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AAO.

Phone no
4037
Gopalakrishnan
Jt. Sec. Leg.

Phone no
3441
Ex 47

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR 1976-77

GOVERNMENT OF KERALA
(COMMERCIAL)

Details of examn. of paras in the AR 76-77

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III	Travancore Plywood Industries Ltd	18.8.80	14-7-81	4-8-81	20th Report (80-82) 17-8-1981
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Report of the Comptroller and Auditor General of India for the year 1976-77 (Commercial)

102/9058/MC.

PREFATORY REMARKS

Government commercial concerns, the accounts of which are subject to audit by the Comptroller and Auditor General of India, may be categorised as:

(i) Statutory Corporations;

(ii) Government Companies; and

(iii) Departmentally managed commercial undertakings.

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

3. In the case of Government Companies, audit is conducted by professional auditors appointed on the advice of the Comptroller and Auditor General, but the latter is authorised under Section 619 (3)(b) of the Companies Act, 1956 to conduct a supplementary or test audit. He is also empowered to comment upon or supplement the report submitted by the professional auditors. The Companies Act further empowers the Comptroller and Auditor General to issue directives to the auditors in regard to the performance of their functions. In November 1962, such directives were issued to the auditors for looking into certain specific aspects of the working of Government Companies. These were revised in December 1965 and February 1969.

4. There are, however, certain companies where Government have invested funds but the accounts of which are not subject to audit by the Comptroller and Auditor General. A list of such undertakings where Government investment is more than Rs. 10 lakhs as on 31st March 1977 is given in Annexure 'A'.

5. The Comptroller and Auditor General is the sole auditor of Kerala State Road Transport Corporation and Kerala State

Electricity Board, which are Statutory Corporations, while he has the right to conduct an audit of the Kerala Financial Corporation and Kerala State Warehousing Corporation, independently of the audit conducted by professional auditors appointed under the respective Acts.

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

CHAPTER I

GOVERNMENT COMPANIES

SECTION I

1.01. Introduction

1.01.1. There were 58 Companies, including 9 subsidiaries, of the State Government as on 31st March 1977. During the year 4 new Companies, *viz.* The Rehabilitation Plantations Limited, Kerala State Detergents and Chemicals Limited, Scooters Kerala Limited and Kerala State Industrial Products Trading Corporation Limited, were incorporated. One Company, Keltron Magnetics Limited, incorporated in March 1975, became a Government Company on 31st May 1976 by virtue of its becoming a subsidiary of Kerala State Electronics Development Corporation Limited. Two Companies, *viz.* Kerala State Small Industries Corporation Limited and Kerala Employment Promotion Corporation Limited, were amalgamated with Kerala State Small Industries Development and Employment Corporation Limited on 18th March 1977. One Company, Transformers and Electricals Kerala Limited, ceased to be a Government Company from 8th December 1976 when fresh shares were issued as a result of which the shareholding of Government fell below 51 per cent. During the year, another Company, Fibre Foam Limited, also ceased to be a Government Company consequent upon the sale of the shares of the Company held by the Holding Company (Kerala State Industrial Development Corporation Limited). One Company, Packaging Paper Corporation Limited, went into voluntary winding up during the year.

1.01.2. Up to the end of February 1978, the accounts of 49 Companies relating to the year 1976-77 were received in audit. Of these, 8 Companies which had not started commercial operations capitalised the entire expenditure.

102/9058/MC

Summarised financial results of the 49 Companies for 1976-77 and of four other Companies for 1974-75 and 1975-76 received after the Report of the Comptroller and Auditor General of India for 1975-76 was finalised, are given in Annexure 'B'.

1.01.3. The accounts of one Company which was incorporated during the year, *viz*. Scooters Kerala Limited, were not due. One Company, Kerala Water Transport Corporation Limited, was under liquidation.

1.01.4. The accounts of the following Companies are in arrears (February 1978):—

Sl. No.	*Name of the Company*	*Name of the Department*	*Date of incorporation*	*Year(s) for which accounts are in arrears*
1	Handicrafts Development Corporation of Kerala Limited	Industries	16th November 1968	1974-75 to 1976-77
2	The Kerala Premo Pipe Factory Limited	Local Administration and Social Welfare	12th September 1961	1975-76 and 1976-77
3	The Kerala State Coir Corporation Limited	Industries	19th July 1969	1975-76 and 1976-77
4	Kerala State Small Industries Development and Employment Corporation Limited	Industries	6th November 1975	1976-77
5	The State Farming Corporation of Kerala Limited	Industries	15th April 1972	1976-77
6	The Kerala Fisheries Corporation Limited	Development (Fisheries)	12th April 1966	1976-77

Sl. No.	Name of the Company	Name of the Department	Date of incorporation	Year (s) for which accounts are in arrears
7	Kerala Livestock Development and Milk Marketing Board Limited	Agriculture	14th November 1975	1976-77
8	Kerala State Small Industries Corporation Limited	Industries	21st July 1961	1976-77(up to 17th March 1977)
9	Packaging Paper Corporation Limited	Industries	29th June 1962	1975-76

1.02. Paid-up capital

Total investment by Government by way of share capital in the 49 Companies (excluding 9 subsidiaries) at the end of March 1977 was Rs. 4,903.17 lakhs.

1.03. Long-term loans

The balance of long-term loans outstanding against 40 Companies (excluding 9 subsidiaries) in respect of which accounts for 1976-77 have been received stood at Rs. 5,503.95 lakhs at the end of 1976-77 (Rs. 1,292.29 lakhs from the State Government, Rs. 3,787.99 lakhs from other parties and Rs. 423.67 lakhs as deferred payment credits) representing an increase of Rs. 879.41 lakhs over the long-term loans (Rs. 4,624.54 lakhs) outstanding at the end of the previous year.

1.04. Guarantees

The State Government had guaranteed repayment of loans and overdrafts, amount raised by issue of bonds or debentures and payment for machinery purchased (with interest thereon) in respect of 26 Companies as detailed below:—

(Rupees in lakhs)

Maximum amount guaranteed	(principal)	5,479.26
Amount guaranteed outstanding on 31st March 1977	Principal	3,093.85
	Interest	340.54

1.05. Profits and dividends

The working results of 41 Companies (including 6 subsidiary Companies) for the year 1976-77 are analysed in the table given below:—

Particulars		*Number of Companies*	*Paid-up capital*	*Profit (+)/ Loss (—)*	*Percentage of profit to paid-up capital*
			(Rupees in lakhs)		
Companies other than subsidiary Companies:					
(a) Which earned profits	Industrial and trading	10	1,520.35	(+)271.00	17.8
	Financial	4	765.94	(+) 34.77	4.5
(b) Which incurred losses	Industrial and trading	19	1,993.31	(—)489.10	..
	Financial	2	193.45	(—) 18.29	..
	Total	35	4,473.05	(—)201.62	..
Subsidiary Companies:					
Which incurred losses	Industrial and trading	5	208.39	(—) 57.01	..
	Financial	1	25.00	(—) 3.48	..
	Total	6	233.39	(—) 60.49	..

During 1976-77, out of 14 Companies (excluding 6 subsidiaries) which earned profits totalling Rs. 305.77 lakhs, 4 Companies declared dividends of Rs. 24.63 lakhs as detailed below:—

Name of Company	*Amount of surplus*	*Amount retained in business*	*Amount of dividend*	*Percentage of dividend to paid-up capital*
		(Rupees in lakhs)		
Kerala Urban Development Finance Corporation Limited	1.53	1.16	0.37	2
Kerala State Drugs and Pharmaceuticals Limited	5.41	3.61	1.80	6
Travancore Titanium Products Limited	85.38	65.02	20.36	18
The Kerala State Financial Enterprises Limited	7.20	5.10	2.10	7.5

The cumulative losses incurred by each of the following Companies were more than their paid-up capital:—

	1976-77	
	Paid-up capital	*Cumulative loss*
	(Rupees in lakhs)	
Trivandrum Spinning Mills Limited	51.45	173.83
Trivandrum Rubber Works Limited	57.70	175.96
Pallathra Bricks and Tiles Limited	18.56	21.56
The Kerala Ceramics Limited	107.95	173.81

1.06. In accordance with Section 619-B of the Companies Act, 1956 (effective from February 1975), a company becomes subject to the provisions of Section 619 of the Act, as if it were a Government Company, if 51 per cent or more of the company's paid-up share capital is held by one or more of the following or any combination thereof, namely, the Central or one or more State Governments and one or more Government Companies, or Corporations owned or controlled by the Central or State Governments or one or more Government Companies or Corporations, owned or controlled by Government. As on 31st March 1977, there were seven such companies in the State, *viz.* Kerala Rubber and Reclaims Limited, Steel Complex Limited, South India Wire Ropes Limited, Excel Glasses Limited, Transformers and Electricals Kerala Limited, Keltron Component Complex Limited and Vanjinad Leathers Limited.

Out of these, five Companies had prepared accounts (Transformers and Electricals Kerala Limited, Keltron Component Complex Limited and South India Wire Ropes Limited for the year ended 31st March 1977, Excel Glasses Limited for the year ended 30th September 1977 and Steel Complex Limited for the year ended 30th June 1977). The total paid-up capital of these Companies was Rs. 787.46 lakhs of which shares of Rs. 483.74 lakhs were subscribed by the State Government and Companies or Corporations controlled by Government. Two Companies (Excel Glasses Limited and Steel Complex Limited) sustained loss of Rs. 62.04 lakhs while two other Companies (Transformers and Electricals Kerala Limited and South India Wire Ropes Limited) earned a profit of Rs. 74.80 lakhs. Keltron Component Complex Limited had not commenced commercial operation.

Draft Report read and approved on 26.6-81

XVIII Report of CPU (1980-82)

SECTION II

THE KERALA FISHERIES CORPORATION LIMITED

2.01. Introduction

The Kerala Fisheries Corporation Limited was incorporated in April 1966 to take over and run various boat building yards, workshops, fishing boats, ice plants, freezing plants and cold storages owned and operated by the Development (Fisheries) Department of the State Government with the object of developing fishing industry in the State. Between June 1966 and May 1973, the State Government transferred to the Company five boat building yards, twenty one fishing boats, seven ice plants and cold storages, five ice-*cum*-freezing plants, a cold storage plant, four refrigerated vehicles and three insulated vans. Following a decision taken by Government in August 1974 with a view to making the Company viable by concentrating on deep-sea fishing, the Company closed (February 1975) the boat building yards at Vizhinjam, Azhikode and Cannanore and re-transferred (June 1975) the boat building yards at Sakthikulangara and Beypore and the seven ice plants and cold storages to the Development (Fisheries) Department.

The Company commissioned a nylon net factory (March 1969) at Ernakulam, a canning plant (January 1970) at Cochin and a fish-meal plant (August 1972) at Azhikode. The Company is at present engaged in deep-sea trawler fishing, processing and export of shrimps, internal marketing of fish and production of fish-meal and nylon nets.

2.02. Capital structure

2.02.1. *Share capital*

The authorised capital of the Company is Rs. 500 lakhs. The paid-up capital as on 31st March 1977 was Rs. 122 lakhs, entirely subscribed by the State Government, out of which

Rs. 55 lakhs were paid in cash and Rs. 67 lakhs represented the value of the assets transferred to the Company by the Development (Fisheries) Department.

In addition to the assets mentioned above, the State Government also transferred other assets to the Company, part of which was subsequently re-transferred to the State Government. The value of such assets transferred and re-transferred has been provisionally fixed at Rs. 71.59 lakhs and Rs. 31.95 lakhs respectively, pending finalisation of their valuation. Government constituted in November 1976 a committee consisting of three representatives of the State Government and one representative of the Company to assess the commercial value of the assets with reference to their revenue earning capacity and to identify obsolete, surplus and unserviceable assets. The reports of the Committee, submitted in March 1977, were stated to be under consideration of Government (March 1978).

2.02.2. *Borrowings*

The borrowings of the Company at the end of March 1977 stood at Rs. 361.92 lakhs comprising Rs. 294.48 lakhs obtained from Government, Rs. 51.62 lakhs from nationalised banks and Rs. 15.82 lakhs from a foreign supplier of trawlers. The Company had not paid the interest due on loans to Government and the overdue interest amounted to Rs. 92.40 lakhs as at the end of March 1977. The Company also defaulted in the repayment of the loan instalments and the overdue instalments amounted to Rs. 30.55 lakhs at the end of March 1977.

2.03. Performance of new production units

2.03.1. *Nylon net factory*

The machinery (cost: Rs. 9.52 lakhs) required for production of nylon twines and nets were imported in August 1968 by the State Government and transferred to the Company. The factory building was constructed (cost: Rs. 3.47 lakhs) by the Company in February 1969 and the total outlay on the project amounted to Rs. 16.45 lakhs. The Company has four twisting machines and four net-making machines.

6.8.1980. The Committee desired to get detailed information in regard to the ~~details of~~ figures given in the table regarding the hours of machine utilisation and percentage which the the witness desired.

Note called for by Leg. Sectt vide
D.O.No 396/LA-28/80 dt 6-8-80 [illegible]

Fisheries Dept.

Rep. C.177 / 25.9.80

A Copy of the Project Report called for by Leg. Sectt vide D.O. No 3965/L A28/80 dt 6.9.80 addressed to Fisheries Dept for the Committee

The table below compares the production of nylon twines and nets with the installed capacity for the three years ending 31st March 1977:—

	1974-75 *Twine*	1974-75 *Net*	1975-76 *Twine*	1975-76 *Net*	1976-77 *Twine*	1976-77 *Net*
Installed capacity (in kilograms)	91,250	73,000	91,500	73,200	91,250	73,000
Production (in kilograms)	3,382	2,399	4,817	3,853	10,770	4,840
Percentage of actual production to installed capacity	3.7	3.3	5.3	5.3	11.8	6.6

The low utilisation of installed capacity was attributed (August 1977) by the Management to lack of demand for thicker varieties of twines and nets for the manufacture of which alone the machinery in the factory were best suited. Details of operation of the net-making machines, on the basis of labour hours utilised in operating them during 1976-77, were as follows:—

Machine†	*Hours available**	*Hours utilised*	*Idle hours*	*Percentage of utilisation*
I	7,080	5,432	1,648	76.7
II	2,360	1,600	760	67.8
III	2,360	960	1,400	40.7
IV	2,360	1,096	1,264	46.4

Cause-wise details of idle hours were not available with the Company.

2.03.2. *Canning factory*

The Company set up in January 1970 a canning factory at Cochin at a cost of Rs. 3.50 lakhs to produce and export canned

† While three shifts were operated with machine I, only single shifts were operated with the other three machines.

* Calculated on the basis of 295 days worked during 1976-77.

shrimps. Mention was made in paragraph 123 (f) of the Report of the Comptroller and Auditor General of India for the year 1970-71 about the under-utilisation of the production capacity of the factory during the first year of its operation.

The capacity of the plant (single shift) is 36.50 lakh cans of 4.5 oz. (128 grams) canned shrimps per annum. The table below indicates the details of actual production of canned shrimps from 1971-72 to 1973-74:—

Year	*Actual production (number of cans)*	*Percentage of actual production to installed capacity*
1971-72	63,677	1.7
1972-73	82,955	2.3
1973-74	29,565	0.8

There was no production during 1974-75, 1975-76 and 1976-77. The Management had informed the Committee on Public Undertakings in February 1973 that the low production during 1971-72 was due to delay in making selling arrangements in foreign countries and the consequential need to avoid accumulation of perishable stock in the absence of specific orders. The low production during 1972-73 and 1973-74 was attributed (August 1977) by the Management to the low price for canned shrimps in the export market. As regards non-production during 1974-75 to 1976-77, the Management stated (August 1977) that production had to be stopped as the Company could not procure raw materials at reasonable prices.

The Company had not formulated (March 1978) any alternate plan for the utilisation of the plant which has been idle since January 1974. The idle wages (Rs. 0.67 lakh) paid to the seventeen employees attached to the canning factory for the period from January 1974 to June 1975 and the lay-off compensation paid (Rs. 0.27 lakh) for the period up to June 1976 amounted to Rs. 0.94 lakh. The employees were transferred to the ice-*cum*-freezing plant of the Company at Cochin in July 1976.

2.03.3. *Fish-meal plant*

Mention was made in paragraph 127 of the Report of the Comptroller and Auditor General of India for the year 1970-71 of the delay in installing the fish-meal plant imported in May 1969 at a cost of Rs. 6.50 lakhs. The plant was installed at Azhikode in June 1972 at a total cost of Rs. 12.16 lakhs and commissioned in August 1972.

The plant has a capacity to process 12 tonnes of raw materials per day for production of 2 tonnes of fish-meal and 0.70 tonne of fish-oil. The plant worked only for 73 days in 1972-73, 54 days in 1973-74, 154 days in 1975-76, 212 days in 1976-77 and remained idle during 1974-75 owing to non-availability of working capital. The table below indicates the installed capacity, production and percentage of production to installed capacity up to 1976-77:—

	1972-73 *(From August 1972 onwards)*	1973-74	1974-75	1975-76	1976-77
			(in tonnes)		
A. Fish-meal					
Installed capacity	530	912	912	912	912
Production	43	24	..	132	314
Percentage of production to installed capacity	8.1	2.6	..	14.5	34.4
B. Fish-oil					
Installed capacity	170	292	292	292	292
Production	3	9.5	..	0.42	..
Percentage of production to installed capacity	1.8	3.3	..	0.1	..

The Management stated (August 1977) that the low utilisation of installed capacity was due to non-availability of raw materials at economic cost.

The Management had anticipated in August 1966 that shrimp offal thrown out as waste from the ice-*cum*-freezing plants of the

Company, supplemented by the Company's own fish catches and other fish procured locally, would form the raw material for the manufacture of fish-meal. However, on commissioning the plant, it was found that the use of shrimp offal created operational difficulties and, therefore, its use for fish-meal production was discontinued.

2.04. Procurement of raw materials

The Company invited in July 1972 tenders for the supply of fish for the fish-meal plant at Azhikode. The work was awarded in August 1972 to the lowest tenderer who had defaulted in supplies previously and from whom a sum of Rs. 0.19 lakh was due to the Company against advances given for supplies. The contractor failed to supply the agreed upon minimum quantity of 2 tonnes of fish per day. The Plant Manager also complained (April 1973) to the Managing Director about the irregular and bad quality of fish supplied by the contractor. Nevertheless, the contract, originally valid for one year from 19th September 1972, was extended up to 31st March 1974 and again up to 31st March 1975. The question of recovery of liquidated damages from the contractor in accordance with the terms of the contract was not considered by the Management. The Management stated(January 1978) that as supply of fish was dependent on vagaries of nature, no contractor would come forward to pay liquidated damages.

On account of the high cost of edible fish used in the manufacture of fish-meal, the Company switched over in April 1975 to the use of cheaper raw materials such as raw fish-meal, dried river fish, dried prawn shells, etc., procured locally and changed the method of production. According to the changed method of production, raw fish-meal prepared manually was fed into driers and powdered and this involved the use of only 25 per cent of the existing plant.

According to the specifications of the Indian Standards Institution, the protein content of first-grade and second-grade fish-meal should be 60 per cent and 50 per cent respectively. The Tamil Nadu Poultry Development Corporation Limited had reported

in April 1977 that the protein content of the fish-meal supplied to them by the Company in January 1977 was only 14.2 per cent. The Central Institute of Fisheries Technology, Cochin, which was requested (June 1977) by the Company to analyse a sample of fish-meal, reported that its protein content was only 33 per cent.

2.05. Fleet section

2.05.1. *Purchase of indigenous trawlers*

Mention was made in paragraph 123(d) of the Report of the Comptroller and Auditor General of India for the year 1970-71 of the poor utilisation of the Company's fishing boats.

Between June 1970 and April 1973, the State Government transferred to the Company six indigenous trawlers. The design of these trawlers constructed by a consortium of boat builders in the country at a cost of Rs.54.14 lakhs, was finalised by Mazagon Dock Limited, Bombay, a Government of India Company, and the construction was supervised by the Mercantile Marine Department of the Government of India. Trial runs conducted before the Company took over the trawlers were found to be satisfactory. However, after taking over the trawlers, the Company found that there were frequent break-downs which rendered fishing operations with the trawlers uneconomical. The Company, therefore, claimed (May 1973) from Government, reimbursement of losses (Rs. 8.58 lakhs) sustained between 1970-71 and 1972-73 on the operation of the indigenous trawlers. Government sanctioned (May 1973) a loan of Rs.6 lakhs (repayable in 13 annual instalments) to meet the depletion of working capital caused by the operation of the indigenous trawlers. None of the indigenous trawlers was sent out for fishing since March 1974 and the crew were idling. Idle wages paid to the crew and the staff of the fleet section during 1974-75 amounted to Rs. 4.25 lakhs.

As the trawlers were found to be of defective design, Government ordered in August 1974 that all the trawlers be leased out or sold and the crew retrenched. The crew of the trawlers were retrenched in December 1974 on payment of retrenchment compensation of Rs. 1.31 lakhs. Attempts of the Company in September 1974 to dispose of the trawlers (cost: Rs.54.14 lakhs) having proved unsuccessful, two trawlers were transferred in February 1976 at their book value to the State Port Department. The remaining four trawlers (cost:Rs. 35.80 lakhs) were lying idle (March 1978).

2.05.2. *Purchase of imported trawlers*

The Company invited global tenders in May 1971 for supply of two fishing trawlers. After a technical evaluation of the tenders received, the technical committee recommended in July 1971 the acceptance of the tender of a foreign firm at a total cost of Rs.24.19 lakhs. The Company entered into an agreement with the foreign firm in March 1972 for the purchase of the trawlers.

According to the agreement, the trawlers were to be supplied within eight months from the date of making an initial payment of 10 per cent of the cost. The initial payment was made on 13th October 1972 and delivery at Cochin was to be completed by 13th June 1973. The trawlers, however, arrived at Cochin only in June 1975 and were accepted by the Company, after inspection by a firm of surveyors, in January 1976. The penalty leviable at US Dollars 25 per day of delayed supply amounted to US Dollars 23,850 (Rs. 2.15 lakhs approximately). At the instance of the Indian Embassy in the foreign country, the Company agreed in July 1976 to levy a penalty of US Dollars 18,500 (Rs. 1.67 lakhs approximately) and claimed the amount from the suppliers. The amount of penalty has not been recovered from them so far (March 1978) though the Company remitted during the period from January 1977 to December 1977 three instalments aggregating Rs. 6.86 lakhs towards the cost of the trawlers.

The trawlers were not inspected during construction. The firm of surveyors, engaged for inspecting them on their arrival at Cochin, reported to the Company in June 1975 that they had inspected the trawlers only above the water line and that they could not sight the rudder and propeller, find the spare propeller and test the speed of the trawlers. In spite of these reservations, meeting 6.8.80

1) what was the fee paid to the Surveyors of the trawlers

2) A copy of the report submitted by the team which inspected the Trawlers under Constn. in Mexico

Notes called for by Leg. Sectt in letter no 3965/LA 28/80. dt 6-8-80.

the Company accepted delivery of the trawlers in January 1976. The Management stated (August 1977) that the long voyage of the trawlers from the foreign country to Cochin itself was sufficient proof of their sea-worthiness.

One of the trawlers (Kerish VII) was hauled up in May 1976
1975 on account of excessive water leakage, which was found on inspection, to be due to the corrosion of the propeller shaft. Though the specification for the trawlers stipulated that the propeller shaft was to be of stainless steel, it was found that the shaft of this trawler was made of special steel alloy. The trawler was docked between May 1976 and October 1976 at Cochin and a total expenditure of Rs. 0.62 lakh was incurred by the Company on replacement of parts and repair charges.

The cost of repairs and replacements for the two vessels was estimated by the Company in June 1976 at Rs. 1.05 lakhs and a claim for the amount was lodged with the suppliers. The amount has not been recovered from the suppliers so far (March 1978).

2.05.3. *Performance of imported trawlers*

The two foreign trawlers, Kerish VII and Kerish VIII, performed five voyages each between January 1976 and March 1976 involving 56 and 58 days respectively.

The table below summarises the operational particulars of the trawlers for 1976-77:—

	Kerish VII	*Kerish VIII*
A. Operations		
Fishing operations (days)	139	200
Provision for annual maintenance (days)	30	30
Idle days	196	135
Total	365	365
Number of voyages	17	24
Average duration of voyage (days)	8	8

	Kerish VII	*Kerish VIII*
B. Shrimp caught		
Total shrimp caught (Kilograms)	24,759	37,718
Shrimp caught per day of operation (Kilograms)	178	189
Shrimp caught per voyage (Kilograms)	1,456	1,572

The utilisation in terms of the number of days at sea was 41.5 per cent for Kerish VII and 59.7 per cent for Kerish VIII. Though the duration of voyage indicated in the specifications of the trawlers was up to 20 days, the actual duration of each voyage was only 8 days on an average. According to an assessment made by the Company in May 1977, the operations of Kerish VII had resulted in a loss of Rs. 7.02 lakhs and those of Kerish VIII in a loss of Rs. 5.36 lakhs during 1976-77.

2.06. Ice-*cum*-freezing plants

2.06.1. *Purchase policy*

The shrimps required for processing are obtained from the catches made by the Company's fleet and by local purchases. The value of shrimps caught and purchased for processing amounted to Rs. 7.89 lakhs in 1974-75, Rs. 57.59 lakhs in 1975-76 and Rs. 176.76 lakhs in 1976-77. The table below indicates particulars of catches made by the Company's fleet and of local purchases made by various ice-*cum*-freezing plants of the Company for the three years up to 1976-77:—

	1974-75		1975-76		1976-77	
Sources	*Quantity*	*Percentage to total*	*Quantity*	*Percentage to total*	*Quantity*	*Percentage to total*
		(*Quantity in kilograms*)				
(a) Catches by fleet section	Nil	Nil	7,363	1.7	62,772	11.2
(b) Local purchase by plants						
Cannanore plant	66,361	36.8	1,27,567	28.5	1,58,778	28.5
Calicut plant	58,026	32.2	89,648	20.0	62,649	11.3
Cochin plant	34,405	19.1	59,832	13.4	61,410	11.0
Alleppey plant	10,550	5.8	83,108	18.6	44,725	8.0
Neendakara plant	10,981	6.1	79,429	17.8	1,67,456	30.0
Total purchases	1,80,323	100.0*	4,39,584	98.3*	4,95,018	88.8*

* Represents percentage of local purchases to total quantity procured for processing.

The Company had not prepared any forecasts in respect of purchases by individual plants during 1974-75 and 1975-76. The forecast for purchase of raw shrimps and actuals for 1976-77 are compared below:—

Name of plant	*Forecasts* Quantity (in tonnes)	Amount (Rupees in lakhs)	*Actuals* Quantity (in tonnes)	Amount (Rupees in lakhs)
Cannanore	440	44.80	158.78	55.60
Calicut	220	22.40	62.65	28.75
Cochin	880	89.60	61.41	18.86
Alleppey	220	22.40	44.72	9.24
Neendakara	440	44.80	167.46	57.99
Total	2,200	224.00	495.02	170.44

The Company, by utilising 76.1 per cent of the budget provision, could procure only 22.5 per cent of the estimated quantity of raw shrimps. While the average cost of raw shrimps as per budget estimates was Rs. 10,182 per tonne, the actual average cost of procurement was Rs. 34,431 per tonne.

The unprecedented increase in prices in sympathy with the spurt in prices in foreign markets was attributed by the Management (January 1978) as a reason for the high cost of raw shrimps. It was, however, noticed that while the average cost of raw shrimps per kilogram in 1976-77 increased by 162.6 per cent over that of the previous year, the corresponding increase in average sale price was only 104.9 per cent.

According to an analysis made by the Company in January 1977, for the economic functioning of the plants, the raw material cost was not to exceed 80 per cent of the average sale value. The table below indicates the average sale value realised, the cost of shrimps, etc., for the year 1976-77:—

Name of plant	*Sale value realised*	*Cost of raw shrimps*	*Percentage of cost of raw shrimps to sale value realised*
	(Rupees in lakhs)		
Cannanore	63.72	55.60	87.3
Calicut	30.86	28.75	93.2
Cochin	33.27	25.18	75.7
Alleppey	10.12	9.24	91.3
Neendakara	67.46	57.99	86.0
Total	205.43	176.76	86.0

A test check of purchases of raw shrimps made by the ice-*cum*-freezing plant at Cochin during the period between October 1976 and December 1976, revealed that the plant purchased 7,308 kilograms of raw shrimps at a total cost of Rs. 1.85 lakhs and that the sale value realised for the frozen shrimps produced out of the raw shrimps was only Rs. 1.74 lakhs. Thus the raw materials cost constituted 106 per cent of the sale value realised in these cases. The Management stated (August 1977) that the purchases were made with a view to capturing the sources of supply of raw materials and that this was discontinued when the results did not prove encouraging.

Mention was made in paragraph 2 (b) of Section VI of the Report of the Comptroller and Auditor General of India for the year 1973-74 (Commercial) about the preponderance of low quality shrimps in the purchases made by the Company. There had been a shift in favour of higher quality shrimps in 1976-77. The percentage of higher quality shrimps to total purchases which stood at 11 per cent in 1974-75 increased to 32 per cent in 1975-76 and to 70 per cent in 1976-77.

Though the Company admitted in April 1977 that there had been no contribution over variable expenses in respect of peeled and de-veined varieties, the Company purchased 1.34 lakh kilograms of these varieties during 1976-77 which constituted 26.9 per cent of the total purchases. The Management stated (January 1978) that the purchases were made in order not to keep the plant idle.

2.06.2. *Plant utilisation*

The total capacity of plate freezers in the five ice-*cum*-freezing plants of the Company is 30 tonnes per day. The table below compares the actual production with the installed capacity for the three years ending 31st March 1977:—

		1974-75		1975-76		1976-77	
Name of plant	*Installed capacity (tonnes)*	*Actual production (tonnes)*	*Percentage of utilisation*	*Actual production (tonnes)*	*Percentage of utilisation*	*Actual production (tonnes)*	*Percentage of utilisation*
Alleppey	1,095	9.51	0.9	79.05	7.2	39.68	3.6
Calicut	1,095	24.61	2.2	60.70	5.6	59.16	5.4
Cannanore	2,190	24.61	1.1	76.94	3.5	134.75	6.2
Cochin	4,380	30.96	0.7	59.88	1.4	83.35	1.9
Neendakara	2,190	7.81	0.4	71.41	3.3	154.26	7.0
Total	10,950	97.50	0.9	347.98	3.2	471.20	4.3

No targets for freezing were set by the Company during 1974-75 and 1975-76. The target for 1976-77 was 2,000 tonnes and the percentage of actual production to budgeted production was only 23.6. The low utilisation of installed capacity in 1974-75 and 1975-76 was attributed (August 1977) by the Management to paucity of working capital. The shortfall during 1976-77 was attributed to increase in price of raw shrimps, which resulted in erosion of working capital provided by financial institutions.

2.06.3. *Loss due to re-processing*

Owing to short weight, defective production, defective storage, etc., 20,433 slabs of frozen shrimps were re-processed during the three years up to 1976-77. There was a shortage of

6,627 slabs on re-processing and on the basis of the lowest export price, the loss on re-processing amounted to Rs. 2.60 lakhs. The Company had not made a cause-wise analysis of the loss.

2.06.4. *Production of ice*

The five ice-*cum*-freezing plants of the Company have a total installed capacity for producing 75 tonnes of ice per day. The ice produced is meant for sale to the public and for utilisation in the freezing section of the plant. The table below indicates details of the installed capacity, the number of days the plant worked and the ice produced for the three years up to 1976-77:—

Location of plants	*Installed capacity per annum (in tonnes)*	*Year*	*Number of days worked*	*Total production (in tonnes)*
Cannanore	7,300	1974-75	245	2,183
		1975-76	255	2,062
		1976-77	221	1,658
Calicut	1,825	1974-75	163	535
		1975-76	151	524
		1976-77	84	248
Cochin	7,300	1974-75	161	1,268
		1975-76	156	1,594
		1976-77	180	1,382
Alleppey	1,825	1974-75	186	348
		1975-76	241	748
		1976-77	194	596
Neendakara	9,125	1974-75	213	1,008
		1975-76	166	950
		1976-77	273	1,113

The production of ice is mainly limited to the demand for ice from the public. The total production of ice in the plants was

meeting 6.8.80

1) The quality control officer who was suspended for defalcation was reinstated after 6 months

2) A copy of the rules of the Corporation relating to disciplinary proceedings

Notes called for from Dept ~~Rep~~ in D.O. No 3965/LA-28/80 dt 6.9-80

Rep. c. 177
25.9.80

5,342 tonnes during 1974-75, 5,878 tonnes during 1975-76 and 4,997 tonnes during 1976-77. The percentage of utilisation of installed capacity was only 19, 21 and 18 respectively for the three years up to 1976-77.

2.07. Working results

The working of the Company resulted in an accumulated loss of Rs. 499.02 lakhs up to 1976-77 and this represented 409.03 per cent of the paid-up capital. The table below indicates the total loss sustained (after adjustment of development rebate reserve) since inception to the end of 1976-77 by the various units of the Company:—

Units	*Loss* (*Rupees in lakhs*)
Ice-*cum*-freezing plants	241.60
Fleet section	83.28
Fish-meal and oil plant	15.74
Canning factory	3.58
Nylon net factory	10.91
Cold storage plant, Wellington Island	2.40
Ice plants and cold storages*	22.70
Boat building yards*	71.27
Unallocated losses	47.54
Total	499.02

The major portion of the loss was sustained by the ice-*cum*-freezing plants. The plant-wise accounts for the year 1976-77 disclosed that two of the freezing plants did not have any surplus over variable expenses and that in the case of the three other freezing plants, the surplus over variable expenses was not sufficient to cover the fixed expenses.

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* Units either re-transferred to Government or closed down.

The heavy losses during 1973-74 to 1975-76 were attributed (August 1977) by the Management to paucity of working capital. In January 1976, fresh packing credit facilities up to Rs. 40 lakhs were sanctioned by a nationalised bank after converting the then existing credit facilities amounting to Rs. 36 lakhs into a fixed loan. The additional working capital also did not enable the Company to carry on the business profitably due to the high price paid for raw shrimps purchased from the open market. The purchase of raw shrimps from the open market at a high price and sale below cost continuously resulted in further erosion of working capital.

The Management stated (August 1977) that the business could be run profitably only by diversification of activities and that several schemes for diversification were under consideration. No such scheme has been implemented so far (March 1978).

2.08. Financial position

The table below summarises the financial position of the Company, under broad headings, for the three years up to 1976-77:—

	1974-75	1975-76	1976-77
Liabilities	*(Rupees*	*in lakhs)*	
(a) Paid-up capital	114.50	122.00	122.00
(b) Borrowings (including cash credit)	269.97	331.08	361.92
(c) Trade dues and other liabilities (including provisions)	187.97*	188.39*	213.36*
Total	572.44	641.47	697.28

* Includes liability towards provisional value of assets received from Government, the valuation of which is yet to be finalised. The provisional value of such assets was Rs. 71.59 lakhs in 1974-75, 1975-76 and 1976-77.

Assets	1974-75	1975-76	1976-77
	(Rupees in lakhs)		
(d) Gross block	183.73	179.73	179.36
(e) *Less*: Depreciation	76.68	79.03	88.56
(f) Net fixed assets	107.05	100.70	90.80
(g) Other assets, plants and machinery under installation and capital works-in-progress	0.10	..	..
(h) Current assets, loans and advances	107.02	104.00	107.07
(i) Miscellaneous expenditure (including accumulated loss)	358.27	436.77	499.41
Total	572.44	641.47	697.28
Capital employed	97.69	87.90	56.10
Net worth	(—)243.77	(—)314.77	(—)377.41

Note:—1. Capital employed represents net fixed assets (excluding capital works-in-progress) *plus* working capital.

2. Net worth represents paid-up capital *minus* intangible assets (miscellaneous expenditure).

2.09. Operational results

The table below indicates the operational results of the Company for the three years ended March 1977:—

	1974-75	1975-76	1976-77
		(Rupees in lakhs)	
1. Value of production			
(a) Sales (including services)	45.91	107.78	230.71
(b) Closing stock of finished goods and works-in-progress	28.45	16.30	27.05
(c) Opening stock of finished goods and works-in-progress	19.96	28.45	16.30
(d) Value of production (a+b—c)	54.40	95.63	241.46
Less: Consumption of raw materials, stores and spares	23.28	70.05	189.79
2. Net value added*	31.12	25.58	51.67
3. Expenses (*less* miscellaneous income)	121.62	103.03	115.06
4. Loss	90.50	77.45	63.39
5. Percentage of			
(a) Net value added to value of production	57.2	26.7	21.4
(b) Conversion expenses to net value added	390.8	402.8	222.7
(c) Value of raw materials, stores and spares consumed to value of production	42.8	73.3	78.6

* "Net value added" indicates the aggregate income generated to meet wages, salaries, interest charges, depreciation, etc.

2.10. Credit control

2.10.1. Export of shrimps is made against irrevocable letters of credit opened by the foreign buyers in favour of the Company, and as such, there are no credit sales in exports. The outstanding debts represent dues on account of sale of fish (other than shrimps), cost of boats sold, storage charges, lease rent, etc.

The table below indicates the details of book debts and advances pending recovery/adjustment as at the close of the three years ending 31st March 1977:—

	1974-75	1975-76	1976-77
		(Rupees in lakhs)	
Book debts	25.62	56.10	44.86
Advances	21.45	17.71	22.94
	47.07	73.81	67.80

2.10.2. *Sundry debtors*

(i) A party-wise and period-wise break-up of the dues as on 31st March 1977 is given below:—

	Government departments	*Co-operative societies*	*Private parties*
		(Rupees in lakhs)	
Debts outstanding for five years and more	..	0.46	1.64
Debts outstanding for three years and more but less than five years	..	0.05	0.64
Debts outstanding for one year and more but less than 3 years	37.61	..	0.19
Debts outstanding for less than a year	3.10	0.06	1.11
	40.71	0.57	3.58

The amounts due from Government departments mainly represented the value of assets transferred to them. Action for recovery of Rs. 0.57 lakh due from the co-operative societies was pending (March 1978).

(ii) A further analysis of the amount due from private parties (Rs. 3.58 lakhs) is given below:—

	(Rupees in lakhs)
Lease rent	0.87
Sale of boats	0.82
Sale of miscellaneous fish	0.53
Sale of other items	1.36
Total	3.58

(iii) The Company leased out its ice plant at Tanur to a private contractor for one year from 1st April 1971. As per the terms of the lease, a monthly rent of Rs. 3,486 was to be paid in advance on the 5th of every month in addition to electricity charges. The lessee discontinued payment of electricity charges from May 1971 and lease rent from September 1971. The lease was terminated in March 1972, when a sum of Rs. 0.31 lakh was due from the lessee towards lease rent and electricity charges. The Company did not take any action for recovery of the dues during the tenure of the lease and a civil suit was filed only in July 1974, which is pending disposal (March 1978).

(iv) The Company engaged, one after another, three contractors for sale of fish (other than shrimps) from its fleet section at Cochin, during the period April 1968 to March 1972. According to the agreement executed by them, the contractors were to pay the price agreed upon prior to taking delivery of the fish. However, the Company permitted the contractors to take delivery of the fish without prior payment. The amount due from them in respect of the contract period ended March 1972 was Rs. 0.53 lakh which is yet to be recovered (March 1978). The Management stated (August 1977) that civil suits, arbitration petitions and

revenue recovery proceedings were initiated for recovery of the dues.

In one case, the contract period was to expire on 14th September 1970, when a sum of Rs. 0.11 lakh was due from the contractor. The contract period was extended up to 31st March 1971 to enable the Company to recover the outstanding amount. However, when the extended period was over, it was found that a sum of Rs. 0.29 lakh was outstanding against the contractor.

2.10.3. *Advances*

(i) The Company sanctioned, during 1967 to 1971, advances to the crew (to be adjusted against the value of fish catches brought in by them) recruited for the seasonal operation of the mechanised fishing boats. The entire crew were retrenched between December 1974 and June 1975. The amount of advances pending recovery at the time of retrenchment was Rs. 0.21 lakh which still remains to be recovered (March 1978).

(ii) The Company imported in January 1969 five cases of spare parts for the compressors of ice plants and ice-*cum*-freezing plants at a cost of Rs. 1.05 lakhs. The cases cleared in May 1969 by the clearing agents were opened only in September 1969 when shortage of spare parts valued at Rs. 0.19 lakh were noticed. On the basis of an inquiry conducted in August 1971 by the Company, the Plant Manager and the Maintenance Supervisor of the Cochin plant were held responsible for the shortage. The Board decided in December 1971 to recover the value of the parts found short from the persons responsible. The amount has not been recovered so far (March 1978).

(iii) In March 1972, the Company sold import entitlements valued at Rs. 1 lakh to a private firm in Bombay at a premium of Rs. 0.40 lakh. The premium was not received in advance and an amount of Rs. 0.26 lakh is still pending recovery (March 1978).

2.11. Inventory control

The following table indicates the comparative position of inventory at the close of the three years ending 31st March 1977:—

		1974-75	1975-76	1976-77
			(Rupees in lakhs)	
1.	Raw materials	0.87	0.79	1.05
2.	Stores, spares and tools including stores under verification	20.96	9.08	10.12
3.	Finished goods	4.08	16.30	27.05
4.	Works-in-progress	24.37	..	..
	Total	50.28	26.17	38.22

The value of spare parts for mechanised fishing boats and trawler engines, held in stock without any issue for the three years up to 1976-77, was Rs. 1.90 lakhs. This included (i) Bukh engine parts, procured in 1968-69 (value: Rs. 1.21 lakhs), which became idle from 1973-74 when the boats fitted with these engines were disposed of and (ii) Kirloskar engine parts (value: Rs. 0.94 lakh) for indigenous trawlers which became idle from 1974-75 when the indigenous trawlers were withdrawn from operation. The spare parts have not been disposed of so far (March 1978). The Management stated (August 1977) that as the boats fitted with Bukh engines were few, it was difficult to dispose of the Bukh engine parts. As regards Kirloskar engine parts, it was stated (August 1977) that these would be disposed of along with the indigenous trawlers.

2.12. Other topics of interest

2.12.1. *Expenditure on feasibility study*

The Company obtained in May 1974 a letter of intent from the Government of India for establishing a trawler building yard. An inter-ministerial committee (consisting of officials of the Planning Commission, State Government and Government

of India), at its meeting held in July 1975, considered the issue and came to the conclusion that demand for trawlers in India was not encouraging and that it would be prudent to include the manufacture of other vessels such as barges, tugs, etc., also in the product-mix of the trawler building yard.

The Committee also advised the State Government to approach three Indian firms considered qualified for the work for the preparation of detailed feasibility/project reports. The Company, instead, invited quotations in September 1975 from seven firms, including the three firms recommended by the inter-ministerial committee.

A technical committee constituted in January 1976 by the Chairman and Managing Director of the Company selected (January 1976), after considering the quotations, a local firm as consultants on a remuneration of Rs. 0.50 lakh. Two reports, containing details of market research and product-mix, were submitted in June 1976 and August 1976 by the firm. No report on capital cost estimates, working capital requirements, production cost, financial forecasts and profitability analysis specifically required by the Company was submitted by the firm. Nevertheless, full payment of Rs. 0.50 lakh was made to the firm, in four instalments between May 1976 and October 1976. The technical committee, after considering the reports, observed in September 1976 that there was no scope for setting up a yard exclusively for the construction of trawlers (a fact known as early as in July 1975 during the inter-ministerial committee meeting) as the existing yards could meet the demand for trawlers for fifteen to twenty years, and the scheme was abandoned.

The Management stated (August 1977) that the technical committee did not consider it necessary to get further reports from the firm as they had already dropped the proposal.

2.12.2. *Payment of unproductive wages*

As stated earlier in paragraph 2.01, Govenment decided (August 1974) to transfer the boat building yards at Sakthikulangara and Beypore to the Development (Fisheries) Department and to close the boat building yards at Cannanore, Azhikode and Vizhinjam. With the exception of twelve workers, the other workers in the three boat yards which were closed, were retrenched in December 1974 on payment of compensation. The twelve workers were retained by the Company for completion of the construction of some boats then in progress. The pay and allowances of these workers up to 31st August 1976 were reimbursed (May 1977) by Government to the Company as their services were utilised on the construction of boats for Government. In August 1976, the Development (Fisheries) Department informed the Company that the services of these employees were no longer required by the department. The Company could not also utilise their services in any manner. Idle wages paid to them from 1st September 1976 to 31st January 1978 amounted to Rs. 1.27 lakhs.

These observations were brought to the notice of Government in December 1977, who endorsed (February 1978) the views of the Management incorporated in the paragraph.

SECTION III

TRAVANCORE PLYWOOD INDUSTRIES LIMITED

3.01. Introduction

The Travancore Plywood Industries Limited was incorporated on 1st November 1963 to take over the Travancore Plywood Industries, an erstwhile departmental undertaking and to run it on economic lines. The Company took over the undertaking and started functioning from 24th February 1964. In November 1973, the Company became a subsidiary of Kerala State Industrial Enterprises Limited, another fully owned Government Company, in terms of the provisions of Section 4 (1) (a) of the Companies Act, 1956.

The Company is engaged in the manufacture and sale of tea chest panels, commercial plywood, decorative plywood, flush doors, block boards, chequered plywood, etc. The Company has two units, one (unit I) for the manufacture of tea chest panels and the other (unit II) for the manufacture of other items.

Draft Report read
and approved by Committee
on 4-8-1981

3.02. Capital structure

The authorised capital of the Company, which was Rs. 15 lakhs at the time of its formation, was raised to Rs. 50 lakhs during 1967-68. The paid-up capital of the Company, entirely subscribed by the State Government, was Rs. 48.59 lakhs as on 31st March 1977.

3.03. Organisational set-up

The management of the Company vests in a Board of Directors appointed/nominated by the holding company. There were eight directors on the Board as on 31st March 1977. Government appointed in November 1971 an official who was already functioning as the Managing Director of another Government Company—Forest Industries (Travancore) Limited—as Managing Director of the Company. Subsequently in March 1973, a General Manager was also appointed by Government. The official appointed as Managing Director retired from Government service on 30th April 1977 and, therefore, ceased to be the Managing Director of both the Companies from that date. Since then, the day to day affairs of the Company are managed by the General Manager as chief executive.

3.04. Financial position

The table below summarises the financial position of the Company under broad headings for the three years ending 31st March 1977:—

	1974-75	1975-76	1976-77
Liabilities		*(Rupees in lakhs)*	
(a) Paid-up capital	48.59	48.59	48.59
(b) Borrowings including cash credit from			
(i) Government of Kerala	48.25	48.25	48.25
(ii) Others	12.96	25.25	25.13
(c) Trade dues and other current liabilities (including provisions)	61.15	60.47	66.06
Total	170.95	182.56	188.03

Assets	1974-75	1975-76	1976-77
	(*Rupees in lakhs*)		
(d) Gross block	101.65	104.49	105.65
(e) *Less*: Depreciation	43.50	49.91	55.76
(f) Net fixed assets	58.15	54.58	49.89
(g) Capital works-in-progress	0.23	0.54	0.61
(h) Investments	0.01	0.01	0.01
(i) Current assets, loans and advances	86.73	103.71	102.86
(j) Accumulated loss	25.83	23.72	34.66
Total	170.95	182.56	188.03
Capital employed	83.73	97.82	86.69
Net worth	22.76	24.87	13.93

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

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

3.05. Borrowings

Loans aggregating Rs. 49.59 lakhs were obtained by the Company from Government between February 1964 and September 1971. The loans, carrying interest at rates varying from 5 to 7 per cent per annum, were repayable in 13 to 17 annual instalments, commencing from the third anniversary of the receipt of loan. The loans also carry penal interest at rates varying from 7 to 9.5 per cent per annum on overdue instalments of principal and interest. The Company has not been repaying the instalments of principal and interest regularly from September 1970 onwards. The overdue instalments of principal (Rs. 20.67 lakhs), interest (Rs. 24.28 lakhs) and penal interest on delayed payments (Rs. 7.98 lakhs) amounted to Rs. 52.93 lakhs at the end of 1976-77.

While the balance under sundry debtors as at the close of 1976-77 (Rs. 27.34 lakhs) increased by Rs. 9.90 lakhs over

that of the preceeding year (Rs. 17.44 lakhs), the outstandings under sundry creditors for goods supplied decreased by Rs. 4.00 lakhs at the close of 1976-77. Delay in realising the debts due to the Company resulted in payment of heavy interest charges on amounts borrowed by the Company. Interest paid on short-term loans and cash credit increased from Rs. 1.93 lakhs in 1974-75 to Rs. 2.47 lakhs in 1975-76 and Rs. 3.30 lakhs in 1976-77.

3.06. Payment of management service charges

The Company paid Rs. 0.56 lakh in 1973-74, Rs. 0.69 lakh in 1974-75, Rs. 0.43 lakh in 1975-76 and Rs. 0.51 lakh in 1976-77 as management service charges to the holding company at rates prescribed by the latter. The charges levied by the holding company were in the nature of consultancy fees of the executives of that Company.

3.07. Production

The table below compares the actual production of plywood, block boards, etc., with the installed capacity of the units and the budgeted production for the three years ending 31st March 1977:—

Year	*Installed capacity**			*Budgeted production*			*Actual production*		
	Unit I	Unit II	Total	Unit I	Unit II	Total	Unit I	Unit II	Total
				(*In lakhs of square metres*)					
1974-75	3.25	24.13	27.38	NA	NA	14.24	3.51	8.88	12.39
1975-76	3.25	24.13	27.38	NA	NA	18.29	3.05	7.67	10.72
1976-77	3.25	24.13	27.38	NA	NA	15.00	2.82	8.71	11.53

* Based on one shift for Unit I and two shifts for Unit II.
NA Not available separately.

P23
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102/9058/MC.

The utilisation of installed capacity in Unit II was less than 37 per cent in all these years. The Management stated (January 1978) that the limiting factor in any industry could be either production or sales and that while unfavourable market conditions were the limiting factor in 1974-75 and 1975-76, shortage of timber was the limiting factor in 1976-77.

3.08. Procurement of timber

Timber required for the manufacture of plywood is supplied by the Forest Department of the State Government. The department agreed (December 1968) to supply, subject to availability, 15,000 cubic metres of timber annually to the Company. Details of timber required for achieving the budgeted production, timber supplied by the Forest Department and shortfall, for the three years ending March 1977, are tabulated below:—

Year	*Timber required to meet budgeted production* (*in cubic*	*Timber supplied by the Forest Department* *metres*)	*Percentage of shortfall*
1974-75	12,699	15,152	..
1975-76	16,200	12,440	23.2
1976-77	14,604	11,355	22.2

With a view to exploring the possibilities of ensuring steady supply of timber, Government ordered (October 1972) that an intensive survey of softwood resources in the area between Achancoil and Kakki (Quilon District) should be conducted by the Forest Department in consultation with the Company. No such survey was conducted till March 1978.

During the three years ending 31st March 1977, the Company procured eleven species of timber (34,680 cubic metres) for manufacture of plywood. Of these 'Karanjili' (a specie of wood with high oil content) constituted 31 per cent of the total timber procured. The cost of production of plywood manufactured out of this specie is higher than that of plywood

manufactured from other varieties. The Company had not determined the cost of production of plywood manufactured from different species of timber so as to ensure that only those species with a potential for profitable production were procured. The Management stated (January 1978) that when the Company was incurring production loss due to non-availability of softwood, determination of cost, specie-wise, was not of real help.

3.09. Wastage in production

The table below indicates the details of yield and wastage at various stages of manufacture of plywood during the two years ending 1976-77:—

Particulars	1975-76	1976-77	
Timber utilised (cubic metres)	11,414	10,659	
Output (cubic metres)	4,611	4,419	
Yield obtained (percentage)	40.4	41.5	
Wastage (percentage) at the stage of			
cross cutting	3.0	4.1	
peeling	41.3	33.0	20%
clipping and drying	2.9	2.2	
glueing and pressing	6.4	9.4	
trimming and sanding	1.8	2.3	
others	4.2	7.5	
	100.0	100.0	

The Company had not analysed the reasons for wastage. There was also no machinery to assess and control wastages on account of manufacturing defects such as overlaps and gaps in inner plies, blisters, faulty glueing, splits and cracks, rough and irregular cutting, etc. The increase during 1976-77 in wastage at the glueing and pressing stages was attributed (January 1978) by the Management to the 'pressing' of certain new products such as chequered plywood, block boards, flush doors, etc. The products for which the pressing allowance was to be allowed and the rate at which such allowance was to be allowed had not, however, been determined by the Company (March 1978).

3.10. Machine utilisation

3.10.1. The process of manufacturing plywood involves simultaneous operation of the peelers, driers and presses. Hours of operation of the machines during 1975-76 and 1976-77, as computed by Audit on the basis of labour hours utilised on their operation, were as follows:—

	1975-76			1976-77		
Name of machine	*Total hours available*	*Hours utilised*	*Percentage of utilisation*	*Total hours available*	*Hours utilised*	*Percentage of utilisation*
Peelers (2 shifts)						
No. I	4,242	2,688	63.4	4,214	2,086	49.5
No. II	4,242	2,247	53.0	4,214	2,086	49.5
Driers (2 shifts)						
No. I	4,242	3,829	90.3	4,214	3,619	85.9
No. II	4,242	1,568	37.0	4,214	1,981	47.0
Presses (2 shifts)						
No. I	4,242	2,219	52.3	4,214	2,751	65.3
No. II	4,242	2,156	50.8	4,214	2,219	52.7
Total	25,452	14,707	57.8	25,284	14,742	58.3

Cause-wise analysis of the reasons for the idling of machinery had not been made by the Company. The Management stated (September 1977) that the comparatively low utilisation of machinery was mainly due to want of sufficient quantities of timber.

3.10.2. *Performance of machine*

(a) *Peelers*: According to the project report (1968) for Unit II, one peeler would convert 15 cubic metres of logs into veneer in one shift of eight hours. Computed on this basis, there was a shortfall in production of veneers to the extent of 27 per cent during 1975-76. Similar details for 1976-77 were not available with the Company. The Management stated (September 1977) that optimum production of veneers depended largely on the availability of good quality logs of suitable size and as these were not available, production of veneers fell short of the estimated level.

(b) *Driers*: The wet veneers from the two peelers are dried in the driers before further processing. In order to ensure the continuous operation of all sections (peeling, drying and pressing), all veneers peeled would require to be dried within the shift hours so that the veneers would be available for the next process. Delay in drying the veneers would create imbalances in the plant which in turn would affect adversely the production cycle and result in extra process cost. It was noticed in audit that considerable delay occurred at the drying stage, as a result of which the driers alone had to be operated in extra shifts. Thus, while the peelers were operated for 4,935 hours during 1975-76, the driers had to be operated for 5,397 hours and in 1976-77, when the peelers were operated for only 4,172 hours, the driers had to be operated for 5,600 hours. The Management stated (January 1978) that the capacity of the driers would have to be increased in order to balance them with the peelers and that the additional investment for this purpose might not be feasible.

(c) *Presses*: The dried veneers are spread with adhesives and pressed in hot presses. The project report (1968) for Unit II estimated that there would be 56,332 pressing cycles in a year lasting for about 7,040 hours and the number of working hours available (on two shift basis) for operating both the presses being 8,400, a surplus of 1,360 hours would be available. In other words, the project report envisaged a surplus capacity of about 4.5 hours per day in the pressing section which had been reserved for production of block boards or flush doors. The utilisation of the presses could not be verified in audit in the absence of records showing the duration of a pressing cycle and particulars of operation of the presses.

3.10.3. *Idle machinery*

The Company commissioned in June 1968, a veneer slicing machine (capacity: 1800 square metres or 1.08 cubic metres per shift of 8 hours) costing Rs. 1.61 lakhs for the manufacture of decorative panels. Anticipating orders for large quantities of decorative panels, another machine of the same capacity costing Rs. 2.93 lakhs was imported in February 1968 and commissioned in August 1970. As orders for decorative panels were not received as anticipated, the first machine was not utilised at all during 1971-72 to 1976-77. The second machine was only sparingly used during the period from August 1970 to March 1976 and was not utilised during 1976-77.

The Management stated (January 1978) that the Board of Directors of the Company had approved in December 1977 a project for manufacture of teak veneers and that the project, when implemented, would provide for the effective utilisation of the machines.

3.11. Operational results

The table below indicates the operational results of the Company for the three years up to 1976-77:—

	Year ended 31st March		
	1975	1976	1977
	(*Rupees in lakhs*)		
1. Value of production			
(a) Sales	98.50	94.59	145.05
(b) Closing stock of finished goods including goods consigned to Bombay agency and works-in-progress	37.17	58.12	42.31
(c) Opening stock of finished goods including goods consigned to Bombay agency and works-in-progress	9.73	37.17	58.12
Value of production (a + b — c)	125.94	115.54	129.24
2. *Less*: Consumption of raw materials, stores and spares	64.13	52.73	68.06

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Increase in value of production

1975-76 .. 115.54
76 - 77 .. 129.24
Increase 13.70

$\% = \frac{13.70 \times 100}{115.54} = 11.8\%$

		Year ended 31st March		
		1975	1976	1977
		(Rupees in lakhs)		
3.	Net value added *	61.81	62.81	61.18
4.	Conversion expenses			
	(a) Salaries and wages	23.29	25.20	23.19
	(b) Power and fuel	7.53	11.83	14.63
	(c) Interest charges	6.60	7.44	8.59
	(d) Depreciation	7.06	6.40	5.85
	(e) Other items (including sales commission)	10.45	9.83	19.86
		54.93	60.70	72.12
5.	Profit (+)/ Loss (—)	(+) 6.88	(+) 2.11	(—) 10.94
6.	Percentage of			
	(a) Net value added to value of production	49.1	54.4	47.3
	(b) Conversion expenses to net value added	88.9	96.6	117.9
	(c) Value of raw materials, stores and spares consumed to value of production	50.9	45.6	52.7

While the quantitative production of finished goods increased by 7.6 per cent in 1976-77, the increase in the value of stores consumed was 29.1 per cent. C207

3.12. Working results

The working of the Company during 1976-77 resulted in a net loss of Rs. 10.94 ** lakhs as against a net profit of Rs. 6.88 lakhs

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* "Net value added" indicates the aggregate income generated to meet wages, salaries, interest charges, depreciation, surplus, etc.

**During audit of the accounts of the Company under Section 619 (4) of the Companies Act, 1956, it was observed that the net loss of the Company for 1976-77 was understated by Rs. 1.95 lakhs.

in 1974-75 and Rs. 2.11 lakhs in 1975-76. The accumulated loss at the end of 1976-77 was Rs. 34.66 lakhs and worked out to 71.3 per cent of the paid-up capital of the Company. The Management attributed (January 1978) the loss to increased rate of trade discounts allowed with a view to preventing accumulation of inventories.

The Company has not declared any dividend since 1967-68.

3.13. Inventory control and materials management

3.13.1. The comparative position of inventory and its distribution at the close of the three years ending 31st March 1977 was as follows:—

		1974-75	1975-76	1976-77
			(Rupees in lakhs)	
A. 1.	Stores and spares (including raw materials, laboratory appliances)	19.72	13.79	17.11
2.	Works-in-progress	3.52	11.27	11.80
3.	Finished goods (including goods in transit)	33.65	46.85	30.51
4.	Scrap (Waste core)	0.32	1.35	1.37
	Total	57.21	73.26	60.79
B.	Consumption of raw materials, stores and spares	64.13	52.73	68.06
C.	Year-end inventories of raw materials, stores, spares and laboratory appliances expressed in terms of number of months' requirement for production	3.70	3.14	3.02

3.13.2. *Slow moving and non-moving stock*

The value of slow moving/non-moving items of finished goods, held in stock as on 31st March 1977, was Rs. 4.53 lakhs, vide details indicated below:—

	Number of items	Value (Rupees in lakhs)
Items which did not move for		
(a) one year	1,133	0.36
(b) two years	401	0.17
(c) three years and more		
(i) regular items	263	0.12
(ii) defective exhibition articles	39,104	3.88 ✓
	40,901	4.53

In July 1977, 8,939 items (cost: Rs. 3.36 lakhs) of defective exhibition articles were auctioned by the Company at a loss of Rs. 2.78 lakhs.

3.13.3. *Consumption of glue*

Synthetic resins (urea formaldehyde and phenol formaldehyde), marketed under different trade names by manufacturers, are used as adhesives (glue) in the manufacture of plywood. The cost of resins utilised in production was Rs. 22.55 lakhs in 1974-75, Rs. 20.34 lakhs in 1975-76 and Rs. 21.86 lakhs in 1976-77. Till August 1977, the Company had been purchasing different kinds of resins (Aerolite, Arborite, etc.) from manufacturers and dealers without inviting competitive tenders. The Company invited tenders for the supply of resins for the first time in September 1977. Thirteen firms, including the firm from whom purchases were made earlier, responded. The rate quoted by the regular supplier on invitation of tenders was less by Rs. 200 per tonne as compared to the rates previously paid to him.

The table below indicates details of the total quantity of resin used, glue spread obtained, etc., for the three years ending 31st March 1977:—

Year	*Resin consumed (in kilograms)*	*Glue spread obtained*	*Glue spread obtained per kilogram of resin used*	*Consumption of resin per square metre of glue spread*	*Cost of resin per square metre of glue spread*
		(in square metres)		*(in grams)*	*(Rupees)*
1974-75	1,64,476	13,33,468	8.11	123.34	1.69
1975-76	1,68,970	12,09,432	7.16	139.71	1.68
1976-77	2,04,490	12,56,172	6.14	162.79	1.74

According to the Forest Research Institute, Dehradun, 110-120 grams of urea formaldehyde and phenol formaldehyde resins would be sufficient for making a square metre of plywood of suitable bond strength. Computed with reference to the maximum limit of 120 grams per square metre, the excess consumption was 4,460 kilograms in 1974-75 (value: Rs. 0.61 lakh) 23,839 kilograms in 1975-76 (value: Rs. 2.87 lakhs) and 53,750 kilograms in 1976-77 (value: Rs. 5.75 lakhs).

The Management stated (September 1977) that

(i) it was difficult to fix a scientific norm for the consumption of glue;

(ii) there was no need to maintain separate records for consumption of individual resins; and

(iii) there was no device for the concurrent checking and controlling of glue spread.

The excess consumption of glue was also attributed (January 1978) by the Management to the increased production of 'Boiled water resistant' grades of plywood.

3.13.4. *Consumption of furnace oil*

The table below compares the consumption of furnace oil with the quantity of plywood produced, during the three years ending 31st March 1977:—

		1974-75	1975-76	1976-77
1.	Furnace oil consumed (in kilolitres)	984.463	1,102.094	1,214.593
2.	Production (in square metres)	8,88,053	7,67,465	8,71,099
3.	Rate of consumption of furnace oil per 1000 square metres of plywood produced (in kilolitres)	1.109	1.436	1.394

The Management stated (September 1977) that 'Karanjili' and 'Punnappa' species of timber utilised for production of plywood required more steam for treatment. It was observed in audit that these two species constituted 31.06 per cent of the total timber consumed in 1974-75 and that the rate of consumption of furnace oil per 1000 square metres of plywood produced was 1.109 Kilolitres. When the utilisation of these two species came down to 28.64 per cent of the total consumption in 1975-76, the rate of consumption of furnace oil increased to 1.436 kilolitres per 1000 square metres of plywood produced. The Management stated (January 1978) that variations in the consumption of furnace oil occurred from year to year depending on the product-mix. The Company had not, however, fixed any norm for consumption of furnace oil on the basis of product-mix.

3.14. Pricing policy and sales performance

3.14.1. *Pricing policy*

The Company had not defined how the price of its products should be fixed. The statutory auditors in their report on the accounts of the Company for the year 1975-76 had observed (September 1976) that the selling prices of the Company's products were not fixed with reference to any cost/scientific data. The Management, however, stated (September 1976) that the price of some of the products were fixed on the basis of cost data.

The Company allowed discounts at different rates to different customers on the ground that market conditions had become sluggish during the later part of 1974-75 and that this trend continued up to the end of 1976-77. The basis for allowing discounts had not, however, been laid down. The Company had also no record of the market prices prevailing from time to time.

3.14.2. *Marketing arrangements*

The products of the Company are mostly sold direct from the factory and through an emporium of the holding company at Trivandrum. With a view to ensuring steady sale of plywood products, the Company opened depots at Bombay (December 1974), Madras (August 1975) and Ahmedabad (October 1975) and appointed agents on commission basis. The agents were required to achieve specified turnover targets and in the event of failure to achieve these targets certain penalties were leviable. Expenditure incurred in bringing the goods to the depot was reimbursed to the agents and further expenditure, if any, was to be borne by the agents themselves. Though the depots opened at the above centres were treated as depots of the Company and all the transactions of the depots were incorporated in the accounts of the Company, the Company had no control over them and for all practical purposes these depots functioned as the business houses of the agents.

3.14.3. *Sales performance*

The table below compares the details of sales of various
March 1977:—

		1974-75				1975-76	
		Budget		*Actuals*		*Budget*	
		Quantity in square metres of 4 mm thickness	*Value (Rupees in lakhs)*	*Quantity in square metres of 4 mm thickness*	*Value (Rupees in lakhs)*	*Quantity in square metres of 4 mm thickness*	*Value (Rupees in lakhs)*
1	Commercial panels including tea chest panels and others	14,02,780	172.13	9,82,417	91.60	18,00,000	148.50
2	Decorative panels	8,000	9.45	5,170	1.32	12,000	2.67
3	Flush doors	5,090	5.04	2,807	1.91	5,400	3.54
4	Block boards	8,500	7.56	5,548	1.96	12,000	4.20
		14,24,370	194.18	9,95,942	96.79	18,29,400	158.91

* Excluding central excise duty on sales and other sales, such as sale of cut pieces,

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products* with budgeted sales for the three years ending 31st

		1976-77			
Actuals		*Budget*		*Actuals*	
Quantity in square metres of 4 mm thickness	*Value (Rupees in lakhs)*	*Quantity in square metres of 4 mm thickness*	*Value (Rupees in lakhs)*	*Quantity in square metres of 4 mm thickness*	*Value (Rupees in lakhs)*
9,49,321	86.34	14,84,400	135.82	13,25,694	123.78
4,627	1.02	8,400	1.94	26,408	5.99
4,156	2.57	4,800	3.90	11,277	10.64
3,894	1.66	2,400	0.89	5,033	2.03
9,61,998	91.59	15,00,000	142.55	13,68,412	142.44

rejected panels, etc.

The shortfall in realisation from sales as compared to that budgeted was 50.2 per cent in 1974-75 and 42.4 per cent in 1975-76. The reasons for the shortfall in sales indicated by the Management in the annual reports to the shareholders, were sluggishness in the market (1974-75) and unfavourable market conditions (1975-76).

3.14.4. *Performance of depot agents*

(a) As against the minimum off-take of Rs. 132 lakhs guaranteed in the agreements entered into with the three depot agents, the actual off-take in 1976-77 was only Rs. 40.33 lakhs as detailed below:—

Name of Depot	*Guaranteed off-take*	*Actual off-take*	*Value of shortfall*	*Percentage of actual off-take to guaranteed off-take*
		(*Rupees in lakhs*)		
Bombay	60	26.60	33.40	44.3
Madras	36	11.08	24.92	30.8
Ahmedabad	36	2.65	33.35	7.4
Total	132	40.33	91.67	30.6

Sales through the depots constituted only 10.6 per cent in 1974-75, 39.6 per cent in 1975-76 and 28.3 per cent in 1976-77 of the total sales.

(b) The Management assessed that the working of the three depots during 1975-76 and 1976-77 had resulted in a total loss of Rs. 17.58 lakhs (Bombay depot: Rs. 14.34 lakhs; Madras depot: Rs. 2.59 lakhs; Ahmedabad depot: Rs. 0.65 lakh).

The statutory auditors in their report on the accounts for the years 1974-75 and 1975-76, had pointed out several defects in the accounts of the Bombay depot, such as want of vouchers for delivery charges, absence of proper details in the vouchers for payment of loading, unloading, clearing and forwarding meeting 18-8-80

Notes called for by
C.P.U. (1980-82)

List of points sent by Leg. Sectt to
Industries Dept in D.O. No 7127/L.A29/
80 dt 6.9.80

Rep (C) 138
25.9.80

reply furnished only
in 4/88. ie. after presentation
of the ~~R~~ 20th Report of PUC
(1980-82).

charges, etc., and had suggested a thorough investigation into the accounts of the depot. No such investigation had been conducted by the Company (March 1978). The statutory auditors in their report on the accounts for the year 1976-77 had also observed that they were unable to verify the correctness of the expenditure, for want of proper vouchers and other records in respect of the Bombay and Madras depots. The Management stated (January 1978) that the depot expenses were supported by vouchers which were found technically defective and as such were not reimbursed to the agent but kept under suspense. C93 K.F

(c) The following points were noticed in respect of the transactions with the agent of the Bombay depot.

(i) According to the terms of the agreement (December 1974) entered into with the depot agent, the Company was to reimburse expenses (freight, octroi, clearing and forwarding charges and rent for depot) incurred by the agent for rendering the materials saleable *ex*-depot and to pay a commission of 2 per cent on *ex*-depot sales. A supplementary agreement (March 1976) entered into with the depot agent provided for the reimbursement of certain other expenses (*del credre* commission, brokerage, additional transportation charges, finance charges, loading and unloading charges and additional octroi levies) not contemplated in the original agreement. Consequently, the Company had to reimburse to the agent an additional amount of Rs. 2.89 lakhs during 1975-76 and 1976-77. Further, the agent claimed Rs. 1.36 lakhs (Rs. 1.25 lakhs for 1975-76 and Rs. 0.11 lakh for 1976-77) towards additional expenses which were under dispute (March 1978). No such supplementary agreement was entered into with the depot agents at Madras and Ahmedabad and such expenses were not reimbursed to them. C93 K.F C92 " C93 "

(ii) Immediately after entering into the agreement with the Bombay depot agent, the Company rationalised the price structure of its plywood products, which involved reduction in the price of certain items supplied to the Bombay depot. While the revised prices were made applicable to the supplies made to the Bombay depot agent with effect from 12th December 1974, these were given effect to only from 1st April 1975 in respect of supplies to other dealers. The Management stated (January 1978) that the dual price structure was adopted for maximum sale realisation to the Company from other dealers.

(iii) The general rate of trade discount, which was 10 per cent of the f. o. r. Punalur price, was revised, at the request of the agent, to 12.5 per cent in February 1975, 15 per cent in June 1975, 18 per cent in August 1975, 24.5 per cent in December 1975 and 25 per cent in April 1976. The maximum trade discount allowed up to March 1977 to depot agents at Madras and Ahmedabad was 20 and 15 per cent respectively. The Management stated (September 1977) that discount rates had to be enhanced during 1975 as the market had become sluggish and it was found increasingly difficult to sell the products.

The Company also allowed trade discount on the price of articles, which included central excise duty, in respect of eleven consignments despatched between January 1975 and January 1977 from Cochin stockyard to the Bombay depot. Inclusion of central excise duty in the price for calculation of the discount resulted in extra discount of Rs. 0.19 lakh being allowed outside the terms of the agreement.

(iv) According to the terms of the agreement (December 1974) with the agent, the Company was to forward an advance drawal note along with despatch documents through the bank and the depot agent was to clear the documents on full payment of the value of goods specified in the advance drawal note. In January 1976, the Company relaxed this provision and permitted the agent to clear the documents on tendering cheques, post-dated 30 days from the date of clearance of the documents. The cheques were, however, not cleared on the dates specified in the cheques for want of funds. A test check in audit revealed that during 1976-77, there was delay up to five months in clearance of the cheques issued by the agent. This resulted in loss of interest to the extent of Rs. 0.40 lakh. The Management stated (January 1978) that certain credit facilities were extended to the

agent with the objective of enabling him to ensure higher sales performance.

(v) At the time of termination of the agency agreement in June 1977, the depot agent owed Rs. 4.21 lakhs to the Company. The Company owed Rs. 0.48 lakh towards cost of veneers supplied to them by a firm owned by the depot agent. Though the Company settled the dues to the firm owned by the depot agent in July 1977, the dues from the depot agent to the Company were yet to be recovered (March 1978). The Management stated (January 1978) that the matter was under negotiation with the agent.

3.15. Credit control

The table below indicates the position of book debts and sales* for the three years up to 31st March 1977:—

As on 31st March	*Total debts*	*Sales*	*Percentage of debts to sales*
	(Rupees in lakhs)		
1975	13.28	98.50	13.5
1976	17.44	94.59	18.4
1977	27.34	145.05	18.9

The sundry debtors represented about 1.62 months' turnover in 1974-75 as compared to 2.21 months' in 1975-76 and 2.26 months' in 1976-77.

The Management stated (September 1977) that the Company had to sell the products on credit due to unfavourable market conditions and this accounted for the accumulation of debts.

* Including sale of rejected panels, cut pieces, etc.

A break-up of amounts due from various parties, as on 31st March 1977, is given below:—

		(*Rupees in lakhs*)
1.	Holding company	3.07
2.	Central/State Government Companies, Corporations	8.55
3.	Depot agents	6.53
4.	Other parties (private individuals and institutions)	9.19
	Total	27.34

3.16. Other points of interest

3.16.1. *Transportation of furnace oil*

In April 1974, the Company temporarily entrusted the work of transporting furnace oil from the Cochin Refinery to its factory to contractor 'A' without inviting tenders, at Rs. 55 per kilolitre. This was subsequently continued on a regular basis up to December 1975. In the meantime, another contractor, 'B' offered voluntarily to transport the oil at Rs. 45 per kilolitre. This offer was not availed of by the Company. After December 1975, however, the work was entrusted to contractor 'B' on the basis of the lowest tendered rate (Rs. 50.10 per kilolitre) obtained from him at that time. Computed on the basis of the voluntary offer of Rs. 45 per kilolitre, transportation of 1,750 kilolitres of furnace oil between April 1974 and December 1975 resulted in an extra expenditure of Rs. 0.18 lakh. The Management stated (January 1978) that as the contractor engaged from April 1974 had lent his hands during a period of crisis, the Company allowed him to carry on the transportation at Rs. 55 per kilolitre.

3.16.2. *Purchase of teak veneers*

In September 1976, the Company purchased 56,568 square metres of teak veneers (total cost: Rs. 5.64 lakhs) from a Bombay firm (owned by the Company's depot agent at Bombay) at mutually agreed upon rates (ranging from Rs. 9.15 to Rs. 10.76

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ɔer square metre) without inviting competitive tenders. To neet further requirements of teak veneers, the Company invited ompetitive tenders in November 1976. The rate of Rs. 9.20 ɔer square metre (excluding 5 per cent discount) quoted in esponse by a local firm was the lowest. The Company there- ıpon purchased veneers valued at Rs. 3.84 lakhs from the Bombay firm at the rate quoted by the local firm, though the Bombay firm did not respond to the tenders called for by the Company in November 1976. Computed with reference to this ate, the extra expenditure on the purchase from the Bombay rm in September 1976 amounted to Rs. 0.27 lakh.

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The Management stated (September 1977) that the purchase t higher rates from the Bombay firm was made on the ground ıat they offered to supply veneers on credit. A test check ı audit of the personal accounts of the Bombay firm and the ombay depot agent, maintained in the Company's books, isclosed that while Rs. 4.21 lakhs were due from the Bombay epot agent as on 31st March 1977, only Rs. 0.48 lakh was ue to the Bombay firm for teak veneers supplied by them to ıe Company and in effect no credit facilities were, therefore, fforded to the Company by the Bombay firm.

17. Cost accounting

A test check (September 1977) of the cost statements for the ears 1975-76 and 1976-77 revealed that the cost of production as arrived at in respect of plywood of 4 mm thickness only ıd the cost of production of individual products, which vary ı thickness and form, was not worked out. No reconciliation etween cost and financial accounts was effected.

18. Internal audit

The Internal Auditor of the Company functions under the verall control of the Secretary and Finance Manager. The atutory auditors in their report on the accounts of the Company r the years 1975-76 and 1976-77 had observed that the Company d not have a satisfactory internal audit system, commensurate ith the size and nature of the business.

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A manual laying down the scope and functions of the interna audit had also not been prepared (March 1978).

These observations were brought to the notice of Govern ment in December 1977, who endorsed (January 1978) th views of the Management incorporated in the paragraph.

SECTION IV

THE KERALA LAND DEVELOPMENT CORPORATION LIMITED

4.01. Introduction

Kuttanad, a backwater tract spread over seven taluks c Alleppey district and three taluks of Kottayam district, comprisin an area of about 870 square kilometres, is the main rice growin area in the State. On account of the twin problems of hig floods and salinity of water, only one crop is mostly grown in th area. With a view to enabling the raising of a second crop i about 52,000 hectares and also to stabilising the existing single cro Government approved in December 1972, the 'Kuttanad Develo ment Project' involving an outlay of Rs. 20 crores and estimate to be completed in six years by 1978-79.

The project envisaged construction of permanent sul mersible bunds of a total length of 2,000 kilometres and ancilla works around the 'Padasekharams' (contiguous groups of padc fields) in Kuttanad. The Agricultural Refinance and Develo ment Corporation agreed (June 1972) to provide fun required for implementing the project as long-term loans, throug an autonomous institution. Government, therefore, formed tl Kerala Land Development Corporation Limited as a Sta Government Company in December 1972. The main obje of the Company is to promote, undertake, finance and execu land development schemes for the development of agricultu and activities allied thereto in the State.

Draft Report approved by
Committee on 25-6-1981.

Govt. note received in Rep. C/562
24.11.1979.

Meeting dt 5.9.80
notes called for by Leg. Sectt
Rep. C. 188
7.10.80

× GO P. 426/72/Agr dt 12.12.1972

The Company took up (February 1974) the construction f 370 kilometres of bunds and works ancillary thereto (estimated ost: Rs. 375 lakhs) as the first phase of the project. The second hase, involving construction of 600 kilometres of bunds (estimated ost: Rs. 608.88 lakhs), was approved in June 1977 by the Agri- ultural Refinance and Development Corporation.

The Company initiated (June 1977) discussions with the gricultural Refinance and Development Corporation for btaining refinance facilities for two more projects, *viz.* Trichur Kole Land Development Project (estimated cost: Rs. 1,425 akhs) and Puzhangad Kannan Kayal Scheme (estimated cost: Rs. 5.55 lakhs).

.02. Capital structure

The authorised and paid-up capitals of the Company, as on 1st March 1977, stood at Rs. 700 lakhs and Rs. 141 lakhs res- ectively. The paid-up capital has been fully subscribed by the tate Government. Out of the funds thus received, a sum of Rs. 20 lakhs was given as loan in December 1974 to the State arming Corporation of Kerala Limited (another fully owned Government Company) at an interest of 11 per cent per annum, which was repaid in March 1975. The Management stated June 1975) that the request to Government for share capital was not related to any immediate requirement of funds but ased on the annual outlay of the State Government.

.03. Borrowings

Under a refinance scheme for advancing loans to the Company for implementing the first phase of the Kuttanad Development Project, the Agricultural Refinance and Develop- ment Corporation sanctioned Rs. 375 lakhs to the State Bank of ndia in July 1973. As against this, loan (repayable in 12 to 5 years from the date of drawal and bearing interest at 8 per ent per annum up to 30th April 1975 and 9 per cent er annum thereafter) actually availed of by the Company etween February 1974 and March 1977 and outstanding on 1st March 1977 was Rs. 252 lakhs.

4.04. Financial position

The table below summarises the financial position of the Company under broad headings for the three years up to 1976-77:—

	1974-75	1975-76	1976-77
		(*Rupees in lakhs*)	
Liabilities			
(a) Paid-up capital	66.00	96.00	141.00
(b) Borrowings	40.00	110.00	252.00
(c) Trade dues and other current liabilities (including provisions)	5.89	10.35	16.49
Total	111.89	216.35	409.49
Assets			
(d) Gross block	3.00	3.18	3.21
(e) *Less*: Depreciation	0.77	1.13	1.56
(f) Net fixed assets	2.23	2.05	1.65
(g) Current assets, loans and advances	85.84	170.92	350.72
(h) Miscellaneous expenditure	1.09	1.09	1.09
(i) Accumulated loss	22.73	42.29	56.03
Total	111.89	216.35	409.49
Capital employed	69.05	156.00	299.50
Net worth	42.18	52.62	83.88

Note:—1. Capital employed represents the mean of the aggregates of opening and closing balances of paid-up capital and borrowings.

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

4.05. Targets and actual realisations thereagainst

4.05.1. *Financial*

According to an agreement executed by the Company with the State Bank of India in February 1974, the loan of Rs. 375 lakhs sanctioned by the Agricultural Refinance and Development Corporation was to be drawn and utilised for implementation of the first phase of the project during the two years

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ending 30th June 1975 (Rs. 40 lakhs up to 30th June 1974 and Rs. 335 lakhs during the year ending 30th June 1975). As the activities of the Company did not gather momentum in the initial stages, the Company drew Rs. 40 lakhs only as at the end of June 1975. The schedule for withdrawal and utilisation of the loan was, therefore, revised periodically during January 1974 to May 1975, with the approval of Agricultural Refinance and Development Corporation. In July 1975, the pattern of financing was revised by the Corporation, according to which further instalments of loan were to be drawn as reimbursement of actual expenditure incurred by the Company. At the instance of the Company, the Corporation further extended (December 1976) the period for drawal and utilisation of the loan of Rs. 375 lakhs up to 31st December 1977. However, as stated earlier, loan availed of by the Company upto 31st March 1977 amounted to only Rs. 252 lakhs. Government stated (December 1977) that being a project implemented at the cost of the beneficiaries, the initial response from them was not encouraging and that as the Company was invested with certain statutory powers only in 1974, schemes were initiated only thereafter. Government stated further that on account of these factors, the Company had no alternative but to rephase the project, taking into account the actual performance, and set up realistic targets for the future.

4.05.2. *Physical*

The table below indicates the length of bunds to be constructed each year according to the project report prepared by Government and the length of bunds actually completed in each year up to 1976-77:—

Year	*Length of bunds to be completed as per project report*	*Length of bunds completed*
	(*in kilometres*)	
1973-74	40	Nil
1974-75	335	0.580
1975-76	360	17.206
1976-77	410	25.733

In addition, works relating to about 356 kilometres of bunds were under various stages of execution as on 31st March 1977.

4.06. Implementation of the project

Though the Company was formed in December 1972, statutory powers to enable the Company to take up land development schemes in lands owned by cultivators were given only in November 1973 by an ordinance which was subsequently (March 1974) replaced by the Kerala Land Development Corporation Limited (Special Powers) Act, 1974.

In terms of the provisions of the Act, cultivators desirous of availing of the benefits under the scheme were required to submit preliminary applications jointly to the Company. On approval by the Board of Directors of the draft schemes prepared on the basis of these applications under Section 3 of the Act, details of the schemes were to be published under Section 5, inviting objections, if any, from the public. An Inquiring Officer was to be appointed to consider these objections and based on his report, decision was to be taken under Section 7 of the Act either to execute the schemes or to abandon them. Details of schemes decided to be executed were again to be published under Section 8 of the Act.

Works under the schemes were generally arranged for execution either through the beneficiary land owners or their nominees. In cases where the cultivators did not come forward to take up execution of the work, open tenders were invited and contractors engaged. Out of 114 such schemes under execution as on 31st March 1977, 18 schemes were being executed by private contractors and the remaining by the beneficiary land owners.

On completion of the scheme, a declaration of completion was to be published in the Gazette under Section 13 of the Act. Thereafter, a record of rights and liabilities was to be prepared under Section 14 setting out the names of the owners of land included in the scheme, the cost of the works done, the total amount to be recovered from the owners, including interest, and the rate of recovery per hectare per annum.

The cost of the works was to be treated as loan to the cultivators, repayable in 12 to 15 years with interest (9 per cent up to 30th April 1975 and 10½ per cent thereafter) from the date of completion.

The progress of construction of bunds up to the year ending 31st March 1977 was as follows:—

		Number of schemes	*Area*		*Length of bunds (in kilo-metres)*	*Number of benefi-ciaries*	*Cost (Rupees in lakhs)*
			Acres	*Hectares*			
(a)	Schemes approved under Section 3	231	57369	23226	*	28030	923.86
(b)	Draft schemes published under Section 5	185	48230	19526	707.66	26256	709.54
(c)	Schemes approved for execution under Section 7	158	39501	15992	639.94	22406	604.24
(d)	Schemes published under Section 8	148	32154	13018	533.95	19331	493.85
(e)	Schemes in respect of which works had been arranged and awarded	114	24851	10061	399.36	16005	415.67
(f)	Schemes completed and in respect of which declaration under Section 13 had been issued	23	1819	740	43.52	1266	20.50
(g)	Schemes in progress	91	23032	9321	355.84	14739	236.49
(h)	Schemes in respect of which record of rights and liabilities had been prepared under Section 14	2	19.26	7.80	1.382	6	0.52

Note:—(i) Costs shown against (a), (b), (c), (d) and (e) are estimated costs.

(ii) Costs shown against (f), (g) and (h) are actual costs.

* Not available.

Out of the 23 schemes completed, delays ranging from 45 to 316 days were noticed in respect of 20 schemes with reference to the dates originally fixed for their completion at the time of the award of works on contract. There was also further delay in publishing the declaration of completion in respect of these schemes, which ranged from 45 to 315 days from the date of physical completion of the works.

Delays were also noticed in the preparation and service, under Section 14 of the Act, of the record of rights and liabilities. While this was delayed by 3½ months and 5 months respectively in the case of the two schemes in respect of which the process was completed by 31st March 1977, in respect of 19 other schemes, the preparation of the record of rights and liabilities was completed only by November 1977. The delay in these cases ranged from about $6\frac{1}{2}$ months to $18\frac{1}{2}$ months. In respect of one scheme, the preparation of the record of rights and liabilities was pending from January 1977 owing to non-receipt by the Revenue wing of the requisite details from the Accounts wing of the Company. In respect of the remaining one scheme, the preparation of the record of rights and liabilities was completed in February 1978.

The delay at various stages of execution of the schemes under the Act was attributed (December 1977) by the Management/Government to the following:—

(i) lack of response from the cultivators on account of increased cost of cultivation and prevailing low price for paddy;

(ii) necessity for undertaking extension work for enlisting the co-operation of cultivators;

(iii) modifications in the draft schemes based on inquiry reports;

(iv) division of the schemes into many parts for which separate agreements were to be executed;

(v) execution of the project in water-logged areas, and grant of extension of time for completion due to rains and floods;

(vi) necessity for verification of the revenue records in the various village and taluk offices for finalisation of the list of owners; and

(vii) necessity for supplying every beneficiary land owner with a set of records containing statement of recovery, map, plan, etc., after completion of the work.

Delays at various stages of execution of the schemes resulted in the postponement of recovery, from the beneficiaries, of the cost of the schemes.

4.07. Cultivation of second crop

The estimated area in which a second crop was to be raised and the incremental income that would accrue to the beneficiaries during the first four years therefrom, as envisaged in the project report, were as follows:—

	Area to be available for second crop (*in hectares*)	*Incremental income at Rs. 1,000 per hectare* (*Rupees in lakhs*)
First year (1973-74)	1,000	10.00
Second year (1974-75)	9,000	90.00
Third year (1975-76)	18,300	183.00
Fourth year (1976-77)	29,300	293.00

As against these projections, the area brought under second crop cultivation during 1976-77 was 4,685 hectares only. The incremental income accruing by raising a second crop was only Rs. 625 to Rs. 750 per hectare against Rs. 1,000 (approximately) per hectare anticipated in the project report. Government stated (December 1977) that the cultivators did not show much enthusiasm for raising an additional crop due to the steep fall in the price of paddy.

The impact of the scheme in stabilising the existing single crop cultivation has not been assessed by the Company. The Management stated (December 1977) that the actual area stabilised for single crop from year to year could not be quantitatively estimated.

4.08. Infrastructure works

According to the project report, the full benefit of bund construction for raising a second crop would be available to agriculturists only if the necessary infrastructure works were also carried out simultaneously with the construction of bunds.

The following infrastructure works were, therefore, included in the project report:—

	Particulars of infrastructure works	*Estimated cost (Rupees in crores)*	*Purpose*
1.	Thanneermukkom barrage and locks	4.50	To prevent entry of salt water into Kuttanad area
2.	Improvement to the leading channel of the Thottappally Spillway	2.69	To control floods in Kuttanad area
3.	Provision of protection works to the bunds affected by the operation of Thottappally Spillway	0.96	
4.	Diversion of Idukki Tailrace water from Moovattupuzha basin to Kuttanad paddy fields	0.65	To provide water for second crop in Kuttanad area
	Total	8.80	

These works were to be executed by the State Government through the Irrigation Department. The Management stated (August 1977) that while the Thanneermukkom barrage and locks alone had been completed, investigation in respect of items 2 and 3 had been completed by the State Public Works Department and sanction of Government for the estimates was awaited and that item 4 was yet to be taken up. It was, however, observed that the construction of a portion of the Thanneermukkom barrage had not been taken up (March 1978).

4.09. Working results

The Company had been working at loss since its inception. The accumulated loss up to 1976-77 was Rs. 56.03 lakhs. According to the Management (September 1975), the deficit under the revenue account was due to the fact that the Company was not in a position to pass on the overhead expenses for framing and implementing the scheme to the beneficiaries as, under the provisions of the Kerala Land Development Corporation Limited (Special Powers) Act, the cost of the works under the schemes framed by the Company was not to include charges for establishment and supervision.

The main source of income of the Company is the margin between the borrowing rate from the State Bank of India and the lending rate to the beneficiaries (one per cent up to 30th April 1975 and $1\frac{1}{2}$ per cent thereafter). The collection of this margin itself is spread over a period of 12 to 15 years of repayment of loan by the beneficiaries. While the interest burden of the Company up to 31st March 1977 was Rs. 23.45 lakhs, the interest receivable by the Company on the amount spent on the scheme till 31st March 1977 was Rs. 23.08 lakhs. Against this, the interest actually received up to 31st March 1977 was Rs. 1,697 only.

Government had agreed in July 1976 to grant a subsidy to the Company in order to wipe off the deficit of Rs. 22.73 lakhs accumulated up to 31st March 1975. The Company requested (March 1977) Government to reimburse 27 per cent of the cost of works towards centage charges. Orders of Government on this request were awaited (March 1978).

4.10. Incidence of revenue expenditure

Details of revenue expenditure of the Company from its inception up to March 1977 were as follows:—

	1973-74	1974-75	1975-76	1976-77
		(Rupees in lakhs)		
Salary and wages	3.67	11.27	15.00	14.91
Leave salary and pension contribution	0.55	1.87	1.92	1.76
Travelling expenses	0.56	1.68	2.24	2.04
Other items	1.72	5.86	9.74	19.52
Total	6.50	20.68	28.90	38.23

As against the total revenue expenditure of Rs. 6.50 lakhs, Rs. 20.68 lakhs, Rs. 28.90 lakhs and Rs. 38.23 lakhs incurred by the Company during 1973-74, 1974-75, 1975-76 and 1976-77 respectively, the cost of works executed was ~~only~~ Rs. 0.07 lakh in 1973-74, Rs. 28.32 lakhs in 1974-75, Rs. 136.95 lakhs in 1975-76 and Rs. 256.99 lakhs in 1976-77. The percentage of establishment and other charges to expenditure on works worked out to 8827.9, 73.0, 21.1 and 14.9 in 1973-74, 1974-75, 1975-76 and 1976-77 respectively. Government suggested to the Company in February 1975 that economies might be effected in revenue expenditure, especially under contingencies, travelling expenses, etc. The expenditure under travelling expenses and other items, however, increased from year to year. The Management stated (August 1977) that the revenue expenditure could not be said to be high and was progressively decreasing. The expenditure (rent and travelling allowance) in maintaining a separate administrative office at Trivandrum in addition to the registered office at Alleppey, amounted to Rs. 1.08 lakhs approximately for the three years ended March 1977. The Management stated (August 1977) that the continuance of the administrative office was essential to liaise with Government and other departments.

1977-78

14.94

1.71

2.04

77-78

73-74 74-75 75-76 76-77

Est 4.78 14.82 19.16 18.71

Wals 0.07 28.32 136.95 256.99

Previous para on TCC in AR 1973-74.

5.9.80 A.N — A.R 1973-74
and
Meeting dt 6.9.80

Notes called for by Leg-Secrett / Rep.c.187
7.10.80

Recommendations of the C.P.U.
1st Report (1982-84) presented on 18/8/82

SECTION V

THE TRAVANCORE-COCHIN CHEMICALS LIMITED

FOURTH STAGE EXPANSION SCHEME

5.01. Mention was made in paragraph 6 (c) of Section III of the Report of the Comptroller and Auditor General of India for the year 1973-74 (Commercial) of the delay in implementation of the fourth stage expansion scheme undertaken by the Company, action in respect of which was initiated in 1969. A further review (May 1977) in audit of the progress of the expansion scheme revealed that though, according to the revised projections made in this regard in December 1973, the sodium sulphide plant and the caustic soda plant were scheduled to be commissioned in December 1974 and April 1975 respectively, the former was commissioned only in May 1975 and the latter in October 1975. The sulphur dioxide plant, scheduled to be commissioned in August 1975, is expected to be commissioned only by March 1978.

While the delay in commissioning the sodium sulphide and caustic soda plants was attributed (January 1977) by the Management respectively to the non-availability of the requisite number of sulphide cells for the production of sodium sulphide solution and to the delay in obtaining power supply and arranging supply of water for the caustic soda plant, the non-commissioning of the sulphur dioxide plant was stated to be due to the long delivery periods involved in the procurement of certain essential indigenous equipments such as waste heat boiler, sulphur dioxide burner, gas compressor, refrigeration units, etc.

The estimated cost of the expansion scheme, revised in April 1972 to Rs. 994.82 lakhs (foreign exchange component: Rs. 236.72 lakhs) from Rs. 950.86 lakhs (foreign exchange component: Rs. 233.20 lakhs) in October 1971, was further revised (September 1974) to Rs. 1,505.28 lakhs (foreign exchange component: Rs. 361.10 lakhs). The actual expenditure incurred on the scheme up to September 1977 amounted to Rs. 1,455.92 lakhs.

5.02. Financing arrangements

While revising the project estimates in September 1974, it was envisaged that the expansion scheme would be financed by equity contribution by the State Government (Rs. 315 lakhs), loans from financing bodies (Rs. 1,130 lakhs), and the Company's own internal resources (Rs. 60 lakhs). The State Government accordingly contributed Rs. 315 lakhs towards equity capital during 1972-73 to 1976-77 and the Company obtained loans amounting to Rs. 1,030 lakhs from financing bodies during 1973-74 to 1976-77. A sum of Rs. 124.75 lakhs representing principal due for repayment during June 1976 to November 1977 and Rs. 191.53 lakhs representing interest due for the period up to December 1977 were yet to be paid (March 1978) to the financing bodies. The Management stated (July 1977) that the loan and interest could not be repaid according to schedule owing to shortfall in cash generation consequent upon the adverse market conditions prevailing in the rayon and paper industries which were the major consumers of the main products of the Company.

As internal resources were not available as anticipated, the Company obtained (January 1975) a short term loan of Rs. 50.00 lakhs, repayable in April 1975 at 13 per cent interest, from the Kerala State Industrial Development Corporation Limited. The loan has not been repaid yet (March 1978). As at the end of December 1977, interest amounting to Rs. 19.85 lakhs was outstanding. The Management stated (March 1978) that the Kerala State Industrial Development Corporation Limited had been requested to convert the loan and interest into equity capital.

5.03. Production performance

The fourth stage expansion scheme envisaged, *inter alia*, an increase in the annual production of caustic soda from 33,000

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tonnes to 66,000 tonnes, of chlorine (a by-product of the caustic soda plant) from 29,040 tonnes to 58,080 tonnes and of sodium sulphide from 1,000 tonnes to 2,100 tonnes. The actual performance of the different plants is discussed in the succeeding paragraphs.

5.03.1. *Caustic soda plant*

(a) *Caustic soda*

The new plant, commissioned in October 1975, started commercial production from December 1975. The installed capacity, budgeted production, actual production, etc., of caustic soda are indicated in the table below:—

	1974-75	1975-76			1976-77		
	Old plant	*Old plant*	*New plant*	*Total*	*Old plant*	*New plant*	*Total*
	(*in tonnes*)						
Installed capacity	33000	28050*	11000†	39050	26400*	33000	59400
Budgeted production	25040	NA	NA	25726	NA	NA	37067
Actual production	22574	16513	4955	21468	12824	16570	29394
Percentage of actual production to installed capacity	68.4	58.9	45.0	55.0	48.6	50.2	49.5
Percentage of actual production to budgeted production	90.0	..	..	83.4	..	..	79.3

The Management stated (August 1977) that the shortfall in production was due to failure, during trial runs (October-November 1975) of the new plant, of the sulphuric acid coolers of chlorine compressors resulting in the shut-down of the chlorine liquifaction plant and also due to basic defects in the hydrochloric acid synthesis plant. Government stated (January 1978) that the anticipated production targets for 1975-76 could not be achieved owing to delay in commissioning the plant consequent upon the inordinate delay in obtaining power connection as well as because of certain technical problems that cropped up in the working of the rectifier transformers.

NA Not available separately.

* One 12 kilo ampere cell plant installed in 1952 with a capacity of 6,600 tonnes was shut-down in July 1975 as irrepairable.

† Proportionate for four months (December-March).

(b) *Chlorine*

The installed capacity, actual production and utilisation of chlorine during the three years ending March 1977 are given in the table below:—

	1974-75	1975-76 (*in tonnes*)	1976-77
Installed capacity (on three shift basis)	29,040	34,364	52,272
Actual production (on three shift basis)	19,865	18,892	25,867
Chlorine utilised for the manufacture of hydrochloric acid and hydrogen chloride gas	9,412	9,826	9,263
Liquid chlorine	3,959	4,444	5,309
Total utilisation of chlorine	13,371	14,270	14,572
Percentage of utilisation to actual production	67	76	56

The increase in the utilisation of chlorine during 1976-77 was marginal inspite of the increase in production. The Management had informed (January 1977) Government that the market for the product was very limited owing to dearth of manufacturers of chlorine based chemicals.

5.03.2. *Sodium sulphide plant*

The following table indicates the installed capacity, budgeted production, actual production, etc., of the sodium sulphide plant for the three years up to 1976-77:—

	1974-75	1975-76 (*in tonnes*)	1976-77
Intalled capacity	1,000	1,917*	2,100
Budgeted production	900	980	1,499
Actual production	521	695	911
Percentage of production to installed capacity	52.1	36.3	43.4
Percentage of production to budgeted production	57.9	70.9	60.8

* proportionate for 10 months.

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Government stated (January 1978) that the main factor sponsible for the shortfall in production during 1976-77 was e low direct current load maintained in the cells due to a iriety of reasons, such as problems connected with the 25 kilo npere cells, problems of disposal of chlorine from these cells the bleach liquor plant, the need for reducing the chlorine ad to the bleach liquor plant, power interruptions and technical oubles which developed in the concentration vessels.

04. Sales performance

04.1. *Caustic soda*

The project report (October 1971) envisaged that after mmissioning the new plant, the Company would market ,100 tonnes of caustic soda, out of the country's estimated inual demand of 1,10,268 tonnes. The table below indicates tails of budgeted and actual sales for the three years up to 76-77:—

	1974-75		1975-76		1976-77	
	Budgeted	*Actuals*	*Budgeted*	*Actuals*	*Budgeted*	*Actuals*
			(*in tonnes*)			
Solid	1,200	1,099	1,478	649	4,311	3,994
Flakes	6,000	2,343	4,046	2,314	8,540	3,394
Lye	15,800	17,016	15,989	14,819	29,472	20,272
Total	23,000	20,458	21,513	17,782	42,323	27,660

Government stated (January 1978) that the main reason r the decline in sales during 1975-76 was the lower production caustic soda in that year as well as the continued market sistance from consuming industries, the stiff competition from the uthern units for capturing the market and the policy of all the ajor customers to procure their raw materials only from two or ree sources. Government further stated that the requirements the newsprint project of the Hindustan Paper Corporation mited and some of the major aluminium companies were also ken into account in the project report, which, however, did t materialise and that the newsprint project was still in the nstruction stage only.

5.04.2. *Sodium sulphide*

The Company being the only manufacturer of iron-fr sodium sulphide of 60 to 62 per cent purity, the project repc (October 1971) envisaged increased sale of 1,500 to 1,800 tonn per annum on completion of the expansion scheme for meeti the requirements of pharmaceutical industry, tanneries, d manufacturers and textile mills. Against the budgeted sa of 980 and 1,509 tonnes for 1975-76 and 1976-77, the actu sales during 1975-76 and 1976-77 were 685 and 873 tonn respectively.

The Management stated (August 1977) that the shortfa in sales was attributable to lower production and competitic from other manufacturers. It was also stated (Decemb 1977) that the Company was trying to find new users f the product and that it was hopeful of increasing sales in tl near future.

Government stated (January 1978) that the lower sal were due to lesser demand for the Company's high purity produ as the main consuming industry (leather industry) had switch over to a lower purity sodium sulphide which came into tl market as a by-product from the barium processing indust and that the pharmaceutical industry had also started using tl product manufactured by small scale manufacturers.

5.05. Cost of production and selling price

5.05.1. *Caustic soda*

The table below indicates the cost of production of caust soda and sales realisation per tonne during the three years end March 1977:—

Year	*Cost of production*	*Sales realisati*
	(Rupees per tonne)	
1974-75	1,239	1,355
1975-76	1,972	1,596
1976-77	(2,491)	(1,621)
	2330	160

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The Management stated (August 1977) that the increase cost of production was mainly due to under-utilisation of pacity and operation of plants at uneven loads, resulting in ctuations of load factor. It was also stated that the load tor could not be stabilised due to teething trouble in plants, uble in rectifier transformers and restrictions imposed by the ectricity Board on power supply.

Government stated (January 1978) that while the cost of oduction was high due to lower utilisation of capacity, the sale ce was subject to ceilings fixed by the Alkali Manufacturers' sociation and market conditions and that the teething troubles d the defects in the rectifier had almost been rectified and that sed on the monthly sales forecast, production and power nsumption would be made uniform with a view to improving on the load factor.

)5.2. *Sodium sulphide*

The cost of production and sales realisation of sodium phide during 1974-75, 1975-76 and 1976-77 were as follows:—

Year	*Cost of production*	*Sales realisation*
	(Rupees per tonne)	
1974-75	3,579	2,935
1975-76	4,119	3,061
1976-77	4,567	3,222

The increase in cost of production was attributed (August 77) by the Management to lower production and increase in cost of power due to revision of tariff in July 1975. Government stated (January 1978) that the use of sodium sulphide of ver purity by leather and pharmaceutical industries also versely affected the demand for the Company's product.

5.06. Purchases

5.06.1. *Cast iron pipes*

On the basis of quotations invited in May 1974, Company placed (July 1974) orders with a firm of Bombay the supply, *ex*-godown Bombay (sales tax extra), of 275 met of 300 mm (cost: Rs. 1.13 lakhs) and 245 metres of 400 n (cost: Rs. 1.48 lakhs) cast iron pipes, to be used for the supply water to the new caustic soda plant. According to the purcha order, the pipes were to conform to certain I.S.I. specificatic and were to be accompanied by relevant test certificates. T pipes found defective, on inspection by the Company on th receipt, were to be replaced free of cost by the firm. Betwe October 1974 and April 1975 the firm supplied 275.76 metres 300 mm pipes and 244.15 metres of 400 mm pipes at a total c of Rs. 2.71 lakhs, against which Rs. 2.65 lakhs were paid by t Company. The Company also spent Rs. 0.17 lakh towar transportation charges and Rs. 0.40 lakh on valves and accessor for these pipes, also procured from the same firm. Neither d the firm furnish the requisite test certificates nor did the Compa conduct any test before payment, on the ground that the fir had stated that the pipes were of tested quality and that the t certificates would be sent subsequently.

After laying the pipes, they were pressure-tested (July 197 hydraulically by the Company when a majority of the pipes ga way and the pipe line broke. It was then found that the pip were of inferior quality and hence unsuitable for the purpose f which they were procured. A detailed study conducted (Augu 1975) by the Company in consultation with the Public Heal Engineering Department revealed that the cast iron pipes suppl ed by the firm would not withstand the required pressure. T pipes already laid were therefore, taken out and replace (September 1975) by spigot and socket type pipes (225 metr of 300 mm size and 308 metres of 400 mm size) procured from t Public Health Engineering Department at a cost of Rs. 1.1 lakhs. The expenditure incurred by the Company in laying an taking out the defective pipes and re-laying new pipes amounte to Rs. 0.31 lakh.

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The firm, on further discussions, agreed (February 1976) to allow a rebate of Rs. 1.28 lakhs to the Company. The rebate of Rs. 1.22 lakhs (after adjusting Rs. 0.06 lakh pending payment to the supplier) has not been received yet (March 1978). The Management stated (August 1977) that the defective pipes left with the Company would be used for its effluent disposal scheme and that 150 metres of 300 mm pipes had already been so used though high density polyethelene pipes were cheaper and better suited for this purpose. Government stated (November 1977) that hydraulic testing of pipes for cent per cent effectiveness could be conducted only after installation and the matter was then taken up with the firm on the basis of which a rebate was allowed.

5.06.2. *Cables*

Based on the lay-out of the plant and equipment and recommendations of the collaborators, the Company placed orders between October 1973 and October 1974 with three firms in Bombay, Madras and Cochin, for supply of 53,472 metres of cables (value: Rs. 19.46 lakhs) of different sizes for the new caustic soda plant. Out of 53,581 metres of cables (value: Rs. 19.57 lakhs) received between September 1974 and February 1975 against the above orders, 6,662 metres of cables (value: Rs. 4.56 lakhs) became surplus, when the installation of the new plant was completed (October 1975).

The Management stated (August 1977) that though there had been some duplication in the orders placed by the Company, a major portion of the surplus cables would, however, be utilised for the sulphur dioxide plant under erection.

Government stated (November 1977) that out of the total surplus of 6,662 metres of cables, 2,230 metres valued at Rs. 2.00 lakhs had been reserved for the sulphur dioxide plant, 200 metres valued at Rs. 0.35 lakh had been reserved for future use in other plants and 262 metres valued at Rs. 0.37 lakh had been sold (June 1977) for Rs. 0.25 lakh, leaving a balance of 3,970 metres valued at Rs. 1.84 lakhs. The Management stated (March 1978) that 280 metres of cables valued at Rs. 0.45 lakh had also been disposed of for Rs. 0.29 lakh.

5.06.3. *Caustic storage tanks*

On the recommendation of the collaborators, the Company placed (December 1973) orders for the fabrication, supply and erection of two caustic storage tanks (cost: Rs. 1.40 lakhs each) with Fertilisers and Chemicals, Travancore Limited, a Central Government Company. The orders stipulated that the work was to be completed within eight months from the date of issue of the order or handing over the foundation at site, whichever was later. The suppliers accepted (January 1974) the order on the condition that the price would be subject to revision in case the Company failed to make the foundation ready within four months from the date of order or payment of advance. The Company paid (January 1974) an advance of Rs. 0.93 lakh representing one-third value of the contract. As the Company did not make the foundation ready till July 1974, the suppliers revised (July 1974) their price to Rs. 1.98 lakhs per tank, which was subsequently reduced, after negotiations, to Rs. 1.70 lakhs. This resulted in an extra expenditure of Rs. 0.62 lakh, on the basis of actual payments (Rs. 3.42 lakhs).

The Management stated (May 1977) that the onset of monsoon and the delay on the part of the architects in finalising certain modifications in the proposed drawings and in approving them resulted in delayed release of the foundation. It was further stated (August 1977) that the increase in price was allowed due to increase in the cost of steel.

5.06.4. *Polypick pumps*

The Company, on the recommendation of the collaborators placed orders (January 1974) with a firm of Bombay for supply of four polypick centrifugal pumps to handle hydrochloric acid in the new caustic soda plant at a cost of Rs. 0.59 lakh (excluding taxes and other charges). According to the purchase order, one pump was to be delivered within two months from the date of acceptance of the order and the other three within three months after approval of the first pump. The order was accepted by the firm on 16th January 1974 and the Company paid an advance of Rs. 0.15 lakh representing 25 per cent of the value of the order. The firm supplied two pumps in February 197 x

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and the other two in May 1975, for which the Company paid Rs. 0.38 lakh (May and July 1975) without ascertaining the suitability and quality of the pumps. When the pumps were commissioned in October 1975, certain serious defects and poor workmanship were noticed in the pumps by the Company. After discussions (October 1975), the firm agreed to replace all the pumps free of cost, the first pump within ten days and the remaining within two months. A pump assembled by the Company on the advice (October 1975) of the suppliers, utilising the parts available from the four pumps which failed, also broke down after a few weeks. Another pump received (October 1976) as replacement was also found to be defective. Thus the investment of Rs. 0.53 lakh (excluding Rs. 0.06 lakh yet to be paid) on the purchase of pumps has been unfruitful. The Management informed Audit in March 1978 that legal action had been initiated for recovering the value of pumps.

5.06.5. *Transformers*

The Company placed (January 1974) an order with a firm of Madras for supply of two 1500 KVA transformers at Rs. 0.90 lakh each f. o. r. destination. The price was subject to variation according to the formula of the Indian Electrical Manufacturers' Association, subject to a ceiling of ten per cent. The order was accepted by the firm in January 1974 and the Company paid (February 1974) an advance of Rs. 0.60 lakh. According to the purchase order, the transformers were to be supplied within eight to ten months from the date of order/payment of advance, i.e. by November/December 1974. The purchase order did not contain any penalty clause for delay in delivery and the transformers were supplied only in April 1975. Meanwhile, based on the firm's request (January 1975) the price of the transformer was settled (April 1975) at Rs. 1.08 lakhs each against the maximum of Rs. 0.99 lakh (including escalation) admissible in terms of the purchase order. This resulted in payment of Rs. 0.18 lakh outside the terms of the purchase order.

The Management stated (August 1977) that the price increase was allowed at the request of the firm on the basis of abnormal increase in the prices of essential raw materials such as transformer oil, copper, electrical steel, mild steel, etc., which was found to be genuine. However, in view of the fact that the price fixation formula of the Indian Electrical Manufacturers' Association would have taken into account the increase in the price of raw materials and the escalation was also to be limited, in terms of the purchase order, only to 10 per cent of the price initially accepted, the payment of Rs. 0.18 lakh over and above this ceiling was extra-contractual in the nature of *ex-gratia* payment.

SECTION VI

HIRE PURCHASE SCHEME

6.01. Kerala State Small Industries Development and Employment Corporation Limited

Mention was made in paragraph 6 (b) of Section III of the Report of the Comptroller and Auditor General of India for the year 1972-73 (Commercial) of some aspects of the hire purchase scheme started by the Kerala State Small Industries Corporation Limited. With the amalgamation of the Company in March 1977 with the Kerala State Small Industries Development and Employment Corporation Limited, the follow-up action in respect of the hire purchase transactions was to be pursued by the latter Company. In the course of audit conducted during August 1977, the following points were noticed:—

(i) The scheme was financed partly by loans from the State Government and partly from the internal resources of the Company. Between November 1965 and March 1973, the Company obtained from Government five loans aggregating Rs. 37.50 lakhs specifically for the hire purchase scheme. The amount overdue for repayment, as at the end of March 1977, was Rs. 6.65 lakhs; the interest including penal interest on delayed payments

Discussed on 28-10-80

Industries Dept. (SSIDECO)

page 18
A.R 1972-73

28th Report.
P.U.C 1976-77

presented. 13-10-1976

paragraphs. 100 - to 114

Recommendation pages 23 - 28
Nos 21 to 24

latest position:

53 lorries - 2.77 lakhs
51 do. 26.77 lakh — R.R action in progress
104 29.54

Bijili & Co. Kottayam 0.26
Standard Engineers TVM 0.32
Joy & Jessy & Co Nedumangad 0.09
M/s. V.L. Industries Shoranur 0.04.
0.71

remaining unpaid at the end of March 1977 was Rs. 9.23 lakhs. A request (March 1977) made by the erstwhile Kerala State Small Industries Corporation Limited for waiving the interest due and also for converting the loan into share capital/interest free loan was awaiting decision of Government (March 1978).

(ii) Between 1966-67 and 1974-75, the Company supplied machinery of the value of Rs. 75.34 lakhs to 262 entrepreneurs on hire purchase basis. The scheme was discontinued in June 1975 owing to difficulties experienced in collection of the hire purchase instalments.

The total amount outstanding from 201 hirers as at the end of March 1977, was Rs. 42.07 lakhs* of which Rs. 30.19 lakhs* (excluding penal interest) were overdue from 189 hirers. Action taken in respect of some of these cases is indicated below:—

(a) In four cases, the Company seized (between September 1971 and November 1976) the machinery (value: Rs. 0.72 lakh) supplied from the defaulting hirers from whom Rs. 0.71 lakh was due for recovery. It was found (April 1976 and November 1976) that the machinery were in a rusty/unserviceable/deteriorated condition. They were, therefore, lying unused with the Company. Government stated (December 1977) that attempts of the Company to dispose of the machines had not been successful and further attempts were being continued.

(b) In eighteen cases involving a sum of Rs. 15.74 lakhs, revenue recovery proceedings had been initiated during 1976-77. Although the terms and conditions of the hire purchase agreements provided for recovery of the dues from the defaulters through revenue recovery proceedings and the provisions of the Kerala Revenue Recovery Act, 1968, were also made applicable to the Company in December 1969, the proceedings were initiated for the first time only in 1976-77. Out of these cases, further action was stayed by Government in three cases (Rs. 0.68 lakh) and by the Company in three other cases (Rs. 0.85 lakh). In eleven cases (Rs. 3.48 lakhs) civil proceedings initiated by the Company were pending (March 1978).

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* Provisional, subject to finalisation of the accounts for 1976-77.

(c) Action taken to recover the dues in the remaining cases was not effective. Government stated (December 1977) that there had been several cases where the units became sick and in the absence of cash generation it was not possible for them to meet their commitments.

(iii) According to the terms and conditions approved by Government in April 1963 for the supply of machinery on hire purchase basis, the Company could provide assistance to small scale units having a capital investment of not more than Rs. 7.50 lakhs in plant and machinery. In pursuance of a hire purchase agreement executed (June 1972) by a firm, machinery worth Rs. 10.10 lakhs was supplied to it during 1972-73. As the investment in plant and machinery exceeded Rs. 7.50 lakhs, the firm was not entitled to receive assistance under the hire purchase scheme. The hire purchase price (Rs. 10.10 lakhs less earnest money deposit of Rs. 1.51 lakhs furnished by the firm) was to be paid in terms of the agreement, in eight half-yearly instalments between 1st April 1973 and 1st October 1976. The firm, however, defaulted in payment from the first instalment. As on 1st October 1975, a sum of Rs. 5.30 lakhs was due from the firm. The Board of Directors of the Company, while reviewing the collection of arrears relating to the hire purchase scheme, observed (March 1976) that "this firm was apparently singled out for discriminatory concessions and allowed to escape any coercive action".

A cheque dated 30th November 1975 for Rs. one lakh, issued by the firm, was presented by the Company to the bank, at the firm's request, only on 12th April 1976. The bank dishonoured the cheque on 20th April 1976 on the ground that the 'payment was stopped by the drawer'. Government stated (December 1977) that these were wilful acts on the part of the hirer to avoid payment of dues to the Company. As on 1st October 1976, a sum of Rs. 7.97 lakhs (including interest of Rs. 1.13 lakhs and penal interest of Rs. 0.90 lakh) was due from the firm. On the advice (September 1976) of the Additional Advocate General of the State Government, the Company initiated (October 1976) revenue recovery proceedings for recovery of the

Discussed on 28-10-1980

Draft Report approved by Committee on 4-8-1981

p. 48 - 51
A.R. 1973-74

Agriculture Dept

5th Kerala Leg. Assembly
Committee on P.U.C (1977-79)
Fourth Report
21-3-1978

Recommendation No 9.
Para No 119 — page 32
(paragraphs 92 - 118 - discussion) Fourth Report P.U.C (1977-79)

From April 71 Corporation is realising the insurance premium also from the hirers.

	Total	No of cases closed	defaulters
31.3.80	10 200	5 300	3132 - Rs 31.47
		Balance 4900	

Demand 31.3.80 ~~4 Cror~~ 4,52,14 896.40

Collection 4 20,68 221

Balance 31,46,628.

dues. At the request (26th February 1977) of the firm, Government stayed (28th February 1977) the recovery proceedings up to 28th April 1977. In February 1978, the Company again initiated revenue recovery proceedings which were in progress (March 1978).

6.02. The Kerala Agro-Industries Corporation Limited

Some aspects of the working of the hire purchase scheme, undertaken (November 1968) by the Company, were mentioned in paragraph 8 (iii) of section IV of the Report of the Comptroller and Auditor General of India for the year 1973-74 (Commercial). Up to March 1977, the Company issued 8,897 items of agricultural equipment (tractors, power tillers and pumpsets) of the value of Rs. 372.80 lakhs to agriculturists. The following points were noticed (August 1977) in audit in this connection:

(i) The Company had not assessed the working results of the scheme separately. The Management stated (January 1978) that a general assessment of the working results without allocation of overheads had been made and that overall, the scheme was working on profit.

(ii) In terms of the hire purchase agreements, equipment costing more than Rs. 0.05 lakh each were to be insured, either by the hirer or by the Company on his behalf, against loss or damage by fire, theft, accident or other causes within 15 days from the date of their issue. In respect of 545 tractors/power tillers, valuing more than Rs. 0.05 lakh each (total value: Rs. 97.48 lakhs), issued up to April 1971, the Company had not ensured whether they were covered by insurance.

(iii) As on 31st March 1977, in 4,703 cases of hire purchase, the hirers had defaulted in the payment of instalments amounting to Rs. 28.07 lakhs. An analysis of these cases revealed the following:—

(a) The Company had not prepared year-wise and party-wise details in respect of the payments in default. The Management stated (December 1977) that this was not done in view of the considerable work involved.

(b) Up to March 1977, the Company had seized 560 pumpsets, 43 tractors and 33 power tillers from defaulting hirers, of which 288 pumpsets, 25 tractors and 16 power tillers were returned till 31st March 1977 to the hirers on their settling the dues. The remaining 272 pumpsets, 18 tractors and 17 power tillers were sold in auction up to October 1977 and Rs. 6.35 lakhs were realised. After adjusting the sale proceeds towards the hire purchase instalments due, a sum of Rs. 3.26 lakhs was still recoverable from the hirers, for the realisation of which revenue recovery proceedings were in progress (December 1977).

(c) The Company initiated revenue recovery proceedings in 2,279 cases up to December 1977 for realising Rs. 74.43 lakhs (representing total outstandings including defaulted amounts). Out of this, Rs. 43.03 lakhs (684 cases) were realised (December 1977). Action for realising the balance amount of Rs. 31.40 lakhs was in progress (December 1977).

(d) In nine cases (1975-76 and 1976-77) involving Rs. 1.28 lakhs, the hirers transferred the equipment to others before clearing the dues to the Company. The Management stated (December 1977) that criminal cases had been registered in all cases apart from initiating revenue recovery proceedings.

(e) In one case, the hirer, instead of taking delivery of the equipment (pumpset) from the dealer, obtained (March 1974) cash equivalent of the cost of the equipment (Rs. 0.04 lakh). The matter was reported to the police in June 1974 and revenue recovery proceedings for realising the dues were in progress (March 1978).

(f) In two cases, the Company could not seize the equipment from the defaulting hirers from whom Rs. 0.54 lakh were due, as the equipment was in a dismantled condition, and therefore, had to resort to revenue recovery proceedings (May 1974 and June 1974), which were yet to be completed (March 1978).

Chairman
Corporation should conduct a study why in so many cases ~~to~~ (about 33%) R.R. proceedings had to be initiated.

Ajith Mustafa, Alwaye.

R. R. Proceedings
Thampy George.

1) P. Narayanan Nair (2) Thampy George
3) P. Hydrose (4) A. P. Antony

Industries Dept

Vide Govt's note on this para
along with the note for TCC Ltd
Discussed on 29/10/80

(g) In two cases of default, the whereabouts of the equipment supplied were not known to the Company. Revenue recovery proceedings were initiated in March 1976 and May 1976 for realising Rs. 0.31 lakh and Rs. 0.34 lakh respectively due from the two hirers; no recovery has been made so far (March 1978). The Management stated (December 1977) that the delay in recovery in one case was attributable to a writ petition filed by the hirer and that revenue recovery proceedings had been initiated after the disposal of the writ petition. No reply was furnished in respect of the other case.

(h) The Company could not realise the full amount due (Rs. 1.09 lakhs) in four cases as the revenue recovery proceedings initiated by the Company were stayed by Government from time to time, based on representations from the hirers. This included one case where it was reported (January 1975) by the field officer of the Company that the hirer from whom Rs. 0.12 lakh was due had already sold the equipment.

(i) A sum of Rs. 0.20 lakh, realised by Revenue authorities in two cases, was erroneously remitted by them into the treasury between July 1974 and March 1976. The Company is yet to receive the amounts (March 1978).

Government, to whom the matter was reported in November 1977, endorsed (December 1977) the views of the Management incorporated in the paragraph.

SECTION VII

KERALA STATE INDUSTRIAL PRODUCTS TRADING CORPORATION LIMITED

7.01. Unfruitful expenditure

The Company was incorporated on 4th August 1976 with an authorised capital of Rs. 50 lakhs (paid-up capital as on 31st March 1977: Rs. 5 lakhs) in pursuance of the recommendations (January 1975) of the Resource Mobilisation Policy Committee of the State Planning Board. The main objective of the Company was to handle the sales of the products of public sector undertakings in Kerala with a view to augmenting the revenue resources of the State by collection of multipoint sales tax in the place of single point tax levied in respect of sales outside the State. To begin with, the Company was to take up the monopoly sale of the products of Travancore Titanium Products Limited (a Public Sector Undertaking). Till January 1978, the Company had not entered into agreement with any public sector undertaking for handling its sales. The only activity of the Company up to January 1978 was the purchase of 5 tonnes of titanium dioxide from Travancore Titanium Products Limited and its sale. The expenditure incurred by the Company in maintaining its establishment for the period August 1976 to December 1977 amounted to Rs. 0.97 lakh.

Government stated (November 1977) that the trade agreement with Travancore Titanium Products Limited was not finalised due to certain technical objections and that the appointment of the Company as the sole selling agent was being reconsidered with reference to the impact of further taxation on titanium dioxide. It was further stated that the former Chairman of the Resource Mobilisation Policy Committee was being requested to identify the products of other public sector undertakings that could be brought within the scope of the Company.

SECTION VIII

Report of CP
see
23rd Rep
of C-PU
84-86

Discussed on 21/2/1985

THE KERALA AGRO-INDUSTRIES CORPORATION LIMITED

8.01. Processing and export of buffalo meat

The Company approved in October 1971 a scheme for setting up a plant for processing buffalo meat for export and obtained (November 1971) offers from ⊗two foreign firms for technical collaboration for setting up the plant and marketing the product abroad. The Company prepared (June 1972) a feasibility report, according to which the sale price of buffalo meat was estimated at Rs. 6 per kilogram *ex*-godown. However,

⊗ M/s Atlanta Corporation & M/s Amerind Inc- } both of USA-

sent to Records in
Tr. No. 1159.

File Rep (Comml) / OP.12/77-78.

Agriculture Dept. page 57 / A.R 1973-74 (Comml)

Fourth Report of P.M.C. (1977-79)

paragraphs. 7 to 35

pages 2 to 9.

DISCUSSED
by CPU (84-86)
on 21-2-1985

23rd Rep CPU (84-86)

'The Para was taken up for discussion on 28-10-80 A.M, but ~~tat~~ post-poned to a later date as Govt. was not ready with the answer to the recommendation contained in 4th Report P.U.C (1977-79)

Discussed by CPU (1984-86) on 21-2-1985

AAO

Further mention of this item see Para $\frac{5.11.2}{\text{AR 82-83}}$ (Comml)

8/1/85

Firm

Amerind Inc. USA

Draft Report of CPU on this para received from Legislature Sectt on 15/7/85 - Inward $\frac{235}{16/7/85}$

vetted & returned on 29/7/85

23rd Report of CPU (84-86) presented to Legislature on 23-9-85

Copies recd on 11-10-85

no detailed project report was prepared by the Company on the ground that the foreign firms had guaranteed (November 1971) a profit of not less than 10 per cent on the capital investment of Rs. one crore.

Amerind Inc. USA

On the basis of negotiations with one of the firms, a tentative agreement, valid for ten years, was concluded in September 1972. According to this agreement, the Company was to supply 3000 to 6000 tons of buffalo meat in the first year at a fixed price of US Dollars 500 per ton f. o. b. Cochin. This worked out to an *ex*-works price of Rs. 3.25 per kilogram (excluding about fifty paise per kilogram for packing and forwarding). Supplies for subsequent periods were to be sold by the collaborators on 20 per cent commission at the prices then prevailing in the foreign country. The foreign firm was required to subscribe to at least 26 per cent of the share capital in the subsidiary company to be formed for implementing the project with a right in its management and also to guarantee a return of 36 per cent on the investment.

As the terms of the agreement regarding commission and management were not cleared by the Government of India, the Company deputed (December 1972) its Chairman and Managing Director to the foreign country for negotiations with the firm. During negotiations, the collaborators agreed (December 1972) to reduce their commission to 10 per cent and to forgo the right of management in the Company. The condition guaranteeing a return of 36 per cent on the investment was also deleted. The supply to be made during the first year of operation was reduced to 1500 tons and an agreement (valid for ten years from the date of first shipment for export) incorporating these conditions was signed in December 1972 by the parties without taking into account the then prevailing market prices of meat.

A new company styled 'Meat Products of India Limited' was formed in March 1973 with an authorised capital of Rs. 2 crores for implementing the scheme and this became a subsidiary of the Company in August 1974. The Board of Directors of the subsidiary company felt in August 1974 that the supply of 1500 tons of meat at US Dollars 500 per ton in the first year of operation of the agreement would result in a loss of about Rs. 50 lakhs as the price agreed upon was lower than the market price prevailing. Further negotiations with the foreign firm to secure a reasonable margin were not successful as they were not interested in the project because of delay in its implementation. The proposal was, therefore, abandoned in November 1974. The expenditure of Rs. 0.70 lakh (including Rs. 0.47 lakh on foreign tour) incurred on the scheme thus became unfruitful.

Government stated (May 1977) that the collaboration proposal had to be abandoned later as it was found unworkable and that all the decisions in the matter were taken with the best of intentions.

Government accepted in December 1977 the facts mentioned in the paragraph.

SECTION IX

KERALA STATE INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

9.01. Expenditure on abandoned project

The Company obtained (April 1972) a letter of intent (valid up to September 1973) from the Government of India for the establishment of an integrated paper and pulp factory of two lakh tonnes capacity per annum in the State on the understanding that sufficient forest-based raw materials would be made available by the State Government. The validity of the letter of intent was got extended (February 1976) up to June 1976. The letter of intent stipulated, *inter alia*, that the Company should obtain a definite assurance from the State Government regarding sustained and adequate supply of raw materials. The State Government directed (July 1974) the Company to proceed with the implementation of the scheme on the assumption that one lakh tonnes of reed per annum would be made available from the forests in the State. Based on this assurance, the Company engaged (July 1974) a consultancy firm for the preparation

C-73
DP File

C-25
DP File

Industries Department.
Discussed on 29/10/80

Industries Dept

Govt's note received. Rep. C/525
14.11.1979.

Discussed on 29/10/80

a detailed feasibility report on a fee of Rs. 1.25 lakhs. The nsultants, however, did not complete the work for want of a finite assurance from the State Government in regard to the ailability of raw materials. In January 1976, the Forest epartment informed the State Government that the raw materials required for the project would not be available on account prior commitments and the project was finally abandoned.

An expenditure of Rs. 0.43 lakh (including Rs. 0.25 lakh id to the consultants towards the first instalment of their fee) curred by the Company on the project, thus proved unfruitful d was written off in the accounts for 1975-76.

The Management stated (July 1977) that the project had be abandoned as the State Government could not assure supply raw materials. Government, to whom the matter was reported September 1977, stated (November 1977) that they had no marks to offer on the Management's reply.

SECTION X

THE KERALA STATE COIR CORPORATION LIMITED

.01. Loss of interest

The Company requested (May 1970) the State Government give financial assistance (Rs. 10 lakhs as share capital contriution and Rs. 10 lakhs as loan) for executing export orders for ir products on the basis of provisions made in the State budget. ccordingly, a sum of Rs. 10 lakhs was paid in August 1970 by e State Government to the Company as loan, bearing interest 7 per cent. By this time the export orders received by the ompany from a foreign country were almost completed utilising nance obtained from other sources. The loan obtained was, erefore, deposited with banks in short-term and call deposits d also in the Company's current account for different periods rates of interest ranging from 3.5 to 6.5 per cent per annum.

Against Rs. 1.86 lakhs paid (between October 1971 and Apr 1973) to Government as interest on the loan till repaymer (April 1973), the interest earned by the Company on the deposi amounted to Rs. 1.22 lakhs resulting in a loss of Rs. 0.64 lakh.

The Management stated (January 1978) that the amour was invested in short-term deposits in anticipation of further orde: which did not materialise. The remarks of the Managemer were also endorsed by Government in February 1978. It wa however, observed in audit that there were no records t indicate that further bulk orders would be forthcoming from th foreign country. On this being pointed out, the Managemer stated (February 1978) that oral discussions were held wit the trade representatives of the foreign country in India.

SECTION XI

KERALA STATE SMALL INDUSTRIES DEVELOPMENT AND EMPLOYMENT CORPORATION LIMITED

11.01. Idle machinery

The Kerala State Small Industries Corporation Limite (which was amalgamated with the Company in March 1977) too over the wood workshop at Calicut from Government in 196 at a cost of Rs. 3.25 lakhs. The assets taken over included plant (cost: Rs. 0.31 lakh) for chemical treatment of wood. Th plant has not been put to use all these years except for treatin 340 cubic feet of wood (representing about two days' worl during 1974-75. The Management stated (October 197 that the plant could not be utilised as there was no demand fo chemically-treated timber in the locality. It was also state (November 1977 and January 1978) that the plant ha been shifted to the Company's Straw Board Factory at Parumal for manufacture of chemically-treated packing case: Government, to whom the matter was reported in November 197 endorsed (December 1977) the reply of the Management.

Industries Dept.

Discussed on 28-10-80

Industries Dept

Discussed on 28/10/80

Draft report
approved by P.U.C
on 17/8/81

SECTION XII

KERALA SOAPS AND OILS LIMITED

?.01. Idle machinery

With a view to increasing production of soaps, ie Company imported (April 1971) an automatic plant value: Rs. 12.21 lakhs) with an annual capacity for the ianufacture of 3,600 tonnes of soap. This included a cartoning iachine (cost: Rs. 0.45 lakh) for automatic vertical packing f soap. Though the automatic plant was commissioned by the id of 1975, the cartoning plant has not been put to use so far March 1978) and packing is continued to be done manually.

The Management stated (February 1978) that the pattern f packing was changed from vertical to horizontal by eading soap manufacturers and so the plant intended for vertical acking could not be put to use. It was further stated that the ossibilities of disposing of the plant were being looked into.

CHAPTER II

STATUTORY CORPORATIONS

SECTION XIII

13.01. Introduction

There were four Statutory Corporations in the State as o 31st March 1977, *viz.* Kerala State Electricity Board, Th Kerala Financial Corporation, Kerala State Road Transport Co poration and Kerala State Warehousing Corporation.

An analysis of the capital structure, working results, etc of Kerala State Electricity Board and other Statutory Corpor tions are given below. The accounts of Kerala State Roa Transport Corporation for 1976-77 have not been finalise (February 1978). Hence, the figures relating to this Corporatio included in the succeeding paragraphs are based on provision accounts.

13.02. Kerala State Electricity Board

13.02.1. *Loan capital*

The aggregate of long-term loans from Government an other sources obtained by the Board stood at Rs. 27,277.14 lak as at the end of 1976-77 and represented an increase Rs. 1,904.49 lakhs over the long-term loans of Rs. 25,372.6 lakhs as at the end of the previous year.

13.02.2. *Guarantees*

Government had guaranteed repayment of loans (includin overdrafts and purchases under I. D. B. I. schemes along wi interest due) raised by the Board from time to time. Th aggregate of the amounts guaranteed from the inception of th Board up to 31st March 1977 was Rs. 8,401.79 lakhs, again which loans, actually availed of amounted to Rs. 8,255.90 lakh Out of these, the Board had repaid loans aggregatin Rs. 730.51 lakhs up to 31st March 1977, leaving a balan of Rs. 7,525.39 lakhs.

Discussed by P.U.C on 3/12/80

25372.65
1904.49
27,277.14

Discussed by P.U.C on 3/12/80
13th Report CPU
82-84

Industrial Development Bank of India

discussed. 3/12/80
13th Rep
CPU
82-84

Para. 13.02
Draft Report
approved
on 9/2/83

13th Rep
CPU (1982-84)

~~13th Report~~
~~of CPU (1982-84)~~

13.02.3. The revenues of the Board were not sufficient to pay in full the interest charges on the loans received from the Government. A sum of Rs. 4,355.75 lakhs (including Rs. 324.23 lakhs relating to 1976-77) was pending payment as on 31st March 1977 towards interest for want of surplus revenue. A sum of Rs.141.97 lakhs was appropriated towards general reserve in 1976-77 against Rs. 60 lakhs during the previous year.

A synoptic statement showing the summarised results of the working of the Board for 1976-77 is given in Annexure 'C'.

13.03. Other Statutory Corporations

13.03.1. *Paid-up capital*

The aggregate of paid-up capitals of the three Corporations, *viz.* Kerala State Road Transport Corporation, The Kerala Financial Corporation and Kerala State Warehousing Corporation stood at Rs. 2,243.71 lakhs at the end of 1976-77 and represented an increase of Rs. 274.00 lakhs as compared to the total paid-up capitals of Rs. 1,969.71 lakhs at the end of the previous year.

The break-up of the paid-up capitals of the Corporations according to the investments made by the Central Government, the State Government and other parties as at the end of the year 1976-77 was as follows:—

Name of the Corporation	*Investment made by*			
	Central Government	*State Government*	*Others*	*Total*
		(Rupees in lakhs)		
Kerala State Road Transport Corporation	529.87	1,387.04	..	1,916.91
The Kerala Financial Corporation	..	122.92	99.08	222.00
Kerala State Warehousing Corporation	..	52.40	52.40	104.80

13.03.2. *Loans*

The aggregate of long-term loans, including debentures and deposits, obtained by two Corporations, *viz.* The Kerala Financial Corporation and Kerala State Road Transport Corporation, stood at Rs. 2,620.04 lakhs at the end of 1976-77. This represented an increase of Rs. 528.50 lakhs over the total long-term loans of Rs. 2,091.54 lakhs as at the end of the previous year.

13.03.3. *Profit and Loss*

Kerala State Road Transport Corporation sustained a loss of Rs. 113.23 lakhs during 1976-77 as compared to a loss of Rs. 421.59 lakhs during 1975-76. The other two Corporations earned an aggregate profit of Rs. 75.27 lakhs during 1976-77 as against Rs. 69.26 lakhs during the previous year.

A synoptic statement showing the summarised financial results of the three Corporations for the year 1976-77 is given in Annexure 'C'.

13.03.4. *Guarantees*

Government had guaranteed the repayment of capital and loans (including bonds, debentures, fixed deposits and overdrafts) raised by two Corporations and the amount guaranteed outstanding as on 31st March 1977, was as follows:—

	Capital	*Loans*	*Total*
		(Rupees in lakhs)	
(a) The Kerala Financial Corporation	222.00	1,463.02	1,685.02
(b) Kerala State Road Transport Corporation	..	247.50	247.50
Total	222.00	1,710.52	1,932.52

Payment of interest on loans (including fixed deposits) raised by these Corporations had also been guaranteed by Government. Rupees 4.15 lakhs were outstanding on this account as on 31st March 1977 in respect of debentures raised by Kerala State Road Transport Corporation.

CPU Report. 12 15 ?
Report 1982-84
30-6-83.

13th Rep.
CPU 82-84

Discussed on 3/12/80

Presented on 2/8/83

Discussed on 3/12/80
13th Rep
CPU. 82-84

Gokaran Report. Para 3.3(2) of report

Report of PUC 13th Report CPU-82-84

SECTION XIV

KERALA STATE ELECTRICITY BOARD

14.01. Inventory control

14.01.1. *Introduction*

Mention was made in paragraph 14 of Section VIII of the Report of the Comptroller and Auditor General of India for the year 1973-74 (Commercial) about certain deficiencies in store accounting, defects in local purchase, physical verification of stores, etc. Results of a further test check in audit (September 1977) of the stores transactions of the Board for the period 1974-75 to 1976-77 are mentioned in the succeeding paragraphs.

14.01.2. *Stores*

The table below indicates the total value of stores held in stock at the end of each of the three years ended 31st March 1977:—

Year	*Capital stores*	*Operating stores*	*Total*
		(Rupees in lakhs)	
1974-75	936.44	728.83	1,665.27
1975-76	884.46	773.27	1,657.73
1976-77	1,118.78	1,121.30	2,240.08

The purchase of stores is centralised under the Chief Engineers of the Board. Periodical stock of materials category-wise/material-wise was not ascertained by the Chief Engineers from time to time and purchase orders were placed without reference to the stock of materials on hand. The total value of purchases made and the total value of stores consumed during this period were also not available with the Board.

The table below indicates the position of receipts, issues and closing stock of stores held at the five major stores of the Board for the year 1976-77:—

Name of store	*Opening balance*	*Receipts*	*Issues*	*Closing balance*	*Percentage of closing stock to issues*
	(*Rupees in lakhs*)				
Stores Division (Electrical), Alwaye	151.65	414.74	350.88	215.51	61.4
Regional Stores, Kallai	34.14	291.15	230.16	95.13	41.3
Regional Stores, Kundara	47.90	210.53	211.10	47.33	22.4
Central Mechanical Division, Pallom	25.79	25.18	15.69	35.28	224.9
Supplies and Services Division, Angamaly	76.76	129.19	142.25	63.70	44.8

14.01.3. *Appointment of management consultants*

On the basis of the recommendations (May 1974) of the State Planning Board, the Board appointed a firm of management consultants in October 1974 to conduct an in-depth study of inventory control, purchase and stores procedures and monitoring systems of the Board, in order to identify shortcomings

Key file no 3. Discussed on 3/12/80

99 M/s. Gokaran Associates. | 13th Rep
AU. 82-84

29-10-1975

Discussed on 3/12/80. | 13th Rep. CPU 82-84

Reply to D.P in D.P. file Ref. Conmnl/DP-40/77-78 Vol II

Key File No. 2

G.S. Industries
Belari Foundry

1) Pallom, 2) Ekm (3) Adoor, (4) Alwaye (5) Alleppy
(6) Kalamassery

(Key Files No 2 and 3)
M/S. Tata Iron & Steel Co. Ltd Ekm

C.E. (Electricity) (D & RE)

13th Rep
CPU 82-84

and to suggest improvements. The consultants submitted their report in June 1975 and were paid Rs. 0.45 lakh. The recommendations of the consultants included, *inter alia*, re-organisation of the purchase wing, reduction of internal lead time in the processing of purchase orders, systematising the purchase procedures, introduction of ABC analysis for stores, comparison of consumption of stores with estimates, etc. The Board constituted a task force in October 1975 to study the recommendations of the consultants and to prepare detailed notes thereon. The task force prepared notes on five recommendations of the consultants and one of the recommendations relating to the re-organisation of the purchase wing was accepted by the Board in September 1976. The recommendation has, however, not been implemented so far; the Board has also yet to take a decision regarding the other recommendations (March 1978).

4.01.4. *Purchases*

(a) In the following cases, heavy purchases resulting in locking up of funds in inventories for long periods were noticed:—

(i) For meeting the requirements of street lighting programmes of the local bodies/municipalities executed by the Board, orders were placed, between October 1969 and February 1972, with four local firms for the supply of street light fittings (brackets, lamps, pipes, shades, etc.) of the value of Rs. 21.68 lakhs. These were supplied between May 1972 and July 1973. A test check of the stock accounts at the end of August 1977 in the main electrical stores (Alwaye), two regional stores (Kundara and Kallai) and six divisional stores, revealed that street light fittings of the value of Rs. 12.34 lakhs had not been utilised for more than four years. Details of street light fittings remaining unutilised in other divisional stores were awaited (March 1978).

(ii) Based on a voluntary offer received (March 1976) from a steel manufacturer, the Board purchased in April 1976, 61 tonnes of M.S. angles of the value of Rs. 3.11 lakhs for stock in the Stores Division (Electrical), Alwaye. At the time of placing the order, a stock of 85 tonnes was already available and the quantity issued by the Division during the three years ending March 1977 was only 43.46 tonnes.

(b) *Delay in processing purchase orders*

During 1973-74 and 1974-75, the internal lead time for processing the purchase orders was more than six months in respect of nearly 60 per cent of the cases and more than one year in respect of nearly 20 per cent of the cases. The management consultants, appointed in October 1974 suggested (June 1975), *inter alia,* that the internal lead time should be limited to a maximum of 134 days. A test check in audit of 13 purchase orders placed by the Board in 1975-76 and 1976-77 revealed that the internal lead time ranged between 154 and 263 days in 8 cases. The Board stated (February 1978) that instructions had been issued to the Chief Engineers to minimise the lead time for processing purchase orders.

(c) *Extra expenditure in purchases*

(i) The Board, on the basis of tenders, placed (February 1973) an order with a firm of Calcutta for supply of 29 items of pipes for the Idukki Hydroelectric Project at a total cost of Rs. 2.35 lakhs, without ascertaining the credit worthiness and the capacity of the firm to execute the order. The firm furnished (April 1973) a bank guarantee for Rs. 0.24 lakh in lieu of security deposit of ten per cent of the contract value.

According to the purchase order, 90 per cent of the cost of materials plus sales tax was to be paid against production of bank documents and the firm was also required to furnish a bank guarantee against such payments. However, at the request of the firm (April 1973), the Board exempted it from furnishing a bank guarantee for the purpose. Though, according to the purchase order, the materials were to be inspected by the Board before despatch, this was not done. The Board stated (March 1976) that it would not be practicable to inspect the materials in all cases. The Board paid (March-April 1973) Rs. 0.95 lakh against consignments despatched by the firm between March and April 1973. As the pipes received were found to be old, damaged

X

Key File M/o [illegible] Discussed on 3/12/80

See 13th Rep
CPU. 82-84.

C55 DP/7/77-78 file and review file Date of order on the firm 24-2-1973

M/s. Sringdar traders, Calcutta

X

C41 Discussed 3/12/80 placing orders before ascertaining the capacity of the firm

C45

13th Rep
CPU (82-84)

C55

C57

N5

Para C(1)
Draft Report approved on 10-2-83

N_4

M/s. Jainthilal and Co.

N_5

C 7

C 21

C 17

C 15

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Discussed 3/12/80

M/s. Ascu Hickson Ltd

Delay resulting in extra cost to Board.

13th Rep CPU 82-84

C 9

C 14

C 93

C49

ıd used ones, the Board directed (May 1973) the firm to replace ıem. The firm neither replaced the defective pipes nor supplied ıe balance quantity. The Board, therefore, terminated (October)73) the contract at the risk and cost of the firm.

In December 1973, the Board, on the basis of tenders, purıased the pipes from another firm of Bombay at an extra cost f Rs. 5.38 lakhs (computed with reference to the rates quoted by ıe Calcutta firm). The extra cost was not recovered from the rst contractor. On the basis of reports received (January 1975) om the Board's Liaison Officer at Calcutta and an Executive ngineer (June 1976) of the Board on the financial soundness f the Calcutta firm, the Board observed (August 1976) that it 'ould be difficult to enforce a claim for this extra cost.

The amount paid to the Calcutta firm was recovered in ıly 1974 (Rs. 0.24 lakh by encashing the bank guarantee obtained om the firm in lieu of security deposit) and May 1977 (Rs. 0.71 ıkh) and the defective pipes were taken back by the firm in May 977.

While the Board accepted (February 1978) the facts mentioned ı the paragraph, remarks of Government called for in Septemer 1977, are awaited (March 1978).

(ii) In response to tenders invited (July 1972) by the Board ɔr supply of a plant for chemical treatment of wood, a firm of 'alcutta (the only tenderer) quoted (September 1972) Rs. 3.42 ıkhs f.o.r. destination (exclusive of taxes) for the plant and ls. 0.15 lakh for its erection. The firm also agreed (November 972), after negotiation, to allow a discount of 5 per cent on the ost of the plant. The offer, initially valid up to January 1973, 'as extended, at the instance of the Board, up to December 973. In March 1974, a telegraphic order was placed on the C33 rm for supplying the plant. As the offer had lapsed by that me, the firm did not agree to supply the plant at the original ate; instead they offered (March 1974) to supply the plant at a ost of Rs. 4.25 lakhs f.o.r. destination (excluding cost of erection), rovided the order was placed immediately and an advance ayment representing one-third cost of the plant was also made,

699

or at Rs. 4.75 lakhs if 90 per cent payment was made agains documents. The Board invited (April 1975) the firm for negotia tions, when the firm demanded Rs. 5 lakhs for supply of the plan and Rs. 0.25 lakh for its erection. On the basis of further nego tiations (May 1975), the firm agreed to supply the plant at cost of Rs. 4.85 lakhs (f.o.r. destination) and the order wa placed in September 1975. The plant supplied in January 197 was erected and commissioned only in January 1977 because delay in completion of civil works. As a result of the delay i finalising the purchase, the Board had to incur an additional ex penditure of Rs. 1.71 lakhs over the price quoted in Septemb 1972.

The matter was reported to Government in October 197 their reply is awaited (March 1978).

(iii) The Chief Engineer (Designs and Rural Electrificatio invited (May 1975) tenders for the supply of 17,000 coils weather proof cables (15,000 coils of 1/1.80 mm and 2,000 coi of 1/2.80 mm). In response, 21 tenders were received. Th Chief Engineer recommended (July 1975), *inter alia*, the purcha of 5,000 coils (4,000 coils of 1/1.80 mm and 1,000 coils of 1/2.8 mm; cost: Rs. 5.09 lakhs excluding tax and duty) from th lowest tenderer. The purchase committee of the Board, how ever, rejected (August 1975) this recommendation on the groun that the materials supplied by this firm, against an earlier ord placed in July 1971 for 10,000 coils of three different types cables, were not 'technically sound' and that they had also n completed supplies against that order. Based on the revise (July 1975) requirements, the Board placed (September 197 orders for supply of 22,000 coils (20,000 coils of 1/1.80 mm an 2,000 coils of 1/2 .80 mm; cost: Rs. 23.58 lakhs exclusive of tax and duty) from two of the tenderers who had quoted high rates. The supplies were completed by December 1975.

It was noticed in audit (September 1977) that 6,407 coi supplied (between January 1972 and March 1973) by the lowe tenderer against the order placed in July 1971 were accepte by the Board and the firm was prepared (August 1973) to suppl the remaining coils within three months provided the Board r leased immediately an amount of Rs. 0.61 lakh withheld fro

C2.

C91 and C51

C59, C63

D.P. 19/77-78

Discussed on 3/12/82
13th Rep. CPU (82-84)
rejection of lowest tender by Purchase Committee based on wrong data

M/s. Moti electric Industries (Private) Ltd, New Delhi.
C17

M/s. Merryfee Industries New Delhi
M/s. Durro Cables Corporation New Delhi

C3

Rep. Comml. DP. 6/77-78

Discussed 3/12/80

M/s. Voltamp Transformers Ltd
Baroda.

13th Report
CPU (82-84)

Belated Supply of
transformers -
1) extra expenditure
2) how it affected the
programme of the Board.

only Rs 2136.69
ie 0.021 lakh

its bills. The amount withheld was, however, released by the Board only in August 1974. Further, the Chief Engineer (Electricity) had brought (September 1975) to the notice of the Chairman of the Board that there was no record to prove that the quality of the cables supplied earlier by the lowest tenderer was poor.

The rejection of the lowest tender resulted in an extra expenditure of Rs.1.38 lakhs. The extra expenditure could have been reduced to Rs. 1.01 lakhs had orders been placed with the lowest tenderer for 5,000 coils as recommended by the Chief Engineer(Designs and Rural Electrification).

The matter was reported to Government in October 1977; their reply is awaited (March 1978).

(iv) The Board, on the basis of tenders, placed (October 1972) orders for the supply of 60 transformers (ten transformers of 250 KVA and fifty transformers of 160 KVA) with a manufacturing firm of Baroda. According to the purchase order, the prices (Rs. 0.09 lakh for a 160 KVA transformer and Rs. 0.13 lakh for a 250 KVA transformer) were to be firm and delivery was to commence at the rate of 20 transformers per month, after 6 to 8 months from October 1972 and was to be completed by September 1973. The firm did not supply the transformers within the stipulated period and sought (October 1973, January 1974 and April 1974) extension of time on the ground that the raw materials were rusted due to flood and heavy rain, strike by employees, power cut and shortage of raw materials. Extension of time was granted (February 1975) up to 1st December 1974. The firm supplied 20 transformers of 160 KVA capacity between November 1973 and January 1974 and the remaining 40 transformers between January 1975 and May 1975. The Board recovered (July 1976) an amount of Rs.0.21 lakh towards penalty for supplies effected after 1st December 1974. In April 1974, the firm requested that the prices of the transformers be increased based on the formula devised by the Indian Electrical Manufacturers' Association, without any ceiling, on account of increases in the cost of raw materials. The Board allowed (July 1976) increase in price (varying from Rs. 1,049 to Rs. 2,488) on the basis of the price prevailing in December 1973 on the 40 transformers amounting to Rs. 0.75 lakh although there was no provision for it in the purchase order.

The Board stated (November 1977) that while executing the order, the firm had requested for price escalation, in terms of the IEMA price variation formula, in view of steep increase in the prices of raw materials and that it was decided to allow an increase in prices based on the prices prevailing in December 1973 in pursuance of a decision taken earlier to adopt the procedure followed in this regard by the Tamil Nadu Electricity Board.

The matter was reported to Government in September 1977; their reply is awaited (March 1978).

(v) The Board, on the basis of tenders, placed (January 1972) an order for supply of 200 tonnes of high tensile steel wire (for manufacture of pre-stressed concrete poles) with a firm in Madras. According to the purchase order, the cost of wire (Rs. 7.35 lakhs f.o.r. Kundara *plus* sales tax at 3 per cent) was to be paid in full against delivery and all statutory variations in price were to be borne by the Board. At the request of the firm (February 1972) and in accordance with the terms stipulated in the tender, the Board agreed (April 1972) to make full payment against delivery advice.

The purchase order also stipulated delivery of wire at the rate of 30 tonnes per month from May 1972 to November 1972. The firm offered delivery of 150.967 tonnes of wire in June 1972 and 50.033 tonnes in August 1972 and submitted invoices accordingly. The Board paid Rs. 7.64 lakhs (Rs. 5.74 lakhs in October 1972 and Rs. 1.90 lakhs in April 1973) to the firm against the invoices, representing the cost of 201 tonnes of wire, but did not take delivery of the wire for want of storage facility.

Ten tonnes of wire were received by the Board in April 1973. The balance quantity was demanded in January 1974, when the firm intimated that about 150 tonnes of the material intended for the Board had been diverted to other consumers to avoid deterioration and demanded (January 1974) a price increase of Rs. 0.83 lakh *plus* sales tax of Rs. 0.02 lakh for the wires to be

C 181

C 121

Report DP. 9/77-78
(Commd.)

Discussed on 4/12/80
13th Rep (CPU-82-84)

Aluminium Industries Ltd. Madras

C 17.

Delay in taking delivery of the materials against payment already effected

(V) – Draft report received

An amount of Rs 4267.88 was incurred for the Construction of Storage Space between 17-11-73 & 9.1.1974.

Discussed on 4/12/80

~~13th Rep~~ Report (Comml)/DP-16/77-78

M/s Malik Electric Works

~~CPU (82.84)~~

C35

Sub para (VI)

C43

manufactured afresh. The Board, however, assessed (July 1977) the price increase payable at Rs. 0.31 lakh *plus* sales tax. The amount has not been paid yet (March 1978). The balance quantity was actually received piece-meal over a period of three years commencing from August 1973 and ending with August 1976.

The payment for the entire value of wire in advance of actual supplies, without ensuring whether sufficient storage facilities existed, resulted in blocking up of the Board's funds to the extent of Rs. 7.64 lakhs. Computed on the basis of the borrowing rates of the Board, the loss of interest works out to Rs. 1.94 lakhs during the period from October 1972 to August 1976. The failure of the Board to take delivery of the wire in time also resulted in price escalation to the extent of Rs. 0.31 lakh.

Remarks of the Board/Government called for in September 1977, are awaited (March 1978).

(vi) The Board, on the basis of tenders, placed (November 1970) orders with a firm of Bombay for supply of 24,000 electricity meters at Rs. 50.50 each. According to the purchase order, the supply was to be completed by 9th November 1971 and in case any supply was effected after this date, the price payable was to be the agreed price or the then prevailing market price, which ever was lower. The firm was also to deposit Rs. 1.21 lakhs representing 10 per cent of the value of the order, as security for the due fulfilment of the contract. However, based on a request (December 1970) of the firm, the Board accepted (July 1971), as a special case, a bank guarantee of Rs. 0.50 lakh in lieu of security deposit.

Though the supply was to commence from the first week of January 1971, the firm supplied 14,249 meters between 23rd August and 8th November 1971. According to the Board (April 1972) the market price of the meter came down to Rs. 40.50 from November 1971 and, in terms of the purchase order, they were entitled to the benefit of this reduced price in respect of 9,751 meters supplied between 9th November 1971 and April 1972. The consignee, (Executive Engineer, M.R.T. Division, Shoranur), however, continued to make payments at the rate stipulated in the purchase order. This resulted in an over payment of Rs. 0.86 lakh. While a sum of Rs. 0.50 lakh was realised (April 1973) by encashing the bank guarantee obtained from the firm and Rs. 0.06 lakh was adjusted (December 1973) from pending bills, the balance of Rs. 0.30 lakh remained unrecovered for which a suit, filed in December 1975, was pending (March 1978).

The Board stated (November 1976) that the reduction in price was known to them only on 21st February 1972 and that this was communicated to the consignee and the supplier on 10th April 1972 for revising the contract price. It was observed in audit that 5,577 meters were received by the Board between 2nd March 1972 and 6th April 1972 after the reduction in price was known, but were paid for at the original price.

5,733 meters supplied by the firm were also found defective and the Board spent Rs. 0.10 lakh for their rectification. A claim preferred (December 1973) for recovering the amount was rejected (January 1974) by the firm on the ground that the defects were brought to their notice after the expiry of the guarantee period.

The matter was reported to the Board/Government in September 1977; their replies are awaited (March 1978).

14.01.5. *Issues*

(a) *Allocation of materials*

Materials received in the Central Stores, Alwaye and the Regional Stores at Kallai and Kundara, are allocated to various circles on the basis of pre-determined ratios fixed by the Chief Engineer in September 1975 without reference to their actual requirements. The Superintending Engineers re-allocate the materials to the divisions under them on the basis of the quantum of works under execution. The management consultants recommended (July 1975) that various materials should be allocated on the basis of estimated requirements instead of on an ad-hoc pre-determined basis. Action on this recommendation is, however, yet to be taken by the Board (March 1978).

C 237
C 145

Rep. Comml/DP. 40/77-78

Discussed on 4/12/80

$\frac{C\ 493}{Vol\ II}$ Reply $\frac{C\ 523}{II}$

ration tentative - being reviewed annually

13th Rep / CPU (82-84)

DP. 40/77-78

Discussed 4/12/80

Para 6.26 of Commercial System of a/cs of K.S.E.B

Key file No 5

Para (b) - Draft Report received

only 16 items balance about Rs. 40,000

Para 10 viii - Comments on the annual a/cs of the K.S.E.B for 1976-77.

Discussed 4/12/80 | 13th Report / CPU (82-84)

Letter No ECA I/D/ S-1124/ I R. 76 dt 8-9.77 from Sr D.A.G (I&C) to the Chairman K.S.E Board

C 383 - C 387

Key file 8

(not available)

Suspend on 21/4/80

A civil suit filed.

Sub - para (c) - Draft Report received

(b) *Revision of issue rates*

According to the Board's Accounting Manual, whenever fresh stock of materials is received, the issue rate of materials is to be revised on the basis of the average value of the closing stock and the fresh stock received. This was not done in Supplies and Services Division, Angamaly and Central Mechnical Division, Pallom, the accounts of which were subjected to test check by Audit. Non-revision of issue rates as aforesaid resulted in under-charge/over-charge of stores to works and non-exhibition of stores accounts at proper value. It was noticed in audit that in respect of 84 items of steel materials in the Supplies and Services Division, Angamaly, while the accounts showed a value of Rs. 8.10 lakhs, there was no stock in respect of these tems.

(c) *Improper maintenance of store accounts*

A test cheek in audit (August 1977) of the numerical stores ledgers, priced stores ledgers and the connected records n the Electrical Division, Adoor, revealed that between June ınd August 1976 the store-keeper had prepared fictitious issue notes in respect of 29 items such as cement, M. S. rods, G. I. wires, bulbs, etc., valuing Rs. 0.87 lakh and corrected the balances on he basis of these issue notes. Physical verification of the stores, conducted by the staff of the Chief Engineer (Electricity) in August 1976, did not bring out this irregularity as the stocks were verified with reference to the balances recast by the store-keeper. Reconciliation between the ledgers maintained in the Accounts Section of the Divisional Office and in the store was also in arrears. After the physical verification, the store-keeper cancelled the ictitious entries made in the registers. The Executive Engineer f the division also confirmed (August 1977) that there were orrections and cancellations in the registers maintained by the tore-keeper. The Board stated (February 1978) that a special udit of the store accounts in the division was conducted in October 1977 and further action in the matter was being taken y the Chief Vigilance and Security Officer.

The matter was reported to Government in September 977; their reply is awaited (March 1978).

14.01.6. *Excess stocking of materials*

The Board, in consultation with the Chief Engineers, fixed (August 1976) the maximum stock limit of the various divisions, circles for the year 1976-77, on the basis of the stock held by them as on 31st March 1976 and the material content of the works programmed for 1976-77.

The stock held at the close of March 1977 exceeded the maximum limit specified by the Board in 23 out of 66 divisions. As against the prescribed stock limit of Rs. 546.00 lakhs for these divisions, the value of stock held amounted to Rs. 976.63 lakhs.

The maximum stock limit fixed for an electrical section wa Rs. 0.50 lakh. The actual stock held exceeded this limit in 19 out of 376 sections. In 83 sections, the stock limit in each of th sections exceeded Rs. 2 lakhs as at the close of March 1977 Of these, the stock held in ten sections varied between Rs. 5.0 lakhs and Rs. 11.26 lakhs.

14.01.7. *Non-moving stores*

The Board assessed (December 1976) the value of non moving stock items held by the various divisions as on 31 May 1976 at Rs. 130.49 lakhs (electrical divisions: Rs. 67.1 lakhs and civil divisions: Rs. 63.31 lakhs). The table belo indicates the position of non-moving stock items held in a fe divisions:—

Name of Division	*Value of non-moving iten as on 31st May 1976 (Rupees in lakhs)*
Central Mechanical Division, Pallom	20.00
Dams Division, Kulamavu	7.96
Mechanical Division, Kulamavu	4.87
Idukki Dam Division, No. 1, Idukki	5.59
C19 Kuttiadi Construction Division, Kakkayam (Defunct)	13.33
C23 Regional Stores, Kundara	21.92
Electrical Division, Trichur	5.43

C027

Sub paras 14.01.6 - draft report recd

C_{41} - Key file no 5 Discussed 4/12/80

13th Rep CPU (82-84)

Comment no
10 (vii) on the annual a/cs.

value of the stock has to be refixed w.r.to the present price increase.

C_{61} - C_{69} Key file

7 A & C.A O's Financial Review Report for the period 1-10-76 to 31-3-77

Key file no 7. Discussed 4/12/80

C_{13} - C_{19}

Draft report recd.

~~13th Report~~

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Now 5.00 lakhs

1.90 balance

8.22 balance

6/77 — 13.41 — present position 1.4 lakhs

6/77 - 2.96

Draft report read

13th Report
CPU (82-84)

Discussed 4/12/80

(x) K.S.E.B Administration of Funds and (Properties) Regulations 1960 - Para 3(4)

Collected from the chart maintained in the O/o C.E (Elec)

10 (ii) Comments on the a/c of K.S.E.B 1976-77

Para 6.34

C207
DP-40 Vol I

Key file No 4

C13

C13, C31, C47, C127

The value of non-moving stock in the Central Mechanical Division, Pallom and the Regional Stores, Kundara, constituted 56.7 and 32.0 per cent of the total stock held by these divisions as on 31st March 1977.

14.01.8. *Physical verification of stores*

(a) The Board's rules require that physical verification of all movable properties should be conducted at least once a year. In paragraph 12.5 of their Tenth Report, the Committee on Public Undertakings (1972-73) had recommended that the Board should gear up the existing machinery for verification of stores and see that proper verification was done as stipulated in the rules. It was, however, observed in audit (September 1977) that no physical verification was conducted in 33 out of the 66 divisions during 1975-76 and in 6 divisions during 1976-77.

Physical verification of the stores issued to works, which were held under 'Material Suspense Account', was not done in any division; the value of such stores as on 31st March 1977 was Rs. 620.48 lakhs.

According to the Board's Accounting Manual, discrepancies pointed out by the stock verifiers have to be settled within a period of three months from the date of issue of the verification reports. Delays ranging from 10 to 49 months was noticed in rectifying such discrepancies in respect of the reports of six divisions.

(b) Some of the irregularities pointed out by the stock verifiers during physical verification conducted between August 1976 and January 1977 are mentioned below:—

(i) The discrepancies between book balances and physical balances, noticed at the time of change of store-keepers, had not been enquired into; instead new accounts had been opened with the value of physical balances ignoring the original book balance.

(ii) Bin cards for all items of stores held in stock had not been maintained.

(iii) There was delay ranging from two to three years in fixation of responsibility for the shortage of stores detected during physical verification and in disposal of unserviceable/ surplus materials.

(iv) Materials had been issued against temporary receipts without obtaining proper acknowledgements, in contravention of the provisions of the Board's Store Accounting rules.

(v) Reconciliation of quantity accounts with value accounts had been delayed.

14.01.9. *Disposal of unserviceable/surplus/scrap materials*

Unserviceable/surplus/scrap materials are disposed of by public auction. Sanction of the Board is required for disposal of such materials if their value exceeds Rs. 0.25 lakh. After the auction, the sale has also to be confirmed by the Board. Two instances of loss due to delay in finalisation of auction and obtaining confirmation of the Board are mentioned below:—

(a) The Board accorded (December 1973) sanction for the disposal of five items of unserviceable copper conductors (assessed value: Rs. 0.79 lakh) in the Electrical Division, Mavelikara. When tenders were invited in February 1974, quotations were received from four parties. Orders on the proposal (April 1974) of the division to accept the highest offers were issued by the Board in August 1974 and communicated to the division in September 1974. While the highest bidders for three of the items lifted the materials, the highest bidder for the remaining two items cancelled (August 1974) his offer (Rs. 28.37 per kilogram of scrap) on the plea that the sale was unduly delayed. The Board, therefore, forfeited (September 1975) the security deposit of the tenderer amounting to Rs. 0.04 lakh and called for fresh quotations in October 1975. Eight parties responded and the two items (4,594 kilograms of scrap) were sold (July 1976) to the highest tenderer at Rs. 23.35 per kilogram. Compared to the rate obtained earlier, the sale of the two items of scrap by re-auction, resulted in a loss of Rs. 0.20 lakh to the Board after adjusting the security deposit of the defaulting tenderer.

C123

C29

C33, C19, C25

Draft report recd

Discussed on 4/12/80 | 13th Rep CPU (82-84)

Electrical Division Mamlikara

Key file No 12.

Delay

C221

DP file No 40/77-78

Revised delegation of Powers under Contemplation

– Draft Report
recd

Discussed 4/12/80

Key file no 11

and $\frac{C\,223}{DP-40}$/77-78

Discussed 4/12/80 / 13 k Rs
CPV 82.82

Key file no 8

C51, C77, C45
C71, C72, C67

Key file No8

$\frac{C\,211}{DP}$/40/77-78

[illegible]

P.P. Xavier

The Law Officer of the Board, to whom the case was referred, observed in September 1976 that when the price of materials like copper scrap fluctuated from day to day, the time of six months taken for confirming the sale was unreasonable and that it was not a proper case for filing a suit for the recovery of damages from the defaulting party.

(b) The Board accorded (February 1973) sanction for the disposal of seven items of copper scrap (4,867 kilograms of bare copper and 1,529 metres of cable scrap) accumulated during the period from 1961 to 1971 in the Electrical Division, Quilon. The Division issued (April 1974) tender notices to which eight parties responded. Orders of the Board on the proposal (May 1974) of the division to accept the highest offers were issued in November 1974. Only two items (369 metres of cable scrap) were lifted by the highest bidders. The division, therefore, issued (May 1975) a fresh tender notice for the disposal of the remaining items. Only two parties responded and the items (4,867 kilograms of bare copper and 1,160 metres of cable scrap) were sold (October 1975) at Rs. 0.64 lakh to the highest bidders. The sale by re-auction, necessitated due to delay in confirming the auction, resulted in a loss of Rs. 0.56 lakh to the Board, after adjusting the security deposit obtained from the original bidders who had defaulted.

The cases mentioned in sub-paragraphs (a) and (b) were reported to the Board/Government in December 1977; their replies are awaited (March 1978).

14.01.10. *Alleged misappropriation of stores*

(a) Shortage of 21 tonnes of M.S. angles worth Rs. 0.56 lakh was noticed in December 1971 by the Executive Engineer in the Stores Division (Electrical), Alwaye. The case was reported to the Board by the Executive Engineer of the Division only in July 1975. The store-keeper concerned, suspected of misappropriation of the stores, was placed under suspension in July 1975 and the case was reported in November 1975 to the Director, Vigilance Investigation. The Law Officer of the Board to whom the case was referred, opined (December 1975) that

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Key 2.6.8

there was no scope for filing a civil suit as the cause of action was time-barred. On receipt of a representation from the store-keeper, he was reinstated in July 1976. The Board initiated disciplinary action against the store-keeper in February 1977.

The results of the investigation by the Vigilance Department and disciplinary action by the Board are awaited (March 1978).

(b) The store-keeper attached to the Stores Division (Electrical), Alwaye, was transferred to Pallom in August 1974. He was relieved from the division without obtaining a handing over report in respect of the materials held by him.

A physical verification of the stores in the division conducted between July 1975 and May 1976 revealed shortages of stores worth Rs. 2.89 lakhs. The store-keeper, who was suspected of having misappropriated these stores, was placed under suspension in February 1976 and the case was reported in March 1976 to the Director, Vigilance Investigation. The Board also subsequently (August 1977) filed a civil suit to realise the value of stores found short from the store-keeper.

The outcome of the civil suit and the results of vigilance investigation are awaited (March 1978).

(c) A physical verification of stores in the Rural Electrification Corporation Construction Division, Chalakudy, conducted in September 1972 by the stock verifiers, revealed shortages of stores worth Rs. 0.22 lakh. The store-keeper was transferred (August 1974) to the Stores Division (Electrical), Alwaye. At the time of his handing over charge, further shortages were also noticed. The total shortage was assessed by the Board at Rs. 1.75 lakhs in May 1977. The Chief Engineer (Electricity) directed (July 1977) the Executive Engineer, Alwaye, to file a civil suit against the store-keeper concerned for recovering the amount. The Executive Engineer had not filed the suit so far (March 1978).

(d) The store-keeper of the Electrical Division, Ernakulam, was promoted as Chief Store-keeper in September 1970 and

C103. C93. C125 C99 . C129 . C99

Draft report recd

M. V Zainuddin Moopan

Discussed on 4/12/80

Key file no 8

C 211

DP. 40/77-78

Civil Suit ~~appt~~ filed.

Draft report recd

13th Rep

CPU 82-84

Discussed on 4/12/82

C 213

DP. 40/77-78

C7. C17

Key file 8

N. K. Paramu

why he has not done it

C189, C190
C159, C149
Key File 8

S.K. Damodara Menon
why ?

C215
DP-40/77-78

13th Rep
CPU (82-84)

Discussed on 4/12/80

C279, C291
C217 - C239
C209 - C211
Key File 8

C217
DP-40

K Narayanan

posted to the Stores Division (Electrical), Alwaye. He was relieved from the Electrical Division, Ernakulam, in October 1970, without obtaining a handing over report in respect of the stores held by him. A physical verification of the stores conducted by the Board's stock verifiers between January and February 1971 revealed that the postings in the numerical stores ledgers and reconciliation with the priced store ledgers were in arrears from March 1969. An inventory of the materials available in the store was, therefore, taken. A verification of the store accounts, after reconciliation in April 1977, revealed shortage of stores valued at Rs. 4.60 lakhs at the time of relief of the store-keeper and this was accounted for as a liability of the store-keeper. No further action for recovering the amount has been taken (March 1978).

Meanwhile, the store-keeper retired on superannuation in April 1973. A sum of Rs. 0.10 lakh being the gratuity payable to the store-keeper has been withheld.

These cases were reported to the Board/Government in December 1977; their replies are awaited (March 1978).

14.01.11. *Write off of stores found short*

In April 1968, the Stores Superintendent, Stores Division, (Electrical), Alwaye, cleared a consignment of 6,049 M. S. rods from the Goods Station, Ernakulam. He entrusted the transportation of the consignment from the goods shed to the store to the Board's Contractor. While 5,515 M. S. rods were received in the store, 534 M. S. rods were seized by the Police when they were being unloaded from a private lorry at Ernakulam. Suspecting that part of the consignment had been diverted by the Stores Superintendent, the Board placed him under suspension in July 1968 and directed him to hand over charge of the records and stock to the store-keeper. The Stores Superintendent, however, did not hand over charge as directed. A physical verification was conducted in the store by the Board's staff between July 1968 and October 1969. The Stores Superintendent did not attend the verification on the ground, that he was under suspension. The physical verification revealed that there were shortages in some items and excesses in some other items. After setting off the excesses against the shortages in almost similar items, the Board assessed (April 1970) the value of net shortages at Rs. 0.68 lakh and directed the Stores Superintendent to remit the amount. As the Stores Superintendent did not make good the loss, the Board filed a civil suit in September 1970 for recovery of Rs. 0.82 lakh (shortage of stores: Rs. 0.68 lakh *plus* storage charges: Rs. 0.14 lakh). The Stores Superintendent retired on superannuation on 30th September 1970. The suit was dismissed by the Court in January 1975. While dismissing the suit, the Court observed, *inter alia*, that

(i) the physical verification report was an unreliable document;

(ii) the Board could have retained the official in service till completion of verification;

(iii) the Board was negligent in not conducting the verification properly; and

(iv) supervision of stores by higher officials of the Board was absolutely lacking.

In view of the judgement, the Board decided in March 1976 to write off the value of deficit items. A sum of Rs. 0.12 lakh was spent in connection with the suit.

The matter was reported to the Board/Government in December 1977; their replies are awaited (March 1978).

14.02. Rural electrification schemes

see 13th Rep
CPU 82-83

Mention was made in Paragraph 13.03 of Section VIII of the Report of the Comptroller and Auditor General of India for the year 1973-74 (Commercial) that out of 1,573 villages in the State as per the 1961 census, 1,375 villages had been electrified up to the end of 1973-74. According to the 1971 census, there were 1,268 villages in the State and the total number of

Sub. Court- Parur

C369

C371

C371

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Discussed 15-12-1980

pages 126-127

A.R. 1973-74

pages 134-136. paragraphs 505-518

P.U.C. (1977-78) 6th Report
presented on 24.7-1978

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1) Palghat . 6/73
2) Ekm . 8/73
3) Tcr 5/73 } 3 - 1973-74
4) Taliparamba 8/74
5) Trivandrum 2/75 } - 2 1974-75
6) Tellicherry - N. Wynad 10/75
7) Kasargode 1/76
8) Ernad 3/76
9) Kasargode 1/76 } 4. 1975-76
10) Hosdurg 5/76
11) Kozhikode 9/76
12) Kochi 11/76
13) Idukki 3/77 } 4 1976-77.

Key file (Replies to C.A.G's query)

R.E.C. Policy Circular

latest position

Rs 1193 - lakh

So far obtained

Rs 117 lakh rupees

Scheduled for Completion after 1976-77.

21/13/8

1) Tirur
2) Perinthalmanna
3) Koorrappady - Vadaracode
4) Talappily
5) Nemmara - Kollengode
6) Moovattupuzha - Kothamangalam.
7) Kodakara
8) Ollappalam - Sreekrishnapuram

villages electrified up to 1973-74 was 1,168. Against the remaining 100 villages to be electrified, 50 villages were electrified up to November 1977.

Against the total rural population of 17.88 million in the State as per the 1971 census, 1,218 villages with a population of 17.42 million had been electrified up to November 1977.

Rural electrification schemes executed by the Board from 1970-71 onwards are financed mainly by loan assistance from the Rural Electrification Corporation Limited, New Delhi. The loans are sanctioned by the Corporation for area-wise schemes costing up to Rs. 80 lakhs. The Corporation provides cent per cent assistance in respect of the first scheme taken up in a district. In respect of the second and subsequent schemes in a district, the assistance is restricted to sixty per cent of the estimated cost, the balance being met from the funds of the Board. The loans are released in three or four instalments, the first soon after sanctioning the loan and the subsequent instalments on achieving the annual targets of construction. The loans carry interest at rates varying from $6\frac{1}{4}$ to $8\frac{1}{4}$ per cent and are repayable over a period of twenty years, including an initial moratorium period of five years. The terms and conditions for the grant of loan provide for inspection and monitoring of the scheme by the Corporation.

The Corporation sanctioned loans aggregating Rs. 913.76 lakhs for twenty-one schemes (estimated cost: Rs. 1,159.21 lakhs) up to 1976-77. Against this, the loans received by the Board amounted to Rs. 709.75 lakhs. The expenditure incurred on the schemes up to 1976-77 was Rs. 613.50 lakhs. Out of the twenty-one schemes for which financial assistance was obtained, thirteen schemes were scheduled for completion before the end of 1976-77 (three in 1973-74, two in 1974-75 and four each in 1975-76 and 1976-77). None of the schemes has been completed so far (March 1978).

The Board also obtained, between March 1973 and December 1975, loans amounting to Rs. 5.63 lakhs from the Corporation for street lighting of 69 Harijan *bastis* under five schemes to be implemented over a period of two to three years in Trivandrum, Palghat, Quilon, Kottayam, Trichur and Alleppey districts. The loans, carrying interest at 5 per cent, are repayable in fifteen years. Under the scheme, the concerned panchayats have to execute agreements with the Board for payment of electricity charges.

Out of the five schemes undertaken, the progress in respect of the schemes in Trichur and Alleppey districts was not significant as indicated below:—

Name of District	*Details of loan*		*Expenditure incurred up to March 1977 (Rupees in lakhs)*	*Number of bastis to be electrified*	*Number of bastis electrified up to September 1977*
	Month of receipt	*Amount (Rupees in lakhs)*			
Trichur	February 1975	1.22	0.03	22	1
Alleppey	December 1975	1.44	Nil	10	Nil

The Board stated (November 1977) that the poor progress was on account of the reluctance on the part of the village panchayats to execute the agreements and the matter had been taken up with the Director of Panchayats and the Director of Harijan Welfare.

Four rural electrification schemes in Kozhikode, Quilon, Ernakulam and Trichur districts, for which loans were sanctioned by the Rural Electrification Corporation between September 1972 and December 1973, were reviewed (September 1977) in audit. The table below indicates the details of these schemes:—

Name of Scheme	*Villages/Centres (parts of villages) to be electrified*	*Estimated cost of the scheme* (*Rupees in lakhs*)	*Amount of loan sanctioned by the Corporation* (*Rupees in lakhs*)	*Month and year of sanction*	*Loan availed up to 31st March 1977* (*Rupees in lakhs*)	*Expenditure on the Scheme up to 31st March 1977* (*Rupees in lakhs*)	*Scheduled period of completion of schemes*
Kozhikode	23 Villages and 5 Centres	57.20	57.20	September 1972	54.08	37.37	March 1977
Quilon	36 Centres	53.84	53.84	November 1972	51.23	46.27	March 1977
Koovapady-Vadavucode	47 Centres	73.16	43.89	August 1973	36.26	46.23	March 1977
Talappilly	25 Centres	40.02	24.01	December 1973	15.68	5.17	June 1978

The progress of work on these schemes as reflected in the latest available progress reports is indicated below:—

Particulars	*Kozhikode Scheme*		*Quilon Scheme*		*Koovapady-Vadavucode Scheme*		*Talappilly Scheme*		
	Total quantum of work scheduled for completion by March 1977	*Achievement up to August* 1977	*Total quantum of work scheduled for completion by March* 1977	*Achievement up to September* 1977	*Total quantum of work scheduled for completion by March* 1977	*Achievement up to September* 1977	*Total quantum of work scheduled for completion by June* 1978	*Target for three years up to June* 1977	*Achievement up to November* 1977
Length of 11 KV line (km)	120.00	69.16	105.21	58.17	103.50	79.05	48.00	48.00	12.98
Length of LT line (km)	172.40	134.68	191.70	135.25	332.00	175.64	184.00	170.00	36.84
Number of 66/11 KV sub-stations to be constructed	Nil	Nil	1	Nil	Nil	Nil	Nil	Nil	Nil
Transformers to be installed:—									
In numbers	46	26	40	24	75	42	36	36	11
In KVA	4,045	1,816	3,408	1,754	5,381	4,508	2,672	2,672	777
Number of centres to be electrified	28	17	36	23	47	24	25	25	8
Number of service connections to be given:—									
(i) Agricultural (pumpsets)	274	13	92	3	620	582	518	400	110
(ii) Domestic	4,800	1,284	4,720	2,669	4,243	2,581	2,220	1,800	369
(iii) Commercial	446	540	420				84	66	21
(iv) LT Industries	94	29	110	24	117	77	36	30	6
Number of street lights to be installed	1,050	307	1,000	521	1,450	567	900	700	Nil

The following points were noticed in regard to the executio of the schemes:—

(i) The first instalments of loans for the Kozhikod (Rs. 24.68 lakhs) and Quilon (Rs. 20.24 lakhs) schemes wer received by the Board from the Corporation in March 1973 However, the divisions (Rural Electrification Corporatio Construction Divisions at Badagara and Kottarakara) for th execution of the schemes were formed only by November 197 though proposals in this regard were sent to the Board by th Chief Engineer in February 1973. The Executive Engineer R.E.C.C. Division Badagara was provided with a copy of th Kozhikode scheme report (prepared by Chief Engineer in Jul 1972) only in March 1974. The R.E.C.C. Divisions wer abolished in April 1975 on the ground that a major portion of th works had been completed and the pending works under th scheme were transferred to the regular Electrical Distributio Divisions. The progress reports on the schemes, however revealed that only a small portion of the works had been completed at the time of abolishing the divisions.

The Corporation, after monitoring (May 1976) the Kozhikod scheme, observed (August 1976) that the premature abolition o the R.E.C.C. Division, Badagara was one of the contributor factors for the poor progress in the implementation of the scheme

(ii) Due to the delay in execution of the schemes, th release of the second and subsequent instalments of the loan fro the Corporation was delayed as indicated below:—

Name of the Scheme	*Particulars of instalment due*	*Due dates for receipt of the instalments*	*Amount (Rupees in lakhs)*	*Actual date of receipt*
Kozhikode	Second	March 1974	15.52	March 1975
	Third	March 1975	13.88	March 1976
	Fourth	March 1976	3.12	Not received (March 1978)
Quilon	Second	March 1974	21.06	March 1975
	Third	March 1975	9.93	March 1977
	Fourth	March 1976	2.61	Not received (March 1978)
Koovapady-Vadavucode	Second	March 1974	13.34	December 1974
	Third	March 1975	11.50	March 1976
	Fourth	March 1976	7.63	March 1978
Talappilly	Second	June 1975	8.94	March 1976
	Third	June 1976	6.38	March 1978
	Fourth	June 1977	1.95	Not received (March 1978)

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D.P. file DP. 32/77-78
pages 29 - A.E. no 3.

C.41
R.F. Scheme
Rn. ~~Rs~~
key file

D.P. 30/77-78 Talappilly
D.P. 29/77-78. Kozhikode

D.P. 30/77-78
and key file

D.P. file 31

(iii) Non-allocation of sufficient materials for execution of works was one of the reasons for the delay in completing the scheme. According to the Executive Engineer, Electrical Division, Adoor, order to commence the work in Narickal centre under the Quilon scheme could be issued only in March 1976 for want of materials though the agreement with the contractor was executed in April 1975.

(iv) The amounts provided for in the budget estimates of the Board for executing specific rural electrification schemes fell short of the loans availed of by the Board for such schemes from the Corporation. As at the close of 1976-77, the balance of unutilised loans left with the Board in respect of the Kozhikode and Talappilly schemes were Rs. 16.71 lakhs and Rs. 10.51 lakhs respectively. As against this, the amounts provided for in the budget estimates of the Board for 1977-78 in respect of the Kozhikode scheme was only Rs. 2.50 lakhs and Rs. 4.50 lakhs in respect of the Talappilly scheme.

(v) Several deviations from the schemes approved by the Corporation, such as provision of costly conductors, installation of additional transformers and transformers of higher capacity, use of reinforced cement concrete poles for high and low tension lines in place of teak wood poles, disc insulators in place of guy insulators, etc., were noticed in audit. The Corporation, after monitoring (May 1977) the Talappilly scheme, had also observed (June 1977) that on account of such deviations, the cost of the scheme would go up to Rs. 58 lakhs against the original (December 1973) estimate of Rs. 40.02 lakhs.

(vi) The delay in execution of the schemes resulted in high incidence of establishment and contingent charges. In respect of the Koovapady-Vadavucode scheme, the establishment and contingent charges (Rs. 9.09 lakhs) incurred up to 31st March 1977 represented 24.3 per cent of the works expenditure (Rs. 37.14 lakhs) against 13.3 per cent provided for in the scheme report.

(vii) The revenue realised on the schemes was less than the revenue anticipated in the scheme reports. The table below

102/9058/MC.

indicates details of revenue anticipated and actuals for the three years ending 1976-77:—

Name of Scheme	*Year*	*Revenue*	
		Anticipated	*Actuals*
		(Rupees in lakhs)	
Kozhikode	1974-75	3.91	0.07
	1975-76	6.48	0.87
	1976-77	9.29	2.32
Quilon	1974-75	2.56	0.35
	1975-76	5.88	1.48
	1976-77	8.91	3.38
Koovapady-Vadavucode	1974-75	10.73	1.86
	1975-76	15.16	3.25
	1976-77	19.73	5.21
Talappilly	1974-75	7.86	2.16
	1975-76	10.17	0.18
	1976-77	13.30	1.26

The shortfall in revenue was attributed (September 1977) by the Board to poor progress of work and shortfall in the number of service connections given.

These observations were brought to the notice of the Board/Government in November 1977; their replies are awaited (March 1978).

14.03. Other points of interest

14.03.1. *Construction of a link line*

To meet the requirements of the industries and for ensuring stable and un-interrupted supply of power in the coastal area of Alleppey District, the Chief Engineer (Electricity) sanctioned in February 1969 an estimate for Rs. 15.50 lakhs for the construction of a 66 KV single circuit link line between the Alleppey and Shertallai sub-stations.

Brands letter dt 17-10-77.

DP. No 30/77-78

Draft report received

13 th Rep CPU. 82-83

Discussed on 16-12-80

vetted & Retd on 4/5/82

Rep (C) DP. 22/77-78

C69

See File Rep (C)/MIP/DP-12/76-77 vol 5

Approved by CPUC on 17/2/83

M/s. G. P. Stephen & Co. Ankamah. C30, ~~[illegible]~~

M/s. Testeels Ltd. Ahamedabad.
wrong decision of The Board.

C61, C27

C29

C21

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C49

C49

C57

C57

The contract for the erection of towers and stringing of the line was awarded (November 1969) telegraphically to the second lowest tenderer (a local firm) at an estimated cost of Rs. 3.49 lakhs, rejecting the offer (Rs. 3.42 lakhs) of the lowest tenderer, a firm of Ahmedabad, on the ground that they were new entrants in the field. In this connection, the following points were noticed in audit:—

(i) As the firm to which the work was awarded was also a new entrant in the field, the Board required (January 1970) the firm to furnish a security deposit of Rs. 0.87 lakh, representing 25 per cent of the value of the contract, as against 10 per cent provided for in the tender. However, on a request (January 1970) of the firm, the deposit was reduced (July 1970) to Rs. 0.09 lakh.

(ii) The Chief Engineer, while recommending the award of the contract had informed (October 1969) the Board that the condition of the soil at the work site was 100 per cent normal. However, in July 1970, the firm informed the Chief Engineer that the conditions of soil along the alignment of the line necessitated the construction of ring bunds (10 metre square × 1.5 metre width × 1.5 metre height) around the tower foundations to enable dewatering of pits and setting up of stubs and demanded extra rates for this item of work. On the basis of the recommendation (July 1970) of the Superintending Engineer, Transmission Circle, Kottayam, that the request of the firm was reasonable considering the nature of the soil, the Chief Engineer approved (August 1970) the rates for construction of ring bunds 'at locations to be decided by the field officers'.

The Assistant Executive Engineer, Transmission Construction Sub-division, Alleppey, found (December 1970) that the firm was constructing ring bunds in almost all locations to a height of 1.5 metres, irrespective of the requirement at site, without the prior approval of the field officers. He, therefore, instructed (December 1970) the Junior Engineer in charge of the work and the firm to limit the height of the bund, taking into account the water level in the locality. According to the Assistant Executive Engineer, the firm had not complied with the instructions.

During an inspection by the Assistant Executive Engineer, between 3rd February 1971 and 13th March 1971, it was noticed that between 27th January 1971 and 3rd February 1971, the Junior Engineer had recorded in the measurement books the height of the bunds (18 cases) as 1.5 metres though according to the Assistant Executive Engineer, the height actually needed was between 0.75 and 1 metre. A sum of Rs. 0.55 lakh was, therefore, disallowed (March 1971) by the Assistant Executive Engineer from the bills of the firm, which was disputed by it. The firm stopped further work in June 1973 when the work up to stub-setting alone had been completed (cost: Rs 7.72 lakhs) on the ground that there were objections from land owners at the work site.

Efforts made from time to time, between March 1974 and May 1975, to persuade the firm to re-start the work having failed, the dispute was finally referred in September 1975 to arbitration by the firm according to the provisions of the contract. The firm alleged (December 1975) before the arbitrators that sufficient progress could not be achieved on account of non co-operation of the Board's officials at site, delay in supply of materials by the Board and delay in settling the objections of land owners along the alignment of the line and demanded compensation of Rs. 4.80 lakhs. The Board, in their counter statement filed in January 1976, however, denied the firm's allegations. The arbitrators in their interim award (April 1976) directed the Board to pay the disallowed amount of Rs. 0.55 lakh and required the firm to complete the balance work within six months, by October 1976. The disallowed amount was paid by the Board in April 1976 and the firm resumed the work in May 1976. Though, according to the Board (January 1976), the Junior Engineer had acted in collusion with the firm, contrary to the instruction of the Assistant Executive Engineer, no action was taken against him. The question of recovering the extra expenditure from the Junior Engineer was considered by the Chief Engineer in February 1975, by which time the Junior Engineer had already retired (February 1971) from service. His gratuity claim (Rs. 7,920) has not been settled (March 1978) pending determination of his liability.

CC. Bill 5/70-71 dt. 15-3-1971.

C 119

C 127.
C 134

— ~~Spare~~ in Rough sheets. file

C 71

C 41
counter statement in rough sheet file.

C33-C35

C39

Work completed 24.10.79
Cost. addl. amount. 9.36 lakhs +
'86
10.22

Para 14.03.2 -
Report XII - Report of CPU-1982-84.
Discussed on 16/12/80

DP-1/77-78

PUC Rep.
12th Rep 1982-84

Meter No 1324

In their final award (May 1976), the arbitrators allowed an ncreased amount of Rs. 1.03 lakhs in respect of the balance work original cost: Rs. 0.45 lakh). When the award was referred o the legal adviser of the Board for his opinion, he suggested July 1976) that the reasonableness of the increased rates llowed by the arbitrators had to be ascertained by the Board's Engineers. This was, however, not done and the Board accepted he award in August 1976.

The work to be completed in October 1976, was not com-pleted and the firm again stopped the work in June 1977 when he stringing of the line was in progress. The delay in execution nd stoppage of work were attributed (June 1977) by the Chief Engineer to the inexperience of the firm and their reluctance to arry out the work in accordance with the instructions of the ield staff. The Board served a notice on 18th July 1977 sking the firm to resume the work within three days. As the irm did not resume the work, the contract with the firm was erminated (December 1977) at its risk and cost. Alternate rrangements for the completion of the balance work are yet to e made (March 1978).

The expenditure on the work up to the end of August 1977 vas Rs. 9.36 lakhs. The matter was reported to the Board/ Government in October 1977; their replies are awaited (March 978).

4.03.2. *Loss of revenue due to delay in rectification of faulty meter*

The Board gave (September 1966) a three-phase connection o a cold storage plant at Tellicherry. Though the accounting ules of the Board stipulate that the Junior Engineers and Assistant ngineers should inspect the premises of such consumers o ensure correct recording of consumption of energy in the neters atleast once in a year, no such inspection was conducted p to November 1970. The meter inspection section, Kozhikode, etected (December 1970) that due to a defective connection, the neter was recording only about two-thirds of the energy actually onsumed and suggested rectification. No action was taken on this suggestion. Another inspection conducted by the sam section in September 1974 revealed that the defect reported i December 1970 had not been rectified. The defect wa subsequently rectified by the Board in November 1974. Th amount short-billed during the period September 1966 t November 1974 was assessed (November 1975) by the Board a Rs. 0.61 lakh (current charges: Rs. 0.56 lakh and duty Rs. 0.05 lakh) for which an invoice was sent (November 1975 to the consumer.

The consumer filed (December 1975) an appeal before th Chief Electrical Inspector to the Government against the deman raised, who held (June 1976), *inter alia*, that the meter was no recording correct reading due to the wrong connection and tha the Board had taken more than eight years to rectify the defec He further held that under the rules governing supply of energ the Board could realise electricity charges only for six montl prior to the rectification of the faulty meter, on the basis o average consumption during the three months immediatel succeeding the date of rectification of the defect. On this basi the amount recoverable from the consumer would work out t Rs. 0.07 lakh (current charges: Rs. 0.06 lakh and duty: Rs. 0.0 lakh). The Chief Electrical Inspector also observed that would be reasonable for the Board to investigate the case an take action to recover the balance amount from the persor responsible.

The Board had requested (June 1977) the State Goverr ment to set aside the order of the Chief Electrical Inspecto Further developments are awaited (March 1978). Remarks the Board/Government called for in August 1977 are awaite (March 1978).

14.03.3. *Arrears of electricity dues*

Electric connections to 'Punja Padasekharams' for dewate ing operations are given by the Board either on credit basis c the strength of certificates issued by the Punja Special Office Alleppey, (a State Government official) or directly by the Boar after obtaining security deposits. In the case of supply of pow

N33 - N34.

Section 18. Annexure ~~III~~ VI of Indian Electricity Rules read with Section 26 of Indian Electricity Act 1910

N17

N21 - N29

Vigilence wing of the Board is taking action

DP. 10/77-78

Discussed on 16-12-80

13th Report of CPU 82-83

on credit basis, the energy charges are to be recovered and remitted to the Board by the Punja Special Officer either from the subsidy received from Government or from the consumers when the amount of subsidy is insufficient. In the case of connections given directly by the Board, the amounts are realised according to the billing and collection procedure of the Board.

A test check (January 1978) by Audit in one of the revenue billing units (Kottayam) of the Board, revealed the following:—

(i) A sum of Rs. 14.14 lakhs relating to the period 1950-51 to 1975-76 was pending realisation (September 1977) from the Punja Special Officer.

(ii) A sum of Rs. 1.00 lakh pertaining to the period 1965-66 to 1975-76, in respect of connections given directly by the Board, was also pending realisation (September 1977).

The Board stated (August 1977) that realisation of dues in respect of power supplied for dewatering operations depended on the earnestness of the Punja Special Officer.

The matter was reported to the Board/Government in September 1977; their replies are awaited (March 1978).

SECTION XV

KERALA STATE ROAD TRANSPORT CORPORATION

15.01. Loss of revenue

Mention was made in paragraph 2.11.5 of Section X of the Report of the Comptroller and Auditor General of India (Commercial) for the year 1975-76 about construction of two boats by the Water Transport Section of the Kerala State Road Transport Corporation at an estimated cost of Rs. 1.5 lakhs each and the change in the design of one of the boats to that of a tug during the course of construction.

The tug was intended to be sold to Kerala Inland Navigation Corporation Limited based on their request (July 1976). The terms and conditions of the sale were not settled before the Corporation decided (September 1976) to sell the tug to the Company. The Corporation decided (September 1976) to obtain an advance of Rs. 1.00 lakh from the Company towards the cost of the tug. The advance was, however, not received, though the Corporation addressed (November 1976) the Company in this regard. On completing construction (December 1976) of the tug, an invoice for Rs. 3.09 lakhs (including centage charges on labour: Rs. 0.85 lakh and profit: Rs. 0.40 lakh) was sent to the Company in January 1977 in accordance with the billing procedure of the Corporation.

The Company, however, requested (February 1977) the Corporation that the centage charges on labour and profit be waived. The General Manager of the Corporation (who was also the Chairman of the Company) ordered (March 1977) that the tug be delivered to the Company on a part payment of Rs. 1.84 lakhs, after obtaining an undertaking for payment of the disputed amount together with sales tax, pending a decision on this question by the Corporation. The Company paid (March 1977) Rs. 1.84 lakhs and took delivery of the tug. The Corporation decided (June 1977) to waive its claim in respect of the balance amount of Rs. 1.25 lakhs. Sales tax amounting to

120
87
33

① Files DP 3/ 1977-78

② RAO/ T.S/ 24-2/ 77-78

meeting dt 16.6.80

15th Report of CPU (1980-82)
presented on 31.3.1981

Rs. 0.07 lakh claimed (October 1977) from the Company was pending realisation (March 1978).

Government stated (December 1977) that claim for profit and centage on labour was waived as the Government Company was in its infant stage.

R. K. A. Subrahmanya

(R. K. A. SUBRAHMANYA)
Accountant General, Kerala.

Trivandrum,
The 31st MAY 1978

Countersigned

G. Prakash

(GIAN PRAKASH)
Comptroller and Auditor General of India.

New Delhi,
The 3rd JUNE 1978

102/9058/MC.

ANNEXURES

ANNEXURE—A

(Referred to in paragraph 4 of the prefatory remarks)

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

Sl. No.	*Name of the Company*	*Total investment up to the end of* 1976-77 (*Rupees*)
1	Punalur Paper Mills Limited	13,26,767
2	The Travancore Rayons Limited	35,62,500
3	The Indian Aluminium Company Limited	21,20,008
4	Premier Tyres Limited	60,00,000
5	Parry and Company Limited	13,50,000
6	Madura Coats Limited	19,94,677
7	Apollo Tyres Limited	50,00,000
8	The Travancore Cements Limited	23,50,818

102/9058/MC.

ANNEXURE

Summarised financial results of

(*Referred to in paragraph* 1.01.2.

Sl. No.	*Name of the Company*	*Name of the Department*	*Date of incorporation*	*Accounts for the year ended*	*Total Capital invested (A)*
(1)	(2)	(3)	(4)	(5)	(6)
1	The Travancore Sugars and Chemicals Limited	Industries	23-6-1937	30-4-1977	51.50
2	Forest Industries (Travancore) Limited	Industries	10-8-1946	31-3-1977	25.48
3	Travancore Titanium Products Limited	Industries	18-12-1946	31-12-1976	897.80
4	United Electrical Industries Limited	Industries	3-10-1950	31-12-1976	96.22
5	The Travancore-Cochin Chemicals Limited	Industries	8-11-1951	31-3-1977	1717.43
6	Pallathra Bricks and Tiles Limited	Industries	21-12-1957	31-3-1977	24.98
7	Traco Cable Company Limited	Industries	5-2-1960	31-3-1977	219.78
8	Kerala State Small Industries Corporation Limited	Industries	21-7-1961	31-3-1976	136.52
9	Kerala State Industrial Development Corporation Limited	Industries	21-7-1961	31-3-1977	..
10	The Kerala Premo Pipe Factory Limited	Local Administration and Social Welfare	12-9-1961	31-3-1975	26.50
11	The Plantation Corporation of Kerala Limited	Agriculture	12-11-1962	31-3-1977	830.08
12	Trivandrum Rubber Works Limited	Industries	1-11-1963	31-3-1977	193.49
13	Travancore Plywood Industries Limited	Industries	1-11-1963	31-3-1977	96.84
14	The Kerala Ceramics Limited	Industries	1-11-1963	31-3-1977	222.72
15	Kerala Soaps and Oils Limited	Industries	1-11-1963	31-3-1977	232.37

—B

Government Companies

of Section I)

(Figures in columns 6 to 10, 12 and 13 indicate lakhs of Rupees)

Profit (+)/ Loss (—)	*Total interest charged to profit and loss account*	*Interest on long-term loans*	*Total return on capital invested (Columns 7+9)*	*Percentage of total return on capital invested*	*Capital employed (B)*	*Total return on capital employed (Columns 7+8)*	*Percentage of total return on capital employed*
(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(—) 2.59	0.83	..	(—) 2.59	..	75.35	(—) 1.76	..
(—) 3.08	..	..	(—) 3.08	..	24.63	(—) 3.08	..
(+)131.69	40.44	39.89	(+)171.58	19.11	937.31	(+)172.13	18.36
(—) 20.84	(D) 11.42	1.92	(—) 18.92	..	123.41	(—) 9.42	..
(—)267.08	146.55	124.71	(—) 142.37	..	1406.47	(—)120.53	..
(—) 1.43	0.75	0.75	(—) 0.68	..	3.51	(—) 0.68	..
(+) 44.21	13.18	8.32	(+) 52.53	23.90	271.63	(+) 57.39	21.13
(—) 0.58	7.75	7.75	(+) 7.17	5.25	185.16	(+) 7.17	3.87
(+) 22.57	39.56	39.55	..	..	(C) 1165.89	(+) 62.13	5.33
(+) 1.97	2.66	0.75	(+) 2.72	10.26	32.37	(+) 4.63	14.30
(+) 26.70	38.65	(E) 38.65	(+) 65.35	7.87	839.27	(+) 65.35	7.79
(—) 18.40	11.58	11.58	(—) 6.82	..	34.29	(—) 6.82	..
(—) 10.94	8.59 (D)	5.21	(—) 5.73	..	86.69	(—) 2.35	..
(—) 41.55	17.28	11.40	(—) 30.15	..	134.77	(—) 24.27	..
(—) 6.01	7.54	1.31	(—) 4.70	..	155.72	(+) 1.53	0.98

ANNEXURE

Summarised financial results of

(*Referred to in paragraph* 1.01.2.

Sl. No.	*Name of the Company*	*Name of the Department*	*Date of incorporation*	*Accounts for the year ended*	*Total capital invested (A)*
(1)	(2)	(3)	(4)	(5)	(6)
16	Trivandrum Spinning Mills Limited	Industries	1-11-1963	31-3-1977	127.90
17	Kerala Electrical and Allied Engineering Company Limited	Industries	5-6-1964	31-3-1977	213.20
18	Kerala Tourism Development Corporation Limited	General Administration (Political)	29-12-1965	31-3-1977	105.83
19	The Kerala Agro-Industries Corporation Limited	Agriculture	22-3-1968	31-3-1977	312.06
20	The Kerala Handloom Finance and Trading Corporation Limited	Industries	24-6-1968	31-3-1977	36.02
21	The Chalakudy Potteries Limited	Industries	15-3-1969	31-3-1977	30.38
22	The Kerala State Cashew Development Corporation Limited	Industries	19-7-1969	31-3-1977	144.03
23	The Kerala State Coir Corporation Limited	Industries	19-7-1969	31-3-1975	79.16
24	The Kerala State Financial Enterprises Limited	Taxes	6-11-1969	31-3-1977	..
25	Kerala Urban Development Finance Corporation Limited	Local Administration and Social Welfare	28-1-1970	31-3-1977	..
26	Kerala State Bamboo Corporation Limited	Industries	10-3-1971	31-3-1977	27.88
27	Kerala State Drugs and Pharmaceuticals Limited	Industries	23-12-1971	31-3-1977	62.06
28	The Kerala Minerals and Metals Limited	Industries	16-2-1972	31-3-1977	195.92

–B (Contd.)

Government Companies

f Section I) (Figures in columns 6 to 10,12 and 13 indicate lakhs of Rupees)

Profit(+)/ Loss(—)	Total interest charged to profit and loss account	Interest on long-term loans	Total return on capital invested (Columns 7+9)	Percentage of total return on capital invested	Capital employed (B)	Total return on capital employed (Columns 7+8)	Percentage of total return on capital employed
(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
—)16.18	0.41	0.22	(—)15.96	..	(—) 28.43	(—)15.77	..
—)23.38	(D) 14.91	14.91	(—) 8.47	..	195.32	(—) 8.47	..
+) 1.75	0.28	0.04	(+) 1.79	1.69	60.75	(+) 2.03	3.34
—) 9.16	3.52	..	(—) 9.16	..	189.14	(—) 5.64	..
—) 1.67	0.46	0.46	(—) 1.21	..	28.15	(—) 1.21	..
—) 3.17	1.94	1.53	(—) 1.64	..	16.47	(—) 1.23	..
+)17.30	(D) 8.45	1.71	(+)19.01	13.20	161.48	(+)25.75	15.95
+) 0.72	(D) 2.37	1.56	(+) 2.28	2.88	79.65	(+) 3.09	3.88
+) 9.73	2.68	2.68	..	..	(C) 86.45	(+)12.41	14.36
+) 2.45	39.43	39.43	..	..	(C) 648.62	(+)41.88	6.46
+)11.07	1.01	0.87	(+)11.94	42.83	27.87	(+)12.08	43.34
+) 4.47	13.14	3.16	(+) 7.63	12.29	166.27	(+)17.61	10.59
+)30.77	..	..	(+)30.77	15.71	139.03	(+)30.77	22.13

ANNEXURE

Summarised financial results o

(*Referred to in paragraph* 1.01.2

Sl. No.	*Name of the Company*	*Name of the Department*	*Date of incorporation*	*Accounts for the year ended*	*Total capital invested (A)*
(1)	(2)	(3)	(4)	(5)	(6)
29	The State Farming Corporation of Kerala Limited	Industries	15-4-1972	31-3-1976	76.26
30	Kerala State Electronics Development Corporation Limited	Industries	29-9-1972	31-3-1977	581.52
31	The Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited	Development	7-12-1972	31-3-1977	..
32	The Kerala Land Development Corporation Limited	Agriculture	15-12-1972	31-3-1977	..
33	Kerala State Industrial Enterprises Limited	Industries	25-1-1973	31-3-1977	..
34	Kerala Shipping Corporation Limited	Public Works	25-5-1974	31-3-1977	713.53
35	Kerala State Civil Supplies Corporation Limited	Food	25-6-1974	31-3-1977	14.81
36	Sitaram Textiles Limited	Industries	14-2-1975	31-3-1977	144.11
37	Kerala State Construction Corporation Limited	Public Works	25-3-1975	31-3-1977	25.50
38	Kerala State Film Development Corporation Limited	Public	23-7-1975	31-3-1977	32.13
39	Kerala State Coconut Development Corporation Limited	Agriculture	10-10-1975	31-3-1977	37.00
	Companies which did not commence commercial operation				
40	Steel Industrials Kerala Limited	Industries	3-1-1975	31-3-1977	11.82
41	Kerala Forest Development Corporation Limited	Agriculture	24-1-1975	30-6-1977	120.42

—B (Contd.)

Government Companies

of Section I)

(Figures in columns 6 to 10,12 and 13 indicate lakhs of Rupees)

Profit(+)/ Loss(—)	*Total interest charged to profit and loss account*	*Interest on long-term loans*	*Total return on capital invested (Columns 7+9)*	*Percentage of total return on capital invested*	*Capital employed (B)*	*Total return on capital employed (Columns 7+8)*	*Percentage of total return on capital employed*
(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(—)38.63	11.55	2.41	(—) 36.22	..	72.27	(—) 27.08	..
(+) 2.23	20.46	0.99	(+) 3.22	0.55	464.39	(+) 22.69	4.89
(—) 4.55	9.04	9.04	..	..	(C) 144.32	(+) 4.49	3.11
(—)13.74	15.36	15.36	..	..	(C) 299.50	(+) 1.62	0.54
(+) 0.02	3.34	3.34	..	..	(C) 278.95	(+) 3.36	1.20
(—)60.83	41.73	41.73	(—) 19.10	..	663.28	(—) 19.10	..
(—) 0.25	73.35	..	(—) 0.25	..	⊗ 683.29	(+) 73.10	10.70
(—) 0.09	..	..	(—) 0.09	..	61.80	(—) 0.09	..
(+) 0.81	..	..	(+) 0.81	3.18	66.41	(+) 0.81	1.22
(—) 2.24	..	..	(—) 2.24	..	21.60	(—) 2.24	..
(—) 0.21	..	..	(—) 0.21	..	35.86	(—) 0.21	..

⊗ Government intimated in letter no 8013/A3/~~Fo~~78/Food dated 31-10-1978 that the correct figure was Rs 683.40 lakhs.

ANNEXURE

Summarised financial results of

(*Referred to in paragraph* 1.01.2.

Sl. No.	*Name of the Company*	*Name of the Department*	*Date of incorporation*	*Accounts for the year ended*	*Total capital invested (A)*
(1)	(2)	(3)	(4)	(5)	(6)
42	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited	Health	8-9-1975	30-6-1976	0.88
43	Kerala Inland Navigation Corporation Limited	Public Works	29-12-1975	31-3-1977	12.00
44	The Rehabilitation Plantations Limited	Agriculture	5-5-1976	31-3-1977	38.63
	Subsidiary Companies				
45	Keltron Counters Limited	Industries	21-7-1964	31-3-1977	62.13
46	Kerala State Textile Corporation Limited	Industries	8-3-1972	31-3-1977	..
47	Meat Products of India Limited	Agriculture	13-3-1973	31-3-1977	22.13
48	Kerala Agro-Machinery Corporation Limited	Agriculture	24-3-1973	31-3-1977	179.73
49	Kerala Garments Limited	Industries	17-7-1974	30-9-1976	6.51
50	Keltron Crystals Limited	Industries	8-10-1974	31-3-1977	64.01
51	Keltron Magnetics Limited	Industries	1-3-1975	31-3-1977	45.01
52	Kerala State Detergents and Chemicals Limited ..	Industries	10-6-1976	31-3-1977	10.81
53	Kerala State Industrial Products Trading Corporation Limited	Industries	4-8-1976	31-3-1977	5.30

Notes:— (A) Capital invested represents paid-up capital *plus* long-term loans *plus* free
(B) Capital employed represents net fixed assets (excluding capital works-in-
(C) Capital employed represents the mean of the aggregate of opening and closing
(D) Includes bank charges also.
(E) Includes interest on overdraft also.

–B (*Contd.*)

Government Companies

f Section I)

(Figures in columns 6 to 10,12 and 13 indicate lakhs of Rupees)

Profit (+)/ Loss (—)	*Total interest charged to profit and loss account*	*Interest on long-term loans*	*Total return on capital invested (Columns 7+9)*	*Percentage of total return on capital invested*	*Capital employed (B)*	*Total return on capital employed (Columns 7+8)*	*Percentage of total return on capital employed*
(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(—) 30.48	16.01	2.18	(—) 28.30	..	96.20	(—) 14.47	..
(—) 3.48	4.36	4.36	..	..	(C) 67.23	(+) 0.88	1.31
(—) 6.32	..	..	(—) 6.32	..	12.16	(—) 6.32	..
(—) 18.51	8.87	8.87	(—) 9.64	..	205.78	(—) 9.64	..
Commercial operation not commenced							
(—) 1.56	(D) 1.14	1.14	(—) 0.42	..	65.72	(—) 0.42	..
Commercial operation not commenced							
Commercial operation not commenced							
(—) 0.14	..	..	(—) 0.14	..	4.91	(—) 0.14	..

reserves at the close of the year.
progress) *plus* working capital.
balances of paid-up capital, reserves and borrowings.

102/9058/MC

ANNEXURE

Summarised financial results

(*Referred to in*

Sl. No.	*Name of the Corporation/ Board*	*Name of the Department*	*Date of incorporation*	*Accounts for the year ended*	*Total capital invested (A)*
(1)	(2)	(3)	(4)	(5)	(6)
	(i) KERALA STATE ELECTRICITY BOARD				
1	Kerala State Electricity Board	Public Works and Electricity	1-4-1957	31-3-1977	28182.10
	(ii) OTHER STATUTORY CORPORATIONS				
2	The Kerala Financial Corporation	Finance	1-12-1953	31-3-1977	..
3	Kerala State Warehousing Corporation	Agriculture	20-2-1959	31-3-1977	145.95
4	Kerala State Road Transport Corporation	Water and Transport	15-3-1965	31-3-1977	2262.49

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

(B) Capital employed represents net fixed assets (excluding woks-in-progress)

(C) This represents contribution to General Reserve in terms of Section 67 (viii)

(D) Capital employed represents the mean of the aggregate of opening and closing

— C

of Statutory Corporations

Section XIII)

(Figures in columns 6 to 10, 12 and 13 indicate lakhs of Rupees)

Profit (+)/ *Loss* (—)	*Total interest charged to Profit and loss account*	*Interest on long-term loans*	*Total return on capital invested (Columns 7+9)*	*Percentage of total return on capital invested*	*Capital employed (B)*	*Total return on capital employed (Columns 7+8)*	*Percentage of total return on capital employed*	*Remarks*
(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
(C) (+)141.97	1347.95	1347.95	(+)1489.92	5.29	27115.88	(+)1489.92	5.49	
(+) 57.81	128.09	..	..	..	(D) 2356.80	(+) 185.90	7.89	
(+) 17.46	0.75	0.70	(+) 18.16	12.44	132.85	(+) 18.21	13.71	
(—)113.22	181.43	154.66	(+) 41.44	1.83	366.93	(+) 68.21	18.59	Figures are provisional

at the close of the year.

plus working capital.

of The Electricity (Supply) Act, 1948.

balances of paid-up capital, bonds and debentures, borrowings and deposits.

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TRIVANDRUM, 1978.