

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

**FOR THE YEAR 1981-82**

**(COMMERCIAL)**

**GOVERNMENT OF WEST BENGAL**

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## ERRATA

### Report of the Comptroller and Auditor General of India for the Year 1981-82 (Commercial), Government of West Bengal

Sl. No.	Reference to		For	Read
	Page No.	Paragraph No. etc		
(1)	(2)	(3)	(4)	(5)
1.	Table of contents	Prefatory remarks		Page No. (i) and (ii) to be inserted
2.	1	1.02/last line	Textiles	Textile
3.	2	1.02/heading, 1st line	second 'of'	the
4.	2	1.02/4th line	Vest	West
5.	2	2nd company of the table	Saxdy	Saxby
6.	2	Foot note 1st line	differenc	difference
7.	3	1.05.2/1st line under amount column	6.03.5*	6.03*
8	3	1.05.2/3rd line under amount column.	9.25	7.25
9.	3	1.05.2/notes below page, last line	'a	deleted
10.	4	1.06.1./table heading 5th line	paid up	paid-up
11	4	Table item(i)	Electronic	Electronics
12.	5	1.08. cable heading	lkahs	lakhs
13.	5	1.08/name of the company	Filamne-	Filaments
14	5	Note below page	(March 19)	(March 1983)
15.	9	2.02.1./2nd line	1963.64	1963-64
16	9	2.02.2/16th line	September 1981) inter alia	(September 1981), inter alia
17	10	2.03.1./table under column. 1979-80	Jn lakhs	m lakhs
18	11	2.03.2./table column (4), 4th line from the bottom	late	latex
19.	11	2.03.2, table column(4), 2nd line from the bottom	plasticizera	plasticizers
20	11	2.03.2.table column(4), last line	plant	paint

Sl. No.	Reference to		For	Read
	Page No.	Paragraph No. etc.		
(1)	(2)	(3)	(4)	(5)
21.	13	2.04.2., 5th line	delete the word	'lost'
22.	13	2.04.3., 4th line from the bottom.	the Expert Committee	an Expert Committee
23.	14	2.04.4, 5th line under table	(originally cost:	(original cost :
24.	15	2.04.6, table under column 1980-81	4,467	4,461
25.	18	2.05.1, below item 4 in table under 1980-81		(In tonnes)
26.	19	2.05.2, 5th line from top	auto claves	autoclaves
27.	19	2.05.2., 18th line	lying (February 1983)	lying idle (February 1983)
28.	19	2.05.3, below item 4 in table	delete the word	'per cent'
29.	19	2.05.3, below item 5 in table	(In tonnes)	(per cent)
30.	22	Note at the end	due to 1 forced	due to forced
31.	23	2.07.4, item 4 in the table	Total consumption	Requirement
32.	24	2.07.5	hours	(hours)
33.	26	2.08.4, item 4 of the table under 1980-81	18.91	118.91
34.	28	2.09.1, 3rd line	supra	supra)
35.	29	table under 2.11.2	i(Rupees in lakhs)	(Rupees in lakhs)
36.	29	table under 2.11.2	Figure against 1980-81	0.23
37.	30	Table item 7	Sodium Penta-onloroe	Sodium Pentachloro
38.	31	table heading	Cose, Rs	Cost, Rupees
39.	31	2.12.1, 8th line from the bottom	Rs 7,73,74	Rs 7,73.74
40.	34	2.14.2, 3rd line	Djobouti	Djibouti
41.	35	2.16, last line	issue rate	issue rates,
42.	38	2.18.4, 7th and 8th line	suppliers	supplier
43.	40	3.02, 9th from the bottom	centre for	centre(CFC) for
44.	50	table item 5 column(3)	(December 1980)	may be deleted
45.	50	total of column 9 of the table	91,724	31,724

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	Page No.	Paragraph No. etc.		
(1)	(2)	(3)	(4)	(5)
46.	53	3.05, 7th line from the bottom	letters of credit	letter of credit
47.	55	3.08, 1st line	Rs 1.00 lakhs	Rs. 1,00 lakhs
47A	58	3.13(iv), 5th line	Rs 18.87 lakhs	Rs 18.81 lakhs
48.	59	3.13(vii), 11th line	schedule caste	scheduled castes
49.	63	4.04, 3rd line	rasching	raschig
50.	67	4.04.4(b) 2nd sub-para	Rs 3 lakhs	Rs 3.70 lakhs
51.	68	4.04.4(d), 3rd line	the the	the
52.	68	4.04.6, 3rd line	price, After	price after
53.	68	4.04.6, 7th line	per	par
54.	70	4.06, 7th line	received	receives
55.	74	4.11, last line	Ceremic	Ceramic
56.	75	4.11, item(3)	Rs 97.70 lakhs	Rs 97.73 lakhs
57.	80	5.03.5, 11th line	firsts	first
58.	82	5.07, 12th line from bottom	awarded	awaited
59.	85	5.10, 11th line	are awaited	are awaited
60.	87	6.01, 2nd line from bottom	Corporation,	Corporations,
61.	88	6.03.1, 5th line	32(i)	23(i)
62.	89	6.03.3, table		a line under each column from 1979-80 to 1981-82 may be drawn in total of liability side
63.	89	6.03.3, against item (d) under assets below 1980-81 in the table	56-64	56-54
64.	90	6.03.5, against item (4) in the table	convered	covered
65.	90	6.03.5, item No. (14) last column	34136	35136
66.	92	6.04.3, against item (5) in the table	daed	dead
67.	92	6.05.1, 9th line	annuam	annum
68.	92	6.05.2, table	guaranreedi	guaranteed

Sl. No.	Reference to		For	Read
	Page No.	Paragraph No. etc		
(1)	(2)	(3)	(4)	(5)
69.	93	6.05.2, 2nd line	arrear	arrears
70.	93	6.05.3, against (a) under item No. 4: km covered under 1979-80	68.2	68.27
71.	93	6.06.2. Penultimate line	lakhs**	lakhs, **
72.	93	Foot note**	279.02 lakh,	279.02 lakhs
73.	94	6.06.3, 7th line	the table indicates	the table below indicates
74.	94	6.06.4, 2nd heading of the table	1980-78	1980-81
75.	95	6.06.4, against item (e) under assets in table	9.47	9.57
76.	95	6.06.4, against item (g) under assets in table	274.33	96.21
77.	95	6.06.5, 2nd line	up to 1981-72	up to 1981-82
78.	96	6.06.6, table head	(Amount Rupees in lakhs)	(Amount : Rupees in lakhs)
79.	96	6.06.6, against item 3 of table under amount 1979-80	18,86.06	18,86.46
80.	96	6.06.6, Foot note below table	mede	made
81.	97	6.07.3, item no. (9, below assets year 1977-78	69.66	69.65
82.	98	6.07.4. against item 2(i) in the table.	charge	charges
83.	98	6.07.5, against item 5 in the table	tonnes	tonne
84.	98	Note, 2nd line	complied	compiled
85.	99	7.01.2, 1st line	requirement	requirements
86.	99	7.01.2, 6th line	Rs 1,23,87.56	Rs 1,23,87.55
87.	101	7.01.5.1., table 2nd item	withdrawan	withdrawn
88.	101	7.01.5.1., table under item 6 against 1981-82	13,58.91	15,58.91
89.	101	7.01.5.1., 15th line of table	general reserve	sinking fund
90.	101	7.01.5.1., 1st line below table	during the years	during the three years

Sl. No.	Reference to		For	Read
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(1)	(2)	(3)	(4)	(5)
91.	102	7.01.5.2., against item 2(a) amount of 1981-82	1,57,31·20	1,67,46·78
92	102	7.01.5.2., below point No. 2 in the table Total revenue expenditure for the year— 1980-81 1981-82	1,49,83·65 1,89,78·60	1,49,83·55 1,99,94·18
93.	103	Table under 7.01.6.1 item No. 9 against 1981-82	60·60	60·00
94.	103	7.01.6.1. point No. 11 table under 1981-82	31,30·9	31,30·7
95.	103	7.01.6.2. point No. 1 in table	Villages	Villages/towns
96.	103	Table under 7.01.6.2. item 6 against 1981-82	6,51,030	6,51,830
97.	104	7.01.6.3., 1st line	sold, revenue earned per unit expenses and profit/loss per unit sold	7.01.6.3. The following table indicates the total units of power.
98.	104	Item 4 of table	Profit(+)	Profit(+)/
99.	104	7.02.1 2nd line	loadshedding	Loadshedding
100.	105	7. 02.1., 3rd line	devestation	deviations
101.	105	7.02.3., 4th line	documants	documents
102.	105	7.02.4.1., 6th line	were observed as below	worked out as below
103.	106	7.02.4.1., 4th line	Or	of
104.	106	7.02.4.1., second sub-para	etc	etc.,
105.	106	7.02.4.1., 21st line	paragrgh 7.02.6.5. (e)	7.02.6.5.(b)
106.	106	last sub-para	7.04.3	7.02.4.3.
107.	108	7.02.5.1., 8th line	railors	trailors
108.	108	7.02.5.2., 11th line	solved	resolved
109.	109	Para heading	7.06.	7.02.6.
110.	109	1st sub-para	7.06.1	7.02.6.1.
111.	109	7.06.1., 4th line	hour	hours
112.	109	7.06 1., table last line	commerce	commecial

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(1)	(2)	(3)	(4)	(5)
113.	110	Notes 3rd line	demand	demand
114.	110	Notes 2nd line	units	units
115.	110	Notes 3rd line	member	number
116.	110	Notes 3rd (†) below the line	devided by	devided by
117.	111	7.02.6.3., table head below the para	Outwages to total available	outages to total available
118.	111	1st note below the page	100 total	100 ÷ total
119.	111	last line of the note below the page	100 maximum	100 - maximum
120.	112	7.02.6.5.(a) 2nd line	factor	factor)
121.	113	7.02.6.2 1st line	suuply	supply
122.	117	7.02.8. 5th line below the table	work[ed] for ranged between 500 to 900 hours,	work for 500 to 900 hours,
123.	117	7.02.8.2. 5th and 6th line	1 day in the month of March of the respective years.	1 day respectively
124.	117	7.02.8.2. 8th line	by the engagement	by engagement
125.	118	7.02.10 1st line	term	terms
126.	123.	7.02.11.6. 5th column of the table against(A)	(by 30th November 1979)	by 30th November 1979)
127.	123	7.02.11.6. 5th column of the table against (B)	bp	by
128	123	7.02.11.6 6th column of the table last line	4th November, 1980	4th November 1980
129.	124	7.02.11 6 12th line from the bottom	forwarded	forward
130	126	7.02.12.3 item 3rd in the table under sub-head	8191-82**	1981-82**
131	127	7.02.13 6th line from the bottom	which was to expires	which expires
132	127	Do.	January 1983	June 1983
133	128	7.02 13 2nd line	auxiliary	auxiliary
134	130	7.02.16(ix) 2nd line	Kasba	Kashba
135	134	7.03 4 para heading	achievement	achievements
136.	135	7.03.4 1 <sup>st</sup> 3rd sub-para last line	to issued	to use



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137.	137	7.03.5.2 3rd line	(August) 1982)	(August 1982)
138.	139	7.03.7.1 3rd line from bottom under the year 1979-80	11,55.70	11,15.70
139.	139	7.03.7.1 table head	owrked	worked
140	140	7 03.9 1. 2nd sub-para 4th line	subdivision	sub-division
141.	141	7.03.9.2. para heading	charges Burdwan	charges-Burdwan
142.	143	7.03.10 item(x)	48,90.91	44,90.91
143.	144	7.03.10 item(xviii)	stores as	stores at
144.	145	8.01., 3rd line from bottom	extra-expenditure	extraexpenditure
145.	146	Table B para heading	In rupees	In Rupees
146.	147	8.02., 4th line	Bendel	Bandel
147	147	8.02., 6th line	re-offers	offers
148.	148	8.03., 10th line	tenders	tenderers
149.	153	Appendix A sl. Nos. 7 and 9	Makintosh, Duccun	Mackintosh, Duncan
150.	154	Appendix B	Paragraph 1.02, Section 1)	Pragraph 1.02
151.	154	Table head column (1)	1 o.	Sl. No.
152.	154	Table Sl. No. 1 column (2)	Slag Limited.	Slag Limited
153.	154	Table head column (3)	epartment	department
154.	154	Item 2 column (3)	1980-81	1980-81
155	154	Sl. No. 2 under column(7)	30.40	30.28
156.	154	Item 10 of column (6)	4.91.53	4,91.53
157.	154	Item 13 column (3)	Cottage an	Cottage and
158.	155	Heading of column (9)	long term loan	long-term loans
159.	155	Sl. No. 4 under column (8)	91.27	91.29
160	155	Item 6 coumn (8)	1.20'	4.20

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161.	155	Item 11 under column (12)	9.63	9.68
162.	156	Item 15 column(2)	Livestoc	Livestock
163.	157	Heading of column (9)	long term loan	long-term loans
164.	157	Item 16 column (12)	(—)4.55	(—)34.55
165.	157	Sl No 17 under column(11)	3 49	33.49
166.	157	Sl No 19 under column(14)	1 8	1.38
167.	157	Sl No 20 column (10)	(—)51 93	(—)51.94
168.	157	Foot note 2nd line	Works in progress)	(Works-in-progress)
169.	158	Table heading column (2)	Company	Corporation
170.	159	Column (12) heading	returnson	return on
171.	159	Appendix 'C' table head	Reference para- graph 7 01. of Section VII page 2)	(Reference para graph 6.01 of Section VI, page 87)
172.	159	Heading of column(9)	long term loan	long-term loans. [

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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 :

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

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

3. The cases mentioned in the Report are those which came to notice during the year 1981-82 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 1981-82 have also been included wherever necessary.

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

5. There are, however, certain companies other than Government Companies in which Government have invested funds but the accounts of which are not subject to audit by the Comptroller and Auditor General. A list of 20 such Companies where Government investment exceeded Rs.10 lakhs as on 31st March 1982 is given in Appendix 'A'.

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

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

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

# CHAPTER I

## GOVERNMENT COMPANIES

### SECTION I

#### 1.01. Introduction

There were 36 Government Companies (including 7 subsidiaries) as on 31st March 1982 as against 33 Government Companies (including 7 subsidiaries) as at the close of the previous year due to addition of the following 3 Companies :

Name of the Company	Date of incorporation	Date of becoming Government Company	Authorised Capital (Rupees in lakhs)
Damodhar Cement and Slag Limited	18th November 1977	7th May 1981 ..	2,00.00
Webel Business Machines Limited	20th December 1976	4th August 1981 ..	20.00
Webel Electronic Communication Systems Limited	18th September 1981	20th September 1981	1,00.00

#### 1.02. Compilation of accounts

Audited accounts of 13 Companies (including three subsidiaries) for the year 1981-82 and 11 Companies (including one subsidiary) for the earlier years were received. A synoptic statement showing the summarised financial results of the Companies based on the latest available accounts is given in appendix 'B'. The accounts of the following 23 Companies (including five subsidiaries) were in arrears to the extent noted against each.

Name of the Company	Extent of arrears
Basumati Corporation Limited .. .. .	1977-78 to 1981-82
West Bengal Dairy and Poultry Development Corporation Limited	1977-78 to 1981-82
West Dinajpur Spinning Mills Limited .. .. .	1979-80 to 1981-82
West Bengal Handloom and Powerloom Development Corporation Limited.	1979-80 to 1981-82
West Bengal State Minor Irrigation Corporation Limited .. .. .	1979-80 to 1981-82
Webel Video Devices Limited .. .. .	1979-80 to 1981-82
The Electro-Medical and Allied Industries Limited .. .. .	1979-80 to 1981-82
West Bengal Handicrafts Development Corporation Limited	1979-80 to 1981-82
West Bengal Small Industries Corporation Limited .. .. .	1979-80 to 1981-82
West Bengal Livestock Processing Development Corporation Limited	1980-81 and 1981-82
West Bengal State Textiles Corporation Limited .. .. .	1980-81 and 1981-82

Name of of Company	Extent of arrears
West Bengal Agro-Industries Corporation Limited ..	1980-81 and 1981-82
Westinghouse Saxy Farmer Limited ..	1980-81 and 1981-82
West Bengal Ceramic Development Corporation Limited ..	1981-82
West Bengal State Leather Industries Development Corporation Limited.	1981-82
The Kalyani Spinning Mills Limited ..	1981-82
State Fisheries Development Corporation Limited ..	1981-82
The Shalimar Works (1980). Limited ..	1981-82
West Bengal Fish Seed Development Corporation Limited	1981-82
Durgapur Chemicals Limited ..	1981-82
West Bengal Sugar Industries Development Corporation Limited	1981-82
Webel Business Machines Limited ..	1981-82
Webel Electronic Communication Systems Limited ..	1981-82

The position of arrears in the finalisation of accounts was brought to the notice of Government in January 1983.

### 1.03. Paid-up capital

Against the aggregate paid-up capital of Rs.81,90.38 lakhs in 36 Companies (including subsidiaries) as on 31st March 1981, the aggregate paid-up capital as on 31st March 1982 increased to Rs.85,81.88 lakhs as detailed below :

Particulars	Number of Companies	Investment by		Others	Total
		State Government	Central Government		
(Rupees in lakhs)					
(i) Companies wholly owned by State Government	19	58,11.22	..	..	58,11.22
(ii) Companies jointly owned with the Central Government/Others	10	17,44.00	3,64.02	2,30.76	23,38.78
(iii) Subsidiary companies	7	..	..	4,31.88	4,31.88
	36	75,55.22*	3,64.02	6,52.64	85,81.88

### 1.04. Loans

The balance of long-term loans outstanding in respect of 36 Companies as on 31st March 1982 was Rs.1,76,88.59 lakhs (State Government : Rs.1,41,70.03 lakhs; \*\*others : Rs.34,12.46 lakhs, deferred payment credits : Rs.1,06.10 lakhs) as against Rs.1,40,74.30 lakhs on 31st March 1981.

\*The amount as per Finance Accounts is Rs. 56,59.27 lakhs and the difference of Rs. 18,95.95 lakhs is under reconciliation.

\*\*The amount as per Finance Accounts is Rs. 1,73,53.16 lakhs and the difference of Rs. 31,83.13 lakhs is under reconciliation.



### 1.05. Guarantees

1.05.1. The State Government had guaranteed the repayment of loan raised by 12 Companies and payment of interest thereon. The amount guaranteed and outstanding thereagainst as on 31st March 1982 were Rs.56,43.16 lakhs and Rs.33,24.37 lakhs respectively as shown below :

Name of the Company	Amount guaranteed	Amount outstanding as on 31st March 1982
	(Rupees in lakhs)	
(1) Durgapur Chemicals Limited .. .. .	3,66.23	2,60.12
(2) The Durgapur Projects Limited .. .. .	11,00.00	Nil
(3) The Kalyani Spinning Mills Limited .. .. .	2,08.97	3,28.69
(4) The Shalimar Works (1980) Limited .. .. .	30.00	Nil
(5) West Bengal Essential Commodities Supply Corporation Limited	8,00.00	Nil
(6) West Bengal Forest Development Corporation Limited ..	93.18	55.97
(7) West Bengal Industrial Development Corporation Limited ..	21,46.00	21,46.00
(8) West Bengal Mineral Development and Trading Corporation Limited	8.88	3.88
(9) West Bengal Small Industries Corporation Limited ..	5,92.00	4,06.57
(10) West Bengal Sugar Industries Development Corporation Limited	1,31.00	Nil
(11) West Bengal Tea Development Corporation Limited ..	41.90	35.42
(12) Westinghouse Saxby Farmer Limited .. .. .	1,25.00	87.72
	<u>56,43.16</u>	<u>33,24.37</u>

1.05.2. The Companies have to pay guarantee commission in consideration of the guarantees given by the Government. As on 31st March 1982, the payment of guarantee commission was in arrears to the extent of Rs.29.53 lakhs in the case of 8 Companies\*\* as detailed below :

Name of the Company	Amount in arrears
	(Rupees in lakhs)
(1) The Kalyani Spinning Mills Limited .. .. .	6.035*
(2) The Shalimar Works (1980) Limited .. .. .	0.04*
(3) West Bengal Essential Commodities Supply Corporation Limited	9.25
(4) West Bengal Industrial Development Corporation Limited ..	9.63
(5) West Bengal Mineral Development and Trading Corporation Limited	0.04
(6) West Bengal Sugar Industries Development Corporation Limited	5.29*
(7) West Bengal Tea Development Corporation Limited .. .. .	0.23
(8) Westinghouse Saxby Farmer Limited .. .. .	1.02*
	<u>29.53</u>

\*Figures are provisional as accounts are awaited.

\*\*Based on information so far received (March 1983).

## 1.06. Performance of Companies

1.06.1. The following table\* gives details of 5 Companies (including one subsidiary) which earned profit during 1981-82, and comparative figures for the previous year :

Name of the Company	Paid-up capital		Profit(+)/Loss(-)		Percentage of profit to paid up capital	
	1981-82	1980-81	1981-82	1980-81	1981-82	1980-81
(Rupees in lakhs)						
<i>Companies</i>						
(1) West Bengal Electronic Industry Development Corporation Limited	3,88.00	3,18.00	0.53	0.91	0.14	0.29
(2) West Bengal Essential Commodities Supply Corporation Limited	79.00	79.00	2,58.28	1,58.31	3,26.94	2,00.39
(3) West Bengal Forest Development Corporation Limited	3,98.72	3,73.72	4.10	4.64	1.03	1.24
(4) West Bengal Industrial Development Corporation Limited	5,98.42	4,98.42	62.55	19.83	10.45	3.98
<i>Subsidiary</i>						
(5) Webel Tele-communication Industries Limited	1,00.00	1,00.00	14.65	(- )22.71	14.65	..

1.06.2. During the year one Company declared dividend as indicated below :

Name of the Company	Distributable surplus	Amount retained in business	Dividend declared	Percentage of dividend to paid-up capital
<i>Companies</i>				
West Bengal Essential Commodities Supply Corporation Limited	94.51	88.57	5.94	7.52

1.06.3. The following table\* gives details of 8 Companies (including two subsidiaries) which incurred loss during the year 1981-82 and the comparative figures for the previous year :

Name of the Company	Paid-up capital on 31st March		Loss during	
	1982	1981	1981-82	1980-81
(Rupees in lakhs)				
<i>Companies</i>				
(1) The Durgapur Projects Limited ..	25,37.07	27,90.07	1,63.19	4,54.83
(2) West Bengal Colour Film and Sound Laboratory Corporation Limited	36.57	16.80	2.71	0.86
(3) West Bengal Mineral Development and Trading Corporation Limited	1,57.65	1,19.65	36.50	5.88
(4) West Bengal Pharmaceutical and Phytochemical Development Corporation Limited	62.10	48.00	6.08	2.78
(5) West Bengal Tea Development Corporation Limited	1,55.00	95.00	56.49	18.97
(6) West Bengal Tourism Development Corporation Limited	62.00	57.00	20.66	13.06
<i>Subsidiaries</i>				
(7) Damodhar Cement and Slag Limited	1,24.93	..	2.62	..
(8) West Bengal Cements Limited ..	51.10	51.10	49.89	39.58

\*Information relating to those companies the accounts of which for 1981-82 have been received so far (March 1983).

1.06.4. Up to 31st March 1982, the accumulated loss in respect of 8 Companies\* (paid-up capital : Rs.31,86.42 lakhs) amounted to Rs.42,58.56 lakhs. Particulars of 2 Companies the accumulated loss of which had exceeded their paid-up capital are given below :

Name of the Company	1981-82	
	Paid-up capital (Rupees in lakhs)	Accumulated loss (Rupees in lakhs)
<i>Company</i>		
The Durgapur Projects Limited .. .. .	25,37.07	39,54.33
<i>Subsidiary</i>		
West Bengal Cements Limited .. .. .	51.10	91.22

The accumulated loss in respect of the following 8 Companies also, as reflected in the accounts received up to the period noted against each earlier had exceeded their paid-up capital :

Name of the Company	Year	Paid-up capital (Rupees in lakhs)	Accumulated loss (Rupees in lakhs)
(1) Basumati Corporation Limited .. .. .	1976-77	10.00	28.95
(2) Durgapur Chemicals Limited .. .. .	1980-81	6,78.98	24,94.44
(3) State Fisheries Development Corporation Limited ..	1980-81	1,15.00	1,22.82
(4) The Electro-Medical and Allied Industries Limited	1978-79	25.00	87.38
(5) The Kalyani Spinning Mills Limited .. .. .	1980-81	1,58.21	18,63.00
(6) West Bengal Ceramic Development Corporation Limited	1980-81	97.73	1,25.90
(7) West Bengal Sugar Industries Development Corporation Limited	1980-81	1,58.50	3,29.34
(8) Westinghouse Saxby Farmer Limited .. .. .	1979-80	1,00.00	16,28.70

1.07. West Bengal Fish Seed Development Corporation Limited (a subsidiary) with a paid-up capital of Rs.25.00 lakhs is under construction. The expenditure incurred up to 31st March 1981 was Rs.4.24 lakhs.

1.08. In addition, there was 1 Company covered under Section 619 B of the Companies Act, 1956 as per details given below :

Name of the Company	Latest year of accounts	Paid-up capital	Investment by			
			State Government	Companies	Corporation	Profit(+)/Loss(-) during the year
West Bengal Filament and Lamps Limited.	1981-82	69.00	Nil	69.00	Nil	Under construction stage

\*Information is based on the accounts for 1981-82 received so far (March 19

1.09. The Companies Act, 1956 empowers the Comptroller and Auditor General to issue directives to the auditors of Government Companies in regard to the performance of their functions. In pursuance of the directives so issued, special reports of the Company auditors on the accounts were received in respect of 3 Companies during the year. The report in respect of West Bengal Mineral Development and Trading Corporation Limited brought out the absence of accounts manual and of a system for ascertaining idle time of labour and machinery.

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

(i) Errors which affected the working results :

The Durgapur Projects Limited—An amount of Rs.66.75 lakhs being the value of 25 Mkw power supplied by Damodar Valley Corporation to West Bengal State Electricity Board and wheeled through the Company's grid was included in sales although not included in purchases resulting in overstatement of sales and understatement of loss by that amount.

An amount of Rs.1.00 lakh being the cost of power purchased from West Bengal State Electricity Board was not included in purchases resulting in under-statement of loss to that extent.

Non-adjustment of Rs.3.84 lakhs (under buildings) being the value of unused materials returned to stores resulted in over-statement of depreciation by Rs.1.06 lakhs up to 1981-82 and by Rs.0.06 lakh for the year 1981-82.

(ii) Errors of classification :

West Bengal Cements Limited—An amount of Rs.0.77 lakh being interest accrued but not due on secured loan should have been shown under current liabilities instead of under interest due and accrued under 'Secured Loan',

An amount of Rs.6.60 lakhs being unsecured bridge loan and also an amount of Rs.1.07 lakhs being interest accrued and due thereon was included under 'secured loan' instead of under 'Unsecured Loan'.

(iii) Others :

The Durgapur Projects Limited—An amount of Rs.0.94 lakh being the value of material lifted by the Company's authorised contractor but not delivered to the Company should have been shown under Goods-in-transit instead of under Advance to contractors and suppliers.

The agreement of the Balance sheet and Profit and Loss Account with the book of accounts as certified by the Statutory Auditor has been achieved by accounting for Rs.11.05 lakhs (net) under 'Suspense' under current liabilities and provisions.

A sum of Rs.1.51 lakhs being the retention money deducted from the bills of the Consulting Engineer was not included in "Securities and other Deposits", resulting in under-statement of expenditure during construction under "Fixed capital expenditure".

An amount of Rs.2.88 lakhs being penal rents claimed by the Calcutta Port Trust was neither provided for nor was a disclosure made of the fact that the waiver of the charge was sought by the Company.

West Bengal Cements Limited—An amount of Rs.97 lakhs included under "Secured Loan" against which nature of security had not been disclosed.

Particulars of debts outstanding for a period exceeding 6 months and other debts, and debts (a) considered good and in respect of which the Company was fully secured (b) considered good for which the Company had no security other than the debtors personal security and (c) considered doubtful and bad as required in terms of the Companies Act had not been mentioned.

## SECTION II

**DURGAPUR CHEMICALS LIMITED****2.01. Introduction**

Durgapur Chemicals Limited was incorporated on 31st July 1963 with an authorised capital of Rs.5.00 crores for taking over a chemical project sponsored and developed by the State Government jointly with two Companies in private sector and also mainly with a view to undertaking manufacture and sale of chemicals, drugs, explosives, ammunition, fats, fertilisers and organic intermediaries, mining natural deposits such as salt, soda, and other chemical substances and treating such substances mined. The assets and liabilities of the Project were taken over (September 1963) at an approximate purchase price of Rs.34.52 lakhs. The transfer deed has not yet been executed nor has the purchase price been finalised (March 1983).

The Company had so far engaged itself in the manufacture of phthalic anhydride, caustic soda lye, liquid chlorine, phenol and penta-chlorophenol, etc. Its paid-up capital as on 31st March 1982 was Rs.4,74.81 lakhs wholly subscribed by the State Government except for one share held by a private company.

**2.02. Borrowings**

2.02.1. Besides, the Company's resources comprised loans from State Government and nationalised banks. The Company had received from the State Government from long-term loans aggregating Rs.21,13.44 lakhs up to 31st March 1982 for meeting plan and non-plan expenses. Out of these, the Company had transferred, from time to time, without any specific approval of the Government, amounts aggregating Rs.4,40.31 lakhs to share capital and Rs.2,04.17 lakhs including Rs.34.50 lakhs representing cost of acquisition of assets to share deposit account up to 31st March 1982. This was done in order to maintain a debt-equity ratio of 2 : 1. However, the Government stated (January 1983) that action was being taken to regularise the conversion as a *fait accompli*. But the Government's approval for the adjustments made by the Company was awaited (February 1983). Pending such approval, the Company was reckoning interest on the loans excluding the amounts thus transferred from time to time. The balance of unsecured loans shown in accounts as due to Government as on 31st March 1982 was Rs.14,68.96 lakhs (provisional). Interest accrued and due on the loans up to 31st March 1982 amounted to Rs.7,12.06 lakhs (provisional). Government

had allowed (December 1967) the interest to be reckoned at the rate of 8 per cent per annum from 1963.64 subject to a rebate of 2 per cent till the Company reached a stage when payment of interest to Government might reasonably be expected.

2.02.2. A loan of Rs.3 crores was sanctioned in April 1973 at 10 per cent interest (subsequently at 11 per cent per annum from December 1973 to March 1974, 12½ per cent per annum from April 1974 to 22nd July and 14 per cent per annum from 23rd July 1974 onwards) by a nationalised bank for financing rectification modification of the existing plants (Rs.2 crores) and for expansion of the capacity of the caustic chlorine plant (Rs.1 crore). Government guaranteed (August 1973) due repayment by the Company of the principal in three annual instalments commencing from 1975-76 along with interest and other charges accruing thereon from time to time. Loan to the extent of Rs.1,33.29 lakhs was availed of during the period from 1973-74 to 1977-78. The Company failed to pay the principal and interest as per the terms and conditions and the burden of interest liability was to the extent of Rs.2,02.28 lakhs as on 31st March 1982. After considering certain proposals from the Company, the Bank agreed (September 1981) inter alia, that (i) the entire dues would be cleared within a period of three years, i.e., by September 1984, in equal monthly instalments including interest; (ii) interest would continue to be charged at 14 per cent per annum; and (iii) Government guarantee should be renewed. Government stated (January 1983) that the Company had started paying Rs.5 lakhs per month to the Bank towards liquidation of the loan of Rs.1,33.29 lakhs as an interim measure. Payment at the rate of Rs.5 lakhs would, however, not liquidate any part of the principal amount as the annual interest liability itself is in excess of this sum.

2.02.3. Out of the total loan of Rs.1,33.29 lakhs received from the bank, the Company spent (1973-74 to 1977-78) a sum of Rs.98.62 lakhs on purchase of plant and machineries which remained non-productive (vide paragraphs 2.04.2, 2.05.1, 2.06.2 and 2.07.2) and Rs.34.67 lakhs for normal repair and purchase of spares, in violation of the terms and conditions of the loan sanctioned for the acquisition of fixed assets.

2.02.4. The Company had availed itself of cash credit facility from the United Commercial Bank, Calcutta for meeting its working capital requirements (limit : Rs.50 lakhs) against hypothecation of stocks. Funds received from the Government and other receipts of the Company were also deposited in the same account. As on 31st March 1982 the Company's deposits stood at Rs.21.77 lakhs; no cash credit was, therefore, availed of during the year.

The phenol plant was intended to produce pure brine (salt) to meet the entire requirements of this raw material in the caustic chlorine plant. Its main product, viz., synthetic phenol is produced by treating monochlorobenzene produced by it with caustic soda.

#### 2.04. Caustic chlorine plant

2.04.1. Caustic chlorine plant installed and commissioned at a cost of Rs.2,74.82 lakhs in 1968 with rated capacities of 10,050 tonnes of caustic soda and 8,910 tonnes of chlorine per annum occupies a key position in the entire chain of operation of the various plants. The entire operation of phenol plant including monochlorobenzene and pentachlorophenol plants depends on the availability of caustic soda and chlorine from the caustic chlorine plant. But productions of both caustic soda lye and chlorine have all along remained much below the rated capacities. Although the Company spent Rs.93.69 lakhs for rectification and modification of the plant and Rs.72 lakhs for its expansion during the period from 1974-75 to 1977-78, against the annual rated capacities of 10,050 tonnes of caustic soda and 8,910 tonnes of chlorine, the actual production of caustic soda lye and chlorine declined from 3,841 tonnes in 1975-76 to 2,034 tonnes in 1979-80 and from 2,315 tonnes in 1975-76 to 721 tonnes in 1979-80 respectively. The Committee on Public Undertakings in its eighth report (1977-78) observed, inter alia, that non-availability of sufficient salt of desired quality was the major factor responsible for shortfall in production of caustic soda and chlorine. It was seen that no steps were taken to run the salt recovery unit of the phenol plant and the chlorine produced was sold out as such without being processed in the phenol plant.

The Company undertook (October 1980) a scheme for further rectification and modification of this plant at an estimated cost of Rs.1,67.09 lakhs and an expansion scheme envisaging an increase in production capacity of caustic soda plant from 30 tonnes to 45 tonnes per day (i.e., 10,050 tonnes to 15,075 tonnes per annum) at an estimated cost of Rs.1,17 lakhs. It was envisaged (October 1980) by the Management in Sixth Five Year Plan Project Profile that the plant would earn a profit of Rs.2,01.98 lakhs during the period from 1981-82 to 1984-85 as follows :

	(Rupees in lakhs)
1981-82	24.57
1982-83	37.36
1983-84	54.92
1984-85	85.13
	2,01.98



2.04.2. Although a sum of Rs.78.97 lakhs had actually been spent in 1980-81 and 1981-82 (February 1982) the installed capacity had not been increased and the plant could not earn the anticipated profit as would be evident from the table below summarising the poor capacity utilisation lost during the period from 1979-80 to 1981-82 :

	1979-80		1980-81		1981-82	
	Caustic soda lye	Chlorine	Caustic soda lye (In tonnes)	Chlorine	Caustic soda lye	Chlorine
1. Capacity ..	10,050	8,910	10,050	8,910	10,050	8,910
2. Budgeted production	3,500	1,700	5,160	2,800	6,960	3,842
3. Available hours ..	8,784	8,784	(In hours)		8,760	8,760
4. Actual hours ..	3,617	3,617	6,260	6,260	6,825	6,825
5. Proportionate production capacity for the actual hours worked (1 × 4 ÷ 3)	4,139	3,669	7,182	6,357	7,830	6,942
6. (i) Actual production	2,034	721	(In tonnes)		5,032	2,375
(ii) Plus captive consumption	..	285	..	721	..	550
(iii) Less filling loss ..	..	285	..	405	..	147
7. Net production ..	2,034	741	5,032	2,691	5,769	3,252
8. Shortfall in production (5-7)	2,105	2,928	2,150	3,668	2,061	3,690
9. Percentage of shortfall in production over norms (8) to (5) *	50.86	79.80	(Per cent)		29.94	57.67
10. Average sale price per tonne	3,173.41	1,007.62	(Rupees)		4,075.33	860.62
11. Production loss (in terms of average sale price) (8 × 10)	66.80	29.50	(Rupees in lakhs)		87.62	31.55
12. Plant efficiency ratio	44.31	17.31	(Percentage)		63.35	33.73
					66.61	37.11

The principal reasons for the decline in production and low capacity utilisation had been failures of equipment, pipe lines, pumps, etc, in addition to non-availability of salt from the salt recovery unit of the phenol plant.

2.04.3. To achieve augmentation of production from 30 tonnes per day to 45 tonnes per day the Company, as per recommendations of EIL and the Expert Committee, arranged (March 1974) to procure a third rectifier with accessories. The rectifier received by the Company during February 1976 (cost : Rs.45 lakhs) was installed only in September 1982. A further sum of Rs.15.08 lakhs was spent

on erection work and procurement of balancing equipment during the period from 1979-80 to 1982-83. The incidence of interest on the blocked up capital up to August 1982 was Rs.44.10 lakhs.

The Management stated (August 1982) that the balancing equipment needed for the expansion jobs had also been installed and the rectifier would be operated as standby. The main object of increasing the production capacity has, however, not been achieved.

#### 2.04.4. Excess consumption of materials : consumption of salt

The table below indicates the particulars of consumption of salt, (which is the principal raw material for the production of caustic soda|chlorine) in excess of the prescribed norms (1.6 units of salt to 1 unit of finished product) :

	1979-80	1980-81	1981-82 (provisional)
	(In tonnes)		
1. Budgeted production of caustic soda lye .. .. .	3,500	5,160	6,960
2. Actual production .. .. .	2,034	5,032	5,769
3. Consumption of salt (actuals) .. .. .	5,406	10,293	12,660
4. Requirement of salt as per norm .. .. .	3,254	8,051	9,230
5. Excess consumption over the norm fixed .. .. .	2,152	2,242	3,430
6. Consumption expressed as percentage of over norm .. .. .	166.13	(Per cent) 127.85	137.16
7. Average cost per tonne of salt .. .. .	370.46	(Rupees) 446.41	453.62
8. Loss due to excess consumption .. .. .	7.97	(Rupees in lakhs) 10.01	15.56

The higher consumption of salt was attributed by the Management (September 1982) and Government (January 1983) to non-availability of pure salt on account of the salt recovery unit of the phenol plant not functioning and difficulty in procuring pure salt from other sources. The question of replacing the salt recovery unit (originally cost : Rs.23.68 lakhs) at a cost of Rs.2 crores was under consideration (March 1983).

2.04.5. To tide over the situation caused due to non-availability of salt of desired quality, installation of a complete brine clarifier system was approved at an estimated cost of Rs.54.84 lakhs by the Board (August 1980), on the recommendation of a Consultant of Bombay in order to produce 45 tonnes of caustic soda lye per day and to economise the cost of production. The scheme was, however, not executed so far (February 1983),

In the absence of the brine clarifying system, the plant needed to be shut down on every fifth day for 16 hours for sludge clearance from filter resulting in loss of production of 1,440 tonnes per annum valued at Rs.59 lakhs (approximate).

Government stated (January 1983) that necessary steps had been taken to purchase brine clarifier system the installation of which is expected to be completed by the middle of 1985.

2.04.6. The table below indicates the particulars of shortfall in production of chlorine and filling losses :

	1979-80	1980-81	1981-82 (provisional)
	(In tonnes)		
1. Chlorine to be produced per tonne of caustic soda lye ..	0.8866	0.8866	0.8866
2. Production of caustic soda lye .. .. .	2,034	5,032	5,769
3. Production of chlorine (as per norm) (1 × 2) ..	1,803	4,467	5,114
4. Actual production of chlorine including captive consumption	1,006	3,096	3,399
5. Loss on chlorine filling .. .. .	265	405	147
6. Net production of chlorine .. .. .	741	2,691	3,252
7. Shortfall in production and loss of chlorine (4—7+5) ..	1,062	1,770	1,862
8. Percentage of shortfall in production over norm ..	58.90	(Per cent) 39.68	36.41
9. Average sale price per tonne .. .. .	1,608	(Rupees) 861	768
10. Loss in terms of sales value .. .. .	10.70	(Rupees in lakhs) 15.23	14.29

The Management stated (September 1982) that the loss of chlorine was due to low liquefaction efficiency of the chilling and refrigeration system of the plant. The non-liquefied chlorine escapes into the atmosphere and amounts to wastage of production.

2.04.7. Freon gas is used as a chilling agent in production of caustic soda. There was no check on consumption or leakage of the gas prior to 1979-80. There were heavy leakages in the system according to the Managing Director (reported in August 1980 to the Board of Directors) which could have been detected by installation of a freon gas leakage detector costing about Rs.600. It was stated by the Management (August 1980) that with the installation of the detector in 1980 the consumption level of 1 kg of freon gas per tonne of caustic soda produced in 1978 and 1979 was brought down to less than ½ kg and additional production of 2 tonnes of liquid chlorine per day could be achieved. Had the leakage detector been installed

earlier, the Company apart from saving the cost of the freon gas consumed in excess (value not quantified), would have avoided loss of production of 963 tonnes caustic chlorine (1977-78 to 1979-80) valued at Rs.8.20 lakhs during the three years ending 31st March 1980.

2.04.8. The table below indicates the amount of salary and wages paid in respect of idle hours (other than due to scheduled maintenance) vis-a-vis the total salary and wages paid for production of caustic soda and chlorine during the period of three years up to 31st March 1982 :

	1979-80	1980-81	1981-82
			(provisional)
1. Available working hours .. ..	8,784	8,760	8,760
2. Idle hours .. ..	5,167	2,370	1,636
		(per cent)	
3. Idle hours to available hours .. ..	59	27	19
		(Rupees in lakhs)	
4. Total wages and salaries .. ..	7.84	9.06	11.16
5. Incidence of wages and salaries in respect of avoidable idle hours	4.63	2.45	2.12

## 2.05. Phenol plant

2.05.1. The phenol plant installed and commissioned at a cost of Rs.2,60 lakhs in May 1970 has five units : (a) monochlorobenzene unit, (b) phenol distillation unit, (c) high pressure unit, (d) salt recovery unit and (e) residue recovery unit. In the plant, monochlorobenzene is first produced by reacting chlorine with benzene and then it is turned into phenol with reaction of caustic soda. Besides, the plant was designed to produce by-products such as salt, ortho-oxidiphenyl, para-oxidiphenyl, ortho-dichlorobenzene and para-dichlorobenzene. The production of phenol had all along been insignificant (14 to 68 tonnes per annum). Against the annual rated capacity of 10,000 tonnes of monochlorobenzene and 6,600 tonnes of phenol the targeted production for the period 1977-78 to 1981-82 ranged between 12 per cent (1979-80) and 24 per cent (1978-79) of the rated capacity in case of monochlorobenzene and between 2.18 per cent (1981-82) and 7.27 per cent (1978-79) in the case of phenol. The actual production during the period from 1977-78 to 1981-82 ranged between 4.81 per cent and 5 per cent of the rated capacity in case of monochlorobenzene and between 1.35 per cent

and 1.03 per cent in case of phenol. The low capacity utilisation was mainly due to non-running of the high pressure unit. The Company had not taken any action to rectify this unit which had not been functioning for 9 years.

The EIL in their project report (January 1974) which was approved by the Board (March 1974) recommended primary and secondary modification of the phenol plant at an estimated cost of Rs.9.89 lakhs to set right the following operational bottlenecks :

- (i) serious corrosion and failure of equipment in the chlorobenzene sections;
- (ii) breakdown of high pressure pumps, leakage from gaskets of autoclaves, failure of nickel gaskets joints on heat exchangers, etc; and
- (iii) salt recovery section lying shut-down almost since start up.

Based on this recommendation, the Company spent Rs.3.39 lakhs (funds obtained from the Bank) during the period 1974-75 and 1975-76 but no purpose was served as the work was left incomplete.

The Sixth Plan profile of the Company envisaged an estimated expenditure of Rs.83.45 lakhs for rectification and modification during the period 1980-85. The Company spent Rs.27.82 lakhs during 1980-81 and 1981-82 (up to February 1982) for rectification and modification. As per profitability estimates, the Company would earn from monochlorobenzene section, on progressive implementation of the scheme, a total profit of Rs.1,81.31 lakhs during the period from 1981-82 to 1984-85 as follows :

Year	(Rupees in lakhs)
1981-82	22.20
1982-83	42.75
1983-84	53.04
1984-85	63.32
	<hr/>
Total	1,81.31
	<hr/>

The Company has not maintained plantwise accounts indicating the working results and the profitability achieved could not, therefore, be assessed.

The following table indicates the particulars of shortfall in production and poor capacity utilisation during the period from 1979-80 to 1981-82 :

Particulars	1979-80		1980-81		1981-82	
	Monochlorobenzene	Phenol	Monochlorobenzene	Phenol	Monochlorobenzene (provisional)	Phenol
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	(In tonnes)					
1. Capacity ..	10,000	6,600	10,000	6,600	10,000	6,600
2. Budgeted production	1,200	202	1,600	304	1,332	144
	(In hours)					
3. Available hours ..	8,784	8,784	8,760	8,760	8,760	8,760
4. Actual hours worked	1,376	274	1,920	528	2,740	846
5. Proportionate production capacity for the actual hours worked ( $1 \times 4 \div 3$ )	1,566	206	2,191	398	3,128	638
6. Actual production ..	411	14	381	26	500	68
7. Shortfall in production (5-6)	1,155	192	1,810	372	2,628	570
	(Percentage)					
8. Percentage of shortfall in production compared to norms	73.75	93.20	82.61	93.47	84.02	89.34
	(In rupees)					
9. Average sale price per tonne	7,707	11,500	9,687	11,500	9,327	16,495
	(Rupees in lakhs)					
10. Value of shortfall in production ( $7 \times 9$ ) (in terms of average sale price)	89.02	22.08	175.33	42.78	245.11	94.02
11. Plant efficiency ratio (percentage)	23.66	6.13	15.72	5.91	14.45	9.65

It would be seen from the above table that the actual production was below the production expected for the hours actually worked which indicated that the hours actually worked were not effectively utilised. The Management had neither analysed the reasons for non-achievement of budgeted targets nor assessed the economics effect of low ratio of plant efficiency in order to take appropriate steps to improve plant efficiency and thereby reduce costs.

2.05.2. Production targets of each year were fixed after considering all the constraints but the Company could not achieve even these targets. Records indicated the following factors to be

responsible for poor capacity utilisation and the resultant shortfall in production :

- (a) non-operation of the high pressure unit since 1974 due to breakdown of high pressure pumps, leakages from gaskets of auto claves, failure of nickel gasket joints on heat exchangers;
- (b) non-functioning of the salt recovery unit due to non-availability of raw materials (brine) because the high pressure unit of phenol plant was not operational;
- (c) high consumption of benzene due to non-operation of de-phenolisation section of brine (as indicated by the EIL in the Project Report of January 1974 mentioned in paragraph 2.05.1 supra).

Although, according to the Management (August 1981), the main problem of the phenol plant was the failure of high pressure joints having special type of nickel gaskets on them, one set of nickel joints valuing Rs.3.08 lakhs imported (March 1981) to maintain sustained production had been lying (February 1983). Government stated (January 1983) that a few other indigenous fixtures were required to carry out the work for which press advertisement had been made. It was, however, seen in Audit that no such proposal was made to procure such fixtures at the time of import.

2.05.3. The table below indicates the particulars of loss due to consumption of raw materials in excess of the prescribed norms during the three years up to 1981-82 :

Sl. No. and particulars	Monochlorobenzene			Phenol		
	1979-80	1980-81	1981-82	1979-80	1980-81	1981-82
	(In tonnes)					
1. Gross production ..	411	381	500	14	26	68
2. Budgeted production	1,200	1,600	1,332	202	304	144
3. Actual consumption of raw materials	795.57	825.34	758.35	132.44	200.64	281.08
4. Requirement of raw materials as per norms	596.78	553.22	726.00	38.01	70.60	184.63
5. Excess consumption over the norms (3—4)	198.79	272.12	32.35	94.43	130.04	96.45
	(Per cent)					
6. Consumption expressed as percentage of norms fixed	133.31	149.19	104.46	348.43	284.49	152.24
	(In tonnes)					
7. Average cost per tonne	2,251.28	2,950.42	3,494.45	3,967.01	6,064.45	6,759.18
	(In rupees)					
8. Loss due to excess consumption (5×7)	4.48	8.03	1.13	3.75	7.89	6.52
	(Rupees in lakhs)					

The excess consumption of raw materials had resulted in loss to the tune of Rs.8.23 lakhs in 1979-80, Rs.15.92 lakhs in 1980-81 and Rs.7.65 lakhs in 1981-82. The Management attributed (September 1982) the excess consumption of raw materials to non-utilisation of the different sections of the plants at rated capacity.

The Company incurred an expenditure of Rs.1,34.69 lakhs on raw materials and wages on manufacture of 108 tonnes of phenol (total cost : Rs.234.59 lakhs) during the 3 years from 1979-80 to 1981-82. The average cost of manufacture thus worked out to Rs.2.17 lakhs per tonne (expenditure on raw materials and wages alone : Rs.1.24 lakhs per tonne), as against the average selling price which ranged between Rs.0.11 lakh and Rs.0.16 lakh during 1981-82 when 20 tonnes of phenol were sold. The average market price of phenol during the period of 3 years was around Rs.0.14 lakh per tonne. Thus, while the phenol was manufactured (mainly for captive consumption) at an abnormally high cost compared to the market price, the sale price did not even cover the cost of raw materials and wages.

2.05.4. The table below indicates the particulars of salary and wages paid in respect of avoidable idle hours excluding scheduled maintenance vis-a-vis the total salary and wages paid for production of monochlorobenzene and phenol during the period of three years up to 31st March 1982 :

Particulars	1979-80		1980-81		1981-82	
	Mono-chloro-benzene	Phenol	Mono-chloro-benzene	Phenol	Mono-chloro-benzene (provisional)	Phenol
1. Available working hours	8,784	8,784	8,760	8,760	8,760	8,760
2. Avoidable idle hours	7,103.5	8,510	3,981.0	8,232	5,789	7,423.5
	(Per cent)					
3. Percentage of avoidable idle hours to available hours	80.87	96.88	45.45	93.97	66.08	84.74
	(Rupees in lakhs)					
4. Total salaries and wages	3.77	5.13	4.23	6.34	4.02	6.02
5. Incidence of salaries and wages in respect of avoidable idle hours	3.05	4.97	1.92	5.96	2.66	5.10

Reasons for idle hours were (i) shortage of raw materials|feed stock, (ii) mechanical trouble, (iii) shortage of steam|steam pressure, (iv) space limitation of monochlorobenzene and acid storage tank, (v) shortage of inert gas, etc.



## 2.06. Pentachlorophenol plant

2.06.1. The plant was put to commercial operation in June 1969 at a cost of Rs.32.34 lakhs with a rated capacity of 990 tonnes per annum. Pentachlorophenol is produced by the reaction of chlorine and phenol in a nickel reactor, with hydrochloric acid as a by-product, neutralised with caustic soda to form sodium pentachlorophenate solution which is then dried, flaked and sold in drums.

2.06.2. The table below indicates particulars of production of pentachlorophenol vis-a-vis the rated capacity of the plant during the three years up to 1981-82 :

	1979-80	1980-81	1981-82
		(provisional)	
	(In tonnes)		
1. Capacity	990	990	990
2. Budgeted production	300	280	274
3. Available hours	8,784	8,760	8,760
4. Actual hours	1,871	1,674	1,699
5. Proportionate production capacity for the actual hours worked ( $1 \times 4 \div 3$ )	211	189	192
6. Actual production :			
Lye ..	70	79	18
Flake ..	11	6	56
Total ..	81	85	74
7. Shortfall in production (5-6)	130	104	118
		(Per cent)	
8. Percentage of shortfall in production over norms	61.61	55.03	61.46
		(In rupees)	
9. Average sale price per tonne	18,696	20,000	20,000
		(Rupees in lakhs)	
10. Production loss ( $7 \times 9$ ) (in terms of average sale price)	24.30	20.80	23.60
11. Plant efficiency ratio (percentage)	34.63	40.62	34.84

Capacity utilisation of the plant ranged between 8.18 per cent in 1979-80 and 7.47 per cent in 1981-82. The Company suffered loss of production valuing Rs.24.31 lakhs in 1979-80, Rs.20.80 lakhs in 1980-81 and Rs.23.60 lakhs in 1981-82 due to its failure to utilise the plant capacity fully even during the hours worked.

Reasons for shortfall as attributed by the Management (September 1982), were as follows :

- (a) working of only one reactor out of two due to market constraints during 1979 to 1981;
- (b) delay due to process problems; and
- (c) shortage of raw material.

2.06.3. The table below indicates the particulars of salary and wages paid in respect of avoidable idle hours excluding scheduled maintenance vis-a-vis, the total salary and wages paid for pentachlorophenol during the three years ending 1981-82 is given below :

	1979-80	1980-81	1981-82 (provisional)
1. Available working hours .. .. .	8,784	8,760	8,760
2. Avoidable idle hours .. .. .	5,809	7,057	5,573
3. Percentage of avoidable idle hours to available hours ..	66.13	(Per cent) 80.56	63.62
4. Total salaries and wages .. .. .	(Rupees in lakhs) 0.88	1.81	1.90
5. Incidence of salaries and wages to avoidable idle hours ..	0.58	1.46	1.21

2.06.4. The idle hours were mainly due to shortage of raw materials, mechanical and electrical troubles, steam and power failure, etc.

## 2.07. Phthalic anhydride plant

2.07.1. Phthalic anhydride plant was commissioned in January 1968 to produce phthalic anhydride by oxidation of liquid naphthalene with air in presence of catalyst. Rated capacity of the plant is 3,300 tonnes per annum.

2.07.2. The table below summarises the target of production, actual production, shortfall in production and the capacity utilisation during the three years up to 1981-82 :

	1979-80	1980-81	1981-82 (provisional)
	(In tonnes)		
1. Capacity .. .. .	3,300	3,300	3,300
2 Budgeted production .. .. .	2,400	Not fixed	1,500
3 Available hours .. .. .	8,784	8,760	8,760
4 Actual hours .. .. .	3,878	208	6,889
5. Proportionate production capacity for the actual hours worked ( $1 \times 4 \div 3$ )	1,457	78	2,512
6. Actual production .. .. .	874	29*	1,449
7. Shortfall in production (5—6) .. .. .	583	49	1,063
8. Percentage of shortfall in production over norms ..	40.01	(Per cent) 62.82	42.32
9. Average sale price per tonne .. .. .	13,208	(In Rupees) 12,955	10,864
10. Production loss (7×9) (in terms of average sale price)	77.00	(Rupees in lakhs) 6.35	115.48
1. Plant efficiency ratio (percentage) .. .. .	54.09	33.46	52.15

\*Low production due to 1 forced shut-down of the plant, vide, paragraph 2.07.3 *infra*.

Capacity utilisation which was 26.48 per cent in 1979-80 went down to 0.88 per cent in 1980-81. Actual working hours also went down progressively. Non-utilisation of the hours during which the plant was put to operation at rated capacity has also resulted in loss of production ranging from Rs.6.35 lakhs in 1980-81 to Rs.1,15.48 lakhs in 1981-82.

Reasons for shortfall in production for the years 1979-80 and 1981-82, as disclosed by the Company (September 1982) were, inter alia, non-availability of naphthalene, coke-oven gas, inert gas and storage space, scheduled maintenance, power failure, expiry of effective life of catalyst and major break downs (e.g., explosion, vide, paragraph 2.07.3 below).

2.07.3. An explosion occurred in the phthalic reactor on 20th February 1980 and the plant remained closed from 20th February 1980 to 2nd April 1981. Investigation revealed that excessive stress due to temperature and fatigue caused the explosion. A crack was first noticed during 1975 and the supplier of the plant advised (July 1975) the Company to weld the crack and to ensure that the plant was not put to operation with the crack persisting. But no such welding was done and the plant was allowed to run commercially after painting the cracked surface. The Company suffered production loss of 1,563 tonnes valuing Rs.2,02.49 lakhs for the shut-down period of the plant. Government stated (January 1983) that the supplier advised to run the plant commercially after painting the cracks.

2.07.4. The following table indicates the particulars of consumption of raw materials in the manufacture of phthalic anhydride in excess of the norms indicated by the supplier of the plant during the three years up to 1981-82 :

	1979-80	1980-81	1981-82)
	(provisional (In tonnes)		
1. Gross production .. .. .	874	29	1,449
2. Budgeted production .. .. .	2,400	Not fixed	1,500
3. Consumption of naphthalene .. .. .	1,217	61	1,981
4. Total consumption as per norm .. .. .	961	32	1,594
5. Excess consumption over the norm fixed (3—4) .. .. .	256	29	387
6. Consumption expressed as percentage of norm fixed .. .. .	126.64	(Per cent) 190.63	124.28
7. Average cost per tonne of naphthalene .. .. .	4,165.94	(In Rupees) 1,716.90	5,596
8. Loss due to excess consumption .. .. .	10.66	(Rupees in lakhs) 0.50	21.66

Excess consumption of raw materials, viz., naphthalene, over the prescribed norm had been progressively going up and was as high as 90.63 per cent during 1980-81. The excess consumption of 672 tonnes naphthalene during 1979-80 to 1981-82 involved additional cost of Rs.32.82 lakhs. Had the quantity been converted into phthalic anhydride as per norm the Company could have earned an additional revenue of Rs.72.38 lakhs. According to the Management, the excess consumption was due to low utilisation of capacity and intermittent starting of pan reactor involving higher consumption of naphthalene along with pan vapour. For achieving better efficiency of the plant, the Company imported (January 1979) two blocks of fin tubes at a cost of Rs.11.95 lakhs. Though the tubes were required for urgent use, they were installed in August 1982 only. The Board of Directors observed (July 1982) that the delay in installation caused excess consumption of raw material.

2.07.5. The table below indicates the particulars of salary and wages paid in respect of avoidable idle hours other than due to scheduled maintenance, vis-a-vis, the total salaries and wages paid for production of phthalic anhydride :

				1979-80	1980-81	1981-82 (provisional)
1. Available working hours	..	..	..	8,784	8,760 hours	8,760
2. Avoidable idle hours	..	..	..	3,049	8,552	1,463
3. Percentage of avoidable idle hours to available hours	..		..	34.71	(Per cent) 97.62	16.70
4. Total salaries and wages	..	..	..	6.92	(Rupees in lakhs) 6.79	8.10
5. Incidence of salaries and wages on avoidable idle hours				2.40	6.63	1.35

2.07.6. Reasons for the idle hours during the period from 1980-81 and 1981-82 were, inter alia, explosion in the reactor, instrument trouble, inadequate steam supply, shortage of power, mechanical trouble, raw material shortages, etc. During 1980-81 and 1981-82 the plant was shut-down for 9,733 hours and 207 hours respectively for mechanical fault due to explosion in the reactor. Government accepted (January 1983) that had proper co-ordination among different wings of the Company been ensured and delay in execution in jobs avoided, factors responsible for idle wages could have been minimised.

## 2.08. Utility section

2.08.1. According to the norms laid down in the project report, the phthalic anhydride plant would generate 3.8 tonnes of steam in

the production of one tonne of finished product and the steam would be supplied to phenol, pentachlorophenol and sodium pentachlorophenol plant for their use.

The plant produced 2,352 tonnes of phthalic anhydride during the period from 1979-80 to 1981-82 and accordingly made available 8,937 tonnes of steam to other plants during the same period. The other plants, however, could actually consume only 2,346 tonnes of steam during the said period resulting in loss of 6,591 tonnes of steam produced in phthalic anhydride plant which was vented into the atmosphere. Although the other plant could not utilise fully the steam available from the phthalic anhydride plant, the Company generated 59,925 tonnes of steam in the steam section during the period from 1979-80 to 1981-82 which actually was not required by the other plants. Thus 66,516 tonnes of steam valuing Rs.1,03.10 lakhs were generated in excess of the requirements.

The Management attributed (September 1982) the loss of steam to interruption in the operation of the plant.

2.08.2. Entire supply of water is received from Durgapur Projects Limited and stored in a reservoir of 500 cum capacity. No records of actual water consumption by different units is kept since no metering system is provided. The loss on excess consumption during the three years up to 1981-82 was estimated by Audit at Rs.20.79 lakhs as indicated in the following table :

	1979-80	1980-81	1981-82
			(provisional)
	(In thousand gallons)		
(1) Requirement as per norms .. .. .	21,510	48,615	56,059
(2) Allocated consumption .. .. .	3,15,375	3,15,513	2,81,839
(3) Excess consumption over norms .. .. .	2,93,865	2,66,898	2,25,780
	(Per cent)		
(4) Consumption expressed as percentage over norms fixed ..	1,466.18	649.00	502.75
	(Rupees in lakhs)		
(5) Loss due to excess consumption .. .. .	7.35	6.67	6.77

Though the Board decided (August 1981) to take necessary steps to effect reduction in consumption of water, no action has been taken so far (February-1983).

2.08.3. The table below indicates the particulars of excess consumption of gas during the three years up to 1981-82 :

	1979-80	1980-81	1981-82
			(provisional)
	(In normal cubic metre)		
1. Requirement as per norms .. .. .	3,91,454	5,26,323	9,30,909
2. Allocated consumption .. .. .	6,91,712	4,91,940	14,56,896
3. Excess consumption over norms .. .. .	3,00,258	(—)34,383	5,25,987
		(Per cent)	
4. Consumption expressed as percentage over norms fixed	76.70	..	156.50
		(In Rupees)	
Rate per normal cubic metre .. .. .	1.04	1.59	1.01
		(Rupees in lakhs)	
6. Loss due to excess consumption .. .. .	3.12	..	5.31

2.08.4. Actual consumption of electricity in different plants was not on record due to absence of any metering device. Particulars of consumption of electricity over the prescribed norms during the three years up to 1981-82 are shown in the table below :

	1979-80	1980-81	1981-82
			(provisional)
	(In MkwH)		
1. Requirement as per norms .. .. .	9.02	197.42	247.51
2. Actual consumption .. .. .	105.39	215.00	299.80
3. Excess consumption over norms .. .. .	15.15	17.58	52.29
		(Per cent)	
4. Consumption expressed as percentage over norm fixed .. .. .	116.79	18.91	123.12
		(In Rupees)	
5. Rate per kilo-watt hour .. .. .	0.32	0.37	0.40
		(Rupees in lakhs)	
6. Extra cost due to excess consumption .. .. .	4.85	6.51	22.52

The excess consumption of electricity was 15.89 per cent of the total requirement as per norms\* during the period of three years up to 1981-82 and resulted in extra expenditure of Rs.33.88 lakhs during the same period.

The Management attributed (September 1982) the excess consumption of electricity to poor maintenance of cell and non-replacement of anodes due to non-availability of skilled personnel.

\*The consumption norms were taken from project report of Krebs' and Cie, Paris as well as from operating manual of penta chlorophenol/sodium penta chlorophenolate plants.

Government stated (January 1983) that under the supervision of an expert, the cell maintenance and replacement of anodes are being done since last two years.

## 2.09. Rectification and modification scheme

2.09.1. Engineers India Limited (EIL) which was paid Rs.1.81 lakhs (1974-75 and 1981-82) towards consultancy fee conducted an economic viability study of the Company in January 1974 and recommended a capital outlay of Rs.1,78.44 lakhs towards rectification and modification works of the plants. Based on Company's own programme (1972) and recommendation of EIL the Company received Government loan of Rs.85 lakhs and Bank loan of Rs.1,33.29 lakhs during the period from 1973-74 to 1977-78. During the period 1974 to 1978, the Company spent Rs.1,45.29 lakhs (loan from the United Commercial Bank : Rs.1,33.29 lakhs and Government loan : Rs. 12 lakhs) for rectification|modification of the plants but the capacity utilisation of the plants did not improve. The Technical Committee of the Company prepared (July 1978) an action programme for renovation of the plants at an estimated cost of Rs 2,30 lakhs. A Bombay consultant appointed in March 1979 on the advice of the Government to survey the existing condition of the various sections of the plants and to formulate a scheme for revitalisation and improvement of functioning of the plants suggested (August 1979) rectification|modification at an estimated cost of Rs.1,12.38 lakhs. The Board of Directors accepted (August 1979) the recommendations of the Consultants and resolved that in the course of implementation of the scheme, additional works as deemed necessary for ensuring an immediate increase in the earning should also be taken up. A departmental works team also suggested (October 1980) a few items in addition to those recommended by the Technical Committee and the consultant. Based on the recommendations of the Technical Committee, the consultant and the works team, the Management included (October 1980) a list of jobs involving an estimated capital outlay of Rs.7,05.07 lakhs in the Sixth Five Year Plan Project Profile (1980-85) towards rectification|modification of the plants (Rs.4,28.07 lakhs), expansion of caustic chlorine plant, coal tar chemical project, renovation of monochlorobenzene unit and hydrochloric acid plant (Rs.2,77 lakhs). It was approved by the Board of Directors in November 1980 and by the Government in January 1981. Based on the action programme of the Technical Committee, the Company received loan of Rs.51 lakhs from the State Government during the period 1978-79 and 1979-80 and a further loan of Rs.1,80 lakhs during the period 1980-81 and 1981-82 for rectification and modification of the plants as per scheme envisaged in the Sixth Five Year Plan Project Profile. Thus, from the year

1973-74 to 1981-82 the Company received Rs.4,49.29 lakhs (Government loan : Rs.3,16 lakhs and Bank loan : Rs.1,33.29 lakhs as referred to in paragraph 2.02.2 supra for rectification|modification of the plant; the value of assets acquired thereagainst till 1981-82 totalled to Rs.2,38.69 lakhs (provisional). The work is still in progress (February 1983); the production targets are yet to be achieved (February 1983).

### 2.09.2. Diversification programme

Considering the Company's condition and product profile, diversification programme to produce salicylic acid, para-nitrochlorobenzene, ortho-nitrochlorobenzene, para-nitrophenol, ortho-nitrophenol and aniline was taken up from 1976-77 onwards to make the products more profitable. The Company obtained three techno-economic feasibility reports for setting up three plants, viz., a coal tar complex, salt project and pesticides formulation unit, at a cost of Rs.1.26 lakhs incurred between May 1976 and September 1978. According to the feasibility reports, the capital outlay on the three projects was estimated at Rs.44.50 crores. The Planning Commission did not approve the diversification proposals but directed that diversification programme should be taken up after setting right the deficiencies and drawbacks of the mother plants by implementing the rectification|modification programme. Therefore, the salt project was abandoned (1979-80) and the other schemes were also shelved. Taking up of diversification programme without implementing the rectification|modification programme of the mother plants resulted in incurring the unfruitful expenditure of Rs.1.26 lakhs.

### 2.10. Idle plant and machinery

The table below indicates the major items of plant and machinery which were lying idle for a long time :

Name of the plant and machinery	Date from which lying idle	Value (Rupees in lakhs)	Remarks
1. Caustic-fusion plant	.. February 1970	19.04	The plant was installed (April 1968) within the caustic chlorine plant for production of caustic soda solid and flakes. It broke down in February 1970 and has not been recommissioned. Government stated (January 1983) that the supplier had suggested replacement of the plant.
2. Two titanium impellers	.. September 1977	0.81	These were imported on urgent basis for use in the caustic chlorine plant. The Management stated (April 1981) that one impeller would be utilised shortly and the other would be kept as stand-by.



Name of the plant and machinery	Date from which lying idle	Value (Rupees in lakhs)	Remarks
3. Phenol residue recovery plant	1970-71	49.46	The unit was installed (May 1970) within the phenol plant to distil fully the phenol and other by-product content in phenol. The Management has taken up (October 1980) a rectification and modification programme of the phenol plant including this unit at a total cost of Rs. 83.45 lakhs.
4. Two oil-fired boilers	February 1978	14.87	These boilers were installed (February 1978) to meet the inadequacy of steam generating capacity but according to Management (November 1981) the same could not be operated due to high operating cost. The Board decided (November 1981) to get a techno-economic feasibility report prepared by Fertiliser (Planning and Development) India Limited, on change over from existing steam boiler to oil-fired furnace. No action was, however, taken in this respect (February 1983).

## 2.11. Inventory control

2.11.1. The Committee on Public Undertakings (COPU) while considering the Report of the Comptroller and Auditor General for the year 1972-73 (Commercial) observed (March 1979), inter alia, that there was no systematic inventory control resulting in shortages of materials required for running the plant. The COPU also recommended expeditious finalisation of the purchase manual. The manual has not yet been finalised (February 1983).

### 2.11.2. Physical verification of stores

The Company conducts annual stock verification of stores by appointing a firm of Chartered Accountants. Physical verification of capital goods held in stores had not been done reasons for which were not on record.

Physical verification of raw materials and stores and spare parts including finished goods, for the 3 years ending March 1981 revealed the following shortages/excesses.

Year	Raw materials and stores and spare parts	
	Excess (Rupees in lakhs)	Shortage
1978-79 .. .. .	0.26	0.73
1979-80 .. .. .	1.39	0.40
1980-81 .. .. .	0.87	

Report of the physical verification for the year 1981-82 was not made available (September 1982)

There was a net difference, viz., Rs.23.03 lakhs, between physical inventories and book balances of raw materials, stores and spares as on 31st March 1981 classified under suspense account which was not analysed to find out the reasons for such differences in order to adjust them to final head of accounts. The Management stated (1979-80) that a committee was formed to look into the reasons for such differences.

2.11.3. The closing stock of stores and spares (Rs.1,42.65 lakhs) as on 31st March 1982 included non-moving and slow moving items valued at Rs.96.27 lakhs for periods noted against each as indicated below :

					Number of items	Value (Rupees in lakhs)
Stores which did not move for—						
(a) Three years or more :						
Indigenous	..	..	..	..	2,508	27.13
Imported	..	..	..	..	1,232	60.17
(b) Two years or more but less than three years :						
Indigenous	..	..	..	..	206	1.83
(c) One year or more but less than two years :						
Indigenous	..	..	..	..	348	5.52
Imported	..	..	..	..	36	1.62
Total					..	96.27

## 2.12. Sales and costing system

2.12.1. The table below indicates the cost of production of the major products and the sales price per tonne thereof during the three years ended 1981-82 :

	1979-80					
	Cost price per tonne (Rupees)	Average sale price per tonne (Rupees)	Loss per tonne (Rupees)	Total		
				Sales (Tonne)	loss (Rupees in lakhs)	
1. Caustic soda lye	.. 10,142	3,173	6,969	1,799	1,25.38	
2. Chlorine ..	.. 3,218	1,008	2,210	255	5.64	
3. Phenol ..	.. 3,40,552	11,500	3,29,052	..	..	
4. Phthalic ..	.. 17,555	13,208	4,347	1,060	46.09	
5. Pentachlorophenol	.. 27,263	18,696	8,567	6	0.51	
6. Monochlorobenzene	.. 14,419	7,707	6,712	260	17.45	
7. Sodium Pentachloro phenate	.. 28,205	23,463	4,742	58	2.75	
					<u>1,97.82</u>	

		1980-81				
		Cost price per tonne (Rupees)	Average sale price per tonne (Rupees)	Loss per tonne (Rupees)	Total	
					Sales (Tonne)	Loss (Rs. in lakhs)
1.	Caustic soda lye	6,909	4,075	2,834	4,783	1,35.54
2.	Chlorine .. ..	1,455	860	595	1,761	10.48
3.	Phenol .. ..	2,82,362	11,500	2,70,862	..	..
4.	Phthalic .. ..	1,79,275	12,955	1,66,320	21	34.93
5.	Pentachlorophenol ..	28,999	20,000	8,999	6	0.54
6.	Monochlorobenzene ..	24,533	9,687	14,846	340	50.48
7.	Sodium pentachloro- phenate	36,366	25,000	11,366	48	5.46
						2,37.43

		1981-82				
		Cost price per tonne (Rupees)	Average sale price per tonne (Rupees)	Loss per tonne (Rupees)	Total	
					Sales (Tonne)	Loss (Rs. in lakhs)
1.	Caustic soda lye ..	7,399	4,191	3,208	5,090	1,63.30
2.	Chlorine .. ..	1,347	768	579	2,160	12.52
3.	Phenol .. ..	1,66,921	16,495	1,50,426	20	30.09
4.	Phthalic .. ..	13,653	10,864	2,789	1,363	51.65
5.	Pentachlorophenol ..	35,000	20,000	15,000	52	7.80
6.	Monochlorobenzene ..	19,226	9,327	9,899	343	33.95
7.	Sodium pentachloro- phenate	97,555	25,000	72,555	54	39.18
						3,38.49

The Company suffered loss of Rs.7,73,74 lakhs by selling the products below cost price during 1979-80 to 1981-82.

2.12.2. The following deficiencies in the costing system persist :

- (i) Cost sheets were prepared on historical basis after the financial accounts were closed. Due to considerable time-lag in compilation of cost sheets, consequential variations could not be investigated in time.

*Note :* The Company did not sell any quantity of phenol during 1979-80 and 1980-81.

- (ii) No estimate was prepared for repairs and manufacturing jobs at the workshop. Daily time cards were not maintained in respect of each work order in the workshop.
- (iii) Chargeable expenditure, such as power, water, gas, steam, etc, was allocated to each product not on the basis of actual consumption (for lack of metering arrangements) but on technical estimates.
- (iv) Idle capacity cost was not segregated.

2.12.3. The Company issued (24th April 1979) sale order for 25.9 tonnes monochlorobenzene at the rate of Rs.5,500 per tonne (cost of production Rs.14,420 per tonne) to a Delhi firm and supplied 15.9 tonnes till 25th May 1979. The sale order contained no delivery schedule. The sale price of the material was revised to Rs.7,000 per tonne with effect from 25th May 1979. However, supply of the balance quantity (10 tonnes) was effected on 26th May 1979 at the agreed rate. The rules contained in the prescribed general instructions of the delivery order, however, provided that if the price of the materials is revised during the validity period of the order, the customer will have the option either to cancel the order or to accept the ruling price of the Company. Due to non-incorporation of this clause in the sale order, the Company could not enforce recovery from the customer, or in the event of cancellation by the customer, could not sell it at higher price to other customers. This resulted in a loss of revenue of Rs.0.15 lakh.

Government stated (January 1983) that the Board decided (October 1979) to sell the material at the contracted price.

### 2.13. Sundry debtors

The table below indicates the total book debts, sales and percentage of debts to sales during the 3 years ended March 1982.

	1979-80	1980-81	1981-82
			(provisional)
	(Rupees in lakhs)		
Total book debts .. .. .	70.69	79.77	95.43
Sales during the year .. .. .	2,43.01	2,61.75	4,41.16
	(Per cent)		
Percentage of book debts to sale .. .. .	29.09	30.48	21.63

Break-up of debtors as on 31st March 1982 is as follows :

	(Rupees in lakhs)
Government Departments	0.03
Government Companies	38.64
Others	56.76

For realisation of the outstanding debts, the Company initiated (1976 to 1981) legal actions against 8 parties for a total sum of Rs.19.42 lakhs and obtained (1981) decrees against 3 parties for Rs.5.18 lakhs. However, no amount had been recovered so far (February 1983). Of the decretal amount, Rs.4.50 lakhs could not be recovered as the parties concerned had wound up and reasons for non-recovery of balance of Rs.0.68 lakh were not on record. Demand notices on two parties were issued (1982) for Rs.10.28 lakhs. Claims for Rs.1.63 lakhs could not be processed due to non-availability of original documents.

#### 2.14. Defalcation

2.14.1. The sale proceeds of canteen coupons amounting to Rs.0.92 lakh were not deposited with the Company by the Canteen Managers during the period from 6th September to 11th June 1978 (Rs.0.71 lakh) and from 8th March 1979 to 31st March 1981 (Rs.0.21 lakh). The defalcation was noticed by Audit in August 1981.

No action had been taken by the Management for realisation of the amount (September 1982). The case was also referred to the Police for investigation. The Management, however, stated (July 1982) that a sub-committee consisting of the members of the Board was examining the entire affairs.

#### 2.14.2. Diversion of funds and consequent failure to prefer claim in time for goods lost in transit

The Company placed (November 1974) a firm order with a consultant of Paris for import of spare parts valued at FF 5,36,075 (Rs.7.62 lakhs) CIF under French credit. The goods were shipped by the supplier in March 1977 and payments were made to the supplier by the State Bank of India as agent of the Government of India, in April and May 1977. Reasons for delay in shipment of goods were not on record. The local steamer agent of the vessel carrying the

cargo informed (May 1977) the Company about a fire mishap to the vessel at the Port of Djibouti and the damage to the goods, as estimated by the surveyor at Djibouti, was 100 per cent. The local agents of Insurance Company advised (August 1978) the Company to make a claim against the steamer agent and also requested the Company to furnish them with necessary documents, viz., certificate of insurance, bill of lading, etc. The Company, however, did not take any action in this respect, and instead, filed a suit (November 1978) against the Steamer Company for recovery of the claim although the ship had arrived at the port of Calcutta in May 1977. The case had not yet been settled (February 1983). Meanwhile, the Chairman of the Company directed (March 1981) that the case should be settled through negotiation and the shipping documents be retired for lodging a claim for missing goods with the insurer. The Company paid (June 1981) Rs.7.84 lakhs including interest (Rs.0.24 lakh) to the State Bank of India in order to retire the document but this could not be done as the Government of India directed (July 1981) the Company to pay the balance interest of Rs.4.43 lakhs due up to 16th June 1981 within March 1982. Accordingly, the Company paid (March 1982) Rs.4.43 lakhs on account of interest to the State Bank of India and retired the documents. No action was taken (February 1983) to lodge a claim against the insurer for the missing goods as desired by the Chairman (March 1981). The Company has, thus, paid a total amount of Rs.12.27 lakhs for spare parts which have been lost and has not even lodged a claim against the insurer. Management stated (September 1982) that, due to paucity of funds, the documents could not be retired in time. This contention of the Management is not tenable in view of the fact that Rs.7.84 lakhs were obtained (July 1977) by the Company against the loan sanctioned by the United Commercial Bank for retiring the documents relating to import of the material. Government stated (January 1983) that the amount was drawn (July 1977) for retirement of the shipping documents but due to urgent need at Durgapur Works the amount was transferred to Durgapur. However, the particulars of receipt of the amount at Durgapur and utilisation thereof were not available. Information in this regard which was called for from the Management (March 1983) is awaited (May 1983).

## 2.15. Township

2.15.1. The Company had 398 quarters of different types and 12 shop stalls in its township. The book value of the assets as on 31st March 1982 was Rs.51.73 lakhs. In addition, 187 quarters were taken on rent from other sources at an annual rent of Rs.2.06 lakhs.

2.15.2. Out of 585 quarters available, 14 quarters were under unauthorised occupation. The dates of entrance of the unauthorised occupants were not available.

2.15.3. Rupees 0.64 lakh representing rent realisable from outside parties pertaining to the period 1977 to 1982 remained unrealised (September 1982). The Management had not taken any effective steps for the realisation (February 1983).

2.15.4. The Company had been purchasing power from Durgapur Projects Limited. The purchase rate prevailing since 1979-80 was 47 paise per unit. The power was being sold at varying rates ranging from 20 paise to 27 paise per Kwh resulting in loss of Rs.2.58 lakhs for the period 1979-80 to 1981-82. Board's approval for granting such concessions was also not obtained. Although Government stated (January 1983) that the Board approved the concessional rate, no resolution in this respect was shown to Audit (February 1983).

2.15.5. For consumption of water in the township the Company had paid Rs.4.51 lakhs to Durgapur Projects Limited for the period 1979-80 to 1981-82. No charges were realised from the occupants of the quarters and shop stall holders for the water. The benefits thus extended had no approval of the Board.

## 2.16. Civil works

Recovery rates of materials issued to contractors are not fixed on the basis of procurement costs and other incidental charges incurred. Rates fixed by the Public Works Department are applied for recovery. Due to non-fixation of departmental issue rate the Company made

short recovery of Rs.0.42 lakh from contractors during 1980-81 as detailed below :

Item	Quantity issued	Recovery rate per tonne	Procurement cost per tonne	Short recovery
	(In tonnes)	(Rupees)	(Rupees)	(Rupees)
Cement .. ..	102.785	500	557	5,925.00
M.S. Rod .. ..	3.742	2,900	4,159	4,714.00
Tor Steel .. ..	5.475	3,100	8,842	31,441.00
			<b>Total ..</b>	<b>42,080.00</b>

## 2.17. Budgetary control and internal audit

### 2.17.1. Budgetary control

The Company prepares annual operating budget and capital budget. But the budgets are not prepared and approved before commencement of the financial year. Progress of actual expenditure is not watched against the budget provisions. Government stated (January 1983) that the Company prepares provisional budget and the same is reported to the Board every month.

### 2.17.2. Internal Audit

The Company has an internal audit unit headed by an Internal Audit Officer. The Company has not yet prepared any manual or audit programme nor laid down the quantum of check to be exercised (September 1982). In practice the internal audit unit checks all expenses incurred by the Company and carries out specific investigations as and when required by the Management.

There is no system of periodical submission of internal audit reports to the Management|Board.

### 2.17.3. Accounting manual

The Company has not drawn up any manual laying down the detailed procedure (March 1983) for the maintenance and compilation of accounts, the duties and responsibilities of various officials and the delegation of financial power to them (March 1983).



## **2.18. Other points of interest**

### **2.18.1. Acting allowance**

The Company paid Rs.2.47 lakhs during the period April 1977 to November 1979 as acting allowance to 187 incumbents who actually did not render services in the next higher post which was a prerequisite for the grant of such allowance. This resulted in an irregular payment of Rs.2.47 lakhs, and the Board, instead of effecting recovery of the allowance irregularly paid to the employees, issued an order (November 1979) to write off the amount without conducting any investigation.

### **2.18.2. Loss of revenue due to non-recovery of cylinder detention charge**

Mention was made in paragraph 4.23 of Section IV of the Report of the Comptroller and Auditor General for the year 1972-73 (Commercial) that the Company could not realise an amount of Rs.0.70 lakh from the customers who had retained chlorine cylinders beyond the rent free period. The Company neither effected recovery of the detention charges nor maintained any records concerning the movement of cylinders up to March 1980. However, a scrutiny of the records revealed that a sum of Rs.0.56 lakh on account of detention charges for the years 1980-81 and 1981-82 was awaiting recovery (September 1982). Government stated (January 1983) that rental bills for detention of cylinders up to 1981-82 have been raised by the Management in 1982-83.

### **2.18.3. Loss due to delay in finalising tenders**

Quotation for supply of one agitator (a proprietary item) necessary for pentachlorophenol plant was received in November 1979 from the foreign manufacturer at a total f.o.b. cost of Rs.2.23 lakhs and the offer remained valid till 29th December 1979. The Company failed to place the order within the aforesaid date but ultimately placed the order (October 1980) on the manufacturer at a total f.o.b. price of Rs.2.76 lakhs (1,76,000 F.F.) and the item was received in July 1981. Failure to place the order within the validity date of the offer resulted in an extra expenditure of Rs.0.53 lakh.

#### 2.18.4. Non-recovery of advance

The Company placed in January 1976 a turn key order on a Calcutta firm for construction of a rake clarifier, a process machinery aimed at improving the quality of salt used in the caustic chlorine plant, at a cost of Rs.7.10 lakhs and paid Rs.1.76 lakhs in advance in February 1976. In June 1976 the Company cancelled the order on the ground of technical difficulties. The cancellation was accepted by the suppliers (June 1976) subject to payment towards the actual expenditure already incurred by them. The suppliers preferred (February 1977) a claim for Rs.0.70 lakh being payment made by it to the sub-contractor and agreed (February 1977) to refund the balance of Rs.1.03 lakhs. The refund had not yet been obtained by the Company (February 1983).

Reasons for non-recovery of the dues were not on record.

#### 2.19. Summing up

(i) The Company, built as a coal-based chemical complex to produce major chemicals and help development of a number of downstream industries was sick since inception (1968) and could never attain above twenty-five per cent capacity utilisation during the 3 years ended 1981-82 excepting in the case of caustic soda in 1980-81 and 1981-82 and phthalic anhydride in 1979-80.

(ii) For revival of the Company a sum of Rs.4,49.29 lakhs, comprising loan of Rs.1,33.29 lakhs from a nationalised bank and loan of Rs.3,16 lakhs from the Government, was received by the Company for implementing various rectification and modification programmes. But assets created therefrom were valued at Rs.2,38.69 lakhs.

(iii) All the major plants, viz., caustic chlorine, phenol, penta-chlorophenol and phthalic plant are limping and in spite of undertaking major works for rectifications and modifications have not so far (September 1982) become viable. Underutilisation of capacity, huge overhead expenditure, excess consumption of raw materials and utilities like power, steam, gas and water and abnormally high downtime are the major common ailments of each of the plants. Under

utilisation of capacity in all the plants resulted in loss of Rs.1,366.07 lakhs during the period from 1979-80 to 1980-81. The loss sustained due to consumption of raw material in excess of the prescribed norm during the period from 1979-80 to 1981-82 amounted to Rs.98.16 lakhs.

(iv) Physical verification of capital goods held in stores was never conducted. The net difference between physical and book balances of different stores items value of Rs.23.03 lakhs exhibited under suspense accounts, was not analysed to ascertain reasons for such huge differences.

(v) Major products were being sold below cost of production and the loss sustained therefrom during the three years 1979-80 to 1981-82 stood at Rs.7,73.74 lakhs.

(vi) The Company obtained decree for recovery of Rs.5.18 lakhs from 3 defaulting debtors, but no amount could actually be realised so far (February 1983).

## SECTION III

### **WEST BENGAL STATE LEATHER INDUSTRIES DEVELOPMENT CORPORATION LIMITED**

#### **3.01. Introduction**

The State Government felt (November 1975) the need for an agency for developing leather industry in the State as the few training-cum-service production centres run under the control of the State Government could not meet the growing needs of the industry in the State. Accordingly, the West Bengal State Leather Industries Development Corporation Limited was incorporated on 3rd March 1976 with a view to developing leather and allied ancillary industries in the State, assisting tanners and leather goods manufacturers by providing necessary inputs, finance and credit, establishing new units on modern lines of production, rendering common service facilities to the tanning and manufacturing industries in the small scale sector, managing sick units in leather industry, providing marketing facilities and consultancy services, etc. The authorised capital of the Company is Rs.2 crores and the paid-up capital as on 31st March 1981 was Rs.52.84 lakhs entirely contributed by the State Government.

#### **3.02. Loans and grants**

The Company had obtained a long-term loan of Rs.25 lakhs during 1977-78 from the State Government for implementation of different projects for development of leather and allied industries repayable in 10 equal annual instalments together with interest at 8 per cent per annum subject to a rebate of 2½ per cent for prompt payment. The Company had so far (March 1982) repaid Rs.2.50 lakhs towards principal besides paying Rs.2.00 lakhs towards interest. Overdue amounts of principal and interest as on 31st March 1982 were Rs.7.50 lakhs and Rs.5.60 lakhs respectively.

The Company had also received Rs.25.26 lakhs from 'Leather Industries Development Fund' of Government of India as grants against the cost of machinery imported for the purpose of setting up a common facility centre for finishing leather. Besides, the State Government placed Rs.1,00 lakhs (March 1981) with the Company for implementation of different schemes for economic welfare of leather workers belonging to scheduled castes under special component plan, as agent of the State Government.

#### **3.03. Financial position and working results**

The audited accounts of the Company were received up to 1980-81 only and those for the year 1981-82 were still awaited (February 1983).

The Company incurred losses since inception, which were of the order of Rs.0.47 lakh, Rs.3.83 lakhs, Rs.12.21 lakhs, Rs.10.89 lakhs and Rs.10.09 lakhs respectively for the five years up to 1980-81. The accumulated loss as on 31st March 1981 was Rs.37.49 lakhs against the paid-up capital of Rs.52.84 lakhs as on that date. The gradual increase in losses up to 1978-79 was attributed by the Management mainly to the Company being at the formation stage. The losses incurred during 1979-80 and 1980-81, were attributed mainly due to under-utilisation of the capacity of the CFC on account of recession, international and internal, in leather industries and keen competition with private tanning industry. The losses, as analysed in audit, were also due to excess staff recruited in its CFC [paragraph 3.04.1 (ix) infra].

### 3.04. Activities

In pursuance of its objects, the Company had so far (February 1983) taken up or decided to take up the following activities :

1. A common facility centre for finishing leather;
2. Various development-cum-marketing schemes;
3. A training-cum-servicing centre;
4. Setting up a leather board manufacturing unit;
5. Various schemes under special component plan for Scheduled Castes;
6. Procurement of hides and skins from flayers and hide collectors for tanning in rural tanneries;
7. Supply of raw materials to artisan cobblers and procurement of the products for marketing.

The Company has not taken up establishment of new units on modern lines of production and has also not provided funds to any tanners and SSI units so far (February 1983).

Some aspects of the working of these schemes are discussed in the subsequent paragraphs.

#### 3.04.1. Common facility centre

(i) Government of India, Ministry of Commerce, decided (March 1975) to set up five common facility centres (CFC) and laboratories in five States including West Bengal to enable small scale entrepreneurs engaged in leather industry to be competitive in export market. The centres were to be set up by the State Trading Corporation of India

Limited (STC) itself or in collaboration with the State Leather Development Corporation|Co-operatives, etc. STC approached (May 1976) the Company for establishment of CFC in the State. The Company decided (May 1976) to set up CFC in Tangra area of Calcutta where most of the small tanners were concentrated (about 300 tanners functioned in Calcutta in 1977-78 and a majority of them carried on their business in Tangra area).

The cost of implementation of the scheme was proposed to be met from grant (Rs.25 lakhs) from the Leather Industries Development Fund administered by STC and loan from the State Government (Rs.25 lakhs). The working capital requirements (Rs.36.25 lakhs) were to be met out of institutional finance including refinance assistance such as IDBI bill discounting and deferred credit payment.

(ii) The Board of Directors of the Company set up (July 1976) a Committee of Directors to make a detailed study of the full complement of machines and equipment, etc, required for the CFC. The Committee was also entrusted with the preparation of a detailed project report/feasibility report. The Committee prepared and submitted (November 1976) the report to the Board according to which the basic objective of setting up of such centre was to provide services to tanners to finish their wet blues (an intermediate stage between crust and finished leather) to exportable finished leather. The project report also envisaged that providing facilities to small tanners alone would not make the centre economically viable and proposed that this should be a service-cum-production centre (one shift for service and one shift for production). The capacity of the CFC was also suggested (November 1976) to be at the level of finishing of 3000 goat skins or equivalent per shift with two shifts a day. The commissioning was to be completed by April 1977.

As per the project report, on achieving 80 per cent utilisation of installed capacity the centre was to process 14.40 lakh pieces of goat skins or 2.88 lakh pieces of cow hides per annum to achieve a turnover of Rs.2,69.90 lakhs and earn a profit of Rs.34.91 lakhs.

The Government of India did not, however, agree to the Company taking up production activity as it felt that it would create unfair competition between the Company and its beneficiaries and issued (November 1979) a letter of intent for establishing service facilities only for 1.8 lakh pieces of cow hides and 9 lakh pieces of goat skins per annum.

(iii) The Company had taken over (August 1976) a shed in Tangra area, Calcutta on tenancy basis to house the centre, the rent of which was to be fixed by the Land Acquisition Collector, Calcutta. The rent of the shed was fixed (February 1979) at Rs.23,417 per month. The Company went in appeal (August 1979) for its revision as it considered that the rent was high. The rent of the shed was revised (February 1982) to Rs.19,520 per month.

At the request of the Company the State Government also requisitioned a portion of vacant land with some sheds adjacent to the main shed taken over in August 1976 and handed it over (May 1977) to the Company. The rent compensation for the land and sheds was fixed (February 1982) by the Land Acquisition Collector, Calcutta at Rs.9,768 per month.

The Company did not pay the rent and rent compensation (rent : Rs.13.08 lakhs and rent compensation : Rs.5.73 lakhs) up to September 1982; the liability was not provided for in the accounts. As the Company was running short of funds it had approached (May 1979) the State Government to move the Urban Land Ceiling Authority for vesting of the land in excess of ceiling limit to Government under Urban Land (Ceiling and Registration) Act, 1976.

The owner of the vacant land and sheds had demanded (October 1978) compensation (monthly claim : Rs.0.92 lakh as worked out in Audit). On refusal by the Company to pay it the owner filed a civil suit (September 1979) in Calcutta High Court for settlement of rent. Further developments are awaited (February 1983).

As the shed acquired on tenancy agreement was in dilapidated condition and required thorough renovation|repair, West Bengal Small Industries Corporation Limited (WBSIC), a State Government Undertaking, was awarded (January 1977) with the renovation|repair works on agency basis on a commission of 11 per cent on cost of works and the work which was taken up in January 1977 was completed in October 1978. As per project report, Rs.5 lakhs were provided for renovation works as special revenue expenditure to be charged against projected profit. The estimate was revised from time to time with the progress of works to include new|additional items of works and the total cost actually incurred amounted to Rs.8.84 lakhs.

(iv) The Company appointed (February 1977) a consultancy firm for the implementation of the CFC project, as desired by the State Government, on the basis of open tender. The fee for the consultancy was fixed at 5 per cent of project cost subject to a ceiling of Rs.1.25 lakhs.

As per the terms of appointment the scope of the consultancy services, inter alia, included preparation of a detailed project report, and preparation of complete plans including machine layout, supervision of project implementation till the start-up stage.

The consultants started (February 1977) execution of work without preparing any detailed project report and the Company had incurred capital expenditure of Rs.75.15 lakhs up to 31st March 1981 towards implementation of the project for which the firm was paid towards fees Rs.0.75 lakh from time to time. The firm refused (May 1979) to execute the agreement drafted by the Company on the ground that it was unable to take unlimited liability in respect of the project as was provided in the draft agreement.

According to the Company (December 1979) the consultants did not perform some of the functions, such as preparation of detailed project report, estimation of services, etc. It was also reported that the various machines of CFC had been installed at an average height of more than one foot from the floor level hampering smooth material flow, not only causing appreciable production loss but also exposing the workers to chances of accident. The lighting arrangement was also found to have been made in a defective manner.

The Company decided (February 1981) to take legal action against the firm on its failure to perform the functions entrusted to it. However, the Company's legal adviser opined (March 1981) that the loss suffered by the Company due to failure of the consultants to perform the functions entrusted to them could not be computed because the Company itself had performed several works, including supervision and execution of installation of certain machinery simultaneously with the consultants which rendered difficult the assessment of consultants' performance and, therefore, they could not be held legally responsible for non-performance. The legal adviser suggested (June 1981) to the Company not to make further payment of Rs.25,000 towards full and final settlement of claims of the consultants as offered (June 1981) by them. Further developments were awaited (September 1982).

(v) The work relating to electrification of CFC project was entrusted to a Government of India undertaking at its quoted rate of Rs.2.25 lakhs. In the quotation the undertaking had excluded several items of work such as supply, fabrication and erection of racks, etc. Including these items, another firm of Calcutta had quoted Rs.3.01 lakhs for the entire works. The Calcutta firm had offered to complete the work within 8 weeks from the date of the order compared to the time of 3 to 4 months stipulated by the Government



of India undertaking. The entire work was completed by the undertaking (including items originally omitted and subsequently entrusted to it) in November 1978 at a cost of Rs.2.93 lakhs after a delay of 5 months as against the extended date of May 1978 (which took into account unavoidable reasons such as load-shedding, etc, and additional works) and the project was, accordingly, scheduled to be commissioned by June 1978. However, in August 1978, when the work of incoming cable lines was completed, the consultants detected certain defects in the cable line. The commissioning of the project was delayed by about six months due to defective execution of electrical work which was got rectified (November 1978) at an additional expenditure of Rs.0.27 lakh.

(vi) The CFC project was put on trial run from November 1978 and it was commissioned in December 1979. The expenditure on the project was Rs.75.15 lakhs up to March 1981 as against the estimated cost of Rs.83.20 lakhs. There was also an overall delay of 18 months beyond the targeted date (April 1977) for completion which was due to

- delayed execution of civil works due to revision of the scope of construction works, fresh tendering, etc;
- delay in taking decision with regard to civil construction, foundation, specification of works;
- shortage of construction materials such as cement, etc; and
- delay in completion of electrification work.

(vii) Consequent on receipt of letter of intent in November 1979 [vide, sub-paragraph (ii) supra] the Company got prepared a revised project report for a fee of Rs.0.05 lakh to assess the viability of the project as a servicing centre only without taking into consideration the commercial production envisaged earlier and on the basis of which the machines had already been acquired and installed. In the revised project report, the additional capital cost was envisaged at Rs.28.19 lakhs. The projected out put was 5.40 lakh numbers of skins and hides at 50 per cent capacity for the year 1980-81 and 6.48 lakh numbers at 70 per cent capacity during each subsequent year up to 1986-87. The gross revenue was estimated at Rs.29.31 lakhs and Rs.31.26 lakhs for the years 1980-81 and 1981-82 respectively and at the rate of Rs.33.50 lakhs per annum for the succeeding 5 years up to 1986-87 with profit before tax ranging from Rs.1.07 lakhs to Rs 8.28 lakhs over the seven year period.

The Company, however, had not decided (September 1982) on the implementation of the modified project reportedly due to recession in the international as well as internal market for leather.

(viii) The CFC as set up by the Company is a unit consisting of 45 machines capable of undertaking 25 processes for leather (from wet blue to finished leather).

The capacity utilisation compared to machine capacity in the CFC was 30.08 per cent in 1980-81 and 20.11 per cent in 1981-82 as detailed below :

Year	Installed* capacity  (Number in lakh pieces)	Actual capacity utilised	Number of SSI units/ artisans benefited†	Job charges realised  (Rupees in lakhs)	Percentage of capacity utilised to installed capacity
1980-81 .. ..	195.45	58.79	166	17.49	30.08
1981-82 .. ..	195.45	39.32	164	11.92	20.11

The Company did not investigate the reasons for low utilisation of the capacity of its machinery and non-utilisation of the facilities by all the beneficiaries (300) for whom the unit was set up.

The Company did not assess the working results of the unit which was expected to make profit right from the first year of its functioning. An analysis by Audit showed that the unit suffered losses of Rs.4.29 lakhs and Rs.11.63 lakhs during 1980-81 and 1981-82 (provisional) respectively before charging head office overheads, interest on capital and rent of the factory shed.

The Management stated (March 1983) that the capacity of CFC could not be utilised as there was a continuous slump in the leather market and as such leather units were not coming up for utilising the servicing facilities available at CFC.

(ix) As per the project report prepared by the Committee of Directors on production-cum-services basis, the requirement of personnel, supervisory (for two shifts) and others (for one shift) and projected cost thereof was as under :

Category of personnel	Number per shift	Salary and wages per month	Other benefits	Total
(In Rupees)				
Supervisory .. ..	15	12,200	3,660	15,860
Non-supervisory staff .. ..	35	14,100	4,280	18,330
Total .. ..	50	26,300	7,940	34,190

\*Capacity of machines per shift multiplied by available shifts in a year.

†Against 300 estimated in 1977-78.

Actual manning pattern and expenditure incurred thereagainst during the 3 years up to 1980-81 was as under :

Year	Category	Number of persons	Salaries and wages	Other benefits	Overtime	Total
(Rupees in lakhs)						
1979-80	Supervisors ..	12	1.83	0.50	..	2.33
	Others ..	149	5.52	0.88	0.13	6.53
1980-81	Supervisors ..	14	2.14	0.26	..	2.40
	Others ..	139	6.23	1.70	0.31	8.24
1981-82	Supervisors ..	12	2.17	0.49	..	2.66
	Others ..	156	8.50	1.78	0.39	10.67

The non-supervisory staff required as per the project estimates was 35 for one shift. However, the Company had engaged staff for 3 shifts, even when it had full knowledge that commercial production programme could not be undertaken as the licence granted was for the setting up of service unit only.

Although the capacity to the extent of 21.14, 30.08 and 20.11 per cent only was utilised during the three years ending 31st March 1982, the Company had paid Rs.0.13 lakh, Rs.0.31 lakh and Rs.0.39 lakh respectively as overtime allowance to staff and workers.

The additional cost for payment of wage and overtime allowances during the three years up to 1981-82 due to over-manning was Rs.4.33 lakhs, Rs.6.04 lakhs and Rs.8.42 lakhs respectively when compared with estimates as per project report. Management stated (March 1983) that the manpower was recruited when earning in the form of job charges increased to Rs.2.33 lakhs (from about Rs.0.27 lakh) in a month and it was expected that such conditions of boom will prevail and the revenue earning will further increase by running the plant on three shift basis.

### 3.04.2. Development-cum-marketing scheme

The Company secured orders from different Government, semi-Government and private organisations for supply of leather footwear and leather goods (mainly ammunition boots and safety boots for industrial purposes) and distributed the same amongst its affiliated small scale and cottage units manufacturing the articles under its marketing-cum-development scheme. As per terms agreed with the affiliated units, payment up to 80 per cent was to be made to them by the Company on actual delivery (on the basis of delivery challans) and the balance on acceptance of goods by customers.

The following table indicates the details of SSI units/artisans covered under the scheme and the value of sales during the 5 years up to 1981-82 :

Year	Number of SSI units/artisans covered	Value of products marketed		
		Export	Domestic	Total
1977-78	31	2.70	6.55	9.25
1978-79	50	3.19	11.11	14.30
1979-80	60	6.23	12.59	18.82
1980-81	65	..	34.52	34.52
1981-82	150	N.A.	N.A.	N.A.

Test check of records revealed that the Company could not adjust Rs.1.70 lakhs during 1980-81 (Rs.0.92 lakh) and 1981-82 (Rs.0.78 lakh) as the supplies valued at Rs.3.19 lakhs were rejected by the purchasers against items valued at Rs.6.41 lakhs supplied for which the Company had advanced Rs.4.92 lakhs.

Some of the irregularities noticed by internal audit (November 1979 and March 1980) in the working of the marketing scheme are mentioned below :

- (i) purchase system was not scientific;
- (ii) the suppliers' rates were not competitive and lowest;
- (iii) quotations were never invited;
- (iv) no purchase policy had been framed;
- (v) there was no committee for dealing with purchases and sales;
- (vi) the system of payment of advance to SSI units/artisans against their supplies involved complications.

Test check by the Internal Audit revealed that 55,253 pairs of ammunition boots were procured (December 1980) against 80 per cent or full payment. Sales bills were preferred for 52,753 pairs (48,850 pairs in 1980-81 and 3,103 pairs in 1981-82) leaving a discrepancy of 2,500 pairs of ammunition boots for which payment was made to SSI units/artisans but no bills was preferred so far (August 1981). This had resulted in loss of revenue of Rs.1.18 lakhs to the Company.

The reports of the Internal Auditors for the period from November 1979 to March 1981 were not placed before the Board of Directors. The Management stated (March 1983) that there was no statutory requirement to place the report of Internal Auditors to the Board.

### **3.04.3. Training-cum-servicing centre**

The Company was entrusted by the State Government from time to time with the job of implementation of schemes for 'Training-cum-servicing Centres' for leather footwear in different districts of the State with the object of imparting training in manufacture of leather footwear on modern lines and rendering services in the form of supply of raw materials, extension of managerial guidance and marketing of the products manufactured by the traditional cobblers and artisans of the economically backward communities and thereby improving the quality of their products and their standards of living. The scheme was to impart both theoretical and practical training to 15 persons in each district centre in one batch of 6 months' duration on payment of a stipend of Rs.100 per month per trainee.

The details of centres, grants sanctioned by the State Government, grants received by the Company, expenditure (recurring and non-recurring) incurred, etc., up to the end of March 1982 were as indicated below :

Sl. No.	Details of centres	Date of opening of centre	Grants sanctioned by Government		Grants drawn by the Company		Stipend paid up to March 1982	Expenditure incurred up to 31st March 1982		Total expenditure up to 31st March 1982
			Non-recurring	Recurring	Non-recurring	Recurring		Non-recurring	Recurring	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(Figures in columns 4 to 11 are in Rupees)										
1.	Midnapur	.. October 1981	30,000 (March 1981)	63,600 (March 1981)	30,000 (May 1981)	63,600 (May 1981)	9,000	22,300	18,586	40,886
2.	Murshidabad	.. March 1982	40,500 (March 1981)	69,600 (March 1981)	40,500 (May 1981)	69,600 (May 1981)	Nil	4,712	3,499	8,211
3.	West Dinajpur	.. March 1982	30,000 (March 1981)	63,600 (March 1981)	30,000 (May 1981)	63,600 (May 1981)	Nil	4,712	3,361	8,073
4.	Malda ..	.. Not opened	30,000 (December 1980)	63,600 (December 1980)	30,000 (May 1981)	63,600 (May 1981)	Nil	Nil	1,420	1,420
5.	Nadia ..	.. Not opened (December 1980)	30,000 (December 1980)	63,600 (December 1980)	30,000 (May 1981)	63,600 (May 1981)	Nil	Nil	65	65
6.	Birbhum	.. Not opened	58,000 (March 1982)	1,06,200 (March 1982)	58,000 (April 1982)	Nil	Nil	..	..	..
7.	Howrah ..	.. Not opened	58,000 (March 1982)	1,06,200 (March 1982)	58,000 (April 1982)	Nil	Nil	..	..	..
8.	Jalpaiguri	.. Not opened	58,000 (March 1982)	1,06,200 (March 1982)	58,000 (April 1982)	Nil	Nil	..	..	..
<b>Total</b>			<b>3,34,500</b>	<b>6,42,600</b>	<b>3,34,500</b>	<b>3,24,500</b>	<b>9,000</b>	<b>91,724</b>	<b>26,931</b>	<b>58,655</b>

The State Government sanctioned (December 1980 to March 1982) Rs.9.77 lakhs (recurring : Rs.3.34 lakhs and non-recurring : Rs.6.43 lakhs) for opening of training centres in 8 districts. The Company received Rs.4.84 lakhs up to May 1981 for setting up 5 centres in Midnapore, Murshidabad, West Dinajpur, Malda and Nadia. It could set up only one centre in Midnapore at a cost of Rs.0.32 lakh and paid stipend of Rs.0.9 lakh for 15 trainees up to March 1982. The Company had also incurred expenditure of Rs.0.18 lakh for setting up 2 centres at Murshidabad and West Dinajpur but no trainee had been selected up to March 1983. Though sanctions for grants were obtained as early as December 1980 for centres at Malda and Nadia, the training centres were not opened (August 1982). It had further received Rs.1.74 lakhs (April 1982) for 3 centres in Birbhum, Howrah and Jalpaiguri but the centres could not be started so far (February 1983).

The delay in opening of training centres was reported (March 1983) to be due to (1) time taken for identification of locations, (2) difficulty in getting premises on rent as rent claimed by landlords could not be certified as reasonable by the Land Acquisition Collector, etc.

#### 3.04.4. **Leather Board Manufacturing Unit**

The Company obtained (November 1979) a letter of intent from the Government of India for setting up a project for manufacture of 2880 tonnes of leather board per year. The State Government handed over (March 1982) the necessary land for setting up of the unit. The Company got prepared (February 1983) a project feasibility report at a cost of Rs.1.23 lakhs from a foreign firm. Further development is awaited (February 1983).

#### 3.04.5. **Schemes under special component plan**

The Company received Rs.1,00 lakhs from the State Government in March 1981 as grant for implementation of five developmental schemes for the economic welfare of members of the scheduled castes and scheduled tribes of the State attached to leather and ancillary industries, comprising Rs.76 lakhs towards setting up 6 processing units and 8 common facility centres and Rs.24 lakhs towards provision for margin money under Marketing Assistance Programme. The estimated job opportunities as projected in the scheme were to cover about 3,700 persons.

Out of the sum of Rs.1,00 lakhs, a sum of Rs.30.83 lakhs was utilised towards the Company's own marketing-cum-development scheme (vide, paragraph 3.04.2 supra). Against Rs.76 lakhs to be spent towards setting up 6 processing units and 8 common facility centres, only Rs.1.57 lakhs had been spent up to February 1983 to set up only one unit. No scheme had been drawn up (February 1983) for provision of margin money under marketing assistance programme.

The Management had not ascertained the number of members of scheduled castes|scheduled tribes|economically depressed communities who had received the benefits of the scheme.

#### 3.04.6. **New development schemes**

The Company, on the basis of recommendations of Government, proposed (February 1979) to implement schemes prepared by a nationalised bank for financing the developmental network under the 'differential rate of interest' (DRI) scheme for members of scheduled castes|scheduled tribes and economically depressed communities.

Necessary loan assistance for the schemes was to be provided by the nationalised bank under DRI scheme and the assistance to the beneficiaries could be either in cash or in kind and the Company was to identify and furnish details of beneficiaries to the Bank. The Company has assessed the working capital and fixed capital



requirements for the schemes at Rs.3,01.22 lakhs and Rs.1,35 lakhs respectively and the total number of beneficiaries to be covered under these schemes was about 1.45 lakhs.

The Company proposed (February 1979) to take up 5 schemes as pilot projects and got prepared (September 1979) pre-investment notes on the schemes by a consultant firm at a cost of Rs.0.25 lakh (paid during September 1979 and November 1981). The pre-investment notes were sent to Government in November 1979 for consideration. Further progress is awaited (March 1983).

### 3.05. Export

(i) The Company executed export orders from time to time as endorsed by STC in its favour. The total value of export sales executed during the three years up to 1979-80 amounted to Rs.2.70 lakhs, Rs.3.19 lakhs and Rs.6.23 lakhs respectively. No export orders were executed after 1979-80. As the Company did not maintain any account as regards details (item, quantity, value, etc.) of orders received, orders executed, supplies accepted/rejected and cost of supplies, etc, the profitability on the export business could not be examined in audit.

The Company received (October 1979) an order for export of 4,000 leather hand gloves from a foreign buyer through its Indian agent at a total price of US \$6,860. The price was inclusive of 6 per cent commission and inspection charges to be paid to the Indian agent. As per terms of the contract, the payment was to be made by means of an irrevocable and transferable letter of credit in favour of the agent. The letter of credit opened on 19th October 1979 and valid up to 31st January 1980 was extended up to 30th April 1980.

The Company procured the required leather valued at Rs.38,800 and got the hand gloves fabricated (15th April 1980) through three firms at a total cost of Rs.46,900. On inspection (April 1980) by a representative of the agent, the entire quantity was rejected due to defective fabrication and non-conformity with the sample in size and quality. The fabricators rectified (May 1980) the defects in the goods by which time the letters of credit opened by the buyer in favour of the agent had expired and the order was cancelled.

An attempt to dispose of the gloves in auction (December 1981) also failed (excepting sale of 100 pairs of the gloves to a Government of India undertaking at Rs.11 a pair). The balance stock (value : Rs.45,800) remained undisposed of (August 1982).

### 3.06. Exhibitions|trade fairs

The Company participates in trade fairs|exhibitions aimed at attracting foreign|inland buyers for the products displayed. The following table indicates the amount sanctioned by the Board towards expenditure for conducting fairs, actual expenditure incurred, sales effected in respect of the 8 exhibitions|trade fairs in which the Company participated during the 5 years up to 1981-82.

Year	Amount sanctioned	Expenditure incurred	Sales effected in the fairs held	(Rupees in lakhs)			
1977-78	..	..	..	--	0.35	0.31	0.004
1978-79	..	..	..	..	0.15	N.A.	N.A.
1979-80	..	..	..	..	0.25	0.51	0.58
1980-81	..	..	..	--	0.23	0.31	0.62
1981-82	..	..	..	--	1.50	1.76	1.69

As per orders of the Board (December 1977), the Company had to maintain separate accounts of sales, expenditure, stock, realisation of revenue, etc., from these exhibitions|trade fairs but this had not been done. The Management stated (March 1983) that detailed records were not maintained and as such separate accounts of such trade fairs|exhibitions could not be shown to audit.

### 3.07. Show-room

A show-room was opened by the Company in September 1980 at the sub-way market, Howrah Station. The turnover of the show-room in 1980-81 was Rs.1.11 lakhs while it decreased to Rs.1.06 lakhs in 1981-82. The working results of the show-room were not ascertained by the Management (August 1982). However, the expenditure on maintenance of the show-room, as noticed in Audit (August 1982) increased from 25.21 per cent of net sales in 1980-81 to 39.68 per cent in 1981-82.

Management asked (March 1983) the Leather Technologist of the Company to investigate the reasons for the increase in expenditure and decrease in sales and to submit monthly reports, etc. Results of action taken are awaited (May 1983).

### 3.08. Cash management

The sum of Rs.1.00 lakhs received (March 1981) from the State Government under special component plan (vide, paragraph 3.04.5 supra) was kept in current account up to April 1981. Thereafter, Rs.90 lakhs were transferred to short-term deposits (91 days) which was renewed up to September 1981. The Company spent Rs.32.40 lakhs from time to time up to February 1983 (including Rs.30.83 lakhs towards its own marketing-cum-development scheme). The unutilised fund (Rs.67.60 lakhs) remained in short term deposit (February 1983). The Company had no system of preparing cash flow statement periodically to efficiently manage the funds available. However, as the Company was aware that the entire fund could not be spent within the first year, it could have invested the amount for longer periods and earned more interest.

### 3.09. Inventory

The table below indicates the particulars of opening stock, purchase, consumption and closing stock of inventories (consumables) for the three years up to 1981-82 :

	1979-80	1980-81	1981-82
	(Rupees in lakhs)		
Opening stock .. .. .	2.23	2.40	1.84
Purchase .. .. .	1.12	2.26	1.58
Consumption .. .. .	0.95	2.82	2.79
Closing stock .. .. .	2.40	1.84	0.63

The closing stock represented 30 months' consumption in 1979-80, 8 months' consumption in 1980-81 and 3 months' consumption in 1981-82.

No procedure for detailed internal check over the receipt, custody and issue of stores had been prescribed.

### 3.10 Internal audit

The Company did not have an internal audit department of its own. The transactions from 1976-77 to 1978-79 were not subjected to any internal audit. From 1979-80 onwards, the Company appointed different firms of Chartered Accountants as internal auditors. The firms appointed to audit the transactions for the years 1979-80 and 1980-81 were also assigned with the work of preparation of the

accounts (Balance sheet and Profit and Loss Account) of the respective years. The following points were, inter alia, brought out in the internal audit reports for the years 1979-80 to 1981-82 :

- (i) No costing system was introduced in CFC; job charges analysis could not be made to assess correctness of job charges realised; and
- (ii) Service charges realised in CFC were on ad hoc basis. Efficiency in operation of CFC could not be assessed for want of proper cost records.

The internal audit report for the year 1981-82 had not been submitted (August 1982).

### 3.11. Sundry debtors

The table below indicates the details of book debts vis-a-vis sales during the 4 years up to 1981-82 :

Year ended <sup>31st</sup> March	Book debts	Sales	Percentage of debts to sales
(Rupees in lakhs)			
1979 .. .. .	5.69	14.30	39.8
1980 .. .. .	6.12	18.82	32.5
1981 .. .. .	17.63	34.52	51.1
1982 .. .. .	17.28	32.65	52.9

Sundry debtors represented 4.77 months' turnover in 1978-79, 3.90 months' in 1979-80, 6.13 months' in 1980-81 and 6.35 months' in 1981-82. The Management had not explained the reasons for upward trend of the debtors' balances.

### 3.12. Other point of interest

#### 3.12.1. Loss on sale of basic Chromium Sulphate

The Company took up the business of supplying chemicals required by the tanners for tanning of leather. For this purpose, the Company placed (April 1979) an order for supply of 10 tonnes per month of basic chromium sulphate on a Tamilnadu firm at Rs.7,000 per tonne as suggested (April 1979) by the Minister-in-charge of Cottage and Small Scale Industries Department, Government of West Bengal without any survey of the actual requirement of the tanners.

The firm supplied 16.5 tonnes of the chemical in two batches in June 1979 and September 1979 at a total cost of Rs.1.51 lakhs (inclusive of cost of transportation) after which the procurement of chemicals was stopped by the Company.

Due to recession (1979-80 onwards) in international as well as internal market, as stated by the Company, the demand for the chemical also receded. As the quality of the chemicals was deteriorating fast, the Board of Directors decided (June 1980) to dispose of the same by public auction. The material was disposed of (2.315 tonnes in 1980-81 and 14.122 tonnes in 1981-82) at a total price of Rs.1.26 lakhs (inclusive of departmental consumption of 0.51 tonne and handling loss of 0.12 tonne) resulting in a loss of Rs.0.25 lakh apart from loss of the interest on blocked up funds.

The Management stated (March 1983) that the Company had to incur the loss due to external factors, viz., sudden slump in the leather market, in consequence of which the demand for basic chromium sulphate dwindled.

### 3.12.2. *Purchase of a defective machine*

As a balancing equipment for use in CFC, the Company placed (December 1977) an order for a samming machine on firm 'A' at Rs.0.84 lakh to be delivered within 3 months from the date of the order. As per terms of the order, the Company paid Rs.0.21 lakh as advance in December 1977. The machine was actually delivered on 4th February 1980 and installed in the same month; defects were noticed during trial run. Although the firm agreed to replace the defective parts (3rd February 1982), it subsequently requested (24th February 1982) the Company to send the defective parts to its factory. As there was stalemate in the matter of replacing the defective parts, the machine was lying idle since the date of its installation resulting in blocking up of Company's funds to the extent of Rs.0.21 lakh.

The Management stated (March 1983) that the matter had been taken up with the Company's Solicitor for taking legal action.

### 3.13. Summing up

(i) The Company was incorporated (March 1976) to act as an agent of the State Government to undertake responsibility of developing leather industry in the State. During the seven years of its operation the performance of the Company was not satisfactory and its activities continued to be limited and tentative.

(ii) The Company had set up (December 1979) a common facility centre at a cost of Rs.75.15 lakhs to render service facilities for processing of leather to the SSI units against job charges in one shift and to take up its own production in a second shift. It was commissioned in December 1979. Its activities were, however, restricted to providing facilities to the tanners only. The working result of CFC had not been worked out by the Management. The centre suffered loss of Rs.4.29 lakhs and Rs.11.63 lakhs (provisional) excluding Head Office overhead, interest on capital and rent of the factory shed, as worked out in audit, during the years 1980-81 and 1981-82 respectively.

(iii) The Company spent Rs.8.84 lakhs towards major renovation and extension of a rented factory shed for housing the CFC.

(iv) The Company had neither paid the rent of the hired shed and land adjacent to it nor accounted for the expenditure on accrual basis up to 1980-81 since these were taken on rent (May 1977). Total liability towards rent, as worked out in audit, amounted to Rs.18.87 lakhs (up to September 1982).

(v) Though the CFC's activities were restricted to rendering service to tanners only, and the capacity to the extent of 30.08 and 20.11 per cent only was utilised respectively during the two years up to March 1982, the Company had engaged staff adequate to run three shifts and had paid overtime allowances amounting to Rs.0.70 lakh to the staff and workers during the said period.

(vi) The Company was entrusted by the State Government with the job of implementation of schemes for "Training-cum-servicing Centres" for leather footwear in different districts. The scheme was to impart both theoretical and practical training to persons belonging

to economically backward community of the State for improving their products and their standard of living. The State Government sanctioned Rs.9.77 lakhs (recurring : Rs.3.34 lakhs and non-recurring : Rs. 6.43 lakhs) for opening 8 centres during the period from December 1980 to March 1982. The Company received Rs.4.84 lakhs up to May 1981 for setting up of 5 centres and up to March 1982, it could set up only one centre at Midnapore at a cost of Rs.0.32 lakh and paid stipend of Rs.0.09 lakh to 15 trainees. It further received Rs.1.74 lakhs in April 1982 for 3 centres but these could not be started so far (February 1983).

(vii) The Company decided in July 1978 to set up a Leather Board Manufacturing Unit and took about 5 years to get the project report prepared (February 1983).

(viii) Under Central Plan (Special Component Plan) schemes for development of the scheduled castes and scheduled tribes in the State engaged in leather and ancillary industries, the Company was to provide one Urban Common Facility Centre, three Rural Common Facility Centres, two Pilot Rural Tanneries, two units under Flying assistance scheme and Marketing assistance to them and drew (March 1981) Rs.100 lakhs from the State Government for the purpose. The Company spent up to February 1983 only Rs.1.57 lakhs out of Rs.76 lakhs towards setting up of the CFCs and the tanneries and diverted Rs.30.83 lakhs towards its development-cum-marketing scheme. The Company did not assess how many schedule caste and scheduled tribes members had actually benefited from the expenditure of Rs.32.40 lakhs so far spent.

(ix) On the recommendations of Government the Company decided (February 1979) to implement a scheme sponsored by a nationalised bank for providing loan assistance to members of scheduled caste and other economically backward communities, at low rates of interest under the DRI scheme. Though the pre-investment notes on the above schemes were got prepared in September 1979, the Company could not take any further action towards implementation of the schemes during the 3½ years up to March 1982.

(x) The losses incurred by the Company over the years accumulated to Rs.37.49 lakhs, thus eating away 71 per cent of the paid-up capital (Rs.52.84 lakhs) as on 31st March 1981.



## SECTION IV

### WEST BENGAL CERAMIC DEVELOPMENT CORPORATION LIMITED

#### 4.01. Introduction

West Bengal Ceramic Development Corporation Limited was incorporated on 31st March 1976 with an authorised capital of Rs.2 crores with a view to developing ceramic industry, carrying on the business in ceramic articles, setting up of plants for manufacture of sanitarywares, tiles, insulators, etc., and to take over sick and closed ceramic factories in the State. The Company acquired, on 1st June 1976 the assets (value : Rs.66.73 lakhs) of the West Bengal State Ceramics, an erstwhile departmental undertaking of the State Government. The unit at Beliaghata had been established by the State Government in 1942. Another unit at Belghoria had been taken over from a private entrepreneur in 1959. The paid-up capital of the Company as on 31st March 1982 was Rs.97.73 lakhs, wholly contributed by the State Government. Of the Rs.31 lakhs received in cash on account of share capital, Rs.20 lakhs were received in 1977-78 for the purpose of implementing sanitaryware project but the amount spent on this account up to 1979-80 was Rs.0.46 lakh only. The balance was utilised to meet working capital requirements.

The activities of the Company mainly comprised the manufacture of processed clay out of kaolin, powdered quartz, ball clay, powdered felsper, etc, in its ball mill and production and sale of ceramic products made from the clay thus processed. The Company also supplies processed clay to cottage units for production and makes available to them facilities in its kilns, for firing green products brought by them. Some of the ceramic articles produced by the cottage units are also purchased by the Company for re-sale.

#### 4.02. Borrowings

The total borrowings of the Company which comprised loans from the State Government obtained for the purposes of meeting capital and revenue expenditure including working capital, outstanding as on 31st March 1982 amounted to Rs.1,21.55 lakhs. All the loans have a moratorium for payment of instalments of principal and also interest for a period of five years from the date of drawal of loans.

The following table indicates the particulars of loans received during 1976-77 to 1981-82, purposes for which the loans were received and the progressive amount of loan received up to the end of each year (there were no repayments up to 1981-82).

Period	Purpose of loan	Amount received during the year (Rupees in lakhs)	Amount outstanding (progressive)	Remarks
1976-77	Working capital and ways and means advance	19.70	19.70	
1977-78	Ditto .. ..	13.50	33.20	
1978-79	(i) Ditto .. ..	16.15	49.35	
	(ii) Capital expenditure including repairs to existing machines	1.85	51.20	Rupees 1.10 lakhs were spent on addition to fixed assets, and repair to machines during 1978-79 and 1979-80
1979-80		Nil	51.20	
1980-81	(i) Working capital and ways and means advance	27.00	78.20	
	(ii) Sanitaryware projects ..	2.00	80.20	Only Rs. 0.34 lakh were spent on account of the project, the balance was spent to meet revenue expenditure
	(iii) Modernisation and re-organisation of the existing factories	15.00	95.20	Expenditure on this account up to 31st December 1982 was Rs. 6.62 lakhs, the balance was spent to meet revenue expenses
1981-82	Working capital and ways and means advance	26.35	121.55	

The amount of instalment and the interest overdue as on 31st March 1982 were Rs.1.31 lakhs and Rs.2.25 lakhs respectively.

#### 4.03. Working results

The audited accounts of the Company were received for the period up to 31st March 1981. The Company was incurring losses since inception; the losses incurred during the three years up to 1980-81 amounted to Rs.25.89 lakhs, Rs.30.13 lakhs and Rs.27.89 lakhs respectively. The accumulated loss as on 31st March 1981 was Rs.125.90 lakhs against the paid-up capital of Rs.97.73 lakhs as on that date. The Management attributed the losses to under-utilisation of capacity on account of shortage of power and continuous labour unrest and to high procurement cost of all kinds of basic raw materials.

#### 4.04. Production performance

The principal products of the Company in its two factories and of the cottage units in their shops but fired in the Company's kilns, are rasching ring saddle, crockeries, flower vase, art potteries, electric insulators, ceramic balls and ceramic dolls. The Company had no system of preparing production budgets setting out various objectives to be achieved during the budget period. The production performance is discussed in the succeeding paragraphs.

##### 4.04.1. Production of processed clay

(a) *Production* : The table below indicates the installed capacity, actual production and percentage of capacity utilisation of the processing plants for production of processed clay for the 6 years up to 1981-82 :

Year	Installed capacity of processing plants	Actual production of processed clay			Percentage of capacity utilisation
		For internal consumption	For cottage units (In tonnes)	Total	
1976-77	1200	347	410	757	63
1977-78	1200	26	337	363	30
1978-79	1200	72	238	310	26
1979-80	1200	69	197	266	22
1980-81	1200	50	298	348	29
1981-82	1200	136	287	423	35

There was appreciable fall in capacity utilisation compared to that in 1976-77. The capacity utilisation of the plant for Company's own production requirement was negligible (except during 1976-77) and practically nothing was left after meeting the requirements of the cottage units in 1977-78, 1979-80 and 1980-81. The shortfall in capacity utilisation was attributed by the Management to continuous labour unrest, old machineries and acute power crisis.

The Company neither assessed the impact of working with old machinery nor did fully utilise the loan received from State Government for modernisation and re-organisation programme. Only Rs.6.62 lakhs out of Rs.15 lakhs were utilised up to 31st December 1982. Further, as the Company had not prepared machine utilisation statements, it was not possible to assess the extent of idle machine hours due to avoidable and unavoidable causes, including forced idleness due to power crisis.

(b) *Consumption* : The table below indicates the consumption of processed clay as against the standard consumption in factory I and factory II of the Company during the three years up to 1981-82 :

Particulars	Factory I			Factory II		
	1979-80	1980-81	1981-82 (In tonnes)	1979-80	1980-81	1981-82
Actual consumption of processed clay	33.06	27.51	13.65	39.42	25.35	66.57
Requirement as per standard	7.16	10.86	3.21	27.32	23.92	45.07
Excess consumption over standard	25.90	16.65	10.44 (Per cent)	12.10	1.43	21.50
Consumption expressed as percentage of standard	462	253	425	144	16	148

The Management had not investigated the reasons for abnormal consumption of processed clay in Factory I. The Management had also not analysed whether the excess consumption of materials during all the years in the case of factory I and during 1979-80 and 1981-82 in the case of factory II was due to the actual consumption per piece of articles produced being more than the norm prescribed or due to under-recording of production or excessive breakages during production. This could not also be analysed in audit due to lack of detailed records relating to consumption of raw materials against each of the items produced, and accounts of production and breakages of articles during the process of production.

#### 4.04.2. *Sale of processed clay to cottage units*

During the years from 1976-77 to 1981-82, out of 163 cottage units assisted by the Company, 138 to 146 units were supplied processed clay at rates ranging from Rs.425 to Rs.475 per tonne (quantities supplied : 197 tonnes to 410 tonnes per annum) as against the total cost of Rs.1,397 per tonne worked out in 1977. The total cost of processed clay was not computed from time to time thereafter and the price to be charged was being fixed on the basis of ruling market rates. There was considerable under-recovery of cost ranging from Rs.922 to Rs.972 per tonne resulting in total under-recovery of Rs.16.84 lakhs computed at the actual cost of processed clay prevailing in 1976-77.

During 1980-81 the cost of clay and other materials (Rs.467) and power (Rs.161) was more than the price (Rs.475) charged to the cottage units.

#### 4.04.3. Production of green stock of potteries|crockeries

From out of the clay produced, green stock articles are fashioned into different shapes. The green stock articles are later fired in kilns in order to produce the final product of potteries and crockeries. The Company has not determined the capacity of production of green stock articles, either on the whole in respect of different products (such as potteries, crockeries, porcelain balls, etc.) or in respect of each individual category of production. No targets of production were also fixed for any of the aforesaid articles in respect of both the factories.

The table below indicates the total quantity of green stock articles produced in the two factories during three years 1979-80 to 1981-82 :

Year	Production of green stock articles								
	Industrial porcelain			Crockeries			Porcelain ball		
	Factory I	Factory II	Total	Factory I	Factory II	Total	Factory I	Factory II	Total
	(In lakh pieces)						(In tonnes)		
1979-80	2.11	9.73	11.84	..	0.05	0.05	0.003	..	0.003
1980-81	4.80	10.02	14.82	0.03	..	0.03	0.006	0.062	0.068
1981-82	1.21	12.04	13.25	..	..	..	0.010	0.010	0.020

In the absence of the capacity for production or targets of production the extent of performance achieved by these two factories in the production of green stock articles could not be analysed in audit. The Management also had no record to show whether the production performance had been analysed at any point of time.

In view of the poor utilisation of the clay processing plant (paragraph 4.04.1 supra) the production performance of the green stock production unit is, prima facie, below its capacity.

The table above would also indicate that the production in Factory I was far less compared to that in Factory II though Factory I had double the staff attached to Factory II (paragraph 4.08.1 infra).

#### 4.04.4. Firing of green stock

(a) *Coal fired kiln* : The Company has two factories in which 7 coal fired kilns are set up (viz., 4 in factory I and 3 in factory II) (two other kilns located in factory II are not functioning right from 1959 when the factory was taken over by the State Government from private management). Green stocks of articles fashioned are loaded

on saggars\* which are fed into the kiln for firing. The installed capacity of the kilns is not known to the Management. No norm as to how many times a kiln can be fired in a year has also been fixed. However, the kiln register (maintained at factory II from 1979-80 and at factory I from 1980-81) revealed that, on an average, eight days are required for completion of a firing operation, including loading of saggars, firing time, and unloading of saggars. Accordingly a kiln can be used 3 times in a month and 36 times in a year. The capacities of the kilns in terms of the number of saggars are as follows :

Unit	Kilns					Annual aggregate capacity
	I (production capacity in terms of saggars for a cycle of eight days)	II	III	IV	Total	
Factory I ..	1000	1000	1000	1500	4500	162000
Factory II ..	1000	1000	175	..	2175	78300

The table below shows the achievement of the kilns during the three years up to 1981-82 :

Year	Aggregate production (capacity/production in terms of saggars)		Actual production in terms of saggars		Percentage of achievement	
	Factory I	Factory II	Factory I	Factory II	Factory I	Factory II
1979-80 ..	162000	78300	N.A.	48569	N.A.	62
1980-81 ..	162000	78300	12505	39269	8	50
1981-82 ..	162000	78300	16705	40758	10	52

The Management stated (May 1982) that due to labour problems, the production of green articles was low and was insufficient to utilise the firing facilities in its kilns to the desired level. However, the Management did not assess the availability of processed clay which was low for their own production as referred to in the table of the paragraph 4.04.1. supra.

(b) *Tunnel kiln* : The tunnel, or community kiln is used for firing crockeries, porcelain toys and art potteries as these articles cannot be fired in the coal-fired kilns which cause carbon particles to settle on the surface of the products manufactured. The kiln was operated partially during the period from 1976-77 to 1978-79, owing to non-availability of uninterrupted power supply. On its complete shut-down in May 1979, 80 workers were kept idle fully and 12 supervisory staff partially. The idle wages paid between May 1979 and April 1982 amounted to Rs.12.65 lakhs. Further, the electric

\*Saggars mean trays made of baked fire proof clay for firing green products.

\*N.A. : Not available

installation of the kiln valued at Rs.10 lakhs are lying idle since May 1979. Due to the close down of the tunnel kiln, the cottage units are deprived of the assistance of the Company to produce crockeries and art potteries to improve their economy.

The Board of Directors approved (December 1981) the proposal for purchase of two generators (costing Rs.3 lakhs) but no action was taken to get the required funds from Government for purchase of the same.

The matter of interruption in power supply was taken up with the Calcutta Electric Supply Corporation Limited which agreed (March 1982) to supply power through a hot line, if approved by State Government. On receiving Government's approval the Company deposited (December 1982) Rs.2.01 lakhs with the CESC. The hot line connection is awaited (March 1983).

(c) *Electric kiln* : Apart from the tunnel kiln, there is a small sized electric kiln. The electric kiln takes nearly 72 hours to complete firing of decorated products. Number of attainable firing in a year was 58, (based on the performance of kiln during 1978-79). No norm has been fixed by the Management for firing.

The table below indicates the number of firing done and percentage of utilisation of the electric kiln from 1976-77 to 1981-82 :

Year	Number of firing		Percentage of utilisation
	Attainable	Attained	
1976-77	58	29	50
1977-78	58	28	49
1978-79	58	58	100
1979-80	58	23	40
1980-81	58	8	13
1981-82	58	8	13

The Management had not analysed the causes for gradual fall in the achievement from 1979-80 onwards, though power position remained unchanged during all these years.

(d) *Firing facilities to cottage units* : The table below indicates the particulars of utilisation of firing facilities by the Company, vis-a-vis, the the cottage units and service charges realised from them during the three years ending 1981-82 :

Year	Total number of firing	Number of saggars used			Percentage of utilisation		Service charges realised from the cottage units  (Rupees in lakhs)	
		By the Company	By the cottage units	Total	By the Company	By the cottage units		
1979-80	..	52	7,475	41,094	48,569	15	85	2.92
1980-81	..	82	9,023	42,751	51,774	17	83	3.93
1981-82	..	78	16,170	41,293	57,463	28	72	3.31

The Company had not so far (March 1983) worked out the cost of firing of articles during each of the years|economical rates for purposes of recovering service charges from the cottage units. The Management stated (May 1982) that shortfall in production of green articles in their own factories resulted in non-utilisation of firing facilities to the desired level.

#### 4.04.5. *Production control*

The green stocks|articles of the Company and those belonging to the cottage units are fired simultaneously in the kilns. The Company did not take adequate measures to segregate its own products by recording the green products brought to factory and taken out of it by the cottage units. The Management had also neither earmarked separate kilns for firing the articles of the cottage industries, nor set apart separate days for firing their articles aimed at exercising control over the production process. The Management stated (December 1982) that steps are being taken to maintain proper records and also to provide separate kilns for cottage units.

#### 4.04.6. *Pricing*

The Company had no regular costing procedure. The prices of the products manufactured were fixed in August 1977, on the basis of market price. After which, though there was escalation of cost, (of raw materials, wages and salaries, consumable stores, fuel, electricity, etc.) and also increase in the market rates of products, the Company did not consider it expedient to revise its selling prices. However, the Company increased the selling prices at per with market rates with effect from November 1982.



#### 4.05. Trading activity

The Company procures orders from different customers including public sector undertakings for sales of porcelain goods. The Company has its own marketing organisation and has not appointed any selling agent.

The table below details the sales effected out of its own production, products purchased from cottage units, the percentage of sale of its own products to total sales and the margin earned on sale of goods purchased for the five years ended 1980-81 :

Year	Sales			Percentage of sales of own products to total sales
	Own products (Rupees in lakhs)	Purchased products	Total	
1976-77	3.86	3.40	7.26	53.17
1977-78	2.93	4.58	7.51	39.01
1978-79	1.39	4.36	5.75	24.18
1979-80	0.96	3.45	4.41	21.77
1980-81	3.27	4.47	7.74	42.25

The table above would indicate that the percentage of sale of the Company's own products had been dwindling from year to year from 1977-78 up to 1979-80.

As the Company was not in a position to boost up its own production, it had been procuring articles from the market particularly from cottage units (the prices of the products of the cottage units are also lower than the cost of the Company's own products).

The following deficiencies in the internal control procedure were noticed in the trading activities :

- (i) Particulars of number of orders received from customers, number executed and the balance of unexecuted orders were not available.
- (ii) While placing order on suppliers, viz., cottage units, no quotation or tender was invited.
- (iii) No formal purchase order was placed on the suppliers.
- (iv) The articles delivered to customers on receipt from the suppliers were not routed through the Company's stores account.
- (v) Only the stock brought to sales office for sale and the articles remaining unsold are accounted for as finished stock in Factory I, and the remaining quantity of finished stock and semi-finished stock (green stock, glazed stock, stock awaiting decoration) remained unaccounted for.

#### 4.06. Procurement of coal

The Company uses steam coal as fuel for firing coal fired kilns. The average monthly allotment of coal is 690 tonnes (30 wagons of 23 tonnes each). The coal is lifted through a handling agent (appointed from 1978-79 onwards) who collects quota permits from Coal India Limited, deposits money for coal from his own funds, causes wagons to be loaded and unloaded, collects and deposits railway receipts, makes delivery of coal to the Company and finally received payment from the Company along with a handling agency commission at Rs.15 per tonne. The table below shows the annual procurement of coal and short procurement against allotted quota for the six years up to 1981-82 :

Year					Allotment	Quantity delivered and paid for (In tonnes)	Short drawal
1976-77	..	..	..	..	8280	1034	7246
1977-78	..	..	..	..	8280	1496	6784
1978-79	..	..	..	..	8280	1277	7003
1979-80	..	..	..	..	8280	959	7321
1980-81	..	..	..	..	8280	1004	7276
1981-82	..	..	..	..	8280	708	7574

The Company has not reconciled the actual off-take of coal from Coal India Limited with the delivery made by the agent to the Company against allotment. In the prevailing system of procurement, there was no check against the diversion of the Company's quota by the handling agent to the latter's advantage.

The Management has stated (December 1982) that the matter was being looked into.

##### 4.06.1. Fuel consumption

The quantity of coal consumed in 12'x12' coal fired kiln of 48 hours' firing duration varied between 4.9 tonnes and 13.5 tonnes per firing. The table below indicates the dates when firing operation

started, kiln number and the quantity of coal consumed in each firing in 48 hours' firing time :

Year			Date			Kiln number	Quantity of coal consumed (In tonnes)
1979-80	..	..	..	May 17	..	III	7.1
				May 25	..	I	13.1
				August 23	..	III	6.6
				August 29	..	I	9.2
				December 12	..	I	7.0
				February 12	..	I	4.5
				March 17	..	III	4.9
1980-81	..	..	..	April 2	..	I	6.9
				April 15	..	III	6.6
				April 17	..	I	12.7
				June 6	..	III	6.5
				June 11	..	I	10.0
				July 30	..	III	7.0
				October 6	..	I	10.2
			March 17	..	I	13.2	
1981-82	..	..	..	June 25	..	I	10.2
				July 13	..	III	13.5
				February 1	..	III	7.6
				February 22	..	III	6.5
				February 29	..	I	8.6

No norm has been fixed for consumption of coal in the duration of firing for 48 hours.

The Management stated (December 1982) that steps were being taken to assess the reasons for variation in consumption of coal as also to check the excess consumption.

#### 4.06.2. *Non-replacement of dust coal*

As per terms of contract, the handling agent is required to replace dust coal (exceeding five per cent of delivery) by lump coal at his own cost. Against 663.13 tonnes of dust coal rejected and removed by the agent during the four years up to 1981-82, the agent had replaced 573.41 tonnes and 89.72 tonnes of dust coal (value : Rs.0.21 lakh) still remains to be replaced (March 1983).

#### 4.07. Stores Account

The table below indicates the comparative position of the inventory and its distribution at the close of each of the five financial years up to 1980-81 :

	1976-77	1977-78	1978-79	1979-80	1980-81
	(Rupees in lakhs)				
<b>(a) Raw materials including coal and fuel—</b>					
Closing stock .. .. .	1.06	1.24	1.03	1.13	1.67
Consumption during the year ..	4.74	2.83	2.45	2.48	3.44
Closing stock in terms of months' consumption	2.68	5.26	5.04	5.47	5.83
<b>(b) Stores and spares and loose tools—</b>					
Closing stock .. .. .	1.58	0.73	0.72	0.74	0.82
Consumption during the year ..	1.49	2.85	1.83	0.77	1.31
Closing stock in terms of months' consumption	12.72	3.07	4.72	11.53	7.52
<b>(c) Finished products—</b>					
Closing stock .. .. .	1.03	0.37	0.43	0.45	0.54
Sales .. .. .	7.05	7.18	5.46	4.14	7.40
Finished stock in terms of months' sales	1.75	0.62	0.95	1.00	0.88

The stock of raw materials and coal and fuel was high in terms of actual consumption which was low because of under-utilisation of production capacities.

Test check of the stores records revealed the following points :

- (i) No Stores Manual laying down stores procedures had been compiled so far (March 1983).
- (ii) Different ordering levels of raw materials and store items had not been fixed in order to exercise control over the holding of these items of inventory.
- (iii) The Management did not ascertain the details of slow-moving/obsolete items.
- (iv) The particulars of green stock produced and sent for firing, fired stock sent for glazing and glazed stock produced, finished stock ready for sale including those given for decoration and received after decoration were not accounted for in Factory I.
- (v) The Company has neither accounted for nor valued the green stock that accumulated owing to close down of tunnel kiln in May 1979.

## 4.08. Manpower analysis

### 4.08.1. Staff position

The staff position of the Company (Factory-wise) as on 31st March 1982 was as follows :

Category	Number of Staff				Total	
	Factory I		Factory II		Existing	Sanctioned strength
	Technical	Non-technical	Technical	Non-technical		
(i) Officers .. ..	1	2	2	..	5	5
(ii) Staff .. ..	11	28	8	13	60	60
(iii) Workers ..	111	78	49	47	285	315
<b>Total</b>	<b>123</b>	<b>108</b>	<b>59</b>	<b>60</b>	<b>350</b>	<b>380</b>

Labour utilisation statements are not being prepared periodically and, therefore, it was not possible for the Management to assess the extent of idle labour due to avoidable and unavoidable causes in order to take appropriate measures periodically to check its incidence.

4.08.2. The table below shows the progressive increase on establishment cost against the dwindling receipts on production and services for the five years up to 1980-81 :

Year	Receipts			Salary, wages and other staff expenses	Number of staff and workers
	Sales	Services	Total		
					(Rupees in lakhs)
1976-77 .. ..	6.96	2.19	9.15	11.87	366
1977-78 .. ..	6.98	3.78	10.76	17.03	356
1978-79 .. ..	5.71	3.46	9.17	18.28	346
1979-80 .. ..	4.41	2.92	7.33	23.18	331
1980-81 .. ..	7.74	1.96	9.76	22.82	353

The increase in the cost of establishment as analysed by Audit was due to periodical increase in salary and wages and other staff expenses.

#### 4.09. Sundry debtors

The following table indicates the position of debtors vis-a-vis sales during the five years ended 1980-81 :

Year	Book debts as at the end of the financial year	Sales and services during the financial year	Percentage of debtors to sales
	(Rupees in lakhs)		
1976-77	2.78	9.75	30.4
1977-78	4.21	10.76	39.1
1978-79	4.77	9.17	52.0
1979-80	4.05	7.33	55.3
1980-81	3.91	9.70	40.3

There is no confirmation of balance from the debtors.

Age-wise analysis of book debts beyond one year had not been done by the Company. The Company is allowing credit to Government Departments and Public Sector undertakings.

#### 4.10. Accounts, Budget, Internal audit

The Company has no accounting manual of its own. It has also not compiled any administrative or service manual including office procedure manual. There is no system of costing in vogue.

The Management stated (May 1982) that steps were being taken for framing up accounting manual.

The Company did not prepare any budget other than expenditure budget up to 1981-82. The Company has prepared a detailed budget for the year 1982-83 for the first time.

The Company appointed (March 1981) a firm of Chartered Accountants as its internal auditor at a fee of Rs.0.08 lakh who submitted (April 1982) a report on the accounts|transactions for the year 1981-82. The Company is yet (March 1983) to operate its own internal audit cell, though one Internal Audit Officer was appointed (April 1981).

#### 4.11. Summing up

The Company's activities have so far been confined to the production of ceramic articles in its two factories at Beliaghata and Belghoria, and to render services to ceramic cottage units affiliated.

to it. The Company could not establish any modern plant for manufacture of insulators and sanitarywares, though Rs.20 lakhs, out of Rs.31 lakhs received in 1976-77 in cash against share capital, was for the purpose of sanitarywares project.

(2) Up to 31st March 1982, the Company obtained loans amounting to Rs.1,21.55 lakhs of which Rs.2 lakhs was for sanitaryware projects and Rs.15 lakhs for modernisation programme of factories and the balance amount for working capital and ways and means advance. The Company spent Rs.0.34 lakh for the project and Rs.6.62 lakhs for modernisation of the existing plant and machinerjes as on 31st December 1982.

(3) The working result showed an accumulated loss of Rs.1,25.90 lakhs against the paid-up capital of Rs.97.70 lakhs as on 31st March 1981.

(4) (i) Capacity utilisation in respect of production of processed clay ranged between 22 and 35 per cent during the last 5 years ending 1981-82.

Under-recovery of cost of supply of processed clay to cottage units amounted to Rs.16.84 lakhs from 1976-77 to 1981-82.

(ii) The production in Factory I was much less than that of Factory II, though the staff and workers of former was double that of the latter.

The consumption of raw material expressed as percentage of standard in respect of production of potteries/crockeries was 144 and 148 in 1979-80 and 1981-82 in Factory II and was 462, 253 and 425 from 1979-80 to 1981-82 in Factory I.

(iii) Percentage of achievements in firing the ceramic articles was only 10 in Factory I and 50 in Factory II during 1981-82.

The Company could not operate the community tunnel kiln for lack of uninterrupted power supply from 1979. It could not solve the problem either by getting a "hot line" connection from the Calcutta Electric Supply Corporation Limited or installing a captive power plant costing Rs.3.70 lakhs.

The ratio of utilisation of capacity between the Company and the Cottage Units was 1 : 3.

(iv) In the absence of regular system of costing in vogue the Company fixed (August 1977) price of the products on the basis of market rate, later, though the market price increased, selling prices were not immediately revised and these were revised only with effect from November 1982.

(5) In the procurement from cottage units and sale of ceramic articles in its trading activities with customers, the Company did not keep proper accounts in respect of number of orders received, number of orders executed and the balance of order remaining unexecuted.

(6) The Company procures coal through a coal handling agent against the quota allotted by the Coal India Limited. The agent collects the quota permits from Coal India Limited, deposits money himself to that Company, causes wagons to be loaded and unloaded and finally receives payment from the Company on delivery of coal. The actual receipt of coal by the Company was much less than what was allotted by Coal India Limited. There was no check against the diversion of the Company's quota by the handling agent to the latter's advantage.

Dust coal valuing Rs.0.21 lakh had not been replaced by the coal handling agent in terms of agreement.

(7) Detailed records in respect of consumption of materials, production of various articles in green, glazed, decorated and finished stage had not been kept. There was also no control on the volume of products received from the cottage units for firing and volume delivered after firing. There was hardly any check against the mixing of Company's products with those of cottage units and passing off the same as those of cottage units.

(8) The establishment cost of the Company increased from Rs.11.87 lakhs (1976-77) to Rs.22.82 lakhs (1980-81) against the receipts of Rs.9.15 lakhs (1976-77) and Rs.9.70 lakhs (1980-81).

(9) The Company had not analysed the debts age-wise and had not got confirmation from parties.

(10) The Company has not compiled any accounting manual, administrative or service manual. There is also no budget excepting expenditure budget.

The Company is yet (March 1983) to operate its own internal audit cell, though one Internal Audit Officer was appointed (April 1981).



## SECTION V

### OTHER POINTS OF INTEREST

#### THE DURGAPUR PROJECT LIMITED

##### 5.01. Delay in clearance of a consignment

The Company placed (March 1980) an order for the purchase of 60 steel girders required for use in coke oven batteries at a cost of DM 106192.50 (Rs.4.27 lakhs) f.o.b. Calcutta on a firm of West Germany. The girders were required to be delivered before the expiry of the import licence valid up to 28th February 1981. The order was subsequently amended (August 1980) for 57 pieces valuing DM 109614.32 (Rs.4.41 lakhs). The girders were shipped from Hamburg in February 1981 and shipping documents were received by the Company in March 1981. The Company did not keep track of the arrival of the ship in the Calcutta Port and came to know (October 1981) from the Port Authorities that the consignment was awaiting clearance right from June 1981. It could not, however, be cleared as the shipping documents had been misplaced. These were located in June 1982 only after the Company received (June 1982) notice from the Port Authorities notifying their intention to sell the material unless these were taken delivery of within the month. Cheques for Rs.3 lakhs and Rs.4 lakhs were deposited with the Port Authorities on 20th and 22nd June 1982 respectively towards rent and other charges of Rs.6.31 lakhs accrued up to 21st June 1982. Following stoppage of payment of the cheque for Rs.4 lakhs in view of a verbal assurance from the port management for waiver of a part of the port charges, delivery of the consignment was refused. The consignment was ultimately cleared on 30th July 1982 on payment of port charges of Rs.7.41 lakhs which included rent of Rs.6.35 lakhs. The materials are however still (October 1982) lying in stock.

The clearance of the consignment in time would have cost Rs.0.15 lakh. The failure on the part of the Management to clear the consignment in time had resulted in an avoidable expenditure of Rs.7.26 lakhs to the Company.

Management stated (October 1982) that the consignment could not be located due to incorrect markings by the Port Authority. However, it was noticed (August 1982) in Audit that the Company took up the matter with the Port Authority only in June 1982 though the arrival of the consignment was known to it in October 1981 through a disposal notice sent by the Port Authority.

The matter was reported to Government in September 1982; their reply is awaited (January 1983).

### 5.02 Laying of railway track

For transportation of coal from the Company's coal yard to the power plant by railway wagons, the Company laid about 1500 ft. of railway track in February 1980 at a cost of Rs.1.59 lakhs without obtaining clearance from the Railways which is yet to be obtained (October 1982). The track could not, therefore, be put to use, and in October 1980, a portion of the track measuring about 400 ft. was demolished as it was creating some problems. This had resulted in infructuous expenditure of Rs.0.28 lakh by way of labour charges incurred on construction (Rs.0.24 lakh) and dismantlement (Rs.0.04 lakh) besides the blocking up of capital of Rs.1.35 lakhs towards the cost of material used in the traction line.

The matter was reported to the Government|Management in October 1982; reply is awaited (February 1983).

## WEST BENGAL STATE TEXTILE CORPORATION LIMITED

### 5.03. Management of a jute mill

In pursuance of orders (8th August 1979) of Calcutta High Court, the Company took over (27th August 1979) management and control of Bharat Jute Mills Limited, Howrah, which had been closed since 9th April 1976 and in which State Government had invested Rs.50 lakhs by way of share capital contribution. According to the terms of court order the Company was to (a) take possession of the entire mill (b) discharge the secured creditors (Rs.3.97 lakhs) (c) pay or settle with all the statutory creditors, and (d) continue the management and control of the mill till the amount advanced or financed by the Company was reimbursed in full.

Before the take over, the mill was inspected by the experts of the Company who were of the view that with the facility of moratorium on past liabilities, the mill could be re-commissioned and run to attain viability. The Board of the Company observed (September 1979) that the market for the jute products was high; thereupon, the Company went ahead with the programme of reopening the mill in a phased manner. Commercial production in the mill was restarted from December 1979.

According to the report submitted (September 1981) by the Company to the Government, the installed capacity and derated capacity of the mill were 9,000 tonnes and 6,300 tonnes respectively per annum. Target or projection of production had not been fixed for the mill. According to the Company (August 1982), due to innumerable constraints and variables, it was not possible to fix any target of production. Particulars as to the production achieved during the period from December 1979 to March 1982 were not available (March 1983).

The Company release a net amount of Rs.1,59.34 lakhs as interest free loan for the working of the mill out of State Government loan of Rs.1,60.34 lakhs received by it during the period from 1979-80 to 1981-82. In August 1981, the Board of the Company decided to levy a service charge at the rate of 15 per cent on monthly rest balance of the funds made available to the mill and accordingly, a sum of Rs.1.50 lakhs was claimed for the year 1979-80.

As per estimation (December 1980|February 1982) of the Board, the mill had been incurring monthly cash losses, ranging from Rs.2 lakhs to over Rs.7.50 lakhs. The Board observed (December 1980) that fall in market demand was responsible for the cash loss. As per the report of Industrial Reconstruction Corporation of India Limited (IRCI), which was discussed by the Board in November 1981, the reasons for the cash loss were (i) low productivity and (ii) high incidence of labour cost, accounting for about 57 per cent of sale value of products. The Company had not taken effective measures to bring down the increasing trend of cash losses. The Company stated (August 1982) that the accounts of the mill were in arrears for several years (including pre-take over period) and arrangements had been made for pulling up the arrears. The position remained unchanged (March 1983).

Statutory liabilities amounting Rs.38.52 lakhs (Rs.21.91 lakhs towards sales tax and Rs.16.61 lakhs towards Provident Fund dues) pertaining to the period from November 1979 to March 1982 remained unpaid (March 1983). The Company stated (August 1982) that the State Government had been moved for release of funds for payment of sales tax dues. . .

With the expectation of the mill being considered for nationalisation, the Company engaged (May 1981) a firm of consultants to investigate the possibilities of rehabilitation of the mill. The report of the Consultants (June 1981), inter alia, mentioned that the mill with old and obsolete machines was not capable of giving the quality and quantity of output needed for rehabilitation and

proposed for modernisation at an estimated cost of Rs.5,13 lakhs. On the request (February 1981) of the State Government to transfer the mill as a constituent unit of National Jute Manufacturers Corporation Limited, the Central Government suggested (August 1981) implementation of rehabilitation scheme through assistance from banks and financial institutions. Accordingly, the Company approached (October 1981) IRCI for financing the scheme of rehabilitation submitted by the Consultants. The scheme, after examination and modification (October 1981) by the IRCI, was estimated to cost Rs.5,79 lakhs of which Rs.1,03 lakhs were to be provided by IRCI as term loan for the first phase. State Government clearance for the term loan was awaited (March 1983).

#### WEST BENGAL FOREST DEVELOPMENT CORPORATION LIMITED

##### 5.04 Penalty for delayed payment of road tax

Consequent on the take-over (June 1978) of two divisions in Siliguri from the Directorate of Forests along with seven vehicles, road tax on these vehicles, theretofore exempted became payable. The Company used the vehicles but did not pay road tax for them. In July 1980, it became aware that road tax of Rs.0.35 lakh for the period from June 1978 to May 1980 was due for payment along with a penalty of Rs.0.11 lakh for delay in payment. The Company did not pay the dues, but instead, appealed (June 1981) to Government for waiver of the penalty. The appeal having been rejected (July 1981) on the ground that there was no statutory provision for exemption the Company paid (August-September 1981) road tax of Rs.0.47 lakh for the period from June 1978 to November 1981 and Rs.0.47 lakh as penalty for delay in payment.

Even if the Company had paid the tax of Rs.0.35 lakh and penalty of Rs.0.11 lakh in July 1980 after the initial delay, the additional penalty of Rs.0.36 lakh could have been avoided.

The matter was reported to Government and to the Management in October 1982; their replies are awaited (February 1983).

##### 5.05. Unnecessary purchase of a diesel generator

In order to prevent loss of production of sawn timber in its saw mill at Siliguri allegedly on account of shortage of power, the Company purchased (August 1980) a diesel generating set of 180 KVA capacity at a cost of Rs.3.84 lakhs. The generator was installed in October 1980 departmentally. The cost of installation was estimated (October 1980) at Rs.0.17 lakh.

Consequent upon the commissioning of a 20 Mw gas turbine set near Siliguri in October 1979 by the West Bengal State Electricity Board, power position in the adjoining area had improved and the diesel generator was not required to be used for production in the saw mill (August 1982). The generator was, thus, acquired without assessing the expected improvement in supply of power following the commissioning of the gas turbine set and has led to the blocking up of Rs.3.84 lakhs excluding cost of installation thereof.

The matter was reported to Government and to the Management in October 1982; their replies are awaited (February 1983).

### WEST DINAJPUR SPINNING MILLS LIMITED

#### 5.06. Loss due to damage

The work of construction of a boundary wall around the Company's project site at West Dinajpur was awarded (May 1976) to a Company in the public sector at a cost of Rs.2.74 lakhs with the stipulation to complete the same by July 1976. The work was to be supervised by the Company's consultants for the project as per conditions of the contract entered into (June 1975) with them. The work, taken up for execution in April 1976, was suspended intermittently as it was not being carried out as per specification. In March 1978 by which time work valuing Rs.1.21 lakhs had been executed, the unfinished wall collapsed. The Consultants had not supervised the work executed by the firm. The work which was awarded (December 1981) to another firm and required to be completed by May 1982 had not been completed (August 1982). The Management estimated (May 1982) the loss suffered due to the collapse of the unfinished wall at Rs.0.56 lakh which was written off in the accounts for the year 1977-78.

The consultants held (April 1980) that the collapse of the wall was due to the work not being executed as per specifications, use of sub-standard materials and poor workmanship by the contractor concerned. It was noticed that though the Company was entitled to have the damaged wall rebuilt at the cost of the first contractor firm as per conditions of the contract entered with it, it did not pursue its claim. Reasons for this, as well as for not making the consultants share the responsibility for the damage on account of their not providing supervision during the first five months of construction were not on record.

The matter was reported to Government and to the Management in October 1982; their replies are awaited (February 1983).

## WESTINGHOUSE SAXBY FARMER LIMITED

**5.07. Purchase of pump-set kits**

An order was placed (November 1975) on a firm of Calcutta for supply of 350 pump-set kits at Rs.2,420 each. The supply was to be completed in a phased manner by February 1976 and kits were to be guaranteed for one year.

The firm supplied 320 kits between December 1975 and March 1976 and preferred bills for Rs.8.73 lakhs. The Company paid (between December 1975 and March 1976) Rs.3.50 lakhs and withheld the payment of the balance on the ground that 40 pump-set kits supplied by the firm were defective. The supplier instituted (August 1977) a winding-up case in the court against the Company for realisation of its dues of Rs.5.23 lakhs along with interest at 18 per cent per annum. In defending the case, the Company lodged a counter claim of Rs.1.11 lakhs incurred to replace|repair the defective pump-set kits of which the supplier was stated to have been informed within the time limit stipulated in the purchase order. A term of settlement was eventually reached (August 1977) whereby the Company agreed to pay the dues of the supplier and as per that agreement the Company's claim of compensation for the defective pump-sets and its liability to pay interest for delay in paying the supplier's dues were referred (August 1977) to an arbitrator. In his award given in April 1980, the arbitrator directed the Company to pay the supplier interest amounting to Rs.1.09 lakhs and cost of reference of Rs.0.02 lakh incurred by the supplier. The Company's claim of Rs.1.11 lakhs was rejected on the ground that it could not produced any evidence in support of receipt of its letters by the supplier communicating therein the said defects in 40 pump-sets and expenditure incurred to replace|rectify them.

The matter was reported to Government and to the Management in October 1982; reply is awarded (February 1983).

**5.08. Injudicious expenditure**

The Company placed (January 1977) an order on a firm of Calcutta for supply of a guillotine shearing machine at a cost of Rs.2.28 lakhs to be delivered by May 1977 and paid (March 1977) an advance of Rs.0.34 lakh. It, however, requested (May 1978) the firm to deliver the machine in September 1978. When the supplying firm informed (August 1978) its readiness to effect delivery in September 1978, the Company expressed (August 1978) its inability to take delivery due to shortage of funds. It neither cancelled the order as was requested by the supplier and ask for refund of advance, nor gave an alternative to the firm to postpone the delivery schedule.

Subsequently, the Company requested (June 1981) for refund of the advance of Rs 0.34 lakh which was turned down (August 1981) as it was against the original conditions of sale. The firm, however, offered the machine at the prevailing rate of Rs 5.12 lakhs to be delivered in March/April, 1982. The Company did not place the order, but offered (February 1982) to sell to the firm a plate bending machine purchased from it in June 1977 at a cost of Rs 2.05 lakhs but not used at all with the intention of adjusting the sale proceeds with the cost of the guillotine shearing machine. Reply of the supplier firm had not been received (August 1982). The expenditure of Rs 0.34 lakh, being advance paid has, thus, so far remained unfruitful (February 1983).

The matter was reported to Government and to the Management in October 1982 ; replies are awaited (February 1983).

#### **5.09. Defalcation of cash**

A sum of Rs.11,822.75 was found short on 23rd October 1978 in the cash almirah of the Civil Engineering Project Department of the Company. The shortage was reported to the police verbally on the same day. The departmental enquiry report indicated (May 1979) serious lapse on the part of an official of the department in regard to maintenance/handling of cash. On receipt of a letter of resignation from the said official, the Managing Director of the Company ordered (October 1979) him to make good the shortage in cash. The official disowned (October 1979) responsibility, and his services were terminated in May 1980 without any charge and final dues to him were withheld. The discharged official served (June 1980) a legal notice on the Company claiming his final dues and denied the charge of theft. The Legal Adviser of the Company opined (September 1980) that in the absence of any departmental action against the said official and for want of the police report in the matter, it would not be advisable to withhold his dues or to take legal action against him. On being referred to (October 1980) by the Management, Government in the Public Undertakings Department endorsed the views of the legal adviser. The final dues of the official were paid in January 1981. Thus, the Company had suffered a loss of Rs.0.12 lakh due to lack of proper internal control in regard to the maintenance/handling of cash.

The matter was reported to Government and to the Management in October 1982; their replies are awaited (February 1983).

**WEST BENGAL INDUSTRIAL DEVELOPMENT CORPORATION LIMITED****5.10. Loss of interest •**

(a) The Company sanctioned (July 1969) a loan of Rs.3 lakhs for purchase of machinery (Rs.1,25 lakhs) and meeting working capital requirement (Rs.1,75 lakhs) to a pharmaceutical company in the private sector against security of existing assets valuing Rs.4.55 lakhs and assets to be created out of the loan. Out of the sanctioned loan, Rs.1.75 lakhs were disbursed in the same month for working capital purposes. The loan was to be repaid by July 1974 and interest at the rate of 10 per cent per annum was payable quarterly. The firm defaulted in paying the interest due from June 1970 onwards and also in repaying the instalments of principal due from July 1971 onwards. On an application made (March 1972) by the private company the Court ordered (November 1973) its winding-up and appointed a liquidator. The Company which had not initiated legal action against the loanee on its committing default in June 1970/July 1971 also failed to act soon after appointment (November 1973) of the liquidator when the dues had amounted to Rs.2.47 lakhs. Reasons for not taking prompt action were not on record. The Company filed a suit (only in September 1976) against the loanee for realisation of its dues of Rs.3.31 lakhs including interest of Rs.1.56 lakhs accrued up to September 1976. On a decree obtained (May 1980) from the Court, the Company could realise (August 1980) Rs.3.20 lakhs from the sale proceeds of the assets. The dues of the Company having risen to Rs.4.70 lakhs up to March 1980, the unrealised amount of Rs.1.50 lakhs was written off in 1981-82 accounts.

Thus, the Company had suffered a loss of Rs.1.50 lakhs for not taking prompt legal action against the loanee.

The matter was reported to Government and to the Management in October 1982; their replies are awaited (February 1983).

(b) The Company disbursed (May 1969) a loan of Rs.0.75 lakh to a party against security of land and buildings (Rs.1.06 lakhs) and machinery (Rs.0.51 lakh) for meeting its working capital requirement. The investment was made despite unfavourable remarks by the Director of Industries, Government of West Bengal and the Company's Technical Adviser on the loanee's business prospects. The loan was to be repaid by May 1974 with interest at the rate of 9 per cent per annum payable quarterly. The loanee paid interest amounting to Rs.0.30 lakh up to March 1974 but defaulted in payment of annual instalments of the principal. In August 1977, the Company filed a suit for enforcing recovery of Rs.1.01 lakhs (principal plus interest) along with further claim for interest accruing thereafter.



During the pendency of the suit, the Company agreed (July 1979) to the request of the loanee for amicable settlement by repayment of the principal by December 1980 as per revised schedule and to waive the entire amount of interest accruing till full repayment of principal on grounds of the bad state of the loanee's business. The loanee further defaulted payment of the instalments as per the revised schedule; but eventually repaid the loan by March 1981. The Company waived (May 1981) the interest amounting to Rs.0.64 lakh. Legal expenses incurred by the Company were Rs.0.03 lakh.

The matter was brought to the notice of Government and the Management in October 1982; their replies are awaited (February 1983).

### THE KALYANI SPINNING MILLS LIMITED

#### 5.11. Purchase of steel rings

An order for supply of 22,800 steel rings required for renovation of Unit I of the Company was placed (August 1979) on a firm of Bombany at the rate of Rs.14.80 each. Before commencement of supply, the Company communicated (December 1979) its intention to change the specification of the ring which was not accepted (March 1981) by the supplier. The Company cancelled (April 1981) the order and asked the supplier to refund the advance of Rs.25,000 paid to it in October 1980. The advance had not been refunded so far (July 1982).

The Company had, meanwhile, invited (February 1981) limited quotations from seven firms for supply of the rings of the revised specification. The lowest offer received (March 1981) of a firm of Calcutta at Rs.11.06 each plus sales tax with delivery commencing within 8|10 weeks from date of receipt of order and the second lowest offer (January 1981) of a firm of Madras at Rs.12.17 each plus sales tax with delivery to be completed within 1981 were ignored. Two orders were, however, placed (July 1981) on the third lowest firm ('X') at Rs.12.55 each plus sales tax for supply of 8,800 rings within 10|12 weeks, and on the fifth lowest firm ('Y') at Rs.15.95 each plus sales tax and excise duty for supply of another 8,800 pieces within 4|6 weeks on the ground that because of urgency these should be procured from firms with records of satisfactory supply to the Company in the past. No reasons for rejecting the lowest tenderer were found on record.

Against delivery schedule to be completed by October 1981, firm 'X' supplied the rings in four lots of 2,200 each in August 1981, November 1981, March 1982 and May 1982 at a total cost of Rs.1.15

lakhs. Delivery by firm 'Y' on the other hand, was effected in October 1981 with a lot of 8,560 pieces all of which were found defective and had to be rejected. Replacement of the defective rings commenced in November 1981 and by April 1982, 8,788 rings were received at a cost of Rs.1.57 lakhs.

Failure to purchase the rings at the lowest tendered rate of the Calcutta firm resulted in purchasing the same (17,588 rings valued at Rs.2.72 lakhs) at an extra cost of Rs.0.70 lakh.

The Management stated (January 1983), inter alia, that in view of the urgent requirement, the rings were purchased at a higher cost from suppliers having satisfactory records of previous supply and in anticipation of quicker delivery. In view of the fact, that the rings could have been purchased at a cost of Rs.2.02 lakhs from the lowest tenderer who did have a satisfactory record of previous supply, and the Management's expectation in regard to the maintenance of delivery schedule was not fulfilled by the two suppliers, the extra expenditure of Rs.0.70 lakh remained largely unjustified.

The reply of the Management was endorsed (January 1983) by Government.

**CHAPTER II**  
**STATUTORY CORPORATIONS**

**SECTION VI**

**6.01. Introduction**

There were six Statutory Corporations in the State as on 31st March 1982, viz., West Bengal State Electricity Board, Calcutta State Transport Corporation, North Bengal State Transport Corporation, Durgapur State Transport Corporation, West Bengal Financial Corporation and West Bengal State Warehousing Corporation.

In addition to the above, the audit of the West Bengal Industrial Infrastructure Development Corporation has been entrusted (June 1978) to the Comptroller and Auditor General by the State Government for a period of 5 years up to 1982-83.

The accounts of the following Corporations were not received (March 1983) :

Name of the Corporation	Extent of arrears
(1) North Bengal State Transport Corporation	1975-76 to 1981-82
(2) Durgapur State Transport Corporation	1976-77 to 1981-82
(3) West Bengal Industrial Infrastructure Development Corporation	1978-79 to 1981-82
(4) West Bengal State Warehousing Corporation	1980-81 to 1981-82
(5) Calcutta State Transport Corporation	1981-82
(6) West Bengal State Electricity Board	1981-82

The position of arrears in the finalisation of accounts of the Corporations was brought to the notice of the Government from time to time; the last communication was made in March 1983.

A synoptic statement showing the summarised financial results of the Corporation, based on the latest available accounts, is given in Appendix 'C'.

## 6.02. West Bengal State Electricity Board

The financial position, working results and operational performance of the Board and detailed reviews on Gas Turbine Projects and Rural Electrification Scheme have been dealt with in Section VII of this Report.

## 6.03. Calcutta State Transport Corporation

### 6.03.1. Capital

The Calcutta State Transport Corporation was formed on 15th June 1960 under the Road Transport Corporations Act, 1950 for providing public transport for the people of Calcutta. The capital of the Corporation as on 31st March 1981 and as on 31st March 1982 under section 32(i) of the Act *ibid* was Rs.7,08.46 lakhs\* (State Government : Rs.608.46 lakhs; Central Government : Rs.1,00.00 lakhs). Interest on capital received from the State and Central Government is payable at the rate of 4 to 6 per cent and 6.25 per cent respectively.

### 6.03.2. Guarantees

The table below indicates details of guarantees given by Government for repayment of loans raised by the Corporation and payment of interest thereon :

Particulars	Year/s of guarantee	Amount guaranteed	Amount outstanding as on 31st March 1982*			
			Principal	Interest	Total	
Market loan ..	.. 1972-73	1,10.00	1,10.00	..	1,10.00	
IDBI loan ..	.. 1969-70 to 1981-82	10,03.44	56.68	2.98	59.66	
			11,13.44	1,66.68	2.98	1,69.66

\*Figures are provisional.

### 6.03.3. Financial position

The table below summarises the financial position of the Corporation under the broad headings for the three years up to 1981-82.

Liabilities				1979-80	1980-81	1981-82*
(Rupees in lakhs)						
(a) Capital	..	..	..	7,08.46	7,08.46	7,08.46
(b) Reserves and surplus	..	..	..	13,96.66	15,98.40	18,18.30
(c) Borrowings	..	..	..	84,39.55	33,93.42	42,85.78
(d) Trade dues and other current liabilities	..			41,78.28	20,19.21	24,32.57
				<u>1,47,22.95</u>	<u>77,19.49</u>	<u>92,45.11</u>
<b>Assets—</b>						
(a) Gross block	..	..	..	30,42.32	33,15.40	39,21.45
(b) Less : depreciation	..	..	..	17,52.22	20,96.99	23,75.85
(c) Net fixed assets	..	..	..	12,90.10	12,18.41	15,45.60
(d) Capital works-in-progress		..	..	37.51	56.64	63.24
(e) Investment	..	..	..	12,42.08	14,04.08	15,52.06
(f) Current assets, loans and advances			..	12,24.02	15,04.25	19,33.08
(g) Accumulated losses	..	..	..	1,09,29.24	35,36.21	41,51.13
				<u>1,47,22.95</u>	<u>77,19.49</u>	<u>92,45.11</u>
Capital employed	..	..	..	(- )17,68.67	(+ )6,03.54	(+ )9,35.57

### 6.03.4. Working results

The following table gives details of the working results of the Corporation for the three years up to 1981-82 :

Particulars				1979-80	1980-81	1981-82*
(Rupees in lakhs)						
<b>1. (a) Operating—</b>						
Revenue	..	..	..	11,81.45	13,63.65	14,73.44
Expenditure	..	..	..	22,02.19	27,11.17	28,96.82
Deficit	..	..	..	10,20.74	13,47.52	14,23.38
<b>(b) Non-operating—</b>						
Revenue	..	..	..	46.83	54.63	42.43
Expenditure	..	..	..	6,02.19	2,54.18	3,13.12
Deficit	..	..	..	5,55.36	1,99.55	2,70.69
<b>(c) Total—</b>						
Revenue	..	..	..	12,28.28	14,18.28	15,15.87
Expenditure	..	..	..	28,04.38	29,65.35	32,09.94
Net loss	..	..	..	15,76.10	15,47.07	16,94.07
2. Interest on Capital and loan	..	..	..	6,08.32	2,58.72	3,18.53
3. Total return on capital employed	..	..	..	(- )9,67.78	(- )12,88.35	(- )13,75.54

\* Figures are provisional.

The increase in loss up to 1979-80 was due to increase in salary of staff, heavy expenditure on repairs and maintenance and cost of P.O.L. and marginal decline thereof in 1980-81, was mainly due to decrease in the charges of interest owing to writing off of loans of Rs.65,42.90 lakhs out of total loans of Rs.99,36.31 lakhs and sharp increase thereof again in 1981-82 due to increase in salary and allowances of staff and cost of fuel and other consumable materials.

### 6.03.5. Operational performance

The following table indicates the operational performance of the Corporation for the three years up to 1981-82 :

	1979-80	1980-81	1982-82*
1. Average number of vehicles held .. ..	1059	1099	1141
2. Average number of vehicles on road .. ..	721	738	723
3. Percentage of utilisation .. ..	68.1	67.2	63.4
4. Kms covered (in lakhs) :			
(a) Gross .. .. .	543	449	447
(b) Effective .. .. .	430	425	423
(c) Dead .. .. .	23	24	24
5. Percentage of dead Kms to gross Kms .. ..	5.08	5.35	5.37
6. Average Kms covered per bus per day .. ..	163	158	161
7. Average revenue per Km (paise) .. ..	283.13	331.80	357.02
8. Average expenditure per Km (paise) .. ..	654.91	696.10	754.86
9. Loss per Km (paise) .. ..	371.78	364.30	397.84
10. Route Kms .. .. .	7937.20	8245.20	9556.70
11. Number of operating depots .. ..	8	8	8
12. Average number of breakdowns per lakh Kms .. ..	142.60	124.64	111.34
13. Average number of accidents per lakh Kms .. ..	1.76	1.42	1.32
14. Passenger Kms scheduled (in lakhs)—			
City .. .. .	31,009	34,650	34,136
Long distance .. .. .	3,706	4,067	4,098
15. Passenger Kms operated (in lakhs)—			
City .. .. .	19,145	20,424	19,518
Long distance .. .. .	3,706	4,024	4,059
16. Occupancy ratio**			
City .. .. .	62	59	56
Long distance .. .. .	100	99	99

\*The figures are provisional.

\*\*Occupancy ratio" means total seat kilometers occupied (in lakhs) out of total seat kilometers offered (in lakhs) expressed in percentage.

## 6.04. North Bengal State Transport Corporation

### 6.04.1. Capital

The North Bengal State Transport Corporation was formed on 15th April 1960 under the Road Transport Corporations Act, 1950 for providing public transport for the people of five North Bengal districts and also co-ordinating road transport with rail transport. The capital of the Corporation (under section 23(i) of the Act *ibid*) was Rs.7,19.56 lakhs\* (State Government : Rs.4,97.04 lakhs, Central Government : Rs.2,22.52 lakhs) as on 31st March 1982 as against the capital of Rs.6,23.06 lakhs (State Government : Rs.4,22.04 lakhs, Central Government : Rs.2,01.02 lakhs) as on 31st March 1981. Interest is payable on the capital at 6½ per cent per annum.

### 6.04.2. Guarantees

The table below indicates the details of guarantees given by Government for repayment of loans raised by the Corporation and payment of interest thereon :

Particulars	Year of guarantee	Amount guaranteed	Amount outstanding as on 31st March 1982*		
			Principal	Interest	Total
(Rupees in lakhs)					
IDBI loan .. ..	1977-78	49.99	7.37	6.41	13.78
Ditto .. ..	1979-80	50.97	22.53	5.07	27.60
Cash credit Central Bank of India	1981-82	30.00	36.71	2.03	38.74
	Total ..	130.96	66.61	13.51	80.12

The amount of guarantee fee in arrear, as on 31st March 1982, was Rs.0.81 lakh.

### 6.04.3. Operational performance

The table below indicates the operational performance of the Corporation for the three years up to 1981-82 :

	1979-80†	1980-81†	1981-82†
1. Average number of vehicles held	422**	439**	481**
2. Average number of vehicles on road	808	801	800
3. Percentage of utilisation	72	69	62

\*The figures are provisional.

\*\*Includes trucks also..

†Arising from records other than accounts which have not yet been compiled.

	1979-80†	1980-81†	1981 82†
4. Kms covered (in lakhs) :			
(a) Gross .. .. .	237.64	236.06	235.37
(b) Effective .. .. .	235.62	234.36	233.77
(c) Dead .. .. .	2.02	1.70	1.60.
5. Percentage of dead Kms to gross Kms .. .. .	0.85	0.72	0.68
6. Average Kms covered per bus per day .. .. .	231	229	231
7. Average revenue per Km* (Paise) .. .. .	182	203	215
8. Average expenditure per Km (paise)* .. .. .	318	385	447
9. Loss per Km (paise)* .. .. .	136	182	232
10. Route Kms .. .. .	21,973	22,275	22,381
11. Number of operating depots .. .. .	18	18	18
12. Average number of breakdowns per lakh Kms .. .. .	14	14	14
13. Average number of accidents per lakh Kms .. .. .	0.20	0.30	0.24
14. Passenger Kms scheduled (in lakhs) .. .. .	11060.52	11094.00	11380.14
15. Passenger Kms operated (in lakhs) .. .. .	8848.41	7432.98	7397.09
16. Occupancy ratio .. .. .	80	67	65

## 6.05. Durgapur State Transport Corporation

### 6.05.1. Capital

The Durgapur State Transport Corporation was formed on 7th December 1973 under the Road Transport Corporations Act, 1950 for providing public transport to the people of the Durgapur Industrial Complex, besides co-ordinating road transport with rail transport. The capital of the Corporation (under section 23(i) *ibid*) was Rs.9,47.43 lakhs\* (wholly subscribed by State Government) as on 31st March 1982 as against the capital of Rs.7,55.54 lakhs as on 31st March 1981. Interest on capital is payable at 6.25 per cent per annum.

### 6.05.2. Guarantees

The table below indicates the details of guarantees given by Government for repayment of loans raised by the Corporation :

Particulars	Year of guarantee	Amount guaranteed (Rupees in lakhs)
IDBI Bills re-discounting scheme	.. 1974-75	12.24

†Arising from records other than accounts which have not been compiled.

\*Figures are provisional.



No balance was outstanding either against principal or interest as on 31st March 1982. The amount of guarantee fee in arrear as on 31st March 1982 was Rs.0.19 lakh.

### 6.05.3 Operational performance

The table below indicates the operational performance of the Corporation for three years up to 1981-82 :

	1979-80†	1980-81†	1981-82†
1. Average number of vehicles held .. ..	119	128	139
2. Average number of vehicles on road .. ..	78	82	82
3. Percentage of utilisation .. ..	66	64	59
4. Kms covered in (lakhs) :			
(a) Gross .. ..	68.2	72.34	69.57
(b) Effective .. ..	63.82	66.56	63.70
(c) Dead .. ..	4.45	5.78	5.87
5. Percentage of dead Kms to gross Kms .. ..	6.52	7.99	8.43
6. Average Kms covered per bus per day .. ..	224	222	213
7. Average revenue per Km (paise)* .. ..	174	188	211
8. Average expenditure per Km (paise)* .. ..	363	425	523
9. Loss per Km (paise)* .. ..	189	237	312
10. Route Kms .. ..	4169	5168	5144
11. Number of operating depots .. ..	1	1	1
12. Average number of breakdowns per lakh Kms .. ..	61	27	22
13. Average number of accidents per lakh km .. ..	0.91	1.57	1.09
14. Passenger Kms scheduled (in lakhs) .. ..	2793	2862	2866
15. Passenger Kms operated (in lakhs) .. ..	2346	2353	2399
16. Occupancy ratio .. ..	84	82	84

### 6.06. West Bengal Financial Corporation

#### 6.06.1. Introduction

The West Bengal Financial Corporation was formed on 1st March 1954 under section 3(i) of the State Financial Corporations Act, 1951 for supplementing work of the Industrial Financial Corporation by making term finance available to small and medium industrial units.

#### 6.06.2. Paid-up capital

The paid-up capital of the Corporation as on 31st March 1982 was Rs.5,61.77 lakhs (State Government : Rs.2,56.77 lakhs\*\* Industrial Development Bank of India : Rs.2,56.77 lakhs; Others :

†Arising from records other than accounts which have not been compiled.

\*Figures are provisional.

\*\*The figure as per Finance Accounts is Rs. 279.02 lakh, the difference is under reconciliation.

Rs.48.23 lakhs) against the paid-up capital of Rs.4,00 lakhs (State Government : Rs.1,81.77 lakhs; IDBI.: Rs.1,70 lakhs; Others : Rs.48.23 lakhs) as on 31st March 1981.

### 6.06.3. Guarantees

The Government has guaranteed the repayment of share capital of Rs.5,11.77 lakhs (excluding special share capital of Rs.50.00 lakhs) under section 6(1) of the Act *ibid* and payment of minimum dividend thereon at 3.5 per cent. Subvention paid by Government (up to 31st March 1982) towards the guaranteed dividend amounted to Rs.11.87 lakhs which was outstanding for repayment as on 31st March 1982. The table indicates details of other guarantees given by Government for repayment of loans raised by the Corporation.

Particulars	Year of guarantee	Amount guaranteed	Amount outstanding as on 31st March 1982		
			Principal	Interest	Total
(Rupees in lakhs)					
West Bengal Financial Corporation Bonds (from market).	1974-75 to 1981-82	15,40	15,40	Nil	15,40

### 6.06.4. Financial position

The table below summarises the financial position of the Corporation under the broad headings for the three years up to 1981-82 :

	1979-80	1980-78	1981-82
(Rupees in lakhs)			
<b>Capital and liabilities—</b>			
(a) Paid-up capital (including share application money) ..	3,85.00	4,75.00	6,19.02
(b) Reserve fund, other reserves and surplus ..	2,81.43	3,46.49	3,63.30
(c) Borrowings :			
(i) Bonds and debentures ..	10,35.00	12,10.00	15,40.00
(ii) Others ..	13,12.81	14,29.52	15,55.61
(d) Subvention paid by State Government on account of dividend	11.87	11.87	11.87
(e) Other liabilities and provisions ..	2,54.33	3,46.84	1,92.99
<b>Total ..</b>	<b>82,80.44</b>	<b>88,19.72</b>	<b>42,82.99</b>

**Assets—**

(a) Cash and bank balance	..	..	..	1,95.68	86.35	2,61.56
(b) Investment	..	..	..	8.55	9.77	10.53
(c) Loans and advances	..	..	..	28,70.38	84,48.29	38,55.88
(d) Debentures and shares etc. acquired under underwriting agreements				48.35	48.35	37.37
(e) Net fixed assets	..	..	..	6.07	8.46	9.47
(f) Dividend deficit account	..	..	..	11.87	11.87	11.87
(g) Other assets	..	..	..	1,39.54	2,06.63	2,74.33
			<b>Total</b>	<b>32,80.44</b>	<b>38,19.72</b>	<b>42,82.99</b>
Capital employed*	..	..	..	25,35.77	29,23.67	34,14.68

**6.06.5. Working results**

The following table gives the details of the working results of the Corporation for three years up to 1981-72 :

Particulars	1979-80	1980-81	1981-82
	(Rupees in lakhs)		
<b>1. Income :</b>			
(a) Interest on loans and advances	2,69.07	3,24.67	2,01.94
(b) Other income	2.11	5.45	4.97
<b>Total</b>	<b>2,71.18</b>	<b>3,30.12</b>	<b>2,06.91</b>
<b>2. Expenses :</b>			
(a) Interest on long-term loans	1,31.64	1,33.04	1,38.75
(b) Other expenses	26.31	32.31	34.74
<b>Total</b>	<b>1,57.95</b>	<b>1,65.35</b>	<b>1,73.49</b>
<b>3. Profit before tax</b>	<b>1,13.23</b>	<b>1,64.77</b>	<b>33.42</b>
<b>4. Provision for tax</b>	<b>40.20</b>	<b>45.00</b>	<b>1.75</b>
<b>5. Other appropriations</b>	<b>61.99</b>	<b>1,07.52</b>	<b>13.75</b>
<b>6. Amount available for dividend</b>	<b>11.04</b>	<b>12.25</b>	<b>17.91</b>
<b>7. Dividend paid</b>	<b>2.10</b>	<b>2.10</b>	<b>12.25</b>
<b>8. Total return on capital employed</b>	<b>2,44.87</b>	<b>2,97.81</b>	<b>1,72.17</b>
<b>9. Percentage of return on capital employed</b>	<b>9.66</b>	<b>10.19</b>	<b>5.04</b>

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

### 6.06.6. Disbursement and recovery of loans

The performance of the Corporation in the disbursement/recovery of loans during the three years up to 1981-82 is indicated below :

Particulars	(Amount Rupees in lakhs)							
	1979-80		1980-81		1981-82		Cumulative	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1. Applications pending at the beginning of the year	44	3,24.77	107	5,38.95	99	4,42.63	..	..
2. Applications received .. ..	328	15,61.69	597	16,33.06	599	19,94.03	4100	1,49,12.75
3. Total .. ..	372	18,86.06	704	21,72.01	698	24,36.66	4100	1,49,12.75
4. Applications sanctioned .. ..	227	9,58.27	516	11,41.56	545	15,36.11	3110	99,86.93
5. Applications cancelled/withdrawn/rejected	87	3,88.73	89	5,87.82	70	3,04.84	907	44,54.98
6. Applications pending at the close of the year	108	5,39.46	99	4,42.63	83	4,70.84	83	4,70.84
7. Loans disbursed .. ..	270	4,27.77	282	5,43.89	411	6,27.08	1545	46,76.97
8. Amount outstanding at the close of the year	687	28,58.68	897	34,94.72	1158	40,68.06	1158	40,68.06
9. Amount overdue for recovery :								
(a) Principal .. ..	347	3,74.99*	674	4,89.99*	..	6,76.70*	..	6,76.70
(b) Interest .. ..		3,52.70**		4,74.56**		5,99.43**		5,99.43
10. Percentage of defaults to total loans outstanding		25.46		(Per cent) 27.60		31.37		31.37

\*Excludes Rs. 42.44 lakhs, Rs. 10.66 lakhs and Rs. 24.99 lakhs respectively for 1979-80, 1980-81 and 1981-82 where other arrangements have been made

\*\*Excludes Rs. 5.83 lakhs, Rs. 25.87 lakhs and Rs. 7.69 lakhs respectively for 1979-80, 1980-81 and 1981-82 where other arrangements have been made.

## 6.07. West Bengal State Warehousing Corporation

### 6.07.1. Introduction

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

### 6.07.2. Paid-up capital

The paid-up capital of the Corporation was Rs.3,19.40 lakhs\* (State Government : Rs.1,74.70 lakhs, Central Warehousing Corporation : Rs.1,44.70 lakhs) as on 31st March 1982 against the paid-up capital of Rs.2,89.40 lakhs\* (State Government : Rs.1,44.70 lakhs, Central Warehousing Corporation : Rs.1,44.70 lakhs) as on 31st March 1981.

### 6.07.3 Financial position

The table below summarises the financial position of the Corporation under broad headings for the three years up to 1979-80 :

Liabilities	1977-78	1978-79	1979-80
	(Rupees in lakhs)		
(a) Paid-up capital .. .. .	1,81.40	1,90.40	2,14.40
(b) Reserves and surplus .. .. .	39.68	45.40	66.65
(c) Trade dues and other current liabilities .. .. .	63.95	66.77	92.64
<b>Total</b> .. .. .	<b>2,85.03</b>	<b>3,02.57</b>	<b>3,53.69</b>
<b>Assets</b>			
(a) Gross block .. .. .	69.66	72.46	95.22
(b) Less : Depreciation .. .. .	23.01	23.84	25.98
(c) Net fixed assets .. .. .	46.64	48.62	69.29
(d) Capital work-in-progress .. .. .	0.51	1.34	5.67
(e) Investment .. .. .	3.50	5.00	9.00
(f) Current assets, loans and advances .. .. .	2,34.38	2,47.61	2,69.73
<b>Total</b> .. .. .	<b>2,85.03</b>	<b>3,02.57</b>	<b>3,53.69</b>
Capital employed** .. .. .	2,19.70	2,29.46	2,66.38

\*Figures are provisional.

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

### 6.07.4. Working results

The following table gives the details of the working results of the Corporation for three years up to 1979-80 :

Particulars	1977-78	1978-79	1979-80
	(Rupees in lakhs)		
<b>1. Income :</b>			
(i) Warehousing charges .. .. .	78.45	91.38	1,13.02
(ii) Other income .. .. .	2.30	3.09	3.68
<b>Total</b> .. .. .	<u>75.75</u>	<u>94.47</u>	<u>1,16.70</u>
<b>2. Expenditure :</b>			
(i) Establishment charge .. .. .	32.01	38.52	44.06
(ii) Other expenses .. .. .	42.40	44.31	49.63
<b>Total</b> .. .. .	<u>74.41</u>	<u>82.83</u>	<u>93.69</u>
<b>3. Profit before tax</b> .. .. .	1.34	11.64	23.01
<b>4. Provision for tax</b> .. .. .	1.25	1.75	2.60
<b>5. Other appropriations</b> .. .. .	0.98	3.47	3.63
<b>6. Amount available for dividend</b> .. .. .	(-)0.89	6.42	16.78
<b>7. Dividend paid</b> .. .. .	3.55	4.54	5.71
<b>8. Total return on capital employed</b> .. .. .	1.34	11.64	23.01
		(Per cent)	
<b>9. Percentage of return on capital employed</b> .. .. .	0.61	5.07	8.64

### 6.07.5. Operational performance

The following table gives the details of the storage capacity created, capacity utilised and other information about performance of the Corporation for the three years up to 1981-82 :

Particulars	1979-80	1980-81*	1981-82*
<b>1. Number of stations covered</b> .. .. .	86	88	88
<b>2. Storage capacity created up to the end of the year (tonnes in lakhs) :</b>			
(a) Owned .. .. .	0.23	0.26	0.36
(b) Hired .. .. .	1.37	1.52	1.54
<b>Total</b> .. .. .	1.60	1.78	1.90
<b>3. Average capacity utilised during the year (tonnes in lakhs)</b>	1.43	1.58	1.84
		(Per cent)	
Percentage of utilisation .. .. .	89	89	97
<b>5. Average revenue per tonnes (Rupees)</b> .. .. .	79.03	69.24	N.A.
<b>6. Average expenses per tonne (Rupees)</b> .. .. .	65.52	63.33	N.A.

\*Arising from the records other than accounts which have not been compiled.

N.A. — Not available.

## SECTION VII

## WEST BENGAL STATE ELECTRICITY BOARD

## 7.01.1. Introduction

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

## 7.01.2. Capital

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

The aggregate of long-term loans (including loans from Government) obtained by the Board was Rs.8,42,91.01 lakhs\* at the end of 1981-82 and represented an increase of Rs.1,23,87.56 lakhs\* i.e. 17.23 per cent on the long-term loans of Rs.7,19,03.46 lakhs as at the end of the previous year. Details of loans obtained from different sources and outstanding at the close of the two years up to 31st March 1982 were as follows :

Source	Amount outstanding as on 31st March		Percentage increase
	1981	1982*	
	(Rupees in lakhs)		
State Government .. ..	3,23,73.13	3,81,38.11**	17.81
Other sources .. ..	3,95,30.33	4,61,52.90	16.75

## 7.01.3. Guarantees

Government had guaranteed the repayment of loans raised by the Board to the extent of Rs.4,27,51.11 lakhs and the payment of interest thereon. The amount of principal guaranteed and outstanding as on 31st March 1982 was Rs.4,01,94.81 lakhs\*. Amount of guarantee fee in arrears as on 31st March 1982 was Rs.3,19.22 lakhs\*.

\*The figures are provisional.

\*\*The figures as per Finance Accounts is Rs. 3,77,58.98 lakhs, and the difference is under reconciliation.

7.01.4. The financial position of the Board at the close of the three years up to 1981-82 is given in the following table :

Liabilities	1979-80	1980-81	1981-82*
	(Rupees in lakhs)		
(a) Loans from Government .. ..	2,77,72.84	3,23,73.13	3,81,38.11
(b) Other long-term loans (including bonds) ..	3,37,88.60	3,95,30.33	4,62,02.78
(c) Deposits from public .. ..	30,38.19	33,95.45	37,28.86
(d) Reserves and surplus .. ..	16,69.18	24,28.14	41,29.41
(e) Current liabilities .. ..	1,25,91.60	1,58,69.85	2,15,90.44
<b>Total</b> ..	<b>7,88,60.41</b>	<b>9,35,96.90</b>	<b>11,37,89.60</b>
Assets			
(a) Gross fixed assets .. ..	2,83,41.02	2,88,40.93	3,39,60.78
(b) Less : Depreciation .. ..	61,33.93	71,53.99	47,88.63
(c) Net fixed assets .. ..	2,22,07.09	2,16,86.94	2,91,72.15
(d) Capital works-in-progress .. ..	3,00,28.46	3,80,52.35	4,73,43.21
(e) Current assets .. ..	2,66,24.86	3,38,57.61	3,72,74.24
<b>Total</b> ..	<b>7,88,60.41</b>	<b>9,35,96.90</b>	<b>11,37,89.60</b>
Capital employed .. ..	3,62,40.35	3,96,74.70	4,48,55.95

7.01.5. Working results : The working results of the Board for the three years up to 1981-82 are summarised below :

	1979-80	1980-81	1981-82*
	(Rupees in lakhs)		
(a) Revenue receipts .. ..	99,39.46	1,27,35.84	1,78,17.94
(b) Subsidy from State Government .. ..	16,96.33	15,74.49	13,17.66
<b>Total</b> ..	<b>1,16,35.79</b>	<b>1,43,10.33</b>	<b>1,91,35.60</b>
(c) Revenue expenditure including write off of intangible assets	89,81.71	1,19,42.40	1,58,88.04
(d) Gross surplus for the year .. ..	26,54.08	23,67.93	32,47.56

\*Figures are provisional.



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

	1979-80	1980-81	1981-82*
	(Rupees in lakhs)		
Gross surplus available including subvention from State Government and after write off of intangible assets	17,90.10	13,47.87	32,47.56
Add : Depreciation provided (not covered by revenue surplus during 1979-80 and 1980-81 charged in accounts but withdrawn)	8,63.98	10,20.06	Nil
Amount available as per accounts for appropriation	26,54.08	23,67.93	32,47.56
Appropriated to meet payment of interest on loans not guaranteed under section 66	2,47.20	3,72.13	4,56.31
Contribution to repayment of loans raised under section 65	5,92.21	6,58.30	12,32.34
Payment of interest on loans guaranteed under section 66	8,80.43	12,28.55	13,58.91
Payment of interest on loans from Government ..	8,48.52	1,08.95	..
Contribution to General reserve .. ..	9.16	..	..
Contribution to Depreciation .. ..	76.56	..	..
Total ..	26,54.08	23,67.93	32,47.56

The total return on capital employed during the years up to 1981-82 is compared in the following table :

	1979-80	1980-81	1981-82*
	(Rupees in lakhs)		
Total return on capital employed .. ..	17,90.11	19,62.03	20,15.21
	(per cent)		
Rate of return .. ..	4.94	4.95	4.49

Even though the gross surplus was not sufficient to cover the liabilities towards interest on Government loans and depreciation during 1979-80 and 1980-81, the liability towards interest alone (Rs.9,25.61 lakhs for 1980-81) was carried forward to be provided in future. Depreciation not provided during 1979-80 (Rs.7,87.41 lakhs), 1980-81 (Rs.18,07.47 lakhs) and 1981-82 (Rs.33,80.94 lakhs) was, however, adjusted to the asset account without charging to revenues.

\*Figures are provisional.

The total cumulative liability not provided for at the end of each of the three years up to 1981-82 would amount to Rs.23,67.10 lakhs, Rs.43,12.76 lakhs and Rs.68,63.90 lakhs respectively as detailed in the following table :

	1979-80	1980-81	1981-82*
	(Rupees in lakhs)		
1. Interest on loans from Government .. ..	15,79.69	25,05.29	34,83.05
2. Less : Incorrect appropriations made during 1978-79 to be set off against 1 above.			
Contribution to General Reserve .. 127.19	..	..	..
Contribution to depreciation .. 106.93	234.12	2,34.12	..
	<hr/>	<hr/>	<hr/>
	13,45.57	22,71.17	34,83.05
3. Liability towards depreciation to be carried forward (vide 2 supra)	2,34.12	2,34.12	..
4. Depreciation not provided by charge to Profit and Loss Account during 1979-80, 1980-81 and 1981-82	7,87.41	18,07.47	33,80.94
	<hr/>	<hr/>	<hr/>
	23,67.10	43,12.76	68,63.99
	<hr/>	<hr/>	<hr/>

#### 7.01.5.2. Profitability analysis

The following table depicts the profitability position of the Board if all accrued charges towards interest and depreciation were provided for during the three years up to 1981-82 :

	1979-80	1980-81	1981-82*
	(Rupees in lakhs)		
1. Revenue receipts including subsidy from State Government for the year	1,16,35.79	1,43,10.33	1,91,35.60
2. (a) Operating, maintenance and management expenses and depreciation for the year	98,45.68	1,23,48.30	1,57,31.20
(b) Interest on loans for the year .. ..	19,76.14	26,35.25	32,47.40
	<hr/>	<hr/>	<hr/>
Total revenue expenditure for the year ..	1,18,21.82	1,49,83.65	1,89,78.60
	<hr/>	<hr/>	<hr/>
Return on capital employed :			
Actual surplus(+)/deficit(-) .. ..	(-),86.03	(-),673.22	(-),8,58.58
Add : Interest charged to Profit and Loss Account	19,76.14	26,35.25	32,47.40
Actual return on capital employed .. ..	17,90.11	19,62.03	23,88.82
		(per cent)	
Rate of return on capital employed .. ..	4.94	4.95	5.33

\*Figures are provisional.

### 7.01.6. Operational performance

7.01.6.1. The following table indicates operational performance of the Board for the three years up to 1981-82 :

Particulars	1979-80	1980-81	1981-82*
		(In MW)	
1. Installed capacity :			
(i) Thermal .. .. .	694.00	845.00	845.00
(ii) Hydro .. .. .	38.20	38.51	38.70
(iii) Others .. .. .	115.50	126.33	126.30
Total .. .. .	847.70	1009.84	1010.00
2. Normal maximum demand .. .. .	679.00	687.00	777.00
3. Power generated :		(In MKwh)	
(i) Thermal .. .. .	2740.00	2856.10	2897.70
(ii) Hydro .. .. .	32.70	56.40	75.30
(iii) Others .. .. .	122.80	196.20	189.20
Total .. .. .	2895.50	3108.70	3162.20
Less : Auxiliary consumption .. .. .	251.60	269.20	281.40
4. Net power generated .. .. .	2643.90	2839.50	2880.80
5. Power purchased .. .. .	832.54	791.80	920.80
6. Total power available for sale .. .. .	3476.40	3631.30	3801.60
7. Power sold .. .. .	3028.40†	3158.10†	3268.40†
8. Transmission and distribution loss .. .. .	448.00	473.20	533.20
		(per cent)	
9. Load factor .. .. .	44.23	60.33	60.60
10. Percentage of transmission and distribution loss .. .. .	12.90	13.03	14.08
11. Number of units generated per KW of installed capacity .. .. .	32,53.8	30,78.5	31,30.9

7.01.6.2. The following table gives other details about the working of the Board as at the end of the three years up to 1981-82 :

Particulars	1979-80	1980-81	1981-82*
1. Villages electrified (in number) .. .. .	12,863	14,263	16,284
2. Pump-sets/wells energised (in number) .. .. .	N.A.	N.A.	25,650
3. Number of substations .. .. .	499	506	N.A.
4. Transmission/distribution lines (Km.) :			
(i) High/medium voltage .. .. .	38,016.60	39,297.10	N.A.
(ii) Low voltage .. .. .	20,169.00	21,794.50	N.A.
Total .. .. .	58,185.60	61,091.60	N.A.
5. Connected load .. .. .	N.A.	1,784.00	N.A.
6. Number of consumers .. .. .	5,65,710	6,07,530	6,51,030
7. Number of employees .. .. .	33,797	35,129	38,368

\*The figures are provisional.

†Includes power supplied free : 1.31 Mkwh each year.

N.A. = Not available.

sold, revenue earned per unit, expenses and profit/loss per unit sold  
 sold, revenue earned per unit, expenses and profit/loss per unit sold  
 during the three years up to 1981-82 :

Particulars	1979-80	1980-81	1981-82*
	(In MkwH)		
<b>1. Total unit sold/Category of consumers :</b>			
(a) Agricultural .. .. .	75.50	81.14	49.69
(b) Industrial .. .. .	1028.54	1146.07	322.46
(c) Commercial .. .. .	126.97	105.68	115.03
(d) Domestic .. .. .	137.24	147.05	152.11
(e) Others .. .. .	1658.81	1756.95	1629.11
<b>Total units sold .. .. .</b>	<b>3027.06</b>	<b>3256.89</b>	<b>3268.40</b>
	(In paise per Kwh)		
<b>2. Revenue .. .. .</b>	<b>31.96</b>	<b>37.46</b>	<b>48.58</b>
<b>3. Expenditure .. .. .</b>	<b>32.52</b>	<b>40.57</b>	<b>50.71</b>
<b>4. Profit(+) Loss (-) per Kwh .. .. .</b>	<b>(-)0.56</b>	<b>(-)3.11</b>	<b>(-)2.13</b>

## 7.02. Gas Turbine Projects

### 7.02.1. Introduction

The State of West Bengal had been passing through, since 1973-74, a severe power crisis † resulting in acute loadshedding in peak hours which, according to the Board, was due to delay in implementing the various thermal and hydel power projects, and mechanical trouble in the existing power generating equipment.

With a view to meeting the peak demand and also to take care of the unscheduled outages, addition of generating units having quick starting and stopping features was considered necessary. Accordingly, a scheme for setting up of five gas turbine units drawn up in December 1977 and approval of the Planning Commission and sanction of the Central Electricity Authority (CEA) obtained in September 1978 and July 1979 respectively. The main objects of the gas turbine project were to provide, inter alia, backing reserve during peak hours and outages, to provide emergency power during total power failure and to increase the load factor of the large units.

The Board installed during July 1979 to January 1980 five gas turbine units of 20 MW each (aggregate capacity 100 MW). It constructed 2 units at Haldia as approved by the CEA, one unit at

\*The figures are provisional.

†Source : Power survey report by the Central Electricity Authority.

Siliguri against 2 approved, and two units at Kashba which had not been approved. One unit approved to be set up at Gouripur was not constructed. Sanction of CEA to the deviations made was not obtained.

#### 7.02.2. Financing the project

7.02.2.1. The project was estimated to cost Rs.28,16 lakhs consisting of Rs.18,80 lakhs towards cost of packaged gas turbines and Rs.9,36 lakhs towards their erection and commissioning. The funds for the project were to be mobilised from institutional loans (Rs.18,16 lakhs) and State Government loans (Rs.10,00 lakhs). Total Capital expenditure incurred up to 31st March 1982 was Rs.31,90 lakhs (provisional).

7.02.2.2. The State Government loan of Rs.10 crores was received by the Board in March 1979 and the term-loan from five banks amounting to Rs.18.16 crores was received between February 1980 and June 1980. The agreement entered into with the State Bank of India and other banks on 14th February 1980 stipulated that the Board would utilise the money advanced by the banks solely for the purpose of purchase, erection and installation of the gas turbines.

#### 7.02.3. Consultancy services

For setting up of the Gas Turbine Power Stations, the Board executed (March 1979) an agreement with a consultancy firm of Calcutta through negotiation for carrying out investigation, complete design engineering, preparation of cost estimates, tender documents, evaluation of bids, detailed engineering of civil/mechanical/electrical works, supervision of erection, start-up and commissioning of the units at a fee of Rs.50.60 lakhs.

#### 7.02.4. Procurement of gas turbines

7.02.4.1. Global tenders for procurement of five gas turbine sets were invited in June 1978. Eleven offers were received, but eight were rejected by the Board on technical grounds. According to evaluation made by the Consultants and the Board in respect of three bidders, the total price, including oil centrifuging plant, erection, testing and post commissioning services for 12 weeks were observed as below :

Contractor	Price as evaluated by the consultant (Rupees in crores)	Price as evaluated by the Board (Rupees in Crores)
A	16.75	16.76
B	16.50	16.94
C	16.96	17.25

Letter of intent was placed with 'A' of the United Kingdom in October 1978 for supply of five gas turbine units along with post commissioning maintenance and supervision for a period of 3 years after expiry of 12 weeks from the date of commissioning of the units at a total cost of £ 11,820,000 (Rs.19.42 crores). An agreement was entered into with the suppliers in January 1979.

The Board finally evaluated the cost of supply, etc. of the 5 units of gas turbine at Rs.19.42 crores against its original evaluation of Rs.16.76 crores. The basis of the evaluation made, selection of the suppliers and the increase of Rs.3.66 crores in price over the original evaluation could not be scrutinised as relevant records, viz., original offers, detailed evaluation made by the Consultants and the Board were not made available to Audit.

Unconditional acceptance of performance test of the gas turbine units was given by the Board (October 1981) to the suppliers who, as per the contract, were responsible for erection and commissioning of the plant. But, in respect of Siliguri unit, no performance test was carried out by the Board before acceptance as the system condition necessary to conduct such test was not available and after the unit was commissioned in September 1979, it was being underutilised up to 1981-82, vide, paragraph 7.02.6.5.(e) infra. In the absence of performance test, and in view of unconditional acceptance by the Board, it will have no remedy against the suppliers in case any difficulty arises when the plant is worked at full load.

7.02.4.2. At the request of the Board, Government of India, intimated (February 1979) the appointment of Crown Agents of England as its agent to arrange payment to the suppliers out of U.K. Aid funds as and when such payments became due. The U.K. Government had also agreed that Crown Agents' charges (for acting as agents) concerning the contract with the Board would be 0.03 per cent of the value in each case. The procedure for payment further envisaged that on receipt of intimation from the agent about payments to the foreign suppliers on behalf of the Board under special payment procedure, the Board would deposit Rupee equivalent into Government of India account immediately. Besides this, interest at the rate of 9 per cent per annum for the first 30 days and at 15 per cent per annum for the period in excess of 30 days was payable from the date of payment to 'A' by the agent to the date of Rupee deposit actually made into Government of India account.

7.04.3. An amount of Rs.42.96 lakhs was paid up to June 1982 towards interest on delayed deposit of Rupee equivalents of payments made by the Crown Agents. The Board had been making payments of the Rupee equivalents (on the basis of demand received from.

Government of India) within 8 to 155 days as shown in the table below. The time lag between the date of payment to the suppliers by the Crown Agents and the date of receipts of demand from Government of India, however, ranged between 20 and 202 days. Had the Board ensured that the intimations are received from the Crown Agents promptly and deposited the amount immediately thereafter, the payment of interest could have been largely avoided.

Date of payment to suppliers by Crown Agent	Date of demand by Government of India	Date of deposit	Amount deposited	Amount of interest paid	Reasons for delay to deposit the principal amount
			(Rupees in lakhs)		
13th February 1979	23rd March 1979	31st March 1979	11,55.91	16.52	Delay in receipt of information from Government of India.
19th April 1979	4th June 1979	4th August 1979	404.22	14.03	Delay in receipt of information from Government of India and paucity of fund.
12th June 1979	24th July 1979	4th August 1979	34.77	1.05	Delay in receipt of information from Government of India.
3rd October 1979	20th November 1979	10th December 1979	35.84	0.86	-ditto-
18th December 1979	18th March 1980	8th April 1980	192.76	0.86	Paucity of fund.
6th June 1980	29th July 1980	12th August 1980	47.72	0.20	Delay in receipt of information from Government of India.
29th February 1980	30th August 1980	27th September 1980	46.36	0.57	Paucity of fund.
14th May 1981	18th June 1981	18th July 1981	22.38	3.71	-ditto-
13th January 1981	3rd August 1981	5th January 1982	36.10	4.23	Delay in receipt of information from Government of India.
13th January 1982	2nd February 1982	3rd March 1982	33.16	0.65	-ditto-
29th March 1982	3rd June 1982	29th June 1982	21.28	0.28	Delay in receipt of information from Government of India.
			<b>Total</b>	<b>42.96</b>	

### **7.02.5. Customs duty**

#### **7.02.5.1. Non-realisation of customs duty from the contractor**

The turn-key project assigned to the foreign suppliers of the equipment involved the installation of the turbines, etc, with the aid of trucks, tractors, lifting equipment, etc, which were specially to be brought to India for that purpose. According to the terms of the agreement entered into with the suppliers, the taxes, duties and other charges on such equipment were to be borne by the suppliers. The Board paid (March 1979) a sum of Rs.1,51.23 lakhs at the request of the suppliers as customs duty on the trucks, tractors, railors and lifting equipment, etc brought to India in February 1979. On re-export of these items in April 1979, the Board submitted (April 1980) a drawback claim of Rs.1,48.20 lakhs being 98 per cent of duty paid, the balance 2 per cent being reckoned as duty leviable on the depreciation for the equipment put to use till their re-export. Against the claim of Rs.1,48.20 lakhs, a sum of Rs.1,28.54 lakhs only was received in November 1980. Though an amount of Rs.22.69 lakhs had, thus, become recoverable from the contractor, no claim for recovery had been lodged with the contractor so far (February 1983) and reasons for delay in preferring the claim were not on record. The interest burden on the amount of Customs duty paid by the Board on behalf of the suppliers amounted to Rs.33.35 lakhs up to February 1983.

#### **7.02.5.2. Claim for refund of customs duty**

The Government of India issued (August 1978) an order under section 25(2) of the Customs Act, 1962 exempting gas turbines used for power generation from levy of Customs duty, provided the import was covered by an Import Trade Control Licence. The Controller of Imports and Exports issued the relevant Import Trade Control Licence in December 1978. The gas turbines, along with components ordered in October 1976, arrived at Calcutta in March 1979. At the time of clearing the consignment, Customs Authorities demanded (March 1979) Customs duty for the accessories in the absence of any specific exemption for the same in the exemption order. The issue could not be solved on the spot. But, the Board was aware that an amendment to the order allowing exemption of duty for the accessories was in the offing. The gas turbines with accessories were, however, got cleared from the Calcutta Customs on 3rd March 1979 on payment of a total sum of Rs.1,29.71 lakhs towards Customs duty provisionally assessed on generators, accessories, etc., while the gas turbines were got cleared duty free.



The Government of India issued an order (March 1979) amending the earlier order (August 1978) exempting payment of Customs duty for the imported generators and other accessories as well. Thereupon, the Board claimed (August 1979) refund of Customs duty amounting to Rs.1,29.71 lakhs on the accessories provisionally assessed and paid by the Board. The Director (Customs), Central Board of Excise and Customs, Government of India intimated (August 1981) that the refund claim had been rejected by the Collector of Customs on the ground that retrospective effect could not be given to the order as the same was issued after clearance of the material.

At the request of the Board, the matter has been taken up by the State Government with the Central Government in August 1982 for settlement of the claim. The Government of India finally rejected (March 1983) the claim of the Board.

As the Board was aware that orders exempting the generators and other accessories of gas turbines from payment of Customs duty were under issue at the time of their clearance in March 1979, and in fact, the order was also issued in March 1979, the Board could have avoided payment of the duty of Rs.1,29.71 lakhs if it had kept the accessories lodged in Customs bond for less than a month till the issue was settled and cleared them after issue of the order.

#### 7.06. Operational activities

7.06.1. The five units of gas turbines were commissioned during 1979-80, and ever since they were commissioned they were put on regular commercial operation throughout the period instead of utilising them mainly to meet demand during peak hour and periods of unscheduled outages of generating units as per the sanction of CEA. The table below indicates the particulars of installed capacity of gas turbine units and date of starting of their commercial operation :

	Kashba		Haldia		Siliguri
	Unit I	Unit II	Unit I	Unit II	
Installed capacity (MW)	20	20	20	20	20
Maximum demand (MW)	21.5	22	24.5	24	21.5
Date of starting commercial operation	27th July 1979	6th August 1979	20th January 1980	12th December 1979	25th September 1979

7.02.6.2. The table below gives particulars of operation of the gas turbine units for the three years ending 31st March 1982 :

	Kasba Unit I			Kasba Unit II		
	1979-80	1980-81	1981-82	1979-80	1980-81	1981-82
Total hours in a year ..	5976	8760	8760	5736	8760	8760
Less forced outage hours	600	1920	3825	96	1400	283
Available hours ..	5376	6840	4935	5640	7360	8477
Actual hours run ..	1873	2628	1764	1767	2338	3029
Reserve shut down hours	3503	4212	3171	3873	5022	5448
Maximum possible energy that could be generated at 100% efficiency (MKWH)	37.460	52.560	35.280	35.340	46.760	60.580
Units generated (MKWH)	36.087	47.732	33.378	33.497	41.451	49.265
Yearly availability factor*	90.64	78.08	76.82	98.44	84.02	77.54
Load factor ** ..	31.23	26.97	19.05	27.00	22.53	28.12
Plant capacity factor † ..	33.56	27.24	19.05	29.70	23.66	28.12
Plant efficiency factor ‡	96.93	90.81	94.60	94.78	88.64	81.32
	Haldia Unit I			Haldia Unit-II		
	1979-80	1980-81	1981-82	1979-80	1980-81	1981-82
Total hours in a year ..	1728	8760	8760	2664	8760	8760
Less forced outage hours	48	2184	2030	408	5640	19.7
Available hours ..	1680	6576	6730	2256	3120	6793
Actual hours run ..	391	1945	2172	330	1003	1926
Reserve shut down hours	1289	4631	4558	1926	2117	4867
Maximum possible energy that could be generated at 100% efficiency (MKWH)	7.820	38.900	43.440	6.600	20.080	38.52
Units generated (MKWH)	7.191	36.209	37.466	5.977	17.894	35.289
Yearly availability factor*	97.18	75.06	73.26	84.68	35.61	64.24
Load factor** ..	17.47	19.72	22.72	9.59	9.01	21.65
Plant capacity factor † ..	21.40	21.71	27.84	11.18	10.18	25.97
Plant efficiency factor ‡ ..	91.55	93.23	89.23	90.42	89.17	91.59

\*Yearly available hours of the set  $\times$  100 divided by total hours in that year.

\*\*'Load factor' is the ratio of the number of units supplied during a given period to the number of units that would have been supplied had the maximum demand been maintained throughout that period.

†It is the actual energy production divided by the maximum possible energy that might have been produced during the same period.

‡Total energy generated multiplied by 100 divided by maximum capacity multiplied by running hours.

	Siliguri		
	1979-80	1980-81	1981-82
Total hours in a year .. .. .	4536	8760	8760
Less forced outage hours .. .. .	312	48	72
Available hours .. .. .	4224	8712	8688
Actual hours run .. .. .	1399	2949	2087
Reserve shut down hours .. .. .	2825	5763	6601
Maximum possible energy that could be generated at 100% efficiency (MKWH)	27.980	58.980	41.710
Units generated (MKWH) .. .. .	19.298	36.056	23.869
Yearly availability factor* .. .. .	93.12	99.45	99.17
Load factor** .. .. .	19.78	19.14	13.97
Plant capacity factor† .. .. .	21.27	20.57	13.62
Plant efficiency factor‡ .. .. .	68.94	61.13	57.18

7.02.6.3. The percentage of forced outages to total available hours in a year in respect of units at Kashba and Haldia was high during the 2 years following the year of commissioning as would be evident from the following table :

Location	Percentage of forced outages to total available hours.			
	1980-81		1981-82	
	Unit I	Unit II	Unit I	Unit II
Kashba .. .. .	21.9	15.9	43.7	Negligible
Haldia .. .. .	24.9	64.3	23.2	22.4

7.02.6.4. Due to operation of gas turbines in under-load conditions, there was a general decline in plant efficiency in all the units. This was significant in Siliguri unit where the plant efficiency was only 68.94 per cent, 61.13 per cent and 57.18 per cent during the years 1979-80 to 1981-82 respectively.

#### 7.02.6.5. Under-utilisation of plant capacity

(a) The gas turbine project at Haldia is having firm generation capacity of 20 MW for each of the two units. For evacuation of power to 132 KV grid, two 20 MVA transformers were installed in August

\*Yearly available hours of the set X 100 total hours in that year.

\*\*Load factor' is the ratio of the number of the units supplied during a given period to the number of units that would have been supplied had the maximum demand been maintained throughout that period.

†It is the actual energy production divided by the maximum possible energy that might have been produced during the same period.

‡Total energy generated X 100 Maximum capacity X Running hours,

1982. Thus, the total capacity of evacuation of power to 132 KV grid is only 32 MW ( $20 \text{ MVA} \times 2 \times 0.8$  power factor) as against 40 MW which could have been achieved by installing two transformers of an aggregate capacity of 51.6 MVA. The local management pointed out (August 1982) that the Haldia Gas Turbine Project had been compelled to operate one unit at 15 MW load. Though there was load demand at 132 KV bus, the plant remained under-utilised for want of augmentation of step-up transformer (33|132 KV) even after a lapse of about 3 years resulting in higher rate of consumption of high speed diesel oil (i.e., 0.439 KL per MW at 20 MW load against the norm of 0.4 KL per MW stipulated for a load of 40 MW) due to generation in under-load condition.

No action for augmentation of the step-up transformer had been taken so far (August 1982).

(b) In Siliguri area there are three separate power distribution systems. These had not been synchronised (August 1982) with gas turbine generation system. As a result, while the gas turbine worked below rated capacity, loadshedding in areas outside this system was resorted to. The matter was reviewed by the Central Load Despatch Wing of the Board which opined (November 1981) that the gas turbine units at Siliguri should be loaded at an economic level of loading and emphasised the need to synchronise the unit to Jaldhaka Hydel system. Though 132 KV transmission link between North Bengal and South Bengal was completed (December 1981) with the completion of Malda-Dalkhola Line, the unit at Siliguri is still to be linked with the grid, which has been done in the case of Kashba and Haldia units.

Test check of log sheets of the Siliguri unit indicated that the unit was under-utilised during the 3 years up to 1981-82 and the average loads at which the generation was made were 13.5 MW, 12 MW and 11.5 MW respectively.

The under-utilisation of the capacity of the gas turbine as observed (June 1982) by the Management of Gas Turbine Projects, was due to lack of augmentation system and that no attempt was made by the Distribution Wing, Siliguri to augment|modify|reorient the existing distribution system to cater to the system demand for full utilisation of gas turbine unit.

#### 7.02.6.6. Delay in preferring claim

During the period from July 1979 to January 1980, a quantity of 469.882 KL of HSD oil valued Rs.7.20 lakhs was issued to the contractor from the Board's stock for purpose of testing the gas

turbines. According to the supply agreement, the value of oil consumed for testing purpose prior to commissioning of the gas turbines was to be borne by the contractor. However, the Board had not so far (February 1983) lodged any claims, reason for which was not on record. The Board has not assessed the impact of interest charges it was incurring on the amount blocked up for purpose of its recovery from the contractor.

#### 7.02.6.7. *Post construction maintenance*

The agreement dated January 1979 entered into by the Board with the suppliers of the gas turbines provided, inter alia, that the overall price would include post construction operations (inclusive of all periodical inspections, repairs, overhaul, and supply of all necessary spare parts) to be attended by the suppliers for a period of three years after the expiry of 12 weeks from the date of commissioning of each of the gas turbines. The agreement further provided that the contractor would store at a place in West Bengal a stock of support spare parts to ensure minimum of machine outage. Such spares shall remain property of the contractor until installed in the Board's equipment.

The agreement was subsequently modified to provide that the contractor shall supply spare parts of the value of £ 192,000 as requisitioned by the Board prior to the completion of 3 years' contract. It was ascertained (September 1982) in audit that actual requirement of various types of spare parts for maintenance work was not assessed and procurement action taken by the Management. Against the agreed ceiling of £ 192,000 for spare parts, supplies to the extent of £ 45,000 were due from the suppliers till January 1983 though the 3 years' maintenance contract was going to be over by March 1983.

#### 7.02.6.8. *Non-imposition of penalty*

Scrutiny of operation log books of gas turbine units at Kashba and Haldia revealed that the units remained idle for large number of days due to delay in supply by the contractor of spare parts needed for repairs. The agreement with the suppliers provided that they would pay, as penalty, a sum of Rs.5000 for every day of idleness of the set, in excess of 14 days per annum, directly attributable to the

non-availability of any spare. During the three years up to 1981-82, the net loss aggregated to 597 turbine-days attributable to non-availability of spares as detailed below :

Years	Idle period					Deduct free-time for which no penalty is leviable	Extent of delay for which penalty is leviable
	Kasba		Haldia		Total		
	I	Unit II	I	Unit II			
(Number of turbine days)							
1979-80 ..	17	..	..	17	34	28	6
1980-81 ..	43	53	91	235	422	56	366
1981-82 ..	99	..	87	81	267	42	225
					<b>Total</b>	..	<b>597</b>

The contractor was liable to pay penalty of Rs.29.85 lakhs to the Board for idleness of the gas turbines beyond the specified period. No claim for recovery of penalty had been lodged with contractor so far (February 1983); reasons for which were not on record.

### 7.02.7. Consumption of HSD oil

7.02.7.1. The following table indicates particulars of receipt and consumption of HSD oil at Haldia, Kashba and Siliguri during the 3 years ending 31st March 1982 :

Station	Year	Total receipt including opening balance	Consumption	Closing balance	Loss	Percentage of handling loss to oil handled
(Figures in KL)						
Haldia	.. 1979-80 (From October 1979)	6086	5789	210	81	1.40
	1980-81 ..	23979	22400	1035	544	2.43
	1981-82 ..	31595	30602	423	570	1.86
Kashba	.. 1979-80 (From June 1979)	29251	28594	249	408	1.43
	1980-81 ..	37270	36920	129	221	0.60
	1981-82 ..	35821	35432	164	225	1.40
Siliguri	.. 1979-80 (From September 1979)	8804	8216	542	46	0.56
	1980-81 ..	16845	16316	416	113	0.69
	1981-82 ..	11744	11023	606	115	1.04
					<b>3323</b>	

The value of handling loss of HSD oil at yearly average rate in the three stations during the period under review was to the extent of Rs.51.65 lakhs.

The handling loss of HSD oil was attributed (August 1982) by the Management to be

- (i) centrifuge loss;
- (ii) handling and pipe line loss; and
- (iii) other leakages.

The management had not fixed any norm for process loss in order to investigate the reasons for excess losses over the norm.

#### 7.02.7.2. *Non-reconciliation of oil account with IOC*

The gas turbine project received HSD oil from the IOC against advance payment. No reconciliation of the quantity of oil supplied by the IOC against the payments made to them had so far (February 1983) been made since inception. The Finance Manager (Corporate) ordered immediate reconciliation and reporting of the results; but the same is awaited (February 1983).

7.02.7.3. Following table indicates the total consumption of HSD oil, generation of power, consumption of HSD oil per unit of power and cost of HSD oil consumed per unit of power generated during the 3 years ending March 1982 in respect of Siliguri and Kashba units :

Station	Year	Consumption of HSD oil (in KL)	Generation of Power (in MWH)	Consumption of HSD oil per unit of power (Kwh) (in litre)	Cost of HSD oil consumed per unit of power (average rate of HSD oil) (Rupees)
Siliguri	.. 1979-80	8216	19298	0.426	0.58
	1980-81	16316	36056	0.453	1.09
	1981-82	11023	23869	0.462	1.27
Kashba	.. 1979-80	28594	69584	0.411	0.64
	1980-81	36920	89183	0.414	0.94
	1981-82	35432	82643	0.429	1.12

It will be seen from the above that during the period of 3 years the proportionate consumption of HSD oil registered steady increase over that of base rate of consumption i.e., 0.4 litre/Kwh, reasons for which were not explained by the Management (August 1982).

7.02.7.4. The table below shows the extra cost due to higher consumption of oil per unit of power generated during the 3 years ending 31st March 1982 compared to the base rate of consumption :

Station	Year	Consumption of HSD oil per unit (in litre)	Excess consumption of HSD oil per unit (in litre)	Total generation (Mkwh)	Extra consumption of HSD oil (in KL)	Cost of excess consumption (Rupees in lakhs)
Siliguri ..	1979-80	0.426	0.026	19.298	502	6.89
	1980-81	0.453	0.053	36.056	1910	45.92
	1981-82	0.462	0.062	23.869	1480	40.71
Kashba ..	1979-80	0.411	0.011	69.574	765	11.80
	1980-81	0.414	0.014	89.173	1248	28.40
	1981-82	0.429	0.029	82.643	2396	62.24
					Total ..	195.96

The matter has not been investigated by the Management so far (February 1983) to ascertain the specific reasons for the huge excess consumption of HSD oil valued Rs.195.96 lakhs in order to take remedial measures to avoid such losses.

#### 7.02.7.5. *Transportation of HSD oil*

HSD oil in all the stations is received through road tankers belonging to transport contractors appointed by the Board. Flow meters have not been installed and while accepting HSD oil, only 'dip' measurement is taken. The quantity actually received during the 3 years up to 1981-82 on the basis of 'dip' measurement taken fell short of the quantity billed for as tabled below :

Year	Quantity as per challan	Quantity actually received (in KL)	Shortage	Value of shortage (Rupees in lakhs)
1979-80 .. ..	6099	6080	19	0.29
1980-81 .. ..	23800	23769	31	0.71
1981-82 .. ..	30590	30560	30	0.78

The quantity short delivered has not been made good from the suppliers or transporting contractors so far (February 1983).



### 7.02.8. Overtime payments

7.02.8.1. The table below indicates the particulars of pay and overtime allowances paid to the operational and maintenance staff of generating units during the three years ended 31st March 1982 :

Year			Pay	Overtime allowances
			(Rupees in lakhs)	
1979-80	..	..	0.54	0.27
1980-81	..	..	4.07	1.29
1981-82	..	..	5.96	3.43

The table supra would make it clear that overtime allowance paid was 50.0, 31.7 and 57.6 per cent of pay in 1979-80, 1980-81 and 1981-82 respectively. Test-check revealed that overtime payments to individual operational personnel in a quarter were on the basis of operating work far ranged between 500 to 900 hours, in violation of the statutory limit of 75 hours of overtime work for any quarter.

### 7.02.8.2. Special features in Siliguri unit

The unit at Siliguri (functioning from September 1979) was put to operation mostly on 2nd shift (2 p.m. to 10 p.m.) and occasionally on 1st shift (6 a.m. to 2 p.m.). Test check of records for the month of March for 3 years ending March 1982 revealed that the unit was operated in the 1st shift for only 2 days, 4 days and 1 day in the month of March of the respective years. But, the operational personnel in full strength were put to normal duty in the first shift throughout the years and the second shift was run by the engagement of the same personnel on overtime basis.

### 7.02.9. Cost of generation

The table below indicates cost of generation as envisaged in the project feasibility report, actual cost and percentage of increase in cost of generation in different cost centres for the years 1980-81 and 1981-82 :

Cost centres	Cost as per project report	Actual cost		Percentage increase in cost	
		1980-81	1981-82	1980-81	1981-82
		(in paise per unit)			
Fuel cost	.. 39.14	89.79	125.05	120.10	219.49
Fixed charges	.. 17.88	26.00	24.93	45.41	39.42
Cost of generation	.. 57.02	115.79	149.98	103.06	163.03
Cost per kwh sent out	57.60	116.53	151.03	102.30	162.20

From the above, it would be seen that the cost of generation had increased to 103.06 per cent in 1980-81 and to 163.03 per cent in 1981-82 in relation to the cost of generation as envisaged in the project report:

While the actual percentage of increase in price of fuel per KL to the price projected was 104.85 in 1980-81 and 181.55 in 1981-82, the percentage of increase in cost of fuel per kwh generated was 128.10 in 1980-81 and 219.49 in 1981-82.

Reasons for disproportionate increase in cost of fuel per kwh of generation had not been investigated.

#### 7.02.10. *Payment of consultancy fees*

Term of the agreement with the consultants (March 1979) had stipulated that the Board was to pay Rs.50.60 lakhs as fees for consultancy services comprising of design engineering services (Rs.39.87 lakhs) and site services (Rs.10.73 lakhs). Fifteen per cent (Rs.5.98 lakhs) of Rs.39.87 lakhs would be paid after issue of tender document and balance eighty five per cent (Rs.33.89 lakhs) would be paid in 12 equal monthly instalments of Rs.2.82 lakhs each commencing from two months after the first payment of 15 per cent (Rs.5.98 lakhs) was made. Five per cent would be deducted from each monthly instalment and kept as retention money (total Rs.1.69 lakhs), fifty per cent of which would be paid on completion of design drawings and the balance amount within 30 days of successful completion of the entire work after settlement of outstanding claims with the contractors. Although the letters of intent in respect of civil construction works were issued in January 1979, confirmatory orders had not been issued, and test check in audit revealed that the final settlement of claims with 6 contractors (balance : Rs.8.39 lakhs) had not been effected (March 1983), but completion certificate had been issued by the Management to the consultants in June 1980 with payment of Rs.39.87 lakhs in full (February 1981) including retention money which did not conform to the relevant article of the agreement.

#### 7.02.11. *Civil work of Gas Turbine Project*

7.02.11.1. In connection with installation of the 5 gas turbine units Central Electricity Authority accorded approval (July 1979) for Rs.65 lakhs for execution of civil works.

The consultants prepared tender specification|drawings for the work. Although global tender for supply of gas turbine package plants were issued in June 1978, the consultants could make available

necessary tender documents in respect of different civil works only in November and December 1978. The Board could not invite open tenders for civil works on grounds of urgency even in a single case of civil work to take advantage of competitive rates and these works were awarded to the contractors recommended by the consultants on limited tender basis.

Though large quantities of civil works valued at Rs.2,29.68 lakhs were carried out (December 1978 to March 1982), the Board had not posted any civil engineer to look after the works executed by the civil contractor (till August 1982). The Management had to depend solely on the certification of the measurement of work done by the consultants for making payments.

#### 7.02.11.2. *Piling and foundation work at Haldia Gas Turbine unit*

On the basis of a request from the Board (November 1978) to take up the above work on urgent basis as per the drawing and specification prepared by the consultants, with completion date as 7th January 1979, National Building Construction Corporation Limited (NBCC) submitted its offer (November 1978). A letter of intent for the work was issued (November 1978) at an estimated cost of Rs 9.32 lakhs. NBCC shifted (November 1978) one piling rig from Calcutta to Haldia for taking up the work. But the Board could not hand over the site till middle of January 1979 (even after the scheduled date of completion of the work was over) as the site clearance work was not complete. Further, the piling rigs had to be diverted to Kashba owing to change of priority by the Board. The contractor started the work at Haldia on 12th February 1979.

Due to the delay by the Board in handing over the site and also constraints created by it in the use of rigs due to change of priority, NBCC could not complete the work till April 1979. As a result, gas turbine equipment which arrived at site on 7th March 1979 from abroad could not be put on the foundation and the equipment had to be temporarily placed on wooden sleepers. Subsequently, the machines were lifted and placed (June 1979) on the foundation at an additional expenditure of Rs.6.50 lakhs out of which the Board could recover from the contractor a sum of Rs.0.47 lakh as penalty for delayed completion of the work conceding the balance of Rs.6.03 lakhs as a loss on account of its own failure.

7.02.11.3. The original estimate (Rs.9.32 lakhs) for piling and foundation work was revised to Rs.10.19 lakhs even though in regard to some items of the schedule, there was reduction in the volume of work (Rs.2.85 lakhs), as the contractor executed the work for other

items much in excess of the quantities envisaged in original estimates and some extra work not provided for in the schedule was done. For such new items, the contractor claimed and the Board paid rates which were 300 per cent above the original rates.

The extra expenditure incurred by the Board in respect of extra work not envisaged in original schedule of work was Rs.4.05 lakhs. Had the assessment in the original design and specification been made more realistically, the Board could have avoided extra expenditure of Rs.3.04 lakhs (Rs.4.05 lakhs being value of extra work at 300 per cent above P.W.D. schedule of rates less Rs.1.01 lakhs which would have been required had the work been included in original estimate and got done at P.W.D. schedule of rates).

#### 7.02.11.4. *Kashba Gas Turbine unit*

On the basis of drawings and specifications prepared by the consultants the Board issued (December 1978) a letter of Intent to NBCC for the piling work at Kashba project site stipulating completion time as two months from issue of letter of intent at an estimated cost of Rs.9.97 lakhs (revised to Rs.10.97 lakhs in March 1981). It was observed that some extra works not envisaged initially had to be done to the tune of Rs.4.18 lakhs (including extra payments for transportation charges of Rs.0.80 lakh) out of which works valued Rs.2.42 lakhs not specified in the schedule of works had to be got executed at 300 per cent above the P.W.D. schedule of rates. Had the tender specification and schedule of works been prepared on proper assessment of work, the Board could have got the work done at the existing P.W.D. rates thereby avoiding the extra expenditure of Rs.1.82 lakhs. Extra payment of transport charges amounting to Rs.0.80 lakh was made for diversion of piling rigs originally earmarked for Haldia site, vide, paragraph 7.02.11.3.

#### 7.02.11.5. *Fabrication and erection of structural steel*

Against a limited tender (December 1978) for the work of fabrication and erection of structural steel at Kashba, Haldia and Siliguri, 3 quotations were received.

Contractor 'A' offered for works relating to Kashba unit only, 'B' quoted for Haldia and Siliguri while 'C' quoted for all the 3 sites.

Although lower offers were received with lesser completion time from 'A' and 'B', the Board, on recommendation of the consultants, essence of which was earliest completion time, reliability and resourcefulness of the contractor, issued (January|February 1979) letter of intent in favour of 'C' (highest bidder) for all the 3 sites at Rs.32.09 lakhs including cost of steel.

Though, as per letter of intent the work was required to be completed within 4 to 5 months, i.e. May|June 1979 in respect of Kashba and Haldia and 3 to 4 months, i.e. April|May 1979, in respect of Siliguri the completion time of work at three sites was subsequently rephased as under, due to change of priority, i.e., Kashba and Siliguri to be completed first followed by Haldia, and also having regard to position of steel supply :

	Kashba	Siliguri	Haldia
Revised date for completion of work	End of April 1979	June 1979	.. Third week of September 1979.
Tentative date of commissioning of the plant	30th May 1979	.. June 1979	.. End of September 1979 or beginning of October 1979.

The Management further extended the completion date for work of Siliguri to 30th July 1979 to match with the tentative commissioning schedule of the machines.

The contractor completed the work at Kashba and Siliguri in September 1979 and at Haldia in October 1979 in an unsatisfactory manner and without fixing up the barge boards resulting in hampering the progress of the work of erection contractor of the EOT crane and the work of the U.K. suppliers.

Reason for the delayed completion as attributed (January 1983) by the Management was delayed supply of steel by the Board as well as delay in lifting steel by the contractor. The Board did not assess its share of liability of extra expenditure on this score and that of the contractor.

The defects noticed in all the three sites were rectified by the Board with the help of contractor for the EOT crane who, under the agreement, had to do it free of cost. While the contractor rendered the help free for Kashba and Siliguri, he was paid Rs.0.09 lakh for Haldia. Further cost incurred by the Board on materials, spares, etc, for the rectification work was not, however, separately assessed.

The extra expenditure, thus, incurred had neither been assessed and recovered from the contractor nor any penalty levied for delay in completion of work since penalty clause was withdrawn by way of issuance of the revised order (April 1981).

Thus, the very purpose i.e., urgency, for which the consultants recommended placing of order on the highest bidder was defeated resulting in an extra expenditure of Rs.3.74 lakhs (Rs.3.65 lakhs due to non-acceptance of lowest tender plus Rs.0.09 lakh for rectification work at Haldia).

The contractor was paid Rs.20.01 lakhs in final settlement towards price (other than steel) which included Rs.2.47 lakhs on account of escalation in wages, Rs.0.34 lakh on account of extra labour and Rs.0.28 lakh towards transport charges.

It transpired from records that—

- (i) wage escalation clause which was included in the offer of the party was neither provided for in the letter of intent nor in the confirmatory order issued in March 1979 on the ground that the work was to be completed within a short period of 5 months; consent of the contractor for the execution of the clause from the work order was also not obtained;
- (ii) the then Chairman of the Board assured that extra labour cost would be sympathetically considered if the contractor completed the work according to requirement for completion of the project in time which the contractors failed to fulfil; and
- (iii) original estimates provided for carriage of fabricated material at contractor's cost by rail wagons from Howrah works to Siliguri. But the Board, in view of urgency, decided to transport the material by road to complete the work by July 1979 and agreed (June 1979) to bear the extra cost though, in fact, the materials were transported in August 1979 and work was completed in September 1979.

Since the contractor failed to complete the work in time, the purpose of payment of Rs.3.09 lakhs made by the Board for completion of the work by scheduled date without provision in the contract and on consideration of urgency was, thus, defeated.

Entertainment of contractor's bills was made only on the basis of consultants' certification and without verification by the Board as no measurement books for the work were maintained.

#### **7.02.11.6. Civil, architectural, grounding and miscellaneous work**

Limited tenders were floated (December 1978) for civil, architectural, grounding and miscellaneous work at Kashba, Haldia

and Siliguri as per specification prepared by the consultants and letters of intent were issued to the lowest bidders as follows :

Name of the contractor	Site of work	Date of issue of letter of intent	Estimated value of work (Rupees in lakhs)	Completion time	Actual date of completion
A	Kashba	31st January 1979	14.23	10 months (i.e. by 30th November 1979)	14th August 1981
B	Haldia ..	Ditto ..	21.09	10 months (i.e. by 30th November 1979)	4th June 1981
C	Siliguri ..	Ditto ..	13.32	6 months (i.e. by 31st July 1979)	4th November, 1980

The Board had no detailed programme for civil works required to be executed at the 3 sites and it had not posted any civil engineer of its own to process, plan and to look after the work. According to the Management (May 1982), the estimates and schedule of works were prepared by the consultants in a rather hasty manner and on inadequate data. Consequently, many items of work had been excluded necessitating frequent revisions of estimates as would be evident from the table below :

Name of the site	Value as indicated in the original estimate (December 1978)	Revised estimates			Actual outlay up to August 1982
		I September 1979	II February 1980	III March 1982	
Kashba .. ..	14.23	25.97	38.56	52.86	53.01
Haldia .. ..	21.09	49.55	78.91	76.06	74.18
Siliguri .. ..	13.32	34.00	38.86	38.64	40.15

The percentage of increase in costs (March 1982) over the values indicated in the original estimates came to 371, 360 and 290 for Kashba, Haldia and Siliguri sites respectively. In regard to works at Kashba and Siliguri, the payments released to the contractor exceeded the last revised estimates (March 1982) by Rs.1.66 lakhs. The expenditure is still likely to increase when balance claim (Rs.8.39 lakhs) is admitted.

Regarding the inconsistency between the work envisaged in the original schedule and actual execution, the Board's records elaborated the point (May 1979) thus :.. "the Gas Turbine Project was being

done for the first time in West Bengal and the contractor indicated many additional works for cable trenches, foundation, etc., much late during construction stage necessitating execution of certain items of works beyond the volume envisaged in the original tender. The schedule of items was drawn initially to start the work after engaging the civil contractors and now are required to be revised in the light of experience gained as the works have been progressing". The above view was in sharp contrast with that of the consultants who, while preparing the revised estimates (September 1979), stated 'that the schedule of quantities and corresponding cost estimates in regard to the specifications for the above mentioned work did not include quantities of work required in connection with site development work, construction facility, power evacuation system, area drainage work and allied items of work as it was indicated that separate tender would be floated for these works. However, in view of urgency of work and to avoid additional loss of time in floating tenders the entire work was awarded to the civil contractors already engaged at different sites'.

Non-inclusion of the items in the original tender deprived the Board of the advantage of receiving competitive offers for the whole work.

Global tender for gas turbine package plants was floated in June 1978 and even after a lapse of one year, civil work to a considerable extent was awarded to existing contractors without any tender quotations on the grounds of urgency. It transpired from the comments of the consultants that such works were known at the time when initial limited tender for different civil works was invited (December 1978).

Some of the reasons leading to subsequent revisions of estimates as put forwarded by the consultants were :

- (i) several additions to works, i.e., cable trench and other foundation in power-house building, groutings, etc.,
- (ii) variation due to unknown parameters and due to modification of general fixing arrangement of duct and supports, and
- (iii) enlargement of sizes of the rooms and buildings.

Confirmatory orders regularising the works have not yet been issued by the Management (February 1983) for want of approval by the Standing Tender Committee (STC) and no modifications to the agreements entered into with the contractors were issued.



### 7.02.12. Material management and inventory control.

7.02.12.1. For the purpose of installation of gas turbines in three different stations, various civil, electrical and structural works were undertaken by the Board.

Most of the purchases of materials for these works were made in piece-meal quantities as and when required without following the purchases procedure stipulated, i.e., purchases from the original source of supply, bulk purchases through public advertisement, invitation of sealed tenders to have competitive price, obtaining no stock certificate from Central Stores in each case, etc. Purchases and procurement were mostly made by the site officers of the Board on the basis of telephonic enquiry, verbal enquiry and spot quotations from limited parties without obtaining prior approval of the competent authority on the plea of urgency. However, ex-post-facto sanctions of Financial Adviser and Chief Accounts officer and the Chairman of the Board were obtained in some of the cases. Thus, the benefit of competitive price which could have been derived through bulk purchase had been lost.

The details of purchases (major items) made during the 3 years ending 31st March 1982 are tabulated below :

	1979-80	1980-81	1981-82 (provisional)
	(Rupees in lakhs)		
1. Steel sections (channel, angle, joists, rods, etc.) ..	23.74	0.45	2.92
2. Electrical equipment (Insulator switchgear, circuit breaker, isolator, etc.)	5.00	0.03	0.70
3. Cable and conductors .. .. .	28.50	1.06	2.38
4. Poles and pipes .. .. .	2.61	0.66	0.53
5. Street light, and internal wiring fittings ..	8.32	3.54	7.47
6. Tools .. .. .	0.41	3.88	2.15
7. Bolts, nuts and miscellaneous .. .. .	15.73	7.61	3.65
8. Other miscellaneous items .. .. .	14.75	2.80	14.51
Total ..	99.15	20.12	34.31

Note : Figures for 1980-81 and 1981-82 do not include purchases made in one (Haldia) of the three sites as the accounts of the respective site were in arrears,

7.02.12.2. Test check of purchase of mild steel rods and channels in 14 cases revealed that purchase of 187.33 tonnes valued Rs.7.84 lakhs, sanction for which were obtained during the period from June 1979 to February 1980, were made on the basis of verbal enquiry, telephonic enquiry and local enquiry from 4 parties three times each (one of them was Civil Engineering contractor for Siliguri) and from another party twice at varying rates ranging from Rs.4,700 to Rs.6,200 per tonne as against JPC price of Rs.3,500 per tonne.

The extra payment in the above selected cases over the rate of JPC amounted to Rs.1.28 lakhs. The total extra payment made on the local purchase of steel over the rates of JPC had not, however, been assessed by the Management.

### 7.02.12.3. Inventory control

The year-wise position of stock inventory, excluding fuel and lubricants, for the 3 years ending March 1982 is tabulated below :

Year	Opening balance	Receipt	Total receipt including opening balance	Issues	Closing balance
(Rupees in lakhs)					
1979-80 .. ..	6.21	207.92	214.13	189.17	24.96
1980-81* .. ..	16.06	20.12	36.18	13.05	23.13
8191-82** .. ..	31.94	34.31	66.25	18.18	48.07

From the above table, it would be seen that huge quantity of materials, viz., steel materials, cables and conductors, street light fittings, etc, were lying in stock as on 31st March 1982 even after completion of the project due to purchase/procurement of materials without assessing the actual requirement. This had resulted in blocking up of capital on which the Board had been incurring interest burden year after year.

While arranging for local purchase of steel materials, it was emphasised by Finance wing (February 1979) that several items of such materials were already purchased from SAIL and before going in for fresh purchase, exercise should be made to ascertain from the local stores the availability of material to avoid overstocking.

Test check of stores revealed that MS plates weighing 73 376 tonnes, MS channels weighing 64.838 tonnes and cement weighing 37.75 tonnes valued Rs.3.72 lakhs were lying idle (September 1982)

\*Excluding figures of Haldia unit.

\*\*Including figures of 1980-81, but excluding figures of 1981-82 of Haldia unit.

in the store since 1979-80 resulting in blocking up of Board's funds to that extent. No action was taken for diversion of materials to other sites of the Board for proper utilisation.

7.02.12.4. Apart from direct purchases, materials for use in the project were also procured from different units of the Board. Test check revealed that 152.78 tonnes of steel (value Rs.3.40 lakhs) and 182.8 tonnes of cement (value : Rs.0.74 lakh) had been sent by different units of the Board between February and August 1979 to different work-sites of the project. But the Project Management had not yet (August 1982) been able to know the whereabouts of the above materials in their project and as such debit raised by the respective units in this regard had not been accepted.

The Head Office of the Board paid during March 1979 to January 1980 Rs.5.18 lakhs to a State Government Company against pro forma invoice for allotment of 1,060 tonnes of cement to the project. The receipt of the material had not been traced (August 1982).

#### **7.02.13. Provision for auxiliary power**

In order to meet the auxiliary power requirement of the Siliguri Gas Turbine Project, an order for supply, erection and commissioning of 2 numbers of 185 KW diesel engine of Koel with Jyoti make 310 KVA alternators at a total price of Rs.16.37 lakhs and erection and commissioning charge of Rs.0.76 lakh was placed on a firm in December 1980. Approval of the STC was obtained ex-post-facto in January 1981. The purchase order, inter alia, stipulated that the materials should be guaranteed for trouble free service and faults against defective work and bad workmanship for a period of 6 months from commissioning or 12 months from the date of despatch whichever is earlier.

The first set of the above machine was received at Siliguri in June 1981 and the second set in March 1982 against payment of Rs.14.91 lakhs and were lying idle at Siliguri site in unpacked condition (September 1982) the guarantee period of the first set expired in June 1982. In respect of the second set also, the Board had little scope for invoking the guarantee clause which was to expire in January 1983. Non-installation of machines for a considerable period had resulted in blocking up a Board's funds to the tune of Rs.14.91 lakhs so far spent and consequential loss of interest thereon. Non-installation of the sets was reported (August 1982) to be due to non-finalisation of civil works, viz., sheds, etc., for the sets.

The local management stated (August 1982) that the gas turbine project was running in dangerous conditions when the auxiliary power tripped during running hours and the whole plant plunged into darkness, and if any trouble arose in the machine, there was nothing to do and severe damage might occur at any moment. Management further stated (August 1982) that there were regular interruptions of auxiliary power supply at Siliguri gas turbine project during the three years up to March 1982.

No action to install the diesel generating sets had been taken so far (January 1983). Pending installation, requirement of power for starting, running and stopping the gas turbine unit is being met through grid supply received from Siliguri diesel power station which is also facing the problem of interruption.

#### **7.02.14. Maintenance of lighting installation in Gas Turbine Projects, Haldia**

An order was placed (April 1981) on a contractor for the work of maintenance of lighting installation in the Haldia project for a period of 3 months up to June 1981 at Rs.12,500 per month which was subsequently extended from time to time up to December 1981. The work was taken up on 14th April 1981.

While considering the proposal for extending the contract after December 1981, the local management stated (November 1981) that necessary staff i.e., 2 technicians and 4 khalashis, for taking up the work departmentally were not posted. It was further indicated that the rate of Rs.12,500 per month was high and was accepted for rainy season. The matter was taken up with contractor who reduced (November 1981) the rate to Rs.9,000 per month for 6 fair months from November to April. Thus, for not taking up the matter in time, the contractor was paid excess amount of Rs.0.07 lakh for two fair months.

While extending the contract (June 1982) up to October 1982, the local management reiterated that the maintenance job could easily be carried out departmentally provided the staff were posted. No action to post suitable staff at the site had been taken so far (June 1983).

Analysis of cost of carrying out the job departmentally (at usual rate paid by the Board to similar staff) and that by the contractor revealed that during the period of 16 months from 15th April 1981 to July 1982 the Board incurred an extra expenditure of Rs. 0.99 lakh.

#### **7.02.15. Insurance claim**

(a) The Management obtained (March 1981) a machinery break-down insurance policy for some of the components of 3

generating units at Kashba, Haldia and Siliguri for a period of one year (April 1980 to March 1981) on payment of premium of Rs.36,975.

During the period covered by insurance, there had been a break-down (November 1980) in Haldia unit. The damage caused by such break-down was got repaired (May 1981) through a firm of Calcutta at a cost of Rs.0.32 lakh.

The Management reported this break-down to Insurance Company in June 1981 while arranging renewal of the said policy (already lapsed) for another one year (July 1981 to June 1982) to enable the insurance Company to assess the extent of loss. But no formal claim for the damage had yet been lodged (September 1982) with the Insurance Company, reason for which was not on record.

(b) Another incidence of break-down occurred in May 1981 (when the insurance policy stood lapsed) in Kashba unit and the damage was got repaired (May 1981) through the same firm of Calcutta at a cost of Rs.0.16 lakh. Due to delay in renewing the policy, the Management was not able to lodge the claim for damage with the insurer.

#### 7.02.16. **Summing up**

- (i) The five gas turbine units commissioned during 1979-80 by incurring an outlay of Rs.31,90 lakhs were mainly meant to meet demand for power during peak hours and periods of unscheduled outages of generating units as per sanction of CEA.
- (ii) For procurement of gas turbines the letter of intent was placed to a U.K. suppliers in October 1978 followed by an Agreement between the Board and the suppliers (January 1979) at a cost of £11,820,000. As the records relating to detailed evaluation of tender by the Consultants and the Board were not made available, the basis of selection of the suppliers of the gas turbines was not susceptible of scrutiny by audit.
- (iii) As per arrangement, Crown Agents in the authorised bank of the Government of U.K., who were also the agents of Government of India would make payment to the suppliers as and when due and on receipt of the intimation of such payment the Board was to deposit Rupee equivalent with the Government of India. Due to delay in making such deposit, the Board had to incur avoidable expenditure towards interest amounting to Rs.42.96 lakhs up to June 1982.

- (iv) Out of the customs duty of Rs.151.23 lakhs on accessories paid by the Board on behalf of the suppliers of gas turbines, the Board received refund of Rs.128.54 lakhs in November 1980 and the balance of Rs.22.69 lakhs from the suppliers had not been claimed and recovered (September 1982). Due to blocking up of capital the Board had to incur interest burden of Rs.33.35 lakhs up to February 1983.
- (v) Failure of the Board to keep the accessories of imported gas turbines in customs bond in March 1979 (for which exemption from payment of customs duty was notified later in the same month) resulted in unnecessary payment of customs duty when they were cleared after payment of Rs.1,29.71 lakhs in the same month.
- (vi) Capacity of the gas turbine units at Haldia and Siliguri was under utilised due to (a) under capacity of step-up transformer and (b) want of augmentation of distribution system and synochronisation of the unit with other system respectively even after three years.
- (vii) HSD oil used by the suppliers for testing purpose prior to commissioning of gas turbine valued at Rs.7.20 lakhs, though recoverable from the suppliers as per Agreement, had not been claimed in respect of all the units.
- (viii) As per the Agreement, the contractor would pay penalty of Rs.5000 for every day of idleness of a set in excess of 14 days per annum directly attributable to non-availability of spares. Accordingly, penalty of Rs.29.85 lakhs up to 1981-82 was recoverable from the contractor but no claim had been lodged by the Board up to September 1982.
- (ix) During the 3 years ending 31st March 1982, there was handling loss of 2323 KL HSD oil at Kasba, Haldia and Siliguri valued at Rs.51.65 lakhs.
- (x) Consumption of HSD oil per unit of power generated was much higher in all the units resulting in excess consumption of oil, over the norm, valued Rs.195.96 lakhs up to 1981-82.
- (xi) Overtime allowance paid was 50.0 per cent, 31.7 per cent and 57.6 per cent of pay in 1979-80, 1980-81 and 1981-82 respectively. Moreover, overtime allowed to individuals in a quarter ranged between 500 hours and 900 hours in contravention of statutory limit of 75 hours in a quarter.

- (xii) Test check in Siliguri unit revealed that though the unit mostly run in the second shift only the operational personnel in full strength were put to normal duty in the first shift throughout the year and the second shift was run with the help of overtime by engagement of the same personnel.
- (xiii) Cost of generation had increased to 103.06 per cent and 163.03 per cent in 1980-81 and 1981-82 respectively as compared with the cost envisaged in the Project Report.
- (xiv) The consultants were paid in full including retention money before completion of their job which did not conform to the terms of Agreement.
- (xv) Due to avoidable delay in work caused both by the Management and the contractors in piling work at Haldia, extra expenditure of Rs.6.50 lakhs was incurred; out of which only Rs.0.47 lakh were recovered from the contractors and the balance of Rs.6.03 lakhs was conceded by the Board as loss.
- (xvi) Owing to non-inclusion of items of work in the original estimate, the Board had to incur avoidable extra expenditure of Rs.4.86 lakhs (Rs.3.04 lakhs in Haldia and Rs.1.82 lakhs in Kashba).
- (xvii) In the case of fabrication and erection of steel work in respect of all the three sites, the Board accepted offers higher by Rs.3.65 lakhs and also incurred infructuous expenditure of Rs.3.09 lakhs on the ground of urgency; but the work did neither conform to time nor quality.
- (xviii) In the case of civil, architectural, grounding and miscellaneous work, the percentage of increase in cost as against original estimate came to 371,360 and 290 for Kashba, Haldia and Siliguri sites respectively.
- (xix) Purchases were made piece-meal as and when required without following the purchase procedure e.g. omission to make bulk purchases through public advertisement to obtain competitive price, failure to obtain no stock certificate from stores, etc.
- (xx) Extra expenditure of Rs.1.28 lakhs was incurred due to purchase of steel materials on spot quotation basis.
- (xxi) Huge quantities of materials viz., steel, cables, conductors, etc. valued Rs.48.07 lakhs were lying in stock (March 1982) even after the completion of the project due to their purchase|procurement in excess of actual requirement.

- (xxii) Materials such as steel and cement, were received for use on the project from other units of the Board valued Rs.9.32 lakhs; but the Project Management could neither trace the usage of the materials in their works nor their existence and the debits raised by the respective units remained unadjusted (September 1982).
- (xxiii) In order to meet auxiliary-power requirement in Siliguri unit, 2 diesel generating sets were acquired in June 1981 and March 1982 and payment to the extent of Rs.14.91 lakhs was already made. None of the generators has so far (September 1982) been installed due to non-finalisation of civil works.

### **7.03. Rural Electrification Scheme**

#### **7.03.1. Introduction**

One of the objectives of the Rural Electrification (RE) programme taken up by the Board is to supply electricity to villages, primarily for energisation of pump-sets, for better irrigation facilities. In order to achieve this object, the Board had been formulating different schemes from time to time on rural electrification and submitting proposals, since 1970-71, to the State Government as well as to the Rural Electrification Corporation Limited (REC), (a Central Government Company) for sanction of necessary funds for implementation of the schemes. The schemes thus formulated by the Board mainly fell under the following two categories :

- (i) Schemes which were financed from the State Plan Fund and/or from the Board's own resources; and
- (ii) Schemes which were assisted by the REC, and other financial institutions such as Agricultural Refinance and Development Corporation (ARDC), commercial banks, etc.

There were 286 schemes approved by the REC up to 31st March 1982. These schemes were under execution by the Board in fifteen districts of the State. The Committee on Public Undertakings (1980-82) in their 11th report on the working of the Board (presented to the Assembly in April 1981) had reviewed certain aspects of the Rural Electrification Programme undertaken by the Board. The results of further review of the rural electrification schemes in the State as a whole, and the points noticed in executing 111 schemes in 6 districts, viz., Burdwan, Jalpaiguri, Murshidabad, Midnapore, 24-Parganas and West Dinajpur, are discussed in the succeeding paragraphs.



### 7.03.2. Sources of funds

7.03.2.1. Up to 1969-70, the Board had been financing RE schemes either from its own resources or from allocation out of the State Plan funds. Since 1970-71, loan assistance also became available from the REC, ARDC and other financial institutions.

7.03.2.2. Loans received from the State Government, REC and other financial institutions during the five years up to 1981-82 are shown below :

Year	State Gov- ernment	REC	ARDC	Commercial banks	Others	Total
(Rupees in lakhs)						
Upto 1977-78	11,63.00	39,33.58	1,14.00	1,31.00	5,54.10	58,95.68
1978-79 ..	..	11,20.24	1,01.20	..	29.70	12,51.14
1979-80 ..	..	9,49.37	..	..	27.96	9,77.33
1980-81 ..	..	8,09.86	..	..	1.24	8,11.10
1981-82 ..	..	14,53.56	..	..	..	14,53.56
<b>Total ..</b>	<b>11,63.00</b>	<b>82,66.61</b>	<b>2,15.20</b>	<b>1,31.00</b>	<b>6,13.00</b>	<b>1,03,88.81</b>

A sum of Rs.99,63.87 lakhs was spent by the Board towards various RE schemes up to 1981-82. The Board had been receiving loan assistance from the REC since 1970-71 under 'Normal Programmes' and since 1974-75 also under 'Minimum Needs Programme' (MNP) which was confined to areas specifically declared by State Government as backward and tribal areas. The Board also received loan assistance from REC for transmission and distribution schemes which were taken up for construction of high tension and low tension lines and distribution sub-stations in respect of rural areas.

7.03.2.3. REC releases loans, against State Government guarantees, in 2 to 5 instalments. Sixty per cent of the first instalment is disbursed on a formal application by the Board with supporting documents and the remaining 40 per cent after completion of preliminary action such as acquisition of land, arrangement for material, deployment of staff, etc. The second and subsequent instalments are disbursed taking into account the physical progress achieved. Up to 31st March 1982, REC sanctioned loans aggregating Rs.1,40,14.76 lakhs, out of which Rs.82,66.61 lakhs were drawn by the Board. The Board could not, thus, draw the balance amount of Rs.57,48.15 lakhs as it could not fulfil all the conditions precedent to drawal of subsequent instalments of loans. The Board had to apply for condonation of breach of contract on account of non-drawal of loans of Rs.57,48.15 lakhs as well as for extension of time in 195 cases.

### 7.03.3. Utilisation of funds

7.03.3.1. The table below indicates the year-wise details of the schemes sanctioned by REC, amount of loans sanctioned, amount drawn, amount spent, etc, during the period from 1970-71 to 31st March 1982 :

Period	Number of schemes sanctioned	Amount of loan sanctioned	Amount received	Amount spent	Shortfall in utilisation	Percentage of shortfall
				(Rupees in lakhs)		
1970-71 to 1977-78	146	82,92.71	39,33.58	31,60.35	7,73.23	19.65
1978-79 ..	35	15,60.38	11,20.24	5,07.94	6,12.30	54.65
1979-80 ..	40	17,55.92	9,49.37	4,97.22	4,52.15	47.63
1980-81 ..	35	12,18.13	8,09.86	11,55.95	(-)3,46.09	..
1981-82 ..	30	11,87.62	14,53.56	16,41.00	(-)1,87.44	..

7.03.3.2. The Board explained (June 1982) to the REC that owing to non-payment of large number of outstanding bills of prestressed cement concrete pole casting centres as well as those of erection contractors, the progress of RE works had considerably slowed down.

7.03.3.3. The schemes sanctioned by REC were to be completed within a period of 2 to 5 years from the date of drawal of the first instalment of loan. It was noticed that out of 286 schemes sanctioned up to 1981-82, 195 schemes were due to be completed at different points of time during the years 1975-76 to 1981-82. None of those schemes had been completed and the Board had to seek extension of time for varying periods up to 1982-83 in respect of these schemes.

7.03.3.4. The Board, decided (August 1982) to close seventy-six schemes under execution in different districts as (i) the proposed time of their implementation had already expired; and (ii) the cost of the schemes had increased considerably during the intervening years. Accordingly, instructions were issued to the respective site offices for submission of requisite proposals for closure of schemes in the forms prescribed by the REC.

A sum of Rs.37.69 crores against the sanctioned amount of Rs.38.10 crores had been spent by the Board on the seventy-six schemes for electrification of 7,091 mouzas (against the target of 9,499 mouzas) up to 1981-82.

### 7.03.4. Targets and achievements

7.03.4.1. It was observed that out of the total number of 38,084 mouzas (38,454 villages) in the State (as per 1971 census) only 16,284 mouzas were electrified up to 31st March 1982. This covered

only 42.76 per cent of the total number of mouzas in the State against the all India average of 51.20 per cent. The Board had not fixed any target for electrification of mouzas during 1981-82. Against the target of electrification of 15,868 mouzas in 15 districts up to June 1981, the Board could electrify only 9,106 mouzas (57 per cent of target); the achievement was less than 50 per cent of targets fixed in the case of 5 districts, whereas in 8 districts, it ranged between 50 and 75 per cent of target and in 2 districts it was over 75 per cent of target.

Besides, a total number of 25,650 tube-Wells/pump-sets were energised in the State under the RE schemes up to 31st March 1982 (against 36,886 targeted) consisting of 22,106 shallow tubewells, 2,699 deep tubewells and 845 river lift irrigation (RLI) pump-sets. The corresponding figures of Maharashtra and Tamil Nadu in respect of energisation of pump-sets and tubewells were 7,19,283 and 9,45,520 respectively as on 31st March 1982.

According to the General Manager (Distribution) the non-achievement of targets fixed was due to poor response to instal electrical pump-sets by farmers who preferred to issued diesel sets.

The Board, however, did not survey the reasons for disinclination on the part of the farmers for electrical pump-sets over diesel pump-sets and to what extent this phenomenon was due to interruptions in power supply.

It was noticed that as many as 96,144 number of applications were pending for service connections as on 31st March 1982.

The Board also completed electrification of a total number of 121 Harijan bustees against the target of 234 number up to 31st March 1982 under five schemes sanctioned during the years 1972-73 to 1975-76 for a sum of Rs.11.82 lakhs.

7.03.4.2. The Board constructed under various RE schemes 12,243.27 kilometers of high tension (HT) lines, 8,510.75 Kms of low tension (LT) lines and 12,322 sub-stations of different capacity up to the end of March 1982 against the targets of 24,251.86 Kms of HT lines, 20,664.73 Kms of LT lines, and 21,086 sub-stations respectively. This covered only 50.48 per cent, 41.18 per cent and 58.44 per cent of the respective targets for construction of HT lines, LT lines and sub-stations.

7.03.4.3. The reasons for shortfall/slow progress in achievement, as indicated by the Monitoring Cell of the Board in the periodical reports were

- (i) unusual delay in issuing erection orders (range of delay : 3 months to 5 years) by the RE divisions after issue of work orders by the head quarter unit of the RE Wing contributing to considerable initial set back; .

- (ii) absence of correlation between year-wise phasings of the schemes and the annual physical programmes assigned to the Divisions;
- (iii) shortage of matching materials;
- (iv) shortage of staff, both technical and non-technical, particularly, in the supervisory cadres;
- (v) non-availability of competent erection contractors;
- (vi) rampant theft of line materials and equipment;
- (vii) poor progress in construction of 33 KV lines and sub-station.

#### **7.03.5. Maintenance of RE installations**

7.03.5.1. As per the prevailing system, the RE installations are handed over to the Operation and Maintenance Wing of the Board on completion of the same by the RE Construction Wing. The former Wing is to look after the necessary maintenance of the completed installations and to effect power supply to rural consumers after providing necessary service connections. It was noticed that even though RE construction Wing approached periodically the maintenance Wing of the Board for taking over of RE installations in 1,439 mouzas in different districts for operation and maintenance, they were not taken over officially by the latter wing (October 1980). It was, however, noticed in audit that none of the schemes taken up had been fully implemented and, therefore, they were not ready for handing over to the maintenance wing. According to the Additional Chief Engineer (RE) (January 1981) the installations were not taken up for commercial operation as there were (i) insufficient number of supply stations and call centres, (ii) delays in implementation of 33 KV lines and sub-stations to augment supply position and (iii) inadequacy of staff. The Committee on Public Undertakings, in their eleventh report (April 1981) opined that in spite of the existence of the Operation Wing, the fact remained that maintenance work so far as it related to rural electrification works was far from satisfactory. The Committee observed that, due to bad maintenance, many villages remained in darkness and energisation work of many tubewells remained unattended.

The Board noted (June 1982) with concern that about 2,400 mouzas were yet to be taken over by the Operation and Maintenance wing and directed that particulars of mouzas electrified but not taken over by the operation and maintenance wing should be placed before the Board by 31st July 1982. The particulars had not, however, been placed before the Board (March 1983).

7.03.5.2 Since the completed RE installations were left uncared for as these were not taken over for energisation, operation and maintenance, there were rampant thefts of line materials ; and the installations had also been affected by floods. The State Government was informed (August) 1982) that up to December 1980, the RE installations in 1,423 *mouzas* were damaged due to theft and/or floods and power supply to the said areas would not be possible unless a sum of Rs. 5,36.21 lakhs was provided to restore them to life. A district-wise statement of estimated loss due to thefts, damage of RE installations up to December 1980 is given below :

Name of the district	Number of mouzas affected due to damaged/stolen installation	HT lines (in kms)	LT lines (in kms)	Number of sub-stations/transformers				Total	Estimated amount of loss (Rupees in lakhs)
				100KVA/ 200KVA	60/50 KVA	25KVA	10/5/3KVA		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
(1) Bankura .. ..	174	218.70	65.80	..	1	135	7	143	91.11
(2) Birbhum .. ..	19	46.10	8.79	..	..	19	..	19	5.56
(3) Cooch Behar .. ..	72	51.00	7.40	..	..	8	..	8	12.67
(4) Darjeeling .. ..	21	68.20	6.60	..	..	20	..	20	8.12
(5) Howrah .. ..	55	57.03	39.60	..	6	34	6	46	26.74
(6) Hooghly .. ..	175	271.36	63.94	..	13	159	..	172	94.24
(7) Jalpaiguri .. ..	14	..	..	..	..	..	..	..	4.36
(8) Malda .. ..	66	85.03	22.04	..	..	19	4	23	14.58
(9) Midnapore .. ..	391	259.90	83.70	..	2	186	108	296	1,14.33
		(replacement of 40 kms conductor)							
(10) Murshidabad .. ..	16	2.00	..	..	..	..	..	..	3.28
(11) Purulia .. ..	186	283.00	..	..	..	..	..	..	55.07
(12) West Dinajpur .. ..	..	34.24	..	..	..	..	..	..	11.76
(13) 24 Parganas .. ..	234	333.60	32.00	1X200KVA 1X100KVA	6	146	7	161	94.39
<b>Total</b> .. ..	<b>1,423</b>	<b>1,710.16</b>	<b>329.87</b>	<b>1X200KVA 1X100KVA</b>	<b>28</b>	<b>726</b>	<b>132</b>	<b>888</b>	<b>5,36.21</b>

(+)40Km of conductor

**7.03.5.3.** The Board approached (March 1981) REC for sanctioning an amount of Rs.5,36.21 lakhs for revitalisation of the installations. On this request being refused (April 1982) by the REC, the Board approached (August 1982) the State Government for sanctioning Rs.2 crores annually for the next 3 years for revitalisation of installations. The decision of the State Government was awaited (March 1983).

The Board had not decided (March 1983) how the maintenance work would be taken up and commercial operation ensured in future.

#### **7.03.6. Revenue**

**7.03.6.1.** At the time of submitting proposals to REC for obtaining loan assistance the Board assumed that the schemes would become viable from the 7th to the 15th year of operation. The REC also prescribed certain returns in respect of each scheme to be submitted periodically in the prescribed form. But, scrutiny of records revealed that the Board could not furnish the requisite returns to the REC due to non-receipt of necessary information|data from the Operation and Maintenance Wing of the Board.

The RE subsidy cell of the Board indicated (October 1981) that no individual scheme-wise accounts of revenue receipts and operation and maintenance expenditure thereof were maintained.

### 7.03.7. Operational loss

7.03.7.1. The Board assessed (October 1981) the operational loss on RE works for the 5 years ending March 1981 as follows :

Year			Amount of loss (Rupees in lakhs)
1976-77	..	..	5,65.75
1977-78	..	..	6,81.82
1978-79	..	..	8,09.98
1979-80	..	..	11,15.70
1980-81	..	..	13,17.66

Reasons for abnormal increase in loss had not been kept on record. In terms of the undertaking given by the Government of West Bengal and the Board to the International Development Agency (IDA) for participation in the IDA credit, the State Government undertook, inter alia, to provide the Board with annual subsidy equivalent to the amount by which the Board's operating expenses (including interest on loan) on rural electrification works exceeded its revenue from such operation, or lower amount as might be required by the Board to achieve and maintain a rate of return of 9.5 per cent on average capital base.

The Board submitted claims to the State Government for grant of subsidy aggregating to Rs.49,92.03 lakhs for the five years up to 1980-81, but according to the RE subsidy cell of the Board, the claims for RE subsidy should have been Rs.42,20.95 lakhs being the lower of the two figures of operational loss and shortfall on return of 9.5 per cent on average capital base. The details of subsidy claimed by the Board for five years up to 1980-81 and the amount as worked out by the RE subsidy cell are given in the following table :

Year					Subsidy claimed	Subsidy as worked out by RE Cell
(Rupees in lakhs)						
1976-77	..	..	..	..	3,22.60	3,22.50
1977-78	..	..	..	..	6,55.11	6,55.11
1978-79	..	..	..	..	8,43.50	8,09.98
1979-80	..	..	..	..	16,96.33	11,55.70
1980-81	..	..	..	..	14,74.49	13,17.66
					<u>49,92.03</u>	<u>42,20.95</u>

Reasons for excess claim of subsidy were not explained by the Board (March 1983). Against the above claims for subsidy, the State Government sanctioned a total amount of Rs.21,00 lakhs up to August 1982 on ad hoc basis, subject to verification and approval of the Government.

7.03.7.2. While calculating the year-wise operational loss on RE works, the RE subsidy cell observed that maintenance of scheme-wise accounts involved elaborate accounting which could not be done, with the existing set up and decided that the loss suffered by the Board on RE operation would be calculated on the basis of the cost of supplying power to rural and urban areas and the average revenue in corresponding areas.

7.03.7.3. It would be seen from the above observations that the operational losses on RE works were calculated in an indirect way, ignoring the cost of generation, scheme-wise capital expenditure on RE works, scheme-wise operation and maintenance expenditure and revenue earned from the consumers under RE schemes.

#### 7.03.8. Repayment of loan

Against the loan of Rs.82,66.61 lakhs received by the Board from the REC up to 31st March 1982, a sum of Rs.8,86.68 lakhs was repaid up to the end of March 1982 on account of principal, leaving a balance of Rs.73,79.93 lakhs.

The Board sustained a loss of Rs.13 lakhs on account of rejection of rebate and penalty for delay in payment of half-yearly interest to REC in 1980-81.

#### 7.03.9. Other topics of interest

##### 7.03.9.1. Infuctuous expenditure

For housing two sub-divisional offices, premises were hired at Ghatal and Contai on a monthly rent of Rs.450 each from February 1980. A store-yard was also hired for Contai Sub-division on a monthly rent of Rs.7,64.60 from October 1980. Staff required for the offices were posted from July 1980 onwards.

It was noticed that Ghatal sub-divisional office was not opened at all and finally the possession of the premises was handed back from June 1982. Though the Contai sub-divisional office started functioning only from May 1982, the store-yard of the subdivision could not be operated and was discontinued from April 1982.

Acquisition of the premises long before their actual requirement resulted in avoidable expenditure of Rs.1.49 lakhs.



### 7.03.9.2. Payment of demurrage|wharfage charges Burdwan RE Construction Division

Owing to delay in releasing different consignments from Railways, a sum of Rs.0.56 lakh was paid to the Railways during the years 1980-81 and 1981-82 as wharfage charges. The delay in releasing consignments, as noticed in audit, was due to misplacement of RRs (Rs.0.31 lakh) and late receipt of RRs (Rs.0.25 lakh).

### 7.03.9.3. Loss due to prolonged|improper storage of sal wood poles

Untreated sal wood poles (1,435 numbers), wooden cross arms (6,273 numbers) and wooden cross bracings (7,910 numbers) valuing Rs.1.05 lakhs were stacked in the open-yard at Regional Stores at Mahinager, 24-Parganas during the period from April 1973 to November 1976 as there was no covered space at the store for storing them.

The survey report (conducted by the Board in December 1976) indicated that the materials had become completely unserviceable; and immediate disposal of the materials was suggested.

The Board invited tenders only in March 1980 for their disposal. Against the said tender, a party lifted the materials in 1981-82 by paying the sale value of Rs.8,687. The Board sustained a loss of Rs.0.96 lakh.

### 7.03.9.4. Non-utilisation of HT wire

HT wire weighing 20.345 tonnes valuing Rs.86,834 was received at Panskura Store in July 1973 from Central Stores, Chord Road for purposes of manufacture of PCC poles. The manufacturer of PCC poles refused to accept the materials on technical ground as the same were not according to specification and since then the materials had been lying unutilised in the open-yard causing further deterioration in quality. No action had so far been taken for utilisation| disposal of the said materials (March 1983).

### 7.03.9.5. Non-disposal of unserviceable store materials

On a test check of records, it was revealed in Audit that in the following stores unserviceable stores of considerable value were lying for the period shown against each.

Name of stores	Since when lying in store	Value (Rupees in lakhs)
Sub-divisional Stores (RE) Panskura .. ..	1970-71	0.77
Sub-divisional Stores (RE Construction), Basurhat .. ..	1972-73	0.83
	<b>Total</b>	<b>1.10</b>

**7.03.10. Summing up**

- (i) Up to 1981-82 the Board received for RE works a total amount of Rs.1,03,88.81 lakhs from different sources like REC, State Plan Fund, Agricultural Refinance and Development Corporation, Commercial banks, etc., out of which it could spend only Rs.99,63.87 lakhs up to the end of March 1982.
- (ii) REC alone sanctioned a total amount of Rs.1,40,14.76 lakhs up to 1981-82, out of which the Board could draw only Rs.82,66.61 lakhs up to the end of March 1982 and could not draw a sum of Rs.57,48.15 lakhs as it could not fulfil all the conditions precedent to drawal of subsequent instalments of loan. Out of the receipt of Rs.82,66.61 lakhs from REC up to 1981-82 the Board could spend only Rs.69,62.46 lakhs up to the end of December 1981 leaving a balance of Rs.13,04.15 lakhs.
- (iii) Out of a total number of 286 schemes sanctioned by REC up to 1981-82, 195 schemes were due for completion within 1981-82. But none of the schemes were completed by the Board (September 1982).
- (iv) The Board proposed, (August 1982) for closure of 76 (Seventy-six) schemes, although a sum of Rs.37.69 crores out of the sanctioned amount of Rs.38.10 crores had been spent for electrification of 7,097 mouzas against the target of 9,499 mouzas.
- (v) Out of the total number of 38,074 mouzas (38,454 villages) in the State (as per 1971 census) only 16,284 mouzas were electrified by the Board up to 31st March 1982. This covered only 42.76 per cent of the total number of mouzas against the all India average of 51.20 per cent.
- (vi) A total number of 25,650 irrigation pump-sets were also energised by the Board up to 31st March 1982 against the target of 36,886 numbers. The corresponding figures of Maharashtra and Tamil Nadu were 7,19,283 and 9,45,520 respectively.

- (vii) Owing to negligence in maintenance of completed RE installations there had been rampant thefts of line materials resulting in non-supply of electricity to rural consumers retarding the development of agriculture and creation of infra-structure for rural industries. The extent of loss in this respect, as estimated by the Board, was Rs.5,36.21 lakhs as on 31st December 1980.
- (viii) The Board did not maintain scheme-wise accounts of operation and maintenance of RE works as required by the REC. For this, the expenditure incurred in those spheres could not be assessed by the Board.
- (ix) The Board did not maintain scheme-wise accounts of revenue earned from supply of energy to RE consumers.
- (x) The total operational loss on RE works of the Board during the 5 years up to 1980-81 were Rs.48,90.91 lakhs.
- (xi) The Board claimed a sum of Rs.49,92.03 lakhs up to 1980-81 for meeting operational loss and short-fall in achievement of  $9\frac{1}{2}$  per cent return on capital base against which the State Government sanctioned a sum of Rs.21,00 lakhs up to August 1982 on ad hoc basis, subject to verification and approval of the Government.
- (xii) The Board calculated operational loss on RE schemes ignoring the cost of generation, scheme-wise capital expenditure, scheme-wise operation and maintenance expenditure and revenue earned from the consumers under RE schemes.
- (xiii) Out of the total amount of loan of Rs.82,66.61 lakhs from REC the Board repaid a sum of Rs.8,86.68 lakhs up to 31st March 1982. A sum of Rs.19,44.28 lakhs was also paid by the Board towards interest on loan. The Board sustained a loss of Rs.13 lakhs on account of rejection of rebate and penalty for delay in payment of half yearly interest in 1980-81.
- (xiv) The Board incurred infructuous expenditure of Rs.1.49 lakhs towards payment of rent of idle office premises and salary of idle staff for the period from February 1980 to May 1982.

- (xv) The Board had to pay wharfage charges of Rs.0.56 lakh for delay in clearance of consignments.
- (xvi) The Board sustained loss of Rs.0.96 lakh on purchase| storage of sal wood poles.
- (xvii) 20,345 tonnes of HT wire valuing Rs.86,834 had been lying unutilised in Panskura sub-divisional store since 1973.
- (xviii) Unserviceable stores worth Rs.1.10 lakhs had been lying undisposed in the sub-divisional stores as Panskura and Basirhat.

## SECTION VIII

## OTHER POINTS OF INTEREST

## WEST BENGAL STATE ELECTRICITY BOARD

## 8.01. Faulty purchase of forms

The Board invited (December 1978) open tenders for printing and supply of various kinds of energy bill forms (66,000 books required during 1979-80 : value not estimated) against which offers were received (January 1979) from thirteen firms. Purchase of 9 out of 10 items (58,000 books indented) did not materialise before expiry of the validity period of the offers (of 45 days up to 23rd February 1979) as by that time, the tender papers had been scrutinised and purchase proposals were formulated (22nd February 1979) but no decision was taken to accept any of them; the inaction was considered (February 1979) by the Management to be 'most unsatisfactory'. Discussion between the Management and the recommended tenderers was, however, held in March 1979 when the latter expressed unwillingness to accept orders at tendered rates.

Fresh tenders, which were to be valid for 90 days from the last date for submission of tenders, were invited in May 1979 for 58,000 books (value not estimated) against which nine firms responded (June 1979). A special feature of the offers received this time was that each party became lowest bidder for one item. The Finance Wing of the Board ascribed (August 1979) the rates of June 1979 to be 'abnormally high' the reasonability of which required 'further examination' and proposed for re-tendering. Neither any action for causing investigation was taken nor re-tendering was done and the Management, apprehending various complications from the printers (details not disclosed) decided (September 1979) to purchase on lowest tender basis. Accordingly, orders were placed on the lowest tenderers during October 1979 for 48,808 books valued Rs.17.33 lakhs and the books were received during the period from February 1980 to September 1980. The rates for similar type of bill forms obtained in July 1980, when the price of paper in the market had increased were considerably less than the lowest tender rates available in June 1979. Thus, the purchases of the energy bill form books made at a cost of Rs.17.33 lakhs at the rates obtained in the tender of June 1979, ignoring the advice of the Finance Wing, resulted in an extra-expenditure to the tune of Rs.9.85 lakhs compared to the rates obtained in January 1979. The following table gives comparative analysis of the rates obtained in January 1979 (lowest

but not considered) and in June 1979 (highest at which orders were placed) and in July 1980 which were much lower than rates obtained in June 1979 quotations.

	5 sets	15 sets	20 sets	25 sets
<b>(A) Domestic energy bill books</b>				
<b>(a) Lowest rate (in Rupees) per 100 books—</b>				
Quotations obtained in				
(i) January 1979 (not considered) ..	662.67	13,30.05	16,51.55	19,73.97
(ii) June 1979 (accepted) ..	19,00.00	28,00.00	35,00.00	41,25.00
(iii) July 1980 (trend of rates in the following year)	14,45 00	22,25.00	26,70 00	28,20.00
(Number of books)				
(b) Quantity ordered at June 1979 rate	1010	8000	8000	7598
(In Rupees)				
(c) Total expenditure incurred ..	19,190 00	2,24,000.00	2,80,000.00	3,13,417.00
(d) Total expenditure involved at January 1979 rate	6,693 00	1,06,404.00	1,32,124.00	1,49,982.00
(e) Excess expenditure (c)–(d) ..	12,497.00	1,17,596 00	1,47,876.00	1,63,435.00
(per cent)				
(f) Percentage increase of June 1979 offers	186.72	110.52	111.92	108.97
15 sets      20 sets      25 sets				
<b>(B) Commercial energy bill books</b>				
<b>(a) Lowest rate (in Rupees) per 100 books—</b>				
Quotations obtained in				
(i) January 1979 .. ..	..	1,116.50	1,405.00	1,652.78
(ii) June 1979 .. ..	..	2,950.00	3,460.00	4,200.00
(iii) July 1980 .. ..	..	2,230.00	2,680.00	2,800.00
(Number of books)				
(b) Quantity ordered at June 1979 rate ..	..	6000	6000	12,200
(In rupees)				
(c) Total expenditure incurred .. ..	..	1,77,000.00	2,07,600.00	5,12,400.00
(d) Total expenditure involved at January 1979 rate	66,990.00	84,300.00	2,01,639.00	
(e) Excess expenditure (c)–(d) .. ..	..	1,10,010.00	1,23,300.00	3,10,761.00
(f) Percentage increase of June 1979 offers	..	164.20	146.30	154.10

It would be seen from the table above that the rates obtained in June 1979 quotations were not realistic.

The Management stated (August 1982) that appropriate measure, details of which were not made available, had been taken to protect any loss in future.

### 8.02. Purchase of conveyor belts

Tenders were invited in November 1978 (due in December 1978) for supply of 4 different varieties (3,050 meters) of conveyor belts required for maintenance of boiler and coal handling plant of the Bendel Thermal Power Station (indented in May 1977 : 500 metres and September 1978 : 2,550 meters). Tender notice was silent in regard to the dates up to which re-offers were required to be kept valid.

General Superintendent, Bandel Thermal Power Station recommended (28th March 1979) placement of order with firm 'X' (which stood at the 10th for one variety, 11th for two others and 14th lowest for the other variety) for the entire quantity of all the items on the ground that capabilities of other tenderers were not known. Finance wing of the Board which received the file on 19th April 1979, however, pointed out (19th May 1979) that offerers occupying the lowest positions in the bidsheet were reported to have supplied required materials to other State Electricity Boards, Public Sector Undertakings, and that in spite of reliability of firm, 'X' it would not be desirable to depend solely on one party in the interest of the Board.

The order for 2,750 metres (value : Rs.14.64 lakhs) of conveyor belts of 4 different varieties was placed (June 1979) with firm 'X'. The offer made by firm 'X' in November 1978 had indicated that the prices ruling on the date of despatch would be charged. The firm demanded (July 1979) increase in price on the ground that the rates were quoted in November 1978 but the order was placed after a long time. The Board amended (September 1979) the purchase order accepting the revised rates. The materials were received in June and September 1980.

The purchase from a firm selected on the basis of its acquaintance with the Board and not by virtue of its position in the tender competition entailed an extra expenditure of Rs.5.58 lakhs compared to the lowest firm rates offered by four other firms.

The matter was reported to Government and to the Management in October 1982; their replies are awaited (February 1983).

### 8.03. Procurement of cables

In response to an open tender for procurement of different varieties of PVC cables, firm 'X' of Faridabad quoted (March 1980) the lowest rates in respect of 6 varieties involving 97 Kms of cables (value : Rs.36.03 lakhs). The Standing Tender Committee (STC)

of the Board approved (March 1980) placement of order for 30 per cent of the cables of those varieties on the ground that the firm was "absolutely unknown". The finance wing of the Board, however, observed (June 1980) that the firm had "executed bulk order of similar nature of materials in the past" and, therefore, at least 50 per cent of the quantity (instead of 30 per cent) should be purchased from the firm. However, order for 29.5 Kms (value : Rs.10.95 lakhs) was placed (January 1981) with firm 'X', and for the balance quantity (67.5 Kms) two orders were placed (January 1981) on the higher tenders for Rs.30.87 lakhs. While firm 'X' supplied 29.31 Kms during the period from October 1981 to March 1982, the other two firm delivered 65.70 Kms during the period from February 1981 to January 1982.

Thus, the Board had incurred an extra expenditure of Rs.1.71 lakhs due to non-placement of order for 50 per cent of the quantity (as recommended by the Finance wing) on the lowest tenderer who had executed bulk order of similar materials in the past and also had satisfied the Board about their credibility, performance and testing arrangement.

#### CALCUTTA STATE TRANSPORT CORPORATION

#### 8.04. Overpayment of sales tax and entry tax

As per the State Finance (Taxation) Department's notification dated 1st September 1979, sales tax at the concessional rate of 4 per cent only was payable for purchases made by the Corporation with effect from 7th September 1979. The Corporation failed to avail itself of such concession in the case of two purchase orders placed before the notification was issued on 1st September 1979 but executed after it became operative as detailed below :

On the basis of an order placed in June 1979, the Corporation purchased (between August 1979 and March 1980) 60 bus chassis of Tata make and 69 bus chassis of Asok Leyland make through the dealers of Calcutta on advance payment of 100 per cent cost including sales tax at the rate of 13 per cent against pro forma bills of the parties. The Corporation was entitled to concessional rate of sales tax on 100 bus chassis delivered on or after 7th September 1979. Total amount of sales tax paid on these chassis was Rs.16.64 lakhs against Rs.5.12 lakhs payable at the rate of 4 per cent and the overpayment of sales tax was to the extent of Rs.11.52 lakhs.

Besides, entry tax at  $\frac{1}{2}$  per cent paid on the overpaid amount of sales tax worked out to Rs.0.05 lakh.



The Management came to know about the amendment only in February 1981 through the Trade circular dated 9th February 1981 issued by the State Government and preferred (April 1981) claims for refund of excess sales tax paid to the dealers on 89 bus chassis. One of the dealers in reply, however, stated (April 1981), inter alia, that it would not be possible for them to refund the amount claimed and the other dealer stated (also April 1981) that as the entire amount had been deposited, no refund could be made. It was, however, noticed that the Director of Commercial Taxes, West Bengal observed (July 1982) that intra-state sales of goods to Calcutta State Transport Corporation were taxable at a concessional rate of 4 per cent and no declaration was prescribed therefor.

Failure to issue amendments to the purchase orders after the concessional rate of sales tax came into force resulted in the extra payment of the tax amounting to Rs.11.52 lakhs.

The matter was referred to the Government in July 1982; reply is awaited (January 1983).

#### WEST BENGAL STATE WAREHOUSING CORPORATION

##### 8.05. Loss of Rs.3.13 lakhs

(i) An individual ('A') had filed (November 1961) a suit in the Calcutta High Court against another ('B') to recover a loan of Rs.50,000 given to the latter and prayed to the Court for declaration of a charge on about 7,000 mounds of rice evidenced as stored by 'B' in a warehouse belonging to the Corporation based on warehouse receipts issued by the Corporation. The Court passed (May 1966) an order declaring a charge on the rice in favour of the plaintiff subject to the charge already held by the State Bank of India in another case, referred to in sub-paragraph (ii) infra. The Court also passed a decree against 'B' directing him to pay the plaintiff the sum of Rs.50,000 plus interest. In the execution proceedings started in May 1967 by the decree holder in a lower court, the Corporation had denied the existence in its warehouse of the rice stated to have been deposited by 'B'. The Court rejected (February 1968) the Corporation's plea and passed an order allowing attachment of the said stock of rice. On a revision petition filed by the Corporation, the Calcutta High Court set aside (April 1970) the order of the lower Court and directed the latter to determine the case on examining the relevant records of the Corporation in regard to the depositing of rice by 'B'. On an examination of the depositors' ledger of the concerned warehouse, the Court held (July 1973) that certain balances of rice did appear to be lying in the warehouse to the credit of 'B' and, on the Corporation's inability to produce document relating to its due delivery, issued

(February 1978) attachment orders on the said rice. As the rice could not be produced, the Court attached (February 1978) the furniture and fixture of the warehouse and also some stocks belonging to other depositors. The Corporation made (March 1978) an application before the Court for revocation of the attachment order and simultaneously moved (March 1978) the Calcutta High Court in this regard. While the High Court did not agree to enter into the merits of the case, the lower court rejected (December 1978) the Corporation's appeal. In the course of its preparations to move the High Court again against the attachment orders, the Corporation received (March 1979) a directive from Government to come to amicable settlement of the case with 'A'. The mediator appointed (May 1979) with the approval of the Government drew inference from the decrees passed against the Corporation and opined (January 1980) that the Corporation should pay to 'A' a sum of Rs.76,000 which was eventually paid in June 1980.

It was noticed that as the price of the 7,000 maunds of rice was not known to the mediator, his award in favour of 'A' was not based on her share on the sale proceeds of the rice after meeting the first charge thereon held by the State Bank of India. The Legal Adviser to the Corporation also pointed out (February 1980) that the finding of the mediator was illegal as there was no material before him to come to the conclusion that the Corporation was liable to pay the sum of Rs.0.76 lakh. The Corporation, however, decided (March 1980) to disregard the legal opinion in view of the Government directive for amicable settlement.

(ii) The State Bank of India had, in March 1966, filed suits for the recovery of advances of Rs.1.75 lakhs paid to two individuals B and C (together with interest thereon) on the security of warehouse receipts issued by the Corporation. The Bank made the Corporation a party to the suits for delivery of the rice claimed to have kept in warehouse of the Corporation by the individuals. As per records of the Corporation, the stock of rice deposited by 'B' was valued at Rs.1.50 lakhs out of which rice valuing Rs.1.27 lakhs was pledged to the Bank while the stock deposited by 'C' and pledged with the Bank was valued at Rs.0.97 lakh against the advances. The Corporation contested the suits for delivery of the stocks of rice on the ground that they took advances from the Bank against certain warehouse receipts for rice which had not actually been deposited. Both the suits were decreed with costs against the Corporation which was made liable to pay the Bank's claim of Rs.2.37 lakhs including interest (Rs.0.62 lakh). The Corporation deposited (February 1974) the sum with the Court and filed an appeal with the Calcutta High Court against the said decree. The appeal was rejected in May 1980.

The loss suffered by the Corporation in making payment totalling Rs.3.13 lakhs to the two parties consequent upon court orders as described in sub-paragraphs (i) and (ii) above resulted from its failure to deliver certain stocks of rice which were proved to have been deposited in its warehouses. As contended in its defence in the case with the State Bank of India, the stocks for which receipts were duly issued by the warehouse had not been received at all. The Corporation filed (July 1963) a case of defalcation of stocks of rices kept by 'B' and 'C' referred to in sub-paragraph (ii) above against two of its officials including the warehouseman. Following investigation, special court cases were started in 1967. The officials, were however, discharged (September 1972) on technical grounds. A fresh case against the warehouseman who had, meanwhile, retired (October 1971) from service was instituted in January 1978 and is pending in the High Court (February 1983). The other employee was charge-sheeted again in April 1976 but was acquitted of the charge of defalcation after two departmental enquiry committees exonerated him and he was reinstated in June 1977.

#### WEST BENGAL FINANCIAL CORPORATION

##### 8.06. Write-off of dues : Rs.17.04 lakhs

The Corporation advanced loans amounting to Rs.30.44 lakhs to 22 units, against securities valued at Rs.44.23 lakhs, during the period from September 1963 to September 1979. The units had defaulted in repayment of all or part of the instalments of the principals and also payment of interest thereon. Against the total outstanding amount of loan and interest of Rs.48.06 lakhs as on 22nd January 1982, the security was found to be devalued to Rs.31.02 lakhs. Lack of timely action for realisation of dues on foreclosure of security resulted in erosion of the margin of security by Rs.17.04 lakhs, which was written-off by the Board in January 1982. Of this, a sum of Rs.9.13 lakhs has been written-off in the accounts of the Corporation for the year ending 31st March 1982.

The following omissions by the Corporation were noticed :

- (i) In case of 7 defaulters (write off : Rs.2.38 lakhs) demand notices were served for enforcing recovery more than two years after the loanees started defaulting (overdue : Rs.9.88 lakhs).
- (ii) In two cases. (write off : Rs.1.26 lakhs) suits were filed after a lapse of 3½ years since the loanees defaulted (overdue : Rs.2.75 lakhs).

- (iii) The Management had failed to take steps to obtain fresh security from the loanees to make up the deficiency in the value of securities from time to time.

The Management stated (November 1982) that the write-off was decided upon for the limited purpose of improving the liquidity position of the Corporation by legally reducing tax liability on unrealised income and assets and would not affect the actual process of recovery of its dues. The fact, however, remained that with the erosion in the value of securities held by the Corporation which resulted from delay in taking timely appropriate action such as (a) to obtain fresh security from the defaulting loanees to make up for the erosion of the security held by the Corporation; (b) to take legal action against the defaulters; (c) to sell the assets immediately after their take over by the Corporation to arrest their diminishing values, etc, as envisaged under sections 29, 30 and 31 of the State Financial Corporations Act, 1951 against the defaulting loanees, the prospect of recovery in full of the dues was doubtful.



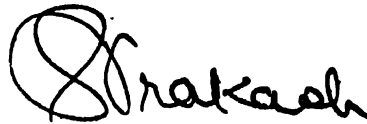
(R. CHANDRASEKARAN)

*Accountant-General II, West Bengal.*

CALCUTTA

The 6 MAR 1983.  
1984

Countersigned



(GIAN PRAKASH)

*Comptroller and Auditor General of India.*

NEW DELHI

The 6 MAR 1983.  
1984

## APPENDIX A

(Reference : paragraph 5 of prefatory remarks)

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

Sl. No.	Name of the Company	Total amount invested up to 1981-82 (Rupees in lakhs)
1.	Engel India Machine and Tools Limited	1,43.27
2.	Gluconate Limited	1,04.41
3.	Eastern Distilleries (Private) Limited	19.50
4.	Sen Raleigh Limited	70.00
5.	Krishna Silicate and Glass Works Limited	4,66.37
6.	Inchek Tyres Limited	35.00
7.	Makintosh Burn Limited	1,01.75
8.	Great Eastern Hotel Limited	70.25
9.	Duccun Brothers and Company Limited	34.58
10.	Britannia Engineering Company Limited	4,24.55
11.	Kinnison Jute Mills	2,81.48
12.	Aloke Udyog Vanaspati and Plywood Limited	42.00
13.	Dr. Paul Lohmann (I) Limited	75.43
14.	Aluminium Corporation of India Limited	20.00
15.	Shalimar Works Limited	1,95.50
16.	Apollo Zipper Company (Private) Limited	59.95
17.	Kolay Iron and Steel Company Limited	15.00
18.	Indian Health Institute and Laboratory Limited	1,01.11
19.	Bharat Jute Mills Limited	50.00
20.	National Iron and Steel Company Limited	45.25
		23,55.40

## APPENDIX

(Reference : Paragraph 1.02, Section 1)

## Summarised financial results of

1.	Name of the Company	Name of the department	Date of incorporation	Period of accounts	Total capital invested	Profit (+) Loss (-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
					Figures in columns 6 to 12.	
1.	Damodhar Cements and Slag Limited.	Commerce and Industries	18th November 1977	1981-82	2,12.06	(-)2.62
2.	State Fisheries Development Corporation Limited	Fisheries	30th March 1966	1980-81	4,27.68	(-)30.40
3.	The Durgapur Projects Limited	Public Undertakings	6th September 1961	1981-82	97,81 37	(-)1,63.19
4.	The Kalyani Spinning Mills Limited	Ditto	13th January 1960	1980-81	14,18.35	(-)2,46.57
5.	West Bengal Agro-Industries Corporation Limited	Ditto	16th August 1968	1979-80	9,43.63	(+)10.51
6.	West Bengal Ceramic Development Corporation Limited	Ditto	31st March 1976	1980-81	1,04.15	(-)27.89
7.	West Bengal Colour Film and Sound Laboratory Corporation Limited	Information and Cultural Affairs	5th July 1960	1981-82	36.57	(-)2.71
8.	West Bengal Cements Limited	Commerce and Industries	13th December 1973	1981-82	2,03.05	(-)49.89
9.	West Bengal Essential Commodities Supply Corporation Limited	Food and Supply	15th March 1974	1981-82	3,09.93	(+)2,58.28
10.	West Bengal Electronics Industry Development Corporation Limited	Commerce and Industries	4th February 1974	1981-82	4,91.53	(+)0.53
11.	West Bengal Forest Development Corporation Limited	Forest	19th July 1974	1981-82	4,69.84	(+)4.10
12.	West Bengal Fish Seed Development Corporation Limited	Fisheries	27th March 1980	1980-81	25.00	..
13.	West Bengal Handloom and Powerloom Development Corporation Limited	Cottage and Small Scale Industries	25th September 1973	1978-79	1,72.79	(+)4.97
14.	West Bengal Industrial Development Corporation Limited	Commerce and Industries	6th January 1967	1981-82	36,22.20	(+)62.55

B

## Section I)

## Government Companies

Total interest charged to profit and loss Account	Interest on long term loan	Total return on capital invested (7+9)	Capital employed	Total return on capital employed (7+8)	Percentage of total return on capital invested	Percentage of total return on capital employed
(8)	(9)	(10)	(11)	(12)	(3)	(11)
are Rupees in lakhs)						
10.61	10.61	7.99	7.83	7.99	3.77	1,02.04
12.41	11.19	(-19.09)	2,03.82	(-17.87)	..	..
2,70.57	2,70.57	1,07.38	39,19.83	1,07.38	1.10	2.74
91.27	67.67	(-1,78.90)	(-1,55.55)	(-1,55.28)	..	..
19.62	14.96	25.47	8,70.48	30.13	2.70	3.46
4.20	4.20	(-23.69)	67.57	(-23.69)	..	..
..	..	(-2.71)	32.45	(-2.71)	..	..
18.25	14.02	(-35.87)	97.21	(-31.64)	..	..
16.26	4.34	2,62.62	3,09.93	2,74.54	84.74	98.58
5.00	5.00	5.53	2,24.19	5.53	1.13	2.47
5.58	5.58	9.68	4,69.84	9.63	2.06	2.06
..	..	..	23.46	..	..	..
3.96	3.96	8.93	1,25.00	8.93	3.17	7.14
1,62.95	1,62.95	2,25.50	33,01.51	2,25.50	6.23	6.83

## APPENDIX

(Reference : Paragraph

## Summarised financial results of

Sl. No.	Name of the company	Name of the department	Date of incorporation	Period of accounts	Total capital invested	Profit(+) Loss(-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(Figures in columns 6 to 12						
15.	West Bengal Livestock Processing Development Corporation Limited	Animal Husbandry and Veterinary Services	9th April 1974	1978-79 1979-80	87.94 1,13.64	(-)1.27 (-)1.82
16	West Bengal Mineral Development and Trading Corporation Limited	Commerce and Industries	23rd February 1973	1981-82	1,67 45	(-)36 50
17.	West Bengal Pharmaceuticals and Phytochemicals Development Corporation Limited	Ditto ..	28th March 1974	1981-82	62.10	(-)6 08
18	West Bengal State Minor Irrigation Corporation Limited	Agriculture and Community Development	20th January 1974	1978-79	3.70 00	(-)10 72
19.	West Bengal State Textile Corporation Limited	Closed and Sick Industries	19th March 1973	1979-80	1,52 05	(+)2 00
20.	West Bengal Tea Development Corporation Limited	Commerce and Industries	4th August 1976	1981-82	2,11 00	(-)56 49
21	West Bengal Tourism Development Corporation Limited	Tourism	29th April 1974	1981-82	1,80 56	(-)20 06
22.	West Dinajpur Spinning Mills Limited	Public Undertakings	22nd August 1975	1978-79	23.01	(+)40 43
23.	Westinghouse Saxby Farmer Limited	Ditto) ..	19th July 1969	1979-80	12,98.50	(-)3,92.61
24.	Webel Telecommunication Industries Limited	Commerce and Industries	2nd April 1979	1981-82	1 06 72	(+)21 38

Note : (1) "Capital invested" represented paid up Capital plus long-term loans plus free reserve at the closing of the year.



B—contd.

1 02, Section I)

**Government Companies**

Total interest charged to profit and loss Account	Interest on long term loan	Total return on capital invested (7+9)	Capital employed	Total return on capital employed (7+8)	Percentage of total return on capital invested	Percentage of total return on capital employed
(8)	(9)	(10)	(11)	(12)	(13)	(14)
are Rupees in lakhs)						
..	..	(-)1.27	64.74	(-)1.27	..	..
..	..	(-)1.82	64.70	(-)1.82	..	..
1.95	0.93	(-)35.57	99.24	(-)4.55	..	..
..	..	(-)6.03	3.49	(-)6.03	..	..
..	..	(-)10.72	2,31.36	(-)10.72	..	..
..	..	2.00	1,45.40	2.00	1.32	1.8
4.55	4.55	(-)51.93	1,24.91	(-)51.94	..	..
3.03	3.00	(-)17.66	1,19.26	(-)17.63	..	..
..	..	0.43	20.15	0.43	1.87	2.13
1,28.92	76.20	(-)3,16.41	(-)6.11	(-)2,63.69	..	..
30.96	..	-21.38	2,42.84	52.34	20.03	21.55

(ii) "Capital employed" (except in the case of West Bengal Industrial Development Corporation Limited) represents net fixed assets excluding works (in-progress) plus or minus working capital. In the case of West Bengal Industrial Development Corporation Limited "Capital employed" represents the mean capital employed, i.e. the mean of the aggregates of opening and closing balances of (i) paid-up capital, (ii) bonds and debentures, (iii) reserves, (iv) borrowings including re-finance and (v) deposits.

## APPENDIX

(Reference : Paragraph 7.01 of

## Summarised financial results of

Sl. No.	Name of the company	Name of the department	Date of incorporation	Period of accounts	Total capital invested	Profit(+) Loss(-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(Figures in columns 6 to 12						
1.	Calcutta State Transport Corporation	Home Transport	15th June 1960	1981-82	49,94.23	(-)16,94.07
2.	West Bengal Financial Corporation	Finance ..	1st March 1954	1981-82	49,28.61	(+) 33.42
3.	West Bengal State Electricity Board	Power ..	1st May 1955	1981-82	9,07,17.28	..
4.	West Bengal State Warehousing Corporation	Public Undertakings	31st March 1958	1979-80	2,47.13	(+) 23.01

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

C

Section VII, page 2)

## Statutory Corporations

Total interest charged to profit and loss Account	Interest on long term loan	Total return on capital invested (7+9)	Capital employed	Total return on capital employed (7+8)	Percentage of total return on capital invested	Percentage of total return on capital employed
(8)	(9)	(10)	(11)	(12)	(13)	(14)
are Rupees in lakhs)						
3,18.53	3,18.53	(-)13,75.54	(+)9,35.57	(-)13,75.54	..	..
1,38.75	1,38.75	1,72.17	34,14.68	1,72.17	4.27	5.04
20,15.21	17,60.57	17,60.57	4,48,55.95	20,15.21	1.94	4.49
..	..	23.01	2,66.38	23.01	9.31	8.64

2 "Capital employed" (except in the case of West Bengal Financial Corporation.) represents net fixed assets (excluding works-in-progress) plus working capital. In case of West Bengal Financial Corporation "Capital employed" represents mean of the aggregates of opening and closing balances of (i) paid-up capital, (ii) bonds and debentures, (iii) reserves, (iv) borrowings including refinance and (v) deposits.

