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सत्यमेव जयते

**GOVERNMENT  
OF  
RAJASTHAN**

**Report of the  
COMPTROLLER  
AND  
AUDITOR GENERAL  
OF INDIA  
for the year  
1975-76  
(COMMERCIAL)**



GOVERNMENT  
OF  
INDIA

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COMPTROLLER  
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AUDITOR GENERAL  
OF INDIA  
for the year  
1975-76  
(COMMERCIAL)

A. 1.



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## PREFATORY REMARKS

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

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

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

3. The cases mentioned in the Report are those which came to the notice of Audit during the year 1975-76 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 1975-76 have also been included, wherever considered 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 Chartered Accountants. The Companies Act further empowers the Comptroller and Auditor General to issue directives to the auditors in regard to the performance of their functions. In November 1962, such directives were issued to the auditors for looking into certain specific aspects of the working of Government Companies. These were revised in December 1965 and February 1969.



5. There are, however, certain companies where Government have invested funds but the accounts of which are not subject to audit by the Comptroller and Auditor General. A list of such companies where Government investment is more than Rs. 10 lakhs is given in Annexure 'A'.

6. In respect of the Rajasthan State Road Transport Corporation and the Rajasthan State Electricity Board which are Statutory Corporations, the Comptroller and Auditor General is the sole auditor, while in respect of the Rajasthan State Warehousing Corporation and the Rajasthan Financial Corporation, he has the right to conduct the audit of the concerns independently of the audit conducted by the Chartered Accountants appointed under the respective Acts.

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



CHAPTER I  
GOVERNMENT COMPANIES  
SECTION I

1. *Introduction*

There were eleven Government Companies (including one subsidiary *viz.* Aravalli Svachalit Vahan Limited, under construction) in the State as on 31st March 1976. One of these, *viz.* The Rajasthan State Tanneries Limited (incorporated on 22nd November, 1971) started commercial production during the year. The accounts of one Company *viz.* Samachar Bharati (merged with 'Samachar' with effect from 2nd April 1976) have not been finalised (December 1976) for the period from 1st January 1975 to 1st April, 1976.

A synoptic statement showing the summarised financial results of ten Companies on the basis of the latest available accounts is given in Annexure 'B'.

2. *Paid-up capital*

The aggregate of the paid-up capitals of ten Companies (excluding the subsidiary Company) was Rs. 1,262.13 lakhs at the end of March 1976 as against Rs. 983.24 lakhs at the end of March 1975.

The break-up of the paid-up capitals of these Companies at the end of 1975-76 according to investments by State Government, Central Government and private parties was as follows:—

Particulars	Number of Companies	Investment by			Total*
		State Government	Central Government	Private parties	
		(Rupees in lakhs)			
(i) Companies fully owned by the State Government (excluding one subsidiary fully owned by a Government Company)	3	486.25 (100%)	..	..	486.25**

\* Figures are as furnished by the Companies.

\*\* Includes share application money of Rs. 40.00 lakhs.

Particulars	Number of Companies	Investment by			Total*
		State Govern- ment	Central Govern- ment	Private parties	
		(Rupees in lakhs)			
(ii) Companies jointly owned by the State Government and the Central Government	2	160.32 (43.9%)	204.90 (56.1%)	..	365.12**
(iii) Companies jointly owned by the State Government with other State Governments and private parties	1	26.00 £ (98.6%)	..	0.36 (1.4%)	26.36
(iv) Companies jointly owned by the State Government and private parties	4	375.94 (97.8%)	..	8.36 (2.2%)	384.30
TOTAL	10	1,048.51 (83.1%)	204.90 (16.2%)	8.72 (0.7%)	1,262.13
Figures for the year 1974-75	10	831.72 (84.6%)	142.80 (14.5%)	8.72 (0.9%)	983.24

### 3. Guarantees

Government had guaranteed repayment of loans to the extent of Rs. 797.60 lakhs raised by four Companies and payment of interest thereon, against which Rs. 536.20@ lakhs excluding interest were outstanding as on 31st March 1976.

### 4. Profits and dividends

According to the accounts of nine Companies, there was an aggregate net profit of Rs. 0.30 lakh during 1975-76 as against the total net profit of Rs. 78.00 lakhs earned by eight of these Companies during 1974-75. The overall decrease in profits during 1975-76 was due mainly to adverse working

\* Figures are as furnished by the Companies.

\*\* Includes share application money of Rs. 56.44 lakhs.

£ Includes investment by Government of Rajasthan (Rs. 5.00 lakhs) and Governments of Gujarat, Madhya Pradesh, Karnataka and Bihar (Rs. 21.00 lakhs).

@ Excludes amount outstanding against loan of Rs. 31.49 lakhs raised by The Ganganagar Sugar Mills for which details are awaited from Government (December 1976).



results of the following Companies:—

Name of Company	Profit (+)/Loss (—) (Rupees in lakhs)	
	1974-75	1975-76
Rajasthan State Dairy Development Corporation Limited	..	(—)1.40
The Rajasthan Small Industries Corporation Limited	(+)2.87	(—)26.67
Rajasthan State Mines and Minerals Limited	(+)58.71	(+)12.37
The Rajasthan State Tanneries Limited	Under construction	(—)15.00
The Ganganagar Sugar Mills Limited	(+)24.80*	(+)16.43*

Two Companies, *viz.* Rajasthan State Agro Industries Corporation Limited and Hi-Tech Precision Glass Limited, earned profits of Rs. 12.97 lakhs and Rs. 0.02 lakh during 1975-76 but had cumulative losses of Rs. 5.76 lakhs and Rs. 16.54 lakhs respectively up to the end of 1975-76.

\* The position is for the years ending 30th June 1974 and 30th June 1975 respectively.

## SECTION II

### THE GANGANAGAR SUGAR MILLS LIMITED

#### 1. *Introductory*

The Company was incorporated in 1945-46 under the Indian Companies Act, 1913 in the name of 'Bikaner Industrial Corporation Limited'. Owing to heavy losses, the Management decided in 1952-53 to close the factory at Sri Ganganagar and shift it to Bihar. Considering the interest of the cane growers and labourers of the area, the Government of Rajasthan decided to run the factory and in 1954 took it over on lease initially for one year. The lease was extended from time to time up to 30th June 1956. In July 1956, out of the Company's total paid-up capital of Rs. 25.38 lakhs, Government purchased 28,461 fully paid-up shares of the face value of Rs. 50 each at a cost of Rs. 8.51 lakhs, as a result of which the undertaking was converted into a Government Company. The Company was renamed as 'The Ganganagar Sugar Mills Limited' from 21st January 1957.

#### 2. *Activities*

The following are the main activities of the Company:—

(i) *Manufacture and sale of sugar.*—The Company has a sugar mill at Sri Ganganagar. Its installed capacity was initially 600 tonnes of cane per day but was increased to 1,000 tonnes per day in 1960. A beet-cum-cane diffusion plant was installed in 1970-71 (production started from 1971-72) with a rated capacity of 600 tonnes per day.

(ii) *Manufacture of spirits and liquor.*—The Company has a distillery at Sri Ganganagar (established in 1949). Its distillation capacity was initially 750 bulk gallons of spirit (5,175 London proof litres) per day, but was increased to



2,500 bulk gallons (17,250 LPL) per day in 1967-68. Four more distilleries were acquired, one each at Ajmer (1957), Mandore (1957), Atru (1961) and Pratapgarh (1963). The distillery at Mandore was closed in May 1968 on account of *sharab bandi* movement and that at Pratapgarh was closed in March 1973, being a small and uneconomic unit. The capacity of the working distilleries as on 30th June, 1976 was as under:—

Name of distillery	Capacity per day
Sri Ganganagar	17,250 London proof litres (LPL) of molasses spirit.
Ajmer	800 -do-
Atru	5,250 -do-

(iii) *Manufacture of neutral laboratory glasswares and bottles in the Hi-Tech Precision Glass Factory, Dholpur.*—This factory has been on lease with the Company since July 1968. Working of the factory was reviewed in Section III of the Report of the Comptroller and Auditor General of India for the year 1974-75 (Commercial).

(iv) *Plantation and cultivation of sugarcane and sugar beet.*—The Company has an experimental farm of 14 acres at Sri Ganganagar and an agricultural farm of 1080 acres at Hanumangarh.

### 3. Organisational set-up

The Management of the Company is vested in a Board of Directors consisting of eight directors, four of whom are nominated by Government. The Commissioner-cum-secretary to the Government, State Enterprises Department, acts as the part time *ex officio* Director-in-charge and is the controlling officer of the Company. The mill at Sri Ganganagar is managed by a Chief Executive Officer.

### 4. Capital structure

4.1 The authorised capital of the Company is Rs. 100 lakhs divided into 2,00,000 shares of Rs. 50 each. The paid-up capital as on 30th June 1976 was Rs. 55.78 lakhs contributed by Government (Rs. 43.53 lakhs) and private individuals (Rs. 7.25 lakhs).



4.2 In addition, the Company obtained loans from Government and banks from time to time. The aggregate balance of borrowings as on 30th June 1976 was Rs. 213.35 lakhs as detailed below:—

Particulars	Amount outstanding (Rupees in lakhs)	Remarks
<i>Secured loans</i>		
9 per cent debentures issued in 1967 (subscribed by Government)	5.00	These were due to be redeemed on or before 31st March 1972, but have not been redeemed (December 1976)
Government of Rajasthan	0.42	
Industrial Development Bank of India (under bills re-discounting scheme)	9.11	
A scheduled bank of Jaipur	144.95	
<i>Unsecured loans</i>		
Government of Rajasthan	53.87	
<b>TOTAL</b>	<b>213.35</b>	

4.3 On 1st April 1967, Government subscribed Rs. 15 lakhs to the issue by the Company of 1,500 debentures of Rs. 1,000 each secured by mortgage of its assets. These debentures were redeemable after a period of 5 years. Debentures for Rs. 10 lakhs were, however, redeemed on 8th May 1970 by conversion into share capital. The Company requested Government in October 1971 to renew the remaining debentures of Rs. 5 lakhs; Government sanction is awaited (February 1977).

As per the terms and conditions of mortgage, the debentures carry interest at 9 per cent per annum with effect from 1st April 1967, payable on 1st of April every year. In case of delay, penal interest at 9 per cent per annum is payable on the overdue amount of interest. The debenture interest which fell due for payment on 1st April, 1968 and 1969 was paid on 7th January 1970 together with penal interest of Rs. 5,359. The Company paid interest for the years 1969-70 to 1974-75 on 24th March, 1976, but did not pay penal interest amounting to Rs. 1.13 lakhs owing to shortage of funds. Interest for the year 1975-76 was, however, paid in time.

4.4 During 1970-71, the Industrial Development Bank of India sanctioned to the Company a loan up to the limit of Rs. 50 lakhs for purchase of beet-cum-cane diffusion pumps and



conveyers under its bills re-discounting scheme, against hypothecation of fixed assets. Against the available limit of Rs. 50 lakhs, bills re-discounting facility of Rs. 41.48 lakhs was availed of during 1971-72. Repayment of three instalments due on 25th February 1973, 28th October 1973 and 28th October 1975 was delayed and penal interest of Rs. 1,845 (at 9 per cent) was charged by the bank.

4.5 The Company also availed of cash credit facilities against pledge of stock of raw materials, sugar, gunny bags and glassware, from time to time, from a bank of Jaipur. Repayment of the cash credit was guaranteed by the State Government up to the limit of Rs. 20 lakhs. The position of cash credit limit sanctioned and availed of from 1973-74 to 1975-76 was as under:—

Year	Cash credit sanctioned		Maximum cash credit limit availed of at any time during the year		Rate of interest (per cent)
	Sri Ganga-nagar	Head Office	Sri Ganga-nagar	Head Office	
	(Rupees in lakhs)				
1973-74	75.00	20.00	58.97	20.46	14½
1974-75	75.00	20.00	not available	21.76	15½
1975-76	135.00	15.00	134.81	23.10	15½

As the Company did not avail of the cash credit up to the sanctioned limit during 1973-74 and 1974-75 it had to pay commitment charges of Rs. 0.36 lakh (at 1 per cent on the unavailed of portion) in these years.

The Management stated (September 1976) that the crushing season during the years 1973-74 and 1974-75 was short of expectations and, therefore, the limits could not be utilised fully. The payment of commitment charges was stated to be inevitable.

4.6 As shown in the table below, the Company received loans from Government from time to time for making payments to cane suppliers and for meeting other expenses of



the Company. The details of loans received and the balance outstanding as on 30th June 1976 was as under:—

Date of borrowing	Amount of loan	Purpose of loan	Amount outstanding	
			Principal	Interest
	(Rupees in lakhs)		(Rupees in lakhs)	
10th September 1968	2.00	To run the glass factory	1.50	1.13
27th April 1971	20.00	For cane payments and working capital	20.00	9.32
3rd April 1972	4.00	For working capital of glass factory	4.00	1.56
16th June 1972	12.00	For purchase of <i>Mahuwa</i> flowers	12.00	4.36

All the loans carried interest at 9 per cent per annum. No time limit for repayment of loans was fixed by Government except in regard to the loan of Rs. 20.00 lakhs paid in April 1971, which stipulated that if the loan was repaid along with interest by March 1972, rebate of 2 per cent on the rate of interest would be allowed. The Company has not repaid the loans except for Rs. 0.50 lakh repaid in January 1970 out of the loan of Rs. 2 lakhs received in September 1968. The Management stated in September 1976 that the loans could not be repaid owing to continued shortage of funds.

### 5. Financial position

The table below indicates the financial position of the Company under broad headings for the three years ending 30th June 1976:—

	1973-74	1974-75	1975-76
	(Rupees in lakhs)		
<i>Liabilities</i>			
(a) Paid-up capital	55.78	55.78	55.78
(b) Reserves and surplus	38.28	43.55	51.28
(c) Borrowings	134.17	126.69	196.96
(d) Trade dues and other current liabilities (including provisions)	86.48	114.71	116.89
TOTAL	314.71	340.73	420.91
<i>Assets</i>			
(e) Gross block	185.50	187.80	196.86
(f) Less depreciation	84.08	91.67	101.87
(g) Net fixed assets	101.42	96.13	94.99
(h) Capital works-in-progress	0.13	0.06	0.61
(i) Investments	0.92	0.67	0.22
(j) Current assets, loans and advances	209.99	242.11	323.89
(k) Miscellaneous expenditure	2.25	1.76	1.20
TOTAL	314.71	340.73	420.91
Capital employed	228.43	228.03	305.74
Net worth	91.81	97.57	105.86

Note:— 1. Capital employed represents net fixed assets plus working capital.



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

## 6. Working results

6.1 The working results of the Company for the three years ending 30th June 1976 are given below:—

	1973-74	1974-75	1975-76
	(Rupees in lakhs)		
<i>Income</i>			
Sales	470.82	447.40	723.16
Other receipts	18.56	23.99	17.10
Closing stock	82.61	85.35	177.64
Profit on agricultural operations	..	0.12	0.16
<b>TOTAL Income</b>	<b>571.99</b>	<b>556.86</b>	<b>918.06</b>
<i>Expenditure</i>			
Opening stock	61.82	82.61	85.35
Purchase of finished goods	110.15	65.35	186.98
Raw material consumed	171.35	161.77	288.58
Manufacturing, selling and administrative expenses	180.99	207.24	300.77
Interest	12.86	15.34	18.09
Depreciation and development rebate	8.54	7.48	10.53
Other miscellaneous expenses	0.49	0.64	1.68
Loss on agricultural operations	1.32	..	..
<b>TOTAL expenditure</b>	<b>547.52</b>	<b>540.43</b>	<b>891.98</b>
Profit as per accounts before tax	24.47	16.43	26.08
Add: Development rebate reserve, unspent provisions written back and refund of tax	0.43	3.18	0.02
Profit before tax	24.90	19.61	26.10
Provision for taxation	..	8.92	14.33
Profit after tax	24.90	10.69	11.77

The unitwise profit and loss as per the accounts of the Company for the three years are summarised below.—

	1973-74	1974-75	1975-76
	Profit (+)/Loss (-)		
	(Rupees in lakhs)		
Sugar Section			
(a) Sugar	(-)19.48	(-)16.70	(-)5.18
(b) Agriculture	(-)1.32	(+)0.12	(+)0.16
Distillery	(+)49.46	(+)38.60	(+)44.71
Hi-Tech Glass	(-)4.19	(-)5.59	(-)13.61

6.2 As per the records, the main reasons for the continuous losses in the Sugar Section were:—

- (i) non-availability of adequate quantity of sugarcane and beet;

- (ii) poor quality of sugarcane;
- (iii) low recovery of sugar on account of very old machinery; and
- (iv) heavy interest burden on investment in the beet-cum-cane diffusion plant.

### 7. Expansion and modernisation

7.1 *Sugar Mills*.—The existing plant of the Sri Ganganagar Sugar Mills was manufactured in Java in 1900. After changing hands several times, it was brought by some private entrepreneurs in 1936-37 to Sri Ganganagar. It was taken over by the Company in 1945-46. In 1960, as a result of minor modifications/additions, the capacity of the plant was increased from 600 to 1,000 tonnes per day. The expenditure incurred on repairs and replacements of the machinery in the Mills during the 11 years ending 1975-76 amounted to Rs. 6.97 lakhs.

On being consulted by the Company, the experts of the National Sugar Institute, Kanpur, in March 1969 and again in March 1970, stressed *inter alia* the need for adoption of economy measures in use of steam and recommended installation of two units, *viz.* vapour cell and vapour-line juice heaters at a cost of Rs. 7.30 lakhs. It was expected that by installing the two units, economy in use of steam to the extent of 7 per cent (which could save fuel worth Rs. 3 lakhs in one season) would be achieved. However, except installation of one vacuum pan of 35 tonnes capacity in 1971-72 at a cost of Rs. 1.49 lakhs, no other modification, replacement, etc. has been made (December 1976).

During the examination of the Company by the Committee on Public Undertakings in February 1973, the Management had informed the Committee that it was proposing to invest Rs. 17.08 lakhs over a period of three years for modernisation of machinery. No modernisation of the machinery has, however, taken place (December 1976). The Management stated (September 1976) that modernisation could not be undertaken on account of non-availability of funds.



ERRATA

Report of the Comptroller and Auditor General of India for the year 1975-76  
(Commercial) Government of Rajasthan.

Page 1	Reference 2	For 3	Read 4
6	Para 4.4., line 1	Development	Development
9	Para 6.1, line 4 headings	(Rupees in lakhs)	(Rupees in lakhs)
16	Para (iii), against item of Average Selling price per quintal (Rupees), in column of 1973-74	2.00	2.00
22	Para 8.4.2, last line of sub-para	distillation	distillation.
22	Foot Note	—	Put * mark before the foot note.
24	Line 1	washing	washing,
25	Table in para 8.4.8(i) headings	(figure in lakhs)	(figures in lakhs)
25	Para 8.4.8(i) against the year 1973-74 (in two places)	Not available	not available
26	Table headings, Last column	transit	transit
28	Para 10.1.1 2nd sub-para, fifth line	dealers	dealers'
28	-do- seventh line	May	May
29	Para 10.1.2, last sub-para, line 1	18th August 1975	18th August 1975,
31	Para 10.3 last sub-para line 1	arrangement	arrangement
31	-do- line 4	period	period
31	-do- line 8	frist	first
33	Para 12.1 line 3	these	those
33	-do- table heading, last column	numbers	number
34	line 2	the	these
34	Sub-para (vi) line 7	liouor	liquor
34	-do- line 8	19th March 1974	19th March 1974;
34	Para 12.2 line 2	duing	during
38	Para 18.2 last line	foregone	forgone
40	Table heading first column	Project (an annual lic- nsed capacity in brackets)	Project (annual lic- nsed capacity in brackets)
40	Table heading, last column	ependiture	expenditure
43	Para 2, 4th line from bottom	meantime	meantime,
45	Para on 'Project Estimates', line 8	achievements	achievements .
45	Table, last column against last item		38
52	Para 1, line 6	be state	be a State
52	Para 3, line 1	Suoerintendence	superintendence
52	Para 3, line 3	executive	Executive
57	Line 5	1975-76	1975-76:—
57	Para 6.2, line 5	Undertaking	Undertakings
61	Para 9.1, table, column 3 against 1973-74	92.609	92,609
61	Para 9.1, table, column 4 against 1975-76	2.9	72.9
64	Table (b) against 'Ajmer' 1974-75 column	50.9	60.9
68	Para 12 line 4	possible	possible,
69	Line 15 from bottom	Warehousing	Warehousing
70	Para 13.1 line 15	scheme	scheme,
72	Para 14 table 19th line	Capital empolyed	Capital employed
73	Line 3 from top	Expend ture	Expenditure
75	Para 16.4.1 line 1	the amout	the amount
75	Para 16.4.1 bottom line	9631	69631
76	Para 17.2 line 5	comittee	committee
76	Para 17.2 line 7	equioment	equipment
78	Line 21 from bottom	months; however,	months, however,
80	Line 2 from top	exp nditure	expenditure
87	Line 8 from top	amount,	amount;
92	Line 6 from top	February 1976	February 1976;
94	Para 1 Line 9	vehicles	vehicles
98	Para 6, sub-para 2, line 1	indroducing	introducing
104	Table heading, column 4	Date of incorporaration	Date of incorporation





The Deputy Chief Engineer of Sri Ganganagar Sugar Mills submitted, in June 1976, a scheme for renovation and modernisation of the Mills, involving an approximate expenditure of Rs. 99.00 lakhs, to be completed in three phases. On 22nd June 1976, the Finance Committee of the Board of Directors sanctioned Rs. 10.30 lakhs for installation of automatic cane unloader, vapour-line juice heater and beet molasses steel storage tank and purchase of spare parts. The Management stated (March 1977) that "the installation of vapour-line juice heater was completed in January 1977 at a cost of Rs. 1.75 lakhs, that of the beet molasses steel storage tank on 15th March 1977 at a cost of Rs. 1.42 lakhs, and the proposal for installation of the cane unloader has been dropped."

## 7.2 Distilleries

The capacity of the distillery at Sri Ganganagar was increased from 5,175 to 17,250 London proof litres per day in 1967-68 by installing new plant at a cost of Rs. 4.34 lakhs. There has been no expansion or modernisation since then, both at this and the other distilleries.

The Board of Directors of the Company decided on 1st August 1975 to purchase an automatic bottling plant for the Sri Ganganagar distillery at a cost of Rs. 2.75 lakhs. Tenders for the bottling plant were invited in March 1976, and an order was placed on 2nd November 1976 for its supply in 14 to 16 weeks from the date of the order. Hitherto the Company has been using the old syphon system for filling liquor in bottles (December 1976).

## 8. Analysis of operations

### 8.1 Sugar Mills

8.1.1 *Capacity.*—The installed capacity of the Sugar Mills is 1,000 tonnes per day for crushing of sugarcane and 600 tonnes per day for diffusion of sugar beet. On the basis of 150 days of crushing of sugarcane and 50 days of diffusion of beet in a year, the requirement of sugarcane and beet for a season works out to 15 lakh quintals and 3 lakh quintals respectively.



The table below indicates the data supplied by the Management regarding targets for area to be sown, area sown and the production of sugarcane and beet in the command area of the Mills as well as its own farms during the three years up to June 1976:—

*Sugarcane*

Year	Target for area to be sown (in acres)	Area sown (in acres)	Cane produced (in quintals)	Cane pro-cured (in quintals)	Percentage of cane pro-cured to cane produced
1973-74	not fixed	6,808	13,20,255	7,04,380	53.4
1974-75	not fixed	4,640	7,54,000	3,36,597	44.6
1975-76	6,000	6,487	14,30,000	10,35,065	72.4

*Beet*

Year	Target for area to be sown (in acres)	Area sown (in acres)	Beet produced and procured (in quintals)
1973-74	3,000	2,798 <sup>0</sup>	94,745
1974-75	3,000	1,785	56,161
1975-76	3,000	3,063	2,42,111

The reason for the procurement of sugarcane being less than the production was stated by the Management (September 1976) to be non-supply of the entire production by the cultivators to the Mills as they used it mainly for production of *gur*.

At the instance of the Company, the State Government appointed a committee in March 1972 to suggest measures to improve sugarcane production in the command area of the Mills. The Committee in its report (October 1972) recommended *inter alia* the following:—

- (i) Reservation of one tenth of the land holdings in the area within 10 kms. of the Mills for growing sugarcane and sugar beet.
- (ii) Posting of officers and staff by Agriculture Department at Sri Ganganagar exclusively for sugarcane and beet development.



- (iii) Making irrigation facilities available by the Irrigation Department to the cultivators in the reserved area.

The Management stated that the matter regarding reservation of area for sugarcane and beet cultivation was pending with Government (February 1977).

8.1.2 *Production.*—(i) Sugar is produced from sugarcane and beet procured by the Company from the cultivators in the command area as well as its own farms. The table below indicates the period of crushing, cane crushed/beet diffused and recovery of sugar during the three years up to June 1976:—

	1973-74	1974-75	1975-76
(i) <i>Sugar from cane</i>			
Period of crushing (in days)	97	52	130
Cane crushed (quintals)	7,04,380	3,36,597	10,35,065
Sugar produced (quintals)	50,376	27,170	78,065
Percentage of recovery	7.15	8.16	7.58
Sucrose percentage in cane	10.01	10.68	10.23
Fibre percentage in cane	16.60	15.57	14.56
(ii) <i>Sugar from beet</i>			
Period of diffusion (in days)	30	19	47
Beet diffused (in quintals)	94,745	56,161	2,42,111
Sugar produced (in quintals)	10,074	5,665	25,837
Percentage of recovery	10.20	9.78	10.61
Sucrose percentage in beet	13.87	13.38	14.52

*Note:*—Sugar produced represents sugar bagged while percentage of recovery also take into account sugar in process at the close of the year.

The shortfall in recovery of sugar from sugarcane during 1973-74 and 1975-76 as compared to that in 1974-75 was attributed by the Management (September 1976) to the effect of frost and *pyrilla* on the sugarcane crop.

(ii) The percentage of recovery in the Mills was lower than the average recovery of sugar in Rajasthan (as a whole) and the all India average which were as under:—

Years	Average percentage of recovery		
	All India*	Rajasthan*	Sri Ganganagar Sugar Mills
1973-74	9.34	9.02	7.15
1974-75	9.90	9.36	8.16
1975-76	10.20	9.13	7.58

The Management stated (January 1977) that the low recovery as compared to the all India average and other sugar mills in Rajasthan was due mainly to climatic conditions, varieties of sugarcane, condition of machinery, etc.

8.1.3 *Quality of sugar.*—The qualitywise production of sugar (both from sugarcane and beet) during the three years up to June 1976 was as under:—

Quality	1973-74		1974-75		1975-76	
	Quantity Qtls.	Percentage to total	Quantity Qtls.	Percentage to total	Quantity Qtls.	Percentage to total
C-30	1,733	2.9	..	..	..	..
C-29	29	..	..	..	..	..
D-30	22,962	38.0	4,288	13.0	566	0.5
D-29	960	1.6	2,614	8.0	2,283	2.2
E-30	32,977	54.5	14,508	44.2	87,020	83.8
E-29	1,743	2.9	11,357	34.6	13,978	13.5
NISS	46	0.1	68	0.2	55	..
TOTAL	60,450		32,835		1,03,902	

It would be seen that the production of superior quality sugar (C-30, C-29 and D-30) varied from 0.5 to 40.9 per cent of the total production during the three years. The Management stated (September 1976) that superior quality sugar was produced keeping in view its realisable value *vis-a-vis* its cost of production. It was, however, noticed that the Company had no system of working out the cost of manufacture of different qualities of sugar.

8.1.4 *Working hours.*—The details of the working hours available, the hours for which the Mills actually worked

\*Source: "Indian Sugar" of December 1976 published by the Indian Sugar Mills Association.



and the hours lost during cane crushing and beet diffusion seasons for the three years ending June 1976 are given below:—

	1973-74	1974-75	1975-76
(i) <i>Cane season</i>			
Total hours available	2317	1221	3090
Hours actually worked	1951	975	2481
Total hours lost	366	246	609
Hours lost due to :			
(a) Cane shortage	83	123	121
(b) Mechanical defects	23	24	34
(c) Power failure	65	13	123
(d) Miscellaneous reasons	195	86	331
(ii) <i>Beet season</i>			
Total available hours	694	439	1117
Hours actually worked	474	285	968
Total hours lost	220	154	149
Hours lost due to :			
(a) Beet shortage	147	118	..
(b) Mechanical defects	16	9	26
(c) Power failure	9	3	48
(d) Miscellaneous reasons	48	24	75

8.1.5 *By-products*.—The by-products of the sugar Mills consist of molasses, press mud, cane bagasse and beet pulp. Cane bagasse is burnt as fuel in the Mills boilers. The position of production and sale of other by-products during the three years up to June 1976 was as under:—

(i) <i>Cane molasses</i>	1973-74	1974-75	1975-76
Production (Quintals)	36850	14688	51120
Sales (Quintals)	36850	14688	51120
Sales value (Rupees)	36850	14688	306720

Cane molasses is a controlled commodity and the rate for its sale is fixed by the Government of India under the Molasses Control Order, 1961. Cane molasses is used by the Company in its distillery for manufacture of rectified spirit.

(ii) *Beet molasses*

Beet molasses, which is not a controlled item, is sold in open market. The table below indicates the total production, sale, etc. of beet molasses during the three years up to June 1976:—

	1973-74	1974-75	1975-76
Opening stock (Quintals)	5,561	5,686	3,336
Production (Quintals)	5,075	2,650	13,325
Sales (Quintals)	4,950	5,000	7,000
Closing stock (Quintals)	5,686	3,336	9,661
Total sale value (Rupees)	7,42,500	9,12,500	12,77,500
Average selling price per quintal (Rupees)	1,500	1,825	1,825

(iii) *Press mud*

Press mud of cane, which is used as fertiliser, is sold to cane growers. The details are given below:

	1973-74	1974-75	1975-76
Production (Quintals)	17,650	8,150	23,065
Sales (Quintals)	12,984	6,755	17,220
Total sale price (Rupees)	25,968	13,510	34,439
Average selling price per quintal (Rupees)	2,00	2,00	2,00

The Management stated (January 1977) that the difference between production and sale was due to driage.

(iv) *Beet pulp*

The table below indicates the total production of beet pulp and the sales thereof during the three years up to June 1976:—

	1973-74	1974-75	1975-76
Production (Quintals)	51,136	38,468	1,17,794
Quantity sold (Quintals)	..	27,032	1,17,794
Total value of sales (Rupees)	..	45,359	1,55,495
Average rate per quintal (Rupees)	..	1.78	1.32

Up to 1973-74, beet pulp was thrown away as waste but since 1974-75 it is being sold for use as cattle feed.



## 8.2 Agricultural Farms

### 8.2.1 Hanumangarh Farm.

The agricultural farm at Hanumangarh, comprising 1080 acres of land, was taken over by the Company from Government on lease at an annual rent of Rs. 40,000 for a period of 10 years from 14th December 1967, for propagation of new varieties of cane and for supplying cane to its sugar Mills at Sri Ganganagar. The actual possession was taken on 4th January 1968. According to the original plan, after keeping 10 per cent of the area for buildings and roads, about 975 acres of land were to be utilised for growing crops in a phased manner within a period of four years, i. e. by December 1971, at an estimated cost of Rs. 3 lakhs. The area developed up to June 1972 was, however, only 436 acres (338 acres irrigated and 98 acres unirrigated) at a capital cost of Rs. 3.01 lakhs. The area under cultivation and the capital expenditure on development incurred during the four years up to June 1976 were as under:—

	Area under cultivation (in acres)		Total	Progressive capital expenditure (Rs. in lakhs)
	Irrigated	Unirrigated		
Up to 1972-73	508	470	978	3.53
Up to 1973-74	680	365	1045	3.95
Up to 1974-75	850	180	1030	4.80
Up to 1975-76	900	130	1030	5.45

While a few buildings were constructed, no roads were built. The delay in development of land was attributed by the Management (September 1976) to paucity of funds and shortage of water for irrigation. The Farm Development Committee of the Board of Directors in its meeting held on 23rd December 1975 sanctioned Rs. 10,000 for construction of a pucca channel for irrigation purposes. The work had not been taken up (February 1977).

The table below indicates the area sown, the total yield and the yield per acre of the main crops during the three

years up to June 1976:—

	1973-74	1974-75	1975-76
<i>Sugarcane</i>			
Area sown (in acres)	120	230	300
Yield in quintals	3623	11666	25795
Yield per acre (in quintals)	30.19	50.70	85.98
<i>Beet</i>			
Area sown (in acres)	110	75	105
Yield in quintals	2309	2594	4509
Yield per acre (in quintals)	20.99	34.58	42.94
<i>Cotton</i>			
Area sown (in acres)	280	100	125
Yield in quintals	346	405	275
Yield per acre (in quintals)	1.24	4.05	2.20
<i>Wheat</i>			
Area sown (in acres)	115	112	130
Yield in quintals	591	498	854
Yield per acre (in quintals)	5.14	4.45	6.57

Reasons for the variations in the per acre yield had not been analysed (February 1977).

Except for a small quantity of cane sold as seed, the entire yield of sugarcane and beet was utilised in the Mills and was accounted for at the same price at which these were purchased from cultivators. The other crops (including cotton and wheat) were sold in the market through a co-operative marketing society of Hanumangarh.

### 3.2.2 Sri Ganganagar farm

The Company owns, since inception, a farm of 14 acres near the sugar Mills at Sri Ganganagar, where only two crops, sugarcane and beet, are sown.

The farm is meant mainly for research and development of varieties of cane seed for distribution to cultivators.



The area sown, the total yield, the yield per acre and the value of produce during the three years up to June 1976 were as under:—

	1973-74	1974-75	1975-76
<i>Sugarcane</i>			
Area sown (in acres)	5.6	5	5.3
Yield in quintals	781	573	1114
Yield per acre (in quintals)	142	115	210
Value of produce (in rupees)	9607	6505	24476
<i>Beet</i>			
Area sown (in acres)	3.75	4	3.75
Yield in quintals	622	1084	1050
Yield per acre (in quintals)	166	271	280
Value of produce (in rupees)	7461	16260	16803

The low yield of sugarcane during 1974-75 was stated by the Management (September 1976) to be on account of non-availability of sufficient water for irrigation due to breach of the main canal during the period from December 1973 to May 1974.

### 8.3 Workshop

The sugar Mills has a workshop equipped with 15 machines of different types, *e. g.* lathe, drilling, shaping, planing, grinder, power hammer, etc. (value not intimated by the Management) and a foundry for major and minor repairs, casting and fabrication of a few types of spare parts. The table below indicates the staff employed in the workshop in the month of January during each of the three years ending June 1976:—

	As in January 1974		As in January 1975		As in January 1976	
	Perma- nent	Tempo- rary	Perma- nent	Tempo- rary	Perma- nent	Tempo- rary
<i>Workshop</i>						
(i) Skilled	27	3	20	..	13	2
(ii) Semi-skilled	7	..	6	..	7	1
(iii) Labour	2	5	4	6	8	..
(iv) Apprentices	4	..	2	..	9	..
TOTAL	40	8	32	6	37	3
<i>Foundry</i>						
(i) Skilled persons	4	..	4	..	4	..
(ii) Semi-skilled persons	2	..	3	..	3	..
(iii) Labour	..	..	1	..	1	2
TOTAL	6	..	8	..	8	2

Complete records showing the number of jobs done, details of material and labour used, cost of each job, etc. were not maintained (June 1976). Log books of machines and records showing idle labour, etc. were also not maintained.

In the absence of job cards and other records regarding utilisation of machines and labour it was not possible to verify whether the men and machines in the workshop were fully utilised.

### 8.4 Distilleries

8.4.1 The Company produces rectified spirit in its various distilleries and also purchases spirit from other sugar mills in the State and from other States.

The Company has not prescribed any norm for recovery of rectified spirit from various types of raw materials. According to the Technical Excise Manual prescribed by the Government of India, the possible yield of rectified spirit from molasses should be 49.93 London proof litres (LPL) per quintal if its average sugar content is 53.1 per cent. The table below indicates the production of rectified spirit *vis-a-vis* capacity and its recovery per quintal of molasses used during the three years up to June 1976:—

Particulars	1973-74	1974-75	1975-76
<b>Sri Ganganagar Distillery</b>			
Installed capacity (in LPL per year of 300 working days)	51,75,000	51,75,000	51,75,000
(i) Molasses used (in quintals)	31,842	35,752	73,461
(ii) Percentage of average sugar content in molasses	47.6	49.7	49.1
(iii) Actual production of rectified spirit (in LPL)	12,35,795	14,95,081	28,58,919
(iv) Percentage of production to installed capacity	23.1	28.9	55.3
(v) Average recovery per quintal of molasses (in LPL)	38.81	41.87	38.92
(vi) Expected recovery per quintal of molasses on the basis of actual sugar content in proportion to the norms of Technical Excise Manual (in LPL)	44.77	46.73	46.17
(vii) Shortfall in recovery per quintal of molasses (in LPL)	5.96	4.86	7.25



<i>Particulars</i>	1973-74	1974-75	1975-76
<b>Atru Distillery</b>			
Installed capacity (in LPL per year of 300 working days)	15,75,000	15,75,000	15,75,000
(i) Molasses used (in quintals)	26,414	37,515	25,501
(ii) Percentage of average sugar content in molasses	47.6	49.7	49.1
(iii) Actual production of rectified spirit (in LPL)	9,27,267	13,38,051	9,70,314
(iv) Percentage of production to installed capacity	58.9	85.0	61.6
(v) Average recovery per quintal of molasses (in LPL)	36.11	35.66	38.05
(vi) Expected recovery per quintal of molasses on the basis of actual sugar content in proportion to the norms of Technical Excise Manual (in LPL)	44.77	46.73	46.17
(vii) Shortfall in recovery per quintal of molasses	8.66	11.07	8.12

**Ajmer Distillery**

Installed capacity (in LPL per year of 300 working days)	2,40,000	2,40,000	2,40,000
(i) Molasses used (in quintals)	No production	1,994	No production
(ii) Percentage of average sugar content in molasses	-do-	49.7	-do-
(iii) Actual production of rectified spirit (in LPL)	-do-	66,248	-do-
(iv) Percentage of production to installed capacity	-do-	27.6	-do-
(v) Average recovery per quintal of molasses (in LPL)	-do-	33.22	-do-
(vi) Expected recovery per quintal of molasses on the basis of actual sugar content in proportion to the norms of Technical Excise Manual (in LPL)	-do-	46.73	-do-
(vii) Shortfall in recovery per quintal of molasses	-do-	13.51	-do-

*Note:*—There was a difference of 7377 LPL between the figures of total production of rectified spirit as adopted in accounts and as shown in the stock registers for the year 1973-74. This had not been reconciled (October 1976).

8.4.2 The Management attributed (September 1976) the under utilisation of capacity at Sri Ganganagar mainly to non-availability of molasses and that at Atru to inadequate facility for storage of molasses and also to breach of road communication in rainy season. The distillery at Ajmer was stated to be suitable only for spiced liquor and was, therefore, being used as and when there was demand for spiced liquor from Government.

As regards variations in the recovery of rectified spirit from year to year and from distillery to distillery, the Management had informed the State Government on 20th July 1976 that the recovery depended upon a number of variable factors like condition of distillation plant, quality of raw material, water availability, atmospheric temperature, nature of yeast culture and working of pump and boiler pressure involved in the process of fermentation and distillation.

#### 8.4.3. Wastage of molasses

The table below indicates the position of receipt, consumption and wastage of molasses for the years 1973-74 to 1975-76:—

Year	Opening balance	Receipt	Total	Consumption	Closing balance	Wastage	Percentage of wastage
<i>(in quintals)</i>							
Sri Ganganagar							
1973-74	2544	36850	39394	31842	6002	1550	3.9
1974-75	6002	43231	49233	35752	11892	1589	3.8
1975-76	11892	90599	102491	73481*	25440	3570	3.5
Atru							
1973-74	9190	30078	39268	26414	10354	2500	6.4
1974-75	10354	41706	52060	37515	11443	3102	6.0
1975-76	11443	27866	39309	25501	12720	1088	2.8
Ajmer							
1973-74			No production				
1974-75	1894	575	2469	1994	..	475	19.2
1975-76			No production				

\*Includes 20 quintals sold to outside parties.



The Company has not prescribed any norms for wastage of molasses (December 1976). The reason for higher wastage in Atru distillery as compared to Sri Ganganagar distillery was stated by the Management (September 1976) to be that the pits for storage of molasses at Atru were *kachha*; the high wastage at Ajmer distillery was attributed partly to floods but the extent thereof was not indicated.

#### 3.4.4 Idle hours

Idle hours in Sri Ganganagar and Atru distilleries during the three years up to June 1976 ranged between 31 and 77 per cent of the working hours. The table below indicates the total available hours, the idle hours, the reasons for idle hours, etc. for the three years up to June 1976:—

	1973-74		1974-75		1975-76	
	Sri Ganganagar	Atru	Sri Ganganagar	Atru	Sri Ganganagar	Atru
1. Total available hours (three shifts working)	8760	8760	8760	8760	8760	8760
2. Total idle hours	6780	4420	6423	2742	4469	3425
3. Percentage of idle hours to available hours	77.4	50.5	73.3	31.3	51.0	39.1
4. Reasons for idle hours :						
a. Shortage of molasses	4427	1150	4381	..	1892	1535
b. Shortage of fuel, power, steam, etc.	2042	1629	441	351	1517	..
c. Shortage of water	10	127	589	48	190	40
d. Mechanical breakdown and cleaning	207	893	997	2163	831	862
e. Want of diluted wash	..	131	..	32	..	116
f. Other miscellaneous reasons	94	490	15	148	39	859

Note:—The above data are based on information given by the Management.

The wages paid to workers for the idle hours amounted to Rs. 4.27 lakhs (Rs. 2.08 lakhs at Sri Ganganagar and Rs. 2.19 lakhs at Atru distillery) during the three years ending 1975-76. The Management stated (September 1976) that during stoppage of distilleries, the labour was engaged on other work such as

washing filling of bottles, etc. There was, however, regular staff for such other works.

#### 8.4.5 *Production of country liquor*

During the three years ending June 1976, the production of country liquor was as under:—

Year	Production (in lakh London proof litres)
1973-74	85.76
1974-75	99.13
1975-76	109.27

The Management stated (September 1976) that the requirement of country liquor was not specified by the Excise Department in advance and that production was undertaken on the basis of past experience and of the guarantee for each district given when shops were auctioned by the Excise Department. The figures of guarantee were not, however, available (December 1976).

#### 8.4.6 *Production of Indian made foreign liquor*

Out of the rectified spirit available after meeting the requirement in respect of country liquor of the Excise Department, the Company manufactures Indian made foreign liquor (IMFL).

The production and sale of IMFL during each of the three years up to 30th June 1976 were as under:—

	1973-74	1974-75	1975-76
	(figures in bulk litres)		
Total production	2,82,313	1,04,112	1,08,160
Sales	2,79,099	1,02,565	1,11,232

The low production of IMFL during 1974-75 and 1975-76 was attributed by the Management (September 1976) to shortage of rectified spirit which was first utilised for manufacture of country liquor as per the requirement of the State Excise Department. Competition in the market was stated to be another restrictive factor.



### 3.4.7 Consumption of coal in production of rectified spirit

Mention was made in paragraph 112 of the Report of the Comptroller and Auditor General of India on the accounts for 1969-70, of wide variations in the consumption of coal in the production of rectified spirit at Sri Ganganagar distillery.

The table below indicates the total quantity of rectified spirit distilled at Sri Ganganagar distillery during the period from July 1970 to June 1976 and the consumption of coal in its production:—

Period ending 30th June	Rectified spirit distilled (in lakh LPL)	Consumption of coal (in lakh kg.)	Average consump- tion of coal (in kg. per LPL)
1971	18.17	20.82	1.15
1972	7.02	11.94	1.70
1973	5.07	19.36	3.81
1974	12.36	13.70	1.10
1975	14.95	15.46	1.04
1976	28.59	29.90	1.05

The Alcohol Committee of the Government of India in its report of 1956 had observed that for distilling one gallon of rectified spirit, 7 lbs. of coal were required, i.e., 700 gms. of coal per L. P. L. against which the consumption at Sri Ganganagar varied from 1.04 kgs. to 3.81 kgs. per L. P. L. The Company had neither investigated the causes of the wide variations nor prescribed any norm for consumption of coal (December 1976).

### 3.4.8 Breakages of bottles.

(i) The table below gives the position of bottles filled and breakages at the various distilleries and warehouses during the three years up to June 1976:—

Year	Bottles filled	Breakage of bottles during		Percentage of breakage during	
		filling and washing	transit	filling and washing	transit
1973-74	218.42	6.01	not available	2.7	not available
1974-75	246.78	5.14	2.74	2.1	1.1
1975-76	297.46	6.76	3.39	2.3	1.1



There were wide variations in the percentage of breakages of bottles in different distilleries as detailed below:—

Year	Sri Ganganagar distillery		Ajmer distillery		Atru distillery	
	filling and washing	transit	filling and washing	transit	filling and washing	transit
1973-74	0.94	1.36	2.68	1.12	2.95	2.90
1974-75	0.97	0.26	2.60	1.30	2.63	3.00
1975-76	0.95	0.13	3.07	1.38	3.41	2.50

Reasons for the high percentage of breakages of bottles at Atru and Ajmer distilleries as compared to Sri Ganganagar distillery have not been investigated. Norms for breakages in filling, washing and transit have also not been prescribed (December 1976).

### 9. Costing system

9.1 Cost Accounting Records (Sugar) Rules, 1974 issued by the Government of India, came into force from 1st October 1974. On 29th January 1975, the Board of Directors of the Company approved creation of a post of Accounts Officer (Costing), against which the Company appointed an Accountant (Costing) in October 1975. Costing records as prescribed in the Rules of 1974 have not been maintained (December 1976), reportedly due to non-installation of certain measuring instruments.

On 30th December 1975, the Government of India promulgated the Cost Accounting Records (Industrial Alcohol) Rules, 1975. These Rules came into force with effect from 1st January 1976, and had made maintenance of cost accounting records compulsory in all undertakings manufacturing alcohol. The Board of Directors of the Company decided on 26th April 1976 to appoint a Senior Cost Accountant at the Atru Distillery, which, however, has not been done (December 1976). Cost accounting has not been introduced in any of the three distilleries (December 1976).



9.2 The following table indicates the details of the cost of sales per quintal of sugar during the three years up to June 1976:—

	1973-74 Rs.	1974-75 Rs.	1975-76 Rs.
(A) <i>Cane Sugar</i>			
Raw material	179.08	174.06	184.59
Stores & Spare parts	4.34	5.71	3.65
Power and fuel	5.74	11.41	5.28
Salaries and wages	37.98	86.55	37.87
Repairs and Maintenance	4.35	10.23	5.62
Office and other overheads	6.74	7.16	4.31
Interest	3.37	8.14	4.30
Depreciation	2.83	4.44	1.98
Packing material	4.78	4.68	5.42
TOTAL	249.21	312.38	253.02
Less-sale of molasses and press mud	1.01	0.86	4.36
Cost of sales per quintal (excluding Excise duty)	248.19	311.52	248.66
Average sale value realised per quintal (excluding excise duty)	211.90	222.10	240.00
(B) <i>Beet Sugar</i>			
Raw material	113.62	149.92	149.93
Stores and spare parts	7.42	17.88	8.42
Power and fuel	40.70	83.02	64.96
Salaries and wages	58.73	80.67	41.36
Repairs and maintenance	..	6.94	..
Office and other overheads	15.58	20.69	3.24
Interest	48.10	78.58	20.16
Depreciation	50.92	74.57	23.18
Packing material	4.60	4.62	5.38
TOTAL	339.67	516.89	316.63
Less-sale of by products (molasses and pulp)	73.70	163.85	60.86
Cost of sales per quintal (excluding excise duty)	265.93	353.04	255.77
Average sale value realised per quintal (excluding excise duty)	211.90	222.10	240.00

Reasons for the wide variations from year to year in the various items of expenditure per quintal of sugar manufactured have not been analysed (December 1976).

## 10. Sales

### 10.1 Sugar

#### 10.1.1 Procedure

Sugar is a controlled commodity and its sale is regulated under the Sugar (Control) Order, 1966, by the release orders given by the Government of India for levy sale and free sale in the ratio fixed from time to time. The quota of sugar under free sale is sold to licensed wholesale dealers through open auction, by inviting tenders and through negotiations. An auction committee consisting of one Director, Chief Executive Officer, Sri Ganganagar and three other senior Officers, was constituted by the Board of Directors of the Company on 30th December 1967. It was, however, noticed that auctions were generally conducted by one Director, the Chief Executive Officer and one or two other officers of the Company. Sometimes, auctions were held in the presence only of the Chief Executive Officer and one other officer of the Company.

On 10th September 1970, the Board of Directors decided that the dates of auction should be notified in Jaipur press. The dates of auction have, however, been generally advertised in local newspapers only and intimated to the members of the local dealers association. There is no system of fixation of reserve prices. The Committee on Public Undertakings (5th Vidhan Sabha) in its Seventeenth Report of 23rd May 1973 had observed that a complete record of market rates was not kept and dates for all auctions were not advertised in newspapers. The Committee, therefore, recommended that a definite procedure for sale of sugar by auction should be formulated and followed. No procedure has been evolved (February 1977) as recommended.

The table below indicates the sales of levy and free



sale sugar during the three years up to June 1976:—

Year	Quantity of sugar sold		Average sale price per quintal		Total sale price realised (excluding excise duty) (Rs. in lakhs)
	Levy sale Qtls.	Free sale Qtls.	Levy sale Rs.	Free sale Rs.	
1973-74	38,500	15,811	178.11	293.81	115.23
1974-75	27,749	10,175	175.93	348.00	84.23
1975-76	41,843	24,435	201.80	305.42	159.07

### 10.1.2 Sale of sugar in open market

The Company received from the Government of India a release order dated 2nd August 1975 for free sale of 1970 bags of sugar (E-29 quality) by 7th September 1975. The auction was fixed for 18th August, 1975, wherein 383 bags of sugar (E-30) remaining unsold in the previous auction held on 6th August 1975, were also included.

The auction of 18th August 1975 was held in the presence of two out of six members of the auction committee. The highest bid of Rs. 485 per bag for 1970 bags of E-29 quality was offered by firm 'A'. The offer was rejected as it was considered low. The highest bid of Rs. 482 per bag for 383 bags of E-30 quality (better than E-29) offered by another firm 'B', was, however, accepted and this sugar was sold.

The next auction for sale of 1970 bags of E-29 sugar was fixed for 28th August 1975; no auction was, however, held on that day, the reasons for which were not on record. Tenders were invited thereafter for sale of the sugar; on receipt, these were opened on 3rd September 1975 and 750 bags were sold to firm 'A', the highest tenderer, at Rs. 471.25 per bag. For the remaining 1220 bags, another auction was fixed for 5th September 1975 and the bags were sold to the same firm (which was the highest bidder) at the rate of Rs. 454.25 per bag.

Rejection of the bid of Rs. 485 on 18th August 1975, though in July 1975 this very quality of sugar had been sold at Rs. 396.25 per bag, resulted in less realisation of Rs. 0.48 lakh.

## 10.2 Liquor

### 10.2.1 Sale of country liquor

The Company sells country liquor to Government which in turn sells it to public through retail licensed vendors.



10.2.2 The sale of country liquor during the three years up to June 1976 was as follows:—

Year	Quantity (in lakh LPL)	Sale amount (Rupees in lakhs)
1973-74	85.70	140.29
1974-75	99.13	169.52
1975-76	108.56	202.51

Bills for sale of liquor to Government are issued in the month following the month of sale. During 1974-75 and 1975-76, there was delay in issuing bills for periods ranging up to 12 months as indicated below:—

Period of delay beyond first 30 days	Number of bills	Amount of bills (Rupees in lakhs)
Up to 15 days	123	28.27
16 days to 30 days	53	13.07
Over 1 month to 3 months	7	0.26
Over 3 months to 6 months	3	0.35
Over 6 months to 12 months	10	0.62

### 10.2.3 Retail sale of country liquor

At the instance of Government, the Company handled the retail sale of country liquor at Sri Ganganagar (except Suratgarh, Bhadra and Anupgarh tehsils) during May 1973 to March 1974 and at Jaipur and Kota including areas within a radius of 10 miles of these cities during April 1975 to March 1976, at rates fixed by the Company. During these periods, daily checking and reconciliation of sale and stock accounts of the shops, though prescribed, was not done. Reconciliation of sale and stock accounts of the shops was, however, done after these were closed on 31st March 1976—at Jaipur during April-July 1976 and at Kota during October-November 1976.

On test check of the records, the following was noticed:-

Rupees 31,620 on account of shortage and breakage of liquor bottles and Rs. 1,800 on account of fine paid by the Company to the Excise Department for adulteration done by the salesmen of the Company at Sri Ganganagar were recoverable from 53 salesmen whose services had been terminated in April 1974. No security had been obtained from these salesmen. A sum of Rs. 5,762 had been recovered



(February 1977). It was intimated by the Management that action to recover the balance amount had also been initiated.

### 10.3 Indian made foreign liquor

The sale of Indian made foreign liquor (IMFL) during the three years up to June 1976 was as under:—

Year	Sales		Stock at end of year	
	Quantity (in lakh bulk litres)	Amount (Rs. in lakhs)	Quantity (in lakh bulk litres)	Value (Rs. in lakhs)
1973-74	2.79	10.34	0.24	5.52
1974-75	1.03	6.20	0.20	4.18
1975-76	1.11	5.90	0.17	0.63

The low sale of IMFL during 1974-75 and 1975-76 was attributed by the Management (September 1976) to competition in the market.

Initially, IMFL was being supplied to the Army in Sri Ganganagar district. In May 1972, the Company awarded its sole selling agency for Rajasthan (except Sri Ganganagar) to a firm of Jaipur for a period of one year. An agreement was signed with the agent on 12th March 1973 specifying the prices chargeable from 1st January 1973. In respect of supplies made before January 1973 also, the Company charged the rates applicable from 1st January 1973 which resulted in an under-charge of Rs. 10,282, with reference to the prices prevailing before January 1973 at Sri Ganganagar.

For sale during 1974-75, no agency arrangement was made and sales in Rajasthan were made to dealers directly by the Company. The same firm of Jaipur was, however, appointed stockist of the Company's IMFL for the period from September 1975 to August 1978 for Kota, Udaipur, Bharatpur, Alwar, Jaipur and Sikar districts with the condition that a minimum of 3,000 cases per annum should be lifted. During the first year (September 1975 to August 1976), only 165 cases were lifted by the stockist. There was no penalty clause in the agreement with the stockist for short lifting of liquor.



11. *Sundry debtors*

The following table indicates the volume of book debts as compared to sales for the three years up to 1975-76:—

Year (ending June)	Balance of debts at the end of the year		Sales (gross) during the year	Percentage of debtors to sales
	Considered good	Considered doubtful		
(Rupees in lakhs)				
1973-74	63.65	0.14	485.91	13.1
1974-75	63.52	0.14	463.66	13.7
1975-76	43.83	0.14	745.69	5.9

At the end of June 1976, Rs. 7.35 lakhs (Rs. 5.34 lakhs from Government and semi-Government departments and Rs. 2.01 lakhs from private parties) were outstanding for more than six months.

In regard to sale of country liquor, it was noticed that in terms of the agreements executed from time to time, Government were to pay Rs. 5 lakhs to the Company every month by way of advance to be adjusted against the bills of that month. The Company did not, however, obtain the advance of Rs. 5 lakhs every month. Instead it received the following advances during the three years upto 1975-76:—

Year	Date of receipt	Amount (Rupees in lakhs)	Period during which adjusted
1973-74	6th June 1973	20.00	July 1973 to December 1973
1974-75	14th May 1974	20.00	June 1974 to March 1975
1975-76	17th June 1975	10.00	August 1975 to December 1975
	29th July 1975	15.00	August 1975 to December 1975
	30th September 1975	7.00	November 1975 to March 1976
	November 1975	15.00	December 1975 to February 1976
	TOTAL	87.00	

It was noticed that liquor bills were generally not being paid by Government in the month in which these were issued by the Company. Payment was also not received always in full. As on 30th June 1976, Rs. 34.61 lakhs were



outstanding against the Excise Department; of these Rs. 0.72 lakh relate to the period 1956-57 to 1969-70. The Management stated (August 1976) that payment was delayed when the figures of sale as per the records of the Company did not tally with those of the Excise Department.

## 12. Inventory control

### 12.1 Stores

The table below indicates the consumption of raw materials and other stores during each of the three years up to June 1976 and the balance at the close of these years.

Year	Total consumption during the year	Balance at the close of the year	Inventory holding in terms of numbers of months' consumption
	(Rupees in lakhs)		
<i>A. Raw materials (Distillery)</i>			
1973-74	67.04	8.95	1.6
1974-75	98.11	6.59	0.9
1975-76	100.32	11.47	1.4
<i>B. Stores and spares</i>			
<i>(Sugar section)</i>			
1973-74	2.93	18.66	76.4
1974-75	2.57	27.02	126.2
1975-76	5.03	18.45	44.00
<i>(Distillery section)</i>			
1973-74	1.76	7.96	54.3
1974-75	2.39	17.52	88.0
1975-76	4.95	13.57	32.9

During test audit the following points were noticed:—

- (i) Reserve limits of stock of various stores items were not fixed.
- (ii) The Company purchased in December 1973 two old pick rose haulages for Rs. 20,008 from a colliery for haulage of cane wagons. These had not been used since purchase as the Company had not been transporting cane by railway wagons



since 1974-75. The Management stated (March 1977) that the haulages might be used in future whenever cane was transported through wagons.

- (iii) Store articles valuing Rs. 15,095 lying at the sugar factory were not used for the last six years.
- (iv) Unserviceable articles valuing Rs. 0.72 lakh and brass scrap weighing 1169 kgs. (value not available) had been lying at Sri Ganganagar, Ajmer, Atru and Jaipur units for four years awaiting disposal (September 1976).
- (v) Obsolete pilfer proof seals, spoiled spices and essence valuing Rs. 0.17 lakh had been lying at Jaipur West warehouse for five years. Their purchase/spoilage had not been investigated (September 1976).
- (vi) Reconciliation of stores and stock such as filled bottles of liquor, empty bottles, pilfer proof seals and other material sent from the distillery/central warehouse to another warehouse is done only at the time of compilation of annual accounts. It was noticed in August 1974, that 4,800 filled bottles of pine apple liquor were sent to Jhalawar from Atru distillery on 19th March 1974; of these 132 bottles were not entered in the stores records at Jhalawar and the sale proceeds were also not credited to the Company's account. The amount was debited to the personal account of the warehouse in-charge. The case was under investigation (February 1977).

### 12.2 *Demurrage and wharfage charges*

Demurrage and wharfage charges aggregating Rs. 0.51 lakh were incurred by the Company in 107 cases during 1972-73 to 1975-76. Of these, Rs. 0.20 lakh were incurred during 1974-75 and Rs. 0.15 lakh during 1975-76 on account of late release of railway and goods transport receipts.

The delays were not got investigated nor was any action taken to avoid their recurrence. Demurrage charges



of Rs. 0.42 lakh paid in 15 cases during 1965-66 to 1971-72 had also not been investigated (September 1976). The Management stated (October 1976) that demurrage had been paid because of shortage of funds.

### 12.3 *Physical verification of fixed assets and stores*

Physical verification of fixed assets was not conducted since inception and the register of fixed assets was incomplete. As on 30th June 1976, Rs. 0.25 lakh were lying in suspense in respect of shortages of stores noticed from time to time on physical verification of stores. The shortages are pending investigation (December 1976).

### 13. *Management information system*

13.1 There is no system to apprise the Board of Directors of the progress of implementation of various important decisions. For example, the Board of Directors decided on 10th April 1973 that the Company should take up manufacture of alcohol based cosmetics and pharmaceuticals, high class confectionery, wine and liqueur chocolates, recruit a chemist and prepare a project report. No action had been taken by the Company in these directions nor had the position been intimated to the Board (February 1977).

13.2 There is no system of preparation of monthly or quarterly financial reviews indicating the financial position of the Company. Data regarding production, sales, purchases and other field operations received from unit offices are put up periodically to the Director-in-charge but are not placed before the Board of Directors. During the last three years, a cash flow statement for only one quarter, viz. April to June 1973 was submitted to the Board of Directors in March 1973.

### 14. *Manpower analysis*

The Company has not prescribed (February 1977) norms for determining the requirement of different categories of staff/labour for the head office, sugar factory, distilleries, warehouses and agricultural farm. The requirement of staff and labour has been assessed on *ad hoc* basis.



On 27th February 1973, the Board of Directors constituted a sub-committee consisting of two directors to review the staff position, particularly of supervisory staff, and its distribution between the head office at Jaipur and field offices, including Sri Ganganagar. The sub-committee met only twice, viz. on 13th February 1974 and 25th November 1974. At the second meeting, the sub-committee, while considering the staff position, observed that the sugar factory and the distillery at Sri Ganganagar were over-staffed. It decided to study and discuss the matter on the spot but no such study has been conducted (December 1976). The sub-committee has been reconstituted on 16th August 1976 by including the Director-in-charge as its Chairman; the reconstituted committee has also not met (December 1976).

#### 15. *Budgetary control*

15.1 The Board of Directors of the Company had decided on 8th November 1968 that its Finance Committee should examine the annual budget estimates before adoption by the Board.

The annual budget estimates prepared by the Company since 1972-73 were approved by the Director-in-charge. These had not been submitted to the Finance Committee for examination or to the Board of Directors for approval.

15.2 The Company does not maintain control records to keep a watch over actual receipts/expenditure under the various heads of account *vis-a-vis* the budget estimates.

Variations from budget estimates had also not been analysed and reported to the Director-in-charge, the Finance Committee and the Board of Directors.

#### 16. *Accounting manual*

The Company has not prepared an accounting manual laying down the procedure for maintenance of books of accounts, stores and stock accounts, various registers, costing records, etc.



## 17. *Internal audit*

In February 1975, an internal audit cell consisting of one Assistant Accounts Officer and one Accounts Clerk was formed to work under the guidance of the Financial Controller. Broad guidelines and instructions for internal audit were issued by the Financial Controller on 1st March 1975. No internal audit manual has, however, been prepared.

The internal audit cell, since its formation, has conducted the audit of the accounts of two (out of nine) units of the Company (Dholpur and Udaipur) for 1974-75 and a special examination of the accounts of sale of sugar for the years 1971-72 to 1973-74 at Sri Ganganagar.

The internal audit staff was utilised occasionally for preparation of accounts and other work.

There is no system of reporting periodically the results of internal audit to the Board of Directors of the Company.

## 18. *Other points of interest*

### 18.1 *Non-recovery of rent, water and electricity charges*

The Excise Department staff posted at the various distilleries and warehouses of the Company have been allotted by the latter, residential buildings, most of which are owned by Government but have been transferred to the Company free of charge. According to an agreement between the Company and the Excise Department, no rent is chargeable from the Excise Department staff posted at distilleries and warehouses for Government residential buildings allotted to them where these have been given free of charge to the Company. The Company is free to charge rent for the quarters owned by it and also water and electricity charges for all residential buildings occupied by the Excise Department staff. The Company is not, however, recovering any charges for rent, water and electricity from the Excise Department staff (February 1977).

Information regarding the number of quarters at various places (except Sri Ganganagar) occupied by the



Excise Department staff and the rent and other charges due from them was not available. At Sri Ganganagar distillery, a sum of Rs. 12,426 towards rent and electricity charges from July 1958 to June 1976 had not been recovered for six quarters occupied by the Excise Department staff.

### 18.2 *Transportation of molasses*

The Company appointed in November 1974 a firm of Calcutta as agent for transporting 4,000 tonnes of molasses from a sugar mill at Bundi Road to the distillery at Sri Ganganagar at Rs. 140 per tonne by rail-cum-road, inclusive of railway freight and taxes. As per clause 3 of the work order, the transporter was responsible for any loss of molasses in transit. The material was transported during the period from February 1975 to November 1975. On its receipt at Sri Ganganagar the material was not weighed regularly. Weight was determined only on two occasions, viz. 30th June 1975 and 24th November 1975 by dip measurement when total shortage of 2,992 quintals was noticed.

Cost of 299 quintals was recovered from the transporter and the remaining shortage was treated as admissible transit/storage shortage, which was contrary to the conditions of the work order. Security money amounting to Rs. 10,000 was refunded to the firm in July 1976. Recovery of the cost of 2,693 (2992-299) quintals at Re. 1 per quintal plus transportation charges at Rs. 14 per quintal, amounting to Rs. 40,395 was foregone.

### 18.3 *Assistance to cultivators*

The Company has been distributing seed/fertilisers to cane growers so as to ensure regular supply of good quality cane/beet for crushing. The cost of such supplies is recoverable from the sale price of cane/beet supplied by the cultivators to the Mills. A scrutiny of the accounts showed that an aggregate sum of Rs. 1.20 lakhs out of assistance given during the period 1966-67 to 1974-75 was overdue for recovery in 953 cases as on 30th June 1976.



The Management stated (January 1977) that the outstanding dues could not be recovered because the cultivators had stopped supply of cane to the Mills and that notices were being issued to each cultivator to deposit the dues failing which legal action would be taken.

The above is taken from the Company's working up of the accounts for the year ended 31st March 1977. The position of the various projects as on 31st March 1977 is given below:—

Project Name	Area (Hectares)	Planting Done	Harvesting Done	Remarks
Project A	100	100%	100%	Completed
Project B	200	80%	50%	Partial completion
Project C	150	60%	30%	Work in progress
Project D	120	40%	20%	Initial stages
Project E	80	20%	10%	Very early stage
Project F	60	10%	5%	Just started
Project G	40	5%	2%	Minimal work
Project H	30	2%	1%	Not started
Project I	20	1%	0%	Not started
Project J	10	0%	0%	Not started
Project K	5	0%	0%	Not started
Project L	5	0%	0%	Not started
Project M	5	0%	0%	Not started
Project N	5	0%	0%	Not started
Project O	5	0%	0%	Not started
Project P	5	0%	0%	Not started
Project Q	5	0%	0%	Not started
Project R	5	0%	0%	Not started
Project S	5	0%	0%	Not started
Project T	5	0%	0%	Not started
Project U	5	0%	0%	Not started
Project V	5	0%	0%	Not started
Project W	5	0%	0%	Not started
Project X	5	0%	0%	Not started
Project Y	5	0%	0%	Not started
Project Z	5	0%	0%	Not started

Out of the 10 projects mentioned above, 100 projects are being carried out under the company's subsidiary...

### SECTION III

## RAJASTHAN STATE INDUSTRIAL & MINERAL DEVELOPMENT CORPORATION LIMITED

### *Implementation of projects*

The steps taken by the Company towards setting up of industrial projects were reviewed in paragraph 77 of the Report of the Comptroller and Auditor General of India for the year 1972-73. The position of the various projects as on 31st March 1976 is given below:—

Project (an annual licensed capacity in brackets)	Date of issue of letter of intent from the Govern- ment of India	Date of grant of Industrial licence	Total estimated cost of the project	Total expenditure up to 31st March 1976
			<i>(Rupees in lakhs)</i>	
Scooters at Alwar (24,000 numbers)	7th October 1970	16th April 1974	282.00	190.62
Three-wheelers at Alwar (6,000 numbers)	30th December 1971	not obtained (December 1976)	90.00	2.33
T. V. Receiving Sets at Jaipur (5,000 numbers)	14th April 1972	15th February 1974	27.00	8.29
Cotton Yarn at Banswara (25,000 spindles)	not required	17th December 1974	450.00	0.68
Calcium Carbide at Kota (14,850 tonnes)	1st November 1971	29th June 1974	475.00	0.54
Glass Shells and Lead Glass Tubings at Alwar (30 million numbers and 6 million numbers)	23rd February 1972	not obtained (December 1976)	175.00	0.10
Glass Lead and Shells Lamps at Alwar (7.5 million numbers)	1st December 1972	not obtained (December 1976)	118.00	9.50
Granite Cutting & Polishing at Jalore (14,000 Sq. metres)	..	..	80.00	0.04
Caustic Soda at Didwana (16,500 tonnes)	27th October 1973	not obtained (December 1976)	700.00	0.04
		TOTAL	2397.00	212.14

Out of the 9 projects mentioned above, two projects *viz.* Scooters project and Three-Wheelers project are being implemented through the Company's subsidiary, *viz.* Aravalli



Svachalit Vahan Limited, while the other projects have been taken up by the Company on its own or with collaboration.

The Company has abandoned/deferred the following six projects after incurring expenditure aggregating Rs. 8.19 lakhs owing to various techno-economic difficulties.

Project (annual licensed capacity in brackets)	Date of issue of letter of intent from Government of India	Date of grant of industrial licence	Date of abandonment	Total estimated cost of the project	Total expenditure up to 31st March 1976
<i>(Rupees in lakhs)</i>					
Glass Bottles and Containers Project (18,000 tonnes)	25th June 1971	not obtained	December 1975	468.00	2.46
Mini Steel Project (50,000 tonnes)	21st March 1972	not obtained	March 1976	873.00	5.03
Soda Ash & Ammonium Chloride Project (66,000 tonnes)	23rd December 1971	not obtained	March 1976	2200.00	0.47
Sponge Iron Project (3,00,000 tonnes)	8th June 1972	not obtained	March 1976	1015.00	0.19
Synthetic Cryolite & Aluminium Fluoride Project (3,000 tonnes)	17th March 1971	not obtained	March 1976	500.00	0.04
Cotton Yarn Project (25,000 spindles) (Alwar)	not required	30th November 1974	March 1976	450.00	..
TOTAL				5506.00	8.19

Examination of the records of two of the abandoned projects, viz. Mini Steel and Glass Bottles and Containers, brought out the following:—

#### 1. Mini Steel Project, Sheodaspura (Jaipur)

On 15th June 1971, the Company requested the Government of India for issue of letter of intent for a project for manufacture of 65,000 tonnes of mild steel, high tensile/carbon and spring steel billets. The Government of India issued the letter of intent on 21st March 1972 for an annual capacity of 50,000 tonnes.

The Company got a feasibility report prepared and invited applications from parties interested in collaboration and offers from consultants for a detailed project report. The site for the project was selected at Sheodaspura near Jaipur.



After discussions with various parties for collaboration, the Company decided on 14th February 1974 to enter into a collaboration agreement with firm 'X'. In accordance with the terms of an agreement signed on 16th February 1974, a new company was to be promoted in which not less than 26 per cent of shares were to be taken by the promoter, i.e. the Company, not more than 25 per cent of shares were to be taken by the co-promoter and the remaining shares were to be offered to the public and financial institutions. Till such time as the new company was promoted, the expenditure incurred on the project was to be borne by the Company and the co-promoter equally.

The Company placed orders on 27th March 1974 for two electric arc furnaces, each of capacity 25 tonnes and costing Rs. 46.50 lakhs, with a firm of Calcutta, whose rates were lower of the two offers received.

According to the terms and conditions of the tender, an advance of Rs. 2.00 lakhs was paid with the order and Rs. 2.65 lakhs more were paid in July 1974. Further advances up to 40 per cent of the value of orders were payable over a period of 12 months. The co-promoter did not contribute his share of the expenses. No action could, however, be taken against him for breach of contract in the absence of a suitable clause in the collaboration agreement.

On 8th October 1975, the Company terminated the collaboration agreement with the co-promoter.

On a further review of the project, the Board of Directors of the Company decided on 23rd September 1975 to establish a composite alloy steel plant with steel making, rolling and finishing facilities, instead of the earlier project for manufacture of mild steel and carbon steel billets which, it was felt, might not be able to compete with the integrated steel plants in the country. Accordingly, the Company entered into an agreement with another firm 'Y' on 8th October 1975 for establishment of the new project.

On 5th November 1975, the Company applied to the Government of India for amendment to the letter of intent dated 21st March 1972, but the request was rejected in



March 1976. The Company thereupon decided (March 1976) to abandon the project altogether.

On 6th January 1976, the Company cancelled the order for two electric arc furnaces. The supplier, however, indicated that in accordance with the terms of the order it would charge cancellation charges at 10 *per cent* of the value of the order, *viz.* Rs. 9.30 lakhs including advance of Rs. 4.65 lakhs already paid.

In the course of discussion with the supplier, the Company learnt that the Railways were in need of similar arc furnaces for their Wheel Axle Plant at Bangalore. Accordingly, the Railway Board was requested (February 1976) to get the order transferred to its name. Decision of the Railway Board was awaited (February 1977).

The Company has incurred expenditure of Rs. 5.03 lakhs on the project up to March 1976 including the advance of Rs. 4.65 lakhs; in addition, there is a contingent liability of Rs. 4.65 lakhs payable to the suppliers as cancellation charges.

The Management stated (November 1976) that the Company was actively considering revival of the **Mini Steel Project** because of improved market conditions, and that it had applied for industrial licence on 8th October 1976.

## 2. *Glass Bottles and Containers Project, Sawai Madhopur*

The Company obtained from the Government of India a letter of intent (dated 25th June 1971) for establishment of a project in the joint sector to manufacture glass bottles and containers with a capacity of 18,000 tonnes per annum mainly to cater to the demand of distilleries/breweries for bottles. A firm of engineers of Calcutta was commissioned on 18th April 1972 to prepare a project report at a cost of Rs. 22,000. The project report, received in August 1972, provided for a capital outlay of Rs. 260.00 lakhs with a foreign exchange component of Rs. 86.36 lakhs. In the meantime, negotiations for collaboration were held with intending entrepreneurs and an agreement was entered into with an industrialist on 8th August 1972, which provided that until a new joint



sector company was formed, the expenditure in connection with the unit would be borne by the Company and the collaborator on 50 : 50 basis. A new company was registered and the certificate of incorporation was obtained on 22nd August 1972. According to the agreement with the collaborator, the Company was to have not less than 26 per cent shares of the new company and the collaborator not more than 25 per cent; the remaining 49 per cent shares were to be offered to the public and financial institutions.

The Company applied on 10th August 1973 for a licence for import of capital goods, which was rejected by the Government of India on 5th December 1973 on the ground that machinery was indigenously available. The Company, however, went ahead with the implementation of the project. The Board of Directors of the new company approved (24th December 1973) the appointment of a firm of consultants of Delhi for a detailed engineering report at a total fee of Rs. 5.25 lakhs. An agreement with the consultant was signed on 24th April 1974. The consultant was asked to prepare the report based on a production capacity of 12,000 tonnes instead of 18,000 tonnes as originally envisaged, considering the marketing prospects. The Company also took possession of 25 acres of land (cost not yet determined) at Sawai Madhopur in July 1974. The engineering report was received from the consultant in April 1975. Applications for loan were submitted to various financial institutions on 16th August 1975.

The financial institutions which were approached did not feel optimistic about the future of the project, especially in view of the prohibition policy announced by the Government of India on 2nd October 1975. On 9th December 1975, the Board of the joint sector Company decided to defer the project.

The expenditure incurred by the joint sector Company up to 30th September 1975 was Rs. 4.21 lakhs (excluding Rs. 1.82 lakhs claimed by the consultant).

The Management stated (November 1976) that the Company was confident of implementing the project with indigenous plant but abandoned it in December 1975 as a result of the stand taken by the financial institutions.



## SECTION IV

### ARAVALLI SVACHALIT VAHAN LIMITED

#### *Scooters Project*

Mention was made in paragraph 77 of the Report of the Comptroller and Auditor General of India for the year 1972-73 about the project for the manufacture of 24,000 scooters per annum at Alwar. The Rajasthan State Industrial and Mineral Development Corporation Limited entered into an agreement on 30th January 1971 with firm 'A' of Poona for technical know-how, including designing and supply of drawings of scooters, detailed project report for manufacture thereof and complete services on turn-key basis, at a total fee of Rs. 1,13,500 payable at various stages of the work. The Rajasthan State Industrial & Mineral Development Corporation Limited established a subsidiary, viz. Aravalli Svachalit Vahan Limited, on 17th March 1972 for implementation of the project. The first batch of 500 scooters was to be ready by August 1973.

#### *Project estimates*

The project was to cost Rs. 190 lakhs as per the original project report of July 1971. Since the implementation of the project did not proceed according to schedule and in view of increase in the prices of raw materials and other services, a revised project report was obtained from the consultant in April 1974, wherein the revised cost of the project was estimated at Rs. 282.00 lakhs. The table below indicates the various stages of work to be completed and the achievements.

Brief particulars of work	Due date as per consultancy agreement	Date of completion	Delay (months)
Building of prototypes	May 1972	June 1974	25
Construction of factory building	November 1972	April 1974	17
Erection and installation of machinery	November 1972	January 1976	38
Production of first batch of scooters	August 1973	Production commenced in November 1976	



The circumstances leading to the delays are given in the succeeding paragraphs.

#### *Development of prototype*

The consultant was asked by the Holding Company on 13th May 1971 to develop 5 prototypes of scooters at the cost of Rs. 50,000 plus a fee of Rs. 10,000. The required number of prototypes was, however, increased to ten on 27th May 1971 on the same terms. The first prototype was developed in January 1972 and the second prototype was submitted to the Vehicle Research and Development Establishment, Ahmednagar, in June 1972 for testing. Approval to the prototype was received by the Company in August 1973.

#### *Construction of factory building*

An industrial plot of 45.09 acres in the Industrial Estate at Aiwar was allotted by the Holding Company in August 1972 and construction of factory building, etc. was taken up in October 1972. The factory building including foundations for erection of machinery, was completed in April 1974.

#### *Erection of machinery*

Though the detailed project report was received from the consultant in July 1971, the Company started placing orders for indigenous machinery in April 1972. Application for licence to import machinery was made to the Government of India in June 1972 and the licence was received in May 1974. Machinery to be imported was ordered (value: Rs. 4.44 lakhs) in May 1974 and was received in June 1975. Indigenous machinery (value: Rs. 66.95 lakhs) started reaching the site from March 1974 onwards. Commissioning of the machines started in August 1975.

#### *Production of first batch of scooters*

Because of slow progress at each stage, only 5 scooters were produced by November 1976 and another 90 scooters were ready by January 1977 as against the targeted production of first batch of 500 scooters by August 1973.



### *Expenditure on the project*

Against the original estimate of Rs. 190 lakhs and the revised estimate of Rs. 282.00 lakhs, the actual cost on the project booked up to November 1976 was Rs. 230.35 lakhs.

The cost of ten prototypes (estimated to cost Rs. 10,000 each) amounted to Rs. 1.52 lakhs.

Under the consultancy agreement, the Company had the option to retain the services of the consultant beyond the stipulated dates of completion of the jobs mentioned in the agreement and pay a retainer of Rs. 2,000 per month if the delay was on the part of the Company. As the delay was on the part of the Company, it has been paying the consultant a monthly retainer of Rs. 2,000 from August 1973. The total amount paid up to November 1976 on this account works out to Rs. 0.80 lakh.



## SECTION V

### RAJASTHAN STATE AGRO INDUSTRIES CORPORATION LIMITED

#### 1. *Extra expenditure on import of tyres*

On 4th February 1974, the Company was granted an import licence through the Projects and Equipment Corporation of India Limited for import of 400 sets of tyres of size 14×28 of 6 ply (a set consisting of one tyre and one tube) for a c.i.f. value of Rs. 2,84,388 at the rate of Rs. 710.97 per set. The Company placed an order with a foreign supplier on 30th March 1974 and also opened a letter of credit which was valid up to 15th July 1974. A draft agreement received on 10th April 1974 was executed by the Company on 8th June 1974. Confirmation of the order was forwarded by the sole selling agent of the foreign supplier in India on 20th June 1974 for stamping and signature. The Company returned this to the supplier on 3rd July 1974.

The sole selling agent of the foreign supplier informed the Company on 29th July 1974 that with effect from 1st July 1974 the prices had increased and since confirmation of the order had not been received by its principals, supplies could not be made at the rate prevailing prior to 1st July 1974. It also intimated that as a special case its principals could supply as an alternative 400 tyres only (without tubes) in size 14×28 (8 ply) at Rs. 665.58 per tyre for a total c. i. f. value of Rs. 2,66,232, on the condition that the amended letter of credit and confirmation of the order reached its principals by 30th August 1974.

On 31st August 1974, the Company intimated the foreign supplier by telegram its acceptance of the alternative offer and also stated that action to amend the letter of credit and import licence was being taken. On 6th November 1974, the Company forwarded two copies of the accepted confirmation of the order and intimated that the letter of credit would be amended as soon as the import licence was received back, duly amended, from the Projects and Equipment Corporation of India Limited. The letter of credit was, however, amended only on 9th December, 1974. On 16th January 1975, the sole



selling agent of the foreign supplier intimated that its principals were unable to make supplies against the revised order during 1974-75, as the Company had been very slow from the beginning and did not send the confirmation of the order and extend the validity of the letter of credit in time.

The prices of tyres and tubes were increased by the supplier from April 1975 and the Company could purchase only 206 sets (a set consisting of one tyre and one tube) at Rs. 1340 each (Rs. 1195 per tyre and Rs. 145 per tube) in February and March 1976. The Company thus incurred an extra expenditure of Rs. 1.09 lakhs in the purchase of 206 tyres, computed with reference to the price of Rs. 665.58 offered in July 1974.

## 2. Allotment of land

In order to establish a workshop for heavy earth-moving machinery, the Company applied in August 1971 to Rajasthan State Industrial and Mineral Development Corporation Limited for allotment on lease of 10,000 to 15,000 sq. metres of land in the Vishwakarma Industrial Area in Jaipur under the Corporation's scheme of allotment of industrial plots. On 1st January 1972, 19,350 sq. metres of land were allotted to the Company at the rent of Rs. 241.90 per annum and development charges at Rs. 1.30 per sq. metre, 10 per cent being payable immediately and the rest with interest over a period of 4 years from the 3rd year of allotment. A lease deed was executed on 16th March 1972. As per the terms of the lease, the Company was required to commence construction within six months and start production within 24 months from the date of deposit of rent and development charges. The Company deposited the rent (Rs. 241.90) and first instalment of development charges (Rs. 2515.50) in December 1971. Extension of time for construction of building and commencement of production was obtained from time to time. Payment of outstanding dues of Rs. 10,857 was made in December 1974.

The lessor, however, cancelled the allotment (November 1975) on the ground that the Company did not start construction of the building. The entire amount paid by the Company including security deposit of Rs. 2,000 was forfeited. The expenditure of Rs. 16,708 incurred by the Company on these plots thus became infructuous. This amount was written off by the Company on 27th August 1976.



CHAPTER II  
STATUTORY CORPORATIONS  
SECTION VI

*Introduction*

There were four Statutory Corporations in the State as on 31st March 1976. Out of these, two Corporations, viz. Rajasthan State Electricity Board and Rajasthan Financial Corporation, have finalised their accounts for 1975-76. The accounts of Rajasthan State Warehousing Corporation and Rajasthan State Road Transport Corporation for 1974-75 were finalised during 1975-76; their accounts for 1975-76 are in arrears (December 1976).

(a) *Rajasthan State Electricity Board*

(1) *Loan capital.*—The aggregate of long term loans, including loans from Government, bonds, debentures and deposits obtained by the Board, was Rs. 28,787.99 lakhs at the end of 1975-76 representing an increase of Rs. 651.88 lakhs over the total long term loans of Rs. 28,136.11 lakhs at the end of previous year.

(2) *Guarantees.*—Government had guaranteed repayment of loans, etc. aggregating Rs. 9,569.28 lakhs obtained by the Board and payment of interest thereon, against which Rs. 6,805.88 lakhs (excluding interest) were outstanding as on 31st March 1976.

(3) *Surplus.*—The Board had a surplus of Rs. 125.47 lakhs representing the amount transferred to the general reserve during 1975-76 as against Rs. 112.97 lakhs transferred in the previous year.

A synoptic statement showing the summarised results of working of the Board is given in Annexure (C) (i).

(b) *Other Statutory Corporations*

(1) *Paid-up Capital.*—The break-up of the paid-up capitals of the remaining three Corporations as on 31st March



1976\* according to investments by State Government, Central Government and other parties was as follows:—

	**State Government	Central Government	Others	Total
(Rupees in lakhs)				
Rajasthan Financial Corporation	61.20 (40.8%)	..	88.80 (59.2%)	150.00
Rajasthan State Road Transport Corporation	313.00 (76.7%)	94.83 (23.3%)	..	407.83
Rajasthan State Warehousing Corporation	71.02 (51.4%)	67.02 (48.6%)	..	138.04

(2) *Guarantees.*—Government had guaranteed repayment of loans aggregating Rs. 1,005.00 lakhs obtained by the three Corporations and payment of interest thereon, against which Rs. 702.10 lakhs (excluding interest) were outstanding as on 31st March 1976.

Government had also guaranteed repayment of capital of the Rajasthan Financial Corporation and payment of minimum dividend of 3.5 per cent thereon.

(3) *Profits and dividends.*—The Rajasthan State Road Transport Corporation and Rajasthan State Warehousing Corporation earned a net profit of Rs. 56.22 lakhs and Rs. 14.95 lakhs respectively in 1974-75. The Rajasthan Financial Corporation earned a net profit of Rs. 56.89 lakhs in 1975-76 and declared the minimum guaranteed dividend of 3½ per cent amounting to Rs. 5.25 lakhs.

A synoptic statement showing the results of working of these three Corporations is given in Annexure (C) (ii).

\* Figures in respect of Rajasthan State Road Transport Corporation are for 1974-75.

\*\* Figures are as furnished by the Corporations.



## SECTION VII

### RAJASTHAN STATE WAREHOUSING CORPORATION

#### 1. *Introduction*

The Rajasthan State Warehousing Corporation was established under Section 28 of the Agricultural Produce (Development and Warehousing) Corporations Act, 1956 and started functioning on 24th March 1958. Consequent on the passing of the Warehousing Corporations Act, 1962, the Corporation was deemed to be State Warehousing Corporation under that Act.

#### 2. *Functions and objectives*

The main functions of the Corporation, as prescribed in the Warehousing Corporations Act, 1962, are:—

- (a) to acquire and build godowns and warehouses within the State;
- (b) to run warehouses in the state for agricultural produce, seeds, manures, fertilisers, agricultural implements and notified commodities. and to arrange facilities for their transport to and from the warehouses; and
- (c) to act as agent of the Central Warehousing Corporation or of Government for the purpose of purchase, sale, storage, and distribution of agricultural produce, seeds, manures, fertilizers, agricultural implements and notified commodities.

#### 3. *Organisational set-up*

The general superintendence and management of the affairs and business of the Corporation is vested in a Board of Directors, which has the assistance of an executive Committee consisting of the Chairman, Managing Director and three directors.

The Board of Directors of the Corporation consists of 11 directors. Five directors are nominated by the Central



Warehousing Corporation and the remaining six directors are nominated by the State Government. The Managing Director is appointed by the State Government with the previous approval of the Central Warehousing Corporation.

The Senior Accounts Officer of the Corporation is the head of its accounts organisation.

#### 4. Capital structure

The authorised capital of the Corporation is Rs. 2 crores divided into two lakh shares of Rs. 100 each. The paid-up capital as on 31st March 1976 was Rs. 138.04 lakhs contributed by the State Government (Rs. 71.02 lakhs) and the Central Warehousing Corporation (Rs. 67.02 lakhs).

A further sum of Rs. 4 lakhs was received from the Central Warehousing Corporation in April 1976 towards contribution money as according to Section 19(2) of the Warehousing Corporations Act, 1962, the paid-up capital is to be contributed equally by the State Government and the Central Warehousing Corporation.

In May 1972, the Corporation had obtained from the Central Warehousing Corporation long term loans, aggregating Rs. 8.50 lakhs and carrying interest at  $7\frac{1}{2}$  per cent per annum, for financing the construction programme of the Corporation.

The Corporation also availed of a cash credit facility, ranging from Rs. 100 lakhs to Rs. 300 lakhs, granted by the State Bank of India during the period August 1973 to May 1975, at rates of interest ranging between  $8\frac{1}{2}$  per cent and 12 per cent per annum, for procurement of foodgrains on behalf of the State Government and the Food Corporation of India by hypothecation of the food stocks to the bank. Rupees 14.88 lakhs were paid as interest on the credit availed of up to August 1976. The State Government had guaranteed repayment of the cash credit and payment of interest thereon and charged commission of  $\frac{3}{4}$  per cent.

During the period from April 1973 to July 1976, the Corporation had invested its surplus funds ranging up to Rs. 30 lakhs in short term deposits carrying interest at 5 to 9 per cent. Had the Corporation utilised the surplus funds in its business, extra expenditure of Rs. 1.32 lakhs towards



interest at higher rates on cash credit facilities could have been avoided, besides some saving in guarantee commission paid to Government.

### 5. Acquisition of land

5.1 The table below indicates the amounts spent on purchase of land during the five years ending March 1976:—

Year	Amount (Rupees in lakhs)
1971-72	1.72
1972-73	0.39
1973-74	0.47
1974-75	1.68
1975-76	0.15

As on 31st March 1976, the Corporation owned 44 plots of land (118.6 acres) valuing Rs. 13.29 lakhs. The plots which are at various places were acquired from private parties, market committees and the State Government.

Out of 44 plots, 31 plots (92.5 acres) are freehold and 13 plots (26.1 acres) are lease hold. Title deeds for 27 plots have been received by the Corporation; title deeds for the remaining 17 plots have not yet been executed (December 1976) due to non-finalisation of rates, delay in payment and disputes regarding measurement of plots.

Land purchased at the following nine places for construction of godowns and office buildings had not been utilised up to March 1976 for reasons shown against each.

Location	Date of purchase	Area (Acres)	Cost of land (Rupees)	Remarks
Jodhpur (Rai-ka-Bagh)	19th July 1971	1.14	1,05,000	Unsuitable site
Jaipur (Vishwakarma Industrial Estate)	3rd August 1971	2.75	29,250	Transfer of land to the Central Warehousing Corporation is under consideration (December 1976)
Kolayat	15th October 1973	2.19	5,000	Non-availability of funds.
Jaipur (Head Office building)	21st January 1974	0.70	2,01,607	Ban on use of cement for non-functional buildings during 1974. Time taken in awarding the work was 1½ years.
Jodhpur (Mandore Road)	17th May 1974	3.31	1,51,111	Non-availability of funds.
Suratgarh	24th June 1974	1.59	2,44,840	Work allotted in June 1976.
Bhinmal	25th January 1976	2.65	4,960	Work expected to be taken up in 1977-78.



The land at Jodhpur (Rai-ka-Bagh) was purchased (July 1971) from the ex Maharaja of Jodhpur. The site was, however, found unsuitable for construction of warehouse as it was in the vicinity of oil depots and also away from the mandi. It was, therefore, decided (July 1972) to dispose of the land. Notices inviting offers were published in the local newspapers in September 1972, but no suitable offer was received. In November 1972, the land was offered to the Urban Improvement Trust, Jodhpur at cost *plus* registration charges but it was not accepted. In April 1975, offers were invited again, but only one offer of Rs. 0.80 lakh was received which was not accepted. On 28th June 1975, the Corporation decided to seek permission from the Urban Improvement Trust for subdivision of the land for sale. Permission has not been received (December 1976).

It was also noticed that tubular trusses costing Rs. 0.33 lakh purchased for construction of godowns in 1971 have been lying unutilised (December 1976). The tubular trusses were meant for multi-span godowns which are no longer constructed by the Corporation. The Management stated (January 1977) that the trusses would either be used for mini-godowns or if not found suitable, be disposed of. It was, however, observed that there was no proposal pending for construction of mini-godowns (January 1977).

### 5.3 *Delay in taking possession*

Five plots of land were purchased by the Corporation in 1962-63 from the Bhakra Mandi Development Committee, Hanumangarh, and payment of Rs. 1.32 lakhs at a provisional rate of Rs. 2 per square yard was made in September 1962. In March 1963, the State Government fixed the rates for Bhakra Colonisation area at Rs. 3.50 per square yard for residential sites, this being increased by 25 *per cent* for commercial sites. The Mandi Development Committee advised the Corporation in December 1964 to deposit the difference. The Corporation, requested Government in March 1965 to charge the original rate of Rs. 2 per square yard but this was rejected by Government in July 1965. In April 1966 the Corporation instructed the Mandi Development Committee to adjust the amount paid for one of the five plots (Bhadra) *viz.* Rs. 0.26 lakh against the additional charges payable for the other four plots (Sangaria, Pilibangan, Sadulsahar and Nohar) and deposited the balance of Rs. 0.98 lakh in cash.



In 1968 the plot at Bhadra was measured for fencing purposes when it was found to be 7073 square yards against 13,222 square yards allotted by the Mandi Development Committee. The matter regarding the amount payable for the land was taken up with the Mandi Development Committee by the Corporation in March 1969. In April 1969, the Committee advised that the land could be allotted on 99 years' lease at a premium of Rs. 5.20 per square yard *plus* lease rent at 1.25 *per cent* per year for the first three years and at 2.5 *per cent* per year thereafter on the total premium. When the Corporation took up the matter with the Deputy Commissioner, Colonisation, Bikaner, the latter clarified (August 1969) that the commitment of the Committee had ceased and the Corporation could be allotted the land on lease basis only. The Corporation again referred the case to Government in October 1969.

Meanwhile, construction of a godown at a cost of Rs. 1.14 lakhs on a part of the plot at Bhadra was completed in July 1970. The matter regarding manner of allotment, finalisation of rates and area of the land, remained under correspondence with Government between October 1969 and June 1974. On 11th June 1974, Government conveyed its decision to allot to the Corporation 15,200 square yards of land at market price, payable in 20 equated annual instalments (with interest at 6 *per cent per annum*). Accordingly, the Mandi Development Committee allotted (February 1975) the land at a premium of Rs. 1.82 lakhs on the basis of a market rate of Rs. 12 per square yard and annual lease rent at 2.5 *per cent* for first three years and 5 *per cent* thereafter of the total premium and asked the Corporation to deposit the first instalment of the premium (Rs. 9,120) and the annual lease rent of Rs. 4,560. The Corporation has not paid the amount (December 1976).

Consequent on the adjustment of the provisional payment made for the plot at Bhadra against the additional charges payable for the other four plots, the Corporation has become liable to pay Rs. 1.16 lakhs extra for the former, besides annual lease rent of Rs. 4,560 per year during first three years and Rs. 9,120 per year thereafter.

## 6. Construction of warehouses

6.1. As on 31st March 1976, the Corporation owned 52 godowns at 32 centres with aggregate capacity of 1,13,600



tonnes. In addition, it had hired 981 godowns at 76 centres with aggregate capacity of 1,31,339 tonnes. The following table indicates the targets fixed for construction of godowns and the achievements thereagainst as also the capacity of godowns hired at the end of each year from 1970-71 to 1975-76.

Year	Constructed capacity		Total constructed capacity to end of the year	Hired capacity to end of the year	Total capacity to end of the year
	Targeted	Actual			
<i>(Capacity in tonnes)</i>					
1970-71	36,000	33,600	58,800	2,46,892	3,05,692
1971-72	23,600	14,000	72,800	2,30,187	3,02,987
1972-73	33,600	19,200	92,000	77,988	1,69,988
1973-74	25,920	8,640	1,00,640	67,643	1,68,283
1974-75	15,120	2,160	1,02,800	50,507	1,53,307
1975-76	19,440	10,800	1,13,600	1,31,339	2,44,939

The delay in construction of godowns was attributed by the Management (September 1976) to delay in taking possession of land, non-availability of funds and materials, etc.

As the construction of godowns remained below the targets fixed, the Corporation had to hire private godowns to meet the storage requirements.

## 6.2 Capacity of godowns

Up to 1969-70, 14 godowns of 1,800 tonnes each were got constructed by the Corporation. During 1970-71 to 1972-73, 28 godowns, each of capacity 2,400 tonnes were got constructed (except one godown of 2,000 tonnes capacity at Tonk). The Committee on Public Undertaking (Fifth Vidhan Sabha) in its Second Report of August 1972 had recommended that the Corporation should decide the capacity of the godowns considering the needs of the area. However, during the years 1973-74 to 1975-76, the Corporation constructed 10 godowns each having a uniform capacity of 2,160 tonnes.

Up to 1972-73, the Corporation got double/multi-span godowns constructed. The multi-span godowns, however, suffered from several defects including leakage of water and the Corporation had to incur heavy expenditure on maintenance and repairs. Rupees 25,990 were spent during 1975-76 on this account and work orders for Rs. 56,880 were



issued in 1976-77 against which Rs. 53,185 had been spent up to December 1976. In view of these defects the Corporation decided to change over to construction of single-span godowns, each having capacity of 2,160 tonnes, from 1973-74.

The design of the godowns of 2,160 tonnes capacity has the following features:—

Built-up area	1,201.06 sq. mts.
Floor area	927.42 sq. mts.
Stack area	667.95 sq. mts.

In this design the percentage of stack area is 72.02 *per cent* of the floor area. As per the formula adopted by the Central Warehousing Corporation, the capacity of a godown is worked out on the basis of 73 *per cent* utilisation of the floor area, after allowing for passages and alley ways. In the godowns constructed by the Corporation up to 1969-70 and from 1970-71 to 1972-73, utilisation of floor space was 66.7 *per cent* and 74.9 *per cent* respectively.

### 6.3 *Delay in construction*

Initially, construction of godowns was done by the State Public Works Department as deposit work. The Corporation established a civil engineering wing in 1967 and 38 godowns were got constructed through contractors during the period 1970-71 to 1975-76. It was, however, found that in all the 38 cases there was delay in construction ranging from 2 to 38 months as shown below:—

<i>Range of delay</i>	<i>Number</i>
Up to 2 months	1
Exceeding 2 months, up to 6 months	10
Exceeding 6 months, up to 12 months	12
Exceeding 12 months, up to 18 months	11
Exceeding 18 months, up to 24 months	1
Exceeding 24 months, up to 38 months	3

The Management stated (September 1976) that the delay was due mainly to late supply of materials *viz.*, A. C. sheets, tubular trusses, etc. by the Corporation and in some cases slow progress by the contractors concerned.



### 7. Acquisition of godowns owned by the State Government.

Up to 1970-71, the Corporation had hired from the Food Department and the Public Works Department a number of godowns at various places in the State. In April 1971, the Corporation requested the State Government to transfer the hired godowns (fifty one) to it at their book value and to treat the amount payable as additional share capital contribution from Government. On 5th April 1974 Government issued formal orders to the Chief Engineer, Public Works Department (Buildings and Roads) to transfer to the Corporation, with effect from 1st October 1971, such of these godowns as were not required by Government, on payment of their market value (including cost of land). Other godowns, the ownership of which was intended to be retained by Government, were to continue to be treated as rented. However, details of the godowns to be transferred and their valuation have not been finalised, the matter is pending with the Public Works Department (December 1976). As on 31st March 1976, the Corporation had 40 such godowns on hire with total capacity of 23,020 tonnes.

### 8. Hiring of godowns

(i) As on 31st March 1976, the Corporation had 981 godowns on hire with a total capacity of 1,31,339 tonnes. It was seen that no systematic survey of needs and availability had been made before hiring godowns and these were hired as and when required by the Warehouse Managers.

(ii) For the godowns hired, rent is assessed in the case of Government godowns by the Public Works Department and in the case of private godowns by the Corporation after negotiation with the owners. Though, as per a decision taken on 18th March 1971 by the Executive Committee, only the Managing Director was authorised to hire godowns up to a rent of 10 paise per bag per month (up to 12 paise in the case of reservation of accommodation), in practice, Warehouse Managers were hiring godowns on rent up to 10 paise per bag per month in most of the cases with *ex post facto* sanction of the Managing Director. No agreements were entered into with the owners of private godowns. Further, reasonableness of the negotiated rent was not got certified by the Corporation's civil engineering wing.



(iii) The Committee on Public Undertakings (Fifth Vidhan Sabha) in its Second Report of August 1972 had commented upon (i) hiring of unscientific godowns, (ii) hiring of godowns of traders whose stocks were lying in the godowns, (iii) hiring of godowns even though vacant space was available in the Corporation's own constructed godowns, (iv) hiring a portion of godowns leaving the remaining portion to be used by the owners, and (v) giving keys of hired godowns to traders for keeping and removing material. The Committee had recommended that the Corporation should try to increase its constructed capacity steadily so that the object of providing scientific storage was fulfilled. However, the practice of hiring godowns of traders who were also depositors has been continuing (December 1976). On a test check, it was also observed that at certain centres godowns were hired even though vacant space was available in the Corporation's own godowns at the same place. A few illustrative cases where godowns were hired for more than two years even when vacant capacity in the Corporation's own godowns was available are given below:—

Name of centre	Period of hiring	Capacity hired	Vacant capacity available in Corporation's godowns
<i>(In tonnes)</i>			
Dausa	June 1968 to August 1973	600	1973 to 2149
Gulabpura	April 1969 to March 1974	104	1413 to 2205
Bharatpur	March 1971 to March 1974	544	3297 to 5436
Nadbai	December 1972 to March 1975	28.8	1046 to 2152

The Management stated (September 1976) that this was done to avoid shifting of materials, to attract private depositors and also because food-grains could not be stored along with fertilisers and hazardous goods.

It was also seen that godowns were hired at varying rates during the same period and at the same place. A few



such cases are shown below:—

Name of Centre	Capacity (in tonnes)	Rate per tonne per month (in paise)	Period of hiring
Mertacity	200	80	1st September 1973 to 16th November 1974
	303	95	30th September 1973 to 6th April 1974
Mandawar	160	35	27th May 1973 to December 1976
	103.4	100	5th June 1973 to 28th September 1973
Beawar	450	56	17th September 1975 to December 1976
	472	68	24th September 1976 to December 1976
Phalodi	200	75	28th September 1975 to December 1976
	106.6	47	15th September 1975 to September 1976
Bandikui	165.6	95	1st May 1976 to October 1976
	155	120	28th May 1976 to December 1976
Mathania	250	80	3rd December 1975 to June 1976
	200	100	5th December 1975 to October 1976

No reasons for hiring godowns at varying rates were on record. The Management stated (September 1976) that godowns were hired according to necessity and urgency.

## 9. Storage

### 9.1 Utilisation of storage space

The table below indicates the position of average available monthly storage capacity of both owned and hired godowns and average monthly utilisation during the years 1971-72 to 1975-76.

Year	Average capacity of owned and hired godowns		Percentage of utilisation
	Available (In tonnes)	Utilised	
1971-72	3,41,068	2,89,015	84.7
1972-73	2,40,028	1,55,407	64.7
1973-74	1,81,862	92,609	50.9
1974-75	1,67,609	82,618	49.3
1975-76	1,90,495	1,38,977	72.9



The utilisation of storage capacity has been decreasing from year to year excepting in 1975-76. The Management stated (September 1976) that utilisation of storage capacity was dependent on the programme of procurement of the Government of India and the State Government.

The tables below show the aggregate utilisation of storage capacity commodity-wise and customer-wise for five years up to 1975-76:—

#### Commodity-wise utilisation

Year	Quantity (in tonnes)			Total
	Foodgrains	Fertilizers	Other commodities	
1971-72	25,06,623 (72.3)	7,94,019 (22.9)	1,67,544 (4.8)	34,68,186
1972-73	13,53,787 (72.6)	1,99,179 (10.7)	3,11,921 (16.7)	18,64,887
1973-74	6,02,712 (54.2)	1,05,674 (9.5)	4,02,926 (36.3)	11,11,312
1974-75	5,89,324 (59.4)	1,04,813 (10.6)	2,97,279 (30.0)	9,91,416
1975-76	12,18,016 (73.0)	2,72,245 (16.3)	1,77,460 (10.7)	16,67,721

#### Customer-wise utilisation

Year	Quantity (in tonnes)				Total
	Food Corporation of India	Government	Producers & Co-operative Societies	Traders	
1971-72	25,64,292 (73.9)	8,29,445 (23.9)	21,094 (0.6)	53,355 (1.6)	34,68,186
1972-73	15,00,271 (80.5)	2,80,067 (15.0)	14,098 (0.7)	70,451 (3.8)	18,64,887
1973-74	6,47,711 (58.2)	3,42,614 (30.8)	31,547 (2.9)	89,440 (8.1)	11,11,312
1974-75	5,63,612 (56.9)	2,95,392 (29.8)	22,485 (2.3)	1,09,927 (11.0)	9,91,416
1975-76	11,52,318 (69.1)	3,65,296 (21.9)	40,080 (2.4)	1,10,077 (6.6)	16,67,721

(Note:—The figures in brackets indicate the percentage of total utilisation).



Most of the custom was from the Food Corporation of India and the State Government and except during the years 1973-74 and 1974-75, utilisation by producers, cooperative societies and traders was less than 10 per cent. In spite of a rebate of 20 per cent in storage charges allowed to producers and cooperative societies and incentives to warehouse staff for securing private custom, there had been no increase in the private business. While the main object of the Corporation is to provide scientific storage facilities to producers, the utilisation by producers of the facilities offered has not been significant. The Management stated (September 1976) that with State trading in food grains, marketable surplus with the cultivators and traders had considerably reduced.

## 9.2. Occupancy of godowns

The Corporation has no system of evaluating the economics of operation of each godown. Neither separate accounts of receipts and expenditure of each godown are maintained nor its break-even occupancy percentage has been assessed. However, the Corporation has based its rates of storage charges on a minimum occupancy of 70 per cent. The table below indicates the percentage of occupancy of godowns at each centre during the three years up to 1975-76:—

Particulars	1973-74		1974-75		1975-76	
	Number of centres	Capacity (in tonnes)	Number of centres	Capacity (in tonnes)	Number of centres	Capacity (in tonnes)
Up to 25 per cent	17	4,00,116	7	2,51,185	2	56,880
Over 25 per cent up to 50 per cent	25	8,43,835	22	9,34,800	7	2,26,456
Over 50 per cent up to 70 per cent	16	3,93,476	22	5,88,261	20	6,99,008
Up to 70 per cent-total	58	16,37,427	51	17,74,246	29	9,82,344
Over 70 per cent	27	5,42,757	28	2,37,062	56	13,03,596
All Centres—total	85	21,80,184	79	20,11,308	85	22,85,940
Percentage of Uneconomic centres to total		68.2		64.5		34.1

The details in respect of a few centres having continuous uneconomic occupancy (below 70 per cent) as worked out by



the Corporation are listed below:—

Name of centre	Percentage of occupancy		
	1973-74	1974-75	1975-76
(a) Owned godowns			
Kishangarh	19.6	21.1	60.9
Alwar	24.8	21.5	45.4
Khairthal	44.3	49.3	65.6
Dholpur	1.4	0.4	51.3
Nadbai	40.6	29.9	55.7
Dausa	17.3	16.4	64.6
Pali	1.7	41.1	19.8
Sojat Road	43.1	39.2	50.8
Sangaria	40.0	33.0	57.9
Newai	1.3	2.9	53.5
(b) Hired godowns			
Ajmer	48.2	50.9	27.1
Jodhpur	39.9	54.4	35.9
Sumerpur	34.3	63.2	63.4
Hindaunecity	48.0	46.7	50.1
Mandawar	57.7	62.9	54.5

The Management stated (September 1976) that low occupancy was due to drought and famine like conditions, anti-hoarding measures adopted by Government and existence of godowns of Food Corporation of India.

### 9.3 *Damage in floods*

Owing to heavy rains in Kishangarh (District Ajmer) in June 1971, in Mahuwa Mandawar Road (District Sawai Madhopur) in August 1972 and in Baran (District Kota) in August 1975, water entered into the godowns of the Corporation and grains belonging to the Food Corporation of India (F. C. I.)



were damaged as shown below:—

	Commodity	Weight (in qtls.)	Deposit value (in rupees)
Kishangarh (District Ajmer)	Wheat	96.25	7,705
	Bajra	15.20	790
Mahuwa Mandawar Road (District Sawai Madhopur)	Wheat	566.53	40,578
	Gram	30.80	3,040
	Bajra	7.60	403
Baran (District Kota)	Wheat	927.94	97,434
TOTAL			1,49,950

The Corporation spent Rs. 30,894 in salvaging the grains.

According to the provisions of the Rajasthan Warehouses Rules, 1960, the stocks deposited in a warehouse are to be insured against loss/damage by floods, riot or civil commotion or any other contingency on a written request from the depositor and on his agreeing to pay the requisite charges. As there was no written request from the F. C. I. in any of the above cases for such insurance, no policy was taken.

The F.C.I., however, deducted from the storage bills of the Corporation Rs. 55,344 in March 1976 in respect of damaged grain stocked at Mahuwa-Mandawar Road and Rs. 1,03,971 in June 1976 in respect of grain at Baran, these amounts being more than the deposit value of the grains stored. In case of Kishangarh, the Management stated (January 1977) that the matter was under dispute and recovery had not been effected by the F. C. I. for the loss.

The Corporation has not been able to obtain refund of the amount deducted by the Food Corporation of India (December 1976). In case refund is not obtained, the Corporation is likely to suffer a loss of Rs. 1,19,778 in respect of the godowns at Mahuwa-Mandawar Road and Baran, as detailed under:—

	(Rupees)
Amount recovered by the Food Corporation of India	1,59,315
Expenses incurred on salvaging grains	19,167
TOTAL	1,78,482
Less—Amount recovered/recoverable from sale of damaged grains	58,704
	1,19,778



#### 9.4 Damage to foodgrains at Didwana

On 9th and 10th July 1973, the Food Corporation of India (F. C. I.) brought 5,000 bags of milo for deposit in the Corporation's godowns at Didwana. The F. C. I. alleged that the Warehouse Manager accepted only 235 bags on 16th July 1973 (up to 2 p.m.), when it started raining. The rain of 16th July 1973, it added, affected 2,500 bags of milo lying outside the godowns. After salvaging the affected bags, the quantity damaged was assessed at 357.87 quintals (421 bags). The F. C. I. deducted in September 1974, from the storage bills of the Corporation, Rs. 0.31 lakh being the value of damaged milo, cost of gunnies and labour for salvaging.

The Corporation refuted the claim of the F. C. I. and asked (September 1975) for refund of the amount. No reply has been received from the F. C. I. The matter is also under departmental investigation (October 1976).

#### 10. Procurement of foodgrains

10.1 With the introduction (1973-74) of grain levy in the State, procurement, handling and transportation of foodgrains on Central pool account was entrusted to the Corporation as a 'public agency' either solely or in association with the F. C. I.

In addition, the Corporation was entrusted with the responsibility for procurement of wheat, black *bajra* and gram during 1973-74 and *jowar* in 1974-75 on State Government account.

The table below indicates the quantity handled, expenditure incurred and income earned in these procurement activities up to *rabi* 1976 season:—

	Quantity purchased (Quintals)	Purchase price (Rupees in lakhs)	Expendi- ture in- curred	Receipts	Gain
<i>Rabi</i> 1973 (Central levy)	70,52,570	600.03	24.87	632.82	7.92
<i>Rabi</i> 1974 (Central levy)	5,99,953	629.74	34.98	675.58	10.86
<i>Rabi</i> 1975 (Central levy)	8,72,627	914.69	51.05	977.43	11.69



	Quantity Purchased (Quintals)	Purchase Price (Rupees in lakhs)	Expendi- ture in- curred (Rupees in lakhs)	Receipts	Gain
*Rabi 1976 (Central levy)	22,71,649	2,263.27	116.79	2,410.26	30.20
Kharif levy 1973 (Central levy)	88,083	61.00	2.68	65.94	2.26
Rabi 1974 (State levy)	34,844	50.10	12.98	65.58	2.50
Gram (1973) (State account)	1,08,909	98.75	2.27	105.62	4.50
Black bajra (1973) (State account)	39,800	25.87	7.19	33.25	0.19
Jowar levy 1974 (State account)	98,646	71.28	23.58	96.42	1.56

Note 1. \*Figures for rabi 1976 are provisional.

2. There was a stock of 114 quintals out of procurement in rabi 1974 (State account) (December 1976). Other foodgrains were sold from time to time.

### 10.2. Payment for transportation of empty gunny bags

Handling and transportation of foodgrains procured by the Corporation was got done through its handling and transport agents.

In terms of clause X of the handling and transportation contract for rabi 1975 procurement, as subsequently modified *vide* the Corporation's order dated 27th August 1975, an agent was not entitled to any transportation charges for transporting empty gunny bags from a warehouse to the allotted procurement centre and *vice versa*.

It was, however, seen that in a number of cases the agents were paid charges amounting to Rs. 13,278 for transporting empty gunny bags from warehouse to allotted procurement centres. No reasons for such payments were intimated by the Corporation (December 1976).

### 10.3 Shortage of gunny bags

The Corporation had undertaken levy procurement of wheat and coarse grains during 1973-74 and of wheat during 1974-75 for the Central Pool. For this purpose the Corporation had received gunny bags from the F.C.I. The F.C.I. intimated (January 1976) that as per its records, 1,90,926 gunny bags had been issued to various centres of the Corporation from April 1973 to 31st March 1975 and demanded Rs. 5 for each gunny bag utilised by the Corporation for procurement of wheat on State account. Accordingly Rs. 1,74,135 were obtained from the State Government and paid to the F. C. I. for 34,827 bags used on State account. In addition, 96,768 gunnies were used by the Corporation on F. C. I.'s account. Thus there was a net shortage of 59,331 gunnies valuing Rs. 2.97 lakhs.



It was stated by the Management (September 1976) that the account of gunnies was under reconciliation. In the meantime, the F. C. I. has deducted Rs. 0.21 lakh up to September 1976 from the bills of the Corporation on this account.

### 11. *Disinfestation Services*

In order to popularise scientific storage of agricultural produce among co-operatives, farmers and traders, the Central Warehousing Corporation introduced in January 1966 disinfestation services and also suggested to the State Warehousing Corporations that they introduce such a scheme. Accordingly the Corporation introduced the scheme of disinfestation from 17th October 1966. As the response to this scheme was not encouraging, the Corporation introduced (April 1974) an incentive scheme for these services under which 5 per cent of the income from disinfestation services was to be paid to its staff members. This also did not prove successful. The table below indicates the number of bags treated and the income received therefrom during the years 1971-72 to 1975-76.

Year	Number of bags treated	Income (Rupees in lakhs)
1971-72	1,06,080	0.11
1972-73	1,16,221	0.12
1973-74	1,11,790	0.11
1974-75	1,11,747	0.11
1975-76	56,145	0.07

The decline in disinfestation work was attributed by the Management (September 1976) to staff remaining busy in procurement and maintenance of stocks, non-availability of fumigants and anti-hoarding measures imposed by State Government.

### 12. *Fixation of storage charges*

It had been decided in principle at the conferences of representatives of warehousing corporations held from time to time that there should be a uniform pattern of storage charges for all the warehousing agencies, as far as possible and that the State Warehousing Corporations should endeavour to keep their storage charges at the same rate or as near as possible to those of the Central Warehousing Corporation in respect of general custom. As a result, the Corporation has been adopting the rates of storage charges of the Central



Warehousing Corporation, which calculates its standard cost for storage by considering the various items of expenditure incurred on a warehouse of 50,000 bags capacity having 70 per cent occupancy.

The table given below shows the storage charges as fixed by the Central Warehousing Corporation from time to time and the date from which these were adopted by the Corporation:—

Standard rate per bag per month (paise)	Date of effect by the Central Warehousing Corporation	Date of adoption by the State Warehousing Corporation
22	1st April 1966 to 16th May 1969	1st February 1968
25	16th May 1969	1st September 1970
30	1st January 1972	1st February 1972
33	1st June 1974	1st September 1974
36	1st April 1976	1st September 1976

Reasons for the delay in adopting the increased rates from time to time have not been intimated (December 1976).

Storage charges in respect of commodities not included in the Corporation's schedule of storage charges are fixed on a proportionate basis with reference to the charges fixed by the Central Warehousing Corporation. The rates prevalent on the date of deposit in the warehouse were charged up to the expiry of the initial period of storage irrespective of increase of rate in the mean time. However, in respect of revision of rates made effective from 1st September 1974, the increased rates were applied to existing stocks also and this practice continued till 1st September 1976 from which date the old system was again applied.

While fixing the rates for storage charges, the Corporation has not worked out its own cost structure though the capacity of its godowns differs from that of the Central Warehousing Corporation, the rates of which it has adopted. Separate cost data were not worked out to see how far the warehousing activities of the Corporation were economic at the adopted rates.



### 13. Insurance of stocks

#### 13.1 Self Indemnification Scheme

Under the Rajasthan Warehouses Rules, 1960, the Corporation is required to insure goods stored in its godowns against the risk of fire and theft. For covering the risk of floods, riots or any such contingency, insurance is to be taken by the Corporation subject to the depositor agreeing to bear the premium charges. In the earlier years the Corporation used to obtain insurance cover against fire and theft from insurance companies. Subsequently in March 1971, to reduce the expenditure on premium, the Corporation decided to adopt the scheme of self indemnification in lieu of insurance of non-hazardous goods against fire with effect from 18th November, 1971. Insurance cover against risk of fire, theft and burglary to hazardous goods (as also floods, riots, etc.) was, however, to be obtained from insurance companies. The scheme is guaranteed by the State Government. To finance the scheme the Corporation has created a fund by setting apart Rs. 1 lakh out of its profits each year from 1971-72. A sum of Rs. 4.36 lakhs stood at the credit of the account as on 31st March 1976.

#### 13.2 Fire at Pilibangan

13.2.1 It was noticed that non-hazardous goods were being stored with hazardous goods in the same godown. In May 1973, in a godown at Pilibangan gram owned by the F. C. I. was stored alongwith cotton bales (hazardous goods) of the Cotton Corporation of India Limited (C. C. I.). A fire broke out in the godown on 7th May 1973. As a result, 1,368 bags of gram kept inside the godown and 318 bags of wheat kept outside the godown by the F. C. I. for deposit (but yet to be taken over by the Corporation) were damaged by fire. Also destroyed were 2,200 bales of cotton (covered by insurance obtained by the C. C. I.). The total loss sustained by the Corporation was Rs. 1.25 lakhs after setting off the amount received from sale of damaged grains.

The F. C. I. deducted from the bill of the Corporation a sum of Rs. 0.32 lakh on account of cost of damaged wheat lying outside the godown and other expenses incurred on



salvage. The Corporation claimed the amount from the F. C. I. but no refund has been made by the F. C. I. (December 1976).

Of the loss, a sum of Rs. 0.65 lakh on account of damage to gram was adjusted in the year 1973-74 against the self indemnification scheme and the remaining loss of Rs. 0.61 lakh was charged to the profit and loss account of that year.

13.2.2 While the deposit value of the damaged gram was Rs. 1.30 lakhs the F. C. I. deducted Rs. 1.67 lakhs for it from the storage bills though, as per the Rajasthan Warehouses Rules, 1960, the liability of the Corporation was limited to the deposit value of the goods. The Corporation has preferred (July 1975) a claim for refund of the difference, but no amount has been received (December 1976).

### 13.3 *Excess payment of insurance premium*

A 'declaration' policy against burglary and fire for hazardous and non-hazardous goods to be held in stock during 1970-71 was obtained by the Corporation from an insurance company. The policy was initially for Rs. 10.00 crores and increased subsequently to Rs. 10.20 crores at the end of April 1970, and to Rs. 10.46 crores at the end of November 1970, consequent on increase in the number of centres covered. The Corporation was required to declare the average value of stock held each month to the insurance company. If at the end of the financial year, the total average value of the declarations was found to be less than the sum assured, proportionate difference of premium was to be refunded to the Corporation; if it was found to be more, the excess value was deemed to be at the owner's risk. As per the terms, premium amounting to Rs. 1.22 lakhs was paid (May 1970) and the balance amounting to Rs. 0.44 lakh was payable after the close of the year.

The period covered by the policy expired on 31st March 1971. Although the amount of insurance had not been raised on the basis of the increase in stocks declared up to December 1970, the insurance company demanded on 30th April 1971 Rs. 1.70 lakhs as premium including premium on the increased stocks. The Corporation paid Rs. 0.50 lakh on 1st May 1971 and again Rs. 0.35 lakh on 22nd October 1971 on *ad hoc* basis, as against Rs. 0.44 lakh due, resulting in an excess payment of Rs. 0.41 lakh.



The Management stated (January 1976) that a suit had been filed in April 1974 against the insurance company for recovery of the excess premium paid. The case is pending (December 1976).

#### 14. Financial position

The following table indicates the financial position of the Corporation for the three years ending 31st March 1976.

	1973-74	1974-75	1975-76
	(Rupees in lakhs)		
<i>Liabilities</i>			
Paid-up capital	67.00	100.52	138.04
Reserves and surplus	32.16	33.54	45.28
Borrowings	16.61	74.14	9.06
Liabilities and provisions	126.91	144.09	156.79
<b>TOTAL</b>	<b>242.68</b>	<b>352.29</b>	<b>349.17</b>
<i>Assets</i>			
Gross block	102.79	111.19	125.19
Less depreciation	12.79	15.93	19.28
Net fixed assets	90.00	95.26	105.91
Works-in-progress	12.63	21.78	25.62
Cash and bank balances	24.72	12.95	75.25
Other current assets, loans and advances	115.33	222.30	142.39
<b>TOTAL</b>	<b>242.68</b>	<b>352.29</b>	<b>349.17</b>
Capital employed	103.79	187.77	168.99
Net worth	99.16	134.06	183.32

Notes—(i) Capital employed represents net fixed assets plus working capital.

(ii) Net worth represents paid-up capital plus reserves less intangible assets.

(iii) The figures for 1975-76 are provisional pending finalisation of annual accounts.

#### 15. Working results

The working results of the Corporation for the three years up to 1975-76 are tabulated below:—

	1973-74	1974-75	1975-76
	(Rupees in lakhs)		
<i>Income</i>			
(a) Warehousing charges	38.39	34.81	50.11
(b) Interest	1.70	8.19	11.41
(c) Fumigation service charges	0.11	0.11	0.07
(d) Handling, Storage charges, etc.	15.22	16.80	11.60
(e) Other income	0.48	0.32	0.72
<b>TOTAL</b>	<b>55.90</b>	<b>60.23</b>	<b>73.91</b>



	1973-74	1974-75	1975-76
<i>(Rupees in lakhs)</i>			
<i>Expenditure</i>			
(a) Establishment including bonus, gratuity, etc.	30.19	31.20	32.65
(b) Chemicals consumed	1.48	1.11	2.45
(c) Insurance	0.64	0.64	0.86
(d) Interest	0.96	0.63	0.64
(e) Depreciation	3.29	3.26	3.36
(f) Repairs, rent and building tax	7.61	6.52	6.08
(g) Other expenses	4.07	1.92	1.50
(h) Net profit before tax	7.66	14.95	26.37
TOTAL	55.90	60.23	73.91
Percentage of net profit before tax to			
(a) Warehousing charges	19.96	42.95	52.62
(b) Capital employed	7.38	7.96	15.60
(c) Equity capital	11.46	14.87	19.10
(d) Net worth	7.72	11.15	14.38

Note:—The figures for 1975-76 are provisional.

The surplus available, the provision made for taxation and dividend declared from 1972-73 to 1974-75 are given in the following table:—

Year	Surplus	Provision for tax	Dividend declared	Percentage to share capital
<i>(Rupees in lakhs)</i>				
1972-73	17.84	10.64	5.40	9
1973-74	7.66	4.94	1.89	3
1974-75	14.95	8.63	2.00	3
1975-76	26.37	15.23	Accounts are yet to be finalised	

## 16. Credit system

### 16.1 Issue of bills

Warehousing and other charges were recovered, up to March 1976, in cash at the time of delivery of stocks except in cases where the facility of making payments on bill basis was



extended to public sector undertakings and Government departments. The Executive Committee decided on 26th March 1976 that with effect from 1st April 1976, bills would be issued six monthly or at the time of delivery, whichever was earlier.

### 16.2 *Non-recovery of interest for late payments*

The Committee on Public Undertakings (Fifth Vidhar Sabha) in its Second Report of August 1972 observed (in connection with the write off of interest on delayed payments) that the Corporation, in its working, should keep in view its financial interest, and if interest was recoverable on delayed payments, the same should be recovered but that it should clarify this to the depositors. The Corporation approved in August 1973 and January 1975, rates of interest chargeable from customers for delayed payments. No agreement for charging interest on delayed payments was, however, entered into with the F. C. I. except that the rate of interest chargeable was mentioned in the bills for storage charges. As a result interest on delayed payment of bills was not accepted by the F. C. I. and the Corporation wrote off Rs. 0.25 lakh (February 1975) on account of interest due from F. C. I. up to March 1974. Interest aggregating Rs. 1.25 lakhs (Rs. 0.35 lakh for 1974-75 and Rs. 0.90 lakh for 1975-76) has also become due from F.C.I. but no payment has been received. (December 1976).

### 16.3 *Late billing*

The 1973 *rabi* wheat procured for the Central pool was paid for by the Corporation in the first instance, subject to reimbursement by the F. C. I. when the bill for the cost was raised against it. On a test check, it was found that bills for amounts totalling Rs. 1.84 lakhs were raised after delays ranging from 7 to 18 months in the following cases:—

Procurement centre	Period of bills	Amount (Rupees)	Month in which bill was raised
Sadulsahar	July 1973	7,144	December 1974
Nimbahera	June 1973	19,258	November 1974
Padampur	June 1973	80,423	December 1974
Nimbahera	June 1973	16,438	March 1974
Chhotisadari	June 1973	5,665	March 1974
Bharatpur	June 1973	11,227	February 1974
Kherli	June 1973	40,242	February 1974
Gangapur City	August 1973	3,833	March 1974
TOTAL		1,84,230	



It was stated by the Management (September 1976) that the purchase bills were received late as the same were misssent by bank elsewhere.

#### 16.4 Outstanding debtors

The table below indicates the position of book debts *vis-a-vis* total income and warehousing charges for the three years up to 1975-76:—

	1973-74	1974-75	1975-76 (provisional)
	<i>(Rupees in lakhs)</i>		
Debtors considered good	77.95	194.78	75.41
Debtors considered doubtful	4.44	4.44	4.44
Total debtors	82.39	199.22	79.85
Provision for bad and doubtful debts	4.44	4.44	4.44
Total income	55.90	60.23	73.91
Warehousing charges	38.39	34.81	50.11

Out of Rs. 79.85 lakhs outstanding as on 31st March 1976, Rs. 79.34 lakhs pertained to Government departments and public sector undertakings. In April 1976, Rs. 35 lakhs (out of Rs. 35.89 lakhs due) were received from the State Government. Age-wise break-up of debtors was not available (December 1976).

16.4.1 It was seen that the amount outstanding against the F.C.I. included the following:—

- (i) Rs. 11.31 lakhs due since 1973-74 (against the *rabi* 1973 procurement).
- (ii) Amounts deducted, as below, by the F.C.I. during 1974-75 and 1975-76 but not yet analysed and admitted (December 1976):

	<i>(Rupees)</i>
(a) Quality cuts	9,842
(b) Excess shortages	23,207
(c) Calculation mistakes	57,093
(d) Deductions for which no reasons were given	9,631
TOTAL	1,59,773



- (iii) Rs. 1.21 lakhs due from the F.C.I. on account of charges pertaining to 1968-69 and 1969-70 for guaranteed occupancy in godowns, the amount being under dispute (September 1976).
- (iv) Rs. 0.28 lakh due from the F.C.I. on account of charges pertaining to 1972-73 for guaranteed occupancy in godowns at Alwar; out of a total of Rs. 1.16 lakhs receivable on this account, Rs. 0.88 lakh were received up to 31st March 1976.

## 17. *Inventory control*

### 17.1 *Stores*

There is no prescribed procedure for assessing the requirement of stores by the Corporation. Maximum, minimum and reordering limits of various items of stores have also not been fixed.

### 17.2 *Purchases*

It was decided at the conference of the representatives of warehousing corporations held in June 1972 that a rate contract for purchase of basic chemicals and essential equipment (to be availed of by all corporations) should be finalised by a central purchase committee, to be appointed for this purpose. In April 1973, the Board of Directors decided that purchase of chemicals and equipment should be made on the basis of the rate contract finalised by the Central Warehousing Corporation on the recommendation of the central purchase committee. Since then almost all purchases have been made on the basis of such rate contract except when supplies were not received from the suppliers in time. Purchases of other stores are being made from the market by inviting tenders.

A case of purchase where extra payment was made, noticed during test check, is given below:—

#### 17.2.1 *Purchase of aluminium phosphide*

In response to a tender notice for supply of aluminium phosphide (25th February 1972), nine tenders were received, of which the lowest was from a firm of Jaipur, which quoted "Rs. 57.85 per kg. excluding sales tax and other taxes extra".



The firm clarified in a separate letter dated 20th March 1972 (received after opening of tenders) that the words 'excluding sales tax and other taxes extra' denoted 'excluding central sales tax at 10 per cent and Rajasthan sales tax at 3 per cent and other local taxes.' Subsequently (29th March 1972), the firm further clarified that Rajasthan sales tax would be leviable on the rates arrived at after adding central sales tax. As the rate calculated on this basis (Rs. 63.65) was also the lowest, the Corporation decided on 30th March 1972 to place the order on this firm. Accordingly an agreement was entered into with the firm on 18th April 1972 and supply orders were placed from time to time. The firm supplied 4358.44 kg. of aluminium phosphide up to 1973.

On the advice of the Sales Tax Adviser to the Corporation, the case was referred to the Commercial Taxes Officer, Jaipur to intimate if the firm was a registered dealer. The Commercial Taxes Officer advised on 13th February 1975 that the firm had used 'C' forms for purchase of phosphide valuing Rs. 1.95 lakhs from Bombay during the period from 29th April 1972 to 5th September 1972, and in case the same material had been supplied to the Corporation, the firm should have charged central sales tax at 3 per cent instead of 10 per cent. On a reference made to the firm on 15th May 1975 for refund of Rs. 0.26 lakh charged in excess, the firm refuted (21st June 1975) the claim of the Corporation on the basis of the agreement dated 19th April 1972. The Legal Adviser of the Corporation opined that as there was no break-up of the rate mentioned in the agreement (Rs. 63.65), filing of a suit would be futile. The Corporation also called for in January 1974, an explanation from the concerned officials (Officer Incharge Stores and former Assistant) and put up the case to the Executive Committee on 28th June 1975 when it was decided that the matter be examined further. The matter continues to be under departmental investigation (December 1976).

### 18. Manpower

The table below indicates the capacity available, the actual staff strength (excluding daily rated, work charged and engineering establishment), the capacity per employee at the



end of 1973-74, 1974-75 and 1975-76 and the average earnings of the Corporation per employee during these years:—

Year	Number of employees (including officers) at the end of the year	Capacity available at the end of the year (Tonnes)	Capacity per employee (Tonnes)	Total income (Rupees in lakhs)	Average earnings per employee per annum
1973-74	272	1,68,283	619	73.33	0.27
1974-75	269	1,53,307	570	60.23	0.22
1975-76	259	2,44,939	946	73.91	0.29

The Corporation has prescribed the staffing pattern for warehouses only (December 1976).

The Board of Directors constituted a committee on 23rd February 1976 to examine the existing staff pattern of the warehouses and the Corporation head office. The committee was to submit its report within three months; however, it had not met till December 1976.

#### 19. *Accounting manual*

The Corporation has not prepared any accounting manual prescribing the detailed procedure for maintenance of accounts at each warehouse and the head office.

#### 20. *Internal audit*

The system of internal audit was introduced in February 1974. Duties of internal auditors were laid down under the Managing Director's order of 21st February 1974. The internal audit section is managed by an Accountant and two Assistants working under a Senior Accounts Officer.

Internal audit of the head office records has not been done (December 1976).

#### 21. *Other topics of interest*

##### 21.1 (a) *Improper removal of goods*

Internal audit conducted on 18th September 1971 at the instance of the Managing Director revealed that the Warehouse Manager of Bijainagar godown had improperly removed, from the godown, fertilizer and other commodities valuing Rs. 47, 512.

The case is pending in the court of law (December 1976).



### 21.1 (b) *Shortage of wheat*

On verification of stock of wheat, the internal audit wing noticed (March 1973) a shortage of 284.63 quintals of wheat valuing Rs. 0.24 lakh at Didwana, after making allowance of 209.77 quintals (value Rs. 0.20 lakh) for 'permissible shortages' at 1.5 per cent.

The Stores Incharge was suspended and a report was lodged on 13th March 1973 with the Police. The case was also reported (February 1973) to the insurance company. It was alleged that weighment sheets were tampered with and excess issues were shown by the Stores Incharge. The case is pending in the court of law (December 1976).

F.C.I., to whom the stock of wheat belonged, did not allow the 'permissible shortages' and deducted Rs. 0.44 lakh, being the total value of the wheat found short, from the bills of the Corporation.

### 21.2 *Non-deduction of tax at source on payment of dividend*

The Corporation paid dividend of Rs. 4,12,500 for the year 1971-72 to the Central Warehousing Corporation in January 1973 without deducting tax at source under Section 194 of the Income Tax Act. For this, the Income Tax Officer levied on the Corporation on 1st March 1975, a penalty of Rs. 18,975 and interest of Rs. 47,574, which was reduced by the Appellate Assistant Commissioner on appeal to Rs. 9,500 and Rs. 32,582 respectively. The amount was deposited by the Corporation in January and May 1976. An appeal filed with the Income Tax Tribunal in February 1976 is pending (December 1976).

### 21.3 *Guaranteed storage*

At the instance of the Food Department, the Corporation had opened 21 centres for distribution of foodgrains in scarcity affected areas during the period from December 1972 to March 1973. The Corporation was allowed minimum guaranteed storage charges for 333 tonnes at Rs. 1,000 per month per centre. The initial guaranteed period expired on 30th September 1973 but the Corporation had to retain 18 centres beyond that date as the materials stored therein were not lifted by the Department. Requests were made from time to time for extension of the guarantee period. The Department, however, declined in October 1975 to extend the guarantee period



beyond 30th September 1973. As the Corporation continued to incur full expenditure on rent, maintenance, etc. beyond 30th September 1973, it suffered a loss of Rs. 54,598 owing to shortfall from guaranteed storage charges after that date.

#### 21.4 Sale of torn gunny bags

Auction to dispose of old and damaged gunny bags of imported chemical fertilizers lying at various godowns was held by the Corporation on 11th October 1971 at Jaipur. As the highest bid (Rs. 17 per quintal) was considered low, fresh auctions were held between 9th February 1972 and 2nd March 1972 on different dates at different places wherein the highest bid received ranged from Rs. 13.00 per quintal to Rs. 71.40 per quintal. As there was wide variation in bids, it was considered necessary to hold a fresh auction. Meanwhile, firm 'X' of Jaipur offered (8th March 1972) to purchase the entire stock at the rate offered by the highest bidder, i. e. Rs. 71.40 per quintal. The offer was accepted and the firm was asked (9th March 1972) to lift the stocks within two months. The firm requested the Corporation (15th March 1972) to sort out the stocks as these were mixed with paper/polythene lined *kattas* which were not mentioned in the tender. The Corporation, however, asked the firm to take delivery of the *kattas* along with the paper and polythene lining. As the firm did not lift the stocks, the Corporation forfeited the security money of Rs. 22,000 deposited by the firm. The firm went to the court of law against the forfeiture (October 1972) and the case was decided in September 1975 against the Corporation. As a result it had to refund the deposit of Rs. 22,000 with costs amounting to Rs. 6,306 in January 1976.

Meanwhile, notice of a fresh auction was issued on 29th August 1972. The auction was held on 16th September 1972 wherein the highest bid received was Rs. 16.50 per quintal of firm 'Y' of Jaipur. The bid was considered to be low. Negotiations were held with firm 'Y' on 22nd September 1972, when the rate was increased to Rs. 30.25 per quintal which was accepted and a letter was issued on 26th September 1972 asking the firm to lift the stock. The firm lifted 3215 bags and 2,90,146 *kattas* weighing 1693 quintals for Rs. 51,208. The weight of polythene/paper lining in each *katta* was stated to be 150 grams. Had the Corporation permitted firm 'X' to separate polythene/paper lining from *kattas* these could have fetched Rs. 0.39 lakh more than what was ultimately realised.



## SECTION VIII

### RAJASTHAN STATE ELECTRICITY BOARD

#### 1. 220 KV single circuit Badarpur-Jaipur transmission line (Inter-State link)

##### 1.1 Introduction

The Bhakra Management Board had, in January 1970, formulated a scheme for the construction of a 220 KV line between Badarpur and Jaipur, as part of the Beas Project transmission system, in order to connect the Bhakra DESU-Uttar Pradesh grid system with the Rajasthan (Chambal-Bhakra) grid system so as to enable transfer of power between the two systems. Subsequently (May 1971) the Planning Commission accepted the feasibility of the scheme for implementation during the Fourth Five Year plan as a centrally sponsored scheme.

##### 1.2 Project estimates

1.2.1 The Bhakra Management Board prepared a revised project report for the construction of the line at an estimated cost of Rs. 342.25 lakhs, which was approved by the Central Water and Power Commission (May 1971) for Rs. 330.77 lakhs, the cost being allocable as follows:—

	(Rupees in lakhs)
Rajasthan	216.97
Haryana	63.55
Delhi	50.25
TOTAL	330.77

Construction of the Rajasthan portion of the line was approved by the Rajasthan Government in March 1971 and by the Board in October 1971.

1.2.2 The total length of the proposed line was 280 kms., of which 189 kms. fell in Rajasthan. As a result of detailed route survey in May 1972, the route length of the line in Rajasthan was reduced to 161.8 kms, thereby



reducing the capital cost by Rs. 28 lakhs. The sanctioned estimate (Rs. 216.97 lakhs) was, however, not revised.

### 1.3. Delay in completion of the line

The line was expected to be completed in about two years as per the project report, subject to availability of material and equipment. Sub-divisions created for construction of the line started working in October 1971. In May 1972, the Government of India asked the Board to energise the line by December 1972 by engaging more men on the job, if necessary. However, only survey work and stub-setting were completed by December 1972.

After meetings held in January and February 1974 at the Government of India level, the work was re-scheduled for completion in June 1974, which date also could not be adhered to. The table below shows the physical progress of the various items of work from time to time till completion:—

Particulars of work	ACTUALS				
	Work to be done	Up to March 1973	During 1973-74	During 1974-75	During 1975-76
Detailed survey (kms.)	161.809	136.899	24.910	..	..
Preparation of profiles (kms.)	161.809	96.323	65.486	..	..
Tower schedule (Numbers)	486	416	70	..	..
Jungle clearance (kms.)	161.809	50.000	62.746	25.000	24.063
Excavation of foundation (Numbers)	486	131	319	5	31
Stub-setting and concreting (Numbers)	486	122	284	46	34
Earthing of towers (Numbers)	486	..	34	432	20
Tower erection (Numbers) A & (A+3) type	418	..	346	45	27
B type	55	..	33	9	13
C type	13	..	5	1	7
	486				
Final sagging of conductors (kms.)	161.809	..	..	22.452	139.857
Final sagging of earthing wire (kms.)	161.809	..	..	26.160	135.649



The line was completed in August 1975 and was energised in November 1975.

It was stated by the Board in April 1976 that the progress was slow owing to non-availability of A.C.S.R. 'zebra' conductor and other materials, like insulators, etc. It was, however, observed that the conductor for this line, received during 1972-73, was diverted for utilisation on 220 KV RAPP-Kota-Jaipur line as the conductor received for the latter was found to be defective and acceptance of the same was in dispute as reported in paragraph 110 of the Report of the Comptroller and Auditor General of India for the year 1970-71. As the dispute was not settled, further orders for supply of 430 kms. of conductor to be used for Badarpur-Jaipur line were placed in April 1975 and the supply was received in July/August 1975.

#### 1.4 Control of expenditure

As against the sanctioned estimate of Rs. 216.97 lakhs, a sum of Rs. 347.66 lakhs was booked in the accounts of the Board up to 1975-76. The expenditure incurred was not classified and booked under the various sub-heads of accounts, and as such the expenditure incurred against each item of estimates was not susceptible of verification.

On a test check of the accounts, it was noticed that the following items of expenditure were included in the expenditure of Rs. 347.66 lakhs booked:—

- (i) Rupees 0.71 lakh were spent on construction of a grid sub-station at Alwar not provided for in the project estimates.
- (ii) A.C.S.R. 'zebra' conductor costing Rs. 71.03 lakhs was utilised on 220 KV RAPP-Kota-Jaipur line but the cost was booked to this line as the conductor was originally purchased for this line.
- (iii) Amounts aggregating Rs. 0.25 lakh incurred by other transmission construction divisions were booked to this line.



- (iv) Salary and allowances, etc. (Rs. 45,230) of the divisional office at Alwar which attended to various maintenance works from 10th June 1975 to April 1976, was wrongly charged to the capital cost of this line.
- (v) Expenditure on the shifting of a tele-communication line and transfer debits amounting to Rs. 8.15 lakhs have not been booked to this line for want of acceptance from the unit officers.

The expenditure on the line (after making the above additions/deductions) exceeded the project estimate even though the length of the line was reduced by about 27.2 kms. Sanction of the Board and approval of the Central Water and Power Commission to the expenditure in excess of estimate were not obtained.

The scheme provided that *cent per cent* loan assistance would be given by the Government of India to the States for constructing their respective portions of the line. Rupees 314.75 lakhs were received by the Board as loan for the line up to March 1976. As the accounts of the line had not been finalised, the amount refundable or due from the Government of India could not be ascertained (December 1976).

#### 1.5 *Material-at-site account*

As per instructions issued by the Superintending Engineer in November, 1972, a schedule of materials erected and used had to be prepared on the completion of the line. This was not done with the result that the materials shown as issued for use on the line could not be compared with the materials actually used. On a test check of the material-at-site account prepared for the line, the following deficiencies were noticed:—

- (i) The figures of consumption of stores were not reconciled with the material progress reports, stock register, etc. Instances of difference noticed between material progress reports and utilisation as



per material-at-site account are given below:—

Particulars of material	Quantity received as per material progress report	Quantity shown as utilised as per material-at- site account	Difference
Single circuit towers (numbers)			
Type A	179	163	16
Type B	32	29	3
Double circuit towers (numbers)	22	..	22
Cement bags (numbers)	6781	5007	1774
Conductors (kms.)	226.358	220.420	5.938
Repair sleeves (numbers)	240	20	220
Ground wire (kms.)	107.461	72.727	34.734
P. C. Clamps (sets)	70	46	24
Mid-span compressor joints (sets)	260	150	110
Earthing sets (sets)	60	49	11
Armour Rods (sets)	169	147	22

(ii) Material-at-site account for cement 'Grit' and 'Bajri' utilised by Alwar Sub-division II for stub-setting work had not been prepared (December 1976). It was noticed that the following items of stores received at Alwar Sub-division II as per the material progress report were not accounted for in the material at site account:—

Particulars	Quantity (in numbers)
<i>Tower accessories</i>	
Bolts and nuts 5/8 "	2,39,131
Spring washers	2,28,571
Plate washers	30,693
Anti-climbing devices	587
Hangers 'A' type	399
'B' type	52
Conductor accessories like Armour rods	160
Ground wire accessories	64
Repair sleeves	25



## 1.6 *Other points of interest*

### 1.6.1 *Supply of defective galvanised steel stranded wire*

An order for supply of 80 kms. of galvanised steel wire at Rs. 3, 320 per km. f. o. r. destination was placed on a firm of Jaipur on 21st November 1972. The firm supplied 78.701 kms. (49 drums) of wire at a total cost of Rs. 2.69 lakhs in January and June 1973 on *cent per cent* payment against Railway receipt. The material supplied was found defective on receipt. Four drums were taken back by the firm on 19th July 1975 for rectification of defects against pledge of a fixed deposit receipt for Rs. 20,000. The material was not rectified and returned (December 1976). On 20th March 1976, the Chief Engineer (Construction) directed the Superintending Engineer (Procurement-II) to get the entire lot replaced. The firm has neither lifted nor replaced the material (December 1976).

### 1.6.2 *Wharfage and demurrage*

Mention was made in paragraph 67 of the Report of the Comptroller and Auditor General of India for the year 1972-73 that railway receipts/bills sent by suppliers were not retired from banks and sent to the consignees in time, resulting in payment of Rs. 0.30 lakh towards wharfage and demurrage charges.

Nine more railway receipts/bills sent by a supplier between March 1973 and June 1974 were not retired and sent to the consignees in time resulting in payment of wharfage and demurrage charges amounting to Rs. 0.91 lakh. Responsibility for the delay has not been fixed (December 1976).

### 1.6.3 *Excess payment of fabrication and galvanising charges*

According to clause 5 of the purchase order placed on a firm of Jaipur on 9th March 1972 for fabrication and galvanising of towers, payment for the towers, in case their weight exceeded the guaranteed ceiling weight mentioned in clause 1 of the order up to 5 per cent due to use of higher steel sections, was to be made on the basis of the guaranteed



ceiling weight only. For any increase beyond 5 per cent extra payment was to be made to the firm on account of use of higher steel sections.

The firm was, however, paid during the year 1975-76 Rs. 0.92 lakh for the first 5 per cent over the guaranteed ceiling weight on account of use of higher steel sections. The Board took up with the supplier the question of refund of the amount, it has not been recovered (December 1976).

✓ 2. 132 KV single circuit Kota-Sangod transmission line and construction of a grid sub-station at Sangod.

### 2.1 Introduction

2.1.1 Project estimates for high voltage transmission line and grid sub-stations in Rajasthan were prepared for Rs. 911 lakhs by the Chambal Project authorities in 1962-63 under the Chambal Valley Development Stage-II Scheme. These estimates were approved by the Planning Commission and the State Government in September 1962.

2.1.2 As many heavy industries had been planned and licensed in the Chambal service area in the meantime, a fresh study of load requirement was conducted in March 1963 and revised estimates were prepared for Rs. 1,253 lakhs. The original estimates had included erection of a 66 KV single circuit line from Kota to Jhalawar to feed Jhalawar and the adjoining areas and another 66 KV single circuit line from Kota to Baran. In the revised estimates instead of both Kota Jhalawar and Kota Baran lines, a 132 KV single circuit line from Kota to Sangod with a 132/33 step down grid sub-station at Sangod was included.

### 2.2 Project estimates

No separate project report for the 132 KV Kota-Sangod line showing financial forecasts and benefits was prepared. Detailed estimates were, however, prepared providing Rs. 23.19 lakhs for the line and Rs. 13.47 lakhs for the grid sub-station at Sangod. The estimates were further revised in 1967-68 to Rs. 19.48 lakhs for the line and Rs. 17.60 lakhs for the grid



sub-station. These detailed estimates were sanctioned by the Chambal Control Board in August 1968.

### 2.3. *Progress of work*

Stores materials for this work had started arriving since January 1967 but a separate divisional office was established at Kota by Chambal Project authority in March 1970. Up to December 1970, stores materials worth Rs. 16.18 lakhs (Rs. 8.33 lakhs for the grid sub-station and Rs. 7.85 lakhs for the line) were received. Pursuant to Government order of February 1970, the project implementation was entrusted to the Board from 1st January 1971 and the division was also transferred to it. Erection of the line was taken up during 1971-72.

The line was completed in August 1975. Erection of the grid sub-station equipment was taken up by the Board during 1974-75 and was completed on 21st January 1976, and the line was energised on that date. No target date for the completion of the line and the sub-station had been fixed.

### 2.4. *Expenditure on works*

2.4.1 Works analysis sheets to watch expenditure incurred in respect of materials and labour were not prepared. Material-at-site accounts for the line and the grid sub-station had also not been completed (December 1976) to watch utilisation of the materials issued.

2.4.2 As against the revised estimate of Rs. 37.08 lakhs, expenditure of Rs. 123.08 lakhs (Rs. 72.64 lakhs for the line, Rs. 40.44 lakhs for the grid sub-station and Rs. 10 lakhs for civil works) had been booked up to March 1976. This included Rs. 21.08 lakhs incurred by the Chambal Project authorities up to December 1970.

On a test check of the accounting records, mis-classifications, wrong adjustments, etc. shown below came to notice:—



(Rupees in lakhs)

(i) Value of residual stores not used on works but not transferred back	1.46
(ii) Residual value of tools and plant, office equipment and vehicles not transferred back	0.37
(iii) Material transferred to other works but not adjusted	29.88
TOTAL	31.71

Further, the cost of the line included Rs. 14.10 lakhs spent towards purchase of 10 MVA transformer chargeable to the grid sub-station. After taking into account the above adjustments, the net expenditure on the line worked out to Rs. 26.83 lakhs against the project estimate of Rs. 19.48 lakhs. The expenditure on the grid sub-station up to March 1976 worked out to Rs. 54.54 lakhs against the project estimate of Rs. 17.60 lakhs.

Rupees 10 lakhs were spent on civil works though there was no provision for these in the estimates.

As completion reports for the line and the grid sub-station have not been prepared and the accounts thereof have not been closed, final expenditure on these works could not be worked out.

### 3. *Kota Thermal Power Station*

A scheme for a thermal power station at Kota was earmarked by the Government of India for implementation by the Board. Under this scheme, four units of 110 MW each were to be established during the period from 1976-77 to 1980-81. The Board was requested in October 1971 by the Central Water and Power Commission to prepare a project report considering *inter alia* site of station, availability of coal and transport arrangements. A thermal division was formed in 1971-72 to take up the work of initial survey, etc. In September 1972, the Board decided to create a new power survey and investigation circle for the project, which started functioning from April 1973.

The project report was prepared (April 1973), on the advice of the Central Water and Power Commission, on the



basis of 200 MW sets as these were considered more economical and efficient. The work of traffic-cum-engineering survey was entrusted to the Railways and Rs. 3.13 lakhs were deposited with them in March 1974. As the Board found in July 1974 that 200 MW sets might take long to manufacture, it decided in favour of 110 MW sets, and in December 1974 deposited Rs. 150 lakhs with Bharat Heavy Electricals Limited (BHEL) as advance for supply of one 110 MW set. As the project had not been cleared by the Planning Commission, the Board obtained refund of the advance of Rs. 150 lakhs in August 1975 along with interest of Rs. 13.30 lakhs.

In September 1975, the Board sent a revised project report to the State Government, based on two units of 110 MW and one unit of 200 MW during the first phase of the scheme. The scheme was approved by the Planning Commission in September 1976 for 2 x 110 MW sets at a cost of Rs. 81.60 crores. While the second project report provided only Rs. 5 lakhs for preliminary survey, etc. the Board had spent, till March 1976 Rs. 14.19 lakhs on the thermal division and the survey and investigation circle (which had three divisions). This does not include expenses at the Head Office which handled actually the work relating to planning, sanction, etc. of the scheme.

#### 4. Delay in finalisation of tenders

Open tenders for purchase of insulators and hardwares to be used on 220 KV and 132 KV lines were invited by the Board on 13th March 1973 and opened on 7th May 1973. The offers of the firms which tendered were valid up to 7th September 1973. As there were delays in taking decisions on the quotations, the validity period was got extended up to 10th November 1973 and then again up to 10th January 1974. The various firms while extending the validity date up to 10th January 1974 increased their rates by 10 to 30 per cent. Without obtaining prior approval of the three official members of the Stores Purchase Committee, the Chief Engineer instructed the Executive Engineer on 10th January 1974 to issue telegrams accepting the technically lowest offers of two firms of Bombay and Bangalore. Telegraphic letters of intent were accordingly placed on these firms on 10th January 1974. The three official



members gave *ex post facto* approval on 7th March 1974 to the action taken by the Chief Engineer. Detailed purchase orders were issued to the Bombay firm on 15th March 1974 and to the Bangalore firm on 28th March 1974 valuing Rs. 10.88 lakhs and Rs. 43.01 lakhs, respectively (excluding sales tax).

The additional cost on account of difference between the rates offered against the tender enquiry and the higher rates at which orders were placed on the two firms, worked out to Rs. 7.49 lakhs as shown below:—

	Value of quantity ordered at higher rates	Value at original rates (Rupees in lakhs)	Difference
Firm of Bombay	11.20	8.75	2.45
Firm of Bangalore	44.11	39.07	5.04

While approving the purchase, the Accounts and Finance Member observed (March 1974) that the firms had increased their prices due to rising trend in the market and that in future the Management should think in terms of finalising purchase cases in time.

#### 5. *Payment without receipt of material*

On 10th October 1972, the Board placed an order for supply of 6,500 prestressed cement concrete poles at Rs. 124 each on a firm of Sawai Madhopur. Delivery was to be taken by the consignee or his authorised representative at the supplier's works. Ninety per cent payment was to be released against receipted Challans in case of transport by road and against railway receipt through bank if transported by rail; balance was to be paid on completion of contractual requirements. The poles were to be despatched by the firm to different consignees as indicated in the despatch instructions dated 14th March 1973, which included despatch of 1,500 poles to the Assistant Controller of Stores of the Board at Kota. An Executive Engineer of the Board, who was deputed to inspect the poles at factory premises in December 1973 prior to transportation to the consignee at Kota, gave an acknowledgement for the poles to the supplier on the challans, though such receipt was required to be given by the consignee. The Central



Payment Cell of the Board paid Rs. 1.73 lakhs (90 per cent) for these poles in January 1974 and the balance of Rs. 0.19 lakh was paid in January 1975 on the basis of the receipted challans.

During test audit of the accounts of the Assistant Controller of Stores, Kota in April 1976, it was noticed that the poles had not been received up to February 1976. 100 poles were received in Stores in March 1976 and 400 poles were received in April 1976. Transfer debits for Rs. 1.73 lakhs raised by the Central Payment Cell against the Accounts Officer, Kota in March 1974 were accepted and adjusted by the latter in the accounts for 1973-74 without verifying from the Assistant Controller of Stores, Kota, the actual receipt of the material and its entry in the stock register.

The matter was reported to the Board in July 1976; reply is awaited (December 1976).

#### 6. ✓ Idle staff

For construction of 11 KV/33 KV high voltage transmission lines and allied sub-stations (except those falling under the Rural Electrification Corporation schemes) the Board had sanctioned from time to time creation of several construction divisions/sub-divisions. Twentytwo construction sub-divisions were functioning for the purpose under 9 Operation and Maintenance Circles during 1974-75 and onwards.

Mention was made in paragraph 16 (5) (b) of the Report of the Comptroller and Auditor General of India for the year 1973-74 (Commercial) about expenditure of Rs. 2.16 lakhs on idle staff in six sub-divisions. During test audit of the records of the other construction sub-divisions conducted from March 1975 to September 1976, it was observed that in 9 sub-divisions, work was not assigned to the staff for various periods after they had completed their existing construction work. The particulars of these sub-divisions and the expenditure on idle staff during the period from 1973-74 to 1975-76



(up to August 1976) are given below:—

Name of the sub-division	Date of completion of allotted work	Date when new work was allotted/staff was transferred	Period of idleness (months)	Expenditure on staff (Rupees)
Construction sub-division, Merta city	March 1974	April 1975	12	65,813
Construction sub-division, Bharatpur	March 1974 14th June 1975	15th March 1975 (Position up to March 1976)	21	2,50,169
Construction sub-division III, Bhilwara	March 1974	Sub-division abolished from 17th October 1974	6½	82,515
Construction sub-division, Tonk	March 1974	December 1974	9	22,567
Construction sub-division, Ajmer	March 1974	February 1975	10	1,31,640
EHT Augmentation sub-division, Jaipur	December 1972	March 1976	36 (Some work allotted in July & August 1975)	2,86,127
Construction sub-division, Hanumangarh	November 1972	(Position up to September 1975)	23 (During December 1972 to September 1975 the staff worked for 11 months only)	1,00,459
Construction sub-division, Bhinmal	September 1974	(Position up to August 1976)	23	29,960
Construction sub-division, Chomu	March 1975	(Position up to June 1976)	15	1,00,300

The Board's reply is awaited (December 1976).



## SECTION IX

### RAJASTHAN STATE ROAD TRANSPORT CORPORATION

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#### 1. Delay in issue of chassis to body builders and allotment of vehicles to depots

Mention was made in paragraph 5.3 Section VII of the Report of the Comptroller and Auditor General of India for the year 1974-75 (Commercial) of delay in issue of 105 chassis (purchased in September 1971) for body building and in allotment of vehicles after body building to various depots. The Management had stated in reply that the delay was due to non-finalisation of nationalisation schemes. There were, however, similar cases of considerable delay in issue of chassis for body building and allotment of vehicles after body building to depots for operation in respect of chassis purchased in 1975-76. During May 1975 to December 1975, there were delays ranging up to 40 days in issue of chassis to body builders and up to 41 days in allotment of vehicles to depots for operation. The delay in terms of chassis days and vehicle days and consequent locking up of capital are shown below:—

Make of vehicles	Number	Chassis days for which chassis remained idle before issue for body building	Total cost of chassis (Rupees in lakhs)	Number of vehicles	Vehicle days for which buses remained idle before allotment to depots for operation	Total cost of buses (Rupees in lakhs)	Total delays (days) (3+6)
1	2	3	4	5	6	7	8
Leyland	184	1371	187.68	165	1264	225.23	2635
TMB	19	173	18.62	18	163	23.58	336
Total	203	1544	206.30	183	1427	248.81	2971

Reasons for the delay were neither on record nor intimated (December 1976) though called for in May 1976.

It may be mentioned that to meet its traffic requirements, the Corporation had been engaging private buses on



hire during the period while its own buses remained unallotted.

## 2. *Extra expenditure*

During 1973-74, the Corporation required six lathes for installation at its 6 'A' class depot workshops. On 26th November 1973, the Corporation received an offer from a manufacturing firm for supply of these machines. The rate quoted for each machine was Rs. 12,345, which was also the D.G.S. & D. rate contract rate valid up to 30th June 1974. An order was placed by the Corporation on 25th June 1974. The supplier intimated on 27th June 1974 that the rate quoted was no longer valid in view of increase in prices, and it offered on 13th August 1974 a revised price of Rs. 17,620 including taxes for each machine. The Corporation placed a revised order for four lathes and accessories on 4th December 1974, at a total cost of Rs. 80,049. The lathes were received in June 1975 and were installed in the Central Workshop at Ajmer although originally it was planned to install these machines at depot workshops. Extra expenditure due to the delay in placing the order amounted to Rs. 0.24 lakh (including sales tax).

## 3. *Local purchase*

According to the purchase policy of the Corporation, local purchases from authorised dealers of manufacturers can be made when an order for bulk purchase on the manufacturer remains pending for more than 3 months and the stores are required for immediate use.

It was seen that in some cases, bulk indents had either not been placed or had not been processed in time owing to which local purchases had to be made at higher rates. Two such cases noticed as a result of test check are given below:—

- (a) *Spare Parts*.—Local purchases were made during 1975-76 from a firm 'A' of spare parts of value Rs. 0.73 lakh, for which either bulk orders were not pending or were pending for less than three months.



**Difference in rates of bulk supply and local supply** in these cases amounted to Rs. 0.16 lakh.

- (b) *Crankshafts*.—A bulk order for purchase of 60 crankshafts was placed by the Corporation on firm 'B' at Rs. 5,950 per crankshaft with a discount of 20 per cent against which supplies were received between May 1975 and January 1976.

A bulk indent for purchase of another 50 crankshafts was prepared on 8th December 1975. Firm 'B' in its circular letter dated 2nd December 1975 (received by the Corporation on 16th December 1975) intimated all State transport undertakings that the availability position of crankshafts had eased and if bulk orders were placed with it by 31st December 1975, supplies could be arranged from March 1976. No action on this communication was taken by the Corporation and the indent in hand was also not processed in time.

Owing to the delay in processing the indent and in issuing bulk purchase order, local purchase of 12 crankshafts was made in January 1976 from firm 'A' at Rs. 5,950 per crankshaft with discount of 3½ per cent. Bulk order against the indent of December 1975 was placed on 30th January 1976 and supplies were received in March-April 1976.

The Corporation incurred extra expenditure of Rs. 0.16 lakh in the local purchase of 12 crankshafts at rates higher than those of firm 'B'.

While approving the bulk purchase in January 1976, the Chairman of the Corporation had desired that responsibility be fixed for the delay in processing the indent. Responsibility had not been fixed (October 1976).

#### 4. *Purchase of spring leaves*

Spring leaves required for use in T. M. B. vehicles are purchased by the Corporation from firms on rate contract with the Association of State Road Transport Undertakings.



Accordingly, purchase of spring leaves was made from two firms in October 1975. On 1st November 1975 the Additional Chief Mechanical Engineer reported that the manufacturers of T. M. B. vehicles also manufactured spring leaves which were better in performance and suggested that the Corporation should purchase spring leaves from the manufacturers even if the cost was more. Purchase orders for spring leaves were accordingly placed on the manufacturers of the vehicles for Rs. 4.24 lakhs on 13th November 1975 and for Rs. 1.00 lakh on 2nd February 1976.

While processing the case for further purchase of spring leaves during February 1976, the Accounts Branch of the Corporation pointed out that the rates of the manufacturers were substantially high. Thereupon the Chief Mechanical Engineer decided on 4th March 1976 that in future orders for purchase of spring leaves for these vehicles should be placed on firms which were original equipment suppliers for Ashok Leyland vehicles. Pending purchase orders on the manufacturers of T. M. B. vehicles were thereupon cancelled in March 1976.

The Corporation incurred extra expenditure of Rs. 0.56 lakh on purchase of spring leaves from the manufacturers of T. M. B. vehicles, at rates higher than those of the original equipment suppliers for Ashok Leyland vehicles.

#### 5. *Blocking of funds*

In June 1974, the Corporation purchased 450 reams of craft paper costing Rs. 0.79 lakh for binding ticket books and other printed form books. Another purchase of 220.5 reams of craft paper was made in October 1975 at a cost of Rs. 0.35 lakh. Up to 20th November 1976, 247.5 reams were consumed and the balance of 423 reams costing Rs. 0.72 lakh was lying unutilised on 20th November 1976.

No justification for purchase of large quantities in June 1974 and again in October 1975, when 330 reams out of the purchase made in June 1974 were already in stock, was on record. With the switch over to denomination system of



tickets from 1st January 1976 craft paper was no longer needed for binding ticket books.

The matter was reported to the Corporation in August 1976; reply is awaited (November 1976).

#### 6. *Destruction of destination tickets*

The Corporation had been using, up to 31st December 1975, pre-printed destination tickets for certain stations and blank ticket forms in which fare and destination used to be written in hand. As the system of issuing individual tickets on blank forms was not working satisfactorily, the Corporation introduced a denomination ticket system with effect from 1st January 1976 on all its services except the routes outside Rajasthan. Under the new system, besides denomination tickets, destination tickets for specified towns were also to be used.

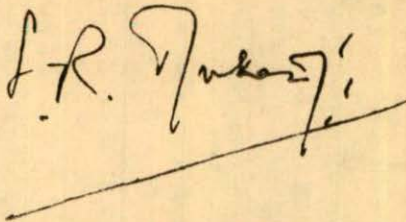
While introducing the system of denomination tickets, the fare structure was also revised upwards. By December 1975, destination tickets for 59 towns were got printed according to the revised fare table. The new destination tickets were similar to the ones already in use except for the fare which was revised. For places other than 59 towns it was decided to use the old destination tickets in stock after stamping the new fares thereon.

On 3rd April 1976, it was decided to destroy all old destination tickets on the ground that use of old tickets might lead to pilferage and malpractices. Accordingly, 10.25 lakh old ticket books which had cost Rs. 2.21 lakhs to print were destroyed up to February 1977. Ticket books in respect of Jaipur depot remained to be destroyed (February 1977).

Newly printed destination tickets, where the chargeable fares had been incorrectly printed or where these fares were revised subsequently were, however, used by stamping the revised fares thereon. Reasons for the apprehension that



similar use of the old tickets might lead to pilferage and malpractice were not on record.

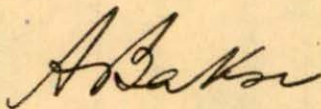


(S.R. MUKERJI)  
Accountant General, Rajasthan.

Jaipur :  
The

11 JUL 1977

Countersigned



(A. BAKSI)  
Comptroller and Auditor General of India

New Delhi :  
The

12 JUL 1977



...of the old ... to ... and ...  
... was not ...

*[Handwritten signature]*

(S. B. MURKIN)  
Accountant General, Department

Comptroller

*[Handwritten signature]*

(S. B. MURKIN)  
Comptroller and Auditor General of India

IV



## ANNEXURE 'A'

(Referred to in paragraph 5 of the Prefatory Remarks)

List of Companies in which Government have invested more than Rs. 10 lakhs but which are not subject to audit by the Comptroller and Auditor General of India

S. No.	Name of Company	Total investment up to the end of 1975-76 (Rupees in lakhs)
1.	Jaipur Udyog Limited	75.00
2.	Man Industrial Corporation Limited	15.00
3.	Shri Sadul Textiles Limited	11.80
4.	Jaipur Spinning and Weaving Mills Limited	17.46
5.	Aditya Mills Limited	15.00
6.	Oriental Power Cables Limited	13.36
7.	Metal Corporation of India Limited (taken over by Hindustan Zinc Limited, Udaipur)	25.00
8.	J. K. Industries Limited (Tyre and Tube Project)	70.00



ANNEXURE

(Referred to in Paragraph 1

Summarised financial results of

S. No.	Name of Company	Name of Administrative Department	Date of incorporation	Period of accounts	Total capital invested	Profit (+)/Loss (-)
1	2	3	4	5	6	7
						<i>(Rupees)</i>
1.	Rajasthan State Industrial and Mineral Development Corporation Limited	Industries	28th March 1969	1975-76 (ending 31st March 1976)	996.96	(+)1.87
2.	Rajasthan Small Industries Corporation Limited	Industries	3rd June 1961	1975-76 (ending 31st March 1976)	104.60	(-)26.67
3.	Rajasthan State Mines & Minerals Limited	Industries	7th May 1947 (Government company from June 1973)	1975-76 (ending 31st March 1976)	436.15	(+)12.37
4.	Rajasthan State Agro Industries Corporation Limited	Agriculture	1st August 1969	1975-76 (ending 31st March 1976)	319.25	(+)12.97
5.	Rajasthan State Hotels Corporation Limited	General Administration	7th June 1965	1975-76 (ending 31st March 1976)	48.35	(-)0.29
6.	The Ganganagar Sugar Mills Limited	State Enterprises	1st July 1956	1974-75 (ending 30th June 1975)	172.25	(+)16.43
7.	Hi-Tech Precision Glass Limited	State Enterprises	18th March 1963	1974-75 (ending 30th September 1975)	21.83	(+)0.02
8.	Rajasthan State Tanneries Limited	State Enterprises	22nd November 1971	1975-76 (ending 31st March 1976)	120.31	(-)15.00
9.	Samachar Bharati	Home	Government company from 20th October 1965	1974 (ending December 1974)	28.86	(-)1.63
10.	Rajasthan State Dairy Development Corporation Limited	Agriculture	31st March 1975	1975-76 (31st March 1975 to 31st March 1976)	77.23	(-)1.40

Note:—1. Capital invested represents paid-up capital plus long term loans plus free  
2. Capital employed represents net fixed assets (excluding capital works-in-



'B'

of Section I).

**Government Companies**

Total interest charged to Profit & Loss Account	Interest on long term loans	Total return on capital invested (7+9)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (7+8)	Percentage of total return on capital employed
8	9	10	11	12	13	14
<i>in lakhs)</i>						
26.57	26.37	28.24	2.8	833.49	28.44	3.4
32.31	2.51	(—)24.16	..	230.90	5.64	2.4
27.37	23.33	35.70	7.3	454.69	39.74	8.7
3.07	0.82	13.79	4.3	346.55	16.04	4.6
0.38	0.38	0.09	0.2	34.65	0.09	0.3
16.11	8.80	25.23	14.6	228.03	32.54	14.3
..	..	0.02	0.1	4.83	0.02	0.4
5.99	5.31	(—)9.69	..	111.67	(—)9.01	..
0.06	0.04	(—)1.59	..	3.55	(—)1.57	..
0.04	0.04	(—)1.36	..	162.66	(—)1.36	..

reserves at the close of the year.  
 progress) plus working capital at the close of the year.



## ANNEXURE

## Summarised financial results of

S. No.	Name of Corporation/Board	Name of Administrative Department	Date of incorporation	Period of accounts	Total capital invested	Profit
1	2	3	4	5	6	7
						(Rupees)
						(i) Electricity
1.	Rajasthan State Electricity Board	Power	1st July 1957	1975-76	30,408.44	125.47*
						(ii) Other Statutory
2.	Rajasthan Financial Corporation	Industries	17th January 1955	1975-76	..	56.89
3.	Rajasthan State Warehousing Corporation	Cooperative	30th December 1957	1974-75	139.20	14.95
4.	Rajasthan State Road Transport Corporation	Home	1st October 1964	1974-75	966.11	56.22

Note:—1. Capital invested represents paid-up capital *plus* long term loans *plus* free

2. Capital employed represents net fixed assets (excluding capital works-in-

\* The amount represents contribution to general reserve in terms of Section

@Represents mean figures for the year (*i.e.* aggregate of opening and closing borrowings including refinance and deposits, divided by two).



'C'

Statutory Corporations/Board

Total interest charged to Profit & Loss Account	Interest on long term loans	Total return on capital invested (7+9)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (7+8)	Percentage of total return on capital employed
8	9	10	11	12	13	14
<i>in lakhs</i> )						
<b>Board</b>						
1,110.23	1,072.27	1,197.74	3.9	20,565.77	1,235.70	6.0
<b>Jorporations</b>						
68.50	..	..	..	1,332.57@	125.39	9.4
0.63	0.62	15.57	11.2	187.77	15.58	8.3
67.92	55.71	111.93	11.59	1,068.53	124.14	11.62

reserves at the close of the year.

progress) *plus* working capital at the close of the year.

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

balances of paid-up capital, bonds and debentures, reserves and



