सत्यमेव जयते

GOVERNMENT OF GUJARAT

REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR 1980-81

(COMMERCIAL)

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PREFATORY REMARKS

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

Government Companies ;

Statutory Corporations ; and

Departmentally-managed Commercial Undertakings.

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

3. The cases mentioned in the Report are those which came to notice in the course of audit of accounts during the year 1980-81 as well as those which had come to notice in earlier years but could not be dealt with in the previous Reports ; matters relating to the period subsequent to 1980-81 have also been included wherever considered necessary.

4. In the case of Government Companies, audit is conducted by company auditors appointed on the advice of the Comptroller and Auditor General of India but the latter is authorised under Section 619 (3) (*b*) of the Companies Act, 1956 to conduct a supplementary or test audit. He is also empowered to comment upon or supplement the report sub-

mitted by the statutory auditors. The Companies Act further empowers the Comptroller and Auditor General of India to issue directives to the auditors in regard to the performance of their functions. Such directives were issued to the auditors from time to time.

5. There are, however, certain companies other than Government companies in which Government has invested funds but the accounts of which are not subject to audit by the Comptroller and Auditor General. As on 31st March 1981, there were 49 such companies in which Government investment stood at Rs. 17,20.55 lakhs. The particulars of such companies in which Government investment was Rs. 25 lakhs and above (as on 31st March 1981) are given below :

	Investment (Rupees in lakhs)
Gujarat Narmada Valley Fertilizers Company Limited, Bharuch	14,04.10
Narmada Cement Company Limited, Bombay	1,20.00
Shree Digvijay Woollen Mills Limited, Jamnagar	31.60
Surat Electricity Company Limited, Surat	25.03
Total	15,80.73

6. In respect of Gujarat Electricity Board, Gujarat State Road Transport Corporation and Gujarat Industrial Development Corporation which are statutory organisations, the Comptroller and Auditor General is the sole auditor, while in respect of

Gujarat State Financial Corporation and Gujarat State Warehousing Corporation he has the right to conduct audit of their accounts independently of the audit conducted by the Chartered Accountants appointed under the respective Acts.

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

CHAPTER I

GOVERNMENT COMPANIES

SECTION I

1.1 Introduction

There were 35 Government Companies (including 12 subsidiaries) as on 31st March 1981, as against 32 Government Companies (including 10 subsidiaries) as at the close of the previous year. The following Companies were added during the year :

	Name of Company	Date of incorporation	Authorised Capital (Rupees in lakhs)
1.	Gujarat Amino-Chem Limited	17th January 1980*	500.00
2.	Gujarat Insecticides Limited	30th August 1980	100.00
3.	Gujarat State Civil Supplies Corporation Limited	26th September 1980	300.00
4.	Gujarat Trans Receivers Limited	26th March 1981	30.00

The Gujarat Leather Industries Limited, a subsidiary Company incorporated on 18th April 1978, ceased to be a Government Company consequent upon transfer of shares by holding Company to another Government Company in April 1980 and it became a Company covered under Section 619-B of the Companies Act, 1956.

*Eventhough the Company was incorporated on 17th January 1980, the information was received in September 1981.

1.2 Compilation of accounts

Twenty-four Companies (including 10 subsidiaries) finalised their accounts for the year 1980-81. In addition 4 Companies finalised their accounts for the earlier years. A synoptic statement showing the summarised financial results of 28 Companies based on the latest available accounts is given in Appendix 'A'. The first financial year of the Gujarat Insecticides Limited, Gujarat State Civil Supplies Corporation Limited and Gujarat Trans Receivers Limited closed on 31st December 1981, 30th September 1981 and 31st March 1982 respectively and hence accounts of these Companies were not due as on 31st March 1981. The accounts of the following 8 Companies were in arrears for the periods noted against each:

	Name of Company	Extent of arrears
1.	Gujarat State Handicrafts and Handloom Development Corporation Limited	1978-79 to 1980-81
2.	Gujarat Water Resources Development Corporation Limited	1978-79 to 1980-81
3.	Gujarat State Land Development Corporation Limited*	April 1979 to June 1980 and 1980-81
4.	Gujarat Rural Industries Marketing Corporation Limited	1980-81
5.	Gujarat Scheduled Caste Economic Development Corporation Limited	November 1979 to March 1981
6.	Gujarat State Handloom Development Corporation Limited	1980-81
7.	Gujarat State Rural Development Corporation Limited	1980-81
8.	Gujarat Tractor Corporation Limited	1980-81

*Company changed its accounting year ending March to ending June. The accounts for the year 1979-80 would be for 15 months from 1st April 1979 to 30th June 1980.

The position of arrears in the compilation of accounts was last brought to the notice of Government in February 1982.

1.3 Paid-up capital

The total paid-up capital of 35 Government Companies as at 31st March 1981 was Rs. 45,79.71 lakhs of which the State Government investment was Rs. 35,49.13 lakhs.*

1.4 Loans

The balance of long-term loans outstanding in respect of 17 Companies (excluding subsidiaries) as on 31st March 1981 was Rs. 1,13,93.08 lakhs (State Government : Rs. 59,96.27 lakhs; Central Government : Rs. 7.34 lakhs; other parties : Rs. 53,29.87 lakhs; deferred payment credit : Rs. 59.60 lakhs) as against Rs. 65,85.70 lakhs as on 31st March 1980 (11 Companies excluding subsidiaries).

1.5 Guarantees

1.5.1 The State Government had guaranteed the repayment of loans and payment of interest thereon raised by 11 Companies (including two subsidiaries). The amount guaranteed and the amount outstanding thereagainst as on 31st March 1981 were Rs. 55,35.99 lakhs and Rs. 50,91.59 lakhs respectively as detailed below :

Name of Company	Amount guaranteed	Amount outstanding as on 31st March 1981
	(Rupees in lakhs)	
1. Gujarat Agro-Marine Products Limited	34.47	34.47
2. Gujarat Communications and Electronics Limited	5.00	5.00

*The figure as per Finance Accounts is Rs. 31,22.40 lakhs ; difference of Rs.4,26.73 lakhs was under reconciliation.

Name of Company	Amount guaranteed	Amount outstanding as on 31st March 1981
	(Rupees in lakhs)	
3. Gujarat Dairy Development Corporation Limited	10.00	10.00
4. Gujarat Industrial Investment Corporation Limited	20,00.24	20,00.24
5. Gujarat Scheduled Caste Economic Development Corporation Limited	6,86.00	4,39.58
6. Gujarat State Construction Corporation Limited	30.00	30.00
7. Gujarat State Land Development Corporation Limited	Nil	Nil
8. Gujarat State Textile Corporation Limited	14,78.27	14,78.27
9. Gujarat Tractor Corporation Limited	50.00	50.00
10. Gujarat Water Resources Development Corporation Limited	12,42.01	10,44.03
11. Polymers Corporation of Gujarat Limited	Nil	Nil
Total	55,35.99*	50,91.59*

1.5.2 The State Government had guaranteed repayment of share capital and payment of dividend at 4 *per cent* thereon in respect of Gujarat Small Industries Corporation Limited. The paid-up capital as on 31st December 1980 was Rs. 60.00 lakhs.

*The figures as per Finance Accounts (11 Companies including 2 subsidiaries) are Rs. 59,20.04 lakhs and Rs. 51,94.47 lakhs respectively; differences are under reconciliation.

1.5.3 In consideration of the guarantees given by Government, the Companies have to pay guarantee commission to Government. Payment of guarantee commission amounting to Rs. 1.50 lakhs was in arrears as on 31st March 1981 in respect of Gujarat Tractor Corporation Limited against which a sum of Rs. one lakh was paid in November 1981. The Company intimated (July 1982) that the amount was not paid due to severe financial stringency.

1.6 Performance of the Companies

1.6.1 The following table gives details of 11 Companies (including 3 subsidiaries) which earned profit during the year and the comparative figures for the previous year :

Name of Company	Paid-up capital		Profit (+)/Loss (—)	
	1979-80	1980-81	1979-80	1980-81
	(Rupees in lakhs)			
1. Gujarat Agro-Foods Limited	14.90	14.90	(+) 3.05	(+) 1.37
2. Gujarat Agro-Industries Corporation Limited	5,06.00	5,06.00	(+) 20.55	(+) 3.02
3. Gujarat Agro-Marine Products Limited	25.01	25.01	(—) 2.52	(+) 7.89
4. Gujarat Agro-Oil Enterprises Limited	6.16	6.16	(+) 7.31	(+) 9.10
5. Gujarat Communications and Electronics Limited	1,77.01	2,40.01	(+) 0.54	(+) 9.72

Name of Company	Paid-up capital		Profit (+) / Loss (—)	
	1979-80	1980-81	1979-80	1980-81
	(Rupees in lakhs)			
6. Gujarat Industrial Investment Corporation Limited	5,00.00	5,00.00	(+) 7.98	(+) 39.71
7. Gujarat Mineral Development Corporation Limited	3,18.00	3,18.00	(+) 94.24	(+) 80.93
8. Gujarat Sheep and Wool Development Corporation Limited	43.96	51.96	(—) 11.15	(+) 1.90
9. Gujarat State Forest Development Corporation Limited	1,30.01	1,30.01	(+) 11.26	(+) 18.98
10. Gujarat State Seeds Corporation Limited	37.00	37.00	(+) 34.70	(+) 88.14
11. Gujarat State Textile Corporation Limited	1,62.50	1,62.50	(+) 20.02	(+) 28.43
Total ..	19,20.55	19,91.55	(+)1,85.98	(+)2,89.19

1.6.2 During the year two Companies *viz.* Gujarat Mineral Development Corporation Limited and Gujarat State Seeds Corporation Limited had declared dividend at 6 *per cent* (total disbursement : Rs. 21.30 lakhs).

Gujarat Small Industries Corporation Limited which incurred a loss of Rs. 58.71 lakhs after providing for an investment allowance reserve of Rs. 0.79 lakh, (accumulated loss at the end of December 1980 : Rs. 118.24 lakhs), declared a guaranteed dividend of 4 *per cent* on the paid-up capital

(Rs. 60.00 lakhs) out of the subvention to be received from the State Government. The Company had earlier received subvention of Rs. 6.06 lakhs for the years 1962 (Rs. 0.14 lakh), 1975 (Rs. 1.16 lakhs), 1976 (Rs. 2.36 lakhs) and 1979 (Rs. 2.40 lakhs).

1.6.3 The following table gives details of 7 Companies (including 2 subsidiaries) which incurred loss during the year 1980-81 and comparative figures for the previous year :

Name of Company	Paid-up capital		Loss(—) during	
	1979-80	1980-81	1979-80	1980-81
	(Rupees in lakhs)			
1. Girnar Scooters Limited	*	*	(—) 0.05	(—) 0.07
2. Gujarat Dairy Development Corporation Limited	1,23.97	1,33.97	(—) 52.46	(—)2,40.62
3. Gujarat Small Industries Corporation Limited	60.00	60.00	(—) 15.17	(—) 57.92
4. Gujarat State Construction Corporation Limited	25.00	1,10.00	(—)1,29.14	(—)2,22.97
5. Gujarat State Export Corporation Limited	15.00	15.00	(—) 3.95	(—) 16.34
6. Polymers Corporation of Gujarat Limited	5,33.45	5,33.66	(—)1,61.99	(—)3,64.99
7. Tourism Corporation of Gujarat Limited @	31.51	56.51	(—) 24.47	(—) 15.67
Total	7,88.93	9,09.14	(—)3,87.23	(—)9,18.58

*Represents paid-up capital of Rs. 70.

@Company changed its accounting year ending August to ending March; figures for 1980-81 are for 7 months.

1.6.4 The accumulated loss in respect of 10 Companies (paid-up capital: Rs. 10,31.02 lakhs) amounted to Rs. 15,01.35 lakhs. Particulars of 5 Companies (including one subsidiary) the accumulated loss of which had exceeded their paid-up capital are given below :

	Name of Company	Year ending	Paid-up capital (Rupees in lakhs)	Accumulated loss (Rupees in lakhs)
1.	Girnar Scooters Limited	June 1980	*	0.12
2.	Gujarat Dairy Development Corporation Limited	March 1981	1,33.97	3,55.43
3.	Gujarat Sheep and Wool Development Corporation Limited	March 1981	51.96	62.87
4.	Gujarat Small Industries Corporation Limited	December 1980	60.00	1,18.24
5.	Gujarat State Construction Corporation Limited	July 1980	1,10.00	4,03.38

1.6.5 The following table gives details of 6 Companies (including 5 subsidiaries) which were under construction and the total expenditure incurred during the year 1980-81 *vis-a-vis* in previous year :

	Name of Company	Paid-up capital as on 31st March		Expenditure during	
		1980	1981	1979-80	1980-81
		(Rupees in lakhs)			
1.	Cement Corporation of Gujarat Limited	2.50	2.50	0.93	3.17
2.	Gujarat Amino-Chem Limited	..	*	..	5.05

*Represents paid-up capital of Rs. 70

Name of Company	Paid-up capital as on 31st March		Expenditure during	
	1980	1981	1979-80	1980-81
	(Rupees in lakhs)			
3. Gujarat Nylons Limited	2.50	2.50	0.78	0.87
4. Gujarat State Petro-chemicals Corporation Limited	49.01	59.01	4.85	6.91
5. Gujarat Tyres Limited	5.00	5.00	0.10	0.36
6. Steel Corporation of Gujarat Limited	*	*	0.06	0.03

1.7 In addition there were 5 Companies covered under Section 619-B of the Companies Act, 1956, as detailed below :

Name of Company	Latest year of account	Paid-up capital	Investment by State Government	Investment by Government Companies	Profit(+)/ Loss(—) during the year
			(Rupees in lakhs)		
1. Gujarat Industrial and Technical Consultancy Organisation Limited	1980-81	5.00	..	5.00	(+)0.49
2. Gujarat Leather Industries Limited	1979-80	24.48	..	24.48	Entire expenditure of Rs. 11.74 lakhs was capitalised

*Represents paid-up capital of Rs. 70.

Name of Company	Latest year of account	Paid-up capital	Investment by State Government	Investment by Government Companies	Profit(+)/ Loss (—) during the year
		(Rupees in lakhs)			
3. Gujrat State Fertilizers Company Limited	1981	15,99.67	7,84.09	3,76.58	(+)10,48.78
4. Gujarat State Machine Tools Corporation Limited	1980-81	2,19.68	*	1,14.75	(—)1,54.23
5. Rapicut Carbides Limited	1979-80	29.50	..	16.14	(—) 8.14

1.8 The Companies Act, 1956 empowers the Comptroller and Auditor General of India to issue directions to the auditors of Government Companies in regard to performance of their functions. In pursuance of the directives so issued, special reports of the company auditors on the accounts of 11 Companies were received during the year. The important points noticed in these reports are summarised below :

Nature of defect	Number of Companies where defects were noticed	Reference to serial number in Appendix 'A'
Non-fixation of standard costs of major products	3	4,11,26
Non-existence of system for ascertaining idle time	2	11,26

*Represents paid-up capital of Rs. 70.

Nature of defect	Number of Companies where defects were noticed	Reference to serial number in Appendix 'A'
Non-fixation of maximum and minimum limits for stores and spares	2	9,11
Non-availablity of details regarding value of stores and spares which had not moved for the last three years. Non-existence of system for segragation of damaged/unserviceable stores	2	9,11
Non-preparation of manual prescribing detailed accounting system	6	4,9,10,22,23, 26
Non-preparation of periodic trial balances and bank reconciliation statements	3	9,22,23
Non-prepration of manual for internal audit; system of internal audit required strengthening	3	10,22,23
Non-confirmation of balances by sundry debtors.	4	8,9,22,26
System of costing was either not in operation or was inadequate	3	8,9,23

1.9 Under Section 619 (4) of the Companies Act, 1956 the Comptroller and Auditor General of India has a right to comment upon or supplement the audit reports of the Company auditors. Under this provision, the annual accounts of Government Companies are reviewed on a selective basis. Some of the

errors/omissions, *etc.* noticed in the course of review of the annual accounts for the year 1980-81 are detailed below :

Nature of defect	Number of Companies	Reference to serial number in Appendix 'A'
Non-inclusion of stores under current assets	1	3
Full amount of subsidy taken as income instead of treating unspent balance as current liabilities	1	14
Non-availability of stock certificate	1	15
Difference in closing stock of previous year and opening stock of current year	1	15
Inclusion of un-investigated/un-reconciled differences in trial balance under "creditors for expenses"	1	21
Error in calculation of interest receivable	1	22
Non-disclosure of contingent liability	1	22
Over statement of closing stock	1	26

SECTION II

GUJARAT SMALL INDUSTRIES CORPORATION LIMITED

2.1 Introduction

The Gujarat Small Industries Corporation Limited was incorporated on 26th March 1962 and it became a Government Company with effect from 24th March 1973. The main objects of the Company *inter alia* are to :

—promote the interests of small industries in the State and provide technical and managerial assistance in procurement of raw materials, machinery, equipment, tools and appliances, *etc.*, and

—arrange for the purchase and sale of raw materials, industrial goods, tools, appliances, *etc.*

2.2 Organisational set-up

The Company has two divisions viz. a trading division and a scooter project division, each of which is headed by a General Manager working under the direct supervision of the Managing Director. The trading division deals with marketing, hire purchase, procurement and supply of essential raw materials to small scale industries. While all other activities of the trading division are centralised at Ahmedabad, raw material distribution work is looked after by six branch offices and the distribution of cement was done through ten District Industries Centres (DICS) of the State Government. From October 1981 this work of distribution of cement has also been handed over to the six branch offices of the Company. The scooter project division

is concerned with the manufacture and sale of Girnar Scooter at Odhav in Ahmedabad.

2.3 Capital structure

The authorised capital of the Company is Rs. 200 lakhs divided into 1,50,000 equity shares of Rs. 100 each and 50,000 unclassified shares of Rs. 100 each. The paid-up capital of the Company as on 31st December 1980 was Rs. 60 lakhs (State Government : Rs. 38.93 lakhs and others : Rs. 21.07 lakhs). For implementation of its various schemes and also for meeting its working capital requirements, the Company has been resorting to long and short term borrowings including deferred payment credits from Government, other Companies/Corporations and banks. The borrowings from banks (Rs. 3,33.50 lakhs) were secured by pledge and hypothecation of goods, book debts, *etc*. The amount of borrowings as on 31st December 1980 was Rs. 9,15.61 lakhs (State Government : Rs. 5,73.13 lakhs).

2.4 Financial position

(*a*) Though the Company earned a profit of Rs. 2.44 lakhs in 1978, it incurred losses of Rs. 24.57 lakhs and Rs. 58.71 lakhs in 1979 and 1980 respectively. The accumulated loss at the end of 1980 was Rs 93.80 lakhs (156.3 *per cent* of paid-up capital of Rs. 60 lakhs).

The increase in losses was attributed by the Management (February 1982) to increase in establishment expenses due to increased activity and also due to increase in interest burden. In order to meet the heavy financial burden, including that of interest, due to sudden increase in activities, the Company

increased (August 1981) it's capital base to Rs. 2 crores and was expecting to reduce interest burden on loans.

(*b*) The State Government has guaranteed a dividend at 4 *per cent*. As the Company had no distributable surplus, the dividend for the years 1962, 1975, 1976 and 1979 was paid out of the subventions received from the State Government. The Company had received subvention of Rs. 6.06 lakhs for payment of dividend up to 1979. The year 1980 had also ended in a loss and the Company approached (February 1982) the State Government for payment of Rs. 2.40 lakhs for dividend to be paid for that year; payment was awaited (October 1982).

2.5 Delay in transfer of remittances into bank

The Company procures various raw materials and distributes them to small scale industrial (SSI) units through its six branches. The assisted units make payments to the Company's branch offices either in cash or by cheques. For these sale proceeds, the Company had arrangement with the Bank of Baroda for transferring the funds daily by the banks in the field to the main branch at Ahmedabad, (after keeping a minimum balance of Rs. 500) for credit to the "Cash Credit" account of the Company.

A review of the bank reconciliation statements of the cash credit account indicated that in many cases funds were not transferred by the branches of the bank promptly; the period taken varied from 2 days to 435 days (211 cases involving Rs. 286.99 lakhs). This resulted in loss of interest of Rs. 3.03 lakhs during the period from October 1976 to December 1980. The Company raised 9 claims for interest amounting to Rs. 1.71

lakhs during February 1978 to February 1980 for the delayed remittances up to December 1979. The Bank paid (December 1980) a sum of Rs. 0.83 lakh as a very special case in full settlement of these 9 claims. As regards 2 other claims for Rs. 1.32 lakhs for the period from January to December 1980 raised in October 1980 and April 1981, an amount of Rs. 0.62 lakh was received; balance was yet to be received (July 1982).

Government stated (August 1982) that the bank had clarified in December 1980 that normally it took two days for telegraphic transfers and 7 days for others. Based on this clarification the amount of the claims was reduced from Rs. 3.03 lakhs to Rs. 2.26 lakhs against which an amount of Rs. 1.45 lakhs was received. It was, however, mentioned by Government that the time taken in transfer of money both in respect of telegraphic and normal transfers appeared to be rather long and as such the Company was requesting the bank to curtail the time being taken for transferring the funds.

2.6 Activities

The Company has undertaken the following activities from time to time :

(*a*) supply of machinery on hire-purchase basis,

(*b*) rendering of import assistance and marketing assistance to SSI units,

(*c*) manufacture of Girnar scooter,

(*d*) procurement and distribution of ferrous and non-ferrous metals, coal and other commodities, machine tools, and

(*e*) manufacture of plastic mould, dies, *etc.*

2.6.1 *Supply of machinery on hire-purchase basis*

(a) In July 1964, the Company introduced a scheme of sale of machinery on hire-purchase basis to SSI units. Under the scheme the Company assists the SSI units in procuring industrial machinery/plant and equipment on hire-purchase basis up to the value of Rs. 7.5 lakhs for a single unit. The SSI units were required to deposit 5 to 20 *per cent* of the value of the machinery (depending on the location of the unit and value of machinery) as earnest money before the order was placed by the Company on the manufacturer, the balance amount with interest was payable in 13 half-yearly instalments spread over a period of 7 years, first instalment falling due after one year of the date of delivery of the machinery.

Up to December 1980, the Company had sanctioned proposals for supply of machinery worth Rs. 3,04.16 lakhs (681 units) against which it purchased and supplied machinery worth Rs. 2,07.80 lakhs (539 units). The details of the proposals sanctioned and purchases/supplies made are given below :

Year	Proposals sanctioned		Machinery purchased/supplied against the proposals	
	Number of units	Value (Rupees in lakhs)	Number of units	Value (Rupees in lakhs)
Up to 1977	542	154.15	423	78.15
1978	34	18.03	27	12.31
1979	55	54.48	46	49.62
1980	50	77.50	43	67.72
	681	3,04.16	539	2,07.80

(*b*) As on 31st December 1980, the overdue instalments from 213 units amounted to Rs. 17.00 lakhs (more than six months old Rs. 13.13 lakhs) of which Rs. 6.51 lakhs were considered doubtful of recovery (69 units). A review of these 69 cases where recoveries of instalments were doubtful revealed that in 12 cases (amount involved : Rs. 2.50 lakhs) civil suits were pending, in 10 cases (amount involved : Rs. 1.32 lakhs) decrees were obtained but were pending execution, in 2 cases (amount involved : Rs. 0.67 lakh) parties were not traceable and in 2 other cases (amount involved : Rs. 1.51 lakhs) units were sick; balance 43 cases (amount involved : Rs. 0.51 lakh) were under pursuance.

Of the machinery worth Rs. 0.23 lakh taken back in 5 cases, machinery worth Rs. 0.11 lakh was sold in May 1979/March 1980; balance machinery valuing Rs. 0.12 lakh (taken back from the defaulters during the period from May 1974 to March 1976) had not been disposed of and was still lying with the Company (July 1982).

2.6.2 A *Import assistance*

The Company was from 1974 rendering assistance to SSI units in procurement of imported raw materials and other items canalised through it. The SSI units desiring to avail of this facility were required to pay 30 *per cent* of the landed cost of the material in advance. Service charges were recovered (ranging from 0.5 to 2.5 *per cent* of the landed cost of the goods), depending on the volume of business with the party during the calendar year. The units were required to collect

materials from the Company by making full payment within four months from the dates of the receipt of material/goods. Failure to lift the materials made the units liable for payment of deferred delivery charges at 18 *per cent* (at prevailing bank rates) of the blocked up capital. Godown charges were payable at half a *per cent* of the cost per month in either case.

The table below indicates the number of units and value of goods imported during the 5 years up to December 1980 :

Year	Number of units	Turnover (Rupees in lakhs)
1976	37	35.05
1977	48	58.34
1978	105	267.17
1979	119	131.28
1980	530	287.56
Total	839	779.40

A review of transactions of the Import Assistance department revealed that the Company had filed suits in 10 cases (for Rs. 0.97 lakh); of these in 6 cases decrees were obtained (between July 1977 and June 1979) for Rs. 0.52 lakh against which only Rs. 0.09 lakh could be recovered and a balance of Rs. 0.43 lakh was still recoverable (July 1982).

Out of remaining four cases, in 3 cases (Rs. 0.37 lakh) settlement was reached at Rs. 0.24 lakh while the fourth case (Rs. 0.05 lakh) was still pending (July 1982).

2.6.2 B *Marketing assistance*

The Company introduced marketing assistance scheme from 1964 to assist the SSI units in marketing their products. The marketing assistance was rendered under two broad categories *viz.* general marketing and tender marketing.

Under the general marketing assistance scheme the Company secured orders for quality products of SSI units registered with the Company from reliable and established distribution outlets all over India and recovered 5 *per cent* service charges from the SSI units.

Under the scheme the orders were booked by sales representatives of the Company for the products of SSI units. The Company was placing purchase orders with respective SSI units against orders placed by customers. Ninety *per cent* payment was made to SSI units against proof of despatch and balance 10 *per cent* within 30 days or on receipt of Company's dues from the customers against bills for the materials supplied to respective customers. Payment was received through bank as well as by sight drafts.

Since April 1977, under the revised procedure the Company resorted to the procedure of direct billing by SSI units to the customers under which customers were to retire documents through bank and send payments direct to SSI units. The Company was raising debit notes to SSI units for service charges on successful execution of the orders. The entire responsibility of execution of the orders now devolved on the SSI units.

Under tender marketing assistance scheme the SSI units were assisted by procuring orders by offering their products against tenders issued by various Government departments/Semi-Government bodies including local bodies and public sector undertakings. The Company on proof of despatch, made 80 to 90 *per cent* payment of the sale price of materials to SSI units and balance value was paid on receipt of full payment from the purchasing agency. For rendering this service, service charges ranging from 0.5 to 3 *per cent* (depending on the value of the items) were charged. The value of sales under these schemes for three years up to December 1980 were as under :

Year	General marketing scheme		Tender marketing scheme	
	Number of units assisted	Turnover (Rupees in lakhs)	Number of tenders executed	Turnover (Rupees in lakhs)
1978	36	7.00	94	14.27
1979	33	12.03	122	15.27
1980	48	21.04	137	22.97

Two cases of loss in such transactions are enumerated below :

(i) A firm of Ahmedabad participated in the tender marketing scheme of the Company and obtained orders for supply of 731 driver's adjustable seats for use by Gujarat State Road Transport Corporation (GSRTC) and for supply of 1150 kit boxes and 115 cash boxes required by the Industries department of Government of Gujarat. The firm could not

fulfill both these contracts and a part delivery of 200 driver's adjustable seats was made. Balance of 531 driver's seats and the entire quantity of kit boxes and cash boxes were not supplied. As a result the Company was required to purchase these materials from another source at much higher rates. The Company suffered a loss of Rs. 0.53 lakh (including a penalty of Rs. 0.07 lakh levied by the GSRTC for delayed supply).

(ii) Under the general marketing scheme materials valuing Rs. 3.78 lakhs were received back from customers against purchases effected for orders booked by sales representatives during 1973 to 1976 on account of non-retirement of documents, defective items, *etc.*

The Company was able to resell during 1977 the rejected material valuing Rs. 2.31 lakhs at a sale value of Rs. 2.04 lakhs. Disposal of the balance items (value : Rs. 1.47 lakhs) was advertised by the Company in local newspapers (September 1978) but there was very poor response as some of the items were defective/of old design. The items were disposed of by sale/public auction from February 1979 to December 1980 at a loss of Rs. 0.83 lakh. In the disposal of returned material valuing Rs. 3.78 lakhs the Company incurred a loss of Rs. 1.10 lakhs excluding loss of interest on blocked up funds (amount not assessed) and marketing expenses (Rs. 0.33 lakh).

2.6.3 *Scooter project*

2.6.3.1 In 1969 the Company decided to set up a unit at Ahmedabad for manufacturing scooters with indigenous technical

know-how. The Company obtained an industrial licence for 24,000 scooters in October 1972. It had, in the meantime started manufacturing scooters in 1970 but up to the end of 1975 only 225 scooters were produced and commercial production commenced in 1978.

2.6.3.2 *Production performance*

The table below summaries the details of production of scooters *vis-a-vis* licensed/installed capacity as well as targets fixed for the three years up to December 1980:

Year	Licenced capacity	Installed capacity	Target	Actual production	Percentage of actual production to installed capacity
		(Numbers)			(*Per cent*)
1978	24,000	9,000	2,000	177	2.0
1979	24,000	9,000	2,000	744	8.3
1980	24,000	9,000	9,000	3417	38.0

Reasons for not achieving the installed capacity were stated (January 1982) by the Management to be :

--the ever changing design of the product,

--low productivity of the skilled labour recruited during 1976 to 1979, and

--delay in developing the correct source of supply of bought out items.

Based on the working estimates for 1981 the Company had estimated the break—even point at the production of 8937 scooters; the actual production was 6002 scooters which was stated (August 1982) to be due to heavy and intermittent power cut during second half of 1981.

The letter of intent and the industrial licence were received in March 1971 and October 1972 respectively and the project report had envisaged regular production by 1973; the actual performance was very poor resulting in accumulation of loss of Rs. 314.64 lakhs up to December 1980. The Management attributed (August 1982) this loss to (i) poor production, (ii) delay in starting commercial production and (iii) delay in development of design, testing and acceptability thereof by customers. In view of the uncertain position of supply of body panels from other party, the Company decided (January 1981) to have its own press tools to produce body panels and placed purchase order (value : Rs. 132.50 lakhs) in January 1981 for press tools on a Japanese firm. The press tools were received in April 1982; and are under process of installation (August 1982). After installation of imported machinery an improved model is to be produced and regular production is expected by October/November 1982.

2.6.3.3 *Man power utilisation*

The table on page 25 indicates the manpower utilisation during the three years up to December 1980 :

Year	Working days	Total labour hours	Labour hours utilised	Labour hours lost	Percentage of utilisation
1978	304	411928	343752	68176	83.5
1979	305	517728	424984	92744	82.1
1980	301	859976	701664	158312	81.6

The percentage of utilisation of labour had declined from year to year; absenteeism of workers was stated to be mainly due to leave on medical grounds (ESI), previlege leave and suspension. The Government stated (August 1982) that to improve the situation notices were issued to workers remaining absent from duty for more than 3 days without authorised leave, disciplinary action was taken if such absence exceeded 15 days, frequent absentees were removed from muster rolls and habitual absentees on medical grounds were referred to medical referee.

2.6.3.4 *Sale of scooters at reduced price*

The Company reduced (March 1977) the price of its scooter by Rs. 437 with a view to dispose of the old model stock and suffered loss of Rs. 0.73 lakh on sale of 167 such scooters including 36 scooters lying with a distributor at Ahmedabad. The reduction in price was effected inspite of good demand for this model in Chandigarh, Punjab and Haryana (as evidenced by the pending unexecuted orders). The new model, however, could be had only in December 1978.

2.6.3.5 *Purchase of body panels*

(*i*) The Company made arrangement (December 1973) with a firm 'A' of Madras to supply 10,000 scooter body panels at Rs. 500 per panel. The delivery was to be completed by December 1974. Due to the firm's inability to supply within delivery period and price escalation, the arrangement was revised (September 1974) and an order for supply of 1000 panels only was placed (October 1974) for delivery to be made between October 1974 and February 1975.

The Company had considered the revised rate offered by the supplier (Rs. 950 per panel) to be on higher side. The matter was discussed with the supplier on 21st/22nd September 1974 by the Management and a reduction in price was anticipated; but, the extent of reduction in the price in the form of rebate was left to the discretion of the supplier.

Due to inability of the supplier to adhere to the delivery schedule, it was revised from time to time. The firm could supply 542 panels by September 1976 of which 77 panels were rejected. The supply being delayed and unsatisfactory, the arrangement was terminated in December 1976. The Company paid for the supply of 465 panels at Rs. 950 per panel without deducting any rebate though it paid Rs. 850 per panel for subsequent purchases made in September/October 1977 from the same party. On 465 panels supplied in 1976, a rebate up to Rs. 100 per panel could have been claimed (amount : Rs. 0.47 lakh).

(*ii*) Prior to finalisation of the above arrangement to supply 10,000 body panels, the Company placed an initial test and trial order for 125 panels (November 1969) and made *ad hoc* payments of Rs. 2.99 lakhs to the firm 'A' during the period December 1969 to January 1973, inclusive of Rs. 1.92 lakhs towards cost of tools, dies, jigs and raw materials. The ownership of tools, dies, jigs was to be of the Company on termination of contract.

After placing a revised order for 1000 panels (October 1974) an advance of Rs. 3.00 lakhs as margin money towards the cost of raw materials, was also given.

On termination of the contract in December 1976 an amount of Rs. 0.27 lakh remained outstanding out of the advance of Rs. 3 lakhs. The amount was neither refunded nor the dies, tools and jigs (value : Rs. 1.92 lakhs) were returned by firm 'A' on the plea of heavy losses incurred by it in the execution of the contract. The Company had not taken any action (August 1982) to recover the amount due (Rs. 0.27 lakh) and the value of tools, dies and jigs (Rs. 1.92 lakhs).

2.6.3.6 *Default in supply of scooter body panels*

The Company entered into an agreement (November 1976) with Scooters India Limited (SIL) for supply of one lakh scooter body panels complete with welded chassis, front mud-guard, petrol tank and two side covers at a conversion cost (labour cost) of Rs. 281 per set, from the materials to be supplied by the Company. The conversion cost was increased to Rs. 427.68 per set with effect from 4th June 1979.

The delivery schedule agreed upon which was subject to a penalty of Rs. 10 per set short delivered was as under :.

	Numbers
March 1977 to March 1978	6,000
1978-79	9,000
1979-80	15,000
1980-81	30,000
1981-82	30,000
April 1982 to July 1983	10,000
	100,000

As per the terms of agreement the Company paid an advance of Rs. 5 lakhs between August to December 1976 in order to meet the burden on the supplier towards modification and/or development of new tools for the body panels. The advance was to be adjusted at the rate of Rs. 35 per panel supplied, subject to the recovery of entire amount with interest at 15 *per cent per annum* from the date of advance in case of termination of contract due to non-supply of the panels.

In addition to the above advance, the Company had advanced Rs. 7.05 lakhs up to October 1979 to ancillary units and others on behalf of SIL to ensure smooth supply of 2500 panels to be fabricated out of imported steel. The advances were to be adjusted, with 15 *per cent* interest *per annum.*

As against the ordered quantity, SIL supplied only 671 panels up to October 1979. These 671 panels were without front

mudguard and 348 were without side covers also. Besides, SIL did not use the steel material for which advance of Rs. 7.05 lakhs was given.

As a result of non-compliance with the agreement, SIL was liable to a penalty of Rs. 2.31 lakhs on short supply of 23,079 panels up to October 1979, apart from repayment of Rs. 12.05 lakhs given as advance, together with interest (Rs. 3.56 lakhs up to December 1979) but nothing could be recovered.

A legal notice was served to SIL (December 1979) and subsequently in a meeting between the representatives of the two Companies held at Ahmedabad (December 1979) it was decided to negotiate on the following terms :

- SIL would repay the advance of Rs. 7.05 lakhs with interest, subject to reconciliation of accounts,
- refund of initial advance of Rs. 5 lakhs to SIL was not possible as SIL had spent Rs. 16.43 lakhs on toolings, and
- the Company would drop the claim of penalty of Rs. 10 per body panel.

Final settlement could not, however, be reached so far and Company's funds (Rs. 12.05 lakhs) were still blocked up (August 1982).

2.6.3.7 *Unfruitful expenditure on construction of administrative building*

The Company decided to construct an administrative building for scooter project at a cost of Rs. 4.82 lakhs and the work was awarded (October 1973) to a firm of Ahmedabad.

The Company later on decided (May 1975) not to proceed with the construction of this building. The work (for which the Company had spent Rs. 0.69 lakh) was abandoned and was still incomplete (January 1982). The expenditure of Rs. 0.69 lakh was, therefore, not fruitful. The Management stated (August 1982) that material for this work worth Rs. 0.39 lakh had been used on other works.

2.6.3.8 *Non-replacement of rejected goods*

The Company placed an order (January 1980) on a firm of Bombay for supply of 1500 metres of brake lining without indicating the size. The project needed H. G. I. quality 24 mm X 4 mm lining in roll form. The firm had quoted for the size 20 mm X 4 mm which was not verified.

The firm supplied brake linings worth Rs. 0.18 lakh against the purchase order (January 1980) which had not been replaced. The Management stated (January 1982) that since no reply was received from the firm regarding the replacement of the rejected material the Company floated enquiry in May 1981 to sell out the same in open market but no party had shown interest in the item. The material was lying in stores (August 1982).

2.6.4 *Procurement and distribution of scarce raw materials*

2.6.4.1 The Company took up procurement and distribution of scarce raw materials from September 1962. The raw materials were received by the Company on the basis of allocations made by the State Industries Department, the Iron

and Steel Controller and Steel Authority of India Limited (SAIL). The raw materials procured for distribution to SSI units mainly consisted of pig iron, coke, coal, iron and steel sheets, structurals, cement, ball bearings and brass scrap.

Details of quantity and value of raw materials distributed and gross profit earned during the three years up to December 1980 are tabulated below :

Name of item	1978		1979		1980	
	Quantity (Tonnes)	Value (Rupees in lakhs)	Quantity (Tonnes)	Value (Rupees in lakhs)	Quantity (Tonnes)	Value (Rupees in lakhs)
Pig iron	124,664	11,57.84	89,033	9,14.69	78,635	8,96.20
Sheets	12,678	4,75.10	20,837	9,35.28	16,308	8,53.95
Structurals	21,244	4,62.79	28,635	8,17.48	24,424	7,11.96
Coal	16,403	55.20	30,146	1,38.08	40,418	1,85.72
Cement	..	..	28,863	1,54.21	58,513	3,21.59
Caustic soda	..	..	..	..	500	23.69
Soda ash	..	..	..	..	3,000	75.00
Miscellaneous	..	1,21.86	..	83.29	..	81.23
Brass scrap	..	..	49	9.97	290	62.44
Total	..	22,72.79		30,53.00		32,11.78
Grsos profit earned	..	1,34.93		1,46.01		1,62.89
Number of units assisted		3,342		4,025		6,228

In regard to wide variations in quantities of commodities handled, Government stated (August 1982) that (i) the Company had been mainly procuring and distributing iron and steel material including pig iron, coal, coke and cement since its inception and the business of the Company mainly depended on availability of raw materials against allocations from various authorities and demand from the SSI units; (ii) the allocations and procurement of steel depended upon the quantity allotted by the Iron and Steel Controller/Joint Plant Committee (JPC), the quantity actually offered by the main producers and accepted by the Company; (iii) in respect of cement, coke and coal the quantum varied in each quarter depending on overall allotment of these items and availability of wagons and the market of these items was highly fluctuating and as such the Company was always facing possibilities of substantial increase or decrease in the quantum of demand from the SSI units, and (iv) the Company was dealing in commodities, the procurement and distribution of which were controlled from time to time under various policies of the Government of India and State Government. Hence the Company was not able to consistently plan its procurement and distribution work on long-term basis.

2.6.4.2 Against the total allocation of 83.977 tonnes of steel by the Iron and Steel Controller for 1978-79, the Company received offers for only 45.319 tonnes from the mills. The Company could, however, lift 36.115 tonnes during 1978-79; balance quantity could not be lifted and had to be cancelled due to inability of the Company to release payment in time due to financial constraints.

2.6.4.3 *Supply of material on credit*

The Company introduced (December 1974), a policy of supplying pig iron on 45 days credit with interest at 2.25 *per cent* for 45 days. In May 1975, after a review of default cases, it was decided to extend credit facility in genuine cases only after assessing creditworthiness of the party concerned and not to extend credit facility much in excess of past off-take.

A firm of Ahmedabad was supplied 30 tonnes of pig iron (value : Rs. 0.29 lakh) in August 1975 on credit against post-dated cheque due on 8th October 1975 which was dishonoured.

Further 30 tonnes (value : Rs. 0.29 lakh) and 45 tonnes (value : Rs. 0.44 lakh) of pig iron were supplied (September/October 1975) against cheques due on 2nd November 1975 and 24th November 1975 respectively. These two cheques were also dishonoured on due dates. The Company was aware of the fact that the party was not regular in making payments yet material was supplied on credit.

A suit was filed against the party (September 1977) for recovery of Rs. 1.18 lakhs inclusive of interest (Rs. 0.24 lakh) after adjusting Rs. 0.08 lakh. The Company, however, made settlement with party and obtained consent decree effective from July 1981. The party paid a sum of Rs. 0.36 lakh up to March 1982 and suspended payments thereafter. The balance of Rs. 0.82 lakh was yet to be recovered (July 1982).

Government stated (August 1982) that the party was being pressed to pay the dues failing which execution of decree would be resorted to.

2.6.4.4 *Outstanding dues-credit sales*

A sum of Rs. 10.78 lakhs was outstanding as on 31st December 1980 on account of credit sales; year-wise details are given below :

Year	Number of cases	Principal	Interest	Total
		(Rupees in lakhs)		
1975	34	4.79	4.41	9.20
1976	12	0.42	0.58	1.00
1977	6	0.04	0.04	0.08
1978	2	0.11	0.12	0.23
1979	..	..	0.03	0.03
1980	7	0.23	0.01	0.24
Total	61	5.59	5.19	10.78

The Government stated (August 1982) that out of the outstanding amount as on 31st December 1980, a sum of Rs. 1.18 lakhs (principal : Rs. 1.13 lakhs; interest : Rs. 0.05 lakh) could be recovered so far (July 1982).

The position of recovery of balance (principal : Rs. 4.46 akhs) was as under :

		Number of cases	Amount (Rupees in lakhs)
(i)	Cases pending execution of decrees	21	2.68
(ii)	Cases pending in Court ..	5	1.26
(iii)	Cases under pursuance ..	3	0.02
(iv)	Amount written off ..	1	0.02
(v)	Parties declared insolvent ..	6	0.48
	Total	36	4.46

2.6.4.5 *Loss in sale of ball bearings*

On the basis of import licences received (February 1974), the Company invited through advertisements in local news papers, actual users to intimate their requirements of ball bearings. On the basis of requirements intimated by 53 parties who had paid token deposits totalling Rs. 1.50 lakhs, the Company imported during January/March 1975, 26,609 ball bearings for Rs. 7.00 lakhs. As delivery of 25,561 ball bearings was not taken by the parties, the Company had to sell (August 1977) them at a loss of Rs. 4.52 lakhs.

Government stated (March 1980) that the ball bearings were not taken delivery of by the parties for the following reasons :

(*a*) some units had booked orders for ball bearings with particular specifications of which there was heavy import by other parties also,

(*b*) in 1975-76, market conditions were depressed, due to heavy fluctuations in the prices, acute recession and tight money conditions then prevailing, and

(*c*) production of this type of ball bearings had been commenced by indigenous manufacturers and their prices were comparatively cheaper.

The Government further stated (July 1982) that (i) the Company had been importing bearings without taking sufficient deposit and it had worked very well till 1975; (ii) at times stock of ball bearings accumulated but the same was disposed of and there was, therefore, no need to increase the quantum of deposit; (iii) due to long interval between booking of order and actual supply, customers would not come forward if the amount of deposit was raised as it would block money for long; and (iv) on increasing the rate of deposit to 30 *per cent* booking of orders had come down.

2.6.4.6 *Loss due to retrospective increase in prices*

Steel Authority of India Limited raised on 29th July 1975 debit notes for Rs. 2.12 lakhs for increase in the prices of pig iron supplied from 1st July 1975. As no such corresponding increase in the price could be charged by the Company from its customers for supply of pig iron in the absence of a suitable condition being stipulated in general condition of sale by the Company, the Company had to bear the entire increase in price.

2.6.4.7 *Payment of wharfage charges*

According to the terms of the agreement reached between a transport contractor and the Company, demurrage and wharfage

charges due to delay in clearing the wagons within prescribed time limit were to be borne by the contractor. The Company paid wharfage and demurrage charges of Rs. 1.11 lakhs during October 1978 for non-clearance in time of 142 wagons containing pig iron received at Asarwa Railway yard, but no recovery was effected from the contractor's bills as the contractor was ready to deliver but the Company was not in a position to receive the material at godown due to staff agitation.

2.6.4.8 The Company sold (from branch offices at Ahmedabad and Rajkot) 20 tonnes GP sheets of 24 G for Rs. 1.08 lakhs to a firm in August 1975. The delivery of the material was given to the firm before realisation of cheques in spite of clear instructions not to deliver goods before realisation of amount against cheques. The cheques were subsequently dishonoured.

Criminal complaint was filed in January 1976 in the Court against the firm. A civil suit was filed in March 1978 for recovery of Rs. 1.51 lakhs (including interest : Rs. 0.43 lakh). The Court passed decree in September 1978 for Rs. 1.51 lakhs plus cost (Rs. 0.04 lakh) against one of the partners of the firm. The Company filed the execution application in the Court (December 1978) and the Court issued execution warrant in February 1979 which could not be served so far (August 1982) as the party was not traceable.

Similarly the Company sold and delivered 12 tonnes of channels (value : Rs. 0.21 lakh) to a firm of Ahmedabad during May/July 1975. The delivery of goods was given before clearance of cheques. The cheques were subsequently

dishonoured. The Company was aware of the fact that the party was not prompt in making payment since there was already a debit balance of Rs. 0.22 lakh against the party relating to other supplies made in February/March 1973. A civil suit was filed against the firm and its partners in March 1978 for Rs. 0.43 lakh and the Court passed decree in April 1979. The party had filed (March 1979) an insolvency application in the court at Ahmedabad. No amount has been recovered so far (August 1982).

2.6.4.9 *Procurement and supply of machine tools*

In 1967, the Company introduced a scheme to assist SSI units and new entrepreneurs in procuring machine tools and accessories at competetive rates by getting suitable percentage of discount. In February 1973, the Company was appointed as the sole selling agent of Hindustan Machine Tools Limited (HMT) for Gujarat State on commission basis. The agreement with HMT was terminated in February 1977. The table below indicates the value of sales under this scheme under two categories *viz.*, HMT and non-HMT for the five years up to 1980:

Year	Sale of non-HMT items		Sale of HMT items		Discount earned	
	Number of units	Amount (Rupees in lakhs)	Number of units	Amount (Rupees in lakhs)	non HMT items (Rupees in lakhs)	HMT items
1976	128	41.51	39	92.12	1.92	1.84
1977	96	31.74	15	21.52	1.24	0.43
1978	114	27.88	..	..	1.53	..
1979	94	36.80	..	..	1.69	..
1980	150	60.31	..	..	2.47	..

During the period from 1974 to 1977 business done by the Company with HMT was of the order of Rs. 1,69.55 lakhs on which commission of Rs. 3.39 lakhs was earned, of which an amount of Rs. 1.82 lakhs was received up to December 1980 and balance (Rs. 1.57 lakhs) was yet to be received from HMT.

As per terms of "memorandum of understanding" with HMT, the Company was entitled to a commission for orders booked by the Company (a) up to Rs. 50 lakhs *per annum* at 2 *per cent* and (b) for orders above Rs. 50 lakhs at 3 *per cent*. During 1976, though orders booked amounted to Rs. 92.12 lakhs, the Company raised bills from time to time for commission at 2 *per cent* only. The Management, however, stated (December 1979) that the Company was in correspondence with HMT, with regard to payment of commission at 3 *per cent* on the entire amount or at 2 *per cent* up to Rs. 50 lakhs and 3 *per cent* on the balance amount *i. e.* Rs. 42.12 lakhs. The Government stated (July 1982) that the claim was under scrutiny by HMT.

2.7 Flood relief operations at Morvi

The Company was entrusted by the State Government with the work of supply of cement and G. C. sheets to flood affected industrial units and individuals in Morvi and Malia areas in Rajkot district in August 1979. For taking up this work, the Company was granted three short term loans aggregating Rs. 2,16.00 lakhs during 1979-80 by the State Government These loans were repayable within six months in one instalment with interest at 12 *per cent per annum*. A rebate of one

per cent was admissible if repayment was made on due dates. The rate of interest was 13 *per cent* for extended period.

The Company was allotted 40,500 tonnes of cement for distribution to rehabilitate people and industrial units against which the Company received and distributed 37,985 tonnes to 1113 industrial units (12,097 tonnes) and 12,277 individuals (25,888 tonnes) between August 1979 and August 1980.

The Company procured 2418 tonnes of G. C. sheets (value : Rs. 161.25 lakhs) during September to November 1979 and was having its own stock of 543 tonnes of G. C. sheets (value : Rs. 36.22 lakhs approximately). Due to poor response, the Company could distribute only 610 tonnes (value : Rs. 61.93 lakhs) up to March 1980. The balance of 2351 tonnes (value : Rs. 135.58 lakhs) remained in stock. In order to get the funds released, the Company obtained permission from the Joint Controller (Iron and Steel) for supplying the material to industries in other areas including cottage, small, medium and large scale industries. By December 1980, it could dispose of 2132 tonnes. Due to delay in disposal of G. C. sheets, the Company could repay the two loans of Rs. 75 lakhs each taken for this purpose in October / December 1980 instead of the due dates *i. e.* 19th April and 29th February 1980, resulting in an additional burden towards interest (Rs. 13 lakhs) for extended period. Had the response from the buyers been assessed properly by the Government agencies in advance this additional burden could have been avoided by the Company. Government did not accept the proposal of the Company, either to treat the loans as interest free or to reimburse the loss incurred by it in the operations.

2.8 Subsidy from Government

The Company had been assisting the SSI units since 1964 in marketing their products by securing orders for quality products through Company's sales representatives and also by procuring orders by offering their products against the tenders issued by various purchasing agencies. (Referred to in para 2.6.2 B). However, as this activity had not achieved the desired results the Company started a full fledged marketing division on behalf of Government (August 1979). Government had sanctioned subsidy of Rs. 30.59 lakhs to the Company for the years 1978-79 to 1980-81 to enable the Company to intensify this activity and to meet the expenditure on the required establishment, market surveys, *etc.* The amount actually received up to December 1980 was Rs. 28.59 lakhs. The expenditure incurred up to December 1980 was Rs. 15.78 lakhs only and a sum of Rs. 12.81 lakhs remained unutilised. The Company had not refunded the unutilised balance (August 1982).

2.9 Railway claims

(i) The branch-wise position regarding claims lodged with Railways for the transit shortages, claims realised and claims rejected during the three years up to December 1980 is given on pages 42-43.

Name of branch	Claims lodged			Claims realised		
	1978	1979	1980	1978	1979	1980
	(Rupees in lakhs)					
Ahmedabad	10.73	17.56	9.87	0.25	0.93	0.64
Rajkot	4.71	7.47	2.47	2.43	1.99	0.58
Nadiad	..	0.18	0.14	..	0.09	0.09
Baroda	2.34	2.13	1.20	0.12	0.27	0.10
Bhavnagar	0.36	0.56	0.06	..	0.24	..
Total	18.14	27.90	13.74	2.80	3.52	1.41

Claims rejected			Claims pending as on 31st December 1980		
1978	1979	1980	1978	1979	1980
(Rupees in lakhs)					
9.27	11.75	3.46	1.21	4.88	5.77
2.22	4.79	1.52	0.06	0.69	0.37
..	..	..	..	0.09	0.05
1.25	0.96	0.24	0.97	0.90	0.86
0.36	0.32	0.06	..	..	..
13.10	17.82	5.28	2.24	6.56	7.05

The heavy rejections of the claims by Railways were attributed to delivery in respect of coal and pig iron, by and large, being taken under clear receipt. It was also stated by the Management (December 1981) that pig iron, coke/coal were received in rake loads, and if reweighment of one or two wagons was insisted upon it would have held up unloading of the entire rake. In order to avoid heavy demurrage the Company did not ask for reweighment.

(ii) Transit shortages

The Company receives its raw materials through Railways. The table below indicates the total quantity of purchases and transit shortages noticed thereagainst in respect of pig iron and coke/coal for the four years up to December 1980 :

Year	Material	Gross quantities purchased	Transit shortages (in tonnes)	Value of shortages (Rupees in lakhs)	Percentage of shortages
1977	Pig Iron	62,645	1,115	9.44	1.8
	Coke/Coal	7,588	590	2.36	7.8
1978	Pig Iron	86,307	1,362	11.86	1.6
	Coke/Coal	15,827	1,245	3.31	7.9
1979	Pig Iron	72,445	1,127	11.27	1.6
	Coke/Coal	28,997	2,233	7.81	7.7
1980	Pig Iron	72,233	733	9.16	1.0
	Coke/Coal	28,936	1,890	9.83	6.5

Note: Purchases here do not include direct despatches to the consumers as the transit shortages were borne by them.

The transit shortages in coke and coal varied from 6.5 to 7.9 *per cent,* in pig iron from 1.0 to 1.8 *per cent* during the 4 years up to December 1980. No norms for transit shortages for coke and coal have been fixed (August 1982).

(iii) Short receipt of material

In view of the acute shortage of wagons during the second half of 1979 a firm of Calcutta was awarded (November 1979) the contract of lifting, handling and transportation of pig iron from Paradip port and also to follow up with the Railway authorities requisitions for allotment of wagons. The firm was to be paid for affecting despatches of pig iron from Paradip port at Rs. 15 per tonne(as per railway receipt) as handling charges.

Against total quantity of 4476 tonnes of pig iron handled by the firm during October 1979 to March 1980 there was shortage of 222 tonnes (value : Rs. 2.99 lakhs). The percentage of shortage in transit worked out to 4.96 against the normal transit shortage of 1.6 *per cent* for the regular pig iron consignments from various steel plants during 1979. Claims for the shortages could not be lodged as the material was received in sealed closed wagons.

As per terms and conditions with the suppliers, the firm of Calcutta was to get the truck-load weighed and then load the wagons. The wagons were covered and sealed. As such there should be no transit shortage at the receiving end and it was the contractor's responsibility to supervise the loading, *etc.* However the Board considered (February 1981) shortage up to 2 *per cent*

as reasonable. Board also decided that shortages in excess of 2 *per cent* (which worked out to Rs. 1.79 lakhs) be recovered from the contractor.

2.10 Internal audit

The Company established in 1975 its own internal audit wing headed by a Manager (Audit). However, the internal audit of scooter project has been entrusted to a firm of Chartered Accountants since 1979. The statutory auditors in their report on the accounts of the Company for the year 1979 had observed that the internal audit system was not commensurate with the size of the Company and the nature of its expanding business as the areas covered by internal audit were not adequate. Procedure adopted for the internal audit as also changes required, describing the functions covered so far, was put up to the Board (March 1980) and the Board advised the General Manager/Managing Director to examine the matter first in relation to the overall internal set up of the Company. The examination was not yet completed (July 1982).

2.11 Summing up

(*i*) The Company was set up with the main objects to promote the interests of small industries in the State and provide technical, managerial assistance in the procurement of raw materials, machinery, equipment, *etc.* The Company had also undertaken procurement and distribution of ferrous/non-ferrous metals, coal, *etc.*, supply of machinery on hire purchase basis, rendering of marketing assistance to SSI units and manufacture of Girnar scooters.

(*ii*) The Company has been incurring losses and the ccumulated loss as on 31st December 1980 (Rs. 93.80 lakhs) xceeded the paid-up capital (Rs. 60.00 lakhs). As a result of delay in affording credit by the bank, the Company lost nterest of Rs. 1.58 lakhs including a claim of Rs. 0.70 lakh nder consideration of the bank.

(*iii*) In hire-purchase business dues amounting Rs. 6.51 lakhs were considered doubtful of recovery (69 units).

(*iv*) In disposing of material purchased for specific orders but not accepted by customers, the Company incurred a loss of Rs. 1.10 lakhs (excluding marketing expenses of Rs. 0.33 akh).

(*v*) In Scooter Project, production was much below the installed capacity. The capacity utilisation varied from 2.0 to 38.0 *per cent* during the three years up to December 1980. The percentage of labour hours utilised had decreased from 83.5 in 1978, to 82.1 in 1979 and to 81.0 in 1980.

(*vi*) A sum of Rs. 10.78 lakhs (including interest of Rs. 5.19 lakhs) was recoverable as on 31st December 1980 in respect of credit sales out of which a sum of Rs. 1.18 lakhs (principal : Rs. 1.13 lakhs and interest : Rs. 0.05 lakh) could be recovered so far (July 1982).

(*vii*) Company imported ball bearings without sufficient deposits from assisted SSI units; on their backing out, the Company had to sell these bearings at a loss of Rs. 4.52 lakhs.

(*viii*) As a result of retrospective increase in price of pig iron by SAIL the Company could not pass on the burden of Rs. 2.12 lakhs to its customers.

(*ix*) The Company paid wharfage charges of Rs. 1.11 lakhs to Railways for non-clearance of 142 wagons containing pig iron received at Asarwa Railway yard as the Company was not able to receive the material in the stores due to staff agitation.

(*x*) The Company worked as an agent of HMT; commission to the tune of Rs. 1.57 lakhs pertaining to transactions up to 1977 was yet to be received.

(*xi*) Supplier for body panels failed to execute supplies of body panels and the agreement was terminated (December 1976). The supplier was yet to refund Rs. 0.27 lakh and had not returned dies, tools and jigs for which the Company had paid Rs. 1.92 lakhs. In another contract for supply of body panels SIL did not execute supplies as per agreement. SIL was liable to pay penalty (Rs. 2.31 lakhs up to October 1979) for non-supply of panels in time and refund of advance of Rs. 12.05 lakhs with interest at 15 *per cent per annum*. The case was still under correspondence (August 1982).

(*xii*) Construction of a building was abandoned after incurring an initial expenditure of Rs. 0.69 lakh.

SECTION III

OTHER TOPICS OF INTEREST

Gujarat Agro-Industries Corporation Limited

3.1 Export of vegetables

The Company undertook export of vegetables to foreign countries from February 1980. When export of fresh vegetables was placed under open general licence category in June 1981 the Company's exports were affected adversely and it closed this operation in September 1981. According to the procedure prescribed by the Reserve Bank of India, the Company (exporter) was required to get an irrevocable letter of credit covering the value of the consignment or obtain the actual value in advance from the importers. In 19 cases in which an amount of Rs. 5.09 lakhs was outstanding (January 1982) irrevocable letters of credit were either not obtained or the documents were negotiated after the expiry of the validity of the letters of credit. The Board noted (August 1981) that the employees working in export office at Bombay and also the finance and export divisions at Headquarter office (Ahmedabad) did not take adequate precautions and make arrangements for proper accounting of receipt and expenditure and despatch arrangements after satisfactory verification.

The Management stated (May 1982) that by 12th May 1982, the outstanding had come down to Rs. 4.10 lakhs and that a further amount of Rs 2.40 lakhs would be recovered.

Gujarat State Seeds Corporation Limited

3.2 Wasteful expenditure

The Company had been purchasing seeds from the farmers in February each year and sending them to a certifying agency (Seeds Certification Agency, Ahmedabad under the Director of Agriculture of the State Government). These certified seeds were being packed in sealed bags which carried labels of the agency.

In December 1978 the Company indicated to the agency its requirement (determined on the basis of expected turnover) of 24.75 lakh labels for 1979 season (February-June). Again in April 1979 further requirement of 1.5 lakh labels was intimated. The agency intimated in April 1979 that it had approached Government for getting the labels printed. As the labels were necessary for 1979 season, the Company initiated action to get the labels printed on behalf of the agency and informed (22nd April 1979) the agency accordingly. The agency informed (30th April 1979) the Company that it would not accept labels got printed by the Company. The Company, however, got 8.50 lakh labels printed at a cost of Rs. 0.73 lakh between May and September 1979. As the agency had refused (April 1979) to accept the labels printed by the Company the seeds had to be sold (May to September 1979) as truthful seeds *i. e.* uncertified seeds. Before the problem of use of the labels could be solved, the agency's status changed (April 1980) from a departmental body to an autonomous body (Gujarat State Seeds Certification

Agency, Ahmedabad) and the labels could not be used as they were having different monograms, *etc.* The expenditure on printing of labels had thus become infructuous.

3.3 Irregular payments

As per the Company's normal practice, cotton seeds procured from the producers were to meet with the standards of certification in respect of genetical and germination tests and payment to producers was to be made at the rate of Rs. 55 per kg for certified seeds and at the rate of Rs. 1.50 per kg for seeds declared not fit for certification. During June-July 1978, 50 producers were paid for 2,383 kgs of seeds at Rs. 55 per kg though their seeds failed in certification tests, involving an overpayment of Rs. 1.28 lakhs, 11 producers were paid for 682 kgs twice involving an overpayment of Rs. 0.38 lakh and 47 producers were paid Rs. 0.14 lakh in excess due to arithmetical errors. Efforts were made to recover these overpayments (Rs. 1.80 lakhs) by giving production programmes in subsequent seasons and through co-operative societies with which the producers concerned had dealings. However, an amount of Rs. 0.56 lakh remained to be recovered from 22 such producers (February 1982). The amount was considered as doubtful of recovery. However, legal notices were issued to 14 producers in July/ September 1981 (Rs. 0.43 lakh) but civil suits had been filed in only two cases (Rs. 0.20 lakh) in January 1982. Six producers were not issued with notice (Rs. 0.02 lakh) and other two producers had expired in the meantime (Rs. 0.11 lakh).

Polymers Corporation of Gujarat Limited

3.4 Overpayments

For implementation of the project for Methyl Methacrilate Monomar and Polemethyl Malnicryla (pallats and sheets), the Company imported basic engineering and technical know-how from the Japanese collaborators and detailed engineering was carried out by Indian consultants. As the building and structures were designed progressively in stages, requirement of steel was also obtained in stages from limited number of parties including one firm 'A' from Bombay which supplied steel worth Rs. 17.62 lakhs out of total supplies of Rs. 39.35 lakhs. In August 1977 two bills amounting to Rs. 0.88 lakh were negotiated by the firm through a bank and documents were retired by making payment on 10th August 1977. As the firm 'A' did not receive the remittance, the Company again made the payment to the bank for credit to firm 'A' (August 1977) which amounted to double payment of Rs. 0.88 lakh, of which, an amount of Rs. 0.20 lakh was yet to be recovered (June 1981).

While finalising the accounts for the year 1979-80, it was noticed that the steel plates supplied in March 1978 by the firm 'A' directly to a fabricator, for which the firm 'A' was paid Rs. 0.60 lakh, were rejected (March 1978) by the fabricator as these were not conforming to the specifications. As the steel plates were to be supplied directly by the firm 'A' to the fabricator and there was no provision for inspection before actual delivery, the rejection by fabricators and recollection of rejected plates by firm 'A' did not come to the notice of the Company immediately.

On reconciliation of accounts, the firm 'A's account was debited with Rs. 0.60 lakh in March 1980 only but no payment was received (June 1981). Thus total amount recoverable from the firm 'A' amounted to Rs. 0.80 lakh.

The Company filed a suit (for Rs. 0.92 lakh with interest from 1st April 1980 to 31st March 1981) in a Court at Baroda in June 1981 and the Court had decreed the suit with costs (October 1981). The recovery of the decretal amount was awaited (October 1982).

CHAPTER II

STATUTORY CORPORATIONS

SECTION IV

4.1 Introduction

There were five Statutory Corporations in the State as on 31st March 1981 :

—Gujarat Electricity Board,

—Gujarat Industrial Development Corporation,

—Gujarat State Financial Corporation,

—Gujarat State Road Transport Corporation and

—Gujarat State Warehousing Corporation.

A synoptic statement showing the summarised financial results of the corporations based on the accounts for 1980-81 is given in Appendix 'B'.

4.2 Gujarat Electricity Board

The working results, operational performance and other points of interest have been dealt with in Section V of this report.

4.3 Gujarat Industrial Development Corporation

4.3.1 *Introduction*

Gujarat Industrial Development Corporation was formed in August 1962 under the Gujarat Industrial Development Act, 1962.

4 3.2 *Capital*

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

The aggregate of long-term loans (including loans from Government) obtained by the Corporation was Rs. 71,61.25 lakhs at the end of 1980-81 and represented an increase of Rs. 20,78.36 lakhs (40.9 *per cent*) on the long-term loans of Rs. 50,82.89 lakhs as at the end of the previous year. Details of loans obtained from different sources and outstanding at the close of the two years up to March 1981 were as follows:

Sources	Amount outstanding as on 31st March		Percentage increase
	1980	1981	
	(Rupees in lakhs)		
State Government	16,19.94	23,64.90	46.0
Public	17,51.01	18,63.99	6.5
Banks	8,07.19	17,44.58	116.1
Life Insurance Corporation of India	7,30.50	9,48.00	29.8
Housing and Urban Development Corporation	1,24.25	2,13.78	72.1
Others	50.00	26.00	(—)48.0
Total	50,82.89	71,61.25	40.9

Government had also given subsidies to the Corporation for development of rural industrial estates and for implementing the scheme for providing employment to educated unemployed persons and other schemes sponsored by Government. The amount of subsidy remaining unutilised or unadjusted as on 31st March 1981 was Rs. 2,40.34 lakhs out of Rs. 3,66.23 lakhs received till that date.

4.3.3 *Guarantees*

Government had guaranteed the repayment of loans raised by the Corporation to the extent of Rs. 53,76.32 lakhs and the payment of interest thereon. The amount of principal guaranteed and outstanding as on 31st March 1981 was Rs. 36,91.35 lakhs.*

4.3.4 *Financial position*

The financial position of the Corporation at the close of three years up to March 1981 is given in the following table :

Liabilities	1978-79	1979-80	1980-81
	(Rupees	in lakhs)	
(a) Loans ..	43,95.34	50,82.89	71,61.25
(b) Subsidy from Government ..	2,14.37	2,33.36	2,40.34
(c) Reserves and surplus ..	1,46.08	1,85.77	2,26.64
(d) Receipt on capital account ..	15,11.39	19,86.71	24,98.08
(e) Current liabilities and provisions (including deposits)	10,48.53	13,53.40	17,64.30
Total ..	73,15.71	88,42.13	1,18,90.61

*The figure as per Finance Accounts is Rs. 51,43.19 lakhs; the difference is under reconciliation.

	1978-79	1979-80	1980-81
	(Rupees in lakhs)		
Assets			
(a) Gross block ..	52.55	60.85	74.45
(b) *Less* : Depreciation ..	19.49	24.60	30.60
(c) Net fixed assets ..	33.06	36.25	43.85
(d) Capital expenditure on development of industrial estates, *etc.*,	57,31.94	69,20.60	92,29.49
(e) Investments ..	74.64	76.94	76.94
(f) Other assets ..	14,46.54	17,69.54	24,81.20
(g) Miscellaneous expenditure ..	29.53	38.80	59.13
Total ..	73,15.71	88,42.13	1,18,90.61
@Capital employed ..	58,36.46	68,77.96	88,07.52
£Capital invested ..	45,41.42	52,68.66	73,87.89

.3.5 *Working results*

The working results of the Corporation for the three years p to 1980-81 are summarised below :

	1978-79	1979-80	1980-81
	(Rupees in lakhs)		
(a) Revenue receipts ..	4,83.25	6,09.01	7,74.82
(b) Net expenditure (after capitalisation) ..	4,63.54	5,69.33	7,33.94
(c) Excess of income over expenditure ..	19.71	39.68	40.88

@Capital employed represents mean of the opening and closing balances of reserves nd surplus, subsidy from Government, borrowings and receipts on capital account.

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

		1978-79	1979-80	1980-81
			(Rupees in lakhs)	
(d)	Provision for replacement and renewals	16.65	19.91	30.52
(e)	Net surplus	3.06	19.77	10.36
(f)	Total return on ..			
	(a) Capital employed ..	3,77.36	3,89.97	5,49.54
	(b) Capital invested ..	3,77.36	3,89.97	5,49.54
(g)	Rate of return on		(*Per cent*)	
	(a) Capital employed ..	6.5	5.7	6.2
	(b) Capital invested ..	8.3	7.4	7.4

4.3.6 *Operational performance*

The following table indicates the operational performance of the Corporation for the three years up to 1980-81 :

		As on 31st March		
		1979	1980	1981
(a)	Number of estates ..	86	111	132
			(Hectares)	
(b)	Area acquired	5627	6653	8842
(c)	Area developed	3430.5	3951.3	4726.7
(d)	Area allotted	2121.8	2632.7	2985.8
(e)	Number of sheds		(Numbers)	
	(i) constructed ..	4,869	5,437	6,530
	(ii) allotted	4,615	5,234	6,189

		As on 31st March		
		1979	1980	1981
(f)	Number of housing quaters		(Numbers)	
	(i) Constructed ..	3,018	3,244	4,118
	(ii) Allotted	2,909	2,995	3,524
(g)	Percentage of		(*Per cent*)	
	(i) Area developed to area acquired	61.0	59.4	53.5
	(ii) Area allotted to area developed	61.9	66.6	63.2
	(iii) Sheds allotted to sheds constructed	94.8	96.3	94.8
	(iv) Quarters constructed to quarters allotted	96.4	92.3	85.6

4.4 Gujarat State Financial Corporation

4.4.1 *Introduction*

Gujarat State Financial Corporation was established in May 1960 under the State Financial Corporations Act, 1951. The jurisdiction of the Corporation was extended to serve the union territory of Dadra and Nagar Haveli also with effect from 11th May 1967.

4.4.2 *Capital*

The paid-up capital of the Corporation as on 31st March 1980 and also as on 31st March 1981 was Rs. 10,00.00 lakhs (State Government : Rs. 4,89.04 lakhs, Industrial Development Bank of India : Rs. 4,70.00 lakhs and others : Rs. 40.96 lakhs).

4.4.3 *Guarantees*

The Government had guaranteed the repayment of share capital of Rs. 9,00.00* lakhs (excluding special share capital of Rs. 100.00 lakhs) under Section 6(1) of the State Financial Corporations Act, 1951 and payment of minimum dividend thereon at the rate of 3½ *per cent*. The table below indicates the details of other guarantees given by the Government for repayment of loans and fixed deposits raised/received by the Corporation and payment of interest thereon :

Particulars	Years of guarantee	Amount guaranteed	Amount outstanding as on 31st March 1981		
			Principal	Interest	Total
		(Rupees in lakhs)			
Loans	1964-65 to 1980-81	55,90.33	53,34.50	68.05	54,02.55
Fixed deposits	1966-67 to 1978-79	5,00.00	64.49	3.19	67.68
	Total	60,90.33**	53,98.99	71.24	54,70.23**

4.4.4 *Financial position*

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

	1978-79	1979-80	1980-81
	(Rupees in lakhs)		
Capital and liabilities			
(a) Paid-up capital	10,00.00	10,00.00	10,00.00
(b) Reserve fund, other reserves and surplus	5,28.85	6,89.76	7,98.68

* The figure as per Finance Accounts is Rs. 700.00 lakhs; the difference is under reconciliation.

* * The figures as per Finance Accounts are Rs. 7806.05 lakhs and Rs. 7238.05 lakhs respectively; differences are under reconciliation.

	1978-79	1979-80	1980-81
	(Rupees in lakhs)		
(c) Borrowings			
(i) Bonds and debentures	38,77.00	46,19.50	53,34.50
(ii) Deposits	2,05.53	1,62.19	64.49
(iii) Industrial Development Bank of India	37,45.71	46,82.51	58,16.65
(iv) Loans towards share capital			
(a) State Government	..	2,00.00	2,00.00
(b) Industrial Development Bank of India	..	2,00.00	2,00.00
(v) Others (including State Government loans)	1,28.58	1,43.16	1,66.10
(d) Subventions paid by the State Government on account of dividend	3.35	..	..
(e) Other liabilities and provisions	2,80.31	3,59.43	3,61.25
Total	97,69.33	1,20,56.55	1,39,41.67
Assets			
(a) Cash and bank balances ..	2,01.22	4,08.88	4,41.25
(b) Investments	1,41.57	1,18.23	1,14.91
(c) Loans and advances ..	80,51.69	98,04.41	1,16,37.84
(d) Net fixed assets	8.90	9.62	14.92

	1978-79	1979-80	1980-81
		(Rupees in lakhs)	
(e) Dividend deficit account	3.35	..	..
(f) Other assets ..	13,62.60	17,15.41	17,32.75
Total ..	97,69.33	1,20,56.55	1,39,41.67
@ Capital employed ..	85,69.91	1,05,63.37	1,26,07.27
+ Capital invested	89,68.81	1,10,91.12	1,29,53.74

4.4.5 *Working results*

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

Particulars	1978-79	1979-80	1980-81
		(Rupees in lakhs)	
1. **Income**			
(a) Interest on loans ..	7,59.11	9,47.43	10,86.49
(b) Other income ..	35.85	53.20	53.71
Total ..	7,94.96	10,00.63	11,40.20
2. **Expenses**			
(a) Interest on long-term loans	4,75.86	5,84.44	7,10.73
(b) Other expenses ..	1,11.36	1,62.87	3,47.56
Total ..	5,87.22	7,47.31	10,58.29

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

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

Particulars	1978-79	1979-80	1980-81
		(Rupees in lakhs)	
3. Profit before tax ..	2,07.74	2,53.32	81.91
4. Provision for tax ..	76.81	90.86	29.06
5. Other appropriation ..	1,06.10	1,30.47	37.00
6. Amount available for dividend	24.83	31.99	31.78*
7. Dividend paid	21.40	24.55	31.50
8. Total return on			
(a) Capital employed ..	6,83.60	8,37.76	7,92.64
(b) Capital invested ..	6,83.60	8,37.76	7,92.64
9. Percentage of return on :		(*Per cent*)	
(a) Capital employed ..	8.0	7.9	6.3
(b) Capital invested ..	7.6	7.6	6.1

4.4.6 *Disbursement and recovery of loans*

The performance of the Corporation in the disbursement/recovery of loans during the three years up to 1980-81 is indicated on pages 64-65.

* Includes refund of Income-tax for earlier years (Rs. 15.44 lakhs) and surplus (Rs. 0.49 lakh) carried forward from previous year.

	Particulars	1978-79	
		Number	Amount (Rupees in lakhs)
1	Applications pending at the beginning of the year.	308	7,31.36
2	Applications received	1,794	56,62.56
3	Total	2,102	63,93.92
4	Applications sanctioned	1,194	28,48.48
5	Applications cancelled / withdrawn/rejected/ closed	452	14,12.13
6	Difference between loan applied and sanctioned	..	4,64.47
7	Applications pending at the close of the year	456	16,68.84
8	Loans disbursed	983	18,74.32
9	Amount outstanding at the close of the year	7,203	80,51.70*
10	Amount overdue for recovery at the end of the year		
	(a) Principal	5,562	17,05.95
	(b) Interest	5,562	8,30.18
11	Percentage of default to total loans outstanding	77.2	31.5

* The figures of outstanding loans at the end of the year includes other charges

1979-80		1980-81		Cumulative since inception	
Number	Amount (Rupees in lakhs)	Number	Amount (Rupees in lakhs)	Number	Amount (Rupees in lakhs)
456	16,68.84	371	18,27.97	..	..
2,200	78,09.32	2,293	1,03,93.40	21,955	5,00,91.91
2,656	94,78.16	2,664	1,22,21.37	21,955	5,00,91.91
1,492	36,35.11	1,405	45,34.06	16,308	2,65,13.71
793	34,73.45	856	42,20.76	5,244	1,62,60.35
..	5,41.63	..	5,92.84	..	44,44.14
371	18,27.97	403	28,73.71	403	28,73.71
1,117	22,28.53	957	27,50.97	11,379	1,59,11.28
8,228	98,04.41*	9,041	1,12,34.54*	..	..
6,030	21,77.87	6,882	28,65.15	..	..
6,030	10,57.85	6,882	9,57.51	..	..
73.3	33.0	76.1	34.0	..	..

debited to the loanees' accounts.

4.5 Gujarat State Road Transport Corporation

The working results, operational performance and a detailed review on the working of Civil Engineering department, operation of tourist coaches and operation of mini buses have been dealt with in Section VI of this report.

4.6 Gujarat State Warehousing Corporation

A review on the working of the Gujarat State Warehousing Corporation is dealt with in Section VII of this report.

SECTION V

GUJARAT ELECTRICITY BOARD

5.1 Introduction

Gujarat Electricity Board was formed in May 1960 under Section 5(1) of the Electricity (Supply) Act, 1948.

5.2 Capital

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

The aggregate of long-term loans (including loans from Government) obtained by the Board was Rs. 780,29.56 lakhs at the end of 1980-81 and represented an increase of Rs. 143,18.78 lakhs *i. e.* 22.5 *per cent* on the long-term loans of Rs. 637,10.78 lakhs as at the end of the previous year. Details of loans obatined from different sources and outstanding at the close of the two years up to March 1981 were as follows :

	Source	Amount ouststanding as on 31st March		Percentage increase
		1980	1981	
		(Rupees in lakhs)		
1	State Government	423,99.90	523,13.58	23.4
2	Debenture. / Bonds	104,72.61	122,35.57	16.8
3	Life Insurance Corporation of India	51,14.08	59,09.08	15.5

	Source	Amount outstanding as on 31st March		Percentage increase
		1980	1981	
		(Rupees in lakhs)		
4	Rural Electrification Corporation Limited	31,39.18	38,73.71	23.4
5	Agricultural Re-Finance and Development Corporation	16,93.72	24,97.15	47.4
6	Agricultural Finance Corporation	6,75.68	6,75.68	..
7	Industrial Development Bank of India	6.86	2.83	..
8	Commercial banks	10.57	2.52	..
9	Deferred payments	..	8.96	..
10	Others	1,98.18	5,10.48	157.6
	Total	637,10.78	780,29.56	22.5

5.3 Guarantees

Government had guaranteed the repayment of loans raised by the Board to the extent of Rs. 197,64.04 lakhs* and the payment of interest thereon. The amount of principal guaranteed and outstanding as on 31st March 1981 was Rs. 189,93.31 lakhs*.

*The figures as per Finance Accounts are Rs. 288,63.97 lakhs and Rs. 287,91.11 lakhs respectively; the differences are under reconciliation.

5.4 Financial position

The financial position of the Board at the close of three years up to 1980-81 is given in the following table :

Liabilities	1978-79	1979-80	1980-81
	(Rupees in lakhs)		
(a) Loans from Government	357,84.90	423,99.90	523,13.58
(b) Other long-term loans (including bonds)	176,31.56	213,10.88	257,15.98
(c) Reserves and surplus	51,22.96	67,34.58	83,99.21
(d) Current liabilities and provisions	174,83.00	186,27.63	212,40.87
Total	760,22.42	890,72.99	1076,69.64
Assets			
(a) Gross fixed assets	541,04.12	636,02.05	688,17.63
(b) Less : Depreciation	97,94.36	97,24.51	111,90.35
(c) Net fixed assets	443,09.76	538,77.54	576,27.28
(d) Capital works-in-progress	172,38.94	180,43.30	268,19.97
(e) Current assets	144,73.72	171,52.15	232,22.39
Total	760,22.42	890,72.99	1076,69.64
@ Capital employed	429,24.80	523,03.29	594,28.99
£ Capital invested	583,35.48	692,00.33	840,94.57

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

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

5.5 Working results

The working results of the Board for the three years up to 1980-81 are summarised below :

	1978-79	1979-80	1980-81
		(Rupees in lakhs)	
(a) Revenue receipts	174,98.66	211,13.80	245,32.23
(b) Subsidy/subvention from Government	4.25	25.47	39,99.57
Total	175,02.91	211,39.27	285,31.80
(c) Revenue expenditure	134,24.39	154,90.29	230,05.25
(d) Gross surplus	40,78.52	56,48.98	55,26.55*
(e) Appropriations			
(i) Interest on Government Loans	25,08.87	31,58.71	25,60.41
(ii) Interest on other loans and bonds	15,61.80	15,43.28	18,96.39
(iii) Preliminary expenses written-off	1.81	..	5.69
(iv) Contribution to discount sinking fund	6.04	5.43	4.92
(v) Repayment of loans other than Government loans	..	9,41.56	10,59.14
Total	40,78.52	56,48.98	55,26.55

*The surplus included in this figure is worked out as per the provisions of the Electricity (Supply) Act, 1948 which does not show comparable commercial surplus.

	1978-79	1979-80	1980-81
		(Rupees in lakhs)	
(f) Total return on capital employed	40,70.67	58,58.03	56,55.16
(g) Total return on capital invested	40,70.67	56,43.55	55,15.94*
		(*per cent*)	
(h) Rate of return on :			
(i) Capital employed	9.5	11.2	9.5
(ii) Capital invested	7.0	8.2	6·6

The subsidy of Rs. 39,99.57 lakhs include a subsidy of Rs. 39,97.00 lakhs claimed from State Government towards setting off of the rural losses to maintain the return on capital base at 9.5 *per cent*. The Government had stated (April 1982) that the Board's proposal to grant subsidy for rural losses and shortfall to earn revenue return of 9.5 *per cent* prescribed by the world bank was under their consideration. The amout is yet to be sanctioned by Government (October 1982).

As on 31st March 1981 the Board had a cumulative contingent liability of Rs. 79,05.36 lakhs as detailed below :

	For the year 1980-81	Cumulative as on 31st March 1981
	(Rupees in lakhs)	
Interest on Government loans	..	49,70.73
Depreciation which could not be provided	6,92.21	29,34.62
Total	6,92.21	79,05.35

*Includes interest of Rs. 139.22 lakhs included under revenue expenditure.

5.6 Operational performance

The following table indicates the operational performance of the Board for the three years up to 1980-81 :

Particulars	1978-79	1979-80	1980-81
1. Installed capacity		(MW)	
(i) Thermal	1,316.5	1,512.5	1,512.5
(ii) Hydro	300.0	300.0	300.0
(iii) Others	56.5	56.5	56.5
*Total	1,673.0	1,869.0	1,869.0
2. Normal maximum demand	1,401.0	1,632.0	1,798.0
3. Power generated		(Mkwh)	
(i) Thermal	5,323.173	6,126.502	6,925.812
(ii) Hydro	1,160.919	1,206.333	888.463
(iii) Others	123.456	75.860	46.462
Total	6,607.548	7,408.695	7,860.737
4. *Less*			
Auxiliary consumption including transformation loss	667.749	748.278	727.273
5. Net power generated	5,939.799	6,660.417	7,133.464
6. Power purchased	1,115.593	845.953	988.804

*These do not include Gujarat Electricity Board's share (190 MW) uninstalled capacity in Tarapur Atomic Power Project.

Particulars	1978-79	1979-80	1980-81
		(MW)	
7. Total power available for sale	7,055.392	7,506.370	8,122.268
8. Power sold	5,883.580	6,243.776	6,516.731
9. Transformation, transmission and distribution loss	1,171.812	1,262.594	1,605.537
		(*per cent*)	
10. Load factor	62.9	57.6	56.2
11. Transmission and distribution loss (9 to 7)	16.6	16.8	19.8
12. Number of units generated per KW of installed capacity	3,950	3,964	4,206

5.7 The following table gives other details about the working of the Board as at the end of three years up to 1980-81 :

Particulars	1978-79	1979-80	1980-81
		(Numbers)	
(1) Villages/towns electrified (cumulative)	9,464	10,867	12,515
(2) Pumps sets/wells energised (cumulative)	1,77,798	2,02,853	2,51,616
(3) Sub-stations	221	225	229
(4) Transmission/distribution lines (Kilometres)			
(i) High/medium voltage	63,825	69,748	75,618
(ii) Low voltage	54,588	62,736	69,892
(5) Connected load (MW)	3,451.311	3,759.321	4,199.036
(6) Number of consumers	20,63,938	23,09,700	25,43,155
(7) Number of employees	25,584	28,068	29,932
(8) Total expenditure on staff (Rupees in lakhs)	2,527	3,020	4,057
(9) Percentage of expenditure on staff to total expenditure	18.8	19.5	17.6

5.8 The following table gives the details of power sold, revenue, expenses and profit/loss per kwh sold during the three years up to 1980-81 :

		1978-79	1979-80	1980-81
1	Units sold		(MKwh)	
	(a) Agriculture	1,074.808	1,213.199	1,298.405
	(percentage share to total)	(18.3)	(19.4)	(19.9)
	(b) Industrial	3,001.795	3,213.447	3,329.561
	(Percentage share to total)	(51.0)	(51.5)	(51.1)
	(c) Commercial	66.570	63.849	74.522
	(d) Domestic	327.026	368.787	393.046
	(e) Others	1,413.381	1,384.494	1,421.197
	Total	5,883.580	6,243.776	6,516.731
			(Paise per Kwh)	
2	Revenue (excluding subsidy from Government)	29.75	33.82	37.65
3	Expenditure*	23.50	27.71	36.38
4	Profit(+)/Loss(—)	(+)6.25	(+)6.11	(+)1.27

The losses in 1980-81 were attributed (April 1982) by the Management to increase in establishment expenses on account of revision in pay scales and interim relief, expenditure on major repairs of two thermal sets at Ukai and expenditure on emergency protection work at Dhuvaran to arrest fast erosion of river bank to save cooling system.

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

5.9 Other topics of interest

(a) Loss due to delay in finalisation of tender

In November 1977, Board felt urgent need of 250 tonnes of 100 mm mild steel rounds for construction of residential quarters at Wanakbori. As the steel plants were likely to take 3 to 4 months to supply against the indent already placed on them, open tenders were invited (November 1977). Tenders were valid for 30 days from the date of opening *viz.*, 12th December 1977 and the delivery was to commence from 15 days after receipt of order and completed within 4 to 6 weeks. Tenders were not finalised within the validity period and the order was placed in March 1978 on the lowest tenderer (who extended the period of validity up to 28th February 1978, with delivery period to commence from April / May 1978) at a firm price of Rs. 2030 per tonne. However, any increase in prices / taxes / levies or excise duties on finished steel / raw materials during the contracted delivery period was to be borne by the Board. The firm did not supply the material in time and demanded price increase (June 1978) of Rs. 497.12 per tonne due to increase in Joint Plant Committee price, which was accepted. The material was received in August / September 1978. In the meantime, the material was received from the steel plants also (October 1978). As a result of delay in finalisation of the tender the Board had received materials, urgently required during 1977, only by September 1978 and had to incur an additional expenditure of Rs. 1.24 lakhs due to increase in Joint Plant Committee price effective from 5th June 1978.

(b) Loss in purchase of cables

Tenders for the purchase of 88,800 coils (subsequently revised to 1,00,000 coils) of 2.5 sqmm twin core PVC/PVC cables, were invited in June 1979. The tenders were valid for 90 days from the date of opening of technical bids (opened on 11th July 1979). The Board in its meeting held on 29th September 1979 authorised the Chairman to conduct negotiations about the prices, quantities, *etc.* and to place orders on various firms. Accordingly discussions were held on 8th October 1979 wherein the first two lowest tenderers expressed their inability to supply material as offered in their tender (88,000 coils at Rs. 147.27 per coil and 50,000 coils at Rs. 151.01 per coil respectively by the first and second lowest tenderers) and limited their offers to 25,000 and 5,000 coils respectively at the quoted price.

The Board considered third and fourth lowest tenderers for the balance 70,000 coils and distributed the balance amongst them at 40,000 coils (at Rs. 175.97 per coil) and 30,000 coils (at Rs. 185.94 per coil) respectively. Here also the Board did not allocate the full quantity to the third lowest tenderer on the plea that they had asked for price increase in another firm price order for another item " control cables ".

By not finalising the tenders within the validity period, the Board lost advantage of the offer of the first lowest tenderer for 63,000 coils and of second lowest tender for 11,200. This delay resulted in an avoidable extra expenditure of Rs. 22.85 lakhs.

(c) Idle investment in purchase of tractor-trailor.

With a view to accelerating the tempo of construction of irrigation and power projects the Central Water Commission (CWC),

Government of India explored (May 1978) the possibility of importing certain earth-moving and construction equipments under grant received from United Kingdom. The Board's requirement for 2 truck-trailors was intimated in June 1978 and the purchase of equipment was justified on the grounds that Board had to transport a number of heavy packages from one place to another and from Railway Station, Sevalia to site at Wanakbori Power Station which work was being handled through contractors.

In response to the global tenders invited by CWC and evaluated by its Tender Evaluation Committee, the offer of a company 'A' of New Delhi, (technically acceptable) was accepted by the Government of India. One Foden Model-60 tonne truck-tractor was allotted (March 1979) to the Board. On receipt of this intimation (March 1979) the Board placed an order on company 'A' in July 1979 and the firm despatched the tractor in April 1980 which was received at site in September 1980. The cost including customs duty was Rs. 15.80 lakhs

Simultaneously, CWC decided (May 1979) to accept the offer of company 'B' of New Delhi, for a matching semi low bed trailor of 60 tonne capacity. The Board issued necessary orders on company 'B's works at Pimpri in October 1979 with delivery to commence ex-works within 5 months from the date of the order or approval of general arrangement drawings, whichever was later. The order provided that special permission required for registering this trailor with the Regional Transport Officer (RTO), would be the responsibility of the purchaser. The trailor was ready for inspection in October 1980 but its despatch was held

up due to non-registering of the trailor by the registering authority. It was transported through railways in May 1981. The cost of the trailor was Rs. 3.11 lakhs.

Eventhough the Board had known the requirement of special permission for registering the trailor and accepted its responsibility in October 1979, no efforts were made to get RTO's permission in time. This resulted in non-availability of tractor/trailor for the project work so far (May 1982) and the investment of Rs 18.91 lakhs remained unfruitful.

The Government stated (May 1982) that the RTO was approached in October 1980 for registration of the tractor but it being of unusual dimension, Government was approached by RTO for special permission and the same was registered in May 1981. Similarly, design for tractor-trailor being new, RTO approached the Government (March 1981) to issue a notification prescribing maximum load for vehicle and maximum load for each wheel to bear. The State Government after obtaining clarifications from RTO had approached the Government of India in January 1982 for approval, which was awaited (May 1982).

(d) Unauthorised aid to contractor

The Board awarded a contract (July 1972) for the electrical and mechanical erection work of Ukai Hydro Project to contractor 'A' of Bombay. The contract stipulated recovery of charges for water, electricity, *etc.* at the Board's standard rates. The Board's "Conditions and miscellaneous charges for supply of electrical energy" stipulated supply of large power, where monthly maximum demand exceeded 100 KW, at high tension

and for which a separate tariff was applicable. Eventhough the contract provided for charging at Board's standard rates and high tension tariff was applicable in this case, the contractor was supplied and charged at low tension tariff. For 3,79,589 units consumed during the period of contract (March 1972 to February 1976), the Board gave an unintended concession to the contractor of Rs. 0.69 lakh being the difference between the charges leviable under the high tension tariff (Rs. 1.47 lakhs) and those recovered under low tension tariff (Rs. 0.78 lakh). The Government stated (August 1982) that the contractor was allowed more than one connection in project area for various practical reasons. Even if more than one connection was given the Board could have billed them at HT rates as per the terms of contract. The reasons for deviation from the approved terms were, however, not kept on record.

(e) Extra contractual payment in purchase of earthwire

An order was placed (October 1978) on a company of Vadodara for supply of 326 tonnes (equivalent to 400 Kms in length) of galvanised standard steel wire at a firm price of Rs. 4,900 per tonne. The supply was to commence in 6/8 weeks of the receipt of order and to be completed before the end of February 1979. The company supplied 95.621 tonnes of wire up to February 1979 and requested the Board (September 1979) either to cancel the balance order without any financial repercussions on either side or to give full price variation alongwith fresh levies if any, up to the period they get the required quantity of raw material. The Board issued (October 1979) a notice to the supplier to complete the supply within 15 days,

failing which action to purchase at the risk and cost of the supplier would be taken. Though tenders were obtained, no risk purchase was made and the Board accepted (February 1981) a proposal of the company to grant 50 *per cent* Joint Plant Committee price variation in the quoted rates for the balance 230.379 tonnes to be supplied within 5 months from 25th February 1981.

Thereupon the company supplied a further quantity of 224.209 tonnes of wire and the Board accepted a price variation of Rs. 2.21 lakhs on 177.235 tonnes (excluding 46.974 tonnes for which raw material was available with the company in February 1981). The Board had, however, not so far (July 1982) assessed the loss due to delay in completion of line works.

SECTION VI

GUJARAT STATE ROAD TRANSPORT CORPORATION

6.1 Introduction

The Gujarat State Road Transport Corporation was established on 1st May 1960 under Section 3 of the Road Transport Corporations Act, 1950.

6.2 Capital

Under Section 23 (i) *ibid* the State Government and the Central Government had agreed to contribute to the capital of the Corporation in the ratio of 2:1. The capital of the Corporation was Rs. 88,06.63 lakhs (State Government : Rs. 63,37.42 lakhs* ; Central Government : Rs. 24,69.21 lakhs) as on 31st March 1981 as against the capital of Rs. 65,78.63 lakhs (State Government : Rs. 45,85.42 lakhs ; Central Government : Rs. 19,93.21 lakhs) as on 31st March 1980. The shortfall in the capital contribution of the Central Government as on 31st March 1981 was Rs. 6,99.50 lakhs against which a sum of Rs. 2,64.50 lakhs was received in January 1982. The Central Government had, however, declined to contribute Rs. 4,35.00 lakhs as in respect of this amount prior consent of the Central Government and approval of Planning Commission had not been obtained. Interest is payable on the capital at 6.25 *per cent per annum.*

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*Figures as per Finance Accounts is Rs. 62,96.98 lakhs; difference is under reconciliation.

6.3 Guarantees

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

Particulars	Years of guarantee	Amount guaranteed	Amount outstanding as on 31st March 1981
		(Rupees in lakhs)	
1. Public loans	1976-77 to 1980-81	5,60.00	3,30.00
2. Bank loans	1976-77 to 1980-81	4,00.00	2,55.00
	Total	9,60.00*	5,85.00*

6.4 Financial position

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

Capital and liabilities	1978-79	1979-80	1980-81
	(Rupees in lakhs)		
(a) Capital	54,69.63	65,78.63	88,06.63
(b) Borrowings	10,30.21	11,31.38	11,80.83
(c) Funds@	14,42.08	14,48.22	14,48.28
(d) Trade dues and other current liabilities (including provisions)	17,10.06	20,82.28	34,02.96
Total	96,51.98	1,12,40.51	1,48,38.70

*Figures as per Finance Accounts are Rs. 13,16.70 lakhs and Rs. 12,02.70 lakhs respectively; differences are under reconciliation.

@Funds excludes depreciation fund.

	1978-79	1979-80	1980-81
	(Rupees in lakhs)		
Assets			
(a) Gross block	90,77.32	1,09,03.38	1,21,62.79
(b) *Less* : Depreciation	48,67.33	57,54.86	70,20.09
(c) Net fixed assets	42,09.99	51,48.52	51,42.70
(d) Capital works-in-progress (including cost of chassis)	5,73.35	3,88.71	12,45.75
(e) Investments	3,28.10	3,48.76	3,51.43
(f) Current assets, loans and advances	16,61.25	19,28.80	21,14.06
(g) Accumulated losses	28,79.29	34,25.72	59,84.76
Total	96,51.98	1,12,40.51	1,48,38.70
**Capital employed	41,09.52	49,35.30	38,15.72
£ Capital invested	64,65.05	76,92.73	99,80.64

6.5 Working results

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

Particulars	1978-79	1979-80	1980-81
	(Rupees in lakhs)		
1 (a) Operating			
Revenue ..	1,05,45.51	1,20,61.10	1,31,57.98
Expenditure ..	1,09,02.72	1,26,16.39	1,56,55.71
Surplus(+)/ Deficit (—)	(—) 3,57.21	(—)5,55.29	(—)24,97.73

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

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

Particulars		1978-79	1979-80	1980-81
		(Rupees in lakhs)		
(b) Non-operating				
Revenue	..	3,89.99	4,95.60	5,29.26
Expenditure	..	4,14.68	4,80.43	5,90.56
Surplus(+) / Deficit(—)	..	(—)24.69	(+)15.17	(—)61.30
(c) Total				
Revenue	..	1,09,35.50	1,25,56.70	1,36,87.24
Expenditure	..	1,13,17.40	1,30,96.82	1,62,46.27
Net profit(+)/ Loss(—)		(—)3,81.90	(—)5,40.12	(—)25,59.03
2 Interest on capital and loans (net after deducting interest on investments)		4,03.65	4,71.22	5,73.99
3 Total return on :				
(a) Capital employed	..	(+)21.75	(—)68.90	(—)19,85.04
(b) Capital invested	..	(+)23.66	(—)65.57	(—)19,77.16
4 Percentage of return on :			(*Per cent*)	
(a) Capital employed	...	0.5	..	..
(b) Capital invested	..	0.4	..	..

6 Operational performance

The table below indicates the operational performance of the rporation for the three years up to 1980-81 :

Particulars	1978-79	1979-80	1980-81
. Average number of vehicles held	5,702	6,101	6,489
2. Average number of vehicles on road	4,557	4,925	5,168
3. Percentage of utilisation	79.9	80.7	79.6
4. Route kms	4,72,488	5,21,496	5,59,617
5. Kms operated (in lakhs)			
(a) Gross	48,13.03	53,09.64	55,78.09
(b) Effective	47,63.49	52,53.42	55,13.38
(c) Dead	49.54	56.22	64.71
6. Percentage of dead kms to gross kms	1.02	1.05	1.2
7. Average kms covered per bus per day	289.3	294.2	295.8
8. Average revenue per km (paise)	220.40	229.16	238.66
9. Average expenditure per Km (paise)	227.86	239.71	283.96
10. Profit (+) / Loss (—) per km (paise)	(—)7.46	(—)10.55	(—)45.30
11. Number of operating depots	111	112	114
12. Average number of break-down per lakh kms	6.1	4.9	5.4
13. Average number of accidents per lakh kms	0.36	0.36	0.38
14. Passenger kms operated (in crores)	2571.33	2862.06	3019.13
15. Occupancy ratio	77.2	74.2	76.7

6.7 Working of Civil Engineering Department

6.7.1 *Introduction*

For execution of civil engineering works of the Corporatio it has a civil engineering department headed by a Chief Civ Engineer.

6.7.2 *Land*

As on 31st March 1981, Corporation held 404 hectares, 1 ares and 94 square metres of land ; valuing Rs. 297.16 lakhs.

The table below indicates land acquired/purchased by th Corporation during the three years up to March 1981 :

	1978-79	1979-80	1980-81
Area of land acquired/ purchased (in hectares)	22.25	23.48	10.44
Value (Rupees in lakhs)	11.76	90.32	23.35

The Corporation had to pay the estimated cost of land c part thereof in advance to the Land Acquisition Officer/selle and the same was adjusted on taking possession and declaratio of award/execution of sale deed. Of the total advances c Rs. 18.11 lakhs given between 1966-67 and 1980-81 and outstar ding as on 31st March 1981, advances amounting to Rs. 2.4 lakhs remained (May 1982) to be cleared due to procedura and other legal formalities.

The Corporation intimated (May 1982) that the matte had been taken up with the authorities concerned and effort were being made to get it sorted out in the courts.

.7.3 *Advances for purchase of steel and cement*

(a) Steel

Out of the advance payments made to the steel mills for urchase of steel up to March 1980, amount of Rs. 8.66 lakhs 92 cases) was outstanding as on 31st March 1981. Out of the dvances outstanding as on 31st March 1981 a sum of Rs. 1.37 akhs (53 cases) pertained to the period prior to April 1975.

The Management stated (May 1982) that stores department of the Corporation also make advance payment to the steel nanufacturers for purchase of steel for bus body building purpose. The manufacturers keep common account in their books and do not furnish orderwise/advancewise details of supplies made, *etc;* giving details of the department which placed the order, their relevant invoice and refund voucher. As a result the transactions of Civil Engineering Department got mixed up with those of stores department. Eventhough the work of reconciliation was in progress (May 1982), reasons for not calling for the details on completion of supplies and non-insistence on rendering an orderwise/advancewise account by the suppliers were not forthcoming. Had the Corporation taken timely action to get the details, old advances would not have remained outstanding.

(b) Cement

Out of advance payments made for purchase of cement up to March 1980 a sum of Rs. 4.04 lakhs (35 cases) was outstanding as at 31st March 1981, of which a sum of Rs. 0.66 lakh (8 cases) pertained to April 1975. No effective steps had been taken to obtain refund of the outstanding advances (May 1982).

6.7.4 *Other topics of interest*

1 Purchase of land at Gandhinagar

The Government of Gujarat directed the Corporation in 19 to plan the shifting of its headquarters to Gandhinagar an offered suitable government land for construction of offic building and staff quarters at the rate of Rs. 106.64 and Rs. 2 per square metre respectively. The offer was not accepted b the Corporation on the plea that the rates offered were hig and the financial position of the Corporation would not perm such a purchase. Without any appreciable improvement in it financial position, the Corporation, however, decided (Augus 1978) to shift its headquarters to Gandhinagar and paid Rs. 7 lakhs (March 1979) towards the cost of 1.36 lakh sq of land (office building 16,000 sqm at Rs. 100 per sqm staff quarters class III and IV : 1 lakh sqm at Rs. 50 per sqn and staff quarters class I and II 22,000 sqm at Rs. 60 per sqm) Compared to the earlier rates offered by Government, the highe rates paid resulted in an additional expenditure of Rs. 33.3 lakhs.

The Corporation had taken possession of the land in Decem ber 1978/July 1979 but so far no construction works hac been taken up (July 1982).

2 Depot at Jasdan

The contract for the construction of permanent depot at Jasdan (estimated cost : Rs. 7.12 lakhs) was awarded (January 1979) to a contractor for Rs. 7.42 lakhs. On completion of formalities regarding deposit of security and execution of

agreement the contractor was requested (March 1979) to take up the work immediately eventhough the land was not in possession of the Corporation, as it was expected to get the possession within a reasonable time and the land owner was also willing to part with it. The contractor had completed fabrication work worth Rs. 0.54 lakh up to September 1979 but the land was not handed over till March 1980 and the contractor declined to start the work and asked for price rise of nearly 40 *per cent*. The Tender and Stores Committee decided (July 1980) to reinvite tenders. On reinvitation (May 1981) the balance work (estimted cost : Rs. 6.58 lakhs) was entrusted to the same contractor (only tenderer) for Rs. 11.75 lakhs thus incurring an extra expenditure of Rs. 4.87 lakhs.

3 Abandonment of works of bus station at Tharad

Contract for providing electrical installations to the permanent bus station at Tharad was awarded (August 1977) to a firm for Rs. 0.34 lakh (25 *per cent* below estimated cost : Rs. 0.46 lakh). Necessary security deposit (Rs. 1,366) was paid (August 1977) and agreement executed (September 1977). However, work order was not issued till 20th April 1978. After commencing the work the contractor refused (April 1979) to complete the work as work order was issued late (7 months) after the execution of agreement during which period the rates had gone up. After giving notice (May 1979), the contract was terminated (July 1979). The work was got executed in October 1980 through another contractor at the risk and cost of the former contractor at a total cost of Rs. 0.59 lakh, involving an extra expenditure of Rs. 0.25 lakh. The Corporation was

holding earnest money and security deposit of Rs. 1,821 only. Neither the amount was recovered from the contractor nor any action taken for blacklisting.

6.8 Operation of tourist coaches

In January 1976, the State Transport Authority (STA) invited applications for grant of national permits for operations of tourist vehicles throughout India. Mainly on the consideration that if the Corporation did not apply for such permits, STA would issue such permits to private operators and it would encourage competition with the Corporation and might also lead to misuse of such permits ultimately resulting in a loss of revenue, the Corporation applied for (January 1976) grant of national permits for five mini-buses and two luxury buses. The decision was *post-facto* approved by the Corporation in March 1977. The Corporation commenced (September 1978) operations with two luxury buses (32 seats capacity) stationed at Ahmedabad and five mini buses (20 seats capacity)) at five different places in the State. The cost of chassis and building bodies thereon was Rs. 2.04 lakhs per bus for luxury buses and Rs. 1.79 lakhs each for mini buses.

While fixing the rate structure for operation of these buses, it was expected to reach break-even level if luxury buses operated for 30,000 kilometres and mini-buses for 13,000 kilometres in a year. The fare prescribed was Rs. 3.50 per kilometre (luxury coaches) and Rs. 3 per kilometre (mini buses) or Rs. 45 per hour for the first 12 hours and Rs. 22.50 per hour beyond 12 hours, whichever was higher. With effect from 24th April 1981, per kilometre rates were revised to Rs. 4.50 (luxury buses) and

Rs. 3.75 (mini buses) with an hourly rate of Rs. 56.25/Rs. 28.15 for 12 hours/beyond 12 hours. In this revision, a minimum charge of Rs. 150 per contract was introduced.

The table below gives the details of operation of these buses for the years 1979-80 and 1980-81 as available at the head office of the Corporation :

Sr. No.	Particulars	For 2 tourist luxury coaches		For 5 tourist mini-buses	
		1979-80	1980-81	1979-80	1980-81
1	Effective Kms operated	60,871	70,441	40,984	35,397
2	Dead Kms	3,497	1,046	2,718	1,859
3	Gross Kms	64,368	71,487	43,702	37,256
4	Vehicle utilisation in Kms (Per year per vehicle)	32,184	35,743	8,740	7,451
5	No. of days for which vehicles were utilised during the year	233	242	175	188
6	Percentage of fleet utilisation	31.8	33.1	9.6	10.3
7	Number of casual contracts operated	63	42	55	47
8	Net revenue per effective Km (paise)	220	225	242	258
9	Operating cost inclusive of depreciation and interest but exclusive of overheads per Km (paise)	238	240	564	654
10	Deficit per Km (paise)	(—)18	(—)15	(—)322	(—)396
11	Loss during the year (Rupees in lakhs)	0.11	0.11	1.32	1.40

The operation of luxury buses resulted in a loss of Rs. 0.22 lakh and that of mini-buses in a loss of Rs. 2.72 lakhs during the two years up to 1980-81. Though the utilisation of luxury coaches reached the target of 30,000 kilometres, the presumed break-even point, the operations resulted in a loss mainly because of increase in the cost of operations due to general increase in the wages and cost of material. The matter was reported to the Corporation/Government in February 1982; their reply was awaited (October 1982).

6.9 Operation of mini-buses

(a) During 1970-71, the Corporation decided to introduce mini luxury buses with seating capacity of 19 passengers each, for hire on casual contracts. A review of the operations for the three years up to 1973-74, was included in paragraph 4.7 of Section VI of the Report of the Comptroller and Auditor General of India for 1973-74 (Commercial) wherein it was mentioned that (i) fleet utilisation was poor and (ii) the operations were resulting in loss. It was stated by the Management (April 1975) that operations of these buses were necessary to meet the demands of the public and that no extra overheads were incurred by the divisions on these operations. The table below indicates the salient features of the operation of mini buses for the three years up to March 1981 :

Sr. No.	Particulars		1978-79	1979-80	1980-81
1	Number of buses operated	..	20	20	20
2	Number of Kms operated: (in lakhs)				
	(i) Gross ..	..	2.92	3.09	3.63
	(ii) Effective ..	..	2.75	2.95	3.48

Sr. No.	Particulars	1978-79	1979-80	1980-81
3	Total operational bus days			
	(i) Available	7,300	7,053*	6,913*
	(ii) Operated	1,464	1,697	1,741
	(iii) Idle	5,836	5,356	5,172
			(Rupees in lakhs)	
4	Total operating revenue ..	5.27	5.74	6.78
5	Total operating expenditure			
	(i) Excluding overheads (direct cost)	5.74	6.36	7.80
	(ii) Including overheads ..	8.64	9.59	13.56
6	Loss in operation			
	(i) Excluding overheads ..	0.47	0.62	1.02
	(ii) Including overheads ..	3.37	3.85	6.78

The vehicles were operated for 20 to 25 *per cent* of the total available days and the vehicles remained idle for want of demand. It was also noticed that as against the break-even point of operation of 164 days in a year, mini buses were actually used on an average for 73,85 and 87 days in the three years up to 1980-81 respectively. The Corporation had not analysed the causes for the poor utilisation. The Corporation was unable to recover even the direct cost of operation and the loss increased from Rs. 3.37 lakhs in 1978-79 to Rs. 6.78 lakhs in 1980-81.

*Excludes period for which buses were not available.

(*b*) These buses were to be given on hire on the same term and conditions as were applicable to other buses and no concess ion was to be granted and no detention charges were to be levie separately as was done in case of moffusil buses given on casua contracts. Initially, a rate of Rs. 1.50 per kilometre was fixe (July 1970) on the assumption of per day utilisation of 15 kilometres per bus and a total utilisation of 164 days in a year These rates were reduced (August 1970) to Rs. 1.25 per km wit minimum charge of Rs. 25 (up to 4 hours), Rs. 50 (from 4 t 8 hours) and Rs. 100 (for more than 8 hours). This reductio was felt necessary to provide good facility at competitive rate to the general public and to keep the rates of the Corporation if not very much lower, atleast equal to those of the private operators. The Corporation revised the rates (effective from 21st July 1973) to Rs. 1.80 per km and also increased minimum charges to Rs. 35, Rs. 70 and Rs. 140 for operation up to 4 hours, 4 to 8 hours and for more than 8 hours respectively. One more revision effective from 21st April 1981 was made increasing the rates by 50 *per cent*.

Eventhough the Corporation had raised the rates from April 1981, it could not avoid the losses as the cost of operation had increased much more than the increase in rates. The cost per kilometre in 1980-81 was 389 paise as against 222 paise in 1973-74.

(c) Each division was allotted atleast one mini bus for operation in the division. A review of operations of mini bus stationed in Palanpur division of the Corporation disclosed that the bus allotted to the division could be operated for only 26

lays due to lack of demand during the last three years (April 978 to March 1981). Similarly in Himatnagar division, mini ›us was operated for 65 days in 3 years (1978-79 to 1980-81). The Corporation followed the policy of allotting one bus per ›perating division notwithstanding uneconomical operation of he bus and lack of demand. The Management stated March 1982) that it had now decided to operate these buses ›n long distance inter-State routes as stage carriage services to ealise better revenue and thereafter to decide the issue whether o retain these buses or not.

The matter was reported to Government in January 1982, eply was awaited (July 1982).

SECTION VII

GUJARAT STATE WAREHOUSING CORPORATION

7.1 Introduction

The Gujarat State Warehousing Corporation was established by Government on 5th December 1960 under Section 28 of the Agricultural Produce (Development and Warehousing) Corporations Act, 1956 (repealed by the Warehousing Corporations Act, 1962). It started functioning in February 1961.

7.2 Functions

The main functions of the Corporation are to :

—acquire and build godowns and warehouses at such places within the State as it may, with the previous approval of the Central Warehousing Corporation, determine ;

—run warehouses in the State for storage of agricultural produce, seeds, manures, fertilizers, agricultural implements and notified commodities ;

—arrange facilities for transport of agricultural produce, seeds, manures, fertilizers, agricultural implements and notified commodities to and from warehouses ;

—act as an agent of the Central Warehousing Corporation or of Government for the purposes of purchase, sale, storage and distribution of agricultural produce, seeds, manures, fertilizers, agricultural implements and notified commodities, and

—carry out such other functions as may be prescribed.

7.3 Organisational set-up

The Management of the affairs of the Corporation vests in a Board of Directors consisting of eleven directors including the Chairman and the Managing Director. Five directors are nominated by the Central Warehousing Corporation (CWC) and five directors are nominated by the State Government; the Chairman of the Board of Directors is appointed by the State Government from among the Directors with the previous approval of CWC while the Managing Director is appointed by the State Government in consultation with other directors and with the prior approval of the CWC.

In terms of Section 25 of the Act, an Executive Committee has been constituted consisting of Chairman, the Managing Director and three other directors. Subject to the general and special directions given by the Board of Directors, the Executive Committee is authorised to deal with any matter within the competance of the Corporation.

7.4 Capital structure

Share capital

The authorised share capital of the Corporation as on 31st March 1981 was Rs. 200 lakhs divided into 2 lakh shares of Rs. 100 each. The subscribed and paid-up capital as on 31st March 1981 was Rs. 153.00 lakhs (CWC: Rs. 57.50 lakhs and State Government : Rs. 95.50 lakhs). As per the provisions contained in Section 19(2) of the Act contribution by the two participants has to be in equal proportions. However, the excess contribution made by State Government amounted to Rs. 38 lakhs.

7.5 Working results

(a) The Corporation earned profits (before tax) of Rs. 20.24 lakhs, Rs. 13.55 lakhs and Rs. 17.87 lakhs during the 3 years up to 1980-81 respectively. The decrease in profits was mainly due to decrease in income under warehousing charges (Rs. 60.82 lakhs, Rs. 49.32 lakhs and Rs. 42.78 lakhs respectively). There was also an increase in expenses.

(b) Administrative expenses

The table below indicates the total administrative expenses of the Corporation, the total receipts from warehousing charges, service charges and percentage of administrative expenses to warehouse receipts and total receipts for the three years up to 1980-81 :

	1978-79	1979-80	1980-81
	(Rupees in lakhs)		
(a) Establishment charges ..	17.31	17.80	19.94
(b) Receipts :			
(i) Warehousing charges ..	60.82	49.32	42.78
(ii) Service charges	2.23	9.05	23.65
(iii) Total (i)+(ii)	63.05	58.37	66.43
Percentage of		(*Per cent*)	
Administrative expenses to warehousing receipts	28.5	36.1	46.6
Administrative expenses to total receipts	27.5	30.5	30.0

The CWC had prescribed a norm of 8 *per cent* of warehousing receipts for head office administrative expenses. However, the Corporation has not analysed (August 1982) its expenditure in the light of this norm prescribed by CWC.

The main reason for increase in percentage of administrative expenses to warehousing receipts was fall in revenue from warehousing charges during these years. During this period deposits of goods by the Food Corporation of India (FCI) and Rashtriya Chemicals and Fertilizers Company Limited (RFC) were progressively withdrawn without fresh deposits. Eventhough, custom from Cotton Corporation of India Limited and Gujarat Co-operative Oil Seeds Growers' Federation Limited was attracted, the Corporation could not maintain the level of deposits which were achieved in the earlier years. The Corporation had, however, diversified (1979-80) the activity by undertaking work of storage and distribution of cement on behalf of Controller of Cement, New Delhi for which service charges were recovered.

7.6 Performance analysis

7.6.1. Targets and achievements

(a) The table below indicates the number of warehouses set up (both constructed and hired) by the Corporation and capacity established as at the end of the three years up to 1980-81.

Particulars	1978-79	1979-80	1980-81
Warehouses at the beginning of the year	67	73	78
Warehouses set-up during the year	10	13	1
Warehouses closed/merged during the year	4	8	24
Warehouses at the end of the year	73	78	55

Particulars	1978-79	1979-80	1980-81
	(Tonnes in lakhs)		
Capicity established			
(i) Constructed	0.68	0.73	0.71*
(ii) Hired	1.52	1.45	0.84**
Total	2.20	2.18	1.55

(b) Construction of godowns

In January 1973, the Corporation set up its own construction cell headed by an Executive Engineer to look after the work of construction of godowns in the State. At the end of the year 1974-75, the Corporation had constructed godowns having a capacity of 30,575 tonnes. The table below indicates the targets fixed and the capacity created by the Corporation in the construction of godowns in the State during the six years up to 1980-81 :

Year	Target fixed for the year	Achievements during the year	Percentage of shortfall as compared to targets
	Capacity	Capacity	
	(in tonnes)		
1975-76 ..	10,000	4,400	56.0
1976-77 ..	10,000	7,500	25.0
1977-78 ..	17,500	7,900	54.9
1978-79 ..	21,250	6,800	68.0
1979-80 ..	32,500	1,250	96.1
1980-81 ..	24,375	12,475	48.8
Total ..	1,15,625	40,325	

* The reduction in constructed capacity was due to adoption of uniform formula for calculating capacity by Central and State Warehousing Corporations.

** The reduction was due to closure of 24 centres where custom was withdrawn and there was no possibility of attracting fresh custom.

The shortfall in the non-achievement of targets was attributed by the Management (October 1981) to :

non-availability of land,

non-availability of share capital, proportionate to programme, and

shortage of cement.

(c) Acquisition of land

For construction of warehouses, the Corporation acquired 3,90,787 sft of freehold land (value : Rs. 3.14 lakhs) at thirteen centres from 1972-73 to 1980-81. The transfer of title to the immovable properties at seven centres (2,41,281 sft : value : Rs. 0.99 lakh) *viz.*, Mehsana, Bardoli, Madhi, Mahuva, Kapadvanj, Kathlal and Rajpipla (acquired during 1972-73 to 1980-81) had not been effected (July 1982) though godowns had been constructed or were under construction at these places. The delay was attributed (September 1981) by the Management to want of staff for the purpose and also to non-completion of technical formalities.

7.6.2 Utilisation of storage capacity

(a) The table on page 102 indicates the number of centres at the end of the year, the total capacity created up to 1980-81, the

average capacity utilised during the year and the percentage of utilisation for the three years up to 1980-81 :

Year		Number of centres	Total capacity at the end of the year			Average capacity utilised during the year	Percentage utilisation
			Owned	Hired	Total		
			(Tonnes in lakhs)				
1978-79	..	73	0.68	1.52	2.20	1.72	78.2
1979-80	..	78	0.73	1.45	2.18	1.26	57.8
1980-81	..	55	0.71	0.84	1.55	0.82	52.9

(b) The table below gives percentage utilisation of ten out of twenty-eight warehouses owned by the Corporation during the three years up to 1980-81 :

Name of Centre	Capacity created (tonnes)	Cost of godowns (Rupees in lakhs)	Utilisation		
			1978-79	1979-80	1980-81
				(*per cent*)	
Bhuj	1,300	1.71	15.8	39.8	36.5
Dahod	9,650	12.82	40.1	30.4	16.6
Mahuva	2,550	3.08	42.3	13.2	27.7
Sidhpur	1,350	1.86	7.5	25.7	11.4
Talod	1,300	1.47	9.4	41.5	46.3
Bardoli	1,250	1.93	9.8	68.7	25.0
Thasra	1,250	1.89	55.9	26.7	3.4
Umreth	1,250	1.75	24.0	26.7	10.4
Kathlal	1,250	1.76	..	0.3	..
Madhi	1,250	1.98	..	23.0	..

The Corporation did not conduct any feasibility study of potential custom before taking up construction work. As a result the Corporation's warehouses at Kathlal and Madhi remained entirely unutilised during 1978-79 and 1980-81 due to lack of custom. The Management stated (July 1982) that the reduction in utilisation of capacity was due to withdrawal of custom in respect of fertilizers of FCI and RFC. The Corporation further stated that it had constructed godowns in tribal areas due to the policy of the State Government to serve weaker section of the society but the godowns situated in these areas were vacant. Moreover, the tribals had very small marketable surplus to store and they were not warehouse minded.

(c) The particulars of depositor-wise utilisation (as a percentage of the storage capacity) under the broad categories for the three years up to 1980-81 are given below :

Year	Percentage of capacity utilisation by			
	Co-operatives	Producers	Traders	Government and Government undertakings
1978-79	0.9	..	2.6	96.5
1979-80	4.2	2.8	1.2	91.8
1980-81	6.3	2.9	10.0	80.8

The maximum utilisation was by Government and Government undertakings.

7.7 Storage Charges

7.7.1 The Corporation fixed 'Standard Storage Charges' for standard bags of foodgrains, after taking into account the element of cost *viz.*, rent, establishment, insurance, insecticides, fumigation, security measures and other incidential expenses.

In fixation of rates, the prevailing rates of the Central Warehousing Corporation were also kept in view. The rates for commodities other than foodgrains were fixed after taking into account the nature of commodity/size of the package, the value of the commodity, the height up to which commodity could be stacked and special requirements, if any, for storage of the commodity. The storage charges were then computed after determining the 'bag equivalent' *i. e.*, the ratio of space occupied by a package of other commodity to that of standard bag of foodgrain. The standard storage charges were 34 paise per bag per month up to 31st August 1980 and this rate was revised to 40 paise from 1st September 1980.

The rate was uniform throughout the State irrespective of the local conditions particularly of rents prevailing in places where Corporation had to hire godowns. No periodical review of the rates was conducted to secure their proximity to the cost due to changing circumstances. The Corporation decided in August 1982 to appoint a sub-committee to suggest revision in rates and to fix additional rates for godowns where rent element was high.

7.7.2 The CWC had prescribed the norms that rent would not exceed 35 *per cent* of total storage charges. The rent element

per bag per month increased from 9 paise in 1975-76 to 10 paise in 1976-77, to 12 paise in 1977-78, to 15 paise in 1978-80 and to 21 paise in 1980-81, but the revision of rates was done only from September 1980. There was no procedure to assess the incidence of cost on capital, depreciation, interest and other charges in respect of owned godowns.

7.8 Shortages

On taking over charge after transfer, the warehouseman at Navsari reported (July 1980) that there was shortage of fertilizers as compared to the stock account. An inspection team was sent to examine the records in September 1980 and after detailed examination, a complaint was lodged with Police (September 1981) about the shortage of 17,559 bags (value : Rs. 15.25 lakhs). The matter was under investigation (July 1982).

In this case it was noticed that no physical verification was conducted since 22nd June 1976 when the former warehouseman took over charge and further there was no inspection or surprise check of stock of this centre during the period from June 1976 to July 1980. The Management stated (July 1982) that due to heavy receipt of fertilizers in 1976-77, inspection was suspended. However, in 1981 instructions were issued to have regular inspections.

7.9 Insurance premia

Goods stored in the Corporation's warehouses are insured against the risk of fire and burglary. Under the terms of the

insurance policies, the Corporation is required to make provisional declaration of the value of stocks to be held in its warehouses at the beginning of each year and premia are paid provisionally on that basis. During the currency of the policy, the Corporation has to make declaration every month of the average value of the stock actually held in the warehouses. At the end of each year the actual premia payable is worked out on the basis of the average value of stocks held during the year. The Corporation had taken the insurance policy with an insurance company from 1971-72 to 1975-76 and had paid Rs. 3.30 lakhs as premium provisionally. The Corporation had not maintained reliable and adequate data of average stocks at the various warehouses and was unable to work out the amount of premium payable based on the actual stocks held at the various warehouses. As a result, the Corporation had settled the outstanding claims amounting to Rs. 2.10 lakhs for burglary and theft against the premium payable to the insurance company.

The Corporation had taken insurance for the period from 1976-77 to 1980-81, with another insurance company and the premium payable worked out to Rs. 15.68 lakhs against which the Corporation had paid Rs 13.29 lakhs leaving a balance of Rs. 1.39 lakhs. The Corporation had lodged claims during 1977 for theft and fire amounting to Rs. 6.42 lakhs against which an *ad hoc* payment of Rs. 2 lakhs was received till September 1981. The balance claims were stated (July 1982) to be under process.

7.10 Accounting manual

In spite of the recommendation of the Committee on Public Undertakings (Pargraph 23.05 of the 21st Report), placed

before the State Legislature on 27th June 1980, Corporation had not prepared an accounting manual (March 1982). The Management had stated (July 1982) that the work was on hand.

7.11 Non-maintenance of basic records

(a) The stock register, ledger for each depositor and general insurance account records were not maintained at Vapi Warehouse.

(b) Complete records of demurrage/wharfage paid at 11 centres were not maintained.

(c) Godown rent register was not maintained at the centres.

7.12 Summing up

1. The percentage of administrative expenses to total receipt varied from 27.5 to 30.5 during the three years up to 1980-81. The Corporation had not analysed high percentage of administrative expenses to total receipts in the light of norms prescribed (8 *per cent*) by the Central Warehousing Corporation.

2. Heavy shortfall was noticed in achievement of targets fixed for construction of godowns.

3. Documents of title to immovable properties acquired during the years 1972-73 to 1980-81 (2,41,281 sft : Value Rs. 0.99 lakh) at seven centres were not executed though godowns had been constructed or were under construction at these places.

4. The storage capacity utilised in respect of owned warehouses varied from zero to 55.9 *per cent* during the three years

up to 1980-81. The Corporation did not conduct any feasibilit study of potential custom before taking up construction of nev sheds.

5. Periodical review of storage rates to cover the actual cos was not done.

6. There was shortage of 17,559 bags of fertilizers (value Rs. 15.25 lakhs) at Navsari Centre. Physical verification o stock was not done since June 1976.

7. The Corporation had not maintained reliable and adequat data of average stock held at the end of each month; henc Corporation was unable to work out the actual amount o premium payable and as a result of this the Corporation had t forgo its claims amounting to Rs. 2.10 lakhs for burglary an thefts.

Ahmedabad,
The

16 JUN 1983

(S. RAMACHANDRAN)
Accountant General-I, Gujara

Countersigned

New Delhi,
The

28 JUN 1983

(GIAN PRAKASH)
Comptroller and Auditor General of India

APPENDIX 'A'

APPENDIX

Summarisd financial results
(Referred to in paragraph 1.2

Sr. No.	Name of the Company	Date of incorporation	Accounts for the year ending	Capital invested	Porfit(+) Loss(—)
1	2	3	4	5	6
1	Cement Corporation of Gujarat Limited	29th March 1973	March 1981	7.14	..
2	Girnar Scooters Limited	9th September 1976	June 1980	0.59	(—)0.07
3	Gujarat Agro-Foods Limited	20th October 1970	December 1980	85.99	(+)1.37
4	Gujarat Agro-Industries Corporation Limited	9th May 1969	March 1981	661.57	(+)3.02
	Gujarat Agro-Marine Products Limited	17th December 1971	December 1980	169.15	(+)7.89
6	Gujarat Agro-Oil Enterprises Limited	21st April 1971	December 1980	50.05	(+)9.10

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ERRATA

Report of the Comptroller and Auditor General of India for the year 1980--81 (Commercial) Government of Gujarat.

Serial No.	Page No.	Line No. etc.	For	Read
1	2	3	4	5
1	3	Last column of-table	Amount out standing	Amount out-standing
2	11	10th line	for segragation	for segregation
3	11	14th line	periodic trial balances	periodical trial balances
4	11	16th line	Non-prepration	Non-preparation
5	12	1st from bottom	over statement	over-statement
6	13	9th from bottom	hire purchase	hire-purchase
7	14	1	Girnar scooter	Girnar Scooters
8	14	11	and short term	and short-term
9	15	1st	it's capital base	Its capital base
10	15	8th	upto 1979	up to 1979.
11	16	2	The Bank paid	The bank paid
12	16	5th from bottom	Girnar Scooter	Girnar Scooters
13	18	3	old Rs. 13.13 lakhs.	old : Rs. 13.13-lakhs.
14	22	1	and a part	and only a part
15	23	10	licenced	licensed

1	2	3	4	5
16	23	1st/2nd from bottom	bought out	bought-out
17	29	9	served to SIL	served on SIL
18	38	13th line from top	competetive	competitive
19	38	3rd in the table	non HMT	non-HMT
20	39	4th from bottom	short term loans	short-term loans
21	39	3rd from bottom	Government	Government.
22	45	11th	for affecting	for effecting
23	46	3rd from bottom	hire purchase basis	hire-purchase basis
24	49	12th from bottom	irrevocable	irrevocable
25	49	7th from bottom	Head quarter office	Headquarters office
26	52	4	(ballats and	(pallets and
27	58	6	Total returnon	Total return on;
	58	9	Rate of return	Rate of return :
28	59	Item g (iv)	Quarters constructed to quarters allotted	Quarters allotted to quarters constructed
29	63	5	other appopriation	other appropriations
30	63	8	Total return on ~~this~~	Total return on :
31	66	5	this report	this Report
32	66	8	,,	,,

1	2	3	4	5
33	67	3rd from bottom	Debenture/	Debentures/
34	68	7	Agricultural Re-Finance	Agricultural Refinance
35	70	14	Loans	loans
36	71 71	3 5	5655.16 5515.94*	5655.16* 5515.94
37	71	1st line after table	include a	includes a
38	71	7th line after table	The amout	The amount
39	71	10th line ,,	Rs. 7905.36 lakhs	Rs. 7905.35 lakhs
40	72	1st line in the note	uninstalled	in installed
41	73	14th from bottom	Pumps sets/	Pump sets/
42	74	7th line from bottom	The losses	The shortfall in profits in 1980-81 was
43	76	5th from bottom	lowest tender	lowest tenderer
44	76	3rd ,,	tractor-trailor	tractor-trailer
45	77	2	equipments	equipment
46	77	4	trailors	trailers
47	77	9th from bottom	semi-low-bed trailor	semi-low-bed trailer
48	77	3rd from bottom	trailor	trailer
49	77	2nd from bottom	The trailor	The trailer
50	78	1st	The trailor	the trailer
51	78	2nd line	railways	Railways

1	2	3	4	5
52	78	3	the trailor	the trailer
53	78	5	the trailor	the trailer
		2	through railways	through Railways
54	78	8	trailor for	trailer for
55	78	14	trailor for	trailer for
56	81	1st line Note	Figures	Figure
57	82	note last line	excludes	exclude
58	85	7th from bottom	break-down	break-downs
59	89	10	(estimated)	(estimated)
60	90	6	for operations	for operation
61	97	12th from bottom	competance	competence
62	98	9th from bottom	percentage of	percentage of:
63	100	3	capacity established	capacity established:
64	103	10	section of	sections of
65	103	12	warehouse minded	warehouse-minded
66	107	5th from bottom	sft : value	sft, value :
67	111	table heading in column	long term loans	long-term loans
68	115	Under column 14 against item 24	Enteire expenses	Entire expenses
69	119	5th line from bottom	reserves other	reserves (other)

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'A'

of Government Companies
of Section I (Chapter I)

(Figures in column 5 to 11 are in lakhs of rupees)

Total interest charged to Profit and Loss account	Interest on long term loans	Total return on capital invested (6+8)	Capital employed	Total return on capital employed (6+7)	Percentage of total return on Capital invested	Percentage of total return on Capital employed	Remarks
7	8	9	10	11	12	13	14
..	..	..	6.58	..	..	..	Entire expenses were capitalised during the year.
..	..	(—)0.07	..	..	..	..	Subsidiary of Company at serial number 14.
8.99	8.02	9.39	77.87	10.36	10.9	13.3	Subsidiary of Company at serial number 4.
8.02	1.80	4.82	667.11	11.04	0.7	1.7	
12.69	12.69	20.58	169.07	20.58	12.2	12.2	Subsidiary of Company at serial number 4.
0.54	..	9.10	53.77	9.64	18.2	17.9	Subsidiary of Company at serial number 4.

APPENDIX

1	2	3	4	5	6
7	Gujarat Amino-Chem Limited	17th January 1980	March 1981	54.22	..
8	Gujarat Communications and Electronics Limited	30th May 1975	March 1981	474.21	(+)9.72
9	Gujarat Dairy Development Corporation Limited	29th March 1973	March 1981	234.49	(—)240.62
10	Gujarat Industrial Investment Corporation Limited	12th August 1968	March 1981	6,771.50	(+)39.71
11	Gujarat Mineral Development Corporation Limited	15th May 1963	March 1981	1,033.38	(+)80.93
12	Gujarat Nylons Limited	29th March 1973	March 1981	10.36	..
13	Gujarat Sheep and Wool Development Corporation Limited	9th December 1970	March 1981	83.82	(+)1.90
14	Gujarat Small Industries Corporation Limited	26th March 1962	December 1980	227.09	(—)57.92
15	Gujarat State Export Corporation Limited	14th October 1965	March 1981	30.89	(—)16.34

'A'—*Contd.*

7	8	9	10	11	12	13	14
..	..	..	0.01	..	..	..	Entire expenses were capitalised during the year. Subsidiary of Company at serial number 10.
22.45	13.85	23.57	449.47	32.17	5.0	7.2	
5.20	5.20	(—)235.42	292.05	(—)235.42	..	..	
276.99	276.99	316.70	5,934.94	316.70	4.7	5.3	
30.26	8.70	89.63	914.16	111.19	8.7	12.2	
..	..	..	0.19	..	..	..	Entire expenses were capitalised during the year. Subsidiary of Company at serial number 10.
1.35	0.96	2.86	18.75	3.25	3.4	17.3	
120.44	94.53	36.61	900.91	62.52	16.1	6.9	
10.16	0.02	(—)16.32	30.06	(—)6.18	..	..	

APPENDIX

1	2	3	4	5	6
16	Gujarat State Construction Corporation Limited	16th December 1974	July 1980	817.49	(—)222.97
17	Gujarat State Forest Development Corporation Limited	20th August 1976	September 1980	141.79	(+)18.98
18	Gujarat State Handloom Development Corporation Limited	12th Novermber 1979	March 1980	100.33	(—)7.14
19	Gujarat State Petrochemicals Corporation Limited	29th January 1979	March 1981	59.01	..
20	Gujarat State Rural Development Corporation Limited	9th July 1977	March 1980	38.00	(—)0.33
21	Gujarat State Seeds Corporation Limited	16th April 1975	September 1980	101.25	(+)88.14
22	Gujarat State Textile Corporation Limited	30th November 1968	March 1981	292.80	(+)28.43
23	Gujarat Tractor Corporation Limited	31st March 1978	March 1980	470.74	(+)1.39
24	Gujarat Tyres Limited	29th March 1973	March 1981	69.99	..

A'—*Contd.*

7	8	9	10	11	12	13	14
82.30	56.66	(—)166.31	784.92	(—)140.67	..	..	
..	..	18.98	111.22	18.98	13.4	17.1	
1.81	1.57	(—)5.57	103.31	(—)5.33	..	..	
..	..	..	40.12	..	..	..	Entire expenses were capitalised during the year.
..	..	(—)0.33	36.41	(—)0.33	..	..	
29.14	2.05	90.19	199.29	117.28	89.1	58.9	
7.66	17.57	46.00	290.86	46.09	15.7	15.9	
69.51	11.27	12.66	908.63	70.90	2.7	7.8	
..	..	..	11.85	..	..	..	Enteire expenses were capitalised during the year. Subsidiary of Company at serial number 10.

APPENDIX

1	2	3	4	5	6
25	Gujarat Water Resources Development Corporation Limited	3rd May 1971	July 1978	942.85	(—)43.50
26	Polymers Corporation of Gujarat Limited	29th March 1973	March 1981	1,304.73	(—)364.99
27	Steel Corporation of Gujarat Limited	16th January 1975	March 1981	24.33	..
28	Tourism Corporation of Gujarat Limited	10th June 1975	March 1981	64.16	(—)15.67

Notes :—(i) Capital invested represents paid-up capital *plus* long - term loans

(ii) Capital employed (excluding that in respect of Gujarat Industrial works-in-progress) *plus* working capital.

(iii) Capital employed in respect of Gujarat Industrial Investment of paid-up capital, bonds, reserves (other than those specifically

'A'—*Contd.*

7	8	9	10	11	12	13	14
15.13	15.13	(—)28.37	497.63	(—)28.37	..	..	
201.18	121.51	(—)243.48	1,630.08	(—)163.81	..	..	Subsidiary of Company at serial number 10.
..	..	..	0.03	..	..	..	Entire expenses were capitalised during the year. Subsidiary of the Company at serial number 10.
..	..	(—)15.67	62.27	(—)15.67	..	..	..

plus free reserves.

Investment Corporation Limited) represents net fixed assets (excluding capital

orporation Limited represents the mean of the opening and closing balances funded and backed by outside investments) and borrowings.

APPENDIX

Summarised financial results of Statutory Corporations

(Referred to in paragraph 4.1 of

Sr. No.	Name of Corporation	Name of Department	Date of incorporation	Capital invested	Profit (+)/ Loss (—)
1	2	3	4	5	6
1	Gujarat Electricity Board	Industries, Mines and Power	1st May 1960	8,40,94.57	(+)10,59.14@
2	Gujarat Industrial Development Corporation	Industries, Mines and Power	4th August 1962	73,87.89	(+) 10.36
3	Gujarat State Financial Corporation	Industries, Mines and Power	1st May 1960	1,29,53.74	(+) 81.91
4	Gujarat State Road Transport Corporation	Home	1st May 1960	99,80.64	(—)25,59.03
5	Gujarat State Warehousing Corporation	Agriculture, Forests and Co-operation	5th December 1960	2,45.11	(+) 17.87

Notes : (i) Capital invested represents paid-up capital *plus* long-term loans *plus* free

(ii) Capital employed in respect of Gujarat State Financial Corporation represe- than those which have been funded specifically and backed by investments Industrial Development Corporation it represents mean of the opening and receipts on capital account. In other three cases it represents net fixed

@The surplus is worked out as per the provisions of the Electricity (supply)

*Represents net amount of interest after deducting interest received (Rs. 9.26 lakhs)

'B'

for the year 1980-81

Section IV (Chapter II)

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

Total interest charged to Profit and Loss account 7	Interest on long-term loans 8	Total return on capital invested (6+8) 9	Capital employed 10	Total return on capital employed (6+7) 11	Percentage of total return on capital invested 12	Percentage of total return on capital employed 13
45,96.02	44,56.80	55,15.94	5,94,28.99	56,55.16	6.6	9.5
5,39.18	5,39.18	5,49.54	88,07.52	5,49.54	7.4	6.2
7,10.73	7,10.73	7,92.64	1,26,07.27	7,92.64	6.1	6.3
5,73.99*	5,81.87	(—)19,77.16	38,15.72	(—)19,85.04	..	..
0.16	0.16	18.03	2,33.79	18.03	7.4	7.7

reser ves.

nts the mean of the opening and closing balances of paid-up capital, reserves other outside), bonds, deposits and borrowings (including refinance). In case of Gujarat closing balances of reserves and surplus, subsidy from Government borrowings and assets (excluding capital works-in-progress) *plus* working capital.

Act, 1948 which does not show comparable commercial surplus.

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