

**REPORT OF THE  
COMPTROLLER  
AND AUDITOR GENERAL  
OF INDIA**

**FOR THE YEAR 1982-83**

**(COMMERCIAL)**

**GOVERNMENT OF WEST BENGAL**

B-2

From: Mr. (Budget) Deptt.  
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## ERRATA

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**Government of West Bengal**

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| 1.      | Table of contents<br>Chapter I |   | 6                           | Corporation           | Corporation                |
| 2.      | 1                              | 1-01                                    | Table 3                     | 8th September 1981    | 8th September 1982         |
| 3.      | 2                              | 1-03<br>Total under<br>'Others'         |                             | 10,41 61              | 10,41-61                   |
| 4.      | 3                              | 1-04                                    | 2                           | as 31st March 1983    | as on 31st March 1983      |
| 5.      | 3                              | 1-04                                    | 3                           | Rs. 41,63-49 deferred | Rs. 41,63-49,<br>deferred. |
| 6.      | 3                              | 1-05-1                                  | item 13                     | Wastinghouse          | Wastinghouse               |
| 7.      | 3                              | Note                                    | 1                           | difference            | difference of              |
| 8.      | 4                              | 1-06-1                                  | Table, item 5               | (- )2-23<br>(+ )2-62  | (+ )2-23<br>(- )2-62       |
| 9.      | 5                              | 1-06-2<br>Table headings<br>last column |                             | paidup                | paid-up                    |
| 10.     | 5                              | 1-06-2                                  | First table,<br>last column | 10-00                 | 10-0                       |
| 11.     | 5                              | 1-06-3                                  | Table, item 6               | Corporation           | Corporation                |
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| 14.     | 13                             | 2-06                                    | 2                           | 9-21                  | 9-24                       |
| 15.     | 13                             | 2-07                                    | 7                           | overdue               | overdue.                   |
| 16.     | 13                             | 2-08                                    | 3                           | during 1975 76        | during 1975-76             |
| 17.     | 19                             | 2-10-2-3<br>(vii)                       | 4                           | Fertilisers           | Fertilisers                |
| 18.     | 20                             | 2-10-2-3<br>(viii)(b)                   | 4                           | excess                | deleted                    |
| 19.     | 22                             | 2-10-3-2<br>Sub-para-<br>graph (2)      | 2                           | wheat                 | wheat                      |
| 20.     | 23                             | 2-10-3-2<br>(3)(a)                      | 1                           | proceed               | procured                   |
| 21.     | 23                             | do                                      | 2                           | Rs. 608 lakhs)        | Rs. 6-08 lakhs)            |

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| 22.     | 23           | 2·10·3·2<br>(3)(c) | 5 from bottom                     | seeds                             | seeds                            |
| 23.     | 24           | 2·10·3·3           | 4                                 | 72·82 tones                       | 72·82 tonnes                     |
| 24.     | 24           | 2·10·3·5           | last line                         | there against                     | thereagainst                     |
| 25.     | 25           | 2·10·4·3           | foot note                         | which                             | which                            |
| 26.     | 30           | 2·11·1·2           | Table headings 4th & 5th column   | (Rupees in Govern-<br>ment lakhs) | (Rupees in lakhs)                |
| 27.     | 30           | 2·11·1·2           | Table, item 3, last column, 1     | National Develop-<br>ment         | National Research<br>Development |
| 28.     | 33           | 2·11·1·3           | Table ,1                          | 1979-81                           | 1979-80                          |
| 29.     | 36           | 2·11·2·3           | Table, under<br>1981-82           | 1981- 2                           | 1981-82                          |
| 30.     | 41           | 2·11·5·3           | 3                                 | year tractor                      | year per tractor                 |
| 31.     | 42           | 2·11·5·3           | Table headings                    | (Rupees in lakhs)                 | (In Rupees)                      |
| 32.     | 42           | 2·11·5·4           | Table headings 5th<br>column      | utilisaton                        | utilisation                      |
| 33.     | 43           | 2·11·5·5           | (i) 6<br>(ii) 12                  | ho<br>oxperditure                 | the<br>expenditure               |
| 34.     | 43           | 2·11·5·6           | (i) 7<br>(ii) 6                   | Managemnt<br>w re lying           | Management<br>were lying         |
| 35.     | 43           | 2·11·5·7           | 3                                 | and 0·06 lakh                     | and 0·006 lakh                   |
| 36.     | 44           | 2·11·6·1           | 7                                 | agricutural                       | agriocultural                    |
| 37.     | 46           | 2·11·6·2           | 2nd sub-para below<br>the table 4 | accured                           | acorued                          |
| 38.     | 47           | 2·11·6·4           | Headings                          | Emplyment                         | Employment                       |
| 39.     | 49           | 2·11·7·4           | 6                                 | 25000                             | 25,500                           |
| 40.     | 51           | 2·11·8·2           | foot note                         | liftin                            | lifting                          |
| 41.     | 54           | (ii)<br>2·11·9     | 3 from bottom                     | proceedings                       | proceedings                      |
| 42.     | 55           | 2·13               | 5                                 | realeased                         | released                         |
| 43.     | 61           | 2·19(3)            | 3                                 | and                               | any                              |
| 44.     | 63           | (15)               | 1                                 | 13·63 lakhs                       | 13·53 lakhs                      |
| 45.     | 63           | (15)               | last line                         | 1983-84, season                   | 1983-84 season                   |
| 46.     | 65           | 3·03               | 2                                 | (January 1983)                    | (January 1984).                  |

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| 48.     | 72           | 3-05-2-3-3 | 5   | Peliminary                                      | Preliminary                              |
| 49.     | 72           | 3-05-2-3-4 | 10  | brocurement                                     | procurement                              |
| 50.     | 73           | 3-05-3     | 1   | paragraph 3-05-1                                | paragraph 3-05-2-2                       |
| 51.     | 76           | 3-05-5     | 1   | ol time   | of time                                  |
| 52.     | 82           | 4-05-1     | (i) Table, 1<br>(ii) 2<br>(iii) last line under 1982-83, under plantation | 9677-78<br>wrong impression<br>wrong impression | 1977-78<br>1978-79<br>5                  |
| 53.     | 83           | 4-05-1     | Table headings  | Projected production<br>.....                   | Projected production<br>(in Kgs)         |
| 54.     | 84           | 4-05-1     | (i) 2nd sub-para-<br>graph 1<br>(ii) 5                                    | Kilogramme<br>Kilogramme                        | Kilogramme<br>Kilogramme                 |
| 55.     | 84           | 4-05-1     | Table headings<br>under actual  | Revenue .....                                   | Revenue expendi-<br>ture                 |
| 56.     | 85           | 4-05-2     | 2nd sub-paragraph<br>6  | 20-50 yrase                                     | 20-50 years                              |
| 57.     | 88           | 4-05-2     | 1   | obtainin  | obtaining                                |
| 58.     | 90           | 4-05-4-3   | 6   | Rs 35-000                                       | Rs. 35,000                               |
| 59.     | 91           | 4-06-1     | 13  | withered leaf                                   | withered leaves                          |
| 60.     | 95           | 4-08       | Table headings<br>1979-80   | Officersi and staff                             | Officers and staff                       |
| 61.     | 97           | 4-10-1     | 1   | expart  | export                                   |
| 62.     | 101          | 5-03       | Table (ii) under<br>Durgapur Chemi-<br>cals Limited                       | (i) tonne before<br>annum<br><br>(ii) do        | (i) deleted<br><br>(ii) tonne under unit |
| 63.     | 101          | 5-03       | Table 1st col. item<br>9  | (10000 tonne annum)                             | (10000 tonne/annum)                      |
| 64.     | 101          | 5-03       | Table last<br>item 12   | column, (-)272                                  | (- )72                                   |
| 65.     | 101          | 5-03       | Table last item 1st<br>column   | (i) kgs after bracket<br>(ii) do                | (i) deleted<br>(ii) kgs under unit.      |
| 66.     | 108          | 6-01-3     | 4   | on the Decenber                                 | on 6th Decembar                          |
| 67.     | 110          | 6-01-5     | 2   | awaited   | awaited (January<br>1984)                |
| 68.     | 116          | 6-07       | 4   | Calounla  | Caloutta                                 |

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| 69.     | 116          | 6.08         | 7                       | traced  | traced  |
| 70.     | 118          | 7.01         | 2 and 3 from bottom     | West Bengal State Warehousing Corporation and West Bengal Financial Corporation | West Bengal State Warehousing Corporation, West Bengal Financial Corporation and West Bengal State Electricity Board. |
| 71.     | 120          | 7.06.4       | Foot note               | b nds   | bonds   |
| 72.     | 122          | 7.06.6       | Table, col. 5           | 4,42.83   | 4,42.63   |
| 73.     | 123          | 7.07.3       | Table under 1980-81     | (b) 56.98<br>(c) 96.42  | 72.58<br>80.82  |
| 74.     | 123          | 7.07.3       | Table, capital employed | 289.42  | 305.02  |
| 75.     | 126          | 8.01.2       | Table I                 | 4,07.78.11  | 4,07,78.11  |
| 76.     | 128          | 8.01.5.1     | Table II                | guranteed   | guaranteed  |
| 77.     | 128          | 8.01.5.1     | Table II                | under section 66  | Section under section 66  |
| 78.     | 129          | 8.01.5.1     | Table I                 | 4933.02   | 4953.02   |
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| 80.     | 130          | 8.01.6.1     | Table                   | 'percent' below item 7  | 'percent' below item 8  |
| 81.     | 131          | 8.01.6.3     | Table last item         | (- )3.3   | (- )3.33  |
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| 83.     | 132          | 8.02.3       | Table headings          | Projection Achievement in the Annual Plan                                       | Projection in the Annual Plan Achievement   |
| 84.     | 134          | 8.02.5       | Table item (j)          | consumers   | consumers   |
| 85.     | 135          | 8.02.7.1     | 7 from bottom           | o her agencies  | other agencies  |
| 86.     | 137          | 8.02.8       | 9                       | Susrained   | sustained   |
| 87.     | 141          | 8.02.10(i)   | 5                       | 1081.82   | 1981-82   |
| 88.     | 142          | 8.02.12      | Table headings          | capecity  | capacity  |
| 89.     | 145          | 8.03.2       | Table, last item        | 30th March 198  | 30th March 1981   |
| 90.     | 147          | sub-para (i) | 14                      | (in braket)   | (in bracket)  |

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| 91.     | 147          | Table, item 2, col. 2 |  | (39·9)  | (30·9)                        |
| 92.     | 147          | Table, item 3, col. 1 |  | 5773  | 5753                          |
| 93.     | 148          | Note,                 |  | (periodicals  | (periodical                   |
| 94.     | 148          | Note,                 | last line                                | Section   | Sector                        |
| 95.     | 149          | 8·03·3·2              | 2nd sub-para below table                 | requirement   | requirement                   |
| 96.     | 151          | 8·03·4                | Table, total for 1981-82                 | 81·06   | 31·06                         |
| 97.     | 151          | 8·03·4                | Foot note                                | compiled  | compiled                      |
| 98.     | 153          | 8·03·5·2              | Table                                    | (i) Hours lost due to outages against unit IV under 1981-82, 248 and 1982-83 4909<br>(ii) Hours lost due to forced outages, unit III, 1982-83, (30·0) | 2418<br>4909<br>(90·0) (89·0) |
| 99.     | 153          | Note                  |  | brackets  | brackets                      |
| 100.    | 156          | 8·03·6(v)             | Table 1st item                           | 3200+   | 6200+                         |
| 101.    | 158          | 8·03·7                | (i) Table headings<br>(ii) Table, item 2 | LDO wrong impression<br>34 20·224   | LDO (kl)<br>34,720·224        |
| 102.    | 164          | 8·03·10·1             | 4 from bottom                            | Thre  | There                         |
| 103.    | 168          | 8·03·11·1<br>(ii)     | 1  | FSPs  | ESPs                          |
| 104.    | 171          | ..                    | 1  | 1981-82 (The  | 1981 (the                     |
| 106.    | 171          | ..                    | 1  | arrears.  | arrears) :                    |
| 106.    | 172          | 8·04·3·1              | Foot note                                | (i) Excludes<br>(ii) C 1983   | Excludes<br>1983              |
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| 111.    | 188          | 8·04·13·2             | 8  | were  | was                           |

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| 112.    | 191          | 8-04-14-4  | Table, 3rd col. 1st line       | (May 1980)  | (May 1981)                                  |
| 113.    | 192          | 8-04-16    | Table 4th col. 2nd item        | 100   | 400   |
| 114.    | 193          | 8-04-16    | Table headings                 | quantative  | quantitative                                |
| 115.    | 195          | 8-05-2     | 8                              | lakhs i to  | lakhs into                                  |
| 116.    | 195          | 8-05-2     | 14                             | depositing  | depositing                                  |
| 117.    | 196          | 8-05-4     | 8                              | consumer's  | consumer's                                  |
| 118.    | 198          | ..         | 17                             | clain   | claim                                       |
| 119.    | 198          | ..         | 19                             | board   | Board                                       |
| 120.    | 202          | 9-02       | 2                              | Aot   | Act   |
| 121.    | 202          | 9-04       | Foot note                      | (i) T5his<br>(ii) R.S.<br>(iii) 728*2 lakhs<br>(iv) — — — | This<br>Rs.<br>827.52 lakhs<br>asteric sign |
| 122.    | 203          | 9-05       | Foot note                      | capita  | capital                                     |
| 123.    | 207          | 9-06-5     | Table item 7<br>item 9         | (in lalhs)<br>cheduled                                    | (in lakhs)<br>scheduled                     |
| 124.    | 212          | 9-09-1     | 4                              | assembles   | assemblies                                  |
| 125.    | 212          | 9-09-1     | Table 3rd col. 2nd line        | 1t 7h July 1980   | 17th July 1980                              |
| 126.    | 212          | 9-09-1     | Table, 1st column<br>last line | VMH 3684  | WMH 3684                                    |
| 127.    | 216          | ..         | 4                              | asseess   | asses                                       |
| 128.    | 217          | ..         | 5                              | consumped   | consumed                                    |
| 129.    | 218          | ..         | 2                              | but   | bus   |
| 130.    | 218          | 9-12-3     | 4                              | with  | without                                     |
| 131.    | 223          | 10-04-1    | Foot note                      | (i) . . . . .<br>(ii) maintained                          | asteric before foot<br>note<br>maintained.  |
| 132.    | 224          | 10-04-2    | item (v) col. 2                | 151   | 141   |
| 133.    | 225          | Line 8     | below table                    | nill  | nil   |
| 134.    | 227          | 10-05-2(a) | 6                              | respeoct  | respect                                     |
| 135.    | 227          | 10-05-2(a) | Table headings col.<br>2       | overhandling  | overhauling                                 |



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| 137.    | 230          | ..             | Table headings col. 1           | vehicle                                    | vehicle             |
| 138.    | 234          | 10-07-1        | 12                              | Inspector                                  | Inspector           |
| 139.    | 234          | ..             | 4 from bottom                   | vigilence                                  | vigilance           |
| 140.    | 237          | 10-09-2        | 4                               | perference                                 | preference          |
| 141.    | 240          | 11-03          | Table headings Table            | Markef 1969-70                             | Market 1969-70      |
| 142.    | 243          | 11-06-3        | Table. Double Decker 4th col.   | .....                                      | 3                   |
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| 143.    | 244          | sub-para (i)   | 5                               | Delete "period of life nor the prescribed" |                     |
| 144.    | 244          | 11-06-4        | Table, item (iii) col. I        | last                                       | last date           |
| 145.    | 244          | do             | Table, item (v) col. I          | average number                             | average             |
| 146.    | 246          | 11-06-5-2 (a)  | 1                               | vehicle                                    | vehicle             |
| 147.    | 247          | 11-06-5-2 (a)  | Foot note                       | Figures for the other                      | Figures for other   |
| 148.    | 248          | 11-06-6        | item (ix) of table              | avvrage                                    | average             |
| 149.    | 255          | 11-12-1        | Table under 1982-83 4th col.    | impression not clear                       | 562                 |
| 150.    | 256          | 11-12-2        | Table headings 2nd col.         | commissionig                               | commissioning       |
| 151.    | 256          | Line 3         | below table                     | excess                                     | buses               |
| 152.    | 257          | Sub-para (ii)  | Table last col. against 1980-81 | 6-3  | 0-63                |
| 153.    | 261          | Line No. 1     |                                 | discharged                                 | discharge           |
| 154.    | 267          | Table headings |                                 | Rupes in lakhs)                            | Rupees in lakhs) .. |

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| 158.    | 272-73       | ..       | table headings 2nd col.   | Boord                       | Board                     |
| 159.    | Cover page   | ..       | Copy right                | gene al                     | General                   |

[ ILLEGIBLE ], 8-8-85  
 Audit Officer (Com)/Report,  
 West Bengal.

## **PREFATORY REMARKS**

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

- Government Companies;
- Statutory Corporations; and
- Departmentally-managed commercial undertakings.

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

(3) The cases mentioned in the Report are those which came to notice during the year 1982-83 as well as those which had come to notice in earlier years but could not be dealt with in the previous reports; matters relating to the period subsequent to 1982-83 have also been included wherever necessary.

(4) In the case of Government Companies, audit is conducted by Chartered Accountants appointed on the advice of the Comptroller and Auditor General, but the latter is authorised under Section 619(3)(b) of the Companies Act, 1956 to conduct a supplementary or test audit. He is also empowered to comment upon or supplement the report submitted by the Company auditors. The Companies Act further empowers the Comptroller and Auditor General to issue directives to the auditors in regard to the performance of their functions. Such directives were issued to the auditors from time to time.

(5) There are, however, 26 companies other than Government Companies in which Government have invested Rs 60,56.72 lakhs up to 31st March 1983 but the accounts of which are not subject to audit by the Comptroller and Auditor General. A list of 22 such companies where Government investment exceeded Rs.10 lakhs as on 31st March 1983 is given in Appendix 'A'.

(6) In respect of Calcutta State Transport Corporation, North Bengal State Transport Corporation, Durgapur State Transport Corporation and West Bengal State Electricity Board, the Comptroller and Auditor General is the sole auditor, while in respect of the West Bengal State Warehousing Corporation and the West Bengal Financial Corporation, he has the right to conduct the audit of their accounts independently of the audit conducted by the Chartered Accountants appointed under the respective Acts.

In respect of the West Bengal Industrial Infrastructure Development Corporation, the Comptroller and Auditor General has been entrusted (June 1978) with the audit under Section 19(3) of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 for 5 years in the first instance, subject to a review of the arrangements thereafter.

(7) The points brought out in this Report are those which have come to notice during the course of test audit of the accounts of the above undertakings.

# CHAPTER I

## GOVERNMENT COMPANIES

### SECTION I

#### 1.01. Introduction

There were 39 Government Companies (including 9 subsidiaries) as on 31st March 1983 as against 36 Government Companies (including 7 subsidiaries) as at the close of the previous year due to addition of the following 3 Companies :

| Name of Company                            | Date of incorporation | Date of becoming Government Company | Authorised capital<br>(Rupees in lakhs) |
|--|-----------------------|-------------------------------------|---|
| West Bengal State Seed Corporation Limited | 13th November 1980    | 13th November 1980                  | 5,00.00                                 |
| Webel Precision Industries Limited         | 23rd March 1981       | 8th September 1981                  | 1,00.00                                 |
| Webel Television Limited                   | 15th June 1981        | 8th September 1981                  | 25.00                                   |

#### 1.02. Compilation of accounts

Audited accounts of 14 Companies (including four subsidiaries) for the year 1982-83 and 18 Companies (including three subsidiaries) for the earlier years were received. A synoptic statement showing the summarised financial results of the Companies based on the latest available accounts is given in Appendix 'B'. The accounts of the following 25 Companies (including five subsidiaries) were in arrears to the extent noted against each :

| Name of Company  | Extent of arrears  |
|--|--------------------|
| Basumati Corporation Limited                                       | 1977-78 to 1982-83 |
| West Bengal Dairy and Poultry Development Corporation Limited      | 1978-79 to 1982-83 |
| West Bengal Handloom and Powerloom Development Corporation Limited | 1979-80 to 1982-83 |
| West Bengal State Minor Irrigation Corporation Limited             | 1979-80 to 1982-83 |
| Webel Video Devices Limited  | 1980-81 to 1982-83 |
| The Electro-Medical and Allied Industries Limited                  | 1980-81 to 1982-83 |
| West Bengal Handicrafts Development Corporation Limited            | 1980-81 to 1982-83 |

| Name of Company  | Extent  | of | arrears |
|--|---------|----|---------|
| West Bengal Small Industries Corporation Limited ..                  | 1980-81 | to | 1982-83 |
| Westinghouse Saxby Farmer Limited .. ..                              | 1980-81 | to | 1982-83 |
| West Bengal Livestock Processing Development Corporation Limited     | 1981-82 | to | 1982-83 |
| West Bengal State Textile Corporation Limited ..                     | 1981-82 | to | 1982-83 |
| West Bengal Agro-Industries Corporation Limited ..                   | 1981-82 | to | 1982-83 |
| West Bengal Fish Seed Development Corporation Limited                | 1981-82 | to | 1982-83 |
| West Bengal State Seed Corporation Limited ..                        | 1981-82 | to | 1982-83 |
| Webel Television Limited .. ..                                       | 1981-82 | to | 1982-83 |
| Webel Electronic Communication Systems Limited ..                    | 1981-82 | to | 1982-83 |
| West Bengal Ceramic Development Corporation Limited                  |         |    | 1982-83 |
| West Bengal State Leather Industries Development Corporation Limited |         |    | 1982-83 |
| The Kalyani Spinning Mills Limited .. ..                             |         |    | 1982-83 |
| The State Fisheries Development Corporation Limited..                |         |    | 1982-83 |
| The Shalimar Works (1980) Limited .. ..                              |         |    | 1982-83 |
| Duragpur Chemicals Limited .. ..                                     |         |    | 1982-83 |
| West Bengal Sugar Industries Development Corporation Limited         |         |    | 1982-83 |
| Webel Business Machines Limited .... ..                              |         |    | 1982-83 |
| West Dinajpur Spinning Mills Limited .. ..                           |         |    | 1982-83 |

The position of arrears in finalisation of accounts was last brought to the notice of Government in February 1984.

### 1.03. Paid-up capital

Against the aggregate paid-up capital of Rs.85,81.88 lakhs in 36 Companies (including 7 subsidiaries) as on 31st March 1982, the aggregate paid-up capital of 39 Companies as on 31st March 1983 was Rs.96,95.53 lakhs as detailed below :

| Particulars  | Number of Companies | Investment by                         |                    |         | Total    |          |
|--|---------------------|---------------------------------------|--------------------|---------|----------|----------|
|  |                     | State Government<br>(Rupees in lakhs) | Central Government | Others  |          |          |
| (i) Companies wholly-owned by State Government                   | 20                  | 63,14.40                              | ..                 | ..      | 63,14.40 |          |
| (ii) Companies jointly owned with the Central Government/ Others | 11                  | 19,63.50                              | 3,76.02            | 2,30.76 | 25,70.28 |          |
| (iii) Subsidiary Companies                                       | 8                   | ..                                    | ..                 | 8,10.85 | 8,10.85  |          |
|  |                     | 39                                    | 82,77.90*          | 3,76.02 | 10,41.61 | 96,95.53 |

\*The amount as per Finance Accounts is Rs. 61,54.38 lakhs and the difference of Rs. 21,23.52 lakhs is under reconciliation.

## 1.04. Loans

The balance of long-term loans outstanding in respect of 39 Companies as 31st March 1983 was Rs.2,00,11.40 lakhs (State Government : Rs.1,57,41.50 lakhs\*\*, others : Rs.41,63.49 deferred payment credits: Rs.1,06.41 lakhs) as against Rs.1,75,17.41 lakhs as on 31st March 1982.

## 1.05 Guarantees

1.05.1. The State Government had guaranteed the repayment of loans raised by 14 Companies and payment of interest thereon. The amounts guaranteed and outstanding thereagainst as on 31st March 1983 were Rs.69,38.12 lakhs and Rs.42,91.82 lakhs respectively as shown below :—

| Name of Company   | Amount guaranteed | Amount outstanding as on 31st March 1983 |
|---|-------------------|--|
|   | (Rupees in lakhs) |  |
| (1) Durgapur Chemicals Limited .. .. .                              | 3,00·00           | 2,32·13                                  |
| (2) The Durgapur Projects Limited .. .                              | 11,00·00          | 2,50·00                                  |
| (3) The Kalyani Spinning Mills Limited .. .                         | 2,08·97           | 3,96·41                                  |
| (4) The Shalimar Works (1980) Limited .. .                          | 30·00             | ..                                       |
| (5) West Bengal Essential Commodities Supply Corporation Limited    | 8,00·00           | ..                                       |
| (6) West Bengal Forest Development Corporation Limited              | 1,60·25           | 64·97                                    |
| (7) West Bengal Industrial Development Corporation Limited          | 23,66·00          | 23,66·00                                 |
| (8) West Bengal Mineral Development and Trading Corporation Limited | 8·88              | 3·88                                     |
| (9) West Bengal Small Industries Corporation Limited ..             | 3,00·00           | 2,97·86                                  |
| (10) West Bengal Sugar Industries Development Corporation Limited   | 1,31·00           | 1,31·00                                  |
| (11) West Bengal Tea Development Corporation Limited ..             | 41·90             | 39·26                                    |
| (12) West Bengal State Minor Irrigation Corporation Limited         | 10,06·12          | 4,27·46                                  |
| (13) Wastjnghouse Saxby Farmor Limited .. .. .                      | 85·00             | 82·85                                    |
| (14) West Dinajpur Spinning Mills Limited .. .. .                   | 4,00·00           | ..                                       |
| ..  | 69,38·12          | 42,91·82                                 |

\*\*The amount as per Finance Accounts is Rs. 1,88,82·48 lakhs and the difference Rs. 30,90·98 lakhs is under reconstitition.

1.05.2. The Companies have to pay guarantee commission in consideration of the guarantees given by the Government. As on 31st March 1983, the payment of guarantee commission was in arrears to the extent of Rs.27.77 lakhs in the case of 8 Companies as detailed below :—

| Name of Company   | Amount<br>in<br>arrears<br>(Rupees in lakhs) |
|---|--|
| (1) West Bengal Essential Commodities Supply Corporation Limited    | 4.00   |
| (2) The Shalimar Works (1980) Limited .. .. .                       | 0.15   |
| (3) West Bengal Mineral Development and Trading Corporation Limited | 0.04   |
| (4) West Bengal Sugar Industries Development Corporation Limited    | 5.29   |
| (5) West Bengal Industrial Development Corporation Limited ..       | 9.63   |
| (6) Westinghouse Saxby Farmer Limited .. .. .                       | 1.15   |
| (7) West Bengal Tea Development Corporation Limited .. .. .         | 0.44   |
| (8) The Kalyani Spinning Mills Limited .. .. .                      | 7.07   |
|   | 27.77  |

## 1.06. Performance of Companies

1.06.1. The following table gives details of 6 Companies (including two subsidiaries) which earned profit during 1982-83 and comparative figures for the previous year :—

| Name of Company  | Paid-up capital   |          | Profit(+)/Loss(-) |             | Percentage of profit to paid-up capital |         |
|--|-------------------|----------|-------------------|-------------|---|---------|
|  | 1982-83           | 1981-82  | 1982-83           | 1981-82     | 1982-83                                 | 1981-82 |
| <i>Companies</i>   | (Rupees in lakhs) |          |                   |             |   |         |
| (1) The Durgapur Projects Limited                                | 28,40.41          | 25,37.07 | 4,29.92           | (-),1,63.19 | 15.1                                    | ..      |
| (2) West Bengal Essential Commodities Supply Corporation Limited | 89.00             | 79.00    | 2,82.13           | 2,58.28     | 3,17.0                                  | 3,27.0  |
| (3) West Bengal Forest Development Corporation Limited           | 4,18.72           | 3,98.72  | 4.56              | 4.10        | 1.1                                     | 1.0     |
| (4) West Bengal Industrial Development Corporation Limited       | 6,78.42           | 5,98.42  | 61.93             | 62.55       | 9.1                                     | 10.5    |
| <i>Subsidiaries</i>  |                   |          |                   |             |   |         |
| (5) Damodhar Cements and Slag Limited                            | 4,95.95           | 1,24.93  | (-),2.23          | 2.62        | 0.4                                     | ..      |
| (6) Wpbel Telecommunication Industries Limited                   | 1,00.00           | 1,00.00  | 1,32.84<br>(+)    | 21.38       | 1,32.8                                  | 21.4    |



1.06.2. During the year two Companies declared dividend as indicated below :—

| Name of Company  | Distributable surplus | Amount retained in business | Dividend declared | Percentage of dividend to paid up capital |
|--|-----------------------|-----------------------------|-------------------|---|
| (Rupees in lakhs)  |                       |                             |                   |   |
| <b>Company</b>   |                       |                             |                   |   |
| (1) West Bengal Essential Commodities Supply Corporation Limited | 1,49.72               | 1,42.82                     | 6.90              | 7.8                                       |
| <b>Subsidiary</b>  |                       |                             |                   |   |
| (2) Webel Telecommunication Industries Limited                   | 32.03                 | 22.03                       | 10.00             | 10.00                                     |

1.06.3. The following table gives details of 7 Companies (including one subsidiary) which incurred loss during the year 1982-83 and the comparative figures of the previous year :—

| Name of Company  | Paid-up capital |         | Profit(+)/Loss(-) |          |
|--|-----------------|---------|-------------------|----------|
|  | 1982-83         | 1981-82 | 1982-83           | 1981-82  |
| (Rupees in lakhs)  |                 |         |                   |          |
| <b>Companies</b>   |                 |         |                   |          |
| (1) West Bengal Electronics Industry Development Corporation Limited             | 4,09.00         | 368.00  | (-)16.81          | (+) 0.53 |
| (2) West Bengal Film Development Corporation Limited                             | 1,16.57         | 36.57   | (-)5.60           | (-)2.71  |
| (3) West Bengal Mineral Development and Trading Corporation Limited              | 1,93.08         | 1,57.65 | (-)38.08          | (-)36.50 |
| (4) West Bengal Pharmaceutical and Phytochemical Development Corporation Limited | 81.10           | 62.10   | (-)6.66           | (-)6.08  |
| (5) West Bengal Tea Development Corporation Limited                              | 1,86.00         | 1,55.00 | (-)64.54          | (-)56.49 |
| (6) West Bengal Tourism Development Corporation Limited                          | 99.56           | 62.00   | (-)17.85          | (-)20.66 |
| <b>Subsidiary</b>  |                 |         |                   |          |
| (7) West Bengal Cements Limited ..   | 51.10           | 51.10   | (-)43.40          | (-)49.89 |

1.06.4. Up to 31st March 1983, the accumulated losses in respect of 9 Companies (paid-up capital : Rs.44,72.77 lakhs) amounted to Rs.38,08.23 lakhs. Particulars of 2 Companies the accumulated losses of which had exceeded their paid-up capital are given below :—

| Name of Company                     | 1982-83           |                    |
|-------------------------------------|-------------------|--------------------|
|                                     | Paid-up capital   | Accumulated losses |
|                                     | (Rupees in lakhs) |                    |
| The Durgapur Projects Limited .. .. | 28,40.41          | 33,03.33           |
| West Bengal Cements Limited .. ..   | 51.10             | 1,32.98            |

The accumulated loss in respect of the following 9 Companies also, as reflected in the accounts received up to the period noted against each earlier had exceeded their paid-up capital :—

| Name of Company  | Year              | Paid-up capital | Accumulated losses |
|--|-------------------|-----------------|--------------------|
|  | (Rupees in lakhs) |                 |                    |
| (1) Basumati Corporation Limited ..                                      | 1976-77           | 10.00           | 28.95              |
| (2) Durgapur Chemicals Limited ..  | 1981-82           | 5,09.31         | 28,75.87           |
| (3) The State Fisheries Development Corporation Limited                  | 1981-82           | 1,15.00         | 1,31.80            |
| (4) The Electro-Medical and Allied Industries Limited                    | 1979-80           | 25.00           | 1,13.82            |
| (5) The Kalyani Spinning Mills Limited ..                                | 1981-82           | 1,58.21         | 22,32.71           |
| (6) West Bengal Ceramic Development Corporation Limited                  | 1981-82           | 97.73           | 1,69.83            |
| (7) West Bengal Sugar Industries Development Corporation Limited         | 1981-82           | 1,89.00         | 3,50.58            |
| (8) West Bengal State Leather Industries Development Corporation Limited | 1981-82           | 52.84           | 69.01              |
| (9) Westinghouse Saxby Farmer Limited ..                                 | 1979-80           | 1,00.00         | 16,28.70           |

1.07. Webel Precision Industries Limited (a subsidiary) with a paid-up capital of Rs.30.94 lakhs is under construction. The expenditure incurred up to 30th June 1983 was Rs.33.30 lakhs.

1.08. In addition there was one Company viz., West Bengal Filaments and Lamps Limited covered under Section 619B of the Companies Act, 1956. The investment of Companies/Corporations owned by State Government in this Company as on 31st March 1983 amounted to Rs.1,89.34 lakhs. The Company incurred loss of Rs.36.79 lakhs during 1982-83.

1.09. The Companies Act, 1956 empowers the Comptroller and Auditor General to issue directives to the auditors of Government Companies in regard to the performance of their functions. In pursuance of the directives so issued, special reports of the Company auditors on the accounts of 3 Companies were received during the year. The important points noticed in these reports are summarised below :—

| Nature of defects   | Number of Companies where defects were noticed |
|---|--|
| 1. Absence of regular costing system .. ..                              | 1(15)**  |
| 2. Absence of Internal Audit Manual .. ..                               | 1(3)   |
| 3. Sales below cost of production .. ..                                 | 1(15)  |
| 4. Ineffective system of determination of surplus/unserviceable stores  | 2(3 and 15)                                    |
| 5. Absence of system of ascertaining idle time for labour and machinery | 2(3 and 15)                                    |
| 6. Non-fixation of norm for manpower .. ..                              | 1(15)  |
| 7. Non-fixation of maximum/minimum limits of stores and spares          | 2(3 and 15)                                    |
| 8. Inadequate system for write off, discounts, refunds etc.             | 1(15)  |
| 9. Absence of system of obtaining confirmation from debtors.            | 1(15)*   |

1.10. Under Section 619(4) of the Companies Act, 1956 the Comptroller and Auditor General has a right to comment upon or supplement the audit reports of Company auditors. Under these provisions, a review of the annual accounts of Government Companies is conducted in selected cases. Some of the major errors/omissions noticed in the course of review of the annual accounts are detailed below :—

(i) Errors which affected the working results :—

*West Bengal Cements Limited*—Understatement of loss to the extent of Rs.0.38 lakh mainly due to non-provision of penal interest on loans.

\*\*Figures in brackets indicate serial number of Companies as in Appendix 'B'.

*Damodhar Cement and Slag Limited*—(a) Short provision of depreciation of Rs.0.21 lakh on plant and machinery lying idle. (b) Non-accountal of income towards interest on short terms deposit amounting to Rs.0.37 lakh.

*West Bengal Electronics Industry Development Corporation Limited*—Non-provision of Rs.7.31 lakhs (including Rs.1.58 lakhs for prior period) being the interest accrued on unsecured loans of Rs.1,07.45 lakhs.

(ii) Errors of classification :—

*Damodhar Cement and Slag Limited*—‘Plant and Machinery’ (Rs.10.36 lakhs) included re-installed plant and machinery valued at Rs.8.43 lakhs which should have been shown as such.

‘Capital works-in-progress’ (Rs.2,27.88 lakhs) included Rs.9.29 lakhs representing advances paid towards supply of machinery and should, therefore, have been shown under ‘Loans and advances’.

‘Rent and service charges’ (Rs.3.30 lakhs) included rent of Rs.3.08 lakhs which should have been shown separately.

*West Bengal Electronics Industry Development Corporation Limited*—The accumulated loss (Rs.14.42 lakhs) shown as deduction from ‘Sources of funds’ should have been shown against profit and loss account under the heading ‘Application of funds’.

Details of investment in equity shares of 8 subsidiary companies (Rs.2,53.37 lakhs) were not shown distinctly.

‘Investments’ (Rs.3,13.11 lakhs) included Rs.33.00 lakhs being the Margin|Seed Money received under Additional Employment Programme from Government of West Bengal, lying with a nationalised bank in fixed deposit and, therefore, should have been shown under ‘Cash and Bank balances’.

*West Bengal Industrial Development Corporation Limited*—An amount of Rs.26.94 lakhs being interest accrued and due on loans of Rs.2,38.37 lakhs was shown under ‘Current liabilities and Provision’ instead of under ‘Unsecured loans’.

*Webel Telecommunication Industries Limited—Creditors* (Rs.66.84 lakhs) included an amount of Rs.9.22 lakhs being the amount of loans (Rs.5.06 lakhs), ex-gratia payments (Rs.3.35 lakhs) and contribution towards Provident Fund (Rs.0.81 lakhs) which should have been shown as 'Other liabilities'.

(iii) Others :—

*West Bengal Cements Limited—'Interest accrued and due'* (Rs.28.65 lakhs) was overstated to the extent of Rs.0.15 lakh due to calculation of interest at higher rates and did not include Rs.0.41 lakh being penal interest on the term loan of Rs.60.00 lakhs.

Neither provision was made for write off of the value of the land (Rs.3.17 lakhs) according to the duration of the lease nor the fact of non-provision disclosed as a note to accounts.

'Plant and machinery' (Rs.1,12.62 lakhs) did not include Rs.1.12 lakhs being the cost of supply and erection of kiln/cooler machines, already measured and certified by the Management in the year 1981-82.

'Stock of finished goods' (Rs.0.16 lakh) did not include stock valued Rs.0.23 lakh rejected and lying with a customer. Neither its sale had been brought in the accounts nor provision for write off of the rejected item was made.

The claims for (i) Rs.0.42 lakh representing additional claims for supply of steel materials and (ii) Rs.0.73 lakh representing escalation charges preferred by the suppliers and not acknowledged as debts had not been disclosed.

*Damodhar Cement and Slag Limited—*The fact that 14,49,361 equity shares of Rs.10 each were held by the holding company, viz. West Bengal Industrial Development Corporation Limited, was not disclosed.

*West Bengal Electronics Industry Development Corporation Limited—'Loans and advances'* (Rs.1,14.32 lakhs) includes Rs.0.23 lakh being the value of materials supplied to and consumed in construction work which resulted in understatement of capital works-in-progress.

*West Bengal Industrial Development Corporation Limited—*  
‘Other liabilities’ (Rs.26,74.76 lakhs) included Rs.5.39 lakhs (Rs.4.74 lakhs for the years from 1974-75 to 1981-82) being excess provision of liability for guarantee fee payable to State Government.

**SECTION II**  
**WEST BENGAL**  
**AGRO-INDUSTRIES CORPORATION LIMITED**

**2.01. Introduction**

2.01.1. The West Bengal Agro-Industries Corporation Limited was incorporated on 16th August 1968 to promote agro-industries and other ancillary activities in the State and to help farmers to adopt modern methods of farming.

**2.01.2. Objects**

The main objects of the Company are to (i) manufacture, trade, process and deal with agricultural machinery and various agricultural inputs and (ii) promote and assist agricultural industries including industries pertaining to fisheries, poultry, piggery, seed, sheep rearing and dairy and provide them with capital, credit, resources and technical and managerial assistance.

**2.02. Organisational set-up**

2.02.1. The management of the Company is vested in a Board to consist of 15 directors representing the Government of India (three directors) and the State Government (12 directors). As on 31st March 1983, there were 12 directors representing the State Government only and there had been no director representing the Government of India since September 1982.

2.02.2. The Managing Director, who is appointed by the Governor, manages the day-to-day affairs of the Company. There was no full-time Managing Director after July 1983 (January 1984). A full-time Chairman was appointed (August 1982) on an all inclusive honorarium of Rs.1000 per month but the duties and powers of the Chairman had not been specified (August 1983). The Articles of Association of the Company do not contain any provision regarding administrative function of the Chairman, except conducting meetings of the Board of Directors and share holders. The Board of Directors in its meeting held on 13th September 1982, extended the following further facilities to the Chairman which are not covered by the provisions of Article 74(5) of the Articles of Association of the Company :

—to draw travelling allowances and daily allowance as self controlling officer.

- to use Company's vehicles as admissible to the Managing Director of the Company, and
- reimbursement of medical expenses as admissible to the Managing Director of the Company.

### 2.03. Capital structure

The authorised capital of the Company at the time of incorporation (Rs.2,00 lakhs) was increased from time to time to Rs.10 crores in September 1979, divided into 10 lakh equity shares of Rs.100 each. The paid-up capital of the Company as on 31st March 1983, was Rs.8,11.52 lakhs contributed by State Government (Rs.5,42.50 lakhs) and Government of India (Rs.2,69.02 lakhs).

Although the shares of the State and Central Governments were to be in the ratio of 51 : 49, consequent on the decision of the National Development Council to transfer the scheme of investment in the State Agro-Industries Companies to State sector with effect from 1st April 1979 the Central Government had ceased (1979-80) to contribute further to the share capital of the Company.

### 2.04. Budgetary control

The Company did not prepare any annual budget setting out the various objectives to be reached up to the year 1982-83. The capital and revenue budget for the year 1983-84 was prepared in March 1983 but the Management had not devised a suitable system to watch periodically the expenditure against budget provision.

### 2.05. Compilation of Accounts

The accounts of the Company had not been finalised and presented in the annual general meeting (AGM) of the share holders within the time prescribed in Section 210 of the Companies Act, 1956 for the last several years. The dates of submission of the accounts in the AGM of the Company for the four years ending March 1981 are given below :—

| Year of accounts | Due date of presentation | Actual date of presentation |
|------------------|--------------------------|-----------------------------|
| 1977-78 .. ..    | 30th September 1978      | 26th March 1980             |
| 1978-79 .. ..    | 30th September 1979      | 11th August 1981            |
| 1979-80 .. ..    | 30th September 1980      | 27th January 1983           |
| 1980-81 .. ..    | 30th September 1980      | 22nd March 1984             |



The accounts for the years from 1981-82 were not finalised (January 1984).

#### 2.06. Working results

The working of the Company during the three years up to 31st March 1981 showed a profit of Rs.22.17 lakhs, Rs.9.21 lakhs and Rs.22.26 lakhs respectively. There were however, accumulated losses which amounted to Rs.144.94 lakhs as on 31st March 1981.

#### 2.07. Borrowings

The Company obtained short-term loans (repayable within six months) from the State Government on several occasions between September 1974 and March 1983, for procurement of agricultural inputs. Out of aggregate loans of Rs.8,26.39 lakhs obtained, Rs.5,20.05 lakhs were repaid from time to time, leaving a balance of Rs.3,06.34 lakhs outstanding as on 31st March 1983 of which Rs.1,26.34 lakhs were overdue

Interest accrued and due but not paid up to 31st March 1983 on the above loans amounted to Rs.1,38.16 lakhs without taking into account rebate of Rs.4.24 lakhs, which would have been admissible if timely repayment had been made. Amount of penal interest on overdue instalments of principal amounted to Rs.42.39 lakhs as on 31st March 1983.

#### 2.08. Cash credit

The Company obtained (October 1974) cash credit facility up to a limit of Rs.2 crores at 12.5 *per cent* interest from a nationalised bank for financing purchase of seeds during 1975-76 *rabi* season. The cash credit limit was subsequently enhanced to Rs.4 crores in September 1975. The Company's cash credit account with the bank as on 31st March 1976 had disclosed a drawal of Rs.3,94.07 lakhs. Interest amounting to Rs.37.38 lakhs was paid during 1975-76 towards the cash credit availed. On the other hand, the Company had sums aggregating Rs.1,48.08 lakhs as on 31st March 1976 in fixed deposits with various banks on which interest at 8 to 10 *per cent* amounting to Rs.9.24 lakhs had been earned during 1975-76. Keeping funds in fixed deposits at low rates of interest when the Company had overdrawn funds from bank at higher rate of interest resulted in avoidable expenditure of Rs.24.81 lakhs towards interest.

Since March 1977, the cash credit facility was discontinued and the Company was utilising the overdraft facility against *lien* of fixed deposit receipts. Bank charged interest on overdraft at 2 *per cent*

over the rates allowed on such deposits up to 75 per cent of the deposits and 18 per cent on the portion of debit balance over and above the limit of 75 per cent of fixed deposits.

There was no system of periodical preparation of cash flow statements. In the absence of proper cash flow studies the Company was not in a position to utilise its own funds for its increased trading operations as it had invested its surplus funds in fixed deposits.

## 2.09. Activities

2.09.1. The major activities of the Company, with reference to its objectives, were as follows :—

- (a) Procurement and sale of agricultural inputs such as fertilisers, pesticides, seeds, compost, agricultural tractors, power tillers, pump sets, etc., on cash and hire purchase basis;
- (b) distribution of pump sets and other inputs as agent of the State Government on commission basis;
- (c) operation of custom service centres, cold storages, workshops and other servicing facilities;
- (d) setting up of agro-service centres to promote self employment of the educated unemployed, providing technical services of machinery hiring/repair and input distribution;
- (e) assembling of pump sets in collaboration with local manufacturers;
- (f) manufacturing of mechanised compost for utilisation of city garbage; and
- (g) manufacturing of cigar and cheroot.

2.09.2. Since inception, the Company engaged itself mainly in trading activities. Manufacture of agricultural implements had practically not been taken up. The Company did not also manage any seed multiplication farm and also did not assist, promote or provide financial, technical and managerial assistance to the agro-industries in the State. As such, the objects of the Company were not achieved even in 15 years of its operation. The Committee on Public Undertakings in its 9th Report recommended (March 1980) streamlining the Company's manufacturing wing aimed at making available agricultural implements manufactured by them to cultivators without any further loss of time. No action had so far (September 1983) been taken thereon.

The activities of the Company are carried out through the following divisions :—

- (i) Agronomy division headed by an Agronomist
- (ii) Project division headed by Project Manager.

There had been no Agronomist after the last incumbent left in August 1982.

## 2.10. Agronomy division

2.10.1. This division purchases agricultural inputs such as fertilizers and pesticides and sends them to thirty regional/district sales offices which store them in own godowns or in godowns of State/Central Warehousing Corporations for sale through dealers appointed for the purpose. The Company had not established any retail sale centre. Sales are also effected from Head Office at Calcutta through a city godown maintained for the purpose and by issuing instructions to the district offices concerned for delivery of goods from that end. The delivery orders, challans, *etc.*, prepared by the district offices are sent to the Head Office for billing purposes. The total quantity/value of goods for which advices were issued by the Head Office to the district offices, the quantity/value of goods actually delivered by the district offices and sale proceeds thereof accounted and realised by the Head Office had not been reconciled by the Company from time to time.

There was no system of periodical submission of indents for inputs by the district offices so as to enable the Head Office to ascertain their requirements. Instead, the Head Office (Agronomy division) had been purchasing bulk quantities of inputs and sending them to the district sales offices without assessing their actual requirements. As a result, huge stocks got accumulated in the district offices (paragraph 2.10.2.3(vi) *infra*). Sometimes one sales office had to divert the consignment of goods to another sales office for want of available storing space in its godown or the goods were unauthorisedly kept in private godowns as a temporary measure. As such the Company had to suffer avoidable handling and other shortages (paragraph 2.10.2.3(iii) *infra*).

The Agronomy division maintains a central stock register at Head Office to record all purchases of inputs and to ensure that the goods are actually received by the district sales offices and the sales offices are required to submit monthly returns showing opening stock, receipts and sales during the month and closing stock. But these returns are not being regularly submitted by all the sales offices and the returns when furnished by the sales offices are not checked and reconciled by

the Head Office as the entries in the central stock register were always in arrears. The quantity of inputs purchased and sent by the Head Office to units and that received by the district offices for sale had thus not been reconciled from time to time. Instances of certain discrepancies noticed in test check are discussed in the following paragraphs.

## 2.10.2. Fertilizers

2.10.2.1. The fertilizers constituted about 75 per cent of the turnover of the division during the 4 years up to 1982-83. The division obtains supplies of the imported varieties of fertilizers out of the allotments made by the Government of India canalised through the Food Corporation of India termed as pool fertilizer and also makes purchases of other fertilizers from the Fertilizer Corporation of India Limited (FCI), Rashtriya Chemicals and Fertilizers Limited (RCFL), etc., under agreements subsisting with them.

2.10.2.2. The table below indicates the quantity and value of the difference between the inputs recorded in the central stock register and those at the unit offices treated as shortages and charged to the profit and loss account every year, without any investigation :—

| Year    | Shortages               |                               |
|---------|-------------------------|-------------------------------|
|         | Quantity<br>(in tonnes) | Value<br>(Rupees<br>in lakhs) |
| 1978-79 | 2,980                   | 48.95                         |
| 1979-80 | 391                     | 5.10                          |
| 1980-81 | 481                     | 8.56                          |
| 1981-82 | N.A.                    | N.A.                          |
| 1982-83 | N.A.                    | N.A.                          |

The closing stocks were also not physically verified in any of the years.

The internal auditor of the Company reported (July 1979) that 943.553 tonnes of fertilizers (valued at Rs.16.21 lakhs) had not been accounted for up to March 1978 by the storing agent at Arambagh. An amount of Rs.27.43 lakhs had been written off in the accounts of 1978-79 as stock shortage at Arambagh due to handling loss and damaged by floods (floods occurred during September 1978). The amount written off included the value (Rs.16.21 lakhs) of the stock not accounted for by the agent. Though the internal auditor pointed out the alleged shortage at Arambagh, the case had not been investigated to fix responsibility and the stock had not physically been verified.

During take over of the charge of Berhampore sales office on 8th December 1976 a shortage of 335.336 tonnes of fertilizers valuing Rs.5.50 lakhs was detected by the relieving officer. The circumstances leading to the shortage were not investigated by the Management nor any responsibility fixed.

2.10.2.3. The following points were noticed in audit on a test check of purchase and sale of fertilizers.

- (i) Out of the allotment of 18,065 tonnes of Di-ammonium Phosphate (DAP) and 35,469 tonnes of urea (pool fertilizers) during 1980-81 the Company lifted 4,300 tonnes of DAP and 17,607 tonnes of urea and could dispose of 2,150 tonnes of DAP (666 tonnes at Rs.3,050 per tonne and 1,484 tonnes at Rs.3,600 per tonne) and 15,694 tonnes of urea (13,420 tonnes at Rs.2,000 per tonne and 2,274 tonnes at Rs.2,350 per tonne) leaving balance stock of 2,150 tonnes of DAP and 1,913 tonnes of urea as on 13th September 1982.

Due to influx of fresh supplies in the market the Company standardised (September 1982) the stocks of DAP and urea in 50 kg. bags incurring an additional expenditure of Rs.16.29 lakhs and sold them at reduced rates of Rs.3,442.00 per tonne and Rs.2,190.00 per tonne (as against the cost of Rs.4,047.50 per tonne and Rs.2,658.87 per tonne respectively) resulting in a loss of Rs.21.99 lakhs. The Management stated (September 1982) that though the Company had to incur a loss of Rs.21.99 lakhs in the deal, it was saved from a total loss of Rs.1,15.90 lakhs and blocking up of capital to the extent of Rs.1,03.00 lakhs.

- (ii) The Company received (June-October 1975) 6,976 tonnes of DAP and 876.863 tonnes of urea in non-standard bags from Visakhapatnam Port despatched by the Food Corporation of India, Madras. The same was disposed of after standardisation revealing a handling shortage of 902.541 tonnes of DAP (value : Rs.25.34 lakhs) and 113.433 tonnes of urea (value : Rs.2.02 lakhs). The Company preferred claims for Rs.9.22 lakhs in June 1978 and Rs.5.71 lakhs in January 1980 towards compensation for the shortages with the Government of West Bengal for submission to Government of India, which remained unrealised (September 1983). No claim for the balance shortages valuing Rs.12.43 lakhs had, however, been preferred.

(iii) The division despatched (June 1975) 41.9 tonnes of urea and 47.9 tonnes of *sufala* to Tarakeswar sales office. Due to lack of storing space at Tarakeswar godown, the entire consignment was diverted (June 1975) to Arambagh sales office and was stored in a private godown without executing any formal agreement. Out of the total stock of urea and *sufala* 89.800 tonnes, 21.000 tonnes of urea were sold (January 1977) by Arambagh sales office for Rs.0.34 lakh. Neither the remaining stock of 20.9 tonnes of urea and 47.9 tonnes of *sufala* could be got released nor the value thereof (Rs.1.38 lakhs) realised from the owner of the godown.

A criminal suit filed (September 1980) against the godown owner, is *sub judice* (September 1983).

(iv) FCI despatched (April 1974) 216.500 tonnes of ANP to Berhampore sales office *ex-Calcutta*. The consignment reached the destination in May 1974 and the handling agent of the Company unloaded 209.972 tonnes with railway shortage certificate for 6.528 tonnes. The unit, however, accounted for 134.406 tonnes, which resulted in a discrepancy of 75.566 tonnes of ANP valuing Rs.0.90 lakh. Neither any investigation was made nor was any responsibility fixed though the Company suffered a loss of Rs.0.90 lakh in this respect.

(v) Ten tonnes of DAP were delivered on 2nd November 1977 to an agro-service entrepreneur for Rs.0.21 lakh by Arambagh sales office. Subsequently, on request from the sales officer, Arambagh a further quantity of 10 tonnes of DAP was issued in December 1977 to the same entrepreneur under the earlier delivery order from the Head Office. Thus, the materials were issued twice against the same delivery order. No effective steps had been taken by the Management to realise the value (Rs.0.21 lakh) of the materials issued in excess.

(vi) A test check of record revealed that 263.356 tonnes of fertiliser (value : Rs.2.95 lakhs) procured between July 1973 and July 1977 were lying with three sales offices at Cooch Behar (24.956 tonnes), Tarakeswar (206.100 tonnes) and Jalpaiguri (32.300 tonnes) and these could not be disposed of due to lack of demand. Of these, the entire stock valuing Rs.0.26 lakh of Cooch Behar was destroyed (August 1981) as it was found to be sub-standard on a chemical analysis. No action had been taken on the stocks at the two other sales offices either to dispose of these or to ascertain their quality after prolonged storage. The Company had meanwhile paid rent of Rs.0.71 lakh (Tarakeswar : Rs.0.63 lakh and Jalpaiguri : Rs.0.08 lakh) up to 31st March 1983 for their storage.

(vii) The Government of India reduced the prices of different fertilizers with effect from 29th June 1983 and consequently the Company suffered a total loss of Rs.14.69 lakhs on 8,166.740 tonnes of fertilizers lying unsold in its stock as on that date.

In absence of any agreement with Government of India for payment/recoupment of the differences arising out of upward/downward revision of prices of fertilizers from time to time the Company's claim (August 1983) for compensation of the loss of Rs.14.69 lakhs was rejected (December 1983) by the Government of India.

(viii) A test check of the records relating to procurement of fertilizers in respect of Krishnanagar sales office revealed the following :

(a) Krishnanagar sales unit was supplied with 23.760 tonnes of ammonium sulphate on 27th February 1983. The unit could sell only 0.500 tonne up to 31st March 1983 leaving a balance of 23.260 tonnes in stock (value : Rs.0.35 lakh). On 1st April 1983, the unit received a further consignment of 23.900 tonnes of

ammonium sulphate from Steel Authority of India Limited under advice of Head Office against which no indent had been sent by the unit and there was no sale of the materials up to August 1983. The entire stock of 47.160 tonnes was lying in the store of the sales office resulting in blocking up of capital to the extent of Rs.0.71 lakh.

- (b) Under Head Office indent for 200 tonnes of urea (D) for Krishnanagar sales office, HFCL supplied (March 1983) 402 tonnes of urea to the unit. The Company accepted the excess supply (value : Rs.3.94 lakhs). The unit could, however, sell only 43.500 tonnes up to August 1983 resulting in blocking up of capital to the tune of Rs.7.00 lakhs towards procurement cost of the balance stock held.

### 2.10.3. Seeds

2.10.3.1. The Agronomy division procures seeds and sells them to farmers within the State. It also arranges for procurement of certified and truthfully labelled seeds\* on behalf of the State Agriculture Department and other organisations/agencies.

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\*The seeds which have not passed through certification norms and standard but otherwise have purity and required germination, are termed as truthfully labelled seeds.



The table below indicates the quantity of seeds procured and sold during the five years ending 1982-83 :—

| Year   | Opening Stock |       | Purchases |        | Sales    |        | Shortages |       | Closing stock |       |       |
|--|---------------|-------|-----------|--------|----------|--------|-----------|-------|---------------|-------|-------|
|  | Quantity      | Value | Quantity  | Value  | Quantity | Value  | Quantity  | Value | Quantity      | Value |       |
| (Quantity in tonnes, Value: Rupees in lakhs) |               |       |           |        |          |        |           |       |               |       |       |
| 1978-79                                      | ..            | 1,257 | 18.97     | 8,929  | 1,79.57  | 9,597  | 2,86.93   | 127   | 3.20          | 462   | 9.45  |
| 1979-80                                      | ..            | 462   | 9.45      | 10,397 | 1,78.38  | 10,418 | 2,19.18   | 78    | 1.34          | 345   | 3.59  |
| 1980-81                                      | ..            | 345   | 3.59      | 4,032  | 1,27.42  | 3,785  | 1,89.10   | 52    | 1.00          | 730   | 19.21 |
|  |               | 280** | 4.89**    |        |          |        |           |       |               |       |       |
| 1981-82                                      | ..            | 730   | 19.21     | 2,532  | 82.51    | 2,865  | 1,30.63   | 91    | 2.50          | 306   | 5.20  |
|  |               |       |           | 0.03†  | 0.15     | 0.03†  |           |       |               |       |       |
| 1982-83                                      | ..            | 306   | 5.20      | 3,322  | 1,07.44  | 2,825  | 1,45.66   | 7     | 0.35          | 796   | 17.89 |
|  |               |       |           | 3.63†  | 5.23     | 3.62†  | 9.21      | 0.01† | 0.01          |       |       |

\*\*Adjustment in the opening stock as on 1st April 1980.

†Numbers in lakhs of coconut seeds.

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Though the Company procured huge quantities of seeds during the five years ending 1982-83, it has not laid down any policy to regulate the procurement keeping in view the annual requirement of seeds, availability of funds and for obtaining reasonable rates. The certified seeds required by the Company for distribution to farmers are obtained from different suppliers including private traders of other States and for this purpose staff and officers of the Division frequently visited those States. The procurement prices were found to be not always competitive and reasonable as the procurements were made without inviting open tenders, some instances of which noticed in test check, are discussed in the following paragraph.

### 2.10.3.2. Procurement of wheat seeds

(1) Under instructions from the Chairman, the Company procured (September-October 1975) 10,000 tonnes of certified wheat seeds (Sonalika) at a cost of Rs.2,73.68 lakhs which was partly financed by Government as loan (Rs.1,00 lakhs) and partly through bank overdraft (Rs.1,73.68 lakhs). The seeds were meant for distribution to the farmers during *rabi* season of 1975-76. The Company could, however, distribute 7,292.9 tonnes for Rs.1,93.39 lakhs and the remaining 2,599.4 tonnes (excluding handling loss, shortages, etc., of 107.7 tonnes) having become unfit for sowing was sold (September 1976) in auction as grain for Rs.24.21 lakhs.

The Company lodged (May 1976) a claim with the supplier for compensation of the loss sustained by the Company as these seeds were initially infested with stored grain pest and in a joint meeting (January 1979) the supplier agreed to compensate 50 *per cent* of the loss on auction sale. Though the supplier shared the loss for undistributed seeds to the extent of Rs.22.82 lakhs (50 *per cent* of the loss on auction sale) the Company suffered a loss of Rs.33.26 lakhs in the deal besides a further loss of Rs.8.38 lakhs towards interest on the borrowed capital.

(2) The Company assessed (September 1978) its requirement of 1,320 tonnes of certified wheat seeds (Sonalika) for the year 1978-79 and executed agreements with four firms for supply of 1,068 tonnes of the seeds as detailed below :—

| Name of Supplier | Quantity ordered (in tonnes) | Rate (Rupees per tonne) |
|------------------|------------------------------|-------------------------|
| Firm A .. .. .   | 500                          | 1,950                   |
| Firm B .. .. .   | 72                           | 2,000                   |
| Firm C .. .. .   | 400                          | 2,000                   |
| Firm D .. .. .   | 96                           | 2,050                   |

Firm 'A' offered to the representatives of the Company, on tour (October-November 1978) to Delhi and Haryana for supervising the despatch of the seeds by the four firms to supply truthfully labelled seeds instead of certified seeds at rates agreed upon, which was not accepted by the representatives.

The representatives took delivery (October 1978) of 544 tonnes of certified seeds from the other three firms (B-72 tonnes, C-400 tonnes and D-72 tonnes) and purchased (November 1978) 368 tonnes of certified seeds and 1,271.600 tonnes of truthfully labelled seeds from five other private traders of that region at rates varying from Rs.1,850 to Rs.2,100 per tonne.

As the seeds were procured at the fag end of the sowing season, 319.400 tonnes of seeds could not be sold, and the same were subsequently (February-March 1979) disposed of as grain at reduced rates. The Company suffered loss of Rs.2.16 lakhs in the deal.

(3) (a) The Company proceed (October-November 1979) 250 tonnes of certified wheat seeds (value : Rs.608 lakhs) from a firm of Uttar Pradesh for sale through its sales offices during the sowing season of 1979-80. Of this, 49.454 tonnes of seeds could not be sold during the season and the same were disposed of (January-March 1980) in auction at Rs.0.65 lakh resulting in a net loss of Rs.0.55 lakh.

(b) The Company procured (September-October 1980) 629.045 tonnes of certified wheat seeds from the firm 'A' of Uttar Pradesh at Rs.2,790 per tonne for sale through its sales outlets during the *rabi* season of 1980-81 and fixed the selling rate at Rs.2,900 per tonne. The Company, however, could not dispose of 242.260 tonnes at the rate fixed and sold the same at reduced rates (varying from Rs.2,850 to Rs.950 per tonne), thus realising (October 1980 to February 1981) total sale proceeds of Rs.14.80 lakhs as against the procurement cost of Rs.17.74 lakhs including transport charges of Rs.0.19 lakh. This resulted in loss of Rs.2.94 lakhs in this particular deal.

(c) Eleven firms approached (June-August 1981) the Company with offers to supply wheat seeds at rates varying from Rs.2,500 to Rs.3,070 per tonne during the *rabi* season of 1981-82. The Company, however, placed (August 1981) order with firm 'A' of Uttar Pradesh for supply of 1,000 tonnes of seeds at Rs.2,970 per tonne and paid (September 1981) an advance of Rs.35 lakhs. The reasons for rejection of the lowest offer were not on record. Firm 'A' supplied (September-October 1981) 820.420 tonnes of seeds at a total price of Rs.24.06 lakhs. The unadjusted balance advance of Rs.10.94

lakhs had not been recovered so far (September 1983). The Company suffered a loss of Rs.4.26 lakhs by way of interest up to September 1983 on the unadjusted balance advance of Rs.10.94 lakhs. Subsequent supplies of 3,000 tonnes up to November 1983 made at prevailing rates accounted for Rs.10.19 lakhs. The balance of advance of Rs.0.75 lakh remained unadjusted (June 1984).

### 2.10.3.3. Procurement of groundnut seeds

In pursuance of the decision (March 1981) taken by the Company for procurement of 65 tonnes groundnut seeds from the growers of Tamil Nadu, the Company's representatives visited (April 1981) Tamil Nadu and procured 72.82 tones of groundnut seeds from two traders at a cost of Rs.4.05 lakhs (16.10 tonnes at the rate of Rs.4,907 per tonne and 56.72 tonnes at the rate of Rs.4,950 per tonne) including transportation cost of Rs.0.45 lakh. Reasons for not inviting tenders for competitive procurement rates or contacting the Tamil Nadu Government agencies were not on record.

Subsequently, under the orders of State Government, the Company procured 100 tonnes of groundnut seeds (July 1981) at Rs.4,100 per tonne from growers of Purulia district to sell the same to Government.

Procurement at higher rates, without obtaining competitive tenders thus resulted in an extra expenditure to the tune of Rs.1.06 lakhs.

### 2.10.3.4. Procurement of *Kalai* and Lentil Seeds

West Bengal State Co-operative Marketing Federation Limited offered (July 1982) supplies of certified *Kalai* and lentil seeds required by the Company for 'minikits' purpose at rates between Rs.3,600 and Rs.3,800 per tonne and the Agronomist of the Company recommended (July 1982) acceptance of the offer. However, the Company procured (August-September 1982) through its Malda Sales Office 210.07 tonnes of *Kalai* Seeds at Rs. 4,060 per tonne and 192.185 tonnes of lentil seeds at Rs.3,700 per tonne from the local traders of Malda district, resulting in an extra avoidable expenditure of Rs.1.16 lakhs towards procurement cost of the seeds.

### 2.10.3.5. Procurement of *dhaincha* seeds

For the purpose of supplying 200 tonnes of *dhaincha* seeds to State Government for 'minikits' the Company received (May 1981) an offer for supply at Rs.1,370 per tonne from the State Fisheries Development Corporation Limited (SFDC).

But without considering the offer, the Company invited (February 1982) tenders for procurement of *dhaincha* seeds and the lowest offer received there against from a firm of Kanpur was Rs.2,250 per tonne.

The Company procured (May 1982) 202.50 tonnes of *dhaincha* seeds at Rs.2,250 per tonne from that firm resulting in an extra cost of Rs.1.78 lakhs with reference to rates offered by SFDC.

Incidentally, it may be mentioned that the Company subsequently procured (July 1982) 4 tonnes of *dhaincha* seeds from SFDC at Rs.1,370 per tonne as 4.390 tonnes of seeds supplied by the firm of Kanpur was of substandard quality and could not be utilised for the purpose and were lying undisposed of (September 1983).

#### 2.10.3.6. Procurement of jute seeds

The Company procured (February 1981) 21 tonnes of jute seeds from a firm of Hooghly at a cost of Rs.1.55 lakhs for sale through its sales offices at Malda, Berhampore and Krishnanagar. The units, however, could not sell 12.10 tonnes of seeds (value : Rs.0.89 lakh) as the same were damaged and were not recommended by the seed testing authority of Government of West Bengal for sale resulting in a loss of Rs.0.89 lakh.

Of the 12.10 tonnes, 1.45 tonnes had been destroyed (September 1982) by the Krishnanagar unit. The remaining 10.65 tonnes at Malda unit awaited destruction (September 1983).

#### 2.10.4. Pesticides

2.10.4.1. The Company obtained in December 1974 a licence for manufacture|formulation of insecticides under the Insecticides Act, 1968. As the Company could not establish any plant the licence was ultimately suspended in November 1976. The Company, therefore, continued to purchase the pesticides required for distribution to farmers.

2.10.4.2. The table below indicates the value of pesticides purchased, sold and closing stock for the five years ended 1982-83 :—

| Year           | Opening stock | Purchases | Total             | Sales | Closing stock | Shortages |
|----------------|---------------|-----------|-------------------|-------|---------------|-----------|
|                |               |           | (Rupees in lakhs) |       |               |           |
| 1978-79 .. ..  | 31.86         | 36.00     | 67.86             | 43.75 | 23.71         | 0.40      |
| 1979-80 .. ..  | 23.71         | 37.57     | 61.28             | 28.62 | 27.69         | 4.07*     |
| 1980-81 .. ..  | 27.69         | 18.60     | 46.29             | 22.84 | 20.84         | 2.61      |
| 1981-82† .. .. | 20.84         | 17.98     | 38.82             | 15.17 | 23.65         | N.A.      |
| 1982-83† .. .. | 23.65         | 8.75      | 32.40             | 9.14  | 23.26         | N.A.      |

†Figures are provisional.

\*Includes date expired stock valuing Rs. 4.77 lakhs treated as shortage which was written off in the accounts for the year ended 31st March 1980.

2.10.4.3. The Company entered into (December 1975) an agreement with a firm for formulating BHC 10 *per cent* dust, DDT 50 *per cent* EC and Malathion 50 EC. The firm had, however, no manufacturing licence and previous experience in formulating the aforesaid pesticides. The Company supplied (December 1975) to the firm 14.760 tonnes of technical grade pesticides (value : Rs.1.73 lakhs) for formulation against bank guarantee of Rs.0.50 lakh valid up to 15th March 1976 on the expectation that the firm would get the licence for formulation of pesticides. The firm, however, could not obtain the required licence and failed to formulate the technical grade pesticides already supplied to it. The bank guarantee was not revalidated beyond 15th March 1976. As the firm failed to supply the formulated pesticides, the Company requested (November 1977) the firm either to return the materials or to pay the value thereof which was, however, not done. In July 1979, the Company filed a criminal suit against the firm for realisation of the dues. During pendency of the suit, the firm went into (February 1980) liquidation and the Company applied (October 1980) to the official liquidator for enlistment as creditor of the liquidated firm. Further development is awaited (September 1983).

2.10.4.4. The Company procured (January 1975) 25 tonnes of Ekalux G-5 and 2 tonnes of solvinex granules from the local distributor of a firm of Bombay at a total cost of Rs.4.25 lakhs with the expectation that the same would be sold to the Directorate of Agriculture, Government of West Bengal.

However, it could dispose of only 9.530 tonnes of Ekalux G-5 and 0.425 tonne of solvinex granules which fetched Rs.1.61 lakhs. The shelf life of the unsold stock of 15.470 tonnes of Ekalux G-5 (value : Rs.2.50 lakhs) and 1.525 tonnes of solvinex granules (value : Rs.0.16 lakh) expired in January 1977.

The Company approached (August 1977) the formulator of the products for revalidation of the date expired stocks. The formulator agreed (June 1978) to reprocess solvinex free of cost and Ekalux G-5 at a charge of Rs.5,300 per tonne *plus* transportation cost of the materials to and from Bombay. The Company assessed (June 1978) that the cost of reprocessed Ekalux G-5 would be Rs.22.06 per kg as against the selling price of Rs.14.76 per kg and therefore wrote off the loss representing cost of date expired pesticides in the accounts of the year 1979-80. Purchase of pesticides without getting confirmed order of the State Government thus resulted in the loss of Rs.2.66 lakhs.

2.10.4.5. Without assessing the actual requirement the Company procured (September-November 1975) 39.600 tonnes of sevin 50 *per cent* WP (cost : Rs.16.19 lakhs) from a firm of Calcutta and could

dispose of only 7.660 tonnes. The remaining 31.940 tonnes had lost its validity on 31st August 1977. The Company approached (September 1977) the formulator for revalidation of the stock. The formulator after inspection of the stock agreed (October 1977) to revalidate 29.766 tonnes under the condition that they would deduct 5 per cent of the material as cost of revalidation. The Company received 28.277 tonnes of revalidated sevin 50 per cent WP as against 29.766 tonnes made over to the formulator. Thus the Company incurred extra expenditure of Rs.0.66 lakh towards revalidation of the date expired stock besides a further loss of Rs.0.96 lakh towards cost of 2.174 tonnes which could not be revalidated.

2.10.4.6. The Company procured 5 tonnes of dithane M-45 in February 1976 and 15 tonnes of dithane Z-78 in March 1976 for distribution under Hill Development Programme. As it could not dispose of 1.40 tonnes of dithane M-45 and 6.50 tonnes of dithane Z-78, it approached (August 1977) the formulator for revalidation of the unsold stocks. The formulator declined (November 1977) to revalidate the date expired stocks and thus the Company suffered a loss of Rs.1.63 lakhs in the deal.

2.10.4.7. The Company procured (May-June 1975) 5 tonnes of zineb 75 per cent at a cost of Rs.1.12 lakhs of which it could not dispose of 1.860 tonnes of the material, which also lost its validity (February 1978). A firm of Calcutta offered (December 1978) to purchase the stock at Rs.18.00 per kilogram as against the procurement cost of Rs.23.00 per kilogram; alternatively the firm was willing to reprocess the stock at Rs.6.00 per kilogram. The Company accepted neither of the two offers and suffered a loss of Rs.0.49 lakh towards the cost of the date expired stock which was written off in September 1982.

## 2.11. Project Division

### 2.11.1. *Agro-based projects*

2.11.1.1. The Company decided (June 1977) to establish agro-based industries for manufacturing agricultural inputs|implements dealt with by it in order to arrest the uncertainty and fluctuations in prices of agricultural inputs over which the Company had very little control and due to which it had incurred heavy losses during 1975-76 (Rs.1,10.54 lakhs) and 1976-77 (Rs.99.56 lakhs).

Accordingly, in its annual plan for the year 1977-78, the Company proposed to establish the following projects|schemes involving a total

capital outlay of Rs.1,50 lakhs on the expectation that the funds would be available from the State Government :—

| Name of Project                        |    |    |    |    |              | Estimated capital cost |
|--|----|----|----|----|--------------|------------------------|
|  |    |    |    |    |              | (Rupees in lakhs)      |
| (a) Mechanical compost plant           | .. | .. | .. | .. | ..           | 48.00                  |
| (b) Diesel pump set manufacturing unit | .. | .. | .. | .. | ..           | 17.00                  |
| (c) Pesticides formulation plant       | .. | .. | .. | .. | ..           | 9.00                   |
| (d) Seed processing plant              | .. | .. | .. | .. | ..           | 6.00                   |
| (e) Fruit processing plant             | .. | .. | .. | .. | ..           | 45.00                  |
| (f) Solvent oil extraction plant       | .. | .. | .. | .. | ..           | 25.00                  |
|  |    |    |    |    | <b>Total</b> | <b>1,50.00</b>         |

The Company could not implement any of the above projects during the year due to non-availability of funds and carried over the same to the annual plans formulated for the years 1978-79, 1979-80 and onwards. Having failed to execute the projects for want of funds, the Company subsequently chalked out certain other agro-based projects/schemes for implementation in the 6th Five Year Plan period (1980-85) with a total requirement of Rs.7,72.00 lakhs as capital outlay.

The table below indicates the projects proposed to be taken up, requirement of funds and allocation of funds over the five years up to 1984-85 :—

| Sl. No.           | Name of Project   | Total capital outlay | Allocation of capital outlay |                |                |                |                |
|-------------------|---|----------------------|------------------------------|----------------|----------------|----------------|----------------|
|                   |   |                      | 1980-81                      | 1981-82        | 1982-83        | 1983-84        | 1984-85        |
| (Rupees in lakhs) |   |                      |                              |                |                |                |                |
| 1.                | Solvent oil extraction plant                            | 80.00                | 30.00                        | 50.00          | ..             | ..             | ..             |
| 2.                | Fruit Processing plant                                  | 30.00                | 10.00                        | 20.00          | ..             | ..             | ..             |
| 3.                | Pesticides formulation plant                            | 70.00                | 5.00                         | 25.00          | ..             | ..             | 40.00          |
| 4.                | Ginger and Cardamom processing plant                    | 5.00                 | 1.00                         | 4.00           | ..             | ..             | ..             |
| 5.                | Single super phosphate and fertiliser Granulation plant | 3,60.00              | 10.00                        | 50.00          | 75.00          | 1,00.00        | 1,25.00        |
| 6.                | Zarda manufacturing plant                               | 1.00                 | ..                           | 1.00           | ..             | ..             | ..             |
| 7.                | Snuff manufacturing plant                               | 1.00                 | ..                           | 1.00           | ..             | ..             | ..             |
| 8.                | Cigar and Cheroot manufacturing plant                   | 6.00                 | 1.00                         | 5.00           | ..             | ..             | ..             |
| 9.                | New mechanical compost plants                           | 2,10.00              | 30.00                        | 90.00          | 45.00          | 45.00          | ..             |
| 10.               | Rural repair workshop                                   | 7.00                 | 2.00                         | 2.00           | 3.00           | ..             | ..             |
| 11.               | Central workshop  | 2.00                 | 2.00                         | ..             | ..             | ..             | ..             |
|                   | <b>Total</b>  | <b>7,72.00</b>       | <b>91.00</b>                 | <b>2,48.00</b> | <b>1,23.00</b> | <b>1,45.00</b> | <b>1,65.00</b> |



Apart from incurring some expenditure towards preparation of project reports, invitation of tenders, *etc.*, in respect of some of the projects the Company could make little progress towards execution of the above schemes up to 1982-83 due to non-availability of funds. Though the Company approached the State Government from time to time for release of share capital towards implementation of its projects, the Government opined that in case the projects were found viable and profitable, every possibility should be explored by the Company to utilise the assistance offered by different financial institutions in which case Government may provide only margin money, if necessary. The Company did not, however, approach any financial institution on the plea of high incidence of interest burden.

2.11.1.2. Of the 11 projects, the Company took up seven for implementation and commissioned the cigar and cheroot manufacturing

plant in February 1984. The progress made in respect of the six other projects has been indicated in the table below :—

| Sl. No. | Name of Project   | Date of preparation of feasibility report | Estimated cost of project (Rupees in lakhs) | Funds received from State Government | Position  |
|---------|---|---|---|--------------------------------------|---|
| 1.      | Solvent oil extraction plant at Burdwan                                 | .. June 1979                              | 1,50.00                                     | 18.75                                | After incurring expenditure of Rs. 0.54 lakh towards consultancy and preparation of feasibility report the project was abandoned (January 1983) mainly because of its poor prospects. Funds received in the form of equity contribution were invested (April 1982) in fixed deposits.   |
| 2.      | Fruit processing plant at Siliguri                                      | .. December 1974                          | 78.57                                       | ..                                   | Feasibility report prepared (December 1974) by Central Food and Technological Research Institute, Mysore at a cost of Rs. 0.10 lakh was updated in December 1982 at a cost of Rs. 0.21 lakh. Further developments are awaited (December 1983).  |
| 3.      | Ginger and cardamom processing plant at Kalimpong.                      | ....                                      | ..  | 2.00                                 | After the National Development Corporation Limited declared (June 1982) the project to be uneconomic, the Company appointed (August 1982) a firm of consultants to prepare a techno-economic feasibility report at a fee of Rs. 0.17 lakh. Report was awaited (August 1983). Land measuring 1.01 acres was acquired from Government in January 1983 and fenced at a cost of Rs. 0.24 lakh in March 1983. Funds received in the form of equity contribution invested (April 1982) in fixed deposits. |
| 4.      | Single Super Phosphate and Fertilizer granulation plant in South Bengal | September 1980                            | 3,59.40                                     | 5.25                                 | After obtaining (September 1980) a feasibility report prepared at a fee of Rs. 0.64 lakh, the Board decided in November 1981 to keep the project pending. Funds received in the form of equity contribution invested (April 1982) in fixed deposits.  |
| 5.      | Zarda manufacturing plant at Cooch Behar ..                             | ..  | ..  | ..                                   | } The Board dropped (September 1982) the proposals for Zarda and snuff manufacturing plant after obtaining offers from five firms for the preparation of techno-economic feasibility reports at a cost of Rs. 0.07 lakh.  |
| 6.      | Snuff manufacturing plant at Cooch Behar ..                             | ..  | ..  | ..                                   |   |

### 2.11.1.3. Cigar and cheroot manufacturing unit

The Company took up (December 1977) the proposal for setting up of a cigar and cheroot manufacturing unit at Dinhatata at a capital cost of Rs.5.60 lakhs and subsequently decided (April 1978) to take over the existing cigar and cheroot manufacturing unit at Dinhatata run by the North Bengal Cigar and Cheroot Manufacturing Co-operative Society Limited. While the matter was under negotiation with the Co-operative Society, the Company purchased (April 1979) raw tobacco (800 kgs) valued at Rs.0.09 lakh and hired (April 1979) a shed (rent: Rs.525 per month) under instructions from the Chairman of the Company and started (September 1979) commercial operation of the project. *Ex-post-facto* approval of the Board was, however, obtained on 15th January 1980.

The table below indicates the performance of the unit during the four years up to 31st March 1983 :—

|   | 1979-80              | 1980-81 | 1981-82 | 1982-83 |
|---|----------------------|---------|---------|---------|
|   | (In lakhs of sticks) |         |         |         |
| (1) Licensed production capacity .. .. .  | 32.00                | 32.00   | 32.00   | 32.00   |
| (2) Installed capacity .. .. .  | 21.60                | 21.60   | 21.60   | 21.60   |
| (3) Actual production .. .. .   | 3.32                 | 9.73    | 11.90   | 12.02   |
| (4) Quantity sold .. .. .   | 1.05                 | 5.84    | 2.51    | 2.08    |
| (5) Closing stock .. .. .   | 2.27                 | 6.16    | 15.55   | 25.49   |
|   | (Rupees in lakhs)    |         |         |         |
| (1) Opening stock .. .. .   | Nil                  | 0.17    | 0.29    | 0.73    |
| (2) Raw material consumed .. .. .   | 0.03                 | 0.08    | 0.10    | 0.14    |
| (3) Expenditure (Salaries/wages, stores, spares, repairs, maintenance, fuel, electricity, etc.) | 0.41                 | 0.81    | 1.33    | 1.21    |
| (4) Total .. .. .   | 0.44                 | 1.06    | 1.72    | 2.08    |
| (5) Sales .. .. .   | 0.16                 | 0.54    | 0.28    | 0.29    |
| (6) Closing stock .. .. .   | 0.17                 | 0.29    | 0.73*   | 1.20*   |
| (7) Loss for the year .. .. .   | 0.11                 | 0.23    | 0.70    | 0.59    |

Though the production registered an increasing trend from year to year there had been a steady increase in the quantities of unsold stock which stood at 25.49 lakhs (provisional value : Rs.1.20 lakhs) as on 31st March 1983. The Management stated that the cigars and

\*Figures are provisional

cheroots manufactured were not uniform in size and contained poor drawing quality and that the Company was facing difficulty in marketing the products. No concerted action was, however, taken to improve the quality and to augment sales.

As against the book balance of 25.49 lakhs of sticks, the closing stock as on 31st March 1983 was only 16.33 lakhs sticks, disclosing a shortage of 9.16 lakhs sticks (value : Rs.0.43 lakh).

Out of 13.88 lakh sticks despatched by the production unit to Head Office of the Company at Calcutta for marketing, 7.23 lakh sticks were found damaged. Head Office destroyed 0.30 lakh sticks during 1980-81 to 1982-83 and the balance 6.93 lakh sticks were returned to the unit and were destroyed in June 1984.

The table below indicates the quantity of raw materials purchased, consumed and closing stock of raw material during the four years up to 31st March 1983 :—

| Year    | Opening stock                                 |       | Purchase of raw materials |        | Consumption |       | Closing stock |       |      |        |      |
|---------|---|-------|---------------------------|--------|-------------|-------|---------------|-------|------|--------|------|
|         | Quantity                                      | Value | Quantity                  | Value  | Quantity    | Value | Quantity      | Value |      |        |      |
|         | (Quantity : tonnes ; Value : Rupees in lakhs) |       |                           |        |             |       |               |       |      |        |      |
| 1979-81 | ..  | ..    | ..                        | Nil    | Nil         | 8-926 | 0-45          | 0-709 | 0-03 | 8-217  | 0-42 |
| 1980-81 | ..  | ..    | ..                        | 8-217  | 0-42        | 5-869 | 0-24          | 1-943 | 0-08 | 12-143 | 0-58 |
| 1981-82 | ..  | ..    | ..                        | 12-143 | 0-58        | 5-906 | 0-32          | 2-745 | 0-10 | 15-304 | 0-80 |
| 1982-83 | ..  | ..    | ..                        | 15-304 | 0-80        | 3-378 | 0-15          | 2-864 | 0-14 | 15-818 | 0-81 |

It would be seen from the above table that the Company procured considerable quantities of raw material during each of the four years although there was sufficient stock to meet the entire requirement of the following year.

Although the Company could not adequately market its products resulting in accumulation of huge stocks, the Board of Directors decided (June 1983) to increase production with fresh capital investment of Rs.27.00 lakhs. The Company acquired (November 1981) 2 acres of land at Dinhatra from the State Government and paid (June 1983) an advance of Rs.9.41 lakhs to the Chief Engineer, Agri-Irrigation Department, Cooch Behar towards the cost of land development and construction of building.

### 2.11.2. Mechanical compost plant

2.11.2.1. Government of India formulated (July 1975) a scheme of payment of 33½ *per cent* subsidy towards capital cost for establishment of mechanical compost plants in cities in India with population of 3 lakhs or more during 5th Five Year Plan period. In pursuance of this scheme, the Company decided (August 1975) to set up a mechanical compost plant at Bantala, Calcutta for utilising city garbage.

The construction of the plant was awarded (March 1976) to a firm of Delhi on turnkey basis at an estimated cost of Rs.55.40 lakhs (cost of civil works : Rs.16.90 lakhs and plant and machinery : Rs.38.50 lakhs) with the stipulation to complete the construction by November 1977. The plant was completed at a cost of Rs.63.00 lakhs and was handed over by the firm after trial run on 25th August 1978. The plant was commissioned on 23rd October 1978 with a capacity to process 125|150 tonnes of city garbage daily in two shifts; the expected finished product was 50 *per cent* of the input.

The Company received (up to March 1980) Rs.18.91 lakhs from Government of India against Rs.21.00 lakhs being 33½ *per cent* of total capital cost of the project and for the balance amount of Rs.2.09 lakhs the Company preferred (August 1980) a claim with the State Government as the Centrally sponsored schemes had been transferred to the State Sector from April 1979. The claim is yet to be settled (August 1983).

Fifty *per cent* of the annual establishment expenditure of the plant subject to a maximum of Rs.1 lakh per year for the first five years of operation was to be borne by the Government of India. As such a sum of Rs.4.36 lakhs (Rs.0.36 lakh for 1978-79 and Rs.1 lakh for

each year from 1979-80 to 1982-83) was payable by Government of India. The Company did not prefer any claim in this regard so far (August 1983).

#### **2.11.2.2. Performance and sales**

The plant worked far below its capacity during all the four years up to March 1983. As against the total capacity of 18,000 tonnes per annum the unit produced 1,980 tonnes, 2,242 tonnes, 2,840 tonnes and 2,489 tonnes of compost in 1979-80, 1980-81, 1981-82 and 1982-83 respectively, representing 11.0, 12.4, 15.8 and 13.8 *per cent* of the capacity during the four years.

The Management stated (August 1983) that due to frequent load-shedding and teething troubles, full capacity production could not be achieved. The plant was also being run for single shift only.

The Company realised sale proceeds of Rs.0.20 lakh, Rs.0.45 lakh, Rs.1.01 lakhs and Rs.10.65 lakhs as against expenditure of Rs.2.61 lakhs, Rs.3.23 lakhs, Rs.4.08 lakhs and Rs.11.17 lakhs towards operation cost of the plant during the four years up to 1982-83 respectively.

2.11.2.3. The table below indicates the position of opening stock, production and sale of compost during the four years ended 31st March 1983 :—

| Particulars   | 1979-80                                      |       | 1980-81  |       | 1981- 2   |       | 1982-83   |       |  |  |  |
|---|--|-------|----------|-------|-----------|-------|-----------|-------|--|--|--|
|   | Quantity                                     | Value | Quantity | Value | Quantity  | Value | Quantity  | Value |  |  |  |
|   | (Quantity : tonnes; Value : Rupees in lakhs) |       |          |       |           |       |           |       |  |  |  |
| Opening stock .. .. .                               | 1,004.00                                     | 0.80  | 2,820.00 | 2.25  | 4,287.15  | 3.42  | 5,649.30† | 4.51† |  |  |  |
| Production .. .. .                                  | 1,980.00                                     | 1.58  | 2,242.00 | 1.79  | 2,840.00  | 2.27  | 2,489.00  | 1.99  |  |  |  |
| Sales* .. .. .                                      | 164.00                                       | 0.13  | 774.85   | 0.62  | 1,477.85  | 1.18  | 6,250.60  | 5.00  |  |  |  |
| Closing stock .. .. .                               | 2,820.00                                     | 2.25  | 4,287.15 | 3.42  | 5,649.30† | 4.51† | 1,887.70† | 1.50† |  |  |  |
| Percentage of sales to opening stock and production | 5.5  |       | 15.3     |       | 20.7      |       | 76.8      |       |  |  |  |

\*Excludes subsidies

†Figures are provisional.



It may be seen that except for the year 1982-83, sales represented an insignificant percentage of production and opening stock in each of the years and huge unsold stocks were carried from year to year. Though the State Government allowed production and transport subsidy on the sale of compost, the Company could not market its products and there was no sales promotion programme on the part of the Management. The Company had not investigated the reasons for poor sales and had not taken steps to improve the position (January 1984).

The unit neither maintained any stock register nor conducted any physical verification of the stock ever (January 1984).

#### **2.11.2.4. Inventory**

The unit purchased spares valued Rs.0.76 lakh in 1980-81, Rs.0.74 lakh in 1981-82 and Rs.1.17 lakhs in 1982-83, no stock registers for the spare parts had been maintained and as such the utilisation of the spares could not be verified in audit.

#### **2.11.3. Garbeta cold storage**

2.11.3.1. The Company took over (March 1977) in operation and maintenance of a cold storage (capacity : 1,200 tonnes) at Garbeta (Midnapore) from the State Government for a period of one year on the condition that (i) all running expenses *i.e.*, the cost of maintenance of the cold storage and all incidental expenditure including pay and allowances of the concerned staff of the cold storage, should be borne by the Company, (ii) the Company would not be entitled to any subsidy from the State Government to meet any possible operating loss, and (iii) for reconsideration of the question of extension of the tenure beyond one year, the Company should submit to the State Government a statement of income and expenditure of the cold storage for the period from March to December 1977 by 31st January 1978.

The Company submitted the statement of income and expenditure in June 1978 but further extension beyond one year had neither been applied for by the Company nor granted by Government. The Company was continuing the operation and maintenance of the cold storage (August 1983) without any formal approval from Government.

The original intention of the State Government for establishing the cold storage was to provide cold storage facilities to small and marginal farmers, but with a view to covering the gap between the storage rent realisable and the running expenses, the Company used to utilise certain portion of the cold storage space for its own purpose and, thus, deviated from the very purpose of establishment of the cold storage.

2.11.3.2. The operational efficiency of the cold storage for the period from 1977-78 to 1982-83 is given below :—

| Year    | Total capacity | Capacity utilised | Total income      | Total expenditure | Net loss |
|---------|----------------|-------------------|-------------------|-------------------|----------|
|         | (In tonnes)    |                   | (Rupees in lakhs) |                   |          |
| 1977-78 | 1,200          | 1,216             | 1.84              | 2.39              | 0.55     |
| 1978-79 | 1,200          | 1,290             | 1.53*             | 7.95              | 6.42     |
| 1979-80 | 1,200          | 1,216             | Nil*              | 3.68              | 3.68     |
| 1980-81 | 1,200          | Nil               | Nil               | 0.66              | 0.66     |
| 1981-82 | 1,200          | 1,048             | 1.12*             | 2.61              | 1.49     |
| 1982-83 | 1,200          | Nil               | Nil               | 0.73              | 0.73     |

2.11.3.3. A quantity of 695 tonnes of farmers' potatoes and 595 tonnes of Company's own potatoes were stored during the year 1978-79 but subsequently, 182 depositors refused to take delivery of their potatoes (369.700 tonnes) as the same had 'sprouted' during storage because the temperature of the cold storage could not be kept at the minimum level during the entire storing period due to defects in the difusers, ceiling insulation and refrigeration system and the Management also did not take timely action for rectifying the defects. As a result the Company had to pay (November 1978) compensation of Rs.4.11 lakhs to the depositors, while the farmers' potatoes not taken back were disposed of at Rs.0.49 lakh.

The Company could, however, dispose of its own potatoes (595 tonnes) which also had sprouted at Rs.3.71 lakhs against the procurement cost of Rs.5.19 lakhs.

2.11.3.4. Owing to unsatisfactory performance of the cold storage during the previous year (1978-79) and deteriorated condition of the plant, the Company decided (March 1979) not to store farmers' potatoes during 1979-80. It, however, procured 1,216 tonnes of potatoes at a cost of Rs.7.56 lakhs and kept the same in the defective cold storage plant. The Company disposed of 799 tonnes of potatoes, for Rs.3.41 lakhs and the balance 417 tonnes could not be sold due to decomposition.

For the damage to potatoes, the Company lodged a claim of Rs.10.03 lakhs (for 1978-79) on 28th March 1979 and Rs.4.77 lakhs (for 1979-80) on 7th May 1980 with the insurer, which remained unsettled (August 1983).

\*Does not include the storage rent for space utilised by the Company for its own trading purpose.

2.11.3.5. During the year 1981-82 the Company stored 548 tonnes of farmers' potatoes and 500 tonnes of its own potatoes and realised Rs.1.12 lakhs and Rs.5.04 lakhs as storage rent and sale proceeds of potatoes respectively as against the total expenditure of Rs.7.56 lakhs. Though there was no shortage|rotting *etc.* during the year, the Company suffered a loss of Rs.1.40 lakhs due to high incidence of operational cost.

2.11.3.6. Cold storage at Garbeta had undergone major repairs|renovation once during January to April 1980 and again during February 1982 to March 1983 and hence no business was possible during two full seasons of 1980-81 and 1982-83. All repairing works, major or minor, are generally required to be done during the off-season starting from middle of November to the beginning of next procurement season (March). The Company awarded the work of repairing of the cold storage to a firm of Calcutta in January 1980 with the stipulation to complete the work by 25th February 1980. The firm failed to complete the assignment within the stipulated period and handed over the plant on 9th April 1980. Since the procurement season was in the meantime over, the plant had to be kept idle for the entire season of 1980-81.

Similarly, without taking note of the need for immediate repairs as stressed (October 1981) by the in-charge of the cold storage, the repairing work was entrusted to a firm of Calcutta in February 1982 with the stipulation to complete the work by 7th March 1982. The firm started the work on 12th March 1982 and handed over the plant on 18th March 1983. Consequently, the Company had not only lost the full procurement season of 1982-83 but also could not take advantage of procurement of potatoes for full capacity utilisation during 1983-84 season. As against the capacity of 1200 tonnes, the Company could procure only 381.700 tonnes during the season of 1983-84 as the procurement period was almost over by the time the plant was ready to accept deposits of potatoes.

Thus, due to delay in placing orders for repairing works and failure on the part of the contractors to complete the works within the stipulated period, the Company had lost business during the seasons of 1980-81 and 1982-83. No penalty for delayed completion of repair was, however, imposed upon the firms though there was a provision for forfeiture of security deposits (10 *per cent*) in the work orders.

2.11.3.7. As against Rs.1.66 lakhs received by the Company from the State Government for major repair|renovation of the cold storage, the Company incurred expenditure of Rs.2.88 lakhs during 1980-81 and Rs.2.51 lakhs during 1982-83 towards major repair of

the cold storage. For reimbursement of the balance amount of Rs.3.73 lakhs, the Company preferred (February 1983) a claim with the State Government which was yet to be realised (August 1983).

#### 2.11.4. Kanainatsal cold storage

2.11.4.1. The management of the Kanainatsal cold storage was taken over in April 1972 by the Company from the State Government for a period of three years. Though the period had not been extended, the Company was continuing (August 1983) the management of the cold storage.

2.11.4.2. The working results of the cold storage for the five years up to 1982-83 are given below :—

| Year           | Installed capacity (tonnes) | Capacity utilised (tonnes) | Percentage of capacity utilisation to installed capacity | Total expenditure | Total income | Net loss |
|----------------|-----------------------------|----------------------------|--|-------------------|--------------|----------|
|                |                             |                            |  | (Rupees in lakhs) |              |          |
| 1978-79 .. ..  | 600                         | 513                        | 85.5   | 1.62              | 0.82         | 0.80     |
| 1979-80 .. ..  | 600                         | 600                        | 100  | 1.58              | 1.10         | 0.48     |
| 1980-81 .. ..  | 600                         | 586                        | 97.7   | 1.71              | 0.94         | 0.77     |
| 1981-82† .. .. | 600                         | 598                        | 99.7   | 2.05              | 1.08         | 0.97     |
| 1982-83† .. .. | 600                         | 454                        | 75.7   | 2.20              | 0.82         | 1.38     |

Despite utilisation of 75.7 to 100 per cent of the capacity of the cold storage, the unit suffered losses during each of the years from 1978-79 to 1982-83. Excess staff and high overheads were the main reasons for such losses as would be evident from the fact that the Garbeta Cold Storage having a capacity of 1200 tonnes was run by a smaller staff (5) as against the Kanainatsal Cold Storage (capacity : 600 tonnes) being run by a larger staff of 11.

2.11.4.3. The Company procured (April 1981) 60 tonnes of table potatoes at Rs.950 per tonne and sold (December 1981) these at the same rate realising Rs.0.52 lakh (after allowing for shrinkage of 2.580 tonnes) as against the procurement cost of Rs.0.69 lakh (including storage, loading, unloading charges etc.), resulting in a net loss of Rs.0.17 lakh.

2.11.4.4. The Company procured (March 1982) 454 tonnes of potato seeds for distribution to farmers during *rabi* season of 1982. It could not, however, distribute 59 tonnes (cost : Rs.1.39 lakhs) as the quality had deteriorated. Out of 59 tonnes, 33 tonnes could, however, be disposed of in auction for Rs.0.14 lakh resulting in a loss of Rs.1.25 lakhs.

† Figures are provisional.

### 2.11.5. Custom service centres

2.11.5.1. The Company, up to 1973-74, operated 24 custom service centres at various places in the State in order to help the small and marginal farmers by providing services of tractors|power tillers on hire basis. Subsequently, most of the centres had to be closed down due to their uneconomic running.

2.11.5.2. The results of the operation of the custom service centres for the five years up to 1982-83 are tabulated below :—

| Year     |    |    | Number<br>of<br>custom<br>service<br>centres | Number<br>of<br>tractors<br>in<br>operation | Number<br>of<br>power<br>tillers<br>in<br>operation | Total<br>expen-<br>diture | Total<br>income | Net<br>loss |
|----------|----|----|--|---|---|---------------------------|-----------------|-------------|
|          |    |    |  |   |   | (Rupees in lakhs)         |                 |             |
| 1978-79  | .. | .. | 13   | 36  | 9   | 5.72                      | 2.73            | 2.99        |
| 1979-80  | .. | .. | 12   | 32  | 6   | 5.18                      | 2.56            | 2.62        |
| 1980-81  | .. | .. | 10   | 30  | 6   | 3.78                      | 1.49            | 2.29        |
| 1981-82† | .. | .. | 9  | 22  | 6   | 3.25                      | 1.62            | 1.63        |
| 1982-83† | .. | .. | 9  | 17  | 2   | 2.58                      | 1.93            | 0.65        |

It would be seen from the above table that the centres suffered losses during all the five years. Main reasons for losses were stated (August 1983) by the Management to be the following :—

- low hiring rates as compared to the cost of operation; and
- inadequate number of machines to cope with the demand of cultivation work.

2.11.5.3. The hiring rates in force as on 31st March 1983 were fixed by the Board in June 1973. Considering 900 working hours available per year tractor, the Management calculated the cost of operation on 'no profit no loss' basis and placed proposals for revising hire charges before the Board of Directors from time to time but the Board did not approve the proposals. The table below indicates the particulars of hiring rates existing right from June 1973 *vis a vis* the

† Figures are provisional.

cost of operation from time to time (as placed before the Board of Directors) :—

| Particulars of rates         | Approved rate in force (March 1983) with effect from June 1973 | Cost of operations |           |                |           |
|------------------------------|--|--------------------|-----------|----------------|-----------|
|                              |  | December 1977      | July 1980 | September 1982 | June 1983 |
| (Rupees in lakhs)            |  |                    |           |                |           |
| <i>Tractor</i>               |  |                    |           |                |           |
| (i) Hourly .. ..             | 15.00  | 24.50              | 30.00     | 34.00          | 42.00     |
| (ii) Ploughing (per acre) .. | 60.00  | 80.16              | 100.00    | 114.00         | 141.00    |
| (iii) Harrowing (per acre)   | 35.00  | 40.08              | 50.00     | 57.00          | 72.00     |
| <i>Power tiller</i>          |  |                    |           |                |           |
| (i) Hourly .. ..             | 13.50  | 16.00              | 19.00     | 20.00          | 28.00     |
| (ii) Tilling (per acre) ..   | 45.00  | 53.33              | 63.00     | 66.00          | 93.00     |

The cost of operation had increased from time to time due to increase in pay and allowances of the staff, cost of fuel and lubricants, spare parts, etc.

2.11.5.4. Out of 59 tractors and 14 power tillers available in different custom service centres in 1968-69, only 17 tractors and 2 power tillers were in running condition in 1982-83 in 9 custom service centres. Particulars of utilisation of tractors during the five years up to 1982-83 are tabulated below :

| Year            | Number of tractors | Area cultivated (acres) | Working capacity at 900 hours per annum per tractor | Capacity utilisation | Percentage of utilisation |
|-----------------|--------------------|-------------------------|---|----------------------|---------------------------|
| (In lakh hours) |                    |                         |   |                      |                           |
| 1978-79 .. ..   | 36                 | 6,285                   | 0.32  | 0.14                 | 43.8                      |
| 1979-80 .. ..   | 32                 | 5,727                   | 0.29  | 0.12                 | 41.4                      |
| 1980-81 .. ..   | 30                 | 3,227                   | 0.27  | 0.07                 | 25.9                      |
| 1981-82 .. ..   | 22                 | 2,108                   | 0.20  | 0.05                 | 25.0                      |
| 1982-83 .. ..   | 17                 | 2,468                   | 0.15  | 0.06                 | 40.0                      |

The Unit management stated (May 1983) that due to age of the machines, those could not be used in the muddy fields continuously and during peak season the machines were off the field due to frequent break-down and required constant replacement of old spares resulting

in high repairing cost. No concerted action had been taken by the Management to make the custom service centres well-equipped with adequate machines so as to make the centres capable of meeting the demand of the farmers as also to make the centres economically viable.

2.11.5.5. A test check (July 1983) of records of Malda and Harischandrapur custom service centres revealed that out of 6 tractors, only 3 were in operation during the 3 years up to 1982-83. Due to overage and lack of proper maintenance, the tractors could be utilised only for 3 to 4 months as against the available cultivation period of 7 to 8 months in a year. As a result, both the tractors and their operators were idle for most of the year.

Against the available 2,700 working hours per year, the centres could utilise the tractors for 1,151 hours, 1,145 hours and 1,055 hours during the years 1980-81, 1981-82 and 1982-83 respectively, and the income was Rs.0.21 lakh in 1980-81, Rs.0.34 lakh in 1981-82 and Rs.0.32 lakh in 1982-83 as against the expenditure of Rs.0.53 lakh, Rs.0.51 lakh and Rs.0.47 lakh respectively in the corresponding years.

As there was sufficient demand for services of tractors, the Unit management sought sanction of the Head Office of the Company from time to time for repairing the existing tractors as also for timely supply of spare parts to keep the tractors in working condition, but no action was taken in this regard.

2.11.5.6. Further test check (July 1983) in audit revealed that out of 21 tractors (1968-69) at Jalpaiguri custom service centre only two were in operation during the 3 years up to 1982-83. As a result, the centre suffered losses to the extent of Rs.0.38 lakh, Rs.0.16 lakh and Rs.0.09 lakh during the corresponding years. The other 19 tractors were lying in defective condition since 1978-79. The Management did not take any action either to repair the tractors or to condemn these (January 1984).

2.11.5.7. During the years 1980-81, 1981-82 and 1982-83 the Cooch Behar custom service centre earned Rs.0.02 lakh, Rs.0.06 lakh and Rs.0.06 lakh respectively as against expenditure of Rs.0.39 lakh, Rs.0.16 lakh and Rs.0.34 lakh in the corresponding years as the centre manned by a small staff of 3 could utilise one tractor for only 113 hours, 294 hours and 30 hours respectively during these three years as against the available 900 working hours per annum.

The reasons for underutilisation of the centre had not been analysed by the Management (January 1984).

### 2.11.6. Agro service centres

2.11.6.1. The Government of India formulated a scheme in 1969 under which financial, technical and physical facilities were to be provided to unemployed engineers, agricultural graduates and others to enable them to establish agro-service centres in rural areas. These centres were to be set up with the objectives of providing employment to the unemployed technical personnel as also to provide custom hiring of expensive agricultural machinery to small and medium farmers who could not afford to have tractors and matching implements of their own.

As per Government of India instructions (December 1971) the Company was required to undertake a programme of imparting training to selected entrepreneurs for a period of three to four months; the cost of training being borne by that Government. The Company started execution of the scheme from the year 1972-73. However, up to 1974-75, entrepreneurs from the State were got trained at the Tractor Training Centre at Bundi (Uttar Pradesh) and Hissar (Haryana). In September 1974, the Company established its own training centre at Kalyani.

During the period from 1974-75 to 1979-80, 225 entrepreneurs were imparted training of whom 134 were trained in one year alone (1974-75). No entrepreneur was trained after March 1980. Against grants of Rs.7.30 lakhs received from Government of India the actual expenditure was Rs.7.21 lakhs up to 31st March 1981.

The scheme was transferred to State Government in April 1979 but the training centre was closed with effect from April 1980 due to lack of response from entrepreneurs. The Management had not fixed up any target for either the number of entrepreneurs to be trained per year or the number of agro-service centres to be established. Further, most of the trained entrepreneurs did not turn up for establishing agro-service centres as required under the scheme. As against 456 trained entrepreneurs and 42 technical personnel exempted from training, only 326 agro-service centres were established in the State up to 31st March 1983. Of these, only 192 centres took agricultural machinery for custom service purpose and the balance 134 centres started business of selling agricultural inputs. All the 326 agro-service centres were doing business as dealers of the Company and were selling agricultural machinery and implements as also fertilizers, seeds, pesticides *etc.*, as marketed by the Company. Of the 326 agro-service centres, 82 centres had been wound up till September 1982 as the centres could not be run economically.



The entrepreneurs were to establish agro-service centres with financial assistance from nationalised banks, subsidy (equivalent to the difference between the normal lending rate of interest of the bank and 5 *per cent* payable by the entrepreneur) subject to the maximum of Rs.20,000 per year to an individual entrepreneur, and margin money equal to 10 *per cent* of the total loan granted by the bank. Consequent upon the stay order issued (January 1981) by the Supreme Court of India preventing nationalised banks, who were financing the agro-service centres by way of loans under credit guarantee scheme, from taking legal action including recovery and execution, the banks stopped financing any new agro-service centre with effect from January 1981 and no new agro-service centre was established in the State thereafter. As the training centre, established at a cost of Rs.2.45 lakhs remained idle since April 1980, the services of two supervisors and two tractor operators of the centre were utilised for demonstration of machinery to the staff|customers|farmers and for rendering after-sales services.

#### 2.11.6.2. Margin money

During 1973-74 the State Government relaxed the qualification of the candidates who wanted to set up agro-service centres and introduced 10 *per cent* margin money scheme to promote self-employment programme in the fields of industries, commerce and services. The scheme envisaged, *inter alia*, the following terms and conditions :—

- (i) The extent of margin money assistance would be 10 *per cent* of the total project cost as approved by the banks or other financial institutions.
- (ii) Out of the fund provided for margin money to any unit, there should be on an average, one employment in that unit for every Rs.2,500 of margin money.
- (iii) The margin money loan advanced would carry interest at the rate of 6½ *per cent* per annum, reducible to 4 *per cent* in case of regular repayment. The loan together with interest thereon would be repayable in 4 equal annual instalments commencing from third year of the date of advance.

The amount of margin money received from the State Government, amount distributed and realisation thereof for ten years up to 1982-83 are given in the following table :

| Year              | Amount received from Government | Margin money distributed | Undisbursed amount refunded to Government | Balance with the Company at the end of the year | Amount repaid by the entrepreneurs |
|-------------------|---------------------------------|--------------------------|---|---|------------------------------------|
| (Rupees in lakhs) |                                 |                          |   |   |                                    |
| 1973-74 ..        | 35.00                           | Nil                      | Nil                                       | 35.00   | Nil                                |
| 1974-75 ..        | Nil                             | 4.07                     | Nil                                       | 30.93   | 0.13                               |
| 1975-76 ..        | Nil                             | 7.82                     | Nil                                       | 23.11   | 0.20                               |
| 1976-77 ..        | Nil                             | 3.13                     | 18.63                                     | 1.35  | 0.45                               |
| 1977-78 ..        | 1.43                            | 0.85                     | Nil                                       | 1.93  | 0.32                               |
| 1978-79 ..        | 4.12                            | 1.24                     | Nil                                       | 4.81  | 0.30                               |
| 1979-80 ..        | Nil                             | 0.45                     | Nil                                       | 4.36  | 0.28                               |
| 1980-81 ..        | 0.51                            | 0.19                     | 4.12                                      | 0.56  | 0.39                               |
| 1981-82 ..        | 1.65                            | Nil                      | Nil                                       | 2.21  | 0.10                               |
| 1982-83 ..        | Nil                             | 0.03                     | Nil                                       | 2.18  | 0.08                               |

Due to poor response from the entrepreneurs the Company could disburse only Rs.15.02 lakhs during the period from 1973-74 to 1976-77 and the balance of Rs.19.98 lakhs was utilised as working capital up to February 1977 when Rs.18.63 lakhs were refunded to the State Government.

The Management did not furnish the quantum of employment generated though a considerable amount of money had already been spent in that direction. The Company did not maintain proper accounts of instalments due and interest accrued on the margin money disbursed and had not taken adequate steps for realisation thereof in as much as only Rs.2.26 lakhs had been realised up to 31st March 1983 out of the total dues of Rs.17.78 lakhs (excluding interest). Interest due on the unrealised margin money as worked out in audit amounted to Rs.7.99 lakhs as on 31st March 1983.

2.11.6.3. A test check of the records relating to the assistance offered to the entrepreneurs of agro-service centres against bank guarantees revealed the following points.

The Company supplied 100.380 tonnes (June 1974 to October 1974), 176.420 tonnes (July 1974 to September 1974) and 50.440 tonnes (10 tonnes in July 1974 and 40.440 tonnes in September 1974)

of fertilizers to three agro-service entrepreneurs, 'A', 'B' and 'C', respectively against bank guarantees for payment within one week from the date of submission of bills and preferred bills on the banker of 'A' for Rs.1.14 lakhs (Rs.0.35 lakh in June 1975 and Rs.0.79 lakh in June 1976), banker of 'B' for Rs.2.00 lakhs (Rs.0.46 lakh in March 1975, Rs.1.17 lakhs in April 1975 and Rs.0.37 lakh in June 1975) and banker of 'C' for Rs.0.84 lakh (Rs.0.09 lakh in May 1976 and Rs.0.75 lakh in March 1975). Reasons for delay in preferring the bills were not on record.

The banker of 'A' declined (January 1978) payment as some of the items supplied and billed for were not covered by bank guarantees. On request of 'A', the Company, however, allowed (May 1978) him to clear the dues (Rs.1.14 lakhs) in 27 monthly instalments, but received payments for four instalments amounting only to Rs.0.08 lakh up to August 1978, leaving a balance of Rs.1.06 lakhs still to be recovered from him.

The banker of 'B' did not pay even after repeated reminders issued by the Company from time to time up to December 1978. Though the Management decided (July 1979) to take legal action against the bank no action had been taken by the Company so far (August 1983).

The banker of 'C' disputed (August 1976) payment on the plea that the party had not received the consignments. As the consignments were made over to the authorised transport agent of the entrepreneur, the Management decided (April 1977) to institute criminal case against the transporter but no such criminal case had been instituted so far (August 1983).

Though the deals with the three entrepreneurs involved Rs.3.90 lakhs the Company did not take any action either against the entrepreneurs or their bankers, nor had the matter been brought to the notice of the Board of Directors.

#### **2.11.6.4. Additional Employment Programme**

With a view to creating trained and motivated corps of young farmers and also to strengthen the co-operative sector by providing funds to bring about a break-through in rice cultivation in the State, the Company introduced (February 1974), on the basis of guidelines issued by the Planning Commission on additional employment programme, a scheme for imparting training to 8,550 unemployed sons of farmers in modernising agriculture and drew subsidy of Rs.47.10 lakhs (Rs.37.10 lakhs in February 1974 and Rs.10.00 lakhs in March 1974) from the State Government with the stipulation to implement the scheme within the financial year 1974-75.

Under the scheme, farmers' sons after 2 months of training with a stipend of Rs.100 per month were to be provided with a loan of Rs.300 each to enable them to purchase shares valued Rs.400 of any service|primary agriculture credit co-operative society against which they would get loan up to a limit of Rs.4,000 for production purposes. As against the target of 8,550 persons to be trained, 6,079 were actually trained, out of which only 895 trained persons had joined the co-operatives. A total sum of Rs.11.35 lakhs was spent towards the scheme up to July 1977.

As the scheme could not be successfully implemented Rs.35.75 lakhs remained unutilised, out of which Rs.32.91 lakhs were refunded to the State Government (Rs.32.74 lakhs in March 1978 and Rs.0.17 lakh in April 1982) and Rs.2.84 lakhs were retained by the District officials of the State Government through whom the training was imparted.

As the training was intended to provide self-employment to sons of farmers in modern agriculture method, the State Government asked (August 1977) the Company to take necessary steps for recovery of stipend drawn by the trainees who had opted out of the scheme, but no action towards realisation of the same had, however, been taken by the Company (August 1983).

### 2.11.7. Trading in agricultural machinery and implements

2.11.7.1. The Company undertook purchase and sale of tractors, agricultural machinery and implements since inception.

The table below indicates the particulars of purchase, sale and stock of tractors for the five years ending 1982-83 :

| Year       | Opening Stock |                               | Purchase |                               | Sale   |                               | Closing stock |                               |
|------------|---------------|-------------------------------|----------|-------------------------------|--------|-------------------------------|---------------|-------------------------------|
|            | Number        | Value<br>(Rupees in<br>lakhs) | Number   | Value<br>(Rupees in<br>lakhs) | Number | Value<br>(Rupees in<br>lakhs) | Number        | Value<br>(Rupees in<br>lakhs) |
| 1978-79 .. | 7             | 2.38                          | 152      | 72.31                         | 143    | 69.92                         | 16            | 6.76                          |
| 1979-80 .. | 16            | 6.76                          | 183      | 100.41                        | 141    | 77.48                         | 58            | 31.06                         |
| 1980-81 .. | 58            | 31.06                         | 67       | 37.01                         | 80     | 48.51                         | 45            | 24.20                         |
| 1981-82 .. | 45            | 24.20                         | 91       | 45.51                         | 102    | 53.93                         | 34            | 17.35                         |
| 1982-83 .. | 34            | 17.35                         | 50       | 30.73                         | 50     | 32.57                         | 34            | 17.35                         |

(Figures for 1981-82 and 1982-83 are provisional)

2.11.7.2. The Company purchased (January 1969) 80 'Zetor' tractors and 55 power tillers from the State Government and paid Rs.19.08 lakhs in March 1969 as against the price of Rs.17.77 lakhs

resulting in excess payment of Rs.1.31 lakhs. No action has been initiated to recover the overpayment made by the Company (September 1983).

2.11.7.3. The table below indicates the purchase, sale and stock of power tillers for the five years ending 1982-83 :

| Year        | Opening stock |                               | Purchase |                               | Sale   |                               | Closing stock |                               |
|-------------|---------------|-------------------------------|----------|-------------------------------|--------|-------------------------------|---------------|-------------------------------|
|             | Number        | Value<br>(Rupees<br>in lakhs) | Number   | Value<br>(Rupees<br>in lakhs) | Number | Value<br>(Rupees in<br>lakhs) | Number        | Value<br>(Rupees in<br>lakhs) |
| 1978-79 ..  | 37            | 6.68                          | 513      | 1,02.15                       | 405    | 87.49                         | 145           | 28.84                         |
| 1979-80 ..  | 145           | 28.84                         | 259      | 60.63                         | 381    | 93.29                         | 23            | 4.40                          |
| 1980-81 ..  | 23            | 4.40                          | 250      | 62.64                         | 172    | 49.21                         | 101           | 23.01                         |
| 1981-82† .. | 101           | 23.01                         | 519      | 1,66.52                       | 491    | 1,59.68                       | 129           | 35.95                         |
| 1982-83† .. | 129           | 35.95                         | 288      | 94.11                         | 325    | 1,06.19                       | 92            | 23.51                         |

2.11.7.4. Though as on 8th November 1981 the Company held a stock of 50 'Mitsubishi' power tillers (value : Rs.11.74 lakhs) 32 tillers of the same make were procured in November 1981 at the rate of Rs.23,472 each. As the Management could not dispose of the stock, the selling price per tiller was reduced from Rs.26,500 to Rs.26,000 in July 1982 and further to Rs.25,000 in September 1982 and 13 tillers were sold (December 1982) at that reduced rate. The balance 69 tillers were lying in the store (January 1984) resulting in locking up of capital to the tune of Rs.16.20 lakhs.

#### 2.11.7.5. Dealers' commission

The Company appointed dealers for sales promotion of the inputs/ implements dealt with by it on commission basis (5 per cent to 15 per cent) but in case of supplies to Government departments and other bulk purchasers, the deliveries were usually effected directly by the Company. The Special Officer, Scheduled Castes and Tribes Welfare, Nadia placed (November 1982) an order on the Company for supply of 345 *Sujala* pump sets of 5 HP capacity at the rate of Rs.5,575 per set plus West Bengal sales tax of Rs.446. Though the local unit of the Company was equipped with adequate number of technical staff to render after-sales services, instead of supplying the pump sets directly to the executive officers of the *panchayet samitis* as ordered by the Special Officer, the Company delivered (December 1982) the pump sets to 10 *panchayet samitis* through the dealers resulting in an unintended benefit of Rs.2.42 lakhs to dealers as dealers' commission on a gross sale value of Rs.19.23 lakhs.

†Figures are provisional.

### 2.11.7.6. Sarala diaphragm pumps

Without going through formal procedures for tendering, market survey, cost analysis, *etc.*, the Company asked (May 1982) firm 'A' of Calcutta to supply diaphragm pumps in brand name 'Sarala' at a cost of Rs.600 each and procured 120 pumps at a total cost of Rs.0.72 lakh up to January 1983. The matter was placed before the Board of Directors for approval on 27th January 1983, which approved further procurement of 400 pump sets at the above rate (200 from 'A' and balance 200 pumps from a State Government Company) and advised to locate other firms also for supply of the pumps.

In pursuance of the Board's decision the Company invited (May 1983) tenders for supply of the pumps. Eighteen firms submitted (July 1983) their rates varying from Rs.450 to Rs.555 per pump. The Company is yet to finalise the tenders (September 1983). In the meantime the Management procured further 435 pumps from firm 'A' at Rs.600 each up to September 1983 though the tendered rates were between Rs.450 and Rs.555 each, involving extra expenditure of Rs.0.20 lakh, computed at the highest tendered rate.

### 2.11.7.7. Seed bins

(1) The State Government paid (April 1975 to March 1979) advances totalling Rs.18 lakhs to the Company for fabricating storage bins as per design approved by the Government of India under a subsidised scheme to be implemented through the State Government. The Company selected (July 1975) six manufacturers for the purpose. The Company was to get 10 *per cent* commission on the cost of storage bins supplied to the State Government.

The Company supplied 6,015 storage bins (cost : Rs.15.92 lakhs) to the State Government up to March 1983 but the bills for commission of Rs.1.59 lakhs had not been preferred on the State Government (September 1983).

(2) Under the 'Save Grain Campaign' Programme, the UNICEF supplied (June 1977) 27.386 tonnes of imported G.I. sheets valued Rs.1.29 lakhs for manufacturing 3,477 storage bins to be supplied to the farmers in the State. Though the Company was to manufacture the storage bins by using the imported galvanised iron sheets supplied by the UNICEF it had ultimately used 7.473 tonnes of the imported sheets and 19.910 tonnes of indigenous sheets procured from open market for manufacturing 3,477 storage bins. Information regarding utilisation of 19.913 tonnes of imported G.I. sheets valued at Rs.0.94 lakh, called for from the Management, was awaited (January 1984).

### 2.11.8. Inventory control

2.11.8.1. The Company which is engaged in purchase and sale of agricultural machinery such as tractors, tillers, pumps *etc.*, and their spare parts and accessories, does not have any store purchase committee for purchase of these articles. No panel of authorised suppliers was maintained. There was also no system of inviting tenders by giving wide publicity. According to the present procedure, a notice inviting quotations is put up on the notice board at Head Office or quotations are invited from a limited section of suppliers. As a result, the Company was not in a position to procure the materials at competitive and reasonable rates.

### 2.11.8.2. Purchases

(1) *Back pack sprayer* : The Company without inviting tenders, placed orders for supply of 1,000 and 2,000 back pack sprayers in September 1980 and March 1981 on a firm of Calcutta at Rs.325.00 each (total value : Rs.9.75 lakhs) and paid advance of Rs.3.75 lakhs in August 1981, Rs.2.65 lakhs in March 1982 and Rs.2.36 lakhs in August 1982, though there was no agreement with the supplier for payment of such advance. Reasons for not inviting tenders as also for placing orders on the particular firm were not on record.

The Company fixed the selling rate of the sprayers at Rs.362.00 each for dealers and Rs.395.00 each for the farmers. But on facing difficulties in marketing the sprayers at the above rates, the Company found out (March 1982) through market survey that the selling price of back pack sprayers manufactured by other manufacturers was lower than the procurement cost of the Company. On request of the Company (May 1982) the supplier reduced (June-July 1982) the price of sprayers from Rs.325.00 to Rs.315.00 each. The Company in turn revised (June 1982) its selling rate to Rs.336.00 each for dealers and Rs.352.00 each for farmers, but could, dispose of only 700 sprayers up to August 1983 and the balance 2,300 were lying in stock resulting in blocking up of capital to the tune of Rs.7.24 lakhs.

On a complaint lodged (May 1983) by the Company regarding quality of the sprayers the supplier intimated (June 1983) that the stock had deteriorated due to prolonged storage and would require thorough cleaning and oiling. No action had, however, been taken to rectify the defects of the sprayers (September 1983).

(ii) *Done*\* : In March 1982, the Company decided to go in for the purchase and sale of *done*s and requested seven firms to offer their rates for supply of 11 feet *done*s. Of the seven firms, four agreed

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\**Done* is a boat shaped equipment manually operated by cultivators of rural areas for lifting water from canals, ponds, *etc.*, for irrigating the fields at higher level.

(April 1982) to supply them at Rs.303 each. The Company procured (April to December 1982) 620 *dones* at a total cost of Rs.1.88 lakhs and incurred a further expenditure of Rs.0.09 lakh towards transportation charges. Of the 620 *dones* purchased, 240 were sold to Government Departments. The Company having failed in marketing the remaining 380 *dones* at its selling rate of Rs.380 each, assessed (December 1982) the manufacturing cost of each *dona* at Rs.200 each and decided to sell them at Rs.220 each. It could not dispose of the same even at this rate and all the 380 *dones* were lying in stock (September 1983) resulting in blocking up of capital to the tune of Rs.1.24 lakhs.

The Company had also procured (March 1982) 15 tonnes of black plane sheets at Rs.0.79 lakh for supply to the manufacturers of the *dones*. However, as the order at Rs.303 per *dona* was inclusive of the cost of materials to be procured by the manufacturer the black plane sheets could not be utilised for the purpose resulting in further blocking up of fund of Rs.0.79 lakh.

### 2.11.8.3. Consumption of spares

The value of spares consumed for maintenance of tractors, power tillers and other machinery during the five years up to 31st March 1983 was as under :

| Year              |    |    |      |    | Value of<br>spares<br>consumed | Book value<br>of machines | Percentage<br>of spares<br>consumed to<br>value of<br>machines |
|-------------------|----|----|------|----|--------------------------------|---------------------------|--|
| (Rupees in lakhs) |    |    |      |    |                                |                           |  |
| 1978-79           | .. | .. | .... | .. | 1.99                           | 1.98                      | 100.5  |
| 1979-80           | .. | .. | ..   | .. | 1.99                           | 1.87                      | 106.4  |
| 1980-81           | .. | .. | ..   | .. | 1.74                           | 1.57                      | 110.8  |
| 1981-82†          | .. | .. | ..   | .. | 1.97                           | 1.50                      | 131.3  |
| 1982-83†          | .. | .. | ..   | .. | 1.10                           | 1.35                      | 81.5   |

It would be evident from the above table that the consumption of spares was on the very high side as compared to the book value of machines. Reasons for such high rate of consumption of spares had not been investigated and suitable steps to reduce the consumption of spares had not been taken by the Management.

†Figures are provisional.



#### 2.11.8.4. Inventory

2.11.8.4.1. The table below indicates the opening stock, purchase, sale and closing stock of agricultural implements and spares for the five years up to 31st March 1983 :

| Year              |    |    | Opening stock | Purchases | Total   | Sale    | Closing stock |
|-------------------|----|----|---------------|-----------|---------|---------|---------------|
| (Rupees in lakhs) |    |    |               |           |         |         |               |
| 1978-79           | .. | .. | 58.99         | 2,31.19   | 2,90.18 | 2,28.80 | 82.15         |
| 1979-80           | .. | .. | 82.15         | 2,45.88   | 3,28.03 | 2,44.64 | 83.39         |
| 1980-81           | .. | .. | 83.39         | 1,65.51   | 2,48.90 | 1,39.34 | 1,09.56       |
| 1981-82†          | .. | .. | 1,09.56       | 2,65.70   | 3,75.26 | 2,65.70 | 1,17.83       |
| 1982-83†          | .. | .. | 1,17.83       | 2,34.05   | 3,51.88 | 2,82.70 | 74.40         |

The value of stocks represents the book value and not the ground balances. Physical verification of stock and stores had not been conducted up to 1981-82. Even during 1982-83 physical verification was conducted partially, but the work being incomplete results of verification were not taken into account.

The Company had not fixed the maximum, minimum and reordering level of stock for any item. No system had been evolved to determine the requirement of stores to locate slow and non-moving items and to identify and dispose of surplus, obsolete and unserviceable stores. Existence of dead stock of spares valued Rs.0.94 lakh came to light in February 1980 but those had not yet been disposed of (September 1983).

2.11.8.4.2. Physical verification of fixed assets had never been conducted. The statutory auditors of the Company also commented on this from time to time.

2.11.8.4.3. The Executive Engineer, Central Stores, reported (May 1983) a shortage of spares valued at Rs.0.23 lakh noticed during inspection conducted by him in April 1983. A mechanic attached to the Central Stores was alleged to have been pilfering certain spares. The matter had not been investigated so far (December 1983).

2.11.8.4.4. Instances of non-accountal|short accountal of the stocks of pesticides of the aggregate value of Rs.4.57 lakhs were noticed during test check of the stock registers for the years from 1978-79 to 1981-82 at Arambagh Sales Office. The stock register

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†Figures are provisional.

for 1982-83 was not produced to Audit as the same was stated to have been taken away by an officer of the State Government for conducting an investigation of shortages during the year 1982-83. As regards non-accountal|short accountal of stocks of pesticides (Rs.4.57 lakhs) for the years from 1978-79 to 1981-82, neither any investigation had been conducted nor any action taken against the sales officer concerned so far (December 1983).

#### 2.11.9. Hire purchase scheme

The Company had supplied 7,123 pump sets (value : Rs.2,24.22 lakhs) to the farmers on hire purchase basis during the years from 1968-69 to 1970-71. The scheme had been discontinued since April 1971. Out of the total dues of Rs.4,36.96 lakhs (principal : Rs.2,24.22 lakhs; interest : Rs.2.12.74 lakhs) the Company had realised Rs.1,17.37 lakhs up to 31st March 1983.

For recovery of the dues suits were filed in 1,288 cases up to 31st March 1980 involving Rs.43.16 lakhs, out of which 568 cases had been settled resulting in realisation of Rs.16.32 lakhs up to 31st March 1983; 74 cases involving Rs.1.04 lakhs were barred by limitation. Management had also instituted certificate proceedings against 536 defaulters for realisation of Rs.27.51 lakhs and realised only Rs.2.06 lakhs up to 31st March 1983.

#### 2.12. Railway claims

2.12.1. A consignment of 48.49 tonnes of di-ammonium phosphate valued at Rs.1.06 lakhs (paid in November 1978) despatched by FCI from Shegaon (Maharashtra) by rail reached the destination station (Mecheda) on 25th September 1978. But the consignment could not be got released by the Company within the free time due to non-production of commercial tax clearance certificate and the Railways had also insisted on payment before getting clearance of the consignment of railway dues (Rs.0.25 lakh) on account of demurrage charges payable by the Company relating to an earlier consignment, which the Company was reluctant to pay.

The Company requested (October 1978) the Station Master concerned to waive the wharfage charges and allow release of the consignment, which was rejected and subsequently, approached (March 1979) the Chief Commercial Superintendent, South Eastern Railway for the waiver of the wharfage charges. But the Company's appeal was rejected (August 1979) by the Railways under Section 78B of the Indian Railways Act. On the failure of the Company to get the consignment released before 4th September 1979 as per notice

of removal issued by the Railways on 20th August 1979, the goods were sold (September 1979) in auction for Rs.0.09 lakh only. The amount was appropriated by the Railways towards wharfage charges payable thereon (Rs.0.12 lakh).

The Company sought (April 1982) legal advice for realisation of the value of the consignment (Rs.1.06 lakhs) from the Railways. It was opined (October 1982) that there was no prospect of realisation through legal action on the grounds already communicated by the Railways.

2.12.2. A consignment of 23.9 tonnes of fertilizers (value Rs.0.49 lakh) was despatched (15th July 1975) by FCI from Durgapur to Chitpur. The Company could not get delivery of the consignment till November 1975 as the wagon was not traceable and as such it lodged (19th November 1975) claim with the Railways for realisation of the value of the consignment.

In February 1976, Chief Commercial Superintendent, Eastern Railway asked the Company to take delivery of the consignment from Sealdah goods shed but the Company did not take the delivery. Instead, it served legal notice on the Railways (one in December 1980 and the another in October 1982) for realisation of the value of the consignment. The Company contemplated (July 1983) filing a suit against the Railways in this regard which, however, had not yet been filed (September 1983).

### 2.13. Demurrage

A consignment of 274.750 tonnes of fertilizers despatched (May 1981) by Rashtriya Chemical and Fertilizers Limited from Tromby arrived at Chitpur Railway yard and, of the seven wagons received, two were placed at the siding on 4th June 1981 and the rest on 5th June 1981. The Company released the wagons on 9th June 1981 and paid demurrage|wharfage of Rs.0.48 lakh as it failed to unload the materials within free time allowed due to delay in submission of railway receipts and sales tax clearance certificate.

### 2.14. Road transport subsidy

2.14.1. Owing to non-availability of sufficient number of wagons for easy movement of fertilizers during the years 1978-79 and 1979-80 the Government of India, Ministry of Agriculture introduced (June 1979) a scheme for reimbursement of transportation cost of fertilizers by road through suppliers subject to fulfilment of certain

conditions. The Company preferred claims totalling Rs.7.33 lakhs towards the subsidy from time to time up to March 1982 with the suppliers. Out of the above claims, 19 claims amounting to Rs.3.24 lakhs had been returned (July 1981) as those had not been supported by requisite certificates regarding non-availability of wagons, distance covered by roads, etc. The bills had not been resubmitted by the Company so far (September 1983) as the required certificates had not been collected from the authorities concerned. As regards the remaining claim of Rs.4.09 lakhs, neither the payments had been made nor the bills returned by the suppliers. The Company had not pursued the matter adequately to realise the long outstanding dues.

2.14.2. Under delivery orders issued by the Company, a firm of North Bengal lifted (March 1981) 744.084 tonnes of urea (value : Rs.24.46 lakhs) from the godown of FCI at Kalyani and paid Rs.22.78 lakhs to the Company after adjusting an amount of Rs.1.68 lakhs as reimbursement of road transport subsidy as against the admissible claim of Rs.1.32 lakhs resulting in excess adjustment of Rs.0.36 lakh. The Company did not take any action to realise the excess payment (Rs.0.36 lakh) made to the firm.

The Company lodged (July 1981) the claim for Rs.1.32 lakhs as road transport subsidy with the FCI, which had not been received so far (September 1983).

## 2.15. Sundry debtors and advances

2.15.1. The volume of book debts and the turnover for the three years up to 1980-81 were as follows :

|  | 1978-79           | 1979-80  | 1980-81  |
|--|-------------------|----------|----------|
|  | (Rupees in lakhs) |          |          |
| Sundry debtors at the end of the year ..     | 4,46.89           | 3,95.70  | 4,75.58  |
| Turnover .. .. .                             | 14,42.20          | 12,58.00 | 13,84.72 |
| Percentage of book debts to turnover .. .. . | 31.0              | 31.5     | 34.3     |

Year-wise break-up of the debts outstanding was not available. There was no arrangement for obtaining confirmation of balances from debtors.

2.15.2. The rules of the Company do not allow the sale or hiring work on credit basis except in case of Government Departments, autonomous bodies, etc., but this was not followed strictly as would

be evident from the following table which indicates the details of debts outstanding as on 31st March 1981 :

|  | Government departments | Autonomous bodies | Private parties | Total   |
|--|------------------------|-------------------|-----------------|---------|
|  | (Rupees in lakhs)      |                   |                 |         |
| (i) Debts outstanding for less than one year                             | 2,71.87                | 4.80              | 4.36            | 2,81.03 |
| (ii) Debts outstanding for one year and more but less than two years     | 16.45                  | 1.36              | Nil             | 17.81   |
| (iii) Debts outstanding for two years and more but less than three years | 3.86                   | 0.74              | Nil             | 4.60    |
| (iv) Debts outstanding for three years and more                          | 3.14                   | 0.13              | 1,68.87         | 1,72.14 |
| (v) Total debts outstanding  | 2,95.32                | 7.03              | 1,73.23         | 4,75.58 |
| (vi) Debts considered doubtful   | 29.96                  | Nil               | 15.00           | 44.96   |

2.15.3. Temporary advances given to staff and officers for specific purpose by the Company and outstanding at the end of each year up to 1980-81 were as follows :

|      | Outstanding up to 31st March | Amount (Rupees in lakhs) |
|------|------------------------------|--------------------------|
| 1979 | ..                           | 75.72                    |
| 1980 | ..                           | 68.78                    |
| 1981 | ..                           | 18.65                    |

The Company had not framed rules regarding payment of advances to the employees and their adjustment. Advances were paid to individual employees on several occasions pending adjustment of the advances drawn earlier. The outstanding advances as on 31st March 1981 related to the periods since 1974 and the Management had not taken any step to realise/adjust the outstanding advances lying with the staff/officers concerned after lapse of a reasonable period, say 2 to 3 months from the date of payment of advance. The balances were also not reviewed periodically for effective recovery/adjustment.

2.15.4. The Company paid an advance of Rs.16,600 in 1974-75 and Rs.21,735 in 1975-76 to a Sales Officer appointed in June 1974. Pending adjustment of the advances drawn, the Sales Officer concerned submitted (May 1977) resignation, which was not accepted by the Company. The Company filed (January 1981) a criminal case in a Court of Law. While the case was *sub judice*, the *ex-Sales Officer* submitted adjustment vouchers for Rs.29,748 in March 1983, which had not been admitted so far (September 1983). The Court dismissed (May 1983) the case as the Company was negotiating a compromise

with the official. As regards the remaining portion of the advance (Rs.8,587) neither vouchers were submitted by the official so far (January 1984) nor the Company demanded its payment pending audit and admission of the vouchers already received (September 1983).

## 2.16. Cost accounts and pricing policy

Though the Company is engaged in trading and hiring of machinery, no separate cost records had been maintained to work out the cost of each activity for the purpose of quoting the prices, revision of selling prices and hire charges, *etc.* The Company had no system to identify idle machinery and idle labour to enable taking corrective action. The policy followed in fixing prices in different units is dealt with in the following paragraphs.

### (a) Agronomy division

The maximum selling prices of pool fertilizers are fixed by the Government of India. In respect of fertilizers procured indigenously the Company has to cover the expenses and its own profit margin within the price fixed by the Government and the selling price of the suppliers. As regards pesticides, a profit margin of 10 to 15 *per cent* is added to the purchase price to arrive at the selling rates. As regards seeds, major part of which is being marketed to the State Government for 'minikit' purpose, the Company fixed the selling rates after adding elements of overhead, interest and profit margin on procurement cost at specified rates.

### (b) Project division

The selling price of each type of equipment and spares is fixed periodically by adding profit margin to the landed cost or the invoice prices, as the case may be, taking into account the market price of similar equipment. In the field of rendering services, charges were fixed on *ad hoc* basis. In respect of fixation of selling prices of implements| spares, *etc.*, certain estimated lumpsum overheads for transportation charges, *etc.*, were added to cost and selling prices fixed. In the absence of suitable cost accounts the comparison of actual expenses with the estimates was rendered impossible and the real cost of the supplies and services is not being ascertained by the Management.

## 2.17. Accounts and internal check

2.17.1. No accounting manual had been compiled by the Company laying down the detailed procedure for maintenance and

compilation of accounts of various units and Head Office, procurement and sale procedures, duties and responsibilities of various officials including delegation of financial powers, scope of internal check, etc.

### 2.17.2. Internal audit

The Company had set up in November 1972 an internal audit wing under the control of the Chief Accounts Officer. No internal audit manual had been prescribed indicating the extent and nature of checks to be exercised. The statutory auditors of the Company opined from time to time that there was no effective system of internal audit and checking so far as the cash and bank transactions, stocks and sales are concerned.

The internal audit wing had visited some of the units and submitted reports to the Management. There was no system of periodical submission of reports to the Board of Directors and for taking follow-up action thereon.

The internal audit wing was, however, disbanded in January 1982 and the Company appointed (March 1982) a firm of Chartered Accountants as internal auditor for 1982-83 on a monthly remuneration of Rs.3,000. The firm submitted monthly internal audit reports but no action had been taken by the Company on the reports. The internal auditors who had partially conducted physical verification of stocks had not furnished physical verification report showing the stock as per book balance and the stock physically found indicating the shortages|excesses, if any. Instead, certain shortages|excesses were pointed out in their monthly internal audit reports. It was not clear from their reports whether all the items had been verified physically or verification was conducted in respect of only those items as mentioned in their reports. The cases of shortages|excesses as reported by the internal auditors had not been investigated by the Management.

### 2.18. Other points of interest

#### 2.18.1. Loss on potato deals

The Company procured (April 1979) 49,867 quintals of potatoes at Rs.50 per quintal to give relief to potato cultivators as they were suffering badly due to abnormal fall in price of potatoes during February-April 1979 season. The selling rate was fixed (May 1979) at Rs.87 per quintal on 'no profit—no loss' basis,

In June 1979, the stock of potatoes started deteriorating and the Minister-in-charge directed (16th June 1979) the Company to dispose of the entire stock of potatoes within two|three weeks as the prevailing market price of potato was Rs.130 per quintal as against the selling price of Rs.87 per quintal fixed by the Company. Despite such instructions the Company decided (18th June 1979) to dispose of only such potatoes the quality of which had already deteriorated. As a result, the quality of most of the stock further deteriorated and the Company had to dispose of the potatoes by auction (July-November 1979) at the rates varying from Rs.10 to Rs.80 per quintal and could realise Rs.21.88 lakhs as against the procurement cost of Rs.40.22 lakhs, resulting in loss of Rs.18.34 lakhs in the deal.

## 2.18.2. Defalcations

2.18.2.1. The Company issued four receipt books to a recovery officer of the Company for collection of hire purchase dues from the farmers. Against the first three money receipt books, the recovery officer collected a total sum of Rs.1,43,734 but deposited with the Company only a sum of Rs.1,13,255 and a sum of Rs.6,924 was stated to have been deposited with the bank but the same could not be reconciled in the absence of bank scrolls. The balance amount of Rs.23,555 had been retained by the recovery officer. The money receipt book (bearing number E18201-18300) had not at all been returned by the recovery officer and as such, the amount collected on that money receipt book was not ascertainable. The Company did not contemplate taking any action against the officer. The officer submitted resignation in April 1981 but no further action was taken by the Company so far (September 1983).

2.18.2.2. Quantities of 870 kgs of sevin (100 grams) and 2,957.5 kgs of sevin (500 grams) were sold in March 1983 by the agricultural sales officer, Arambagh at the rate of Rs.40 per kg and Rs.32 per kg, respectively at a total sale price of Rs.1.29 lakhs whereas sale proceeds of Rs.0.27 lakh only were accounted for by the officer resulting in short account of Rs.1.02 lakhs. The Management did not take any action against the sales officer for the misappropriation of the sale proceeds and allowed him to hold the same charge in another unit.

2.18.2.3. Another quantity of 110 tonnes of DAP were sold (March 1983) by the same sales officer at the rate of Rs.3,415 per tonne against collection of Rs.3,81,298 resulting in excess collection of Rs.5,648. This excess collection was subsequently adjusted against sale of 50 litres of regor and 480 kgs of pherodox of the total value



of Rs.18,906 on 26th March 1983. The same amount of Rs.5,648 was adjusted for the second time against sale of 3,827.5 kg of sevin on 30th March 1983.

2.18.2.4. A dealer of the Company intimated (February 1983) that 70 litres of malathion valuing Rs.2,228 were received by him in date-expired condition from the Sales Office, Arambagh but there was no entry in the books of accounts as regards its issue and realisation of sale proceeds thereof.

The matter had not been investigated by the Company (September 1983).

## 2.19. Summing up

(1) The Company was established in August 1968 with the main objects of promoting agro-industries and other ancillary activities in the State and help farmers to adopt modern methods of farming. One of the main objects *viz.*, manufacturing of agricultural implements and machinery was not implemented.

(2) Against a paid-up capital of Rs.7,85.52 lakhs at the end of March 1981, the accumulated loss of the Company was Rs.1,44.94 lakhs. The accounts from the year 1981-82 are yet to be finalised.

(3) Shortages in stock of fertilizer, seed, pesticide, *etc.*, were charged off to profit and loss account every year without conducting and investigation or annual physical verification.

In one case, at Arambagh, the shortage valued at Rs.27.43 lakhs was written off (August 1981) by the Board of Directors without any investigation though the same included fertilizer valued Rs.16.21 lakhs not accounted for by the storing agent.

(4) The Company received (June-October 1975) pool fertilizers in non-standard bags and disposed of the same after standardisation, consequent upon which shortage of fertilizers valuing Rs.27.36 lakhs occurred. Company's claims for Rs.14.93 lakhs remained unrealised and no claim for the balance Rs.12.43 lakhs had been preferred.

(5) As the Company could not dispose of the pool fertilizers (1980-81) at its selling rates, the same were sold at reduced rates resulting in a loss of Rs.21.99 lakhs.

(6) The Company stored (June 1975) 89.800 tonnes of fertilizers in a private godown at Arambagh. Of this, neither the stock of 68.800 tonnes could be got released nor the value thereof (Rs.1.38 lakhs) could be realised from the owner of the godown (September 1983).

(7) Though 209.972 tonnes of fertilizer were unloaded (May 1974) by the handling agent of the Company, only 134.406 tonnes were accounted for in the books of accounts at Berhampore Sales Office. Neither the discrepancy of 75.566 tonnes (value : Rs.0.90 lakh) was investigated nor was any responsibility fixed for the loss of Rs.0.90 lakh.

(8) The Company stored 24.956 tonnes of fertilizer valued Rs.0.26 lakh in July 1973, 206.100 tonnes valued Rs.1.99 lakhs in June 1975 and 32.300 tonnes valued Rs.0.70 lakh in July 1977 at the godowns of the State Warehousing Corporation. Of the above stocks, 24.956 tonnes valued at Rs.0.26 lakh was destroyed (August 1981) as the same had been declared (June 1981) sub-standard and the remaining 238.400 tonnes valued at Rs.2.69 lakhs awaited disposal (September 1983).

(9) As the Company procured (September-October 1975) sub-standard wheat seeds and failed to dispose of the same as seeds, it suffered a loss of Rs.33.26 lakhs besides a further loss of Rs.8.38 lakhs towards interest on borrowed capital.

(10) The Company's failure to procure the wheat seeds before the sowing season of 1978 resulted in a loss of Rs.2.16 lakhs.

(11) As the Company procured pesticides in excess of its requirement, it had suffered a loss of Rs.4.77 lakhs towards cost of date-expired stock.

(12) The Company supplied (December 1975) 14.760 tonnes of technical grade pesticides (value : Rs.1.73 lakhs) to a firm for formulation though the firm had no manufacturing/formulating licence. As the firm failed to deliver the formulated pesticides to the Company and went into (February 1980) liquidation, the Company suffered a loss of Rs.1.73 lakhs.

(13) Of the 39.600 tonnes of sevin procured by the Company, only 7.660 tonnes could be disposed of during its validity period and 29.766 tonnes were got revalidated at a cost of Rs.0.66 lakh. The balance stock of 2.174 tonnes could not be revalidated resulting in a further loss of Rs.0.96 lakh.

(14) Of the 11 agro-based projects scheduled to be implemented during the Sixth Plan period, the Company took up seven projects. Of these, three were dropped and one kept pending after incurring an expenditure of Rs.1.25 lakhs.

(15) The Company suffered a loss of Rs.13.63 lakhs up to 31st March 1983 towards operation of the Garbeta cold storage since taking over (March 1977). The Company had to pay (November 1978) compensation of Rs.4.11 lakhs to the depositors of potatoes as the quality of the same had deteriorated during storage.

The failure on the part of the Company to repair the cold storage during the off season resulted in idleness of the plant during the entire seasons of 1980-81 and 1982-83 and non-utilisation of its full capacity during 1983-84, season.

(16) The Company suffered loss of Rs.4.40 lakhs up to 31st March 1983 in operating the Kanainatsal cold storage since taking over (April 1972).

(17) Of the 24 custom service centres opened up to 1973-74, 15 centres were closed due to uneconomic running of the same.

(18) Against bank guarantees for payment, the Company supplied 327.240 tonnes of fertilizers in June-September 1974 to three agro-service entrepreneurs but the sale proceeds thereof (Rs.3.90 lakhs) could not be realised (January 1984).

(19) Under Additional Employment Programme, 6,079 farmers' sons were trained in modernising agriculture at an expenditure of Rs.11.35 lakhs but only 895 trained persons had joined the co-operatives.

(20) Though the order for supply of 345 pump sets was placed on the Company by a Government Department, the supply was diverted through the dealers resulting in unintended benefit of Rs.2.42 lakhs to dealers as commission.

(21) Instances of non-accountal|short accountal of stock (Arambagh Sales Office) of pesticides of the aggregate value of Rs.4.57 lakhs were pointed out by Audit. Neither any investigation was conducted nor any action taken by the Management.

(22) The failure on the part of the Company in releasing the consignments from the Railways in time entailed a loss of Rs.1.55 lakhs.

(23) The Company suffered a loss of Rs.18.34 lakhs in a potato deal due to delay in disposal of the stock.

## SECTION III

### WEST BENGAL LIVESTOCK PROCESSING DEVELOPMENT CORPORATION LIMITED

#### 3.01. Introduction

The Company was incorporated on 9th April 1974 mainly to create facilities for efficient, modern and hygienic slaughter of animals in slaughterhouses and to undertake such operations as are required to improve recovery and utilisation of by-products of slaughterhouses.

The Company installed a slaughterhouse at Durgapur in January 1982 at a cost of Rs.1,11.93 lakhs which has not so far (February 1984) been put into operation (vide details in paragraph 3.05. *infra*) and another slaughterhouse complex at Andul-Mourigram near Calcutta was taken up for construction in July 1976 at an estimated cost of Rs.16,53.18 lakhs, the land development work of which is under progress (September 1983).

#### 3.02. Capital structure

Against the authorised capital of Rs.2,00 lakhs (divided into 2,00,000 equity shares of Rs.100 each), the paid-up capital of the Company was Rs.1,27 lakhs as on 31st March 1983, contributed by State Government (Rs.1,02 lakhs) and Government of India (Rs.25 lakhs).

Besides, the Company received from time to time from the State Government grants-in-aid amounting to Rs.13.94 lakhs up to 31st March 1977 for development of land of slaughterhouse complex at Andul-Mourigram (Rs.11 lakhs), pig fattening scheme (Rs.2.50 lakhs) and installation of deep freezing facilities for preservation of pork products (Rs.0.44 lakh).

#### 3.03. Working results

The accounts of the Company for the years 1981-82 and 1982-83 have not been finalised so far (January 1983). The working of the Company during four years up to 1980-81 (in respect of which accounts have been finalised) resulted in a net loss of Rs.3.75 lakhs, Rs.1.27 lakhs, Rs.1.82 lakhs and Rs.0.86 lakh, respectively. The accumulated loss at the end of 1980-81 was Rs.10.78 lakhs, amounting to 11 *per cent* of the paid-up capital (Rs.1,01.00 lakhs). The main reason for incurring losses year after year was that the production and sales of the Bacon Factory at Haringhata did not pick up and were negligible *vide* detailed analysis given in the succeeding paragraphs.

### 3.04. Haringhata Bacon Factory

3.04.1. The Regional Pig Breeding Farm and the Bacon Factory had been established (April 1964) at Haringhata under the management of State Government for encouraging pig development programme in the State. Infrastructure available in the breeding farm was adequate to maintain 500 breeding sows and to raise 100 pigs at a time for fattening. The Bacon Factory, with a small cold storage was equipped with all the accessories for production of sausages, bacon and ham. The Factory had capacity of processing 20 pigs per day in two shifts. Under orders of State Government (December 1975) the Factory was taken over (January 1976) by the Company with the then existing staff of 38. Under the scheme of take-over, the Company was to utilise the Factory to its full capacity and pay to the State Government annually Rs.2.25 lakhs as assured income on the average of last three years' sale proceeds while the Farm was under the management of Government. The financial estimate of the scheme provided for net profit of Rs.1.31 lakhs after making a payment of Rs.2.25 lakhs to the State Government.

#### 3.04.2. Operational results

The Company had not prepared any operational budget including sales budget for operation of the Factory. The table below indicates the capacity of the Factory in slaughtering animals and its utilisation during the period from 1976-77 to 1981-82 (up to 30th June 1981) :

| Year                                 |    |    |    |    | Capacity<br>per day | Actual<br>utilisation<br>(Average) | Percentage<br>of capacity<br>utilisation |
|--------------------------------------|----|----|----|----|---------------------|------------------------------------|--|
|                                      |    |    |    |    | (Number of animals) |                                    |  |
| 1976-77                              | -- | .. | .. | .. | 20                  | 4.8                                | 24.0                                     |
| 1977-78                              | .. | .. | .. | .. | 20                  | 8.2                                | 41.0                                     |
| 1978-79                              | .. | .. | .. | .. | 20                  | 3.1                                | 15.5                                     |
| 1979-80                              | .. | .. | .. | .. | 20                  | 1.5                                | 7.5                                      |
| 1980-81                              | .. | .. | .. | .. | 20                  | 0.5                                | 2.5                                      |
| 1981-82<br>(up to 30th<br>June 1981) | .. | .. | .. | .. | 20                  | 0.1                                | 0.5                                      |

Under-utilisation of capacity was stated (October 1980) to be due to non-availability of standard pigs (of body weight between 60 and 100 Kilograms) on account of inability of the Company to pay the ruling market price to the private rearers and absence of control of the Company on the pig breeding station.

The table below summarises the working results of the Factory indicating raw materials consumed, overhead cost, sales and loss incurred during the period from 1st January 1976 to 31st March 1981 :

| Year                               | Raw materials consumed | Overhead cost | Total cost | Sales | Loss  |
|------------------------------------|------------------------|---------------|------------|-------|-------|
| (Rupees in lakhs)                  |                        |               |            |       |       |
| 1975-76(1st January to 31st March) | 0.34                   | 0.61          | 0.95       | 0.40  | 0.55  |
| 1976-77 .. ..                      | 3.55                   | 1.87          | 5.42       | 2.93  | 2.49  |
| 1977-78 .. ..                      | 5.24                   | 2.47          | 7.71       | 4.30  | 3.41  |
| 1978-79 .. ..                      | 1.55                   | 2.25          | 3.80       | 1.81  | 1.99  |
| 1979-80 .. ..                      | 0.96                   | 1.96          | 2.92       | 1.10  | 1.82  |
| 1980-81 .. ..                      | 0.83                   | 1.11          | 1.94       | 1.08  | 0.86  |
|                                    |                        | Total         | 22.74      | 11.82 | 11.12 |

The loss has been attributed (October 1980) by the Management to non-availability of standard pigs, higher price of spices, packing materials and fuel, expenditure consequent on frequent break-down of machineries, over staffing, increased salaries and wages and static selling prices of the product prevailing since 1975.

The Management further stated that for steady supply of raw materials, the Company advanced loans to farmers under pig fattening scheme to supply pigs to the Factory but, owing to high cost of feed, the performance of the scheme was not at all satisfactory.

### 3.04.3. Sundry debtors

The table below indicates the book debts *vis a vis* sales of the Company during the five years up to 1980-81 :

| Year              | Sales | Debtors | Percentage of debtors to sales |
|-------------------|-------|---------|--------------------------------|
| (Rupees in lakhs) |       |         |                                |
| 1976-77 .. ..     | 3.18  | 1.15    | 35.2                           |
| 1977-78 .. ..     | 4.67  | 1.70    | 36.4                           |
| 1978-79 .. ..     | 1.96  | 1.28    | 65.3                           |
| 1979-80 .. ..     | 1.10  | 0.95    | 86.4                           |
| 1980-81 .. ..     | 1.08  | 0.70    | 64.8                           |

The debts outstanding as on 30th September 1983 were Rs.0.35 lakh from two private dealers of pork and pork-products.

#### 3.04.4. Pig rearing-cum-fattening scheme

In order to get steady supply of pigs for processing in the Bacon Factory, a 'pig rearing-cum-fattening' scheme was introduced in 1976-77 with a fund of Rs.2.50 lakhs received (1976-77) as grants-in-aid from the State Government under World Food Programme. Under the scheme the amount was to be advanced to 50 pig rearers to help purchase of piglets and rearing them for four months (when their body weight would reach at least 60 kg each). The Company disbursed Rs.0.94 lakh to 18 pig rearers under the scheme up to March 1980. The balance amount (Rs.1.56 lakhs) could not be disbursed as interested rearers were not available. The Management stated (October 1980) that performance of the scheme was unsatisfactory owing to high cost of feed.

Out of the loan of Rs.0.94 lakh given to 18 pig rearers, an amount of Rs.0.59 lakh could be recovered up to October 1983 leaving a balance of Rs.0.35 lakh. The scheme was abandoned in 1979-80 as owing to high cost of feed, the pig rearers did not find rearing to be a profitable avocation and the available amount of Rs.2.15 lakhs was transferred (March 1981) to West Bengal Dairy and Poultry Development Corporation Limited under the orders of the State Government.

#### 3.05. Slaughterhouse projects

3.05.1. The Company undertook two projects for construction and operation of modern slaughterhouse complexes, one for Durgapur industrial area and the other at Andul-Mourigram for catering the needs of Calcutta metropolis. The construction of Durgapur complex was completed in December 1981 and the second one is in its initial stages of construction.

The expenditure incurred on Durgapur complex up to October 1983 was Rs.1,11.93 lakhs as against the estimate of Rs.67.75 lakhs. An expenditure of Rs.16,53.18 lakhs was envisaged for the Andul-Mourigram project against which a sum of Rs.16.92 lakhs was spent up to October 1983. The Company had not yet prepared any long term forecast projecting expenditure from year to year and assessed the periodical requirement of the funds.

Further details of these projects are indicated in the succeeding sub-paragraphs.



### 3.05.2. Durgapur slaughterhouse project

3.05.2.1. The Board of Directors of the Company considered (August 1974) a proposal of State Government (July 1974) for construction of a modern slaughterhouse at Durgapur and contemplated (November 1974) its construction on priority basis. Accordingly, Consultant 'A' was appointed (April 1975) for submission of a detailed project report at a fee of Rs.0.10 lakh. The project report submitted (September 1975) by the Consultant was considered by the Board in September 1975 and as per their decision another Consultant 'B' was appointed (February 1977) for preparation and submission of detailed civil, electrical and mechanical engineering drawings; preparation and evaluation of tender documents and to prepare monthly progress report at a fee of three *per cent* of the total project cost, subject to a minimum of Rs.1.50 lakhs excluding travelling allowances, *etc.*

The project envisaged construction of a modern slaughterhouse over 15 acres of land allotted by State Government for slaughtering small animals. Keeping in view the assessed requirement in 1978 of sheep/goat meat of 1,020 to 1,085 heads per day in Durgapur industrial area, the installed capacity had been planned (September 1975) at 1,000 heads per day in two shifts. The capital cost for the Complex was estimated (in 1977) as Rs.67.75 lakhs to be completed in two phases, the outlay in phase I and phase II being Rs.47.75 lakhs and Rs.20 lakhs respectively. The work order for construction of phase I was awarded in July 1978 and that for phase II in May 1980. Due to delay in executing the project and other reasons the project cost increased to Rs.1,11.93 lakhs (provisional).

3.05.2.2. Phase I: The contract for phase I, including civil, mechanical, electrical, supply and installation of equipment *etc.*, on turn-key basis was awarded (July 1978) to a contractor 'X' of Bombay for Rs.39.26 lakhs (against an estimated value of Rs.44.14 lakhs). As per terms of contract, the work was to be completed within 18 months from the date of work order *i.e.*, by December 1979. The Company could not, however, make available (July 1978) to the contractor the site, water and electricity.

The contractor pressed (January 1979) for delivery of site duly fenced and free from encumbrances and also for water required for construction work. The same could be provided by the Company only in June 1979. The working drawings were supplied in June 1979 and power in November 1980. The Company could have avoided this delay in supplying water and handing over the site duly fenced, if it had executed the work as per the estimate of Rs.2.34 lakhs (prepared and given by Construction Board of the State Government

in November 1974) for a boundary wall (Rs.2.08 lakhs), masonry well (Rs.0.20 lakh) and goomty for watchmen (Rs.0.06 lakh). Only in January 1979, *i.e.*, six months after the work order for phase I was given, the Company issued work order for laying pipelines to bring water from controlled area of Durgapur Projects Limited (DPL)|Durgapur Development Authority (DDA). The working drawing and other relevant documents could not be finalised before October 1978 by consultant 'B' for forwarding the same to the DDA for approval. The work relating to fabrication of structural item for erection and other mechanical and electrical work was delayed as the power supply was made available in November 1980.

Though the Company had all the supervisory staff to supervise and co-ordinate the work relating to the execution of the project and consultant 'B' was also to aid and advise in the field, the co-ordination was not achieved and execution of ancillary work could not be done in time which delayed the start of the work after the work order was issued in July 1978 by eleven months. The delay resulted in an avoidable expenditure of Rs.22.05 lakhs as detailed below :

- (i) Due to delay in handing over of site along with infrastructural facilities by the Management by one year from the date of awarding the work order, contractor 'X' refused to undertake the work. The Board of Directors in order to get the work done approved (July 1979) payment of Rs.1.30 lakhs to the contractor as *ad hoc* relief for starting (June 1979) the civil work and Rs.5.38 lakhs as *pro rata* (12 *per cent*) relief over and above the contractual value on mechanical and electrical items of work.
- (ii) In the absence of a material procurement programme, there was interruption in the supply of cement to the contractor resulting in suspension of work for 103 days (between January and November 1980) for which the Management had to pay idle charges of Rs.0.67 lakh to the contractor in terms of the contract.
- (iii) Because of delay in execution of work there was general price rise and in terms of escalation clause of the contract payment had to be made to the contractor for labour and materials in respect of civil works (Rs.2.89 lakhs) and for the mechanical portion of the work (Rs.5.15 lakhs).
- (iv) The Company had to re-imburse an expenditure of Rs.1.06 lakhs incurred by the contractor on miscellaneous heads (kerosene oil, additional repairing and maintenance cost on electrically operated equipment *etc.*) for want of power.

- (v) The Company agreed to pay Rs.1.88 lakhs towards idle labour on account of delay (for 165 days between May and November 1980) in fabrication and erection of mechanical jobs due to non-supply of electricity and Rs.3.72 lakhs due to escalation in the cost of mechanical and electrical items of work. Owing to shortage of funds, the Management could not pay the full amount and a balance of Rs.3.22 lakhs is yet to be paid (December 1983).

The Management stated (July 1983) that the Company undertook such a big project for the first time and experienced many difficulties in implementing the work, and further stated (September 1983) that as the project had been delayed due to several factors, some of the claims of the contractor had to be entertained.

### 3.05.2.3. Phase II

#### 3.05.2.3.1. *Extra expenditure on award of work order*

Three parties submitted (November 1979) tender for civil works of phase II. The offer (Rs.15.12 lakhs) of the lowest tenderer was not accepted considering it 'unworkable'. Before rejecting the offer the Management did not analyse these rates to assess its workability and also did not consider that the contractor had already executed similar works for the Eastern Coalfields Limited. The work was then distributed (May 1980) between the second lowest tenderer (construction of external drainage and general development of roads : Rs.6.72 lakhs) and third lowest tenderer (construction of buildings and market : Rs.12.94 lakhs) and the works were completed by April 1983. A sum of Rs.21.13 lakhs was paid up to October 1983 and claims for Rs.2.23 lakhs were under scrutiny. Computed with reference to the lowest rate offered the award of work at higher rates resulted in an extra expenditure of Rs.4.54 lakhs.

#### 3.05.2.3.2. *Construction of road*

The work of construction of external drainage and general development of road was awarded in May 1980 for completion within 12 months from the date of work order. The contractor, however, could not start the work for eight months (up to December 1980) owing to non-availability of working drawings from the Consultant and absence of instructions and clarifications on brick-bat soling or road and owing to failure of the Management to make available space for alignment of road for earthwork (being occupied by another contractor 'Y'). The work was further delayed due to non-availability of road roller (March 1981) in time and shortage of bitumen

(February to September 1981). Consequently the contractor preferred (April 1983) an additional claim for Rs.1.67 lakhs on account of extra cost on wages, material and transportation (Rs.1.23 lakhs) and differential increased cost of bitumen (Rs.0.44 lakh). The additional claim of the contractor has not yet been paid (December 1983). The entire work was completed in April 1983 after a delay of nearly 2 years.

The Management stated (July 1983) that there was some bottleneck due to non-availability of drawings and instructions about the soling of roads, etc.

#### 3.05.2.3.3. *Construction programme*

The Company could not supply the working drawings for buildings and market in time to the contractor as the Consultant 'B' could not prepare the drawings, cement could also not be supplied in time in the absence of a procurement programme for raw materials by the Company. Preliminary drawings were given in December 1980 and second set of drawings in March 1981, first lot of cement was issued in February 1981. Work had to be suspended again during April 1981 for want of cement. Consequently the contractor lodged a claim for Rs.4.92 lakhs as extra cost on materials and labour. The Company allowed (August 1982) the claim for Rs.1.02 lakhs on electrical and piping work (Rs.0.64 lakh) and asbestos cement curved sheet (Rs.0.38 lakh). The claim (Rs.0.56 lakh) for labour escalation was payable on documentary evidence. The work was completed in December 1981.

#### 3.05.2.3.4. *Purchase of steel from open market*

The contractors 'X' and 'Y' purchased (from August 1979 to August 1981) 80.56 tonnes of mild steel rounds at a total cost of Rs.3.83 lakhs from the open market at Durgapur. There was no evidence to indicate that the Management tried to obtain the same from the SAIL at controlled rate or ascertain the open market price, though so directed (February 1980) by the Board. The contractors claimed different rates (varying between Rs.3,550 and Rs.5,300 per tonne) for purchase on different dates which were paid. Had the Company purchased the full requirement in August 1979 at the then procurement rate, the Company could have saved an amount of Rs.0.82 lakh.

The Management stated (July 1983) that infrastructural facility for storing of sufficient stock was not available with the Company.

### 3.05.2.3.5. *Delay in lifting steel*

In March 1979, the Company deposited with SAIL an amount of Rs.0.94 lakh for supply of 35 tonnes of steel. As the steel could not be lifted in time SAIL again issued (June 1979) a fresh offer-cum-delivery order for the same quantity of steel for Rs.1.11 lakhs. The steel was lifted in June 1979 by the Company after depositing the balance amount of Rs.0.17 lakh, resulting in extra expenditure of Rs.0.16 lakh.

The Management stated (July 1983) that it had no godown for storing materials and that the phase I work was started in June 1979 only.

### 3.05.2.3.6. *Idle assets*

The main slaughterhouse complex at Durgapur was completed by December 1981 (the work of extended drainage and road development was completed in April 1983). After successful trial run in January 1982 the plant was taken over from the contractor but could not be operated so far (February 1984). The expenditure incurred on the project up to October 1983 was Rs.1,11.93 lakhs. A sum of Rs.1.61 lakhs was paid as salary and wages from February 1982 to July 1983 to the staff remaining idle. This includes Rs.0.40 lakh paid to three veterinary officers released on deputation by the Animal Husbandry and Veterinary Services Department for *ante mortem* and *post mortem* examination of the livestock from September 1982 to July 1983.

The Management stated (July 1983) that unless the Company was empowered by a suitable law to force private butchers around Asansol|Durgapur industrial complex to use the slaughterhouse facilities of the Company the slaughterhouse cannot be put to use.

No bill in this regard has yet (February 1983) been moved in the State Legislature by the Government.

### 3.05.3. **Performance of Consultant**

As referred to in paragraph 3.05.1. *supra* the delay on the part of the Consultant in supplying working drawings in time and inclusion of specific escalation clause for material and labour without evaluating its effect on delayed execution resulted in an avoidable payment of Rs.24.00 lakhs by the Company to the contractors. In the absence of a penalty clause in the agreement with the Consultant the Company could not levy any penalty or damages on the Consultant for the delayed

submission of the drawings. Meanwhile, the Company paid Rs.1.99 lakhs as fees (Rs.1.65 lakhs) and travelling cost (Rs.0.34 lakh) to the Consultant.

The Management confirmed (July 1983) that the work of Consultant had not been satisfactory so far as the submission of details of drawing *etc.*, was concerned.

### 3.05.4. Andul-Mourigram project

In July 1976 the Company appointed the Consultant 'B' to prepare a techno-economic feasibility report on the project at a fee of Rs.0.40 lakh. The report was submitted in January 1977 and approved by the Board in September 1977. The estimated cost, as per the project report, was Rs.5,00 lakhs. The Company obtained (October 1977) a letter of intent for establishment of a new unit for processing animals for which the Company had taken possession of 77.67 acres of land from State Government at Mourigram in February 1977 and held discussions with Australian Development Assistance Bureau (ADAB) from May 1977 for this project. Preliminary survey and analysis of feasibility study were undertaken from time to time and the scope of the project was expanded raising the estimated cost to Rs.10,00 lakhs (April 1983) of which Rs.1,95 lakhs were to be contributed by the Australian Government in foreign exchange by way of supply of equipment, advisers and training facilities for Indian personnel.

The revised appraisal (October 1983) for the project was as follows :

|                                     |    | Performance in                  |                |
|-------------------------------------|----|---------------------------------|----------------|
|                                     |    | Phase I<br>(per day in numbers) | Phase II       |
| (i) Slaughterhouse                  |    |                                 |                |
| Slaughtering—                       |    |                                 |                |
| Large animals (cattle/buffaloes) .. | .. | .. 600 to 700                   | 600 to 700     |
| Small animals (sheep/goats)         | .. | .. 4,500                        | 9,000          |
| (ii) Livestock market               |    |                                 |                |
| Sale—                               |    |                                 |                |
| Large heads                         | .. | .. 1,200 to 1,400               | 1,200 to 1,400 |
| Small stock                         | .. | .. 9,000                        | 18,000         |

According to preliminary design and financial evaluation report, the project was to be commissioned in August 1986. The report also indicated the estimated expenditure (at 1983 price level) and escalation costs of the project as below :

| Particulars                         | Estimated expenditure<br>(1983 price level) | Escalation cost | Total    |
|-------------------------------------|---|-----------------|----------|
|                                     | (Rupees in lakhs)                           |                 |          |
| (i) Capital cost .. .. .            | 13,83.43                                    | 1,74.57         | 15,58.00 |
| (ii) Commissioning expenses .. .. . | 39.34                                       | 7.04            | 46.38    |
| (iii) Working capital .. .. .       | 39.13                                       | 9.67            | 48.80    |
| Total ..                            | 14,61.90                                    | 1,91.28         | 16,53.18 |

The financing of the project has been planned as 33 per cent (Rs.5,45 lakhs) from equity and 66 per cent (Rs.11,08 lakhs) from loan from National Bank for Agriculture and Rural Development (NABARD). Fund committed by Australian Government would cover fees and expenses of Consultant 'S' and has been excluded from the above financing plan.

Of the total expenditure of Rs.16.92 lakhs incurred so far (October 1983), major expenditure (Rs.14.16 lakhs) was on the execution of land filling work (*vide* paragraph 3.05.5. below).

### 3.05.5. Land filling works

The order for land filling work of 23 acres (out of 77.67 acres) at Andul-Mourigram complex was issued in February 1977 to the lowest tenderer (contractor 'Z') for Rs.11.74 lakhs, as against the estimated cost of Rs.13.52 lakhs, to be completed within 12 months. Contractor 'Z' did not, however, show much enthusiasm for the work and suspended (April 1977) the work due to heavy rain and intimated (May 1977) to the Company a revised programme of work of land filling to be completed by April 1978. However, by April 1978 only 13 per cent of the work was completed. By July 1978 when the contractor again suspended the work only 30 per cent of the work was completed. The contractor demanded (December 1978) enhancement of rates before re-starting the work. The Board approved enhancement of 35 per cent balance work, and gave five extensions

of time periodically from May 1978 to July 1979. The contractor was paid (July 1979) Rs.14.16 lakhs against the agreed value of Rs.11.36 lakhs. Instead of penalising the contractor as per terms of contract, a sum of Rs.2.80 lakhs was paid to the contractor without any justification, particularly when there was no provision for enhancement of price in the agreement and the delay was attributable to the contractor.

The Management stated (July 1983) that the enhancement was granted with the hope of getting the work done early so that the main project work can start immediately.

### 3.06. Internal audit

The Company has not introduced any internal audit so far (February 1984).

The Management stated (July 1983) that it contemplated the introduction of internal audit system prior to taking up the construction of Andul-Mourigram complex.

### 3.07. Other points of interest

#### *Body building for a meat van*

In April 1982 the Company invited tenders for body building work on a Ashok Leyland 'Viking' chassis which was purchased in July 1982. The body building work was awarded (July 1982) to the second lowest tenderer for Rs.0.74 lakh. The work was completed in December 1982. There were some deviations and alterations from the original tender specification for which the firm lodged (January 1983) an additional claim for Rs.0.47 lakh, of which Rs.0.23 lakh had already been paid by the Company as advance in December 1982, besides the agreed amount of Rs.0.74 lakh. The balance claim (Rs.0.24 lakh) was pending settlement (October 1983).

The following points were noticed in the processing of tender and execution of work :

- (i) The offer of lowest tenderer was rejected on the plea that the party was from outside Calcutta (Tatanagar).



- (ii) The offer of the second lowest tenderer which was Rs.0.20 lakh more than the lowest tenderer, was accepted even though it reached the Company three days after the last date for opening of the tender.
- (iii) An amount of Rs.0.57 lakh was paid in advance (in September and November 1982) before delivery of the vehicle though full value was payable on delivery only.
- (iv) In the tender specification for body building work the length of the chassis was given as 21 feet instead of 25 feet which was the standard length of 'Viking' chassis, leading to additional claim of Rs.0.10 lakh.

The meat van is remaining idle from January 1983 onwards since the plant had not been commissioned.

The Management stated (July 1983) that the Company had no prior experience in this field and that during the construction stage some addition and alteration were felt necessary resulting in some additional work over the tendered amount.

### 3.08. Summing up

(i) The Company was set up mainly to create facilities for efficient, modern and hygienic slaughter of animals. The activities of the Company were confined to (a) operation of a Bacon Factory at Haringhata which was run by the Company for five and a half years and re-transferred (June 1981) to the State Government after incurring a loss of Rs.11.12 lakhs, (b) construction of slaughterhouse complexes at Durgapur and Andul-Mourigram. The slaughterhouse complex at Durgapur completed in December 1981 at a cost of Rs.1,11.93 lakhs (as against estimated cost of Rs.67.75 lakhs) has not been put into operation so far (January 1984). The complex at Andul-Mourigram is still in its initial stage of implementation and a sum of Rs.16.92 lakhs has been spent on the project up to October 1983 (as against estimated cost of Rs.16,53.18 lakhs). In the execution of Durgapur project complex the Company had to make an avoidable payment of Rs.28.17 lakhs mainly on account of delay

in the supply of working drawings by the Consultant. No penalty damages could, however, be recovered from the Consultant in the absence of such a clause.

(ii) In the body building work of an insulated meat van the Company accepted the offer of second lowest tenderer even though it was Rs.0.20 lakh more and the tender was received three days after the last date.

## SECTION IV

### WEST BENGAL TEA DEVELOPMENT CORPORATION LIMITED .

#### 4.01. Introduction

The West Bengal Tea Development Corporation Limited was incorporated on 4th August 1976 with a view to takeover, promote, develop and manage tea estates and to carry on the business in plantation, manufacture and sale of tea.

#### 4.02. Capital

The authorised capital of the Company at the time of formation was Rs.2,00 lakhs which was raised to Rs. 5,00 lakhs (5 lakh shares of Rs.100 each) in July 1982. The paid-up capital of the Company as on 31st March 1983 was Rs.1,86 lakhs, wholly contributed by the State Government.

#### 4.03. Borrowings

Besides the equity capital, the Company obtained long-term loans from Government of India, State Government and the Tea Board for meeting the expenditure on capital works and working capital requirements. The balance of all such loans as on 31st March 1983 was Rs.77.26 lakhs as detailed below :

| Year       | Sources             | Purpose  | Rate of interest<br>(Per cent) | Amount outstanding as on 31st March 1983 |              | Remarks                           |
|------------|---------------------|--|--------------------------------|--|--------------|-----------------------------------|
|            |                     |  |                                | Principal                                | Interest     |                                   |
|            |                     |  |                                | (Rupees in lakhs)                        |              |                                   |
| 1980-81 .. | Government of India | To cover operating deficit of Kumai Tea Estate | 15                             | 20.00                                    | 7.00         | Loan was accounted for in 1981-82 |
| 1981-82 .. | Tea Board           | Plantation/Development of Mahua Tea Estate     | 9.5                            | 6.00                                     | 1.13         |                                   |
|            | State Government    | Working capital loan                           | 9.25                           | 30.00                                    | 5.17         |                                   |
| 1982-83 .. | Do.                 | Do.  | 6.25                           | 5.00                                     | 0.11         |                                   |
|            | Do.                 | Do.  | 9.00                           | 9.00                                     | 0.23         |                                   |
|            | Do.                 | Do.  | 6.25                           | 5.00                                     | 0.14         |                                   |
|            | Do.                 | Do.  | 5.5                            | 2.00                                     | 0.11         |                                   |
|            | Tea Board           | Plantation                                     | 9.5                            | 0.26                                     | 0.02         |                                   |
|            |                     | Total ..                                       |                                | <u>77.26</u>                             | <u>13.91</u> |                                   |

Interest (Rs.6.81 lakhs) and instalments of principals (Rs.10 lakhs) due on the above loans as on 31st March 1983 had not been paid so far (August 1983).

For non-payment of interest in time the Company had to forgo rebate of Rs.0.85 lakh and had to bear penal interest of Rs.1.00 lakh up to 31st March 1983.

The Company obtained during 6th October to 11th November 1982 temporary loan of Rs.23.79 lakhs (rate of interest : 23 *per cent*) from their brokers|warehouse keepers which were repaid. Interest paid and that remaining to be paid on this loan as on 31st March 1983 were Rs.0.31 lakh and Rs.0.14 lakh respectively.

#### 4.04. Working results

The Company suffered losses every year since its inception. The working of the Company for the 3 years up to 1982-83 resulted in loss of Rs.18.90 lakhs, Rs.56.49 lakhs and Rs.64.54 lakhs respectively and the accumulated loss as on 31st March 1983 was Rs.1,51.91 lakhs (excluding the cash losses of Rs.1,05 lakhs on the tea estates which are managed but not owned by the Company) against its paid-up capital of Rs.1,86 lakhs.

The Management attributed (August 1983) the losses to (a) high cost of production in 3 sick tea estates with their poor yield coupled with unfavourable weather condition and (b) low selling prices prevailing in respect of Darjeeling tea.

#### 4.05. Activities

The Company took over the ownership of 3 tea estates *viz.*, Rangaroon (1977) Pandam (1980) and Rungmook|Cedars (1981) in the Darjeeling district and started (1979-80) developing a new tea estate (Mahua) in the Dooars.

The Company also took over (1979) the management of 3 other tea estates *viz.*, Hilla in the Dooars and Rungneet and Singell in the Darjeeling district. Besides, the Company was in charge of the management of another tea estate at Kumai from 18th June 1977 to 14th October 1979.

The following table indicates the position of expenditure and revenue of the managed tea estates up to 31st March 1983 :

| Name of tea estate                                     | Expenditure       | Revenue      | Difference        |
|--|-------------------|--------------|-------------------|
|  | (Rupees in lakhs) |              |                   |
| (i) Kumai (during 18th June 1977 to 14th October 1979) | 86.29             | 53.55        | (-)32.74          |
| (ii) Hilla (from 1st December 1979) .. ..              | 1,01.00           | 66.00        | (-)35.00          |
| (iii) Rungneet (from 16th April 1981) .. ..            | 14.33             | 3.73         | (-)10.60          |
| (iv) Singell (from 21st April 1981) .. ..              | 1,08.06           | 81.40        | (-)26.66          |
|  |                   | <b>Total</b> | <b>(-)1,05.00</b> |

The excess (Rs. 1,05.00 lakhs) of the expenditure over revenue was booked in the accounts for 1982-83 under head 'Loans and advances'. No agreement was entered into between the Company and the Governments in respect of management of the tea estates (Government of India in respect of Kumai tea estate and the State Government in respect of the three others). The Company is neither getting any managerial remuneration nor any specific fund for managing the tea estates except the Kumai tea estate for which the Company received a loan of Rs.20 lakhs.

Out of the 3 tea estates, taken over by the Company (*viz.*, Rangaroon, Pandam and Rungmook|Cedars) project|feasibility reports were prepared for two estates (Rangaroon and Pandam). Due to legal complications and financial constraints, no developmental activities could be taken up (July 1983) for Rungmook|Cedars tea estate and due to non-finalisation of any terms and conditions in respect of the managed tea estates. The development activities and achievement of the tea estates are discussed in the succeeding paragraphs.

#### 4.05.1. Rangaroon tea estate

As per direction of the State Government, the tea estate (which had been sick and closed since July 1972) was purchased in July 1977 by the Company along with its factory, buildings and machinery from the Official Liquidator, Calcutta High Court for Rs.1.20 lakhs. The possession was taken on 28th July 1977. As per certificate of sale, the area of the tea estate is 118.41 hectares. A sum of Rs.0.04 lakh had to be paid (1977-78) to the garden labourers for vacating the area occupied by them. The assets of the tea estate were valued by Government approved valuer at Rs.5.19 lakhs in 1977-78.

The estate (tea area : 87.7 hectares) had very poor quality bushes suffering from over-maturity and disease. The average vacancy of the estate was 50 *per cent.* There were 156 daily rated labour and 9 staff at the time of take-over of the tea estate.

To revive the tea estate, a project feasibility report was prepared (December 1977) by the Company covering a period of 10 years from 1977-78 to 1986-87 at an estimated expenditure of Rs. 21.07 lakhs to be incurred in phases. The implementation of the project started from 1978-79.

Projected plan from 1977-78 to 1982-83 in respect of plantation, rejuvenation of plants, installation of machinery, construction of buildings, etc., and achievements thereagainst up to 1982-83 were as follows :

|               | Programme as per plan                          |             |              |             |             |             | Achievement       |             |                  |                     | Procurement of assets |             |                      |             |      |  |
|---------------|--|-------------|--------------|-------------|-------------|-------------|-------------------|-------------|------------------|---------------------|-----------------------|-------------|----------------------|-------------|------|--|
|               | Plantation                                     |             | Rejuvenation |             | Plantation  |             | Rejuvenation      |             | As per programme |                     |                       | Actual      |                      |             |      |  |
|               | Area   | Amount      | Area         | Amount      | Area        | Amount      | Area              | Amount      | Machinery        | Building and others | Total                 | Machinery   | Buildings and others | Total       |      |  |
|               | (Area in hectares ; amount in Rupees in lakhs) |             |              |             |             |             | (Rupees in lakhs) |             |                  |                     |                       |             |                      |             |      |  |
| 1977-78 .. .. | Nil  | Nil         | Nil          | Nil         | Nil         | Nil         | Nil               | Nil         | Nil              | Nil                 | 0.65                  | 0.65        | Nil                  | 0.43        | 0.43 |  |
| 1978-79 .. .. | Nil  | Nil         | 3            | 0.24        | Nil         | Nil         | 8.20              | 0.06        | 2.43             | 0.85                | 3.28                  | 0.01        | Nil                  | 0.01        |      |  |
| 1979-80 .. .. | 5  | 0.90        | 5            | 0.40        | Nil         | Nil         | Nil               | Nil         | Nil              | Nil                 | Nil                   | 5.60        | 0.30                 | 5.90        |      |  |
| 1980-81 .. .. | 5  | 1.05        | 5            | 0.49        | 0.60        | 0.06        | 11.79             | 0.13        | Nil              | Nil                 | Nil                   | 0.07        | Nil                  | 0.07        |      |  |
| 1981-82 .. .. | 5  | 1.20        | 5            | 0.40        | 1.60        | 0.30        | Nil               | Nil         | Nil              | Nil                 | Nil                   | 0.08        | Nil                  | 0.08        |      |  |
| 1982-83 .. .. | 5  | 1.35        | 5            | 0.40        | 4.46        | 0.39        | Nil               | Nil         | Nil              | Nil                 | Nil                   | 0.19        | Nil                  | 0.19        |      |  |
| <b>Total</b>  | <b>20</b>                                      | <b>4.50</b> | <b>23</b>    | <b>1.93</b> | <b>6.66</b> | <b>0.75</b> | <b>20.09</b>      | <b>0.19</b> | <b>2.43</b>      | <b>1.50</b>         | <b>3.98</b>           | <b>5.95</b> | <b>0.73</b>          | <b>6.68</b> |      |  |

It was mentioned in the project report that plantation would be done on obtaining loan from Tea Board or Agriculture Refinance Development Corporation (ARDC) and for rejuvenation, subsidy would be claimed from Tea Board. In 1982-83, plantation loan of Rs.0.26 lakh was received from Tea Board out of the sanctioned amount of Rs.0.55 lakh for plantation in 2.20 hectares and rejuvenation subsidy amounting to Rs.0.23 lakh was received against rejuvenation in 8.30 hectares carried out in 1978-79. The achievement in plantation up to 1982-83 was only 33.3 per cent of the target fixed in the Project Report. From the above table it may be seen that the expenditure on machinery was Rs.5.95 lakhs which was more than double the projected expenditure of Rs.2.43 lakhs. The new machinery were obtained under the 'Tea Board Hire Purchase Scheme', though the existing machinery were in working condition. The existing hydro-turbine which was a cheaper source of power was dismantled in 1979 season and a diesel generator set installed for generating power. The dryer (1,000 kg capacity per day) which was run by firewood was replaced by a higher capacity dryer (1,500 kg per day) which consumed both firewood and coal.

The higher capacity machinery were installed on the understanding that green leaf of the two adjoining tea estates would be available and the adjoining forest land (16 hectares) would be acquired and planted. But neither the land nor the green leaf of these estates was available for processing during 1977-82 seasons excepting 61,350 kg of green leaf in 1980 season.

As the estate was an abandoned property and there were about 50 per cent vacancies which were suitable for plantation, primary importance should have been given to plantation, infilling and rejuvenation instead of investing funds, in excess of requirement, on machinery.

Projected production of made tea *vis a vis* achievement up to 31st March 1983 was as follows :

| Year (crop season) | Projected production | Actual production (in kgs) |
|--------------------|----------------------|----------------------------|
| 1978               | 20,000               | 10,230                     |
| 1979               | 21,150               | 17,323                     |
| 1980               | 21,300               | 19,281                     |
| 1981               | 22,850               | 11,231                     |
| 1982               | 24,850               | 12,768                     |

Production of made tea could not reach the targets due to insufficient production of green leaf on account of large vacancies and over-maturity of bushes. As the manufacturing cost was high in this estate a substantial quantity (15,937.5 kg) of green leaf was transferred in 1981 from this tea estate to Pandam Factory for processing. In 1982 crop season, efforts were also made to transfer all the green leaf produced (52,243 kg) at Rangaroon to Pandam Factory but due to resistance from the workers, the same could not be implemented.

The cost of production (garden cost) per kilogramme of made tea at Rangaroon Factory during the 4 years up to 31st March 1983 was Rs.34.05, Rs.41.76, Rs.88.54 and Rs.83.72 respectively against the average sale value of Rs.21.60, Rs.16.88, Rs.18.60 and Rs.25.87 per kilogramme obtained during the corresponding years. The reasons for high cost of production were mainly (i) the area of the tea estate was not adequate, the bushes were old and over-matured which required rejuvenation leading to insufficient supply of raw materials (green leaf) (ii) the higher capacity of dryer and withering trough (1,500 kg) which require at least 6,000 kgs of green leaf per day against which the actual production of green leaf was less than 400 kg per day resulting in under-utilisation of capacity. (iii) the cheaper source of power (hydro generator) was dismantled and replaced by costlier source of power (diesel generating set).

From the table given below, it may be seen that due to poor yield and the excessive manufacturing cost, the projected profit remained unrealised even after the end of 5 years :

| Year<br>(Crop season) | *Projected             |       |                      | *Actual |       |                      |
|-----------------------|------------------------|-------|----------------------|---------|-------|----------------------|
|                       | Revenue<br>expenditure | Sales | Profit(+)<br>Loss(-) | Revenue | Sales | Profit(+)<br>Loss(-) |
|                       | (Rupees in lakhs)      |       |                      |         |       |                      |
| 1978 ..               | 5.63                   | 4.35  | (-)1.28              | 5.03    | 1.47  | (-)3.56              |
| 1979 ..               | 5.92                   | 5.29  | (-)0.63              | 6.09    | 3.44  | (-)2.65              |
| 1980 ..               | 6.21                   | 5.56  | (-)0.65              | 13.80   | 5.15  | (-)8.72              |
| 1981 ..               | 6.50                   | 6.33  | (-)0.17              | 10.52   | 2.09  | (-)8.43              |
| 1982 ..               | 6.67                   | 7.55  | (+)0.88              | 10.15   | 3.08  | (-)7.07              |

It may be seen that from 1980 to 1982, revenue expenditure of Rs.34.47 lakhs was incurred which was 178 per cent of the projected expenditure of Rs.19.38 lakhs. As against the above expenditure, the sales during the above period were Rs.10.32 lakhs which was 53 per cent of the projected sales of Rs.19.44 lakhs.

\*Excluding Head Office overhead, interest and depreciation charges.



The Management stated (August 1983) that acute shortage of funds and non-availability of suitable land had prevented the Company from undertaking replantation and new plantation programme. Regarding installation of machinery, it was, *inter alia*, stated that the machinery in the factory were obsolete and, therefore, had to be replaced. It was anticipated that, in the event of contiguous land being allotted by the Government for new plantation, the surplus production of green leaf would enable the Company to utilise the capacity of such machinery. This anticipation did not, however, materialise.

#### 4.05.2. Pandam tea estate

The abandoned property of Pandam tea estate was resumed by the Government of West Bengal on 20th May 1980 under Section 6(3) of the West Bengal Estate Acquisitions Act, 1953. The estate was taken over on lease by the Company on 6th June 1980 for a period of 3 years and fresh lease agreement for another 3 years with effect from 6th June 1983 was executed on 31st October 1983.

The condition of the plantation of the tea estate, except for few sections with fairly good bushes, was very poor and in general was suffering from over-maturity. The productivity of the tea estate was very low due to large vacancies ranging from 35 to 48 *per cent*. The age of the bushes ranged between 51 and 100 years against norm of 20-50 years for high yield. As on the date of take over, the total tea area was 131.3 hectares and staff and labourers numbers 264.

The value of plant and machinery, land and building and other assets taken over was not determined (December 1983) and as such, was not accounted for in the books of the Company.

To determine the viability of the tea estate, the Company prepared (October 1980) a project/feasibility report and had drawn up a year-wise programme for 12 years (from 1980-81 to 1991-92) for extension planting, rejuvenation, uprooting, replanting, infilling of vacancies and installation of machinery. This required a capital

investment of Rs.40.10 lakhs, the requirements for 1980-81 to 1982-83 being Rs.2.86 lakhs, Rs.2.33 lakhs and Rs.3.30 lakhs respectively in phases. As per the profitability analysis the tea estate would yield profit from the crop year 1987 (Rs.0.57 lakh) and in 1991 it would yield a net profit of Rs.21.13 lakhs after adjustment of all revenue expenses.

However, no forecast about sources of finances and manpower requirements were indicated in the report.

The factory was fully renovated during the period 1981-82 to 1982-83 with new machinery (value : Rs.2.77 lakhs) financed by the Tea Board Hire Purchase Scheme.

Though cultivation as per targets included new plantations over 7.27 hectares and 10 hectares during 1981-82 and 1982-83 respectively, actual cultivation (infilling of existing vacancies only) was done during 1981-82.

The targets as per project report *vis a vis* the achievements thereagainst for the period from 1980-81 to 1982-83 were as follows :

| Year(crop year) | Target          |                          |           | Achievement                  |                 |                          | Percentage of achievement to target |                              |             |        |                          |                        |      |
|-----------------|-----------------|--------------------------|-----------|------------------------------|-----------------|--------------------------|-------------------------------------|------------------------------|-------------|--------|--------------------------|------------------------|------|
|                 | Cultivation     |                          | Machinery | Production of made tea (kgs) | Cultivation     |                          | Machinery                           | Production of made tea (kgs) | Cultivation |        | Procurement of machinery | Production of made tea |      |
|                 | Area (hectares) | Amount (Rupees in lakhs) |           |                              | Area (hectares) | Amount (Rupees in lakhs) |                                     |                              | Area        | Amount |                          |                        |      |
|                 |                 |                          |           |                              |                 |                          |                                     |                              |             |        |                          |                        |      |
| 1981            | ..              | Nil                      | Nil       | 2.86                         | ..              | Nil                      | Nil                                 | 6.03                         | 8,469       | ..     | ..                       | 1.0                    | ..   |
| 1982            | ..              | 7.27                     | 2.33      | Nil                          | 40,000          | 2.43                     | 1.19                                | 6.25                         | 35,010      | 33.4   | 51.1                     | ..                     | 87.5 |
| 1983            | ..              | 10.30                    | 3.30      | Nil                          | 48,000          | Nil                      | Nil                                 | 2.49                         | 32,145      | Nil    | Nil                      | ..                     | 74.8 |

The Management stated (August 1983) that except for obtaining machinery from the Tea Board under their Hire Purchase Scheme, no other development as envisaged in the report could be undertaken due to paucity of fund.

#### 4.05.3. Rungmook|Cedars tea estates

(i) The State Government authorised the Company to run the tea estate from 16th April 1981. Subsequently, on 14th August 1981 a long-term lease agreement was executed between the State Government and the Company for a period of 30 years (with retrospective effect from 16th April 1981). The value of the plant and machinery, land and building and other assets had not been determined so far (July 1983). The tea estate has a total area of 719 hectares of which 517 hectares are 'full bearing tea area' and 80 hectares are cultivated by labourers of the tea estate without any return to the Company.

The tea estate remained closed from 29th April to 30th May 1981 due to law and order problem and 14,403 kgs of green leaf (value : Rs.0.19 lakh) plucked on 28th April 1981 could not be processed and had to be destroyed on 31st May 1981.

#### 4.05.4. Mahua tea estate

4.05.4.1. The Company took possession of land for the tea estate in the Dooars in February-March 1979 (243.5 hectares) and February 1981 (431.0 hectares) for developing a new garden with high yielding clonal plants. A project report was prepared (May 1978) for developing the estate over a period of 15 years (from 1980-81 to 1994-95) at a total cost of Rs.47.44 lakhs (Rs.11.86 lakhs from internal sources and Rs.35.58 lakhs from external sources). The project was expected to yield net surplus of Rs.1.14 lakhs in 1984-85 and by 1994-95, to reach Rs.7.28 lakhs annually (before making provision for interest and Head Office overhead charges).

#### 4.05.4.2. Project estimates

The particulars of project estimate *vis a vis* the actual achievements from 1980:81 to 1982-83 are given below :

|              |    | Estimates       |                          |                     |                      | Actuals         |                          |                     |                      | Percentage of actuals to estimates |              |                     |                      |
|--------------|----|-----------------|--------------------------|---------------------|----------------------|-----------------|--------------------------|---------------------|----------------------|------------------------------------|--------------|---------------------|----------------------|
|              |    | Plantation      |                          | Transport equipment | Buildings and others | Plantation      |                          | Transport equipment | Buildings and others | Plantation                         |              | Transport equipment | Buildings and others |
|              |    | Area (hectares) | Amount (Rupees in lakhs) |                     |                      | Area (hectares) | Amount (Rupees in lakhs) |                     |                      | Area                               | Amount       |                     |                      |
| 1980-81      | .. | 10              | 1.85                     | 2.20                | 8.93                 | 23.5            | 7.47                     | 0.52                | 0.66                 | 235                                | 403.8        | 23.6                | 7.4                  |
| 1981-82      | .. | 25              | 4.63                     | 0.08                | 3.70                 | 24.5            | 8.37                     | 0.11                | 0.11                 | 98                                 | 180.8        | 137.5               | 3.3                  |
| 1982-83      | .. | 50              | 9.25                     | 1.06                | 1.80                 | Nil             | 0.50                     | Nil                 | 0.13                 | Nil                                | 5.4          | Nil                 | 7.2                  |
| <b>Total</b> | .. | <b>85</b>       | <b>15.73</b>             | <b>3.34</b>         | <b>14.43</b>         | <b>48.00</b>    | <b>16.34</b>             | <b>0.63</b>         | <b>0.90</b>          | <b>56.5</b>                        | <b>103.9</b> | <b>18.9</b>         | <b>6.2</b>           |

Out of the total projected plantation of 85 hectares up to 1982-83 at an estimated cost of Rs.15.73 lakhs, plantation was done in 48 hectares only after spending Rs.15.84 lakhs. The shortfall in plantation was attributed by the Management (August 1983) to shortage of funds. The Management, however, did not analyse the reasons for excess expenditure on plantation during the years 1980-81 and 1981-82.

As per the project report the capital outlay prepared for the factory buildings, staff and labour quarters was Rs.14.43 lakhs up to 1982-83. Neither the factory nor the quarters could be constructed so far (July 1983). As a result, the green leaf plucked during the above years had to be sold to local gardens at Re. 0.80 per kg in 1981-82 and Rs.2.00 per kg in 1982-83.

4.05.4.3. In 1981-82, the Company received a loan of Rs.6 lakhs from Tea Board for raising new plantations in the estate in an area of 30 hectares out of Rs.12 lakhs sanctioned for plantation in 60 hectares. During the period from July to November 1981, 4,66,782 plants were planted in 24.5 hectares at a cost of Rs.8.37 lakhs which meant that the plantation was raised at a cost of about Rs.35,000 per hectare. Out of the plantation of 24.5 hectares, plantation in 13 hectares did not survive. As the Management have not so far (December 1983) assessed the actual number of plants which did not survive out of 1981 plantation the loss on this account can not be worked out.

The non-survival of the plants in 13 hectares was attributed (April 1983) by a firm, which was appointed in February 1983 for detailed studies into the operation of all these tea estates to inadequate drainage.

In 1980 plantation, 82 *per cent* plantation in Mahua area was made from June to August 1980 whereas in 1981, 23.7 *per cent* plantation was done from June to August 1981 and the balance 76.3 *per cent* from September to November 1981.

Advisory Officer, Tea Research Association (TRA), Tocklai Experimental Station, Nagrakata Sub-station stated in his report (June 1982) that the best time of planting was during June-August.

The Management stated (August 1983) that plantation programme was undertaken depending on weather conditions and that the TRA's recommendations never prohibited plantations beyond August.

It was, however, admitted by the Management that Mahua was a 'drought prone area' and as such, plantation after August without proper irrigation arrangement should not have been done.

#### 4.06. Production performance

##### 4.06.1. Tea estates

In tea estates in hilly areas, harvesting starts after 6-8 years of plantation. Optimum production of green leaf is obtained up to 50 years.

The plucking in these tea estates starts generally from the middle of March which is popularly known as 'first flush'. In first flush there may be 6-9 plucking rounds. After 3 weeks of *banji* (no plucking) period the second flush starts in May, 'rain flush' from June to August and the last 'autumn flush' from October to December. In between second flush, rain flush and autumn flush, there would be one week of *banji* period.

After plucking, the green leaf is brought to factory and placed for withering in the same evening. In the next morning the withered leaf are placed for rolling, and thereafter placed in the fermenting base for 2-3 hours. The next process is drying, after which the finished product (made tea) is weighed and weighments are recorded in 'Dryer Mouth Register' which is the basic record for calculation of excise duty. After weighment the made tea is sent to sorter machine for sorting and grading. The coarse tea is collected from sorting mesh and placed for hand picking. The packing in all the tea estates is done manually. The recovery percentage from green leaf to made tea is 25 per cent in hill district as per the industry's norm.

All the three tea estates owned by the Company are situated in hill district. The average age of bushes in Rangaroon and Pandam is more than 50 years and are of China hybrid variety while in Rungmook|Cedars the age of large number of the bushes is less than 50 years—88 per cent belongs to Assam hybrid variety and 12 per cent of China hybrid variety.

In case of Rangaroon and Pandam weights of green leaf are taken at factory gates but in Rungmook|Cedars weighment is taken in different sectors of the tea estate under the supervision of garden *munshis*.

The particulars of production of green leaf, made tea, percentage of recovery from green leaf to made tea and production of green leaf

and made tea per hectare in 3 tea estates having their factory are given below :

| Tea estates and area under cultivation | Crop season | Production     |                |                     |                        |                |
|--|-------------|----------------|----------------|---------------------|------------------------|----------------|
|  |             | Green leaf     | Made tea       | Recovery percentage | Production per hectare |                |
|  |             | (in kilograms) | (in kilograms) | (per cent)          | Green leaf             | Made tea       |
|  |             |                |                |                     |                        | (in kilograms) |
| Rangaroon (87.7 hectares)              | 1979        | 66,899         | 17,323         | 25.9                | 763                    | 197            |
|  | 1980        | 80,948         | 19,281         | 23.8                | 923                    | 220            |
|  | 1981        | 61,157         | 15,024         | 24.6                | 697                    | 171            |
|  | 1982        | 52,243         | 12,768         | 24.4                | 596                    | 146            |
| Pandam (131.3 hectares)                | 1980        | 32,620         | 8,399          | 25.7                | 248                    | 64             |
|  | 1981        | 1,36,012       | 35,010         | 25.4                | 1,036                  | 267            |
|  | 1982        | 1,26,998       | 32,145         | 25.3                | 967                    | 245            |
| Rungmook/Cedars (517 hectares)         | 1981        | 9,94,028       | 2,17,644       | 21.9                | 1,923                  | 421            |
|  | 1982        | 12,75,638      | 2,79,820       | 21.9                | 2,467                  | 541            |

The recovery rate at Rangaroon had decreased in 1980 compared to 1979 and also, it could not attain the required percentage (25 per cent) in 1981 and 1982 seasons although the factory was renovated with new machinery in 1981-82 to increase the efficiency.

The Management did not analyse the reasons for low recovery in Rangaroon as also in Rungmook|Cedars tea estates.

The production per hectare was the lowest in Rangaroon tea estates. In case of the other two tea estates, although the production per hectare had initially been improving, the same had declined during 1981 and 1982 compared to 1980. However, the production per hectare in all the tea estates was much below the average production of 487 kg per hectare in hill district of West Bengal.

The reasons attributed by the Management were general sickness of the tea estates which are under process of revival and weather condition, old age of the bushes and large vacancies.

The reasons put forward by the Consultant (April 1983), who made detailed studies during February to March 1983 for poor production, were insufficient manuring, sub-standard and improper weeding.



#### 4.06.2. Capacity utilisation

The tea estates taken over by the Company on sale/lease basis have their own factories fully equipped with necessary machines and operators for manufacturing teas from leaves harvested in the respective estates. The particulars of capacity of the factories, the number of days the factories worked, tea produced *etc.*, during various periods up to 1982 seasons are given below :

| Name of tea estate      | Capacity of factory (kgs per day) | Total days operated during the year | Production capability of made tea (in lakhs kgs) | Made tea produced | Percentage of capacity utilised | Remarks  |
|-------------------------|-----------------------------------|-------------------------------------|--|-------------------|---------------------------------|--|
| <i>Rangaroon</i>        |                                   |                                     |  |                   |                                 |  |
| 1979                    | 1,500                             | 167                                 | 2.51   | 0.17              | 6.9                             |  |
| 1980                    | 1,500                             | 132                                 | 1.98   | 0.34*             | 17.2                            | *includes process of purchased green leaf                                |
| 1981                    | 1,500                             | 159                                 | 2.39   | 0.15              | 4.7                             |  |
| 1982                    | 1,500                             | 128                                 | 1.92   | 0.12              | 6.7                             |  |
| <i>Pandam</i>           |                                   |                                     |  |                   |                                 |  |
| 1980                    | 6,000 kgs per season              | 43                                  | --   | 0.08              | ..                              | Factory run from 14th July 1980  |
| 1981                    | Ditto                             | 170                                 | 0.60   | 0.51*             | 84.2                            | *including processing of green leaf of Rangaroon and Rungneet(64,536kgs) |
| 1982                    | Ditto                             | 167                                 | 0.60   | 0.49**            | 81.1                            | **including processing of green leaf of Rungneet (67,140 kgs)            |
| <i>Rungmook/ Cedars</i> |                                   |                                     |  |                   |                                 |  |
| 1981                    | 3,750 kgs                         | 164                                 | 6.15   | 2.18              | 35.4                            |  |
| 1982                    | Ditto                             | 202                                 | 7.58   | 2.95              | 39.0                            |  |

The reason for low capacity utilisation of the factory at Rangaroon was inadequate production of green leaf. Capacity utilisation of the factory at Pandam was better with the processing of green leaf of Rungneet tea estate (under management of the Company) and Rangaroon tea estate.

#### 4.06.3. Fuel consumption

Three types of fuels (coal, firewood and diesel oil) are used by the tea factories of the Company. Up to 1979 season, only one type of fuel (firewood) was used in Rangaroon Factory for firing the dryer

and a hydro-generator was used for power. From 1980 seasons the power is generated through diesel generator installed in 1980-81 by replacing the hydro-generator set. The old dryer was run by firewood but the new dryer installed in 1979-80 (winter season) required coal. In case of shortage of coal, firewood is also used. In Pandam and Rungmook|Cedars tea estate the source of power is hydro-generator. When there is scarcity of water the standing diesel engine is run. For running the dryer, coal is used both in Pandam and Rungmook|Cedars. Firewood is used in Pandam for down trough. The power is required for running the shaft and fans for withering.

The Company has not fixed any norm for consumption of coal and firewood in the dryers. According to the firm of consultant appointed in February 1983 to study the working of the tea estates, the consumption of coal should be 1.3 kgs for every kilogram of made tea. Against this, the consumption of coal per kilogram of made tea in its three tea estates for the last four years (crop season) up to 1982 was as follows :

| Year (crop season) | Consumption per kg of made tea |          |            |          |                 |          |
|--------------------|--------------------------------|----------|------------|----------|-----------------|----------|
|                    | Rangaroon                      |          | Pandam     |          | Rungmook/Cedars |          |
|                    | Steam coal                     | Firewood | Steam coal | Firewood | Steam coal      | Firewood |
|                    | (in kilograms)                 |          |            |          |                 |          |
| 1979 ..            | Nil                            | 2.98     | Nil        | Nil      | Nil             | Nil      |
| 1980 ..            | 2.88                           | 3.52     | 4.3        | 0.13     | Nil             | Nil      |
| 1981 ..            | 3.66                           | 9.72     | 4.2        | 1.25     | 1.68            | Nil      |
| 1982 ..            | 3.20                           | 7.34     | 2.9        | 1.38     | 1.46            | Nil      |

It may be seen that all the three tea estates had not only consumed steam coal much in excess of the standard mentioned by the Consultant but had, in addition, consumed considerable quantity of firewood also. The Company has not analysed the reasons for such excess consumption.

#### 4.07. Costing, budget and internal audit

The Company has not drawn up (December 1983) any manual laying down the detailed procedure for the maintenance and compilation of accounts including stores and cost accounts, the duties and responsibilities of various officials and the delegation of financial powers to them. It has also not compiled any internal audit manual nor any administrative or service manual including office procedure manual. There is no system of costing in vogue. The Company did not prepare any budget up to 1981-82.

The Company did not have its own internal audit cell and it appointed a firm of Chartered Accountants in September 1981 for the first time to conduct the internal audit of the Company for the year 1981-82 at a remuneration of Rs.4,000 *plus* actual travelling expenses and boarding charges per quarter on submission of quarterly report to the Head Office. Scope of activity of the internal auditor prescribed covered financial aspects but not operational aspects.

#### 4.08. Manpower

The staff position of the Company during the 4 years ending 31st March 1983 was as follows :

| Name<br>Unit/Tea estate                       | 1970-80                  |         | 1980-81                  |         | 1981-82                  |         | 1982-83                  |         |
|---|--------------------------|---------|--------------------------|---------|--------------------------|---------|--------------------------|---------|
|   | Officers<br>and<br>staff | Workers | Officers<br>and<br>staff | Workers | Officers<br>and<br>staff | Workers | Officers<br>and<br>staff | Workers |
| Head Office ..                                | 13                       | ..      | 16                       | ..      | 21                       | ..      | 22                       | ..      |
| Rangaroon (area 87.7<br>hectares)             | 40                       | 144     | 41                       | 153     | 40                       | 153     | 41                       | 153     |
| Pandam (area 131.3<br>hectares)               | Nil                      | Nil     | 35                       | 225     | 35                       | 225     | 35                       | 225     |
| Rungmook/Cedars<br>(area 517.0 hec-<br>tares) | Nil                      | Nil     | Nil                      | Nil     | 195                      | 1,925   | 209                      | 1,935   |
| Mahua (area 48.0<br>hectares)                 | 3                        | 38      | 4                        | 51      | 9                        | 51      | 12                       | 74      |
| Total ..                                      | 56                       | 182     | 96                       | 420     | 300                      | 2,354   | 319                      | 2,387   |

The average number of labour per hectare in West Bengal tea gardens was 2.47 during the above periods. The average number of workers per hectare planted area in Rangaroon, Pandam, Rungmook| Cedars and Mahua was 1.71, 1.71, 3.71 and 1.1 respectively.

The Management has not analysed the reasons for the wide variation in labour-hectare ratio obtaining in the various tea estates.

#### 4.09. Marketing

4.09.1. The Company manufactures only orthodox tea. The Company had, however, no standing arrangements for marketing its product. As per practice prevailing in tea industry the made tea is marketed through registered brokers of Calcutta Tea Traders Association (CTTA) on terms and conditions approved by the CTTA. For marketing of the product the Company has appointed agents from time to time at a commission of 1 *per cent* of gross sale value.

The sample of each batch of product of a garden is sent to the respective broker for tasting. After tasting the broker fixes a price for that particular batch. Thereafter the product is put to auction.

The Management have not so far (December 1983) examined the question of establishing its own sales outlets. The green leaf of a garden where there is no factory of the Company, is being sold through competitive tender|negotiation.

The particulars of sales made during the period from 1979-80 to 1982-83 are tabulated below :

| Year    | Sale of green leaf        |                                | Sale of made tea (orthodox) |                                |
|---------|---------------------------|--------------------------------|-----------------------------|--------------------------------|
|         | Quantity<br>(in lakh kgs) | Amount<br>(Rupees<br>in lakhs) | Quantity<br>(in lakhs kgs)  | Amount<br>(Rupees<br>in lakhs) |
| 1979-80 | ..                        | ..                             | 0.16                        | 3.44                           |
| 1980-81 | ..                        | ..                             | 0.40                        | 6.81                           |
| 1981-82 | ..                        | 0.04                           | 2.67                        | 60.21                          |
| 1982-83 | ..                        | 0.42                           | 3.44                        | 83.59                          |

The average sale price of tea during 1979-80 to 1982-83 was Rs.21.50, Rs.17.03, Rs.22.55 and Rs.24.30 per kg against the cost of sales of Rs.71.56, Rs.64.27, Rs.43.72 and Rs.43.48, respectively resulting in loss of Rs.8.01 lakhs, Rs.18.97 lakhs, Rs.56.47 lakhs and Rs.64.84 lakhs during these years.

The average sale price of Darjeeling tea during the 3 years up to 1982-83 was Rs.27.56, Rs.25.93 and Rs.27.58 respectively.

The reason for substantial increase in turnover from 1981-82 was the takeover of Rungmook|Cedars tea estate having an area of 517 hectares of plantation.

#### 4.09.2 Export trade

With the increase in production the Company felt the necessity of exporting tea directly to different countries and accordingly participated in the new Tea Auction Centre at Singapore in November 1981 by sending 4,637 kgs of tea. The Company's Managing Director and another Director visited Singapore at that time to assess the prospect of the Company's entry at Singapore Auction and at neighbouring markets.

The Company sold the tea for Rs.0.59 lakh as against the expenditure of Rs.1.37 lakhs including the cost of tea sold (calculated at the rate which would have been fetched at home market).

The Managing Director visited (total tour expenses : Rs.0.14 lakh) different European countries in September 1982 to explore the possibility of marketing good tea. No export order could, however, be obtained from any European country so far (July 1983).

#### 4.09.3. Participation in exhibitions

The Company participated in 'International Trade Fair, New Delhi, 1981' and 3rd National Agricultural Fair, Calcutta, 1982. The participation resulted in loss of Rs.0.59 lakh and Rs.0.32 lakh respectively (being excess of expenditure over income).

The Board of Directors in its meeting held on 29th January 1982 discussed the economics of transactions relating to the International Trade Fair and observed that, while it was advisable for the Company to publicise its activities at such trade fairs, the cost and income projection were not prepared in proper manner which led to avoidable financial loss to the Company. The Company approached (March 1982) the State Government for reimbursement of part of the expenditure incurred (as the participation in the exhibition was at their desire); the Government did not, however, agree.

#### 4.10. Other points of interest

##### 4.10.1. Unfruitful expenditure

On the takeover of Rungmook|Cedars tea estate, an expert in tea manufacturing process was appointed in May 1981 as Chief Adviser of the tea estate on a monthly fee of Rs.2,500 plus other benefits on reimbursement basis. The assignment which required the adviser to lay down standards of operation for factory and production of quality tea, initially for one year, was accepted by the incumbent with effect from 28th May 1981.

The adviser later accepted the full-time appointment with effect from 1st December 1981 as chief executive of another Company doing identical business without consulting the Company. On the incumbent's assurance given on 24th February 1982 that his acceptance of the job would in no way affect his commitments, his term as Chief Adviser with the Company was continued up to 28th May 1982.

However, in the absence of any periodical reports from the adviser, the benefits derived by the Company, could not be verified. The benefit of the services of the adviser was also not reflected in the quality of tea manufactured during 1981 and 1982 seasons, as was evident from the persistent adverse comments received from the brokers of the garden.

The Management stated (July 1983) *inter alia*, that the assignment of the Chief Adviser at a time when he had full time appointment in other company was not objectionable as long as he rendered the required services.

#### 4.10.2. Avoidable expenditure on hiring of vehicles

As a truck of the Rungmook|Cedars tea estate was under repairs from December 1981 to June 1983, the Company had to employ hired vehicles for transportation of various materials. During this period a sum of Rs.0.39 lakh was paid as hire charges for such vehicles besides payment of Rs.0.08 lakh as wages of the driver who remained idle.

The above matter was referred to the Government in August 1983; reply is awaited (December 1983).

#### 4.11. Summing up

(i) The Company was incorporated on 4th August 1976 with a view to takeover, promote, develop, manage tea estates, to carry on business in plantation, manufacture and sale of tea.

(ii) The Company had to forego rebate of Rs.0.85 lakh and had to bear the liability of penal interest of Rs.1.00 lakh due to non-payment|repayment of interest and principal within the due dates.

(iii) The Company suffered losses every year since its inception. The accumulated losses as on 31st March 1983 was Rs.1,51.91 lakhs against paid-up capital of Rs.1,86 lakhs.

(iv) Up to 31st March 1983 the Company took over the ownership of 3 sick tea estates and management of 3 sick tea estates at the direction of the State Government. The Company is also developing a new tea estate in Dooars area (Mahua). No agreement in respect of managed tea estates was entered into between the Government and the Company.

(v) Rangaroon, a sick and closed tea estate was purchased by the Company in July 1977 at a cost of Rs.1.20 lakhs. According to a project report drawn up in December 1977, Rs.21.07 lakhs was required over 10 years to revive the tea estate, progress of which was not satisfactory due to paucity of fund.

(vi) Pandam tea estate was taken over from the State Government from 6th June 1980. The productivity was very low due to large vacancies in the total area of 131.3 hectares. As per a project report

(October 1980) a sum of Rs.40.10 lakhs was required over 10 years to revive the estate. The achievement so far of this estate also was not satisfactory due to paucity of fund.

(vii) 674.5 hectares of land was acquired from State Government in 1979-81 for developing a new garden in Mahua (Dooars area). A project feasibility report was prepared for developing the estate over a period of 15 years at a total cost of Rs.47.44 lakhs. Up to 1982-83, 48 hectares were planted after incurring an expenditure of Rs.16.34 lakhs. A substantial part of the plantation done in 1981-82 over 24.5 hectares did not survive due to improper drainage and absence of irrigation arrangement.

(viii) The average production of tea per hectare of Rangaroon, Pandam and Rungmook Cedars tea estates was much below the average production of 487 kg in hill gardens of the State. The recovery percentage of green leaf to made tea in the above estates was 24.6 per cent, 25.3 per cent and 21.9 per cent respectively, against the norm of 25 per cent.

(ix) The utilisation of factory capacity during the 3 years up to 1982 (crop season) in Rangaroon tea estate was 4.7 to 17.2 per cent, in Pandam 84.2 to 81.1 per cent and in Rungmook Cedars tea estate (2 years) was 35.4 to 39.0 per cent. The under-utilisation was mainly due to non-availability of sufficient quantity of green leaf.

(x) Though fuel consumption per kg of made tea were high in all the tea estates the Management has not analysed the reasons for the same.

(xi) The average sale price of tea fetched during the period from 1979-80 to 1982-83 was Rs.21.50, Rs.17.03, Rs.22.55 and Rs.24.30 per kg respectively against the cost of sales of Rs.71.56, Rs.64.27, Rs.43.72 and Rs.43.48, respectively.

## SECTION V

### ... IMPLEMENTATION OF NEW 20-POINT PROGRAMME ... BY GOVERNMENT COMPANIES

#### 5.01. **Introductory**

Point number 20 of the New 20-Point Programme of the Government of India announced in January 1982 envisaged improvement in the working of the Public Sector Enterprises by increasing efficiency, capacity utilisation and by generation of internal resources and the year 1982 was declared as the 'Productivity Year'.

#### 5.02. **Implementation and progress**

The State Government set up (27th August 1982) a monitoring cell under the Development and Planning Department to review the functioning of Public Sector Enterprises.

A review in audit of the implementation of the point number 20 of the New 20-Point Programme revealed that neither any guidelines were prepared and issued by the State Government to the Public Sector Enterprises nor any monthly progress reports sent to the Planning Commission so far (September 1983). The Public Sector Enterprises did not also formulate any specific programme in their production budget for the year 1982-83 for implementation of the programme. The performance of 9 Companies for the three years ending 31st March 1983 is summarised in subsequent paragraphs.

#### 5.03 **Production performance**

The following table indicates the actual production against the installed capacity as well as the targets fixed by the Management during the three years up to 1982-83 :



| Particulars and installed capacity              | Unit             | Target  |         |         | Actual  |         |         | Shortfall(-)/Surplus(+) |         |         |
|---|------------------|---------|---------|---------|---------|---------|---------|-------------------------|---------|---------|
|   |                  | 1980-81 | 1981-82 | 1982-83 | 1980-81 | 1981-82 | 1982-83 | 1980-81                 | 1981-82 | 1982-83 |
| (1)   |                  | (2)     | (3)     | (4)     | (5)     | (6)     | (7)     | (8)                     | (9)     | (10)    |
| <b>(i) The Durgapur Projects Limited</b>        |                  |         |         |         |         |         |         |                         |         |         |
| Power (2496.6 Mkw)                              | .. in Mkw        | 726     | 750     | 850     | 712     | 750     | 882     | (-)14                   | ..      | +32     |
| Coke (NA)                                       | .. in lakh tonne | 2.11    | 2.04    | 2.09    | 1.98    | 2.00    | 2.00    | (-)0.13                 | (-)0.04 | (-)0.09 |
| Gas (NA)  | .. in M.cft      | 2085    | 2176    | 2480    | 2058    | 2093    | 2360    | (-)27                   | (-)78   | (-)120  |
| Washed coal(NA)                                 | .. in lakh tonne | 0.54    | 0.38    | 0.46    | 0.34    | 0.33    | 0.39    | (-)0.20                 | (-)0.05 | (-)0.07 |
| Water (NA)                                      | .. in M.G.       | 9150    | 9400    | 9650    | 9040    | 9647    | 10218   | (-)110                  | (+)247  | (+)568  |
| <b>(ii) Durgapur Chemicals Limited</b>          |                  |         |         |         |         |         |         |                         |         |         |
| (Accounts for 1982-83 are in arrears)           |                  |         |         |         |         |         |         |                         |         |         |
| Phthalic Anhydride (3300 tonne/tonnes annum)    |                  | Nil     | 1500    | 2400    | 29      | 1449    | 1539    | (+)29                   | (-)51   | (-)861  |
| Caustic Soda Lye (10500 tonne/annum)            | Do               | 5160    | 6960    | 7500    | 5032    | 5769    | 7422    | (-)128                  | (-)1191 | (-)78   |
| Liquid Chlorine (8916 tonne/annum)              | Do]              | 2800    | 3842    | 4775    | 2375    | 2849    | 4232    | (-)425                  | (-)993  | (-)1541 |
| Monochlorobenzene (10000 tonne annum)           | Do               | 1600    | 1882    | 1920    | 381     | 500     | 2144    | (-)1219                 | (-)832  | (+)824  |
| Phenol (6600 tonne/annum)                       | .. Do            | 304     | 144     | 333     | 26      | 68      | 77      | (-)278                  | (-)76   | (-)156  |
| Pentachlorophenol (990 tonne/annum)             | Do               | Nil     | 24      | 500     | 6       | 58      | 202     | (+)6                    | (+)34   | (-)298  |
| Sodium pentachlorophenol (NA)                   | Do               | 280     | 250     | 120     | 77      | 17      | 48      | (-)203                  | (-)233  | (-)272  |
| <b>(iii) The Kalyani Spinning Mills Limited</b> |                  |         |         |         |         |         |         |                         |         |         |
| (Accounts for 1982-83 are in arrears))          |                  |         |         |         |         |         |         |                         |         |         |
| Cotton yarn (3688 lakh kgs)                     | Kgs              | 17      | 14      | 15.45   | 13.35   | 13.66   | 15.87   | (-)3.65                 | (-)0.34 | (+)0.42 |

(iv) West Bengal Cements Limited

|                               |        |    |      |      |     |      |      |    |     |      |     |      |
|-------------------------------|--------|----|------|------|-----|------|------|----|-----|------|-----|------|
| Burnt Dolomite (12,000 tonne) | tonnes | .. | 6000 | 7000 | 356 | 2309 | 3044 | .. | (-) | 3691 | (-) | 3956 |
|-------------------------------|--------|----|------|------|-----|------|------|----|-----|------|-----|------|

(v) Webel Telecommunication Industries Limited

|  |     |  |     |      |      |     |      |      |     |     |     |      |     |      |
|--|-----|--|-----|------|------|-----|------|------|-----|-----|-----|------|-----|------|
| Walkie Talkie sets (all types of transmitter/receiver for use by agencies other than defence)(8000 pcs.) | pcs |  | 960 | 4900 | 5600 | 521 | 2837 | 4559 | (-) | 439 | (-) | 2063 | (-) | 1041 |
|--|-----|--|-----|------|------|-----|------|------|-----|-----|-----|------|-----|------|

(vi) The State Fisheries Development Corporation Limited

(Accounts for 1982-83 are in arrears)

|              |    |    |      |        |        |        |       |        |        |     |       |     |       |     |       |
|--------------|----|----|------|--------|--------|--------|-------|--------|--------|-----|-------|-----|-------|-----|-------|
| Fishes (Nil) | .. | .. | Kgs. | 106082 | 279431 | 454595 | 82744 | 264338 | 429759 | (-) | 23338 | (-) | 15093 | (-) | 24836 |
|--------------|----|----|------|--------|--------|--------|-------|--------|--------|-----|-------|-----|-------|-----|-------|

(vii) West Bengal Sugar Industries Development Corporation Limited

(Accounts for 1982-83 are in arrears)

|                             |    |        |      |      |      |     |      |      |     |      |     |     |     |      |
|-----------------------------|----|--------|------|------|------|-----|------|------|-----|------|-----|-----|-----|------|
| Crushing (600 tonnes P/day) | .. | tonnes | 3520 | 3600 | 5580 | 806 | 4037 | 3869 | (-) | 2714 | (+) | 437 | (-) | 1711 |
|-----------------------------|----|--------|------|------|------|-----|------|------|-----|------|-----|-----|-----|------|

(viii) The Electro-Medical and Allied Industries Limited

(Accounts for 1979-80 and onwards are in arrears)

|              |    |    |         |    |    |    |    |    |    |    |    |    |
|--------------|----|----|---------|----|----|----|----|----|----|----|----|----|
| Machines(45) | .. | .. | Numbers | .. | .. | .. | 42 | 19 | 13 | .. | .. | .. |
|--------------|----|----|---------|----|----|----|----|----|----|----|----|----|

(ix) West Bengal Mineral Development and Trading Corporation Limited

(Accounts for 1982-83 are in arrears)

|                      |    |    |        |    |    |    |       |       |       |     |     |     |
|----------------------|----|----|--------|----|----|----|-------|-------|-------|-----|-----|-----|
| Quartz (NA)          | .. | .. | tonnes | NA | NA | NA | 2207  | 2046  | 2428  | Nil | Nil | Nil |
| Felspar (NA)         | .. | .. | Do     | NA | NA | NA | 919   | 48    | 1001  | Nil | Nil | Nil |
| Rockphosphate (NA)   | .. | .. | Do     | NA | NA | NA | 13548 | 15690 | 14263 | ..  | ..  | ..  |
| Stone Materials (NA) | .. | .. | Cu.m   | NA | NA | NA | 2737  | 7277  | 8716  | Nil | Nil | Nil |
| Clay (NA)            | .. | .. | tonnes | NA | NA | NA | ..    | 831   | 1590  | Nil | Nil | Nil |

It was observed in audit that the targets of production were fixed by almost all the Companies at a level much below the installed capacity as discussed below :

- (i) The Durgapur Projects Limited had fixed the production target of power plant only at 29, 30 and 34 *per cent* of the installed capacity in the years 1980-81, 1981-82 and 1982-83 respectively. The Management attributed (September 1983) such low fixation of target mainly to ageing of the plant.
- (ii) Durgapur Chemicals Limited fixed the production targets of phthalic anhydride, caustic soda lye, liquid chlorine, monochlorobenzene and pentachlorophenol at 59, 62, 43, 14, 3 and 26 *per cent* of the respective installed capacity during the years from 1980-81 to 1982-83 on an average.

The Management stated (October 1983) that the targets were fixed keeping in view the shortage of raw materials, failure of old equipment, high cost of production and lack of market.

- (iii) In the case of Kalyani Spinning Mills Limited the target was fixed at only 43 *per cent* of the installed capacity during the years from 1980-81 to 1982-83 on an average. The Management attributed (October 1983) the reasons for low fixation of target mainly to financial constraints and high absenteeism of the workers.
- (iv) West Bengal Cements Limited fixed the target of production only at 50 *per cent* in 1981-82 and 58 *per cent* in 1982-83 of the installed capacity.

Paucity of fund, constraints of raw materials and non-availability of market of finished product were the main reasons for low fixation of target as stated (October 1983) by the Management.

- (v) Webel Telecommunication Industries Limited fixed the target at 12 *per cent* in 1980-81, 61 *per cent* in 1981-82 and 70 *per cent* in 1982-83 of the installed capacity. The Management stated (September 1983) that the target fixed at a level below the installed capacity was mainly due to paucity of orders.

However, the actual production of all the Companies fell appreciably short even of these low targets fixed as can be seen from the table above,

The Electro-Medical and Allied Industries Limited and West Bengal Mineral Development and Trading Corporation Limited have not fixed their targets of production, the reasons for which were not made known to Audit.

#### 5.04. Generation of internal resources

The New 20-Point Programme also envisaged increase in the generation of internal resources by Government Companies. Internal resources comprise depreciation, reserves and provisions which would help to reduce recourse to outside borrowings. The extent of generation of internal resources in respect of the following Companies for the three years up to 1982-83 are indicated below :

|   | 1980-81           | 1981-82   | 1982-83                 |
|---|-------------------|-----------|-------------------------|
|   | (Rupees in lakhs) |           |                         |
| (i) The Durgapur Projects Limited—                                      |                   |           |                         |
| Internal resources .. .. .  | 225.24            | 225.18    | 254.99<br>(provisional) |
| Profit (+)/Loss(-) .. .. .  | (-)454.38         | (-)163.19 | (+)429.92               |
| (ii) Durgapur Chemicals Limited—  |                   |           |                         |
| Internal resources .. .. .  | 81.43             | 24.41     | (Accounts in arrear)    |
| Profit(+)/Loss(-) .. .. .   | (-)345.59         | (-)378.46 | ..                      |
| (ii) The Kalyani Spinning Mills Limited—                                |                   |           |                         |
| Internal resources .. .. .  | 25.29             | 27.75     | 24.95<br>(provisional)  |
| Profit(+)/Loss(-) .. .. .   | (-)246.57         | (-)360.46 | NA                      |
| (iv) West Bengal Cements Limited—                                       |                   |           |                         |
| Internal resources .. .. .  | 35.80             | 28.79     | 12.81                   |
| Profit(+)/Loss(-) .. .. .   | (-)39.58          | (-)49.91  | (-)43.49                |
| (v) Webel Telecommunication Industries Limited—                         |                   |           |                         |
| Internal resources .. .. .  | 7.62              | 15.34     | 34.09                   |
| Profit(+)/Loss(-) .. .. .   | (-)22.71          | (+)21.38  | (+)50.34                |
| (vi) The State Fisheries Development Corporation Limited—               |                   |           |                         |
| Internal resources .. .. .  | 8.91              | 9.51      | 9.49<br>(provisional)   |
| Profit(+)/Loss(-) .. .. .   | (-)30.28          | (-)8.10   | NA                      |
| (vii) West Bengal Sugar Industries Development Corporation Limited—     |                   |           |                         |
| Internal resources .. .. .  | 8.58              | 112.10    | 157.50<br>(provisional) |
| Profit(+)/Loss(-) .. .. .   | (-)54.90          | (-)21.24  | NA                      |
| (viii) West Bengal Mineral Development and Trading Corporation Limited— |                   |           |                         |
| Internal resources .. .. .  | 1.75              | 6.79      | 7.22                    |
| Profit(+)/Loss(-) .. .. .   | (-)5.79           | (-)36.50  | (-)98.08                |

The generation of internal resources in respect of West Bengal Cements Limited decreased by 20 *per cent* and by 64 *per cent* in the years 1981-82 and 1982-83, respectively, as compared to that of 1980-81. The decrease was on account of lesser amount of depreciation provided (due to written down value method adopted, with no addition to assets during the year) and incurring of further losses (due to which reserves could not be augmented). In the case of Durgapur Chemicals Limited also the decrease to the extent of 70 *per cent* in 1981-82 in comparison with 1980-81 was due to decreased depreciation provided during 1981-82 and incurring of losses.

In the case of Kalyani Spinning Mills Limited and the State Fisheries Development Corporation Limited the quantum of decrease in internal resources in 1982-83 was nominal, in comparison to earlier years.

## SECTION VI

### OTHER TOPICS OF INTEREST

#### 6.01. The Durgapur Projects Limited

##### 6.01.1. *Delay in fixing loading charges*

The Board of Directors resolved (April 1980) that labour charges incurred for loading *etc.*, of coke into truck|wagons should be charged to parties through invoice. Accordingly, the Board fixed (August 1980) the rate of recovery of loading charges from buyers at Rs.2.50 per tonne on all type of coke against Rs.9.48 per tonne paid to the handling contractor as screening and loading charges. Although the Company raised (3rd September 1981) the screening and loading charges of coke to Rs.17.83 per tonne to its handling contractor due to rise in labour charges, *etc.*, the rate of recovery of loading charges per tonne from the customers|buyers was raised from Rs.2.50 to Rs.7.00 per tonne only with effect from 8th March 1983.

Had the Company enhanced the rate of recovery of loading charges with effect from the date when it raised the screening and loading charges to its handling contractor, it could have recovered an extra amount of Rs.4.27 lakhs being the difference between the rates charged and that chargeable for loading of 94,814 tonnes of coke during the period from 3rd September 1982 to 7th March 1983.

Besides, the Company paid a sum of Rs.1.54 lakhs to its handling contractor for loading of 44,835 tonnes of sink during the period from September 1981 to 7th March 1983, against which the Company charged and realised Rs.1.12 lakhs only (at the rate of Rs.2.50 per tonne) from the buyers|customers, resulting in under-recovery of Rs.0.42 lakh.

Thus the Company suffered a total loss of revenue of Rs.4.69 lakhs. Reason for delay in revision of rates due to corresponding increase in labour rates has not been investigated by the Management so far (July 1983).

The matter was reported to Government in August 1983; reply was awaited (January 1984).

##### 6.01.2. *Delay in establishing of joint sampling arrangement*

The Company was receiving coal required for its power plant from Eastern Coalfields Limited (ECL) by road. In a meeting held (September 1977) between ECL and the Company it was agreed that joint sampling of coal would be conducted at the powerhouse end

to establish the quality of the coal supplied. On the basis of this, adjustments in prices of coal were being made by the Company. On reconsideration, it was decided (November 1978) by both the parties that, for all coal despatched by road joint sampling would be done only at loading points but the Company subsequently did not agree (December 1978) to this on the ground that according to Government of India's decision (September 1977) the joint sampling was to be done at the powerhouse end. In subsequent meetings with ECL held in June and November 1979, it was decided that joint sampling would be conducted at loading point as possibility of exchange of coal in transit by road could not be ruled out. By this time, ECL representatives stationed at the powerhouse end for conducting joint sampling were withdrawn (October 1979). As deployment of personnel at loading points by the Company was expected to take some time, it suggested (November 1979) to ECL to draw samples at loading points and furnish the analysis report to the Company for comparison with its own analysis conducted at the powerhouse end. ECL did not agree (December 1979) to this on the ground that unilateral drawing of samples at loading and destination point could not be binding on both the parties and requested (December 1979) the Company to deploy its representatives at colliery end. Joint sampling at loading point was started from February 1981 after the required personnel were recruited in January 1981.

Based on unilateral analysis reports prepared by the Company for coal received during October 1979 to January 1981, the Company preferred (April 1982 to August 1982) claims aggregating Rs.98 lakhs for supply of below grade coal. These claims were rejected (May 1982 to August 1982) by ECL on the ground that the claims had been preferred on unilateral samples at destination point.

Thus, due to delayed action in the establishment of joint sampling arrangements by the Company at loading point of coal, it had to suffer a loss of Rs.98 lakhs on account of receipt of below grade coal.

The matter was reported to Government in August 1983; reply was awaited (January 1984).

### 6.01.3. *Failure to take insurance cover*

The contractor for supply and erection of boiler for the unit VI of the Company's power plant had consigned 468 air heater tubes (valued at Rs.1.34 lakhs) by rail to the work site of the Company at Durgapur on 19th April 1978. The scope of work of the contractor, *inter alia*, included off-loading the consignments and reporting of any loss/damage during transit. The consignment reached the Company's site on 21st November 1978. At the time of taking delivery it was

noticed by the contractor that out of 468 tubes, 221 tubes were missing and the remaining 247 tubes were rusted. The rusted tubes were made useable after incurring an expenditure of Rs.3,705. The contractor intimated the shortage to the Company on the December 1978. Instead of lodging the claim with the Railways the Company lodged the claim (Rs.0.64 lakh) with the insurer in February 1982 which was rejected on the ground that the consignment was not covered under transit insurance. The Company finally requested the contractor to replace the materials free of cost which was not agreed to (February 1983). The Company did not investigate the matter in order to fix responsibility for the loss. Failure to cover the consignment by transit insurance resulted in an avoidable loss of Rs.0.64 lakh.

Further, it was observed (July 1983) in audit that the work for which the tubes were required remained unexecuted as order for replacement of tubes had not been placed till February 1983.

Management stated (November 1983) that the tubes in question had already been replaced by the contractor free of cost. But the Company could not show any records in support of their contention. The contractor had in fact informed the Company in August 1983 that they were investigating the matter.

The matter was reported to Government in August 1983; the reply was awaited (January 1984).

#### 6.01.4. *Loss of rent*

The State Government opened (March 1963) a school in the Company's township. Quarters belonging to the Company were allotted to its teaching and non-teaching staff from time to time without specifying the rent payable therefor. The Company, however, started issuing bills towards rent (including arrears since March 1963) only from April 1978. The bills were not paid by the occupants. During discussion with the Management in September 1981, the occupants expressed their inability to pay the rent arrears on grounds that orders for allotment of quarters had not contained any stipulation towards payment of rent and that bills for rent had not been issued to them till March 1978. They, however, agreed to pay rent from April 1981. Arrears of rent up to 31st March 1981 amounted to Rs.1.93 lakhs. As ordered by the Board of Directors (November 1982) a sum of Rs.1.03 lakhs realisable from employees who had already left the school was written off in the accounts for the year 1981-82. Out of the remaining Rs.0.90 lakh, a sum of Rs.0.13 lakh was realised up to March 1983 from some occupants. Management stated (March 1983) that the prospect of realisation of



the balance of Rs.0.77 lakh was doubtful as these dues also included dues from employees who had subsequently left service. The final amount of the balance claim due to be recovered from the members of staff of the school was still to be assessed and recovery effected. Thus due to defective allotment orders and inordinate delay in raising demand for rent, the Company suffered a loss of Rs.1.03 lakhs. The Management stated (November 1982) that bills were not issued till March 1978 because of lack of co-operation by the teachers and due to want of formal orders from proper authority. It was, however, noticed that the Managing Director had passed orders for raising demand for rent in April 1975.

The matter was reported to Government in September 1983; reply was awaited (December 1983).

#### 6.01.5. *Extra expenditure*

The Company invited a single quotation in June 1978 from a foreign firm for supply of 93 bends (according to a certain specification) required for the boiler of the unit V of its power plant. The bends were proprietary parts for the original equipment supplied by the firm. The firm quoted in August 1978 a total sum of Rs.47.12 lakhs inclusive of basic price of Rs.27.03 lakhs (Yen : 7,00,00,000) and the offer was valid up to 31st December 1978. Order for supply of 93 bends was placed belatedly on 25th May 1981 at a total cost of Rs.72.04 lakhs inclusive of basic price of Rs.38.03 lakhs (Yen : 9,63,30,000) and the materials were received in May 1982. Belated placement of order resulted in a total avoidable extra expenditure of Rs.24.92 lakhs inclusive of foreign exchange component of Rs.10.78 lakhs. Delay in placing the order occurred due to prolonged time taken (35 months between July 1978 and May 1981) to finalise the purchase order because of (i) loss of quotation documents (misplaced in October 1978) and (ii) in settling the points raised by the Company regarding discrepancy in the specification (raised twice in January 1980 and June 1980) which were in fact non-existing as found later by the Company. Before placing purchase order in May 1981, the offer initially given in August 1978, was revised thrice (April 1980, July 1980 and March 1981) besides getting extension twice in between (in July 1979 and January 1981).

Failure to finalise the order for proprietary items within the validity date of the offer (15 months) resulted in the Company incurring an avoidable extra expenditure of Rs.24.92 lakhs including Rs.10.78 lakhs in foreign currency. The Company had not so far (August 1983) investigated the matter regarding the delay in finalising the order.

The matter was referred to Government in September 1983; the reply was awaited.

## 6.02. Westinghouse Saxby Farmer Limited

### 6.02.1. *Idle machine*

The Company purchased (June 1977) a plate bending machine from a firm of Bombay at a total cost of Rs.2.05 lakhs for its Durgapur unit. It had not been put to use ever since. The Management stated (May 1982) that the machine had been acquired to manufacture a particular product for which sizable orders were expected. As the orders did not materialise, the machine had not been put to any use.

It was observed that Company purchased the machine on the anticipated turnover around Rs.120 lakhs against orders to be obtained from Mining and Allied Machinery Corporation Limited, the Durgapur Projects Limited, *etc.*, for mechanisation of collieries and other plants at Durgapur. Before obtaining firm orders from the above customers the Company procured the machinery. Meantime the customers backed out due to dropping of proposals of machanisation programme by them.

Failure to ensure utilisation of the machine before its procurement and delay in disposal of the machine had resulted in blocking up of funds amounting to Rs.2.05 lakhs since June 1977.

### 6.02.2. *Abortive contract*

The Company received (May 1977) an order (value : Rs.4.95 lakhs) from the Government of Bangladesh (hereinafter called the buyer) for supply of 89 concrete testing machines before September 1977. A performance bond was furnished (June 1977) to the buyer in the shape of a bank guarantee for Rs. 0.25 lakh. The order stipulated that inspection of all the machines would be conducted at a time by the buyer at the shipment point. The Company, in turn, placed (July 1977) order on a firm 'A' of Calcutta for the purchase of the concrete testing machines at a negotiated price of Rs. 5,125 each *plus* sales tax with stipulation to be delivered eventually on to the said buyer before September 1977. Due to delay in opening of the letter of credit by the buyer, the date of delivery was extended (January 1978) to 20th February 1978. On 6th and 16th February 1978, the Company invited the buyer to inspect the machines. The buyer informed (March 1978) that since there was no indication that all the machines were ready for inspection, they were unable to send any inspector for the purpose. The Company's request (March

1978) for further extension of delivery period up to 31st March 1978 was not acceded to by the buyer who encashed the performance guarantee on 27th March 1978 and cancelled (April 1978) the order.

On 14th March 1978, the Company received 25 machines valuing Rs. 1.30 lakhs from the supplier and paid (March 1978) Rs. 1 lakh thereagainst. The remaining amount of Rs.0.30 lakh had not been paid so far (June 1983). The order on the firm for balance quantity (64 machines) was cancelled in May 1979.

It was noticed that despite the urgency with which the order was required to be executed, the Company had not assessed the capability of firm 'A' to deliver all the machines in time and also had not incorporated any penal clause against delay or failure to supply the machines ordered. Failure to indicate a proper delivery period to the foreign buyer after ensuring the availability of the machines and failure to include penal clause for delay in delivery of machines by firm 'A' resulted in blocking up of funds of Rs.1 lakh in the purchase of 25 machines besides loss of Rs.0.25 lakh being performance bond encashed by the buyer.

#### 6.02.3. *Delay in clearance of a consignment*

The Company placed (November 1978) an order on a firm of West Germany for supply of 3,399 kg of high grade steel at a cost of DM 28,242 (Rs.1.28 lakhs). The ship carrying the materials arrived at the Calcutta port on 24th April 1980 and the customs duty payable thereon was determined at Rs.0.52 lakh. Pending payment of customs duty, the materials were transferred from the port to a bonded warehouse on 7th July 1980 on payment of port charges and ground rent of Rs.0.02 lakh and Rs.0.07 lakh respectively. Before transfer from the port, no inspection was carried out to ascertain whether the materials received were as per the bills of lading. On 10th September 1980, the Company cleared 999 kg (value : Rs.0.38 lakh) of the materials from the warehouse on payment of customs duty of Rs.0.16 lakh and warehouse charges of Rs.0.01 lakh. On inspection (September 1980) after arrival of the consignment at Company's premises (September 1980), 333 kg of the materials valuing Rs.0.13 lakh on which customs duty of Rs.0.05 lakh had been paid, were found short. Compensation was received from the insurer for the value of the materials only. The remaining materials were cleared from the warehouse on 28th May 1982 on payment of warehouse rent of Rs.0.04 lakh and enhanced customs duty of Rs.0.55 lakh (as against Rs.0.36 lakh).

Had the entire consignment been cleared immediately on arrival at the port after necessary inspection the Company could have saved an extra expenditure of Rs.0.33 lakh.

Reasons for delay in clearance of the consignment direct from the port were not on record.

The matter was reported to Government in October 1983; the reply was awaited (June 1984).

### 6.03. The Calcutta Tramways Company (1978) Limited

#### *Extra expenditure*

A cash incentive scheme was introduced by Calcutta Tramways Departmental Undertaking (applicable to drivers and conductors) with effect from 1st August 1980 simultaneously abolishing other incentive schemes *viz.*, attendance allowance, trip allowance. However, the deficit allowance incentive which was in *vogue* from July 1965 (under which payment of 1 *per cent* of individual collection was being allowed as a relief to conductors against loss on conversion of old Indian currency into metric system even though the former was no longer in circulation) was not withdrawn by a specific order. Approval of Government was also not obtained for continuance of the payment of the latter allowance. As a result, the drivers and conductors were enjoying the benefit of both the new 'cash' and the 'deficit allowance' incentive since August 1980. Till date (June 1983) amounts of incentives of both the schemes were deducted by the conductors from the way bills before depositing the total daily collection.

During the period from 1st August 1980 to 31st March 1983, the Company paid a sum of Rs.43.00 lakhs as cash incentive under the new scheme and Rs.15.09 lakhs as deficit allowance under the old scheme. Had the orders introducing the new scheme of incentive been specific and clear about withdrawal of deficit allowance schemes, payment of Rs.15.09 lakhs up to 31st March 1983 could have been avoided and a recurring expenditure of 5 lakhs per annum could also have been saved.

Management stated (July 1983) that the quantum of the new incentive would have been more had their efforts to withdraw the deficit allowance not been frustrated by the labour unions. It is not, however, evident from the records that such consideration weighed with the Management while framing the new incentive scheme.

The matter was reported to Government in July 1983; the reply was awaited (June 1984).

#### 6.04. The State Fisheries Development Corporation Limited

##### *Loss in trading in fish*

The Company entered (July 1982) into an agreement under which a fisheries co-operative society of Gujarat was to supply fresh water fish up to June 1983 at rates ranging between Rs.4.50 and Rs.11.75 per kg depending upon variety. During the period from 22nd August 1982 to 14th September 1982, a total quantity of 11,616 kg of fish valuing Rs.1.30 lakhs was despatched from Ahmedabad of which 9,470 kg of fish was received at Howrah, the balance 2,146 kg (valuing Rs.0.24 lakh) having been pilfered in transit. Of the quantity received, 108 kg of fish was received in a decomposed state, leaving 9,362 kg of good fish which was sold for Rs.1.06 lakhs between August 1982 and January 1983. The purchase of fish from the society was stopped in September 1982 unilaterally by the Company. The Company, thus, incurred a loss of Rs.0.89 lakh (including Rs.0.65 lakh spent towards freight, packing *etc.*) in the trading in fish. Claims preferred (April 1983) by the co-operative society, in terms of the provisions of the agreement, for Rs.1.03 lakhs towards compensation for premature termination of the agreement and Rs.0.25 lakh towards interest for delayed payment of its bills had not been settled by the Company till June 1983.

It was noticed that no profitability analysis was done for the scheme of purchase from the co-operative. Also, no preventive measures were taken to guard against pilferage in transit even though it was envisaged in the scheme.

The matter was reported to Government in July 1983; the reply was awaited (June 1984).

#### 6.05. West Bengal Forest Development Corporation Limited

##### *Excess payment*

Following the landslide in the staff quarters area of the Darjeeling Divisions of the Company, protection work valuing Rs.1.15 lakhs was executed departmentally during September and October 1980 by an official through a contractor on an emergency basis. No estimate was

prepared before the commencement of the work and payment was made without actually measuring the work executed by the contractor. Measurements taken by the Company in June 1981, after the State Vigilance Commission commenced (April 1981) proceedings on grounds of excess payment made, indicated that the work executed was valued at Rs.0.83 lakh only. Further protection work valuing Rs.0.07 lakh was got executed (July 1982) without making any payment through the same contractor by the official concerned who had been ordered (May 1981) to have such work executed so as to make up for the excess payment made to the contractor.

It was noticed that the official concerned had to make good (July 1980) a loss of Rs.0.12 lakh sustained earlier by the Company in the sale of charcoal by the same division. It was also noticed that neither departmental proceedings against the official ordered (June 1982) by the Board of Directors had been initiated (May 1983) nor any other measures taken to recover the excess payment made (net Rs.0.25 lakh). The report of the Vigilance Commission in the matter is reported (May 1983) to have not been received by the Company.

The matter was reported to Government in September 1983; the reply was awaited (June 1984).

#### **6.06. West Bengal Mineral Development and Trading Corporation Limited**

##### *Extra contractual benefit*

In order to execute an order received (October 1980) from the West Bengal Housing Board for supply of 6,000 *cum* of stone chips, the Company in turn, placed (November 1980) orders on five of its enlisted agents for supply of chips at Rs.155.80 per *cum* to be delivered to the Board by February 1981. In terms of agreements made by the Company with its agents as well as with the Board the quantity of chips supplied after deduction of one-thirteenth towards void, from gross stack measurements alone reckoned for payment. Between February and May 1981, the agents delivered 6,204 *cum* (net) of stone chips and claimed (February 1981) compensation from the Company for the deduction towards voids. Accordingly, the Company

raised (July 1981) the rate of supply to Rs.158.98 per *cum* thus allowing an extra contractual benefit of Rs.0.20 lakh on the total supplies made.

It was noticed that the payment received by the Company from the Board was, however, subjected to full deduction towards voids as per the agreement. Reasons for allowing extra contractual benefit to the agents were not found (March 1983) on record.

The matter was referred to Government in September 1983; the reply was awaited (December 1983).

#### **6.07. Webel Video Devices Limited**

##### *Payment of part rent due to delay in clearance of a consignment*

The Company placed (February 1979) an order for the purchase of 10,448 pieces of glass shells and 1,200 pieces of neck flare required for the manufacture of television picture tubes at a cost of DM 1,68,520 (Rs.6.77 lakhs) excluding insurance and freight charges on a firm of West Germany. The materials arrived at Haldia Port on 28th March 1980 but could not be cleared immediately as the original shipping documents had not been handed over to the clearing agent in time and also because of certain investigations being carried out by the customs authority. These were ultimately cleared between 13th and 15th June 1980 on payment of Rs.2.14 lakhs as port rent. Of the rent, a sum of Rs.0.37 lakh being the rent for the period from 7th May to 22nd May 1980 during which the materials were held by the customs authority for examination was refunded to the Company.

It was noticed that though the consignment had arrived on 28th March 1980, shipping documents were handed over to the clearing agent on 3rd May 1980 and a case was registered with the customs authority for appraisal. Had these procedures been followed immediately on arrival of the consignment, port rent amounting to Rs.1.74 lakhs could have been saved. The Management stated (June 1983) that delay in handing over necessary papers to the clearing

agent was due to the delay in finalising rates for clearance as well as in arranging transportation of the materials from Haldia Port to Calcutta.

During transit to Calcutta, 92 pieces of glass shells (value : Rs.0.20 lakh) were damaged on 13th June 1980 as the truck carrying these was involved in an accident. Though the shells were damaged beyond repair, no claim for compensation could be lodged with the insurer so far (April 1983) as the shells were being held in a bonded warehouse pending payment of the customs duty of about Rs.0.15 lakh. If the damaged shells were released on payment of Rs.0.15 lakh of duty, compensation for their loss (Rs.0.20 lakh) could have been claimed from the insurer. Management stated (June 1983) that the release of the materials was under correspondence with the customs authority.

The matter was reported to Government in October 1983; the reply was awaited (June 1984).

#### **6.08. The Kalyani Spinning Mills Limited**

##### *Loss of staple fibre bales*

The Company appointed (July 1977) an agent for the year 1977-78 for clearing and forwarding fibre bales from the Calcutta Port to its two mills at Kalyani and Habra. Out of a consignment of 245 staple fibre bales imported by the Company at a cost of Rs.6.18 lakhs and received at Calcutta Port during September 1977, the agent completed (December 1977) delivery of 222 bales. The remaining 23 bales initially misplaced (September 1977) in the Port but stranded in December 1977 were not cleared and delivered by the agent to the Company. This was reported to be due to a dispute between the clearing agent and the shipping agent regarding payment of excess rent claimed by the Port authorities for delay in clearance of the consignment. The bales were not cleared|delivered even after the shipper agreed (September 1978) to bear part of the excess rent.

The Company which was insisting on the clearance and delivery of the stock up to January 1981 neither pursued the matter with the clearing agent nor took any action so far (September 1983) for



non-delivery of the 23 bales (valuing Rs.0.58 lakh) even though the agreement provided for a claim for compensation on the agent for loss sustained in clearance of consignment.

The matter was reported to Government in September 1983; the replies were awaited (December 1983).

## CHAPTER II

### STATUTORY CORPORATIONS

#### SECTION VII

##### 7.01. Introduction

There were six Statutory Corporations in the State as on 31st March 1983, viz., West Bengal State Electricity Board, Calcutta State Transport Corporation, North Bengal State Transport Corporation, Durgapur State Transport Corporation, West Bengal Financial Corporation and West Bengal State Warehousing Corporation.

In addition, the audit of West Bengal Industrial Infrastructure Development Corporation, incorporated in November 1973 under the West Bengal Industrial Infrastructure Corporation Ordinance, 1973, subsequently replaced by West Bengal Industrial Infrastructure Development Corporation Act, 1974, has been entrusted (June 1978) to the Comptroller and Auditor General of India by the State Government for a period of 5 years up to 1982-83.

The accounts of the following Statutory Corporations were in arrears (December 1983):

| Name of Corporation   | Extent of arrears   |
|---|---------------------|
| (1) North Bengal State Transport Corporation .. .. .              | 1975-76 to 1982-83  |
| (2) Durgapur State Transport Corporation .. .. .                  | 1976-77 to 1982-83  |
| (3) West Bengal Industrial Infrastructure Development Corporation | 1978-79 to 1982-83  |
| (4) West Bengal State Warehousing Corporation .. .. .             | 1981-82 and 1982-83 |
| (5) Calcutta State Transport Corporation .. .. .                  | 1982-83             |
| (6) West Bengal State Electricity Board .. .. .                   | 1982-83             |

The position of arrears in the finalisation of accounts was last brought to the notice of the Government in January 1984.

A synoptic statement showing the summarised financial results of the West Bengal State Warehousing Corporation and West Bengal Financial Corporation, based on latest available accounts is given in Appendix 'C'.

##### 7.02. West Bengal State Electricity Board

The financial position, working results, etc., of the Board and some aspects relating to purchase and consumption of fuel, working of Santaldih Thermal Power Project—units III and IV and implementation of New 20-Point Programme by the Board are given in Section VIII of the Report.

### 7.03. Calcutta State Transport Corporation

The financial position and working results of the Corporation and certain aspects regarding performance, repair and maintenance of vehicles and consumption of diesel and oil have been dealt with in Section XI of this Report.

### 7.04. Durgapur State Transport Corporation

The financial position and working results of the Corporation and certain aspects of its workings have been dealt with in Section IX of this Report.

### 7.05. North Bengal State Transport Corporation

A detailed review on the (i) performance, maintenance and repairs of vehicles, (ii) consumption of diesel oil, *etc.*, (iii) purchase, retreading and performance of tyres and (iv) construction of bus bodies including the operating results, *etc.*, of the Corporation has been discussed in Section X of this Report.

### 7.06. West Bengal Financial Corporation

7.06.1. The West Bengal Financial Corporation was formed on 1st March 1954 under Section 3(i) of the State Financial Corporations Act, 1951.

#### 7.06.2. Paid-up capital

The paid-up capital of the Corporation as on 31st March 1983 was Rs.6,76.27 lakhs (State Government : Rs.3,14.02 lakhs; Industrial Development Bank of India (IDBI) : Rs.3,14.02 lakhs, others : Rs.48.23 lakhs) as against Rs.5,61.77 lakhs (State Government : Rs.2,56.77 lakhs; IDBI : Rs. 2,56.77 lakhs; others : Rs.48.23 lakhs) as on 31st March 1982.

#### 7.06.3. Guarantees

The Government has guaranteed the repayment of share capital of Rs.6,26.27 lakhs (excluding special share capital of Rs.50.00 lakhs) under Section 6(i) of the Act *ibid* and payment of minimum dividend thereon at 3.5 *per cent*. Subvention paid by Government (up to 31st March 1983) towards the guaranteed dividend amounted to Rs.11.87 lakhs\* which was outstanding for repayment as on 31st March 1983. The Government also guaranteed repayment of the market loan (through bonds and debentures) of Rs.17,60.00 lakhs\* raised by the Corporation. Amount of principal outstanding thereagainst as on 31st March 1983 was Rs.17,60.00 lakhs.

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\*Provisional.

## 7.06.4. Financial position

The table below summarises the financial position of the Corporation under the broad headings for the three years up to 1982-83 :

|   | 1980-81         | 1981-82         | 1982-83*        |
|---|-----------------|-----------------|-----------------|
| (Rupees in lakhs)   |                 |                 |                 |
| <b>Capital and liabilities</b>  |                 |                 |                 |
| (a) Paid-up capital (including share application money)                         | 4,75.00         | 6,19.02         | 7,05.27         |
| (b) Reserve fund, other reserves and surplus ..                                 | 3,46.49         | 3,63.30         | 3,96.62         |
| (c) Borrowings—   |                 |                 |                 |
| (i) Bonds and debentures .. .. .  | 12,10.00        | 15,40.00        | 17,60.00        |
| (ii) Others .. .. .   | 14,29.52        | 15,55.81        | 18,76.73        |
| (d) Subvention paid by State Government on account of dividend                  | 11.87           | 11.87           | 11.87           |
| (e) Other liabilities and provisions .. . . .                                   | 3,46.84         | 1,92.99         | 2,14.08         |
| <b>Total ..</b>   | <b>38,19.72</b> | <b>42,82.99</b> | <b>49,64.57</b> |
| <b>Assets</b>   |                 |                 |                 |
| (a) Cash and bank balances .. .. .  | 86.85           | 2,61.56         | 2,18.80         |
| (b) Investment .. .. .  | 9.77            | 10.53           | 14.53           |
| (c) Loans and advances .. .. .  | 34,48.29        | 38,55.88        | 45,62.92        |
| (d) Debentures and shares <i>etc.</i> , acquired under under-writing agreements | 48.35           | 37.37           | 37.37           |
| (e) Net fixed assets .. .. .  | 8.46            | 9.57            | 12.29           |
| (f) Dividend deficit account .. .. .  | 11.87           | 11.87           | 11.87           |
| (g) Other assets .. .. .  | 2,06.63         | 96.21           | 1,06.79         |
| <b>Total ..</b>   | <b>38,19.72</b> | <b>42,82.99</b> | <b>49,64.57</b> |
| <b>Capital employed**</b>   | <b>29,23.67</b> | <b>34,14.68</b> | <b>40,28.42</b> |

\*Provisional

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

## 7.06.5. Working results

The following table gives the details of the working results of the Corporation for three years up to 1982-83 :

| Particulars   | 1980-81           | 1981-82              | 1982-83*       |
|---|-------------------|----------------------|----------------|
|   | (Rupees in lakhs) |                      |                |
| <b>1. Income—</b>                                     |                   |                      |                |
| (a) Interest on loans and advances .. .. .            | 3,24.67           | 2,01.94 <sup>a</sup> | 2,70.99        |
| (b) Other income .. .. .                              | 5.45              | 4.97                 | 5.17           |
| <b>Total</b> ..                                       | <b>3,30.12</b>    | <b>2,06.91</b>       | <b>2,76.16</b> |
| <b>2. Expenses—</b>                                   |                   |                      |                |
| (a) Interest on long-term loans .. .. .               | 1,33.04           | 1,38.75              | 1,89.07        |
| (b) Other expenses .. .. .                            | 32.31             | 34.74                | 47.43          |
| <b>Total</b> ..                                       | <b>1,65.35</b>    | <b>1,73.49</b>       | <b>2,36.50</b> |
| <b>3. Profit before tax</b> .. .. .                   | <b>1,64.77</b>    | <b>33.42</b>         | <b>39.66</b>   |
| <b>4. Provision for tax</b> .. .. .                   | <b>45.00</b>      | <b>1.75</b>          | <b>1.75</b>    |
| <b>5. Other appropriations</b> .. .. .                | <b>1,07.52</b>    | <b>13.75</b>         | <b>15.86</b>   |
| <b>6. Amount available for dividend</b> .. .. .       | <b>12.25</b>      | <b>17.91</b>         | <b>22.05</b>   |
| <b>7. Dividend paid</b> .. .. .                       | <b>2.10</b>       | <b>12.25</b>         | <b>1.87</b>    |
| <b>8. Total return on capital employed</b> .. .. .    | <b>2,97.81</b>    | <b>1,72.17</b>       | <b>2,28.73</b> |
|   | (per cent)        |                      |                |
| <b>9. Percentage of return on capital employed</b> .. | <b>10.2</b>       | <b>5.0</b>           | <b>5.7</b>     |

\*Provisional

### 7.06.6. Disbursement and recovery of loans

The performance of the Corporation in the disbursement|recovery of loans during the three years up to 1982-83 is indicated below :

| Particulars   | 1980-81 |           | 1981-82 |           | 1982-83† |          | Cumulative† |            |
|---|---------|-----------|---------|-----------|----------|----------|-------------|------------|
|   | Number  | Amount    | Number  | Amount    | Number   | Amount   | Number      | Amount     |
| (Amount : Rupees in lakhs)                            |         |           |         |           |          |          |             |            |
| 1. Applications pending at the beginning of the year  | 107     | 5,38.95   | 99      | 4,42.83   | 83       | 4,70.84  | ..          | ..         |
| 2. Applications received .. ..                        | 597     | 16,33.06  | 599     | 19,94.03  | 1116     | 24,81.08 | 5216        | 1,73,93.83 |
| 3. Total .. ..  | 704     | 21,72.01  | 698     | 24,36.66  | 1199     | 29,51.92 | 6216        | 1,73,93.83 |
| 4. Applications sanctioned .. ..                      | 516     | 11,41.56  | 545     | 15,36.11  | 894      | 19,20.15 | 4004        | 1,21,04.56 |
| 5. Applications cancelled/withdrawn/rejected          | 89      | 5,87.82   | 70      | 3,04.84   | 59       | 3,20.83  | 966         | 47,75.81   |
| 6. Applications pending at the close of the year      | 99      | 4,42.63   | 83      | 4,70.84   | 246      | 5,13.46  | 246         | 5,13.46    |
| 7. Loans disbursed .. ..                              | 282     | 5,43.89   | 411     | 6,27.08   | 635      | 10,06.63 | 2180        | 56,83.06   |
| 8. Amount outstanding at the close of the year        | 897     | 34,94.72  | 1158    | 40,68.06  | 1537     | 50,75.93 | 1537        | 50,75.60   |
| 9. Amount overdue for recovery—                       |         |           |         |           |          |          |             |            |
| (a) Principal .. ..                                   |         | 4,89.99*  | ..      | 6,76.70*  |          | 677.76   |             | 6,77.76    |
| (b) Interest .. ..                                    |         | 4,74.56** |         | 5,99.43** |          | 707.71   |             | 7,07.71    |
| (per cent)  |         |           |         |           |          |          |             |            |
| 10. Percentage of defaults to total loans outstanding |         | 27.6      |         | 31.4      |          | 27.3     |             | 27.3       |

\*Excludes Rs. 10.66 lakhs and Rs. 24.99 lakhs respectively for 1980-81 and 1981-82 where other arrangements have been made.

\*\*Excludes Rs. 25.87 lakhs and Rs. 7.69 lakhs respectively for 1980-81 and 1981-82 where other arrangements have been made.

†Provisional

## 7.07. West Bengal State Warehousing Corporation

### 7.07.1. Introduction

The West Bengal State Warehousing Corporation was formed on 31st March 1958 under the Agricultural Produce (Development and Warehousing) Corporations Act, 1956 subsequently replaced by the Warehousing Corporations Act, 1962 for providing warehousing facilities in the State for storage and scientific preservation of agricultural produce, seeds, manures, fertilisers, etc.

### 7.07.2. Paid-up capital

The paid-up capital of the Corporation was Rs.3,19.40 lakhs\* (State Government : Rs.1,74.70 lakhs, Central Warehousing Corporation : Rs.1,44.70 lakhs) as on 31st March 1983 as also on 31st March 1982.

### 7.07.3. Financial position

The table below summarises the financial position of the Corporation under broad headings for the three years up to 1980-81 :

| Liabilities                                  |       | .. | 1978-79        | 1979-80        | 1980-81*       |
|--|-------|----|----------------|----------------|----------------|
| (Rupees in lakhs)                            |       |    |                |                |                |
| (a) Paid-up capital                          | ..    | .. | 1,90.40        | 2,14.40        | 2,54.40        |
| (b) Reserves and surplus                     | ..    | .. | 45.40          | 66.65          | 56.98          |
| (c) Trade dues and other current liabilities | ..    | .. | 66.77          | 72.64          | 96.42          |
|  | Total | .. | <u>3,02.57</u> | <u>3,53.69</u> | <u>4,07.80</u> |
| Assets                                       |       | .. | ..             | ..             | ..             |
| (a) Gross block                              | ..    | .. | 72.46          | 95.22          | 1,15.69        |
| (b) Less : Depreciation                      | ..    | .. | 28.84          | 25.93          | 27.60          |
| (c) Net fixed assets                         | ..    | .. | 48.62          | 69.29          | 88.09          |
| (d) Capital works-in-progress                | ..    | .. | 1.34           | 5.67           | 10.19          |
| (e) Investment                               | ..    | .. | 5.00           | 9.00           | 11.77          |
| (f) Current assets, loans and advances       | ..    | .. | 2,47.61        | 2,69.73        | 2,97.75        |
|  | Total | .. | <u>3,02.57</u> | <u>3,53.69</u> | <u>4,07.80</u> |
| Capital employed**                           | ..    | .. | 2,29.46        | 2,66.38        | 2,89.42        |

\*The figures are provisional

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

## 7.07.4. Working results

The following table gives the details of the working results of the Corporation for three years up to 1980-81 :

| Particulars                                     |    |              | 1978-79           | 1979-80        | 1980-81*       |
|---|----|--------------|-------------------|----------------|----------------|
|   |    |              | (Rupees in lakhs) |                |                |
| <b>Income—</b>                                  |    |              |                   |                |                |
| (i) Warehousing charges                         | .. | ..           | 91.28             | 1,13.02        | 1,15.51        |
| (ii) Other income                               | .. | ..           | 3.09              | 3.68           | 4.99           |
|   |    | <b>Total</b> | <b>94.47</b>      | <b>1,16.70</b> | <b>1,20.50</b> |
| <b>Expenditure—</b>                             |    |              |                   |                |                |
| (i) Establishment charges                       | .. | ..           | 38.52             | 44.06          | 49.29          |
| (ii) Other expenses                             | .. | ..           | 44.31             | 49.63          | 57.23          |
|   |    | <b>Total</b> | <b>82.83</b>      | <b>93.69</b>   | <b>1,06.52</b> |
| <b>Profit before tax</b>                        | .. | ..           | <b>11.64</b>      | <b>23.01</b>   | <b>13.97</b>   |
| <b>Provision for tax</b>                        | .. | ..           | <b>1.75</b>       | <b>2.60</b>    | <b>2.84</b>    |
| <b>Other appropriations</b>                     | .. | ..           | <b>3.47</b>       | <b>3.63</b>    | <b>3.65</b>    |
| <b>Amount available for dividend</b>            | .. | ..           | <b>6.42</b>       | <b>16.78</b>   | <b>7.48</b>    |
| <b>Dividend paid</b>                            | .. | ..           | <b>4.54</b>       | <b>5.71</b>    | <b>NA</b>      |
| <b>Total return on capital employed</b>         | .. | ..           | <b>11.64</b>      | <b>23.01</b>   | <b>13.97</b>   |
|   |    |              |                   | (Per cent)     |                |
| <b>Percentage of return on capital employed</b> | .. | ..           | <b>5.1</b>        | <b>8.6</b>     | <b>4.8</b>     |

\*Provisional

NA=Not available.



7.07.5. *Operational performance*

The following table gives the details of the storage capacity created, capacity utilised and other information about performance of the Corporation for the three years up to 1982-83 :

|   | 1980-81     | 1981-82     | 1982-83*    |
|---|-------------|-------------|-------------|
| Number of stations covered .. ..  | 38          | 38          | 38          |
| Storage capacity created up to the end of the year (tonnes in lakhs)          |             |             |             |
| (a) Owned .. ..   | 0.26        | 0.36        | 0.36        |
| (b) Hired .. ..   | 1.52        | 1.54        | 1.56        |
| <b>Total .. ....</b>  | <b>1.78</b> | <b>1.90</b> | <b>1.92</b> |
| <b>Average capacity utilised during the year (tonne<sup>3</sup> in lakhs)</b> | <b>1.58</b> | <b>1.84</b> | <b>1.79</b> |
| Percentage utilisation .. ..  | 89          | 97          | 93          |
| Average revenue per tonne (Rupees) .. ..                                      | 69.24       | NA          | 96          |
| Average expenses per tonne (Rupees) .. ..                                     | 63.33       | NA          | 73.56       |

\*Provisional  
NA=Not available

## SECTION VIII

### WEST BENGAL STATE ELECTRICITY BOARD

#### 8.01. Introduction

8.01.1. The West Bengal State Electricity Board was formed on 1st May 1955 under Section 5(1) of the Electricity (Supply) Act, 1948.

#### 8.01.2. Capital

The capital requirements of the Board are provided in the form of loans from the Government, the public, the banks and other financial institutions.

The aggregate of long-term loans (including loan from Government) obtained by the Board was Rs.9,34,54.51 lakhs at the end of 1982-83 and represented an increase of Rs.91,63.50 lakhs i.e. 10.9 per cent on the long-term loans of Rs.8,42,91.01 lakhs as at the end of the previous year. Details of loans obtained from different sources and outstanding at the close of the two years up to 31st March 1983 were as follows :

| Source           | Amount outstanding as on 31st March |            | Percentage increase |
|------------------|-------------------------------------|------------|---------------------|
|                  | 1982                                | 1983       |                     |
| State Government | 3,81,38.11                          | 4,07,78.11 | 6.9                 |
| Other sources    | 4,61,52.90                          | 5,26,76.40 | 14.1                |

#### 8.01.3. Guarantees

Government had guaranteed the repayment of loans raised by the Board to the extent of Rs.4,74,18.50 lakhs\* and the payment of interest thereon. The amount of principal guaranteed and outstanding as on 31st March 1983 was Rs.4,40,53.95 lakhs\*. Amount of guarantee fees in arrears as on 31st March 1983 was Rs.4,04.71 lakhs\*.

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The figures are provisional.

8.01.4. The financial position of the Board at the close of the three years up to 1982-83 is given in the following table :

| Liabilities                                 |       | 1980-81           | 1981-82            | 1982-83*           |
|---|-------|-------------------|--------------------|--------------------|
| (Rupees in lakhs)                           |       |                   |                    |                    |
| (a) Loans from Government .. ..             | .. .. | 3,23,73.13        | 3,81,38.11         | 4,08,21.41         |
| (b) Other long-term loans (including bonds) | .. .. | 3,95,30.33        | 4,62,02.78         | 5,27,58.33         |
| (c) Deposits from public .. ..              | .. .. | 33,95.45          | 37,28.86           | 40,84.39           |
| (d) Reserves and surplus .. ..              | .. .. | 24,28.14          | 41,29.41           | 57,66.57           |
| (e) Current liabilities .. ..               | .. .. | 1,58,69.85        | 2,15,90.44         | 2,34,04.56         |
| <b>Total</b>                                |       | <b>9,35,96.90</b> | <b>11,37,89.60</b> | <b>12,68,35.26</b> |
| <b>Assets</b>                               |       |                   |                    |                    |
| (a) Gross fixed assets .. ..                | .. .. | 2,88,40.93        | 3,39,60.78         | 5,11,10.73         |
| (b) Less—Depreciation .. ..                 | .. .. | 71,53.99          | 47,88.63           | 47,88.63           |
| (c) Net fixed assets .. ..                  | .. .. | 2,16,86.94        | 2,91,72.15         | 4,63,22.10         |
| (d) Capital works-in-progress .. ..         | .. .. | 3,80,52.35        | 4,78,43.21         | 4,55,31.18         |
| (e) Current assets .. ..                    | .. .. | 3,38,57.61        | 3,72,74.24         | 3,49,81.98         |
| <b>Total</b>                                |       | <b>9,35,96.90</b> | <b>11,37,89.60</b> | <b>12,68,35.26</b> |
| <b>Capital employed†</b>                    |       | <b>3,96,74.70</b> | <b>4,48,55.95</b>  | <b>5,78,99.52</b>  |

8.01.5. **Working results :** The working results of the Board for the three years up to 1982-83 are summarised below :

|  |       | 1980-81           | 1981-82           | 1982-83*          |
|--|-------|-------------------|-------------------|-------------------|
| (Rupees in lakhs)  |       |                   |                   |                   |
| (a) Revenue receipts .. ..                                       | .. .. | 1,27,35.84        | 1,78,17.94        | 2,08,41.78        |
| (b) Subsidy from State Government .. ..                          | .. .. | 15,74.49          | 13,17.66          | 13,17.66          |
| <b>Total</b>   |       | <b>1,43,10.33</b> | <b>1,91,35.60</b> | <b>2,21,59.44</b> |
| (c) Revenue expenditure including write off of intangible assets | .. .. | 1,19,42.40        | 1,58,88.04        | 1,83,58.67        |
| (d) Gross surplus for the year]                                  | .. .. | 23,67.93          | 32,47.56          | 38,00.77          |

\*The figures are provisional.

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

8.01.5.1. The revenue receipts of the Board during the three years up to 1981-82 (i.e. gross surplus after meeting the operating, maintenance and management expenses) were not adequate to meet fully the other liabilities mentioned in Section 67 of the Electricity (Supply) Act, 1948 and, therefore, the Board distributed the surplus towards the following liabilities :

|   | 1980-81           | 1981-82         | 1982-83*        |
|---|-------------------|-----------------|-----------------|
|   | (Rupees in lakhs) |                 |                 |
| Gross surplus available including subvention from State Government and after write off of intangible assets | 13,47.87          | 32,47.56        | 38,00.77        |
| Add—Depreciation provided (Not covered by revenue surplus during 1980-81 charged in accounts but withdrawn) | 10,20.06          | ..              | ..              |
| Amount available for appropriation as per accounts  | 23,67.93          | 32,47.56        | 38,00.77        |
| Appropriated to meet payment of interest on loans not guaranteed under Section 66 of Act, <i>ibid</i>       | 3,72.13           | 4,56.31         | 5,23.29         |
| Contributions to repayment of loans raised under Section 66 of Act, <i>ibid</i>                             | 6,58.30           | 12,32.34        | 14,35.02        |
| Payment of interest on loans guaranteed under Section 66 of Act, <i>ibid</i>                                | 12,28.55          | 15,58.91        | 18,42.46        |
| Payment of interest on loans from Government ..   | 1,08.95           | ..              | ..              |
| Contribution to General Reserve .. ..   | ..                | ..              | ..              |
| Contribution to depreciation .. ..  | ..                | ..              | ..              |
| <b>Total ..</b>   | <b>23,67.93</b>   | <b>32,47.56</b> | <b>38,00.77</b> |

The total return on capital employed during the years up to 1982-83 is compared in the following table :

|  | 1980-81           | 1981-82  | 1982-83* |
|--|-------------------|----------|----------|
|  | (Rupees in lakhs) |          |          |
| Total return on capital employed .. .. | 19,62.03          | 20,15.21 | 23,65.75 |
|  | (Per cent)        |          |          |
| Rate of return .. ..                   | 5.0               | 4.5      | 4.1      |

Even though the gross surplus was not sufficient to cover the liabilities towards interest on Government loans and depreciation during 1980-81, the liabilities towards interest alone (Rs.9,25.61 lakhs for 1980-81) was carried forward to be provided in future. Depreciation not provided during 1980-81 (Rs.18,07.47 lakhs) and 1981-82 (Rs.33,80.94 lakhs) was, however, adjusted to the assets account without charging to revenues.

\*Figures are provisional.

The total cumulative liability not provided for the three years up to 1982-83 would amount to Rs.43,12.76 lakhs, Rs.68,63.90 lakhs and Rs.96,39.25 lakhs respectively as detailed below :

|  | 1980-81           | 1981-82  | 1982-83* |
|--|-------------------|----------|----------|
|  | (Rupees in lakhs) |          |          |
| 1. Interest on loans from Government   | 25,05.29          | 34,83.05 | 49,33.02 |
| 2. Less: incorrect appropriations made during 1978-79 to be set off against 1 above                    |                   |          |          |
| Contribution to General Reserve ..   | 1,27.19           |          |          |
| Contribution to depreciation ..  | 1,06.93           |          |          |
|  | 2,34.12           | ..       | ..       |
|  | 22,71.17          | 34,83.05 | 49,53.02 |
| 3. Liability towards depreciation to be carried forward (vide 2 <i>supra</i> )                         | 2,34.12           | ..       | ..       |
| 4. Depreciation not provided by charge to Profit and Loss Account during 1980-81, 1981-82 and 1982-83. | 18,07.47          | 33,80.94 | 46,86.23 |
|  | 43,12.76          | 68,63.99 | 96,39.25 |
| Total  | 43,12.76          | 68,63.99 | 96,39.25 |

### 8.01.5.2. Profitability analysis

The following table depicts the profitability position of the Board if all accrued charges towards interest and depreciation were provided for during the three years up to 1982-83 :

|  | 1980-81           | 1981-82    | 1982-83*   |
|--|-------------------|------------|------------|
|  | (Rupees in lakhs) |            |            |
| 1. Revenue receipts including subsidy from State Government for the year           | 1,43,10.33        | 1,91,35.60 | 2,21,59.44 |
| 2. (a) Operating maintenance and management expenses and depreciation for the year | 1,23,48.30        | 1,67,46.78 | 1,96,39.66 |
| (b) Interest on loans for the year ..  | 26,35.25          | 32,47.40   | 38,35.72   |
| Total revenue expenditure for the year ..  | 1,49,83.55        | 1,99,94.18 | 2,34,75.38 |
| Deficit for the year ..  | 6,73.22           | 8,58.58    | 13,15.94   |
| Add—Interest charged to Profit and Loss Account ..                                 | 26,35.25          | 32,47.40   | 38,35.72   |
| Actual return on capital employed ..   | 19,62.03          | 23,88.82   | 25,19.78   |
|  | (Per cent)        |            |            |
| Rate of return on capital employed ..  | 4.9               | 5.3        | 4.3        |

\*The figures are provisional.

## 8.01.6. Operational performance

8.01.6.1. The following table indicates operational performance of the Board for the three years up to 1982-83 :

| Particulars   | 1980-81         | 1981-82<br>(in Mw) | 1982-83*        |
|---|-----------------|--------------------|-----------------|
| <b>1. Installed capacity—</b>   |                 |                    |                 |
| (i) Thermal .. .. .   | 845.00          | 845.00             | 1024.00         |
| (ii) Hydel .. .. .  | 38.51           | 38.70              | 37.40           |
| (iii) Others .. .. .  | 126.33          | 126.30             | 120.00          |
| <b>Total ..</b>   | <b>1009.84</b>  | <b>1010.00</b>     | <b>1181.40</b>  |
| <b>2. Normal maximum demand .. .. .</b>   |                 |                    |                 |
|   | 687.00          | 777.00             | 876.00          |
|   | (in Mkw)        |                    |                 |
| <b>3. Power generated—</b>  |                 |                    |                 |
| (i) Thermal .. .. .   | 2856.10         | 2897.70            | 3025.00         |
| (ii) Hydel .. .. .  | 56.20           | 75.30              | 99.00           |
| (iii) Others .. .. .  | 196.20          | 189.20             | 226.00          |
| <b>Total ..</b>   | <b>3108.70</b>  | <b>3162.20</b>     | <b>3350.00</b>  |
| <i>Less—Auxiliary consumption .. .. .</i>   | 269.20          | 261.40             | 311.60          |
| <b>4. Net power generated .. .. .</b>   | <b>2839.50</b>  | <b>2880.80</b>     | <b>3038.40</b>  |
| <b>5. Power purchased .. .. .</b>   | <b>791.80</b>   | <b>920.80</b>      | <b>1178.20</b>  |
| <b>6. Total power available for sale .. .. .</b>  | <b>3631.30</b>  | <b>3801.60</b>     | <b>4216.60</b>  |
| <b>7. Power sold .. .. .</b>  | <b>3158.10†</b> | <b>3268.40†</b>    | <b>3500.70†</b> |
|   | (Per cent)      |                    |                 |
| <b>8. Transmission and distribution losses .. .. .</b>                                  | <b>473.20</b>   | <b>533.20</b>      | <b>715.90</b>   |
| <b>9. Load factor .. .. .</b>   | <b>60.3</b>     | <b>66.0</b>        | <b>59.0</b>     |
| <b>10. Percentage of transmission and distribution loss to power available for sale</b> | <b>13.03</b>    | <b>14.03</b>       | <b>17.0</b>     |
| <b>11. Number of units generated per Kw of installed capacity</b>                       | <b>3078.5</b>   | <b>3130.9</b>      | <b>2835.6</b>   |

\*The figures are provisional.

†Includes 1.31 Mkw supplied free each year.

8.01.6.2. The following table gives other details about the working of the Board at the end of the three years up to 1982-83 :

|   |    |              | 1980-81          | 1981-82   | 1982-83*  |
|---|----|--------------|------------------|-----------|-----------|
| 1. Villages/towns electrified (in number) | .. | ..           | 14,263           | 16,284    | NA        |
| 2. Pumpssets/wells energised (in number)  | .. | ..           | NA               | 25,850    | NA        |
| 3. Number of sub-stations .. ..           | .. | ..           | 506              | NA        | NA        |
| 4. Transmission/distribution lines(Km) —  |    |              |                  |           |           |
| (i) High/medium voltage                   | .. | ..           | 39,297.10        | NA        | NA        |
| (ii) Low voltage                          | .. | ..           | 21,794.50        | NA        | NA        |
|   |    | <b>Total</b> | <b>61,091.60</b> | <b>NA</b> | <b>NA</b> |
| 5. Connected load(Mw)                     | .. | ..           | 1,784.00         | NA        | NA        |
| 6. Number of consumers                    | .. | ..           | 6,07,530         | 6,51,830  | 6,91,070  |
| 7. Number of employees                    | .. | ..           | 35,129           | 38,368    | 40,000    |

8.01.6.3. The following table indicates the total units of power sold, revenue earned per unit, expenses and profit/loss per unit sold during the three years up to 1982-83 :

|                              |    |              | 1980-81         | 1981-82         | 1982-83         |
|------------------------------|----|--------------|-----------------|-----------------|-----------------|
|                              |    |              | (In MkwH)       |                 |                 |
| 1. Units sold—               |    |              |                 |                 |                 |
| (a) Agricultural             | .. | ..           | 81.14           | 49.69           | 74.50           |
| (b) Industrial               | .. | ..           | 1,146.07        | 1,322.46        | 1,174.20        |
| (c) Commercial               | .. | ..           | 105.68          | 115.03          | 263.90          |
| (d) Domestic                 | .. | ..           | 147.05          | 152.11          | 184.70          |
| (e) Others                   | .. | ..           | 1,756.95        | 1,629.11        | 1,802.10        |
|                              |    | <b>Total</b> | <b>3,236.89</b> | <b>3,268.40</b> | <b>3,499.40</b> |
|                              |    |              | (In paise)      |                 |                 |
| 2. Revenue per Kwh           | .. | ..           | 37.46           | 48.58           | 54.13           |
| 3. Expenditure per Kwh       | .. | ..           | 40.57           | 50.71           | 57.46           |
| 4. Profit(+)/Loss(-) per Kwh | .. | ..           | (-)3.11         | (-)2.13         | (-)3.3          |

Certain aspects of the working of the Board are discussed in the subsequent sections of the Report.

## 8.02. Implementation of new 20-Point Programme by West Bengal State Electricity Board

### 8.02.1. Introduction

Point number 11 of the New 20-Point Programme adopted by the Government of India in January 1982, envisaged maximisation of the generation of electricity by State Electricity Boards by proper utilisation of capacities and by improving efficiency. According to the Government of India, the schemes under the programme formed an integral part of the Plans of the States and there was no separate funding pattern for these schemes.

### 8.02.2. Requirement of power

From the 10th Annual Power Survey Report by the Central Electricity Authority, it could be seen that, since 1973-74 as the demand for power in West Bengal could not be met, severe restraints were imposed at the instance of the State Government (i) by enforcing 15 per cent power cut (ii) staggering weekly off days (iii) adjustment of the shift operation, and (iv) restriction on new connections and expansion programme of existing industrial consumers. Even with the adoption of these restrictive measures, unscheduled load shedding was not infrequent in the State as there was further power cut imposed by the Board (South Bengal) to the extent of 144 MU 131 MU and 199 MU during the three years from 1980-81 to 1982-83.

8.02.3. In view of the power position in the State, clearance was given by the Planning Commission from time to time for addition of 1,110 MW of power during Sixth Five Year Plan period (1980-85). The table below indicates the Annual Plan projections of the Board and actual generation of power thereagainst during 1982-83 :

| Station/Plant                           | Projection Achievement<br>in the Annual Plan |            |
|---|--|------------|
|   | (In Mw)                                      |            |
| Jaldhaka Hydrel Project (Stage II)      | 8  | Nil        |
| Kursoong Stage I (Fazi)                 | 0.4  | Nil        |
| Bandel Thermal Power Station (5th Unit) | 210  | 210        |
| Kolaghat Thermal Power Project          | 210  | Nil        |
|   | <b>428.4</b>                                 | <b>210</b> |



It may be seen that excepting in case of Bandel Thermal Power Station (5th unit) which was commissioned in March 1983, (5 years after original target date) none of the other units could be commissioned during the year. The delay in the execution of the projects was mainly due to :

- short supply of cement and steel, and
- paucity of funds due to diversion of the amounts sanctioned for capital works to other purposes.

#### 8.02.4. *Thermal efficiency*

The table below indicates the thermal efficiency\* attained by the various thermal units of the Board during the three years ending 31st March 1983.

| Name of unit                                 | 1980-81 | 1981-82 | 1982-83 |
|--|---------|---------|---------|
| Bandel Thermal Power Station (BTPS) ..       | 34.00   | 34.02   | 33.00   |
| Santalalidih Thermal Power Station (STPS) .. | 28.02   | 27.01   | NA      |
| Gouripur Thermal Power Station (GTPS) ..     | 11.00   | 10.62   | 10.7    |

Although the units of STPS were commissioned more than seven years after those of BTPS, thermal efficiency of the former had been persistently low. Efforts made, if any, to increase the thermal efficiency of STPS were not found on record (February 1984). The low thermal efficiency of GTPS was attributed by the Management (July 1983) to (i) obsolete equipment, (ii) inefficient boilers, (iii) outdated technologies, and (iv) poor maintenance.

#### 8.02.5. *Power system losses*

A significant factor which contributed to commercial losses in the Board's working is system losses. System losses comprise (i) energy dissipated in the system and (ii) unaccounted commercial loss due to pilferage, inaccurate meter reading and computation *etc.* The erstwhile Central Water and Power Commission had, in April 1967 recommended adoption of norms of losses at 4 *per cent* for extra-high tension (EHT) transmission losses and 11 *per cent* for sub-transmission and distribution losses, *i.e.* 15 *per cent* for the system as a whole. The Commission also suggested that efforts should be made to restrict the system losses to less than 10 *per cent*.

The quantum of energy lost in transmission, transformation and distribution was not metered separately and segregated and as such the Board arrived at the aggregate figure of system losses on the basis of total power available for sale and the quantum sold and billed for.

\*Thermal efficiency means percentage of total heat energy equivalent of the electricity sent out to the amount of heat energy in the fuel consumed in generation.

The table below give details of overall losses as worked out by the Board and the percentage of losses on quantum of energy available for sale by the Board to ultimate consumers as worked out in audit for the 3 years up to 1982-83 :

|   | 1980-81    | 1981-82<br>(in MkwH) | 1982-83 |
|---|------------|----------------------|---------|
| (a) Total power generated .. ..   | 3108.70    | 3162.20              | 3245.80 |
| (b) Auxiliary consumption .. ..   | 269.20     | 281.40               | 299.69  |
| (c) Total power purchased .. ..   | 791.80     | 920.80               | 1178.20 |
| (d) Total power available for sale .. ..  | 3631.30    | 3801.60              | 4124.31 |
| (e) Power sold to—  |            |                      |         |
| Bulk consumers (CESC and others) .. ..  | 1384.79    | 1371.51              | 1399.57 |
| Other consumers .. ..   | 1773.31    | 1896.89              | 2099.83 |
| (f) Total power sold .. ..  | 3158.10    | 3268.40              | 3499.40 |
| (g) Transmission, transformation and distribution losses  | 471.90     | 532.20               | 623.61  |
| (h) Transmission and transformation loss on bulk sale to CESC and others (as per norm of CEA at 4 per cent) | 55.40      | 54.88                | 56.00   |
|   | (Per cent) |                      |         |
| (i) Percentage of transmission, transformation and distribution as worked out by the Board                  | 13.0       | 14.0                 | 15.1    |
| (j) Percentage of transmission, transformation and distribution loss on direct sale to ultimate consumers   | 23.5       | 25.2                 | 27.1    |

The percentage of overall line losses are steadily on the increase from year to year, the reasons for which had not been analysed by the Management.

It may be seen from the above table that during the 3 years from 1980-81 to 1982-83 the Board made a direct sale of power of 1384.79 MkwH, 1,371.51 MkwH and 1,399.57 MkwH respectively to the Calcutta Electricity Supply Corporation Limited and other distributors where the Board supplied energy at extra-high tension and did not therefore suffer any L.T. transmission or distribution losses. After allowing for transmission and transformation loss of 4 per cent on the above as per the norm fixed by the Central Electricity Authority (CEA), the loss on the energy distributed by the Board to the ultimate consumers was 23.49 per cent, 25.16 per cent and 27.03 per cent respectively during the years under review.

In this connection the following points came to notice during test check in audit.

### 8.02.6. *Metering of distribution of energy*

Periodical testing of meters and timely repairs|replacement thereof is essential for correct billing of energy sold as any under-billing would show increased line loss and *vice-versa*. It was observed that list of defective meters was not sent regularly by the respective circle offices to the testing wing of the Board for proper action. A surprise check by the Distribution Wing in May 1983 revealed that 157 meters of bulk consumers were defective and were not replaced|attended to by the testing wing in time due to non-availability of meters. It was seen that only average bills were being raised. The report further revealed that approximately as much as 40 *per cent* of the meters (*i.e.*, out of 208) in Burdwan circle were in defective condition and the estimated undercharge pertaining to this circle office for the period from June 1975 to March 1982 worked out to Rs.10.43 lakhs.

Records of Himalayan (O&M) circle disclosed (June 1983) that as many as 62 meters were lying in defective condition in bulk consumers' premises from June 1975 to March 1982. It was further observed from a report of the Internal Audit Wing of the Board for the period from 1975-76 to 1982-83 that due to various defects in the meters of 26 bulk consumers, and also due to non-application of multiplying factor there was under-billing to the tune of Rs.76.77 lakhs during the period from April 1975 to February 1983.

The Board stated (August 1983) that direction had been issued to set right the defective meters and ensure proper billing. Testing wing was also directed to set right defective meters though their capacity was limited due to lack of adequate personnel. Result of the action taken by the Board is awaited (December 1983).

### 8.02.7. *Power system and system network*

8.02.7.1. The power system in the Board is interconnected with various generating stations by means of a common network. All the power stations are interconnected and the system is known as a grid. The grid is also interconnected with neighbouring States like Bihar, Assam and other agencies like Damodar Valley Corporation, Durgapur Projects Limited and Calcutta Electric Supply Corporation Limited.

In one of the generating stations test checked *viz.*, Bandel Thermal Power Station, power generated by 3 phase alternators at 13.8 KV and auxiliary consumption at power station are duly metered. The voltage is then stepped up by suitable 3 phase transformers to 132 KV for transmission.

It was observed that recording instruments (metering arrangement) to record power flow (both active and reactive component of power) at different grid sub-stations and main distributing sub-stations were not installed or were defective as a result of which quantum of power flow from main bus bar to different grid sub-stations and to distribution points as also the transformation and transmission loss (EHV) could not be ascertained.

8.02.7.2. From a study of relevant records in sub-stations the following came to light :

- (i) Two 150 MVA transformers were commissioned in April 1977 at Kashba 220|132 KV sub-station, but meter reading to record the load flow did not commence before April 1982 and as a result loss in transformation and load flow could not be ascertained during that period.
- (ii) Incoming and outgoing meters for recording the power flow installed in the Kashba, Sonarpur and Ashok Nagar sub-stations were giving erroneous readings.
- (iii) Import and export meters for measuring input and output of energy were found in defective condition since 1981 in Kashba-Sonarpur D.C. line, hence the total quantum of power flow in the sub-stations and reconciliation thereof was not possible. No action was taken by the Board to set right the defective meters (December 1983).
- (iv) Meters for auxiliary consumption have not been installed excepting at Kashba and Durgapur sub-stations. Consequently energy consumed in the sub-stations and the residential quarters for sub-station staff drawing electricity allowance, could not be assessed.
- (v) The Board has a number of points for purchase of energy where the trivector meters have been installed for proper recording of power received. At the sale points *e.g.* Howrah, Kashba *etc.*, power received from various purchase points and also from Board's own system are merged together. These are not separately metered before being fed into a common bus bar, thus, leaving no scope for ascertainment of EHV transmission loss.

In view of the above short-comings, the actual transmission loss sustained in the extra-high tension transmission system could not be ascertained in audit at different points under different conditions.

### 8.02.8. Transformation loss

Power generated at different generating stations is stepped up to 132 KV (BTPS) and 220 KV (STPS) and transmitted through EHV net-work to different sub-stations. This power is further stepped down according to requirement of the Board for ultimate supply. Secondary distribution is done at 400/230 volts for which purpose voltage is reduced from 3.3 KV to 400 volts at distribution sub-stations. As a result, large number of transformers for transformation of power are in operation at various places in the State.

The transformation loss sustained by the Board's system at both step up and step down transformers in all the points of generation, transmission and distribution could not be identified as energy meters had not been installed to record the transformation losses. In this context, the Board during its endeavour to study (June 1983) the transformation loss in the Joka-Birlapur 33/6.6 KV line (distance : 11 circuit km) emanating from Joka 132 KV sub-station remarked that it was very difficult to calculate actual transformation loss in terms of energy or its reflection in maximum demand without proper recording instruments and calculations were made on the basis of assumptions.

In reply to an audit enquiry (June 1983) on the minimising of energy losses in the transmission and distribution system the General Manager (Distribution) stated (July 1983) that sub-stations from which 11 KV feeders emanate for supply to different places were required to be provided with meters on the transformer in the incoming side. Though such schemes were formulated for providing meters, these could not be implemented at all the sub-stations owing to technical limitations, non-availability of meters and adequate skilled hands.

### 8.02.9. System Improvement (SI) Scheme

8.02.9.1. In order to reduce system losses Government of India introduced (1973-74) system improvement schemes, to be financed by the Rural Electrification Corporation Limited (REC). The table below indicates the details of 2 schemes submitted by the Board to the REC, the assistance sanctioned thereagainst and the actual amount received up to the year 1982-83 :

| SI Scheme No. | Date of sanction by REC | Total outlay | Portion of REC loan assistance (Rupees in lakhs) | Amount received                         |
|---------------|-------------------------|--------------|--|---|
| SS/NADIA/1/1  | .. December 1975        | 29.38        | 12.38  | 6.19(February 1976)<br>6.19(March 1978) |
| SS/MALDA/SI—1 | .. March 1981           | 93.96        | 53.21  | 31.03(March 1981)<br>6.50(March 1982)   |

The schemes were not fully implemented and as such the Board could not draw the balance of sanctioned amount of Rs.15.68 lakhs from REC (August 1983). Reasons for non-implementation of the schemes, as seen from the records were (a) lack of internal co-ordination and (b) non-receipt of required reports from the field officers.

8.02.9.2. For system improvement the Board also formulated another scheme in 1974-75 involving an expenditure of Rs.7,35.90 lakhs against which the Planning Commission sanctioned (November 1980) Rs.6,96 lakhs under the Sixth Five Year Plan Programme spread over five years commencing from 1980-81. On the implementation of the scheme, the Board expected a saving of energy of 107.7 Mkw/h valued at Rs.2.21 crores per year. Records, however, revealed that funds amounting to Rs.89 lakhs provided in the budget for the years 1981-82 and 1982-83 were not utilised by the Board. Thus no system improvement schemes were effectively taken up till March 1983.

#### 8.02.10. *Maximisation of power generation*

One of the main points of the New 20-Point Programme was maximum utilisation of installed capacity. The following table gives the details of performance of the 4 major thermal and hydel power stations of the Board namely, Bandel (BTPS), Santaldih

(STPS), Gouripur (GTPS) and Jaldhaka (JHP) for the 3 years up to 1982-83 :

|  | 1980-81  |          |       |        | 1981-82  |          |       |        | 1982-83  |          |       |        |
|--|----------|----------|-------|--------|----------|----------|-------|--------|----------|----------|-------|--------|
|  | BTPS     | STPS     | GTPS  | JHP    | BTPS     | STPS     | GTPS  | JHP    | BTPS     | STPS     | GTPS  | JHP    |
| Installed capacity (MW)  | 320      | 480      | 14    | 27     | 320      | 480      | 14    | 27     | 320      | 480      | 14    | 27     |
| Maximum generating capacity (Mkwh)                               | 2,803.2  | 4,204.8  | 122.6 | 236.5  | 2,803.2  | 4,204.8  | 122.6 | 236.5  | 2,803.2  | 4,204.8  | 122.6 | 236.5  |
| Energy actually generated (Mkwh)                                 | 1,687.82 | 1,120.77 | 47.53 | 33.09  | 1,512.39 | 1,340.65 | 38.72 | 55.16  | 1,611.55 | 1,276.49 | 43.07 | 78.62  |
| Energy generated per Mw of installed capacity (Mkwh)             | 5.27     | 2.33     | 5.42  | 1.23   | 4.73     | 2.81     | 4.42  | 2.40   | 5.04     | 2.66     | 4.92  | 2.91   |
| Average load(Mw)   | 192.67   | 127.94   | 5.40  | 3.78   | 172.65   | 153.74   | 4.42  | 6.30   | 183.97   | 145.72   | 5.02  | 8.98   |
| Auxiliary consumption(Mkwh)                                      | 129.87   | 130.60   | 5.54  | 0.6    | 116.99   | 161.10   | 4.97  | 1.30   | 125.85   | 162.60   | 5.47  | 0.78   |
| Percentage of auxiliary consumption to energy actually generated | 7.79     | 11.6     | 11.7  | 1.7    | 7.7      | 12.0     | 12.83 | 2.4    | 7.8      | 12.7     | 10.4  | 1.0    |
| Total hours available  | 35,040   | 26,280   | 8,760 | 26,280 | 35,040   | 35,040   | 8,760 | 26,280 | 35,040   | 35,040   | 8,760 | 35,040 |
| Total hours utilised   | 36,679   | 16,301   | 3,405 | 5,139  | 29,349   | 21,067   | 3,450 | 7,160  | 33,142   | 20,679   | 3,410 | 922    |
| Percentage of plant utilisation factor                           | 60.2     | 26.7     | 38.8  | 23.8   | 53.9     | 32.4     | 31.6  | 28.5   | 57.5     | 17.4     | 36.7  | 33.2   |

|   |            |            |            |          |            |            |           |           |            |            |           |           |
|---|------------|------------|------------|----------|------------|------------|-----------|-----------|------------|------------|-----------|-----------|
| <b>Maximum demand (Mw)</b>                | <b>310</b> | <b>270</b> | <b>15*</b> | <b>8</b> | <b>290</b> | <b>310</b> | <b>14</b> | <b>16</b> | <b>290</b> | <b>370</b> | <b>16</b> | <b>17</b> |
| <b>Percentage of :</b>                    |            |            |            |          |            |            |           |           |            |            |           |           |
| (i) Maximum demand to generating capacity | 96.9       | 56.2       | 107.1      | 29.6     | 87.5       | 64.7       | 100.0     | 59.3      | 90.63      | 77.1       | 114.3     | 63.0      |
| (ii) Average load to maximum demand       | 62.2       | 47.3       | 36.0       | 47.2     | 61.7       | 49.6       | 31.6      | 39.4      | 63.4       | 39.4       | 31.4      | 52.8      |

**Note :** Though the generating capacity of GTPS was derated during 1977-78 to 14 Mw, maximum demand sometimes exceeds the derated capacity.



It may be seen from the above table that :

- (i) While the performance of BTPS has not been very unsatisfactory, the generation of power in STPS has been consistently below par. The generation had declined in 1982-83 compared to 1981-82.
- (ii) There was a gradual increase in the auxiliary consumption in thermal and hydel power stations and except in BTPS it exceeded considerably the norms fixed by the CEA (thermal : 9 per cent; hydel : 0.5 per cent). Reasons for excessive consumption in the STPS were not analysed.
- (iii) For a comparatively new power station, the plant utilisation factor at STPS had been consistently less than that of BTPS. The Board attributed (April 1983) this mainly to frequent outage of coal mills, boilers and certain auxiliaries.

The particulars of outages of BTPS (I to IV units) during the three years up to 1982-83 were as follows :

|   |    |    |               | 1980-81    | 1981-82<br>(In hours) | 1982-83 |
|---|----|----|---------------|------------|-----------------------|---------|
| Total hours of operation                          | .. | .. | ..            | 30,679     | 29,349                | 33,142  |
| Planned outages                                   | .. | .. | ..            | 3,426      | 4,580                 | 1,893   |
| Forced outages                                    | .. | .. | ..            | 934        | 1,111                 | 1,679   |
|   |    |    |               | -----      |                       |         |
|   |    |    | Total outages | 4,386      | 5,691                 | 3,572   |
|   |    |    |               | -----      |                       |         |
|   |    |    |               | (Per cent) |                       |         |
| Percentage of outages to total hours of operation | .. |    |               | 14.2       | 19.4                  | 10.8    |

The reasons for forced outages during the above period were stated to be forced boiler tube leakage, fire hazard, governor troubles, etc. The Board has not investigated the reasons so as to take corrective action.

Regarding planned outages, although a phased programme of overhauling of turbo-generators of the station was not taken up by the Management, it was noticed that overhauling was undertaken in units I, III in 1981-82 and IV in 1982-83 and the time taken was 124 days, 100 days and 116 days, respectively, which exceeded the norm fixed (45 days) by CEA (June 1975) by 79 days, 55 days and 71 days, reasons for which were not investigated by the Board.

### 8.02.11. *Renovation of BTPS*

The Board took up the renovation of BTPS in July 1980 at an estimated cost of Rs.1,70 lakhs, approved under the Sixth Five Year Plan (1980-85), and the entire provision was utilised by March 1982.

It was seen that even after spending Rs.1,70 lakhs up to 1981-82, power generation by the unit was lesser by 175.43 Mkw in 1981-82 and by 76.27 Mkw in 1982-83 as compared to the generation in 1980-81.

### 8.02.12. *Exploitation of hydel power*

As a part of the New 20-Point Programme the Government of India laid great emphasis (January 1983) for identification, on a priority basis, of microhydel projects whose progress would be monitored under this Programme.

The following table indicates the details of hydel power potential in North Bengal as assessed by the Board and that exploited up to 31st March 1983 :

| Hydel power potential assessed |                        | Hydel power exploited up to 1982-83 |               | Schemes under execution as on 31st March 1983 |               | Schemes awaiting sanction as on 31st March 1983 |               | Schemes under investigation as on 31st March 1983 |               |
|--------------------------------|------------------------|-------------------------------------|---------------|---|---------------|---|---------------|---|---------------|
| Number of schemes              | Capacity involved (Mw) | Number of schemes                   | Capacity (Mw) | Number of schemes                             | Capacity (Mw) | Number of schemes                               | Capacity (Mw) | Number of schemes                                 | Capacity (Mw) |
| 22                             | 1150                   | 6                                   | 34.52         | 4   | 60.20         | 5   | 713.50        | 7   | 241.78        |

It would appear from the above table that the exploitation of hydel power was very low in comparison with the power potential in North Bengal.

### 8.02.13. Rural electrification

8.02.13.1. According to 1971 census there are 38,074 *mouzas* in West Bengal out of which electrification of 17,594 *mouzas* (46.2 per cent) was achieved up to 31st March 1983. Rural population benefited by the above electrification was 212.75 lakhs against the total rural population of 333.45 lakhs *i.e.* 64 per cent. Besides, a total number of 23,810 shallow tubewells, 2,813 deep tubewells, 867 river lift irrigation pump sets and 390 health centres were energised or electrified under the rural electrification schemes up to 31st March 1983.

8.02.13.2. The table below indicates the targets and achievements of electrification of *mouzas* and energisation of pump sets during the three years up to 31st March 1983 :

| Year            | Electrification targets |               | Achievement  |              | Excess(+)/Shortfall(-) |                 | Percentage of shortfall |             |
|-----------------|-------------------------|---------------|--------------|--------------|------------------------|-----------------|-------------------------|-------------|
|                 | Mouza                   | Pump sets     | Mouza        | Pump sets    | Mouza                  | Pump sets       | Mouza                   | Pump sets   |
| 1980-81 .. ..   | 1,600                   | 8,125         | 1,400        | 818          | (-)200                 | (-)7,307        | 12.5                    | 89.9        |
| 1981-82 .. ..   | 1,745                   | 2,000         | 2,021        | 746          | (+)276                 | (-)1,254        | ..                      | 62.7        |
| 1982-83 .. ..   | 2,000                   | 3,000         | 1,350        | 1,840        | (-)650                 | (-)1,160        | 32.5                    | 38.7        |
| <b>Total ..</b> | <b>5,345</b>            | <b>13,125</b> | <b>4,771</b> | <b>3,404</b> | <b>(-)574</b>          | <b>(-)9,721</b> | <b>10.7</b>             | <b>74.1</b> |

It would be seen from the above that shortfall in achievement of target was 10.7 per cent and 74.1 per cent during the three years up to 31st March 1983 in respect of electrification of *mouzas* and pump sets respectively. The shortfall during the year 1982-83, i.e. after the adoption of the New 20-Point Programme, in electrification of *mouzas* was 32.5 per cent. The Board stated (December 1982) that the shortfall in electrification of *mouzas* during 1982-83 was mainly due to shortage of certain major items of stores and stress on minor irrigation schemes due to draught. But in spite of the stress on minor irrigation, the energisation of pump sets was found to have suffered a shortfall of 38.7 per cent during the year.

8.02.13.3. Five schemes of electrification of *harijan bustees* covering 126 *bustees* at an estimated cost of Rs.11.82 lakhs were sanctioned by the REC from time to time (1972-82). Out of these, electrification of 120 *bustees* was completed up to 31st March 1982. The extent of expenditure incurred on the works, excess/saving, if any, over the sanctioned estimates were not susceptible of verification in audit in the absence of records. During 1982-83 a target was fixed for electrification of 100 *harijan bustees* which was also not achieved during the year. The Board stated (December 1982) that difficulties in electrification of such *bustees* were (a) lack of proper identification of *bustees* by the district authorities and (b) inability of the local bodies to bear the recurring expenditure on the scheme.

8.02.13.4. There were 4,389 tribal villages out of which only 976 were electrified under the programme of electrification of tribal village included in the New 20-Point Programme up to 31st March 1983 which worked out to only 22.2 per cent.

8.02.13.5. Out of the 3,617 *mouzas* in the State inhabited by backward communities to the extent of 50 per cent or more, identified by the Schedule Caste and Tribal Welfare Department of the State Government, the Board had electrified as many as 2,634 such *mouzas* (72.8 per cent of the identified *mouzas*) up to 31st March 1983.

As per the existing arrangement, the completed *mouzas* were to be handed over to the O&M wing for commercial operation, by the RE Wing. It was observed (September 1982) that in respect of 2,400 *mouzas* completed up to May 1982 by the RE wing details of handing over to O&M Wing were not available.

## 8.03. Santaldih Thermal Power Station

### 8.03.1. Introduction

In order to meet chronic power shortage in the State and to utilise middlings (i.e. coal of small size arising after washing coal) of the Bhojudih and Sudamdih Washeries of the Bharat Coking Coal Limited

(located at about 3 km and 8 km from Santaldih Thermal Power Station), the Planning Commission approved (September 1966) setting up of Santaldih Thermal Power Project (STPP) consisting of four generating units of 120 MW each. Two units (units I and II) were commissioned during January 1974 and August 1975 and units III and IV during December 1978 and March 1981 respectively. The plant has been designed to consume coal and middlings in 50 : 50 ratio and light diesel oil (LDO) is used as a secondary fuel.

The performance of units I and II and construction of units III and IV were reviewed in Section VI of the Report of the Comptroller and Auditor General for the year 1976-77 (Commercial). Certain points noticed in the commissioning and operation of units III and IV of the power station during the five years up to 31st March 1983 are mentioned in the following paragraphs.

### 8.03.2. Commissioning of Units III and IV

The following table indicates details of scheduled dates of commissioning, revisions thereof and actual date of commissioning of units III and IV of the Project :

| Unit | As per schedule in September 1975 | Re-scheduled in July 1977 | Re-scheduled in December 1978 | Actual date of commissioning |
|------|-----------------------------------|---------------------------|-------------------------------|------------------------------|
| III  | .. March 1977                     | February 1978             | ....                          | 6th December 1978            |
| IV   | .. December 1977                  | December 1978             | March 1980                    | 30th March 1981              |

There were delays of about 21 months and 40 months in commissioning of the units III and IV respectively, compared to the dates of commissioning as envisaged in September 1975.

The reasons for delayed commissioning of the units as stated by the Management from time to time were as follows :

- Financial constraints;
- delay in procurement action, completion of civil works, mechanical works, etc.;
- late receipt of replacement materials originally meant for units III and IV but consumed as maintenance spares for units I and II;
- delay in getting replacement cables in place of defective ones received originally; and
- ‘go slow’ movement, agitation and demonstration by different unions and employees of the Board from time to time and also ‘go slow’ movement and strike by the staff of suppliers|contractors.

The Management also stated (April 1983) that due to strike for six months (10th March 1980 to 3rd September 1980) by the employees of Instrumentation (India) Limited, one of the suppliers of equipment for the project, there was delay in commissioning of unit IV. But no such strike had taken place as brought out in the Eleventh Report (April 1981) of the Committee on Public Undertakings on West Bengal State Electricity Board.

Due to protracted delay in commissioning of all the four units, the cost of the project (original estimate : Rs.60.50 crores) had undergone revision in the light of rise in cost of materials, labour and overheads and increased to Rs.100 crores in 1976.

The estimate was further revised in December 1982 to Rs.103.23 crores against which an expenditure of Rs.107.24 crores (provisional) had been incurred up to 31st March 1983. The estimate had not been revised so far (July 1983) to cover the excess expenditure of Rs.4.01 crores.

### 8.03.3. Performance analysis

8.03.3.1. The table below indicates the performance of units III and IV (with installed capacity of 120 MW each) of the Power Station during the five years up to 31st March 1983 :

| Period  | Installed capacity (Mkwh) |         | Actual generation (Mkwh) |         | Percentage of generation to installed capacity (capacity utilisation) |         | Auxiliary consumption (Mkwh) |         | Percentage of auxiliary consumption to actual generation |         |
|---------|---------------------------|---------|--------------------------|---------|---|---------|------------------------------|---------|--|---------|
|         | Unit III                  | Unit IV | Unit III                 | Unit IV | Unit III  | Unit IV | Unit III                     | Unit IV | Unit III   | Unit IV |
| 1978-79 | 332.9                     | ..      | 32.7                     | ..      | 9.8   | ..      | 3.5                          | ..      | 10.7   | ..      |
| 1979-80 | 1054.1                    | ..      | 326.3                    | ..      | 30.9  | ..      | 30.5                         | ..      | 9.3  | ..      |
| 1980-81 | 1051.2                    | ..      | 540.9                    | ..      | 51.5  | ..      | 63.7                         | ..      | 11.8   | ..      |
| 1981-82 | 1051.2                    | 1051.2  | 172.2                    | 444.9   | 16.4  | 42.3    | 20.5                         | 53.3    | 11.9   | 11.9    |
| 1982-83 | 1051.2                    | 1051.2  | 446.2                    | 293.1   | 42.4  | 27.9    | 56.7                         | 36.2    | 12.7   | 12.4    |

| Period  | Generation per Kw of installed capacity(kwh) |         | Hours available for operation |         | Hours actually worked |         | Percentage of plant availability |         |
|---------|--|---------|-------------------------------|---------|-----------------------|---------|----------------------------------|---------|
|         | Unit III                                     | Unit IV | Unit III                      | Unit IV | Unit III              | Unit IV | Unit III                         | Unit IV |
| 1978-79 | 273  | ..      | 2774                          | ..      | 551                   | ..      | 19.9 <sup>a</sup>                | ..      |
| 1979-80 | 2719   | ..      | 8784                          | ..      | 3889                  | ..      | 44.3                             | ..      |
| 1980-81 | 4507   | ..      | 8760                          | ..      | 7237                  | ..      | 82.6                             | ..      |
| 1981-82 | 1435   | 3707    | 8760                          | 8760    | 2551                  | 6341    | 29.2                             | 72.4    |
| 1982-83 | 3718   | 2442    | 8760                          | 8760    | 7398                  | 3851    | 84.5                             | 43.9    |

- (i) Of the two, unit III registered the highest generation (540.9 Mkw-h-51.5 per cent of installed capacity) in 1980-81 during the five years of its operation. But even this compared unfavourably to that (733.1 Mkw-h-69.7 per cent of installed capacity) achieved during the same period by a unit with identical installed capacity (supplied by the same firm viz. BHEL) at Korba Thermal Power Station (KTPS) of Madhya Pradesh Electricity Board. Electricity generated per KW of installed capacity by unit III of STPS in its best year of performance (1980-81) was 4,507 Kwh compared to 6,109 Kwh of KTPS.

The generation and other relevant data of the unit of KTPS during the three years up to 1980-81 along with the data for STPS (in bracket) for two years are indicated below :

| ..  | 1978-79 | 1979-80          | 1980-81           |
|---|---------|------------------|-------------------|
| Actual generation (in Mkw-h)                          | 690.4   | 796.5<br>(326.3) | 733.1<br>(540.97) |
| Percentage of actual generation to installed capacity | 65.7    | 75.6<br>(39.9)   | 69.7<br>(51.5)    |
| Generation (Kwh) per Kw of installed capacity         | 5773    | 6637<br>(2719)   | 6109<br>(4507)    |

- (ii) The Project Report envisaged (December 1965) that the percentage of auxiliary consumption to the total generation would be 8. Against this, the auxiliary consumption of unit III ranged from 9.3 (1979-80) to 12.7 per cent (1982-83) while that of unit IV ranged between 11.9 (1981-82) and 12.4 per cent (1982-83).

*Note* : Unit IV was commissioned on 30th March 1981 and power produced during 1980-81 was not significant.

(iii) The Rajadhyaksha Committee appointed (December 1978) by the Government of India to make a study on power, prescribed (1980) the All India average norm of plant availability as 80 per cent. As against the norm, unit III could record a percentage of 19.9 to 84.5 during the five years up to 31st March 1983, while those for unit IV were 72.4 in 1981-82 and 43.9 in 1982-83. It would be evident from the above table that the highest generation was achieved by unit III in 1980-81 when the plant availability was 82.6 per cent. But with the highest plant availability (84.5 per cent) during 1982-83, the generation (446.2 Mkw—42.4 per cent capacity utilisation) of the unit was comparatively low. The reason for lower capacity utilisation of unit III in 1982-83 was comparatively low average load of 60 MW at which it was operated during the year compared to 1980-81 when the average load was 75 MW.

Hence, although the unit III could achieve the All India norm of plant availability during 1980-81 and 1982-83, it could achieve only 51.5 and 42.4 per cent of generation of power against the norm of 70 per cent\*. Unit IV could maintain neither the norm of plant availability nor that of capacity utilisation during the two years of its operation.

8.03.3.2. As against the installed capacity of 120 MW each, the average load at which the two units were operated during the years up to 31st March 1983 was as under :

|                  | 1980-81 | 1981-82 | 1982-83 |
|------------------|---------|---------|---------|
|                  | (In Mw) |         |         |
| Unit III .. .. . | 75      | 68      | 60      |
| Unit IV .. .. .  | ..      | 70      | 76      |

There were various operational constraints due to which generation level could not be sustained. Some of these are discussed below.

(a) *Frequent outages of coal mills* : Out of 16 coal mills (each of 23.53 tonnes per hour capacity) equipped to pulverise coal to be consumed in the boilers, 4 remained as standby *i.e.*, each generating unit had one stand-by mill. But incidence of break-down of mills was so high that it was very difficult to run even three of the units simultaneously with the existing mills. The following table indicates

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\*Source : Electrical India (periodicals for June 1982) Article on Conservation in Power Section by Chief Engineer, G.S.E.B.



the very low availability of mills in respect of units III and IV since their commissioning :

| Unit   | Period  | Total yearly hours of 3 mills (since one remained as standby) | Total actual running hours of the 4 coal mills | Percentage of running hours to total yearly hours |
|--------|---|---|--|---|
|        |   | (Hours)   |  | (Per cent)  |
| III .. | 1978-79 (15.00 hrs of 6th December 1978) to 1982-83 | 2,21,454  | 48,787   | 22.0  |
| IV ..  | 1981-82 to 1982-83 .. ..                            | 52,560  | 23,351   | 44.4  |

On enquiry, it was disclosed that the reasons attributable to the break-down|failure of coal mills were, *inter alia*, (i) inferior type of coal (presence of foreign materials with coal), (ii) negligence of the operating personnel and (iii) to some extent bad|improper alignment and design of the machines|equipment.

Stock of coal itself fell short of actual requirement. In most of the months pertaining to the years 1979-80 and 1980-81 the closing balance had been shown in the monthly coal stock and consumption return as either "nil" or "soling stock". During the years 1978-79 and 1981-82 the average monthly coal stock was only 5 days' consumption which was even below the 'danger level' of seven days' consumption. During 1982-83 the average monthly stock of coal was 14 days' consumption as against the project's stock piling capacity of 30|35 days' requirement of coal.

Due to poor availability of coal and coal mills, use of oil was on the increase thereby causing overheating of tube and secondary combustion which in turn resulted in boiler tube rupture, tube leakage, lower generation and increased cost.

(b) *Poor ash pulling* : The chronic trouble in operation of the Power Station was poor ash pulling which caused erosion of induced draft fan (I.D. fan) runners increasing their vibration and reducing the I.D. fan loading, leading to restricted generation of power.

(c) *Insufficient water* : The power station receives water through 3 pipe lines from the river Damodar at a point 8 Kms away from the Power Station. The available pumping capacity of the six pumps at the intake point could not be utilised fully with the existing capacity of the pipe lines resulting in shortage of water. Shortage of raw water supply at times affected ash pulling.

A proposal for installation of 4th raw water pipe line from intake pump house to raw water storage tank at a cost of Rs.300 lakhs was not approved by the CEA, and in lieu thereof schemes for reclamation of water from the existing ash slurry pond at a cost of Rs.35 lakhs as well as erection of 2 additional raw water storage tanks at a cost of Rs.60 lakhs were recommended by the CEA. These have, however, not been implemented by the Board (December 1983).

The existing filtration plant and filter water pump house were also not sufficient to meet the filter water requirements for running all the 4 units at a time after providing for supply of filtered water to the staff colony.

#### 8.03.4. Cost of generation

The cost of generation of power in the Station was estimated in the project report (December 1965) at 7.86 paise per Kwh. The actual cost of power generated was 31.06 paise in 1981-82 and the cost of power sent out was 35.28 paise. The details of cost of power, etc., for the four years up to 31st March 1982 were as follows :

|   | 1978-79         | 1979-80         | 1980-81<br>(M kwh) | 1981-82         |
|---|-----------------|-----------------|--------------------|-----------------|
| Units generated (Mkwh) .. ..              | 1018.002        | 1151.709        | 1120.770           | 1346.650        |
| Units sent out (Mkwh) .. ..               | 909.111         | 1027.722        | 990.212            | 1185.581        |
| (Rupees in lakhs)                         |                 |                 |                    |                 |
| 1. Cost of generation—                    |                 |                 |                    |                 |
| (a) Coal and middlings .. ..              | 5,41.35         | 8,32.51         | 8,95.67            | 13,87.09        |
| (b) Fuel Oil .. ..                        | 1,56.67         | 1,37.89         | 3,06.67            | 9,39.43         |
| (c) Lubricant and other consumable stores | 8.58            | 12.00           | 22.19              | 14.82           |
| (d) Salaries and wages to staff .. ..     | 62.31           | 62.91           | 87.57              | 1,09.08         |
| 2. Maintenance .. ..                      | 60.89           | 1,39.76         | 1,23.33            | 1,59.55         |
| 3. General administration .. ..           | 64.46           | 1,02.66         | 1,62.31            | 3,99.37         |
| 4. Depreciation .. ..                     | 2,18.70         | 2,91.60         | 2,91.60            | 3,60.00         |
| 5. Interest .. ..                         | 3,64.50         | 4,86.00         | 4,86.00            | 6,00.00         |
| 6. Central excise duty .. ..              | ..              | ..              | 1,78.24            | 2,13.40         |
| <b>Total cost ..</b>                      | <b>14,77.46</b> | <b>20,65.33</b> | <b>25,53.58</b>    | <b>41,82.74</b> |

| Unit cost—                                   | (Paise per Kwh)                |                                |                                |                                |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| (i) Coal and middlings .. ..                 | 5.32<br>(5.95)                 | 7.24<br>(8.10)                 | 7.90<br>(9.05)                 | 10.30<br>(11.70)               |
| (ii) Fuel oil .. ..                          | 1.54<br>(1.73)                 | 1.19<br>(1.34)                 | 2.74<br>(3.09)                 | 6.98<br>(7.92)                 |
| (iii) Lubricants and other consumable stores | 0.08<br>(0.09)                 | 0.10<br>(0.12)                 | 0.20<br>(0.22)                 | 0.11<br>(0.13)                 |
| (iv) Salaries and wages ....                 | 0.61<br>(0.69)                 | 0.55<br>(0.61)                 | 0.78<br>(0.89)                 | 0.81<br>(0.92)                 |
| (v) Maintenance .. ..                        | 0.60<br>(0.67)                 | 1.21<br>(1.36)                 | 1.10<br>(1.24)                 | 1.18<br>(1.35)                 |
| (vi) General administration ..               | 0.63<br>(0.71)                 | 0.89<br>(1.00)                 | 1.45<br>(1.64)                 | 2.96<br>(3.38)                 |
| (vii) Depreciation .. ..                     | 2.15<br>(2.40)                 | 2.53<br>(2.84)                 | 2.60<br>(2.95)                 | 2.68<br>(3.04)                 |
| (viii) Interest .. ..                        | 3.58<br>(4.01)                 | 4.22<br>(4.73)                 | 4.33<br>(4.91)                 | 4.46<br>(5.06)                 |
| (ix) Central excise duty .. ..               | ..                             | ..                             | 1.59<br>(1.80)                 | 1.58<br>(1.80)                 |
| <b>Total</b>                                 | <b>14.51</b><br><b>(16.25)</b> | <b>17.93</b><br><b>(20.10)</b> | <b>22.78</b><br><b>(25.79)</b> | <b>81.06</b><br><b>(35.28)</b> |

The following factors may be mentioned as having contributed to the increase in operating expenses :

- (i) increase in the cost of fuel for power generation;
- (ii) excessive consumption of LDO; and
- (iii) increase in the establishment charges due to increase in pay and allowances of staff, abnormal increase in payment of overtime allowances, *etc.*

The Management had not made any cost analysis periodically and taken remedial measures to minimise at least the variable cost.

### 8.03.5. Plant operation, overhauling and outages

#### 8.03.5.1. Boilers

(i) The design of the boilers meant for units III and IV of the Power Station was made according to International Standards Organisation (ISO) code for boilers. But the Government of West Bengal, Department of Labour was not in favour of accepting boilers made to ISO code for technical and legal reasons. Moreover, the

*Note* : Figures in brackets indicate cost per unit sent out (source : cost data compiled by the Board).

Boiler Directorate could not ensure quality control of the boilers due to non-submission by the Board of necessary information called for by the Directorate. Due to this the Boiler Directorate expressed their inability to undertake the responsibility for safe operation and maintenance of the two boilers and exempted (December 1973) the boilers from the purview of the Boiler Act requiring no registration and certification and thus, the responsibility for the safety of the men, machines and property devolves on the Board.

(ii) As per the Project Report (December 1965) and also as prescribed (1975 and 1980) by different committees appointed by the Government of India, every boiler should be shut down for planned maintenance once a year. But the boiler of unit III was overhauled only once in July 1981 during 5 years of its operation. Moreover, the overhauling work took 107 days as against 28 days as contemplated in the project Report; the excess time (77 days) taken for overhauling resulted in loss of generation of power to the extent of 163.8 Mkw (based on 72 per cent load factors as assumed in the Project Report). Loss of revenue due to loss of such generation was to the extent of Rs.7,80 lakhs (based on an average revenue of 47.57 paise per Kwh received by the Board in 1981-82).

Boiler of unit IV was due to be overhauled in April 1982 but the work was actually taken up in November 1982 and took 219 days as against the norm of 28 days.

Reasons for non-adherence to the prescribed norms either in periodicity of overhauling or in completion of such work within the time fixed, had not been analysed by the Management (December 1983).

It was observed that during the five years of operation in all 6,828 generation hours were lost due to boiler trouble of unit III as against the total forced outage hours of 13,753.

### *Turbo-generators*

The suppliers of turbo-generators prescribed in their operation and maintenance manual that first overhauling of the turbo-generator (TG) should be normally done after one year of commissioning and thereafter every three or four years. But the TG set of unit III had never undergone overhauling since its commissioning (December 1978); reasons therefor were not on record. There was also nothing on record to indicate that the Board had adopted the norm, as prescribed by the supplier and communicated for compliance by the Power Station.

The first overhaul of the turbo-generator of unit IV fell due in April 1982 but was actually taken up in November 1982 and took 238 days as against 45 days prescribed (June 1975) by the Central Electricity Authority, the excess time (193 days) taken for overhaul resulted in loss of generation of power to the extent of 400.2 Mkw (revenue lost : Rs.1,902 lakhs).

Management did not investigate the reasons for the inordinate delay in completion of overhauling work of TG set for unit IV. During five years of operation the unit III sustained a loss of 1,146 generation hours due to forced outages of turbo-generator while unit IV suffered 1,102 hours on the same ground only during two years of operation.

### 8.03.5.2. Outages

The Board had not drawn up any schedule for effective plant maintenance programme and had not made arrangements for assessment of requirements and procurement of spare parts, materials and manpower for periodical maintenance of the units within the scheduled time as recommended (1980) by the Rajadhyaksha Committee; constraints faced by the Board in implementing the above recommendation had also not been analysed by them. The table below gives particulars of outages during the five years ending 1982-83 :

|                                      |          |       | 1978-79 | 1979-80 | 1980-81 | 1981-82 | 1982-83 |
|--------------------------------------|----------|-------|---------|---------|---------|---------|---------|
| Total yearly hours                   | Unit III | 2774  | 8784    | 8760    | 8760    | 8760    |         |
|                                      | Unit IV  | ..    | ..      | ..      | 8760    | 8760    |         |
| Hours lost due to outages            | Unit III | 2223  | 4895    | 1523    | 6209    | 1362    |         |
|                                      | Unit IV  | ..    | ..      | ..      | 248     | ..      |         |
| Percentage of outages to total hours | Unit III | 80.1  | 55.7    | 17.4    | 70.9    | 15.6    |         |
|                                      | Unit IV  | ..    | ..      | ..      | 27.6    | 56.0    |         |
| Hours lost due to forced outages     | Unit III | 2223  | 4895    | 1523    | 709     | 1212    |         |
|                                      | Unit IV  | (100) | (100)   | (100)   | (11.4)  | (90.0)  |         |
|                                      |          | ..    | ..      | ..      | 1265    | 1926    |         |
|                                      |          |       |         |         | (52.3)  | (30.2)  |         |
| Hours lost due to planned outages    | Unit III | ..    | ..      | ..      | 5500    | 150     |         |
|                                      | Unit IV  | ..    | ..      | ..      | (88.6)  | (11.0)  |         |
|                                      |          | ..    | ..      | ..      | 1153    | 2983    |         |
|                                      |          |       |         |         | (47.7)  | (60.8)  |         |

- (i) Percentage of outages to total hours varied widely from 15.6 to 80.1 in respect of unit III and from 27.6 to 56.0 in respect of unit IV as against the norm of 20.0 fixed (1980) by the Rajadhyaksha Committee.

Note : Figures in brackets indicate percentage to total outages

It would be noticed that there was no planned outage for scheduled maintenance in respect of unit III during 1978-79 to 1980-81 at all and the 100 *per cent* of the outages were forced. The forced outages were 52.3 and 39.2 *per cent* in case of unit IV during 1981-82 and 1982-83 respectively for which no specific reasons had been assigned by the Board.

(ii) There were in all 105 forced outages sustained both by units III and IV totalling 13,753 hours during the period from 1978-79 to 1982-83 resulting in loss of generation of 1,188.26 Mkw (based on 72 *per cent* load factor as assumed in the Project Report). The year-wise and cause-wise analysis of the forced outages is indicated below :

|   | 1978-79  | 1979-80 | 1980-81 | 1981-82 | 1982-83 |
|---|----------|---------|---------|---------|---------|
| Number of outages .. ..                         | 13       | 15      | 22      | 24      | 31      |
| Total yearly hours of units III and IV          | 2774     | 8784    | 8760    | 17520   | 17520   |
| Generation hours lost in outages                | (Hours)  |         |         |         |         |
| Cause-wise—                                     |          |         |         |         |         |
| (a) System disturbance .. ..                    | 2.75     | 3.32    | 80.52   | 4.33    | 16.51   |
| (b) Boiler failure .. ..                        | 747.49   | 4417.20 | 865.20  | 724.63  | 1227.47 |
| (c) Turbo-generator trouble .. ..               | 570.10   | 183.32  | 93.52   | 323.82  | 1077.57 |
| (d) Auxiliary failure .. ..                     | 42.37    | 119.83  | 55.86   | 196.16  | 281.36  |
| (e) Trouble in I.D. and F.D. fan .. ..          | 2.30     | 5.00    | 17.32   | 84.13   | 208.58  |
| (f) Other causes .. ..                          | 858.05   | 166.35  | 410.68  | 641.12  | 326.37  |
| Total .. ..                                     | 2,223.06 | 4895.02 | 1523.10 | 1974.19 | 3137.86 |
| (g) Percentage of forced outages to total hours | 80.1     | 55.7    | 17.4    | 11.3    | 17.9    |

There was nothing on record to indicate that the Management had analysed the factors responsible for these failures and undertaken suitable preventive maintenance programme to contain the same.

### 8.03.6. Coal

(i) The Project Report envisaged the total coal requirement of 1.6 million tonnes for 4×120 MW units of the Power Station consisting of 25 *per cent* middlings from Bhojudih Coal-Washery and balance 75 *per cent* being coal/middlings from Bengal/Bihar area. Coal is

allocated to the Power Station by the Linkage Committee of the Ministry of Energy, Government of India, on the basis of which the Coal India Limited (CIL) supplies coal to the Power Station and middlings are supplied by Bharat Coking Coal Limited (BCCL).

(ii) Middlings were to be received directly from Bhojudih Coal Washery by means of a conveyor system (plant cost : Rs.20.71 lakhs) with 150 tonnes per hour capacity which was due to be commissioned by January 1974 but had not been installed up to December 1983. The conveyor system had since been abandoned due to insufficient quantity of middlings available from the washery. During the last three years ending 1982-83 the Power Station on an average received only 40,000 tonnes of middlings per annum from the washery as against 6 lakh tonnes envisaged in the Project Report. As per the Management the conveyor equipment procured in 1973 was lying in the open yard near the coal handling plant and getting damaged gradually (December 1983).

From November 1979 to May 1983 the Board paid an amount of Rs.26.12 lakhs for transportation by road of middlings (14,227 tonnes) from Bhojudih Coal Washery.

(iii) Coal transported by rail was not being weighed physically in the Power Station due to break-down (since August 1978) of the weigh-bridge attached to the first wagon tippler (installed in January 1974). The second weigh-bridge attached to the second wagon tippler had not yet been commissioned (December 1983). Remedial action taken to reinstall the weigh-bridge was not on record. Receipt of coal was recorded as per RR weight irrespective of quantities lost in transit and consumption was also recorded on estimated basis without weighing. Physical verification of stock of coal had not been conducted during the period from 1978-79 to 1982-83 nor any reconciliation between the book balances and ground balances was done.

(iv) The consumption of coal per Kwh of energy generated was estimated in the Project Report at 0.57 kg. The actual consumption was 0.55 kg (1978-79 to 1980-81) and 0.54 kg (1981-82 to 1982-83) per Kwh of power generated during the five years 1978-79 to 1982-83. There was, however, excess consumption of light diesel oil (LDO) during these years as mentioned in paragraph 8.03.7. *infra*.

(v) The steam generators were designed to use coal with ash content up to 45 per cent. The range of calorific value of coal with stipulations as to moisture, ash content, size, etc., was specified and mutually agreed (July and October 1975) upon by the Eastern Coal-

fields Limited (ECL) and the Board. The calorific value (gross) at 60 *per cent* relative humidity and 40°C temperature of different grades of coal for no bonus|penalty range was as follows :

| Grade of coal        | Range of calorific value |
|----------------------|--------------------------|
| Selected 'B' .. .. . | 3200 ± 300 K cal/kg      |
| Grade I .. .. .      | 6000 ± 300 K cal/kg      |
| Grade II .. .. .     | 5000 ± 300 K cal/kg      |

If the monthly weighted gross calorific value exceeded|dropped below the parameter indicated above for different grades, bonus|penalty at the rate of 81 paise per 100 Kcal was leviable.

It was further agreed that if the ash percentage exceeds 40 *per cent*, an additional penalty of Rs.3 per tonne will be payable by ECL over and above the penalty for lower calorific value.

It was also agreed that if the quantity of oversize coal (*plus 8 inches in size*) exceeded 4 *per cent* (rake-wise), a breaking charge at the rate of Re.1 per tonne was reimbursible on the quantity of oversize coal exceeding 4 *per cent* on each rake.

The quality of coal actually supplied entitled the Board to levy penalty for the adverse variation in calorific value, ash content, size *etc.*, from October 1975. The Board periodically levied penalty for the period from August 1976 (instead of October 1975) to 1982-83 aggregating Rs.63.91 lakhs against which it had realised only Rs.4.40 lakhs.

(vi) The direct coal conveyor system from Bhojudih Coal Washery was abandoned as mentioned earlier in paragraph 8.03.6(ii). But at the same time augmentation of railway tracks for handling increased number of wagons had not been made. The two wagon-tippers cannot also be operated simultaneously. On an average due to limitations in railway tracks and bottlenecks in operation of two wagon-tippers the present unloading capacity is only about 40|45 wagons daily. But to maintain the optimum level of generation on an average 60|70 wagons of coal have to be unloaded with 50 tonnes of coal per wagon. Due to poor rate of unloading the Power Station had to incur a heavy amount of demurrage in addition to shortfall in generation.

During the period from July 1978 to March 1983 the Railways claimed Rs.2,51.47 lakhs as demurrage. The Management accepted Rs.36.61 lakhs as the actual demurrage charges without analysing the reasons therefor and refuted the balance claims of Rs.2,14.86



lakhs on various grounds, *i.e.*, wrong billing, bunching of rakes, derailments, loco and plant troubles, inclement weather, labour trouble, oversize coal *etc.*

The disputed claim of Rs.2,14.86 lakhs were, however, settled for Rs.58.07 lakhs in the joint meetings held from time to time up to September 1983. Rs.66.74 lakhs were paid to the Railways (January 1981 and March 1983). The balance of Rs.27.94 lakhs is yet to be released (December 1983).

It was observed in audit that the entire demurrage charges of Rs.94.68 lakhs could have been avoided had the Management taken timely action to remove all the limitations as pointed out above.

A proposal for extension of marshalling yard at a cost of Rs.1.86 lakhs as included in the Renovation Scheme of the Project had been accepted (April 1983) by the CEA. But no action had been taken to remove the bottlenecks in the operation of the two wagon-tippers simultaneously (February 1984).

(vii) *Oversize coal*: Substantial quantity of oversize coal received from collieries caused, *inter alia*, excess maintenance cost, demurrage charges *etc.*, as would be evident from the following table :

| Particulars  | 1979-80<br>(From<br>July<br>1979) | 1980-81            | 1981-82<br>(In tonnes) | 1982-83 | Total  |
|--|-----------------------------------|--------------------|------------------------|---------|--------|
| (i) Quantity of oversize coal ..   | 10,450                            | 8,812              | 12,139                 | 19,500  | 50,901 |
|  |                                   | (Rupees in lakhs)  |                        |         |        |
| (ii) Breaking charges ..   | 1.39                              | 1.78               | 2.07                   | 2.11    | 7.35   |
|  |                                   | (Rupees per tonne) |                        |         |        |
| Total average per tonne ..   | 13.30                             | 20.20              | 17.10                  | 10.80   | ..     |
|  |                                   | (Rupees in lakhs)  |                        |         |        |
| (iii) Demurrage charges paid due to belated release of coal wagons which was in turn due to existence of oversize coal | N.A.                              | N.A.               | 7.63                   | 1.00    | 8.63   |
| Total expenditure due to existence of oversize coal  | 1.39                              | 1.78               | 9.70                   | 3.11    | 15.98  |

As against the average rate of Rs.10.80 per tonne to Rs.20.20 per tonne incurred towards breaking charges, the Power Station levied penalty on the collieries at the rate of Re.1 per tonne during the period from July 1979 to 31st March 1983 amounting to Rs.0.43 lakh as provided in the agreement. Particulars of realisation were, however, not on record. No revision in regard to rate of recovery of penalty fixed in 1975 had been made so far (June 1983).

(viii) A wagon-tippler had been installed during January 1974 as part of the coal handling plant for handling coal mechanically. But due to frequent breakdown of different parts of the coal handling plant including the wagon tippler, manual handling of coal had to be resorted to from time to time. It continued even after the second tippler was commissioned in November 1980 because of limitation in operation of the two tipplers together [vide paragraph 8.03.6. (vi) *supra*] as well as under-utilisation of the individual tippler caused by the presence of hard stones, shales, oversize coal *etc.*

### 8.03.7. Oil

8.03.7.1. Light diesel oil (LDO) is meant to be consumed in the boiler as secondary fuel. However due to low consumption of coal in the boiler [lower than stipulated in the Project Report *vide* paragraph 8.03.6. (iv) *supra*] LDO was also used as a primary fuel intermittently. No standard for consumption of LDO has been fixed by the Management or by the Manufacturer of the boiler. The following table indicates the power generated and light diesel oil and coal actually consumed in all the available units of the Power Station during 1981-82 and 1982-83 against the quantity that should have been consumed at the level of average consumption during the years 1978-79 to 1980-81 :

|   | 1981-82           |                 | 1982-83   |              |
|---|-------------------|-----------------|-----------|--------------|
|   | LDO (Kl)          | Coal (tonne)    | LDO (Kl)  | Coal (tonne) |
| Total generation (Mkwh) ..  | 1340.65           |                 | 1276.49   |              |
| 2. Total consumption of LDO/Coal ..   | 34720.224         | 732761          | 33368.000 | 687497       |
| 3. Consumption of LDO/Coal per Mkwh generated   | 25.78             | 540             | 26.14     | 540          |
| Requirement of LDO/Coal during 1981-82 and 1982-83 at the rate of 11.24 Kl of LDO and 550 tonnes of coal (average of previous three years 1978-81 (Kl/tonne)                          | 15136             | 740658          | 14348     | 702070       |
| 5. Excess (+) consumption of LDO and Less (-) consumption of coal during 1981-82 and 1982-83 (Kl/tonne)   | (+)19584          | (-)7897         | (+)19020  | (-)14573     |
|   | (Rupees in lakhs) |                 |           |              |
| 6. Value of LDO consumed excess at the rate of Rs. 3146.30 per Kl and coal consumed less at the rate of Rs. 189.30 per tonne (rate as per cost data of 1981-82 prepared by the Board) | 616.17            | 14.95           | 598.43    | 27.59        |
| Not extra expenditure incurred due to excess consumption of LDO (value of LDO consumed in excess minus value of reduced coal consumed)  | 601.22            | .. (Percentage) | 570.84    | ..           |
| 3. Excess (+)/Less (-) consumption of LDO/Coal per Mkwh of power generated over the average consumption of previous three years (1978-79 to 1980-81)                                  | (+)129.4          | (-)1.8          | (+)132.6  | (-)1.8       |

Consumption of LDO was 129.4 *per cent* (1981-82) and 132.6 *per cent* (1982-83) more than the average of the preceeding three years, whereas the savings in coal was only 1.8 *per cent* in both the year. It is further observed that though savings in coal remained constant during 1981-82 and 1982-83, the excess consumption of LDO registered an increase of 3 *per cent* during 1982-83.

The excess consumption of LDO and less consumption of coal as compared to the level of 1978-79 to 1980-81 on the generation during the next two years up to 1982-83 amounted to 38,604 Kl while the saving in coal was only 22,470 tonnes. The value of excess consumption of LDO comes to Rs.12,14.60 lakhs and the value of savings in coal Rs.42.54 lakhs. Thus the Board incurred an extra expenditure of Rs.11,72.06 lakhs due to excess consumption of LDO during 1981-82 and 1982-83.

The Board has not, however, investigated the reasons for the excess consumption of LDO to take remedial action (December 1983).

8.03.7.2. High viscosity furnace oil (HFO) is to be used for initial start up and stabilisation of the power plant when it is run on low loads. Though the Power Station is equipped with additional heating appliances (completed in March 1978) required to receive HFO, LDO which is scarce and more costly, is being used as it was not possible to heat the oil to the required degree before being decanted from railway tankers which did not have heating arrangement. However, there was no record to show that the matter had been taken up with the Railway authorities for making heating arrangement in the railway tankers.

If HFO had been consumed in *lieu* of LDO, a saving of about Rs.34.67 lakhs could have been achieved during the period from 1978-79 to 1982-83.

### 8.03.8 Ash handling system

An order was placed in July 1971 on a firm of Calcutta for design, manufacture, supply, transportation at site, installation and commissioning of the ash handling plant on turnkey basis at a cost of Rs.96.96 lakhs. It was to be completed by December 1973 to meet the requirement of handling of ash arising in units III and IV, mechanically. The plant was, however, taken over by the Board in June 1982 in a defective and incomplete condition. The materials used for fabrication of the plant were of very poor quality resulting in a series of defects and deficiencies *ab initio* in the system due to which ash pulling was insufficient. This, in turn, caused erosion of

induced draft fan (I.D. fan) runners entailing increased cost in repairs and replacement of the same and restriction in generation apart from increasing other maintenance costs.

(i) There was nothing on record to indicate that the Management had analysed the extent of loss in generation sustained by it due to malfunctioning of the system.

It was, however, observed in audit that expenditure of Rs.1.53 lakhs had been incurred by the Management during January 1982 to December 1983, towards manual emptying of hoppers and removal of ash therefrom necessitated due to unsatisfactory performance of the ash handling system.

The total cost involved in repairs and replacement of runners could not, however, be ascertained in audit owing to non-availability of relevant records.

Reasons for taking over the defective plant and action taken, if any, against the contractor had not been intimated by the Management when called for in audit.

A sum of Rs.89.81 lakhs were paid to the contractor up to October 1983, pending finalisation of the claims.

(ii) The contractor, however, while repudiating (March 1983) his responsibility, stated, *inter alia*, that the material supplied by them ten years ago, were as per tender specification of the Board. Malfunctioning of the system was primarily due to poor maintenance of the plant by the Management.

The contractor suggested (June 1982) use of better material for gradual replacement of existing plant and equipment towards improvement of performance of the plant.

The Board approached (April 1983) the CEA for the revamping of the ash handling system at an estimated cost of Rs.80 lakhs; the CEA agreed (April 1983) to the proposal for an estimated cost of Rs.48 lakhs. Further developments are awaited (December 1983).

(iii) While handing over the plant to the Board, the contractor could complete 3.18 km<sup>2</sup> ash slurry pipes with accessories against 5 km<sup>2</sup> as ordered for (July 1971) in respect of units III and IV. It was observed in audit that for units I and II also the contractor could lay only 3.15 km<sup>2</sup> slurry pipes with accessories as against 5 km<sup>2</sup>, as ordered for November 1979. The contributing factors for non-completion of total slurry lines were (a) inability of the Management

to submit complete lay-out drawing and (b) non-construction of required second and third ash ponds up to which total 10 km $\frac{1}{2}$  pipe lines and accessories were to be laid.

The contractor, however, had procured materials and accessories for 10 km $\frac{1}{2}$  ash slurry pipe line for the 4 units. Balance materials intended for total 3.67 km $\frac{1}{2}$  slurry line and accessories valued at Rs.15.78 lakhs remained with the contractor (December 1983) although payments to the firm were made in August 1980.

In April 1983, the Board decided in consultation with the CEA that reclamation of water from the existing ash slurry pond at an estimated cost of Rs.35 lakhs would be taken up to meet the present water scarcity at the plant against its earlier decision to construct two more ash ponds with associated ash slurry lines for stable generation.

Meanwhile materials (pipe with accessories) valued at Rs.15.78 lakhs are lying with the contractor.

#### 8.03.9. Manpower

(i) The Project Report (1965) did not indicate the estimated manpower requirement. The Board did not also evolve any yardstick for engagement of staff based on detailed work studies. The sanctioned strength and actual staff in position *vis a vis* the generation

of power at the station during the period 1980-81 to 1982-83 was as follows :

| Year    | Construction set-up<br>(units I to IV) |                    | Operation set-up<br>(units I to IV) |                    | Total<br>strength | Actual<br>men in<br>position | Generation<br>(Mkwh) | Generation<br>per employee |      |         |      |
|---------|--|--------------------|-------------------------------------|--------------------|-------------------|------------------------------|----------------------|----------------------------|------|---------|------|
|         | Sanctioned<br>strength                 | Actual<br>strength | Sanctioned<br>strength              | Actual<br>strength |                   |                              |                      |                            |      |         |      |
| 1980-81 | ..                                     | ..                 | ..                                  | 443                | 323               | 1834                         | 1318                 | 2277                       | 1641 | 1120.77 | 0.85 |
| 1981-82 | ..                                     | ..                 | ..                                  | 397                | 266               | 1995                         | 1513                 | 2392                       | 1779 | 1346.65 | 0.89 |
| 1982-83 | ..                                     | ..                 | ..                                  | 400                | 273               | 2061                         | 1534                 | 2461                       | 1807 | 1276.49 | 0.83 |

Norm for generation per employee had not been fixed by the Management due to which the efficiency of performance could not be evaluated. An analysis of *per capita* generation in other projects of the Board indicated that the achievement of units I to IV of the project was comparatively low (0.83 Mkwh per employee in 1982-83) as compared to Bandel Thermal Power Station in which the *per capita* generation was 1.04 during 1982-83. Management did not conduct any investigation into the causes of low *per capita* generation in the project.

(ii) During the construction of the power project, construction allowance was paid to the staff by the Board. As the entire project was completed with the commissioning of the unit IV in March 1981 the payment of construction allowance should have been stopped. The Board, however, continued to pay the allowance and paid Rs.47.17 lakhs to the staff during April 1981 to March 1983. The circumstances under which construction allowances had been continued to be paid after 31st March 1981 were not on record.

(iii) Moreover, 152 contractor's labour of different categories were kept under construction set up and only in July 1983 all of them (except 7) were transferred to different operation and maintenance wings of the Project. Thus due to non-releasing of contractor's labour even after the completion of the entire project, the Board had to incur an expenditure of Rs.42.61 lakhs which could have been avoided had the contractor's labour been released immediately after the completion of the project in March 1981.

(iv) The extent of overtime allowance paid to the staff of the plant during the period from 1977-78 to 1982-83 was as follows :

| Year     | Pay of staff      | Overtime allowance | Percentage of overtime allowance to pay of staff |
|----------|-------------------|--------------------|--|
|          | (Rupees in lakhs) |                    |  |
| 1977-78  | 30.05             | 29.91              | 99.5   |
| 1978-79  | 27.75             | 25.89              | 93.3   |
| 1979-80  | 60.13             | 58.78              | 97.8   |
| 1980-81  | 83.62             | 54.29              | 64.9   |
| 1981-82  | 94.11             | 82.26              | 87.4   |
| 1982-83* | 96.62             | 102.50             | 105.9  |

A review of 27 individual cases of overtime payment during 1982-83 indicated that in all these cases overtime allowance was 103.2

\*Provisional

to 342.6 *per cent* of the pay and allowance earned by the staff concerned. Test check revealed (1978-79 to 1982-83) that overtime allowed to an individual in a quarter ranged from 120 hours to 700 hours in violation of the provisions of Section 64(4) (iii) of the Factories Act, 1948, according to which total number of hours of overtime should not exceed seventy-five for any quarter.

### 8.03.10. Purchase and inventory control

8.03.10.1. The Chief Engineer of the Project had been delegated with powers by the Board to make purchase up to a limit of Rs.5 lakhs in each case, subject to provision in the budget and observance of other formalities, purchases over this limit are required to be approved by the Tender Committee of the Board. It was observed in audit that purchases had been made piecemeal as and when indents were received from different departments of the Power Station as there was no procedure for consolidating indents periodically with a view to making bulk purchases. There was no system of timely and proper inspection, preferring claims for non-receipt or short-receipt, or receipt of materials in damaged condition *etc.* These aspects are discussed in the succeeding paragraphs.

#### (i) *Delay in placing purchase order*

Bharat Heavy Electricals Limited (BHEL) quoted (5th December 1979) a rate of Rs.15.05 lakhs for supply of spare parts of 120 MW turbo-generator sets installed at the Project. Though these spare parts were proprietary items and the Board had no choice, it failed to issue the purchase order within the period of validity of the offer, *viz.*, January 1980. In the meantime, the firm increased the rate of spare parts by 25 *per cent* and on receipt of order on 25th June 1980 from the Board, it refused (July 1980) to supply the spare parts at its quoted price and requested for the increased price. Ultimately, the purchase was made at the revised price of Rs.18.81 lakhs (revised supply order placed on 29th August 1980). Delay in taking the decision, thus, resulted in an extra expenditure of Rs.3.63 lakhs (including taxes) on spares valuing Rs.15.95 lakhs supplied during the period from January 1981 to March 1984.

#### (ii) *Delay in preferring claims*

As per Section 78B of the Indian Railways Act, 1961 a claim for non-receipt, short-receipt or receipt of materials in damaged condition transported by the Railways is required to be lodged with the Railways within six months from the date of booking.



During August 1979 to October 1980, the project authorities failed to lodge 8 cases of claims aggregating Rs.1.77 lakhs within six months as required. Therefore, the Railways rejected the claims on the ground that these were time-barred. It was observed that the claim could not be lodged in time due to lack of co-ordination between different wings of the Project.

**(iii) Inventory control**

The position of receipts, issue and closing balance of stores during the four years ending 31st March 1982 was as below :

| Year              | Opening stock | Receipt  | Total    | Issue    | Closing stock | Closing stock in terms of months' consumption |
|-------------------|---------------|----------|----------|----------|---------------|---|
| (Rupees in lakhs) |               |          |          |          |               |   |
| 1978-79 ..        | 1,17.92       | 7,51.00  | 8,68.92  | 8,09.55  | 59.37         | 0.88  |
| 1979-80 ..        | 59.37         | 8,71.04  | 9,30.41  | 9,24.01  | 6.40          | 0.08  |
| 1980-81 ..        | 6.40          | 14,11.39 | 14,17.79 | 12,54.92 | 1,62.87       | 1.56  |
| 1981-82 ..        | 1,32.79*      | 24,02.15 | 25,34.94 | 24,81.16 | 53.78         | 0.26  |

A test check of the system of store keeping and accounting revealed the following deficiencies :

- (a) Ordering levels for stores and spare parts had not been fixed in order to exercise control over the holding of these items.
- (b) Stores materials accounts had not been standardised and codified to facilitate effective control of inventory.
- (c) Slow-moving and non-moving items of stores had not been assessed in order to take action to dispose of them.
- (d) Priced stock ledgers for the four years up to 1982-83 had not been completed in all respects and as a result, reconciliation of the balances of different stores items as per quantitative store ledgers and that as per priced stock ledgers had not been done.

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\*After stores suspense adjustment of Rs. 80.08 lakhs.

### 8.03.10.2. Shortage of high speed diesel (HSD) oil and petrol

Shortage with reference to the book balances noticed during physical verification of HSD and petrol at Board's petrol depot at the Power Station during April 1981 and July 1982 are shown below :

| Particulars | Date of verification | Total of opening stock and receipt                 | Total shortages (percentage) | Loss by evaporation and handling (as per norm) | Shortage in excess of norm | Rate per litre (on the date of physical verification) | Value    |
|-------------|----------------------|--|------------------------------|--|----------------------------|---|----------|
|             |                      |  | (Litres)                     |  |                            |   | (Rupees) |
| (a) Petrol  | .. 24th April 1981   | 1421937.00 (From 1968 to 24th April 1981)          | 19848.00 (1.4)               | 14219.00                                       | 5629.00                    | 5.55  | 31,242   |
|             | 20th July 1982       | 181806.00 (From 25th April 1981 to 20th July 1982) | 20965 (11.5)                 | 1818.06  | 19146.94                   | 6.15  | 1,17,754 |
| (b) HSD.    | .. 24th April 1981   | 1396600.00 (From 1968 to 24th April 1981)          | 13178 (0.9)                  | 6982.00  | 6196.00                    | 2.66  | 16,481   |
|             | 20th July 1982       | 385666.00 (From 25th April 1981 to 20th July 1982) | 41111 (10.7)                 | 1928.34  | 39182.66                   | 3.03  | 1,18,723 |
|             |                      |  |                              |  |                            | Total ..  | 2,84,199 |

The norms for loss due to evaporation were fixed by the Board at 1 per cent in case of petrol and 0.5 per cent in case of HSD. There was a shortage of 24,775.94 litres of petrol and 45,378.66 litres of diesel oil in excess of the norms fixed by the Board, the value of which aggregated Rs.2.84 lakhs. The total shortages of petrol and diesel have been accounted for under stores adjustment accounts and not written off under the orders of competent authority. The reasons for shortages were not investigated and responsibility fixed (July 1983).

### 8.03.10.3. *Renovation scheme*

The STPS was originally designed to generate 2,795 Mkw of electricity after the last unit was commissioned in March 1981 with an annual average operation load factor of 72 per cent. But the actual generation was only 1,347 Mkw in 1981-82. The anticipated generation level could not be achieved due to frequent outages of coal mills, boilers, and other auxiliaries on account of troubles and deficiency in certain areas. A renovation scheme was projected (April 1983) to be completed within a period of 24 months. Completion of renovation of the Power Station is expected to make available an additional 2.3 Mkw of energy per day which is equivalent to 180 Mw of additional installed capacity at 65 per cent load factor.

In the meeting held on 15th and 16th April 1983 CEA agreed to the total cost of renovation as Rs.11.56 crores (excepting consultancy, contingencies, establishment and some other charges) against Rs.16.66 crores proposed by the Board. Approval of the Planning Commission was awaited (October 1983).

### 8.03.11. **Other points of interest**

#### 8.03.11.1. *Non-erection of electrostatic precipitators*

An order was issued (October 1974) to a firm of Bombay for manufacture, supply, etc., of two electrostatic precipitators valued at Rs.99.94 lakhs for units I and II as well as two combination mechanical dust collector—electrostatic precipitators (ESP) valued at Rs.1,38.80 lakhs for units III and IV to be completed within 30 months from the date of issue of the letter of intent (September 1974). In this connection the following was observed :

- (i) The firm completed delivery, although belatedly, of the materials of units I and II in August 1980 and those of units III and IV in August 1978. The delay was due to the inability of the Management to release initial advance to the firm in time.

A sum of Rs.2,46.14 lakhs (including Rs.16.23 lakhs being the escalation charges) have been paid to the contractor so far (December 1983). Balance 5 *per cent* (Rs.5.00 lakhs) pertaining to units I and II is yet to be paid (December 1983).

- (ii) Records revealed that erection of FSPs for units III and IV was made in April 1980. A sum of Rs.2.40 lakhs was paid to the supplier of the equipment as supervision charges for erection and commissioning of the units. Payment made to a firm of Calcutta for supply of labour (both skilled and unskilled) for this erection work could not be ascertained for want of records. Erection of ESP for units I and II is still to be made (December 1983).

It was observed in audit that there was no advance planning in procurement and erection of the equipment to match the commissioning of units I and II (January 1974 and August 1975) as the order for procurement of the equipment was issued only in October 1974.

Non-erection of ESP resulted in non-erection of additional ash handling equipment procured at a cost of Rs.3.40 lakhs from a Calcutta firm during April 1977 to January 1979 and also affected the I.D. fans runners from fly ash erosion thereby increasing the maintenance cost and also caused environmental pollution.

- (iii) Records also revealed that the ESP equipment procured during August 1977 to August 1980 for units I and II are lying within and outside the plant area. To sort out the materials, Management arranged (May 1983) a joint inspection of the equipment with the supplier but the same had not materialised so far (December 1983).
- (iv) The Board approached (April 1983) the CEA with a proposal for installation of ESP for units I and II at a cost of Rs.1.55 lakhs. The total sum of Rs.1.55 lakhs included a sum of Rs.85 lakhs for the cost of supply and transportation of damaged and missing items as well as price escalation. But during discussion with the CEA, the Board clarified that only a part of the material had been received in the stores and the provision of Rs.85 lakhs was for the balance payment for the items yet to be supplied.

The reasons assigned by the Board for the provision of Rs.85 lakhs in two different contracts appeared to be contradictory. The Board had prepared the estimate without completing inspection, assessment and accountal in the stores of the equipment supplied by the firm in full during August 1977 and August 1980 and for which it had paid 95 per cent of the value to the supplier. CEA had, however, agreed to the proposal in *toto*.

#### 8.03.11.2. *Over-run compensation*

An order was placed (21st July 1977) by the Board on a firm of Bombay for erection, testing, commissioning of electrical equipment and erection of cable trays and cabling for units III and IV of the Project at a total cost of Rs.14.18 lakhs. As per clause 8 of the order, the firm was entitled to get over-run compensation of Rs.6,000 per month on account of idle labour and maintenance of establishment at site for the period of such delay beyond the date of completion period occasioned by any lapse on the part of the Board. The date of completion stipulated was sixteen months from the date of issue (31st March 1977) of letter of intent and a grace period of two months was also provided. The work could not be completed within the stipulated period by the contractor due to non-availability of site and non-availability of power and control cables. The site could not be made over to the contractor reportedly due to non-completion of civil construction work, *viz.*, erection of various motors, pumps, switchgears, *etc.*, and the power and control cables purchased (November 1976) from three firms had been found defective and their replacement took 18 months. The contractor claimed over-run compensation of Rs.1.86 lakhs for extension of the work by 31 months, beyond 30th September 1978 (the cut off date of completion). The Board negotiated with the contractor and settled the claim by paying Rs.0.88 lakh.

#### 8.03.11.3. *Rent and electricity charges*

As per the terms of contract with various contractors, accommodation and power for construction were required to be made available against payment. Accommodation was provided and electricity supplied to different contractors during the construction period of the project but no rent or electricity charges were recovered from them. The total outstanding amount in this respect from 1969 to June 1983 worked out in audit was Rs.15.20 lakhs (rent : Rs.7.66 lakhs and electricity charges : Rs.7.54 lakhs).

In many cases bills towards rent for accommodation and electricity supplied were not raised at all since 1969. Reasons for non-realisation of these claims were not on record.

#### 8.03.11.4. *Discrepancy in cash*

Instances of several serious irregularities including suspected defalcation of cash, tampering of records, misappropriation of Board's money and a discrepancy of over Rs.4.41 lakhs in the cash balance of the project were noticed by the Internal Audit Wing of the Board. A departmental committee, appointed by the Secretary of the Board, for investigation of those irregularities and for fixation of responsibility and follow-up action thereon was required to submit its report by September 1981. Detailed records in respect of this were not produced to Audit. The Board stated (July 1983), *inter alia*, that since the matter had been taken up by the High Power Committee, no report had been lodged with the police.

#### 8.04. Purchase and consumption of fuel

8.04.1. The Board has different categories of power stations, *viz.*, thermal, hydel and diesel, apart from gas turbines which require different types of fuel.

The following table summarises the generating capacity of the power stations as on 31st March 1983 :

| Category of power stations |    |    |    | Number<br>of power<br>stations | Installed<br>capacity | Derated<br>capacity<br>(provisional) | Firm capa-<br>city (pro-<br>visional) |
|----------------------------|----|----|----|--------------------------------|-----------------------|--------------------------------------|---------------------------------------|
| (In Mw)                    |    |    |    |                                |                       |                                      |                                       |
| (i) Thermal                | .. | .. | .. | 3                              | 1,055.00              | 1,024.0                              | 704.5                                 |
| (ii) Hydel                 | .. | .. | .. | 7                              | 38.51                 | 37.4                                 | 25.2                                  |
| (iii) Diesel               | .. | .. | .. | 18                             | 25.95                 | 20.0                                 | 17.0                                  |
| Total (i) to (iii)         |    |    |    | ..                             | 1,119.46              | 1,081.4                              | 746.7                                 |
| (iv) Gas turbines          | .. | .. | .. | 3                              | 100.00                | 100.0                                | 100.0                                 |

The above table shows that the generation of power by the Board mainly depended on thermal power stations which accounted for over 83 *per cent* of firm capacity.

#### 8.04.2. Operation and maintenance expenditure *vis-a-vis* cost of fuel

The following table shows the position of operation and maintenance expenditure *vis a vis* cost of fuel consumed in different

types of generating units during 1979-80 to 1981-82. (The annual accounts for the year 1982-83 are in arrears.

|  | 1979-80           | 1980-81  | 1981-82  |
|--|-------------------|----------|----------|
|  | (Rupees in lakhs) |          |          |
| (1) Cost of fuel for—  |                   |          |          |
| Thermal generation .. ..   | 21,55.38          | 27,92.54 | 41,48.02 |
| Internal combustion* .. ..   | 7,33.13           | 15,80.13 | 24,00.01 |
| Hydel generation .. ..   | Nil               | Nil      | Nil      |
| (2) Operation and maintenance expenditure for—   |                   |          |          |
| Thermal generation .. ..   | 31,52.81          | 39,11.22 | 55,83.35 |
| Internal combustion* .. ..   | 7,95.57           | 16,78.36 | 25,48.64 |
| Hydel generation .. ..   | 1,12.77           | 1,10.22  | 1,36.10  |
| (3) Total cost of generation in—   |                   |          |          |
| Thermal power .. ..  | 48,65.70          | 59,83.16 | 78,66.88 |
| Internal combustion* .. ..   | 8,60.92           | 19,17.64 | 27,94.88 |
| Hydel generation .. ..   | 2,04.36           | 2,25.85  | 2,66.41  |
|  | (Per cent)        |          |          |
| (4) Percentage of cost of fuel to total cost of generation—                                  |                   |          |          |
| Thermal .. ..  | 44.3              | 46.7     | 52.7     |
| Internal combustion* .. ..   | 85.2              | 82.4     | 85.8     |
| (5) Percentage of cost of operation and maintenance expenditure to total cost of generation— |                   |          |          |
| Thermal generation .. ..   | 64.8              | 65.4     | 71.0     |
| Internal combustion* .. ..   | 92.4              | 87.5     | 91.1     |
| Hydel generation .. ..   | 55.2              | 48.8     | 51.1     |

### 8.04.3. Thermal units

#### 8.04.3.1. Procedure for purchase of fuel

(i) Coal : Coal is procured by the Board from Eastern Coalfields Limited (ECL), a Government of India undertaking. Quantity of coal to be supplied to the power stations of the Board is fixed through the Linkage Committee of the Ministry of Energy, 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 Coalfields Limited (ECL) Coal Mines Authority Limited (CMAL), Coal India Limited (CIL). Coal is received in the powerhouse through rail from collieries of ECL.

\*Diesel generating sets and gas turbines.

(ii) Oil : Oil is procured from Indian Oil Corporation Limited (IOC). There is, however, no standing contract in this regard. The thermal stations intimate to Central Electricity Authority (CEA) their periodical requirements of oil. The latter recommends the allocation of oil to IOC for supply.

#### 8.04.3.2. Consumption of fuel

The following table shows the performance of the thermal units *vis a vis*, consumption of fuel during the three years up to 1982-83 :

|  | 1980-81           | 1981-82         | 1982-83<br>(Provisional) |
|--|-------------------|-----------------|--------------------------|
|  | (In MkwH)         |                 |                          |
| <b>1. Power generated—</b>   |                   |                 |                          |
| (a) Bandel .. .. .   | 1,687.82          | 1,512.39        | 1,611.55                 |
| (b) Santaldih .. .. .  | 1,120.77          | 1,346.65        | 1,276.49                 |
| (c) Gouripur .. .. .   | 47.53             | 38.69           | 43.07*                   |
| <b>Total .. .. .</b>   | <b>2,856.12</b>   | <b>2,897.73</b> | <b>2,931.11</b>          |
|  | (In lakhs tonnes) |                 |                          |
| <b>2. Consumption of coal—</b>                                     |                   |                 |                          |
| (a) Bandel .. .. .   | 7.95              | 7.08            | 7.75                     |
| (b) Santaldih .. .. .  | 6.09              | 7.33            | 6.87                     |
| (c) Gouripur .. .. .   | 0.59              | 0.53            | 0.55                     |
| <b>Total .. .. .</b>   | <b>14.63</b>      | <b>14.94</b>    | <b>15.17</b>             |
|  | (Kg/Kwh)          |                 |                          |
| <b>3. Average consumption of coal per unit of power generated—</b> |                   |                 |                          |
| (a) Bandel .. .. .   | 0.47              | 0.47            | 0.48                     |
| (b) Santaldih .. .. .  | 0.54              | 0.54            | 0.54                     |
| (c) Gouripur .. .. .   | 1.24              | 1.37            | 1.28                     |
|  | (Kilolitres)      |                 |                          |
| <b>4. Consumption of LDO by thermal units—</b>                     |                   |                 |                          |
| (a) Bandel .. .. .   | 12,151.65         | 11,282.80       | 17,050.16                |
| (b) Santaldih .. .. .  | 15,810.01         | 34,720.22       | 33,368.00                |

\*Excludes 45.20 MkwH generated during initial run period from 26th November 1982 to 22nd March 1983.



|  | 1980-81           | 1981-82         | 1982-83         |
|--|-------------------|-----------------|-----------------|
|  | (Kilolitres/Mkwh) |                 |                 |
| <b>5. Average consumption of LDO by thermal units—</b> |                   |                 |                 |
| (a) Bandel .. .. .                                     | 7.20              | 7.46            | 10.58           |
| (b) Santaldih .. .. .                                  | 14.11             | 25.78           | 26.14           |
| (c) Gouripur .. .. .                                   | ..                | ..              | ..              |
|  | (Kilolitres)      |                 |                 |
| <b>6. Consumption of furnace oil—</b>                  |                   |                 |                 |
| (a) Santaldih .. .. .                                  | 1,570.0           | 556.0           | Nil             |
| (b) Bandel .. .. .                                     | Nil               | Nil             | Nil             |
| (c) Gouripur .. .. .                                   | ..                | ..              | ..              |
|  | (Rupees in lakhs) |                 |                 |
| <b>7. Cost of fuel*—</b>                               |                   |                 |                 |
| (a) Bandel .. .. .                                     | 15,47.70          | 17,66.33        | 26,14.01        |
| (b) Santaldih .. .. .                                  | 12,02.84          | 23,26.52        | 23,48.12        |
| (c) Gouripur .. .. .                                   | 1,05.19           | 1,22.13         | 1,39.55         |
| <b>Total</b> ..  | <b>28,55.23</b>   | <b>42,14.98</b> | <b>51,02.58</b> |
|  | (Paise/Kwh)       |                 |                 |
| <b>8. Cost of fuel per unit—</b>                       |                   |                 |                 |
| (a) Bandel .. .. .                                     | 9.17              | 11.68           | 15.78           |
| (b) Santaldih .. .. .                                  | 10.73             | 17.28           | 18.40           |
| (c) Gouripur .. .. .                                   | 22.13             | 31.57           | 32.40           |
| <b>Total</b> ..  | <b>10.00</b>      | <b>14.55</b>    | <b>17.14</b>    |

Average consumption of coal per unit generated is the highest at Gouripur unit where oil is not used. However, in the absence of any norms for the consumption of coal the extent to which the higher consumption of coal was justified could not be verified in audit. The average consumption of coal as well as light diesel oil by Santaldih unit was higher than that of Bandel unit.

Cost of fuel per unit generated at Santaldih was higher than the cost at Bandel. Cost per unit was still higher at Gouripur, which

\*Cost of fuel as per Board's cost sheets. \*

was partly due to high consumption of coal. It was also noticed in audit that combustibility of ash at Gouripur in 1981-82 was about 34.6 per cent (*vide* paragraph 8.04.7.8. *infra*) which would indicate inadequate utilisation of the coal fed into the boilers.

8.04.3.3. Some aspects noticed in audit in the working of Bandel and Gouripur units are discussed in the following paragraphs.

#### 8.04.4. Coal

8.04.4.1. As per the arrangement with ECL the price of coal is payable in full by the Central Accounts Office of the Board within 4 to 5 days of the receipt of invoice irrespective of actual receipt of the coal by the relevant plant units. The invoice is sent to the respective generating units through adjustment transfer vouchers for incorporation in the units' account. There were numerous cases of missing wagons (*i.e.*, wagons not reaching the destination and) where coal was not actually received by the plant although payment had been made in full.

8.04.4.2. The table below indicates the year-wise analysis of claims made with the Railways up to 31st December 1982 on account of missing wagons relating to Bandel Thermal Power Stations (BTPS), which remains unsettled (March 1983) :

| Calendar year of payment |    |    |    |    |    | Number of missing wagons as on 31st December 1982 | Value of coal paid for but not received (Rupees in lakhs) |
|--------------------------|----|----|----|----|----|---|---|
| 1969 to 1976             | .. | .. | .. | .. | .. | 495   | 7.34  |
| 1977                     | .. | .. | .. | .. | .. | 10  | 0.41  |
| 1978                     | .. | .. | .. | .. | .. | 38  | 1.72  |
| 1979                     | .. | .. | .. | .. | .. | 54  | 2.70  |
| 1980                     | .. | .. | .. | .. | .. | 412   | 28.02   |
| 1981                     | .. | .. | .. | .. | .. | 784   | 76.02   |
| 1982                     | .. | .. | .. | .. | .. | 1,085   | 1,10.59   |
| <b>Total</b>             |    |    |    |    |    | <b>2,878</b>                                      | <b>2,36.76</b>  |

The Board had filed suits against the Railways from time to time for value of the coal involved in missing wagons in some cases, the summarised position of which is shown below :

| Calendar year for which cases were filed |    |    |    |    | Number of cases | Number of wagons involved | Amount of claims (Rupees in lakhs) |
|--|----|----|----|----|-----------------|---------------------------|------------------------------------|
| 1978                                     | .. | .. | .. | .. | 1               | 30                        | 1.34                               |
| 1979                                     | .. | .. | .. | .. | 9               | 51                        | 2.52                               |
| 1980                                     | .. | .. | .. | .. | 8               | 152                       | 11.57                              |
| Total                                    |    |    |    |    | 18              | 233                       | 15.43                              |

All the cases are pending (July 1983) before the Court of law.

8.04.4.3. No record reflecting the outstanding position of missing wagons on any particular date was available at Gouripur Thermal Power Station (GTPS). On scrutiny of the plant records the following position of missing wagons for the five years up to 31st March 1983 was revealed :

| Year    |    |    |    |    |    | Number of missing wagons | Quantity of coal involved (tonnes) |
|---------|----|----|----|----|----|--------------------------|------------------------------------|
| 1978-79 | .. | .. | .. | .. | .. | 21                       | 842.1                              |
| 1979-80 | .. | .. | .. | .. | .. | 38                       | 1,175.7                            |
| 1980-81 | .. | .. | .. | .. | .. | 35                       | 1,208.2                            |
| 1981-82 | .. | .. | .. | .. | .. | 23                       | 1,121.0                            |
| 1982-83 | .. | .. | .. | .. | .. | 20                       | 692.8                              |
| Total   |    |    |    |    | .. | 137                      | 5,039.8                            |

The Management stated (June 1983) that the Railways were not inclined to settle any claim. According to Management consolidated claims for missing wagons lodged with the Railways amounted to Rs.13.76 lakhs up to 31st March 1981. Management further stated that the Railway authorities had requested them to settle the matter with the 'divertees' i.e., the parties who received wagons meant for GTPS. The 'divertees' were not ready to settle the matter with GTPS. It was also stated that one of the 'divertees' had gone into liquidation. Coal value and freight diverted to the party worked out by Management as Rs.4.31 lakhs and Rs.0.97 lakh, respectively. It was, however, stated by the Management that they had also received some wagons of other parties.

8.04.4.4. A sum of Rs.51.10 lakhs representing the value of coal relating to Santaldih Thermal Power Project diverted during 1978-79 to 1982-83 to other parties by Railway authorities without intimation to the Board remained unrealised (May 1983) from the Railways. The break-up of the diverted coal wagons and the value involved were as follows :

| Year    |    |    |    |              | Number of missing wagons | Quantity (tonnes) | Amount (Rupees in lakhs) |       |
|---------|----|----|----|--------------|--------------------------|-------------------|--------------------------|-------|
| 1978-79 | .. | .. | .. | ..           | 17                       | 981.4             | 0.83                     |       |
| 1979-80 | .. | .. | .. | ..           | 168                      | 5,338.9           | 6.06                     |       |
| 1980-81 | .. | .. | .. | ..           | 94                       | 6,357.8           | 9.04                     |       |
| 1981-82 | .. | .. | .. | ..           | 68                       | 4,608.0           | 7.95                     |       |
| 1982-83 | .. | .. | .. | ..           | 232                      | 13,658.0          | 27.22                    |       |
|         |    |    |    | <b>Total</b> | ..                       | 579               | 30,944.1                 | 51.10 |

ECL despatched coal valued at Rs.1.42 lakhs to the power station in 19 wagons in August 1981. These were not received by the power station. The Management could not lodge any claims against these missing wagons before 22nd September 1982 as the despatch documents were received late. The claims of Rs.1.42 lakhs lodged belatedly is still pending with the Railways (December 1983).

#### 8.04.5. Light Diesel Oil (LDO)

Price of the oil is paid in advance on the basis of *pro forma* invoice received. There were cases of missing oil tankers the price of which was paid. The position (May 1983) of such missing tankers claims for which with Railways remained unsettled as on 31st December 1982 at BTPS, is indicated in the following table :

| Calendar year of payment |    |    |    |    |              |    | Number of missing tankers as on 31st December 1982 | Amount of claims (Rupees in lakhs) |
|--------------------------|----|----|----|----|--------------|----|--|------------------------------------|
| 1974                     | .. | .. | .. | .. | ..           | .. | 3  | 0.48                               |
| 1977                     | .. | .. | .. | .. | ..           | .. | 1  | 0.26                               |
| 1980                     | .. | .. | .. | .. | ..           | .. | 11   | 3.40                               |
| 1981                     | .. | .. | .. | .. | ..           | .. | 1  | 0.38                               |
| 1982                     | .. | .. | .. | .. | ..           | .. | 2  | 1.20                               |
|                          |    |    |    |    | <b>Total</b> | .. | 18   | 5.81                               |

The Board filed suits against the Railways for the value of LDO involved in missing wagons as indicated below :

| Calendar year for which cases were filed |    |    |    | Number of cases | Number of wagons involved | Amount of claims (Rupees in lakhs) |
|--|----|----|----|-----------------|---------------------------|------------------------------------|
| 1974                                     | .. | .. | .. | 1               | 1                         | 0.12                               |
| 1977                                     | .. | .. | .. | 1               | 1                         | 0.26                               |
| 1980                                     | .. | .. | .. | 2               | 11                        | 3.40                               |
| Total                                    |    |    |    | 4               | 13                        | 3.78                               |

#### 8.04.6. Unweighed wagons

Each year Bandel Thermal Power Station (BTPS) receives a number of wagons mentioning 'passed unweighed' in the Railway receipt (RR) at the loading point and the Board had to accept the weight of coal as mentioned in RR and pay railway freight as well as price of coal accordingly. No consolidated records were maintained as to total quantity of coal received during a year which was 'passed unweighed'.

Prior to 1st January 1981, the weight of coal thus received was calculated on the basis of carrying capacity (CC) *plus* two tonnes which was changed (January 1981) to CC weight *plus* five tonnes by Railway authority for calculation of minimum weight for freight charge of wagon. The original basis *i.e.*, CC *plus* two tonnes, was, however, restored with effect from 1st June 1981.

During the period from 1st January 1981 to 31st May 1981, BTPS received 420 wagons of coal 'passed unweighed'. Although both freight and price of coal had been paid for the extra five tonnes over CC weight for each of such wagons, quantity of coal received in coal stock account was recorded on the basis of CC weight. Thus, 2,100 tonnes had not been accounted for although both freight and coal price amounting to Rs.0.49 lakh and Rs.2.76 lakhs respectively had been paid therefor (including Rs.1.95 lakhs being extra payment for the 3 tonnes extra per wagon charged on *ad hoc* basis).

#### 8.04.7. Quality of coal

8.04.7.1. According to the terms and conditions of supply of coal by CIL to the Board, the coal should conform to certain

specifications regarding size, free moisture and useful heat value (UHV) in the absence of which the following penalties were leviable :

- (i) 81 paise per 100 K Cal of UHV which the UHV fell short of the required parameter for each grade of coal;
- (ii) Rs.3 per tonne of coal, where the ash content exceeded 40 per cent;
- (iii) Re.1 per tonne of oversize coal; and
- (iv) deduction of equivalent weight of coal in excess of the permitted limit of moisture.

#### 8.04.7.2. Grades and heat value

(a) A test check in audit revealed (May 1983) that all the lots of coal received at BTPS for a single month viz., June 1981, from the following collieries were marked as 'B' grade and paid for at the rate applicable to that grade but the UHV of each such lot showed that the same was actually of lower grade ('C' or below) as per norms fixed (July 1979) by Government of India.

| Name of colliery | Total quantity of coal received during June 1981 (marked as grade 'B') | Actual grade as per UHV |              |             | Total penalty imposed | Excess payment in terms of price of coal | Net excess payment (7-6) |
|------------------|--|-------------------------|--------------|-------------|-----------------------|--|--------------------------|
|                  |  | C                       | D            | E           |                       |  |                          |
| (1)              | (2)  | (3)                     | (4)          | (5)         | (6)                   | (7)                                      | (8)                      |
|                  |  | (In tonnes)             |              |             | (Rupees in lakhs)     |  |                          |
| Newkenda ..      | 1969   | ..                      | 1969         | ..          | 0.13                  | 0.33                                     | 0.20                     |
| Gogla ..         | 699  | 699                     | ..           | ..          | 0.02                  | 0.12                                     | 0.10                     |
| Mahafir ..       | 1203   | 1203                    | ..           | ..          | 0.02                  | 0.20                                     | 0.18                     |
| Lowerkenda ..    | 3075   | 3075                    | ..           | ..          | 0.22                  | 0.52                                     | 0.30                     |
| Haripur ..       | 3426   | 1065                    | ..           | 2361        | 0.36                  | 0.58                                     | 0.22                     |
| Shyamsundurpur   | 3563   | 2496                    | 1067         | ..          | 0.15                  | 0.61                                     | 0.46                     |
| Lochipur ..      | 11015  | 9220                    | 1795         | ..          | 0.44                  | 1.87                                     | 1.43                     |
| Babula ..        | 6802   | 2508                    | 4094         | ..          | 0.28                  | 1.12                                     | 0.84                     |
| Modern Satgram   | 1577   | ..                      | 373          | 1204        | 0.19                  | 0.27                                     | 0.08                     |
| Madhaipur ..     | 5952   | 4333                    | 1619         | ..          | 0.27                  | 1.01                                     | 0.74                     |
| Nutandanga ..    | 4311   | 3140                    | 1171         | ..          | 0.17                  | 0.73                                     | 0.56                     |
| <b>Total ..</b>  | <b>43392</b>   | <b>27739</b>            | <b>12088</b> | <b>3565</b> | <b>2.25</b>           | <b>7.36</b>                              | <b>5.11</b>              |

The net excess payment of Rs.5.11 lakhs had been calculated in audit, considering the price of grade 'C' (Rs.140 per tonne) against actual payment made at grade 'B' price (Rs.157 per tonne) in the absence of details regarding the prices of grades 'D' and 'E'. If the prices of grades 'D' and 'E' are taken into account, the excess payment would be more.

(b) Similarly, at GTPS also, it was noticed that inferior quality of coal was marked as higher grade and paid for at the rate applicable to that grade though the same was of lower grade as per norm. The following table indicates the position for the year 1982-83 :

| Name of colliery | Quantity of inferior quality coal received |                         | Actual grade as per UHV |      |      |      |  |
|------------------|--|-------------------------|-------------------------|------|------|------|--|
|                  | Grade                                      | Quantity<br>(In tonnes) | B                       | C    | D    | E    |  |
|                  |  |                         |                         |      |      |      |  |
| Bansra .. ..     | A  | 2,778                   | 825                     | 582  | 879  | 492  |  |
| Belbaid .. ..    | B  | 4,438                   | ..                      | 1039 | 1420 | 1979 |  |
| Topai .. ..      | B  | 7,121                   | ..                      | 2633 | 2996 | 1492 |  |
| Minda .. ..      | A  | 577                     | ..                      | 577  | ..   | ..   |  |

Computed with reference to the price of grade 'B' coal the excess payment for 2,778 tonnes of coal received from Bansra colliery at the rate applicable for grade 'A' was of Rs.0.58 lakh, while penalty imposed for supply of inferior coal was Rs.0.09 lakh resulting in net excess payment of Rs.0.49 lakh. Price of coal of grades 'C' and below not being available, the excess payment involved in the other cases could not be worked out.

8.04.7.3. *Ash content in coal* : Coal analysis reports revealed that there was wide variation in percentage of ash in different lots of coal received by the power stations. The range of variations in ash content during 1982-83 was 11.3 per cent to 44.0 per cent at BTPS and 8.3 per cent to 53.6 per cent at GTPS. No penalty was claimed although as per agreement (July 1975) penalty of Rs.3 per tonne is leviable if the percentage of ash exceeded 40.

8.04.7.4. *Oversize of coal* : Coal wagons received by the BTPS contained oversize coal in several cases. While the permissible size is 4 inches, the actual size received was much higher (10 inches to 15 inches) in many cases attracting the penalty of Re.1 per tonne. No record was maintained indicating the total quantity of oversize coal received. However, a test check of analysis reports of coal prepared by BTPS revealed that out of 6,612 wagons of coal received during the period from October 1982 to March 1983, oversize coal was received in 855 wagons. Particulars of expenses incurred in breaking oversize coal are not available (May 1983),

In respect of oversize coal received through railway wagons demurrage charges were paid by BTPS from time to time as unloading of oversize coal took more time. The Power Stations had preferred (August 1978) a claim of Rs.1.33 lakhs on ECL for reimbursement of demurrage charges incurred during January 1978 to March 1978 on the account. The claim was, however, rejected (December 1978) by ECL as this was not covered by terms of supply. The matter was not pursued further (May 1983).

8.04.7.5. Scrutiny of the penalty bill register at BTPS revealed the following position as regards claims raised and realisation thereagainst as on 31st March 1983 :

| Year                              |    |    |    |    | Claims raised | Amount realised up to 31st March 1983 | Amount outstanding as on 31st March 1983 |
|-----------------------------------|----|----|----|----|---------------|---------------------------------------|--|
| (Rupees in lakhs)                 |    |    |    |    |               |                                       |  |
| 1973-74                           | .. | .. | .. | .. | 1.47          | 0.31                                  | 1.16                                     |
| 1974-75                           | .. | .. | .. | .. | 1.50          | 0.92                                  | 0.58                                     |
| 1975-76                           | .. | .. | .. | .. | 1.18          | Nil                                   | 1.18                                     |
| 1976-77                           | .. | .. | .. | .. | 1.60          | 1.44                                  | 0.16                                     |
| 1977-78                           | .. | .. | .. | .. | 3.12          | Nil                                   | 3.12                                     |
| 1978-79                           | .. | .. | .. | .. | 2.59          | 1.24                                  | 1.35                                     |
| 1979-80                           | .. | .. | .. | .. | 11.71         | 11.59                                 | 0.12                                     |
| 1980-81                           | .. | .. | .. | .. | 20.45         | Nil                                   | 20.45                                    |
| 1981-82<br>(up to September 1981) | .. | .. | .. | .. | 13.39         | Nil                                   | 13.39                                    |
| <b>Total</b>                      |    |    |    | .. | <b>57.01</b>  | <b>15.50</b>                          | <b>41.51</b>                             |

Work of preparation of bills for penalty claim is in arrears since October 1981 (May 1983).

Although the penalty bills were required to be cleared within 20 days of receipt thereof, substantial amounts remained unrealised for years together.



Scrutiny in audit (April 1983) of relevant records at GTPS revealed the following position of unrealised claims for supply of inferior quality| oversize coal.

| Period   | Amount<br>(Rupees in lakhs) |
|--|-----------------------------|
| April 1978 to March 1980 .. .. .   | 0.50                        |
| April 1980 to March 1982 .. .. .   | 1.99                        |
| April 1982 to October 1982 (Claims for November 1982 and onwards not lodged)<br>(April 1983) | 1.03                        |

The Management stated (June 1983) that ECL was not inclined to pay bills quickly, and that the Board had pressurised ECL for payment of these bills and that the penalty bills could not be settled due to certain differences in opinion between the Board and the coal authorities.

8.04.7.6. *Heat value* : The permissible heat value (K cal) per kg of coal (lower limit) and percentage of ash content in coal (upper limit) at BTPS are 5,200 and 28 respectively. These limits are considered by the Board suitable without causing operational problems.

Scrutiny of records revealed the following position of consumption of coal (on the basis of analysis of samples conducted only once a day at the point of utilisation in the plant) having heat value per kg less than 5,200 K cal and percentage of ash more than 28 for the three years up to March 1983.

|   | 1980-81          | 1981-82 | 1982-83 |
|---|------------------|---------|---------|
|   | (In lakh tonnes) |         |         |
| (a) Quantity of coal consumed .. .. .                                       | 7.95             | 7.08    | 7.75    |
| (b)(i) Consumption of coal having heat value less than<br>5200 K cal per kg | 0.32             | 0.32    | 0.34    |
|   | (Per cent)       |         |         |
| (ii) Percentage to total consumption of coal ..                             | 4.0              | 4.5     | 4.4     |
|   | (In lakh tonnes) |         |         |
| (c) (i) Quantity of coal consumed having ash more<br>than 28 per cent       | 0.04             | 0.11    | 0.18    |
|   | (Per cent)       |         |         |
| (ii) Percentage to total consumption of coal ..                             | 0.5              | 1.6     | 2.3     |

Ash content in coal received in the plant during the 3 years up to March 1983 showed an upward trend. Operational problems faced due to consumption of coal beyond the permissible limit were not stated by the Management.

8.04.7.7. *Refund of analysis charges* : When result of analysis of ECL samples shows appreciable difference from those of BTPS, the samples in question are sent to Central Fuel Research Institute (CFRI), Dhanbad. If BTPS analysis is nearer to that of CFRI, the cost of analysis is reimbursible by ECL. No consolidated record was maintained showing the position of analysis charges paid by Board from time to time and classification of cases where the amount was reimbursible from ECL and where the charges were to be borne by Board were also not maintained. Available records, however, showed that claims to the tune of Rs.0.13 lakh raised from time to against ECL for reimbursement of analysis charges during the period from May 1978 to December 1982 remained unrealised (May 1983).

8.04.7.8. *Combustibility of ash* : Monthly analysis report as to combustibility of ash has been prepared by the laboratory of the plant at GTPS since April 1981. The report prepared is based on random selection of ash residue of the boilers for certain days of each month. In absence of any norm regarding combustibility of ash fixed by the Management, the percentage of combustibility analysed by the plant could not be compared with the same.

Scrutiny of the analysis reports revealed the following position :

| Year       | Average combustibility | Range from month to month<br>(Per cent)   | Range from day to day                               |
|------------|------------------------|---|---|
| 1981-82 .. | 34.6                   | 20.4 in April 1981 to 55.0 in August 1981 | 7.0 on 22nd December 1981 to 65.0 on 24th July 1981 |
| 1982-83 .. | 24.8                   | 16.9 in April 1982 to 30.6 in March 1983  | 8.2 on 24th April 1982 to 52.5 on 31st May 1982     |

Remedial measures/action taken, if any, on the analysis reports was not on record.

#### 8.04.8. Disposal of ash

8.04.8.1. Ash in dry form that arises as a residue on burning of coal in the boilers is being disposed of as waste instead of being sold to the interested parties though the Management was aware that the handling contractors were in turn reselling the ash at Rs.200 to Rs.250 per lorry. Firm 'A' functioned as handling contractor for removal of ash from boiler of GTPS for the period from 16th October 1978 to 22nd March 1981. Thereafter firm 'B' did the job with effect

from 22nd March 1981. The rates for the job of the two parties were as follows :

|   | Firm 'A'             | Firm 'B'             |
|---|----------------------|----------------------|
| Removal of ash from boiler basement to ash yard   | }                    | Rs 1.51 per 100 cft  |
| Removal of ash from yard to outside power station |                      | Rs. 1.25 per 100 cft |
|   | Rs. 9.00 per 100 cft |                      |

Quantity of ash removed and expenditure incurred thereon during the three years up to 31st March 1983 were as under :

| Year                                      | Quantity<br>as ash<br>disposed of<br>as waste<br>(In lakh cft) | Cost of<br>removal<br>(Rupees in<br>lakhs) |
|---|--|--|
| 1980-81 .. .. .                           | 10.35  | 0.91                                       |
| 1981-82 .. .. .                           | 8.76   | 0.24                                       |
| 1982-83(up to 15th February 1983) .. .. . | 8.61   | 0.24                                       |

The Management had not made any attempt to ascertain the sale value of cinder in order to take appropriate action to dispose it of to interested parties.

If instead of floating tender for removal of ash, the Board had called tenders for sale of cinder, the Board might have earned revenue instead of spending Rs.1.39 lakhs on removal of ash during 1980-81 to 1982-83 (up to 15th February 1983).

8.04.8.2. The quantity of ash available from the boilers of BTPS (excluding unit V) is between 500 and 700 tonnes per day. The ash is mixed up with water and the slurry is discharged to ash ponds wherefrom it is removed by contractors. Between August 1980 and March 1983, 108.64 lakh cft of ash was thus disposed of through three contractors at a cost of Rs.31.52 lakhs. No attempt was made by the Management to ascertain the saleability of fly ash though in the Kothagudem Thermal Power Station of the Andhra Pradesh State Electricity Board, fly ash was being sold to cement companies and Government Public Works Department at Rs.20 per tonne.

#### 8.04.9. Transit shortage

8.04.9.1. Coal for Bandel unit was booked at owner's risk in open wagons. Scrutiny of records revealed that large scale theft/pilferage of coal occurred during transit of coal from mine head to plant site and that doors of 360 coal wagons received during 1982-83 at BTPS were found open.

Total quantity of coal involved in pilferage and the consequent loss had not been worked out as the weight of the coal received could not be ascertained as the weighbridge was defective.

Receipt of coal was recorded as per the RR and consequently no adjustment was carried out for the quantity of coal received short.

#### 8.04.9.2. Short receipt of coal ..

At GTPS coal received is estimated on the basis of volumetric measurement taken and generally the estimates fell short of the quantity recorded in the Railway receipt (RR). There is no weighing machine to take the correct weight of coal received. The Management stated (June 1983) that there was no space at the plant site for installation of a weigh-bridge.

The position of short receipt of coal by GTPS during the three years up to March 1983 was as under :

| Year     | Coal received    |  | Short receipt | Value of short receipts (Rupees in lakhs) |          |         |              |
|----------|------------------|--|---------------|---|----------|---------|--------------|
|          | weight as per PR | Quantity as per estimation (in tonnes) |               |   |          |         |              |
| 1980-81  | ..               | ..                                     | ..            | 52916.90                                  | 49596.20 | 3320.70 | 5.49         |
| 1981-82  | ..               | ..                                     | ..            | 49204.70                                  | 44229.02 | 4975.68 | 9.32         |
| 1982-83  | ..               | ..                                     | ..            | 49786.10                                  | 45484.70 | 4301.40 | 8.93         |
| Total .. |                  |  |               |   |          |         | <u>23.74</u> |

As payment had been made for the quantity as recorded in RR, the Board had to incur loss of Rs.23.74 lakhs in respect of quantity of coal not actually received.

It was noticed (April 1983) that claims for short receipt of coal for the 4 years up to March 1983 had been lodged (quantity : 1,208.91 tonnes, value not indicated) with the Railway authorities from time to time by the local management only in limited number of cases where the doors of the wagons were found open. Even such claims were not pursued by the Management due to failure to adhere to the requirements of the Railway authorities for admission of the claims.

The Management stated (June 1983) that (i) coal wagons were booked at owner's risk and the Railways would not take any responsibility for pilferage *en route*, (ii) re-weighment could be done in case of doubt but the process would take considerable time causing incidence of heavy demurrage charges and shut-down of the power

station; (iii) re-weighment was therefore not resorted to; and the claims already lodged had got no value and henceforth no claim would be lodged in this matter.

The consumption of coal in the power house was accounted for on the basis of RR weights of coal and hence the losses due to pilferages, *etc.*, were charged to consumption. In the opinion of Management write off was not necessary 'as the loss is accounted for through consumption of coal in running the boilers'.

8.04.9.3. To prevent pilferage 'from the destination station (Naihati Railway Station) to plant site the Management had engaged (February 1982) on negotiation, a private firm for plugging the wagon doors at Naihati Railway Station by wooden plugs. No arrangement was made to prevent pilferage, *etc.*, during transit of coal from colliery head to destination station.

In respect of wagons passing through the private bypass from Mogra Station to BTPS, similar action to plug the wagon doors as in the case of GTPS, was not taken to avoid losses due to theft pilferage.

#### 8.04.10. Accounting of coal

The following deficiencies were noticed (May 1983) in the accounting of coal at BTPS.

- (a) No physical verification of coal has been conducted since June 1979 although the Management stated in April 1981 that arrangement for perpetual inventory system of verification of stock of coal at the yard was being made. No effective action was taken to subject the stock periodically to physical verification.
- (b) As stores receipt vouchers had been drawn only in cases where the coal had been received on the basis of RRs, the quantity of coal received from unconnected wagons (consigned to others but received by BTPS) though physically taken into stock and consumed had not been accounted for as receipt.
- (c) Consumption of coal had not been recorded daily at the point of issue. Instead, an assumed figure was recorded as the total consumption at the end of each month. It was noticed (May 1983) in audit that consumption recorded during April 1981 exceeded the aggregate of opening stock as on 1st April 1981 *plus* the receipts during the month. It was further noticed that there were

occasions where monthly consumption of coal had been revised even after a period of more than one year. The basis of revision of such consumption was not furnished to Audit. The consumption figures shown during different months did not bear a fixed ratio (variation : 0.45 to 0.54 kg/Kwh) with the power generated. No norm has been fixed for consumption of coal.

#### 8.04.11. Accounting of LDO

IOC supplies LDO to the Board against advances paid to them on *pro forma* invoice. As per the reconciliation statement of the advances prepared in November 1982 up to 31st August 1982, the outstanding amount recoverable from IOC on account of short supply of LDO to BTPS against advances paid during April 1980 to August 1982 was Rs.21.09 lakhs.

The amount has not been realised so far (May 1983).

No norm had been fixed as to normal handling loss of LDO. Total loss on this account and that for other reasons have not been kept on record. All wastage and loss of LDO (normal and avoidable) are accounted for as consumption. The Combustion and Fuel Efficiency Engineer while reporting (September 1981) that a considerable quantity of LDO was being wasted while decanting from tank wagons intimated the General Superintendent of BTPS to take proper steps for avoiding of wastage of LDO. Steps taken, if any, in this respect were not on record.

No stock account of sludge obtained from the two oil storage tanks was available. In the absence of the stock account, the extent of receipt and disposal of sludge could not be verified in audit.

#### 8.04.12. Freight at penal rate

Coal wagons carrying load beyond the permissible limit (carrying capacity *plus* 2 tonnes) attracted penal rate of freight charges with effect from the 1st June 1981. The Management of BTPS approached (April 1982) the ECL for reimbursement of the penal freight paid on the ground that overloading was the responsibility of the consignor for which the consignee should in no case suffer and preferred (August 1982) a claim for reimbursement of Rs.5.02 lakhs for such penal freight paid to Railways between 24th July 1981 and 16th February 1982. The claim was rejected by ECL indicating that the Board as a consignee, might take up the issue with the Railways for suitable relief. The matter has not been pursued further either with the ECL or the Railways (July 1983).

### 8.04.13. Demurrage

8.04.13.1. Demurrage charges were paid to the Railways every year due to detention of coal and oil wagons beyond free time. The position of demurrage claimed by Railways, amount waived on negotiation and the net amount paid for the three years up to 1982 is indicated below :

| Year                         |    |    |    |    | Demurrage<br>claimed<br>by<br>Railways | Amount<br>waived on<br>negotia-<br>tion | Net<br>demurrage<br>paid |
|------------------------------|----|----|----|----|--|---|--------------------------|
| (Rupees in lakhs)            |    |    |    |    |  |   |                          |
| <b>(a) Coal—</b>             |    |    |    |    |  |   |                          |
| 1980                         | .. | .. | .. | .. | 28.36                                  | 19.85                                   | 8.51                     |
| 1981                         | .. | .. | .. | .. | 68.65                                  | 50.11                                   | 18.54                    |
| 1982                         | .. | .. | .. | .. | 50.93                                  | 35.65                                   | 15.28                    |
|                              |    |    |    |    |  | Total                                   | 42.33                    |
| <b>(b) Light diesel oil—</b> |    |    |    |    |  |   |                          |
| 1980                         | .. | .. | .. | .. | 0.85                                   | 0.59                                    | 0.26                     |
| 1981                         | .. | .. | .. | .. | 4.18                                   | 3.05                                    | 1.13                     |
| 1982                         | .. | .. | .. | .. | 5.87                                   | 4.11                                    | 1.76                     |
|                              |    |    |    |    |  | Total                                   | 3.15                     |

The Management attributed from time to time the following factors for the incidence of demurrages :

- (1) receipt of oversize coal from ECL making speedy unloading difficult;
- (2) plant capacity for unloading coming down with age;
- (3) reduction of plant availability due to damages caused to crusher and conveyor belt due to frequent supply of foreign material such as boulders, *etc.*, along with coal; and
- (4) mechanical|electrical faults *etc.*

Factor-wise analysis as regards total demurrage charges paid had not been made by the Management, nor any segregation had been made between the cases for which Railway authority was responsible

for delay in unloading wagons (*i.e.*, due to bunching of rakes, poor maintenance of track, *etc.*) and those for which they were not responsible.

It was seen that most of the coal rakes received at BTPS suffered demurrage. The following table indicates the position in this regard during the three years up to 1982 :

| Year |    |    |    |    | Number of rakes received | Number of rakes which accounted for demurrage | Detention beyond free time (total hours) |
|------|----|----|----|----|--------------------------|---|--|
| 1980 | .. | .. | .. | .. | 433                      | 362   | 5,888                                    |
| 1981 | .. | .. | .. | .. | 395                      | 315   | 5,766                                    |
| 1982 | .. | .. | .. | .. | 422                      | 320   | 9,604                                    |

On a test check it was noticed that a complete rake with all the wagons had to suffer demurrage although considerable number of wagons relating to the rake had been unloaded within the free time.

8.04.13.2. Due to detention of two oil rakes beyond stipulated time during January and February 1983 demurrage of Rs.0.94 lakh were incurred.

The detention was stated to be due to shortage of suction hose pipes with the Board, which was in turn due to delay in processing the case for their purchase. It was noticed in audit that indents for hose pipe were placed on 13th July 1982 against which purchase order was placed on 8th October 1982 (when there was no stock) for supply of two hose pipes on emergency basis and these were received on 27th November 1982. A second order was placed on 17th November 1982 for supply of 28 hose pipes which had not been executed so far (February 1983).

8.04.13.3. The GTPS had paid demurrage charges to Railway from time to time for detention of wagons beyond permissible time which was reimbursible from the handling contractor. No records were available detailing the particulars of demurrage charges paid and claimed and realised from and outstanding against the handling contractors.

A review of records indicated that claims to the tune of Rs.0.29 lakh from the Railways towards demurrages relating to period from March 1977 to July 1981 included Rs.0.25 lakh realisable from the then handling contractors whose contracts were terminated (during June 1977 to March 1981) and all the dues of the contractors were paid without deduction of the demurrage charges.



### 8.04.14. Diesel Power Stations

8.04.14.1. Eighteen diesel power houses were being operated by the Board as on 31st March 1983 out of which fourteen were situated in North Bengal and four in South Bengal.

The following table shows the consolidated position of installed capacity, electricity generated and consumption of fuel in respect of fourteen diesel power houses of North Bengal for the three years up to March 1983 (information in respect of the four power houses in South Bengal, called for from the Management is awaited (February 1984) :

|  | 1980-81 | 1981-82 | 1982-83 |
|--|---------|---------|---------|
| Installed capacity (MW) .. .. .                      | 21.80   | 19.90   | 24.70   |
| Derated capacity (MW) .. .. .                        | 15.77   | 15.43   | 18.41   |
| Units generated (Mkwh) .. .. .                       | 16.16   | 9.55    | 4.65    |
| Consumption of fuel (in lakh litres) ..              | 49.24   | 32.77   | 16.53   |
| Consumption of fuel per unit generated (in litre) .. | 0.30    | 0.34    | 0.36    |

The Deputy Chief Engineer (North Bengal) fixed a norm (December 1973) of 0.25 litre of oil per unit of generation. The average consumption of diesel oil had exceeded the norm fixed and the consumption rate had increased in 1981-82 over that of the previous year.

Indents of power stations of North Bengal for high speed/light diesel oil (HSD/LDO) are consolidated and order is placed annually with IOC.

Some aspects of purchase and utilisation of fuel in the diesel power houses at Siliguri and Malda in North Bengal and at Digha in South Bengal are discussed in the following paragraphs.

8.04.14.2. There are two power houses (one old and one new) at Siliguri and one each at Malda and Digha.

The following table indicates the position of generating sets and installed/derated capacity of each power station as on 31st March 1983 :

| Power house            | Number of sets | Capacity (in kilowatt) |              | Year of installation |
|------------------------|----------------|------------------------|--------------|----------------------|
|                        |                | Installed              | Derated      |                      |
| Siliguri (old) .. .. . | 2              |                        |              | 1957                 |
|                        | 1              |                        |              | 1963                 |
|                        | 2              |                        |              | 1970                 |
|                        | 2              |                        |              | 1971                 |
| <b>Total</b> .. .. .   | <b>7</b>       | <b>3,368</b>           | <b>2,200</b> |                      |

| Power house            | Number of sets  | Capacity (in kilowatt) |              | Year of installation |
|------------------------|-----------------|------------------------|--------------|----------------------|
|                        |                 | Installed              | Derated      |                      |
| Siliguri (new) .. .. . | 1               |                        |              | 1977                 |
|                        | 1               |                        |              | 1979                 |
|                        | <b>Total</b> .. | <b>2</b>               | <b>7,000</b> | <b>7,000</b>         |
| Malda .. .. .          | 6               |                        |              | 1965                 |
|                        | 1               |                        |              | 1968                 |
|                        | <b>Total</b> .. | <b>7</b>               | <b>2,488</b> | <b>2,050</b>         |
| Digha .. .. .          | 1               |                        |              | 1955                 |
|                        | 1               |                        |              | 1960                 |
|                        | 1               |                        |              | 1968                 |
|                        | 1               |                        |              | 1969                 |
|                        | <b>Total</b> .. | <b>4</b>               | <b>234</b>   | <b>NA</b>            |

8.04.14.3. The following table shows the electricity generated and consumption of oil (LDO|HSD) by the power houses during the three years up to 31st March 1983 :

| Unit                           | Year    | Electricity generated<br>(In Mkw) | Consumption of oil     |          | Consumption of oil per unit generated<br>(In litres) |
|--------------------------------|---------|-----------------------------------|------------------------|----------|--|
|                                |         |                                   | LDO<br>(In kilolitres) | HSD      |  |
| Old Power House, Siliguri ..   | 1980-81 | 3,589.23                          | 1,288.77               | ..       | 0.35   |
|                                | 1981-82 | 2,406.61                          | 797.35                 | ..       | 0.33   |
|                                | 1982-83 | 956.71                            | 324.31                 | ..       | 0.34   |
| New Power House, Siliguri ..   | 1980-81 | 2,512.44                          | ..                     | 1,065.94 | 0.42   |
|                                | 1981-82 | 930.42                            | ..                     | 411.19   | 0.44   |
|                                | 1982-83 | 528.74                            | ..                     | 251.95   | 0.48   |
| Kalindri Power House, Malda .. | 1980-81 | 1,177.74                          | 393.36                 | ..       | 0.33   |
|                                | 1981-82 | 1,952.87                          | 649.60                 | ..       | 0.33   |
|                                | 1982-83 | 937.07                            | 315.89                 | ..       | 0.34   |
|                                |         | (In Kwh)                          | (In litres)            |          |  |
| Power House, Digha .. .. .     | 1980-81 | 8,540                             | ..                     | 3,443    | 0.43   |
|                                | 1981-82 | 6,940                             | ..                     | 2,712    | 0.39   |
|                                | 1982-83 | 5,170                             | ..                     | 2,029    | 0.39   |

The actual consumption of oil far exceeded the norm (0.25 litre|unit generated) fixed in December 1973. The local management stated (May 1983) that the excess consumption of LDO per unit generated by the Old Power House of Siliguri during 1982-83 was due to derated condition of the engines. The Management observed (October 1983) that the reason for derating a power station was wear and tear of its alternators, turbines, boilers and other ancillary equipment due to long use.

Test check of records at Digha Power House revealed that consumption of fuel per unit generated exceeded 0.5 litre on several occasions.

8.04.14.4. The following table will show the range of fluctuation noticed in audit in consumption of oil per unit generated by the two Power Houses at Siliguri during the three years ending 1982-83 :

| Unit                      | Year       | Range of fluctuation in consumption of oil per unit generated |
|---------------------------|------------|---|
| Old Power House, Siliguri | .. 1980-81 | 0.31(July 1980) to 0.36 (May 1980)                            |
|                           | 1981-82    | 0.30(May 1981) to 0.35 (November 1981)                        |
|                           | 1982-83    | 0.32 (May 1982) to 0.36 (March 1983)                          |
| New Power House, Siliguri | .. 1980-81 | 0.38 (May 1980) to 0.61 (October 1980)                        |
|                           | 1981-82    | 0.39 (March 1982) to 1.46 (August 1981)                       |
|                           | 1982-83    | 0.41 (November 1982) to 0.92 (January 1983)                   |

The actual consumption of oil far exceeded the norm (0.25 litre per unit generated) fixed in December 1973 and though the range of fluctuation in consumption of oil per unit generated was to some extent limited in respect of LDO for old Power House, the fluctuation in new Power House was very wide.

Consumption of fuel per unit generated is generally much higher in generating sets at New Power House than that of the sets at Old Power House. Moreover, cost of HSD is also higher than that of LDO. Thus, cost of consumption of fuel per unit in running the diesel sets at the New Power House is considerably higher than those of sets at Old Power House. The cost of operation per kilowatt hour were 123.89p and 191.68p for Old Power House and New Power House, respectively, during 1981-82. Test check of records revealed (June 1983) that the sets in the New Power House had to be run even when the sets at Old Power House (having the power generation capacity of the required quantity) were not running as the sets at the Old Power House were not connected in parallel with the new sets.

The installed capacity of each new set is 3.5 MW. It was noticed that machines were operated at considerably lower load. Occasionally the load was even less than 50 per cent (i.e. 1.75 MW). Test check of records revealed that running of the sets at low load resulted in high consumption of HSD.

Consumption of oil was recorded by derived method taking into account the stock in the storage tank as per dip measurement although each machine had measuring scale for recording receipts and consumption of oil. The loss of oil due to handling, evaporation or other factors (normal and abnormal) could not be ascertained in audit as these were not separately recorded.

## 8.04.15. Sludge

No stock account of sludge removed from service tank was maintained either at Siliguri or at Malda. LDO stock account of Old Power House at Siliguri indicated that during the three years up to 31st March 1983 a quantity of 8,515.29 litres of sludge was removed once in 1981-82. Test check of records at Malda Power House revealed that 10 Kl of sludge collected at the time of clearing the LDO service tank were lying in store in barrels for long period (actual date of collection was not available). Though the sludge has some sale value, and its condition had been deteriorating day by day as reported by the Management (December 1982) the same had not yet been disposed of (May 1983).

## 8.04.16. Purchase of LDO and HSD

(a) Advance : Light diesel oil|High Speed diesel oil for the power houses of Siliguri and Malda are being purchased from IOC against advance payment in full. No record was available as to whether any reconciliation (between advance paid and supply received thereagainst) had ever been made with IOC. No account showing the outstanding amount of advances on any particular date was maintained. As such the unadjusted amount of advances as on 31st March 1983 could not be ascertained.

Scrutiny of the advance register at Siliguri revealed that considerable amount of advances made to IOC remained unadjusted for long periods. The position for the three years up to 1982-83 is shown below :

| Year       | Advance to IOC as per advance ledger        |        |            |        | Adjustment made against advance to IOC |        |            |        |
|------------|---|--------|------------|--------|--|--------|------------|--------|
|            | LDO   |        | HSD        |        | LDO                                    |        | HSD        |        |
|            | Quan- tity                                  | Amount | Quan- tity | Amount | Quan- tity                             | Amount | Quan- tity | Amount |
|            | (Quantity in Kl, amount in lakhs of Rupees) |        |            |        |  |        |            |        |
| 1980-81 .. | 1,284                                       | 25.30  | 1,284      | 25.86  | 704                                    | 13.13  | 220        | 3.43   |
| 1981-82 .. | 883   | 24.05  | 100        | 11.66  | 41                                     | 1.09   | Nil        | Nil    |
| 1982-83 .. | 390   | 11.35  | 220        | 6.66   | 220                                    | 6.57   | Nil        | Nil    |

(b) Stock accounts : Indents for supply of oil for the Power House were placed with IOC from time to time by the respective Divisional Offices. Stock account of oil is maintained both by Divisional Office and by the Power House receiving the oil.

The receipt of oil as recorded in stock account maintained by the Power House and that recorded in stock account maintained at Divisional Store for three years ending 1982-83 are indicated in the following table :

| Year    | Receipt as per oil stock account maintained at power house |                        |                | Receipt as shown in quantitative store ledger at Divisional Store |                        |                |
|---------|--|------------------------|----------------|---|------------------------|----------------|
|         | Siliguri (old)LDO (Kl)                                     | Siliguri (new)HSD (Kl) | Malda LDO (Kl) | Siliguri (old)LDO (Kl)  | Siliguri (new)HSD (Kl) | Malda LDO (Kl) |
| 1980-81 | 1,296  | 1,156                  | 438            | Record not available  |                        |                |
| 1981-82 | 706  | 345                    | 610            | 766   | 411                    | 622            |
| 1982-83 | 297  | 230                    | 313            | 307   | 230                    | 348            |

No reconciliation has been made between the two sets of records.

(c) HSD oil for Digha Power House was purchased by both Divisional Engineer's Office, Kharagpur and Assistant Engineer's Office, Contai. In addition, purchase was also made locally in case of emergency at Digha. No stock account of HSD oil was maintained, in the absence of which the control over purchase, utilisation and stock of HSD could not be verified.

#### 8.04.17. Transportation of oil

The Additional Chief Engineer (North Bengal) directed (November 1981) the Superintending Engineer, Malda to invite tenders for transportation of oil from the IOC installations at New Jalpaiguri to the Power Houses under his control, from January 1982 onwards as the then existing practice of transportation arrangement from a centralised place was causing problems.

The contract for transportation of oil for the calendar year 1982 was awarded to firm 'X' at the rate of Rs.90 per kilolitre for Malda Power House on the basis of limited quotations invited from six firms [which did not include two out of five of the existing transport contractors recommended by the Additional Chief Engineer (North Bengal) for invitation of quotation].

During the next calendar year (1983) transport contract was awarded at Rs.78 per Kl to firm 'Y', selected on the basis of open tenders. Management accepted (August 1983) that more competitive rates could be obtained in 1982 had open tenders been invited.

## **8.05. Other topics of interest**

### **8.05.1. Purchase of switchgears**

An order was placed (February 1979) on a firm of Howrah for purchase of four switchgears at a total cost of Rs.9.50 lakhs on a firm price basis. The equipment meant for the Salt Lake Construction Circle was required to be delivered during September-October 1979. The Board had reserved the right to repudiate the contract in the event of late delivery. The delivery period could, however, be extended on imposition of a maximum penalty of 2.5 per cent of the contract value.

The firm failed to deliver the switchgears within the stipulated period as these could not be fabricated due to load-shedding. It informed (February 1980) the Board that unless an escalation of 40 per cent over the contracted price was agreed to for meeting the increase in the cost of raw materials up to February 1980, it would not be able to supply the equipment. The Superintending Engineer in charge of the Circle accepted the enhanced price thus increasing the value of the contract to Rs.13.30 lakhs and extending the delivery period to March 1981. This was later (December 1980) ratified by the Standing Tender Committee.

Since the equipment was to be delivered by October 1979, the supplier was expected to have procured the required raw materials within that time and escalation of Rs.1.26 lakhs in the prices of raw materials beyond October 1979 should not have been allowed.

Further, the acceptance by the Superintending Engineer of the enhanced prices claimed by the supplier was not within his delegated powers in regard to variations in the value of a contract. In reply the Management stated (November 1983) that the acceptance beyond his power was due to the urgency of requirement of the switchgears. The explanation does not hold good as the switchgears have not been commissioned so far (February 1984).

### **8.05.2. Overpayment of electricity duty**

As per the procedure evolved by Central Electricity Authority adopted by the Government of West Bengal and implemented by the Board in its accounts from the year 1980-81 onwards, the Board was required to open head of account of electricity duty demanded and realised with corresponding credit reflecting such duty payable to the State Government. But the Board did not maintain the former head of account (account code head 0508) and instead, only maintained

the latter (account code head 1211) indicating the amount of duty payable to Government. Amount of duty realisable from consumer had, therefore, got merged with the amount of the sale of power.

Further, in terms of rule 2 of the Bengal Electricity Duty Rules, 1935 the Board has to collect electricity duty from consumers and deposit the same into Government account. But before ascertaining the amount collected by way of electricity duty, the Board deposited out of its own funds Rs.4,50 lakhs and Rs.3,00 lakhs into Government account on *ad hoc* basis during the years 1979-80 and 1980-81 respectively. This resulted in depositing of electricity duty into Government account to the extent of Rs.22.80 lakhs and Rs.32.53 lakhs in excess of liabilities of Rs.4,27.20 lakhs and Rs. 2,67.47 lakhs for these two years.

Had the debit head for realisable duty been operated as per the prescribed accounting procedure, depositing of the excess amounts during the two years resulting in blocking up of the Board's funds, could have been avoided.

### 8.05.3. *Avoidable loss*

As per the Board's decision (May 1981) the Management applied (May 1981) for a loan of Rs.4,26.95 lakhs from Housing and Urban Development Corporation Limited (HUDCO), a Government of India Undertaking, for construction of its Administrative Building Complex at Bidhan Nagar (Salt Lake). HUDCO sanctioned (1st October 1981) the loan bearing interest at 14.25 *per cent* (0.25 *per cent* rebate for prompt payment) and stipulated, *inter alia*, that the same would have to be secured, either by (i) a State Government guarantee or (ii) an unconditional irrevocable bank guarantee, or (iii) a mortgage of immovable properties. Further, all formalities for executing the loan agreement were required to be completed within a period of four months from the date of sanction of the loan failing which a commitment charge at the rate of 1 *per cent* per annum was payable on the full amount of loan sanctioned.

The Board signed the loan agreement on 30th January 1982. Although the security in the form of a bank guarantee was submitted by the Board (January 1982) along with the loan agreement to HUDCO, the Guarantor Bank withdrew (September 1982) the guarantee for want of permission of Reserve Bank of India in the matter. The Board, ultimately, hypothecated (24th March 1983) its immovable properties as security against the loan and furnished (28th March 1983) the mortgage deed along with other documents to HUDCO. HUDCO released a sum of Rs.99.33 lakhs in two instalments (Rs.73.40 lakhs) in April 1983 and (Rs.25.93 lakhs) in August 1983 after deducting commitment charges of Rs.4.92 lakhs,

On requests made (June and August 1983) by the Board, HUDCO waived (May 1984) commitment charges for the period from 1st February 1982 to 30th January 1983, but did not agree to waive the said charges for the period from 31st January 1983 to 28th March 1983 amounting to Rs. 0.67 lakh.

The Board, thus, suffered an avoidable loss of Rs.0.67 lakh on account of its failure to take prompt action to complete the formalities within the stipulated time of 4 months for obtaining the loan, besides a liability to pay interest on that amount (Rs.0.67 lakh).

The matter was referred to Board (October 1983) and to Government in October 1983. Government's replies are awaited (June 1984).

#### 8.05.4. *Loss of revenue*

A bulk consumer under Burdwan (O & M) circle started receiving power at 11 Kv from 12th August 1977 as per agreement entered into with the Board on 21st August 1974. The annual minimum guaranteed revenue (AMGR) was fixed at Rs.1.48 lakhs and Rs.1.87 lakhs for 1978-79 and 1979-80 respectively. It was also stipulated that remission in AMGR for lower consumption of power would be considered on the happening of an event which was beyond the consumer's control, provided it was notified in writing within fifteen days of occurrence of such event with necessary details to prove that the occurrence was preventing the consumer from receiving the full amount of contracted demand. The consumer was also required to keep the Board informed once in every fortnight of further development regarding the event.

The consumer applied in July 1978 for remission in AMGR on grounds of break-down of the main furnace transformer and other allied machinery to be effected till the machinery were recommissioned. The Board granted (March 1981) reduction in AMGR to Rs.0.79 lakh and Rs.0.78 lakh for 1978-79 and 1979-80 respectively. It was, however, noticed that contrary to the provisions of the agreement, the reduction in AMGR was allowed even though the consumer had neither given notice within the specified time nor kept the Board informed of further development.

No evidence was found on record to show that the Board had satisfied itself of the correctness of the consumer's plea for short drawal of energy before allowing reduction in AMGR which resulted in a loss of revenue of Rs.1.78 lakhs.

The matter was reported to Board|Government in October 1983; replies are awaited (November 1983).



#### 8.05.5. *Purchase of mild steel rounds*

A purchase order for supply of 300 tonnes of 6 mm to 12 mm dia MS rounds was placed by the Additional Chief Engineer (North Bengal) on tender basis with a firm of Calcutta in December 1980 at a total cost of Rs.12.20 lakhs for Siliguri. As per the order, supply was to be made *ex stock* within a month from the date of receipt of the order. The firm did not supply the materials even after 6 months from the date of the order and hence the Board cancelled the order in June 1981 without imposing any penalty. Despite the failure of the supplier another purchase order was placed (April 1981) on it on negotiation by the Superintending Engineer (Civil), Jaldhaka Hydel Project (who was aware of the fact of non-supply against the earlier order) for immediate supply of 50 tonnes each of 10 mm and 12 mm dia MS rounds from ready stock at a cost of Rs.4.71 lakhs excluding sales tax and transport charges.

As per the terms of the order, 98 *per cent* payment was to be made against delivery at site (Jaldhaka Hydel Project) and the balance within 14 days from the date of receipt of the bill. But, at the instance of the supplier, the payment term was revised (12th April 1981) and a sum of Rs.5.14 lakhs being 100 *per cent* of the cost of supply was paid (22nd April 1981) against *pro forma* invoice without obtaining any bank guarantee. The order had been placed (April 1981) without prior approval of Standing Tender Committee but the Committee ratified (June 1981) the action of the Superintending Engineer in placing the order, *ex post facto*. Neither the material was supplied as stipulated nor the advance refunded by the supplier (September 1983). The Board cancelled the order in January 1982 and the materials were procured (August to October 1982) from National Iron and Steel Company Limited, a Government of India Undertaking, at a total cost of Rs.4.89 lakhs.

Payment of advance against *pro forma* invoice without proper security resulted in blocking of capital of Rs.5.14 lakhs for the period up to October 1983 and loss of Rs.1.03 lakhs by way of interest.

The matter was referred to Board/Government in October 1983; their replies are awaited (January 1983).

#### 8.05.6. *Avoidable expenditure*

Against a purchase order of the Board (December 1980) under IDA credit and subsequent extension thereto (August 1981) a firm of Delhi despatched (between December 1981 and February 1982) 120 drums of ACSR 'Panther' conductor in ten consignments (value : Rs.29.79 lakhs). The materials reached Chandrakona Road-Railway

Station during the period from January 1982 to March 1982. Since the Board failed to open a letter of credit in a bank as per the terms of the purchase order the railway receipt (RR) was made negotiable by the suppliers with a bank and the Board could lift the materials only in May 1982 after paying a sum of Rs.0.76 lakh on account of demurrage|wharfage charges. The reason for delay in releasing the relevant RRs was as stated by the Board, shortage of funds. As these consignments were under IDA credit, the Board could have made arrangements for necessary funds by endorsing the documents through its bankers against adjustment of funds from the IDA credit for release of RRs.

At the time of taking delivery of the materials (May 1982) two drums containing 2,854 km of conductors (value : Rs.0.78 lakh) were found short. The Board obtained (May 1982) a 'shortage' certificate from the Railways and submitted the claim belatedly (August 1982) for compensation amounting to Rs.0.57 lakh. It was rejected by the Railways as it was a time barred claim *i.e.*, not made within 6 months from the date of booking the materials.

Meanwhile the board had deducted (August 1982) Rs.0.57 lakh from the bill of the supplier. The Board indicated (January 1983) that the insurer had refused to entertain the claim owing to Board's failure to prefer claim with the Railways within six months from the date of booking of the materials. The loss due to shortage in transit amounting to Rs.0.78 lakh could have been avoided had the Board lodged claims for compensation in time.

The Board, thus, incurred avoidable expenditure of Rs.1.54 lakhs on account of (i) demurrage|wharfage charges and (ii) short receipt of materials.

The matter was referred to Board|Government (October 1983); their replies are awaited (February 1984).

#### 8.05.7. *Additional expenditure*

The Board placed (June 1979) an order on a firm of Calcutta for supply of 1,600 Km's 'weasel' conductor. As per the terms of supply, the delivery was to commence within 6|8 months from the date of receipt of the order by the supplier and would be completed within 10 to 12 months thereafter at a cost of Rs.31.65 lakhs (excluding taxes and duties). The Board reserved the right to repudiate the contract in the event of late delivery. While accepting the order (June 1979) the firm intimated its capability of supplying an additional quantity of 6,000 km's of conductor. After holding

negotiation the Board placed another order on the firm in August 1979 for supply of additional 11,300 kms of conductor from its Calcutta works at a cost of Rs.2,23.51 lakhs (excluding taxes and duties) and on the same terms and conditions as contained in the order released earlier in June 1979. Necessary approval from the Tender Committee|Board had, however, not been obtained for this repeat order. A further change was made in November 1979 in the terms of the purchase order (at the instance of the firm) allowing the firm to supply 3,000 kms of conductor within June 1980 from their Naini works in U.P., out of the 12,900 kms of conductor earlier stipulated to be supplied from its Calcutta works.

The firm delivered 3,000 kms of conductor from its Naini works between December 1979 and March 1981 for which the Board had to pay Rs.5.51 lakhs in the form of road transportation charges, octroi tax and central sales tax. The firm, however, delivered only 4,372 kms of conductor from its Calcutta works between July 1979 and February 1981. Order in respect of balance quantities not supplied (5,528 kms) was cancelled (September 1982) as per the terms of the purchase order.

Thus, by allowing the firm to supply 3,000 kms of conductor from its Naini works (in modification of the terms and conditions stipulated in the original order), the Board incurred additional expenditure of Rs.5.51 lakhs.

The matter was brought to the notice of the Board|Government in October 1983, their replies are awaited (December 1983).

#### 8.05.8. *Delayed revision of tariff*

In accordance with the agreement executed (May 1965) between the Board and the Calcutta Electric Supply Corporation (India) Limited (CESC) for bulk supply of power, a notice dated 30th March 1981 was served on the CESC notifying enhancement of the basic tariff rates by 20 *per cent* over the existing rates with effect from 1st

April 1982 in view of the increased cost of operation, maintenance, materials and equipment, *etc.*, of the Board. But the revision could not be given effect to from the proposed date in compliance with a request (March 1982) of the State Government to keep the enhancement in abeyance without showing any reason therefor. However, the enhanced rate was enforced from 1st January 1983 on clearance received from the State Government.

The loss of revenue on account of deferment of the enhanced tariff from 1st April 1982 to 31st December 1982 was estimated by the Board at Rs.4.55 lakhs on the basis of actual energy supplied to the CESC during the above period.

Although Board intimated (June 1982) the State Government the extent of loss (Rs.55 lakhs per month) it had to suffer due to non-approval of revision of tariff against CESC with effect from April 1982, it had neither preferred any formal claim against the Government for compensation nor moved the Central Electricity Authority in terms of Section 78A(2) of the Electricity (Supply) Act, 1948 for a decision on disputes between the Board and Government.

Government (in the Power Department) stated (December 1983) that as Damodar Valley Corporation (DVC) from whom both the Board and CESC were receiving power proposed revision of its tariff with effect from 1st May 1982, they had opposed the proposal on the ground that there would be corresponding effect of upward revision of tariff on the Board and CESC. DVC, however, revised its tariff rates from 1st December 1982 and Government allowed the Board to revise its tariff against CESC from 1st January 1983. The State Government had also stated that though Board could not realise the enhanced tariff from CESC, the loss was compensated by deferment of DVC's proposal for revision of tariff.

The contention of Government did not hold good as the Board assessed (March 1981) that the revision of basic tariff rates to CESC was necessitated in view of increased cost of generation and supply

of power. At that time the Board had no knowledge about the proposed revision of tariff by DVC. Had the revision of tariff of DVC been effected from 1st May 1982 it would have increased the loss of the Board further.

## SECTION IX

### DURAGAPUR STATE TRANSPORT CORPORATION

#### 9.01. Introduction

The Durgapur State Transport Corporation was formed on 7th December 1973 under the Road Transport Corporations Act, 1950 for providing public transport in the Durgapur Industrial Complex, besides co-ordinating road transport with rail transport.

#### 9.02. Capital

As on 31st March 1983 the capital of the Corporation under Section 23(1) of the Act *ibid* was Rs.11,40.16 lakhs\* (wholly subscribed by the State Government) as against the capital of Rs.9,47.43 lakhs\* as on 31st March 1982. Interest on capital is payable at 6.25 *per cent* per annum.

#### 9.03. Guarantees

No loan guaranteed by Government was outstanding as on 31st March 1983. An amount of Rs.0.19 lakh (provisional) was, however, outstanding towards arrears of guarantee fees as on that date in respect of a guarantee given in 1974-75 on credits (Rs.12.24 lakhs) availed of by the Corporation from the Industrial Development Bank of India.

#### 9.04. Financial position

The accounts of the Corporation for the year 1977-78 and onwards were in arrears (January 1984). The table below summarises the financial position of the Corporation for the three years up to 1976-77 :

|  | 1974-75           | 1975-76        | 1976-77        |
|--|-------------------|----------------|----------------|
|  | (Provisional)     |                |                |
| A. Liabilities—                                    | (Rupees in lakhs) |                |                |
| (a) Capital Contribution from the State Government | 1,19.91           | 1,19.91        | 1,19.91        |
| (b) Reserves and surplus—                          |                   |                |                |
| (i) Depreciation Reserve Fund .. .. .              | 82.27             | 68.09          | 71.17          |
| (ii) Accident Reserve Fund .. .. .                 | 1.20              | 1.27           | 1.34           |
| (iii) Contributory Provident Fund .. .. .          | 19.42             | 24.88          | 31.02          |
| (c) Deposits .. .. .                               | 1.34              | 2.79           | 3.86           |
| (d) Loans .. .. .                                  | 63.64             | 1,07.13        | 1,84.54        |
| (e) Trade dues and current liabilities .. .. .     | 31.55             | 46.45          | 62.25          |
| <b>Total ..</b>                                    | <b>3,09.33</b>    | <b>3,70.52</b> | <b>4,74.09</b> |

\*This includes capital at formation (Rs. 1,19.91 lakhs) and State Government loans (Rs. 728.2 lakhs and Rs. 10,20.25 lakhs at the end of 1981-82 and 1982-83 respectively).

|  |    |    |       | 1974-75           | 1975-76 | 1976-77 |
|--|----|----|-------|-------------------|---------|---------|
|  |    |    |       | (Provisional)     |         |         |
| B. Assets—                             |    |    |       | (Rupees in lakhs) |         |         |
| (a) Fixed assets                       | .. | .. | ..    | 1,44.05           | 1,36.50 | 1,45.76 |
| (b) Capital works-in-progress          | .. | .. | ..    | ..                | ..      | 12.56   |
| (c) Investments                        | .. | .. | ..    | 48.92             | 50.32   | 59.55   |
| (d) Current assets, loans and advances | .. | .. | ..    | 47.90             | 55.49   | 57.59   |
| (e) Accumulated losses                 | .. | .. | ..    | 68.46             | 1,28.21 | 1,98.03 |
|  |    |    | Total | 3,09.33           | 3,70.52 | 4,74.09 |
| Capital invested                       | .. | .. | ..    | 1,29.55           | 2,27.04 | 3,04.45 |
| Capital employed                       | .. | .. | ..    | 75.69             | 79.47   | 70.93   |

### 9.05. Working results

The following table gives details of the working results of the Corporation for the three years up to 1976-77 :

| Particulars  |    |    |    | 1974-75                         | 1975-76  | 1976-77  |
|--|----|----|----|---------------------------------|----------|----------|
|  |    |    |    | (Rupees in lakhs) (Provisional) |          |          |
| 1. (a) Operating—  |    |    |    |                                 |          |          |
| Revenue  | .. | .. | .. | 45.51                           | 58.75    | 71.66    |
| Expenditure  | .. | .. | .. | 91.83                           | 1,11.55  | 1,28.04  |
| Deficit  | .. | .. | .. | 46.32                           | 52.80    | 56.38    |
| (b) Non-operating—                                       |    |    |    |                                 |          |          |
| Revenue  | .. | .. | .. | 0.60                            | 5.82     | 3.49     |
| Expenditure  | .. | .. | .. | 8.86                            | 12.77    | 17.53    |
| Deficit  | .. | .. | .. | 8.26                            | 6.95     | 14.04    |
| (c) Total—   |    |    |    |                                 |          |          |
| Revenue  | .. | .. | .. | 46.11                           | 64.57    | 75.15    |
| Expenditure  | .. | .. | .. | 1,00.69                         | 1,24.32  | 1,45.57  |
| Net loss   | .. | .. | .. | 54.58                           | 59.75    | 70.42    |
| 2. Interest on capital and loans                         |    |    |    | ..                              | ..       | ..       |
|  |    |    |    | 8.86                            | 12.77    | 17.53    |
| 3. Total return on—                                      |    |    |    |                                 |          |          |
| Capital invested   | .. | .. | .. | (-45.72)                        | (-46.98) | (-52.89) |
| Capital employed   | .. | .. | .. | (-45.72)                        | (-46.98) | (-52.89) |
| 4. Percentage of operating revenue to operating expenses |    |    |    | 50                              | 53       | 56       |

Notes: (i) Capital invested represents capital contribution plus long-term loans.

(ii) Capital employed represents fixed assets plus working capital

The Corporation had been incurring losses since its formation in 1973. The accumulated losses up to the end of 1982-83 (provisional) amounted to Rs.10,69.38 lakhs as against the capital of Rs.11,40.16 lakhs.

The losses were attributed (August 1983) by the Management to the following factors :

- uneconomic fare structure, particularly in operation of township services;
- increase in cost of operation due to rise in the price of diesel, lubricants, tyres, batteries and spare parts and increase in the pay and allowances of staff;
- bad road conditions resulting in high consumption of tyres and spare parts;
- competition with private operators; and
- lack of funds for replacement programme of old buses in the fleet.

## 9.06. Operational performance

### 9.06.1. Operating results

The operating results of the Corporation for the three years up to 1982-83 are summarised below :

|  |       | 1980-81 | 1981-82       | 1982-83 |
|--|-------|---------|---------------|---------|
|  |       |         | (Provisional) |         |
| <i>Earnings</i>                                |       |         |               |         |
| (a) Total operating earnings (Rupees in lakhs) | ..    | 1,19.60 | 1,31.23       | 1,33.30 |
| (b) Per kilometre earnings (in paise)          | .. .. | 180     | 206           | 231     |
| <i>Cost of operations</i>                      |       |         |               |         |
| (a) Total operating cost (Rupees in lakhs)     | ..    | 2,43.70 | 2,83.70       | 2,96.04 |
| (b) Per kilometre cost (in paise)              | .. .. | 366     | 445           | 514     |
| <i>Operating loss</i>                          |       |         |               |         |
| (a) Total operating loss (Rupees in lakhs)     | ..    | 1,24.10 | 1,52.47       | 1,62.74 |
| (b) Per kilometre loss (in paise)              | .. .. | 186     | 239           | 283     |

The earnings per kilometre during 1982-83 increased by 51 paise (28.3 per cent) over the earnings during 1980-81. The effective kilometres operated during 1982-83, however, decreased from 66.56 lakh kilometres to 57.64 lakh kilometres (13.4 per cent) in 1980-81. The cost of operations per kilometre increased by 148 paise (40.4 per cent) during the same period. Whereas the increase in the earnings per kilometre was primarily due to upward revision of fares (by 10/25 paise per stage) the increase in the cost of operation was



due to increase in expenditure towards staff, fuel, tyres and tubes and spare parts *etc.* The disproportionate increase in the cost of operations (by 21.6 and 15.5 *per cent*) during 1981-82 and 1982-83 as compared to the increase in the revenues (by 14.4 and 12.1 *per cent*) during the years resulted in heavy losses.

### 9.06.2. Fleet position

The following table indicates the position of fleet strength of the Corporation during the three years up to 1982-83 :

|                              |    | Number of buses |           |        |           |        |
|------------------------------|----|-----------------|-----------|--------|-----------|--------|
|                              |    | 1980-81         | 1981-82   |        | 1982-83   |        |
|                              |    | Actual          | Projected | Actual | Projected | Actual |
| At the beginning of the year | .. | 119             | 151       | 151    | 170       | 139    |
| Addition during the year     | .. | 32*             | 31        | 8      | 31        | 33     |
| Condemnation during the year | .. | Nil             | 12        | 20**   | ..        | 1**    |
| At the end of the year       | .. | 151             | 170       | 139    | 210       | 171(x) |

It may be seen that the Corporation had failed to maintain the projected fleet strength during 1981-82 and 1982-83 primarily due to non-achievement of targets of acquisition of new buses and also condemnation of more buses than projected. The Management stated (August 1983) that the projections had to be scaled down according to the availability of funds under the Annual Plan.

The following table indicates composition of vehicles in terms of years and distance operated, at the end of March 1983 :

| Composition of vehicles                         |    | Number of buses |         |       |       |
|---|----|-----------------|---------|-------|-------|
|   |    | TMB             | Leyland | Total |       |
| <b>(a) In terms of period of operation—</b>     |    |                 |         |       |       |
| (i) Above eight years                           | .. | ..              | 4       | 35    | 39    |
| (ii) Six to eight years                         | .. | ..              | Nil     | 10    | 10    |
| (iii) Four to six years                         | .. | ..              | 1       | 33    | 34    |
| (iv) Four years and less                        | .. | ..              | 22      | 66    | 88    |
|   |    | Total           | 27      | 144   | 171   |
| <b>(b) In terms of kilometres run—</b>          |    |                 |         |       |       |
| (i) Six lakh kilometres and above               | .. | ...             | 2       | 12    | 14    |
| (ii) Five to six lakh kilometres                | .. | ..              | 1       | 11    | 12(x) |
| (iii) Two and half lakh to five lakh kilometres | .. | ..              | 2       | 69    | 71    |
| (iv) Less than two and half lakh kilometres     | .. | ..              | 22      | 52(y) | 74    |
|   |    | Total           | 27      | 144   | 171   |

\*Includes 2 double-decker buses received from Calcutta State Transport Corporation during the year.

\*\*Includes one double-decker bus returned to Calcutta State Transport Corporation during the year.

(x) One vehicle converted into break-down van and one into truck.

(y) This includes 3 old vehicles (Leyland) received from Calcutta State Transport Corporation during 1979-80 which had run less than 1 lakh kilometres since receipt of the same by the corporation. Total kilometres covered by the vehicles were not available.

A Study Group (City Services) of the Association of State Road Transport Undertakings (ASRTU), New Delhi recommended (June 1971) that the percentage of buses with less than four years' of operation (young) to the total fleet strength should not be less than 60 and that of buses with more than 6 years of operation (old) buses should normally be nil and in any case it should not be allowed to exceed 5 *per cent*. As against this, the percentages of 'young' vehicles and 'old' vehicles in the fleet, as on 31st March 1983, were 51.5 and 28.7 respectively.

It was noticed (August 1983) in audit that 20 vehicles (11.7 *per cent* of the fleet) not in use (from different dates between 17th September 1981 and 9th April 1983) were waiting to be condemned (July 1983).

The large number of overaged vehicles in the fleet had been affecting the economics of operation by way of frequent repairs and replacements due to break-down and excessive consumption of fuel and also had an adverse effect on regularity of services on account of cancellation of scheduled trips.

### 9.06.3. Fleet utilisation

The following table indicates the utilisation of vehicles during the three years up to 1982-83 :

|   | 1980-81 | 1981-82            | 1982-83 |
|---|---------|--------------------|---------|
|   |         | (Numbers)          |         |
| Average number of buses held during the year .. | 128     | 139                | 164     |
| Average number of buses on road per day ..      | 82      | 82                 | 84      |
| Fleet utilisation .. .. .                       | 64.1    | (Per cent)<br>59.0 | 51.2    |

No norms had been fixed by the Corporation in regard to fleet utilisation. During 1981-82 the percentage of fleet utilisation in Pandiyan Roadways Corporation Limited (a Tamil Nadu Government Undertaking) was 93.1 and it was 88.0 in Andhra Pradesh State Road Transport Corporation as against 59.0 in this Corporation.

The under-utilisation of fleet was attributed (August 1983) by the Management to the following factors :

- existence of too many old and unserviceable buses in the fleet, and
- inadequate preventive maintenance and delay in taking up repair works due to non-availability of materials in the store,

#### 9.06.4. Vehicle utilisation

The following table indicates the average vehicle utilisation during three years up to 1982-83 :

|  |    | 1980-81 | 1981-82 | 1982-83 |
|--|----|---------|---------|---------|
| Average number of buses on road per day        | .. | 82      | 82      | 84      |
| Scheduled kilometres (in lakhs)                | .. | 92.93   | 95.00   | 95.00   |
| Effective kilometres operated (in lakhs)       | .. | 66.56   | 63.70   | 57.63   |
| Scheduled vehicle utilisation per day (in kms) | .. | 310.5   | 317.4   | 309.6   |
| Actual vehicle utilisation per day(in kms)     | .. | 222.4   | 212.8   | 188.0   |

The actual vehicle utilisation was less than the scheduled utilisation in all the years. It was noticed (August 1983) in audit that the low vehicle utilisation was due to cancellation of trips, break-downs and want of crew. It may be mentioned here that the vehicle utilisation per day in 1981-82 in Pandiyan Roadways Corporation Limited was 332.0 km and 294.4 km in Andhra Pradesh State Road Transport Corporation as against 212.8 km in this Corporation.

#### 9.06.5. Performance analysis

The following table shows the performance analysis of the Corporation for the three years up to 1982-83 :

|   |    | 1980-81 | 1981-82 | 1982-83 |
|---|----|---------|---------|---------|
| 1. Number of routes (as on 31st March)                | .. | 43      | 43      | 44      |
| 2. Average route distance (in kms)                    | .. | 120     | 120     | 120     |
| 3. Total route kilometres                             | .. | 5,168   | 5,145   | 5,222   |
| 4. Scheduled kilometres during the year (in lakh kms) | .. | 92.93   | 95.00   | 95.00   |
| 5. Effective kilometres operated (in lakh kms)        | .. | 66.56   | 63.70   | 57.63   |
| 6. Operational efficiency (per cent) (li to 4)        | .. | 71.6    | 67.1    | 60.7    |
| 7. Number of scheduled trips (in lakhs)               | .. | 1.15    | 1.15    | 1.17    |
| 8. Number of trips operated (in lakhs)                | .. | 0.56    | 0.51    | 0.54    |
| 9. Percentage of operated trips to scheduled trips    |    | 49      | 44      | 46      |

It would be seen from the above table that the operational efficiency declined in 1981-82 and 1982-83 as compared to 1980-81.

It may incidentally be pointed out that the operational efficiency was 94.5 per cent in Pandiyan Roadways Corporation Limited and 87.5 per cent in Andhra Pradesh State Road Transport Corporation during 1980-81.

### 9.06.6. Dead kilometres

The following table indicates the position of dead kilometres and their percentage to gross kilometres during the three years up to 1982-83 :

| Year    |    |    |    |    | Gross kilometres operated | Dead kilometres operated | Percentage of dead kilometres to gross kilometres |
|---------|----|----|----|----|---------------------------|--------------------------|---|
|         |    |    |    |    | (in lakhs)                |                          |   |
| 1980-81 | .. | .. | .. | .. | 72.34                     | 5.78                     | 8.0   |
| 1981-82 | .. | .. | .. | .. | 69.57                     | 5.87                     | 8.4   |
| 1982-83 | .. | .. | .. | .. | 63.55                     | 5.92                     | 9.3   |

The cause-wise analysis of dead kilometres during the three years up to 1982-83 along with their percentage is given below :

| Particulars                        | 1980-81             |                     | 1981-82             |                     | 1982-83             |                     |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                    | Dead kms (in lakhs) | Percentage to total | Dead kms (in lakhs) | Percentage to total | Dead kms (in lakhs) | Percentage to total |
| (i) Pick up duty                   | 2.86                | 49.5                | 3.05                | 52.0                | 3.32                | 56.1                |
| (ii) Depot to bus station and back | 2.50                | 43.2                | 2.58                | 44.0                | 2.34                | 39.5                |
| (iii) Vehicle test                 | 0.17                | 3.0                 | 0.06                | 1.0                 | 0.04                | 0.7                 |
| (iv) Attending break-downs         | 0.19                | 3.3                 | 0.13                | 2.2                 | 0.12                | 2.0                 |
| (v) Bank and stores and other duty | 0.06                | 1.0                 | 0.05                | 0.8                 | 0.10                | 1.7                 |

It would be seen that though the gross kilometres operated declined from year to year the dead kilometres had increased during the same period. The increase in dead kilometres from year to year was primarily due to increase in number of services for picking up of crew.

### 9.06.7. Cancellation of trips

The following table indicates the position of cancellation of trips during the three years up to 1982-83 :

|  | 1980-81 | 1981-82 | 1982-83 |
|--|---------|---------|---------|
| Number of scheduled trips (in lakhs)                       | 1.15    | 1.15    | 1.17    |
| Number of trips cancelled (in lakhs)                       | 0.59    | 0.64    | 0.63    |
| Loss of trips (Per cent)                                   | 51.3    | 56.5    | 53.8    |
| Scheduled kilometres (in lakhs)                            | 92.93   | 95.00   | 95.00   |
| Cancelled kilometres (in lakhs)                            | 25.37   | 31.30   | 37.37   |
| Percentage of cancelled kilometres to scheduled kilometres | 27.3    | 32.9    | 39.3    |

The Corporation attributed (August 1983) the cancellations to the following :

- non-supply of vehicles by garage;
- accident and break-downs of the vehicles; and
- shortage of crew.

#### 9.06.8. Operation of routes

As on 31st March 1983 the Corporation had been operating 44 routes (26 long distance routes and 18 township routes). The Corporation had no system of making routewise analysis of profitability. In a test check it was noticed (July 1983) that there were wide fluctuations in the revenue earned in some of the long distance routes from month to month vide instances given below :

| Particulars of route  | Month           | Total sale proceeds (Rupees) | Month          | Total Sale proceeds (Rupees) |
|-----------------------|-----------------|------------------------------|----------------|------------------------------|
| Durgapur—Digha ..     | .. May 1981     | 43,237                       | July 1982      | 26,483                       |
| Haldia Township ..    | .. October 1981 | 39,276                       | December 1981  | 25,780                       |
| Durgapur-Jhargram ..  | .. May 1981     | 65,000                       | May 1982       | 39,330                       |
| Durgapur-Calcutta ..  | .. June 1981    | 76,653                       | January 1982   | 10,430                       |
| Durgapur-Rampurhat .. | .. June 1981    | 15,160                       | February 1983  | 6,355                        |
| Durgapur-Sainthia ..  | .. January 1982 | 14,420                       | October 1981   | 5,501                        |
| Durgapur-Burdwan ..   | .. April 1982   | 28,668                       | September 1982 | 3,735                        |

The Management had not analysed the causes of such fluctuations.

#### 9.06.9. Break-downs

The following table indicates the position of break-downs during the three years up to 1982-83 :

|   | 1980-81 | 1981-82 | 1982-83 |
|---|---------|---------|---------|
| Total effective kilometres operated (in lakhs) .. | 66.56   | 63.70   | 57.63   |
| Total number of break-downs .. ..                 | 2059    | 2028    | 1770    |
| Number of break-downs per 10,000 kms .. ..        | 3.09    | 3.18    | 3.07    |
| Number of break-downs per day .. ..               | 5.64    | 5.56    | 4.85    |

Cause-wise analysis of break-downs had not been made by the Corporation. It may be mentioned here that the number of break-downs per 10,000 kilometres was 0.43 in Pandiyan Roadways Corporation Limited and 0.75 in Andhra Pradesh Road Transport Corporation during 1981-82.

### 9.06.10. Accidents

The table below indicates the incidence of accidents during the three years up to 1982-83 :

|   | 1980-81 | 1981-82 | 1982-83 |
|---|---------|---------|---------|
| Total effective kilometres operated (in lakhs) .. | 66.56   | 63.70   | 57.03   |
| Total number of accidents .. ..                   | 113     | 73      | 100     |
| Number of fatal accidents .. ..                   | 8       | 3       | 6       |
| Number of accidents per lakh of kms operated ..   | 1.7     | 1.1     | 1.7     |

Cause-wise analysis of accidents by factors such as negligent driving, over-loading etc., had not been made and therefore the Corporation was not able to take appropriate steps for bringing down the accidents due to avoidable causes.

### 9.07. Workshop

#### 9.07.1. Performance of engine

The performance of engine depends on the satisfactory adherence to maintenance schedule including engine oil change and topping up of engine oil.

The Central Institute of Road Transport (CIRT), Pune had suggested (September 1978) the following guidelines aimed at obtaining better performance of the engines :

- (i) Depending on the make and type of vehicles, as also the operating environments, a stipulated life may be prescribed for engine replacement.
- (ii) The number of reconditionings an engine has to undergo should be predetermined. It may be advantageous to synchronise age of a bus with that of an engine so that both can be disposed of simultaneously.

No norms had been fixed by the Management as to the expected life of new or reconditioned engines.

Records indicating the kilometres covered by each engine, due dates for overhauling of an engine, actual dates of overhauling etc., having not been maintained by the Corporation, overall analysis of the position, so as to ascertain the efficiency of performance of the engines could not be made. Test check of the records revealed that most of the engines (42 engines during April 1981 to March 1983) were brought to the workshop for first overhauling after 2½ to 3½ years of

operation and covering about 2 lakh kms, except in the cases where the engines were involved in accidents. An analysis of the relevant records in audit revealed that the performances of the overhauled engines was very erratic *vide* instances given below :

|              |    |    |    |    |    |    | Total kilo-<br>metres run<br>after over-<br>hauling |
|--------------|----|----|----|----|----|----|---|
| Engine I     | -  | .. | .. | .. | .. | .. | 38,499  |
| Engine II .. | .. | .. | .. | .. | .. | .. | 74,607  |
| Engine III   | -  | .. | .. | .. | .. | .. | 25,663  |
| Engine IV    | .. | .. | .. | .. | .. | .. | 27,405  |

The Management stated (August 1983) that in those cases, complete overhauling had not been done and the jobs had been undertaken with old spares.

#### 9.07.2. Time taken for overhaul of engines

No norm (cycle time) for completion of overhaul of engines had been fixed by the Management. However, according to the Workshop Management, the time to be taken for complete overhaul of an engine should be around 7 to 8 days. But the actual time taken for complete overhaul of engines ranged between 7 and 88 days as seen from the table below :

| Year    |    | Total<br>number<br>of engines<br>overhauled | Jobs completed in |                 |                  |                  |
|---------|----|---|-------------------|-----------------|------------------|------------------|
|         |    |   | 7 days            | 8 to 11<br>days | 12 to 20<br>days | 21 to 88<br>days |
| 1980-81 | .. | 31  | 25                | ..              | 1                | 5                |
| 1981-82 | .. | 21  | 17                | ..              | 1                | 3                |
| 1982-83 | .. | 20  | 13                | 3               | 5                | 8                |

It would be seen that, in many cases, time taken to complete the overhauling job was excessive affecting the utilisation of the vehicles.

The Management stated (August 1983) that excessive time taken in completing the overhauling was due to non-supply of materials in time. It was, however, noticed in audit that no follow up action for timely procurement of materials had been taken by the Management to avoid such delay in executing the jobs.

## 9.08. Maintenance of vehicles

The effective utilisation of the vehicles and their performance and life depend largely on the routine and preventive maintenance of the vehicles. The Corporation has not introduced the system of preventive maintenance as also of periodical overhauls and repairs for the fleet as a whole.

The Management stated (August 1983) that inadequate supply and non-supply of spares coupled with non-provision of reserve vehicles were coming in the way of systematic preventive maintenance.

## 9.09. Repairs of vehicles

9.09.1. The Workshop of the Corporation was designed to undertake the jobs of (i) running repair, (ii) body repair, (iii) painting, (iv) engine overhauling, (v) servicing, (vi) reconditioning of assemblies, and (vii) general investigation. The installed capacity and the targets of jobs to be completed under each category from year to year have not been fixed by the Corporation.

A test check in audit revealed that same vehicles had been sent to workshop repeatedly for attending to similar types of jobs in connection with the engine and body of the vehicle; indicative of the fact that either the vehicles were not maintained properly or the jobs executed by the workshop were not done properly.

Some instances of such cases are given in the following table :

| Vehicle number | Nature of work | Dates on which work done  |
|----------------|----------------|---|
| WMH 3347 ..    | Engine job     | 26th June to 2nd July 1980<br>17th July 1980<br>23rd July 1980<br>25th July to 30th July 1980<br>4th August to 6th August 1980<br>25th August to 4th September 1980<br>4th October 1980 |
| WMH 3533 —     | Engine job     | 26th April to 30th April 1980<br>14th May 1980<br>10th June to 20th June 1980<br>12th August to 31st August 1980<br>9th September to 16th September 1980<br>4th October 1980            |
| WMH 3545 ..    | Engine job     | 31st July to 6th August 1980<br>9th August and 10th August 1980   |
| WMH 3672 ..    | Body job       | 27th May and 28th May 1980<br>10th June to 19th June 1980   |
| WMH 3684 ..    | Body job       | 25th June and 26th June 1980<br>28th June to 11th July 1980<br>30th July to 17th August 1980  |



The Management stated (August 1983) that by overhauling engines by replacing old parts with new ones and following the instruction of vehicle manufacturers, recurrence of those defects could have been avoided, but due to non-availability of spare parts such steps could not be taken. In respect of body jobs, it was stated that pending renovation of the bodies, they had tried to run the vehicles by attending to their minor defects from time to time till they become completely unworthy for operation. However, there was nothing on record to confirm this. The Corporation had not fixed any time schedule for completion of jobs at the workshop (December 1983).

#### 9.09.2. Heavy repairs|renovation of bus bodies

(a) Bus bodies are got renovated through outside parties as the workshop of the Corporation is not capable of handling such jobs. As on 31st March 1983, 33 vehicles were awaiting heavy repair|body renovation as detailed below :

| Period for which lying idle    | Number of vehicles |
|--------------------------------|--------------------|
| More than two years .. .. .    | 10                 |
| One year to two years .. .. .  | 6                  |
| Six months to one year .. .. . | 5                  |
| Less than six months .. .. .   | 12                 |
| Total .. .. .                  | 33                 |

(b) A test check in audit of the repair jobs revealed the following :

An order for renovation of six bus bodies was placed (February 1979) with a firm of Calcutta at a cost of Rs.1.17 lakhs. As per terms of the order, collection of buses was to be started by the firm within 10 days from the date of order for the first 2 buses and thereafter within a period of 7 days from the date of delivery of the repaired buses till the work was completed. First two buses after completion of job were to be delivered by the firm within 30 days from the date of collection and the remaining four buses were to be completed at the rate of two buses per month.

Normal procedure, followed by the Corporation, was to complete departmentally the mechanical jobs in respect of the vehicles which had been scheduled to be renovated through outside parties. No record was maintained indicating the mechanical jobs undertaken on those vehicles.

The firm collected 2 vehicles on 15th March 1979 (after 22 days from the date of order) and delivered one renovated bus in March 1980 and the other in June 1981 as against the scheduled delivery date of 15th April 1979. Claims of the firm in respect of these vehicles were settled on payment Rs.0.22 lakh after deduction of penalty as per terms of the agreement.

The firm having failed to lift the remaining 4 vehicles in spite of repeated reminders, the order was cancelled (December 1979). It was, however, noticed that out of these 4 vehicles, one vehicle had been put on road for very short spells during the period from September 1978 to October 1982 without any renovation of its body and the vehicle was finally proposed for condemnation in July 1983. Another vehicle was renovated (February-March 1980) at the Corporation's workshop through outside labour contractor. Details of expenditure incurred in this connection were not available.

The two other vehicles had been condemned without any utilisation and sold in auction (one sold in March 1980 for Rs.23,900 and other in September 1980 for Rs.18,999). Thus, the two vehicles, which were considered usable after necessary repairs, had to be disposed of ultimately owing to the failure on the part of the Management to get them repaired in time.

(c) The Corporation got bodies of 14 vehicles renovated during the period from April 1982 to February 1983 through a local firm incurring an expenditure of Rs.5.97 lakhs. These vehicles remained idle for periods ranging from 1½ years to 2½ years before they were renovated. Reasons for not getting these renovated soon after these were garaged were not on record.

(d) Based on open tenders the Corporation placed (November 1982) an order with a local firm of Asansol for renovation of 15 bus bodies at a total cost of Rs.6.54 lakhs. Mechanical jobs in respect of these vehicles were to be executed at the workshop of the Corporation before handing over these bus bodies to the firm for renovation. Spares required for completing the mechanical jobs in respect of these 15 vehicles and 2 other vehicles had been estimated (May 1982) to cost Rs.6.54 lakhs. Orders were, however, placed (November 1982 and April 1983) with 12 firms for spares valuing Rs.3.48 lakhs. Against this, the Corporation received spares valuing Rs.2.65 lakhs during the period from December 1982 to November 1983. Detailed records indicating the actual dates of completion of the mechanical jobs, spares utilised and expenditure involved in the mechanical work in respect of the individual vehicles were not maintained. However, it was noticed (November 1983) that the Corporation completed

mechanical jobs in respect of only 9 vehicles and handed these over to the firm during the period from December 1982 to October 1983. Of these, the firm had delivered 6 renovated bus bodies up to November 1983 and the remaining 3 vehicles were yet to be delivered (December 1983). Mechanical jobs in respect of the remaining 6 vehicles were yet to be completed (November 1983).

The Workshop Management stated (July 1983) that the jobs could not be completed for want of spares.

### 9.10. Change of oil

According to the Management, the following norms were required to be followed in regard to the change of oil as stipulated by the vehicle manufacturers in their service manuals :

| Type of vehicles |    |    |    |    |    | Engine oil<br>(After run in kms) | Gear oil |
|------------------|----|----|----|----|----|----------------------------------|----------|
| Leyland ..       | .. | .. | .. | .. | .. | 8,000                            | 24,000   |
| TMB ..           | .. | .. | .. | .. | .. | 6,000*                           | 18,000   |

It was noticed that neither the norm was followed nor any uniformity observed in this regard. Both engine and gear oil were noticed to have been changed after run of many more kilometres compared to the norms fixed. Instances of such cases are given in the following table :

| Leyland buses | Dates of engine oil change | Kilometres covered during interval | Dates of gear oil change             | Kilometres covered during interval |
|---------------|----------------------------|------------------------------------|--------------------------------------|------------------------------------|
| A             | .. 17th December 1979      | 12,372                             | 19th July 1980                       | 82,841                             |
|               | 13th January 1980          | 12,249                             | 23rd October 1980                    | 34,766                             |
|               | 12th February 1980         | 12,284                             | 23rd June 1981                       | 40,887                             |
|               | 10th March 1980            | 13,234                             | 21st March 1982                      | 43,882                             |
|               | 3rd April 1980             | 13,532                             |                                      |                                    |
| B             | .. 21st October 1981       | 21,854                             | 29th September 1980                  | 55,560                             |
|               | 24th December 1981         | 16,911                             | 29th January 1981                    | 36,924                             |
|               | 23rd February 1982         | 15,211                             | 21st October 1981<br>23rd April 1982 | 48,436<br>45,929                   |
| C             | .. 13th August 1981        | 19,410                             | 27th July 1980                       | 29,867                             |
|               | 21st December 1981         | 24,112                             | 19th February 1981                   | 53,934                             |
|               | 25th February 1982         | 16,440                             | 25th February 1982                   | 97,929                             |
|               | 25th March 1982            | 15,638                             | 11th November 1982                   | 68,765                             |
| D             | .. 22nd December 1981      | 13,471                             |                                      |                                    |
|               | 21st February 1982         | 11,612                             |                                      |                                    |
|               | 23rd April 1982            | 13,171                             |                                      |                                    |
|               | 10th June 1982             | 8,264                              |                                      |                                    |
| E             | ..                         |                                    | 7th February 1980                    | 27,978                             |
|               |                            |                                    | 6th May 1980                         | 37,093                             |
|               |                            |                                    | 31st July 1980                       | 31,355                             |

\*Extended to 9,000 kms in 1982

The Management stated (August 1983) that the schedule prescribed by the manufacturers could not be adhered to for want of requisite oil and in the exigencies of services. However, no action was noticed to have been taken to assess the requirement and for procurement of oil systematically beforehand.

### 9.11. Consumption of fuel and lubricants

#### 9.11.1. High Speed Diesel (HSD) Oil

The following table indicates the particulars of consumption of HSD oil during the three years up to 1982-83 :

|   | 1980-81 | 1981-82 | 1982-83 |
|---|---------|---------|---------|
| Gross kilometres operated (in lakhs) .. ..    | 72.34   | 69.57   | 63.55   |
| HSD oil consumed (in kilolitres) .. ..        | 2149    | 2114    | 1932    |
| Value of oil consumed (Rupees in lakhs) .. .. | 17.61   | 64.05   | 59.02   |
| Average cost per litre (Rupees) .. ..         | 2.28    | 3.03    | 3.05    |
| Kilometre per litre (in kms) .. ..            | 3.36    | 3.29    | 3.29    |
| Cost per kilometre (in paise) .. ..           | 65.51   | 92.08   | 92.87   |

The following norm as regards consumption of HSD oil was fixed (December 1981) by the Corporation :

- (i) Long distance vehicle—4 kilometres per litre
- (ii) Township vehicle—3½ kilometres per litre

As against this norm, the average run per litre was 3.32 kilometres in all the 3 years up to 1982-83 and the value of excess consumption during this period amounted to Rs.23.56 lakhs.

The Management, however, stated (August 1983) that high consumption was due to delay in attending to defects of the engines for want of spares.

#### 9.11.2. Consumption of engine oil

The table below indicated the particulars of consumption of engine oil for the three years up to 1982-83 :

|  | 1980-81 | 1981-82 | 1982-83 |
|--|---------|---------|---------|
| Gross kilometres run (in lakhs) .. ..                | 72.34   | 69.57   | 63.55   |
| Engine oil consumed (in lakh litres) .. ..           | 0.37    | 0.30    | 0.32    |
| Value of engine oil consumed (Rupees in lakhs) .. .. | 4.30    | 3.96    | 4.76    |
| Kilometre run (in kms per litre)                     | 195.51  | 231.90  | 198.59  |

The following norm as regards consumption of engine oil (top-up) had been fixed (December 1981) by the Corporation :

Long distance vehicle—250 kilometres per litre

Township vehicle—200 kilometres per litre

Exact value of the engine oil consumed in excess of the norm fixed was not ascertainable as the figures for consumption for long distance services and township services separately were not available. Figures for consumption due to change of oil and for top-up purpose separately were also not available with the Corporation.

### 9.11.3. *Used engine oil*

The Corporation did not maintain detailed records regarding the quantity of used engine oil retrieved from vehicles at the time of change of oil. The total quantity of engine oil consumed during the three years up to 1982-83 was 99,522.5 litres. The Corporation did not have any arrangement for reclamation of the used engine oil. During the period from October 1980 to March 1983 the Corporation disposed of 96 barrels (approximately 19,680 litres) of used engine oil for Rs.0.65 lakh. The Management stated (August 1983) that setting up of a plant for processing of the used engine oil for further use was not considered economical and their attempt to get the used engine oil reclaimed through any reliable outside agency also did not materialise.

## 9.12. Construction of bus bodies

9.12.1. The bus body shop of the Corporation handles only minor repairs of bus bodies and bodies are built through other builders including Calcutta State Transport Corporation. The Management had felt the necessity of setting up a body building unit and decided (March 1978) to procure necessary equipment for the purpose; however, no further action was taken in this regard.

9.12.2. The table below indicates the details of bus bodies constructed through outside agencies during the three years up to 1982-83 :

|  | 1980-81 | 1981-82 | 1982-83 |
|--|---------|---------|---------|
| Total number of bus bodies built .. . . .                            | 30      | 8       | 30      |
| Number of bodies built through private parties ..                    | Nil     | Nil     | 13      |
| Number of bodies built through Calcutta State Transport Corporation  | 30      | 8       | 17      |
| Expenditure incurred in construction of bus bodies (Rupees in lakhs) | 23.01   | 24.61   | 25.03   |

It was seen that the Corporation did not invite tenders for the 38 bus bodies built (in 1980-81 and 1981-82) through the Calcutta State Transport Corporation at rates ranging from Rs.67,000 (city type) to Rs.76,000 (district type) per body respectively in 1980-81 and Rs.87,000 (city type) and Rs.96,000 (district type) in 1981-82.

9.12.3. The Corporation acquired 16 bus chassis between January and March 1976 at a cost of Rs.17.65 lakhs. The General Manager of the Corporation, without prior approval of the Board and with working out the feasibility of plying of 'super luxury' coaches, decided (April 1976) to introduce such coaches and tenders were accordingly invited (April 1976) for construction of these coach bodies on the 16 chassis. Order was placed (June 1976) on a firm of Calcutta, (second lowest tenderer preferred on ground of quality) for construction of 14 district type super luxury coaches (36 seater) and 2 city luxury coaches (50 seater) at Rs.78,870 and Rs.64,000 (plus taxes) per coach respectively (aggregate value : Rs.12.22 lakhs). Board's approval to the placement of body building order for 16 luxury coaches with the firm was obtained *ex post facto* in July 1976.

The luxury coaches were received by the Corporation during March and April 1977. Out of these 16 coaches, 9 were earmarked for long distance routes, 6 for township routes and one coach was kept as stand-by. But due to reluctance of the passengers to pay enhanced fares most of these coaches had to be withdrawn from long distance routes shortly after their introduction and those were put to local services with fixation of higher fares.

It was noticed that most of these coaches were completely damaged within 2½ to 4 years of operation (up to December 1981). Out of 16 luxury coaches, only one had covered above 5 lakh kilometres and the others could cover on an average 2 to 3 lakh kilometres before they had been sent for renovation of bodies. The Corporation have got all these buses, excepting one, renovated as ordinary city type during the period from April 1982 to February 1983 incurring an expenditure of about Rs.6 lakhs through a private firm at the rates varying from Rs.39,400 to Rs.44,600 per body. One luxury coach which was involved in an accident had been condemned (May 1979) and sold (October 1982) in auction for Rs.29,300.

Thus, due to acquiring of super luxury coaches without working out the feasibility of operating the same the Corporation had incurred extra expenditure of Rs.3.28 lakhs computed with reference to the rate of Rs.56,500 for ordinary district type bus body building.

### 9.13. Manpower

The particulars of staff employed and expenditure incurred thereon during the three years up to 1982-83 are given below :

|  | 1980-81 | 1981-82 | 1982-83 |
|--|---------|---------|---------|
| 1. Average number of buses held during the year                    | 128     | 139     | 164     |
| 2. Average number of buses on road per day ..                      | 82      | 82      | 84      |
| 3. Gross kilometres operated (in lakhs) ..                         | 72.34   | 69.57   | 63.55   |
| 4. Effective kilometres operated (in lakhs) ..                     | 66.56   | 63.70   | 57.63   |
| 5. Number of staff as on 31st March ..                             | 1177    | 1217    | 1224    |
| 6. Total expenditure on staff (Rupees in lakhs) ..                 | 105.06  | 115.74  | 129.81  |
| 7. Average expenditure on staff per bus operated (Rupees in lakhs) | 1.28    | 1.41    | 1.55    |
| 8. Overall cost per effective kilometre (in paise)                 | 366     | 445     | 514     |
| 9. Expenditure on staff per effective kilometre (in paise)         | 158     | 182     | 225     |
| 10. Effective kilometres per employee .. ..                        | 5,655   | 5,234   | 4,708   |

Overall cost per effective kilometre increased from 366 paise in 1980-81 to 445 and 514 paise in 1981-82 and 1982-83 respectively. Effective kilometres per employee have decreased from year to year.

The staff-bus ratio for the three years up to 1982-83 was 14.35, 14.84 and 14.57 respectively as detailed below :

|                                | As on 31st March 1981 |              | As on 31st March 1982 |              | As on 31st March 1983 |              |
|--------------------------------|-----------------------|--------------|-----------------------|--------------|-----------------------|--------------|
|                                | Total                 | Per bus      | Total                 | Per bus      | Total                 | Per bus      |
| <b>Direct operating Staff—</b> |                       |              |                       |              |                       |              |
| Drivers .. ..                  | 239                   | 2.91         | 238                   | 2.90         | 236                   | 2.81         |
| Conductors ..                  | 302                   | 3.68         | 334                   | 4.07         | 336                   | 4.00         |
| Non-operating staff ..         | 636                   | 7.76         | 645                   | 7.87         | 652                   | 7.76         |
| <b>Total ..</b>                | <b>1,177</b>          | <b>14.35</b> | <b>1,217</b>          | <b>14.84</b> | <b>1,224</b>          | <b>14.57</b> |

The Corporation had not fixed any norm for the staff-bus ratio (January 1984).

## 9.14 Other points of interest

### 9.14.1. *Delay in commissioning of a machine*

The Management decided (December 1979) to acquire a centre lathe machine for the purpose of lessening the workload of the existing machines, performing new types of jobs and utilising the manpower of the shop in a better way. Accordingly, an order for purchase of the machine was placed (April 1980) with a firm of Ernakulam at a cost of Rs.1.57 lakhs. As per terms of the order the machine was to be delivered within December 1980. The consignment reached Durgapur Railway Station in October 1980 and delivery of the same was taken by the Corporation in November 1980. But the machine could not be installed so far (November 1983) as it had got damaged at the time of lifting the same. Order for replacement of damaged parts at a cost of Rs.0.19 lakh was placed in January 1982. The required parts have not yet been collected by the Corporation from the supplier. Total expenditure incurred in connection with the acquisition of the machine and its accessories including freight charges amounted to Rs.1.83 lakhs. The claim for loss due to damage of the machine had not yet (December 1983) been preferred with the insurer.

Non-installation of the machine had resulted in blocking up of Rs.1.83 lakhs in the acquisition of the machine besides affecting the efficiency of performance in the workshop as envisaged.

### 9.14.2. *Condemnation of vehicle*

The Corporation has a condemnation committee consisting of 5 members for condemnation of vehicles.

During 1976-77 to 1981-82 the Corporation had condemned 58 buses, out of which 53 vehicles were disposed of in auction during 1977-78 to 1982-83.

It was noticed in test check that 7 vehicles had been condemned on the ground that they were beyond economic repair even though they had not covered the prescribed 5 lakh kilometres. These buses had rendered services for 1.85 lakh kilometres to 4.50 lakh kilometres before condemnation. Further, 15 buses withdrawn from routes between July 1973 and November 1981 were proposed (February 1982) for condemnation after their conditions had deteriorated further due to prolonged garaging.



It was further noticed that some of the condemned vehicles had been sold at the price equivalent to about three times their reserve price whereas some others were sold at rates far below the reserve price which would be indicative of the fact that fixation of the reserve price was not realistic.

## SECTION X

### NORTH BENGAL STATE TRANSPORT CORPORATION

#### 10.01. Introduction

The North Bengal State Transport Corporation was formed on 15th April 1960 under the Road Transport Corporations Act, 1950 for providing public transport for the people of five North Bengal districts and also co-ordinating road transport with rail transport.

#### 10.02. Capital

As on 31st March 1983 the capital of the Corporation under Section 23(1) of the Act, *ibid* was Rs.7,31.06 lakhs\* (State Government : Rs.4,97.04 lakhs, Central Government : Rs.2,34.02 lakhs) as against the capital of Rs.7,19.56 lakhs\* (State Government : Rs.4,97.04 lakhs, Central Government : Rs.2,22.52 lakhs) as on 31st March 1982. Interest on capital is payable at 6½ per cent per annum.

#### 10.03. Guarantees

The table below indicates the details of guarantees given by Government for repayment of loans raised by the Corporation and payment of interest thereon :

| Particulars of guarantee              | Year of guarantee | Amount guaranteed | Amount outstanding as on |          |        |
|---------------------------------------|-------------------|-------------------|--------------------------|----------|--------|
|                                       |                   |                   | 31st                     | March    | 1983   |
|                                       |                   |                   | Principal                | Interest | Total  |
| Industrial Development Bank of India  | 1977-78           | 49.90             | 4.21                     | 4.09     | 8.30   |
| Ditto                                 | .. 1978-79        | 50.97             | 10.07                    | 1.22     | 11.29  |
| Cash Credit—<br>Central Bank of India | .. 1981-82        | @30.00            | 29.27                    | 1.38     | 30.65  |
| Total                                 | ..                | 1,30.96           | 43.55                    | 6.69     | 50.24† |

The amount of guarantee fees in arrears as on 31st March 1983 was Rs.5.61 lakhs.\*

@Does not include guarantee for interest.

†The figure as per Finance Accounts is Rs. 61.76 lakhs, the difference of Rs. 11.52 lakhs is under reconciliation.

\*The figure is provisional.

## 10.04. Operational performance

### 10.04.1. Operating results

The accounts of the Corporation are in arrears since 1975-76. The operating results of the Corporation for three years up to 1981-82 (based on provisional figures) are summarised below :

|   | 1979-80 | 1980-81<br>(Provisional) | 1981-82  |
|---|---------|--------------------------|----------|
| Effective kilometres operated (in lakhs) .. ..      | 235.62  | 221.88                   | 223.14   |
| <b>Earnings*—</b>                                   |         |                          |          |
| (i) Total operating earning (Rupees in lakhs) .. .. | 4,28.68 | 4,80.26                  | 5,12.14  |
| (ii) In paise per kilometre .. ..                   | 182     | 216                      | 229      |
| <b>Cost of operation*—</b>                          |         |                          |          |
| (i) Total operating cost (Rupees in lakhs) .. ..    | 7,48.01 | 8,76.60                  | 10,51.67 |
| (ii) In paise per kilometre .. ..                   | 317     | 395                      | 471      |
| <b>Operating Loss*—</b>                             |         |                          |          |
| (i) Total operating loss (Rupees in lakhs) .. ..    | 3,19.33 | 3,96.34                  | 5,39.53  |
| (ii) In paise per kilometre .. ..                   | 135     | 179                      | 242      |

The Corporation had been incurring losses continuously since 1966-67. The accumulated losses of the Corporation amounted to Rs.26,43.47 lakhs as on 31st March 1982.

The earnings per kilometre during 1981-82 increased by 47 paise (25.8 per cent) that of 1979-80 though the effective kilometres operated during 1981-82 decreased by 12.48 lakh kilometres (5.3 per cent) from 235.62 lakh kilometres in 1979-80 to 223.14 lakh kilometres in 1981-82. The increase in earning per kilometre was primarily due to upward revision of fares in June 1980 and March 1981. The cost of operation per kilometre increased by 154 paise (48.5 per cent) during the same period. The increase in the cost of operation as analysed by Audit was due to increase in expenditure towards staff, fuel and lubricants, tyres and tubes, spare parts and also debt charges, etc. The disproportionate increase in the cost of operation as compared to the increase in revenue resulted in huge losses during all the years mentioned above.

Some points regarding (a) performance, maintenance and repairs of vehicles (b) performance of tyres and tubes (c) consumption of fuel (diesel/lubricants) (d) construction of bus bodies, as revealed in test check of the records of the Corporation have been discussed in the succeeding paragraphs.

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*Includes figures for Goods Transport Service, for which separate accounts are not maintained.*

10.04.2. *Fleet position*

The operational performances of the Corporation during the three years up to March 1983 were as follows :

|   | 1980-81 | 1981-82<br>(In numbers) | 1982-83 |
|---|---------|-------------------------|---------|
| <i>(a) Passenger service</i>                      |         |                         |         |
| <b>Particulars of vehicles—</b>                   |         |                         |         |
| (i) Held as on 1st April .. .. .                  | 354     | 373                     | 415     |
| (ii) Additions during the year .. .. .            | 28      | 42                      | 40      |
| (iii) Condemned during the year .. .. .           | 9       | Nil                     | Nil     |
| (iv) Held as on 31st March .. .. .                | 373     | 415                     | 455     |
| (v) Off-road .. .. .                              | 99      | 151                     | 177     |
| (vi) On-road (average) .. .. .                    | 274     | 274                     | 278     |
| (vii) Percentage of utilisation of vehicles ..... | 73.5    | (Per cent)<br>66.0      | 61.1    |
| <i>(b) Goods Transport service</i>                |         |                         |         |
| <b>Particulars of vehicles—</b>                   |         |                         |         |
|   |         | (In numbers)            |         |
| (i) Held as on 1st April .. .. .                  | 68      | 66                      | 66      |
| (ii) Addition during the year .. .. .             | Nil     | Nil                     | Nil     |
| (iii) Condemned during the year .. .. .           | 2       | Nil                     | Nil     |
| (iv) Held as on 31st March .. .. .                | 66      | 66                      | 66      |
| (v) Off-road .. .. .                              | 33      | 35                      | 41      |
| (vi) On-road .. .. .                              | 33      | 31                      | 25      |
| (vii) Percentage of utilisation of vehicles ..    | 50.0    | (Per cent)<br>47.0      | 38.0    |

No norms had been fixed by the Corporation in regard to fleet utilisation. During 1981-82 the percentage of fleet utilisation in Pandiyan Roadways Corporation Limited, Tamil Nadu and Andhra Pradesh State Road Transport Corporation was 93.1 and 88 respectively as against 66 in this Corporation for passenger service.

The under-utilisation of fleet, as analysed by Audit (August 1983) was due to ;

- existence of unserviceable and age-old vehicles in the fleet;
- absence of preventive maintenance in the workshop (paragraph 10.04.3. *infra*);
- detention of vehicles in the workshop (paragraph 10.05.3. *infra*); and
- curtailment in the expenditure on consumption of spares (paragraph 10.05.4. *infra*),

No auction had been taken by the Management so far (March 1984) to remove these causes.

The following table indicates the composition of vehicles in terms of age at the end of March 1983 :

| Composition of vehicles<br>In terms of period of operation |    |    |    | Tata<br>buses | Leyland<br>buses | Other<br>buses | Total |     |
|--|----|----|----|---------------|------------------|----------------|-------|-----|
|  |    |    |    | (In numbers)  |                  |                |       |     |
| (i) Above eight years                                      | .. | .. | .. | 83            | 102              | 9              | 194   |     |
| (ii) Above six years but less than eight years             | .. |    | .. | 57            | 10               | 3              | 70    |     |
| (iii) Above four years but less than six years             | .. |    | .. | 31            | 19               | Nil            | 50    |     |
| (iv) Four years and less                                   | .. | .. | .. | 71            | 70               | Nil            | 141   |     |
| Total  |    |    |    | ..            | 242              | 201            | 12    | 455 |

All the 66 trucks held by Goods Transport Service are more than eight years old.

A Study Group (City Services) of the Association of State Road Transport Undertakings (ASRTU), New Delhi recommended (June 1971) that the percentage of "young" buses (with less than four years' service) to the total fleet strength should not be less than 60 and that of "old" buses (with more than eight years service) should normally be nil and in any case it should not be allowed to exceed 5 per cent. As against this, the percentages of "young" vehicles and "old" vehicles in the fleet, as on 31st March 1983, were 31.0 and 42.6 respectively.

#### 10.04.3. Vehicle utilisation

The following table indicates the average vehicle utilisation during the three years up to 1982-83 :

| Particulars   | 1980-81 | 1981-82 | 1982-83 |
|---|---------|---------|---------|
| Average number of buses on road                       | 274     | 274     | 278     |
| Scheduled kilometres operated (in lakhs)              | 232.14  | 231.75  | 253.44  |
| Effective kilometres operated (in lakhs)              | 221.88  | 223.14  | 227.21  |
| Scheduled vehicle utilisation per day (in kilometres) | 232.1   | 231.7   | 249.8   |
| Actual vehicle utilisation per day (in kilometres)    | 221.9   | 223.1   | 223.9   |

The actual vehicle utilisation was less than the scheduled utilisation in all the years. It was noticed (August 1983) in audit that the low vehicle utilisation was due to break-down of vehicles and cancellation of trips owing to want of crew or road-worthy vehicles on the operating day.

As per norms of maintenance schedule of the Corporation, docking of vehicles should be done after running for 14,000 kilometres. There was no record to indicate that such docking of vehicles had been done at all during the three years ending 1982-83.

The Management had not assigned (December 1983) any reason for its inability to adhere to this norm.

The absence of preventive maintenance had resulted in frequent break-downs and consequent suspension of services. The table below indicates the break-downs of vehicles during the three years up to 1982-83 :

| Particulars   | 1980-81 | 1981-82 | 1982-83 |
|---|---------|---------|---------|
| Scheduled kilometres operated (in lakhs) .. ..                      | 232.14  | 231.75  | 253.44  |
| Number of break-downs—  |         |         |         |
| (i) Total .. ..   | 3274    | 3626    | 3523    |
| (ii) Per 10,000 kilometres .. ..                                    | 1.41    | 1.56    | 1.39    |
| (iii) Per day .. ..   | 9.02    | 9.99    | 9.65    |
| (iv) Per vehicle on road .. ..                                      | 11.95   | 13.23   | 12.67   |
| Total number of scheduled trips (in lakhs) ..                       | 1.52    | 1.60    | 1.66    |
| Percentage of break-downs to scheduled trips ..                     | 2.2     | 2.3     | 2.1     |
| Total kilometres involved in suspended services (in lakhs)          | 10.26   | 8.61    | 10.14   |
| Percentage of suspended kilometres to scheduled kilometres operated | 4.4     | 3.7     | 4.0     |

The Corporation had not evaluated (December 1983) the cost of break-downs and suspended trips in terms of loss of revenue. However, as assessed by Audit (August 1983) the loss of revenue suffered by the Corporation in the suspension of 1,027 trips in five depots during the three years up to 1982-83 was Rs.4.81 lakhs.

### 10.05. Workshop

10.05.1. The Corporation has a two-tier system in regard to repair and maintenance of vehicle. Three workshops, viz., central workshop at Cooch Behar and two divisional workshops at Raiganj and Siliguri undertake overhauling and major repair works. Besides, 15 other depot workshops provide facilities for running repairs and routine maintenance work.

The Corporation had not fixed any time schedule for completion of jobs at the depot/divisional workshops. No records were prescribed maintained to evaluate the maintenance efficiency of the depot/divisional workshops.

No costing system had been introduced for the workshops. Estimates of jobs undertaken were not prepared for evaluation of the actual performance.

### 10.05.2. Central workshop

The performance of the central workshop (section-wise) during the three years up to 1982-83 is indicated in the succeeding sub-paragraphs.

#### (a) Engine overhauling section

The Corporation had not fixed (March 1984) any norm in regard to overhauling of engines in terms of kilometres run and periodicity. There is also no advance plan of action of overhauling nor any system of setting target keeping in view the total labour strength, availability of tools and procurement of spares. The Management had not also maintained detailed records in respect of all the engines, indicating kilometres covered by each engine, due dates for overhauling of an engine, actual dates of overhauling, etc.

During the period from 1980-81 to 1982-83, 343 engines were sent for overhauling, out of which 317 engines were overhauled. In the absence of norms, detailed schedules for overhauling and performance records of the engines overhauled, the adequacy of overhauling could not be verified.

The performance of the Section against the installed capacity of overhauling of engines has been indicated in the table below for the three years up to 1982-83 :

| Year    | Capacity for over-handling | Actual overhauling | Percentage of capacity utilisation |
|---------|----------------------------|--------------------|------------------------------------|
| 1980-81 | 192                        | 126                | 66                                 |
| 1981-82 | 192                        | 103                | 54                                 |
| 1982-83 | 192                        | 88                 | 46                                 |

The Workshop Management have attributed (August 1983) the under-utilisation of capacity mainly to non-availability of tools and spare parts,

(b) *Repairing|Body overhauling section*

The section undertakes renovation of existing bus bodies and major and minor repair works. The performance of the section during the three years up to 1982-83 was as indicated in the table below :

|         | Year |    | Renovation | Major repair | Minor repair | Number of staff/workers |
|---------|------|----|------------|--------------|--------------|-------------------------|
| 1980-81 | ..   | .. | 6          | 60           | 98           | 85                      |
| 1981-82 | ..   | .. | 5          | 35           | 87           | 75                      |
| 1982-83 | ..   | .. | 1          | 31           | 58           | 79                      |

As the Management had not fixed (August 1983) any norm of performance of each type of work|job undertaken in the section or capacity of the section, the extent of utilisation of the capacity in the section could not be assessed in audit.

As there was no system of booking of labour on work-orders attended to, the Management was not in a position to ascertain the extent of idle labour and idle wages paid to staff particularly on avoidable causes.

Taking the performance of 1980-81 in different sections of central workshop as the base and comparing it with the performance achieved in 1982-83, it was noticed (August 1983) in audit that idle wages amounting to Rs.8.07 lakhs were paid between April 1982 and August 1983, which worked out to 50 *per cent* of total wage bill of the central workshop of that period. Besides, the Management had to pay overtime allowance and honorarium aggregating Rs.4.48 lakhs, Rs.4.38 lakhs and Rs.5.81 lakhs, respectively, during the three years up to 1982-83. The extent of idle wages paid in 1981-82 could not be analysed in audit in the absence of relevant details for that year.

(c) *Tyre retreading plant|Body building section*

The working of tyre retreading plant and body building section attached to central workshop have been discussed in paragraphs 10.06.2. and 10.09. *infra*.

10.05.3. **Depot workshop**

The depot workshop of the Corporation was designed to undertake jobs such as (i) running repair, (ii) body repair, (iii) reconditioning of assemblies, (iv) engine overhauling (in two depots), and (v) general investigation.



A test check of relevant records revealed that the same vehicles had been sent to Raiganj workshop frequently for attending to similar type of jobs which would indicate that either the vehicles were not maintained properly or jobs undertaken were not done satisfactorily. Besides, vehicles brought for repair were detained for long periods in the workshop. Further, overhauling and/or fitting of the engines after repair had also taken considerable time. A few instances are cited below :

(a) *Cases where vehicles were subject to repeated repairs*

The table below indicates the vehicle number, nature of jobs done, days taken for repair and number of days vehicles were under operation after repair :

| Vehicle number | Nature of job     | Number of days under operation after repair | Period under repair                   | Number of days under repair |
|----------------|-------------------|---|---------------------------------------|-----------------------------|
| WGT 1336       | Semi-major repair |   | 27th May to 20th July 1981            | 55                          |
|                |                   | 3   | 23rd July to 27th July 1981           | 5                           |
|                |                   | 28  | 25th August to 31st August 1981       | 7                           |
|                |                   | 16  | 16th September to 28th September 1981 | 13                          |
|                |                   | 2   | 30th September to 19th October 1981   | 20                          |
| WGT 1145       | Ditto ..          |   | 29th May to 8th June 1981             | 10                          |
|                |                   | 3   | 11th June to 22nd June 1981           | 12                          |
|                |                   | 5   | 27th June to 13th July 1981           | 17                          |
|                |                   | 15  | 20th July to 3rd August 1981          | 15                          |
|                |                   | 3   | 6th August to 10th August 1981        | 5                           |
| WGT 1277       | Ditto ..          |   | 21st May to 8th June 1981             | 19                          |
|                |                   | 16  | 24th June to 29th June 1981           | 6                           |
|                |                   | 24  | 24th July to 27th July 1981           | 4                           |
|                |                   | 26  | 23rd August to 7th September 1981     | 16                          |
|                |                   | 8   | 15th September to 20th September 1981 | 6                           |
| WGT 1419       | Ditto ..          |   | 4th August to 9th August 1982         | 5                           |
|                |                   | 13  | 22nd August to 13th September 1982    | 23                          |
|                |                   | 4   | 17th September to 18th September 1982 | 2                           |
|                |                   | 1   | 19th September to 21st September 1982 | 3                           |
|                |                   | 1   | 22nd September to 23rd September 1982 | 2                           |
| WGT 1505       | Ditto ..          |   | 16th September to 20th September 1982 | 5                           |
|                |                   | 4   | 24th September to 27th September 1982 | 4                           |
|                |                   | 7   | 15th November to 16th November 1982   | 2                           |
|                |                   | 8   | 5th November to 8th November 1982     | 4                           |
|                |                   | 1   | 17th November to 29th November 1982   | 13                          |
| WGT 1276       | Ditto ..          |   | 22nd July to 30th August 1982         | 40                          |
|                |                   | 26  | 25th September to 26th September 1982 | 2                           |
|                |                   | 4   | 30th September to 15th October 1982   | 16                          |
|                |                   | 2   | 3rd October to 25th October 1982      | 23                          |
|                |                   | 19  | 13th November to 18th November 1982   | 6                           |

*(b) Vehicles detained in depot workshop for repair*

The table below indicates details of the vehicles detained in the workshop for repair for periods ranging from 4 to 12 months :

| Vehicle number |    |    |    |    |    |    | Period under detention (In months) |
|----------------|----|----|----|----|----|----|------------------------------------|
| WGT 1337       | .. | .. | .. | .. | .. | .. | 12                                 |
| WGT 1522       | .. | .. | .. | .. | .. | .. | 4                                  |
| WGT 1483       | .. | .. | .. | .. | .. | .. | 4                                  |
| WGT 1449       | .. | .. | .. | .. | .. | .. | 4                                  |

The Management had attributed (August 1983) the delay to shortage of spares and accumulation of jobs.

*(c) Time taken for engine overhauling*

The table below indicates the job number, the date of starting the job, date of completion and total time taken against scheduled time for overhauling of engines in the workshop :

| Job No. | Nature of job      | Scheduled time | Date of commencement of job | Date of completion of job | Total time taken (in days) |
|---------|--------------------|----------------|-----------------------------|---------------------------|----------------------------|
| 60      | Engine overhauling | 4              | 20th November 1981          | 11th December 1981        | 21                         |
| 62      | Do.                | 4              | 18th December 1981          | 13th February 1982        | 57                         |
| 76      | Do.                | 4              | 13th March 1982             | 21st April 1982           | 39                         |
| 28      | Do.                | 4              | 31st August 1982            | 22nd September 1982       | 23                         |

It may be seen that time taken varied from 21 to 57 days as against norm of four days.

The Management had not assigned (August 1983) any reasons for the delay in completion of the jobs.

**(d) Delay in fitting of the engines after completion of repair**

The table below indicates the job number, date of completion of repair, date when engines were fitted and the days by which fitting was delayed :

| Job No. | Date of completion of repair | Date of fitting of engines | Number of days by which delayed |
|---------|------------------------------|----------------------------|---------------------------------|
| 59      | 24th November 1982           | 26th December 1981         | 32                              |
| 63      | 14th January 1982            | 6th April 1982             | 82                              |
| 76      | 21st April 1982              | 27th May 1982              | 36                              |
| 4       | 19th April 1982              | 3rd June 1982              | 46                              |
| 8       | 25th May 1982                | 19th July 1982             | 55                              |

The Management had not assigned (August 1983) any reasons for the delay in fitting of the engines after necessary repair.

As a result of delayed repair and maintenance work, trips involving 15.34 lakh kilometres were not operated by the Raiganj Depot resulting in loss of revenue of Rs.34.52 lakhs.

Further seven vehicles at Malda Depot and two vehicles at Jalpaiguri Depot could not be repaired for want of engines and spare parts respectively. The Management stated (July/August 1983) that vehicles became irreparable due to prolonged detention in the open space.

A test check of the records of eight depots (August 1983) revealed that depot authorities had kept records of major and semi-major repair works but had not kept records relating to minor repairs and running repairs. History sheet of vehicles, where kept, was not made up to date with all entries relating to replacement of spares of jobs of minor nature involving time below two hours.

**10.05.4. Spares**

The Corporation procures stores including spares centrally and distributes the same from central stores at Cooch Behar to central workshop, two divisional workshops and 15 other depot workshops on the basis of their requisition.

The table below indicates the number of buses including trucks on-road, gross kilometres operated, total expenditure on spares,

expenditure on spares per kilometre operated and per vehicle during the three years up to 1982-83 :

| Year       | Average number of vehicles on road | Gross kilometres operated (in lakhs) | Total expenditure on spares (Rupees in lakhs) | Expenditure on spares    |                              | Average number of vehicles off-road |
|------------|------------------------------------|--------------------------------------|---|--------------------------|------------------------------|-------------------------------------|
|            |                                    |                                      |   | per kilometre (in paise) | per vehicle (Rupees in lakh) |                                     |
| 1980-81 .. | 307                                | 233.84                               | 78.63   | 33.6                     | 0.26                         | 132                                 |
| 1981-82 .. | 305                                | 233.35                               | 88.82   | 38.1                     | 0.29                         | 176                                 |
| 1982-83 .. | 303                                | 253.91                               | 56.68   | 22.3                     | 0.19                         | 218                                 |

It may be seen from the above that there was fall in the expenditure on spares in 1982-83 compared to 1980-81 and 1981-82. There was, however, increase in the average number of vehicles off-road during these years especially in 1982-83.

## 10.06. Tyres

### 10.06.1. Purchase of tyres

The tyres and tubes are purchased centrally at Cooch Behar from the manufacturers or their authorised dealers. A purchase committee supervises the procurement of tyres including approval of each purchase. The Chief Engineer issues formal purchase order.

A test check by audit (August 1983) revealed that records relating to number of tyres put to use and services rendered by these before retreading and after retreading were not kept.

The table below indicates the total expenditure on tyres and tubes, effective kilometres operated, cost per effective kilometre on tyres and tubes, cost per effective kilometre on total cost of operation and the percentage of expenditure on tyres and tubes to total cost of operation during the three years up to 1982-83 :

| Year       |    | Total expenditure on tyres and tubes (Rupees in lakhs) | Effective kilometres (in lakhs) | Cost per effective kilometre on |                         | Percentage of expenditure on tyres and tubes to total cost of operation |
|------------|----|--|---------------------------------|---------------------------------|-------------------------|---|
|            |    |  |                                 | Tyres and tubes                 | Total cost of operation |   |
|            |    |  |                                 | (in paise)                      |                         |   |
| 1980-81 .. | .. | 46.01  | 221.88                          | 21                              | 395                     | 5.3   |
| 1981-82 .. | .. | 56.85  | 223.14                          | 25                              | 471                     | 5.3   |
| 1982-83 .. | .. | 72.32  | 227.21                          | 32                              | *                       | *   |

(Figures are provisional)

\*Accounts of 1982-83 were not compiled.

### 10.06.2. Tyre retreading unit

A tyre retreading unit with two moulds and other accessories was established in November 1974 at Cooch Behar, where only resoling of tyres is done. As per performance records 6 tyres can be resoled per day and 1,700 tyres in a year, on the basis of 24 working days in a month.

The table below shows the performance of tyre retreading unit during the three years ending 1982-83 :

| Year    | Capacity of resoling | Tyres resoled | Percentage of utilisation | Minor repairs |
|---------|----------------------|---------------|---------------------------|---------------|
| 1980-81 | 1700                 | 990           | 58                        | 113           |
| 1981-82 | 1700                 | 851           | 50                        | 125           |
| 1982-83 | 1700                 | 513           | 30                        | 146           |

The under-utilisation of capacity had been attributed (August 1983) by the Management mainly to shortage of raw materials.

The Management had not fixed (February 1984) any norm of performance for resoled tyres. The tyre inspection team operating from Head Quarters is to inspect each depot for the purpose of ascertaining the suitability of the purpose of ascertaining the suitability of used tyres for retreading. A test check by audit (August 1983) revealed that the team did not visit Siliguri, Mainaguri and Jalpaiguri depots during the two years up to 1982-83. As a result segregation of serviceable, unserviceable or tyres fit for retreading was not done.

The table below indicates the number of tyres received at the retreading plant, tyres rejected as not fit for retreading and the percentage of rejected tyres during the three years up to 1982-83 :

| Year    | Tyres received | Tyres rejected | Percentage of rejects |
|---------|----------------|----------------|-----------------------|
| 1980-81 | 1454           | 375            | 25.8                  |
| 1981-82 | 1296           | 313            | 24.2                  |
| 1982-83 | 678            | 41             | 6.0                   |

The Corporation had not fixed (February 1984) any procedure for removal of tyres in time for retreading. Non-removal of tyres in time resulted in scrapping of tyres without any single resoling/retreading. As no systematic records were kept by the Management the loss on this account could not be assessed in audit.

## 10.07. Consumption of diesel oil, lubricants, etc.

### 10.07.1. Consumption of High speed diesel oil (HSD)

The norm of consumption of HSD oil was fixed (September 1974) by the Corporation as 4 km<sup>5</sup>per litre. The average consumption of HSD oil ranged between 3.3 and 3.5 km<sup>5</sup>per litre during the three years up to March 1983 as indicated in the table below :

|   | 1980-81 | 1981-82 | 1982-83 |
|---|---------|---------|---------|
| i) Total effective kilometres operated (in lakhs) ..  | 221.88  | 223.14  | 227.21  |
| (ii) Consumption of HSD (in lakh litres) ..           | 66.54   | 65.36   | 65.37   |
| (iii) Average kilometres <sup>2</sup> per litre .. .. | 3.3     | 3.4     | 3.5     |

The internal control procedure of the Corporation requires that on inshedding of vehicles the kilometres run per litre of oil should be worked out and recorded on the log sheet and that if consumption was not as per expected standard of the vehicle, the Depot Inspector is required to record the action taken or proposed to be taken on the log sheet itself. This procedure was not implemented as log sheet itself was not maintained (August 1983) for any vehicle.

The table below indicates the actual consumption of HSD oil against the norm and the value of excess consumption during the three years up to 1982-83 :

|   | 1980-81 | 1981-82 | 1982-83 |
|---|---------|---------|---------|
| (i) Total cost of HSD (Rupees in lakhs) .. ..                         | 163.12  | 197.37  | 217.33  |
| (ii) Actual consumption of HSD (in lakh litres) ..                    | 66.54   | 65.36   | 65.37   |
| (iii) Consumption of HSD as per norm (in lakh litres)                 | 55.47   | 55.79   | 56.80   |
| (iv) Excess consumption of HSD over norm<br>(in lakh litres)          | 11.07   | 9.57    | 8.57    |
| (v) Percentage of actual consumption of HSD to norm<br>of consumption | 120     | 117     | 115     |
| (vi) Cost per effective km on HSD (in paise) ..                       | 69      | 88      | 96      |
| (vii) Cost of excess consumption of HSD (Rupees in<br>lakhs)          | 25.46   | 28.90   | 28.45   |

It may be seen that the total cost of excess consumption of HSD oil over norm during the three years up to 1982-83 worked out to Rs.82.81 lakhs.

The Board ordered (July 1982) the reduction in expenditure on HSD through utmost vigilance and fixation of new yardsticks for consumption of HSD in respect of different services (e.g. High speed rocket service, Hill and standard service); no action has, however, been taken in this regard so far (September 1983).

### 10.07.2. Consumption of engine oil

The norm of consumption of engine oil was fixed (September 1974) as 230 km<sup>s</sup>per litre (top-up) on an average basis irrespective of the make of vehicles. Average kilometres obtained per litre between 1980-81 and 1982-83 ranged between 165 and 168 as detailed below :

|   | 1980-81 | 1981-82 | 1982-83 |
|---|---------|---------|---------|
| (i) Total effective kilometres operated (in lakhs) .. | 221.88  | 223.14  | 227.21  |
| (ii) Engine oil consumed (in lakh litres) ..          | 1.34    | 1.33    | 1.38    |
| (iii) Kms operated per litre .. .. .                  | 166     | 168     | 165     |

The table below indicates the particulars of consumption of engine oil in excess of the norm and value thereof during the three years up to 1982-83 :

|  | 1980-81 | 1981-82 | 1982-83 |
|--|---------|---------|---------|
| (i) Actual consumption (in lakh litres) ..           | 1.34    | 1.33    | 1.38    |
| (ii) Consumption as per norm (in lakh litres) ..     | 0.96    | 0.97    | 0.99    |
| (iii) Excess consumption (in lakh litres) ..         | 0.38    | 0.36    | 0.39    |
| (iv) Percentage of consumption over norm ..          | 140     | 137     | 139     |
| (v) Value of excess consumption (Rupees in lakhs) .. | 3.95    | 3.75    | 4.06    |

It may be seen that the value of excess consumption of engine oil during the three years up to 1982-83 was Rs.11.76 lakhs.

The Management did not analyse (August 1983) the reasons for excess consumption of engine oil over the norm prescribed.

### 10.07.3. Change of engine oil

As per norm fixed (May 1973) by the Corporation engine oil is to be changed after 7,000 kilometres. No records were maintained by the Corporation to indicate the particulars of oil change due and actually effected.

### 10.07.4. Used oil

Records relating to the quantity of engine oil retrieved from vehicles at the time of change of oil were not maintained (August 1983) in Raiganj, Siliguri or Cooch Behar Divisions.

The Management engaged (March 1976) a private firm of Siliguri for reclamation of used engine oil at a cost of Rs.3.25 per litre. The quantity of reclaimed oil expected was 50 to 60 per cent of used

engine oil. In 1980-81 the firm was delivered 12,795 and 11,470 litres of used engine oil by Cooch Behar and Raiganj Depots out of which 4,200 litres and 5,000 litres of reclaimed oil (32.8 and 43.6 *per cent*) respectively was received back from the firm, resulting in short delivery of 4,144 litres of reclaimed oil valuing Rs0.43 lakh.

### 10.08. Under-collection of revenue

The table below indicates the average number of buses on-road, total kilometres operated, total seat kilometres offered and collection of passenger fare (corresponding budgeted figures have been incorporated where available) for the three years up to 1982-83 :

|   | 1980-81 |          | 1981-82 |          | 1982-83 |          |
|---|---------|----------|---------|----------|---------|----------|
|   | Budget  | Actual   | Budget  | Actual   | Budget  | Actual   |
| (i) Average number of buses on-road             | ..      | 274      | 275     | 274      | 287     | 278      |
| (ii) Effective kilometres (in lakhs)            | ..      | 221.88   | ..      | 223.14   | ..      | 227.21   |
| (iii) Total Seat kilometres offered (in lakhs)  | ..      | 11315.93 | ..      | 11380.30 | ..      | 11587.76 |
| (iv) Passenger fare collected (Rupees in lakhs) | 4,27.00 | 4,38.60  | 5,44.00 | 4,73.85  | 5,45.70 | 4,66.36  |

Though there was increase in kilometres operated and total seat kilometres offered during 1982-83 compared to 1981-82, the revenue collection during that period was less. During 1982-83 against the three *per cent* fall in the budgeted number of buses on-road, the revenue fall was 15 *per cent* over the budgeted revenue. Again in 1982-83 compared to 1981-82 against the actual increase of four buses, the fall in revenue was Rs.7.49 lakhs.

A test check by Audit (August 1983) of daily collection sheets in respect of 0.18 lakh trips out of total 4.78 lakh trips at 'Cooch Behar and Mainaguri for the three years up to 1982-83 revealed a shortfall of Rs.39.29 lakhs against the anticipated revenue collection of Rs.1,37.15 lakhs (the actual being Rs.97.86 lakhs).

The Management attributed (September 1983) the shortfall to (i) competition from private operators; (ii) monthly concessional tickets; and (iii) leakage of revenue. Competition from private operators and monthly concessional tickets were not, however, acceptable as reasons for shortfall as the same were existing since inception of the Corporation.



In order to gear up operational efficiency and collection, the Board specified (October 1982) the following measures :

- (i) intensive mobilisation of surprise ticket checking squad,
- (ii) surprise checking with the assistance of executive magistrate, police officers and motor vehicle inspector; and
- (iii) booking of passengers at counter as much as possible.

The Board again directed (January 1983) for stopping leakage of revenue, augmenting revenue and reduction of expenditure by increased utilisation of buses, revision of fare and reduced bus-staff ratio.

A test check by Audit (August 1983) showed that surprise check or checking by executive magistrate had not been started, counter-booking remained at the level it was before October 1982 and utilisation of buses had not also increased. Revision of bus fare was made effective in August 1983, after receipt of approval of State Government. The bus-staff ratio remained static at 1 : 14.

Meanwhile the Board noticed (June 1983) that actual fall in revenue was Rs.1,00 lakhs in 1982-83.

## 10.09. Construction of bus bodies

### 10.09.1. *Body building in workshop*

The Corporation had arrangements for body building work in its central workshop at Cooch Behar and divisional workshop at Raiganj. The Corporation had not, however, fixed any norm of performance of the body building section. Complete body building work done was up to June 1977. Four mini truck bodies were built in June 1977 in the workshop at Cooch Behar. The workers of the body building section are now engaged in renovation and overhauling of existing bus/truck in both the workshops.

### 10.09.2. *Body building by private agencies*

The Corporation now gets the bodies built by private parties and/or Calcutta State Transport Corporation (CSTC) on TATA and Leyland chassis. The reasons for getting the work done by private parties and CSTC in preference to executing it in its own workshops are not on record.

The table below indicates the details of bus bodies constructed through private parties and CSTC during the three years up to 1982-83 :

|  | 1980-81 | 1981-82 | 1982-83 |
|--|---------|---------|---------|
| (i) Total number of bus bodies constructed .. ..               | 28      | 42      | 40      |
| (ii) Number of bodies constructed through private parties      | 28      | 39      | 38      |
| (iii) Number of bodies constructed by CSTC .. ..               | Nil     | 3       | 2       |
| (iv) Plan money received (Rupees in lakhs) .. ..               | 50.00   | 1,31.03 | 90.00   |
| (v) Amount paid to body building agencies (Rupees in lakhs)    | 17.60   | 30.83   | 24.97   |
| (vi) Amount capitalised against buses (Rupees in lakhs) ..     | 83.50   | 1,63.63 | 78.50   |
| (vii) Expenditure against civil construction (Rupees in lakhs) | 3.63    | 10.06   | ..      |

The Corporation had not maintained (August 1983) details regarding construction of bus bodies correlating order numbers and dates, *etc.*, and expenditure incurred thereagainst, and as such it was not possible to reconcile figures relating to order placed, delivery of bus bodies received, bus bodies awaiting delivery and amounts booked under capital heads.

#### 10.10. Obsolete spare parts

The inventory of the Corporation, *inter alia*, includes spares of vehicles of the makes which are no longer in operation in the Corporation. The value of 400 pieces of such unserviceable spares was Rs.4.62 lakhs. The value of the remaining unserviceable spares (numbering 584) of vehicles of six other makes had not yet been determined (September 1983).

Steps taken for disposal of the obsolete stock were awaited (September 1983).

#### 10.11. Summing up

(1) North Bengal State Transport Corporation was formed (April 1960) for developing road transport in the five districts of North Bengal and for co-ordinating road transport with rail transport. The accumulated loss of the Corporation amounted to Rs.26,43.47 lakhs as on 31st March 1982.

(2) Percentage of utilisation of vehicle was 73.5, 66.0 and 61.1 in 1980-81, 1981-82 and 1982-83 respectively owing to existence of old vehicles, absence of preventive maintenance and curtailment of expenditure on spares.

(3) Percentage of capacity utilisation in the engine overhaul section was 66,54 and 46 in 1980-81, 1981-82 and 1982-83 respectively owing to non-availability of tools and spare parts.

No costing system has been introduced in the workshop.

(4) Percentage of capacity utilisation in the tyre retreading plant was only 58, 50 and 30 in 1980-81, 1981-82 and 1982-83 respectively mainly due to shortage of materials.

(5) Excess consumption of HSD over norm resulted in additional expenditure of Rs.82.81 lakhs during the three years up to 1982-83. Similarly excess consumption of engine oil over norm resulted in additional expenditure of Rs.11.76 lakhs for that period.

(6) A shortfall of Rs.39.29 lakhs was observed against anticipated revenue of Rs.1,37.15 lakhs in 0.18 lakh trips during three years ended March 1983.

## SECTION XI

### CALCUTTA STATE TRANSPORT CORPORATION

#### 11.01. Introduction

The Calcutta State Transport Corporation was formed on 15th June 1960 under the Road Transport Corporations Act, 1950 for providing public transport for the people of Calcutta.

#### 11.02. Capital

The capital of the Corporation as on 31st March 1983 under Section 23(1) of the Act *ibid* was Rs.7,08.46 lakhs\* (State Government : Rs.6,08.46 lakhs; Central Government : Rs.1,00.00 lakhs). Interest is payable on capital received from the State and Central Governments at the rate of 4 to 6 per cent and 6.25 per cent respectively.

#### 11.03 Guarantees

The table below indicates details of guarantees given by State Government for repayment of loans raised by the Corporation and payment of interest thereon :

| Particulars of loan           | Year/s<br>of<br>guarantee | Amount<br>guaranteed | Amount outstanding as on<br>31st March 1983 |             |                |
|-------------------------------|---------------------------|----------------------|---|-------------|----------------|
|                               |                           |                      | Principal                                   | Interest    | Total          |
| (Rupees in lakhs)             |                           |                      |   |             |                |
| Market loans .. ..            | 1972-73                   | 1,10.00              | 1,10.00                                     | ..          | 1,10.00        |
| <b>Industrial Development</b> |                           |                      |   |             |                |
| Bank of India loans ..        | 1969-70<br>to<br>1978-79  | 10,03.44             | 23.05                                       | 2.02        | 25.07**        |
| <b>Total</b>                  |                           | <b>11,13.44</b>      | <b>1,33.05</b>                              | <b>2.02</b> | <b>1,35.07</b> |

\*The figure is provisional.

\*\*The figure as per Finance Accounts is Rs: 56.68 lakhs. The difference is under reconciliation.

## 11.04. Operating results

11.04.1. The operational performance of road transport services of the Corporation during the three years ending 31st March 1983 is as below :

|   |           | 1980-81           | 1981-82         | 1982-83         | 1980-81         | 1981-82     | 1982-83     |
|---|-----------|-------------------|-----------------|-----------------|-----------------|-------------|-------------|
|   |           | (Rupees in lakhs) |                 |                 | (Rupees per km) |             |             |
| <b>Revenue</b>                            |           |                   |                 |                 |                 |             |             |
| Operating                                 | ..        | 13,63.65          | 14,73.44        | 15,31.71        | 3.21            | 3.49        | 3.51        |
| Non-operating                             | ..        | 45.24             | 36.02           | 51.03           | 0.40            | 0.08        | 0.12        |
| <b>Total</b>                              | <b>..</b> | <b>14,08.89</b>   | <b>15,09.46</b> | <b>15,82.74</b> | <b>3.61</b>     | <b>3.57</b> | <b>3.63</b> |
| <b>Cost of Services</b>                   |           |                   |                 |                 |                 |             |             |
| Working                                   | ..        | 22,75.56          | 25,94.55        | 29,43.26        | 5.34            | 6.14        | 6.75        |
| Non-working                               | ..        | 6,78.46           | 5,96.94         | 6,57.96         | 1.64            | 1.47        | 1.51        |
| <b>Total</b>                              | <b>..</b> | <b>29,54.02</b>   | <b>31,91.49</b> | <b>36,01.22</b> | <b>6.98</b>     | <b>7.61</b> | <b>8.26</b> |
| <b>Loss</b>                               | <b>..</b> | <b>15,45.13</b>   | <b>16,32.03</b> | <b>20,18.48</b> | <b>3.37</b>     | <b>4.04</b> | <b>4.63</b> |
| (Per cent)                                |           |                   |                 |                 |                 |             |             |
| Percentage of total cost to total revenue |           | 209.7             | 211.4           | 227.5           |                 |             |             |
| (Rupees)                                  |           |                   |                 |                 |                 |             |             |
| Cost per bus per day                      | ..        | 613               | 604             | 556             |                 |             |             |
| Revenue per bus per day                   |           | 294               | 286             | 244             |                 |             |             |
| Deficit per bus per day                   | ..        | 319               | 318             | 312             |                 |             |             |

The reasons for losses in 1982-83 are awaited and as regards 1981-82 the Management attributed (March 1983) the same to (a) uneconomic fare structure, (b) 'low productivity' due to shrinkage of road surface, (c) poor road condition, (d) high staff-bus ratio, (e) uneven flow of spares, adversely affecting proper maintenance of vehicles, (f) increase in expenditure on salaries due to granting of instalments of additional dearness allowances and payment of arrears, (g) increase in the cost of fuel and other consumable materials, etc.

11.04.2. Following table shows the details of operating cost of the Corporation in relation to its operating revenue as available from the latest annual accounts for the year 1981-82 :

| Particular of expenditure  | Percentage<br>of operating<br>revenue |
|--|---------------------------------------|
| <b>1. Direct operating cost—</b>   |                                       |
| (a) diesel, salary and traffic .. .. .   | 92                                    |
| (b) stores, repair, licence fees and welfare .. .. .                               | 69                                    |
| <b>2. Indirect operating cost, i.e. a part of general administration expenses—</b> | 16                                    |
| <b>3. Non-operating cost—</b>  |                                       |
| (a) Depreciation .. .. .   | 18                                    |
| (b) Pension, gratuity and insurance .. .. .  | 2                                     |
| (c) Debt charges .. .. .   | 21                                    |
| <b>Total ..</b>  | <b>217</b>                            |

No effective steps were taken by the Management to reduce the costs.

11.04.3. While the total expenditure on overtime for all categories of staff as reported by the Management (through monthly statistical reports) recorded an increase of 6.6 *per cent* during 1981-82 (from Rs.62.91 lakhs in 1980-81 to Rs.67.06 lakhs in 1981-82), the increase in the categories of drivers and conductors was as below :

| Category           | Expenditure on overtime |         | Percentage<br>increase in<br>1981-82 |
|--------------------|-------------------------|---------|--------------------------------------|
|                    | 1980-81                 | 1981-82 |                                      |
|                    | (Rupees in lakhs)       |         |                                      |
| Drivers .. .. .    | 18.79                   | 19.81   | 5.4                                  |
| Conductors .. .. . | 22.88                   | 24.54   | 7.3                                  |

The circumstances in which the expenditure on overtime of crew recorded an increase while the prescribed trips recorded a decline of 9.7 *per cent* during the same period were not investigated by the Management.

### 11.05. Organisational set-up

The working of the Corporation was reviewed in Section VI of the Report of the Comptroller and Auditor General for the year 1974-75 (Commercial). The following two activities of the Corporation are discussed in the subsequent paragraphs :

- (i) Performance, repairs and maintenance of vehicles, and
- (ii) Consumption of diesel and lubricant oil.

The Corporation has set up eight depots around Calcutta for smooth functioning of passenger traffic services round the city. Besides, it has one Central Workshop with four shops to undertake body-building, major repair and renovation of vehicles, overhauling of engines, retreading of tyres including a machine shop for supplying spares and tools to them.

## 11.06. Performance of vehicles

### 11.06.1. Fleet position

As on 31st March 1982 and 1983, the Corporation operated 897 and 908 schedules covering about 1.43 lakh kms and 1.19 lakh kms providing transport facility to about 8.9 lakh and 8.4 lakh commuters daily. A fleet of 1,434 and 1,776 buses were maintained on 31st March 1982 and 1983 respectively. Out of these 1,776 buses as on 31st March 1983, 1,163 buses (65.5 per cent) were within age of 8 years, 163 buses (9.2 per cent) were overaged i.e. beyond 8 years and fully depreciated but were still kept in service and 450 buses (25.3 per cent) were withdrawn from routes from time to time up to 31st March 1983.

### 11.06.2. Fleet replacement

During the three years ending 31st March 1983, the net addition to the fleet was 379 buses as detailed below :

|  | 1980-81           | 1981-82 | 1982-83 | Total |
|--|-------------------|---------|---------|-------|
|  | (Number of buses) |         |         |       |
| Addition to the fleet strength ..              | 114               | 133     | 342     | 589   |
| Deletion from serviceable fleet strength       | 70                | 2       | 138     | 210   |
| Net addition to the serviceable fleet strength | 44                | 131     | 204     | 379   |

It has been observed by the Management (December 1982) that addition to the fleet was made on the basis of necessity of operating services without there being a consistent policy of replacement and that replacement could not take place as required due to ever-widening gap between operating expenditure and revenue.

### 11.06.3. Unserviceable buses

The Corporation revised (December 1979) the procedure for condemnation and disposal of vehicles so as to reduce the prescribed norm (both of life and run) as below :

| Type of buses         | Prior to December 1970 |                           | After December 1970    |                           |
|-----------------------|------------------------|---------------------------|------------------------|---------------------------|
|                       | Period of life (Years) | Kilometres run (in lakhs) | Period of life (Years) | Kilometres run (in lakhs) |
| Double decker .. .. . | 12                     | 7.5                       | 8                      |                           |
| Single decker .. .. . | 8                      |                           |                        |                           |

Particulars in respect of 432 out of 450 unserviceable buses as furnished by the eight depots of the Corporation showed that 245 buses (56.7 per cent) of 432 unserviceable buses were withdrawn from routes and considered unserviceable as per decision of the Depot Managers even though kilometre runs were less than 3 lakh which was the minimum prescribed for double decker buses. It was observed in audit (September 1983) that there was no system of investigation into the circumstances leading to premature withdrawal of buses from routes and on their being considered as unserviceable.

In February 1983 the Corporation proceeded with the action for condemnation and disposal of 138 out of these 450 unserviceable buses. Review of the relevant records revealed the following position.

(i) Information on service in terms period of life and kilometre run as actually obtained has been wrongly noted in 21 cases rendering possible premature withdrawal of buses from routes. These 21 buses covered neither the prescribed period of life nor the prescribed period of life nor the prescribed kilometres as applicable to them. In this category there were two double decker buses whose engines were overhauling shortly before (14 days in one case and 6 months in the other) their withdrawal from routes. Circumstances under which these buses were withdrawn from routes prematurely were not on record.

(ii) There were delays in disposal of these 138 unserviceable buses ranging from 12 months to 89 months, for which there were no recorded reasons.

#### 11.06.4. Overall fleet utilisation

The following table indicates the overall utilisation of fleet during the three years up to 31st March 1983 :

|  | 1980-81      | 1981-82 | 1982-83 |
|--|--------------|---------|---------|
|  | (In numbers) |         |         |
| (i) Average number of serviceable buses held during the year               | 1293         | 1381    | 1483*   |
| (ii) Average number of buses on road per shift ..                          | 738          | 724     | 735     |
| (iii) Average number of buses off road on the last of each month           | 501          | 608     | 670     |
|  | (Per cent)   |         |         |
| (iv) Fleet utilisation(Per cent) .. ..                                     | 57.1         | 52.3    | 49.6    |
| (v) Percentage of off-road vehicles to average number number of buses held | 38.7         | 44.1    | 45.2    |

\*For the first quarter only, figures for the remaining three quarters have not been compiled by the Corporation.



No norm for utilisation of fleet had been fixed by the Corporation. During 1980-81 and 1981-82, the percentage of fleet utilisation in BEST undertaking of Bombay were 91.4 and 88.2 and those of Delhi Transport Corporation (DTC) were 83.0 and 86.9 as against 57.1 and 52.4 of the Corporation.

Though one of the obvious reasons for the low fleet utilisation was a significant percentage (38 to 45) of serviceable vehicles being off-road on average at the end of the month, other reasons are awaited from the Management.

#### 11.06.5. Vehicle utilisation

11.06.5.1. The following table indicates the average vehicle utilisation for the three years up to 1982-83 :

|   | 1980-81      | 1981-82 | 1982-83 |
|---|--------------|---------|---------|
|   | (In numbers) |         |         |
| (i) Average number of scheduled buses per shift ..                        | 865          | 884     | 902*    |
| (ii) Average number of buses put on road per shift ..                     | 738          | 724     | 735     |
| (iii) Average number of effective buses per shift ..                      | 565          | 606     | 618     |
| (iv) Effective kilometres operated during the year (in lakhs)             | 425          | 423     | 436     |
| (v) Scheduled kilometres for the year (in lakhs) ..                       | 657          | 686     | 690     |
| (vi) Vehicle utilisation :  | (Percentage) |         |         |
| Buses—  |              |         |         |
| (a) As put on road [Percentage of (ii) to (i)] ..                         | 85.3         | 81.0    | 81.5    |
| (b) As effectively put on road [Percentage of (iii) to (i)]               | 65.3         | 68.6    | 68.5    |
| (c) As per kilometre run effectively obtained [Percentage of (iv) to (v)] | 64.7         | 61.7    | 63.2    |

11.06.5.2. Following are some of the reasons attributed (June 1982) by the Management for low vehicle utilisation percentage as at (vi) (a) above.

| Reasons   | Average number of buses not put on road |         |          |
|---|---|---------|----------|
|   | 1980-81                                 | 1981-82 | 1982-83* |
| (i) Shortage of vehicles, i.e., vehicles not made ready by depot engineering section including central workshop | 46                                      | 112     | 141      |
| (ii) Shortage of crew, i.e., absence of crew and unmatched presence of drivers and conductors                   | 81                                      | 48      | 47       |
| Total   | 127                                     | 160     | 188      |

\*For the first quarter only, figures for the remaining three quarters have not been compiled by the Corporation.

(a) The low vehicle utilisation due to shortage of vehicles, was on account of short supply of road worthy vehicles by Depot Engineering Section and rise in the incidence of return of road worthy vehicles by traffic to Engineering Section and that such incidence was very high in the second shift as noted below :

| Depot       |    |    | Percentage of vehicles supplied in September 1982 to that in March 1981 | Percentage of vehicles returned to vehicles supplied |                | Percentage of incidence of vehicles returned in the 2nd shift against total return in both shifts |
|-------------|----|----|---|--|----------------|---|
|             |    |    |   | March 1981   | September 1982 |   |
| Howrah      | .. | .. | 89.7  | 6.2  | 8.5            | 97.0  |
| Garia       | .. | .. | 99.6  | 6.6  | 11.5           | 72.5  |
| Thakurpukur | .. | .. | 81.5  | 0.8  | 8.9            | 100.0   |
| Taratala    | .. | .. | 69.3  | 4.7  | 14.5           | 100.0   |
| Lake        | .. | .. | 63.7  | 4.5  | 6.9            | 56.0  |
| Manicktala  | .. | .. | .. Not relevant   | 3.2  | 7.4            | 90.7  |

Note : Figures not furnished by Belghoria and Paikpara depots.

Action taken to improve the position has not been intimated by the Management.

(b) Low vehicle utilisation due to shortage of crew was due to absenteeism in spite of sufficient leave reserve.

(c) Low vehicle utilisation was also due to idleness of buses caused by inability to utilise the services of idle crew of other depots in spite of there being an elaborate system for the purpose.

In the absence of system of compilation of statistics of such idleness, a test check of one month's (September 1982) central records of the Director of Operations revealed that on an average, 36 vehicles

were not put on-road every day due to such non-utilisation of idle crew as shown below :

| Depots        |    |    |       | Total idle vehicles and crew position in<br>September 1982 as per daily statement<br>of Traffic Control Section of the<br>Director of Operations |           |        |
|---------------|----|----|-------|--|-----------|--------|
|               |    |    |       | Idle<br>vehicles   | Idle crew |        |
|               |    |    |       |  | Conductor | Driver |
| Belghoria     | .. | .. | ..    | 22   | 2641      | 976    |
| Paikpara      | .. | .. | ..    | 47   | 1281      | 624    |
| Manicktala    | .. | .. | ..    | 185  | 555       | 602    |
| Howrah        | .. | .. | ..    | 171  | 1260      | 717    |
| Lake ..       | .. | .. | ..    | 221  | 275       | 552    |
| Taratata      | .. | .. | ..    | 186  | 645       | 665    |
| Thakurpukur   | .. | .. | ..    | 56   | 729       | 357    |
| Garia ..      | .. | .. | ..    | 201  | 403       | 202    |
|               |    |    | Total | 1089   | 7789      | 4695   |
| Daily average | .. | .. | ..    | 36   | 260       | 157    |

Reasons for non-utilisation of the idle crew against idle vehicles as above were not made known by the Corporation.

11.06.5.3. Following are some of the reasons attributed for low vehicle utilisation percentage as at (vi) (b) of the table in paragraph 11.06.5.1. *supra*.

| Reasons for non-availability | Average number of buses not available<br>per shift |         |          |       |     |     |
|------------------------------|--|---------|----------|-------|-----|-----|
|                              | 1980-81  | 1981-82 | 1982-83* |       |     |     |
|                              | (i) Delayed supply                                 | 1.2     | 1.0      | 1.8   |     |     |
| (ii) Scheduled time over     | 63.1   | 31.0    | 27.2     |       |     |     |
| (iii) Tyre defect            | 2.5  | 1.7     | 1.4      |       |     |     |
| (iv) Break-down—             |  |         |          |       |     |     |
| (a) Mechanical               | 77.9   | 71.2    | 71.3     |       |     |     |
| (b) Others                   | 28.2   | 13.5    | 11.99    |       |     |     |
|                              | Total  | 172.9   | 118.4    | 113.6 |     |     |
| Or say                       | ..   | ..      | ..       | 173   | 118 | 114 |

\*Figures are average of the first 3 months of 1982-83. Figures for the other nine months of 1982-83 have not been compiled by the Management.

Nature of mechanical break-downs consisted of the following :

- (i) breakage of (a) chassis, (b) rear platform (both specially for double-decker buses) and (c) suspension springs,
- (ii) failure of (a) engine mountings, (b) fly wheel housing, (c) gear pinion, (d) propeller shaft joints, (e) starter motors,
- (iii) slippage of (a) clutch, (b) breakes,
- (iv) cuts in tyres, and
- (v) damage of diesel tank.

Causes of this mechanical break-down as also observed by the Management (1977-78) were (a) heavy overloading (b) poor road conditions (c) frequent stoppage of buses (d) heavy traffic congestion (e) low power of engine.

Since 1978-79 compilation of statistics of break-down according to their nature and causes, and usual periodical review of effectiveness of depot engineering services and decision on measures to pull up the efficiency of depot engineering services was not made by the Management.

#### 11.06.6. *Performance analysis*

The following table shows the position in respect of performance analysis of the Corporation during the three years up to 31st March 1983 :

|  | 1980-81  | 1981-82  | 1982-83  |
|--|----------|----------|----------|
| (i) Average capacity per bus (in numbers) ..                         | 55       | 55       | 55       |
| (ii) Standees allowed (in numbers) .. ..                             | 30       | 30       | 30       |
| (iii) Effective km run during the year (in lakh kms) ..              | 424.62   | 422.79   | 436      |
| (iv) Seat kilometres operated .. ..                                  | 29,090   | 28,577   | *        |
| (v) Total carrying capacity operated .. ..                           | 36,125   | 35,955   | *        |
| (vi) Actual passenger kilometres operated ..                         | 23,375   | 23,577   | *        |
| (vii) Occupancy ratio .. ..  | 80       | 83       | *        |
| (viii) Average route collection per bus per day put on road (Rupees) | 494.50   | 547.00   | 567.35   |
| (ix) Average route collection per effective km (Rupees)              | 3.13     | 3.40     | 3.49     |
| (x) Number of passengers carried —Total (in lakhs) ..                | 2,989.23 | 3,090.81 | 3,141.61 |
| (xi) Average per day (in lakhs) .. ..                                | 8.19     | 8.51     | 8.61     |
| (xii) Average passengers carried per bus per day put on road         | 1,110    | 1,171    | 1,171    |

\*Information awaited from the Management.

An analysis of the above showed that in 1982-83 there was slight improvement in (a) effective kilometres run, (b) average route collection per bus per day put on road and (c) number of passengers carried because of addition of 342 new buses to the fleet.

### 11.06.7. Operational efficiency

The following table shows operational efficiency during the three years up to 1982-83 :

|   | 1980-81 | 1981-82 | 1982-83 |
|---|---------|---------|---------|
| (i) Number of routes operated as on 31st March ..             | 107     | 119     | 113     |
| (ii) Total route length (in kms) .. ..                        | 8245.20 | 9556.70 | *       |
| (ii) Average route length (in kms) .. ..                      | 77.06   | 80.31   | *       |
| (iv) Number of schedules operated .. ..                       | 873     | 897     | 908     |
| (v) Operational staff (monthly average)—                      |         |         |         |
| (a) Drivers .. .. .   | 2534    | 2550    | 2558**  |
| (b) Conductors .. .. .  | 4355    | 4281    | 4256    |
| (c) Traffic Supervisory Staff .. .. .                         | 956     | 959     | 967**   |
| (d) Cashiers .. .. .  | 471     | 489     | 515**   |
| (vi) Average number of operational staff per bus put on road— |         |         |         |
| (a) Drivers .. .. .   | 3.44    | 3.52    | 3.58**  |
| (b) Conductors .. .. .  | 5.91    | 5.92    | 5.95**  |
| (c) Traffic Supervisory Staff .. .. .                         | 1.30    | 1.33    | 1.55**  |
| (d) Cashiers .. .. .  | 0.67    | 0.67    | 0.69**  |
| vii) Scheduled kilometre run during the year (in lakh kms)    | 657     | 686     | 690     |
| (viii) Effective kilometres operated (in lakh kms) ..         | 425     | 423     | 436     |
| (ix) Operational efficiency ( <i>Per cent</i> ) .. ..         | 64.7    | 61.7    | 63.2    |

Operational efficiency, thus ranged between 61.7 per cent and 64.7 per cent during the three years ending 31st March 1983. Action taken to improve the efficiency have not been made known by the Management.

\*Figures awaited from the Management.

\*\*On the basis of figures for the first three months of 1982-83. Figures for the remaining nine months were not compiled by the Management.

11.06.8. *Quality of service*

The following table depicts the regularity of services operated by Corporation *vis a vis* BEST and DTC :

|  | 1980-81  | 1981-82 | 1982-83 | 1981-82<br>BEST | 1981-82<br>DTC |
|--|--|---------|---------|-----------------|----------------|
| (i) Average number of scheduled buses per shift                        | 865  | 884     | 902     |                 |                |
| (ii) Total number of trips to be operated as per time table (in lakhs) | 19   | 17.16   | *       | NA              | NA             |
| (iii) Actual number of trips operated (in lakhs)                       | 11   | 11.2    | *       | NA              | NA             |
| (iv) Average number of buses put on road per shift                     | 738  | 724     | 735     |                 |                |
| (v) Regularity percentage ..   | 58.0   | 64.8    | *       | 93.3            | 87.2           |
| (vi) Punctuality of services —   |  |         |         |                 |                |
| Departure .. ..  | Not recorded (even for long distance services) |         |         | 85.4            | NA             |
| Arrival .. ..  |  |         |         | 82.7            | NA             |
| (vii) Break-downs per 10,000 kms ..                                    | 31.5   | 22.27   | *       | 0.89            | 4.71           |
| (viii) Accident—   |  |         |         |                 |                |
| (a) Minor .. ..  | 462  | 419     | *       | 12703           | 3679           |
| (b) Major .. ..  | 126  | 130     | *       | 259             | 262            |
| (c) Fatal .. ..  | 51   | 41      | *       | 99              | 188            |
|  | 639  | 590     | *       | 13061           | 4119           |
| (ix) Rate of public complaint per lakh passengers                      | 0.08   | 0.08    | ..      | 0.90            | NA             |

The table shows the following positions :

- Total number of trips to be operated was reduced from 19 lakhs in 1980-81 to 17.16 lakhs in 1981-82.
- Break-downs per 10,000 km was high in this Corporation as compared to BEST and DTC.
- Regularity percentage was low in this Corporation as compared to the other two undertakings.

Reasons for reduction of trips were not on record. Management had also not subsequently reviewed the position to improve the trip position in spite of addition of 475 new buses during 1980-81 to 1982-83 (effective addition 335 buses).

\*Information awaited from the Management.

It was observed by Audit that the high incidence of break-downs of vehicles was due to (a) over-age of a part of the fleet strength (9.2 per cent as on 31st March 1983); (b) inadequate depot servicing because of absence of properly supervised, fully programmed night shift operation in depots, failure to maintain dock servicing of vehicles in the depots and central workshop in time due to delay in supply of required spares; (c) absence of suitable number of road-worthy reserve vehicles to replace vehicles undergoing dock servicings, and (d) poor road conditions.

#### 11.06.9. *Dead kilometres*

The table below indicates the particulars of gross kilometres run, dead kilometres during the 3 years up to 31st March 1983 :

|   |    |    |    | 1980-81       | 1981-82 | 1982-83 |
|---|----|----|----|---------------|---------|---------|
|   |    |    |    | (In lakh kms) |         |         |
| Gross kilometres run                              | .. | .. | .. | 449           | 447     | 461     |
| Dead kilometres run                               | .. | .. | .. | 24            | 24      | 25      |
| Percentage of dead kilometres to gross kilometres | .. |    | .. | 5.4           | 5.4     | 5.4     |

From the above it was observed that the incidence of dead kilometres remained almost static.

#### 11.06.10. *Utilisation of drivers' time*

A test check conducted by audit (September 1983) of one day's record in respect of job time of 47 drivers of one depot (Thakurpukur) revealed the following position :

|  |    |    |    | Number of hours | Percentage |      |
|--|----|----|----|-----------------|------------|------|
| (i) Total hours paid for including overtime  |    |    | —  | —               | 409        | 100  |
| (ii) Time utilised in route services         | .. | .. | —  | —               | 234        | 57.2 |
| (iii) Time lost due to delay in outsheddning |    | .. | .. | ..              | 80.5       | 19.7 |
| (iv) Time lost due to other reasons          | .. | .. | .. | ..              | 94.5       | 23.1 |

The Management had not undertaken any study to find out the relation between idle time and total job time of drivers and reasons for such idleness (e.g. outshedding delay, etc.) in order to take appropriate remedial action in respect of controllable areas so as to ensure better optimum utilisation of drivers' job time in route duties. The Management had also not issued any instruction for periodic compilation of statistics of drivers' idle time along with reasons thereof. Management had not fixed any norm on the optimum percentage utilisation of drivers' total job time.

#### 11.06.11. *Unremunorative routes*

There was no system in the Corporation for analysing route-wise profitability aimed at identifying the routes which did not cover even direct cost of operation, and the routes which covered only direct cost of operation to enable the Corporation to assess the extent of shortfall in the coverage of different costs and take appropriate remedial measures.

#### 11.07. **Ticket checking system**

Erosion of revenue through fare evasion in the Corporation buses has been a regular feature. The Management had not so far evolved any system to assess the effectiveness of the ticket checking system and the extent of utilisation of the enforcement wing of the Corporation under the Director of Operation.

Information on the work done by ticket checking staff was also not available.

#### 11.08. **Incentive scheme**

With a view to improving overall productivity and efficiency, the prevailing incentive scheme was revised with effect from 31st March 1981 laying down minimum level of ticket sales at Rs.150 for single-decker, Rs.200 for double-decker and Rs.180 for special buses for entitlement to incentive earnings of crew.

While laying down the incentive norms, no distinction had been made between semi-articulated double-decker buses as compared to double-decker buses, buses run on limited stop service as compared to ordinary service and special buses as compared to single-decker buses in spite of difference in terms of passenger capacity and or fare structure.



On a test check by audit (September 1983) it was found that actual fare earning was substantially higher than the norms for incentive entitlement as shown below :

| Type of bus on service                     | Average income per shift per vehicle (September 1982) | Required earning for entitlement to incentive as per latest incentive scheme from 31st March 1981 | Percentage of (2) to (3) |
|--|---|---|--------------------------|
|  | (In Rupees)   |   |                          |
| (1)  | (2)   | (3)   | (4)                      |
| (a) Single decker—                         |   |   |                          |
| (i) Ordinary services .. .. .              | 215   | 150   | 143                      |
| (ii) Limited stop services .. .. .         | 222   | 150   | 148                      |
| (b) Semi-articulated double-decker .. .. . | 361   | 200   | 181                      |
| (c) Special .. .. .                        | 314   | 180   | 174                      |

Neither the norms had been revised nor the incentive scheme had itself been reviewed even though such a review fell due within six months from the introduction of the scheme as per terms of the revised incentive scheme itself.

### 11.09. Long distance services

11.09.1. As on 31st July 1983 there were 55 long distance routes. The particulars of operational performance of these services as on 31st July 1983 was as below :

- (a) Total route distance (km) 13,354.
- (b) Distance (km) covered during July 1983 10,33,209.
- (c) Passengers carried (numbers) 5,82,754.
- (d) Income during July 1983 (Rupees) 30,84,490.
- (e) Average earning per day (Rupees) 99,499.68.
- (f) Average earning per km (Rupees) 2.99.

11.09.2. The Corporation did not maintain any record of route-wise operational cost. However, during 1981-82 operational cost and income per effective km for all the services (*i.e.* city and long distance) was Rs.6.75 and Rs.3.46 respectively. Obviously routes earning below Rs.2 per km were poor and on 31st July 1983 there were 15 such routes whose earnings per km ranged between Re.0.46 and Rs.1.95.

Although the Corporation made some analysis of the earnings of these routes in September 1983 there was no record to show the action taken to improve the earnings from these routes.

### 11.10. Performance of engines and fuel injection pumps

The performance of engines and fuel injection pumps depends on the satisfactory adherence to maintenance schedule in respect of engine oil change, topping-up of engine oil and tappet (gap between the rocket level and valve head) adjustments. The Management had not fixed any norm of average performance of engines and fuel injection pump, both new and reconditioned, in order to compare the adequacy of performance in different years aimed at taking appropriate action to check incidence of low performance.

### 11.11. Repair and maintenance

11.11.1. Repair and maintenance services to the route buses of the Corporation are rendered by eight depots, one central workshop and at times of emergency such works are entrusted to outside agencies. Particulars of cost of the repairs and maintenance services during the three years ending 31st March 1983 were as below :

| Particular   | Expenditure on repair and maintenance |         |         |
|--|---------------------------------------|---------|---------|
|  | 1980-81                               | 1981-82 | 1982-83 |
|  | (Rupees in lakhs)                     |         |         |
| Expenditure incurred by                                  |                                       |         |         |
| (i) Depots .. .. .                                       | 629.76                                | 712.80  | 738.79  |
| (ii) Central workshop .. .                               | 136.77                                | 74.70   | 135.00  |
| (iii) Works performed by outside agencies ..             | Not available                         | 66.26   | 67.92   |
|  | 766.53                                | 853.76  | 941.71  |
| Repairs and maintenance cost per bus put on road per day | 1.04                                  | 1.18    | 1.28    |

The cost of repair per bus per day put on road has been increasing from year to year, reasons for which have not been investigated.

Management stated (September 1983) that efforts are underway to start the unit exchange system (*i.e.* a centralised system for immediate replacement of broken replaceable components) in a miniature form by January 1984 in order to ensure better utilisation of plants, instruments, machines, equipment, stores, spares and technical personnel.

11.11.2. A test check in audit (September 1983) in respect of repair and maintenance in two depots, viz., Howrah and Taratala, revealed the following position :

| Year    | Jobs as per schedule |    |          |      | Shortfall |          | Percentage of short-fall to schedule |          |
|---------|----------------------|----|----------|------|-----------|----------|--------------------------------------|----------|
|         | Howrah               |    | Taratala |      | Howrah    | Taratala | Howrah                               | Taratala |
|         | (In numbers)         |    |          |      |           |          |                                      |          |
| 1980-81 | ..                   | .. | 802      | 3020 | 75        | 219      | 9.4                                  | 7.3      |
| 1981-82 | ..                   | .. | 850      | 2584 | 50        | 580      | 5.9                                  | 22.5     |
| 1982-83 | ..                   | .. | 805      | 2191 | 55        | 430      | 6.8                                  | 19.6     |

The reasons for the short-fall were stated by the Depot Management (September 1982) to be as follows :

- (i) shortage of (a) spares, (b) dock facilities, (c) manpower,
- (ii) too much failure of chassis spring, and
- (iii) late garaging of vehicles after first shift for routine servicing.

## 11.12. Consumption of diesel and lubricants

11.12.1. The following table shows the particulars of consumption and effective kilometres run per litre of diesel and lubricants during the three years up to 31st March 1983 :

|         | Value             |             | Quantity        |             | Consumption (Percentage to working cost) |             | Effective run | Effective kms run per litre |             |               |
|---------|-------------------|-------------|-----------------|-------------|--|-------------|---------------|-----------------------------|-------------|---------------|
|         | Diesel            | Lubri-cants | Diesel          | Lubri-cants | Diesel                                   | Lubri-cants |               | Diesel                      | Lubri-cants |               |
|         | (Rupees in lakhs) |             | (In kilolitres) |             |  |             |               | (In lakh kms)               |             |               |
| 1980-81 | ..                | 371.91      | 39.30           | 14249       | 467                                      | 16.3        | 1.7           | 425                         | 2.98        | 91.00         |
| 1981-82 | ..                | 461.65      | 47.36           | 15062       | 462                                      | 17.8        | 1.8           | 423                         | 2.71        | 91.56         |
| 1982-83 | ..                | 569.97      | 58.70           | 18745       | 662                                      | 19.4        | 2.0           | 436                         | 2.33        | 77.58         |
|         |                   |             |                 |             |  |             |               |                             |             | (Provisional) |

Statements on monthly consumption of diesel and lubricants, prepared inconsistently, showed substantial variations amongst the various depots in the matter of monthly average distance run per litre under each make. These variations were not reviewed by the Management.

11.12.2. Vehicle-wise history sheets as maintained in the depots also showed wide variation in km per litre run position for each make

inspite of the same age group in the same depot and in other depots as shown below :

| Service                | Year of commissioning | Make of bus | Type of buses | Consumption   |         | Depot |             |
|------------------------|-----------------------|-------------|---------------|---------------|---------|-------|-------------|
|                        |                       |             |               | Maximum       | Minimum |       |             |
| (Kilometres per litre) |                       |             |               |               |         |       |             |
| <b>I. Diesel—</b>      |                       |             |               |               |         |       |             |
| Ordinary               | ..                    | 1981-82     | Ashok Leyland | Single decker | 4.8     | 1.5   | Belghoria   |
| Special                | ..                    | 1978-79     | Tata          | Do.           | 4.7     | 2.6   | Do.         |
| Long distance          | ..                    | 1970-80     | Tata          | Do.           | 6.7     | 2.6   | Thakurpukur |
| <b>II. Lubricants—</b> |                       |             |               |               |         |       |             |
| Ordinary               | ..                    | 1981-82     | Ashok Leyland | Do.           | 5800    | 25    | Belghoria   |
| Special                | ..                    | 1980-81     | Hindusthan    | Do.           | 5702    | 413   | Do.         |
| Long distance          | ..                    | 1980-81     | Ashok Leyland | Do.           | 7828    | 198   | Do.         |

As the Corporation had not fixed any norm of consumption of fuel oil and lubricants and as the Management had also not analysed the reasons for variation in the consumption by excess on different services in different years, it was not possible to work out the excess consumption (and value thereof), if any, of diesel and lubricants.

### 11.13. Used engine oil

(i) Engine oil of different types was issued periodically for change and top-up. Before issuing engine oil for change during dock servicing, used engine oil is taken out of the engine. As there is no system of reprocessing, used engine oil is accumulated and disposed of by calling tenders usually valid for a period of one year. During the three years up to 31st March 1983, a total quantity of 1,34,275 litres from six depots was disposed of for Rs.3.38 lakhs. From the available records it has been noticed that the percentage of used engine oil recovered (during 1980-83) to fresh engine oil issued for change ranged from 27.0 to 82.2 which shows that the recovery procedure was far from satisfactory.

It was observed by audit (September 1983) that there was no norm for recovery of used engine oil and no control over cases of poor recovery.

(ii) Disposal too was not regular leading to holding of large balances. The position in four out of eight depots was as below :

| Year    | Quantity of used engine oil |                          |       |                           |                 |
|---------|-----------------------------|--------------------------|-------|---------------------------|-----------------|
|         | Opening balance             | Recovery during the year | Total | Disposals during the year | Closing balance |
|         | (In lakh litres)            |                          |       |                           |                 |
| 1980-81 | 0.63                        | 0.27                     | 0.90  | 0.25<br>0.02              | 6.3             |
| 1981-82 | 0.63                        | 0.26                     | 0.89  | 0.55                      | 0.34            |
| 1982-83 | 0.34                        | 0.32                     | 0.66  | Nil                       | 0.66            |

(iii) A case of alleged pilferage of 2,460 litres (12 barrels) of used engine oil valuing Rs.7,260 was detected (February 1981) in Lake depot and reported by PDL Section in February 1981. Further action taken to investigate the case and fix responsibility therefor was not made known (June 1984).

(iv) Disposal of 60 barrels of used engine oil (40 barrels out of the stock of Lake Depot and 20 barrels out of the stock of Taratala Depot) in May 1979 under an *ad hoc* offer finalised at the General Manager's level resulted in an avoidable loss of Rs.10,662 as the accepted rate of Rs.474.30 per barrel was too low as compared to the earlier rate of Rs.551.45 valid up to March 1979 and still lower as compared to the rate of Rs.652.00 per barrel as finalised in June 1979.

#### 11.14. Other points of interest

##### *Premature condemnation of life of buses*

Thirty-three single-decker buses of 'Hindusthan' make costing Rs.44.24 lakhs started giving troubles shortly after their commissioning during August 1975 to June 1976 on special *deluxe* services. Their down-time for repair started from 1979-80 and they were ultimately withdrawn from the routes in a phased manner during 1979-80 to 1982-83 under verbal orders of the Depot Managers in consultation with the Chief Mechanical Engineer. As these buses had run only 44.7 per cent of the prescribed life, the capital loss due to service not obtained works out to Rs.24.46 lakhs, i.e. 55.3 per cent of the capital cost of Rs.44.24 lakhs.

It was observed in audit that no investigation into the reasons for premature expiry of life of these 33 vehicles was ever made by the Management.

### 11.15. Summing up

(i) As on 31st March 1983 the Corporation had 1,776 buses in its fleet and operated 908 schedules covering 1.19 lakh km, providing passenger transport facilities to 8.4 lakh commuters daily.

(ii) The accumulated losses of the Corporation as on 31st March 1982 amounted to Rs.41,51.13 lakhs against the capital of Rs.7,08.46 lakhs as on that date.

(iii) Out of the total buses held, 163 buses (9.2 *per cent* of total fleet) were overaged (beyond 8 years) and fully depreciated but still in services and remaining 450 buses (25.3 *per cent*) remained off the road being unserviceable.

(iv) There has been no consistent policy of replacement of buses, which always fell short of the requirement.

(v) Particulars of services rendered by 432 out of 450 unserviceable buses of eight depots of the Corporation showed that 245 buses ran below the prescribed minimum of 3 lakh km. The Corporation, however, did not investigate into the causes of poor performance of these buses before withdrawal from service.

(vi) Percentage of off-road buses to average number of buses held during 3 years up to 1982-83 was 38.7, 44.1 and 45.2 *per cent*. No norm was fixed by the Corporation for fleet utilisation and it was 57.1, 52.4 and 49.6 *per cent* during the 3 years up to 31st March 1983. Factors responsible for such low utilisation were (1) inadequate preventive and corrective maintenance due to delayed supply of spares and (2) delay in taking up of periodical maintenance and major accident repairs.

(vii) Incidence of break-down was very high because of (a) overage of a part of serviceable vehicles (b) inadequate depot services and (c) poor road conditions.

(viii) Percentage of utilisation of drivers' time in specific route services was 57.2 compared to total drivers' time available including overtime hours.

(ix) The target of ticket sale for entitlement of incentive payment for the crew from 31st March 1981 was fixed at a low level without considering higher normal earning capacities of semi-articulated double-decker buses; buses run on limited stop service and special buses. Review of the incentive scheme though fell due within six months from 31st March 1981 was not conducted by the Management so far (February 1984).

(x) As on 31st July 1983 the Corporation operated 94 buses in 55 long distance routes. The Corporation did not maintain any record of route-wise working cost. However, during 1981-82, the working cost for overall operation of the Corporation as per its annual accounts was Rs.6.75 per km compared to which earnings per km of all the 55 routes were uneconomic. Further analysis of earnings per km of 15 long-distance services of the Corporation revealed (September 1983) that earnings of these routes ranged from Re.0.46 to Rs.1.95 per km.

(xi) The Corporation had not fixed any norm of average performance of engines and fuel injection pump (both new and reconditioned).

(xii) Expenditure on overtime of drivers and conductors during 1981-82 recorded an increase of 5.4 per cent and 7.3 per cent respectively over the earlier year even though there was reduction in the number of the prescribed trips by 9.7 per cent during the same period.

(xiii) The repair maintenance cost per bus per day put on road was Rs.1.04 lakhs, Rs.1.18 lakhs and Rs.1.28 lakhs during the 3 years up to 1982-83 respectively.

(xiv) Monthly consumption of diesel and lubricant oils were not recorded consistently. Available records revealed wide variation in consumption of diesel and lubricant oil under each make of vehicles. Kilometres run per litre of diesel oil varied from 1.5 km to 6.7 km while kilometres run per litre of lubricant oil varied from 25 to 7,828 during the three years up to 31st March 1983. No norm has been fixed by the Corporation in this regard.

(xv) The Corporation did not maintain any consistent method of recording receipt, storage and disposal of used engine oil. Test check revealed (September 1983) that 60 barrels (205 litre per barrel) of used engine oil were disposed of by negotiation with a single party at a low rate of Rs.474.30 per barrel during May 1979 resulting in a loss of Rs.10,662.

(xvi) Thirty-three single-decker buses valuing Rs.44.24 lakhs put on road during August 1975 to June 1976 were withdrawn from routes during 1979-80 to 1982-83 when only 44.7 per cent of total prescribed km run was actually obtained, without investigation into causes of their premature failures.

## SECTION XII

### OTHER TOPICS OF INTEREST

#### WEST BENGAL INDUSTRIAL INFRASTRUCTURE DEVELOPMENT CORPORATION

##### 12.01. Infertuous expenditure

The Corporation constructed (September 1980) a rest house at Haldia at a cost of Rs.0.57 lakh for accommodation of its officials visiting the place and also for Government and semi-Government officials on tour to Haldia on official business. The rest house was furnished (April 1981) at a cost of Rs.0.11 lakh and formally opened in May 1981.

In June 1982 the Company closed the rest house.

Management stated (October 1982) that a full-fledged rest house would require the services of a cook and a chowkidar and that as the work at Haldia was in the finishing stage, it was decided not to incur further expenditure by maintaining the rest house.

It would thus appear that the decision to construct the rest house when the Corporation's activity at Haldia was drawing to a close, was *ab initio* wrong. Further, the Management's move to transfer the rest house to the Haldia Notified Area Authority had not materialised so far (June 1984). Thus the construction of the rest house without ensuring its utilisation resulted in an infertuous expenditure of Rs.0.68 lakh.

##### 12.02. Unproductive expenditure

In February 1977, the Corporation sunk a tubewell with discharge capacity of 29,000 gallons per hour at Haldia Growth Centre up to a depth of 687 feet at a cost of Rs.0.94 lakh. The pumping machinery (value : Rs.0.32 lakh) was purchased in December 1980. The pump house and quarters for the members of staff were constructed up to June 1980 by the Company at a total cost of Rs.0.53 lakh.

As a result of inadequate security, the tubewell was damaged by local villagers by inserting foreign materials. The foreign materials up to a depth of 616 feet were cleared (May 1981) at a cost of Rs.0.36 lakh and discharge recorded at that time was 8,300 gallons per hour. The tubewell was sealed at a depth of 616 feet as it was not possible to clear the foreign materials beyond this depth. The pumping machinery was utilised in another tubewell as it could not



be used in this tubewell being of a higher discharged capacity. The pumping machinery (value : Rs.0.32 lakh) meant for the other tubewell was lying idle in store (July 1983).

The Management stated (October 1982) that consequent upon the change in the policy of Government, the command area of Haldia Water Supply Project was reduced and it was, therefore, decided not to utilise the tubewell for the present, particularly when the fund position was extremely bad. The Management's explanation was endorsed (September 1983) by Government. The Management further stated (July 1983) that the quarter was utilised by its staff and also as godown. The pump house built at a cost of Rs.0.08 lakh is lying unutilised (June 1984).

Thus, the failure of the Corporation to plan the installation of the tubewell in a comprehensive way resulted in an infructuous expenditure of Rs.1.70 lakhs.



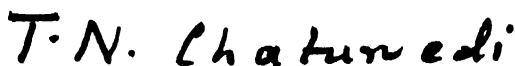
(R. CHANDRASEKARAN),

Accountant General ( )-II  
West Bengal.

CALCUTTA,

The 12 JUN 1985

Countersigned



(T. N. CHATURVEDI),

Comptroller and Auditor General of India.

NEW DELHI,

The 15 JUL 1985



# APPENDICES



## APPENDIX 'A'

(Reference : Paragraph 5 of prefatory remarks)

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

| Sl. No.      | Name of Company                                |    |    |    | Total amount invested up to 1982-83 |
|--------------|--|----|----|----|-------------------------------------|
|              |  |    |    |    | (Rupees in lakhs)                   |
| 1.           | Apollo Zipper Company (Private) Limited        | .. | .. | .. | 72.05                               |
| 2.           | Britannia Engineering Company Limited          | .. | .. | .. | 4,24.55                             |
| 3.           | Sen Raleigh Limited                            | .. | .. | .. | 70.00                               |
| 4.           | National Iron and Steel Company Limited        | .. | .. | .. | 67.25                               |
| 5.           | Aluminium Corporation of India Limited         | .. | .. | .. | 20.00                               |
| 6.           | Koley Iron and Steel Company Limited           | .. | .. | .. | 15.00                               |
| 7.           | Engel India Machine and Tools Limited          | .. | .. | .. | 1,50.77                             |
| 8.           | Indian Health Institute and Laboratory Limited | .. | .. | .. | 1,02.76                             |
| 9.           | Gluconate Limited                              | .. | .. | .. | 1,15.56                             |
| 10.          | Dr. Paul Lohmann (India) Limited               | .. | .. | .. | 97.63                               |
| 11.          | Krishna Silicate and Glass Works Limited       | .. | .. | .. | 5,47.56                             |
| 12.          | Inohok Tyres Limited                           | .. | .. | .. | 35.00                               |
| 13.          | Lily Biscuits and Lily Barley Limited          | .. | .. | .. | 18.75                               |
| 14.          | India Belting and Cotton Mills Limited         | .. | .. | .. | 47.50                               |
| 15.          | Mackintosh Burn Limited                        | .. | .. | .. | 1,21.75                             |
| 16.          | Sree Saraswati Press Limited                   | .. | .. | .. | 16.57                               |
| 17.          | Kinnison Jute Mills Limited                    | .. | .. | .. | 2,81.48                             |
| 18.          | Alok Udyog Vanaspati and Plywood Limited       | .. | .. | .. | 46.00                               |
| 19.          | Shalimar Works Limited (in Liquidation)        | .. | .. | .. | 61.50                               |
| 20.          | Great Eastern Hotel Limited                    | .. | .. | .. | 70.25                               |
| 21.          | Calcutta Electric Supply Corporation Limited   | .. | .. | .. | 36,00.00                            |
| 22.          | Bengal Luxmi Cotton Mills Limited              | .. | .. | .. | 55.04                               |
| <b>Total</b> |  |    |    |    | <b>60,36.97</b>                     |

## APPENDIX

(Reference: Paragraph 1.03 of

Summarised financial results of

| Sl. No.                  | Name of the Company  | Name of the Department           | Date of incorporation | Period of accounts    | Total capital invested | Profit(+) / Loss(-) |
|--------------------------|--|----------------------------------|-----------------------|-----------------------|------------------------|---------------------|
| (Figures in Columns 6 to |  |                                  |                       |                       |                        |                     |
| (1)                      | (2)  | (3)                              | (4)                   | (5)                   | (6)                    | (7)                 |
| 1.                       | The Durgapur Projects Limited  | Public Undertakings              | 6th September 1961    | 1982-83               | 11099.82               | (+)429.92           |
| 2.                       | West Bengal Industrial Development Corporation Limited                       | Commerce and Industries.         | 6th January 1967      | 1982-83               | 3765.30                | (+)61.93            |
| 3.                       | West Bengal Mineral Development and Trading Corporation Limited              | Ditto                            | 23rd February 1973    | 1982-83               | 201.88                 | (-)38.08            |
| 4.                       | West Bengal Cements Limited  | Ditto                            | 13th December 1973    | 1982-83               | 203.05                 | (-)43.40            |
| 5.                       | West Bengal Electronics Industry Development Corporation Limited             | Ditto                            | 4th February 1974     | 1982-83               | 606.60                 | (-)16.81            |
| 6.                       | West Bengal Essential Commodities Supply Corporation Limited                 | Food and Supplies                | 15th March 1974       | 1982-83               | 455.63                 | (+)282.13           |
| 7.                       | West Bengal Pharmaceutical and Phytochemical Development Corporation Limited | Commerce and Industries          | 28th March 1974       | 1982-83               | 81.10                  | (-)6.66             |
| 8.                       | West Bengal Tourism Development Corporation Limited                          | Tourism ..                       | 29th April 1974       | 1982-83               | 184.02                 | (-)17.85            |
| 9.                       | West Bengal Forest Development Corporation Limited                           | Forest ....                      | 19th July 1974        | 1982-83               | 502.77                 | (+)4.56             |
| 10.                      | West Bengal Tea Development Corporation Limited                              | Commerce and Industries          | 4th August 1976       | 1982-83               | 0.82                   | (-)64.54            |
| 11.                      | Damodhar Cement and Slag Limited (Subsidiary)                                | Ditto                            | 18th November 1977    | 1982-83               | 496.10                 | (+)2.23             |
| 12.                      | Webel Tele-communication Industries Limited (Subsidiary)                     | Ditto                            | 2nd April 1979        | 1982-83               | 130.75                 | (+)132.84           |
| 13.                      | West Bengal Film Development Corporation Limited                             | Information and Cultural Affairs | 5th July 1980         | 1982-83               | 116.57                 | (-)5.60             |
| 14.                      | Webel Precision Industries Limited   | Commerce and Industries          | 23rd March 1981       | 1982-83 (ending June) | 30.94                  | (Under              |

'B'

Section I, Page 1)

## Government Companies

| Total interest charged to Profit and Loss account | Interest on long-term loans | Total return on capital invested (7+9) | Capital employed | Total return on capital employed (7+8) | Percentage of total return on capital invested | Percentage of total return on capital employed |
|---|-----------------------------|--|------------------|--|--|--|
| (8)   | (9)                         | (10)                                   | (11)             | (12)                                   | (13)   | (14)   |
| 270.39  | 270.39                      | 700.31                                 | 3939.94          | 700.31                                 | 6.3  | 17.8   |
| 216.03  | 216.03                      | 277.96                                 | 4121.88          | 277.96                                 | 7.4  | 6.8  |
| 3.82  | 0.87                        | (-37.21)                               | 97.53            | (-34.76)                               | ..   | ..   |
| 20.73   | 13.57                       | (-29.83)                               | 59.39            | (-22.67)                               | ..   | ..   |
| 4.85  | 4.85                        | (-11.96)                               | 281.02           | (-11.96)                               | ..   | ..   |
| 22.40   | 3.95                        | 286.08                                 | 992.54           | 304.53                                 | 62.8   | 30.7   |
| 0.09  | 0.09                        | (-6.57)                                | 31.21            | (-6.57)                                | ..   | ..   |
| 3.86  | 3.86                        | (-14.49)                               | 79.90            | (-14.49)                               | ..   | ..   |
| 7.48  | 7.48                        | 12.04                                  | 500.78           | 12.04                                  | 2.4  | 2.4  |
| 7.04  | 7.04                        | (-57.80)                               | 123.00           | (-57.80)                               | -  | ..   |
| 11.18   | 11.18                       | 13.41                                  | 264.87           | 13.41                                  | 2.7  | 5.1  |
| 25.43   | -                           | 132.84                                 | 255.75           | 158.27                                 | 101.6  | 61.9   |
| -   | -                           | (-5.60)                                | 105.48           | (-5.60)                                | -  | ..   |
| construction)                                     |                             |  | 3.95             | -                                      | -  |  |

## APPENDIX

(Reference: Paragraph 1.02 of

## Summarised financial results of

| Sl. No.                  | Name of the Company  | Name of the Department                   | Date of incorporation              | Period of accounts    | Total capital invested | Profit(+) / Loss(-) |
|--------------------------|--|--|------------------------------------|-----------------------|------------------------|---------------------|
| (Figures in Columns 6 to |  |  |                                    |                       |                        |                     |
| (1)                      | (2)  | (3)                                      | (4)                                | (5)                   | (6)                    | (7)                 |
| 15.                      | The Kalyani Spinning Mills Limited                                   | Public Under-takings                     | 13th January 1960                  | 1981-82               | 1558.85                | (-)300.46           |
| 16.                      | Durgapur Chemicals Limited   | Ditto                                    | 31st March 1963                    | 1981-82               | 2504.60                | (-)378.46           |
| 17.                      | The State Fisheries Development Corporation Limited                  | Fisheries                                | 30th March 1966                    | 1981-82               | 413.26                 | (-)8.10             |
| 18.                      | West Bengal Sugar Industries Development Corporation Limited         | Commerce and Industries                  | 30th May 1973                      | 1981-82 (ending June) | 511.13                 | (-)21.24            |
| 19.                      | West Dinajpur Spinning Mills Limited                                 | Public Under-takings                     | 22nd August 1975                   | 1981-82               | 56.01                  | (-)3.65             |
| 20.                      | West Bengal State Leather Industries Development Corporation Limited | Cottage and Small Scale Industries       | 3rd March 1976                     | 1981-82               | 100.60                 | (-)20.17            |
| 21.                      | West Bengal Ceramic Development Corporation Limited                  | Public Under-takings                     | 31st March 1976                    | 1981-82               | 220.50                 | (-)43.93            |
| 22.                      | Webel Business Machines Limited                                      | Commerce and Industries                  | 20th December 1976                 | 1981-82 (ending June) | 12.58                  | (-)2.42             |
| 23.                      | The Shalmar Works (1980) Limited                                     | Industrial Reconstruction                | 12th January 1981                  | 1981-82 (ending June) | 146.00                 | (-)51.27            |
| 24.                      | West Bengal Agro-Industries Corporation Limited                      | Public Under-takings                     | 16th August 1968                   | 1980-81               | 918.63                 | (+)23.56            |
| 25.                      | West Bengal Textile Limited  | State Corporation                        | 19th March 1973                    | 1980-81               | 202.39                 | (+)1.85             |
| 26.                      | West Bengal Livestock Processing Development Corporation Limited     | Animal Husbandry and Veterinary Services | 9th April 1974                     | 1980-81               | 132.80                 | (-)0.86             |
| 27.                      | West Bengal State Seed Corporation Limited                           | Agriculture                              | 13th November 1980                 | 1980-81               | ..                     | ..                  |
| 28.                      | West Bengal Industries Corporation Limited                           | Small Scale Industries                   | Cottage and Small Scale Industries | 29th March 1961       | 1979-80                | 489.74 (+)7.63      |



'B'

## Section I, Page 1)

## Government Companies

| Total interest charged to Profit and Loss account | Interest on long-term loans | Total return on capital invested (7+9) | Capital employed | Total return on capital employed (7+8) | Percentage of total return on capital invested | Percentage of total return on capital employed |
|---|-----------------------------|--|------------------|--|--|--|
| (8)   | (9)                         | (10)                                   | (11)             | (12)                                   | (13)   | (14)   |
| 108.68  | 77.82                       | (-)282.64                              | (-)338.16        | (-)251.78                              | ..   | ..   |
| 132.02  | 129.96                      | (-)248.50                              | (-)436.26        | (-)246.44                              | ..   | ..   |
| 12.06   | 6.43                        | (-)1.66                                | 174.11           | 3.97                                   | ..   | ..   |
| 5.12  | 5.12                        | (-)16.12                               | 122.63           | (-)16.12                               | ..   | ..   |
| ..  | ..                          | (-)3.65                                | 58.88            | (-)3.65                                | ..   | ..   |
| 1.80  | 1.80                        | (-)18.37                               | 38.23            | (-)18.37                               | ..   | ..   |
| 6.99  | 6.99                        | (-)46.94                               | 50.05            | (-)46.94                               | ..   | ..   |
| ..  | ..                          | (-)2.42                                | 15.51            | (-)2.42                                | ..   | ..   |
| 9.60  | 8.50                        | (-)42.77                               | 108.74           | (-)41.67                               | ..   | ..   |
| 10.05   | 8.51                        | 32.07                                  | 770.11           | 33.61                                  | 3.5  | 4.4  |
| ..  | ..                          | 1.85                                   | 197.67           | 1.85                                   | 0.9  | 0.9  |
| ..  | ..                          | (-)0.86                                | 50.28            | (-)0.86                                | ..   | ..   |
| (Under construction)                              |                             | ..                                     | (-)0.05          | ..                                     | ..   | ..   |
| 35.55   | 17.21                       | 24.84                                  | 419.32           | 43.18                                  | 5.7  | 10.8   |

## APPENDIX

(Reference : Paragraph 1.02 of

## Summarised financial results of

| Sl. No.                  | Name of the Company   | Name of the Department             | Date of incorporation | Period of accounts    | Total capital invested | Profit(+)<br>Loss(-) |
|--------------------------|---|------------------------------------|-----------------------|-----------------------|------------------------|----------------------|
| (Figures in Columns 6 to |   |                                    |                       |                       |                        |                      |
| (1)                      | (2)   | (3)                                | (4)                   | (5)                   | (6)                    | (7)                  |
| 29.                      | The Electro-Medical and Allied Industries Limited             | Public Under-takings               | 29th June 1961        | 1979-80 (ending June) | 199.54                 | (-)26.44             |
| 30.                      | West Bengal Handicrafts Development Corporation Limited       | Cottage and Small Scale Industries | 1st June 1976         | 1979-80               | 70.93                  | (-)5.17              |
| 31.                      | Webel Video Devices Limited                                   | Commerce and Industries            | 26th August 1977      | 1979-80               | 136.24                 | (Under               |
| 32.                      | West Bengal Dairy and Poultry Development Corporation Limited | Public Under-takings               | 4th February 1969     | 1977-78 (ending June) | 108.51                 | (-)1.64              |

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

(ii) Capital employed represents (except in respect of West Bengal Industrial Development Corporation Limited) net fixed assets including capital works-in-progress plus working capital. In the case of West Bengal Industrial Development Corporation Limited it represents the mean capital employed. i.e., the mean of the aggregates of opening and closing balances of (i) paid-up capital, (ii) bonds and debentures, (iii) reserves, (iv) borrowings including refinance, and (v) deposits.

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## Section 1, Page 1)

## Government Companies

| Total interest charged to Profit and Loss account | Interest on long-term loans | Total return on capital invested (7+9) | Capital employed | Total return on capital employed (7+8) | Percentage of total return on capital invested | Percentage of total return on capital employed |
|---|-----------------------------|--|------------------|--|--|--|
| (8)   | (9)                         | (10)                                   | (11)             | (12)                                   | (13)   | (14)   |
| 10.81   | 10.32                       | (-)16.12                               | 75.54            | (-)15.63                               | ..   | ..   |
| 3.08  | 3.08                        | (-)2.09                                | 88.35            | (-)2.09                                | ..   | ..   |
| construction)                                     |                             |  | 136.62           | ..                                     | ..   | ..   |
| ..  | ..                          | (-)1.64                                | 97.08            | (-)1.64                                | ..   | ..   |

## APPENDIX

(Reference: Paragraph 7.11 of Section

## Summarised financial results:

| Sr. No. | Name of the Corporation/<br>Board | Name of the<br>Department | Date of<br>incorporation | Period of<br>accounts | Total<br>capital<br>invested | Profit (+)<br>Loss (-) |
|---------|-----------------------------------|---------------------------|--------------------------|-----------------------|------------------------------|------------------------|
|---------|-----------------------------------|---------------------------|--------------------------|-----------------------|------------------------------|------------------------|

(Figures in columns 6 to

| (1) | (2)                                 | (3)                       | (4)               | (5)     | (6)       | (7)   |
|-----|-------------------------------------|---------------------------|-------------------|---------|-----------|-------|
| 1.  | West Bengal Financial Corporation   | Finance                   | .. 1st March 1954 | 1982-83 | 4683.03   | 39.66 |
| 2.  | West Bengal Warehousing Corporation | State Public Undertakings | 31st March 1958   | 1980-81 | 286.72    | 13.97 |
| 3.  | West Bengal Electricity Board       | State Power               | .. 1st May 1955   | 1982-83 | 101545.53 | ..    |

Notes: (1) Capital invested represents paid-up capital plus long-term loans plus ~~free reserve~~ <sup>free reserve</sup>

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

'G'

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**Statutory Corporations**

| Total interest charged to Profit and Loss Account | Interest on long-term loans | Total return on capital invested (7+9) | Capital employed | Total return on capital employed (7+8) | Percentage of total return on capital invested | Percentage of total return on capital employed |
|---|-----------------------------|--|------------------|--|--|--|
| (8)   | (9)                         | (10)                                   | (11)             | (12)                                   | (13)   | (14)   |
| 189.07  | 189.07                      | 228.73                                 | 4028.42          | 228.73                                 | 4.9  | 5.7  |
| ..  | ..                          | 13.97                                  | 280.42           | 13.97                                  | 4.9  | 4.8  |
| 2365.75   | 2154.50                     | 2154.54'                               | 57899.52         | 2365.75                                | 2.1  | 4.1  |



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