सत्यमेव जयते

REPORT

OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED
31 MARCH 1993

No. 1

(COMMERCIAL)

GOVERNMENT OF GUJARAT

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CHAPTER IV

ANNEXURES

PREFACE

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 Government companies and Statutory corporations including the Gujarat Electricity Board and has been prepared for submission to the Government of Gujarat under Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended in March 1984. The results of audit relating to departmentally managed commercial undertakings are contained in the Report of the Comptroller and Auditor General of India (Civil) - Government of Gujarat.

3. There are certain companies which are not subject to audit by the Comptroller and Auditor General of India, as Government or Government owned/controlled companies/ corporations hold less than 51 *per cent* of the shares. A list of such companies in which Government investment was more than Rs. 25 lakhs as on 31st March 1993 is given in *Annexure 1*

4. In respect of the Gujarat Electricity Board and the Gujarat State Road Transport Corporation, which are the Statutory corporations, the Comptroller and Auditor General of India is the sole auditor. In respect of the Gujarat State Financial Corporation and the Gujarat State Warehousing Corporation, he has the right to conduct the audit of their accounts independently of the audit conducted by the Chartered Accountants appointed under the respective Acts. The audit of accounts of the Gujarat Industrial Development Corporation presently stands entrusted to the Comptroller and Auditor General of India under Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Condition of Services) Act, 1971 up to the accounts for the year 1996-97. The Audit Reports on the accounts of all these corporations are being forwarded separately to the Government of Gujarat.

5. The cases mentioned in this Report came to notice in the course of audit during the year 1992-93 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports. Matters relating to the period subsequent to 1992-93 have also been included, wherever considered necessary.

OVERVIEW

The State had 35 Government companies (including 5 subsidiaries), 7 companies under the purview of Section 619 B of the Companies Act, 1956 and five Statutory corporations as on 31 March 1993. Besides, there were 3 companies where Government invested by Rs.25 lakhs or more and which were not subjected to audit by the Comptroller and Auditor General of India.

(Paragraphs 1.2 and 1.2.9)

The aggregate paid-up capital of Government companies was Rs.2448.86 crores out of which Rs.2435.52 crores were invested by State Government, Rs.11.99 crores by Central Government and Rs.1.35 crores by others. The aggregate long-term loans outstanding as on 31 March 1993 against 24 companies was Rs.709.53 crores.

The State Government guaranteed the repayment of loans (and interest thereon) raised by 17 companies. The outstanding guarantees stood at Rs.396.26 crores as on 31 March 1993.

(Paragraphs 1.2.1.1, 1.2.1.2 and 1.2.1.3)

The ratio of loans to equity in the Government companies (excluding SSNNL) changed from 2.04 : 1.00 on 31 March 1991 to 1.46 : 1.00 on 31 March 1993.

(Paragraph 1.2.1.2)

Nine companies suffered a total accumulated loss of Rs.346.57 crores which exceeded their paid-up capital by nearly seven times. Out of them, five companies suffered loss for consecutively six years. Maximum loss of Rs.247.43 crores was suffered by Gujarat State Textile Corporation Limited. Rs.114.91 crores granted as loan to companies whose share capital was eroded, has little scope of recovery.

(Paragraph 1.2.4)

Twenty two companies did not finalise their accounts. Notwithstanding that the delay in finalising the accounts was reported to the Government alongwith suggestions for pulling up the arrears, little improvement was noticed in this regard during the year.

(Paragraph 1.2.7)

Gujarat Electricity Board had finalised its accounts up to 1991-92 and the accounts showed a net surplus of Rs.69.49 crores.

(Paragraph 1.4.4)

The plant load factor in GEB decreased to 57.0 per cent in 1991-92 from 60.4 per cent in 1989-90, against the norm of 68 per cent prescribed by Central Electricity Authority. Transmission and Distribution loss increased to

22.98 *per cent* in 1991-92 from 22.09 *per cent* in 1989-90, against the norm of 15 *per cent* prescribed by CEA.

(Paragraphs 1.4.6(i) and (ii))

Gujarat State Road Transport Corporation, Gujarat State Warehousing Corporation and Gujarat Industrial Development Corporation had finalised its accounts up to 1991-92 and earned profits of Rs.1.74 crores, Rs.0.30 crore and Rs.0.15 crore, respectively, during the year. The Gujarat State Financial Corporation had finalised the accounts up to 1992-93 and earned a profit of Rs.2.27 crores during the year.

(Paragraphs 1.5 to 1.8)

GSRTC incurred loss on operational results during all the three years up to 1991-92 but it was able to show profit during these years by taking into account Government grants etc., as non-operating revenue.

(Paragraph 1.5.5)

In GSFC, percentage of default in repayment of loans increased to 27.2 at the end of 1992-93 from 25.2 at the end of 1990-91. The percentage of overdue amount increased to 27.2 in 1992-93 from 22.6 in 1991-92.

(Paragraph 1.6.4)

2. The activities of Gujarat State Civil Supplies Corporation Limited, investments made by selected Government

companies/corporations and construction and operation of the Kutch Lignite Thermal Power Station (KLTPS) under GEB were reviewed in audit.

2.1 The Gujarat State Civil Supplies Corporation Limited was set up in September 1980 as a wholly owned Government company with the main object of procurement of food grains, edible oils and coarse grain and their distribution through the fair price shops.

(Paragraph 2A.1)

Activities related to Public Distribution System (PDS) accounted for 80 per cent of the Company's total operations. The Company's accounts reflects it as an agency activity and the Government investment in this regard is treated as interest bearing loan. As on 31 March 1992, there was surplus of Rs.59.97 crores under this account.

The accumulated loss of the Company was Rs.5.53 crores up to 31 March 1992 which eroded its capital base by 55.3 per cent.

(Paragraph 2A.9)

The delay in lodging claims with the Food Corporation of India for getting refund of unlifted quantities resulted in *loss of interest of Rs.131.71 lakhs to the Company on the blocked funds for the period from 1986-87 to 1991-92.*

(Paragraphs 2A.14.3, 2A.14.3(a))

The Company did not take into account overheads of account of interest, transit and godown losses and administrative expenses while fixing the issue price of coarse grains transactions and consequently suffered a loss of Rs.419.82 lakhs.

(Paragraph 2A.14.4 (f))

2.2 *Investment of surplus funds by selected companies/ corporations were reviewed to examine whether such investments were made with due regard to economy and efficiency and the policy directions of the Government.*

(Paragraph 2B.2)

The State Government directed the companies / corporations to keep 75 per cent of their surplus funds in Personal Ledger Account (PLA) with the Government Treasuries. The surplus funds was not defined and systematic information was not collected by the Finance Department to exercise control over the deposit of funds in the Government Treasuries. The Companies and Corporations did not follow the Government orders and continued to deposit their funds with Banks and other institutions.

(Paragraph 2B.4)

GIDC did not implement the Government order on the grounds that it was reducing reliance on Government and it required funds at short notice. Gujarat State Financial Corporation did not keep any amount in PLA on the ground that it was not approved by IDBI as per provision of the State Financial Corporations Act, 1951.

(Paragraphs 2B.5.1.3 and 2B.5.2.2)

The Gujarat Mineral Development Corporation Limited suffered a loss of interest of Rs.48.96 lakhs on account of non-compliance of Government instructions on depositing surplus funds in Personal Ledger Account (PLA).

(Paragraph 2B.5.3.4)

2.3 *KLTPS Project approved by the Planning Commission in 1979 at a cost of Rs.71.27 crores for installation of two 60 mw units was revised in 1981 to install two 70 mw units at a cost of Rs.159.63 crores. The project was ultimately completed at a cost of Rs.253 crores in 1992-93.*

(Paragraph 3.4.1)

Award of contract and execution of works was delayed by 54 months entailing an additional expenditure of Rs.158.87 lakhs.

(Paragraph 3.5.2)

Failure of the Board to make proper storage arrangement for the equipment received at the project site for erection of the power plant resulted in avoidable expenditure of Rs.173.93 lakhs incurred on replacement of damaged equipment.

(Paragraph 3.6.2)

The plant load factor (PLF) achieved so far was between 43 and 51 per cent. The low PLF was mainly attributable to excessive forced outages and shut downs resulting in loss of revenue amounting to Rs.24.75 crores due to loss of generation of 330.645 million units during the period from 1990-91 to 1992-93.

(Paragraphs 3.9.1 and 3.9.2)

<u>Miscellaneous topics of interest</u>

3. Other major irregularities noticed during test check of records of the Government companies and Statutory corporations were as under :

The Gujarat State Textile Corporation Limited kept deposits of Rs.150 lakhs and Rs.496.82 lakhs in Personal Ledger Account with Ahmedabad Treasury but failed to renew these deposits before the expiry of their maturity dates resulting in loss of interest of Rs.34.45 lakhs.

(Paragraph 4A.3.1)

Sardar Sarovar Narmada Nigam Limited constructed 516 staff quarters at a cost of Rs.225 lakhs in May 1992. None of these quarters were allotted till October 1993. Resultantly, investment of Rs.225 lakhs was unproductive for 18 months.

(Paragraph 4A.8.1)

The Gujarat Electricity Board (Board) was paying excise duty on the aggregate value of transformers including value of transformer oil which was exempted from levy of excise duty. By not showing the value of transformer oil distinctly in the purchase orders while purchasing 8381 distribution transformers and 108 power transformers during three years ending March 1989, the Board made avoidable payment of Rs.61.35 lakhs towards excise duty and Rs.6.02 lakhs on sales tax, on the value of transformer oil.

(Paragraph 4B.1.2)

Untreated industrial effluents at the GIDC Industrial Estate at Vapi are carried through open roadside drains and discharged to Damanganga and Kolak rivers. No effective action was initiated to implement the provision of water (Prevention and Control of Pollution) Act, 1974 till 1985 though the Industrial Estate was considered as "the most polluted area". The underground effluent collection scheme commissioned in October 1992 is only partially utilised by the industries so far. Though GIDC decided in October 1985, to provide a Common Effluent Treatment Plant for the industries at Vapi, the work is not expected to be completed and commissioned till December 1995 due to financial constraints. The environmental health of the estate continues to be vulnerable due to delayed action by GIDC and violation of the provisions of the Act by the industries.

(Paragraph 4B.2.3)

CHAPTER - I

GENERAL VIEW OF GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

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CHAPTER - I

SECTION - I

1. General view of Government companies and Statutory corporations

1.1 Introduction

This chapter contains particulars about the general view, investments, state of account *etc.*, in respect of Government companies and Statutory corporations. Paragraphs 1.2 and 1.3 give details in respect of Government companies and Statutory corporations respectively. Paragraphs 1.4 to 1.8 give details regarding financial and operational performance of these corporations.

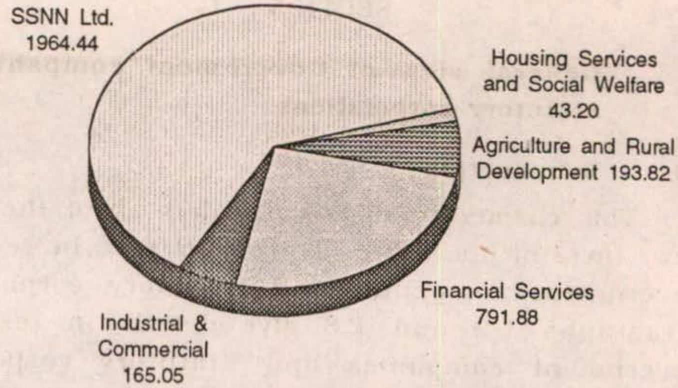
1.2 Government companies - General view

There were 35 Government companies (including five subsidiaries) as on 31st March 1993 with a total investment (share capital and long term loans) of Rs.3158.39 crores as against 36 companies (including six subsidiaries) with a total investment of Rs.2580.64 crores on 31st March 1991. The financial particulars and working results in respect of all the Government companies are given in *Annexure*-2.

Out of the Government companies 14 companies were under the department of Industries and Mines (investment Rs.896.95 crores) and nine companies under the department of Agriculture, Co-operation and Rural Development (investment Rs.80.23 crores). Remaining 12 companies including Sardar Sarovar Narmada Nigam Limited (SSNNL) were under the control of nine departments (investment Rs.2181.21 crores). Investment in SSNNL under the department of Narmada and Water Resources was Rs.1964.44 crores.

Sector-wise investment in Government companies

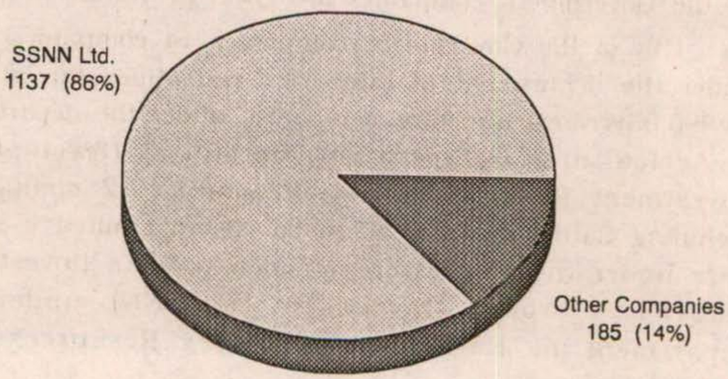
Rupees in crores



Out of total investments (Rs.1322 crores) in the Government companies during the previous three years Rs.1137 crores (86 *per cent*) were invested in SSNNL. The average investment in the Government companies (excluding SSNNL) as on 31.03.1993 was Rs.35.12 crores.

Investments in SSNNL and other companies

Rupees in crores



Trend in the sector-wise investment in the Government companies are shown below :

Sector-wise investment in Government companies

	Number of companies	Investment on 31.3.93	Number of companies	Investment on 31.3.91
		(Rupees in crores)		(Rupees in crores)
Industrial and Commercial	18	165.05	18	421.26
Irrigation, Agriculture and Rural Development				
A. SSNNL	1	1964.44	1	1253.82
B. Others	11	193.82	11	157.78
Financial Services	2	791.88	3	720.06
Social Welfare	2	16.62	2	18.62
Housing Services	1	26.58	1	9.10

1.2.1 Analysis of investments

1.2.1.1 Share capital

Total share capital invested in the 35 Government companies (including subsidiaries) was Rs.2448.86 crores

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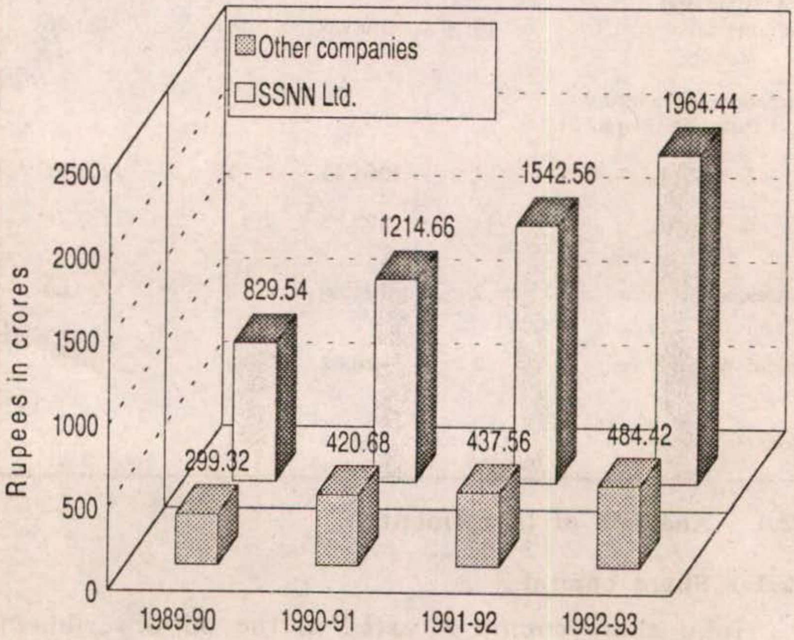
Finance accounts for the year 1992-93 is still under finalisation (December 1993).

(State Government: Rs.2435.52* crores, Central Government: Rs.11.99 crores and others: Rs.1.35 crores) as on 31st March 1993. Out of this, the investment during the last three years was Rs.1322.00 crores including investments of Rs.1136.90 crores in SSNNL. Thus nearly 54 *per cent* of the total share capital in the companies, was invested during these three years and 86 *per cent* of these investments went to SSNNL.

Comparative investment in SSNN Ltd. and other companies (1989-90 to 1992-93)



In spite of the incremental investment of Rs.185.10 crores (net of SSNNL), during the three years the total accumulated loss in the Government companies increased by Rs.13.64 crores during the period.

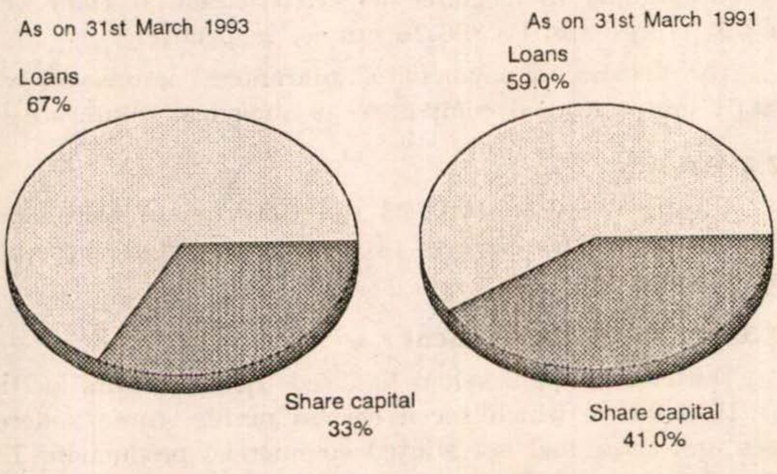
1.2.1.2 Long term loans

Total long term loans, outstanding as on 31st March 1993, in respect of 24 Government companies was Rs.709.53 crores. Out of this, Rs.207.73* crores were payable to the State Government.

The loans granted to nine companies whose share capital has eroded are used to finance losses. There is little likelihood of these outstanding loans (Rs.114.91 crores) being repaid to the Government.

As on 31st March 1993 the ratio of long term loans to share capital in the Government companies (excluding SSNNL) was 1.46:1 on overall basis (loans and equities from all the sources).

Ratio of long term loans to share capital (excluding SSNNL)



* Finance accounts for the year 1992-93 is still under finalisation (December 1993).

The ratio of loans has reduced by 33 *per cent* during the last three years as shown in following table :

Ratio of loans to share capital		
	Loans	Share capital
1990-91	2.04	1.0
1991-92	2.15	1.0
1992-93	1.46	1.0

The ratio of long term loans of the State Government to share capital in the Government companies (excluding SSNNL) was 0.4: 1 as on 31 March 1993. The question whether increase in the equity *vis-a-vis* loans is conducive to favourable return on its investments due to the very low rate of return (4.16 *per cent*) on share capital in the Government companies needs examination.

1.2.1.3 Guarantees for loans

The State Government had guaranteed the repayment of loans raised by 17 companies. The amounts guaranteed and outstanding thereagainst as on 31st March 1993 were 816.09* crores and Rs.396.26 crores, respectively.

The arrears in payment of guarantee commission was Rs.2.01 crores from 6 companies as shown in *Annexure*—2.

1.2.2 Subsidy

During the year 1992-93 the Government sanctioned subsidies of Rs.0.69 crore to two companies whose accounts were up to date.

1.2.3 Return on investment

Thirteen companies had finalised their accounts for the year 1992-93, of which seven earned profits, three suffered losses and three had not started commercial production. The financial results of all the 35 companies based on the latest available accounts is given in *Annexure* - 3.

* Finance accounts for the year 1992-93 is still under finalisation (December 1993).

1.2.3.1 Profits and dividend

Profits of Rs.101.83 crores earned by the seven companies during 1992-93 on total share capital of Rs.2448.86 crores as on 31st March 1993 worked out to 4.16 *per cent* as against 1.36 *per cent* of profit as on 31.03.1991.

Five companies declared dividend of Rs.17.11 crores. The return on share capital in the profit making companies was 5.06 *per cent*. On the total investment, the return worked out to 0.70 *per cent* in 1992-93 compared to 0.32 *per cent* in 1990-91.

Due to non-finalisation of accounts, return on investment of Rs.150.41 crores in 22 companies could not be ascertained.

1.2.3.2 Dividend

The return on investment on share capital during the last three years were as follows :

Return on investment

	1992-93	1991-92	1990-91
	(Rupees in crores)		
Share capital	2448.86	1979.73	1635.34
Dividend	17.11	9.10	6.48

1.2.4 Loss making companies

Out of 35 companies, nine companies have accumulated loss of Rs.346.57 crores which exceeded their paid-up capital (Rs.49.67 crores) by nearly 7 times. Maximum amount of loss was suffered by Gujarat State Textile Corporation Limited for Rs.247.43 crores as on 31st March 1992, up to which year the accounts were finalised.

Out of the 18 loss making companies five companies suffered loss for six years consecutively as follows :

Companies suffering loss for six years consecutively

Name of the company	Accumulated loss	Suffering loss from	Capital eroded
	(Rupees in crores)	(Year)	(*per cent*)
Gujarat State Textile Corporation Limited (GSTC)	247.43	1987-88	6203.98
Gujarat Water Resources Development Corporation Limited (GWRDC)	27.11	1987-88	14.50
Tourism Corporation of Gujarat Limited (TCGL)	3.50	1987-88	101.40
Gujarat State Land Development Corporation Limited (GSLDC)	15.35	1987-88	1406.69
Gujarat State Civil Supplies Corporation Limited (GSCSC)	6.40	1987-88	—

The loss shown in GSCSC has been commented up on in Paragraph No.2A.9 of this Report.

The following three companies incurred loss of Rs.3.50 crores during the year as compared to profit of Rs.1.73 crores in the previous year:

Name of the company	Profit (+) 1991-92	Loss (-) 1992-93
	(Rupees in crores)	
Gujarat Small Industries Corporation Limited	(+)1.58	(-)2.99
Gujarat State Export Corporation Limited	(+)0.06	(-)0.15
Gujarat Fisheries Development Corporation Limited	(+)0.09	(-)0.36
	(+)1.73	(-)3.50

1.2.5 Disinvestment

During the year 1992-93, the Government decided in principle to disinvest 20 *per cent* of its holdings in the Gujarat Industrial Investment Corporation Limited (GIIC). Detailed terms of disinvestment have not yet been worked out. Examining the feasibility of privatising the public sector undertakings, so as to raise new resources is included in the terms of reference of the State Finance Commission which was constituted in October 1992. The report of the Commission in this regard is awaited (December 1993).

1.2.6 Profit making companies

During the year, seven companies earned profit of Rs.101.83 crores. Out of these companies, four companies earned profit consecutively for the previous two years or more and declared dividend. As on 31st March 1991, the number of profit making companies was six and the amount of profit earned by them was Rs.22.17 crores. The highest amount of profit (Rs.64.72 crores) during 1992-93 was earned by Gujarat Mineral Development Corporation Limited (GMDC).

Free reserve and surplus were built-up in 6 companies for Rs.106.54 crores. In the case of GMDC the free reserve (Rs.82.48 crores) is approximately 13 times of the paid-up capital. The authorised capital of this Company is Rs.50 crores and the paid-up capital was Rs.6.36 crores on 31st March 1993.

1.2.7 Finalisation of accounts

As on 30th September 1993, 22 companies out of the 35 Government companies had not finalised their accounts as compared to 24 companies not finalising their accounts on 30th September 1991 and the arrears in finalisation of accounts ranged from one year to six years. Thus, results on investments of Rs.150.41 crores in these companies could not be vouchsafed. The following table shows the Department wise distribution of the companies which were in arrears in accounts.

Number of companies in arrears in accounts

Department	As on 30.9.1991	As on 30.9.1993
Industry & Mines	8	8
Agriculture	10	8
Others	6	6

The delay in finalisation of accounts was reported quarterly to the Chief Secretary and the Finance Department. A detailed anaylisis of the delay in finalising accounts in the chronically arrears companies was included in the Audit Report (Commercial) 1991-92, Government of Gujarat.

There was little improvement in the position of clearance of arrear during the year and the number of companies in arrears had remained the same (22 companies) as of the previous year.

1.2.8 619B Companies

There were seven companies covered under section 619B of the Companies Act, 1956 as on 31st March 1993. Aggregate paid-up capital in these companies were Rs.134.91 crores out of which Government contribution was Rs.37.78 crores. The net profit earned in these companies was Rs.29.32 crores during the year 1992-93 and out of them dividend was declared by two companies. The Government earned dividend of Rs.10.43 crores during the year. The details of the paid-up capital, Government's share, working results, *etc.*, in respect of these seven companies as per the latest accounts are as follows :

Working results of 619B companies

Name of company	Accounting year	Paid-up capital	Profit(+) /Loss(-) during the year	Investment by State Government	Investment by Government company	Investment by Others
			(Rupees in crores)			
Gujarat Leather Industries Ltd.	1991-92	1.50	*	—	0.77	0.73
Gujarat State Machine Tools Corporation Ltd	1992-93	0.53	(+) 0.10	—	0.41	0.12
Gujarat Industrial and Technical Consultancy Organisation Limited	1992-93	0.20	(+) 0.01	—	0.06	0.14
Gujarat State Fertilizers Company Limited	1992-93	60.15	(+)61.41	25.28	—	34.87
Cement Corporation of Gujarat Ltd.	1992-93	38.29	(-)39.80	-	8.27	30.02
The Ahmedabad Electricity Company Ltd.	1992-93	33.14	(+) 7.60	11.95	—	21.19
Gujarat Power Corporation Ltd.	1992-93	1.10	**	0.55	***	****

1.2.9 In three companies listed in *Annexure*-I, the Government had invested Rs.25 lakhs or more but these were not subject to audit by the Comptroller and Auditor General of India, as Government or Government owned/ controlled companies/corporations hold less than 51 *per cent* of the total share capital of the company.

* Represents profit of Rs.0.21 lakh.

** Entire expenditure during the year was capitalised as it has to commence operations.

*** As the accounts for the year 1992-93 have not been prepared, the figure of accounts 1991-92 have been considered.

**** Represents contribution of Rs.0.55 crores by Gujarat Electricity Board.

1.2.10 Directives to the Auditors of Government companies

The Companies Act, 1956 empowered the Comptroller and Auditor General of India to issue directives to the auditors of Government companies in regard to the performance of their functions. In pursuance of the directives so issued, supplementary reports of the auditors on the accounts of 12 companies were received from October 1992 to September 1993. The important defects pointed out in these reports are summarised as follows :

Nature of defeciencies	Number of companies where the defects were noticed	Reference to serial number in *Annexure*-2
Absence of accounting manual	3	5,15,11
Absence of system of ascertaining the idle time of machinery and labour	2	11,17
Non-fixation of limits of stores and norms for the consumption of raw-material	3	5,11,20
Absence of follow-up of action in respect of internal audit report	1	13
Absence of manual out-lining the scope and programme of internal audit work	1	20
Absence of effective system of internal audit	2	17,26
Absence of effective system of physical verfication of stores	2	1,13
Non-preparation of detailed revenue and capital, production and sales budgets	3	13,20,26
Non-confirmation of balances by debtors, bankers, *etc.*	4	5,11, 13,36
Absence of action for debts acquired under Nationalisation Act, 1986	3	13, 5, 11
Non-maintenance of plant, property and cost records	4	20,17, 26,11
Inadequacy of accounting systems for obsolete/ non-moving inventories	3	5,15,17
Absence of proper purchase procedure	1	11
Non furnishing of information regarding realisation of debts	1	26

1.2.11 Comments on the audited accounts

Under Section 619(4) of the Companies Act, 1956 the Comptroller and Auditor General of India has the right to comment upon or supplement the report of the Statutory Auditor. Accordingly, the audited annual accounts of Government companies are reviewed on a selective basis. During the period from October 1992 to September 1993, accounts of 28 companies were selected for review. The net effect of the important comments as a result of such review was as follows :

Details	Number of accounts	Monetary effects. (Rupees in lakhs)
Decrease in profits	2	42.31
Increase in profits	2	37.69
Non-disclosure of material facts	1	1357.48

The important errors and omissions noticed in the course of the review of annual accounts, not pointed out by the Statutory Auditors are mentioned below :

1.2.11.1 Gujarat State Scheduled Castes Economic Development Corporation Limited

(Accounts for the year 1988-89)

(a) Loans to beneficiaries :

The particulars whether loans are good, bad or doubtful and information regarding security as required under Part I of Schedule VI, have not been given. Moreover, the reasons for making provisions of Rs.122.53 lakhs as doubtful loans, is not clear.

1.2.11.2. Gujarat State Construction Corporation Limited
(Accounts for the year 1991-92)

(a) The Corporation entered in a package deal with the Government of Rajasthan, according to which a sum of Rs.724.70 lakhs (Principal : Rs.306.78 lakhs and Interest : Rs.417.92 lakhs) was receivable. Out of this, interest of Rs.247.37 lakhs relates to the period 1991—92 which has neither been accounted for nor disclosed suitably.

(b) Amount of claims awarded by arbitrator as on 31.3.92 for Banswara was shown as Rs.407.06 lakhs against the factual position of claims of Rs.306.78 lakhs.

(c) The Company has not quantified the completed works for which final bills have not been raised by the Company. The amount of such works was Rs.1257.20 lakhs.

1.2.11.3 Gujarat Mineral Development Corporation Limited
(Accounts for the year 1992-93)

Goods in process Rs.602.79 lakhs includes closing stock of met grade flourspar of 8255 tonnes valued at Rs.7238.10 per tonne (Rs.597.91 lakhs) which consists of an opening stock of 2972 tonnes costing Rs.5984.72 per tonne (Rs.177.87 lakhs). Due to valuing the opening stock at a higher rate, the balance under stock in trade was overstated by Rs.37.25 lakhs.

1.2.11.4. Gujarat Insecticides Limited
(Accounts for the year 1990-91)

Manufacturing, administration and selling expenses included Rs.24.57 lakhs being arrear payment for 1989—90. This has resulted in under statement of profit by Rs.24.57 lakhs.

1.2.11.5. Gujarat State Seeds Corporation Limited

(Accounts for the year 1991-92)

(a) Miscellaneous income (Rs.11.61 lakhs) was understated by Rs.6.61 lakhs due to non-accountal of revenue subsidy accrued and due from the Central Government under the National Scheme for Maintenance of Buffer Stock of Breeder Foundation and Certified Seeds Scheme. This has also resulted in understatement of profit for the year and sundry debtors, each by Rs.6.61 lakhs.

(b) The balance under reimbursement of subsidy was over stated by Rs.5.06 lakhs due to taking credit of subsidy twice. This has resulted in understatement of advance from the Director of Agriculture in current liabilities and overstatement of profit by Rs.5.06 lakhs.

(c) Inventory of groundnut (foundation - 92183 Kgs. and certified seeds - 354145 Kgs.) were valued at price which was lower than the costs and net realisable value due to valuation at incorrect rates. This has resulted in understatement of inventories and profit by Rs.6.51 lakhs.

1.2.11.6. Gujarat Trans Receivers Limited

(Accounts for the year 1990-91)

The accounts of Gujarat Trans Receivers Limited for the year 1990-91 were revised at the instance of audit. The net effect on accounts after revision was increase in net loss by Rs.4.24 lakhs.

1.3 Statutory corporations - General aspects

1.3.1 There were five Statutory corporations in the State as on 31st March 1993. Some general aspects of these corporations are shown in the table below :

		Statutory corporations	
Serial number	Name of the Corporation	Statute under which constituted	Date of formation
1.	Gujarat Electricity Board (GEB)	Section 5(1) of Electricity (Supply) Act, 1948	1st May 1960
2	Gujarat State Road Transport Corporation (GSRTC)	Section 3 of Road Transport Corporations Act, 1950	1st May 1960
3	Gujuarat State Financial Corporation (GSFC)	Section 3(1) of State Financial Corporation Act, 1951	1st May 1960
4	Gujarat State Warehousing Corporation (GSWC)	Section 2B of Agricultural Produce (Development & Warehousing) Corporation Act, 1956	December 1960 (started functioning from February 1961)
5	Gujarat Industrial Development Corporation (GIDC)	Gujarat Industrial Development Act, 1962	August 1962

-General aspects

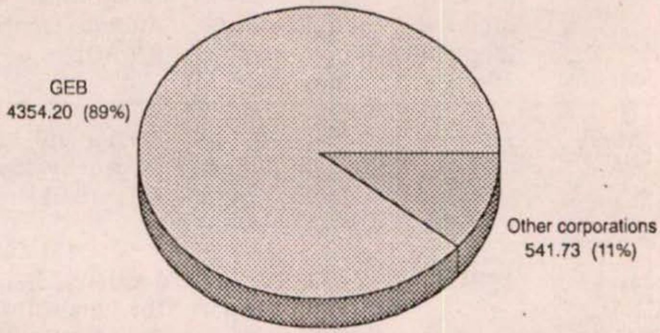
Audit arrangement	Year upto which accounts finalised (September 1993)	Separate Audit Report placed in Legislature upto the year	Authority for audit by the Comptroller and Auditor General (C&AG)
Sole audit by C&AG	1991-92	1991-92 on 16th August 1993	Section 69 (2) of Electricity (Supply) Act, 1948
Sole audit by C&AG	1991-92	1991-92 on 11th January 1993	Section 33(2) of the Road Transport Corporation Act, 1950
Chartered Accountants SAR issued by C&AG	1992-93	1991-92 on 12th January 1993	Section 37(6) of the State Financial Corporation Act, 1951
Chartered Accountants SAR issued by C&AG	1991-92	1991-92 on 19th January 1993	Section 31(8) of State Warehousing Corporation Act, 1962
Sole audit entrusted to the C&AG upto 1996-97	1991-92	1991-92 on 17th August 1993	Section 19(3) of the C&AG's Duties, Powers and Conditions of Services Act, 1971

1.3.2 Investment

The total investment in these five corporations as on 31st March 1993 was Rs.4895.93 crores. Out of this total investment, a sum of Rs.4354.20 crores was invested in GEB.

Ratio of investments in Gujarat Electricity Board and other Statutory corporations

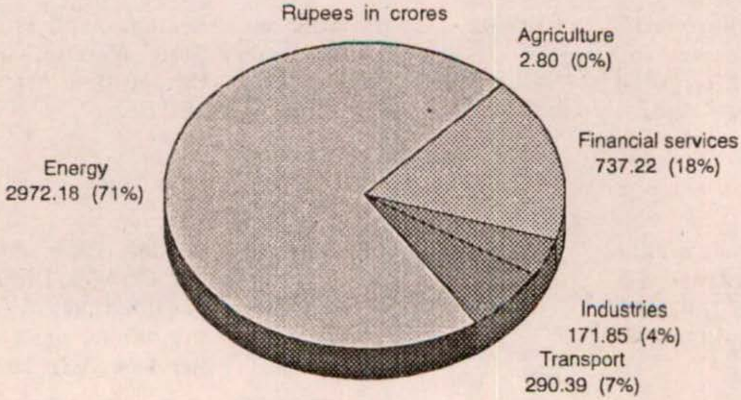
Rupees in crores



The amount of investment during the three years up to 1992-93 was Rs.1198.80 crores. On the sectorwise basis, the highest amount of investment was in the energy sector both in terms of total investment and also in terms of investments during the last three years.

Sector-wise investment in Statutory corporations

Rupees in crores



1.3.3 Profitability

All the corporations earned profit during the year for a total amount of Rs.79.66 crores compared to profit of Rs.7.00 crores during 1990-91 by four corporations.

1.3.4 Guarantee on loans

The State Government stands guarantor for the loans raised by these corporations. As on date, loans of Rs.4438.89 crores raised by the corporations have been guaranteed by the Government.

1.3.5 Delay in finalisation of accounts

Out of the five corporations, only GSFC has completed their accounts up to 1992-93.

As per Section 69 (4) of the Electricity Supply Act, 1948 read with the electricity Supply (Annual Accounts) Rules, 1945, the State Electricity Board has to submit its final accounts duly certified to the Central Electricity Authority (CEA) and to the State Government within six months from the closure of the financial year i.e., by September 30. There was considerable delay in adoption of accounts during the last two years which ultimately delayed the submission of accounts. During the year 1990-91, the accounts were delayed by 376 days and in 1991-92 the accounts were delayed by 272 days. The accounts of 1992-93 due in September 1993 have not yet been finalised (December 1993). The delay was brought to the notice of the Board demi-officially on several occasions. The matter was also personally discussed with senior management of the Board.

Gujarat Industrial Development Corporation has not prepared and submitted accounts for 1992-93 so far (December 1991).

1.3.6 Subsidy

The Government gives subsidy to the corporations for specific schemes or programmes to be executed by them and also for general purposes like the agricultural subsidy given to the GEB. During the year, non-specific subsidies given by the Government to the GEB amounted to Rs.666.64 crores out of which Rs.561.18 crores were given as agricultural subsidy for concessional tariff sanctioned to the agriculturists on horse-power basis. The amount of subsidy given by the Government to the 2 corporations (GEB and GSRTC) during last three years amounted to Rs.1769.72 crores out of which Rs.1589.97 crores was given to GEB.

In the case of GSRTC, although there was operating loss, the Corporation showed profit after taking into account the subsidies given by the Government as non—operating revenue.

1.3.7 Recovery performance

The main source of earning for the corporations like GEB and GSWC is the recovery on account of sale of electricity and power and rent from their consumers and in case of GSFC and GIDC the main source is recovery of loans sanctioned to the beneficiaries like loanees and allottees. A review of the accounts up to 1991-92 in respect of these corporations shows that the following amounts were recoverable:

	1989-90	1990-91	1991-92
	(Rupees in crores)		
Gujarat State Electricity Board	339.80	374.71	458.77
Gujarat State Warehousing Corporation	1.49	1.61	1.23
Gujarat State Financial Corporation	416.85	496.77	592.37
Gujarat Industrial Development Corporation	60.72	67.63	71.55

An analysis of the recoveries indicates that recoverable amounts increased significantly in all the above corporations except GSWC. The dues of Rs.458.77 crores in case of GEB represented 87 days turnover.

The working results of the statutory corporations for the latest year for which accounts have been finalised are summarised in *Annexure*-4. Salient points about the accounts and performance of these corporations are given below in paragraphs 1.4 to 1.8.

1.4 Gujarat Electricity Board

1.4.1 The capital requirements of the Board are met by way of loans from Government, the public, the banks and other financial institutions.

The aggregate of long-term loans including loans from Government obtained by the Board and outstanding as on 31st March 1992 was Rs.4,354.20* crores and represented an increase of Rs.430.80* crores (10.98 *per cent*) on the long-term loans of Rs.3,923.40 crores outstanding at the end of the previous year.

1.4.2 The Government had guaranteed the repayment of loans raised by the Board and payment of interest thereon. The amount of principal guaranteed and outstanding guarantees as on 31st March 1992 was Rs.1958.99 crores.

1.4.3 The financial position of the Board at the close of the

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* This includes Rs.355.77 crores being interest accrued and due on Government and other loans.

three years up to 1991-92 is given in the following table :

Financial position of Gujarat Electricity Board

	1989-90	1990-91	1991-92
	(Rupees in crores)		
Liabilities			
Loan from Government	2286.20	2745.49	2972.18
Other long-term loans (including bonds)	990.30	1177.91	1382.02
Reserves and surplus	203.49	335.78	447.26
Current liabilities and provisions	1370.63	1498.64	#1785.34
Total	4850.62	5757.82	6586.80
Assets			
Gross fixed assets	2624.93	3232.53	3937.05
Less : Depreciation	591.15	682.03	795.44
Net fixed assets	2033.78	2550.50	3141.61
Capital works-in-progress	954.60	870.54	726.74
Current assets, investments miscellaneous expenditure including deficits	1862.24	2336.78	2718.45
Total	4850.62	5757.82	6586.80
Capital employed##	2183.45	2914.25	3696.74
Capital invested###	2968.96	3587.22	4195.59

Includes Rs. 0.06 crore being amount due for repayment but not repaid to bond/debenture holders due to non-production of bonds/debentures.

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

Capital invested represents long-term loans *plus* free reserves *less* accumulated losses.

1.4.4 The working results of the Board for three years up to 1991-92 are summarised below :

Working results of Gujarat Electricity Board

	1989-90	1990-91	1991-92
	(Rupees in crores)		
Revenue receipts	1180.35	1308.63	1684.87
Subsidy/Subvention from Government	392.04	544.86	676.68
	1572.39	1853.49	2361.55
Revenue expenditure	1574.23	1764.69	2286.35
Gross surplus (+)/deficit (-) for the year	(-)1.84	(+)88.80	(+)75.20
Prior period adjustments	(+)10.95	(+)11.48	(-)5.71
Net surplus(+)/deficit(-)	(+)9.11	(+)100.28	(+)69.49
Total return on			
- capital employed	168.99	300.97	326.12
- capital invested	151.64	275.42	305.41
Percentage of return on			
- capital employed	7.7	10.3	8.8
- capital invested	5.1	7.7	7.3

1.4.5 The Separate Audit Report on the accounts of the Board for the year 1991-92 indicated net overstatement of surplus to the extent of Rs.5.10 crores.

1.4.6 The following table indicates the operational performance of the Board for the three years up to 1991-92 :

Particulars 1	1989-90 2	1990-91 3	1991-92 4
Installed capacity		(MW)	
(a) Thermal*	3329.0	3399.0	3609.0
(b) Hydro	365.0	425.0	425.0
(c) Gas	54.0	54.0	54.0
Total	3748.0	3878.0	4088.0

* This does not include the Board's share of 190 MW capacity of Tarapur Atomic Power Station and 522 MW of National Thermal Power Corporation projects.

1	2	3	4
Normal Maximum demand	3755.0	4065.0	4277.0
Power generated :		(MKWH)	
(a) Thermal	16193.692	15907.000	17286.000
(b) Hydro	997.106	1524.000	834.000
(c) Diesel set	0.206)	1	1
(d) Wind Farm	0.428)	-	-
Total	17191.432	17432.000	18121.000
Less : Auxiliary consumption including transmission loss	1781.784	1774.000	1793.000
(percentage)	(10.4)	(10.2)	(9.89)
Net Power generated	15409.648	15658.000	16328.000
Power purchased	3619.241	4858.000	6159.000
Total power available for sale	19028.889	20516.000	22487.000
Power sold	14825.970	15993.000	17319.000
Transmission & distribution losses	4202.919	4523.000	5168.000
Load Factor (Percentage)	60.4	57.7	57.0
Percentage of transmission & distribution losses to total power available for sale	22.09	22.05	22.98
Number of villages/towns electrified	18152	18174	18240
Number of pump sets/wells energised	437660	462723	486494
Number of sub-stations	387	401	440
Transmission/distribution lines (in kms)			
(a) High/medium voltage	122130	124203	129270
(b) Low Voltage	136894	140271	147304
Connected load (in MW)	9203.861	9890.696	11047.000
Number of consumers	4715346	5039465	5283453
Number of employees	43022	43454	44420
Total expenditure on staff during the year (Rupees in crores)	164.97	211.74	245.00
Percentage of expenditure on staff to total revenue expenditure	10.5	12.0	10.72
Units sold		(M K W H)	
(a) Agriculture	5144.950	5670.000	6959.000
(Percentage share to total units sold)	(34.6)	(35.4)	(40.2)
(b) Industrial	5973.100	6351.000	6410.000
(Percentage share to total units sold)	(40.3)	(39.7)	(37.0)
(c) Commercial	322.980	355.000	386.000
(Percentage share to total units sold)	(2.2)	(2.2)	(2.2)

1	2	3	4
(d) Domestic	1226.380	1353.000	1502.000
(Percentage share to total units sold)	(8.3)	(8.5)	(8.7)
(e) Others	2158.560	2264.000	2062.000
(Percentage share to total units sold)	(14.6)	(14.2)	(11.9)
Total	14825.970	15993.000	17319.000
(a) Revenue		(Paise per KWH)	
(excluding subsidy from Government)	79.61	81.80	97.28
(b) Expenditure#	95.83	98.67	118.72
(c) Profit (+)/Loss (-)	(-) 16.22	(-) 16.87	(-) 21.44
(d) Average subsidy claimed from Government (in rupees)	0.26	0.34	0.39
(e) Average interest charges(in rupees)	0.104	0.117	0.133

(i) The Plant Load Factor (PLF) in 1991-92 has gone down to 57.0 from 60.4 in 1989-90. As per norm prescribed by the CEA, the Board was expected to achieve PLF of 68. Had the norm in PLF was achieved there would be additional generation of electricity by 3336 MKWH. Allowing a 9 *per cent* auxiliary consumption and 15 *per cent* Transmission and Distribution (T&D) loss, 2581 MKW of electricity would thus have been available for sale, earning additional revenue of Rs.251.08 crores at the rate of 97.28 paise per KWH.

(ii) The T & D loss increased to 22.98 *per cent* in 1991-92 from 22.09 *per cent* in 1989-90. The norm of T & D loss as per CEA is 15 *per cent*. T & D loss above the

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\# Inclusive of total depreciation for the year but excluding interest on loans.

norm meant loss in revenue of Rs.174.61 crores calculated at the rate of 97.28 paise per KWH.

(iii) At the instance of audit GEB had effected recoveries of Rs.18.60 lakhs during the year 1992-93.

1.5 Gujarat State Road Transport Corporation

1.5.1 Under Section 23(1) of the Road Transport Corporations Act, 1950, the State Government and Central Government had agreed to contribute to the capital of the Corporation in the ratio of 2:1. The capital of the Corporation as on 31st March 1992 was Rs.388.64 crores (State Government : Rs.290.39 crores, Central Government : Rs.98.25 crores) as against the capital of Rs.370.96 crores (State Government Rs.276.44 crores, Central Government Rs.94.52 crores) as on 31st March 1991. The shortfall in the capital contribution of the Central Government as on 31st March 1992 was Rs.46.95 crores. The Central Government had declined to contribute Rs.26.87 crores for the period from 1985-86 to 1988-89 for want of satisfactory performance of the Corporation. The Government decided not to pursue the remaining claim. During the year 1991-92 the Corporation received Rs.13.96 crores from the State Government and the Central Government had released Rs.3.72 crores towards capital contribution.

1.5.2 The Government had also given guarantees for the repayment of loans raised by the Corporation and payment of interest thereon. As on 31st March 1992 amount of such guarantees and loans outstanding thereagainst was Rs.3.30 crores.

1.5.3 The following table summarises the financial position of the Corporation at the close of each of the three years up to 1991-92.

Financial position of Gujarat State Road Transport Corporation

	1989-90	1990-91	1991-92
	(Rupees in crores)		
Liabilities			
Capital	329.26	370.96	388.64
Borrowings	51.59	69.28	45.63
Funds*	0.24	0.24	0.27
Trade dues and other current liabilities (including provisions)	120.18	74.35	105.01
Total	501.27	514.83	539.55
Assets			
Gross Block	286.00	313.64	360.27
Less : Depreciation	178.87	182.63	210.34
Net fixed assets	107.13	131.01	149.93
Capital works-in-progress (including cost of chassis)	15.96	14.15	13.51
Investments	0.06	0.06	0.05
Current assets, loans and advances	88.10	82.84	88.16
Accumulated losses	290.02	286.77	287.90
Total	501.27	514.83	539.55
Capital employed**	79.85	139.54	133.08
Capital invested***	90.83	153.47	146.37

* Excluding depreciation fund.

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

*** Capital invested represents capital contribution *plus* long-term loans and free reserves *less* accumulated losses.

1.5.4 The working results of the Corporation for the three years up to 1991-92 are summarised below :

Working results of Gujarat State Road Transport Corporation

		1989-90	1990-91	1991-92
		(Rupees in crores)		
Operating				
(a)	Revenue	360.14	390.96	470.25
(b)	Expenditure	404.47	449.25	500.75
(c)	Surplus(+)/Deficit (-)	(-)44.33	(-)58.29	(-)30.50
Non-operating				
(a)	Revenue	57.81	74.29	45.85
(b)	Expenditure	7.26	11.70	13.61
(c)	Surplus (+)/Deficit (-)	(+)50.55	(+)62.59	(+)32.24
Total				
(a)	Revenue	417.95	465.25	516.10
(b)	Expenditure	411.73	460.95	514.36
(c)	Net Profit (+)/Loss (-)	(+)6.22	(+)4.30	(+)1.74
Interest on capital and loans		7.20	11.58	13.50
Total return on				
	- Capital employed	13.42	15.88	15.25
	- Capital invested	13.42	15.88	15.25

1.5.5 The major observations made in the Separate Audit Report on the accounts of the Corporation for the year 1991-92 indicated overstatement of net profit for the year by Rs.379.68 lakhs.

The Corporation had incurred loss on operational results for all the three years up to 1991-92 and it was able to show profit of Rs.6.22 crores, Rs.4.30 crores and Rs.1.74 crores for the three years up to 1991-92 only after taking into account Government grants *etc.* as non-operating revenue.

1.5.6 The following table indicates the operational performance of the corporation for the three years up to 1991-92:

Performance of Gujarat State Road Transport Corporation

	1989-90	1990-91	1991-92
Average number of vehicles held	7882	8132	8206
Average number of vehicles on road	6816	6733	6985
Percentage of utilisation	86.5	82.8	85.2
Number of routes operated at the end of the year	16257	15631	16492
Route kilometres	879525	857943	922224
Kilometres operated (in lakhs)			
(a) Gross	7932.41	7795.49	8266.55
(b) Effective	7848.76	7713.35	8192.60
(c) Dead	83.65	81.94	73.95
Percentage of dead kilometres to gross kilometers	1.05	1.06	0.90
Average kilometres covered per bus per day	318.3	316.6	322.60
Average operating revenue per kilo-metre (Paise)	459	507	574
Increase in operating revenue per kilometre over previous year's income (*per cent*)	5.03	10.45	13.21
Average expenditure per kilometre (paise)	515	582	611.23
Increase in operating expenditure per kilo-metre over previous year's expenditure (*per cent*)	12.2	13	4.98
Loss per kilometre (paise)	56	76	37.23
Number of operating depots	126	128	130
Average number of break-down per lakh kilometres	5.2	5.4	4.6
Average number of accidents per lakh kilometres	0.33	0.33	0.30
Passenger kilometres operated (in crores)	3302.35	3163.69	3224.86
Occupancy ratio	70.2	68.2	65.16
Kilometres obtained per litre of :			
(a) Diesel Oil	4.95	4.98	5.02
(b) Engine oil	1226	1275	1418

1.6 Gujarat State Financial Corporation

1.6.1 The paid-up capital of the Corporation as on 31st March 1993 was Rs.65.90 crores (State Government : Rs.43.39 crores, Industrial Development Bank of India : Rs. 22.10 crores and others: Rs. 0.41 crore) as against Rs.57.30 crores (State Government : Rs.34.79 crores, Industrial Development Bank of India : Rs.22.10 crores and others : Rs.0.41 crore) as on 31st March 1992.

The Government had guaranteed the repayment of share capital of Rs.63.50 crores (excluding special share capital of Rs.1.40 crores) under Section 6(1) of the State Financial Corporations Act, 1951 and payment of minimum dividend thereon at the rate of 3.5 *per cent* on Rs.13.20 crores (excluding special share capital of Rs.1.40 crores) and 7.5 *per cent* on Rs.50.30 crores, except on the shares issued under Section 4A of State Financial Corporations Act, 1951.

The Government had also guaranteed repayment of loans (raised through bonds, debentures and fixed deposits *etc.*) of Rs.425.65 crores. Principal amount outstanding thereagainst as on 31st March 1993 was Rs.295.29 crores.

1.6.2 The following table summarises the financial position of the Corporation at the end of each of the three years up to 1992-93.

Financial position of Gujarat State Finanicial Corporation

	1990-91	1991-92	1992-93
	(Rupees in crores)		
Liabilities			
Paid-up capital	51.80	57.30	65.90
Reserve fund and other reserves	13.02	12.97	14.24
Borrowings			
(i) Bonds and Debentures	205.95	243.45	282.77
(ii) Fixed Deposits	–	–	–
(iii) Industrial Development Bank of India and Small Industries Development Bank of India	222.05	283.35	335.52
(iv) Reserve Bank of India	–	4.50	9.75
(v) Loan towards share capital			
(a) State Government	8.03	8.03	8.03
(b) Industrial Development Bank of India	8.22	8.22	8.23
(vi) Others (including State Government)	2.85	2.85	6.60
Other Liabilities and provisions	12.08	19.11	29.21
Total	524.00	639.78	760.25
Assets			
Cash and Bank balances	19.34	33.14	42.17
Investments	0.68	0.72	0.28
Loans and Advances	495.21	592.37	702.43
Net fixed assets	0.94	1.37	1.45
Other assets	7.83	12.18	13.92
Total	524.00	639.78	760.25
Capital employed (A)	469.97	566.29	675.85
Capital invested (B)	502.60	610.58	719.98

(A) Capital employed represents the mean of the aggregates of opening and closing balances of paid-up capital, reserves (other than those which have been funded specifically and backed by investments outside), bonds, deposits and borrowings (including refinance).

(B) Capital invested represents paid-up capital *plus* long-term loans *plus* free reserves.

1.6.3 The following table gives details of the working results of the Corporation for the three years up to 1992-93 :

Working results of Gujarat State Finanicial Corporation

	1990-91	1991-92	1992-93
Income	(Rupees in crores)		
(a) Interest on loans	50.06	61.59	77.60
(b) Other income	2.67	5.41	7.66
Total	52.73	67.00	85.26
Expenses			
(a) Interest on long-term loans	36.63	46.22	60.74
(b) Other expenses	15.37	18.81	22.25
Total	52.00	65.03	82.99
Profit before tax	0.73	1.97	2.27
Provision for tax	0.21	0.60	0.70
Other appropriations	0.40	1.00	0.95
Amount available for dividend (AA)	0.12	0.37	0.62
Dividend	2.93	3.48	3.69
Total return on			
- Capital employed	37.36	48.19	63.01
- Capital invested	37.36	48.19	63.01
Percentage of return on			
- Capital employed	7.9	8.5	9.3
- Capital invested	7.4	7.9	8.7

1.6.4 Analysis of receipts and disposal of application of loans and recovery performance shows that during 1992-93, 1951 applications (Rs.219.74 crores) were sanctioned compared to 2205 (Rs.215.34 crores) in 1990-91 and loans of Rs.180.57 crores were disbursed (2216 cases) compared to Rs.132.38 crores (1753 cases) in 1990-91. Amount due for recovery at the end of 1992-93 was Rs.195.55 crores (Principal Rs.97.65 crores and interest Rs.97.90 crores) as compared to Rs.128.82 (Principal Rs.66.16 crores and interest Rs.62.66 crores) at the end of 1990-91. Percentage of default in repayment increased from 25.7 *per cent* at the end of 1990-91 to 27.2 *per cent* at the end of 1992-93.

(AA) Includes refund of income tax for earlier years, surplus carried from previous years and adjustment of previous years.

Partywise break-up of amounts overdue for recovery in instalments of principal and interest as on 31st March of 1991, 1992 and 1993 were not compiled by the Corporation.

Out of the outstanding loan of Rs.720.18 crores as on 31st March 1993, Rs.195.55 crores (including interest of Rs.97.90 crores which fell due for recovery) were in arrears at the end of the year. The percentage of overdue amount to the total outstanding which was 22.6 in 1991-92 increased to 27.2 in 1992-93.

1.7 Gujarat State Warehousing Corporation

1.7.1 The paid-up capital of the Corporation as on 31st March 1992 was Rs.2.50 crores (equally contributed by the State Government and Central Warehousing Corporation).

1.7.2 The following table summarises the financial position of the Corporation at the end of each of the three years up to 1991-92:

Financial position of Gujarat State Warehousing Corporation

	1989-90	1990-91	1991-92
Liabilities	(Rupees in crores)		
Paid-up capital	1.91	2.50	2.50
Reserves and Surplus	3.67	3.91	4.03
Borrowings	0.37	0.32	0.30
Current liabilities and provision	1.59	1.56	1.64
Total	7.54	8.29	8.47
Assets			
Gross Block	5.45	5.82	6.02
Less : Depreciation	0.96	1.14	1.31
Net fixed assets	4.49	4.68	4.71
Capital works-in-progress	0.25	0.07	0.51
Current assets, loans and advances	2.80	3.54	3.25
Total	7.54	8.29	8.47
C. Capital employed*	5.95	6.66	6.32
D. Capital invested**	3.92	4.56	4.57

* Capital employed represents net fixed assets excluding capital works-in-progress *plus* working capital.

** Capital invested represents paid-up capital *plus* free reserves plus long-term loans *less* accumulated losses.

1.7.3 The following table summarises the working results of the Corporation for the three years up to 1991-92 :

Working results of Gujarat State Warehousing Corporation

	1989-90	1990-91	1991-92
	(Rupees in crores)		
Income			
(a) Warehousing charges	1.20	1.66	1.50
(b) Other income	0.47	0.43	0.71
Total	1.67	2.09	2.21
Expenses			
(a) Establishment charges	0.74	0.93	0.99
(b) Other expenses	0.89	0.82	0.92
Total	1.63	1.75	1.91
Profit before tax	0.04	0.34	0.30
Other appropriations	0.01	0.08	0.07
Amount available for dividend	0.46	0.26	0.23
Dividend for the year	—	*0.12	0.17
Total return on			
- capital employed	0.07	0.39	0.34
- capital invested	0.07	0.39	0.34
Percentage of return on			
- capital employed	1.2	5.8	5.4
- capital invested	1.8	8.5	7.4

* Includes dividend of Rs.1.91 lakhs declared for the year 1989-90.

1.7.4 The table below indicates the performance of the Corporation for the three years up to 1991-92:

Performance of Gujarat State Warehousing Corporation

	1989-90	1990-91	1991-92
Number of stations covered	57	58	57
Storage capacity created up to the end of the year (Tonnes in lakhs)			
(a) Owned	1.32	1.40	1.41
(b) Hired	0.37	0.26	0.21
Total	1.69	1.66	1.62
Average capacity utilised during the year (Tonnes in lakhs)	0.94	1.14	1.04
Percentage of utilisation	55.6	66.4	63.2
Average revenue per tonne per year (Rupees)	177.6	184.4	213.2
Average expenses per tonne per year (Rupees)	173.6	154.2	184.4

1.8 Gujarat Industrial Development Corporation

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

The aggregate long-term loans (including loans from Government) obtained by the Corporation was Rs.137.85 crores at the end of 1991-92 and represented a decrease of Rs.7.44 crores (5.1 *per cent*) on the long-term loans at the end of 1990—91 (Rs.145.29 crores).

The Government gave subsidy of Rs.4.11 crores up to 31st March 1992 to the Corporation for development of rural industrial estates and for implementing the schemes for providing employment to educated unemployed persons and other schemes sponsored by Government. Out of the total subsidies received up to 1991-92, Rs.1.05 crores remained unutilised or unadjusted as on 31st March 1992.

1.8.2 The Government had guaranteed the repayment of loans raised by the Corporation to the extent of Rs.79.38 crores and the payment of interest thereon. The amount of principal guaranteed and outstanding as on 31st March 1992 was Rs.71.44 crores.

1.8.3 The table below summarises the financial position of the Corporation at the end of each of the three years up to 1991-92 :

Financial position of Gujarat Industrial Development Corporation

	1989-90	1990-91	1991-92
Liabilities	(Rupees in crores)		
Loans	147.34	145.29	137.85
Subsidy from Government	1.07	1.07	1.05
Reserves and surplus	19.03	28.63	41.32
Receipts on capital account	142.85	171.58	195.36
Current liabilities and provisions (including deposits)	49.62	55.90	60.43
Total	359.91	402.47	436.01
Assets			
Gross Block	2.46	2.75	2.92
Less : Depreciation	1.35	1.63	1.90
Net fixed assets	1.11	1.12	1.02
Capital expenditure on development of industrial estates *etc.*	241.51	245.96	257.36
Investments	0.11	0.09	0.10
Other assets	116.95	155.08	177.37
Miscellaneous expenditure	0.23	0.22	0.16
Total	359.91	402.47	436.01
Capital employed*	301.25	328.43	361.07
Capital invested**	166.37	173.92	179.17

* Capital employed represents the mean of aggregate opening and closing balances of reserves and surplus, subsidy from Government, borrowings and receipt on capital account.

** Capital invested represents long-term loans *plus* free reserves.

1.8.4 The working results of the Corporation for the three years up to 1991-92 are summarised below:

Working results of Gujarat Industrial Development Corporation

	1989-90	1990-91	1991-92
	(Rupees in crores)		
Revenue Receipts	39.31	46.90	54.43
Net expenditure after capitalisation	34.24	37.29	41.75
Excess of income over expenditure	5.07	9.61	12.68
Provision for replacement & renewals	5.06	9.58	12.53
Net surplus	0.01	0.03	0.15
Total return on			
- capital employed	17.07	16.69	16.94
- capital invested	17.07	16.69	16.94
Percentage of return on			
- capital employed	5.7	5.1	4.69
- capital invested	10.3	9.6	9.45

1.8.5 The following table indicates the performance of the Corporation for the three years up to 1991-92 :

Performance of Gujarat Industrial Development Corporation

	1989-90	1990-91	1991-92
Number of estates	175	185	193
Area		(Hectares)	
(a) Acquired	14658.80	14885.14	15011.55
(b) Developed	9422.18	9762.70	10009.15
(c) Allotted	6549.43	6947.66	7286.18
Sheds		(Numbers)	
(a) Constructed	11247	11594	11881
(b) Allotted	10752	11192	11472
Housing Quarters			
(a) Constructed	11514	11598	11847
(b) Allotted	9929	10110	10359
Percentage of			
(a) Area developed to area acquired	64.3	65.6	66.7
(b) Area allotted to area developed	69.5	71.2	72.8
(c) Sheds allotted to sheds constructed	95.6	96.5	96.6
(d) Quarters allotted to quarters constructed	86.2	87.2	87.4

1.8.6 The following omissions were pointed out in the Separate Audit Report on the accounts of Gujarat Industrial Development Corporation for the year 1991-92 :

(i) Current liabilities and provisions :

Current liabilities - Sundry deposits Rs.880.93 lakhs

The above balance was overstated by Rs.21.29 lakhs due to inclusion of the following subsidies, though they were required to be shown under "Subsidy from Government" :

	(Rupees in lakhs)
Central cash subsidy	1.29
Central cash subsidy for Effluent Treatment Plant, Ankleshwar	10.00
Central cash subsidy for Effluent Treatment Plant, Vapi	10.00
Total	21.29

This had resulted in over-statement of 'Sundry deposit' and under statement of 'Subsidy from Government' by Rs.21.29 lakhs.

(ii) Fixed and other assets

Towards cost of land development of industrial estates : Rs.23,071.33 lakhs (Schedule 'B')

The above balance was overstated by an amount of Rs.306.81 lakhs being the cheques issued during the period between October 1991 and March 1992 for land payment but they were cancelled and subsequently issued after March 1992. This had resulted in corresponding under statement of 'Liabilities and Capital Expenditure' on the liability side to the same extent.

CHAPTER - II

REVIEWS RELATING TO GOVERNMENT COMPANIES

CHAPTER - II

SECTION - 2

REVIEWS RELATING TO GOVERNMENT COMPANIES

This chapter contains:

2A A review on the working of Gujarat State Civil Supplies Corporation Limited

2B A review on investments of surplus funds by Government companies and Statutory corporations

SECTION 2A

Gujarat State Civil Supplies Corporation Limited

Highlights

The accumulated loss of the Company was Rs.5.53 crores up to 31st March 1992. This eroded the capital base by 55.3 *per cent*. The Company does not have any free reserve or surplus.

Public Distribution System (PDS) activities constitute 80 *per cent* of the total activities of the Company. This is treated as agency function conducted on government account and the Government investment in this regard is treated as interest bearing loan. As on 31st March 1992, there was a surplus of Rs.59.77 crores on this account.

The criteria for measuring the effectiveness of the Company's performance has not been evolved by the Government / Company. Thus, periodical assessment and reporting of the effectiveness of the Company's operations are not taken up systematically.

The Company's business relations with Food

Corporation of India (FCI) needs formalisation in view of disputes over large amounts remaining unsettled for long period.

The delays in lodging claims with the FCI for getting refund of unlifted quantities resulted in loss of interest of Rs.111.46 lakhs to the Company on the blocked funds for the period from 1986-87 to 1991-92.

Due to delay in lodging claims with education department for supply of wheat, the Company sustained interest loss of Rs.32.24 lakhs on blocked amount of Rs.1634.48 lakhs during the period from December 1990 to February 1991.

The Company did not take into account overheads on account of interest transit and godown losses and administrative expenses while fixing the issue price of coarse grain transactions and consequently suffered a loss of Rs.419.82 lakhs.

Due to long storage and delay in deciding the issue price, 1678 tonnes of RBD Palmolien oil valued at Rs.4.53 crores became unfit for human consumption. Due to adulteration 102 tonnes of RBD palmolein oil, valued at Rs.34 lakhs was disposed off as sludge.

2A.1 Introduction

The Gujarat State Civil Supplies Corporation Limited was set up in September 1980 as a wholly owned Government company with the main object of procurement of allotted quantities of food grains and edible oils from central agencies (Food Corporation of India / State Trading Corporation), coarse grains from open market and their distribution through the retail outlets of the fair price shops. The Company also undertakes limited market intervention activities in order to strengthen its Public Distribution Rs.10

System (PDS) base by setting up departmental stores, operation of mobile shops, opening Liquified Petroleum Gas (LPG) centres and petrol and diesel outlets. Besides, the Company undertakes any other activity relating to civil supplies as may be directed by the Government from time to time.

(Departmental stcres)

(Mobile shops)

(Petrol and diesel outlets)

2A.2 Objectives

The main objectives of the Company are to :

- ensure supply of food grains to various categories of population through the Fair Price Shops (FPS);
- provide services and assistance of all kinds for the above purpose;
- strengthen the PDS base through limited market intervention activities; and
- to undertake any other activity relating to civil supplies, as directed by the State Government from time to time.

The Company presently undertakes :

a) distribution of food grains and edible oil (PDS) under Government account and

b) other activities mainly non-PDS and market intervention activities under the Company account.

The Company is paid commission by the Government for the PDS activities.

2A.3 Organisational set-up

The management of the Company is vested in a Board of Directors not exceeding fifteen members including the Chairman and the Managing Director. The actual strength of the Board remained at five including the Managing Director during the period from 1986-87 to 1991-92. All the directors were nominated by the State Government. The Managing Director is the Chief Executive of the Company and is assisted by four General Managers and a Company Secretary at Head Office level and by four Regional Managers and nineteen District Managers (one for each district) at field level to carry out the main activities under PDS. The post of Joint Managing Director created in 1986-87, has remained practically vacant.

2A.4 Scope of audit

The records of the Company at its Head Office and at selected field unit offices for the period from 1986-87 to 1991-92 were examined and test checked during the period from February to July 1993 to examine whether the activities of the Company relating to procurement and distribution of essential commodities were carried on with due regard to economy and efficiency. The financial management and control systems including internal audit system of the Company were also examined.

The activities of the Company were last reviewed in the Report of the Comptroller and Auditor General of India for the year 1985-86 (Commercial). The Committee on Public Undertakings (COPU) examined the review in August 1989 and September 1991.

2A.5 Capital structure

At the time of incorporation the authorised share capital of the Company was Rs.3 crores. This was raised to

Organisational Chart

Board of Directors
↓
Chairman
↓
Managing Director
↓
Joint. Managing DIrector
↓

General Manager (Admn.)	General Manager (Com. I)	Dy. General Manager (Com. II)	General Manager (Finance)	General Manager (Accounts)	Liaison Officer (Delhi)	Regional Manager
↓	↓	↓	↓	↓		↓
Manager (Admn)	Manager (Food grains)	Manager (PP & Cement Branch)	Manager (Ways and Means)	Manager (Finance & A/Cs compilation)		Manager (Comm.)
Manager (LTC)	Manager (Edible Oils)	Manager (Textiles and other commodities)	Manager (MIS & Computer Service)	Manager (PEF)		Dist. Manager (GRI, DSC)
Executive Engineer	Manager (Q.C.)	Manager (Departmental stores and Mobile vans)	Manager (Budjet & Costing)	Manager (Bills)		Dist. Supply Mamlatdar
Manager (Personnel)			Marketing Executive (Oil Cell)	Manager (Internal Audit)		
Company Secretary & I/c Legal Cell			Manager (Comm.)			
Manager Vigilance						

Rs.10 crores in October 1983 (One lakh shares of Rs.1000 each). The paid-up capital was raised to Rs.10 crores in September 1990 by converting part of surplus available in Government account into share capital (Rs.6.63 crores). The State Government approved (July 1993), the Company's proposal to increase its authorised share capital to Rs.25 crores.

2A.6 Sources of finance

For carrying on its operations, the Company had been availing food credit sanctioned by the Reserve Bank of India and oil credit from a consortium of commercial banks in addition to ways and means advances obtained from the State Government. The food credit and oil credit availed by the Company during the five years up to 1991-92 were as follows :

Food credit and oil credit availed

	Maximum limit sanct-ioned	Maximum availed by the Company	Balance at the end of the year
	(Rupees in lakhs)		
Food Credit			
1986-87	1500	449	Nil
1987-89	2200	2063	Nil
1989-90	2200	210	Nil
1990-91	2700	2507	251
1991-92	3000	3000	Nil
Oil Credit			
1991-92	5250	2541	Nil

The cash credit facilities availed of by the Company were guaranteed by the State Government and an amount of Rs. 25.50 lakhs was paid as guarantee fees by the Company to the Government at the rate of 1 *per cent* of the guaranteed amount. As a special case, guarantee fee on oil credit of Rs.52.50 crores was waived by the Government.

2A.7 Other borrowings

The Company obtained interest free loan of Rs. 18.75 crores from the State Government during the period between 1989-90 and 1991-92 for procurement of groundnut oil, out of which Rs.8 crores were pending for repayment as on 31st March 1992.

The profit earned in PDS activities are retained by the Company for its working capital and the surplus so retained is treated as loan from Government, at a rate of interest of 12.5 *per cent per annum* up to September 1987 and at 14 *per cent* thereafter.

As on 31st March 1992, Rs.59.97 crores and Rs.19.40 crores were outstanding against the principal and interest respectively on the surplus on Government account.

2A.8 Financial position and working results

The following table indicates the financial position of the Company at the end of each of the five years up to 1991-92.

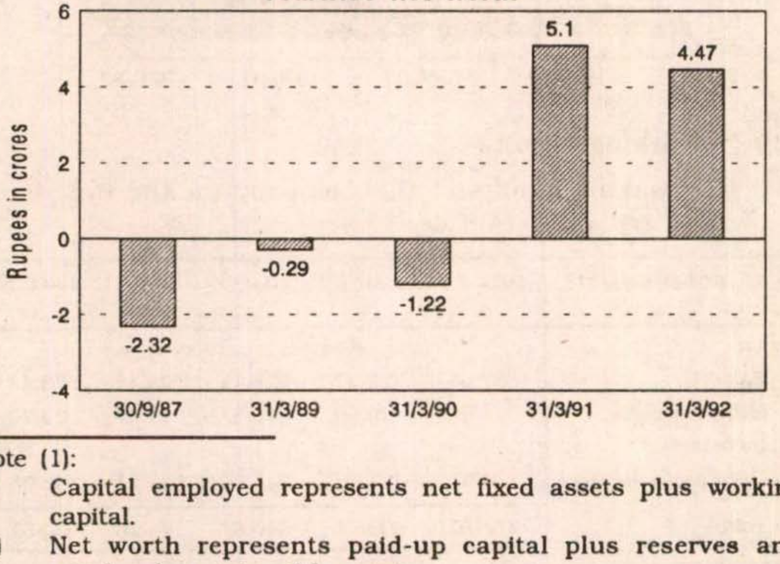
Financial position of Gujarat State Civil Supply Corporation Limited

Particulars	1986-87	1987-89	1989-90	1990-91	1991-92
1	2	3	4	5	6
Liabilities			(Rupees in crores)		
Paid-up capital	3.37	3.37	3.37	10.00	10.00
Secured loans	0.07	0.07	8.20	0.07	8.07
Unsecured loans	68.55	47.96	57.83	69.52	79.38
Current liabilities and provisions	25.47	42.69	45.21	47.94	50.46
Total	97.46	94.09	114.61	127.53	147.91
Assets					
Fixed assets					
Gross block	5.89	6.58	6.88	7.74	9.56
Less Depreciation	1.44	2.03	2.37	2.75	3.30
Net block	4.45	4.55	4.51	4.99	6.26

1	2	3	4	5	6
Capital work-in-progress	0.17	0.07	0.16	0.69	0.58
Current assets, loans and advances	87.15	85.81	105.35	116.95	135.54
Intangible assets	5.69	3.66	4.59	4.90	5.53
Total	97.46	94.09	114.61	127.53	147.91
Capital employed	55.14	37.35	49.25	50.17	71.86
Net worth	(-)2.32	(-)0.29	(-)1.22	5.10	4.47
Debt/Equity Ratio	17.1:1	11.19:1	15.02:1	4.6:1	6.8:1

The net worth of the Company was negative up to 1989-90. In 1990-91, conversion of Government loan of Rs.6.63 crores into equity helped the Company to achieve a net worth of Rs.5.10 crores.

Yearwise net worth



Note (1):

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

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

Note (2):

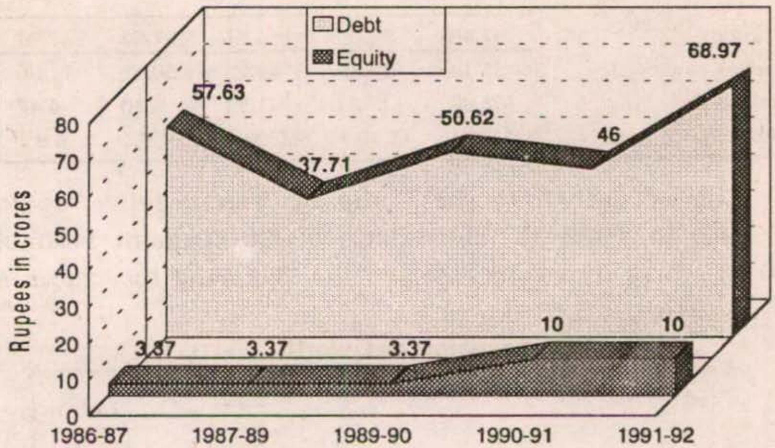
The accounting year for 1987-89 covers a period of 18 months (from October 1987 to March 1989).

Note (3):

Intangible assets is the sum of accumulated loss and preliminary expenses not written off.

The debt equity ratio of the Company which was very high up to the year 1989-90 improved from the year 1990-91 due to increase in paid-up capital.

Yearwise debt and equity



2A.9 Working results

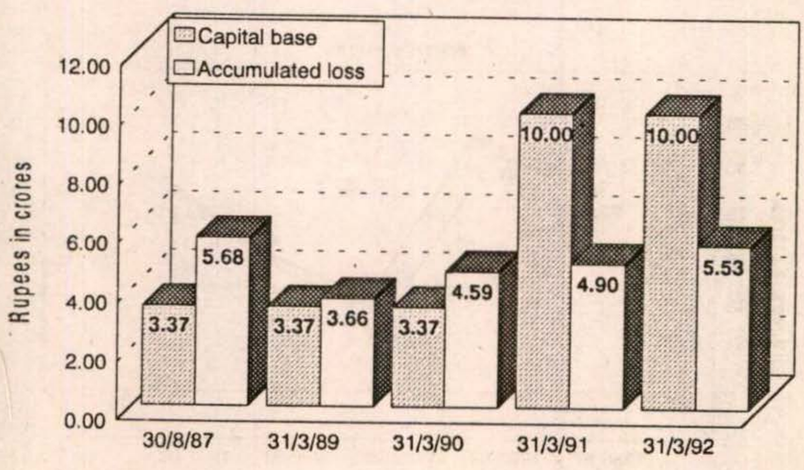
The working results of the Company for the five years up to 1991-92 are as follows :

Particulars	1986-87	1987-89	1989-90	1990-91	1991-92
1	2	3	4	5	6
Income			(Rupees in crores)		
Sales	367.64	772.37	328.14	529.18	578.43
Other receipts	14.67	19.09	10.97	14.87	25.20
Increase(+)/ Decrease(-) in stock	(-)8.61	(+)11.15	(+)7.76	(+)1.21	(-)3.06
Total	373.70	802.61	346.87	545.26	600.57
Expenditure					
Purchases	316.79	679.20	301.05	479.62	519.15
Procurement, transportation, labour & other expenses	26.52	69.01	29.69	42.24	46.79
Depreciation	0.38	0.60	0.36	0.39	0.55

1	2	3	4	5	6
Financing charges	5.64	7.28	4.52	6.83	9.76
Surplus on Government Account.	25.46	44.29	12.02	16.47	24.91
Total	374.79	800.38	347.64	545.55	601.16
Gross profit (+)/ loss (-)	(-)1.09	(+)2.23	(-)0.77	(-)0.29	(-)0.59
Add(+)/Deduct(-) Prior period adjustment	(-)0.21	(-)0.09	(-)0.16	(-)0.02	(-)0.04
Net Profit (+)/ Loss (-) before taxation	(-)1.30	(+)2.14	(-)0.93	(-) 0.31	(-)0.63
Provision for taxation	-	0.12	-	-	-
Net profit (+)/ loss (-) after taxation	(-)1.30	(+)2.02	(-)0.93	(-)0.31	(-) 0.63
Accumulated loss	(-)5.68	(-)3.66	(-)4.59	(-)4.90	(-) 5.53

The loss accumulated by the Company up to 1991-92 amounted to Rs.5.53 crores against the paid-up capital of Rs.10 crores. This had eroded the capital base by 55.3 *per cent.*

Erosion of capital

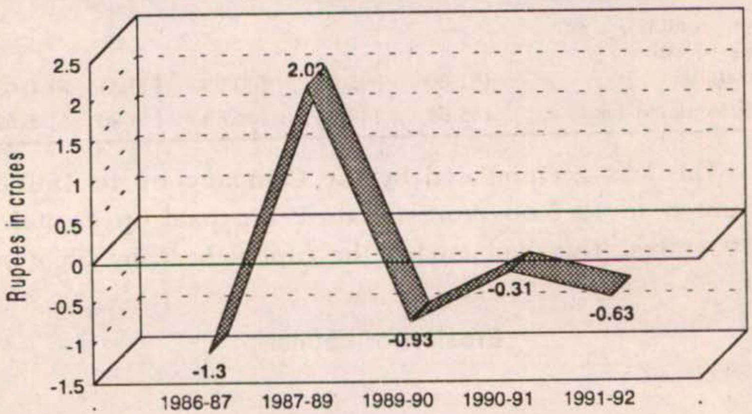


The management stated that the loss was mainly due to receipt of handling commission at a low rate which was inadequate to cover administrative cost.

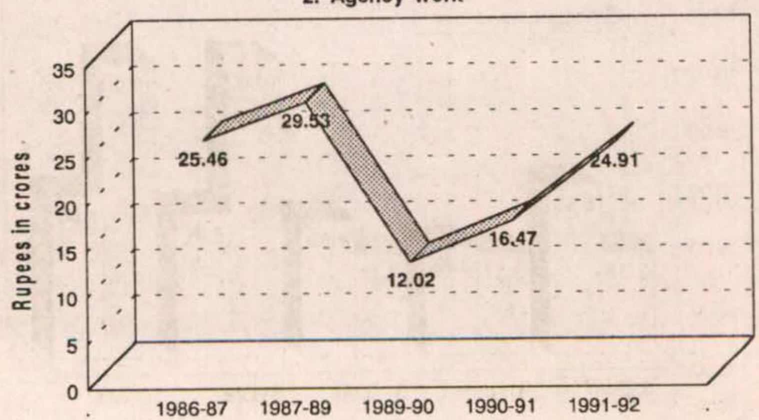
It was noticed that the main loss making activities were Company's own activities, which constitutes 20 *per cent* of its total activities. Government operations constituted nearly 80 *per cent* of total activities of the Company in which the Company earned surplus.

Profit/loss on Company's activities

1. Own Activities



2. Agency work



2A.10 Absence of corporate plan

The Company did not formulate any corporate plan since its inception. It mainly relies on annual budgets/plans to carry on its activities as no long term planning has been taken up.

The Company has a work force of 2256 (March 1992) which was created mainly to cater to the expanding needs of PDS activities. In the recent period, the scope and nature of PDS coverage is being re-examined at various levels in the state and central government and targeted beneficiaries of PDS have undergone a change. This may ultimately affect the scope of operations of the Company. In this background, the effectiveness of steps taken by the management to evolve long-term / short-term strategies to deal with the changing milieu could not be assessed. In the absence of a corporate plan the Company had to rely largely on short-term and adhoc decisions in crucial areas of policy matters and management.

2A.11 Policy direction and control

The Board resolved (July 1984) to delegate all residuary and financial powers subject to the condition that cases involving substantial expenditure and matters of policy should be placed before the Board. In some important cases this had not been followed. The delay in Government decision regarding disposal of RBD Palmolien oil and the loss due to long storage has not yet been placed before the Board. During the last three years reports of the vigilance wing and internal audit were not placed before the Board. The cases of loss, misappropriation and write-off were also not systematically and regularly presented to the Board. The reasons for endemic delay in preparation and approval of budget estimates and appointment of internal auditors have not been put up to the Board.

Further, there was acute instability in the tenure of the Chief Executive (Managing Director) during the past five years. Therefore, direction and control from the senior level of management needs to be strengthened by providing stability of tenure of the chief executive and improving the scope of guidance from the Board.

2A.12 Measurement of effectiveness

The Company's activities mainly concern procurement, storage and distribution of subsidised food-grains and other commodities. Any criteria for measuring the effectiveness of its activities has not been evolved so far by the Company or the Government. Thus, periodical assessment of the effectiveness of the Company's operations against such criteria has also not been undertaken in a systematic way.

The management intimated (September 1993) that conventional financial ratios or productivity norms are not adequate for judging the effectiveness of its functions and certain objective criteria are to be applied for this purpose. They informed that the following parameters may be relevant for the purpose:

1) Providing food security through the intervention in the food grains markets by the Company.
2) Reaching the subsidised and essential commodities to the poor people located in any corner of the state.

It is imperative that the Company/Government should evolve a reasonable and measurable criteria to assess the effectiveness of the Company's activities. Such assessment will result in better reporting of the effectiveness of the Company's operations and consequently ensure better accountability for the Company and the Government.

2A.13 Financial Structure

The Company has accumulated a loss of Rs.5.53 crores as on 31st March 1992 and has no free reserves.

In 1985, the Company had the accumulated liability to pay arrears of income tax and penalty of Rs.126.30 lakhs and Rs.64.00 lakhs respectively due to delay in finalising its annual accounts. To reduce the liability of payment of Income Tax, the Government decided that the PDS activities of the Company since inception would be treated as agency activity on behalf of the Government and the Company would be paid handling commission for this agency work. The PDS activity was to be financed by interest bearing loan from Government. The net surplus of Government transactions up to September 1987 was treated as loan with 12.5 *per cent* interest *per annum* which was subsequently revised to 14 *per cent per annum*.

This arrangement was to be operative for five years starting from 1985. Thereafter the system is being continued from year to year. The detailed terms of this arrangement have not been spelled out.

An examination of this arrangement showed that, the Company is presently dependent on loans from the Government and the banks for its working capital requirement. Thus the interest burden is very heavy which increases the cost of services of the Company. As on 31st March 1992 the Company's liability towards Government surplus is Rs. 59.97 crores on which the Company is to pay interest at 14 *per cent per annum*. They also have a liability to pay arrear of interest of Rs.19.40 crores.

Further, the present arrangement has prevented the building-up of a free reserve for the Company and increased its dependence on loan funds from Government, though it could be self-sustaining in view of the profits earned in the PDS activities which accounts for 80 *per cent* of its total operation.

The management informed (October 1993) that the Board resolved in September 1993 to request the

Government to transfer from surplus on Government account Rs.15 crores towards equity and Rs.25 crores as interest free long-term loan.

2A.14 Procurement and distribution

2A.14.1 Procurement and distribution of essential commodities under PDS

The following table gives the details of purchases, sales, storage/transit loss and closing stock of wheat and rice for five years ending 1991-92.

Purchase and sales of wheat

	1986-87	1987-89	1989-90	1990-91	1991-92
Allotment in tonnes	715800	1210000	740000	810000	864600
Opening stock in tonnes	2618.55	24756.91	2812.24	47362.94*	35040.79
Purchases in tonnes	407416.90	1167519.26	530001.97	665194.33	825965.88
Percentage of purchases to allotment	56.90	96.50	71.60	82.10	95.50
Sales in tonnes	381845.43	1184316.40	483196.29	675590.21	836389.44
Shortages in tonnes					
(i) Transit loss	3383.11	5146.23	2081.49	1807.41	1697.46
(ii) Godown loss	50.00	1.30	185.57	118.86	29.56
Percentage of total shortages to opening stock and purchases	0.84	0.43	0.43	0.27	0.20
Closing stock in tonnes	24756.91	2812.24	47349.51	35040.79	22890.21
Closing stock in terms of monthly sales	0.80	0.03	1.18	0.62	0.33

* Difference of 13.43 M.T. in opening balance is due to accountal of goods in transit, transit loss and godown loss of the previous year.

Purchase and sales of rice

	1986-87	1987-89	1989-90	1990-91	1991-92
Allotment in tonnes	355000	616000	343000	318000	336000
Opening stock in tonnes	34937.43	18919.58	63761.33	54466.69	36077.68
Purchases in tonnes	296763.61	594581.54	295986.31	297714.66	353730.58
Percentage of purchases to allotment	83.60	96.50	86.30	93.60	105.30
Sales in tonnes	310993.00	547091.84	302791.86	314168.65	358575.30
Shortages in tonnes					
(i) Transit loss	1358.53	2472.93	1227.14	956.16	807.74
(ii) Godown loss	429.93	175.02	1261.95	978.86	178.16
Percentage of total shortages to opening stock and purchases	0.54	0.43	0.69	0.55	0.25
Closing stock in tonnes	18919.58	63761.33	54466.69	36077.68	30247.06
Closing stock in terms of monthly sales	0.73	1.40	2.16	1.38	1.01

2A.14.2 Loss in storage

The Company has not evolved any system of monitoring the losses at the godowns due to handling, cleaning and storage.

The Board delegated powers to middle level management for writing off godown loss. But in Mehsana and Ahmedabad city units the losses at various godowns since 1981 have not been written-off. In 1816 cases loss of 1015 tonnes of material valued at Rs.28.60 lakhs was pending finalisation. At Rajkot, quantity and value account of the stock have not been maintained.

2A.14.3 Dealings with Food Corporation of India (FCI)

The Company does not have any formal agreement or understanding with FCI. The terms and conditions covering various aspects of the purchases, payment, *etc.* are decided on the basis of rates fixed between the Government and FCI. In the absence of a formal arrangement regarding the terms of trade, disputes between the FCI and the Company pertaining to railway freight and forwarding charges, distribution under ITDP, reimbursement of octroi, price difference in respect of levy sugar, etc, persists for long period. There is no effective mechanism to resolve the disputes promptly and satisfactorily. A few such areas are discussed below.

2A.14.3(a) Delay in settlement of refund claim

The Company makes advance payments for food grains to FCI as per release orders issued by the FCI. For unlifted quantities refund claims are lodged with the FCI. There were delays ranging between 1 and 43 months in the settlement of claims by FCI in 102 cases. Interest loss on blocked funds of Rs.2103.14 lakhs due to late settlements worked out to Rs.131.71 lakhs during the five years ending 1991-92.

On a test check of records of Ahmedabad, Rajkot, Surat, and Vadodara units, it was noticed that the Company preferred claims late in 166 cases after delays of 2 to 6 months. The delays resulted in loss of interest of Rs.111.46 lakhs on blocked funds of Rs.2103.14 lakhs during the period from 1986-87 to 1991-92.

The management stated (June 1993) that preferring claims was delayed as details were to be collected from various godowns situated at taluka level. The Company stated that the delay in settlement of claims by FCI, was beyond their control.

2A.14.3(b) Delay in reimbursement of railway freight and forwarding charges

FCI reimburses the railway freight and forwarding charges paid by the Company in lifting commodities from FCI depots to Company's own godowns. Out of the reimbursement claim of Rs.1364.60 lakhs preferred during the period from 1982-83 to 1991-92, claims of Rs.398.45 lakhs were passed by FCI and balance claims of Rs.966.15 lakhs were pending settlement (June 1993). Interest loss on blocked funds worked out to Rs.228.78 lakhs up to March 1993. The management stated (June 1993) that the matter has been taken up with FCI.

It was noticed that during the period from 1986-87 to 1991-92, the Company had preferred claims (Rs.1133.52 lakhs) late by 3 to 50 months at Vadodara/ Rajkot/ Sabarmati units. The Company attributed the delay mainly to late receipt of purchase bills from FCI and revision in freight charges without timely intimation by FCI.

2A.14.4 Miscellaneous schemes under the PDS

The table below indicates details of distribution of wheat and rice under Public Distribution System (PDS), Integrated Tribal Development Programme(ITDP), Mid-Day Meal (MDM), Free Food for Education (FFE), Food for All (FFA) and World Food Programme (WFP).

Sales under different schemes

	PDS	MDM/FFE	FFA	ITDP	WFP	Others	Total
	(Quantity in tonnes)						
Wheat							
1986-87	64912	22660	125878	168208	—	187	381845
1987-89	625120	33008	231007	287879	—	7707	1184721
1989-90	190852	20489	157228	112055	3170	2592	486386
1990-91	191894	175586	162033	126445	8833	20683	685474
1991-92	329830	170138	185220	143506	8880	7003	844577

	PDS	MDM/FFE	FFA	ITDP	WFP	Others	Total
				(Quantity in tonnes)			
Rice							
1986-87	130457	15324	31941	133257	—	14	310993
1987-89	306815	22146	52206	164468	—	1457	547092
1989-90	165882	13552	35586	86448	—	789	302257
1990-91	170938	79	37664	104156	—	1317	314154
1991-92	205305	5241	38903	107664	—	1462	358575

2A.14.4(a) Integrated Tribal Development Programme (ITDP)

Under this scheme, the Company distributed 8,38,093 tonnes of wheat (Value: Rs.14,046.13 lakhs) and rice 5,95,993 tonnes (Value: Rs.15,622.38 lakhs) during the five years ending 1991-92.

Without the concurrence of the Government of India, the State Government directed the Company to distribute 23,929.63 tonnes of wheat and 6,671.50 tonnes of rice covering the scheme of Food For All under ITDP areas, by diverting the quantity from PDS quota which were procured at higher rates. The Company claimed price difference of Rs.308.15 lakhs between the PDS rate and issue rate for the diverted quantity. FCI had not admitted the claim (July 1993) and the loss would have to be ultimately borne by the Government.

The management stated (May 1993) that the Company had diverted the stock of PDS to ITDP scheme or vice versa from time to time and replenished the stock in subsequent years.

2A.14.4(b) Subsidy schemes under PDS Food For All (FFA) and for unemployed workers of closed mills schemes.

From 1st May 1985, the State Government introduced Food For All scheme (FFA) and from 13th August 1985 a scheme for workers of closed mills of Ahmedabad city, under which the beneficiary family would be supplied wheat and rice per month at concessional rates. The differential cost of procurement and issue rates was to be reimbursed by the State Government to the Company.

The Company received subsidy of Rs.9,418.90 lakhs as against the receivable amount of Rs.9,782.08 lakhs as on July 1993. Though the Company was raising the claims in time, the settlement of subsidy claims by collectors were delayed abnormally, ranging between one and 18 months. Since the Company finances the schemes with food credit facility from R.B.I., delayed settlement of claim of subsidy delayed the repayment of cash credit and increased the interest liability on the credit.

2A.14.4(c) Free Food for Education (FFE)

The State Government sponsored the Free Food for Education (FFE) scheme in August 1990 replacing Mid—Day Meal (MDM) scheme. Under the scheme, 10 kgs of wheat was supplied per head per month to primary school children. The Company distributed 1,75,636 tonnes and 1,02,202 tonnes of wheat during the years 1990-91 and 1991-92, respectively. The Company raised the claims after delays ranging from 1 to 3 months and suffered loss of interest of Rs.32.24 lakhs on blocked amount of Rs.1634.48 lakhs during the period from December 1990 to February 1991.

2A.14.4(d) Mid-Day Meal (MDM) scheme

The Company was procuring pulses from co-operative societies for distribution under MDM programme. The Company procured 430 tonnes of tur dal and mug dal from Gujarat Co—operative Grain Growers Federation Limited and 400 tonnes tur dal from Shreyas Co-operative Society at the rate of Rs.920 per tonne. As the Company could not distribute the entire quantity under MDM programme due to closure of the scheme in July 1990, it decided to dispose off 333 tonnes tur dal through auction to avoid deterioration of stock. The Company received highest bid of Rs.10.75 per kilogram in August 1990, but it did not accept the bid and decided to dispose-off the stock through FPS and departmental stores. However, it failed to dispose-off the stock through FPS/departmental stores, and again decided to sell it through public auction in April 1991. Finally, it sold the dals at the rate of Rs.8.25 per kilogram to Shreyas Co-operative Society from whom the Company originally procured the dal at the rate of Rs.9.20 per kilogram. In this transaction, the Company suffered a loss of Rs.7.96 lakhs computed with reference to the difference of highest bid received (Rs.10.75) and actual rate of disposal.

2A.14.4(e) National Rural Employment Programme (NREP) and Rural Landless labour Employment Generation Programme (RLEGP).

The wheat required for implementation of the schemes was allotted by the Central Government. The Company was to receive the allotted quota free of cost from FCI and supply it to FPS dealers who were to distribute it to the beneficiaries. Towards management and distribution of commodities, the Company was entitled to receive Rs.200 per tonne.

In this case the following points were noticed :

(i) As against Rs.207.18 lakhs receivable towards handling charges for NREP scheme, the Company received Rs.203.71 lakhs. The residual amount of Rs.3.47 lakhs due since April 1989 has not so far been received (July 1993)

(ii) Similarly, against Rs.135.44 lakhs receivable under RLEGP scheme, the Company received Rs.119.71 lakhs resulting in short receipt of Rs.15.73 lakhs. The Company did not pursue the claim for the remaining amount since April 1989.

2A.14.4(f) Procurement and sale of coarse grains

Loss in trading activity of coarse grains

The Company procured 52,514.04 tonnes of jowar and 38,974.62 tonnes of maize from open market during the five years ended March 1992 for distribution under PDS. Since the procurement price was higher than the sale price fixed by the Government, the Company incurred loss of Rs.162.37 lakhs (jowar) and Rs.257.45 lakhs (maize).

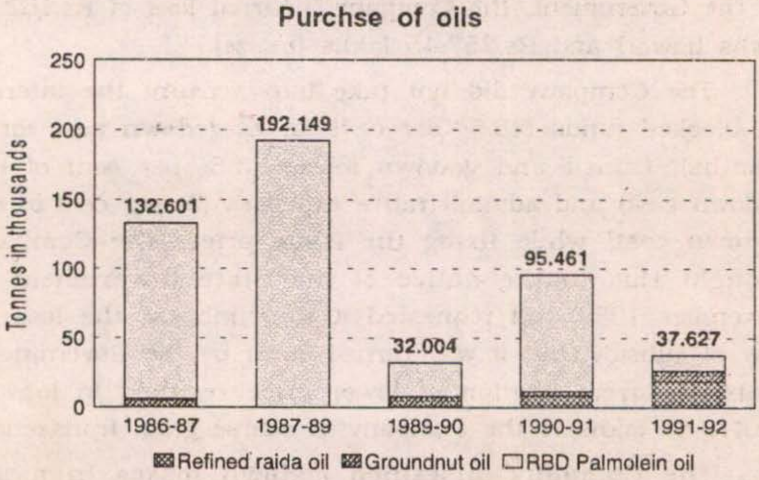
The Company did not take into account the interest on blocked funds (16.5 *per cent* on ex-godown cost for 6 months), transit and godown losses (3.5 *per cent* of ex-godown cost) and administrative expenses (2 *per cent* of ex-godown cost) while fixing the issue price. The Company brought this to the notice of the State Government in November 1989 and requested it to reimburse the loss by way of subsidy, but it was turned down by the Government. Thus, incorrect fixation of lower price resulted in loss of Rs.419.82 lakhs to the Company in coarse grain transaction.

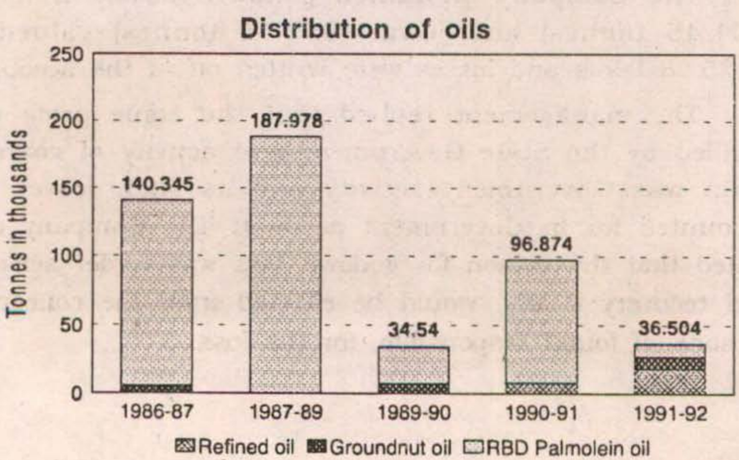
The Company sustained godown losses in maize (601.45 tonnes) and jowar (657.14 tonnes) valued at Rs.25.26 lakhs and losses were written off in the accounts.

The management replied that the issue price was decided by the State Government and activity of coarse—grain was Government activity and as such losses are accounted for in Government account. The Company also stated that the reason for godown loss was under scrutiny and recovery if any, would be effected from the concerned persons, if found responsible, for the loss.

2A.15.1 Distribution of edible oil

Up to 1991, the Company was procuring and distributing edible oils. Out of the various types of edible oils procured and distributed by the Company the highest quantity related to Refined Bleached and Deodorised (RBD) Palmolein oil. The RBD palmolein oil was either imported directly by the Company or procured through STC. The imported oil was to be initially kept in the hired / own godowns of the Company and distributed through FPS at the rates fixed by the Government.





The Government of India allowed the State Government in November 1991 to import 8000 tonnes of RBD palmolein oil directly under the ESCROW account scheme. The Company as the State Government agency entered into an agreement with FELDA Marketing Corporation (FELDA), Malaysia in January 1992 for import of 6000 tonnes of RBD palmolein oil. As per the agreement, the payment was to be made at the equivalent of the CIF value in U.S.Dollars in Indian Rupees as per the RBI selling exchange rate on the date of receipt of documents by the negotiating bank in India. The shipping documents were received by the bank on 27th March 1992. As Indian Rupee was made partly convertible from 1st March 1992, the Company decided to pay for the import value of U.S. Dollars at market rate resulting in the additional payment of Rs.1.55 crores.

2A.15.2 Defective storage and testing of RBD palmolein oil.

The Company which had a stock of 4,492 tonnes at the end of March 1992, imported 10,962 tonnes in the year 1992-93 through STC.

Edible oil storage tanks of Gujarat State Civil Supply Corporation Limited

In November 1992, the Surveyor of the Company cautioned about the need for disposal of the stock of the RBD palmolein oil before the end of December 1992 due to deterioration in its quality. The Company approached the Government in December 1992 for decision regarding issue of oil stocks, reduction in the issue price and widening the scope of PDS distribution to avoid unnecessary quality problems due to long storage. The Government decided in May 1993 to reduce the issue price of the RBD Palmolein oil from Rs.27 to Rs.20 with effect from 1st June 1993. Meanwhile, in April 1993, 1678 tonnes (value Rs.4.53 crores) were found to be unfit for human consumption. Had timely decision been taken in this regard the loss could have been prevented.

The quality control branch instructed that stock of RBD palmolein oil should be tested before distribution through PDS. The units were sending the samples of RBD palmolein oil for testing, as palmolein oil creating confusion at the testing laboratories as the permissible percentage of free fatty acid (known as oleic acid) in palmolein oil was different from RBD palmolein oil. The management stated (October 1993) that steps have been taken to correct such mistakes.

2A.15.3 Adulteration in groundnut oil collected under Voluntary Levy Scheme

During June and August 1991, the Company procured 1,606 tonnes (value : Rs.5.60 crores) of groundnut oil from various millers and stored in storage tanks (hired) at Jamnagar. For transporting edible oil from storage tanks, transport contracts were awarded to various contractors. While emptying the tankers of contractor 'G' at Rajula godown (August 1991), the oil was found to be adulterated with castor oil. It was subsequently found that almost the entire quantity transported by this contractor was adulterated. Further, samples drawn from bottom cargo, received from hired storage tanks at Jamnagar city godown were also found adulterated (October 1992).

Samples were drawn from Miller storage tanks and the oil was accepted on the basis of "Provisional Certificates" given by a private laboratory against the guidelines issued by the head office in January 1991. The Company declared 102 tonnes edible oil (Rs.34 lakhs excluding taxes) as unfit for human consumption and disposed it off as sludge in auction as per the directives (December 1991) of the State Government. Eventhough successive inquiries have been conducted by the Commissioner of Civil Supplies department, Managing Director of the Company, Additional Chief Secretary to Government in Food and Civil Supplies department, final outcome of the case is not yet known (July 1993).

2A.15.4 Servicing of RBD palmolein oil by GROFED

The Company has to allow transit/process loss of 15 kilograms per 1,000 kilograms of RBD palmolein oil supplied to Gujarat Co-operative Oilseeds Growers Federation Limited (GROFED) for packing in small packs. This loss was permissible only in case when oil was serviced and returned in small packs. It was seen that Company wrongly allowed transit/process loss of 23.123 tonnes (Value Rs.3.63 lakhs) to GROFED on a quantity of 1541.526 tonnes of oil which was returned loose by GROFED without servicing during 1989-90 to 1990-91. Irregular allowance of transit//process loss resulted in loss of Rs.3.63 lakhs to the Company.

As at the end of March 1991, 85 tonnes of RBD palmolein oil (bulk) was lying with GROFED, out of which 64 tonnes was in storage tank at Lucky Industries, Naroda, one of the servicing units of GROFED. In May 1991 it was found on testing the samples drawn from Lucky Industries that this oil had become inedible. The Company decided (July 1991) to sell the entire quantity of inedible oil in auction to the highest bidder. As against 64 tonnes GROFED could deliver 38 tonnes. Balance 47 tonnes (value Rs.7.30 lakhs) of oil were not delivered to the Company (June 1993). The Company had not yet taken any steps to recover the amount (July 1993).

2A.15.5 Dealings with STC

The Company did not have any agreement or memorandum of understanding (MOU) with STC. In the absence of any specific provision or undertaking, the Company could not claim interest for delayed payment of claims / refunds *etc.* in the following case:

STC issued 4,500 tonnes of RBD palmolein oil in bulk during the period from June to August 1988, to tinners at Gandhidham for packing in 2 kgs. tins and for supply to the Company. Against the ordered quantity, 83.748 tonnes of oil remained undelivered by the tinner for which the Company lodged refund claim with the STC in April 1989. The Company received refund of Rs.12.25 lakhs in May 1991 after a delay of 744 days involving loss of interest of Rs.3.12 lakhs (at 12.5 *per cent*) on the blocked amount.

2A.16.1 Godown management.

The Company has 543 godowns (177 hired) located mainly in the taluka headquarters all over the State. The Company has not maintained appropriate records regarding utilisation of storage capacity in each godown. Further, the total capacity utilisation of the godowns vis-a-vis the available capacity on annual basis was also not being recorded and analysed. Consequently, shortfall in utilisation, either at individual godown level or at the total godown capacity level is not being systematically analysed. Though the Godown Managers/Assistant Godown Managers were handling huge stock of essential commodities, the Company had not so far prescribed for obtaining security / fidelity guarantee from them. The management stated (October 1993) that they are thinking of introducing fidelity guarantee from godown managers.

The Company has not maintained stock account of money receipt books and registers showing details of sale of tender forms at the district offices and regional managers' offices which may lead to misappropriation of funds realised on sale of documents.

2A.16.2 Consultancy for improvement in management of godowns

The Company engaged a consultant in April 1992 at a fee of Rs.40,000 for studying and examining the weight differentials at godowns. Study report was submitted by the Consultant in December 1992 but it was not submitted to Management/Board and action was not taken on the recommendations contained in the report.

2A.16.3 Avoidable payment on hired storage

The Company was having a hired tank with a capacity of 6491 tonnes at Kandla. There was a stock of 8.540 tonnes of RBD palmolein oil in this tank as on 1st October 1990. By the end of October, it was emptied for distribution. The storage tank which was not required from 1st November 1990 was surrendered only on 13th June 1991 resulting in avoidable payment of rent of Rs.15.58 lakhs.

The management stated (July 1993) that the Company was considering to purchase refined raida oil (RRO)/Mustard Expeller Oil (MEO) during this period to store in the hired tank for creating buffer stock. Thereafter, in April-May 1991, the Government of India reviewed the economic policy regarding foreign exchange and restricted import of RBD palmolein oil and the Company decided in June 1991 not to store MEO and other edible oils but to surrender the hired tank.

The reply of Management was not tenable as the Company had hired tanks in December 1990 at Rajkot / Junagadh / Jamnagar for storage of MEO / RRO / GNO.

2A.16.4 Quality control

The Company has a quality control branch at its head office with a laboratory for physical and chemical analysis of samples drawn from godowns, departmental stores and mobile vans. A test check of the records of this wing indicated the following :

(i) Prescribed sampling tests could not be conducted laboratory tests were delayed due to dearth of staff and transfer of trained staff.

(ii) There was shortfall in godown visits by the inspectors and this was not monitored effectively.

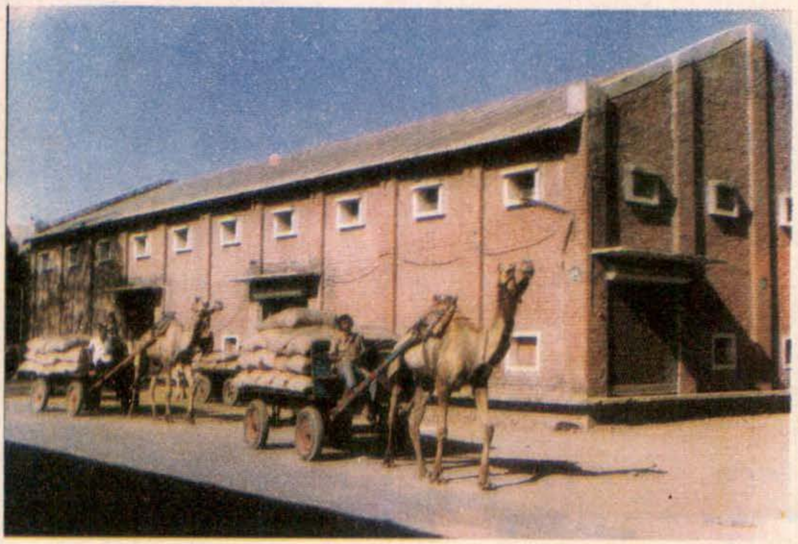
(iii) Prescribed number of 'Samples' were not drawn for testing the quality of oils and the test reports were sent to the concerned godown managers after considerable delay. Second sampling or surprise drawing of samples for ensuring quality of oils during storage in tanks were not being followed strictly.

2A.17 Transportation

A major item of expenditure out of procurement and handling charges is the transportation cost. In 1991—92, Rs.7.62 crores were spent on transportation out of total procurement and handling charges of Rs.12.20 crores. A test check of the transportation contracts at the District and Regional Manager (RM) level revealed the following weakness:

The contracts were awarded in District/RM level on tonne per kilometre basis. Tenders were invited on the basis of the point-to-point distances and slab rates for inter-district movements but value of the total work at the tendering stage was not estimated and included in the tenders. As a result, rates quoted by the tenderers were not related to the total value of work and competitiveness was not fully assured.

Various modes of transport employed by the Company



Disparities in rates were noticed for transportation of food grains to godowns at the same premises. Dascroi and Ahmedabad city godowns located at the same premises had different rates during the period from April to December 1991, resulting in extra cost of Rs.1.66 lakhs to the Company.

To avoid undue discretion and to ensure simplification of procedures, uniform and standard terms and conditions of transport contracts and allowance of transit loss need be worked out for all the districts as far as possible.

2A.18 Financial management

2A.18.1 Budgetary system.

The Company prepares its operational budgets every year on marginal costing basis. A general review of the budgetary practices followed by the Company shows that :

(1) annual budget estimates were not submitted to the Board timely. During the year 1990-91 and 1991-92, budget proposals were submitted after four months of the commencement of the year. There was no prescribed time schedule for finalisation of annual budget estimates;

(2) the annual budget estimates were prepared commodity-wise, but quarterly review was prepared branch-wise. The variances were submitted to the Board very late and without any analysis of the variances.

2A.18.2 Finalisation of accounts

Up to March 1986, six years' accounts of the Company were in arrears. Notwithstanding that the perceptible efforts made by the Company enabled it to wipe-out the arrears by March 1993, the accounts continued to reflect some persistent shortcomings as detailed below :

(a) Asset register was incomplete.

(b) Quantity reconciliation not done in respect of mobile vans and departmental stores.

(c) Storage / transit / cleaning losses are not regularised since 1983-84.

(d) Confirmation of balance of sundry debtors, creditors, deposits, loans and advances is wanting.

(e) Non-classification of debtors into debts outstanding for more than six months, other debts and doubtful debts.

(f) Non-reconciliation of remittances in transit.

(g) Non-reconciliation of advances received against supply of goods, deposits of tender security, advance to employees, excess / short payments received against sales effected in previous years and current year, contributory provident fund and rebate payable under Mid Day Meal / Food For All scheme *etc.*

The Company has not so far framed any action plan to rectify the shortcomings.

2A.18.3 Management of cash collection.

Cash is collected from the FPS owners through the banks at the local level. The banks transmit these collections to the head office accounts of the Company in Gandhinagar branches of the banks. The Company was having about 256 non-operative collection accounts with various banks throughout the State. The bank branches are required to transfer the balance in the collection accounts to their Gandhinagar branch on the last working day of the week or whenever the credit balance exceeds Rs.50000. A scrutiny of the records in case of 8 banks for the year 1991-92 showed that there were delays in transferring the amounts to the

Company's head office accounts as shown below:

Dealy in transfer of amounts

Delay ranging between	Number of cases	Amount involved
	(Rupees in lakhs)	
01-10 days	1810	3888.33
11-20 days	108	264.21
21-30 days	36	96.27
31 days and above	73	110.89
Total	2027	4359.70

The management stated that though the banks issued suitable instructions to their branches to follow the terms of agreement between the banks and the Company, in actual practice the branches were not following these terms strictly. The management felt that a strict insistence on the observance of the terms by the branches of the banks might not be helpful due to reluctance of the public sector banks to handle the collection accounts of the Company. The management also intimated that they are pursuing the matter of delay with the banks at all levels vigorously. It appears that there is scope of reducing the delays through a formal mechanism of dealing with the banks at the head office, regional and godown levels.

2A.19 Internal audit

From 1985-86, the internal audit of the Company's accounts at district and godown levels are done through Chartered Accountants. In addition, central internal auditors visit the districts and head office branches. The internal audit is yet to cover the construction branch, management information branch and quality control branch. A monitoring cell was created in 1991 to co-ordinate the work of internal auditors.

A review of the internal audit system in the Company shows that the internal audit reports were not submitted to the Managing Director, except for some items. Further, the findings of internal audit were not placed before the Board. Following weaknesses were also noticed in the internal audit system of the Company:

(1) The Company has no manual or guidelines for the internal audit wing. Thus, the policies regarding internal audit programme, quantum and scope of the checks to be exercised have not been formalised.

(2) There was abnormal delay in the submission of the reports by internal auditors. The monitoring of submission of reports require improvement.

   (a) 15,220 paras constituting more than 50 *per cent* of the paras raised so far have not been settled as on March 1993. Further, the reports were not submitted in the prescribed format but this was not objected by the Company.

   (b) The appointment of internal auditors was delayed substantially. As a result concurrent audit, and improvement in quality of accounts through timely detection and rectification of mistakes *etc.* are hampered.

The management informed that monitoring of pending paras was hampered due to their pre-occupation with clearance of the arrears in accounts.

2A.20 Human resource management

The Company arranged eight types of training programmes for its staff and officers during 1987 and 1992. On an average, 425 employees were trained annually. The

Company's awareness of manpower development through training is a step in the right direction.

Manpower performance are tabulated in the following table for the years ending March 1992.

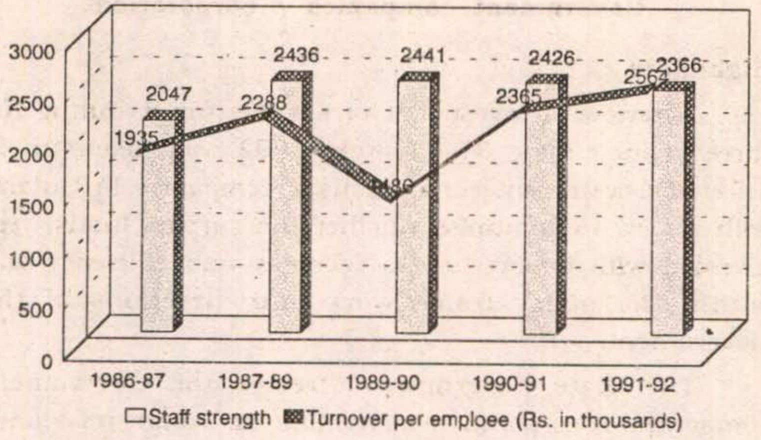
Manpower performance

	1986-87	1987-89	1989-90	1990-91	1991-92
(a) Sanctioned strength					
Officers	140	140	145	141	139
Staff	1907	2296	2296	2285	2227
Total	2047	2436	2441	2426	2366
(b) Actual strength					
Officers	110	111	140	110	102
Staff	1790	2139	2068	2128	2154
Total	1900	2250	2208	2238	2256
(c) Percentage of officers to staff	6.15	5.19	6.77	5.17	4.74
(d) Turnover (Rupees.in lakhs)	36763.89	51491.21	32813.71	52918.09	57842.82
(e) Staff expenses (Rupees.in lakhs)	423.69	498.78	617.44	641.61	758.07
(f) Turnover per employee (Rupees. in lakhs)	19.35	22.88	14.86	23.65	25.64

The gradual increase in the sanctioned strength (from 2047 to 2366) and men-in-position (from 1900 to 2256) during the years 1986-87 to 1991-92 may lead to unsustainable increase in overheads in view of the change in the nature of coverage of PDS.

The Company has to correlate utilisation of manpower with productivity and corporate goals. The Board directed in October 1990 that a human resource development plan should be formulated. It could not be ascertained whether

Manpower performance
(Turnover per employee)



this plan has been utilised for the stated purpose.

2A.21 Other topics of interest

Over payment of octroi

Liquified Petroleum Gas (LPG) unit at Palanpur run by the Company was bearing octroi charges for gas cylinders supplied by Bharat Petroleum Corporation Limited (BPCL). The amount so borne worked out to Rs.3.79 lakhs from 1983 to 1991 though as per the agreement terms, the supplier was to bear octroi charges. On this being pointed out by internal auditors in September 1992, the Company took up the matter with BPCL and could recover only Rs.0.42 lakh. For balance amount, the supplier had called for certain details. The Company stated (October 1993) that it had furnished the required details and that the recovery of Rs.3.37 lakhs was awaited.

SECTION - 2B

2B Review on the investments made by selected Government companies / corporations

Highlights

A review of investment of surplus funds during the three years ending 31st March, 1992 was taken up in selected Government corporations / companies in Gujarat with a view to scrutinise whether the surplus funds were invested with due regard to economy and efficiency and within the policy frame work and directions of the Government.

The State Government directed the Government companies / corporations operating on commercial lines to keep 75 *per cent* of their surplus funds in the Personal Ledger Accounts (PLA) of Government Treasuries. No guidelines to determine 'Surplus Funds' was prescribed. Further, no information pertaining to surplus funds to be invested in PLA by the company / corporation was collected by the Government.

The companies/corporations did not follow these directions of the Government effectively and continued to deposit their funds with commercial banks/ other institutions. Effective follow-up measures were also not taken up by the Government for scrupulous implementation of its orders.

Gujarat State Construction Corporation Limited (GSCC) and Gujarat State Land Development Corporation Limited (GSLDC) were keeping significant amounts in the current accounts. GSCC was not monitoring the availability of funds in current accounts for extinguishing cash credit liability.

Gujarat State Financial Corporation (GSFC) was keeping sizeable amount in the short term deposits (SDR) on the ground that SDRs were necessary for attracting full subscriptions of its bonds by the banks.

The Gujarat Mineral Development Corporation (GMDC) suffered loss of interest of Rs.48.96 lakhs on account of non-compliance of Government instructions of depositing of surplus funds in Personal Ledger Account (PLA). A short term deposit of Rs.350 lakhs made by GMDC to Gujarat Narmada Auto Limited resulted in an interest loss of Rs.8.72 lakhs. The recovery of this deposit was doubtful as the unit had become sick.

Investment of surplus funds in Portfolio Management Scheme (PMS) by GMDC resulted in loss of interest of Rs.10.22 lakhs.

2B.1. Introduction

The State Government has invested funds in the Government companies and Statutory corporations by way of share capital and long term loans as long term investments to enable them to achieve their objectives. The Government also assists them by way of periodical loans, grants and subsidies as working capital and for other specific activities. The companies and corporations invest the funds which are either surplus or which may not be needed for immediate use in their business.

2B.2. Objective of the review

The audit review was aimed to ascertain whether the companies / corporations were investing surplus funds with due regard to economy and efficiency and within the policy directions of the Government. For this purpose funds deployed in various schemes of banks or other financial institutions under normal banking arrangements or in any other special scheme or with the Personal Ledger Accounts (P.L.A.) of Government treasuries were examined with reference to the existing instructions / directions by the Government and the Memorandum of Association and Articles of Association or the Statutory provisions.

2B.3. Scope of review

Investment of funds by selected companies / corporations during the three years ending 31st March 1992 was covered in the review. Effectiveness of the regulatory instructions of the Government regarding investment by the Public Sector Enterprises *etc.*, was also examined in this context.

For this purpose the following companies / corporations were selected :

1. Gujarat Industrial Development Corporation (GIDC).
2. Gujarat State Financial Corporation (GSFC)
3. The Gujarat Mineral Development Corporation Limited (GMDC)
4. The Gujarat Industrial Investment Corporation Limited (GIIC)

Some aspects of investments made by the two other Companies namely Gujarat State Construction Corporation Limited (GSCC) and Gujarat State Forest Development Corporation Limited (GSFDC) were also examined.

2B.4. Government control over the funds

In April 1986, the State Government issued instructions to the companies/corporations operating on commercial basis to keep 75 *per cent* of their surplus funds in the Personal Ledger Account of Government Treasuries. The interest rate offered was equivalent to the bank rate and was subsequently (October 1986) increased by half *per cent* above the appropriate rates payable by the banks on the deposits of equivalent period. The instructions did not define how "surplus funds" was to be calculated.

In September 1992, the Government (Finance Department) observed that several Public enterprises and Boards and other agencies of Government continued to hold unplanned large surplus drawn from Government in term deposits with commercial / co-operative banks which were not being put to productive use. In order to ensure that surplus funds available with the public enterprise and other agencies set up by the Government are used in public interest without in any manner restricting the access of these agencies to these funds, it decided that all Government companies / corporations were to open a Personal Ledger Account (PLA) in a Government treasury. These companies were not allowed to withdraw funds from the PL Accounts for transferring to commercial banks or other deposit institutions.

It was seen that all the companies / corporations did not follow this order of the Government and continued to deposit their surplus funds with Commercial banks/ other institutions.

In this background, monitoring of the implementation of its orders by the Finance Department was examined. It was seen that the Finance Department did not have any systematic information of surplus funds invested in PLA by the public sector enterprises. The compliance of these instructions was thus left to the administrative departments

From the examination of the selected companies/ corporations, the following position emerges:

(1) The companies / corporations did not effectively implement the Government order. Even when the Government was informed of their difficulties to

implement the orders, it did not take follow-up action on these objections.

(2) Due to absence of systematic information, Finance Department did not have effective control over the deposit of funds in the PL Accounts of the Government Treasuries.

(3) In the absence of any guidelines or criteria regarding -surplus funds-, the companies / corporations were to decide about the method and quantum of such surplus funds. As a result, the Government was not in a position to assess the appropriateness of the information furnished by the companies / corporations regarding the availability *etc.* of "surplus funds" by the companies / corporations.

2B.5. Review of Investments

The results of review of investments of funds by various companies/corporations are discussed hereafter:

2B.5.1 Gujarat Industrial Development Corporation (GIDC).

2B.5.1.1 Introduction

Under the Gujarat Industrial Development Act, 1962, (Section 19 (2)) and the G.I.D. Rule, 1963 (Rule 14), any money not required for immediate use was to be deposited with the banks. The policy of investment of funds was reviewed and broad guidelines were approved by the Corporation. The main aspects of these guidelines were:

(i) Maximum amount of funds, as far as possible should be kept for a period of one year giving first priority to bank branches advancing loans to the Corporation and then to bank branches with which the Corporation has day-to-day dealings till satisfactory service is received.

(ii) The funds may be invested for shorter periods in bank branches to develop business relations with a view to go for project loans *etc.*

(iii) The investment of Rs.25.00 lakhs or more should be made with different bank branches in certificate of deposits after negotiating the rate of interest.

2B.5.1.2 Investible funds

The Corporation was having Investible funds of Rs.4,701.23 lakhs, Rs.7,676.71 lakhs and Rs.8,288.59 lakhs at the end of the year 1989-90, 1990-91 and 1991—92, respectively. The break up of funds is given below:

Investments of the Corporation

	1989-90	1990-91	1991-92
		(Rs. in lakhs)	
Deposits			
(i) In short-term deposits	2373.24	944.86	161.19
(ii) In short-term C. Ds	Nil	1595.46	1734.12
(iii) In long-term deposit	877.78	2598.08	4016.81
(iv) In long-term C. Ds.	Nil	770.56	271.86
Total	3251.02	5908.96	6183.99
Current Accounts			
(i) At. Head Office	35.68	117.71	41.67
(ii) At branches	1399.92	1640.69	2052.92
Total	1435.60	1758.40	2094.59
Cash balance	3.31	0.35	0.01
Investments	11.30	9.00	10.00
Total	4701.23	7676.71	8288.59

Investments made by head office, were being reviewed monthly and decisions were taken regarding reinvestments. Such review did not cover the funds available in current accounts at subordinate offices. It would be seen from the above table that investible funds were increasing from year to year and investment in long-term deposits were preferred to short-term C.D.s wereas , investments in long-term C.D.s, which afforded more return, were not preferred.

2B.5.1.3 Violation of Government instructions

As per Section 17 of the Gujarat Industrial Development Act, 1962, the State Government may, from time to time issue to Corporation such general or special directions of policy as it thinks necessary or expedient for the purpose of carrying out the purpose of the Act and the Corporation would be bound to follow and act upon such directions. In March 1989, the Chief Secretary to the Government informed the Corporation that with a view to bring about financial discipline the Government was keen to strictly enforce the directions on the mode of investment of surplus funds and directed that all funds placed in fixed deposits of banks should be kept only till maturity and after that should be withdrawn and kept with Government treasuries in P.L. Accounts.

The Corporation showed its inability to follow these instruction on the ground that Corporation, has been reducing reliance on Government and resorting to institutional finance. It further intimated that considering the nature of operation of the Corporation it needed funds at a short notice which could be arranged with the support from banks by way of term loans. It was also pointed out that, after making all payments, the Corporation would retain Rs.1500.00 lakhs in term deposits which would represent only 14 months' cash requirement, considering an outlay of Rs.12000 lakhs for 1989-90. On this basis, funds were not withdrawn from banks and invested in P.L. accounts of the Government Treasury. The Government did not appear to have critically examined this response or insisted upon implementation of its order.

2B.5.2 Gujarat State Financial Corporation (GSFC)

2B.5.2.1 Investment of the Corporation (including S.D.Rs. with Banks) as at the end of the years 1989-90, 1990-91 and 1991-92 were Rs.551.13 lakhs, 1583.16 lakhs and Rs. 1474.16 lakhs, respectively, as follows :

Investments of the Corporation

	1989-90	1990-91	1991-92
	(Rupees in Lakhs)		
Share acquired under underwriting agreement U/s 25(1) (c) of the SFC's Act 1951			
(i) Preference Shares	17.27	17.27	17.27
(ii) Equity Shares	10.76	7.79	7.79
Preference Shares acquired under special capital scheme	2.00	2.00	2.00
Equity Shares in Gujarat Industrial & Technical consultancy (GITCO)	1.10	1.10	1.10
Gujarat Venture Capital Fund	NIL	40.00	40.00
Gujarat Mineral & Industrial Consultancy Services Ltd.	NIL	NIL	4.00
In term deposits (S.D.Rs) with Banks	520.00	1515.00	1402.00
Total	551.13	1583.16	1474.16

2B.5.2.2 Short Term Deposits

The amounts of S.D.Rs were Rs.520 lakhs, Rs.1515 lakhs and Rs.1402 lakhs, respectively, as on 31st March

1990, 31st March 1991 and 31st March 1992. The average S.D.Rs worked out to Rs.781.41 lakhs, Rs.826.33 lakhs and Rs.809.50 lakhs during 1989-90, 1990-91 and 1991-92 respectively. The Corporation stated that they were required to keep S.D.Rs with various nationalised banks as an incentive to attract subscription of bonds floated by the Corporation three to four times every year. The Corporation further contended that market borrowing amounted to one of the major means of finance and as such they had to ensure full subscription of bonds by various bankers. A test check in audit revealed that the minimum conditional SDRs (for 46 days) required to be kept by the Corporation was only Rs.412.43 lakhs during 1989-90, Rs.422.82 lakhs during 1990-91 and 472.60 lakhs during 1991-92. Thus excess funds kept in SDRs during the years 1989-90 to 1991-92 worked out to Rs.368.98, Rs.403.51 and Rs.336.90 lakhs, respectively, which could have been invested in more productive investments.

The Corporation was required to deposit 75 *per cent* of its surplus funds in P.L. Account It was seen that during the years from 1989-90 to 1991-92, the Corporation did not keep any amount in P.L. Account on the plea that the same was not approved by I.D.B.I. as per Section 33 (2) of the S.F.C. Act, 1951 and the legal opinion obtained by the Corporation was also against depositing its surplus funds in P.L. Account. The Government did not further insist upon implementation of its policy of deposit of surplus funds in P.L. Account in the Treasury.

2B.5.2.3 Investment in Venture Capital Trust Fund of Gujarat Venture Finance Limited.

As per State Finance Corporations Act, 1951, the Corporation can subscribe or purchase the stock, shares, bonds, or debentures of an industrial concern or other concern with the prior approval of the Development Bank (I.D.B.I). G.I.I.C. requested the Corporation for providing contribution to Gujarat Venture Finance Ltd. (a company promoted by the G.I.I.C. Ltd.) for its Venture Capital Trust fund 1990. The participants to the fund were eligible to get a return from sixth year. The Corporation approached I.D.B.I for permission for contributing Rs.120.00 lakhs to the aforesaid funds in December 1990. The permission was refused in November 1991. Meanwhile, the Corporation paid Rs.40.00 lakhs to the Company on 31st March 1991.

The Corporation got back Rs.40.00 lakhs from the Company as late as in August 1992 and thus the funds remained locked up in unfruitful investments. Considering the prevailing borrowing rate at of 12 *per cent* the Corporation lost Rs.6.80 lakhs by way of interest on this investment during the period from April 1991 to August 1992.

2B.5.3. Gujarat Mineral Development Corporation

2B.5.3.1. General

The decisions as to the investment of surplus fund in shares, securities, units of U.T.I., *etc.*, are approved by the Board of Directors of the Company. The Board authorised the Managing Director in September 1991, to negotiate and settle the purchase deals and rate of return thereon, from time to time.

Further, the Board approved the guidelines for Inter Corporate Deposits, investments under Portfolio Management Schemes (PMS) and investment on Government bonds / units in September 1991.

The above guidelines were effective from October 1991. The Managing Director was also authorised to interchange/

utilise the said limits within an aggregate limit of Rs.50 crores to utilise the surplus funds in an appropriate manner.

2B.5.3.2. Investment

The Company had investible funds of Rs.4162.49 lakhs, Rs.6050.28 lakhs and Rs.7524.61 lakhs as at the end of the year 1989-90, 1990-91 and 1991-92, respectively, as shown below :

Investments of the Company

	1989-90	1990-91	1991-92
	(Rs. in lakhs)		
Deposits			
(i) In short term deposits	3090.56	1073.14	361.92
(ii) In certificate of Deposits	223.42	2967.22	2587.62
Total	3313.98	4040.36	2949.54
Current Accounts			
(i) At H.O.	17.96	94.95	72.83
(ii) at Branches	111.99	424.40	295.09
Total	129.95	519.35	367.92
Cash balance	15.78	0.44	0.59
Other Investments	702.78	1490.13	4206.56
Total	4162.49	6050.28	7524.61

It could be seen from the above table that the investment in certificate of deposits increased during the three years. Increase in other investments over the years was also considerable.

2B.5.3.3. The Company made a short-term deposit of Rs.350 lakhs in June 1990 for a period of 92 days with

Gujarat Narmada Auto Limited (GNAL) and renewed it from time to time till 25th March 1992. The Company has not yet got back the deposit amount from GNAL as this unit has gone sick. The prospect of recovery of this amount is remote.

Further, the Company did not charge competitive interest rate on the deposit amount of Rs.350 lakhs, resulting in an avoidable loss of interest to the tune of Rs.8.72 lakhs.

2B.5.3.4 Non-compliance of Government instructions

The Company began depositing small amounts in P.L.Account from June 1987. The minimum and maximum balance in P.L.Account during the period from June 1987 to March 1992 was Rs.14.25 lakhs and Rs.1400 lakhs, respectively, as against Rs.637.57 lakhs and Rs.7590.98 lakhs in FDRs/CDs during the period from April 1987 to March 1992. As the investment in P.L. Account in treasuries was to fetch higher rate of interest, the Company suffered a loss of additional interest income of Rs.48.96 lakhs during the period from April 1989 to March 1992.

2B.5.3.5 Portfolio Management Scheme

(a) The Company invested its surplus funds in Portfolio Management Scheme (PMS) with various nationalised and foreign banks and invested Rs.600 lakhs and Rs.500 lakhs in PMS during the year 1990-91 and 1991—92, respectively, with the nationalised banks with annual return on investments between 12.75 *per cent* and 13.5 *per cent*. This return was less than the yield on the certificate of deposits (14.25 to 14.75 *per cent per annum*) with the nationalised banks. The consequent loss on account of short receipt of interest was Rs. 7 lakhs.

(b) The Company placed Rs.500 lakhs under PMS with Standard Chartered bank in October 1991 for a period of one year at the interest rate of 23 *per cent per annum*. The Company prematurely encashed the deposit in August 1992, with reduction of interest by one *per cent*. Though the deposit was encashed on 25th August 1992, the amount of deposit and the interest of Rs.24.93 lakhs was credited to the Company's account in Ahmedabad on 12th September 1992 which resulted in the loss of interest of Rs.3.22 lakhs on this account.

(c) The Company effected purchase and sale of securities and shares of Rs.25.20 lakhs through BOI Finance Limited in 1991-92 under PMS and paid PMS fees of Rs.4 lakhs. The percentage of PMS fees to the value of transactions worked out to 15.87 against the normal brokerage charges ranging between 0.5 *per cent* and 1 *per cent*.

2B.5.4. Gujarat Industrial Investment Corporation

2B.5.4.1. General

The Company invests in assisted and promoted units as its main activities. Its surplus funds are invested in Inter Corporate Deposits (I.C.Ds), bank deposits and current accounts. The Managing Director has been authorised by the Board of Directors to take suitable decisions in this regard.

2B.5.4.2. Investment in I.C.Ds, SDRs, FDRs *etc.*

The Company's investments in ICDs, SDRs, FDRs, PL

Accounts as at the end of March 1992 is given below:

Investments of the Corporation

	31st March 1990	31st March 1991	31st March 1992
	(Rupees in lakhs)		
Inter Corporate Deposits	1500.00	1510.00	1000.00
SDRs	212.57	418.89	280.00
FDRs.	42.53	42.39	42.39
P.L. Account Deposit	1.13	1.13	500.00
Cash on hand	0.55	1.60	1.35
Current Account (Net of O/d Balance)	(-)171.07	549.96	(-)76.54
Total	1585.71	2523.57	1747.20

2B.5.4.3(a) Inter Corporate Deposits (ICDS)

The major portion of ICDs of the Company related to Gujarat Lease Financing Limited (GLFL), a sister concern of the Company. The Company made an ICD of Rs.500 lakhs with Gujarat Narmada Valley Fertlizer Company Limited (GNFC) from 1st April 1991 to 31st July 1991 at an interest rate of 14 *per cent per annum.* During the same period, ICDs with GLFL which was a subsidiary company of GIIC, carried interest rate of 17 *per cent per annum.* This resulted in loss of competitive interest of Rs.3.75 lakhs.

The management stated in October 1993 that GLFL was not interested in accepting ICD and they were compelled to place funds with GNFC to make use of best investment opportunities. The Company did not provide any record to substantiate its contention.

2B.5.4.3(b) S.D.Rs.

The Company floats bonds through private placement (i.e. subscription by banks only). The application money to these bonds was retained with these banks in the forms of SDRs. Some of the SDRs were extended beyond 46 days, resulting in blocking of funds in less fruitful short-term investments. While the Company was paying interest at 11.5 *per cent* to 12 *per cent* on these bonds, it received only 6 *per cent* to 11 *per cent* on the conditional deposits kept with the banks. The Company mentioned that such SDRs were necessary in order to attract subscription of Bonds by banks.

2B.5.5. Gujarat State Construction Corporation Ltd. (GSCC)

2B.5.5.1. Violation of government instructions

The Company did not invest its funds in P.L. Account but had invested in short-term deposit with the banks. As the interest in P.L. Account was higher than the SDRs in the bank, the Company suffered interest loss of Rs.9.50 lakhs as follows :

Year	Amount of SDR which remained for whole year	Interest earned as per accounts	Interest that could have been earned at 10.5 *per cent*	Loss of interest
		(Rupees in lakhs)		
1989-90	70.00	5.59	7.35	1.76
1990-91	68.21	5.31	7.16	1.85
1991-92	68.21	1.27	7.16	5.89
Total		12.17	21.67	9.50

2B.5.5.2 Other points

Retention of huge balances in current accounts

For day-to-day operations, the Company has two current accounts in nationalised banks for its major works at unit offices and 69 current accounts in other places (Ahmedabad-24, Baroda-6, Gandhinagar-12, Rajkot—10, Surat-16).

The Company was expected to arrange timely transfer of surplus amounts from current accounts in the branches to the head office to reduce the interest on cash credit. A review of banking operation of the Company during the period from April 1989 to March 1992, indicates that the Company did not have any system to monitor the funds lying in the current accounts in the units. Thus, even though balances were available under current accounts, cash credits were availed by the Company.

2B.5.6 Other interesting cases

2B.5.6.1. Gujarat State Forest Development Corporation Limited (GSFDC)

2B.5.6.1.1. Investment of funds with P.L. Account

In pursuance of the Government instructions, the Company opened a P.L. Account in February 1989.

In July 1990, the Company approached the Government for granting exemption from depositing its surplus funds in P.L.Account with treasury on the grounds that:

(i) It takes greater time for depositing and crediting of interest;

(ii) Certificate of deposit (CD) fetches more interest;

(iii) Company's requirement of funds was volatile and Company had to borrow funds from banks on C.C./ O.D. where fixed deposit with Banks serves as security.

The Government refused to accede to the Company's request (August 1990). It was seen that despite Government instructions, the Company continued to invest in certificate of Deposit (C.D) and fixed Deposit with nationalised banks. The table below summarises the amount invested in Banks for the three years ended on 31st March 1992.

As on	Amount outstanding in CD/FDR (Rupees in lakhs)	Rate of interest (*per cent*)	Period days	Interest earned (Rupees in lakhs)
31/3/90	184.74	6 to 8.5	46 to 366	11.47
31/3/91	132.31	8 to 12.5	11 to 91	31.64
31/3/92	59.30	8 to 12	46 to 365	6.15

2B.5.6.1.2. Management of surplus funds of Bulsar Forest Division.

As per agreement with the Government of Gujarat in November 1981, the Company was entrusted with the management of existing forest of Bulsar forest division. The agreement inter alia stipulated that the Company would be collecting revenue such as Government's share in coups cutting, royalty, *etc.* and transfer surplus funds to Government after adjusting all costs.

Up to 1991-92, the Company had received Rs.376.97 lakhs as grants from Government collected Rs.2009.43 lakhs as forest revenue and incurred Rs.764.24 lakhs as expenditure for establishment and for conservation and Rs.565.39 lakhs towards payment of term loan interest leaving a balance of Rs.1056.77 lakhs. Besides, the Company was having forest deposit of Rs.175.04 lakhs collected from coups-cutting, offence cases *etc.* The Company transferred only Rs.1139.20 lakhs to the Government up to 1991-92 keeping a balance of Rs.92.61 lakhs with itself.

Out of above surplus, Bulsar (South) division invested Rs.40.35 lakhs during 1989-90, Rs.5.00 lakhs during 1990-91 and Rs.15.00 lakhs during 1991-92 in short-term deposit with the Nationalised Banks for periods ranging from 46 to 91 days. Rate of interest on these deposits was from 6 *per cent* to 8 *per cent*. Thus the Company earned interest amounting to Rs.1.06 lakhs on these deposits during the period at the cost of the Government.

2B.5.6.2. Gujarat State Land Development Corporation Limited. (GSLDC)

The Company was obtaining loan from the State Government from time to time. The Company was drawing the loans as and when sanctioned before it was actually needed and keeping the amounts either in the current accounts or investing it in short-term deposits.

In two unit offices of the Company at Vadodara and Palanpur, the following investments were made:

Year	Name Of Unit	Period for which money was kept in current accounts	Minimum balance for the period (Rupees in lakhs)	Interest loss considering deposits for	Interest amount not realised (Rupees in lakhs)
1990-91	Vadodara	151 days	Rs.61.14	90 days(8%)	Rs.1.20
1991-92	Palanpur	184 days	Rs.104.61	181 days	Rs.5.71
			Total (lakhs)		Rs.6.91

Thus, decision of the Company to draw the sanctioned loan well before it was needed and keeping it in current accounts for long periods resulted in avoidable interest loss of Rs.6.91 lakhs.

The matter was reported to the Government in August 1993; their reply had not been received (October 1993).

CHAPTER - III

REVIEWS RELATING TO STATUTORY CORPORATIONS

CHAPTER - III

SECTION - 3

REVIEW RELATING TO STATUTORY CORPORATIONS

3. Gujarat Electricity Board

Review on the working of Kutch Lignite Thermal Power Station, Panandhro (Kutch)

Highlights

The Kutch Lignite Thermal Power Project (KLTPS), Panandhro was approved by the Planning Commission at a cost of Rs.71.27 crores in September 1979 for installation of two 60 mw units to be completed in 1985-86. The project was revised in October 1981 to install two 70 mw sets at an investment of Rs.159.63 crores. The project was actually completed in 1992-93 after a delay of 154 months, at a cost of Rs.253 crores.

Award of contracts and execution of work was delayed by 54 months entailing an additional expenditure of Rs.158.87 lakhs to the Board.

Failure of the Board to make proper storage arrangement for the equipment received at the project site for erection of the power plant resulted in an avoidable expenditure of Rs.173.93 lakhs incurred on replacement of damaged equipments.

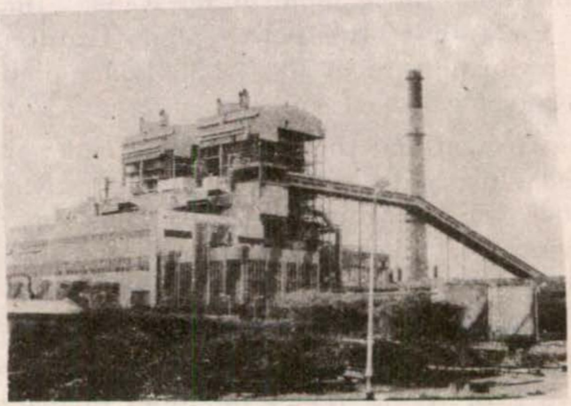
The erection and commissioning of boiler plant was completed after a delay of 54 months involving major rectification works costing Rs.104.95 lakhs on defective equipments.

Due to delay in making advance payment to the supplier and also obtaining import licence for the water treatment plant the Board had incurred avoidable expenditure of Rs.50 lakhs in admitting this claim towards compensation for cost escalation.

The plant load factor (PLF) achieved so far was between 43 to 51 *per cent.* The low PLF was mainly attributable to excessive forced outages and shut downs resulting in loss of revenue amounting to Rs.24.75 crores due to loss of generation of 330.645 million units during the period from 1990-91 to 1992-93.

3.1. Introduction

The Gujarat Electricity Board had submitted (December 1977) the project report for installation of 2 x 55 mw lignite based thermal power station in the State utilising lignite found in Kutch region. The project report was subsequently revised with a proposal to install 2 x 60 mw lignite units in Panandhro (Kutch). The proposal was examined by Central Electricity Authority (CEA), Central Ground Water Board (CGWB), National Committee on Environmental Planning and Co-ordination (NCEPC), Gujarat Mineral Development Corporation Ltd. (GMDC). After detailed studies, the feasibility and techno-economic appraisal report was submitted to the Planning Commission for inclusion in the State Five Year Plan 1978-83, at an estimated cost of Rs.71.27 crores (September 1979). The cost per kw at that stage worked out to Rs.5939. The project was to be taken up for implementation during



Kutch Lignite Thermal Power Station

1979-80 and the first unit was to be commissioned in 1984-85 and the second unit in 1985-86.

3.2. Scope of audit

The review covers implementation of the project and factors leading to the time and cost over-run and the overall performance of the power station since commissioning. The points noticed during the test check conducted during the period from December 1992 to August 1993, are discussed in the succeeding paragraphs.

3.3. Project profile

In order to meet the growing power demand in the State and various constraints and limitations in the establishment of coal/gas based thermal and hydro-electric projects, the Board considered it necessary to exploit and utilise whatever sources of energy available in the State. In this context the utilisation of lignite deposits in the Kutch region was considered for power generation. The estimated mineable lignite deposits to the tune of 41 million tonnes suitable as main fuel and availability of adequate quantity of under ground sweet water in and around Panandhro area were the main considerations for selecting the site for lignite based thermal units at Panandhro-Kutch.

3.3.1. Availability of lignite

The annual requirement of lignite was estimated at 0.5 million tonnes to be supplied by Gujarat Mineral Development Corporation (GMDC) from lignite deposits in Panandhro. The fuel characteristics were as follows:

Calorific value	3660 K.cal/kg.
Moisture	34%
Moisture & Ash (ballast)	44%
Sulphur	1.77 to 2.95%
Ash fusion range	1100° to 1200° C
Alkalis	3.7 to 7.9%

The consumption of lignite for generation of one Kilo watt hour (KWH) was estimated at 0.75 kg. It was noticed that the calorific value of the lignite received by the power station ranged from 3160 Kcal/kg to 2363 Kcal/kg, which was considerably lower than that estimated. Thus, assessment of the quality of lignite for the project estimate was not realistic. The poor quality of lignite resulted in excess consumption of lignite from 0.75 kg/Kwh estimated to 0.90 kg/Kwh in 1991-92 and 0.81 kg/Kwh in 1992-93.

The lower calorific value of lignite resulted in consumption of additional fuel for rated generation and consequent rise in the cost of generation. It also led to the following technical problems hampering the operation of the plant.

(a) Choking up of conveyor pipes and other related systems

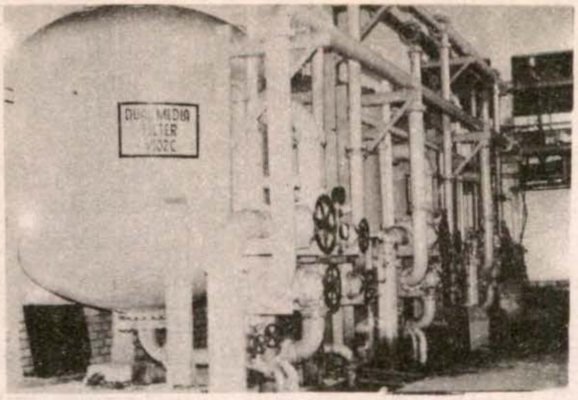
(b) Choking up of reduction ducts in ash handling plant due to increase in the ash contents.

(c) Classifier outlet temperature remains low.

The Board stated (July 1993) that remedial action for these problems is under study with the consultants (M/s.Deseins) and the supplier of the plant (M/s.Bharat Heavy Electric Limited).

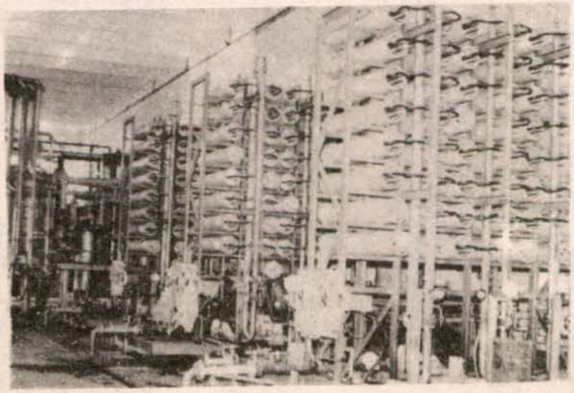
3.3.2. Availability of water

As Kutch is located in an arid region with scanty rain fall and long dry spells, it was necessary to establish dependable source of water for operation of the power station. The total requirement of water for two units was assessed at 1300 M^3/hour. The Central Ground Water Board (CGWB) reported availability of brackish water (saline water) in the lignite mines area and sweet water from the bore wells to be constructed at a cost of Rs.202 lakhs at Netra River region located about 40 Kms away from the project site. The project was approved by the Planning Commission on this basis.



(Dual media filters of water treatment plant)

GMDC confirmed supply of brackish water from mines area for supply of 600 M^3/hour of water initially for one unit and 1300 M^3/hour for both the units by September 1987, free of cost. Regarding its sweet water requirement, the Board did not follow CGWB suggestion based on its analysis of samples of water from various sources and opted (December 1983) for a sweet water plant on Reverse Osmosis Technology for desalination of brackish water, available in the lignite mine beds, at a cost of Rs.642 lakhs.



(Reverse osmosis plant with modules)

The water supply from GMDC mines was insufficient and from April 1991 to June 1991, the supply was only 250 M^3/hour which was inadequate even for one unit. The GMDC had earlier (June 1988) informed that the sub-soil water below the lignite mines bed had gone down three times below than the level anticipated during investigation of CGWB.

Under these circumstances the availability of water from lignite mines was doubtful, the Board had explored the alternative source of supply of water from Dharasi area (10 kilometres) at a cost of Rs.320 lakhs. The CGWB indicated (January 1991) that the water from this alternative source was sufficient for 10 years for unit number two only.

3.4. Project estimates and commissioning schedule

3.4.1 Project estimates

On the basis of techno-economic clearance given by the CEA, the Planning Commission approved (September 1979) the installation of 2 x 60 mw generating units at a capital expenditure of Rs.71.27 crores. The project was to be implemented during 1979—80. The scheme was revised (October 1981) for installation of 2 x 70 mw units by the Board, at an estimated cost of Rs.159.63 crores. The unit-I was scheduled for commissioning by December 1985 and unit—II, six months thereafter.

The above commissioning schedules were not maintained and the project execution was delayed. The orders for the main plant and equipments for units I and II were placed in March 1982 *i.e.* three years after the approval of the project by the Planning Commission. The orders for the foundations and main building works were also delayed from June 1980 to Octcber 1983. The delay in the finalisation of orders for the major equipments and civil works resulted in increase in the project cost from Rs.71.27

crores to Rs.253 crores. The cost per kw also increased from Rs.5,939 to Rs.18,071 as under :

Name of the project components	Original estimate	Revised estimates of		Actual exps. up to March 1992	Increase in estimates* (5-4)
		October 1981	1992-93		
	Rupees in crores				
Civil works (including land and preliminary expenses)	10.37	14.66	37.39	34.70	22.73 (155)
Plant and machinery	50.56	129.29	192.38	191.09	63.09 (49)
Miscellaneous	10.34	15.68	23.23	23.05	7.55 (48)
Total	71.27	159.63	253.00	248.84	93.37 (58)

3.4.2 Commissioning schedule

As per the approved project estimates the commissioning of first unit was scheduled on 15th December 1985 and second unit on 15th June 1986. This schedule was not maintained and unit commissioning programme was postponed as many as twelve times due to various reasons including the delay in placement of orders for critical equipment and selection of the contractors for the civil construction works (vide paragraph 3.5 and paragraph 3.6 *ibid*). Due to financial difficulty from 1983-84 onwards the project was accorded a low priority by the Board and consequently sufficient funds were not arranged for taking up the project.

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* in bracket percentage figures are given

The Board informed (October 1993) that the delay was attributable to locating a supplier for the main boiler equipment and the delay in placing order for Reverse Osmosis plant which was necessary for treating the brackish water available in the mine beds.

A review of the progress of the project revealed that lack of priority in financing the project led to delay and escalation of cost. As against scheduled completion in 1985 and 1986, the project was completed in 1992-93 and the cost ballooned from Rs.71.27 crores to Rs.253 crores. While some amount of the delay was unavoidable due to technical revision and financial difficulty, part of the delay was attributable to lack of project monitoring, timely placement of orders and non-sequential receipt of materials. The gaps in the ordering schedules and non-synchronisation of execution and erection work contributed to significant delays.

3.5 Delay and cost escalation in civil works

The civil construction activities included foundations, structural steel, super structure and auxiliary buildings and civil works for lignite handling, and ash handling plants. For this purpose provision of Rs.443.95 lakhs was made in the project estimates. As per the activity chart prescribed by the CEA the orders for construction works were to be finalised within eighteen months from the date of the approval of the project.

There was abnormal delay in deciding the contractors for civil works. The work order for the main plant foundation works and super structural building works due to be finalised in March 1981 was actually finalised in September 1983. Thus, there was a delay of 30 months in placement of order with consequential delay in the completion of works as discussed in the following paragraphs.

3.5.1 Main power house civil works

The tenders for the main power house civil works were invited in October 1982 and in response five bids were received. Board's consultant for the project Messers Desein, who scrutinised the bids, stated that V.K.Patel & Company (VK) and Shamji Maya & Company (SM) who offered bids for Rs.271.84 lakhs and Rs.288.52 lakhs, respectively, were not qualified for the intricate foundation works for T.G. sets *etc.* as they did not possess the necessary experience. The Board bifurcated the work in two parts (a) for specialised foundation work and (b) main building civil works and called for revised price bids (June 1983). These bids were finalised after discussion with a marginal reduction of Rs.2.00 lakhs. The work orders were issued to VK in September 1983 for main civil building for Rs.138.25 lakhs and for foundation work to Messers Simplex Concrete Piles (India) Limited (SCPL) for Rs.145.05 lakhs. Besides, in the process of bifurcation of the work placement of order was delayed by eleven months leading to further delay in completion of the work.

3.5.2 Main building foundation work

The work order was issued to SCPL for Rs.145.05 lakhs with price escalation limited to 4.2 *per cent* for 24 months and full escalation thereafter. The work was completed in February 1991 after a delay of 54 months at a cost of Rs.303.92 lakhs. The escalation of cost over the estimates works out to Rs.158.87 lakhs (109.5 *per cent*). The Board stated that original estimates were unrealistic as they were prepared without proper soil studies. The escalation charges paid by the Board (Rs.42.10 lakhs) included Rs.12.96 lakhs paid due to increase in the cost of cement and steel issued by the Board. As the issue rate remained same throughout the period, the payment of escalation charge was not justified.

3.5.3. Main civil building works

The letter of intent (LOI) was issued (October 1983) to firm VK for main civil building works for Rs.138.25 lakhs on firm price basis. The work was to be completed within 24 months from the date of LOI. Consequent upon detailed survey, the volume of work increased to Rs.198.89 lakhs. There was abnormal delay in furnishing the drawings by the consultant. The contractor executed the works to the tune of Rs.175.33 lakhs on firm price basis (September 1990) and demanded price escalation for completing the balance works amounting to Rs.23.56 lakhs. The Board agreed to pay escalation and the work was completed (December 1991) with escalation charges of Rs.13.48 lakhs. There was overall avoidable delay of 74 months in furnishing the drawings and non-availability of working fronts to the contractor resulting in payment of escalation charges.

3.5.4 Steel structural works

The steel structural work for the main buildings was awarded (February 1984) to General Mechanical Works (GMW), Baroda, for completion in 24 months at evaluated cost of Rs.109.35 lakhs. The actual requirement of steel as worked out by the consultant (January 1985) was 3452 tonnes only. The Board, however, issued the full quantity of estimated requirement *i.e.* 4054 tonnes of steel resulting in excess issue valued at Rs.30.10 lakhs.

The contractor commenced the work from September 1984 and completed the work valued at Rs.60.69 lakhs up to March 1986. Remaining works worth Rs.25.92 lakhs were completed during the period between April 1986 and March 1989 with overrun charges amounting to Rs.6.80 lakhs. Although the work was not completed, the Board agreed (March 1990) to close the contract on 31st March 1989.

The Board's action for closure of the contract from 31st March 1989 was unduly delayed as negligible works amounting to Rs.1.48 lakhs were carried out during the period between April 1988 and March 1989 for which overrun charges of Rs.1.80 lakhs were paid.

The Board stated (October 1993) that the work was continued as the fronts could not be made available to the contractor and the non-availability of fronts could not be foreseen.

3.6 Main plant and equipments

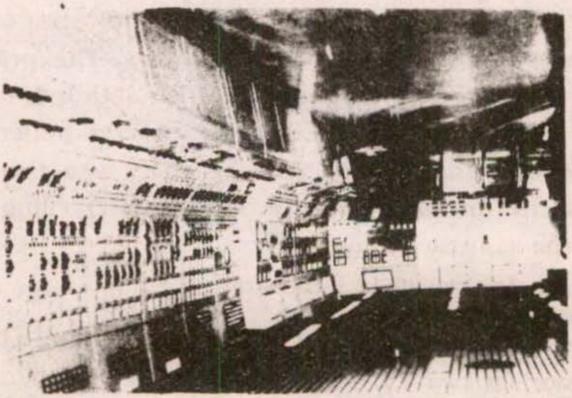
3.6.1. Delay in supply of main plant and equipments by the contractors.

The Board invited (November 1980) global tenders for the design, manufacture, supply, erection and commissioning of the power plants. Although 32 firms had purchased tender documents, offer was received only from BHEL (20th October 1980). This offer was based on imported boiler equipments from EVT of West Germany. The price bid was opened on 4th May 1981 and after detailed negotiations (March 1982), LOI for the supply of two boilers and two turbo generators (T.G) of 70 MW each was issued (March 1982) at the following price with variation ceiling of 20 *per cent* of the contract value:

(a)	Price for two boilers each of 330 tonne per hour with auxiliaries (FOR Works)	Rs.43.55 crores
(b)	Price for two T.G.sets 70 MW capacity, with auxiliaries.	Rs.20.04 crores
(c)	Spares for boilers and TG sets including recommended spares for two years operation of boilers (Rs.470.25 lakhs) and T.G. (Rs.58.18 lakhs)	Rs. 7.65 crores
		Rs.71.24 crores

The delivery of the boiler package was to commence from 15th month and was to be completed by 30th month from the date of release of 10 *per cent* advance. Similarly delivery of TG sets was to commence from 22nd month and was to be completed in 26 months for unit No.I and 32 months for the unit No.II. The equipments were to be despatched in sequential manner so as to carry out erection work without hindrance.

Due to restrictions on the availability of funds the delivery schedule of boiler and TG plant was reviewed (June 1984) and the Board decided to defer the commissioning schedule up to July 1987 and again in June 1988 for unit No.I and December 1988 for unit No.II. Re-schedulement in the supplies as per the revised commissioning schedule was accepted by BHEL with an increase in price variation ceiling from 20 *per cent* to 30 *per cent*.



(Main control room for power generation)

The BHEL started the supplies of material from March 1984. However, the supplies have not yet been completed (June 1993). As the materials were not despatched by them in sequence the erection schedule was prolonged up to

March 1991, and overrun charges amounting to Rs.90 lakhs had to be paid to the erection agencies.

3.6.2. Loss due to poor storage

During erection of the power plant, equipment received at the project site was kept in an open storeyard in uncovered condition resulting in heavy damage due to rusting. For the replacement of the damaged equipments, the Board placed (July 1989) 14 open order on BHEL and EVT for Rs.173.93 lakhs. The extra expenditure could have been avoided, had proper storage facilities been developed to keep the supplies safe. Further, Rs.104.95 lakhs had also to be paid due to damaged equipments at the time of erection of the boilers.

The Board informed (October 1993) that the main reasons for non-storage of material properly at site were non-availability of sufficient staff and the corrosive and saline atmosphere at the project site. This contention is not tenable as Board was required to make provision for safe storage of costly equipments to ensure smooth completion of the project.

3.6.3. Erection and commissioning of boilers

The work order for erection and commissioning of boiler equipments was placed (August 1985) on Western India Erectors Limited (WIEL), Pune, at a lump—sum price of Rs.279.29 lakhs with a price escalation ceiling limit of 6.5 *per cent* up to the scheduled completion period of 35 months (expiring in July 1987). In case of delay in supplies and non-availability of erection fronts, it was agreed by the Board to pay overrun charges at the rate of Rs.60,000 per month for the first six months from the scheduled completion date and thereafter at the negotiated rate. During the scheduled completion period (July 1987), WIEL erected only 2486 tonnes (20.3 *per cent* out of targeted tonnage of 12249) and the work was completed in December 1991, after a delay of 54 months. The main reasons for the delay as analysed by the Board (September 1991) were :

i) defective supplies of boiler material which necessitated intensive modification;

ii) delayed and non-sequential supplies; and

iii) non-availability of various fronts in time.

The rectification work of defective material was carried out by the firm at a total cost of Rs.164.70 lakhs of which BHEL agreed to reimburse Rs.59.75 lakhs only. Balance rectification work amounting to Rs.104.95 lakhs was on the Board's account, as the defects developed due to prolonged and improper storage of equipments at project site.

3.6.4. Extra payment of welding charges

As per terms of the order welding / gas cutting charges were paid on the basis of welding / gas cutting per centimetre and part of a centimetre was to be rounded to next centimetre.

Welding charges paid on the rectification job worked out to Rs.15.02 lakhs, out of this Rs.10.95 lakhs were debitable to BHEL. Though the rectification expenditure was recoverable from BHEL, they declined to accept the recovery (Rs.10.95 lakhs). The action for recovery of Rs.15.02 lakhs from the original contractor was pending with the project office (October 1993).

3.6.5. Erection and commissioning of TG sets

The work order for erection, testing and commissioning of 2 x 70 MW turbo generator units was issued (March 1987) to Hindustan Brown Boveri Limited (HBB), Baroda, at a total contract price of Rs.79.90 lakhs on firm price basis. The work was to be completed by June 1990. Overrun charges at the rate of Rs.50,000 per month were payable from July 1989. Although the unit No.I and No.II were synchronised in March 1990 and March 1991, respectively, the HBB continued to work up to January 1992 and overrun charges amounting to Rs.15.50 lakhs were paid for the period from July 1989 to January 1992. The overrun charges for the period from April 1991 to January 1992, amounting to Rs.6.00 lakhs were dis-proportionate to the work executed in the period and avoidable as work of Rs.1.87 lakhs only was carried out during this period by the contractor.

The Board stated (October 1993) that presence of experts of the erection agency was necessary even after synchorisation to avoid any delay in attending to defects or to carry out modification. This contention is not acceptable as the supervision of this work could have been arranged at a much lower cost,

The applications of turbine spray insulation was in the scope of HBB. The Board in (February 1990) placed order on Lloyd Insulation, Baroda, for supply and application of turbine spray insulation at Rs.4.00 lakhs. The work was carried out without the consent of HBB. After payment to Lloyd Insulation for the above work, the Board proposed a deduction of Rs.40000 for each unit from the bills of HBB, instead of issuing an amendment in the contract for the above work. HBB rates for application of turbine insulation were Rs.3.62 lakhs. Thus, due to non-amendment in the scope of work, the Board had incurred an extra expenditure of Rs.2.82 lakhs as undue benefit to HBB, Baroda.

3.6.6 Erection supervision services for main plant and equipments.

For the supervision of erection activities of the indigenous equipments of main plant, BHEL offered (May 1984) supervision services of engineers and experts. The Board approved (February 1985) erection supervision services of BHEL for 27 months involving financial implication of Rs.90.00 lakhs. The erection supervision services commenced from August 1985 and continued up to February 1992 for 79 months and BHEL claimed Rs.185.31 lakhs on this account. As the erection supervision was prolonged mainly due to non—sequential, defective and damaged supplies by BHEL, the additional expenditure of Rs.95.31 lakhs should have been born by BHEL and restricted for the period involved in repair and rectification of these equipments. By allowing supervision charges for 79 months, which were not admissible the Board incurred an avoidable expenditure of Rs.95.31 lakhs.

3.7. Water treatment plant

3.7.1. Procurement

Global tenders for the water treatment plant consisting pre-treatment plant, reverse osmosis (R.O.) plant and demineralisation plant were invited in May 1982. The letter of intent was placed on Degrement S.A. France on 25th April 1984 on firm price of Swiss Francs (CHF) 40,71,613, U.S. Dollars (US$) 10,25,500 and Rs.1,88,33,312. Degrement stipulated that their prices are firm only when the Board obtains actual user's import licence, opens valid letter of credit, and make advance payment of 10 *per cent* of the contract value in Swiss Francs within 45 days from date of validity. The time limit for completion was 18 months from the effective date of contract.

Import licence could be obtained in the month of June 1985 and advance payment was released in October 1985. *i.e.* after 17 months from the date of placement of letter of intent.

The firm requested (May 1986) for compensation for cost escalation and submitted a claim for Rs.99.7 lakhs which, after negotiations, was admitted by the Board at Rs.50 lakhs (September 1989), as full and final settlement.

Thus, the delay of 17 months in obtaining import licence and making advance payment to the supplier resulted in an avoidable extra expenditure of Rs.50 lakhs.

3.8. Control and instrumentation equipments

3.8.1. Supply of equipments

The Board on the basis of offer of Gujarat Instruments Limited (GIL) for the design, supply, erection and commissioning of Control and Instrumentation equipments (C&I) for 3400 T series transmitter valued at Rs.389.72 lakhs and alternatively with 400 T / 500 T series transmitters at Rs.359.42 lakhs, placed order (July 1986) for C&I equipments with 3400 T series for Rs.389.72 lakhs on firm price basis. GIL intimated in November 1987, that their principal Taylor, had introduced latest version of capacitance type transmitters *viz* 400 T / 500 T series and requested for clearance for supply of 400 T / 500 T series. This offer of the firm was accepted by Board (October 1988). This change in the supplies, costed Rs.30.26 lakhs less than the originally contracted price for 3400 T series. But amendment was not issued in respect of the contract and payment were made for the supplies as per the accepted rate of 3400 T series, resulting in overpayment of Rs.30.26 lakhs (approximately).

3.8.2. Delay in supply

Although as per the completion schedule the C&I equipments for unit-I and II were to be ready by January 1988 and July 1988, respectively, the work has not been completed so far (May 1993). Consequently, certain control loops, indicating and recording instruments and analytical systems have not been put into service and the main plants/equipments are operating on assumption basis. Besides, analytical instruments *viz.* O_2 analyser, SO_2 analyser and Hydrazine analyser costing Rs.47.22 lakhs, necessary for the measurement of flue gas emission from the power station for controlling pollution, have also not been installed (May 1993) resulting in non-measurement of extent of pollution for which, the Pollution Control Board (PCB) has served a show cause notice to the Board (August 1991).

3.8.3. Uninterrupted Power Supply (UPS) system

As per the order, GIL were to supply 17.5 KVA units at a cost of Rs.17.10 lakhs. Instead of this 20 KVA units costing only Rs.14.10 lakhs were supplied, Board made payments at the rate of Rs.17.10 lakhs as per the rate of 17.5 KVA units specified in the order. This system was damaged during erection (December 1989). In replacement, Board had accepted UPS system with 45 KVA capacity at an additional cost of Rs.12.59 lakhs after adjustment of the earlier payments.

3.9 Operational performance

3.9.1. Performance of plant

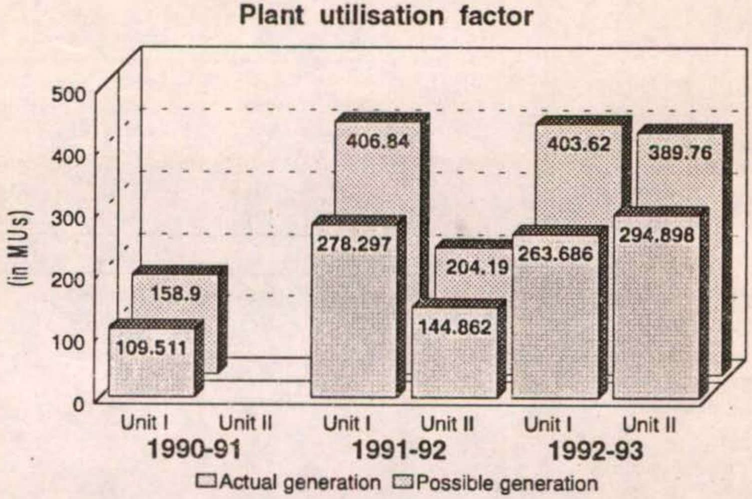
The unit-I and unit-II of 70 mw each were put to commercial operation from 9th November 1990 and 13th October 1991, respectively. The following table indicates operational performance of these units up to 31st March 1993 since the commencement of commercial operation.

Performance of the plant

	1990-91	1991-92		1992-93	
	Unit-I	Unit-I	Unit-II	Unit-I	Unit-II
Hours available during the year	3412	8784	4080	8760	8760
Hours lost due to outages					
(1) Planned	–	1468	–	1052	1711
(2) Forced	1142	1504	1163	1942	1481
Total	1142	2972	1163	2994	3192
Hours available for generation	2270	5812	2917	5766	5568
Percentage of total outages hours to available hours	33	34	29	34	36
Possible generation to hours actually worked on the basis of installed capacity in MUs.	158.900	406.840	204.190	403.620	389.760
Actual generation including a auxiliary consumption in MUs.	109.511	278.297	144.862	263.686	294.898
Shortfall in generation (compared to possible generation) in MUs.	49.389	128.543	59.328	139.934	94.862
Percentage of shortfall (compared to possible generation).	31	32	29	35	24
Auxiliary consumption in MUs.	11.208	42.006		56.666	
Percentage of auxiliary consumption to power generation (gross)	10.234	9.926		10.144	
Plant load factor	46	45	51	43	48
Plant availability factor	67	66	71	66	64
Plant utilisation	69	68	71	65	76

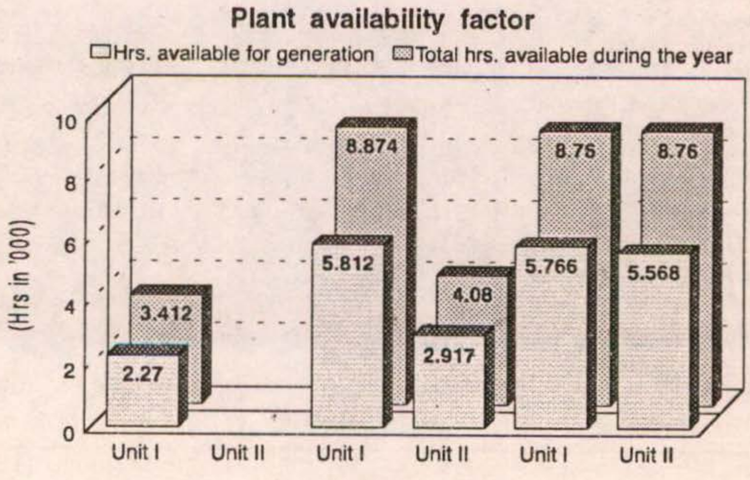
A review of the data given above revealed the following:

a) The actual generation compared to expected generation was low in both the units.



The percentage of shortfall to possible generation during the years from 1990-91 to 1992-93 for unit-I was 31, 32 and 35 and for unit-II during 1991-92 and 1992-93 was 29 and 24, respectively.

b) The plant availability was more than that envisaged in the project report (61 *per cent).*



Even then the plant load factor was very low and shortfall in generation ranged between 24 and 35 *per cent*. Lower generation increased the cost of production.

c) Kulkarni Committee, set up by the Government of India recommended (1975), that normal maintenance of a boiler should take 672 hours annually and of a turbo generator set 1080 hours in a span of three to five years. It was observed that unit No.I, commercially commissioned in November 1990, was under shut down for annual overhaul for 1468 hours and 1052 hours during the years 1991-92 and 1992-93 respectively. Similarly unit No.II, which started commercial generation from October 1991 was kept under overhaul for 1711 hours in 1992-93 which was much in excess of the norms fixed by the Kulkarni Committee. The reasons for excess time taken in overhauling were not analysed by the Board.

3.9.2. Forced outages

There were unscheduled forced outages of 7232 hours involving total trippings of 343 times during the years from 1990-91 to 1992-93. The number of trippings was very high (137) during 1992-93, even-though plant was shut down for 2763 hours for overhauling.

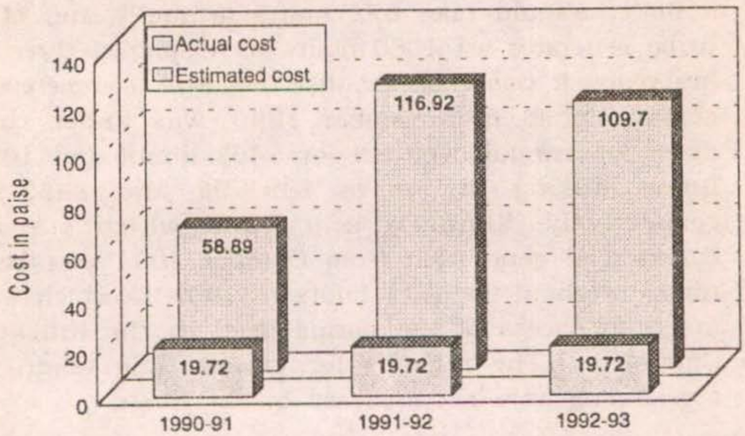
The excess hours (2215) over the recommended norms and the unscheduled outages hours (7232) resulted in loss of revenue amounting to Rs.24.75 crores due to possible loss in generation of 330.645 million units (computed on the basis of 50 *per cent* plant load factor after allowing 10 *per cent* auxiliary consumption and 23 *per cent* transmission and distribution losses) at the average realisation rate of Rs.1.08 *per* unit).

3.9.3. Cost of generation

The cost of generation per Kwh in respect of unit-I and II was estimated at 19.72 paise in the project report. The actual cost was, however, as high as 58.89 paise (1990-

91) 116.51 paise (1991-92) and 109.70 paise 1992-93 (provisional).

Per KWH cost of generation
vis-a-vis estimated cost



Increase in the cost of generation attributed by the Board was mainly to :

i) increase in the cost of project from 71.27 crores to Rs.253 crores;

ii) increase in the price of the lignite from estimated Rs.50 per tonne to Rs.220 per tonne;

iii) use of furnace oil (this was not included in the project estimates approved by the Planning Commission);

iv) lower thermal efficiency;

v) operation of units at partial load; and

vi) unscheduled long outages.

The management and the Board have not worked out any comprehensive plan to control the cost of generation.

3.10. Man power

3.10.1. Excess deployment of man power

For execution of construction activities the Board had sanctioned (April 1981) 107 posts in different cadres with a view to ensuring that the construction activities to be completed by March 1985, and project extension activities by March 1990. The construction activities continued for a much longer and both the units started commercial operation from October 1991. The extension activities have not started so far (March 1993). Thus, posts created for construction works continued for more than 78 months than that anticipated.

For the Operation and Maintenance (O&M) works, the Board sanctioned (September 1988) 412 posts in various categories by adopting a higher norm of 2.94 persons per mw as against 1.74, 1.44 and 1.76 staff per mw for Ukai, Wanakbori and Dhuvaran Thermal Power Stations, respectively. This position was reviewed (May 1989), as the maintenance work of water treatment, ash handling and lignite handling plants is being given to private contractors and 340 posts were considered sufficient for O & M works. The staff actually deployed at the power station for the last three years showed an increasing trend eventhough, there was no change in the installed capacity.

Period (as on)	Installed capacity in mw	Number of staff in position	Number of employees per mw installed
31st March 1991	140	423	3.02
31st March 1992	140	455	3.25
31st March 1993	140	577	4.12

Thus, as on 31st March 1993, there was an over employment of 237 personnel with additional financial burden of Rs.89.14 lakhs at the power station eventhough O&M work in respect of water treatment plant, ash handling plant and lignite handling plant were operated by private contractors. The Board informed (October 1993) that the final O&M staff set up is yet to be finalised.

CHAPTER - IV

MISCELLANEOUS TOPICS OF INTEREST

CHAPTER - IV

SECTION - 4

Miscellaneous topics of interest relating to Government companies and Statutory corporations

4A GOVERNMENT COMPANIES

4A.1 Gujarat Small Industries Corporation Limited

4A.1.1 Undue favour to an importer

Under the 'Import Assistance Scheme,' the Company was providing assistance to importers on turn key basis i.e. opening Letter of Credit (L.C.), clearance of goods, bonding the goods and helping them in lifting the imported materials from the bonded godown. Under this scheme, the Company opened an L.C. in July 1988 in favour of Kisan Plastics Private Limited, Rajkot who had obtained an indent from Exim Fibers Corporation, U.S.A. (the Supplier) for supply of 80 tonnes of P.V.C. Resin S-type 0.90/IV/0.66K value. The supplier effected shipment of 37.906 tonnes in August 1988. The consignment was received in India on 15th October 1988 and was kept at the customs bonded warehouse at Ahmedabad. The Company paid Rs.7.18 lakhs towards the C.I.F. value and other expenses in connection with this consignment.

However, the party neither lifted the material nor paid the charges borne by the Company for L.C. and customs duty, despite several reminders specifying the expiry of customs bond period (28th December 1988). In December 1988, the party informed that the material was defective and hence it was not acceptable to them.

The party's stand was *prima facie* incorrect. As per clause 24 of the agreement, there was no agreement of the Company with the party for sale or purchase between the

Company and the party (importer) and as per clause 14 *ibid*, the Company would not be responsible for any defect in the quality of imported goods. However, the Company entered into protracted correspondence with the supplier, Indian agent and the Consulate General of USA in Bombay on the basis of unsustainable objection raised by the party regarding quality of goods.

Ultimately, the Company had to lift the material from the bonded warehouse in July 1989 on payment of customs duty of Rs.4.62 lakhs and warehouse rent and penal interest of Rs.1 lakh. The party was allowed to take delivery of the material in July 1992. The dues receivable from the party was Rs.18.62 lakhs as on 31st May 1991. The Company decided in March 1992 to waive the interest and deferred delivery charges amounting to Rs.5.82 lakhs and settled for principal amount of Rs.12.80 lakhs to avoid any litigation.

The matter was brought to the notice of Government/ Company (July 1993). The Company informed (October 1993) that after lifting the material they handed over the case to Gujarat Public Money Recovery Department (GPMRD) for intiating the recovery proceedings against the party. The importer filed a suit in Gujarat High Court against GPMRD authorities and the Company. Permission for disposal of material sought by the Company was rejected by the Highcourt. The Company further stated that legal course would have been a lengthy and time consuming process and the material may also get deteriorated. Therefore, they agreed to waive the interest and penalty charges and allowed the party to lift the material.

The contention of the management is untenable. Due to their failure to act strictly according to the terms of the contract, the party could avoid lifting the material promptly from the custom bonded warehouse. In the process, the Company was forced to undertake totally avoidable responsibility and incur unnecessary financial liability in lifting the goods and safekeeping them till the party took delivery of it. The Government has endorsed the reply from the Company (November 1993).

4A.2 Gujarat Mineral Development Corporation Limited

4A.2.1 Infructuous expenditure

The Company was transporting lignite, from its lignite project at Panandhro (Bhuj District) for consumers located in coastal area of Saurashtra region by road. With a view to reduce increasing road transportation cost, the Company considered (July 1984) economy of transportation by sea route through Koteshwar Port (Bhuj District) and estimated that this mode of transportation would be cheaper by Rs.41.25 lakhs, Rs.14.85 lakhs and Rs.115.00 lakhs for ports of Okha, Porbandar and Jafrabad, respectively. While working out this economy, it kept in view the quantities despatched to its existing major consumer Tata Chemicals Limited (TCL) and expected orders of prospective consumers, mainly Narmada Cement Company Limited and Cement Corporation of India Limited.

The Company advanced Rs.35 lakhs during the period from October 1985 to June 1987, to Gujarat Maritime Board (GMB) for development of Koteshwar Port, which was to be adjusted against port charges payable on lignite handled at Koteshwar Port after its development. Formal agreement was however not entered into with GMB for completion of development and operation of the port and repayment of the advance. In May 1988, the major consumer TCL intimated that they were in favour of despatch by road as it was cheaper, road-cum-sea route was cumbersome and time consuming and Koteshwar not being an all-weather port, operation during monsoon had to be suspended.

As jetty was not commissioned even after a lapse of three years of payment of advance, the Company demanded

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(April 1991) from GMB repayment of the amount advanced. GMB neither repaid nor furnished reasons there for. According to the management (April 1993), GMB had no intention to operate the port.

The management could not enforce recovery as they did not enter into any agreement with GMB for repayment. This has resulted in a loss of Rs.35 lakhs and the interest thereon at the rate of 12 *per cent per annum* to Rs.27.95 lakhs. The chances of recovery being remote the Company had, consequently, written-off the amount in its 1990-91 accounts.

The matter was brought to the notice of the Government/ Company (May 1993). The Company replied in May 1993 that though actual benefit accruing on accounts of sea route was a matter of evaluation, *prima-facie* it was considered cheaper compared to the road transport on account of bigger vessel capacity, shorter distance, low fuel consumption and cheap labour. It also stated that payment made by the Company towards development of Koteshwar Port was in larger interest of welfare of the state as a whole.

The reply is not tenable as the Company, before considering the sea route as cheaper mode of transportation, did not take into account the cost of transportation from mines to port and again from port to consumer's place, loading and unloading involved at four more points and consumer's preference to transportation by sea route. No cost benefit analysis was done and no commitment from Gujarat Maritime Board about time schedule for developmental of Koteshwar Port was obtained.

4A.2.2 Avoidable payment of interest and penalty for delayed payment of sales tax

The Company paid Rs.40.42 lakhs during the period from April 1982 to March 1983 as sales tax and Rs.12.89

lakhs as central sales tax for the assessment year 1982-83 on the basis of self assessment. The Sales Tax Department assessed the tax liability of the Company for the year 1982-83 in January 1993 as Rs.44.18 lakhs for sales tax and Rs.13.46 lakhs central sales tax. The department also charged Rs.10.66 lakhs as interest at the rate of 24 *per cent* and Rs.0.90 lakhs as penalty on the short payment of tax made by the Company for the year 1982-83. The Company paid these amounts in March 1993.

The interest and penalty payments could have been avoided by the Company if the amounts of taxes were properly calculated at the time of self assessment by the Company.

The matter was reported to the Government/ Management (June 1993); and replies have been received from Management (August 1993) / Government (October 1993). The Management and Government have intimated that payment of sales tax and central sales tax is being made by the Company on the basis of self assessment since 1964-65 and the Company retained an adviser for filing necessary returns of sales tax. The Company has preferred an appeal against the order of the sales tax officer on the ground that the interest should be waived as the assessment was done after the prescribed period.

4A.3 Gujarat State Textile Corporation Limited

4A.3.1 Loss of interest

The Government of Gujarat in Finance department directed the Government companies / corporations to deposit 75 *per cent* of their surplus funds with the Government treasuries which would allow more interest by half *per cent* on the deposits than that allowed by the commercial banks. The Company deposited Rs.150 lakhs and Rs.496.82 lakhs on 2nd November 1989 and 24th April 1990, respectively, for 91 days in Personal Ledger Account (PLA) No. 13 with Ahmedabad treasury.

In case of renewal of the deposits, the depositor was required to inform the treasury office on or before the expiry of maturity date of the deposits, failing which no interest was to be allowed on the deposits lying in PLA after maturity date. The Company requested the treasury officer for first renewal of both the deposits only in February 1991. As a result, the treasury officer did not allow interest for the period from 1st February 1990 to 31st January 1991 in case of deposit of Rs.150 lakhs and for the period from 24th July 1990 to 31st January 1991 in case of deposit of Rs.496.82 lakhs, resulting in loss of interest of Rs.34.45 lakhs to the Company.

The Management replied (February 1993) that it was not clear about the exact position of fund requirements during the period and that they presumed that the deposits would earn interest starting from the period of expiry of the last date of deposit automatically as in case of Bank deposits. The Company also stated that the matter was taken up with the State Government in February 1991 to allow interest on these deposits, but no decision has been conveyed to them.

Had the Company reviewed its investments periodically and exercised normal prudence in the matter by familiarising itself with the rules of operation of PLA accounts, this loss would have been avoided.

The matter was reported to the Government/Company in July 1993. While the Company conveyed the same points as contained in their earlier reply of October 1993, a reply from the Government is awaited (November 1993).

4A.4 Gujarat Agro Industries Corporation Limited

4A.4.1 Loss on trading of sesame seeds

The Co' ,'any (GAIC) offered its quotation on 6th November 1990 for export of 95/5 quality sesame seeds at the rate of Rs. 15,600 per MT for a firm in USSR to Gujarat State Export Corporation Limited (GSECL). The Company earlier exported the same commodity to USSR in January 1990 and presumed that the materials to be exported by GSECL to the Russian firm would be as per the specifications of its previous contract. There was a profit element of approximately Rs.1,000 per MT in the rates quoted in November 1990. Orders for supply of 500 MTs of the seeds were placed by GSECL on GAIC on 6th/7th November 1990.

On 20th November 1990, the Company received the terms of the contract from GSECL and found that the technical specifications of the Russian buyer were different from those of the earlier contract.

The Company requested (21st November 1990) GSECL to cancel the contract at par as it was not in a position to purchase the seeds of same quality from the market. GSECL however pointed out (28th November 1990) that the request of GAIC was not acceptable as the business was finalised based on their offer and therefore they should carry out delivery of the seeds at the agreed rate of Rs.15,675 per M.T. which was higher than the quoted price.

The seeds had to be purchased as per the new specifications from the market and in this process the prices went up and the Company had to pay higher prices and consequently suffer a loss of Rs. 13.59 lakhs. The Management stated that the total loss of Rs. 13.59 lakhs was shared between the Company and GSECL in the ratio of 3:2 to keep up the image of both the companies in the international market. The GSECL stated that they agreed to share the loss in the interest of fulfilling export obligation and the prestigious order from USSR. The loss borne by the Company came to Rs. 8.16 lakhs. Thus offer of quotation for supply of sesame seeds without verifying the actual specifications resulted in loss of Rs.8.16 lakhs in procurement of sesame seeds.

The matter was reported to the Government/Company in March 1993. The Government informed (May 1993) that the Company had no alternative but to procure the material at higher rate and thereby incur the loss as they had to uphold the prestige and image of GSECL in the international market and to keep up the business relation between the GAIC and GSECL.

Had the Company ascertained the specifications before agreeing to supply the commodities to the foreign buyer, the loss could have been avoided.

4A.5 Gujarat State Construction Corporation Limited

4A.5.1 Loss on delayed execution of work

The Company was given work order in December 1984 for the construction of water and drinking water supply system at Hazira Gas Processing Complex of Oil and Natural Gas Commission (ONGC) at a cost of Rs. 61.38 lakhs. The work was to be completed within six months from the date of commencement and in the event of failure to complete the work within the stipulated time, the Company was liable to pay a penalty of one *per cent* of the value of contract per week of delay subject to a maximum of ten *per cent*. The Company completed the work in October 1986 after a delay of sixteen months and requested (27th January 1987) for extention of time limit up to the time of completion of the work.

The Company advanced (October 1992) the following reasons for the delay in completion of work.

1. Late receipt of work order by 1 1/2 months.
2. Non-handing over of clear site in certain areas by E.I.L.
3. De-watering and removing of slush from the work site after monsoon, which were not provided for in the tender.
4. Applying of paint to foundation concrete, though not provided for in tender.

The total delay of 16 months was analysed by ONGC and only 4 $^1/_2$ months delay was found to be attributable to E.I.L./Owner. ONGC recovered 10 *per cent* penalty of Rs.6.14 lakhs as per the terms of contract.

Thus, the failure to adhere to the time schedule, resulted in an avoidable loss of Rs. 6.14 lakhs to the Company.

The matter was reported to the Government (May 1993); their reply have not been received (November 1993).

4A.5.2 Wasteful expenditure

The Company had undertaken work for construction of 48 A type and 48 B type quarters at Athwa Gate, Surat for the employees of the Police Department, on behalf of Government of Gujarat. For this purpose, HUDCO had sanctioned a loan of Rs.84.81 lakhs to the Company in April 1989. The Company awarded the work of construction of 48 A type quarters to Chirag Builders, Ahmedabad, in July 1989 for Rs.27.79 lakhs being 36.75 *per cent* above the tendered amount of Rs.20.32 lakhs. The contractor carried out the work valued at Rs.2.77 lakhs up to July 1990 and stopped the work as clear site was not available for which, old police quarters were required to be vacated by the employees and demolished. Final decision about alternative site has not yet been taken (February 1992).

The management stated in October 1992 that the site clearance required rehabilitation of occupants before dismantling of existing quarters and also shifting of overhead high tension electric lines. The department also mentioned that the new quarters after dismantling the existing quarters are to be located in the centre of Surat city and involved use of prime land. The department was accordingly considering the alternatives of either to relocate the police quarters or using smaller area to construct a high rise building instead of utilising the entire area of horizontal planning. The management mentioned that till a final decision is arrived about site and it was handed over to Chirag Builders, there was no alternative but to wait.

Thus, by awarding work on unclear site, an avoidable expenditure of Rs.2.77 lakhs was incurred by the Company which will ultimately have to be borne by the Government of Gujarat. Higher expenditure on unfinished work may be inevitable as and when work is restarted due to liability to pay high rates caused due to delay in completion of the work.

The matter was reported to Government / Company in June 1993. The Company replied (July 1993) that agency was fixed by the Company with the expectation that the police department would get the site cleared by way of demolition of existing quarters but only a small area was made available to the Company. It was further stated that due to failure of police department to make available the clear site for work, the Company could not do further work and the work was not done with any wrong intention and it was done in natural course of activity at the cost and risk of the principal contractor. The Company's reply is not acceptable as it was the primary duty of the Company to obtain clear site for allowing the sub-contractor to carry out the work. The failure has resulted in wasteful expenditure of Rs.2.77 lakhs to the Government of Gujarat. Government reply is awaited (November 1993).

4A.5.3 Excess expenditure due to negligence in quoting rates

The Company was awarded the work for construction of campus buildings for Water and Land Management Institute (WALMI) in December 1986, by the Government. In the work order issued to the Company, the rate payable mentioned for item No.7(a) for providing and laying controlled cement concrete M 150 and curing *etc.*, complete and giving exposed concrete work fair finish including the cost of form work and excluding the cost of reinforcement for R.C.C. work in foundation, flooring, *etc.* was Rs.68.00 per cubic metre. The Company awarded this contract on the same terms and conditions in January 1987, to Patel Construction Company at 5.5 *per cent* margin on tendered cost. While issuing the work against the contract order, the Company however, prescribed the rate of Rs.650.00 per cubic metre instead of Rs.68.00 for this item of work. A total of 555.08 cubic metres of the aforesaid item work was done and the Company paid Rs.3.61 lakhs to its contractor whereas it received only Rs.0.38 lakh for the same item from the WALMI. The Company stated that there was an apparent error in one item but overall there was a profit of Rs.7.82 lakhs in this work. The reply is not tenable as an error on the part of the Company resulted in extra expenditure of Rs.3.23 lakhs.

The matter was brought to the notice of Government / Company in July 1993. Though the Company's reply was received on August 1993, further information called-in were not received so far (November 1993) and the Government reply is still awaited (November 1993).

4A.6 Tourism Corporation of Gujarat Limited

4A.6.1 Loss at the Tourist Information Bureau, Calcutta

The Company opened a Tourist Information Bureau (TIB) at Calcutta in March 1990. A junior receptionist of the Company was posted as the Resident Manager in April 1991 at this office.

As per standing instructions of the Company, the income received by the TIB was required to be deposited in Current Collection Account in the Bank first and the balance was to be transferred by Money Transfer / Demand Draft to the Head Office by 5th of following month. The revenue received by the TIB was not to be utilised as head office sends amounts separately for expenditure and salary payments.

The Company conducted a special inspection of this office in November 1992 and noticed that against revenue receipt of Rs.5.24 lakhs during the period from March 1990 to November 1992, only Rs.1.03 lakhs were remitted to the head office and Rs.0.58 lakh was unauthorisely spent. The balance Rs.3.63 lakhs were not accounted for and were apparently misappropriated.

The special inspection further revealed that TIB, Calcutta neither opened collection account, nor maintained cash book or accounts for petty deposit. The revenue receipts were kept by the Resident Manager in his personal custody and in his personal bank account and not in the authorised bank account.

Though, the misappropriation was noticed during November 1992 the matter was discussed in the Board only on 29th March 1993. The Board decided that a senior functionary from Head Office would be deputed to complete the inquiry and initiate suitable disciplinary action against the defaulting officer. So far, no action appears to have been initiated in this regard. The Company did not receive any further remittances from TIB, Calcutta and the same person continued as Resident Manager (July 1993).

The matter was reported to Government/Company in August 1993; their replies have not been received (November 1993).

4A.7 Gujarat Insecticides Limited

4A.7.1 Loss due to hasty purchase

The Company imported 120.12 tonnes of Dimethyl Gluterate (DMG) at Rs. 18.59 lakhs and 16.5 tonnes of Methylene dichloride (MD) at Rs 1.36 lakhs in September-October 1985 for the manufacture of Trichloro pyridinol (TC) and Chlorophyriphos at its plant at Ankleshwar. The imported materials were brought to custom bonded warehouse (Central Warehousing Corporation), Ankleshwar during the period between September 1985 and April 1986.

The Company could not lift the material immediately as the agreement for transfer of technical know-how for manufacture of these items was finalised by the Company only in August 1988. Out of 120 tonnes of DMG bonded by the Company, only 54.34 tonnes were lifted after a delay ranging from 21 months to 41 months. Out of the ex-bonded stock, 37.62 tonnes were utilised for trial run production in February 1989 and the finished semi-finished products were lying with the Company (Rs.14.56 lakhs) and 15.84 tonnes were lying in stores (January 1991).

To ex-bond the remaining 65.78 tonnes of DMG, the Company was required to pay on its CIF value of Rs 9.81 lakhs, customs duty Rs. 14.50 lakhs and interest Rs. 12.49 lakhs. As the Company was not likely to use DMG, the Management relinquished its title to 65.78 tonnes of DMG, with Customs department even when obtaining legal opinion on the disposal of DMG was in process and the Board had not approved any method of disposal. This resulted in loss of material of Rs.9.81 lakhs.

The Management stated (January 1992) that due to mechanical and process problems production was to be suspended and it had to relinquish the title of the goods to save interest and customs duty.

Thus, the import of DMG and MD at a cost of Rs.19.95 lakhs was hasty. Materials were imported even when the know-how transfer agreement had not been finalised and the utilisation of these imported items was uncertain. Subsequent mechanical and processing problems leading to suspension of production indicates that the import was made even without adequate feasibility study, resulting in loss of Rs. 9.81 lakhs to the Company.

The matter was reported to the Government and the Company in March 1993. It was intimated by the Company in April 1993 and the Government in August 1993 that decision to relinquish the title of remaining stock of Di-Methyl Gluterate (DMG) was taken purely on the grounds of business strategy. The reply is not tenable as the Company imported DMG in September / October 1985 though agreement for technical know-how was finalised only in 1988. Further the Company deferred the production of TCP and Chloropyriphos for which DMG was raw material and decided to manufacture other products such as Monocrotophos and Metaphenoxy Benzaldehyde for which DMG was not required and consequently relinquished the title of remaining stock of DMG and suffered loss of Rs.9.81 lakhs.

4A.8 Sardar Sarovar Narmada Nigam Limited

4A.8.1 Construction of staff quarters without ascertaining demand

The work for construction of 516 numbers of A and B type quarters was awarded by the Company in July 1987 and construction was completed in August 1989 at a cost of Rs.210.87 lakhs. The ancillary works of internal electrification, laying pipe line and road light/street light took 2 years and 9 months after the completion of construction work and the quarters were ready for allotment in May 1992. The total expenditure for completion of 516 quarters came to Rs. 225.00 lakhs.

The Company estimated the requirement of staff quarters at 7354 numbers in September 1983. Not a single quarter out of the 516 quarters constructed and ready for occupation from May 1992, onwards has yet been allotted (October 1993) to the work charged staff for want of demand from them. Thus, all the quarters complete with infrastructure facilities are lying vacant since May 1992 which is indicative of total lack of foresight on the part of the Company in planning its construction activity. As a result, the investment of Rs.225 lakhs is idling from May 1992. Meanwhile, the Company continues to incur expenditure on their safe keeping, maintenance and repairs before these could be actually allotted.

The matter was brought to the notice of Government/ Company in May 1993. The Company replied (September 1993) that work-charged staff when appointed was accommodated in vacant quarters meant for other regular staff and when new regular staff is appointed on temporary establishment, the quarters allotted to work charged staff would be got vacated and the 516 quarters constructed for work-charged staff would be allotted to them. The Company also stated that it intend to allot these quarters to daily-waged staff after the rules and regulations relating to the eligibility criteria work finalised by the Company.

The reply shows that demand and immediate requirement was not properly assessed and there was no proper prior planning for allotment of quarters to work charged staff and as a result 516 quarters constructed at a cost of Rs. 225.00 lakhs are lying idle since May 1992.

The reply from the Government has not been received so far (November 1993).

4B STATUTORY CORPORATIONS

4B.1 Gujarat Electricity Board

4B.1.1 Avoidable expenditure due to failure to invoke repeat order clause

The Board placed orders in February 1991 for purchase of 645 distribution transformers of different capacities of conventional type. Based on the requirement of subsequent period, the Board invited tenders in April 1991 for purchase of the same items. Though the Board was entitled to place repeat order 50 *per cent* of 645 transformer *i.e.* 321 tranformers, the Board, instead of invoking repeat order clause, placed order in October / November 1991 for 558 transformers thereby incurring an avoidable expenditure of Rs.81 lakhs as detailed below:

Capacity of transformers	Quantity of original tender	Quantity available for repeat order	Updated endcost cost original tender	End-of subsequent tender	Difference in end-cost	Avoidable additional expenditure
				In Rupees		
22KV/200KVA	37	18	87774	88769	995	17910
11KV/200KVA	565	282	64586	67655	3069	865458
11KV/500KVA	43	21	15517	159811	4640	97440
	645	321				980808

The Board informed that repeat orders are to be placed only in cases of limited urgent requirement and it did not seem logical to go for repeat order as soon as indent was received without ascertaining rates for higher quantities. The Board also mentioned that tenders were floated to obtain competitive prices for larger quantity.

This contention is not tenable as the provision of re-ordering clause in the contract is included to get price advantage in the face of escalation of prices and the higher price against the new tenders were known to the Board in July 1991 when these tenders were opened and evaluated. The Board failed to correlate the indents of 1991-92 with the repeat order clause and the higher price against the new tenders and thus incurred extra expenditure of Rs.9.81 lakhs.

The matter was reported to the Government/ Board in March 1993. The Government forwarded the same reply as was given by the Board to Audit query.

4B.1.2 Avoidable payment of excise duty and sales tax

The Board procures power and distribution transformers duly filled with transformer oil to enable the Board to put the transformers to requisite tests, as provided in its specifications and to avoid moisturing of the windings. While the transformers are subjected to excise duty ranging between the rate of 10.5 *per cent* and 21 *per cent* (inclusive of five *per cent* additional duty on basic excise duty), transformer oil is exempted from levy of excise duty.

It was observed in audit that, the Board had been paying excise duty on the aggregate value of transformers including the value of transformer oil, at the prescribed rates. During three years ended March 1989, the Board purchased 8,381 distribution transformers and 108 power transformers which included transformer oil valued at Rs.324.55 lakhs on which the Board made an avoidable payment of Rs.61.35 lakhs towards excise duty and Rs.6.02 lakhs on sales tax. Had the Board indicated the value of transformers and transformer oil distinctly in the purchase orders, the payment of Rs.61.35 lakhs on account of excise duty on transformer oil and Rs.6.02 lakhs towards sales tax thereon could have been avoided.

The matter was reported to the Board/Government in June 1993. The Government replied (October 1993) that the Board is purchasing transformer as a unit equipment comprising of various components including transformer oil. It was also stated that unless the oil is separately issued and transported to the site it would not be proper to show the transformer oil as a separate item in order schedule and by merely showing separately the value of oil filled up in the transformer the excise department and sales tax department may not consider the value of oil distinctly for assessment of excise duty and sales tax.

The reply is not tenable as the value of transformer oil, though it was an essential component of composite unit, could have been shown separately in the purchase order for availing the benefits of excise duty and sales tax, if the terms and conditions of supply would have been properly devised. Moreover, the presumption that the excise department and sales tax department would not have considered the value of oil distinctly for assessment purpose is not reasonable as the matter was not referred to the respective departments.

4B.1.3 Under recovery of energy charges

The tariff for supply of high tension power by the Board provides that the peak hour consumption totalling 8 hours in a day, as recorded by the peak hour meter (PHL meter) at the premises of high tension consumer is to be charged. The rates were fixed at 15 paise per unit from 15th November 1990.

In the case of a cement factory (Panchamahal Cement Company), having contract demand of 3400 KVA, the internal audit department detected (February 1991) that the meter was recording less consumption as compared to the total consumption of energy recorded in the trivector meter. The meter was removed and got tested by the Board, which confirmed (April 1991) that the meter was defective and slow by 58.33 *per cent.*

Even after detection of the defect in the meter, the Operation and Maintenance Division, Dahod did not take any action against the consumer until the matter was pointed out by Audit in October 1991. The Division issued a supplementary bill for Rs.4.11 lakhs in November 1991 for the period from August 1990 to October 1991, which did not include the earlier period from April 1985 to July 1990 on the ground that under sub-clause (VI) of Section 26 of the Indian Electricity Act, 1910 recovery can be made only for a period of six months prior to the date of detection of the defect of the meter.

The division was not alert in detecting the defects in the meter from the time of installation (April 1985) till May 1990. When internal audit detected the matter, the division did not take prompt action even after the matter was reported. Thus the ultimate revenue loss amounted to Rs.12.07 lakhs to the Board and Rs.2.90 lakhs as electricity duty and tax on sale of electricity to the state government.

The matter was reported to the Board/Government in July 1993. The Government stated in October 1993 that the

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peak hour consumption prior to removal of defective meter and after installation of checked meter did not show any abnormal variation and it was apprehended that the defect might have taken place during transport / attending activities. The reply does not appear to be tenable as it is based on presumption and not factual position. Besides, the peak hour consumption on lower side was pointed out by the Internal Audit Department of the Board and the meter also showed to be slow by 58.33 *per cent* when checked in the laboratory.

4B.1.4 Excess payment of incentive

To deal with the short receipt of coal the Board decided in May 1991 to pay incentive to loading supervision contractors at the rate of Rs.2 per tonne for every tonne of coal received in excess of 49 tonnes on average basis for the total quantity received for a calendar month. In October 1991, the Board reviewed the receipt of coal per wagon. In modification of its earlier decision it decided (October 1991) to pay the incentive on the total quantity of coal during the calendar month instead of on the excess over 49 tonnes, if the average receipt of coal per wagon was more than 49 tonnes during the month.

Contracts for loading supervision were awarded for one year from 15th May, 1991 to two agencies for Ukai, Wanakbori and Gandhinagar Power Stations and to another agency for Sikka Power Station. The contracts were subsequently extended for two years *i.e.*, up to May 1994 on same terms and conditions. The Board received 140.09 lakhs tonnes of coal during May 1991 to December 1992 and incentive of Rs.1,202.05 lakhs were paid for the entire quantity of the Coal.

It was noticed in audit that actual rate of incentive on average worked out to Rs.8.58 per tonne and not Rs.2 as provided in the Board Resolution of October 1991. The excess payment was beyond the scope and intention of the Board Resolution and the total excess payment worked out to Rs.921.86 lakhs on 140.09 lakhs tonnes of coal.

Further it was seen that, 11.08 lakhs tonnes of coal was received in excess over and above the 49 tonnes per wagon up to December 1992. As Rs.1202.05 lakhs was paid as incentive on the excess receipt of coal, the incentive worked out to Rs.108.41 per tonne of excess tonnage over the average receipt of 49 tonnes per wagon in a month. The incentive worked out to 20.07 *per cent* of the average cost of Rs.540 per tonne of coal during this period.

Thus by pegging the effective rate of incentive to a very high level covering the entire tonnage, the Board incurred an extra avoidable expenditure of Rs.921.86 lakhs up to December 1992.

The matter was reported to Government / Board in July 1993. In their reply, the Government while agreeing that the rate of incentive was Rs.108.48 per tonne, justified it on the ground that payment at smaller rate on total quantity matches the payment at much higher rate on incremental quantity. It further stated that the cost of coal was Rs.1128 per tonne and payment of Rs.108.48 per tonne was less than 10 *per cent* of the cost of coal received additionally.

The Government also mentioned that the incentive payment helped them in getting 11.08 lakhs tonnes of additional quantity of coal costing Rs.124.84 crores and therefore the incentive was justifiable, logical and reasonable. The Board further mentioned that this helped in generation of electricity of 1533 MUs during 1992-93 and earn additional revenue of Rs.153.30 crores.

However, on a scrutiny of the factors leading to additional generation of electricity it appears that the Board has not analysed the matter correctly and considered the relevant factors like increase in plant availability factor and increase in installed capacity *etc.* leading to higher generation. The availability factor in respect of Wanakbori and Gandhinagar Thermal Power Station increased from 73.9 and 86.1 in 1991-92 to 79.6 to and 88.2 in 1992-93 respectively. One unit of 210 MW of Gandhinagar which was available for only for four months in 1991-92 was available for the whole year in 1992-93. Thus, out of total increase of 1533 MUs in 1992-93 in generation, the increase of 538 MUs was attributable to above factors.

4B.2 Gujarat Industrial Development Corporation

4B.2.1 Injudicious reduction in allotment price

The Corporation developed housing area at Ankleshwar in three phases covering about 123 hectares of land from time to time. The allotment price was revised from Rs.55 to Rs.205 per square metre (SMT) from March 1989 due to increase in the average cost of land and development cost. The Corporation had worked out total cost per SMT considering loss incurred on account of area already allotted, to Rs.235.48 per SMT. Thus, the revised price should have been fixed at Rs.235.48 per SMT and therefore even this revised price of Rs.205 per SMT was uneconomical. In response to representation made by the Ankleshwar Industries Association, the Corporation further reduced the revised allotment price from Rs.205.00 to Rs.180.00 per SMT in January 1991 though a similar representation was earlier rejected on the grounds of financial non-feasibility. The revision of the revised price was, therefore, made without considering either the actual cost or even the reasonableness applicable to the original revision.

From 1st January 1991 to 31st March 1991, 54768 SMTs of land were allotted at the reduced revised rate of Rs.180 per SMT. The matter was taken up by audit in March 1991 and the Corporation revised the allotment price in April 1991 to Rs.225 per SMT.

Although, the Corporation worked out the loss of Rs.30.48 per SMT on the revised allotment price (Rs.205 per SMT) effective during the period between March 1989 and January 1991, this was not recovered from the allottees. Thus, even while the revised price of Rs.205 led to loss of Rs.30.48 per SMT, the Corporation incurred the burden of further loss on revising this allotment price downwards to Rs.180, the total loss worked out to Rs.30.39 lakhs at Rs.55.48 (Rs.235.48 less Rs.180) on allotment of 54768 SMT of land.

The matter was brought to the notice of the Government/Corporation (May 1993). The Government stated (October 1993) that the Corporation, after taking the loss into consideration, had taken the deliberate decision to keep the price below the cost and also stated that for those who had applied before 31st March 1991 the price would be Rs.180 per SMT up to June 1991. Consequently, the amount of total loss will further increase to the extent of such allotment.

4B.2.2 Loss due to informal arrangements for execution of work

The Government entrusted work for development of ship breaking yard at Alang to the Corporation in July 1982 on behalf of Gujarat Maritime Board (GMB) as a deposit work. The GMB made an initial deposit of Rs.3 lakhs with the Corporation in October 1982. The Corporation did not enter into any formal agreement with the GMB regarding terms and conditions for payment/financing of the work before undertaking the work.

The Corporation had taken a loan of Rs.20 lakhs in 1983 from Metal Scrap Trade Corporation (MSTC) at 8.5 *per cent* interest to carry out this deposit work and completed the work in March 1985 at a cost of Rs.17.60 lakhs. The total amount spent by the Corporation was Rs.30.23 lakhs comprising works expenditure (Rs.17.60 lakhs), agency charges (Rs.2.54 lakhs), interest (Rs.9.58 lakhs) and guarantee fees paid to Government for loan of MSTC. (Rs.0.51 lakh as on 31st March 1992). GMB paid Rs.14.60 lakhs in March 1992 to the Corporation leaving a balance of Rs.12.63 lakhs.

The Government in Industries and Mines Department decided, on 15th October 1992, that GMB would pay interest charges payable by the Corporation, which has not been recovered so far (March 1993). As the recovery was not forthcoming from GMB, the Corporation decided to write off agency charges of Rs.2.54 lakhs in February 1993.

Thus, non-finalisation of the terms and conditions before undertaking the work resulted in a loss of Rs.2.54 lakhs to the Corporation.

The matter was brought to the notice of Government / Corporation (July 1993). The Corporation and the Government in their replies (August 1993 and October 1993 respectively) did not mention about the reasons for non-execution of formal agreement with Gujarat Maritime Board (GMB) for the work taken up on 'deposit' basis.

4B.2.3 Environmental pollution in the industrial estate at Vapi

As per section 25, 26 and 4G of Water (Prevention and Control of Pollution) Act, 1974 (Act) no industry, operation or process, or any treatment and disposal of system or/and extension or addition thereto, which is likely to discharge sewage or trade effluent into a stream or well or sewer or on land can be established without the previous consent of State Pollution Control Board. These provisions are also applicable *mutatis-mutandis* in respect of existing discharge of sewage or trade effluent before commencement of the Act.

Gujarat Industrial Development Corporation (GIDC) developed an Industrial Estate at Vapi spread over 986 hectares in four phases with 1226 units having a concentration of chemical, pharmaceutical, dyes and intermediates and textile processing industries. Since inception, the effluents were carried through open road-side drains and were discharged untreated to Damanganga and Kolak rivers.

With the enactment of the above Act, the environmental pollution in the estate attracted the penal provision of the Act. However, no action was initiated to implement the provision of the Act either by the industries or by the Corporation till 1985. An underground effluent collection scheme for Phase-I to Phase-III and housing section was commissioned only in October 1992 at the cost of Rs.386.60 lakhs but even this is only marginally used so far.

In October 1985, the GIDC decided to provide a Common Effluent Treatment Plant (CETP) for the industries at Vapi at a cost of Rs.476 lakhs. But work could not commence for want of financial arrangements. In accordance with the scheme of giving assistance to states for CETP, the Government of India appointed National Environmental Engineering Research Institute (NEERI), Nagpur in 1990 as a consultant for the preparation of basic engineering package for CETP at Vapi. Based on NEERI's report, (received in February 1992) GIDC decided to construct CETP for 55 MLD capacity for the estate at Vapi at an estimated cost of Rs.2200 lakhs. The financing of the project was to be met with 40 *per cent* assistance from the World Bank loan and 20 *per cent* contribution from the industries. Out of the remaining portion, Central Government and State Government was to pay Rs.50 lakhs (maximum) each.

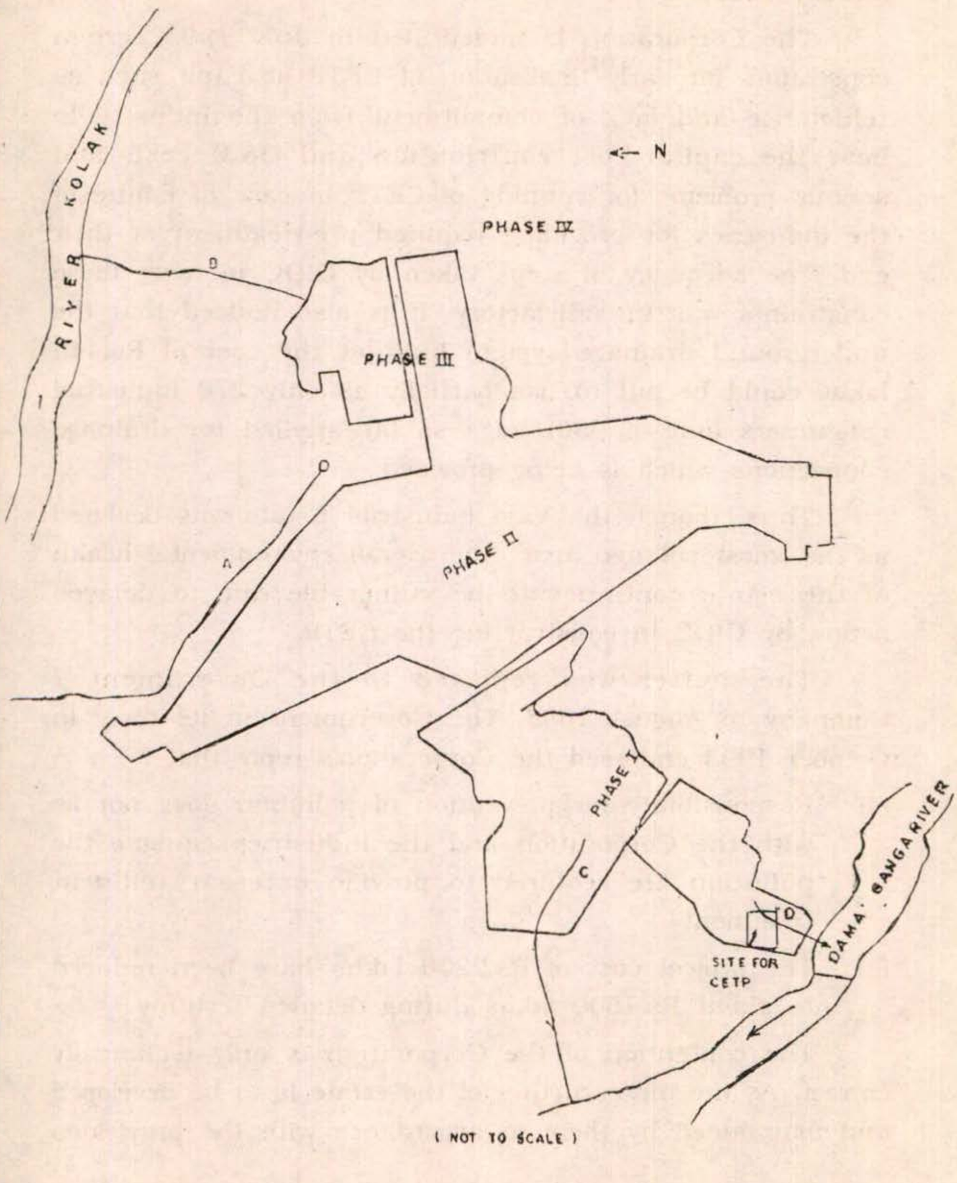
The Corporation approached IDBI for a bridge loan of Rs.762 lakhs and World Bank for loan of Rs.772 lakhs in March 1993. Even if these assistance are realised fully there will be a shortfall of Rs.656 lakhs. The Vapi Industries Association was approached in June 1993 towards confirmation of capital contribution and O&M costs for the CETP but so far no firm commitment has been received from them in this regard (October 1993).

The Corporation has proposed to take-up the work during 1993-94 provided financial tie-up with the World Bank and IDBI is finalised in time and confirmation from industries for their proportionate contribution for CETP is received. The tenders for construction of CETP are proposed to be invited in January 1994 and approximate time for completion and commissioning is expected to be two years.

A review of the steps taken by the Corporation so far for arranging finance shows that the uncertainty in obtaining loan from World Bank and IDBI and recovery (Rs.440 lakh) from the industries being 20 *per cent* of project cost continues and thus the entire expenditure on CETP, except the contribution of Rs.100 lakhs from Government of India

Discharge of untreated effluents in GIDC estate, Vapi

(Reffered in Para 4B.2.3).



and Government of Gujarat, may have to be finally borne by the Corporation. The scope for recovery of the capital cost is very negligible as most of the plots in the estate have already been allotted.

The Corporation has identified in July 1993 certain constraints for early finalisation of CETP at Vapi, such as reluctance and lack of commitment from the industry to bear the capital cost contribution and O&M cost, and serious problems for running of CETP in case of failure of the industries for providing required pre-treatment at their end. The adequacy of steps taken by GIDC to meet these constraints was un-satisfactory. It is also noticed that the underground drainage system built at the cost of Rs.445 lakhs could be put to use partially as only 270 industrial consumers (out of 950) have so far applied for drainage connections which is being provided.

Thus, though the Vapi Industrial Estate was declared as the "most polluted area", the overall environmental health of the estate continues to be vulnerable due to delayed action by GIDC in constructing the CETP.

The matter was reported to the Government / Company in August 1993. The Government in its reply in October 1993 endorsed the Corporation's reply that :

(a) Responsibility for prevention of pollution does not lie with the Corporation and the industries causing the pollution are required to provide necessary effluent treatment

(b) The project cost of Rs.2200 lakhs have been reduced to about Rs.1500 lakhs during detailed scrutiny.

The contention of the Corporation is only technically correct. As the infrastructure of the estate is to be developed and maintained by them in accordance with the provisions of 'Acts' and 'Laws', and the problem of pollution would have an impact on the maintenance of infrastructure they should have been vigilant about the pollution problem in the estate.

The continued effect of the negligence in dealing with the serious problem of pollution has resulted in Vapi Industrial Estate being declared as "the most polluted area".

Ahmedabad
The 22 FEB 1994

(P. K. MUKHOPADHYAY)
Accountant General (Audit) I,
Gujarat

Countersigned

New Delhi
The 19 MAR 1994

(C. G. SOMIAH)
Comptroller and Auditor General
of India

ANNEXURES

ANNEXURE–1

List of companies in which Government had invested more than Rs. 25 lakhs but which are not subject to audit by Comptroller and Auditor General of India.

(Referred to in paragraphs 3 of Preface page (iii) and 1.2.9 of page 13)

Serial number	Name of company	Investment
		(Rupees in lakhs)
1	Narmada Cement Company Limited, Bombay	242.20
2	VXL India Limited, Jamnagar	70.56
3	Surat Electricity Company Limited, Surat	25.03

ANNEXURE

Statement showing particulars of paid-up capital, outstanding loans, amount outstanding there against, upto date working results, *etc.*,
(Figures in column 3(a) to 5(c)

Serial number	Name of company	Paid-up capital as at of the current		
		State Government	Central Government	Others
(1)	(2)	3(a)	3(b)	3(c)
1	Gujarat Small Industries Corporation Limited	378.95	–	21.05
2	Gujarat Mineral Development Corporation Limited	636.00	–	–
3	Gujarat State Export Corporation Limited	8.49	–	6.51
4	Gujarat Industrial Investment Corporation Limited (GIIC)	5915.70	–	–
5	Gujarat State Textile Corporation Limited	392.50	–	–
6	Gujarat Agro-Industries Corporation Limited (GAIC)	288.00	248.00	–
7	Gujarat Sheep and Wool Development Corporation Limited	133.91	94.20	14.25
8	Gujarat Water Resources Development Corporation Limited	3148.61	–	–
9	Gujarat Fisheries Development Corporation Limited	111.92	–	*
10	Steel Corporation of Gujarat Limited (Subsidiary of GIIC)	–	–	*

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amount of guarantees given by Government and
of companies (Referred to in paragraph 1.2 page 1)
and 6(b) to (d) are rupees in lakhs)

the end year Total	Loans outstanding at the close of 1992-93	Amount of guarantee given	Amount of guarantee outstanding at the close of 1992-93	Outstanding guarantee commission payable at the close of 1992-93
3(d)	(4)	5(a)	5(b)	5(c)
400.00	941.38	1709.75	1709.75	10.00
636.00	3347.10	8434.00	2300.00	–
15.00	12.00	–	–	–
5915.70	36897.94	3441.00	3441.00	–
392.50	–	4461.27	4461.27	69.49
536.00	83.87	–	–	–
242.36	–	–	–	–
3148.61	5841.48	6832.48	6795.68	43.77
**111.92	195.31	6.00	6.00	0.26
*	0.07	–	–	–

Serial number	Position at the end of the year for		
	Year for which accounts were finalised	Paid-up capital at the end of the year	Accumulated profit (+)/ loss (-)
(1)	6(a)	6(b)	6(c)
1	1992-93	400.00	(-)80.29
2	1992-93	636.00	(+)3438.91
3	1992-93	15.00	(+)207.36
4	1992-93	5915.70	(+)920.36
5	1991-92	392.50	(-)24743.11
6	1990-91	506.00	(+)148.86
7	1992-93	242.36	(+)19.44
8	1987-88	*2367.90	(-)2211.27
9	1992-93	111.92	(-)106.95
10	1991-92	–	–

- 2 (Continued)

which accounts were finalised Excess of loss over paid-up capital	Percentage of accumulated loss to paid-up capital	Remarks
6(d)	6(e)	(7)
–	20.07	–
–	–	–
–	–	–
–	–	–
24350.61	6303.98	–
–	–	–
–	–	–
343.37	14.50	* includes Rs.7.85 lakhs amount pending allotment.
–	95.56	* Rs.100/- only. ** includes share application money Rs.10.00 lakhs.
–	–	* The total paid-up capital is Rs.70 only. The Company is under construction

(1)	(2)	3(a)	3(b)	3(c)
11	Gujarat Dairy Development Corporation Limited	930.76	–	–
12	Gujarat State Handicrafts Development Corporation Limited	166.42	10.00	–
13	Gujarat State Construction Corporation Limited	500.00	–	–
14	Gujarat State Seeds Corporation Limited	117.00	18.00	–
15	Gujarat Communications and Electronics Limited	1230.01	–	–
16	Tourism Corporation of Gujarat Limited	699.34	–	–
17	Gujarat State Forest Development Corporation Limited	366.56	30.00	–
18	Gujarat State Rural Development Corporation Limited	58.00	–	–
19	Gujarat State Land Development Corporation Limited	171.000	–	–
20	Gujarat Tractor Corporation Limited	1530.20	–	–
21	Gujarat State Petrochemicals Corporation Limited	101.11	–	150.00
22	Gujarat Rural Industries Marketing Corporation Limited	168.00	–	–
23	Gujarat State Handloom Development Corporation Limited	208.25	–	2.00

- 2 (Continued)

3(d)	(4)	5(a)	5(b)	5(c)
930.76	1050.60	–	–	–
176.42	72.65	200.00	–	–
500.00	476.51	850.28	364.43	–
135.00	–	–	–	–
1230.01	2440.39	1494.31	75.08	–
699.34	459.04	–	–	–
396.56	881.83	1388.21	489.13	–
58.00	–	–	–	–
171.00	1995.46	533.54	533.54	–
1530.20	1185.91	100.00	100.00	3.00
116.11	–	–	–	–
168.00	164.60	–	–	–
210.25	154.79	150.00	–	–

(1)	6(a)	6(b)	6(c)
11	1989-90	*716.03	(-)1367.81
12	1988-89	102.92	(-)0.80
13	1991-92	500.00	(-)1471.91
14	1992-93	135.00	(+)297.40
15	1992-93	1230.01	(+)257.04
16	1987-88	344.69	(-)349.52
17	1992-93	396.56	(+)703.40
18	1991-92	58.00	(-)54.23
19	1986-87	128.00	(-)1534.69
20	1991-92	450.20	(-)2165.63
21	1992-93	116.11	–
22	1988-89	38.00	(-)127.62
23	1990-91	138.75	(-)1.74

- 2 (Continued)

6(d)	6(e)	(7)
651.78	91.03	It includes Rs. 6.06 lakhs being amount of share capital money pending allotment
–	0.78	–
971.91	194.38	–
–	–	–
–	–	–
4.83	101.40	–
–	–	–
–	93.50	–
1406.69	1098.98	–
1715.43	481.00	–
–	–	The Company is under construction
89.62	335.80	–
–	1.20	–

(1)	(2)	3(a)	3(b)	3(c)
24	Gujarat Scheduled Castes Economic Development Corporation Limited	636.73	740.32	–
25	Gujarat Insecticides Limited (Subsidiary of GAIC)	33.16	–	31.85
26	Gujarat State Civil Supplies Corporation Limited	1000.00	–	–
27	Gujarat Trans-Receivers Limited (Subsidiary of GIIC)	14.21	–	14.79
28	Gujarat Analgesics Limited (Subsidiary of GIIC)	–	–	*
29	The Film Development Corporation of Gujarat Limited	30.01	–	–
30	Agrocel Pesticides Limited (Subsidiary of GAIC)	–	–	29.22
31	Sardar Sarovar Narmada Nigam Limited	196444.00	–	–
32	Gujarat State Investments Limited	26374.06	–	–
33	Gujarat State Police Housing Corporation Limited	1452.85	–	–
34	Gujarat Women Economic Development Corporation Limited	227.00	57.93	–
35	Gujarat State Leather Industries Development Corporation Limited	80.00	–	–

- 2 (Continued)

3(d)	(4)	5(a)	5(b)	5(c)
1377.05	–	736.00	74.39	–
65.01	4.91	–	–	–
1000.00	–	4250.00	–	–
29.00	49.00	–	–	–
*	0.62	–	–	–
30.01	–	–	–	–
29.22	4.36	–	–	–
196444.00	3500.00	45000.00	17103.00	74.00
26374.06	10000.00	–	–	–
1452.85	1205.39	2022.16	2022.16	–
284.93	–	–	–	–
80.00	–	–	–	–

(1)	6(a)	6(b)	6(c)
24	1988-89	1009.07	(+)240.37
25	1991-92	65.01	(+)1630.00
26	1991-92	1000.00	(-)552.58
27	1991-92	29.00	(-)84.12
28	1992-93	*	–
29	1991-92	30.01	(-)0.12
30	1991-92	15.22	(-)10.20
31	1992-93	196444.00	–
32	1992-93	26374.06	(+)0.16
33	1991-92	964.82	–
34	August 1988 to March 1989	10.00	*
35	9th March 1990 to 31st March 1991	75.00	(-)3.15

- 2 (Continued)

6(d)	6(e)	(7)
–	–	–
–	–	–
–	55.30	–
55.12	190.07	–
–	– :	* Paid-up capital Rs.150/- only. Company under construction.
–	0.40	–
–	67.02	–
–	–	The company is under construction.
–	–	–
–	–	–
–	*	* Excess of expenditure over income Rs.8.57 lakhs compensated by Government by way of grant.
–	4.20	–

ANNEXURE

Summarised financial results of all the Government comp-

(Referred to in paragraph 1.2.3 page 8)

Serial number	Name of company	Name of Department	Date of incorporation
(1)	(2)	(3)	(4)
1	Gujarat Small Industries Corporation Limited	Industries and Mines	26th March 1962
2	Gujarat Mineral Development Corporation Limited	Industries and Mines	15th May 1963
3	Gujarat State Export Corporation Limited	Industries and Mines	14th October 1965
4	Gujarat Industrial Investment Corporation Limited (GIIC)	Industries and Mines	12th August 1968
5	Gujarat State Textile Corporation Limited	Industries and Mines	30th November 1968
6	Gujarat Agro-Industries Corporation Limited (GAIC)	Agriculture, Cooperation and Rural Development	9th May 1969
7	Gujarat Sheep and Wool Development Corporation Limited	Agriculture, Cooperation and Rural Development	9th December 1970
8	Gujarat Water Resources Development Corporation Limited	Narmada and Water Resources	3rd May 1971
9	Gujarat Fisheries Development Corporation Limited	Ports and Fisheries	17th December 1971
10	Steel Corporation of Gujarat Limited (Subsidiary of GIIC)	Industries and Mines	16th January 1973
11	Gujarat Dairy Development Corporation Limited	Agriculture, Cooperation and Rural Development	29th March 1973
12	Gujarat State Handicrafts Development Corporation Limited	Industries and Mines	10th August 1973
13	Gujarat State Construction Corporation Limited	Roads and Buildings	16th December 1974

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anies for the latest year for which accounts were finalised
(Figures in columns 7 to 13 are in lakhs of rupees)

Period of accounts	Date on which finalised	Total capital invested at the end of year of accounts (A)
(5)	(6)	(7)
1992-93	25th August 1993	1261.09
1992-93	*	13679.48
1992-93	27th October 1993	322.96
1992-93	5th October 1993	46682.77
1991-92	5th May 1993	(-)6547.66
1990-91	25th June 1992	848.91
1992-93	20th August 1993	366.79
1987-88	26th May 1993	6066.20
1992-93	24th September 1992	185.20
1991-92	21st July 1992	0.12
1989-90	22nd April 1993	1802.13
1989-90	19th March 1993	163.67
1991-92	23rd July 1993	597.95

ANNEXURE

Serial nimber (1)	Profit (+) or Loss (-) (8)	Total interest charged to Profit and Loss Account (9)	Interest on long term loan (10)	Total return on capital invested (8+10) (11)
1	(-)299.16	930.01	120.12	(–)179.04
2	(+)6471.74	762.20	750.80	7222.54
3	(–)14.98	15.26	15.26	0.28
4	(+)2714.64	3818.20	3742.59	6457.23
5	(-)6690.18	1768.59	1464.21	(–)5225.97
6	(+)24.59	177.62	29.15	53.74
7	(+)15.06	0.50	–	15.06
8	(–)499.33	602.01	602.01	102.68
9	(–)36.29	16.74	15.99	(–)20.30
10	D	–	–	–
11	(–)181.21	185.97	117.09	(–)64.12
12	(+)29.20	6.06	5.47	34.67
13	(–)25.60	75.79	35.22	9.62

- 3 (Continued)

Capital employed (B) (12)	Total return on capital employed (8+9) (13)	Percentage of total return on capital: Invested to capital invested (14)	employed to capital employed (15)
4782.45	630.85	–	13.2
10602.23	7233.94	52.8	68.2
318.85	0.28	0.9	0.8
42448.66	6532.84	13.8	15.4
(–)4086.55	(–)4921.59	–	–
2469.05	202.21	6.3	8.2
378.82	15.56	4.1	4.1
5225.20	102.68	1.7	2.0
323.17	(–)19.55	–	–
0.10	–	–	–
1565.01	4.76	–	0.3
182.01	35.26	21.2	19.4
708.68	50.19	1.6	7.1

(1)	(2)	(3)	(4)
14	Gujarat State Seeds Corporation Limited	Agriculture, Cooperation and Rural Development	16th April 1975
15	Gujarat Communications and Electronics Limited	Industries and Mines	30th May 1975
16	Tourism Corporation of Gujarat Limited	Information, Broadcasting and Tourism	10th June 1975
17	Gujarat State Forest Development Corporation Limited	Forest and Environment	20th August 1976
18	Gujarat State Rural Development Corporation Limited	Agriculture, Cooperation and Rural Development	9th July 1977
19	Gujarat State Land Development Corporation Limited	Agriculture, Cooperation and Rural Development	28th March 1978
20	Gujarat Tractor Corporation Limited	Agriculture, Cooperation and Rural Development	31st March 1978
21	Gujarat State Petrochemicals Corporation Limited	Energy and Petrochemicals	29th January 1978
22	Gujarat Rural Industries Marketing Corporation Limited	Industries and Mines	16th May 1979
23	Gujarat State Handloom Development Corporation Limited	Industries and Mines	12th November 1979
24	Gujarat Scheduled Castes Economic Development Corporation Limited	Social Welfare	29th November 1979
25	Gujarat Insecticides Limited (Subsidiary of GAIC)	Agriculture, Cooperation and Rural Development	30th August 1980
26	Gujarat State Civil Supplies Corporation Limited	Food and Civil Supplies	26th September 1980
27	Gujarat Trans-Receivers Limited (Subsidiary of GIIC)	Industries and Mines	26th March 1981
28	Gujarat Analgesics Limited (Subsidiary of GIIC)	Industries and Mines	17th August 1982

- 3 (Continued)

(5)	(6)	(7)
1992-93	*	450.40
1992-93	29th September 1993	3970.79
1987-88	*	177.81
1992-93	*	2126.63
1991-92	25th August 1993	58.00
1986-87	16th March 1993	1731.53
1991-92	*	446.48
1992-93	13th October 1993	116.11
1988-89	9th July 1992	59.49
1990-91	*	261.80
1988-89	20th May 1993	1354.22
1991-92	*	1737.93
1991-92	9th March 1993	1000.00
1991-92	20th August 1993	93.49
1992-93	27th August 1993	0.63

(1)	(8)	(9)	(10)	(11)
14	(+)35.47	47.00	–	35.47
15	(+)8.55	859.64	367.75	376.30
16	(–)125.17	24.17	–	(–)125.17
17	(+)32.42	2.10	–	(+)32.42
18	(–)22.81	–	–	(–)22.81
19	(–)500.24	150.92	150.92	(–)349.32
20	(+)30.87	106.64	–	30.87
21	D	–	–	–
22	(–)30.75	16.90	9.23	(–)21.52
23	(+)1.11	25.88	9.62	10.73
24	(+)47.78	–	–	47.78
25	(+)590.99	87.14	3.38	594.37
26	(–)639.58	794.69	–	(–)639.58
27	(–)4.08	20.98	16.58	12.50
28	D	–	–	–

- 3 (Continued)

(12)	(13)	(14)	(15)
865.40	82.47	7.9	9.5
6775.85	868.19	9.5	12.8
207.02	(–)101.00	–	–
2089.91	34.52	1.5	1.6
3.85	(–)22.81	–	–
223.01	(–)349.32	–	–
1495.48	137.51	6.9	9.2
30.54	–	–	–
63.22	(–)13.85	–	–
301.31	26.99	4.1	8.9
1370.51	47.78	3.5	3.5
1830.09	678.13	34.2	37.1
6575.35	155.11	–	2.4
117.16	16.90	13.4	14.4
0.01	–	–	–

(1)	(2)	(3)	(4)
29	The Film Development Corporation of Gujarat Limited	Information, Broadcasting and Tourism	4th February 1984
30	Agrocel Pesticides Limited (Subsidiary of GAIC)	Agriculture, Cooperation and Rural Development	16th January 1985
31	Sardar Sarovar Narmada Nigam Limited	Narmada and Water Resources	24th March 1988
32	Gujarat State Investments Limited	Industries and Mines	29th January 1988
33	Gujarat State Police Housing Corporation Limited	Home	1st November 1988
34	Gujarat Women Economic Development Corporation Limited	Social Welfare	16th August 1988
35	Gujarat State Leather Industries Development Corporation Limited	Industries and Mines	9th March 1990

* - Comments under finalisation.

A - Capital invested represents paid-up capital *plus* long-term loans *plus* free reserves.

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

- 3 (Continued)

(5)	(6)	(7)
1991-92	4th September 1992	29.89
1991-92	25th August 1993	28.17
1992-93	23rd September 1993	2183.87
1992-93	*	36374.22
1991-92	28th July 1992	1754.55
August 1988 to March 1989	9th May 1991	13.02
First Accounts for the period March 1990 to March 1991		71.85

C - Capital employed represents mean of opening and closing balance of paid-up capital, bonds, reserves (other than those specifically funded and backed by outside investments) and borrowings.

D - The Company is under construction

E - Various construction works undertaken by the Company are in progress.

F - Excess of expenditure over income adjusted against Government grant.

(1)	(8)	(9)	(10)	(11)
29	(+)0.38	–	–	0.38
30	(–)0.18	2.75	2.75	2.57
31	D	–	–	–
32	(+)904.79	1246.63	1246.63	2151.42
33	E	–	–	–
34	F	–	–	–
35	(–)3.15	–	–	–

- 3 (Continued)

(12)	(13)	(14)	(15)
29.88	0.38	1.3	1.3
31.21	2.57	9.1	8.2
41247.00	–	–	–
36363.59	2151.42	5.9	5.9
1752.97	–	–	–
12.58	–	–	–
70.88	–	–	–

ANNEXURE

Summarised fiancial results of Statutory corporations based on their
(Referred to in paragraph 1.3.7 page 23)

Serial number	Name of Corporation/ Board	Name of Department	Date of incorporation	Year of accounts	Capital invested (A)	Profit(+)/ Loss (-)
1	2	3	4	5	6	7
1	Gujarat Electricity Board	Energy and Petro-chemicals	1st May 1960	1991-92	4195.59	(+)75.20
2	Gujarat State Road Transport Corporation	Home	1st May 1960	1991-92	146.37	(+)1.74
3	Gujarat State Financial Corporation	Industries and Mines	1st May 1960	1992-93	719.98	(+)2.27
4	Gujarat State Warehousing Corporation	Agriculture, Cooperation and Rural Development	5th December 1960	1991-92	4.57	(+)0.3
5	Gujarat Industrial Development Corporation	Industries and Mines	4th August 1962	1991-92	179.17	(+)0.15

(A) Capital invested represents paid-up capital *plus* long term loans *plus* free reserves *less* accmulated losses

(B) Capital employed represents net fixed assets (excluding capital works in progress) *plus* working capital

(C) Represents net amount of interest deducting interest on investment.

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latest finalised accounts

(Figures in columns 5 to 11 are in crores of rupees)

Total interest charged to profit and loss account	Interest on long term loans	Total return on capital invested (7+9)	Capital employed (B)	Total return on capital employed (7+8)	Percentage of total return on	
					Capital invested	Capital employed
8	9	10	11	12	13	14
250.92	230.21	305.41	3696.74	326.12	7.3	8.8
13.50 (C)	13.50	15.24	133.08	15.24	10.4	11.4
60.74	60.74	63.01	675.85 (D)	63.01	8.7	9.3
0.04	0.04	0.34	6.32	0.34	7.4	5.4
16.79	16.79	16.94	361.07 (E)	16.94	9.5	5.1

(D) Capital employed in respect of Gujarat State Financial Corporation represents the mean of opening and closing balances of paid-up capital,
reserves (other than those which have been opened specifically and backed by investment outside), bonds, deposits and borrowings (including refinance).

(E) Capital employed of Gujarat Industrial Development Corporation represents the mean of the opening and closing balances of reserves and surplus, subsidy from Government, borrowings and receipts on capital account.

ERRATA

TO

REPORT OF COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR 1992-93 (COMMERCIAL) - GOVERNMENT OF GUJARAT

Serial Number	Reference to			For	Read
	Page number	Para number	Line number (from top)		
1	(v)	–	5th	invested by Rs. 25 lakhs	invested Rs. 25 lakhs
2	(vi)	–	10th	alongwith	along with
3	(viii)	–	11th	accounts reflects	accounts reflect
4	(ix)	–	3rd	of account of	on account of

H-592.