak hours power from the thermal generating units and to meet the shortage of power during peak period hours, the Central Electricity Authority (CEA) suggested to the Board in April 1979 for preparation of a preliminary report for pump storage hydel power generation plant.

Accordingly, in January 1980, the Board submitted a pre-feasibility report for construction of a pump storage hydel power generation plant on Kisto Bazar Nullah at Ajodhya hills. The Board took ten years to study/ survey the various project details like hydrology, topography, geology, contour survey, etc. In May 1990, an agreement for preparation of a Detailed Project Report (DPR) and transfer of related technology was entered into by the Board with Electric Power Development Company Ltd. (EPDC) of Japan. The DPR submitted by the EPDC in March 1992 was forwarded by the Board to the CEA and Central Water Commission (CWC) for techno-economic clearance. Approval of the DPR was accorded by the CEA in July 1992. In February 1994 the Planning Commission approved the project at Rs 1456.56 crore for completion within March 2003 which was revised (April 1994) to Rs 2961 crore for which approval of the Planning Commission was awaited (September 1998).

The work envisages construction of pump storage of 900 MW capacity (225 MW X 4); 400 KV double circuit line (Purulia-Arambag 150 KM) and 400 KV double circuit line (Purulia-Durgapur 160 KM); up-gradation of Arambag and Durgapur sub-stations (i.e., 400 KV two bays extension); and related consultancy services.

The project was to be financed with loan assistance from Overseas Economic Co-operation Fund (OECF) of Japan for which two loan agreements valid up to April 2003, were entered into by the Government of India (Department of Economic Affairs, Ministry of Finance) in February 1988 and April 1995, respectively. An expenditure of Rs 19.22 crore up to 31 March 1998 was incurred on some of the infrastructural facilities created for the project and it was still at preliminary stage of its execution. Thus, the load curve remained unaffected and the project incomplete.

Decision to establish pump storage Hydro Electric Project was delayed over 17 years

3B.5.5 Restrictions on power off-take

The energy control order issued by the State Government in June 1977 and as revised from time to time *inter-alia* specified energy cuts in the following main areas to restrict power load mainly in the peak hours i.e., 17 to 22 hours.

i) Commercial banks and domestic consumers shall not operate air conditioning plants or room air-conditioners.

ii) High powered electrical illuminations shall not be used for marriage celebrations or other festive occasions, or on advertisement hoarding or for fountains.

iii) Minor irrigation pumps shall not operate.

It was, however, noticed that the Board and the State Government had no system to enforce the restrictions strictly to minimise demand for the load during peak hours. Some of the units of the Board stated (February 1997) that due to some practical problems and shortage of manpower there was little scope to comply with the restrictions on power off-take. Owing to failure on the part of the Board to restrict drawal of power by certain categories of consumers during peak hours, the efforts of power load management became ineffective and the Board had no other alternative but to resort to load shedding to match the demand and supply which deprived the genuine consumers from use of power for prolonged times as discussed in the paragraph 3B.6.2 *infra*.

3B.5.6 Scheme of charging higher tariff during peak hours

In order to shift the peak hour demand from industrial consumers to non-peak hours, the Committee, constituted (September 1993) by the Board, recommended (January 1994) differential tariff for normal hours (06.00 to 17.00 hours), peak hours (17.00 to 22.00 hours) and off-peak hours (22.00 to 06.00 hours). Under this system, time of the day (TOD) metering was pre-requisite with highest tariff for peak hours and lowest tariff for off-peak hours. In accordance with this recommendation, the Board introduced TOD metering from 2 March 1995 under which highest tariff is charged for peak hours and lowest tariff for off-peak hours.

Test check of consumption records of 50 out of 125 industrial consumers for the period from March 1996 to April 1997 indicated that of the total consumption of 49.64 Mkwh, 10.75 Mkwh was consumed during peak hours and 38.89 Mkwh in off-peak hours. It was also noticed that though sharp peak requirement of power during 17.00 to 22.00 hours and wide variation between minimum and maximum demand for power in the Board's system was prevailing since 1973-74, the Board took remedial measures only in March 1995 to minimise the variation by introduction of differential tariff for industrial consumers.

As the Board would charge lowest tariff during off-peak hours, the Committee also recommended for claiming concessional tariff from the power suppliers i.e. WBPDCL and DPL for drawal of power from their system during off-peak hours. No action was, however, taken by the Board up to September 1998 for claiming the concessional tariff for which reasons were not furnished to Audit.

3B.6. Management of load during peak and off-peak hours

3B.6.1.1 Management of load

Under the Indian Electricity Supply Rules 1956, power supply is required to be made at the declared frequency of 50 cycles per second with a tolerance limit of 3 *per cent*. The manufacturer of the 210 MW turbogenerators (i.e., Bharat Heavy Electricals Ltd.) of the Board's existing generating units specified (May 1988) the following permissible frequency range of operation for the turbogenerators:

		Permissible range
(i)	For continuous operation	49 cycles to 50.5 cycles
(ii)	Operation less than 49 cycles and more than 50.5 cycles	Not more than 10 minutes at one time and not exceeding 500 minutes in the whole life of the turbogenerator

It was further specified by the manufacturer that operation at lower or higher frequency of the turbine for even a short duration may lead to premature failures of IP and LP blades resulting in outage of the unit.

Under the existing grid condition to synchronise and operate the system at the required frequency, forecasting for the power requirements at various points and scheduling for the generation thereagainst for the various units are made by the EREB in association with the constituent units. To maintain system discipline the constituent units are to adhere to the directives given by the EREB in this regard from time to time.

Test check, however, revealed that during the last four years up to March 1998 the turbogenerators in the Board's thermal units were put to operation at higher frequency ranging between 50.6 and 52.8 cycles during off-peak hours and at lower frequency ranging between 48 and 46.3 cycles during peak hours affecting the generators, transmission station equipment and equipment of consumers adversely. The Government observed, in March 1990 that " unless frequency is held up above 49 cycles and below 50.5 cycles machines can not be saved."

In the absence of suitable early steps to stop this practice and owing to continuous low priority on a very important aspect of power load management the following successive grid collapses occurred up to March 1998.

Sl. No	Date of grid collapse	Duration	Reasons
(i)	25th June 1990	22.10 hours to 13.50 hours of 26.6.1990	For operation at 38 cycles owing to overdrawal by a constituent unit.
(ii)	22nd October 1992	20.47 hours to 1.04 hours of 23.10.1992	For operation at 30 cycles owing to fault in the inter-system transmission line.
(iii)	29 th July 1995	20.38 hours to 13.53 hours of 30.10.1992	For operation at 52.6 cycles owing to transmission failure in Orissa State Electricity Board.

Due to the collapses, there were forced outages of more than 37 hours in all the generating units of the Board and the WBPDCL which is the major supplier of power to the Board's system. These forced outages caused loss of potential generation totalling 15.53 Mkwh (approximately) valued at Rs 1.04 crore.

Owing to running the system beyond permissible frequency range there was loss of generation of 15.53 Mkwh of power valued at Rs 1.04 crore

The Government stated (July 1998) that effective load management could be done only when all the constituent units obeyed the schedule. This was a problem which was being addressed by EREB, CEA and constituent units frequently and was still a matter to be sorted out.

It was further noticed that the Fact Finding Committee appointed by EREB on grid disturbance in Eastern Region on 29 July 1995 had *inter-alia* recommended in their report (September 1995), the following for immediate implementation to avoid future grid collapse:

- Proper Load Generation Balance is to be made by the constituents to run the system within a frequency between 49.5 cycles and 50.5 cycles.
- Immediate connection of Under Frequency Relay for load shedding as per Gambhir Committee recommendation is to be made.
- Suitable islanding scheme with block load should be evaluated at the earliest.
- Islanding of captive stations leaving excess load on the system should be reviewed.
- Augmentation of communication system in the Central Sector as well as State Sector requires immediate attention.

The above recommendations of the committee were yet (September 1998) to be implemented by the Board.

3B.6.1.2 Off-peak hour load

As observed by the EREB, PGCIL and the Board from time to time the prolonged high frequency in the Eastern Regional Grid was also caused owing to generation made in excess of schedule prescribed by the EREB at NTPC's plants and pushing of energy in the system in excess of requirement by NTPC during off-peak hours for reasons not available on record. This was perhaps done by NTPC with the intention to maintain their plant load factor during off peak hour. Due to this the Board was forced to draw power more than its requirement during off-peak hours from NTPC which tended to increase the cost of import of power by the Board besides increase in cost of generation from own plants due to forced reduction in their generation. The cost impact of this was not assessed by the Board regularly. In March 1998 it was, however, observed by the Board that for March 1998 alone they had to bear an additional cost of Rs 5.50 crore on this account.

3B.6.1.3 Peak hour load

While energy in excess of requirement was being pushed in the system from NTPC's plants during off-peak hours, there was lower availability of energy compared to schedule from NTPC during the peak hours, resulting in low frequency in the system. This caused frequent unscheduled load shedding as observed by the Board and the EREB from time to time. Particulars of capacity utilisation of NTPC's plants were not maintained by the Board on a regular basis. However, low capacity utilisation compared to generation scheduled and the resultant low supply of power from NTPC's plants during peak hours in summer months of 1997 as noticed from records were shown below:

Month	Generation capacity scheduled (in MW)	Capacity utilised ranged between (in MW)	Capacity under utilised ranged between (in MW)
June	2100	1015-1885	215-1085
July	2100	932-1773	327-1168
August	2100	1048-1711	389-1052

(Source Correspondence exchanged between the Board and EREB)

In terms of the power purchase agreement made (August 1985/ May 1993) with the NTPC, the Board was to receive 33.12 *per cent* of the generation from Farakka units (1600 MW) and 21 43 *per cent* of generation from Kahalgaon units (840 MW). The agreement did not, however, specify the quantum of power to be supplied by NTPC during peak and off-peak hours. Moreover, the details of receipt of power during peak and off-peak hours were not maintained by the Board.

Even after considering power generation from these units at the minimum of 60 *per cent* capacity and at 80 *per cent* plant availability factor the Board was to receive power from the NTPC ranging from 836 Mkwh to 2985 Mkwh as per the agreement during the last five years up to 1997-98. As against this commitment, power actually received by the Board ranged between 38 and 1950 Mkwh during the five years up to 1997-98 as shown in the following table:

Year	Power supply committed by NTPC	Power actually received by the Board	Shortfall in receipt
	(in Mkwh)		
1993-94	836	38 18	797 82
1994-95	836	316 23	519 77
1995-96	1910	1468 88	441 12
1996-97	2985	1482 98	1502 02
1997-98	2985	1950 00	1035 00

(Source Agreement with NTPC and Global Accounting of power by EREB)

It would be seen from the table above that there was always less drawal of power by the Board from NTPC's plants. The shortfall ranged between 441.12 and 1502.02 Mkwh during the five years up to 1997-98. Further, the Board reported to EREB a number of times that NTPC was supplying of power in excess of requirement during off-peak hours (refer paragraph 3B.6.1.2 *supra*). Thus, the shortfall in committed supply of power by NTPC was mainly during peak-hours.

It was noticed that supply of power during peak hours was restricted by NTPC owing to failure on the part of the Board to pay the dues to NTPC in time. The figures for the last six years up to September 1998 as shown in the table below would reveal that there was a continuous accumulation of NTPC's dues against the Board:

Year	Opening balance	Bills received during the year	Total	Payment made/ released during the year	Balance outstanding	Dues Outstanding in terms of months based on average monthly power bills payable
	(Rupees in crore)					
1993-94	39.87	2.38	42.25	29.63	12.62	-
1994-95	12.62	55.16	67.78	21.24	46.54	10
1995-96	46.54	151.47	198.01	41.33	156.68	12.4
1996-97	156.68	291.17	447.85	94.00	353.85	14.6
1997-98	353.85	237.13	590.98	178.09	412.89	20.9
1998-99 (up to September 1998)	412.89	211.35	624.24	87.00	537.24	-

(Source: Bill Register, Ledger balances and Annual Budget)

It would emerge from the figures above that the outstanding dues of NTPC against the Board had increased from Rs 12.62 crore as at the end of March 1994 to Rs 537.24 crore as at the end of September 1998. The Board, however, took no steps to liquidate the dues in time to ensure steady supply of power during peak hours.

Supply of power was restricted by NTPC during peak hour mainly due to delay in payment of their dues regularly by the Board which had accumulated to Rs 537.24 crore as on September 1998

Records relating to payment made against purchase of power further indicated the following:-

i) Out of the outstanding dues of Rs 537.24 crore as on September 1998 the Board disputed the claim of NTPC of Rs 57.23 crore for export of power to outside region (Rs 51.60 crore during April 1996 to February 1997), regulation imposed by NTPC (Rs 4.03 crore during January and February 1997) and high frequency pumping (Rs 1.60 crore during February 1998).

ii) For non-payment of dues against purchase of power from various central agencies an amount of Rs 271.60 crore was deducted by the Government of India from the plan fund of the State Government during 1991-92 to 1997-98 of which Rs 80.24 crore was due to NTPC. The State Government had passed on this deducted amount as interest bearing loan to the Board on which the Board had provided interest of Rs 33.56 crore up to March 1998.

iii) In addition, due to delay in payment of dues the Board faced an additional claim totalling to Rs 178.17 crore from NTPC on account of late payment surcharge up to September 1998. The claim was yet to be accepted by the Board (September 1998).

Timely reimbursement of revenue subsidy aggregating Rs 645.65 crore by the Government would have facilitated regular liquidation of dues against purchase of power and avoidance of liability towards payment of surcharge and interest aggregating Rs 211.73 crore

iv) On one hand the State Government had not paid the revenue subsidy claims of the Board, which increased from Rs 258.18 crore in 1993-94 to

Rs 645.65 crore in 1997-98 and on other hand the amount of plan cut imposed by the Government of India due to non-payment of dues against purchase of power passed on as interest bearing loan to the Board. Had the State Government released the revenue subsidy claims in time, the Board could have paid the dues of NTPC and avoided the restrictions imposed by NTPC on power supply besides liability towards payment of surcharge and interest could have been minimised.

As the combined generation from the State owned generating units was not sufficient to meet the sharp peak hour demand for power and as there was lower availability of power during peak hours from outside sources owing to non-payment/ delay in payment of dues for power purchased, the Board had, therefore, to control the system by resorting to load shedding. The effects of load shedding are discussed in paragraph 3B.6.2 *infra*.

3B.6.2 Load shedding

With the existing power availability the Board could not meet the sharp peak demand and as a normal course opted for restricting supply by enforcing load shedding in a pre-planned schedule so as to distribute the load shedding time evenly in different areas. The details of total load shedding (break up of load shedding during peak hours and off peak hours were not made available to Audit by the Board) in the Board's system during the five years up to 1997-98 as per records of Central load despatch wing of the Board are shown as under:

Particulars	1993-94	1994-95	1995-96	1996-97	1997-98	Total
Load shedding						
i) in Mkwh	36 38	38 55	84 41	81 76	50 41	291 51
ii) value (rupees in crore)	4 95	5 36	13 51	13 65	8 42	45 89
Number of days load shedding occurred (days)	217	185	218	252	200	1072

(Source: Annual Statement of Accounts and Reports of the Central Load Despatch wing of the Board)

It would be observed that load shedding had ranged between 36.38 Mkwh and 84.41 Mkwh during the five years up to 1997-98. The consumers were, thus, deprived of the benefit of 291.51 Mkwh of power owing to load shedding besides loss of potential revenue of Rs 45.89 crore to the Board during the period.

Consumers were deprived of the benefit of 291.51 Mkwh of power owing to load shedding which also led to loss of potential revenue of Rs 45.89 crore to the Board

During peak hours load shedding is natural due to sharp increase in demand and lower availability of power. It was, however, observed that load shedding was not only enforced in the Board's system during peak hours but also during off-peak hours when power was available. This was mainly due to limitations in the transmission lines and sub-stations and frequent outages which deprived the availability of power to consumers even when there was no scarcity in the system. Load shedding during off-peak hours aggregated 3742.87 hours in North Bengal and 17522.13 hours in South Bengal during the four years up to 1994-95. The position after 1994-95 could not be ascertained as the data was not maintained by the Board.

Further analysis in audit of load shedding during four years up to 1994-95 revealed that:

- in three tea gardens of North Bengal (Hamiltanganj, Birpara & Banarhat) load shedding totalling 1547 hours was imposed, of which 599 hours was in off-peak hours. As reported by the unit authorities of the Board from time to time this was mainly due to system constraints, like absence of matching transmission lines and sub-stations and Volt Ampere Reactive (VAR) problem. Though the problem continued for four years, the Board did not take suitable measures to ensure uninterrupted power supply to the consumers of the area;

- in South Bengal though load shedding during off-peak hours reduced from 2801 hours in 1991-92 to 407 hours in 1994-95 yet it indicated 16 *per cent* increase over the total peak hours load shedding of 351 hours in 1994-95. As noticed in audit, this was also mainly due to forced break down of transmission lines and equipment;

- during April 1991 to December 1994 eight lines failed frequently in off-peak hours due to jumper outages, connector glowing, cable fault etc. Though there were consistent outages posing threat to the effective power load management, no action was taken by the Board to ascertain whether the outages were due to bad workmanship of the equipment in operation or bad quality of materials used or due to prolonged running of the system in high frequency condition so as to restrict the outages in future. The loss sustained by the Board due to interruptions in the transmission system owing to forced outages during above period worked out to 2.60 Mkwh valued at Rs 32.18 lakh.

Frequent interruptions in eight lines caused loss in supply of 2.60 Mkwh of power valued at Rs 0.32 crore

The above is indicative of the fact that the transmission and distribution system was not commensurate with the increase of power availability for distribution owing to slow progress of construction works of the transmission line and mismatch between growth of transformers and growth of transmission network as indicated at paragraph 3B.4.2 *supra.*

3B.6.3 Forced reduction of generation from Thermal Units

In the absence of demand for power during off-peak hours (23.00 hours to 16.00 hours) the generating capacity built up in eastern region could not be fully utilised. The fact that some of the constituent units pushed energy in the system in excess of requirement during off-peak hours also created operational difficulties as discussed in paragraph 3B.6.1.2 *supra*. As the inter-regional and inter-state transmission system were not adequately developed (September 1998) the surplus power could not also be transferred to the deficit region. In view of the above, the Board had no alternative but to forcibly reduce generation from its own thermal units. Particulars of station-wise reduction of generation during off-peak hours for the five years up to 1997-98 were as shown below:

Absence of suitable transmission net work caused forced reduction of generation of 2727.53 Mkwh of power valued at Rs 404.77 crore

Sl. No.	Power Station	1993-94	1994-95	1995-96	1996-97	1997-98
		(	in	Mkwh	)	
1.	B.T.P.S.	150.47	97.30	69.99	106.09	389.83
2.	S.T.P.S.	58.54	54.02	53.08	47.72	198.05
3.	K.T.P.S	393.58	201.60	94.53	248.26	564.47
	Total	**602.59**	**352.92**	**217.60**	**402.07**	**1152.35**

(Source: Details of backing down maintained by the Board)

Figures in the table above would reveal that during five years up to 1997-98 power aggregating 2727.53 Mkwh valued at Rs 404.77 crore could not be generated due to forced reduction of generation from thermal units.

It was noticed that due to forced reduction of generation costly fuel support in the boiler to control instability was inevitable besides incurring other fixed overheads which ultimately was contributing to unnecessary increase in cost of generation of the Board. In the absence of detailed records regarding consumption of oil and fixed overheads allocable to forced shutdowns during the period of forced reduction of generation the excess fuel consumption on this account as well as increase in cost of generation could not be ascertained and analysed in audit.

3B.7 System Deficiencies

Delay in synchronisation of a thermal unit caused loss of potential generation of 14.40 Mkwh valued at Rs 2 crore

Following system deficiencies causing difficulty in managing the power load effectively were also noticed:-

(i) Test check of records revealed instances of frequent non-compliance of the power load system regulatory measures by the different constituent units leading to difficulty in maintaining the system smoothly and consequential loss sustained by one or all the constituent units, the effect of which had to be borne by the consumers ultimately. A few such cases are mentioned below:

Sl No.	Bottlenecks in load regulation	Board's in action
i)	High grid frequency (varied from 51.1 to 51.4) from 12 hours to 13 hours on 23.6.1994 due to non-reduction of generation by the constituent units resulting in tripping of 210 MW unit VI of KTPP for the 2nd time on the same day (23.6.1994)	Future control measures taken by the constituent units were not ascertained and kept on records.
ii)	210 MW unit VI of Kolaghat Thermal Power Project (KTPP) of WBPDCL which was ready for synchronisation on 7.6.1994 but could not be synchronised up to 11.6.1994 owing to high system frequency. The loss of potential generation calculated to 14.40 Mkwh valued at Rs 2 crore	Corrective measures were not taken by the Board for timely synchronisation to avoid loss of generation.
iii)	Farakka Super Thermal Power Plant No.1 of NTPC was taken out unilaterally from the grid on 20.9.1995. Again between 24.1.1997 and 21.2.1997, power supply by NTPC to the Board was reduced from 8.5 to 1.644 Mkwh per day	Power restriction was imposed by NTPC for non-payment or delay in payment of NTPC's dues by the Board. Action was not taken by the Board (July 1998) to ensure steady supply of power for smooth grid management.
iv)	Closing of WBSEB and DVC tie at Kolaghat sub-station which tripped due to earth fault at 11.28 hours on 30.9.1995 was not intimated to KTPP for regulatory measures at the generating end.	Measures were not taken by the Board to avoid such situation in future.

In the absence of detailed records, commercial loss sustained by any or all the constituent units could not be ascertained and analysed in audit. The cases mentioned above are indicative of inadequate co-ordination and system control by any or all the constituent grid management authority.

(ii) In the inbuilt system, industrial, agricultural and domestic consumers are generally fed from the same feeder. As a result unit authorities found it difficult to control load from the supply side to force the industrial consumers to draw more power during off-peak hours and the agricultural consumers to run their pumps during night lean hours in terms of the energy control orders issued by the State Government from time to time. Up to July 1998, the Board had no plan to identify the feeders for separation of load for better load management.

(iii) The sub-committee (formed by the Eastern Regional Electricity Board) on frequent load shedding and system restoration procedure for Eastern Regional Power System had recommended (April 1996) twenty five measures for safeguarding the system from collapse in the event of disturbance caused by major loss of generation or disruption in important transmission line or any other major disturbances causing rapid fall in system frequency. The committee also recommended that a programme for implementation of the scheme should be chalked out by the constituent agencies including the West Bengal State Electricity Board (WBSEB). The Board had not chalked out any programme so far (September 1998) to implement the above scheme to safeguard the system.

3B.8 Other points of interest

i) Extra expenditure

In terms of the power purchase agreement made by the Board (August 1985/ May 1993) with NTPC the Board was to receive 33.12 *per cent* of the generation from Farakka units (1600 MW) and 21.43 *per cent* of generation from Kahalgaon units (840 MW) of NTPC. In the absence of adequate load growth in the State during off-peak hours, the power transmitted by NTPC to the Board's system as per the agreement could not be fully sold. To maintain system frequency at required level during off-peak hours, the Board had therefore despatched surplus power to the neighbouring States of Assam and Andhra Pradesh with effect from April 1991 and December 1994, respectively, without any agreement detailing terms and conditions for such despatch of power. In the absence of any power supply agreement with Assam and Andhra Pradesh, export of power outside the region from the share of the Board was treated by the NTPC as deemed consumption of the Board. As per the existing arrangements the tariff for such supply of power was to be fixed by the EREB. In the EREB meeting held in June 1995 the rate was fixed at Re 1.30 per Kwh which was revised on 21 December 1996 to Re 1.94 per Kwh in case of supply to Assam and on 23 December 1996 at Re 1.54 per kwh in case of supply to Andhra Pradesh.

Due to supply of power at price lower than the cost, there was extra expenditure of Rs 14.28 crore

It was noticed that with effect from 1 January 1995 the rates payable to NTPC by the Board became higher by Re 0.22 per Kwh in case of supply to Assam and Re 0.68 per Kwh in case of supply to Andhra Pradesh than the rates realisable from them. During 1 January 1995 to 31 March 1996, for supply of 291.7 Mkwh and 707.4 Mkwh of power, respectively, to Assam and Andhra Pradesh, the Board had to bear an extra expenditure of Rs 14.28 crore being the differences of rate payable by the Board to the NTPC for power received from Kahelgaon Super Thermal Power Station (KSTPS) and the rates receivable from Assam and Andhra Pradesh. These two states had also not paid the dues to the Board as Rs 46.04 crore (Rs 41.24 crore for Assam and Rs 4.80 crore for Andhra Pradesh) remained unrealised from them up to March 1998.

Thus, in order to maintain system frequency at the required level the Board had to supply power to Assam and Andhra Pradesh at a price lower than the cost price and had to incur an extra expenditure of Rs 14.28 crore.

Conclusion

Demand pattern for power in the State registered a sharp increase in peak-hours requirement. The Board was unable to meet the ever increasing demand of power mainly due to the followings :

- **Inadequate growth of Transmission and Distribution system commensurate with increased demand for power;**
- **Non-availability of required power during peak hours owing to slippage in the construction of new power projects;**
- **Restriction imposed during peak hours by the power supplying agency for delay in payment of their dues; and**
- **Delay in implementation of the system improvement schemes to avoid interruption in the system.**

As a result, the Board had to resort to load shedding during peak hours and suffered loss of generation from its thermal plants during off peak hours due to the absence of adequate transmission facility to export power to deficit regions.

CHAPTER IV

4A. GOVERNMENT COMPANIES

4A.1 WEST BENGAL TEA DEVELOPMENT CORPORATION LIMITED

4A.1.1 Loss due to use of unsuitable chemical

The Company sustained a loss of Rs 22.23 lakh due to use of unsuitable chemical in tea estate procured from an unauthorised dealer whose track record was not proven.

The Company received (January 1996) a *suo-moto* quotation from a Calcutta-based supplier, Sumon Datta, for supply of 'Yield-up', a chemical meant for growth of tea in tea estates. The Managing Director approved (March 1996) in general, procurement of 'Yield-up' under the category of pesticides but with the restriction that procurement was to be made only from authorised dealers/distributors of the Company. The Executive-Tea placed (April 1996) an order on Sumon Datta, not an authorised dealer, for supply of 400 Kilograms (Kgs) 'Yield-up' at a cost of Rs 0.20 lakh to Rungmook-Cedar Tea Estate (RCTE), Darjeeling, without verifying the credentials of the supplier and also without ascertaining the chemical composition of 'Yield-up' and its suitability for use in the Darjeeling tea estates. RCTE used the 'Yield-up' during May/ June 1996 without examining the chemical composition even though such a product was never used earlier in the tea estate.

RCTE despatched (June 1996) 26,672 Kgs tea worth Rs. 22.23 lakh to J.Thomas & Company Private Limited (JTCPL), tea brokers, for sale by auction at Calcutta. JTCPL was, however, compelled to withdraw (June-July 1996) the tea from auction due to the presence of a very strong chemical taint in the tea rendering it unfit for human consumption. The entire quantity of tea remained unsold (July 1998) as in the absence of details of chemical composition of 'Yield-up' used no corrective action could be taken to make the tea fit for human consumption.

Use of unsuitable chemical in tea estate resulted in a loss of Rs 0.22 crore.

Investigation by the then Chairman revealed (August 1996) that the 'Yield-up' used was unsuitable for the Darjeeling tea estates and was responsible for the chemical tainting of tea. Meanwhile, the Company tried (June 1996) to find out the details of chemical composition, etc. of 'Yield-up' from the supplier but his whereabouts were not known.

The then Executive-Tea, now General Manager (Tea), was asked (September 1996) to explain the procurement of 'Yield-up' from an unregistered and unknown supplier without analysis of the product and without any demand from the tea estate. The explanation was awaited (July 1998)

On being pointed out by Audit (June 1997), the Board of Directors of the Company ordered (August 1997) a detailed investigation in order to fix responsibility. Further developments were awaited (July 1998).

The matter was reported to the Government and Management in March 1998; their replies had not been received (July 1998).

4A.1.2 Unauthorised expenditure

The Company effected promotion/ scale upgradations in respect of employees in contravention of the Government order and incurred an unauthorised expenditure of Rs 6.39 lakh.

The State Government directed (December 1991) the Company in accordance with recommendations (March 1991) of the Third Pay Commission (TPC), to revise scales of pay of various posts without any modification to the provisions of the order. The revision would notionally be effective from 01 January 1986 (arrears payable in cash from 01 January 1988 only) with reference to the pay scales as existed on 01 January 1986. The order also specified the existing scales on 01 January 1986 vis-à-vis the revised scales as per TPC for the existing posts at Head Office (HO) of the Company. Further, the Company was required to refer lacunae, inconsistencies and anomalies in revision of pay scale, if any, to the State Government for final decision.

The Chairman of the Company, however, upgraded (July 1989) retrospectively, the earlier scales with effect from 01 April 1987, without approval of the State Government, in respect of all the 16 employees working at HO without assumption of higher responsibilities by them. Further, these upgraded scales were not in conformity with the scales attached to existing posts as on 01 January 1986 as mentioned in the Government order implementing decision of TPC. In terms of the Government order, scales should have been revised to those mentioned against the existing scales attached to the different posts as at 01 January 1986. Instead, the Company introduced revised scales with effect from 01 January 1986 corresponding to the upgraded scales effective from 01 April 1987.

Again on 30 September 1996, the Chairman approved substitution with retrospective effect from 01 April 1987 of the revised (April 1987) scales of eight HO employees with higher scales on the grounds of removing anomalies vis-à-vis scales determined for other undertakings under Commerce and Industries Department, Government of West Bengal. On the same day, Chairman also approved promotion of all 20 HO employees (including the eight employees mentioned earlier) with retrospective effect from 1 April 1992 to 17 December 1995, without assumption of higher responsibilities. For both decisions, approval of the State Government was not obtained (September 1998).

The above decisions of Chairman effecting promotions/ scale upgradations, contrary to the Government order, resulted in excess payment of Rs 6.39 lakh towards pay and allowances for the period from April 1987 to March 1998.

The Management stated (July 1998) that upgradation in the pay scales had been effected after careful consideration of all facts as also the pay structures prevalent in other public sector undertakings. Further, the Management was considering *post-facto* approval of the State Government.

The reply is not acceptable since the promotion/ scale upgradations were done in contravention of the Government order.

The matter was reported to the Government in May 1998, their reply had not been received so far (September 1998).

4A.2 WEST BENGAL STATE SEED CORPORATION LIMITED

4A.2.1 Loss of interest

The Company sustained loss of interest of Rs 34.40 lakh due to failure to invest idle funds in short-term deposits.

Failure to invest idle funds in short-term deposits resulted in loss of interest of Rs 0.34 crore

The Company maintains current accounts with State Bank of India (SBI) both at Head Office (HO), Calcutta and District Offices (DOs) throughout West Bengal. To avoid blocking of funds at DOs and consequential loss of interest; the Board of Directors (BOD) resolved (October 1994) that from 1 December 1994, new current accounts be opened for deposit (Account No.I) at DOs while the existing current accounts were to be re-designated for expenditure (Account

No.II). DOs were required to deposit all collections into Account No.I from which withdrawals were not permitted. Accumulated balances in Account No.I were to be transferred to SBI, Calcutta on the instructions of HO. To meet their expenditure, DOs were required to requisition funds from HO and the same were required to be transferred to Account No.II. However, the BOD did not specify the minimum balances to be maintained in Account No.I beyond which funds would automatically be transferred to HO account.

A test-check of fund position between December 1994 and August 1997 at six units* revealed (November 1997) that aggregate month-end balances of Rs 20.06 lakh to Rs 492.41 lakh remained unremitted to HO current account. Though HO was periodically informed of fund position by DOs, HO failed to utilise the idle funds.

Had the funds lying in Account No.I been remitted to HO and in turn invested in short-term deposit (30 days), the Company could have earned an interest of Rs 34.40 lakh *per* month at the rate of 10 *per cent per annum.*

The Management agreed (May 1998) to review the entire system in the light of Audit observation.

The matter had been reported to the Government in April 1998; their reply had not been received (September 1998).

4A.2.2 Loss due to unplanned procurement of groundnut seed

The Company procured groundnut seed without assessment of demand and sustained loss of Rs 9.46 lakh.

The Company plans production of certified seeds through their registered growers for *rabi (*October to February) and *kharif* (June to September) seasons for each district. Managing Director (MD) approved (September 1995) the plan for procurement of different seeds for *rabi* season (October 1995 to February 1996) which did not include any production of groundnut in Nadia district.

The District Manager (DM) of Nadia, on telephonic instruction from MD, purchased (May/June 1996) 187.11 metric tonnes (MT) of groundnut seed at a cost of Rs 40.41 lakh from registered growers without any recorded justification. The seed was certified (June/July 1996) as fit for germination by Seed Certification Officer, Government of West Bengal. Management confirmed that in West Bengal, groundnut seeds germinate for about 5 months after testing.

It was seen (November 1997) in audit that while 85.52 MT seed (Cost: Rs 18.47 lakh) was sold (June-September 1996) as good seed for Rs 24.60 lakh, the DM intimated (December 1996) to the MD that balance 101.59 MT (Cost: Rs 21.94 lakh) of groundnut seed was no longer capable of germination. As a result, the seed (101.59 MT) was sold (March 1997) as bad seed realising Rs 6.35 lakh only and the Company suffered a loss of Rs 9.46 lakh after adjusting profit of Rs 6.13 lakh earned on sale of good seed.

The Management stated (May 1998) that the Company earned a profit of Rs 56.70 lakh on groundnut seed business throughout West Bengal during 1996-97. The reply is not tenable, as the loss of Rs 9.46 lakh arose from a decision contrary to the approved programme of procurement.

The matter was reported to the Government in March 1998; their reply had not been received (September 1998).

* Barasat, Burdwan, Malda, Midnapore, Murshidabad and Nadia

4A.3 WEST BENGAL AGRO-INDUSTRIES CORPORATION LIMITED

4A.3.1 Loss of interest

The failure of the Company to avail the offer for investment of Rs 2.54 crore at higher rate of interest for three consecutive years resulted in a loss of interest of Rs 36.42 lakh.

The Company received (April 1996) an offer from Industrial Finance Corporation of India (IFCI) for investment of its surplus funds of Rs 2.50 crore in Certificate of Deposit Scheme (CDS) for a period of three consecutive years at an interest of 18.25 *per cent per annum*. However, the Company despite having sufficient funds in current accounts as well as in other fixed deposits, invested (April 1996) Rs 2.54 crore in CDS only for one year. But on its maturity, this amount was immediately re-invested (April 1997) with Industrial Development Bank of India for further three years at an interest of 13 *per cent per annum* as the Company's request to renew the CDS was not accepted by IFCI. Had the Company accepted the offer of IFCI in April 1996, it could have earned an extra interest of Rs 36.42 lakh for two more years up to March 1999.

Wrong investment decision by the Company entailed loss of interest of Rs 0.36 crore

The matter was reported to the Government and Management in May 1998; their replies had not been received (September 1998).

4A.4 WEBFIL LIMITED

4A.4.1 Injudicious import of machines

The Company imported machines without considering existence of surplus production capacity, which resulted in locking-up of Rs 26.80 lakh besides loss of interest of Rs 12.31 lakh.

On the basis of an unsolicited offer (January 1993) from Falma, Switzerland, the Board of Directors (BOD) of the Company authorised (March 1993) the Committee of Directors (COD) to procure from Falma four second hand double winding and coiling machines for manufacturing lamp filaments. It was envisaged (March/April 1993) that after installation of the above machines along with other balancing machines to be procured, production of filaments would be increased by 10-12 million pieces, and cost of machines would be financed out of capital investment subsidy and sales tax loan from the Government of West Bengal.

The Company placed (April 1993) an order on Falma for supply of these machines at CIF price of Swiss franc 66830 (Indian rupees 16.02 lakh) to be supplied on receipt of letter of credit by Falma. The machines arrived at Calcutta Airport in September 1993 but were cleared only in March 1996 after payment of Rs 10.78 lakh towards customs duty (Rs 7.55 lakh), airport rent (Rs 2.56 lakh) and clearing and forwarding (Rs 0.67 lakh). However, neither were these machines put to use nor were the other balancing machines procured (September 1998).

Injudicious import of machines resulted in locking up of Rs 0.27 crore and loss of interest of Rs 0.12 crore

It was seen (October 1996) in audit that COD approved (April 1993) the proposal without considering the existing surplus production capacity of filament in the market. Consequently, the average monthly production of filaments fell from 11.89 million in 1992-93 to 9.18 million in 1995-96 due to fall in demand. As a result, investment of Rs 26.80 lakh on purchase of machines remained unfruitful with loss of interest of Rs 12.31 lakh (September 1998).

Management stated (April 1998) that as there was no immediate plan for production of 200 watt single coil filaments, the machines could not be put to use.

The matter was reported to the Government in April 1998, their reply had not been received (September 1998).

4A.5 GLUCONATE HEALTH LIMITED

4A.5.1 Loss due to non-availment of MODVAT credit

The Company sustained loss of Rs 8.80 lakh due to failure to maintain requisite records necessary to avail MODVAT credit.

Under the Modified Value Added Tax (MODVAT) scheme, with effect from 16 March 1995, manufacturers are entitled to avail MODVAT credit on excise duty paid on inputs against the excise duty payable on the manufacture of all excisable final products. To avail this benefit, manufacturers must submit a declaration/ monthly returns to the excise authorities with details of final products manufactured, inputs received, MODVAT credit claimed and also maintain an account in Form 23A (Part I & II) under Central Excise Rules, 1944.

It was seen (March 1998) in Audit that while Unit I of the Company located at Calcutta had availed MODVAT credit of Rs 17.12 lakh during 1995-96 and 1996-97, its Unit II located at Dum Dum failed to avail such credit of Rs 8.80 lakh in the same period as the requisite records in Form 23A were not maintained by Unit II, for reasons not on record. No responsibility was fixed by the Company for the lapse (September 1998).

The matter was reported to the Government and the Management in April 1998; their replies had not been received (September 1998).

4A.5.2 Avoidable payment of interest

The Company paid avoidable interest of Rs 6.77 lakh to a bank due to abnormal delay in intimating the bank to release *hundis*.

The Company procured a bulk drug -Ampicillin Trihydrate IP at a cost of Rs 13.73 lakh between September 1991 and September 1992 from Nirmal Drugs Private Limited (NDPL) who were to be paid 30/60 days *hundis* through State Bank of India. Under the system, it was the responsibility of the Company to intimate the bank to release the *hundis* by debit to the current account of the Company. In case of delay in intimation, the Company was liable to pay interest to the Bank at the rate of 24 per cent per annum for the period of delay.

It was seen in Audit (February 1998) that during the period April 1992 to January 1996, the Company delayed intimation to the bank by 140 to 1216 days for release of the *hundis* despite having adequate funds in the current account on the respective due dates. As a result, the Company paid interest of Rs 6.77 lakh to the bank for these avoidable delays. The Company did not analyse the reasons for these delays.

The matter was reported to the Government and the Management in April 1998, their replies had not been received (September 1998).

4A.6 SARASWATY PRESS LIMITED

4A.6.1 Loss due to defective agreement

The Company sustained a loss of Rs 25.49 lakh on supply of telephone directory due to non-inclusion of escalation clause in the agreement.

The Company agreed (September 1994) to compile, print, bind and supply 4,00,000 (plus/ minus 5 *per cent* variation) copies of Calcutta Telephone Directory–1994 to Calcutta

Telephones (CT) at Rs 62.50 per copy of 1200 pages having cover page of 130 GSM substance glazed on one side. The agreement, however, did not provide for escalation on account of cost of paper and cover page.

While executing the order, the Company observed (March 1995) that the actual cost per copy had increased by Rs 17.75 per copy and approached (March 1995) CT for revision of the contracted rate to Rs 80.25 per copy. While CT accepted (March 1995) the claim towards increase in number of pages (Rs 11.67 per copy), the balance claims (Rs 6.08 per copy) on account of use of costlier paper & cover page and extra cost towards binding charges were rejected as the agreement had no provision for escalation on that account. As a result, on printing and supply of 4,19,170 copies of telephone directory (March 1995/ November 1996) the Company suffered a loss of Rs 25.49 lakh due to non-inclusion of escalation clause in the agreement.

Use of costlier paper and cover page for printing of telephone directory resulted in loss of Rs 0.25 crore.

The Management stated (April/ May 1998) that there was no need for any escalation clause, as the mobilisation advance covered the cost of raw material, but due to increase in the number of pages, paper had to be procured at higher prices. Further, the cover paper used suited the process of mechanical binding. Reply of the Management is not tenable, as the Company used the costlier paper beyond the scope of agreement without obtaining approval of CT.

The matter was reported to the Government in April 1998; their reply had not been received (September 1998).

4A.7 WEST BENGAL DAIRY AND POULTRY DEVELOPMENT CORPORATION LIMITED

4A.7.1 Loss due to incorrect assessment of contractual monthly demand

The Company failed to correctly assess contractual monthly demand of power for its three units and sustained a loss of Rs 19.32 lakh during 1994-95 to 1996-97.

The terms of standard agreement between West Bengal State Electricity Board (Board) and bulk consumers of power *inter-alia,* requires the latter to specify their monthly demand for power in order to compute the Annual Minimum Guaranteed Revenue (AMGR) payable to the Board. In case AMGR, so calculated, is in excess of the annual billing by the Board for actual power consumed, the shortfall is to be recovered from the consumers. Therefore, it is important that the consumers should indicate the monthly demand only after a correct assessment of their power requirement so as to minimise or obviate payment towards shortfall in AMGR. Further, the Board agreed (May 1996) to reconsider the downward revision of contracted demand only if actual power drawn was less than 50 *per cent* of contract demand.

It was seen (July to September 1997) in audit that Kalyani Feed Milling Plant (KFMP) of the Company had renewed (August 1995) contractual monthly demand of 295 KVA for five years without re-assessment of demand. However, the actual. average monthly demand, subsequent to revision, stood at 90 KVA only till March 1998. Similarly, in Salboni and Gazole Feed Plants (commissioned in March/ April 1995), the average monthly demand stood at 102 and 107 KVA respectively up to 1997-98 against the contractual (June 1993/ March 1994) demand of 175 KVA and 200 KVA respectively, for

Incorrect assessment of monthly demand of power resulted in loss of Rs 0.19 crore

these two units which had been fixed without considering the plant load and system of operation.

Due to incorrect assessment of monthly demand for power, AMGR was fixed far in excess of the actual power consumed in these three units. As a result, the Company had to pay Rs 19.32 lakh towards shortfall in AMGR during 1994-95 to 1996-97 and suffered loss to that extent. The loss would further increase on receipt of adjustment bill from the Board for 1997-98.

The Management stated (July 1998) that only at the time of renewal of the agreement at the end of the contractual period of 5 years downward revision would be possible in the case of the Gazol and Salboni Feed Plants as the actual requirement was not less than 50 *per cent* of the contracted demand. It was further stated that the petition for revision had been filed (January 1998) with the Board for KFMP since the actual requirement was less than 50 *per cent* of the contracted demand. Further developments were awaited (September 1998).

The matter was reported to the Government in April 1998; their reply was awaited (September 1998).

4A.8 WEST BENGAL HANDICRAFTS DEVELOPMENT CORPORATION LIMITED

4A.8.1 Loss of revenue

The Company sustained loss of revenue of Rs 13.93 lakh due to failure to exercise option in time for availing financial assistance from the Government of India under Market Development Assistance Scheme (MDAS).

The Government of India introduced from the financial year 1988-89 the MDAS with a view to developing the handloom market. Under the Scheme, the State Handloom Development Corporations (SHDCs) were required to opt for assistance of either (a) eight *per cent* of average sales of handloom fabrics, garments (excluding *Janata* cloth), etc. for the three financial years immediately preceding, or (b) average of Special Rebate Assistance (excluding National Handloom Expo rebate) and Share Capital Assistance pertaining to the three financial years immediately preceding. SHDCs could, however, exercise the option once more in any of the subsequent years to switch over only from alternative (b) to (a) above.

Delay in exercise of option resulted in loss of revenue of Rs 0.14 crore

The Company opted (July 1989) for alternative (b) and received fixed assistance of Rs 20.54 lakh per annum from 1988-89 to 1995-96. The Board of Directors reviewed (November 1995) the position and decided to opt for alternative (a) to increase the receipt of assistance. However, the Company exercised the option only in April 1996 through the Government of West Bengal. The proposal was approved by the Government of India in August 1996 from the financial year 1996-97.

It was, however, observed (January 1998) in audit that subsequent to the introduction of the MDAS, the sales of handloom products increased from Rs 163.22 lakh in 1988-89 to Rs 299.19 lakh in 1992-93. As a result the fixed assistance (Rs 20.54 lakh *per annum*) had become unremunerative to the Company from 1992-93 compared to assistance calculated at the rate of eight *per cent* of average sales of three preceding years under alternative (a).

Had the Company opted for alternative (a) from 1992-93 after review of sales vis-à-vis provisions of the scheme, it could have avoided loss of revenue of Rs 13.93 lakh by earning Rs 96.09 lakh as assistance against actual receipt of Rs 82.16 lakh during 1992-93 to 1995-96.

The matter was reported to the Government and the Management in March 1998; their replies had not been received (September 1998).

4A.9 WEST DINAJPUR SPINNING MILLS LIMITED

4A.9.1 Avoidable expenditure on carrying charges

The Company over-assessed its requirement of cotton and incurred an avoidable expenditure of Rs 18.02 lakh towards carrying charges due to its failure to lift cotton within due dates.

The Company entered (January 1995) into two contracts with Cotton Corporation of India Limited (CCI) for procurement of 2,100 bales of cotton of different varieties at rates varying from Rs 61.30 to Rs 68.33 per kg. According to terms and conditions of the contracts, delivery was to be taken by the Company within 40 days from the date of contracts (12/20 January 1995) and in case it delayed the lifting of cotton, carrying charge at the rate of two *per cent* of the cost of cotton for first 60 days and two and a half *per cent* thereafter would be payable to CCI. The Government of West Bengal had also directed (October 1994) that from December 1994 onwards, cotton should be booked only ten days before delivery.

Over-assessment of requirement of cotton resulted in avoidable expenditure of Rs 0.18 crore towards carrying charge

It was seen (April 1998) in audit that against an average monthly consumption of 494 and 527 bales during the previous two years 1993-94 and 1994-95 respectively, the Company had assessed (December 1994) its requirement at 6019 bales (monthly average: 752 bales) for the period from January to August 1995 and on the above basis both contracts had been made with CCI. However, the actual consumption during the same period was 4664 bales only (monthly average: 583 bales). The reasons for assessing its requirement on the higher side were not on record.

As cotton available in stock (1962 bales) in January and February 1995 was equivalent to 3.7 months consumption the Company lifted (June to September 1995) 1,704 bales for a total amount of Rs 184.37 lakh in respect of both contracts after delays of 106 to 212 days beyond the contractual period of lifting. Due to this delayed lifting, the Company paid carrying charges of Rs 18.02 lakh during 1995-96 which could have been avoided had the requirement of cotton been fixed correctly.

The Management stated (July 1998) that though the procurement was based on the production budget but targeted production could not be achieved. The reply is not tenable, as the production budget was neither realistic nor based on actual production in the previous years.

The matter was reported to the Government in May 1998; their reply had not been received (September 1998).

4B. STATUTORY CORPORATIONS

4B.1 WEST BENGAL STATE ELECTRICITY BOARD

4B.1.1 Loss due to failure to invoke the risk purchase clause

The Board failed to invoke the risk purchase clause on the contractor who had not completed the supplies and sustained a loss of Rs 56.69 lakh on procurement from another source at additional cost.

The Board placed (July 1991) an order on Jaipur Metals and Electricals Limited (JMEL), Rajasthan for manufacture, testing and delivery of 30,000 single phase current KWH meters at a cost of Rs 48.73 lakh plus octroi, sales tax and excise duty applicable on the date of supply. The delivery was to be completed by November 1991. The terms and conditions of the order *inter-alia* provided that in case of delay in supply, JMEL was liable to pay liquidated damage at the rate of half *per cent* of the value of undelivered quantity subject to a maximum of two and half *per cent* of the total value of material. The Board reserved the right to rescind the contract as also to recover from JMEL the extra expenditure for procuring the material from other sources.

JMEL could not commence the supply within the scheduled date of delivery and supplied (July – September 1992) only 1000 meters at a total price of Rs 1.96 lakh (meters: Rs 1.60 lakh plus excise duty, taxes etc.: Rs 0.36 lakh). The Board paid (October/ November 1992) Rs 1.92 lakh to JMEL (after recovery of liquidated damages of Rs 0.04 lakh) without testing meters supplied and extended (May 1993) the delivery schedule for balance 29,000 up to June 1993. However, JMEL failed to complete the supply within extended period. The reasons for failure were not on record. Further, 1000 meters supplied (July – September 1992) by JMEL were found to be defective and hence were rejected (April 1994) by the Board. The records relating to testing of meters as regards nature of defects etc. were not made available to Audit. Finally, the Board rescinded (July 1994) the order and placed (October 1994) a fresh order on VXL Landis and Gyr Limited (VXL), Calcutta for supply of 30,000 meters by December 1994 at a cost of Rs 103.50 lakh plus taxes, duties extra. VXL completed the supply by July 1995. The Board, neither imposed the risk purchase clause on JMEL for recovery of extra expenditure of Rs 54.77 lakh (Rs 103.50 lakh minus Rs 48.73 lakh) incurred for procuring from another source nor claimed the cost of defective meters valued Rs 1.96 lakh and thereby sustained a loss of Rs 56.69 lakh (Rs 54.77 lakh plus Rs 1.92 lakh). The reasons for not taking any action against JMEL were not made available to Audit.

Failure to invoke risk purchase clause resulted in loss of Rs 0.57 crore

The matter was reported to the Government and the Board in May 1998; their replies had not been received (September 1998).

4B.1.2 Loss of potential revenue

The Board sustained a loss of potential revenue of Rs 46.07 lakh due to its failure to provide power to a new consumer in time.

Nissan Ferro-Cast Limited (NFCL), Calcutta approached (January 1992) to the Board for supply of bulk power at 33 KV (1500/2000 KVA) to its proposed steel casting unit at Hooghly during the initial five years of operation. The unit was scheduled to commence production in June 1995. The Board communicated (June 1994) to NFCL Rs 17.18 lakh (the Board's contribution: Rs 1.00 lakh and NFCL's contribution: Rs 16.18 lakh) as the total cost of the work for supply of power and received (September 1994) the requisite contribution from NFCL. The Board also entered (January 1995) into an agreement with NFCL which provided that NFCL was to submit a bank guarantee of Rs 21.80 lakh towards security deposit.

Delay in supply of power resulted in loss of potential revenue of Rs 0.46 crore

The Board commenced (February 1995) construction work but completion was delayed due to the Board's failure to arrange the material (rail poles etc.). On the request (June 1995) of the Board, NFCL supplied the material subject to adjustment of cost. Though terminal arrangement within the factory premises was completed (February 1996) power supply could not be effected due to non-completion of work relating to 33 KV control transformer and 33 KV control and relay panel. The work was completed in March 1996 and the power supply was switched on 4 April 1996 after obtaining bank guarantee from NFCL.

Failure of the Board to arrange the requisite material and completion of works in time resulted in delay in effecting supply, leading to loss of potential Annual Minimum Guaranteed Revenue of Rs 46.07 lakh for the period from June 1995 (scheduled date of commercial production) to March 1996 computed on contractual demand of 1500 KVA in the first year of operation.

The Government accepted (July 1998) the observations made by Audit.

4B.1.3 Loss due to damage to transformer

The Board's failure to undertake proper maintenance of transformers and to take adequate measures for safety of a transformer under repair resulted in loss of potential revenue of Rs 34 lakh besides loss of asset valued at Rs 7 lakh.

Two transformers (Serial Nos. 5344 and 40278) were installed at Odlabari sub-station, Jalpaiguri of the Board for catering to the electricity demand of the area.

The transformer No.5344 was found (December 1992) defective and the work of its repair was awarded (January 1993) to Hydraulic Industrial Corporation (HIC), Siliguri at a cost of Rs 0.58 lakh. The repair work of this transformer was started by HIC in the yard itself without removing it to a safer place. Meanwhile, the other transformer No.40278 continued operating with deteriorated oil since November 1991, but the Board did not take preventive action for replacement of oil the reasons for which were not on record. In the absence of operation of transformer No.5344, the condition of the transformer No.40278 further aggravated due to higher load and excessive high temperature in the transformer winding. As a result, this transformer burnt out (June 1993) and was found to be beyond repair. The fire also completely damaged the transformer No.5344 which was being repaired by HIC in the same yard and this transformer was also rendered beyond repair.

The Board lost potential revenue of Rs 34 lakh besides loss of assets valued at Rs 7 lakh due to non-maintenance of transformers

As a result of loss of both the transformers, the Board could not supply 2499.90 MKWH power to the consumers of the area during the period from 24 June to 6 July 1993 and lost potential revenue of Rs 34 lakh besides loss of assets (transformers) valued at Rs 7 lakh.

While accepting the facts, the Government stated (July 1998) that preventive measures to avoid recurrence of such incidents in future had been taken.

4B.1.4 Extra expenditure due to unjustified rejection of lowest offer

The Board incurred an extra expenditure of Rs 30.04 lakh on procurement of cables due to rejection of technically acceptable lowest offer.

The Board invited (December 1994) offers for procurement of 142 Kms of PVC Copper Control Cable of seven sizes. The terms of payment *inter-alia* included 90 *per cent* payment for each consignment against *proforma* invoice and balance 10 *per cent* after verification of consignment supported by Stores Receipt Voucher. Out of five offers received, the offer of Indian Aluminium Cables Limited (IACL) at Rs 119.34 lakh was found to be the technically acceptable lowest offer which included a stipulation for 100 *per cent* payment through letter of credit against despatch documents. The Board rejected the offer on the ground that the same was not in accordance with its terms of payment. However, it was seen (March 1997) in audit that in order to ensure financial savings the Board had procured material during September 1994 to November 1995 against 100 *per cent* payment as advance to the suppliers.

The Board negotiated (January 1995) with Crystal Cable Industries Limited and Laser Cables Private Limited and placed order on both the parties for supply of 71 Kms of cables of seven sizes on each party at a cost of Rs 150.02 lakh. Post-facto approval of the Standing Tender Committee of the Board was obtained in April 1995. Together the two firms supplied (December 1995) 145.237 Kms of cables at a total cost of Rs 156.53 lakh. Had the Board placed the order on IACL and procured 145.237 Kms of above cables, it would have cost only Rs 125.08 lakh.

Non-acceptance of technically acceptable lowest offer resulted in extra expenditure of Rs 0.30 crore.

The Board, thus, incurred an extra expenditure of Rs 30.04 lakh (after adjustment of interest of Rs 1.41 lakh payable to bank on cash credit for discharging balance 10 *per cent* payment to IACL in advance).

The Government stated (July 1998) that failure to pay the banker against a letter of credit would attract penal interest and adversely affect the goodwill of the Board. The contention is not tenable as even after giving credit for interest on the balance 10 *per cent* the Board could have saved Rs 30.04 lakh.

4B.1.5 Loss due to issue of material to contractors without security

The Board issued material to the contractors without verifying the progress of work and obtaining security from the contractors who left site without completing the work and consequently sustained a loss of Rs 13.55 lakh.

Issue of material to the contractors without security entailed a loss of Rs 0.14 crore

(a) The Board placed (October 1990 and June 1991) three orders valued at Rs 11.53 lakh (material: Rs 9.58 lakh and labour charges: Rs 1.95 lakh) on Little Supply Group (LSG), Nadia for intensification of three electrified *mouzas* in the district of 24 Parganas (South) under Rural Electrification Project. The work was to be completed between December 1990 and August 1991. According to the terms and conditions of the orders, material required for the work was to be issued by the Board, but no security deposit was stipulated. In case of delay, LSG was liable to pay penalty (at the rate of half *per cent* for delay of each fortnight subject to the maximum of two and half *per cent* of the value of unexecuted works).

The requirement of the material was assessed on the basis of actual survey by the Assistant Engineer of the Construction Division prior to issue of the orders and the same was to be issued by the Site Officer. The Site Officer must, therefore, periodically verify the progress of the work before issue of material. It was seen (January 1997) in audit that material valued at Rs 13.04 lakh was issued to LSG against a total requirement of Rs 9.58 lakh indicating that neither was the progress of work monitored nor was the issue of material made as per orders. LSG was unable to execute the work due to paucity of fund and abandoned (July 1995) the site after executing work valued at Rs 7.25 lakh (material: Rs 6.07 lakh and labour charges: Rs 1.18 lakh). The Board decided (February 1995) to rescind the orders, but did not ask LSG to return the unutilised material valued at Rs 6.97 lakh. LSG had not returned the material so far (September 1998).

The Board stated (July 1998) that action was being taken to lodge FIR and penal action was being taken against the contractor.

(b) Similarly, three orders were placed (October-November 1994) at a cost of Rs 10.75 lakh (material: Rs 9.69 lakh and labour charges: Rs 1.06 lakh) on A.K. Enterprise (AKE), Nadia for energisation of 21 Tube Wells of eight *mouzas* in the district of Burdwan under Rural Electrification Project. The work was to be completed between January and June 1995.

The Board issued material valued at Rs 8.88 lakh to AKE between February 1995 and December 1995 without verifying the progress of work. AKE abandoned (January 1996) the site after partial execution of one work order to the extent of Rs 2.52 lakh (material: Rs 2.30 lakh and labour charges: Rs 0.22 lakh) only. Reasons for non-completion of work were not on record.

The Board asked (May 1997) AKE to return the unutilised material valued at Rs 6.58 lakh. As AKE did not return the balance material, the Board lodged (May/October 1997) FIRs. Further, developments were awaited (September 1998).

In both the cases the Board did not invoke the penalty clause for which reasons were not on record. Moreover, material worth Rs 13.55 lakh could not be recovered from the contractors in the absence of security deposits. The remaining works were yet to be completed (September 1998) and expenditure of Rs 9.77 lakh already incurred on them remained unfruitful.

The matter was reported to the Government and the Board in May 1998; their replies had not been received (September 1998).

4B.2 GREAT EASTERN HOTEL AUTHORITY

4B.2.1 Payment of avoidable power surcharge

The Authority paid avoidable power surcharge to the tune of Rs 15.38 lakh due to its failure to install power capacitor for increasing power factor.

The Authority receives power from Calcutta Electric Supply Corporation Limited (CESC). According to the standard tariff schedule of CESC, the Authority was to pay power factor surcharge, if the power factor fell below 0.95 (Reduced to 0.85 from February 1997). In order to maintain the power factor, the Authority was required to install power capacitor at a cost of Rs 2.61 lakh.

Failure to install power capacitor resulted in payment of avoidable power surcharge of Rs 0.15 crore

Audit observed (July 1997) that the Authority failed to install the power capacitor to raise the power factor and paid Rs 15.38 lakh to CESC towards power factor surcharge for the period from July 1980 to April 1998.

The Government stated (April 1998) that the then Chief Engineer (CE) of the Authority had not advised the installation of necessary corrective apparatus, however, the corrective apparatus would be installed by 31 March 1999.

4B.3 THE WEST BENGAL INDUSTRIAL INFRASTRUCTURE DEVELOPMENT CORPORATION

4B.3.1 Undue benefit to employees

The Corporation promoted 23 engineers to the higher scale and extended the Career Advancement Scheme to 103 employees in contravention of the directives of the Government which resulted not only in extending of undue benefits to these employees but also in incurring of unauthorised expenditure of Rs 11.23 lakh.

Promotion and extension of Career Advancement Scheme to employees without approval of the Government resulted in unauthorised expenditure of Rs 0.11 crore.

In terms of West Bengal Industrial Infrastructure Corporation Act, 1974, the Corporation should obtain prior approval of the State Government, in regulating the conditions of appointment and service and the scales of pay of officers and employees of the Corporation.

(a) The State Government introduced (September 1985) a policy for promotion of the engineers employed in the State Government which *inter-alia* included (a) passing a departmental examination and (b) rendering of a prescribed (6 to 20) years of service.

The Board of the Corporation approved (July 1989) in principle, extension of the aforesaid promotion policy to the engineers of the Corporation dispensing with the passing of the departmental examination. The above decision of the Board was subject to the approval of the State Government. The proposal was sent in August 1989 but was rejected by the State Government on the ground that the Corporation had dispensed with the condition of passing the requisite departmental examination before becoming eligible for promotion.

The Corporation, however, implemented (May 1995) the promotion policy effective from 1 April 1984 and promoted (between April 1984 and May 1995) 23 engineers to higher posts without conducting the departmental examination despite rejection of the proposal by the Government in September 1989. As a result, the Corporation unauthorisedly incurred an expenditure of Rs 6.32 lakh towards additional pay and allowances up to March 1998.

(b) The Corporation sought (November 1992) the Government's approval to extend to its employees the Career Advancement Scheme 1990 (CAS'90) of the State Government. The Government turned down (March 1993) the proposal as CAS'90 was intended for State Government employees only.

Again, the Corporation implemented (November 1995) the provisions of CAS'90 from April 1989 and extended benefits to its 103 employees, resulting in payment of unauthorised pay and allowances of Rs 4.91 lakh up to March 1998.

The Management stated (March 1998) that implementation of both schemes was duly ratified (July 1997) by the Board and the matter had also been referred to the Fourth Pay Commission constituted by the State Government. Reply is not tenable as the Act, *ibid* by which the Corporation was constituted clearly specifies that approval of the State

Government is a pre-requisite before such regulations can be introduced and implemented and as such the entire expenditure of Rs 11.23 lakh on pay and allowances was unauthorised.

The matter was reported to the Government and the Management in May 1998; their replies had not been received (September 1998).

CALCUTTA,
The 22 FEB 1999

(H.S.NARAYANAN)
Accountant General (Audit)-I,
WEST BENGAL

Countersigned

NEW DELHI,
The - 4 MAR 1999

(V. K. SHUNGLU)
Comptroller and Auditor General of India

Annexure

ANNEXURE I

(Referred to in paragraph of preface and paragraph 1 2 9, page 13)

List of Companies in which Government of West Bengal invested more than Rs 10 lakhs but which are not subject to audit by the Comptroller and Auditor General of India as on 31 March 1998

Sl No	Name of the Company	Total amount invested up to 31 03 1998 (Provisional) (Rupees in crore)
1	*Apollo Zipper Company Limited	2 79
2	A Stock and Company Limited	0 18
3	Bengal Belting Corporation Limited	0 14
4	Calcutta Electric Supply Corporation Limited	65 45
5	Incheck Tyres Limited	0 35
6	Kolay Iron and Steel Company	0 15
7	Kinision Jute Mills Limited	2 81
8	*Lily Biscuit Company Private Limited	16 04
9	Makintosh Burn Limited	1 87
10	New Central Jute Mills Limited	19 60
11	Supreme Paper Mills Limited	1 85
12	Titagarh Paper Mills Limited	11 63
13	The Small Tools Manufacturing Company of India Limited	1 01
14	Fort William Company Limited	1 37
15	Prabartak Jute Mills Limited	0 58
16	India Jute and Industry Limited	0 34
17	East Bengal Steamer Services	0 24
18	Eastend Paper Industries Limited	2 11
19	India Hard Metals Limited	0 14
20	Khaitan Agro Complex Limited	1 05
21	Gulmohar Paper Industries Limited	1 66
22	Universal Paper Mills Company Limited	1 89
23	Naihati Jute Mills Company Limited	2 85
24	Howrah Jute Mills Company Limited	2 57
25	Calcutta Chemicals Company Limited	1 51
26	Electric Manufacturing Company Limited	1 84
27	Asiatic Oxygen Limited	0 29
28	National Tannery Limited	0 58
29	Ganges Manufacturing Company Limited	4 73
30	Gourishankar Jute Mills Limited	3 19
31	Kankinara Company Limited	5 05
32	ACC Babcock Limited	2 82
33	Krebs & Cie (India) Limited	0 17
34	Durgapur Malcables Private Limited	0 13
35	Nipha Steels Limited	0 52
36	Deepeejay Limited	0 14
37	Vegitables Products Company Limited	1 01
38	Anglo India Jute Mills Company Limited	2 88
39	Kamarhati Company Limited	1 92
40	Budge Budge Company Limited	4 96
41	Budge Budge Refineries Company Limited	0 17
	Total	170 58

* Became Government companies though their audits have not been entrusted to the Comptroller and Auditor General of India till 31 March 1998

ANNEXURE 2

(Referred to in paragraph 1 2 2, Page 3)

Statement showing particulars of up to date Capital, Budgetary outgo, Loans given out from Budget and outstanding loan as on 31 March 1998

Sl No	Name of Sector/Department/Company	Paid up capital as at the end of 1997-98 State Government	Central Government	Holding Company	Others	Total	Loans given out of Budget during the year	Loans outstanding
1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4	5
	Agriculture, Plantation and Wood based		(	Rupees	in	lakh	)	
	(Agriculture Department)							
1	West Bengal State Seed Corporation Limited	250 00	-	-	-	250 00	-	-
	(Commerce and Industries Department)							
2	West Bengal Pharmaceutical and Phytochemical Development Corporation Limited	958 04 (138 92)	-	-	-	958 04	15 00	15 00
3	West Bengal Tea Development Corporation Limited	1234 74 (180 00)	-	-	-	1234 74	330 00	2994 99
	(Forest Department)							
4	West Bengal Forest Development Corporation Limited	510 72	70 00*	-	-	580 72	-	-
5	West Bengal Wasteland Development Corporation Limited	24 00	-	-	10 00	34 00	-	-
	(Industrial Reconstruction Department)							
6	West Bengal Plywood and Allied Products Limited	9 00	-	-	-	9 00	119 52	997 93
7	I P P Limited	50 01	-	-	-	50 01	639 66	1876 47
	(Minor Irrigation Department)							
8	West Bengal Agro Industries Corporation Limited	571 50	269 02	-	-	840 52	-	-
9	West Bengal State Minor Irrigation Corporation Limited	1165 00	-	-	-	1165 00	-	693 72
	(Public Undertakings Department)							
10	Sundarban Sugarbeet Processing Company Limited	106 00	-	-	-	106 00	-	88 00
		4879 01	339 02	-	10 00	5228 03	1104 18	6666 11

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4	5
	Electricals, Electronics and Engineering (Commerce and Industries Department)							
11	West Bengal Electronics Industry Development Corporation Limited	9506 86 (935 36)	-	-	171 00	9677 86	500 00	1200 00
12	Webel Video Devices Limited (subsidiary of WBEIDC Limited)	-	-	480 00	-	480 00	-	473 80
13	Webel Electronic Communication Systems Limited (subsidiary of WBEIDC Limited)	-	-	83 54	-	83 54	-	73 91
14	Webel Crystals Limited (subsidiary of WBEIDC Limited)	168 53	-	-	-	168 53	-	-
15	Webel Power Electronics Limited (subsidiary of WBEIDC Limited)	-	-	66 28	2 72	69 00	-	390 05
16	Webel Mediatronics Limited (subsidiary of WBEIDC Limited)	-	-	39 22	-	39 22	-	-
	(Industrial Reconstruction Department)							
17	Neo Pipes and Tubes Company Limited	220 00	-	-	-	220 00	94 79	3026 46
18	Britannia Engineering Limited	1028 38	-	-	-	1028 38	351 30	2202 92
19	National Iron and Steel Company(1984) Limited	1200 00	-	-	-	1200 00	388 50	3541 13
20	The Carter Pooler Engineering Company Limited	95 00	-	-	-	95 00	105 09	907 48
	(Public Undertakings Department)							
21	The Shalimar Works (1980) Limited	125 01	-	-	-	125 01	270 90	2614 36
22	The Electro Medical and Allied Industries Limited	916 97 (200 00)	-	-	-	916 97	100 00	581 00
23	Westinghouse Saxby Farmer Limited	87 75	-	-	12 25	100 00	1175 60	3162 49
	(Industrial Reconstruction Department)							
24	Engel India Machineries & Tools (1987) Limited	47 03	-	-	-	47 03	445 53	1739 71
	(Commerce and Industries Department)							
25	Webel Informatics Limited (Subsidiary of WBEIDC Ltd)	-	-	39 60	-	39 60	-	-
		13395 53	-	708 64	185 97	14290 14	3431 71	19913 31

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4	5
	Textiles, Chemicals, Minerals, Cement & Clay							
	(Commerce and Industries Department)							
26	West Bengal Mineral Development and Trading Corporation Limited	443 07	-	-	-	443 07	262 00	1650 32
	(Cottage and Small Scale Industries Department)							
27	West Bengal Handloom and Powerloom Development Corporation Limited	731 04 (135 00)	372 56	-	2 50	1106 10	-	112 30
28	The Kalyani Spinning Mills Limited	328 21	-	-	-	328 21	1112 88	10603 36
29	Mayurakshi Cotton Mills (1990) Limited	200 00	-	-	-	200 00	77 31	77 31
	(Industrial Reconstruction Department)							
30	Pulver Ash Projects Limited (subsidiary of WBSIC Limited)	-	-	109 52	105 23	214 75	-	1300 00
31	Krishna Silicate and Glass (1987) Limited	-	-	-	-	-	156 30	1357 81
32	West Bengal Agro-Textiles Corporation Limited	142 00	-	-	-	142 00	347 49	4622 46
	(Public Undertakings Department)							
33	Durgapur Chemicals Limited	509 31	-	-	-	509 31	789 11	10005 83
34	The West Dinajpur Spinning Mills Limited	680 43	-	-	-	680 43	156 00	1481 89
35	West Bengal Ceramic Development Corporation Limited	186 35	-	-	-	186 35	164 04	1320 38
36	Eastern Distilleries and Chemicals Limited	20 00	-	-	-	20 00	74 22	579 30
37	West Bengal Chemical Industries Limited	14 00	-	-	-	14 00	92 50	524 36
		3254 41	372 56	109 52	107 73	3844 22	2969 85	33635 32
	Trading, Development and Others							
	(Animal Resources Development Department)							
38	West Bengal Dairy and Poultry Development Corporation Limited	292 20 (0 20)	-	-	-	292 20	-	56 58
39	The West Bengal Livestock Processing Development Corporation Limited	167 00	25 00	-	-	192 00	-	-
	(Commerce and Industries Department)							
40	West Bengal Sugar Industries Development Corporation Limited	966 74 (75 00)	-	-	7 00	973 74	204 23	2505 13

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4	5
41	Lime Light Industries (Private) Limited (subsidiary of WBSIC Limited)	NA	NA	NA	NA	NA	NA	NA
42	Greater Calcutta Gas Supply Corporation Limited	1345 00 (400 00)	-	-	-	1345 00	799 22	6302 72
	(Cottage and Small Scale Industries Department)							
43	The West Bengal Small Industries Corporation Limited	1690 02 (34 80)	-	-	-	1690 02	-	669 21
44	The West Bengal State Leather Industries Development Corporation Limited	288 23 (25 00)	-	-	-	288 23	54 37	219 40
45	Silpabarta Printing Press Limited (subsidiary of WBSIC Limited)	18 00	-	43 95	-	61 95	-	-
46	The West Bengal Projects Limited (subsidiary of WBSIC Limited)	-	-	-	97 24	97 24	-	-
47	West Bengal Handicraft Development Corporation Limited (subsidiary of WBSIC Limited)	267 00	29 00	-	-	296 00	-	20 65
	(Food and Supplies Department)							
48	West Bengal Essential Commodities Supply Corporation Limited	108 00	-	-	-	108 00	-	-
	(Fisheries Department)							
49	The State Fisheries Development Corporation Limited	270 00	-	-	-	270 00	-	173 47
50	West Bengal Fisheries Corporation Limited	185 00	-	-	15 00	200 00	-	30 00
	(Food Processing Department))							
51	West Bengal State Food Processing and Horticulture Development Corporation Limited	87 00	-	-	-	87 00	25 00	200 99
	(Industrial Reconstruction Department)							
52	Gluconate Health Limited	17 13 (0 05)	-	-	-	17 13	-	1561 57
	(Information and Cultural Affairs Department)							
53	West Bengal Film Development Corporation Limited	519 70	-	-	-	519 70	-	440 69
54	Basumati Corporation Limited	10 00	-	-	-	10 00	221 50	1854 81
	(Public Undertakings Department)							
55	Saraswaty Press Limited	550 00 (160 00)	-	-	-	550 00	-	392 47
	(Tourism Department)							
56	West Bengal Tourism Development Corporation Limited	422 63 (154 26)	-	-	-	422 63	-	37 55
		7203 65	54 00	43 95	22 00	7420 84	1304 32	14465 24

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4	5
	Financing (Commerce and Industries Department)							
57	The West Bengal Industrial Development Corporation Limited	13218 00 (2600 00)	-	-	-	13218 00	-	700 00
		13218 00	-	-	-	13218 00	-	700 00
	Power (Power Department)							
58	The Durgapur Projects Limited	16300 00	-	-	-	16300 00	646 00	21880 08
59	The West Bengal Power Development Corporation Limited	95457 08	-	-	-	95457 08	45274 00	121700 18
		111757 08	-	-	-	111757 08	45920 00	143580 26
	Transport (Transport Department)							
60	The Calcutta Tramways Company (1978) Limited	2040 13	-	-	-	2040 13	817 89	14365 06
61	West Bengal Surface Transport Corporation Limited	2846 46	-	-	-	2846 46	-	-
		4886 59				4886 59	817 89	14365 06
	Grand Total	158594 27 (5038 59)	765 58	862 11	422 94	160644 90	55809 95	233325 30

Figures in brackets indicate budgetary outgo during the year 1997-98

ANNEXURE 3

(Referred to in paragraph 1 2 2 Page 3)

Summarised Financial Results of Government companies for the latest year for which Accounts were finalised

Sl No	Name of Sector/Department	Date of incorporation	Year of accounts	Year in which finalised	Profit(+)/ Loss(-)	Position at the end of the year for which accounts were finalised: Paid up Capital	Position at the end of the year for which accounts were finalised: Accumulated Loss	Capital employed	Total return on capital employed	Percentage of total return on capital employed	Remarks
1	2	3	4	5	6	7	8	9	10	11	12
	Agriculture, Plantation and Wood based										
					(Rupees	in	lakh)				
	(Agriculture Department)										
1	West Bengal State Seed Corporation Limited	13 11 1980	1995-96	1997-98	(+)283 73	250 00	(+)508 07	4100 15	396 65	9 67	-
	(Commerce and Industries Department)										
2	West Bengal Pharmaceutical and Phytochemical Development Corporation Limited	28 03 1974	1995-96	1998-99	(-)63 48	746 12	(-)528 36	389 31	44 42	-	-
3	West Bengal Tea Development Corporation Limited	04 08 1976	1989-90	1996-97	(-) 80 52	399 25	(-)669 97	950 69	2 23	0 23	-
	(Forest Department)										
4	West Bengal Forest Development Corporation Limited	19 07 1974	1995-96	1998-99	(+)29 29	580 72	(+)141 81	798 59	40 34	5 05	-
5	West Bengal Wasteland Development Corporation Limited	28 07 1989	1993-94	1997-98	(-) 2 62	34 00	(-)7 74	(-)1 38	(-) 2 62	-	-
	(Industrial Reconstruction Department)										
6	West Bengal Plywood and Allied Products Limited	23 10 1989	1995-96	1998-99	(-)203 01	9 00	(-)872 25	(-)47 11	(-)125 02	-	-
7	I P P Limited	17 07 1985	1996-97	1998-99	(-)1468 19	50 01	(-)3275 13	(-)2029 28	(-)769 15	-	-
	(Minor Irrigation Department)										
8	West Bengal Agro Industries Corporation Limited	16 08 1968	1989-90	1997-98	(-)35 27	840 52	(-)262 12	2629 08	134 46	5 48	-
9	West Bengal State Minor Irrigation Corporation Limited	19 01 1974	1989-90	1998-99	(-)226 90	1080 00	(-)1590 19	1554 90	(-)175 69	-	-

1	2	3	4	5	6	7	8	9	10	11	12
	(Public Undertakings Department)										
10	Sundarban Sugarbeet Processing Company Limited	12 05 1986	1987-88	1997-98	(-) 22 25	100 00	(-)27 73	102 08	(-) 21 25	-	-
	Electricals, Electronics and Engineering							(8447 03)	(-475 63)		
	(Commerce and Industries Department)										
11	West Bengal Electronics Industry Development Corporation Limited	04 02 1974	1996-97	1997-98	(+)8 42	91 28	(-)70 28	7760 69	91 98	1 18	-
12	Webel Video Devices Limited (subsidiary of WBEIDC Limited)	26 08 1977	1996-97	1998-99	(-)417 75	480 00	(-)2486 41	143 21	(-)231 15	-	-
13	Webel Electronic Communication Systems Limited (subsidiary of WBEIDC Limited)	18 09 1981	1997-98	1998-99	(-)3 50	83 54	(-)312 52	242 96	33 12	13 63	-
14	Webel Crystals Limited (subsidiary of WBEIDC Limited)	19 03 1982	1996-97	1997-98	(-)70 86	168 53	(-)451 95	122 30	(-)37 60	-	-
15	Webel Power Electronics Limited (subsidiary of WBEIDC Limited)	17 05 1977	1996-97	1998-99	(-)129 82	69 17	(-)759 27	132 19	(-)70 90	-	-
16	Webel Mediatronics Limited (subsidiary of WBEIDC Limited)	12 01 1981	1996-97	1997-98	(-)44 25	39 22	(-)225 64	582 29	40 11	6 88	-
	(Industrial Reconstruction Department)										
17	Neo Pipes and Tubes Company Limited	12 01 1983	1993-94	1996-97	(-) 294 55	220 00	(-)1941 96	35 12	(-) 121 36	-	-
18	Britannia Engineering Products and Services Limited	14 04 1986	1994-95	1997-98	(-)203 47	1028 38	(-)1791 00	591 81	(-)54 60	-	-
19	National Iron and Steel Company (1984) Limited	28 07 1986	1997-98	1998-99	(-)813 27	1200 00	(-)6314 15	2997 71	(-)366 69	-	-
20	The Carter Pooler Engineering Company Limited	26 06 1987	1995-96	1997-98	(-)242 83	95 00	(-)1026 67	(-)189 76	(-)142 85	-	-
	(Public Undertakings Department)										
21	The Shalimar Works (1980) Limited	12 01 1981	1996-97	1997-98	(-)530 16	125 01	(-)2986 02	1078 11	(-)251 15	-	-
22	The Electro Medical and Allied Industries Limited	29 06 1961	1996-97	1998-99	(+)11 24	716 97	(-)368 91	846 64	(+)11 24	1 32	-

1	2	3	4	5	6	7	8	9	10	11	12
23	Westinghouse Saxby Farmer Limited	19 07 1969	1996-97	1998-99	(-)1909 57	100 00	(-)19012 51	422 29	(-)781 98	-	-
	(Industrial Reconstruction Department)										
24	Engel India Machine & Tools(1987)Limited	14 07 1988	1996-97	1997-98	(-)304 72	47 03	(-)1727 99	531 44	(-)135 27	-	-
25	Webel Informatics Limited	25 02 1991	1991-92	1998-99	(-)30 73	39 60	(-)175 40	18 49 (15315 49)	(-)16 04 (-2033 14)	-	-
	Textiles, Chemicals, Minerals, Cement & Clay (Commerce and Industries Department)										
26	West Bengal Mineral Development and Trading Corporation Limited	23 02 1973	1994-95	1997-98	(-)226 43	443 08	(-)1185 77	453 76	(-)127 25	-	-
	(Cottage and Small Scale Industries Department)										
27	West Bengal Handloom and Powerloom Development Corporation Limited	25 09 1973	1992-93	1998-99	(-)259 03	448 54	(-)564 35	2376 21	169 17	7 12	-
28	The Kalyani Spinning Mills Limited	13 01 1960	1995-96	1997-98	(-)953 92	328 21	(-)9438 06	340 44	(-)777 40	-	-
29	Mayurakshi Cotton Mills (1990) Limited	04 01 1991	4 1 1991 to 31 3 1992	1998-99	(-)61 44	233 80	(-)70 31	192 98	(-)61 44	-	-
	(Industrial Reconstruction Department)										
30	Pulver Ash Projects Limited (subsidiary of WBSIC Limited)	28 08 1984	1993-94	1998-99	(-)7 52	214 75	(-)7 52	1424 75	(-)7 52	-	-
31	Krishna Silicate and Glass (1987) Limited	13 10 1988	1991-92	1998-99	(-)412 38	-	(-)616 85	(-)0 78	(-)360 40	-	-
32	West Bengal Agro-Textile Corporation Limited	19 03 1973	1997-98	1998-99	(-)52 46	142 00	(-)225 24	7136 08	450 54	5 17	-
	(Public Undertakings Department)										
33	Durgapur Chemicals Limited	31 03 1963	1997-98	1998-99	(-)1877 50	509 31	(-)18600 76	985 42	(-)1805 12	-	-
34	The West Dinajpur Spinning Mills Limited	22 08 1975	1997-98	1998-99	(-)293 74	681 44	(-)2614 69	340 51	100 92	-	-
35	West Bengal Ceramic Development Corporation Limited	31 03 1976	1996-97	1998-99	(-)254 85	186 35	(-)2046 53	91 97	(-)125 80	-	-
36	Eastern Distilleries and Chemicals Limited	16 04 1986	1994-95	1997-98	(-)58 09	20 00	(-)286 01	412 85	(-)2 49	18 81	-

1	2	3	4	5	6	7	8	9	10	11	12
37	West Bengal Chemical Industries Limited	29 04 1988	1996-97	1998-99	(-)86 58	14 00	(-)541.27	99 49	(-)44 94	-	-
								-13853 68	(-2591 73)		
	<u>Trading, Developmental and Others</u>										
	(Animal Resources Development Department)										
38	West Bengal Dairy and Poultry Development Corporation Limited	04 02 1969	1993-94	1998-99	(+)9 99	255 15	(+)18 18	447 66	22 88	5 51	-
39	The West Bengal Livestock Processing Development Corporation Limited	09 04 1974	1995-96	1998-99	(+)5 54	192 00	(-)98 89	95 03	(+)5 54	5 82	-
	(Commerce and Industries Department)										
40	West Bengal Sugar Industries Development Corporation Limited	30 05 1973	1992-93	1997-98	(-)347 98	558 73	(-)2463 56	352 32	(-)183 53	-	-
41	Lime Light Industries (Private) Limited (subsidiary of WBSIC Limited)	05 05 1983	1983-84	1986-87	-	-	-	0 97	-	-	Preoperative stage
42	Greater Calcutta Gas Supply Corporation Limited	23 12 1987	1997-98	1998-99	(-)733 01	1345 00	(-)3954 17	4448 36	(-)447 96	-	-
	(Cottage and Small Scale Industries Department)										
43	The West Bengal Small Industries Corporation Limited	29 03 1961	1992-93	1998-99	(-)86 12	1475 71	(-)545 64	1643 58	(+)52 52	3 19	-
44	The West Bengal State Leather Industries Development Corporation Limited	03 03 1976	1989-90	1997-98	(-)34 07	198 25	(-)232 31	23 27	(-)30 44	-	-
45	Silpabarta Printing Press Limited (subsidiary of WBSIC Limited)	23 09 1982	1993-94	1998-99	(+)60 74	61 95	(+)123 12	251 65	67 09	26 66	-
46	The West Bengal Projects Limited (subsidiary of WBSIC Limited)	09 02 1984	1996-97	1998-99	(+)18 09	97 24	(+)64 10	179 24	19 31	10 77	-
47	West Bengal Handicrafts Development Corporation Limited (subsidiary of WBSIC Limited)	01 06 1976	1989-90	1998-99	(-)61 74	135 50	(-)164 44	97 05	(-)53 57	-	-
	(Food and Supplies Department)										
48	West Bengal Essential Commodities Supply Corporation Limited	15 03 1974	1996-97	1997-98	(+)446 50	108 00	(+)2234 80	2463 10	487 28	19 78	-

1	2	3	4	5	6	7	8	9	10	11	12
	(Fisheries Department)										
49	The State Fisheries Development * Corporation Limited	31 03 1966	1994-95	1998-99	(-)33 79	270 00	(-)821 41	(-)158 68	(-)24 55	-	-
50	West Bengal Fisheries Corporation Limited	27 03 1980	1992-93	1997-98	(-)18 17	200 00	(-)59 78	400 98	(-)18 17	-	-
	(Food Processing Industries Department)										
51	West Bengal State Food Processing and Horticulture Development Corporation Limited	16 04 1986	1993-94	1998-99	(-)48 76	85 00	(-)210 23	(-)16 76	(-)36 56	-	-
	(Industrial Reconstruction Department)										
52	Gluconate Health Limited	04 04 1988	1993-94	1998-99	(-)383 55	17 13	(-)1396 08	88 03	(-)244 72	-	-
	(Information and Cultural Affairs Department)										
53	West Bengal Film Development Corporation Limited	05 07 1980	1992-93	1995-96	(-) 194 24	507 70	(-) 939 08	590 17	(-) 113 19	-	-
54	Basumati Corporation Limited	04 02 1975	1991-92	1998-99	(-)105 95	10 00	(-)794 52	240 76	(-)39 72	-	-
	(Public Undertakings Department)										
55	Saraswaty Press Limited	21 01 1987	1997-98	1998-99	(+)112 31	550 00	(+)233 82	2130 93	244 55	11 47	-
	(Tourism Department)										
56	West Bengal Tourism Development Corporation Limited	02 11 1974	1996-97	1998-99	(-)30 74	297 37	(-)398 43	149 54 (13437 04)	(-)25 81 (-319 05)	-	-
	Financing (Commerce and Industries Department)										
57	The West Bengal Industrial Development Corporation Limited	06 01 1967	1996-97	1997-98	(-)1258 96	10618 13	(-)5374 78	10628 90 (10628 90)	(-)31 75 (-31 75)	-	-
	Power (Power Department)										
58	The Durgapur Projects Limited	06 09 1961	1997-98	1998-99	(-)3688 33	16300 00	(-)12357 79	27072 77	(-)2559 69	-	-

1	2	3	4	5	6	7	8	9	10	11	12
59	The West Bengal Power Development Corporation Limited	05 07 1985	1997-98	1998-99	(+)1695 12	95457 09	(+)15921 80	249115 14 (276187 91	15663 84 (13104 15)	6 28	-
	Transport										
	(Transport Department)										
60	The Calcutta Tramways Company (1978) Limited	15 10 1982	1994-95	1998-99	(-)1672 83	2040 13	(-)19573 45	(-)1640 55	(-)547 14	-	-
61	West Bengal Surface Transport Corporation Limited	27 02 1989	1996-97	1997-98	(-)222 90	0 02	(-)699 28	2426 61 (786 06)	(-)178 91 (-726 05)	-	-
								338839.25	6842.88		

ANNEXURE 3A

(Refer para 1.2.4, Page 6)

Statement showing arrear of accounts in respect of Government companies as on 30 September 1998

Sl. No.	Department/Name of PSU	Year upto which accounts completed	No. of years of involved
(1)	(2)	(3)	(4)
	Agriculture		
1.	West Bengal State Seed Corporation Limited	1995-96	2
	Forest		
2.	West Bengal Forest Development Corporation Limited	1995-96	2
3.	West Bengal Wasteland Development Corporation Limited	1993-94	4
	Commerce and Industries		
4.	West Bengal Pharmaceutical and Phytochemical Development Corporation Limited	1995-96	2
5.	West Bengal Tea Development Corporation Limited	1989-90	8
6.	West Bengal Electronics Industry Development Corporation Limited	1996-97	1
7.	Webel Video Devices Limited	1996-97	1
8.	Webel Crystals Limited	1996-97	1
9.	Webel Power Electronics Limited	1996-97	1
10.	West Bengal Sugar Industries Development Corporation Limited	1992-93	5
11.	Lime Light Industries (Private) Limited*	1983-84	14
12.	West Bengal Mineral Development and Trading Corporation Limited	1994-95	3
13.	Webel Mediatronics Limited	1996-97	1
14.	West Bengal Industrial Development Corporation Limited	1996-97	1
	Industrial Reconstruction		
15.	West Bengal Plywood and Allied Products Limited	1995-96	2
16.	I.P.P. Limited	1996-97	1
17.	Neo Pipes and Tubes Company Limited	1993-94	4
18.	Britannia Engineering Products and Services Limited	1994-95	3
19.	The Carter Pooler Engineering Company Limited	1995-96	2
20.	Webel Informatics Limited	1991-92	6
21.	The Kalyani Spinning Mills Limited	1995-96	2
22.	Pulver Ash Projects Limited	1993-94	4
23.	Krishna Silicate and Glass (1987) Limited	1991-92	6
24.	West Bengal Ceramic Development Corporation Limited	1996-97	1
25.	Eastern Distilleries and Chemicals Limited	1994-95	3
26.	West Bengal Chemical Industries Limited	1996-97	1
27.	Gluconate Health Limited	1993-94	4
28	Engel India Machineries and Tools (1987) Limited	1996-97	1
	Minor Irrigation		
29.	West Bengal Agro Industries Corporation Limited	1989-90	8
30.	West Bengal State Minor Irrigation Corporation Limited	1989-90	8

* Preoperative stage

(1)	(2)	(3)	(4)
	Public Undertakings		
31	Sundarban Sugarbeet Processing Company Limited	1987-88	10
32	The Shalimar Works (1980) Limited	1996-97	1
33	The Electro Medical and Allied Industries Limited	1996-97	1
34	Westinghouse Saxby Farmer Limited	1996-97	1
	Cottage and Small Scale Industries		
35	West Bengal Handloom and Powerloom Development Corporation Limited	1992-93	5
36	The West Bengal Small Industries Corporation Limited	1992-93	5
37	The West Bengal State Leather Industries Development Corporation Limited	1989-90	8
38	Silpabarta Printing Press Limited	1993-94	4
39	The West Bengal Projects Limited	1996-97	1
40	West Bengal Handicrafts Development Corporation Limited	1989-90	8
41	Mayurakshi Cotton Mills (1990) Limited	1991-92	6
	Animal Resources Development		
42	West Bengal Dairy and Poultry Development Corporation Limited	1993-94	4
43	West Bengal Livestock Processing Development Corporation Limited	1995-96	2
	Fisheries		
44	The State Fisheries Development Corporation Limited	1994-95	3
45	West Bengal Fisheries Corporation Limited	1992-93	5
	Food Processing Industries		
46	West Bengal State Food Processing and Horticulture Development Corporation Limited	1993-94	4
	Information and Cultural Affairs		
47	West Bengal Film Development Corporation Limited	1992-93	5
48	Basumati Corporation Limited	1991-92	6
	Tourism		
49	West Bengal tourism Development Corporation Limited	1996-97	1
	Transport		
50	The Calcutta Tramways Company (1978) Limited	1994-95	3
51	West Bengal Surface Transport Corporation Limited	1996-97	1
	Food and Supplies		
52	West Bengal Essential Commodities Supply Corporation Limited	1996-97	1

ANNEXURE 4

(Referred to in Paragraph 1 2 3, Page 5)

Statement showing subsidy received guarantees received and waiver of dues during the year and guarantees outstanding at the end of the year

Sl No	Sector/Name of the company/Department	Subsidy received during the year				Guarantees received during the year and outstanding at the end of the year					Waiver of dues during the year				Remarks
		Central	State	Others	Total	Cash credit from SBI and other Nationalised Bank	Loans from other sources	Letter of credit opened by SBI on imports	Payment obligation under aggrement with foreign consultant or contractors	Total	Loan repayment written off	Interest waived	Penal interest waived	Repayment of loans on which moratorium allowed	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)
	(Figures in columns 3(a) to 5(d) are Rupees in lakhs)														
	Power (Power Department)														
1	The Durgapur Projects Limited	-	-	-	-	-	-	-	-	-		497 49	1 12	-	
	Argiculture, Plantation and Woodbased (Commerce and Industries Department)														
2	West Bengal Tea Development Corporation Limited (Industrial Reconstruction Deptt)				-					- (23 00)	-	-	-	-	
3	Indian Paper Pulp Limited	-	-	-	-	-	-	-	-	- (364 50)	-	-	-	-	-
	Minor Irrigation Department														
4	West Bengal Agro Industries Corporation Limited	-	-	75 60	75 60	-	-	-	-	-	-	-	-	-	-
	Trading Development and others (Animal Resources Development Department)														
5	The West Bengal Livestock Processing Development Corporation Limited	-	12 75	-	12 75	-	-	-	-	-	-	-	-	-	
	(Commerce and Industries Department)														
6	West Bengal Sugar Industries Development Corporation Limited	-		-		4 72		-	-	4 72 (4 72)	-	-	-	-	
	Cottage and Small Scale Industries Department														
7.	The West Bengal Small Industries Corporation Limited	-	-	-	-	12 99	-	-	-	12 99 (12 99)	-	-	-	-	
	(Fisheries Department)														
8	The State Fisheries Development Corporation Limited	-	52 60	-	52 60	-	-	-	-	-	-	-	-	-	
	(Public Undertakings Departments)														
9.	Saraswaty Press Limited	-	-	-	-	116 50	276 61		-	393 11 (393 11)	-	-	-	-	

	(Tourism Department)														-
10	West Bengal Tourism Development Corporation Limited	-	2 00	-	2 00	-	-	-	-	-	-	-	-	-	
	Transport (Transport Department)														
11	The Calcutta Tramways Company (1978) Limited	-	3112 69	-	3112 69	-	-	-	-	- (390 55)	-	-	-	-	
	Electrical, Electronics and Engineering														
	(Industrial Reconstruction Department)														
12	Neo Pipes and Tubes Company Limited	-	-	-	-	325 00	-	-	-	325 00 (325 00)	-	-	-	-	
13	National Iron and Steel Company (1984) Limited	-	-	-	-		-	-	-	- (124 14)	-	-	-	-	
	(Commerce and Industries Deptt)														
14	Webel Electronic Communication System Ltd	-	-	-	-	25 61	-	-	-	25 61 (25 61)					
15	Webel Video Devices Limited	-	-	-	-	-	1235 55	-	-	1235 55 (1235 55)	-	-	-	-	-
16	West Bengal Electronics Industry Development Corporation Limited	-	15 00	-	15 00	-	-	-	-	-	-	-	-	-	-
17	Webel Informatics Limited	-	-	-	-	36 00	-	-	-	36 00 (36 00)	-	-	-	-	-
	(Public Undertaking Department)														
18	Westinghouse Saxby Farmer Limited	-	-	-	-		-	-	-	- (198 54)	-	-	-	-	
19	The Electromedical & Allied Industries Limited	-	-	-	-	-	-	-	-	- (10 30)	-		-	-	Converted to equity
	Textile, Chemicals, Minerals, Cement and Clay (Cottage and Small Scale Industries Department)														
20	West Bengal Handloom and Powerloom Development Corporation Limited	189 00	10 53	-	199 53	400 00	1600 00	-	-	2000 00	-	-	-	-	
	(Public Undertaking Department)														
21	The West Dinajpur Spinning Mills Limited	-	-	-	-	-	-	-	-	- (110 46)	-	-	-	-	
22	West Bengal Ceramic Development Corporation Ltd	-	29 16	-	29 16	-	-	-	-	-	-	-	-	-	-
23	Eastern Distilaries and Chemicals Ltd.	-	-	-	-	-	-	-	-	- (36 84)	-	-	-	-	-
	Total	189 00	3234 73	75 60	3499 33	920 82	3112 16	-	-	4032 98 (3291 31)	-	497 49	1 12	-	-

(Figures in brackets indicate guarantees outstanding)

ANNEXURE 5

(Referred to in Paragraph 1.2.7, Page 13)

Statement showing the Capacity Utilisation of Manufacturing companies during the year 1997-98.

Sl. No.	Name of the Sector/Company	Installed Capacity	Actual Utilisation	Percentage of Utilisation
(1)	(2)	(3)	(4)	(5)
	Power Department			
1.	The West Bengal Power Development Corporation Limited	1260 MW (1260 MW)	5814.280 MV (6785.729 MV)	52.67 (61.48)
2.	The Durgapur Projects Limited	Coke oven plant Coke 480705 MT (515022 MT) By-Products (Tar) 19154 MT Benzol products -KL Gas 6845 Mcft (6907) Coal Washery Washed coal 1103760 MT Sink 735840 MT Power Plant Energy 3416 Mkwh (3416 Mkwh) Water works Processed water - Drinking water 68017 M.Ltr. (68022 M.Ltr.) Spun Pipe Factory Spun pipe 10500 Nos. Collars 36900 Nos.	Coke oven plant 172638 MT (333194 MT) 5449 MT - 1776 Mcft (3421 Mcft) NA NA 862 Mkwh (1011 Mkwh) - 48569 M.Ltr. (52204 M Ltr.) Nil Nil	35.91 (64.70) 28.44 25.94 (49.53) Nil Nil 25.23 (29.60) 71.40 (76.75) NA NA
	Public Undertakings Department			
3.	Westinghouse Saxby Farmer Limited	43600 sets 582 tonnes (44262 Nos)	NA (12328 Nos)	- (27.85)
4..	The Electro Medical & Allied Industries Limited	X Ray machines 45 Nos	14 Nos. (16 Nos)	31.11 (35.56)
5.	The West Dinajpur Spinning Mills Limited	14.70 lakh kgs	9.74 lakh Kgs.	66.25 (-)
6.	West Bengal Chemical Industries Limited	600 MT (600 MT)	204.38 MT (335.18 MT)	34.16 (55.86)
7.	The Kalyani Spinning Mills Limited	60.76 lakh kgs (60.76 lakh kgs)	34.46 lakh kgs (34.72 lakh kgs)	56.71 (57.14)
8.	Durgapur Chemicals Limited	40404 MT (29316 MT)	15600 MT (15534 MT)	13.86 (52.99)
9.	Eastern Distilleries and Chemicals Limited	30000 LPL per day	53.97 LPL	0.17

	Commerce and Industries Department			
10	Webel Electronic Communication Systems Limited	1) Wireless Video Link 15 Nos 2) Smart talker 35 Nos 3) Voice Messaging System 2 Nos 4) Remote Crane Controller 10 Nos (7 Nos)	11 No 32 Nos 1 No 1 No (7 Nos)	73 33 91 42 50 00 10 00 (100)
11	West Bengal Mineral Development and Trading Corporation Limited	NA Rock phosphate (38000 MT) Stone Boulder (50000 Cu M) Chips (15000 cu m) Fire clay (10000 Mt)	NA Rock phosphate (14900 MT) Stone Boulder (1600 cu m) chips (5500 cu m) Fireclay (2000 MT)	- (39 21) (3 2) (36 67) (20)
12	Webel Crystals Limited	200000 Nos	49413 Nos (81564 Nos)	24 71 (40 78)
13	West Bengal Sugar Industries Development Corporation Limited	600 T C D	Nil (2 72 TCD)	- (0 45)
14	Pharmaceutical and phytochemical Development Corporation Limited	8-HQ (50MT) Aspirin (5 MT)	NA 8-HQ (10 MT) Aspirin (Nil)	- (20)
15	Webel Mediatronics Limited	1100 Nos	228 Nos	20 73
	Industrial Reconstruction Department			
16	National Iron & Steel company (1984) Ltd	300 MT of Rolled/month 350 MT Costing/month	Nil	-
17	Pulver Ash Projects Limited	240 lakh pcs triple shift	51 lakh pcs (51 lakh pcs) Single shift basis	63 75 (63 75)
18	Britania Engineering Products and Service Limited	Tea Machinery (484 Nos) Jute Machinery (48 Nos) Road Roller (250 Nos)	NA (15 Nos) NA (1No) NA (90 Nos)	- (3 10) - (2 08) - (36)
19	West Bengal Agro Textile Corporation Limited	5501600 inch feet	1997780 inch feet (1573290 inch feet)	36 31 (28 60)
20	Engel India Machines and Tools (1987) Limited	96 Nos	NA (3 Nos)	- (3 13)
21	West Bengal Plywood & Allied Products Limited	11 16 square meter lakh on 4 mm basis	2 49 square meter	22 31

	Cottage and Small Scale Industries Department			
22	West Bengal Project Limited	18000 MT p a	9708 327 MT p a (13500 MT p A)	53 93 (75)
23	Silpabarta Printing Press	392 07 lakh impression (435 09 lakh impression)	314 81 lakh impression (36 20 lakh impression)	80 29 (8 32)
24	Mayurakshi Cotton Mills (1990) Limited	16384 spindles	2 29 lakh kgs	-
25	The West Bengal Small Industries Corporation Limited	17306 MT 60 KL	3966 MT 39 82 KL	22 91 66 37
	Animal Resources Development Department			
26	West Bengal Dairy and Poultry Development Corporation Limited	40310 MT (39585 MT)	20695 MT (21955 MT)	51 33 (55 46)
	Food and Supplies Department			
27	West Bengal Essential commodities Supply corporation Limited	3000 MT pa	NA (2077 6 MT pa)	- (69 25)

Figures appearing in brackets relate to the previous year

ANNEXURE 6

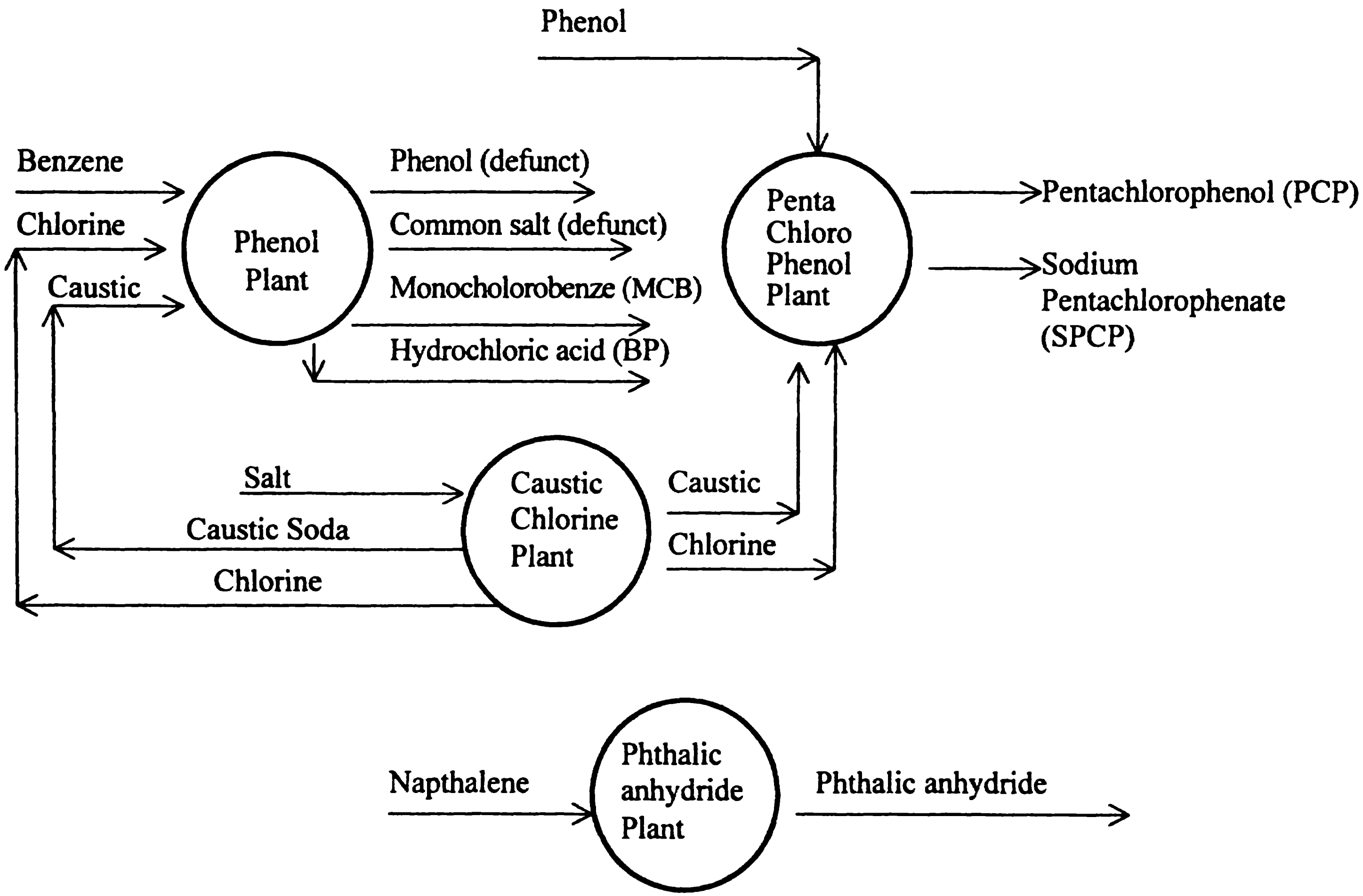
Statement showing the summarised financial results of Statutory corporations for the latest year for which annual accounts have been finalised

(Referred to in paragraph 1 3 7 Page 16)

SL No	Name of Corporation/ Board	Name of administrative Department	Year of incorporation	Period of accounts	Profit(+)/ Loss(-)	Total interest charged to profit and loss account	Capital employed	Total return on capital employed (6 + 7)	Percentage of total return on capital employed
1	2	3	4	5	6	7	8	9	10
					(Rupees in lakh)				
1	West Bengal Financial Corporation	Finance	1 March 1954	1997-98	(-)67 99	3111 05	28102 26	3043 06	10 83
2	West Bengal State Electricity Board	Power	1 May 1955	1996-97	(+)1825 00	14814 00	365751 00	16639 00	4 55
3	West Bengal State Warehousing Corporation	Public Undertakings	31 March 1958	1995-96	(+)271 08	NIL	1342 75	271 08	20 18
4	North Bengal State Transport Corporation	Transport	15 April 1960	1991-92	(-)1626 34	311 85	917 63	(-)1314 49	-
5	Calcutta State Transport Corporation	Transport	1 June 1960	1994-95	(-)5728 10	1325 05	(-)6299 47	(-)4403 05	-
6	West Bengal Industrial infra-structure Development Corporation	Commerce and Industries	9 November 1973	1995-96	(+)2 61	5 00	4725 17	7 61	0 16
7	South Bengal State Transport Corporation	Transport	7 December 1973	1994-95	(-)961 09	344 46	(-)688 85	(-)616 63	-
8	West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation.	Backward classes welfare	23 July 1976	1990-91	(+)14 06	3 54	(-)75 35	17 60	-
9	West Bengal Minorities Development and Finance Corporation.	Minorities Development & Welfare	10 October 1995	1st account not yet compiled	NA	NA	NA	NA	NA
10	Great Eastern Hotel Authority	Tourism	17 July 1980	1996-97	(-)83 46	99 88	133 59	16 42	12 29

ANNEXURE – 7

Diagram showing flow of main inputs and outputs obtained in respective plants
(Referred to Para 2A.8, Page 38)



Abandoned at present

Annexure-8

Profitability and contribution analysis of CCP and MCBP (Referred to paragraph 2A.11; page 44)

	Particulars	CAUSTIC CHLORINE PLANT (CCP) 1993-94	1994-95	1995-96	1996-97	1997-98 (Provisional)	MONOCHLOROBENZENE PLANT (MCBP) 1993-94	1994-95	1995-96	1996-97	1997-98 (Provisional)
		(Rupees in crore)									
I)	Value of production	6.11	7.26	10.64	12.71	9.78	4.66	4.62	6.22	7.02	7.87
II)	Less Net Variable Cost	3.69	3.42	4.64	5.01	6.15	3.56	3.50	4.74	6.48	6.11
III)	Contribution (I-II)	2.42	3.84	6.00	7.70	3.63	1.10	1.12	1.48	0.54	1.76
IV)	Percentage of contribution to value of production (P/V ratio)	40	53	56	61	37	24	24	24	8	22
V)	Fixed Cost										
	- Employees' cost	2.59	3.05	3.96	4.16	4.28	2.69	3.13	2.83	3.37	2.91
	- Interest	4.37	5.42	6.19	6.88	6.00	3.30	3.46	3.69	3.76	4.09
	- Depreciation	0.45	0.24	0.30	0.34	0.27	0.12	0.09	0.09	0.11	0.17
	- Others	1.31	1.35	1.65	1.90	1.70	1.04	1.22	1.07	1.30	1.16
	Total fixed cost	8.72	10.06	12.10	13.28	12.25	7.15	7.90	7.68	8.54	8.33
VI)	Loss (III – V)	6.30	6.22	6.10	5.58	8.62	6.05	6.78	6.20	8.00	2.22
VII)	Break-even value of Production $^{\Psi}$	21.80	18.98	21.61	21.77	33.11	29.79	32.92	32.00	106.75	37.86
VIII)	Capacity utilisation achieved (in *per cent*)	49	48	62	68	69	25	27	37	40	40
IX)	Capacity utilisation $^{\Psi\Psi}$ to achieve break even point (in *per cent*)	175	125	126	116	234	160	192	190	608	192

Source : Cost Audit Reports

$^{\Psi}$ Break-even value of production (BEP) = Fixed cost − P/V Ratio

$^{\Psi\Psi}$ Capacities utilisation to achieve BEP = $\frac{\text{actual capacities utilisation}}{\text{Value of production}}$ X BEP value of production

Annexure-9

Table – 1
Financial position of the Company
(Refer paragraph 2B.5; page 51)

		1993-94	1994-95	1995-96	1996-97	1997-98
		(Rupees in crore)				
A.	Liabilities					
(a)	Paid up capital	100.00	100.00	163.00	163.00	163.00
(b)	Reserves and surplus	3.06	1.05	1.05	1.05	1.06
(c)	Borrowings (excluding interest but including cash credit and deferred payment loan)	224.74	286.49	224.63	212.73	221.66
(d)	Trade dues and other liabilities (including consumers' contribution and interest)	213.32	195.53	130.75	171.93	196.67
	Total	**541.12**	**583.07**	**519.43**	**548.71**	**582.39**
B.	Assets					
(a)	Gross block	236.02	259.35	264.97	265.31	269.12
(b)	Less : Depreciation	112.40	125.08	138.69	149.15	160.59
(c)	Net fixed assets	123.62	134.27	126.28	116.16	108.53
(d)	Capital work-in-progress	40.44	24.62	24.61	28.40	37.39
(e)	Current assets, loans and advances	273.38	268.07	228.77	262.84	303.84
(f)	Intangible assets					
(i)	Misc. expenditure	19.04	19.39	17.14	12.70	9.05
(ii)	Accumulated loss	84.64	136.72	122.63	128.61	123.58
	Total	**541.12**	**583.07**	**519.43**	**548.71**	**582.39**
	Capital employed*	224.12	231.43	248.91	235.47	232.61
	Net worth♦	(-) 0.61	(-) 55.06	(+) 24.28	(+)22.74	(+)31.43

* Note : i) Capital employed represents net fixed assets (including capital work in progress) plus working capital
♦ ii) Net worth represents paid-up capital plus reserves and surplus less intangible assets.

Table – 2

Working results of the Company

(Refer paragraph 2B.5; page 51)

	Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
(A)	**Income**	(Rupees in crore)				
(i)	Sales	140.96	145.42	140.26	145.41	173.00
(ii)	Increase (+)/ Decrease (-) in closing stock	(+) 7.30	(-) 7.62	(-) 10.22	(+)7.60	(+)6.08
(iii)	Other income (including conversion charges)	12.51	12.05	38.08	34.61	12.41
	Total :	160.77	149.25	168.12	187.62	191.49
B.	**Expenditure**					
(i)	Consumption of raw materials	97.41	104.35	68.00	97.30	126.55
(ii)	Other manufacturing expenses	19.41	20.40	26.85	28.03	22.50
(iii)	Consumption of stores and spares	7.33	6.49	7.60	8.50	9.36
(iv)	Employees remuneration and benefits	33.46	37.05	39.66	46.48	46.76
(v)	Finance charges	14.78	15.87	16.49	17.20	11.75
		172.39	184.16	158.60	197.51	216.92
	Cash loss (-) / Profit (+)	(-) 11.62	(-) 34.31	(+) 9.52	(-)9.89	(-)25.43
	Depreciation	11.79	12.60	13.67	11.35	11.45
	Loss for the year	(-) 23.41	(-)46.91	(-)4.15	(-)21.24	(-)36.88
	Prior period adjustment/Debit (-)/ Credit(+)	(+) 28.54	(-) 5.18	(+) 18.24	(+)15.26	(+)41.91
	Net loss (-) / Profit (+)	**(+) 5.13**	**(-) 52.08**	**(+) 14.09**	**(-)5.98**	**(+)5.03**

ANNEXURE-10

(Refer paragraph 2B.7.8.3; page.56)

Statement showing the details of unit-wise performance of the Power Station

Units	1993-94	1994-95	1995-96	1996-97	1997-98
(a)	Installed capacity (MW / MU)				
III	70/613.20	70/613.20	70/614.88	70/613.20	70/613.20
IV	75/657.00	75/657.00	75/658.80	75/657.00	75/657.00
V	75/657.00	75/657.00	75/658.80	75/657.00	75/657.00
VI	110/963.60	110/963.60	110/966.24	110/963.60	110/963.60
Total	390/2890.80	390/2890.80	390/2898.77	390/2890.80	390/2890.80
(b)	Total available hours per unit				
	8760	8760	8784	8760	8760
(c)	Actual running hours				
III	5602	587	4823	4758	7330
IV	6179	3995	4142	2307	3614
V	1451	4382	4425	5537	1255
VI	3921	7255	4749	6898	5475
Total	17153	16219	18139	19500	17676
(d)	Plant availability factor				
III	64.0	6.7	55.0	54.3	83.7
IV	70.5	45.6	47.2	26.3	41.3
V	10.6	50.0	50.4	63.2	14.3
VI	44.8	82.8	54.1	78.1	62.5
Overall	49.00	46.00	51.68	55.48	50.45
(e)	Possible generation in hours of actual working (in MU)				
III	392.14	41.09	337.61	333.06	513.10
IV	463.43	299.63	310.63	173.03	271.20
V	108.83	328.65	331.88	415.28	94.13
VI	431.31	798.05	522.39	758.78	602.25
Total	1395.71	1467.42	1502.51	1680.15	1480.68
(f)	Actual generation (MU)				
III	264.39	22.53	206.21	200.78	275.61
IV	251.87	158.75	157.45	83.75	151.14
V	64.38	202.99	179.53	200.24	57.24
VI	302.34	506.63	362.17	522.64	378.46
Total	882.98	890.90	905.36	1007.41	862.45

Units	1993-94	1994-95	1995-96	1996-97	1997-98
(g)	Shortfall in generation (MU)				
III	127.75	18.56	131.40	132 21	237.49
IV	211.56	140.88	153.18	89.28	120.06
V	44.45	125.66	152.35	215.04	36 89
VI	128.97	291.42	160.22	236.12	223.79
Total	512.73	576.52	597.17	672.74	618.23
(h)	Percentage of shortfall				
III	32.58	45.17	38.92	39.72	46.29
IV	45 65	47.02	49.32	51.60	44.27
V	40.84	38.24	45.91	51.78	39.19
VI	29.90	36.52	31.24	31 12	37.16
Overall	36 74	39.29	39.95	40.03	41.75
(i)	Actual generation per KW capacity (units)				
III	3777	322	2946	2868	3937
IV	3358	2117	2099	2117	2015
V	858	2707	2394	2670	763
VI	2749	4606	3292	4751	3441
Overall	2685	2438	2683	3101	2539
(j)	Shortfall in generation per KW compared to norm of 5000 Kwh				
III	1223	4678	2054	2132	1063
IV	1642	2883	2901	2883	2985
V	4142	2293	2606	2330	4237
VI	2251	394	1708	249	1559
Overall	2315	2562	2317	1899	2461
(k)	Plant load factor (percentage of actual generation to generation at installed / de-rated capacity)				
III	43.12	3.67	33.54	32.74	44.95
IV	38.34	24 16	23.90	12.75	23.01
V	9,80	30 90	27.25	30 48	8.71
VI	31 38	52.58	37.48	54.24	39.28
Overall	30.54	30.82	31.23	34.85	29.83