

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

FOR THE YEAR 1979-80

(COMMERCIAL)

GOVERNMENT OF WEST BENGAL

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PREFATORY REMARKS

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

Government Companies;

Statutory Corporations; and

Departmentally-managed commercial undertakings.

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

3. The cases mentioned in the Report are those which came to notice during the year 1979-80 as well as those which had come to notice in earlier years but could not be dealt with in the previous Reports; matters relating to the period subsequent to 1979-80 have also been included wherever necessary.

4. In the case of Government Companies audit is conducted by Chartered Accountants appointed on the advice of the Comptroller and Auditor General, but the latter is authorised under Section 619(3)(b) of the Companies Act, 1956 to conduct a supplementary or test audit. He is also empowered to comment upon or supplement the report submitted by the Company auditors. The Companies Act further empowers the Comptroller and Auditor General to issue directives to the auditors in regard to the performance of their functions. In November 1962, such directives were issued to the auditors and these were revised from time to time.

5. There are, however, certain companies other than Government Companies in which Government have invested funds but the accounts of which are not subject to audit by the Comptroller and Auditor General. A list of 19 such companies where Government investment exceeds Rs.10 lakhs as on 31st March 1980 is given in Appendix 'A'.

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

In respect of the West Bengal Industrial Infrastructure Development Corporation, the Comptroller and Auditor General who has been entrusted (June 1,78) with the audit under Section 19(3) of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 is the sole auditor for 5 years in the first instance, subject to a review of the arrangements thereafter.

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

CHAPTER I

GOVERNMENT COMPANIES

SECTION I

1.01. Introduction

There were 29 Government Companies (including 5 subsidiaries) as on 31st March 1980 as against 28 Government Companies (including 4 subsidiaries) as at the close of the previous year. WEBEL Telecommunication Industries Limited (a subsidiary of West Bengal Electronics Industry Development Corporation Limited), which was incorporated on 2nd April 1979 with an authorised capital of Rs.100 lakhs, became a Government Company during the year (on 11th May 1979).

1.02. Compilation of Accounts

Fifteen Companies (including 3 subsidiaries) finalised their accounts for the year 1979-80 so far (May 1981). In addition, 5 Companies (including 1 subsidiary) finalised their accounts for the earlier years. A synoptic statement showing the summarised financial results of Companies based on the latest available accounts is given in Appendix 'B'. The accounts of the following 14 Companies (including 2 subsidiaries) were in arrears for the period noted against each :

Name of the Company	Extent of arrears
Basumati Corporation Limited	1976-77 to 1979-80
West Dinajpur Spinning Mills Limited	1976-77 to 1979-80
West Bengal Dairy and Poultry Development Corporation Limited.	1976-77 to 1979-80
West Bengal Handloom and Powerloom Development Corporation Limited.	1977-78 to 1979-80
West Bengal Livestock Processing Development Corporation Limited.	1977-78 to 1979-80
West Bengal State Textile Corporation Limited	1978-79 and 1979-80
The Electro-Medical and Allied Industries Limited	1978-79 and 1979-80
West Bengal Agro-Industries Corporation Limited	1978-79 and 1979-80
West Bengal State Minor Irrigation Corporation Limited	1978-79 and 1979-80
West Bengal Handicrafts Development Corporation Limited	1979-80
West Bengal Small Industries Corporation Limited	1979-80
West Bengal Ceramic Development Corporation Limited	1979-80
Westinghouse Saxby Farmer Limited	1979-80
West Bengal Forest Development Corporation Limited	1979-80

The position of arrears in the finalisation of accounts of the Companies was brought to the notice of Government from time to time; the last communication was made in July 1981.

103. Paid-up capital

Against the aggregate paid-up capital of Rs.5,945.37 lakhs** in 24 Government Companies (excluding 4 subsidiaries) as on 31st March 1979, the aggregate paid-up capital as on 31st March 1980 increased to Rs.6,413.04 lakhs** in 24 Government Companies (excluding 5 subsidiaries) as detailed below :

Particulars	Number of Companies	Investment by			Total
		State Government	Central Government	Others	
(Rupees in lakhs)					
(i) Companies wholly owned by the State Government.	16	4,259.78	..	..	4,259.78
(ii) Companies jointly owned with the Central Government / Others	8	1,767.49	364.02	21.75	2,153.26
Total ..	24	6,027.27*	364.02	21.75	6,413.04

1.04. Loans

The balance of long-term loans outstanding in respect of 24 Companies (excluding 5 subsidiaries) as on 31st March 1980 was Rs.11,687.85 lakhs** (State Government : Rs.9,307.87 lakhs, other parties : Rs.2,273.88 lakhs, deferred payment credits : Rs.106.10 lakhs) as against Rs.10,499.31 lakhs** as on 31st March 1979 (24 Companies).

1.05. Guarantees

1.05.1. The State Government had guaranteed the repayment of loans and payment of interest thereon, raised by 11 Companies. The

**Figures are provisional as the accounts for 1978-79 and 1979-80 are awaited from 8 Companies and 12 Companies respectively (May 1981).

*The amount as per Finance Accounts is Rs. 4,551.95 lakhs and the difference of Rs. 1,475.32 lakhs is under reconciliation.

amount guaranteed and the amount outstanding thereagainst as on 31st March 1980 were Rs.3,228.18 lakhs and Rs.2,747.20 lakhs respectively as detailed below :

Name of the Company	Amount guaranteed (Rupees in lakhs)	Amount outstanding as on 31st March 1980 (Rupees in lakhs)
West Bengal Forest Development Corporation Limited	93.18	30.78 (a)
West Bengal Essential Commodities Supply Corporation Limited.	500.00	61.55
West Bengal Small Industries Corporation Limited	150.00	118.11 (a)
West Bengal Handicrafts Development Corporation Limited.	48.00	33.83 (a)
West Bengal Handloom and Powerloom Development Corporation Limited.	100.00	Nil (a)
The Kalyani Spinning Mills Limited	85.00	251.74
West Bengal Sugar Industries Development Corporation Limited.	131.00	172.68
Durgapur Chemicals Limited	300.00	269.04
Westinghouse Saxby Farmer Limited	110.00	103.47(a)
West Bengal Industrial Development Corporation Limited.	1,706.00	1,706.00
West Bengal Mineral Development and Trading Corporation Limited.	5.00	Nil
Total ..	<u>3,228.18</u>	<u>2,747.20*</u>

1.05.2. The Companies have to pay guarantee commission to the Government in consideration of the guarantees given by them. As on 31st March 1980 the payment of guarantee commission was in arrears in the case of 7 Companies as detailed below :

Name of the Company	Amount in arrears (Rupees in lakhs)
West Bengal Sugar Industries Development Corporation Limited ..	4.27
Westinghouse Saxby Farmer Limited	0.63
West Bengal Essential Commodities Supply Corporation Limited ..	5.16
West Bengal Handloom and Powerloom Development Corporation Limited.	0.11
The Kalyani Spinning Mills Limited	(b)
West Bengal Industrial Development Corporation Limited ..	6.33
West Bengal Mineral Development and Trading Corporation Limited	0.02

*The figure as per Finance Accounts is Rs. 2,461.63 lakhs and the difference is under reconciliation.

(a) Figures are provisional as annual accounts for 1979-80 are not yet received (May 1981).

(b) Figure not intimated by Management.

106. Performance of the Companies

1.06.1. The following table* gives details of 3 Companies (including 1 subsidiary) which earned a profit during 1979-80 and the comparative figures for the previous year.

Name of the Company	Paid-up Capital (aggregate)		Profit(+)/Loss(-)		Percentage of profit to paid-up capital.	
	1979-80	1978-79	1979-80	1978-79	1979-80	1978-79
(Rupees in lakhs)						
<i>Companies</i>						
West Bengal Industrial Development Corporation Limited.	398.42	398.42	(+)13.91	(+)29.25	3.49	7.34
West Bengal Essential Commodities Supply Corporation Limited.	65.00	40.00	(+)38.98	(+)20.87	56.89	52.18
<i>Subsidiary</i>						
West Bengal Electronics Industry Development Corporation Limited.	281.00	206.75	(+)0.29	(+)2.78	0.10	1.34
Total ..	744.42	645.17	(+)51.18	(+)52.90		

1.06.2. The following table* gives details of 11 Companies which incurred a loss during the year 1979-80 and the comparative figures for the previous year :

Name of the Company	Paid-up Capital on 31st March		Profit(+)/Loss(-) during	
	1980	1979	1979-80	1978-79
(Rupees in lakhs)				
<i>Companies</i>				
The Durgapur Projects Limited ..	2,393.41	2,323.24	(-)118.37	(-)137.00
State Fisheries Development Corporation Limited.	110.00	100.00	(-)37.72	(-)29.68
West Bengal Mineral Development & Trading Corporation Limited.	90.15	67.15	(-)4.53	(+)0.03
West Bengal Tea Development Corporation Limited.	70.00	50.00	(-)8.01	(-)3.42
West Bengal Pharmaceutical and Phytochemical Development Corporation Limited.	37.00	37.00	(-)4.77	(-)4.26
West Bengal State Leather Industries Development Corporation Limited.	50.00	45.50	(-)10.80	(-)12.21
West Bengal Tourism Development Corporation Limited.	49.00	41.00	(-)7.56	(+)1.58
The Kalyani Spinning Mills Limited ..	158.21	158.21	(-)186.06	(-)225.46
West Bengal Sugar Industries Development Corporation Limited.	150.50	127.00	(-)58.08	(-)58.88
Durgapur Chemicals Limited ..	533.98	499.48	(-)310.62	(-)258.70
<i>Subsidiary</i>				
WEBEL Telecommunication Industries Limited**	100.00	..	(-) 8.26	..

* The information is based only on the accounts for 1979-80 received so far (May 1981).

**Incorporated in April 1979 as a private limited company and became a Government Company in May 1979.

1.06.3. Up to 31st March 1980 the accumulated loss in respect of 11* Companies (paid-up capital : Rs.3,742.25 lakhs) amounted to Rs.7,503.43 lakhs. Particulars of 4 Companies, the accumulated loss of which had exceeded the paid-up capital, are given below :

Name of the Company	1979-80	
	Paid-up Capital	Accumulated loss
	(Rupees in lakhs)	
The Durgapur Projects Limited .. '	2,393.41	3,239.82
The Kalyani Spinning Mills Limited	158.21	1,650.35
West Bengal Sugar Industries Development Corporation Limited ..	150.50	275.75
Durgapur Chemicals Limited	533.98	2,169.41

The accumulated loss in respect of the following 3 Companies also, as reflected in the accounts received up to the period noted against each, had earlier exceeded the paid-up capital.

Name of the Company	Year	Paid-up Capital	Accumulated loss
		(Rupees in lakhs)	
Westinghouse Saxby Farmer Limited	1978-79	100.00	1,229.38
West Bengal Ceramic Development Corporation Limited	1978-79	31.00	67.88
The Electro-Medical & Allied Industries Limited ..	1977-78	25.00	49.03

1.06.4. The West Bengal Cements Limited (a subsidiary) with a paid-up capital of Rs.41.00 lakhs is under constructions; the expenditure incurred up to 31st March 1980 was Rs.108.40 lakhs (Rs.49.46 lakhs during 1979-80).

1.07.

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

(1) Errors which affected the working results :

- Non-adjustment of expenditure in respect of stores etc., (The Durgapur Projects Limited) and value of stores lost Rs. 31.87 lakhs.
- Overstatement of consumption of raw materials : (The Durgapur Projects Limited) Rs. 0.51 lakh.
- Non-provision of expenses etc. Rs. 2.41 lakhs .. (Durgapur Chemicals Limited)
- Wrong provision of depreciation on capital equipments not installed and stores and spares wrongly capitalised : (Durgapur Chemicals Limited) Rs. 1.51 lakhs.

*Information is based only on the accounts for 1979-80 received so far (May 1981).

(2) Errors of classification :

- Wrong classification of "Interest accrued but not due" (West Bengal Electronics Industry under "Interest accrued and due" : Rs. 0.15 lakh Development Corporation Limited).
- Inclusion of "Interest accrued but not due" under the head "Loan" instead of under "Current liabilities" : (West Bengal Electronics Industry Development Corporation Limited).
Rs. 1.80 lakhs.

(3) Others:

- Non-provision for liability for freight for carriage of (The Durgapur Projects Limited)
construction materials : Rs. 2.34 lakhs.
- Overstatement of balances with bank for non-accountal (The Durgapur Projects Limited)
of credit notes-cum-cheques issued towards freight
and debited by the bank : Rs. 1.88 lakhs.
- Non-disclosure of the extent of "Loans and Advances" (West Bengal Electronics Industry
considered good or doubtful. Development Corporation Limited).
- Understatement of "Cash and Bank" balance due to (West Bengal Industrial Deve-
non-accountal of cheques received in March 1980
and deposited with the bank on 31st March 1980 :
Rs. 154.99 lakhs. lopment Corporation Limited)
- Non-disclosure of claims preferred against Railways : (Durgapur Chemicals Limited)
Rs. 2.77 lakhs.
- Non-disclosure of "Contingent liability" : Rs. 0.48 lakh (Durgapur Chemicals Limited)
- Project expenditure incurred in foreign currency not (West Bengal Electronics Industry
shown distinctly : Rs. 0.26 lakh. Development Corporation Limited).

* Information is based only on the accounts for 1979-80 received so far (May 1981).

SECTION II

THE ELECTRO-MEDICAL AND ALLIED INDUSTRIES LIMITED

2.01. Introduction

The Electro Medical and Allied Industries Limited (EMA) was incorporated in June 1961 for the manufacture of X-ray equipment and other electro-medical appliances. The working of the Company was last reviewed in paragraph 56 of the Audit Report for 1971-72. The Report was considered by the Committee on Public Undertakings (CPU) in their Second Report (April 1976).

2.02. Objects

The main objects of the Company were :

- to carry on the business of manufacturing, importing, exporting, assembling, purchasing copy rights of, distributing, buying, selling and dealing in X-ray generating equipments as well as other equipments for diagnostic, therapeutic, and biological research, and for industrial purposes;
- to carry on the business of buyers, sellers, makers and manufacturers of Thermo-ionic valves, X-ray tubes, mercury vapour tubes, etc., and other apparatus for use by hospitals, clinics, laboratories, etc.;
- to carry on the business of X-ray and electronic engineers.

2.03. Organisational set-up

The Management of the Company is vested in a Board of Directors headed by a Chairman. The Managing Director is the chief executive of the Company. As on 30th June 1980, the Board consisted of 11 members including the Chairman and the Managing Director.

2.04. Capital structure

(i) The initial authorised capital of Rs.50.00 lakhs of the Company had been increased to Rs.200 lakhs in December 1980, consisting of 2 lakh shares of Rs.100 each. As on 30th June 1980 the paid-up capital was Rs.25 lakhs wholly contributed by the State Government.

(ii) **Borrowings :** The Company obtained loans, from time to time, from the State Government aggregating Rs.172.97 lakhs up to 30th June 1980. Except for the loan of Rs.3.00 lakhs received in November 1979, the terms and conditions of repayment and rate of

interest had not so far been fixed (June 1981). It would be relevant to mention here that the Department had informed the Committee on Public Undertakings in January 1976 that the terms and conditions of the loans taken from the Government would be settled within that year. The Company had also received a loan of Rs.0.97 lakh from the Central Government in August 1979 for development of medical electronics instruments. No instalment in respect of any of these loans had so far been repaid (June 1981).

The debt-equity ratio had increased from 0.63:1 in 1973-74 to 6.94:1 in 1979-80. According to the Company (February 1975| August 1978) the steep increase in the debt-equity ratio was on account of the fact that the recurring expenses and the working capital were being met out of the loans provided by the Government. Consequently, the interest burden which was Rs.0.92 lakh during 1973-74 had increased to Rs.10.38 lakhs in 1979-80, although the provisional rate of 6 *per cent* was provided for in the accounts. The Company, while pointing out that no institutional finance would be available unless the debt-equity ratio was improved, had requested the State Government in June 1980 to convert the loan amount of Rs.169.97 lakhs outstanding to the end of June 1979 into paid-up capital and to write off the interest of Rs.25.63 lakhs due up to that date. The decision of the Government was awaited (August 1981).

A loan of Rs.38 lakhs had been sanctioned by the State Government (March 1978) for the development of high power X-ray machine and it was specifically mentioned in the sanction that no portion of the loan should be diverted. The Company had initially kept the amount (April 1978) in a fixed deposit but later, it withdrew Rs.12 lakhs between July 1978 and January 1980 to meet the requirements of working capital. The Project for development of high power X-ray machine had not been finalised so far (June 1981).

The Company had also a cash credit arrangement (limit : Rs.7.50 lakhs each) with the State Bank of India and a nationalised bank.

2.05. Collaboration Agreement

Mention was made in paragraph 56.2 of the Audit Report for 1971-72 about violation of several provisions of the collaboration agreement entered into by the Company with a foreign firm in December 1964.

While considering this paragraph (January 1976) it came to the notice of the CPU that the legal opinion obtained by the Company (May 1975) was in favour of penalising the Collaborators for violation of different articles of the agreement and the glaring omissions and defaults committed by them. It was also opined that

royalty should be paid to the firm 5 years only (at \$ 6,000 per annum) instead of for 10 years as per agreement. The CPU had desired a further report on the action taken by the Company on the legal opinion. No such report had been furnished by the Company (June 1981).

2.06. Production Performance

2.06.1. The Company had so far taken up the business of manufacturing complete X-ray machines (product range limited to 200 MA) and part-machines, including components like bio-medical equipments, cardiac monitor, pace-maker, etc. Besides these, the Company had also undertaken repairs to various electro-medical equipments and X-ray units in different medical institutions throughout the State.

As mentioned in the Audit Report of 1971-72 the Company had no detailed project report before the project was undertaken. Whereas the Management had stated (November 1973) in their Annual Report for 1972-73 and had also intimated (December 1973) to Audit that the installed capacity of the plant might be taken as 75 X-ray machines per annum, the installed capacity had been indicated as 45 machines only per annum in the subsequent years up to 1977-78. The discrepancy had not been explained to Audit.

Considering that various other figures of achievable capacity were also intimated and recorded by the Board from time to time over about a decade from 1971-72 for information of the Committee on Public Undertakings, among others, it would appear that the capacity of the plant had not been worked out with any degree of precision over all these years since starting of the manufacturing process in October 1967.

2.06.2. **Production of X-ray machines :** The Company had not been preparing periodical production budgets; consequently comparison of actual production with targets of production was not possible.

The details of actual production of X-ray machines during 1973-74 to 1979-80 are as follows :

Annual installed capacity : 75 machines

Year	Production particulars				Total	Percentage to installed capacity (75 machines per annum)		
	200 MA	100 MA	50 MA	15 MA				
1973-74	9	12	..	4	25	33
1974-75	7	15	..	1	23	31
1975-76	10	19	..	..	29	39
1976-77	2	2	..	4	8	11
			(one-part)					
1977-78	2	6	..	10	18	24
1978-79	6	26	1	7	40*	53
1979-80	2	35	1	21	59*	79

2.06.3. The Management from time to time attributed the low production till 1978-79 to the following factors :

- irregular power supply;
- failure on the part of the collaborators to supply the imported components and locating new suppliers for such components abroad;
- delay in selecting suitable indigeneous engineering units for local fabrication of components in substitution of the imported ones;
- shortage of staff; and
- inability to sell the products and shortage of space on the shop-floor due to accumulation of finished products in 1977-78.

Any analysis of the above factors was not, however, made by the Company.

2.06.4. **High Power X-ray Project :** The Company, which commenced production of X-ray machines from May 1968, had been producing machines of a limited range, viz., up to 200 MA., till the end of 1979-80, though it had been considering the possibility of manufacturing high power X-ray machines from 1972-73 onwards. In February 1976, however, the Management observed that the Company had already "ready infra-structure" for the manufacture of high power X-ray machines.

The Company's development project for manufacture of high power X-ray machine (in collaboration with an Italian firm) had been approved in principle by the State Government (March 1978) and also by the Government of India (March 1978).

*Figures provisional.

The State Government sanctioned a loan of Rs.38 lakhs in March 1978 and directed the Company (December 1978) to insert a clause in the agreement to the effect that the foreign firm would have to agree to buy 20 per cent of the products for sale in Europe under its own brand name. As the collaborators had not conveyed their acceptance of the above condition the Company had to seek several extensions for the validity period of the letter of intent. The latest extension up to 31st March 1981, was granted in October 1980. The Government of India did not grant any further extension of the letter of intent, which was treated as lapsed. They, however, advised (April 1981) the Company that it was free to make a fresh composite application for Industrial licence and foreign collaboration. The Management stated (June 1981) that the proposal was being examined from all possible angles.

A sum of Rs.0.72 lakh only had been spent on preliminary expenses by the Company up to 1979-80 out of the loan of Rs.38 lakhs obtained (March 1978) from the State Government for the purpose. The Company had not yet taken up the substantive project for implementation (June 1981).

2.06.5. Production of other bio-medical equipment: The Company undertook the manufacture of bio-medical equipment like sucker machines, horizontal bucky tables, chest stands, instrument sterilizers, etc., from 1975-76. But since no targets of production were fixed, it was not found possible to judge the production performance.

2.06.6. Spray painting plant: Order was placed (April 1977) on a firm for the design, manufacture and supply of equipment for the phosphating and painting plant at a cost of Rs.3.62 lakhs, out of which Rs.3.45 lakhs had been paid so far (June 1980). The Company had also spent Rs.0.63 lakh for the construction and erection of a pre-fabricated shed made of steel (October 1978), for which approval of the Board was not obtained. The Board observed (May 1980) that the then "Managing Director incurred the expenditure on his own responsibility".

The actual date of delivery of the equipment was not available. It, however, appeared from records of correspondence with the firm that while the equipment had been supplied and the plant installed sometime in 1978, no trial runs could be taken till two years later. The plant was partially commissioned in July 1980. It was stated by the Management (March 1981) that painting of the requisite quality could not be attained. It was not known whether this was due to any defect in the machine, and the remedial steps, if any, taken by the Company were not on record.

2.07. Sales performance

2.07.1. The Company did not fix any targets for sales. The following table indicates the position of actual sales during 1973-74 to 1979-80 :

Year	X-ray machines										Total
	200 MA		100 MA		50 MA		15 MA		Parts of machines and bio-medical equipments* (value)		
	Number of machines	Value	Number of machines	Value	Number of machines	Value	Number of machines	Value			
1973-74	..	9	4.58	6	2.44	Nil	Nil	4	0.47	..	7.49
1974-75	..	7	4.16	21	9.71	Nil	Nil	1	0.12	..	13.99
1975-76	..	10	9.26	19	11.46	Nil	Nil	Nil	Nil	..	20.72
1976-77*	..	2	2.28	2	0.91	Nil	Nil	4	0.71	0.57	4.47
1977-78*	..	2	1.31	6	4.26	Nil	Nil	10	1.76	0.68	8.01
1978-79 (Provisional)	..	6	5.99	26	18.67	1	0.39	7	1.18	5.87	32.10
1979-80 (Provisional)	..	2	2.60	35	35.24	1	1.00	21	5.09	7.63	51.57

*The financial year ends on 30th June. In respect of the year 1976-77 and 1977-78 fourteen months from July 1976 to August 1977 and ten months from September 1977 to June 1978 respectively were included.

2.07.2. The Managing Director in his report (May 1980) placed before the Board meeting (June 1980) mentioned the following factors as responsible for low sales :

- (i) The Company was not aware of and was not engaged in offensive selling, offensive sales promotion and advertisement, in-depth marketing, price war, etc.
- (ii) Absence of market study, market statistics and lack of any effort in this respect.
- (iii) Limitation of the product range up to 200 MA whereas the Company's competitors offered products of 300, 500 and 750 MA.
- (iv) The Company's 100 MA and 200 MA X-ray machines did not have motorised table and spot-film device which were necessary for a good market.
- (v) Sales were limited to home market and there was no effort towards export. Even in the home market, the products were sold mostly to the State Government.

The Management was of the view (May 1980) that to achieve a break-even point the Company must have a turnover of at least Rs.96 lakhs at the then existing level of fixed and variable expenses. The Management stated (May 1980) that an ambitious target of Rs.1.20 crores as turnover for 1980-81 had been provisionally fixed.

2.07.3. The selling price of the X-ray machines fixed originally in March 1972 was reviewed by a sub-Committee in January 1974. In the absence of definite information on the price-structure of comparable machines produced and sold by other manufacturers, the sub-Committee could suggest (December 1974) only an *ad hoc* increase in the existing prices by 10 *per cent* to remain operative till 31st March 1975. The suggestions were accepted by the Board of Directors. The prices were not, however, revised after 31st March 1975. The Board wanted a fresh costing of the machines to be done (February 1977) by an expert Cost Accountant. No such costing had, however, been done so far (June 1981). The Board also constituted a Committee (June 1979) to examine the proposal of revising prices. The report of the Committee was awaited (June 1981).

Except for the period from July 1979 to June 1980, the price lists/catalogues of the machines and equipment produced by the Company were not made available to Audit. It was, however, revealed through a test-check made by Audit that the price of the X-ray machines sold after December 1974 were much below the costs of production determined by the sub-Committee in 1974. The sale prices of some machines sold in 1978-79 and 1979-80 were also found to be much less than the costs worked out by the accounts

section of the Company in June 1978. The reasons for selling below cost and the basis, if any, of regulating prices from time to time were not explained to Audit.

2.07.4. Sale of X-ray machines to military hospitals : The Company entered into two contracts with the DGS & D for supply of X-ray diagnostic equipment of a particular range to different military hospitals in India. The salient features of the two contracts entered into in December 1975 and June 1980 were as under :

Particulars	I contract of December 1975	II contract of June 1978
Number of machines to be supplied	20	24
Accessories	With poly filmer device	With poly filmer device and other accessories
Basic price accepted (per bare machine)	Rs. 66,800	Rs. 83,623.25
Extra for accessories (for each machine)	Rs. 16,919	Rs. 21,643
Installation and demonstration charges		extra, as applicable

Supply under the first contract was to be completed at the rate of 2 machines per month after obtaining approval of the Senior Adviser in Radiology at Delhi Cantonment on the basis of trial of the sample machine to be supplied by 5th January 1976. The supply under the second order was to be completed in six months, i.e., before November 1978.

The supplies under the first contract were commenced only in February 1978 and completed in June 1979. The Company had at the time of tendering for supply, underquoted the rates with reference to the estimated cost of production. The following table indicates the particulars of cost of production estimated and the amounts realised thereagainst :

Particulars	I contract (Amount in Rupees)	II contract (Amount in Rupees)
Estimated cost of—		
Machine	56,895	71,560
Polyfilmer device	16,919	16,919
Other accessories	....	4,724
Total	73,814	93,203
Amount quoted/billed	66,800	83,624
Under-quotation per machine	7,014	9,579
Total amount underquoted	1,40,280	2,29,896

The reasons for quoting rates less than the estimated cost of production resulting in under-realisation of Rs.3.70 lakhs were not made available to Audit.

2.07.5. Repair services : The Company opened a repair service unit in September 1973 for rendering services to different hospitals. In the absence of the relevant costing and other records, it was not possible to know if the rates charged were commensurate with costs.

2.07.6. Quality control : The Board of Directors formed (January 1978) a Sub-Committee to examine in detail the aspects of quality control of the products of the Company. The report of the Sub-Committee (February 1978) disclosed the following deficiencies :

- (i) Items of sub-assembly made at the factory premises were not inspected and the defects were found only during final assembly.
- (ii) For electrical assembly there was no inspector though the electrical portion of the final assembly was usually 50 per cent of the total value of the equipment.
- (iii) Electroplating done from outside parties usually resulted in poor performance.
- (iv) Costly sub-assembled parts were stored in unsatisfactory manner.

The Board of Directors decided (April 1978) that an all out effort should be made for producing quality goods and accepted the sub-Committee's recommendations for setting up of a quality control section. This had not yet been given effect to (March 1981).

2.08. Profitability analysis

2.08.1. Financial position : The table below summarises the financial position of the Company under broad headings for the four years up to 1978-79 :

	1975-76	1976-77 (July 1976 to August 1977)	1977-78 (September 1977 to June 1978)	1978-79 (provisional)
(Rupees in lakhs)				
Liabilities				
(a) Paid-up capital	25.00	25.00	25.00	25.00
(b) Borrowings	61.10	96.75	152.75	169.97
(c) Trade dues and other current liabilities.	17.22	39.99	42.46	49.91
Total	<u>103.32</u>	<u>161.74</u>	<u>220.21</u>	<u>244.88</u>
Assets				
(a) Gross block	18.39	22.51	24.04	28.41
(b) Less depreciation	7.00	8.63	10.21	12.27
(c) Net fixed assets	11.39	13.88	13.83	16.14
(d) Capital work-in-progress	2.10	4.49	6.79	5.00

	1975-76	1976-77 (July 1976 to August 1977)	1977-73 (September 1977 to June 1978)	1978-79 (provisidal)
(e) Investments	1.72	1.72	1.72	1.72
(f) Current assets, loans and advances.	71.32	120.02	148.78	134.65
(g) Intangible assets	16.79	21.63	49.09	87.37
Total	103.32	161.74	220.21	244.88
Capital employed	65.50	93.91	120.15	130.94
Net worth	8.20	3.37	(-)24.09	(-)62.37

Notes— (1) Capital employed represents net fixed assets plus working capital.

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

(3) Normal financial year of the Company from July to June was extended by two months during 1976-77 and consequently reduced to that extent during 1977-78.

2.08.2. Working results : The cumulative loss of the Company as on 30th June 1979 was Rs.87.37 lakhs which is equal to about three and a half times the paid-up capital of the Company.

The financial results for the last seven years ending 1978-79 are indicated below :

Year	Profit(+)/Loss(-) (Rupees in lakhs)
1972-73	(-)1.35
1973-74	(-)1.94
1974-75	(+)0.19
1975-76	(+)0.47
1976-77 (July to August)	(-)4.78
1977-78 (September to June)	(-)27.44
1978-79	(-)38.34 (provisional)

The Management attributed the losses from time to time to the following reasons :

- general inflationary condition resulting in rise in cost of basic material,
- increase in labour cost,
- Company's "failure to sell the products," and
- heavy interest on Government loan.

It may be seen that the reasons given are of a general nature. No analysis of the losses with reference to controllable factors had been made by the Company.

2.08.3. Investment : In terms of the agreement with the Company's foreign collaborators referred to in paragraph 2.05, a separate Company (X) was incorporated (March 1965) to act as the sole selling agent of the Company for marketing of its products. The investment of the Company represented 47.38 per cent of the paid-up capital (Rs.3.62 lakhs) of this Company (X) as on the 30th June 1980.

The following table indicates the position of investment of the Company in the shares of Company(X) and the earnings of gross dividends therefrom :

Year	Investment made	Gross dividend received
(In Rupees)		
1968-69	1,70,900	Nil
1969-70	100	Nil
1970-71	Nil	9,337
1971-72	Nil	11,970
1972-73	Nil	Nil
1973-74	Nil	8,550
1974-75	500	17,150
1975-76	Nil	24,010
1976-77	Nil	Nil
1977-78	Nil	Nil
1978-79	Nil	Nil
1979-80	Nil	(provisional) Nil (provisional)
Total	1,71,500	71,017

It has been noted in the Report of the Committee on Public Undertakings (April 1976) that the Department had admitted negligence on the part of the then Managing Director in keeping the Company informed about the financial position of new Company(X). No reply had been furnished to an enquiry made by Audit (July 1980) as to whether the Company was since being kept informed about the financial position of the Company(X).

2.09. Inventory control

While appraising the proposal of the Company for a loan for working capital, the State Bank of India observed (April 1979) that the Company did not have a system of inventory control and that this was a serious drawback which affects the manufacturing operation. The Management stated (February 1981) the emphasis had since been given to stricter inventory control.

2.09.1. Purchase procedure : Absence of any purchase manual procedure had been pointed out in audit (February 1979). Although instructions were issued in June 1980 laying down certain procedures, a comprehensive purchase procedure manual had not been prepared (March 1981).

A Purchase Committee constituted (March 1978) by the Managing Director without the approval of the Board was reconstituted from time to time. As per orders issued in January 1979, purchase orders above Rs.4,000 and up to a maximum of Rs.50,000 would be dealt with by the Purchase Committee and those above Rs.50,000 would be referred to the Managing Director for taking decision. Financial powers of the Managing Director were, however, not fixed till December 1980 when he was empowered by the Board to make running purchases as and when necessary, of raw materials, consumable tools and finished components for manufacture of products to the tune of Rs.10,000 on a single order.

Purchases were made on the basis of verbal enquiry as well as limited quotations. Open tenders were not called for in any case. The Management stated (March 1979) that no useful purpose would be served by inviting open tenders. The reasons for taking such a view, contrary to the normal financial requirements, were not explained to Audit.

2.09.1.1. Extra payment for purchase of Bucky tray : The Company placed (March 1974) an order with a firm for 100 Bucky trays at Rs.2,150 per tray. As per purchase order, the supplies were required to be completed by April 1975, but no penalty was stipulated for late delivery. In fact, the firm did not supply a single unit within the given period and could deliver only 19 trays by May 1976 when it appealed for enhancement of the price from Rs.2,150 to Rs.3,000 per tray on the following grounds :

- (a) A. C. clutch mechanism of the original design had been improved and converted into D. C. mechanism.
- (b) Bush bearing of the fried frame had been replaced with linear bearings; and
- (c) Increase in steel price.

The Company accepted the revised price at Rs.2,950 per tray for supplies effective from June 1976. The firm completed supply of the balance quantity of 81 trays by July 1977. There was no price escalation clause in the agreement, and supporting records relating to increase in cost due to change in design were not made available.

2.09.1.2. Supply of tube-mast : The Company placed an order (August 1977) with a firm for 150 nos. of tube-mast at Rs.1,400 each involving a total sum of Rs.2.10 lakhs. Although the purchase order stipulated delivery at the rate of six numbers per month from August 1977 onwards, the firm actually supplied only 28 during the period from August 1979 to January 1980. The Company placed (January 1980) a fresh purchase order on the same firm for 20 numbers of tube-mast at the rate of Rs.2,500 each on the basis of verbal enquiry. 10 numbers had so far (July 1980) been supplied in response to the second order. No record justifying increase in the price or indicating any attempt by the Company for obtaining delivery of the full quantity at the old rate was made available. The purchase order did not stipulate any penalty for late delivery.

2.09.1.3. Irregular purchase of clophen oil : In response to an order placed with a local firm in February 1978, the Company received seven drums of clophen oil of 300 kgs. each (imported variety) in August 1978 involving a sum of Rs.0.57 lakh. The oil was not, however, taken into stock as it was considered (September 1978) unsuitable. Since the oil was getting deteriorated, a Committee was constituted (March 1980) for its immediate disposal. No disposal had been made so far (March 1981).

The purchase was finalised on the basis of single quotation. The reasons for not going by competitive tender were not on record.

2.09.2. Stores Accounts : The table below indicates the comparative position of inventory and its distribution at the close of each of the five financial years up to 1978-79 ;

	1974-75	1975-76	1976-77	1977-78	1978-79
	(Rupees in lakhs)				
(a) Imported Materials :					
Closing stock	3.51	3.66	2.87	4.52	8.19
Consumption during the year* ..	4.65	8.64	6.84	2.59	7.19
Closing stock in terms of months' consumption.	9.1	5.01	5.9	17.5	13.7
(b) Indigenous Materials :					
Closing stock	1.39	1.62	3.32	4.53	1.75
Consumption during the year* ..	1.40	1.41	1.97	1.29	3.34
Closing stock in terms of months' consumption	11.9	13.8	23.6	35.1	6.3
(c) Stores :					
Closing stock	5.21	6.16	10.17	15.17	7.82
Consumption during the year* ..	5.78	14.67	19.78	11.38	13.50
Closing stock in terms of months' consumption.	10.8	5.0	7.2	13.3	6.9

*The figures of consumption indicated against 1976-77 and 1977-78 are for 14 and 10 month respectively.

Test-check of the store records revealed the following points :

(i) No stores manual laying down stores procedure had been compiled so far (August 1980).

(ii) Some stores items had been treated as 'C' group items from March 1975 although the 'A' group and 'B' group were not determined.

(iii) No system of maintaining bin card had so far been introduced (July 1980).

(iv) The Management stated (July 1979) that in order to maintain an undisturbed flow of materials for gearing up the production machinery, the Planning Department should set up maximum, minimum and reordering levels for as many components|sub-assemblies as possible. It was noticed that such levels were fixed (August 1980) for only 448 items out of about 6,000 store items including about 2,000 items of the category components|sub-assemblies.

(v) There was no system to assess slow-moving materials. Stock of items valuing Rs.1.41 lakhs had not moved after April 1976. The Management did not work out any list of slow-moving|obsolete items. The Management stated (May 1980) that 'non-moving items which are unserviceable were not identified and as a result Company's stock value is inflated'.

The Management worked out in December 1980 the value of unserviceable stores as on 30th June 1980 at Rs.0.49 lakh.

(vi) A scrap register has been introduced from January 1980, prior to which no record of scrap was maintained.

2.10. Manpower analysis

The staff position of the Company as on 30th June 1980 was a follows :

Category						Number of staff
(a) Regular :						
Officers ..	..	..	..	..	..	19
Staff ..	..	..	..	..	..	81
Workers ..	..	..	..	..	..	80
(b) Casual :						
Staff ..	..	..	..	..	..	6
Workers	..	..	..	..	..	14
					Total ..	<u>200</u>

The Company has not fixed any norm for the manpower requirement even after about 19 years of its existence. The "shortage of staff" was stated (February 1976) by the Management to be a factor

responsible for low production during 1974-75 whereas it had stated earlier (November 1973) that the staff could not be utilised fully because of the low rate of production.

The expenditure on establishment had increased from Rs.22.50 lakhs in 1974-75 to Rs.66.03 lakhs in 1978-79. The Board resolved (August 1978) that an analysis should be made to ascertain the factors responsible for 'abrupt increase' in the cost of establishment. No such analysis was, however, available.

2.11. Sundry debtors

The following table shows the position of debtors *vis-a-vis* sales during the five years ending 1978-79 :

Year	Book debt, as at the end of the financial year (Rupees in lakhs)	Sale during the financial year	Percentage of debtors to sales
1974-75	10.87	20.13	54.00
1975-76	25.87	29.67	87.19
1976-77	19.84	17.42	113.89
1977-78	23.22	16.69	139.12
1978-79	31.38	42.46	73.91

(Figures for 1978-79 are provisional)

It will be evident that the ratio of book debts to turnover was very high. The Management reported to the Board (October 1978) that a large number of bills had not been raised due to negligence of staff as well as for want of clerical staff. The Management further reported to the Board (June 1980) that the largest amount was outstanding with the Department of Health, Government of West Bengal.

The position of sundry debtors as on the 31st December 1980 was as under :

Age	Amount (Rupees in lakhs)
Three months and less	18.18
Above three months up to six months	5.35
Above six months up to one year	4.81
Above one year	21.36
Total	49.70

Age-wise analysis of the outstanding book debts beyond one year had not been worked out by the Company,

2.12. Internal Audit

The Company has no internal audit cell of its own; there was also no other arrangement for internal audit till the Company appointed (March 1980) a firm of Chartered Accountants as its Internal Auditor at a fee of Rs.0.12 lakh per year. Other terms and conditions were not available to Audit.

2.13. Accounts, Cost Accounts

The Company did not have any accounting manual. It was decided (May 1978) that a Cost Accountant should be engaged to go into the details regarding costing of products of the Company. No person has so far been engaged (August 1980) as Commercial Cost Accountant.

The Company appointed (March 1980) the firm engaged as Internal Auditor to introduce| establish internal procedures for cost accounting and financial accounting at a consolidated fee of Rs.0.06 lakh. The report was received by the Company in April 1981 and was under examination.

2.14. Other topics of interest

2.14.1. **Display of products in exhibition :** Detailed records (types of products despatched and value thereof, number of the challan with date of despatch, venues of exhibitions attended from time to time, dates of receiving back the despatched products, particulars of follow-up action, etc.) regarding participation in exhibitions to display the products of the Company were not maintained.

It came to the notice of the Management (June 1980) that one dummy 100 MA X-ray machine valuing about Rs.0.75 lakh sent to Delhi for an exhibition about 3 years ago had not been brought back. The machine remained unaccounted for in the books of the Company.

2.15. Summing up

(i) As against the paid-up capital of Rs.25 lakhs wholly contributed by the State Government, the loans obtained from the State Government stood at Rs.172.97 lakhs up to June 1980, placing the debt-equity ratio at 7 : 1.

(ii) The entire share capital was spent on the lay-out of the factory and initial expenses, the recurring expenses of the factory being met from the loans.

(iii) A collaboration agreement entered into with a firm of United States in 1961 ultimately ended in violation of several provisions of the agreement by the firm concerned and the agreement was terminated in March 1975.

(iv) No detailed project report was prepared even after about 19 years from the date of incorporation of the Company.

(v) Targets of production and sales were not fixed and no costing system was introduced resulting in inaccurate fixation of prices.

(vi) There is no system of inventory control and a quality control cell was not set up.

(vii) Manpower norms were not fixed.

(viii) The accumulated loss as on 30th June 1979 was about 3½ times the paid-up capital of the Company.

(ix) Although the Company has liquidity problems, considerable amounts remained blocked in different centres like idle stock, book debts, etc.

SECTION III

THE STATE FISHERIES DEVELOPMENT CORPORATION LIMITED

3.01. Introduction

The State Fisheries Development Corporation Limited was incorporated on 30th March 1966 to develop the fishing industry in the State, the main objects being :

- to develop and scientifically exploit the fisheries and other aquatic products in West Bengal as well as in India,
- to acquire by purchase|acquisition rights and privileges over tanks, rivers, lakes, reservoirs, seas, fresh and saltwater *bheries*, tidal swampy areas etc., for exploitation and to carry on any ancillary business like poultry, duckery, etc., and sale of fish and other by-products within the country or abroad,
- to arrange resettlement and rehabilitation of fishery workers in the State,
- to manufacture fish by-products,
- to acquire boats, ships, fishing equipments, etc., and
- to erect cold-storages and ice making factories in the State.

The areas of activities of the Company with reference to the aforesaid objectives were as follows :

(1) In October 1966, the Company undertook development work on 1541 *acres* of land in South Salt Lake area. As the development of fisheries in this area was held up due to several writs filed by interested parties in the courts of law, the Company took over 3 on-going projects of the State Government at Digha, Alampore and Maharajgunge in 1968. The working of the Company on these projects was reviewed in the Audit Report for 1971-72 and discussed by the Committee on Public Undertakings (1975-76) in their second report (April 1976).

(2) In February 1974, the Company took over from the Government the Kangsabati-Kumari Reservoir fisheries project.

(3) In 1977, the Company undertook execution of a scheme at Henry's island sponsored by the Government of India for construction of a 50 hectare brackish water fish farm for prawn and fish culture,

In addition, in 1977 and 1978, two schemes at Henry's island sponsored by the State Government for construction of brackish water fish farms (one of 50 hectares and the other of 100 hectares) were undertaken by the Company.

(4) In 1977-78, a deep sea fishing project was launched with four trawlers imported from Mexico.

(5) In June 1978, the Company began executing the work of construction of a deep sea fishing harbour at Roychowk, a central scheme approved by the Government of India.

(6) In 1979-80, the Company took over from Government 1006.35 acres of land at the North Salt Lake area, two reservoirs, viz., Krishnabandh and Ranibandh in the district of Bankura and Purulia, a serpentine *Jheel* at Barrackpore and a fish farm at Basanti in the district of 24-Parganas for development of inland fisheries.

(7) The Company also received advance of Rs.91.83 lakhs from the Director of Fisheries during the period from 1974-75 to 1978-79 for execution of eight schemes, as an agent of Government.

3.02. Capital Structure

3.02.1. **Share capital :** The authorised capital of the Company is Rs.200 lakhs consisting of 200 shares of Rs.1 lakh each. The paid-up capital as on 31st March 1980 was Rs.110 lakhs (including share application money of Rs.10 lakhs) entirely subscribed by the State Government.

3.02.2. **Borrowings :** Loans outstanding on 31st March 1980 aggregated to Rs.181.29 lakhs as detailed below :

(a) Government had granted, from time to time, loans aggregating Rs.134.00 lakhs up to 1976-77 for implementation of various schemes. The loans were consolidated in July 1977, and the total amount was made repayable in 15 equal annual instalments commencing from 1978-79, carrying interest at 8 per cent with a rebate of 2 per cent for timely repayment of principal and interest. The interest accrued up to 31st March 1978 is payable in 15 equal annual instalments along with current interest commencing from 1978-79. The Company repaid Rs.17.87 lakhs due towards principal and Rs.18.48 lakhs due towards interest up to 1979-80.

(b) Rupees 94.21 lakhs were due to a foreign supplier towards 80 per cent cost of 4 trawlers purchased on deferred payment basis repayable in 13 half-yearly instalments commencing from 1978-79. Of this the Company had paid Rs.29.05 lakhs up to 31st March 1980.

3.02.3. **Grants-in-aid :** Besides, the Company received grants-in-aid aggregating to Rs.111.62 lakhs up to 31st March 1980 from the State and Central Governments (State Government : Rs.54.12 lakhs, Central Government : Rs.57.50 lakhs) for executing certain schemes.

3.03. **Inland fisheries (old)**

3.03.1. The Committee on Public Undertakings (1975-76) had examined paragraph 57 of the Audit Report for 1971-72 reviewing the performance of the Maharajgunge, Digha, Alampore fisheries and development of South Salt Lake area and had made certain recommendations in their second report (April 1976).

This review indicates the position regarding the implementation of the recommendations of the Committee on Public Undertakings in respect of these schemes and activities as also the performance on new schemes undertaken later.

3.03.2. **Development of the South Salt Lake :** Ever since the land measuring 1541 *acres* in the South Salt Lakes was given to the Company by the Government in 1966, a number of cases were instituted in the Courts of law by the erstwhile owners. Land measuring 1352.844 *acres* which was stated to be free from litigation, was given by the Company on short term lease to the Alipore Central Fishermen Co-operative Society in February 1977 for exploitation at an annual rent of Rs.1.80 lakhs. Subsequently, 17 fresh court cases were instituted in respect of these areas which had been freed from court cases, and nine such cases were pending in Court (June 1980).

3.03.3. **Fish farms at Maharajgunge, Digha and Alampore :** During deposition before the Committee on Public Undertakings while examining paragraph 57 of the Audit Report for 1971-72, the Department stated that the Company had decided (January 1975) to lease out the farms at Maharajgunge and to give up the unutilised portion of acquired land at Digha (812 *acres*). Later, the Company changed its programme and during 1976-77 the culture pattern in the farms at Maharajgunge, Digha and Alampore was shifted from fresh water fish culture to brackish water fish and prawn culture. The performance in this respect is discussed in the succeeding paragraphs.

3.03.4. **Pisciculture :** The pisciculture operations in the above three farms during 1977-78 to 1979-80 are summarised below :

	Year	Maharaj- gunge	Digha	Alampore
Number of tanks	1977-78 to 1979-80	54	53	75
Fry and fingerlings liberated (in lakhs)	1977-78	3.39	Not available	3.75
	1978-79	9.20	0.88	Not available
	1979-80	Not available	0.20	3.52

The pisciculture operations as stated in paragraph 57.10 of the Audit Report for 1971-72 indicated that the stocking and nursery tanks in Maharajgunge, Digha and Alampore in 1972-73 were 90, 59 and 62 respectively. In 1979-80 while the tanks in Maharajgunge and Digha had decreased to 54 and 53 respectively those in Alampore had marginally increased to 75. Similarly, the fry and fingerlings liberated had come down progressively as compared to 1972-73 in these three farms excepting at Maharajgunge in 1978-79.

3.03.5. **Production performance :** The following table indicates the performance of the three farms as compared to the estimates made by the State Government in 1970, i.e., 370 kg per acre annually in brackish water fish farm :

	Effective water area (acres)	Estimated annual produc- tion (kg)	1977-78		1978-79		1979-80	
			Actual (kg)	Percen- tage	Actual (kg)	Percen- tage	Actual (kg)	Percen- tage
Maharajgunge ..	104	38,480	17,186	44.66	12,485	32.44	14,836	34.55
Digha ..	75	27,750	13,902	50.09	10,896	29.26	17,228	62.08
Alampore ..	200	74,000	38,730	52.33	37,849	51.01	30,151	40.74

The Management stated (April 1981) that fluctuation in the level of production in brackish water fish culture could be expected in view of the vagaries of nature to which cultural organisms were subjected to. The Management added that the technical causes for fluctuation in production in Maharajgunge Farm were being investigated.

3.03.6. Financial position of the Farms: The following table indicates the farm-wise working results for the three years up to 1979-80 :

	Year	Revenue receipts	Expenses	Profit (+) Loss (-)
(Rupees in lakhs)				
Maharajgunge	1977-78	1.05	1.48	(-)0.43
	1978-79	1.00	1.41	(-)0.41
	1979-80	1.04	1.48	(-)0.44
Digha	1977-78	1.13	0.99	(+)0.14
	1978-79	0.90	1.23	(-)0.33
	1979-80	1.51	1.45	(+)0.06
Alampore	1977-78	2.32	2.24	(+)0.08
	1978-79	2.56	2.51	(+)0.05
	1979-80	2.76	2.81	(-)0.05

3.04. New Schemes

3.04.1. Reservoir fisheries—Kangsabati and Kumari Reservoirs: Kangsabati and Kumari reservoirs in Bankura and Purulia districts respectively were taken over by the Company on annual lease by the Company from the Irrigation and Waterways Department, on 19th February 1974, with the object of developing reservoir fisheries in the State. A scheme was formulated accordingly during 1973-74 at a total cost of Rs.15.75 lakhs spread over a period of ten years, with recurring expenditure of Rs.4.40 lakhs per annum. It was estimated in the scheme that from the 7th year onwards a revenue to the tune of Rs.8 lakhs with a profit of about Rs.3.60 lakhs would accrue from harvest of 200 tonnes of fish from the total water area of about 45 square miles (11,655 hectares). The capital expenditure incurred during 1974-75 to 1979-80 was Rs.0.94 lakh. The poor performance during the 4th, 5th and 6th years ending with 31st March 1980, as given below does not point to the possibility of the target being achieved at the end of the 7th year or in the near future :

	1977-78 4th year	1978-79 5th year	1979-80 6th year
(i) Effective water area (in hectares)	Not estimated	3,312	3,312
(ii) Capital expenditure (Rupees in lakhs)	0.11	0.04	0.03
(iii) Target of catch fixed (in kg)	Not fixed*	Not fixed*	30,000
(iv) Achievement (in kg)	10,829	10,830	14,749**
(v) Total expenditure including lease rent (Rupees in lakhs).	1.12	1.52	1.82
(vi) Revenue realised (Rupees in lakhs)	0.76	0.75	1.17
(vii) Loss (Rupees in lakhs)	0.36	0.77	0.65

*Targets could not be fixed due to existence of predators and trash fishes in the reservoirs. After removal of predators and trash fishes in 1979-80, the target of 30,000 kg. has been fixed on a 50 : 50 share-catch basis, between the Company and the fishermen engaged in the operation.

**Figure indicates Company's share-catch at 50 per cent.

The Management stated (April 1981) that the Project Report prepared in early seventies was optimistic and that subsequently on reappraisal made in 1976 by a consultant it was estimated that production of 30 tonnes could be achieved in the first year after removal of the predatory fish population. It was, however, observed in audit (June 1981) that even the substantially lower target of 30 tonnes after removal of predators, etc., had not been achieved.

3.04.2. Deep Sea fishing—Purchase of Mexican trawlers : To achieve the object of promoting and developing deep sea fishing, the Company under an arrangement with the Government of India, imported four shrimp trawlers at a total cost of Rs.163.03 lakhs.

The feasibility report prepared in 1973-74 by the State Government in respect of the operational economy of each trawler at the time of purchase envisaged that each of the vessels would land from the 3rd year onwards 540 tonnes of fish and shrimp of which 70 tonnes would be large shrimp, 38 tonnes small shrimp, 108 tonnes quality fish and 324 tonnes miscellaneous fish. It was also envisaged that out of the 2,160 tonnes of fish and shrimp to be produced annually (540 tonnes per trawler) 432 tonnes would be processed for export, 432 tonnes supplied to the Calcutta market as fresh fish and 1,296 tonnes would be processed for dry fish and fish meal.

Three of the four trawlers were received in Calcutta in October 1977 and the fourth in March 1978. The first 2 trawlers started operation from December 1977, the third from March 1978 and the fourth from October 1978. The extra expenditure incurred by the Company on account of delay in fulfilling the terms of the purchase contract was reported in paragraph 3 of Section IV of the Audit Report (Commercial) for the year 1975-76.

On receipt of the trawlers initially at Bombay, many additions/modifications were found to be necessary on inspection of the vessels by the Company's technical experts. It would be relevant to mention here that the construction of these trawlers had been supervised by a Company of U.S.A. engaged by the Government of India which had passed adverse comments on the fittings and constructional features in the reports submitted by it to the Company from time to time. Furthermore, certain essential modifications required to meet the requirements as per the Indian Merchant Shipping Act, 1958, relating to navigation equipments and life saving appliances had also to be carried out at an extra cost of Rs.3.19 lakhs. A claim for Rs.2.81 lakhs was preferred against the foreign builders by the Company in February 1980.

The claim had not yet been settled (June 1981).

3.04.3. Performance of trawlers : The 4 Mexican trawlers, Behula, Matsyakanya, Sultana and Mexicana performed 23, 18, 19 and 8 voyages respectively, between December 1977 and March 1980. The table below summarises the operational particulars of the trawlers for the three years up to 1979-80 :

	1977-78			1978-79				1979-80				Remarks
	Behula (from Decem- ber 1977)	Matsya- kanya	Sultana (from March 1978)	Behula	Matsya- kanya	Sultana	Mexi- cana (from October 1978)	Behula	Matsya - kanya	Sultana	Mexi- cana	
(i) Total operation days available.	89.4	89.4	15	270	270	270	134.5	270	270	270	270	As per the Project Report fishing operation in a year is for 270 days.
(ii) Actual days of operation	57	42	8	120	66	92	49	121	128	102	31	
(iii) Percentage of operation	64	47	53	44	24	34	36	45	47	38	11	
(iv) Estimated voyages to be made.	8	8	1	18	18	18	12	18	18	18	18	
(v) Number of voyages made	5	4	1	9	5	8	4	9	9	10	4	As per Project Report there should be 2 voyages per month and 18 voyages during a year.
(vi) Percentage	62.5	50	100	50	28	45	33	50	50	56	22	
(vii) Estimated duration of voyage (days).	14	14	14	14	14	14	14	14	14	14	14	
(viii) Average actual duration of a voyage (days).	11.4	10.5	8	13.3	13.2	11.5	12.2	13.4	14.2	10.2	7.7	

It will be observed that during these three years the days operated, the voyages made and the actual duration of voyages in respect of all the vessels were less than what were assumed in the Project Report and the shortfalls in respect of the days operated and voyages made were appreciable.

The General Manager stated (July 1979) that owing to shortage of qualified staff, the vessels could not be operated for longer time in 1977-78 and 1978-79. Reasons for the long period of idleness of the vessels in 1979-80 were not available.

The following reasons were ascribed by the skippers of the vessels for short duration of voyages in their voyage reports :

- (i) Bad weather, (ii) heavy rolling of vessels even when the sea was moderately rough, (iii) mechanical defects developing in high sea, and (iv) personnel falling sick during voyage.

A few instances of short duration of voyages for different reasons and abnormal delay in commencement of next voyage, as noticed in test audit of the relevant records, are furnished below :

Trawler	Date of sailing order/commencement of journey	Date of return from voyage	Date of next sailing order/commencement of journey	Reasons for	
				short duration of voyage	delay in next sailing
Behula ..	.. 10th April 1978	14th April 1978	....	Weather not favourable.	..
	2nd June 1978	6th June 1978	....	Bad weather	Absence of staff, general maintenance of trawler.
Sultana ..	11th September 1978	23rd September 1978	23rd October 1978	Compressor discharge pipe burst out.	General maintenance
	18th September 1979	24th September 1979	23rd October 1979	Damage of otter board	.. General maintenance
	23rd October 1979	29th October 1979	....	Mechanical trouble all throughout the voyage.	..
	30th October 1979	2nd November 1979	....	Ditto.	..
Matsyakanya ..	14th February 1978	20th February 1978	....	Rough sea, illness of the crews.	..
	1st March 1978 ..	13th March 1978	3rd May 1978 ..	Rough sea	General maintenance.
	3rd May 1978 ..	9th May 1978 ..	7th September 1978	Cyclonic wind	General maintenance.
	7th September 1978	16th September 1978	17th November 1978	Heavy rolling, winch trouble	General maintenance.
Mexicana ..	17th October 1978	28th October 1978	15th January 1979	Mechanical trouble, cyclonic weather.	General maintenance.
	5th April 1979 ..	5th April 1979 ..	20th August 1979	Winch trouble	Repairs and general maintenance.
	20th August 1979	22nd August 1979	....	Winch trouble	
Sultana ..	4th December 1978	16th December 1978	29th December 1978	*Catch of prawn (3 tonnes) was too heavy to make it headless.	Not available.

*The vessel having a chilling tank of 8 tonnes capacity had sailed with full complement of staff and, as such, the reason given for early return to the port, namely, "the catch of 3 tonnes of prawn being too heavy to make it headless" lacked justification.

It will thus be seen that the vessels returned to the port early mainly on account of rough sea and in a few cases, on account of mechanical trouble. But the trawlers purchased were designed to operate in these waters after a proper study of the atmospheric| oceanographic conditions at different seasons of the year and there is apparently no reason why these could not operate on account of "rough seas" which were not stated to be unusual for the periods in question. As to the mechanical troubles developing in high seas it is not known whether the vessels were properly checked, especially when the trawlers remained idle in the port for about a month or so, before they commenced their voyage.

During February-September 1980, all the four trawlers had been drydocked for repairs at the Calcutta Port at an estimated cost of Rs.14 lakhs and thereafter these were sent to Visakhapatnam Port for operation from there.

3.04.4. The table below indicates the number of fishing hours and the quantity of catch by the 4 vessels during the three years up to 1979-80 :

	1977-78			1978-79				1979-80			
	Behula (from December 1977)	Matsya- kanya	Sultana (from March 1978)	Behula	Matsya- kanya	Sultana	Mexicana (from October 1978)	Behula	Matsya- kanya	Sultana	Mexicana
Anticipated fishing hours as per the Project Report.	315	315	52	1,500	1,500	1,500	630	1,800	1,800	1,800	1,500
Actual fishing hours ..	296	121	30	464	444	384	287	771	530	573	109
Percentage of actual hours to the anticipated hours.	94	38	58	31	30	26	46	43	29	32	7
Anticipated catch as per the Project Report											
Prawn (kg.) ..	12,250	16,250	2,708	82,000	82,000	82,000	32,500	1,08,000	1,08,000	1,08,000	41,000
Fish (kg.) ..	65,000	65,000	10,833	3,30,000	3,30,000	3,30,000	1,30,000	4,32,000	4,32,000	4,32,000	1,65,000
Actual catch											
Prawn (kg.) ..	4,235	2,089	618	14,303	7,326	12,135	2,552	9,130	7,402	4,112	567
Fish (kg.) ..	13,306	7,031	734	7,089	4,529	4,584	3,723	13,911	7,752	6,487	987
Percentage of prawn catch to anticipated catch.	35	13	23	17	9	15	8	8	7	4	1
Percentage of other fish catch to anticipated catch.	20	10	6	2	1	1	3	3	1	1	5

It will be observed that the actual fishing hours as well as the catch of prawns and fish during the three years were appreciably low, in most cases with reference to estimate and the percentage came down in 1979-80 as compared to earlier years.

The reasons for the low catch in 1977-78, as stated by the Management (January 1979) were (i) difficulty in finding experienced crew particularly skippers, (ii) unfamiliarity of the trawler personnel with the fishing ground and (iii) difficulty with fishing gear.

As regards 1978-79 the Management stated (April 1981) that perhaps the area was subject to maximum fishing pressure during the year 1978-79 when almost all the trawlers from different parts of India were assembled for fishing operation resulting in low catch.

The loss in 1979-80 was attributed by the Management to inefficient trawler operation.

3.04.5. The working results of the operation of the trawlers during the three years ending March 1980 are indicated below :

	1977-78	1978-79	1979-80
	(Rupees in lakhs)		
Trawler operation—			
(a) Revenue earned	2.40	12.92	8.14
(b) Operational expenditure	5.65	15.07	15.16
(c) Gross loss (b—a)	3.25	2.15	7.02
(d) Interest including bank guarantee commission .. .. .	..	9.53	5.87
(e) Depreciation	6.09	15.91	15.91
(f) Insurance charges	1.14	1.86	1.43
Net loss (excluding Head Office overhead)	10.48	29.45	30.23

The working results of the Company referred to in paragraph 3.11. *infra* would indicate that the total expenditure of the Company during the three years up to 1979-80 was Rs.23.96 lakhs, Rs.69.26 lakhs and Rs.67.23 lakhs respectively. It will be observed that expenditure on account of operation of trawlers excluding head office overhead but including depreciation, interest and insurance charges as brought out above accounted for 54.61, and 57 *per cent* respectively of the total expenditure, whereas the revenue earned constituted only 13.33 and 28 *per cent* of the total earnings.

The Management asked (June 1979) the consultant who prepared the original project report to examine the trawler operation and to suggest action programme for the remaining period of 1978-79. The consultant reported (June 1979), *inter alia*, that due to heavy

depreciation and interest on high capital costs the vessels could operate either at a loss or marginal profit. As has already been stated the base of operation was shifted by the Company to Visakhapatnam in September 1980.

3.05. Shore Complex under Roychowk fishing Harbour Project

In November 1973, the Government of India approved a Central Scheme for construction of a deep sea fishing harbour at Roychowk, in the 24-Parganas district at an estimated cost of Rs.241.50 lakhs. The Calcutta Port Trust was entrusted (November 1973) with the work of construction of the river front complex consisting of a jetty, shipway, etc., for the said harbour.

The harbour was to be provided with shore installations such as, ice plant, cold-storage, freezing plant, fish processing plant, etc., and a separate project for construction of these installations at an estimated cost of Rs.35.13 lakhs was drawn up for the purpose. It was decided (December 1973) with the approval of the Government of India and the State Government that the Company was to execute the Project with grants-in-aid from the Government of India and the State Government.

Sanction for Rs.20.86 lakhs was accorded by the Government of India in December 1973. The estimate was finally revised (November 1978) to Rs.71.55 lakhs and approved by the Government of India in April 1979, the share of contribution by the Central and the State Governments being 80 and 20 *per cent* respectively.

The Company took two years and four months (from January 1974 to April 1976) to finalise the appointment of a consulting firm to undertake the work of preparation of lay-out, specification of various plants, preparation of tender papers and invitation of tender. A further period of two years elapsed before tenders for civil and architectural work were finalised and the contract was awarded in March 1978 for Rs.33,99,900. The work order was issued on 16th June 1978 and was required to be completed by 15th June 1979. The work could not, however, be completed within the prescribed period and extension of time was granted from time to time on various grounds, *viz.*, taking up of the work in monsoon, unprecedented floods till November 1978, shortage of building materials and wagons and non-availability of drawings in time.

Originally, extension of time was granted up to June 1980, but none of the items of work could be completed by that date on account of suspension of work due to labour unrest. Sixty *per cent* of supply and installation of refrigeration equipment, ice plant and water softening plant had been completed up to June 1980 and work on the

electrical installations was taken up in January 1981. Extension of time was granted finally up to 15th June 1981. The work still remained incomplete (June 1981).

Up to June 1980 the Company had received Rs.32.58 lakhs from the Government of India and Rs.6 lakhs from the State Government (against the sanctioned estimate of Rs.71.55 lakhs) and spent Rs.33.71 lakhs, leaving an unutilised amount of Rs.4.87 lakhs.

3.06. Henry's island

3.06.1. In June 1977 the Government of India approved setting up of a 50 hectare pilot scheme for development of brackish water prawn and fish culture on Henry's island in lower Sundarbans under a Central Sector Scheme at a cost of Rs.15.16 lakhs. The entire expenditure was to be financed by the Central Government during the year 1977-78 and 1978-79 beyond which the State Government was to meet the expenditure under the State Plan Schemes. According to orders the scheme was to be implemented by the State Government who might operate the scheme through the State Fisheries Development Corporation.

The entire amount of Rs.15.16 lakhs was drawn by the Company in March 1978. The Government of India approved utilisation of the amount by the end of 1978-79. The Company had spent only Rs.2.22 lakhs up to March 1979 (Rs.12.62 lakhs up to March 1980).

The table below indicates the progress of work done and expenditure incurred up to 1979-80 :

Capital expenditure

	Estimated		Actuals Up to 1979-80	
	Quantity of work	Amount (Rupees in lakhs)	Percentage of work done	Expenditure (Rupees in lakhs)
(1) Excavation and disposal of earth including construction of main and secondary dyke and area filling and compaction.	3,08,955 (cubic metres)	5.25	90	7.53
(2) Jungle clearing and uprooting the trees for lay-out of tanks embankment.	60 (hectares)	0.20	100	0.20
(3) (a) Construction of main sluice ..	2 Nos. ..	2.86	60	2.96
(b) Wooden sluice gate for the farm impoundments	11 Nos. ..	1.02	36	0.34
(4) Cost of office building, stores, etc. ..	200 (square metres)	0.60	43	0.26

Capital expenditure

	Estimated		Actuals Up to 1979-80	
	Quantity of work	Amount (Rupees in lakhs)	Percentage of work done	Expenditure (Rupees in lakhs)
(5) Cost of one boat without board motor and 3 dingies.	..	0.50	nil	nil
(6) Cost of vehicle	0.58	100	0.52
(7) Cost of installation of deep tubewell and generator.	..	0.41	nil	nil
Work-charged establishment	0.28	nil	nil
Recurring expenditure as sanctioned by Government of India for 24 months.	..	3.46	..	0.81
Total		15.16		12.62

The progress of work up to March 1980 showed that except for jungle clearance and purchase of a vehicle, the other items of work could not be completed even though expenditure on the major items of works (items 1 to 3) had exceeded the amounts sanctioned. The Company stated (April 1981) that the project was drawn up in 1976 when cost of materials and rates of earthwork were considerably lower.

The Company attributed the slow progress in completion of the works to the following reasons :

- permissive possession of the land was received in January 1978;
- unprecedented flood in 1978;
- the area was thickly wooded and infested with poisonous snakes. There being no direct communication with the site the materials had to be transported by river/sea and the route was open to boats only for three months in a year;
- lack of drinking water facility at the site;
- the working season in Sundarbans, particularly for earthwork, was limited to a period of 4½ months (end of December to end of April) in a year; and
- difficulties experienced in selecting an enterprising contractor to undertake the hazardous work in the difficult areas of Sundarbans.

3.06.2. Adjacent to the above scheme in Henry's island the Company had also undertaken two schemes for construction of two brackish water fish farms, one of 50 hectares and the other of 100 hectares, under the State Plan (on commission basis), for which the State Government approved (March 1977) an expenditure of Rs.8.09 lakhs for the 50 hectare scheme. In March 1978, the amount of sanction was revised to Rs.17.54 lakhs to be utilised within 1977-78. However, two components of work *viz.*, installation of deep tubewell (sanctioned amount Rs.0.41 lakh) and purchase of vehicle and boat (sanctioned amount Rs.1.10 lakhs) had not yet been completed (June 1981).

For the 100 hectare scheme, the Company received Rs.28.58 lakhs in April 1978. Till March 1980, the amount remained unutilised. The Management stated that the site being located in a thickly-wooded area far from areas of habitation, no contractor could be induced to take up the work in such remote and unconnected area and the Company would have to wait for the progress of work in the 50 hectare scheme when this wooded area would come nearer to the area of habitation.

3.07. Agency work

The Company received advances amounting to Rs. 91.83 lakhs from the Director of Fisheries during 1974-75 to 1978-79 for executing the following eight schemes as an agent of the Government. The year-wise receipt and expenditure for each scheme are indicated below :

	1974-75		1975-76		1976-77		1977-78		1978-79	
	Receipt	Expenditure	Receipt	Expenditure	Receipt	Expenditure	Receipt	Expenditure	Receipt	Expenditure
	(Rupees in lakhs)									
Pilot scheme for fish market	1.38	--	--	--	--	--	--	--	--	--
Coastal mechanisation scheme	0.77	--	--	0.77	1.70	0.03	2.24	--	54.00	--
Nylon twine	0.76	--	--	0.76	--	--	--	--	--	--
Fisherman Welfare	0.24	--	--	0.24	--	--	--	--	--	--
Junput Project (Shark Liver Oil Scheme)	2.24	--	--	0.80	--	1.42	--	--	--	--
Under <i>Beel</i> fishing	--	--	--	--	2.00	--	--	--	--	--
Derelict fishing	--	--	--	--	4.50	--	--	--	--	--
Scheme for acquirium	--	--	--	--	--	--	22.00	--	--	--
Total	5.39	Nil	Nil	2.57	8.20	1.45	24.24	Nil	54.00	Nil

Out of Rs.91.83 lakhs received, the Company was able to execute works valued Rs.4.02 lakhs only leaving a balance of Rs.87.81 lakhs unutilised as on 31st March 1980.

According to the Management (April 1981) Rs.54 lakhs were to be utilised for the Mechanisation Scheme after ascertaining its feasibility and viability. No decision has yet been taken in this regard (April 1981). The balance of Rs.33.81 lakhs was lying unutilised as the sites where the schemes were to be executed had not been finally selected by the Directorate of Fisheries (April 1981).

3.08. Fish farms

The table below indicates the expenditure incurred up to March 1980 *vis-a-vis* revenue earned on account of the following fish farm/*bheri* taken over by the Company from the State Government with effect from the dates mentioned against each :

Name	Area in acres	Date of permissive possession	Expenditure incurred up to March 1980	Revenue earned up to March 1980
(Rupees)				
(i) Basanti	36.82	10th May 1979	30,554	18,134
(ii) Ranibandh	59.70	25th July 1979	28,064	13,173
(iii) Krishnabandh	108.70	16th August 1979	18,393	6,510
(iv) Serpentine <i>Jheel</i>			20,109	473
(v) <i>Bheri</i> at Salt Lake—				
(a) Hanakhali	388.39	} 27th September 1979	99,593	1,664
(b) Nalban	435.04			
(c) Goltola	182.92			

3.09. Marketing

3.09.1. **Inland fisheries :** The minimum prices for the various species of fish were fixed by the Company in July 1973. No revision of the price list was made till April 1979 when the Project Manager, Alampore proposed revision of the selling rates after reviewing the local market rates and forwarded the proposals to the Director, Inland Fisheries, for approval. Pending approval of the revised rates as proposed, fish were sold at those rates at the Alampore and Digha

from 1st April 1979. At Maharajgunge farm, however, fish were sold at the prevailing rates in the local markets, as ascertained by the local officers.

Lack of effective and adequate control over the marketing arrangements leading to variations in prices at different centres was reported in the Audit Report for the year 1971-72. The Managing Director stated (as reported in the Audit Report *ibid*) that the provision of the sales out-let and preservation arrangements would be taken up as soon as the production was built up to an adequate level. However, as may be seen from the table given in paragraph 3.03.5. showing the production performance of the farms during the three years ending 1979-80, the production had hardly improved over the years. The Company had opened (November 1979) only one sales counter in its registered office at Calcutta for sale of farm produce received from the vicinity of Calcutta. The Management stated (April 1981) that daily production in these three farms being not high, transportation of the produce to Calcutta was not being made⁶ considering the cost of transport and preservation.

3.09.2. Export of prawn : On 22nd July 1977 an agreement was entered into with a Japanese Company to the effect that all the frozen prawns|shrimps and sea food products intended for export to Japan shall be sold to it at the highest export rates. The agreement was to remain in force for three years. Accordingly, all the frozen prawns|shrimps were exported to the Japanese Company during April 1978 to July 1980 at varying rates. In all, 14 shipments were made during the period for a total quantity of 57,970 kgs valued at 406,929 U.S. dollars or Rs.32,77.141 (the rates varying from Rs.43.17 to Rs.101.07 per kg).

One of the conditions imposed by the Government of India for issue of licence for the purchase of foreign trawlers was that "export targets equivalent to the value of the imported vessels within a period of three years should be fixed". As against Rs.163.03 lakhs being the value of the 4 trawlers imported the value of actual exports for the period from April 1978 to July 1980 amounted to Rs.32.77 lakhs only.

3.10. Financial position

The following table summarises the financial position of the Company during the three years up to 1979-80 :

Liabilities		1977-78	1978-79	1979-80	
(Rupees in lakhs)					
(a) Paid-up Capital	.. ..	100.00	100.00	110.00	(including share application money of Rs. 10 lakhs)
(b) Reserves and surplus	.. ..	0.20	0.20	0.20	
(c) Borrowings	.. ..	227.85	203.85	181.29	
(d) Grants-in-aid	.. ..	60.97	99.00	111.62	
(e) Trade dues and other current liabilities (including provisions).		41.15	98.66	99.57	
Total		430.17	501.71	502.68	
Assets					
(a) Gross block	.. ..	208.88	208.46	214.28	
(b) Less Depreciation	.. ..	8.33	24.83	41.36	
(c) Net fixed Assets	.. ..	200.55	183.63	172.92	
(d) Current assets, loans and advances		202.39	253.12	195.02	
(e) Intangible assets, Development expenses and Miscellaneous expenditure.		2.21	10.26	42.32	
Accumulated loss	.. ..	25.02	54.70	92.42	
Total		430.17	501.71	502.68	
Capital employed*	.. ..	361.79	338.09	268.37	
Net worth**	.. ..	72.97	35.24	(-)24.54	

The cumulative loss of the Company up to 1979-80 was Rs.92.42 lakhs representing 84.19 per cent of the paid-up capital.

*Capital employed represents net fixed assets plus working capital.

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

3.11. Working results of the Company

The working results of the Company for the three years ended 31st March 1980 are tabulated below :

	1977-78	1978-79	1979-80
	(Rupees in lakhs)		
(a) Receipts :			
(i) Operational revenue	8.40	25.19	16.01
(ii) Interest on fixed deposit	9.57	14.37	12.68
(iii) Other receipts	0.04	0.02	0.02
(iv) Prior years' adjustment .. .. .	..	..	0.80
Total ..	18.01	39.58	29.51
(b) Expenditure :			
(i) Pisciculture	0.94	0.60	1.09
(ii) Staff expenditure	9.95	15.88	19.21
(iii) Other expenditure	6.56	36.24	30.17
(iv) Loose tools	0.08	0.05	0.02
(v) Depreciation	6.43	16.49	16.53
(vi) Prior years' adjustment .. .. .	..	..	0.21
Total ..	23.96	69.26	67.23
Net loss	5.95	29.68	37.72

3.12. Operational results

The operational results of the Company for the three years ended 31st March 1980 are tabulated below :

	Year ended 31st March		
	1978 Rupees	1979 Rupees	1980 Rupees
(1) Value of production—			
(a) Sales	5,38,421	13,66,472	23,01,166
(b) Closing stock of fish and frozen shrimp	3,37,034	14,92,185	7,94,781
(c) Opening stock of fish	31,593	3,37,034	14,92,185
Value of production (a+b-c)	8,43,862	25,21,623	16,03,762
(2) Less Consumption of raw materials, stores and spares.	1,79,012	2,78,799	2,63,610
Net value added **	6,64,850	22,42,824	13,40,152
Conversion expenses less miscellaneous receipts (interest on bank deposits).	12,59,630	52,10,844	51,12,440
Loss	5,94,780	29,68,020	37,72,288

Percentage of net value added to :

(a) Value of production	78.79	88.91	83.56
(b) Conversion expenses to "net value added"***	189.46	232.33	381.48
(c) Value of raw materials, stores and spares consumed to value of production.	21.21	11.06	16.44

***"Net value added" indicates aggregate income generated to meet wages, salaries, interest charges, depreciation and other expenses.

3.13. Internal Audit

The Company appointed a firm of Chartered Accountants as internal auditors for a period of one year with effect from 1st February 1978.

Certain important items of audit observations pertaining to the period from 1st April 1977 to 30th September 1978 which had not been set right so far (August 1980) are given below :—

(i) **Stores :** Stores purchased and entered in the stores ledger were not reconciled with the entries made in the general ledger and in many cases, receipts of materials entered in the stock ledger were not supported by challans|goods receipt notes|bills. Issues of stores were not supported by any issue note or requisition slip.

(ii) **Payment of bills :** Bills were paid for which goods were not received (even if received, the receipt of the goods was not recorded in the stores ledger in some cases); payments were made without bills or receipts which left scope for double payment.

(iii) **Advances :** Advances to staff (Rs.6,000) and refunds of advances were not recorded in a number of cases in the advance register.

3.14. Summing up

(1) Though the Company has been in existence since 1966, its activities continued to be limited and tentative. The performance within this area was not satisfactory either, as indicated in the succeeding sub-paragraphs.

(2) A major project on development of fisheries of South Salt Lake could not make any progress due to the institution of several court cases.

(3) Stocking, rearing and nursery tanks had come down considerably over the years in the fish farms at Maharajgunge and Digha and the improvement at Alampore was marginal. The liberation of fry fingerlings had decreased at Digha whereas no comparative assessment could be made in the other two cases due to incomplete figures.

(4) The performance in respect of catch (achievement) in Kangsabati and Kumari Reservoirs during 1977-78 to 1979-80 suggests that the results expected in the seventh year of operation (1980-81) may not materialise.

(5) An analysis of the deployment of the four trawlers imported for deep sea fishing and the results achieved revealed that (i) they had remained idle for considerable number of days, (ii) the number of

voyages performed by them were not significant, (iii) average duration of the voyage was less than that contemplated in the project report, (iv) percentage of actual fishing hours against anticipated hours and percentage of actual catch against anticipated catch were far less, (v) the incidence of short duration voyages was heavy and (vi) revenue earned did not meet the operational expenditure (without taking into account interest and depreciation).

(6) Work regarding the shore complex at Roychowk fishing harbour project (estimated cost : Rs.241.50 lakhs) approved by the Government of India in November 1973 out of which work valuing Rs.35.13 lakhs (subsequently revised to Rs.71.55 lakhs) was to be done by the Company is lagging behind the schedule due to delay (2 years 4 months) in finalising appointment of consulting firm, delay (2 years) in finalising tender for civil and architectural work and extension granted to contractors on various grounds. Up to June 1980, the Company had spent Rs.33.71 lakhs against Rs.38.58 lakhs received from the Government of India (Rs.32.58 lakhs) and the State Government (Rs.6.00 lakhs).

(7) A pilot scheme for development of brackish water fish culture at Henry's island in lower Sundarbans and two more schemes taken up in adjacent areas during 1977-78 and 1978-79 were still (March 1981) in progress.

(8) Out of Rs.91.83 lakhs drawn as advance from the Director of Fisheries up to March 1979 for different schemes taken up as an agent of the Government only Rs.4.02 lakhs had been spent up to March 1980.

(9) The loss over the years accumulated to Rs.92.42 lakhs, thus eating-away the 84.19 *per cent* of the paid-up capital as on 31st March 1980.

SECTION IV

WEST BENGAL STATE MINOR IRRIGATION CORPORATION LIMITED

4.01. Introduction

In 1973, the State Government had estimated that hardly 25 *per cent* of the net cultivable areas obtained water for irrigation from major as well as minor irrigation schemes. It was, therefore, contemplated to bring more areas in the State under double or multiple cropping under a massive programme through minor irrigation sources. With a view to attracting a large flow of institutional finance necessary for the purpose, it was decided to set-up a corporate type of organisation, which would arrange funds not only from Government but also from financial institutions. Accordingly, the West Bengal State Minor Irrigation Corporation Limited was incorporated on 29th January 1974 as a wholly owned Government Company.

4.01.1. Main objects : The main objects of the Company are, *inter alia* :

- to erect, improve, manage and arrange for operation and working deep tubewells, river lift installations and other minor irrigation projects for augmentation of water supplies and promotion of the development of the minor irrigation;
- to take over from the State Government existing system of State-owned tubewells, river lifts and the connected assets and maintain and operate such tubewells;
- to instal new tubewells and river lifts;
- to undertake, on behalf of private individuals, institutions, association, etc., installation and construction of tubewells, river lifts and other connected works;
- to engage in the processing, manufacture and sale of river lift tubewells equipment, accessories, spare parts, machinery, plants or other products connected therewith,

In respect of the second object mentioned *supra*, viz., to take over from the State Government any existing system of State-owned deep tubewells (DTW) and river lift installations (RLI), the Company had been reporting in its Annual Reports since 1974-75 that some informal discussions had taken place with the Government for the transfer of the ownership of the existing system of tubewells and lift installations, but no decision had so far been arrived at (January 1981).

4.02. Organisational set-up

The overall management of the Company vests in a Board consisting of Directors headed by a part-time Chairman. The day-to-day affairs are managed by a Managing Director who is assisted by a Project Engineer and a Secretary.

At the outset three divisions were formed with headquarters in Calcutta to look after the work of execution of projects which are scattered all over the State. The Board of Directors of the Company having realised the difficulties in supervision and control of works executed at various outlying points by the centrally located divisions decided in September 1979 to transfer those divisions along with 5 newly created divisions to various districts from April 1980.

4.03. Capital structure

4.03.1. **Equity Capital :** The authorised capital of the Company is Rs.600 lakhs divided into 60,000 equity shares of Rs.1,000 each. The paid-up capital of the Company as on 31st March 1980 was Rs.420 lakhs wholly contributed by the State Government; Rs.75 lakhs advanced (March 1980) by the State Government towards share capital was awaiting allotment of shares (31st March 1981).

4.03.2. **Borrowings :** The Company obtained loans from commercial banks for financing its projects. In March 1979, a tripartite agreement was entered into between the Company, the State Government and the Agricultural Refinance and Development Corporation (ARDC), according to which the Company would get loan assistance for schemes sanctioned by ARDC to the extent of 80 per cent of the sanctioned amount from the commercial banks and the State Bank of India on the basis of expenditure statements submitted to them. The banks would get 90 per cent of the amounts

disbursed by them as loan from the ARDC, the remaining 10 per cent being financed from the banks' own resources. The refinance made by the ARDC was guaranteed by the State Government.

The borrowings since inception to 31st March 1980 stood at Rs.71.01 lakhs. The Company has so far (June 1980) submitted to the financing banks the following schemes :

Type of schemes	Number of sites	Loan required (Rupees in lakhs)	Remarks
Deep tubewells	406	542.12	(a) Sanction of ARDC was received for 86 sites and loan received. (b) Twenty-four sites sanctioned by ARDC but loan was yet to be realised for want of sanction from the State Bank of India (May 1980).
River Lift Irrigation	67	134.00	All RLI sites were rejected by the ARDC in March 1980 for non-compliance with the requirements.

4.04. Financial position

4.04.1. The Company had finalised and adopted annual accounts up to the year 1977-78 only. As regards completion of the accounts for the years 1978-79 and 1979-80 the Management stated (July 1980) that "every effort is being made to complete those as early as possible" and again (February 1981) that "the accounts are expected to be compiled by the end of April 1981".

4.04.2. The following table indicates the financial position of the Company for the four years ending 1977-78 :

	1974-75	1975-76	1976-77	1977-78
	(Rupees in lakhs)			
<i>Liabilities :</i>				
(a) Paid-up Capital	149.99	199.99	249.99	320.00
(b) Reserves and surplus	..	0.33	..	..
(c) Trade dues and other current liabilities (including provision).	7.43	80.53	116.99	134.75
Total	157.42	280.85	366.98	454.75

	1974-75	1975-76	1976-77	1977-78
	(Rupees in lakhs)			
Assets :				
(a) Gross block	1.68	111.89	159.61	197.60
(b) Less depreciation	0.27	1.47	14.17	28.45
(c) Net fixed assets	1.41	110.42	145.44	169.15
(d) Capital work-in-progress ..	22 ¹ 21	..	19.87	39.67
(e) Current assets, loans and advances.	132.75	169.58	196.37	227.07
(f) Intangible assets—				
Miscellaneous expenditure ..	0.94	0.85	0.76	0.66
Accumulated loss ..	0.11	..	4.54	18.20
Total ..	157.42	280.85	366.98	454.75
Capital employed *	126.99	199.47	244.69	261.46
Net worth **	148.94	199.47	244.69	301.13

4.04.3. In the initial stage the activities of the Company were confined to operation in certain areas served by the West Bengal Comprehensive Area Development Corporation (WBCADC), a Corporation set up in October 1974 for implementation of area based development programmes for increasing agricultural and allied production and ensuring maximum benefits of such production to the cultivators. Up to 1977-78, 145 DTWs in the following districts/areas covered by WBCADC were installed.

Areas (Districts)	Number of DTWs	Total cost incurred (Rupees in lakhs)
Berhampore (Murshidabad)	10	9.92
Baranberia (Nadia)	18	22.66
Boinohee (Hooghly)	24	30.77
Kalna (Burdwan)	20	25.31
Debra (Midnapore)	35	40.62
Ratua (Malda)	23	23.36
Kaliaganj (West Dinajpur)	15	20.10
Total ..	145	172.74

* Capital employed represents net fixed assets plus working capital.

** Net worth represents paid-up capital plus reserves and surplus less intangible assets.

The work of the distribution of water and the collection of water rates in respect of the above installations was entrusted by the Company to WBCADC as their accredited agent. The Management stated (July 1980) that the question of transfer of the DTWs to WBCADC was also under consideration of the Government.

A decision in the matter was awaited (January 1981).

The Company had not received any authenticated accounts so far (January 1981) from the WBCADC. However, as directed (November 1977) by the Government WBCADC forwarded to the Company provisional accounts which did not include any indirect expenses (depreciation, interest on capital, etc.). As a result, the financial results of the operation of DTWs could not be worked out. According to the accounts furnished by WBCADC, the water charges collected and operational expenditure on the DTWs during 1975-76 to 1979-80 were as under :

	1975-76	1976-77	1977-78	1978-79	1979-80
	(Rupees in lakhs)				
Water charges collected ..	0.03	8.91	15.97	11.97	11.72
Expenditure incurred		4.00	10.80	10.36	14.87

As on 31st March 1980, Rs.3.31 lakhs were pending for recovery towards water charges. Reasons for the increasing trend in expenditure incurred by WBCADC were not ascertained by the Management (January 1981).

4.05. Working results

The working results of the Company for the years 1974-75 to 1977-78 are indicated below :

	1974-75	1975-76	1976-77	1977-78
	(Rupees in lakhs)			
Income—				
Water levy		0.03	4.92	5.22
Interest on short-term deposit ..	2.82	4.68	5.09	1.61
Service charges			3.01	0.87
Margin transfer of steel tubes ..	0.28	0.34	0.34	0.06
Government subsidy towards salary ..		4.41	8.14	11.38
Miscellaneous revenue	0.02	0.17	0.08	0.16
Total ..	3.12	9.63	21.58	19.30

(Rupees in lakhs)

	1974-75	1975-76	1976-77	1977-78
Expenditure—				
Office rent	1.13	1.35	1.13	1.21
Establishment	1.04	3.93	8.98	12.32
Travelling and Motor vehicles expenses	0.32	0.84	1.49	1.73
Publicity and advertisement ..	0.24	0.21	0.25	0.39
Miscellaneous expenditure ..	0.23	1.19	1.81	2.93
Depreciation	0.27	1.20	12.70	14.29
Total ..	3.23	8.72	26.36	32.87
Profit(+)/Loss(-) before tax/transfer to reserve.	(-)0.11	(+)0.91	(-)4.78	(-)13.57
Transfer to Reserve Fund .. .. .	..	0.33	..	..
Preliminary expenses written off ..	..	0.09	0.09	0.09
Provision for taxation .. .. .	..	0.38	..	..
Net profit(+)/net loss(-)	(-)0.11	..	(-)4.87	(-)13.66
Cumulative losses	(-)0.11	..	(-)4.54	(-)18.20

The reasons for the losses had not been analysed by the Management so far (January 1981). As it appeared, however, from a general scrutiny of records, the losses were due to gross imbalance between the yield from water levy and increasing cost of overheads.

4.06. Performance analysis

4.06.1. The construction of a DTW is expected to be completed within 2 years according to the works programme. The work of drilling and construction of pump house/transmission room is required to be completed in the first year and the installation of pump sets as well as the energisation and laying of pipe lines with water transmission arrangements are expected to be completed by the end of the second year. The overall performance of the Company in regard to the installation of DTWs (including those installed in areas covered by

WBCADC as mentioned in paragraph 4.04.3.) during 1975-76 to May 1980 was as follows :

Period	Target for drilling (including previous year's backlog)	Drilling	Stage of progress of work			Total DTWs completed	Shortfall in drilling (2—3)	Percentage of shortfall in drilling (2 to 8)
			Pump house transmission room	Energisation	Laying of pipe lines			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Up to July 1976 ..	260	175	151	91	90	90	85	32.69
August 1976 to July 1977.	85	55	30	64	53	53	30	35.29
August 1977 to July 1978.	140	117	31	16	26	26	23	16.43
August 1978 to July 1979.	243	117	44	28	..	..	126	51.85
August 1979 to May 1980.	381	101	36	40	10	10	280	73.49

The shortfalls increasing from year to year were attributed by Company (March 1979) to not getting possession of sites selected by the District Site Selection Committee (DSSC). Records relating to sites with *dag* number and *Mouza* received from DSSC for Burdwan, Birbhum, Hooghly and Bankura were not made available to Audit. A review of the records in respect of other districts revealed that there were little constraints in receiving the sites from the respective DSSC. It appeared from a review of the proceedings of the Board meeting held on the 27th March 1979 that the Company received particulars of location of 678 sites from DSSC out of which clearance of the State Water Board had been received for 547 locations up to February 1979 against which progress of work up to March 1979 was (a) drilling (401 sites), (b) construction of pump house and transmission room (280 sites), (c) lowering of pump to required depth for reaching perennial level of water (247 sites), (d) energisation (202 sites) and (e) laying of pipe lines (169 sites).

4.06.2. Records showing phase-wise completion of DTWs were in most cases not complete. In 52 cases (where relevant information was available) the time taken for energisation of DTWs was as follows, as against the prescribed period of 1 month :

	Number of DTWs					
(i) Less than 1 month	2
(ii) 1 to 6 months	26
(iii) 6 to 12 months	20
(iv) Over 12 months	4
						<u>52</u>
				Total	..	<u>52</u>

The Management stated (July 1980) that the findings of Audit were noted and action was being taken in consultation with the State Electricity Board for early energisation after submission of test forms.

4.06.3. Small Farmers Development Agency (SFDA) Scheme : The Government of India introduced in June 1978 a scheme for providing subsidy for community irrigation works to be undertaken during 1978-79 by companies dealing with minor irrigation in areas covered under SFDA. Under the scheme, the Company was to receive a subsidy up to a maximum of 50 *per cent* of the estimated cost of the DTWs (subject to adjustment on the basis of actuals) from SFDA. Eighty *per cent* of the balance was to be refinanced by the Banks on actual expenditure basis and the remaining 20 *per cent* was to be borne by the Company.

Up to April 1980, the Company received a subsidy of Rs.56.60 lakhs towards 93 DTWs to be installed in 6 districts (24 Parganas, West Dinajpur, Hooghly, Cooch Behar, Malda and Murshidabad).

ARDC refinance was applied for by the Company in respect of 39 schemes which were originally contemplated to be constructed under the Company's own programme during 1976-77 and 1977-78. The Company, however, did not pursue applications or submit revised applications to ARDC in view of the fact that SFDA subsidy had already been received.

No account was kept regarding the number of schemes actually developed under SFDA and the expenditure incurred thereon (June 1980).

4.06.4. West Bengal Agricultural Development Project (WBADP) : The State Government took up (August 1975) a special scheme, *viz.*, WBADP for extension of irrigation facilities in the State. Under the Project [partly financed by International Development Association (IDA)], the Company was to set up 300 DTWs, of which, 100 DTWs were to be owned by the Company and the ownership of remaining 200 DTWs was to vest in the farmers' groups to be organised by the Co-operation Department. Against 100 DTWs to be owned by the Company, 112 DTWs (mentioned in paragraph 4.06.1.) were constructed by the end of 1977-78.

Construction of 200 DTWs under the farmers' group was approved by the Company in its works programme for 1975-76, phased for implementation in 4 years. The Company took up between March 1977 and January 1979 construction of only 22 DTWs. According to the Management (May 1980) the formation of Farmers' Co-operatives by the Department of Co-operation was not at all encouraging and hence installation of DTWs under the farmers' group had slowed down.

The Company was to receive Rs.0.65 lakh per tubewell being 50 per cent of the estimated cost (Rs.1.30 lakhs) from the sponsoring banks. Another instalment of Rs.0.60 lakh was to be advanced by the bank on completion of drilling. On completion of the DTWs the Company was to submit final bill to the Co-operative Societies after adjusting the advances already drawn. The factual position as observed by Audit was, however, as follows :

Number of DTWs energised	..	..	..	22
Estimated cost ..	..	..	..	Rs. 28.60 lakhs.
Actual expenditure (Up to 31st March 1980)	..	..	..	Not compiled by the Management.
Amount received from banks	..	..	..	Rs. 3.75 lakhs.

It would, therefore, be seen that the Company had not drawn even the first instalment for the DTWs taken up for construction under the farmers' groups, for reasons not on record. No final bill for the projects completed, if any, had been prepared by the Company (January 1981).

The Company applied (Juffe 1978) to the Government for a modification of the scheme transferring 150 DTWs from the ownership of the farmers' groups to its own. The transfer, however, did not materialise. The scheme of WBADP was not continued by the Government beyond 31st March 1980.

4.06.5. Abandoned Projects : During 1975-76 to 1979-80, 14 DTWs costing Rs.3.57 lakhs and 10 others for which cost was not determined by the Management were abandoned on the ground of non-availability of aquifer zone and salinity of water. In some of the districts, the percentage of abandoned projects was very high as indicated below :

District	DTWs completed up to 31st March 1980	DTWs abandoned	Percentage
Birbhum	5	2	40
West Dinajpur	19	5	26
Bankura	13	3	23
Burdwan	58	5	9

The Management stated (February 1981) that the cases of failure had been noted for future guidance. There was, however, nothing on record to show that the high percentage of abandonment had been investigated in depth by the Management|Government for remedial action (February 1981).

4.07. River Lift Irrigation (RLI) schemes

4.07.1. The Company had proposed to take up for execution 102 RLI schemes (estimated cost Rs.2.50 lakhs each) up to 31st March 1980. The year-wise targets and achievements were as follows :

Year	Target (Number of projects)	Approximate target date of comple- tion	Projects in progress	Number of completed projects
1977	49	1978	..	..
1978	18	1979	16	..
1979	35	1980	46	..

Out of the 102 RLI schemes, the Company had submitted proposals to ARDC (during August 1977 to April 1978) for 67 schemes for approval and sanction of Rs.134 lakhs as loan.

The ARDC had pointed out (December 1978) that the proposals submitted by the Company suffered from several deficiencies, viz., non-furnishing of certificate of availability of surface water potential, want of essential details such as static water-lift, dynamic water-lift, command area map with contour survey, distribution layout and calculation of engineering details at all levels for enabling technical clearance. Apart from periodical requests of the ARDC for fulfilment of the above requirements, a joint meeting attended by representatives of the Company, financing banks and the ARDC was also held in December 1978 to review the position of these schemes. As the details required were not eventually furnished by the Company, the ARDC rejected all the 67 RLI schemes in March 1980. Though the Company had expressed (March 1980) apprehension about its ability to maintain and operate so many RLI schemes in the absence of bank loan, the proposals had not so far been resubmitted to ARDC after complying with the necessary formalities (January 1981).

4.07.2. The Company had installed and commissioned diesel driven pump sets in 16 RLI projects in September 1979. but the distribution pipe lines had not been laid in any of the installations (January 1981), with the result that the revenue realised therefrom was nominal. In the case of 30 other projects the construction of pump house and transmission room/operators' room was in progress (January 1981).

The Management, in its reply (July 1980) stated that the programme could not ultimately be implemented due to non-financing by banks.

4.08. Agency works

4.08.1. **Drilling of DTWs in CADP areas :** The Company undertook drilling of 29 DTWs in CADP (Comprehensive Area Development Programme) areas during January 1977 on behalf of the WBCADC at an estimated cost of Rs.14.50 lakhs. The work was completed by November 1977 at a cost of Rs.18.27 lakhs. The Company had not approached the WBCADC for sanction of the excess expenditure of Rs.3.77 lakhs over the estimated cost (January 1981).

4.08.2. **Under-recovery of service charges :** The Company had been undertaking works on agency basis since June 1976 and was claiming 5 per cent service charge on the works. The actual incidence of service charges during 1976-77 and 1977-78 as worked out by Audit, however, stood at 18 and 24 per cent respectively as computed below :

	1976-77	1977-78
(i) Total construction cost on own works (Rupees in lakhs) ..	67.07	58.72
(ii) Total construction cost on agency works (Rupees in lakhs) ..	76.04	17.40
(iii) Total overhead charges incurred (Rupees in lakhs) ..	26.37	18.58
(iv) Ratio of own construction works to agency works ..	1: 1.134	1: 0.296
(v) Percentage of service charges to total overheads ..	18	24
(vi) Service charges on agency works (Rupees in lakhs) ..	14.01	4.24
(vii) Service charges realised (Rupees in lakhs) ..	3.01	0.87
(viii) Short realisation (Rupees in lakhs) ..	11.00	3.37

Thus, the under-realisation of service charges during the 2 years worked out to Rs.14.37 lakhs. Due to non-compilation of annual accounts for the years 1978-79 and 1979-80 the losses for these years could not be assessed.

On the basis of an audit observation (June 1980) pointing out the loss suffered by the Company on agency works, the Company had enhanced the service charges in July 1980 from 5 per cent to 12½ per cent on all agency works irrespective of the organisation/department to which they belonged.

4.09. Water rate

4.09.1. The following table indicates the varying water rates charged by various authorities for the supply of water under minor irrigation schemes.

Name of authority	Rate per acre-inch (Rupees)
(i) State Government	1.60
(ii) WBCADC	10.00
(iii) Company	9.50

In the Annual Reports for 1974-75 to 1977-78 the Company had been pointing out that the wide disparity in the economic water rate charged by the Company and the Agriculture Department had been taken up with the State Government. The State Government constituted (March 1979) a Committee to examine the rate structure and recommend a uniform rate to be charged by all agencies in the State. Pending receipt of the Committee's recommendations, the existing water rates were to continue.

The recommendations of the Committee were awaited (January 1981).

4.09.2. The water rate of Rs.9.50 per acre-inch fixed by the Company (not formally approved by the Board) and introduced in June 1976 was based on the following assumptions and projections :

- utilisation of 100 *per cent* of the existing tubewells at 1,800 hours run per tubewell per year;
- repayment of capital investment in 10 years;
- payment of interest at 10½ *per cent* per annum;
- recovery of cost of operating staff;
- unit cost of power at 25 paise; and
- entire operation being on "no profit no loss" basis.

Up to July 1979, the Company had only 24 completed DTWs scattered over the districts, owned and managed by it. This did not offer any basis for comparison of the actuals with the assumptions and projections under-lying the fixation of water rates.

4.10. Subsidy

4.10.1. The State Government had agreed (June 1975) to provide during the initial period of working of the Company staff subsidy to reduce its working loss. The Government order sanctioning the subsidy indicated that it was admissible for meeting the cost of administrative and technical staff other than the operational staff. Subsidies amounting to Rs.23.93 lakhs were sanctioned for the period from March 1975 to February 1978 on the basis of the statements of expenditure furnished by the Company, without certification by the Company's auditors. A scrutiny of the records in Audit revealed that the subsidy claimed and received by the Company for the above period included subsidy of Rs.53,872 towards the operating cost of tubewells also which was not admissible. The Company had not refunded the amount so far (January 1981).

4.10.2. As required by the ARDC for sanction of refinance to the minor irrigation projects taken up by the Company, the Government agreed (October 1976) to make good any 'operational

loss' sustained by the Company. No effort had yet (January 1981) been made by the Management to assess the operational losses on the tubewells operated by the Company (including 145 DTWs operated by the WBCADC as an accredited agent) and to claim subsidy from the Government.

4.10.3. Subsidy drawn by WBCADC on deep tubewells owned by the Company: Central subsidy for community irrigation works undertaken by the Company in the areas covered under SFDA (paragraph 4.06.3. supra) is payable to the Company to the extent of 50 per cent of the cost of the schemes. From a scrutiny of the provisional statements of accounts relating to 1975-76 to 1979-80 furnished by the WBCADC, in respect of 145 DTWs and also on the basis of discussions (July 1980) with the WBCADC Authorities, it was noticed that the WBCADC, which had been entrusted with the duty of collection of water rates for these DTWs owned by the Company in CADP areas (as an accredited agent), had received subsidies amounting to Rs.13.99 lakhs (Rs.8 lakhs in September 1976 and Rs.5.99 lakhs in October 1977) in respect of 24 DTWs in Boinchee CADP area.

As the WBCADC was an accredited agent of the Company any subsidy received from SFDA should have been passed on to the Company. No such transfer and adjustment had been carried out so far (June 1980).

The Management stated (July 1980) that it was not aware under what circumstances the WBCADC had realised the subsidy and that it was being ascertained from WBCADC whether it had availed of SFDA subsidy in respect of other DTWs in CADP areas.

Upon realisation of the subsidy from the SFDA, the WBCADC had offered reduction in water rates to farmers without concurrence of the Company as shown below :

Crop	Season	Year	Water rates per acre-inch		Subsidy (Per cent)	Remarks	
			Scheduled	Actual (Rupees)			
Paddy	Pre-Khariff	1976-77	10	5.00	50		
		1977-78	10	5.00	50		
		Boro	1977-78	10	7.50	25	For small and marginal farmers.
			1978-79	10	5.00	50	For big farmers.
			1978-79	10	3.30	67	For small and marginal farmers.
	Khariff	1979-80	10	5.00	50		
		1977-78	10	7.50	25		
		1978-79	10	5.00	50		
		1979-80	10	7.50	25		
		1979-80	10	5.00	50		
Other Crops	Rabi	1977-78	10	7.50	25		
		1978-79	10	7.50	25		
		1979-80	10	5.00	50		

4.11.

The analysis of the performance of the Company indicates that the Company after its incorporation on January 1974 had so far (March 1981) attempted to carry out only one of the main objects with which the Company was formed, viz., erection and operation of DTWs and river lifts and minor irrigation projects.

4.12. Inventory control

The following table indicates the comparative position of the inventory and its distribution at the end of four years up to 1977-78 and the comparative figures of aggregate consumption of the inventory during each of the years :

	1974-75	1975-76	1976-77	1977-78
	(Rupees in lakhs)			
ERW steel tubes	48.45	67.86	63.26	60.20
Sundry stores materials .. .. .	..	29.50	34.44	19.18
Cement .. .. .	..	2.83	2.18	4.20
Pump sets, water meter and PVC pipe .. .. .	..	1.59	5.24	4.53
Total	48.45	101.78	105.12	88.11
Aggregate value of consumption	8.18	30.99	36.50	44.80

The above analysis indicates that the inventory holding at the end of each year was high. In the absence of the annual accounts which had not been prepared since 1978-79 as also of the completed numerical/priced stores ledger, the inventory holding as at the close of the years 1978-79 and 1979-80 was not ascertainable.

4.13. Insurance of assets

In December 1977, the Board of Directors approved taking insurance cover for all DTWs installed and owned in keeping with the terms of the agreement between the State Government and the IDA. Accordingly, 77 installations were insured for one year from January to December 1978. The Company had neither renewed the policies nor taken up new policies though there were 169 DTWs valued Rs.194.10 lakhs at the end of the year 1977-78.

Further, it was provided in the loan agreement between the Company and the commercial banks that "it shall not be necessary for the borrower to so insure the properties constituting the Bank's security for the loans in case the borrower constitutes and maintains, so long as the loans under these presents remain outstanding and payable to the Bank, an Insurance Reserve Fund".

No such fund had also been created so far (January 1981). The Management stated (February 1981) that the matter was under consideration.

4.14. General

4.14.1. **Accounting manual :** The Company has not prepared any accounting manual prescribing detailed procedure for the maintenance of accounts.

4.14.2. **Deficiency in accounts :** The annual accounts of the Company for the years 1978-79 and 1979-80 had not been prepared so far (January 1981). The following deficiencies in accounts records were observed in Audit (January 1981) :—

- (i) The totals of cash book for 1978-79 had not been inked and those of 1979-80 have not been cast.
- (ii) The bank reconciliation statements had not been prepared since July 1978.
- (iii) The subsidiary ledgers in respect of Advances to suppliers, Sundry Creditors, Sundry Debtors, Miscellaneous suspense, etc., had not been maintained since 1978-79.
- (iv) The general ledger for 1978-79 is incomplete in that the adjustments had not been carried out and balances struck.
- (v) The stores accounts had not been completed since 1978-79.
- (vi) The register of works had not been prepared showing expenditure on individual work/project since 1978-79.
- (vii) The value of stores consumed had not been taken into account for the purpose of valuation of the fixed assets since 1978-79.

The Management stated (February 1981) that the deficiencies were being made good.

4.15. Summing up

(i) The accounts of the Company for 1978-79 and 1979-80 were in arrears. The Company incurred a loss of Rs.13.57 lakhs during 1977-78 as against the loss of Rs.4.78 lakhs in 1976-77 and the profit of Rs.0.91 lakhs in 1975-76,

(ii) Even after a lapse of 6 years from the date the Company was incorporated (January 1974), the transfer, from the State Government, of the then existing system of State-owned DTWs, RLI Schemes, etc., enunciated in the objects clause of the Memorandum of Association had not materialised up to January 1981.

(iii) Up to May 1980, the Company had completed 179 DTWs (against approximately 590 planned), but none of the 102 RLI schemes planned was completed. Annual targets fixed had not been achieved in respect of both the schemes.

(iv) The Company had also taken up completion of some DTWs under the SFDA scheme introduced in June 1978 by the Government of India. Subsidy of Rs.56.60 lakhs was received against 93 schemes up to April 1980 the details such as number of DTWs and outlay incurred, were not available with the Company.

(v) The 179 DTWs completed up to May 1981 included 145 DTWs constructed in the areas covered by WBCADC at a total cost of Rs.172.74 lakhs. Whereas the Company owned the assets, the work of distribution of water, and collection of water rates was entrusted by the Company to the latter on agency basis. In the absence of the operation accounts of the agency work, the profitability of the scheme could not be determined.

(vi) In respect of 29 DTWs drilled in January 1977 on behalf of the WBCADC (estimated cost : Rs.18.27 lakhs) the Company had not realised from the latter the excess expenditure of Rs.3.77 lakhs incurred.

(vii) Records showing phase-wise completion of DTWs were incomplete in most cases. The tempo of work completed during 1978-79 and 1979-80 was low compared to that of the earlier years. As against 1 month stipulated for completion of work, 46 out of 52 works were delayed by 5 to 11 months and 4 were delayed by 12 months and more.

(viii) The Company's applications for loans to the ARDC (submitted up to April 1978) for an amount of Rs.134 lakhs in respect of 67 RLI schemes (out of 102 schemes planned) were yet to be sanctioned (January 1981).

(ix) -The service charges claimed on works done on agency basis were far less than the actual incidence of percentage of service charges derived from total overheads and the volume of work handled.

(x) There was wide disparity between the water rate charged by the Company and the rate charged by the Agriculture Department in the neighbouring areas with consequent impact on collection of revenue.

(xi) The Government had assured in 1976 ARDC to make good any operational loss sustained by the Company. No effort had, however, yet been made by the Management to assess the operational loss on DTWS operated by the Company and to claim subsidy from the Government.

(xii) SFDA subsidy of Rs.13.99 lakhs received by WBCADC in respect of 24 DTWs owned by the Company had not been passed on to the Company. The WBCADC, however, offered reduction in water rates to farmers without the concurrence of the Company.

(xiii) The Company had neither taken insurance cover nor created any insurance reserve fund in respect of the DTWs installed since January 1979.

SECTION V

Other points of interest

THE DURGAPUR PROJECTS LIMITED

5.01. Loss in supply of B.P. hard coke

The Company received orders during December 1972 to July 1973 from Rourkela Steel Plant (RSP) for supply of an aggregate quantity of 49,250 tonnes of B.P. hard coke at Rs.180 per tonne. The material was to be delivered immediately on receipt of the orders. The Company could, however, supply only 43,009 tonnes of coke up to February 1974 owing to non-availability of railway wagons in time. The sale price was enhanced to Rs.250 per tonne with effect from 1st March 1974. As per terms of the sales order, the rate ruling on the date of supply could be charged. The Company supplied the balance quantity (6,241 tonnes) during March 1974 to July 1974 and preferred claims on the purchaser for Rs.4.37 lakhs being the difference of sale price. The RSP agreed (June 1978) to pay the amount on production of documentary evidence to the effect that non-delivery of the entire quantity ordered for was due to non-availability of railway wagons. Although the Company claimed (July 1978) to have placed indents on the Railways for placement of wagons on different dates between June 1973 and December 1973, it could not produce any record in support of its claim and as a consequence, had to waive the entire claim (October 1978).

WEST BENGAL DAIRY AND POULTRY DEVELOPMENT CORPORATION LIMITED

5.02. Extra expenditure on transportation of milk : Rs.1.53 lakhs

Based on the proposals received from the Additional Milk Commissioner and some local milk traders, the Company started procuring milk from the Central Dairy, Belgachia, one of the two units of Greater Calcutta Milk Supply Scheme, for selling milk at two district places (Haldia and Kharagpur-located 140|124 kms away) from December 1976 and January 1977 respectively. The milk procured was to be sold to milk traders appointed as Company's agents in these places at selling prices fixed by the Company including

20 paise per litre of milk sold towards transportation charges. The transportation charge was fixed taking into account the assumed daily off-take of 1750 litres|2000 litres by the traders of the two places respectively. However, the guaranteed quantity of milk to be sold by each agent was not fixed.

The actual quantity of milk sold during 1976-77 to 1979-80 was considerably less than the quantity assumed to be sold (ranging between 4 to 35 *per cent* in the case of sales at Kharagpur and 31 to 81 *per cent* in the case of sales at Haldia) on the basis of the quantities of milk actually indented by the agents. Whereas the Company was incurring fixed transportation charges for transporting milk, it realised less amounts from the agents towards sale of milk. For a total quantity of 13.43 lakh litres of milk sold during the period from 1976-77 to 1979-80, the Company incurred an expenditure of Rs.4.09 lakhs towards transportation charges whereas it realised from the agents Rs.2.56 lakhs only incurring thereby an extra expenditure of Rs.1.53 lakhs, which could have been avoided if suitable stipulation had been made in the agreements with the agents.

The Management stated (September 1980) that attempts were being made to render the milk supply scheme at Haldia viable. Marketing of milk at Kharagpur had been discontinued from February 1979.

CHAPTER II

STATUTORY CORPORATIONS

SECTION VI

6.01. Introduction

There were six Statutory Corporations as on 31st March 1980, viz., West Bengal State Electricity Board, Calcutta State Transport Corporation, North Bengal State Transport Corporation, Durgapur State Transport Corporation, West Bengal Financial Corporation and West Bengal State Warehousing Corporation.

The accounts of the following Corporations were in arrears (July 1981) :

Name of the Corporation	Extent of arrears
North Bengal State Transport Corporation	1975-76 to 1979-80
Durgapur State Transport Corporation	1976-77 to 1979-80
West Bengal State Warehousing Corporation	1978-79 and 1979-80
West Bengal State Electricity Board	1979-80
Calcutta State Transport Corporation	1979-80
West Bengal Industrial Infrastructure Development Corporation (audit entrusted by State Government in June 1978).	1973-74 to 1979-80

The position of arrears in the finalisation of accounts of the Corporations was brought to the notice of Government from time to time, the last communication was made in July 1981. A synoptic statement showing the summarised financial results of the Corporations, based on the latest available accounts, is given in Appendix 'C'.

6.02. West Bengal State Electricity Board

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

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

The aggregate of long-term loans (including loans from Government) obtained by the Board was Rs.61,561.44 lakhs* at the end of 1979-80 and represented an increase of Rs.11,237.47 lakhs,

*The figure is provisional as the accounts for 1979-80 were in arrears (May 1981).

i.e. 22.23 per cent on the long-term loans of Rs. 50,323.97 lakhs as at the end of the previous year. Details of loans obtained from different sources and outstanding at the close of the two years up to 31st March 1980 were as follows :

Source	Amount outstanding as on 31st March		Percentage increase
	(Rupees in lakhs)		
	1979	1980*	
State Government	23,438.92	27,772.84	18.49
Other source	26,885.05	33,788.60	25.68

6.02.3. **Guarantees :** Government had guaranteed the repayment of loans raised by the Board to the extent of Rs.33,796.21 lakhs and the payment of interest thereon. The amount of principal guaranteed outstanding as on 31st March 1980 was Rs.23,760.47 lakhs*.

The amount of guarantee fees in arrears as on 31st March 1980 was Rs.74.51 lakhs.*

6.02.4. The financial position of the Board at the close of the three years up to 1978-79 is given in the following table :

	1976-77	1977-78	1978-79
	(Rupees in lakhs)		
Liabilities :			
(a) Loans from Government	13,492.4	18,080.9	23,438.9
(b) Other long-term loans (including bonds)	17,805.6	21,896.1	26,885.0
(c) Deposits from public	2,358.9	2,612.1	2,837.9
(d) Reserves and surplus	846.7	899.1	1,029.0
(e) Current liabilities	9,790.3	9,731.3	12,217.3
Total	44,293.9	53,219.5	66,408.1
Assets :			
(a) Gross fixed assets	20,550.7	20,619.1	25,449.3
(b) Less : Depreciation	3,930.6	4,566.6	5,269.9
(c) Net fixed assets	16,620.1	16,052.5	20,179.4
(d) Capital works-in-progress	14,094.2	21,367.3	25,375.1
(e) Current assets	13,579.6	15,799.7	20,853.6
(f) Accumulated loss .. .. .	..	..	..
Total	44,293.9	53,219.5	66,408.1
Capital employed**	20,271.6	21,952.2	28,535.7
Capital invested @	34,408.1	43,386.0	54,086.4

*Figures are provisional as the accounts for 1979-80 were in arrears (May 1981).

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

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

6.02.5. **Working results:** The working results of the Board for the three years up to 1978-79 are summarised below :

	1976-77	1977-78	1978-79
	(Rupees in lakhs)		
(a) Revenue receipts	6,980.2	7,098.1	8,238.9
(b) Subsidy from State Government*	322.6	655.1	843.5
Total	7,302.8	7,753.2	9,082.4
(c) Revenue expenditure	5,300.0	5,684.0	7,566.2
(d) Gross surplus for the year	1,680.2	1,414.05	672.7
Total	6,980.2	7,098.5	8,238.9
(e) Appropriations—			
(i) General reserve, etc.	102.7	103.1	127.2
(ii) Depreciation	634.0	706.7	..
(iii) Interest on Government loans	468.8	55.4	377.8
(iv) Interest on other loans and bonds	758.8	1,162.0	984.7
Total	1,964.3	2,027.2	1,489.7
(f) Total return on capital employed	1,348.2	1,338.6	1,489.7
(g) Total return on Capital invested	1,327.8	1,309.8	1,439.9
(h) Rate of return on		(per cent.)—	
(i) Capital employed	6.65	6.10	5.22
(ii) Capital invested	3.86	3.02	2.66

6.02.6.1. **Operational performance:** The following table indicates operational performance of the Board for the three years up to 1979-80 :

Particulars	1977-78	1978-79	1979-80**
1. Installed capacity—		(MW)	
(i) Thermal	605.00	694.0	694.00
(ii) Hydro	36.51	38.2	38.20
(iii) Others	23.06	16.2	115.50
Total	664.57	748.4	847.70
2. Normal maximum demand (MW)	619.00	632.1	679.00
3. Power generated (Mkwh)—			
(i) Thermal	2,335.29	2,675.3	2,740.0
(ii) Hydro	88.20	57.2	32.7
(iii) Others	12.82	15.7	122.8
Total	2,436.31	2,748.2	2,895.5

*Represents subsidy shown as receivable from the State Government in the accounts of the Board.

**The figures are provisional as the accounts for 1979-80 were in arrears (May 1981).

<i>Less—</i>		1977-78	1978-79	1979-80**
Auxiliary consumption (Mkwh)	..	217.13	239.6	251.6
4. Net power generated (Mkwh)	..	2,219.18	2,508.6	2,643.9
5. Power purchased (Mkwh)	..	1,030.29	809.8	832.54
6. Total power available for sale (Mkwh)	..	3,249.47	3,318.4	3,476.44
7. Power sold (Mkwh)	..	2,832.85	2,882.7§	3,028.40§
8. Transmission and distribution loss (Mkwh)	..	416.62	435.7	448.04
9. Load factor (Percentage)	..	49.8	59.9	not available
10. Percentage of transmission and distribution loss	..	12.8	13.1	12.9
11. Number of units generated per KW of installed capacity		3.7	not available	not available

6.02.6.2. The following table gives other details about the working of the Board as at the end of 1977-78. The corresponding figures as at the end of 1978-79 and 1979-80 have not been made available (June 1981).

Particulars		1977-78
1. Villages/towns electrified (in numbers)	..	11,669
2. Pump sets/wells energised (in numbers)	..	20,346
3. Number of sub-stations	..	446
4. Transmission/distribution lines (ckm)	..	
(i) High/medium voltage	..	37,821.3
(ii) Low voltage	..	19,216.5
	Total	57,037.8
5. Connected load (MW)	..	1,449.15
6. Number of employees	..	23,655

**The figures are provisional as the accounts for 1979-80 were in arrears (May 1981).

§ Includes power supplied free 1.31 (Mkwh).

6.02.6.3. The following table gives the details of power sold and revenue, expenses and profit/loss per Kwh sold during the three years up to 1979-80 :

	1977-78	1978-79	1979-80*
1. Unit sold (Mkwh)—			
<i>Category of consumers—</i>			
(a) Agriculture	56.59	68.27	75.50
(b) Industrial	894.76	1,028.99	1,028.54
(c) Commercial	102.42	94.67	126.97
(d) Domestic	99.42	119.48	137.24
(e) Others	1,679.66	1,569.94	1,658.81
Total ..	2,832.85	2,881.35	3,027.06
2. Revenue per kwh (paise)	24.3	27.8	Not available.
3. Expenditure** per kwh (paise)	22.6	26.3	Not available.
4. Profit(+)/Loss(-) per kwh (paise)	(+)1.7	(+)1.5	Not available.

6.03. Calcutta State Transport Corporation

6.03.1. The capital of the Calcutta State Transport Corporation [under Section 23(i) of the Road Transport Corporations Act, 1950] was Rs.708.46 lakhs* (State Government : Rs.608.46 lakhs; Central Government : Rs.100.00 lakhs) as on 31st March 1980 as against the capital of Rs.708.46 lakhs (State Government : Rs.608.46 lakhs; Central Government : Rs.100.00 lakhs) as on 31st March 1979. Interest is payable on capital received from the Central Government at the rate of 6.25 per cent. Terms and conditions regarding capital from State Government have not yet been settled (February 1981).

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

Particulars	Year(s) of guarantee	Amount guaranteed (Rupees in lakhs)	Amount outstanding as on 31st March 1980*		
			Principal (Rupees in lakhs)	Interest	Total
Market loan	1972-73	110.00	110.00	..	110.00
I.D.B.I. loan	1969-70 to 1978-79	1,003.44	165.56	54.56	220.12

*The figures are provisional as the accounts for 1979-80 were in arrears (May 1981).

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

6.03.3. **Financial Position :** The table below summarises the financial position of the Corporation under the broad headings for the three years up to 1978-79 :

	1976-77	1977-78	1978-79
	(Rupees in lakhs)		
Liabilities—			
(a) Capital	708.46	708.46	708.46
(b) Reserves and surplus	971.75	1,097.29	1,240.69
(c) Borrowings	5,066.86	6,110.94	7,231.39
(d) Trade dues and other current liabilities	2,735.38	3,007.24	3,618.07
Total ..	9,482.45	10,923.93	12,798.61
Assets—			
(a) Gross block	2,609.79	2,554.01	2,700.64
(b) <i>Less</i> : Depreciation	1,440.48	1,548.18	1,549.48
(c) Net fixed assets	1,169.31	1,005.83	1,151.16
(d) Capital works-in-progress	31.23	43.55	36.31
(e) Investments	829.56	1,023.51	1,138.98
(f) Current assets, loans and advances	812.78	916.08	1,119.02
(g) Accumulated losses	6,639.57	7,934.96	9,353.14
Total	9,482.45	10,923.93	12,798.61
Capital employed§	(-817.84)	(-1,152.95)	(-1,430.16)
Capital invested†	5,775.32	6,819.40	7,939.85

6.03.4. **Working results :** The following table gives details of the working results of the Corporation for the three years up to 1978-79 :

Particulars	1976-77	1977-78	1978-79
	(Rupees in lakhs)		
1. (a) Operating—			
Revenue	817.20	744.67	905.35
Expenditure	1,574.31	1,630.35	1,863.46
Surplus (+)/Deficit (-)	(-757.11)	(-885.68)	(-958.11)
(b) Non-operating—			
Revenue	56.84	58.07	67.90
Expenditure	414.53	467.78	527.97
Surplus (+)/Deficit (-)	(-357.69)	(-409.71)	(-460.07)
(c) Total revenue			
Total revenue	874.04	802.74	973.25
Total expenditure	1,988.84	2,098.13	2,391.43
(d) Net Profit(+)/Loss(-)			
Net Profit(+)/Loss(-)	(-1,114.80)	(-1,295.39)	(-1,418.18)
2. Interest on capital and loans**			
Interest on capital and loans**	419.46	472.92	533.51
3. (a) Total return on capital employed			
Total return on capital employed	(-695.34)	(-822.47)	(-884.67)
(b) Total return on capital invested			
Total return on capital invested	(-695.34)	(-822.47)	(-884.67)

[§] Capital employed represents net fixed assets *plus* working capital.

[†] Capital invested represents paid-up capital *plus* long-term loans *plus* free reserves.

**Interest liability to the end of the previous year not discharged up to the end of 1979-80;

Rs. 3,192.63 lakhs,

6.03.5. Operational performance : The following table indicates the operational performance of the Corporation for the three years up to 1979-80 :

	1977-78	1978-79	1979-80
1. Average number of vehicles held	938	998	1,059
2. Average number of vehicles on road	574	631	721
3. Percentage of utilisation	61.2	63.2	68.1
4. Kms. covered (in lakhs)—			
(a) Gross	334	379	453
(b) Effective	316	358	430
(c) Dead	18	21	23
5. Percentage of dead Kms. to gross Kms. ..	5.39	5.54	5.08
6. Average Kms. covered per bus per day ..	151	155	163
7. Average revenue per Km. (paise)	251.46	268.65	283.13*
8. Average expenditure per Km. (paise) ..	666.28	669.24	654.91*
9. Profit(+)/Loss(-) per Km. (paise) ..	(-414.82)	(-400.59)	(-371.78*
10. Route Kms.	7,068.89	7,330.89	7,937.20
11. Number of operating depots	7	8	8
12. Average number of break-downs per lakh Kms.	214.4	181.2	142.6
13. Average number of accidents per lakh Kms. ..	1.80	1.88	1.76
14. Passenger Kms. scheduled**			
15. Passenger Kms. operated**			
16. Occupancy ratio**			

6.04. North Bengal State Transport Corporation

6.04.1. Capital : The capital of the North Bengal State Transport Corporation [under Section 23(i) of the Road Transport Corporations Act, 1950] was Rs.580.56 lakhs* (State Government : Rs.422.04 lakhs; Central Government : Rs.158.52 lakhs) as on 31st March 1980 as against the capital of Rs.500.56 lakhs* (State Government : Rs.342.04 lakhs; Central Government : Rs.158.52 lakhs) as on 31st March 1979. Interest is payable on the capital at 6½ per cent per annum.

*Figures are provisional as the accounts for 1979-80 were in arrears (May, 1981),

**Details have not been made available.

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

Particulars	Year(s) of guarantee	Amount guaranteed	Amount outstanding as on 31st March 1980*		
			Principal	Interest	Total
		(Rupees in lakhs)	(Rupees in lakhs)		
I.D.B.I. loan obtained during 1977-78	1977-78	49.99	20.05	12.38	32.43
I.D.B.I. loan obtained during 1979-80	1979-80	50.97	35.83	11.74	47.57
Cash credit : Central Bank of India ..	1973-74	20.00	13.41	0.91	13.60

6.04.3. **Financial position :** The table below summarises the financial position of the Corporation under the broad headings for the three years up to 1974-75 :

<i>Liabilities</i>				1972-73	1973-74	1974-75
				(Rupees in lakhs)		
(a) Capital .. ..	..	..	..	288.05	308.05	312.04
(b) Reserves and surplus	..	..	..	7.08	7.03	6.90
(c) Borrowings	..	..	..	75.87	121.60	212.65
(d) Trade dues and other current liabilities†	..	..	..	157.13	189.09	256.48
			Total ..	528.13	625.77	788.07

<i>Assets</i>				1972-73	1973-74	1974-75
(a) Gross block .. ..	..	..	..	336.27	369.66	389.06
(b) Less : Depreciation ..	..	..	..	189.05	235.61	273.77
(c) Net fixed assets .. ..	..	..	..	147.22	133.85	115.29
(d) Capital works-in-progress @	..	..	..	3.48	3.27	3.06
(e) Investments .. ..	..	..	..	40.16	44.02	51.45
(f) Current assets, loans and advances	..	..	..	92.45	96.66	111.62
(g) Accumulated loss .. ..	..	..	..	244.82	347.97	506.65
			Total ..	528.13	625.77	788.07
Capital employed**	..	..	..	136.43	106.79	63.01
Capital invested@@	..	..	..	364.86	430.61	525.66

*The figures are provisional as accounts for 1975-76 onwards were in arrears (May 1981).

†Includes deposits and difference in accounts.

@Includes reconciliation of capital advances.

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

@@Capital invested represents paid-up capital plus long-term loans plus reserves.

6.04.4. Working results : The following table gives details of the working results of the Corporation for the three years up to 1974-75 :

Particulars	1972-73	1973-74	1974-75
	*(Rupees in lakhs)		
1. (a) Operating—			
Revenue	222.08	244.87	238.73
Expenditure	268.08	305.98	328.34
Surplus(+)/Deficit(-)	(-46.00)	(-61.11)	(-89.61)
(b) Non-operating—			
Revenue	3.98	22.35	2.09
Expenditure	51.98	64.38	71.16
Surplus(+)/Deficit(-)	(-48.00)	(-42.03)	(-69.07)
(c) Total—			
Revenue	226.06	267.22	240.82
Expenditure	320.06	370.36	399.50
(d) Net profit(+)/Loss(-)	(-94.00)	(-103.14)	(-158.68)
2. Interest on capital and loans*	19.91	25.14	30.68
3. (a) Total return on capital employed	(-74.09)	(-78.00)	(-128.00)
(b) Total return on capital invested	(-74.09)	(-78.00)	(-128.00)

6.04.5. Operational performance : The table below indicates the operational performance of the Corporation for the three years up to 1979-80, arising from records other than accounts which have not yet been compiled :

	1977-78	1978-79	1979-80
1. Average number of vehicles held	435	391	422
2. Average number of vehicles on road	267	298	312
3. Percentage of utilisation	67	76	76
4. Kms covered (in lakhs)—			
(a) Gross	196.78	221.82	237.64
(b) Effective	195.09	220.28	235.62
(c) Dead	1.69	1.54	2.02
5. Percentage of dead Kms to gross Kms	0.86	0.69	0.85
6. Average Kms covered per bus per day	210	216	217
7. Average revenue per Km (paise)	158	169	182**
8. Average expenditure per Km (paise)	279	294	318**
9. Profit(+)/Loss(-) per Km (paise)	(-121)	(-125)	(-136**)
10. Route Kms	20,766	21,355	21,973
11. Number of operating depots	18	18	18
12. Average number of break downs per lakh Kms	1.74	1.29	1.37
13. Average number of accident per lakh Kms	0.30	0.26	0.20
14. Passenger Kms scheduled (in lakhs)	9,005.78	10,273.81	11,060.52
15. Passenger Kms operated (in lakhs)	6,304.04	7,705.35	8,848.41
16. Occupancy ratio	0.70	0.75	0.80

*Interest liability to the end of the previous year not discharged up to the end of 1979-80 : Rs. 180.52 Lakhs.

**Figures are provisional as the accounts were in arrears (July 1981) from 1975-76.

6.05. Durgapur State Transport Corporation

6.05.1. **Capital:** The capital of the Durgapur State Transport Corporation [under Section 23(i) of the Road Transport Corporations Act, 1950] was Rs.603.32 lakhs* subscribed by State Government as on 31st March 1980 as against the capital of Rs.479.83 lakhs* as on 31st March 1979. The terms and conditions regarding repayment of loan have not yet been settled.

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

Particulars	Year of guarantee	Amount guaranteed	Amount outstanding as on 31st March 1980		
			Principal	Interest	Total
I.D.B.I. Bill rediscounting scheme.	1974-75	12.24	4.89	0.78	5.67

Amount of guarantee fees in arrears as on 31st March 1980 was Rs.0.17 lakh*.

6.05.3. **Financial position:** The table below summarises the financial position of the Corporation under the broad headings for the three years up to 1975-76 :

				1973-74	1974-75	1975-76
Liabilities				(Rupees in lakhs)		
(a) Capital .. .. .	..	..	..	119.00	119.91	119.91
(b) Reserves and surplus**	..	..	..	16.52	20.61	26.15
(c) Borrowings .. .. .	..	..	..	10.55	53.64	107.13
(d) Trade dues and other current liabilities†	..	..	..	15.39	32.89	49.24
			Total ..	161.46	227.05	302.43
Assets						
(a) Gross Block .. .. .	..	..	..	134.70	144.05	136.50
(b) Less : Depreciation ..	..	..	..	70.04	82.27	68.09
(c) Net fixed assets .. ..	..	..	..	64.66	61.78	68.41
(d) Investments .. .. .	..	..	..	48.95	48.91	50.32
(e) Current assets, loans and advances	..	..	..	33.97	47.90	55.49
(f) Accumulated loss .. ..	..	..	..	13.88	68.46	128.21
			Total ..	161.46	227.05	302.43
Capital employed‡ .. .. .	..	..	..	83.30	75.69	74.85
Capital invested§ .. .. .	..	..	..	129.55	173.55	227.04

*The figures are provisional as the accounts for 1976-77 onwards were in arrears (July 1981).

**Excludes Depreciation Reserve Fund.

†Includes Deposits.

‡Capital employed represents net fixed assets plus working capital.

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

6.05.4. Working results : The following table gives details of the working results of the Corporation for the three years up to 1975-76 :

Particulars	1973-74	1974-75	1975-76
1. (a) Operating—	(Rupees in lakhs)		
Revenue	13.91	45.51	58.75
Expenditure	25.38	91.83	111.55
Surplus(+)/Deficit(-)	(-)11.47	(-)46.32	(-)52.80
(b) Non-operating—			
Revenue	0.18	0.60	5.82
Expenditure	2.59	8.86	12.77
Surplus(+)/Deficit(-)	(-)2.41	(-)8.26	(-)6.95
(c) Total—			
Revenue	14.09	46.11	64.57
Expenditure	27.97	100.69	124.32
(d) Net profit(+)/Loss(-)	(-)13.88	(-)54.58	(-)59.75
2. Interest on capital and loans*	2.59	8.86	12.77
3. Total return on—			
(a) Capital employed	(-)11.29	(-)45.72	(-)46.98
(b) Capital invested	(-)11.29	(-)45.72	(-)46.98

6.05.5. Operational performance : The table below indicates the operational performance of the Corporation for the three years up to 1979-80, arising from records other than accounts which have not yet been compiled :

	1977-78	1978-79	1979-80
1. Average number of vehicles held	108	118	119
2. Average number of vehicles on road	63	65	78
3. Percentage of utilisation	58.3	55.08	65.52
4. Kms covered (in lakhs)—			
(a) Gross	61.36	61.29	68.27
(b) Effective	57.73	57.11	63.82
(c) Dead	3.63	4.18	4.45
5. Percentage of dead Kms to gross Kms	5.92	6.82	6.52
6. Average Kms covered per bus per day	251	241	224
7. Average revenue per Km (paise)	134	153	174**
8. Average expenditure per Km (paise)	278	322	363**
9. Profit(+)/Loss(-) per Km (paise)	(-)144	(-)169	(-)189**
10. Route Kms	3,895	4,019	4,169
11. Number of operating depots	1	1	1
12. Average number of break-downs per lakh Kms	0.27	0.36	0.61
13. Average number of accidents per lakh Kms	1.13	0.81	0.91
14. Passenger Kms scheduled (in lakhs)	2,122	2,348	2,793
15. Passenger Kms operated (in lakhs)	1,876	1,902	2,346
16. Occupancy ratio	0.79	0.81	0.84

*Interest liability to the end of the previous year not discharged up to the end of 1979-80 ; Rs. 86.70 lakhs.

**Figures are provisional as the accounts were in arrears from 1976-77 (July 1981).

6.06. West Bengal Financial Corporation

6.06.1. **Paid-up capital :** The paid-up capital of the West Bengal Financial Corporation as on 31st March 1980 was Rs.370 lakhs (State Government : Rs.166.77 lakhs*; Industrial Development Bank of India : Rs.155 lakhs; others : Rs.48.23 lakhs) against the paid-up capital of Rs.310 lakhs (State Government : Rs.136.77 lakhs; IDBI : Rs.125.00 lakhs; others : Rs.48.23 lakhs) as on 31st March 1979.

6.06.2. **Guarantees :** The Government has guaranteed the repayment of share capital of Rs.350 lakhs (excluding special share capital of Rs.20 lakhs) under Section 6(1) of the State Financial Corporations Act, 1951 and payment of minimum dividend thereon at the rate of 3.5 per cent. Subvention paid by Government (up to 31st March 1980) towards guaranteed dividend amounted to Rs.11.87 lakhs which was outstanding for repayment as on 31st March 1980. The table below indicates the details of other guarantees given by Government for repayment of loans raised by the Corporation.

Particulars	Year of guarantee	Amount guaranteed	Amount outstanding as on 31st March 1980		
			Principal	Interest	Total
(i) West Bengal Financial Corporation Bonds (from market)	1967-68 and 1974-75 to 1979-80	1,035.00	1,035.00 (includes Bonds application money of Rs. 110 lakhs).	13.86	1,048.86
(ii) <i>Ad-hoc</i> Bonds (from RBI).	1978-79	50.00	27.00	0.13	27.13

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

	1977-78	1978-79	1979-80
	(Rupees in lakhs)		
Capital and liabilities—			
(a) Paid-up capital (including share application money).	280.00	340.00	385.00
(b) Reserve Fund other Reserves and surplus ..	162.19	210.50	281.48
(c) Borrowings :			
(i) Bonds and Debentures	595.00	815.00	1,035.00
(ii) Others	946.20	1,183.73	1,312.81
(d) Subvention paid by the State Government on account of dividend.	11.87	11.87	11.87
(e) Other liabilities and provisions	140.52	176.46	254.33
Total ..	2,135.78	2,737.56	3,280.44

*The figure as per Finance Accounts is Rs.146.77 lakhs ; the difference is under reconciliation.

Assets—	1977-78	1978-79	1979-80
	(Rupees in lakhs)		
(a) Cash and bank balances	60.86	190.48	195.68
(b) Investment	3.27	3.84	8.55
(c) Loans and advances	1,961.80	2,407.44	2,870.38
(d) Debentures shares etc., acquired under under-writing agreements..	45.87	47.33	48.35
(e) Net fixed assets	4.48	5.10	6.07
(f) Dividend deficit account	11.87	11.87	11.87
(g) Other assets	47.63	71.50	139.54
Total ..	2,135.78	2,737.56	3,280.44
Capital employed*	1,637.11	2,079.97	2,535.77
Capital invested**	1,957.98	2,512.23	2,956.30

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

Particulars	1977-78	1978-79	1979-80
	(Rupees in lakhs)		
1. Income—			
(a) Interest on loans and advances	165.01	217.02	269.07
(b) Other income	1.34	3.38	2.11
Total ..	166.35	220.40	271.18
2. Expenses—			
(a) Interest on long-term loans	90.47	108.16	131.64
(b) Other expenses	19.78	36.63	26.31
Total ..	110.25	144.79	157.95
Profit before tax	56.10	75.61	113.23
4. Provision for tax	20.36	26.19	40.20
5. Other appropriations	28.20	40.74	61.99
6. Amount available for dividend	7.54	8.68	11.04
7. Dividend paid	5.48	7.54	2.10
8. Total return on capital employed	146.57	183.77	244.87
9. Total return on capital invested	146.57	183.77	244.87
10. Percentage of return on :			
Capital employed	8.95	8.83	9.66
Capital invested	7.49	7.32	8.29

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

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

6.06.5. Disbursement and recovery of loans : The performance of the Corporation in the disbursement/recovery of loans during the three years up to 1980 is indicated below :

Particulars	1978		1979		1980		(Rupees in lakhs) Cumulative since inception	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1. Applications pending at the beginning of the year.	38	132.51	65	274.32	44	324.77	..	..
2. Applications received	247	994.78	249	1,312.49	328	1,561.69	..	..
3. Total	285	1,127.29	314	1,586.81	372	1,886.46	2,904	11,285.18
4. Applications sanctioned	172	543.60	221	990.12	227	958.27	2,048	7,184.39
5. Applications cancelled/withdrawn/rejected	48	309.37	49	271.92	37	338.73	748	3,561.65
6. Applications pending at the close of the year	65	274.32	44	324.77	108	539.46	108	539.46
7. Loans disbursed	110	454.67	205	414.64	270	427.77	852	3,506.00
8. Amount outstanding at the close of the year	523	1,961.80	602	2,399.19	687	2,858.68	687	2,858.68
9. Amount overdue for recovery :								
(a) Principal	298	152.04*	398	205.24*	347	374.99*	347	374.99
(b) Interest		151.17**		240.96**		352.70**		352.70
10. Percentage of default to total loans outstanding.		15.97		18.60		25.46		

*Excludes Rs. 7.88 lakhs, Rs. 3.35 lakhs and Rs. 42.44 lakhs respectively for 1978, 1979 and 1980 where other arrangements have been made.

**Excludes Rs. 0.85 lakh, Rs. 11.75 lakhs and Rs. 5.83 lakhs respectively for 1978, 1979 and 1980 where other arrangements have been made.

6.06.6. The following is the age-wise analysis of the overdue amount :

Period	Amount overdue for recovery of		
	Principal	Interest	Total
	(Rupees in lakhs)		
Up to 1 year	35.83	24.96	60.79
1-2 years	83.65	56.41	140.06
Over 2 years	255.61	271.33	526.84

The above amount includes Rs.264.21 lakhs in respect of 52 cases in which suits have been filed for the recovery of dues.

6.07. West Bengal State Warehousing Corporation

6.07.1. **Paid-up capital :** The paid-up capital of the West Bengal State Warehousing Corporation was Rs.214.40 lakhs* (State Government : Rs.114.70 lakhs, Central Warehousing Corporation : Rs.99.70 lakhs) as on 31st March 1980 against the paid-up capital of Rs.190.40 lakhs* (State Government : Rs.99.70 lakhs; Central Warehousing Corporation : Rs.90.70 lakhs) as on 31st March 1979.

6.07.2. **Financial position :** The table below summarises the financial position of the Corporation under the broad headings for the three years up to 1977-78 :

Liabilities	1975-76	1976-77	1977-78
	(Rupees in lakhs)		
(a) Paid-up capital	106.00	127.00	181.40
(b) Reserves and surplus	39.90	40.87	39.68
(c) Borrowings .. .. .	..	..	..
(d) Trade dues and other current liabilities	56.96	60.22	63.95
Total	202.86	228.09	285.03
Assets			
(a) Gross block	47.30	66.29	69.65
(b) Less : Depreciation	19.42	21.17	23.01
(c) Net fixed assets	27.88	45.12	46.64
(d) Capital works-in-progress	7.30	1.91	0.51
(e) Investments	3.50	3.50	3.50
(f) Current assets, loans and advances	164.18	177.56	234.38
Total	202.86	228.09	285.03
Capital employed**	138.60	164.32	219.70
Capital invested†	123.41	143.14	194.07

*The figures are provisional as accounts from 1978-79 onwards were in arrears (May 1981).

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

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

6.07.3. **Working results :** The following table gives the details of the working results of the Corporation for the three years up to 1977-78 :

Particulars	1975-76			1976-77			1977-78		
	(Rupees in lakhs)								
1. Income—									
(i) Warehousing charges	74.87	69.56	73.45			
(ii) Other income	1.85	2.27	2.30			
Total	76.72	71.83	75.75			
2. Expenses—									
(i) Establishment charges	24.66	27.75	32.01			
(ii) Other expenses	41.03	41.81	42.40			
Total	65.69	69.56	74.41			
3. Profit before tax	11.03	2.27	1.34			
4. Provision for tax	1.25	1.25			
5. Other appropriations	2.78	0.95	0.98			
6. Amount available for dividend	0.07	(-)0.89			
7. Dividend paid	3.77	2.30	3.55			
8. Total return on capital employed	11.03	2.27	1.34			
9. Total return on capital invested	11.03	2.27	1.34			
10. Percentage of return on :—									
(a) Capital employed	9.32	1.39	0.61			
(b) Capital invested	8.94	1.58	0.66			

6.07.4. **Operational performance :** The following table gives details of the storage capacity created, capacity utilised and other information about the performance of the Corporation for the three years up to 1979-80 :

Particulars	1977-78			1978-79*			1979-80*		
	1. Number of stations covered								
..	32	33	36				
2. Storage capacity created up to the end of the year (tonnes in lakhs)—									
(a) Owned	0.08	0.17	0.23			
(b) Hired	1.43	1.34	1.37			
Total	1.51	1.51	1.60			
3. Average capacity utilised during the year (tonnes in lakhs).									
..	1.34	1.32	1.43			
4. Percentage of utilisation									
..	88	87	88			

The particulars regarding the average revenue per tonne and the average expenses per tonne have not been made available.

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

SECTION VII

WEST BENGAL STATE ELECTRICITY BOARD

Jaldhaka Hydel Project

7.01. Introduction

In order to cater to the demand for power in North Bengal, a hydro-electric project, utilising the water from the Jaldhaka river (which formed the boundary between Bhutan and West Bengal) was approved by the Planning Commission in May 1959. Initially, two units of 9 MW each were to be installed; two more units were to be added if and when warranted by seasonal demand. Due to change in pattern of load development it was subsequently (September 1968) decided to have one more unit of 9 MW to meet the demand for firm power instead of two more units for seasonal load.

Mention was made in Section VII of Chapter II of Audit Report (Commercial) for 1973-74 and paragraphs 6.06 (D) and 7.05 of Section V of Chapter II of Audit Report (Commercial) for 1974-75 about the construction and working of the 3 units of Jaldhaka Hydel Project up to 1972-73.

The subsequent working of the 3 units in State I and the progress of works connected with Stage II have been analysed in following paragraphs : >

7.02. Performance evaluation—Stage I

7.02.1. The overall performance of the Jaldhaka Hydel Powerhouse (Stage I) during the six years up to 1979-80 is summarised in the table given below :

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
Installed Capacity (MW)	27	27	27	27	27	27
Average Load (MW) ..	8.04	6.23	7.83	7.63	3.47	0.84
Power actually generated (Mkwh).	70.44	54.54	68.59	66.88	30.42	7.37
Power generated per MW of installed capacity (thousand Kwh per MW).	2,609	2,020	2,540	2,477	1,127	273
Auxiliary consumption (Mkwh).	1.69	1.07	2.04	1.56	1.04	0.25
Hours of operation ..	8,527	11,167	11,252	9,726	5,661	1,559
Maximum Demand (in MW).	17.7	16.7	18.47	17.78	11.15	9.24
Plant utilisation factor (percentage of average load to capacity).	29.8	23.07	29	28.26	12.85	3.1
Plant load factor (percentage of average load to maximum demand)	45.4	37.3	42.3	42.9	31.1	9.1

The above data may be evaluated, *inter alia*, with reference to working of the individual units, in different spells during the years from 1974-75 to 1979-80 as noted below :

			Total period of operation	Months
Unit I	..	..	August 1975 to October 1977 July 1979 to March 1980	36
Unit II	..	..	April 1974 to January 1976 February 1977 to March 1979	48
Unit III	..	..	April 1974 to June 1975 March 1976 to May 1979	54

During the remaining months the units remained non-functional on account of overhauling.

It will also be seen from the table that the power actually generated during 1974-75 to 1979-80 was not only poor but varied widely from 7.37 MKWH to 70.44 MKWH in a year, and there was large scale fluctuation in the hours of operation from 1,559 to 11,167. This could not but have adverse effect on plant utilisation and load factors.

The Management stated (March 1981) that the parallel running of the three units throughout the year was not envisaged and mentioned for the first time that the generation potential of the Jaldhaka Power Station (with the three units) should be deemed to be only 88.45 MKWH on an estimated average run of 10,920 hours considering the following constraints :

- (a) Due to severe floods of 1968, the topography of the catchment area of the Jaldhaka river and upstream of the barrage underwent a strategic change, causing flow of silted water.
- (b) Deposit of silt and boulders in the upstream of pondage area had reduced pondage volume.
- (c) It was not possible to obtain useable potential water during monsoon to run the power station.

7.02.2. The number of hours for which the three units had worked *vis-a-vis* the power generated during the period from 1974-75 to 1979-80 are as follows :

Year	Unit I			Unit II			Unit III				
	Available hours	Hours worked	Power generated (MKWH)	Available hours	Hours worked	Power generated (MKWH)	Available hours	Hours worked	Power generated (MKWH)		
1974-75	Nil	Nil	8760	4117	34.89	8760	4410	35.55
1975-76	6438	5101	22.87	7906	5227	26.21	866	838	5.46
1976-77	6367	3139	9.45	1816	601	3.81	8359	7512	55.33
1977-78	5238	1480	4.91	6832	2742	25.90	8729	5504	36.67
1978-79	Nil	Nil	6930	2720	12.49	7368	2942	17.93
1979-80	2889	704	5.11	..	Nil	Nil	1676	855	2.26

The heavy fluctuation in generation in relation to the working hours was stated by the Board (March 1981) to be due mainly to severe damage to the sets caused by silted water resulting in more drawal of water with lesser generation of power.

7.02.3. Planned and forced outages : The overall particulars of shut-down of the units during the years 1976-77 to 1979-80 are indicated below :

Reasons for shut-down	1976-77	1977-78	1978-79		1979-80
			(in hours)		
1. Planned shut-down	509	2,681	1,835		67
2. Forced shut-down :					
(a) Fault in machine	1,383	5,380	4,724		2,607
(b) Turbidity in water and insufficient water.	1,443	1,676	964		..
(c) Silt and muddy water	171	252	559		291
(d) Absence of load	1,446	247	..		..
(e) Other reasons	348	837	554		41
(f) Total	5,290	11,073	8,636		3,006

Records of outages prior to 1976-77 were not maintained uniformly for all the units.

The Management stated (March 1981) that—

- outages due to silted and turbid water had become a regular feature after floods of 1968,
- faults in the machines had become frequent due to damage by silted water,
- outages due to fault in transmission line and other reasons were normal features in all power stations.

7.02.4. Overhauling of sets : Due dates for overhauling as per manufacturers' recommendations were not available. Although the Board stated (January 1976) vide, paragraph 7.05(d) of Section V, Chapter II of the Audit Report (Commercial) for 1974-75, that normally turbo-generators are opened up and inspected for the first time after one year's operation, and, thereafter depending on the condition of the water and other parameters, they might be overhauled after 20,000 hours or more, it was observed that no uniform pattern was followed in overhauling the sets and there were wide variations in the periods of overhauling as shown below :

Unit	Date of commissioning	Due date of overhauling	Actual dates of overhauling		
			First	Second	Third
I	.. March 1967	March 1968	November 1971 to March 1972 (5 months)	September 1973 to July 1975 (23 months)	November 1977 to June 1979 (20 months)
II	.. June 1967	June 1968	March 1972 to September 1973 (19 months)	February 1976 to January 1977 (12 months)	April 1979 to March 1980 (12 months)
III	.. November 1972	November 1973	July 1975 to February 1976 (8 months)	June 1979 to March 1980 (10 months)	..

7.02.5. The four charts given in Appendices "D", "E", "F" and "G" depict (a) unit-wise periods of operation for the 6 years ending March 1980 and (b) comparative year-wise particulars of hours worked and the power generated during the above period.

7.02.6. It will appear from a study of the above mentioned details of working of three units of Jaldhaka Hydel Project for 6 years (1974-75 to 1979-80) that there was hardly any correlation between the capacity of the units and their overall performance. The normal indices like maximum demand, plant utilisation factor, plant load factor and generation potential could hardly be applied towards meaningful results because of sharp variations from time to time in the periods of operation, the hours of working and the generation of power.

7.02.7. In their evidence (August 1979) before the Committee on Public Undertakings, the Board had mentioned that since its commissioning (March 1967) the project had faced problems due to various factors and that with a view to correct the situation, the Central Water Commission (CWC) was requested (June 1976) to conduct detailed investigation and suggest remedial measures.

The suggestions given by the CWC (October 1979) were, however, not implemented as it was considered by the Board that they would cause difficulties in deployment of machines at the upstream due to the necessity of shutting down the plant completely for several months. An alternative proposal initiated by the Board (February 1979) for diverting the water of the central tributary (estimated cost Rs.15 lakhs) was also not given effect to as the necessary hydrological data was not received from the CWC (March 1980).

In March 1979, the Survey and Investigation Division reported that the machines were consuming 350 to 400 cusecs of water for the rated generation as against the norms of 250 cusecs and that water meters were out of order since 1969 (units I & II) and 1977 (unit III). The water meters had not been got repaired yet, and the consumption of the water remained high, as observed by the Board in March 1981.

7.03. Fire in unit I

A fault developed in unit I on 5th August 1979 resulting in fire and causing damage to the equipment. As this was the only set in operation, and in order to avoid delay, the repair work was awarded to a firm of Calcutta at a total cost of Rs.0.98 lakh without inviting tenders. The set was recommissioned on 18th October 1979 after repairs, but was again damaged by fire on 19th October 1979. On inspection (November 1979), it was found that the fault had

developed in the original coils far removed from the zone attended to by the firm earlier. The firm which inspected the set in December 1979 quoted Rs.10.14 lakhs for repair work and also rendering other services like reinsulating the generator coils with a view to increasing the service of the generator. The work was awarded to the firm in February 1980 for completion by September 1980. The work had not yet been completed (March 1981).

Two claims were lodged with the insurers for the damages caused in August 1979 (Rs.1.35 lakhs) and October 1979 (Rs.2.00 lakhs). The claims were still pending settlement (March 1981).

7.04. Protection work of barrage and spillway

The barrage piers, specially the noses, get severely damaged every year during monsoon. In the year 1973, as per the suggestion of the Civil Engineering Adviser (North Bengal), the pier noses were got protected by providing heavy sal sleepers at a cost of Rs.0.35 lakh. The whole work was damaged in floods during October 1973. For the protection work in 1974, an order was placed (January 1974) on a firm (lowest tenderer) at a total value of Rs.7.37 lakhs to be completed in two years. On the advice of Civil Engineering Adviser (North Bengal) and as an experimental measure, the work on the down-stream side of spillway No. 4 was executed by fixing 90 lbs. rails with 'Pakur' stone sets as against the tender specification for use of cement concrete (1 : 1½ : 3) with 'murthy' singles and 'ghish' sand. The construction work completed on 19th June 1974 was damaged severely in the floods of 1st July 1974. According to the site engineer, the loss incurred by the Board was estimated to be Rs.0.90 lakh. The Board intimated (March 1981) to the Government that although the repair work was done with 'Pakur' stone sets it could not withstand the floods.

Similar protection works carried out in 1975 with 20 lbs. rails encased in concrete was also damaged due to floods in 1975 for which the Board had to incur an extra expenditure of Rs.2.50 lakhs. Besides, the Board had to spend a further sum of Rs.1.50 lakhs for the same purpose after the floods. With a view to avoiding restricting extensive damages almost every year, the Board set up (February 1976) an Expert Committee to—

- (i) investigate the causes leading to the damages to the spillway during flood;
- (ii) explore possibilities for permanent repair to the pier nose and spillway with suggestion for modifications to existing structures; and
- (iii) find out possibilities for increasing the present pondage capacity.

The findings of the Committee revealed among other things, the following facts :

The gates of the spillway were not properly maintained and showed signs of deterioration.

The upstream floor including the apron damaged in flood in earlier years were never repaired.

No drawings were made available to ascertain the extent of work completed during each year.

The Committee was of the view that unless the damages on the upstream were made good, the damages on downstream would not be stopped. It had, therefore, suggested that the entire spillway floor from upstream to downstream, including a certain height of the piers and abutments, were to be anchored with $\frac{3}{4}$ " to 1" thick M.S. plates which would cost about Rs. 7 lakhs. As the work would require shut-down of the power station for 3 to 4 months, the case was referred (December 1976) to the Central Electricity Authority for final decision. In a meeting held in February 1980, the Central Water Commission proposed the following measures :

- (i) The spillway floors were to be covered with granite blocks.
- (ii) The sides of the piers were to be steel-lined with plates up to a height of five feet above spillway flow levels; and
- (iii) A terminal structure with concrete blocks was to be constructed for smooth flow of water passing spillways.

The Management stated (July 1980) that it was also decided in the meeting that the works would be executed on receipt of drawings from CWC showing specification of works and no work could be undertaken till then.

In the meantime, some further stop gap measures by way of protection works had to be taken for which the Board incurred an expenditure of Rs.3.77 lakhs on protection works during 1976-77 to 1979-80.

The Management stated (July 1980) that some repair work in the upstream had been done recently but the problem still persisted as no work connected with removal of silt had been carried out.

7.05. Auxiliary diesel generating sets

Two diesel generating sets of 'Bruce' make of 200 Kw each were installed in 1963 for utilisation during construction and subsequently for meeting the auxiliary demand of the Power Station.

Details of generation by the sets *vis-a-vis* consumption of fuel during the 6 years ending March 1980 are indicated below :

Years	Generation (in KWH)	Hours of operation	LDO con- sumed (litres)	Lubricant consumed (litres)
1974-75	26,866	291	8,951	305
1975-76	69,391	790	21,219	640
1976-77	59,847	539	17,580	580
1977-78	1,16,891	1,094	35,465	780
1978-79	2,86,508	2,779	91,310	1,872
1979-80	3,80,392	4,129	1,19,560	2,301

It would be noticed that the operation of the sets had increased more than 14 times in the period of 6 years, particularly during the last three years, when these were in operation for more than 45 days, 116 days and 172 days respectively, mainly because of the breakdown in main units.

The Management stated (March 1981) that though the sets were primarily intended for auxiliary generation, these had to be operated to meet emergency needs.

7.06. Retention of surplus staff

Mention was made in paragraph 3.4(ix) Section VII of the Audit Report (Commercial) for the year 1973-74 about retention of surplus staff. Surplus staff continued to be retained during the period from 1974-75 to 1979-80 and expenditure incurred on their pay and allowances was as under :—

Year	Number of sur- plus staff	Expenditure on pay and allowances (Rupees in lakhs)
1974-75	290	6.15
1975-76	290	8.32
1976-77	186	18.40
1977-78	203	18.94
1978-79	135	17.29
1979-80	109	0.45

According to the Management (March 1981) the increase in the number of surplus staff during 1977-78 was due to transfer of some employees from Dishergarh packaged plant and posting of *ad-hoc* employees.

The Management stated (July 1980) that action had been taken for shifting and fitment of surplus staff to different wings of the Board. It was also stated that most of the surplus staff beyond the sanctioned strength would be required for works of Jaldhaka Stage II for which an augmentation of set-up had been proposed.

7.07. Project execution—Stage II

7.07.1. Two generating units of 4 MW each were proposed to be installed in Stage II of the Jaldhaka Hydel Project. Mention was made in paragraph 9 of Section VII of Audit Report (Commercial) 1973-74 and paragraph 6.06(D) of Section V of Audit Report (Commercial) 1974-75 that though major civil works for the project were taken up for execution in May 1973, sufficient progress could not be achieved due to various factors and that the project was scheduled to be completed by 1977-78.

Certain salient features noticed on a review of the working of the project since then are given below :—

(i) It was contemplated originally to construct a barrage towards the downstream of Stage I tailrace channel and lead the water conductor system through a tunnel. Later (March 1967), the scheme was modified except for the location of forebay, powerhouse and penstock slopes. The locations of forebay, penstock and powerhouse sites were also changed after detailed geological investigation carried out (December 1974) by the Geological Survey of India (GSI) at the time of execution of work of the water conductor system, as the main boundary fault passed through the location of forebay.

During the construction stage, certain investigations carried out (in 1976-77) by the GSI with a view to attending certain foundation problems along the hydel channel revealed, *inter alia*, existence of a conspicuous crack in the flume path zone caused by temporary water logging at the excavated area with a tendency of upheaval. The remedial measures suggested by the GSI were (i) tarfelt bricking along the alignment of the tailrace channel, (ii) grouting and rock bolting in flume path area with the construction of a toe retaining wall and (iii) shifting of weir by more than 1.5 Kms upstream. It was stated (March 1981) by the Management that these remedial measures had not been given effect to and that the GSI had been requested to investigate further into the matter and review the position.

(ii) **Revision of Project estimates :** The Project estimate of Rs.315.56 lakhs approved by the Planning Commission in October 1973 was revised to Rs.424.54 lakhs in June 1974 and to Rs.609.00

lakhs in January 1976. The estimate was further revised to Rs. 793.65 lakhs (October 1976) and sent to Central Electrical Authority for clearance. The estimate was stated (June 1980) to be under further revision.

The following table indicates the comparative position of cost for different items of work according to the original and revised estimates and the expenditure up to March 1980 :

Item of works	Original estimate (October 1973)	Revised estimate (October 1976)	Expenditure up to March 1980
	(Rupees in lakhs)		
Preliminary	2.50	2.50	1.70
Land	1.62	1.62	0.98
Civil works	166.99	279.89	296.45
Buildings etc.	19.00	70.04	60.65
Electrical works	81.85	282.65	152.26
Communication	6.44	51.00	30.79
Tools and Plants	10.51	23.60	11.00
Establishment including miscellaneous charges	26.65	102.35	136.60
	315.56	793.65	690.43

The increase was attributed (March 1981) by the Management to shifting of site leading to extra work, increase in cost of electrical equipment, provision for all-weather road and retention of surplus personnel.

(iii) **Commissioning of the sets :** According to the project report as cleared by the Planning Commission (October 1973), the 2 generating units of 4 MW each were to be commissioned by June 1977. The Programme of commissioning of the units was postponed to end of 1979 in October 1976 and to December 1980 in September 1977. But as per revised schedule drawn up in 1979, the units were expected to be commissioned only in 1981-82.

The delay in completion of the project as stated (July 1980) by the Management was due to increase in the volume of work based on geological investigation, termination of contract for construction of powerhouse and the consequent induction of a new contractor, non-availability of basic construction materials, limited availability of land, and paucity of funds.

As per the programmes drawn up from time to time the scheduled date of completion of major works and as revised were as under :

Particulars	Date of commencement	Target date for completion as revised in			Progress report of April 1980
		1974	1977	1979	
Tailrace diversion structure and RCC duct and coverduct.	May 1973	June 1975	December 1978	December 1979	March 1981
Water conductor system	January 1974	December 1975	March 1979	March 1980	October 1981
Acqueduct-cum-bridge over Jhalung Khola.	Ditto	June 1976	Ditto	Ditto	March 1981
Forebay and side spillway	Ditto	Ditto	Ditto	Ditto	Ditto
Penstock and allied works	November 1974	September 1976	September 1980	December 1980	November 1981
Powerhouse and tailrace channel.	November 1975	December 1976	Ditto	September 1981	December 1981

7.07.2. Water conductor system : The work of construction of the water conductor system was split up and awarded to four firms. The table below indicates the position of progress of the work :

	Area (chainage)	Value of work awarded (Rupees in lakhs)	Scheduled time of completion	Extended time of completion	Actual date of completion	Payment up to	
						March 1980	December 1980
(i) ..	7.70 to 43.56	19.47 (revised 28.73*)	June 1975	April 1978	April 1978	28.56	28.56
(ii) ..	43.56 to 68.56	28.43	June 1975	December 1977	December 1977	33.80	33.80**
(iii) ..	68.56 to 78.06	17.43	June 1975	March 1979	December 1979	14.71	15.70
(iv) ..	78.06 to 109.04	17.43	June 1975	March 1979	December 1979	12.44	13.79

(a) In the case of items (i) and (ii) the contractors claimed (May 1974) higher rate for manual/mechanical excavation of hard rock instead of blasting. The rates accepted by the Board (November 1976) were much higher than the prevailing P.W.D. rate (1973-74), and consequently, the Board had to incur extra expenditure of Rs.0.90 lakh and Rs.5.26 lakhs respectively. As against item (i) the Management admitted (July 1980) that non-inclusion of a clause in the contract resulted in the extra expenditure.

*Revised in October 1976 due to change of alignment to avoid embankment beside river and elimination of tunnel.

**Scope of work increased due to change of alignment.

The Management stated (March 1981) *inter alia* that higher rate was accepted on consideration of actual nature of work involved and prevailing rates of materials and labour in the locality.

(b) The contractors for items (iii) and (iv) preferred claim (August 1977 and November 1979) for compensation amounting to Rs.8.44 lakhs and Rs.7.16 lakhs on various grounds such as delay in handing over site|drawings, supply of materials and suspension of work by Board's engineers etc. The cases had been referred to arbitration (February 1980) and decision was awaited (March 1981).

7.07.3. Acqueduct-cum-R.C. Bridge : The work (estimated value Rs.10.35 lakhs) was awarded (December 1973) to a contractor for Rs.13.97 lakhs to be completed within 18 months. The date of completion was, however, extended (January 1976) to March 1977 as there was delay in handing over the drawings, increase in the volume of work, short|non-supply of departmental material and also due to delay in payment to the contractor. While the work was in progress, the contractor submitted (July 1976) a claim for Rs.6.87 lakhs towards substituted|supplementary items, extra quantities, idle time and enhanced rate for works executed beyond the original date of completion (June 1975) and simultaneously suspended the work. After protracted negotiations, the contractor was persuaded (December 1976) to relinquish all his rights to the contract on an additional payment of Rs.1.93 lakhs against his claim.

Out of the payment of Rs.1.93 lakhs (January 1977), a sum of Rs.0.64 lakh was paid for (i) enhanced rate for works executed after the original scheduled date of completion, (ii) idle time for delay in supply of detonators, (iii) loss of construction material, and (iv) extra work for making good flood damage. This could have been largely avoided if the Board had handed over drawings of the work in time to the contractor, and supplied the required material.

The incomplete portion of the work was awarded (January 1977) after retender to another contractor at an estimated value of Rs.22.29 lakhs. The work was completed in February 1980 and on account payments totalling Rs.26.36 lakhs had been made to the contractor up to March 1980. Increase in cost of completion of the work was stated (July 1980) by the Superintending Engineer (Civil) to be due to preparation of revised estimate which took into account the balance work left incomplete by the earlier contractor, increase in quantity and increase in cost of execution, as per rates accepted on the basis of tenders received. It was observed (March 1981) by Audit that the estimate of the work increased considerably due to increase in quantity on the basis of drawings (excavation work increased from 6.227 cubic metres to 24,300 cubic metres) and incorporation of two more bays in the work (concreting work increased from 2,344 cubic metres to 5,975 cubic metres).

7.07.4. **Forebay and side spillway :** The work of construction of forebay and side spillway was awarded to a firm in December 1973 at a total value of Rs.22.80 lakhs (estimated value Rs.15.67 lakhs) and scheduled to be completed by July 1975.

During the execution of the work, the GSI in their routine inspection detected a fault zone (December 1974) and suggested the shifting of the site of forebay by about 100 metres. The site was shifted in March 1975. In the meantime, the contractor had completed excavation of 3.92 lakhs cubic feet, and a portion of the work already executed (Rs.0.30 lakh) had to be abandoned. In fact, the probable presence of a fault-zone was indicated by the GSI earlier (1958) and detailed examination of hill-slopes recommended (1960), long before the work was taken up.

Due to change in location of site, the volume of work increased considerably and the estimate was revised (approved in December 1978) to Rs.49.32 lakhs. The increase was mainly under the following items :

Particulars of work (in lakhs of cubic feet)						Quantity as per original estimate	Quantity as per revised estimate
(i) Excavation	..	..	..	..	..	13.75	39.49
(ii) Concrete work	..	..	..	..	..	1.21	3.04
(iii) Labour charges (Rupees in lakhs)	..	..	..	..	..	0.38	3.04

The contractor restarted the work with revised drawings in October 1975. A claim for Rs.12.57 lakhs was submitted (November 1976) by the contractor due to (i) increase in quantity beyond the obligatory limit (125 per cent above the scheduled quantity), (ii) supplementary/substituted items, (iii) enhancement of rate and (iv) idle time for stoppage of work. The Standing Tender Committee approved (April 1977) the claims under items (i) & (ii) above, which according to the Management involved an additional expenditure of Rs.5.23 lakhs.

The contractor was allowed several extensions up to September 1979 and the work was completed within the extended period. The total on account payment made up to the June 1980 was Rs.49.75 lakhs. The contractor submitted (July 1980) a claim for Rs.14.34 lakhs for revision of rates on different grounds. The claim was (March 1981) under scrutiny of the Management.

The Management stated (March 1981) that expenditure on realignments and adjustments based on study of site conditions had to be accepted as part of the cost of the project.

7.07.5. Fabrication and erection of penstock : Tenders for fabrication and erection of penstock pipes work were called for in June 1974 for submission by August 1974 (extended up to December 1974). The offer of a Calcutta firm was accepted at Rs.21.09 lakhs excluding cost of steel. Work order was issued on 18th September 1976. In terms of the work order, the contractor was required to commence the fabrication on receipt of one-third quantity of raw steel to be supplied by the Board, free of cost and complete the fabrication work within 12 months. The erection part was to be completed within 8 months thereafter. The work was taken up in April 1977. Out of 391 tonnes of steel supplied, the contractor completed fabrication and erection for 176 tonnes up to Anchor No. II in August 1979. The remaining fabrication work was also completed in January 1980 except the testing of 'Y' shape. The contractor could not, however, proceed with the erection work after September 1979 due to non-available of works front towards powerhouse. Although the Management desired (September 1979) to recommence the balance erection works from January 1981 with necessary extension of time the site was not made available (June 1981).

The contractor was paid Rs.19.78 lakhs up to February 1981.

The Project Authorities stated (July 1980) that the work front beyond Anchor II could not be released as the excavation work of powerhouse was delayed due to cancellation of earlier contract and re-awarding of the same.

7.07.6. Powerhouse building and tailrace channel : The works relating to (i) powerhouse building and (ii) tailrace channel (estimated cost : Rs.28.01 lakhs and Rs.4.55 lakhs) for which tenders were invited in February 1976|December 1974 were awarded to the lowest tenderer in August 1976|November 1975 at a cost of Rs. 37.82 lakhs and Rs. 6.81 lakhs for completion within 15 months and 6 months respectively.

Though, in accordance with the Geological investigation Reports (December 1974) the location of forebay, powerhouse and tailrace channel was shifted in March 1975, this was not taken into account in the estimates while awarding the work to the contractor. The estimate was, however, revised (August 1976) after awarding the work to the contractor who was asked to execute the work as per the revised estimate.

The agreement contemplated supply of certain machinery to the contractor for the work of powerhouse building. In April 1977, the contractor came up with certain difficulties as he had to do the excavation manually to a large extent consequent on the machines supplied to him having met with numerous breakdowns due to

unsatisfactory condition of the machinery hired. The rates for manual excavation not having been settled and paid for, the contractor suspended (August 1977) further work for powerhouse building. The rates for the work done on manual basis were settled in January 1979 by negotiations and the contractor was paid (February 1979) Rs.9.28 lakhs against the initial claim of Rs.13.39 lakhs, subject to his relinquishing of all rights against the contract and the Management decided to get the balance work done by retendering.

In the meantime the contractor stopped (September 1977) further work after execution of 74,505 cubic metres excavation against tendered quantity of 50,500 cubic metres on the ground of non-finalisation of rates for extra quantities of work done beyond obligatory limit and demanded Rs.4.04 lakhs being cost of excavation work done by him in excess of quantity as per agreement. The claim was settled on payment (February 1979) of Rs.1.79 lakhs subject to his relinquishing of all rights against the contract.

The balance works had been awarded March 1979 to the third lowest tenderer (a Government of India Undertaking) at an estimated value of Rs.155.82 lakhs for completion by March 1981. The Management stated (March 1981) that the work was awarded to the Government undertaking because it was considered that it had a positive advantage over the other contractors in respect of resources and expertise. The work had not been completed and was still in progress (June 1981).

The Management's failure to assess the availability of machinery in working condition for supply to the contractor contributed to delay in execution and increase in the cost of the work. Besides, awarding the contract initially based on original estimate while the estimate required revision deprived the Board of the benefit of more competitive tenders and also resulted in avoidable claim from the contractor for excess quantities, termination of the contract and induction of a new contractor, thereby resulting in further delay in execution of the work.

7.07.7. Supply and erection of generating sets: (i) As mentioned in paragraph 9 of Section VII of Chapter II of Audit Report (Commercial) for 1973-74, the Planning Commission accorded clearance (October 1973) for the indigenous procurement of the generating sets. In response to the tender notice of March 1974 for the supply and erection of 2x4 MW sets only 2 offers were received for imported sets through local representatives. Of the two the lowest offer for an Austrian set (f.o.b. value Rs.96.95 lakhs) was valid up to 18th September 1974 and was extended up to 30th September 1974. The firm allowed second extension up to 31st October 1974 with 12 per cent increase (Rs.114.71 lakhs) over the

original offer. As clearance from Government of India was not available the Board issued a provisional letter of intent (21st October 1974). This was followed by release of a formal purchase order (March 1975) on receipt of foreign exchange clearance from Government of India (February 1975). The increase in price resulted in extra expenditure of Rs.12.46 lakhs.

(ii) As per the delivery schedule, the sets were required to be supplied between August and November 1976 to synchronise with their commissioning by June 1977. The equipment was shipped in two batches in April 1977 and April 1978. The equipment was guaranteed against defective material or faulty workmanship for a period of 12 months from the date of commissioning or 30 months from the date of delivery ex-works, whichever was earlier. The guarantee period expired in October 1980 and the Board had not asked for further extension of the same. It was noticed in Audit that the discrepancies detected (December 1977/January 1978) at the time of inspection of the equipment were not pursued with the supplier.

(iii) Although there was no stipulation for the supply of penstock pipes, the supplier delivered (April 1977) 2 pieces of pipes with flanges (cost Rs.0.83 lakh). According to the Deputy Chief Engineer (April 1980) the pipes with flanges were supplied inadvertently. The pipes are lying unutilised (March 1981).

7.08. Enquiry Committee

As there had been considerable slippage in the programme of completion of the works under Stage II [vide, paragraph 7.07.1(iii) supra] the Board set up a departmental enquiry Committee in August 1978 with the following terms of reference :

- (i) Scrutiny of all aspects of the Project under Stage II since inception to date;
- (ii) Scrutiny of the sanctioned estimates;
- (iii) Scrutiny of the accepted tenders to bring out the irregularities therein;
- (iv) Scrutiny of the causes for the unusual delay in the execution of the Project; and
- (v) Suggestions for expeditious execution of the Project:

The Committee was directed by the Board to submit its findings and recommendation direct to the Board for consideration. The final report submitted by the Committee in December 1979 was stated to be under examination (March 1981).

7.09. Railway claims

Claims against Railways for short receipt of material during December 1976 to December 1978 amounting to Rs.0.77 lakh were pending settlement till June 1980. Relevant papers were not made available to Audit (June 1980).

7.10. Outstanding temporary advance

Temporary advances amounting to Rs.1.10 lakhs remained outstanding for 3 to 15 years against various officials of the project. Most of them were given advances on 10 to 15 occasions without adjustment of the earlier advances. Some of these officials had left the projects or were transferred elsewhere; but the advances remained unsettled.

The Management stated (July 1980) that due to acute shortage of accounts personnel action could not be taken in time.

7.11. Other topics of interest

(i) **Construction of mule track** : At the request of the Department of Defence, the work of construction of a mule track over the Bindu Barrage was taken up by the Board at an estimated cost of Rs.0.19 lakh. The work was awarded (March 1976) to the lowest tenderer at Rs.0.28 lakh. During execution, at the instance of the Board, the work of construction of approach roads on both sides of the track was also completed in May 1976. The total expenditure for the entire work amounted to Rs.0.64 lakh (Rs.0.36 lakh for mule track and Rs.0.28 lakh for approach road).

The Board decided (November 1976) to charge only Rs.0.25 lakh from the Department of Defence towards the cost of the track and to bear the balance expenditure of Rs.0.39 lakh. The amount of Rs.0.25 lakh had, however, not yet (June 1980) been realised.

(ii) **Purchase of galvanised corrugated iron sheets** : Two orders were placed (April 1974) with the Executive Engineer, Mahananda Embankment Division, for supply of 200 tonnes of galvanised corrugated iron sheets. The value of the sheets amounting to Rs.7.64 lakhs was also paid in advance in April 1974. Out of the above quantity, the Board had lifted only 107.991 tonnes during 1974-75.

The balance quantity (92.009 tonnes) had neither been lifted so far nor the balance of advance (Rs.3.51 lakhs) been got refunded (March 1981). The amount paid (Rs.3.51 lakhs) was locked up for six years involving loss of interest (Rs.1.68 lakhs).

It was stated (July 1980) that the balance quantity was not required as the supply from the main producer was obtained in the meantime and action was being taken to get refund of the balance amount.

7.12. Summing up

The following are the main points that emerge :

(i) The performance of the powerhouse over the six years ending 1979-80 revealed low plant utilisation factor (3.1 to 29.8 *per cent*) and low plant load factor (9.1 to 45.4 *per cent*). The units I, II and III functioned for 36, 48 and 54 months respectively during the six years due to which the indices (factors) specified above do not give any meaningful results. Overhauling of the units was done at irregular intervals and without any programme based on norms. The actual period of overhauling varied from 5 to 23 months. The plant was shut down for 3,006 to 11,073 hours during 1976-77 to 1979-80 mainly due to fault in machine and turbidity of water. Certain recommendations of the CWC to overcome several of the problems were yet to be implemented (June 1981).

(ii) For repair of barrage piers, expenditure to the extent of Rs.15.49 lakhs was incurred during 1973-74 to 1979-80 as stop gap measures. The suggestions of Central Water Commission (February 1980) had been received to cover the barrage floor with blocks, steel lining of the sides of piers and construction of terminal structure with concrete block.

(ii) Before execution of work of Stage II no detailed geological investigation was carried out. Subsequent investigations revealed fault in the working zone and suggested for change of location of forebay, penstock and powerhouse which not only delayed completion of the project but also substantially increased the project cost.

(iv) The project (Stage II) estimate increased substantially from Rs.315.56 lakhs (1973) to Rs. 793.65 lakhs (1976). Further upward revision of the estimate was in process (June 1980). The increases have been more pronounced under civil work and buildings, electrical works, communications and establishment.

(v) The two units of the project (Stage II) originally scheduled for commissioning in June 1977 were expected (1979) to be completed and commissioned by 1981-82. The delay is mainly attributable to non-availability of basic material, shortage of funds, limitation in availability of land and termination of a major contract.

(vi) Construction of Acqueduct-cum-R.C. Bridge was taken up in December 1973 for completion by June 1975. Contractor's claim for Rs.6.87 lakhs on various counts was finally settled at Rs.1.93 lakhs, out of which Rs.0.64 lakh was avoidable being inadmissible under the contract.

(vii) The work of fabrication and erection of penstock pipes was awarded to a firm in September 1976. In August 1979, the firm stopped the work as no further civil front could be given.

(viii) Although the location of powerhouse was shifted in March 1975, the increased quantity of work was not taken into consideration before awarding the work in February 1976. The contractor's claim for Rs.9.28 lakhs towards higher rates for extra quantities was accepted and paid. The contractor was relieved of his contractual obligations and the balance work was awarded to another firm (March 1979).

(ix) Delay in issuing the letter of intent to the party for delivery and erection of generating sets entailed extra expenditure of Rs.12.45 lakhs. The sets received during 1977-78 were still awaiting erection as the construction of powerhouse had not been completed. The guarantee period of the sets against defective material and faulty workmanship had already expired in October 1980.

SECTION VIII

WEST BENGAL STATE ELECTRICITY BOARD

.Bandel Thermal Power Station

8.01.

Some important aspects on construction and working of the Bandel Thermal Power Station were earlier reported in Sections VI and V of the Comptroller and Auditor General's Reports (Commercial) for 1973-74 and 1974-75 respectively. Certain salient points noticed in the working of the Power Station during the last six years are mentioned in the following paragraphs :—

8.02.1. **Performance analysis :** The following table shows the performance of the power station during the six years ended 31st March 1980.

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
(a) Installed capacity (MW).	330	330	330	330	330	330
(b) Derated capacity (MW)	320	320	320	320	320	320
(c) Maximum generating capacity (Mkwh) (based on maximum operation period of 9 months a year).	2102.40	2108.16	2102.40	2102.40	2102.40	2108.16
(d) Total power actually generated (Mkwh).	1376.760	1208.550	1571.440	1447.110	1594.700	1549.760
(e) Percentage of power generated to generating capacity.	65.49	57.33	74.75	68.83	75.85	73.57
(f) Auxiliary consumption (Mkwh).	112.879	107.269	127.993	114.537	122.106	120.647
(g) Percentage of auxiliary consumption to total.	8.20	8.88	8.14	7.92	7.66	7.79
(h) Units sent out (Mkwh).	1258.656	1096.042	1438.222	1327.348	1467.669	1423.874
(i) Average load (in MW) (based on rated capacity).	157.16	137.58	179.38	165.20	182.04	176.43
(j) Plant load factor (percentage of average load to peak load).	56.13	46.64	55.88	56.58	62.77	61.90
(k) Plant utilisation factor (percentage of average load to installed capacity).	47.62	41.70	54.35	50.05	55.16	53.46

8.02.2. According to the feasibility report, the power station was expected to have a plant utilisation factor of 80 per cent. This has not been achieved up to 1979-80. The low plant utilisation factor was largely due to extensive shut-down of the plant due to forced and scheduled outages as shown below :

		1974-75	1975-76	1976-77 (Hours)	1977-78	1978-79	1979-80
Scheduled outages	..	5,495	5,325	1,779	7,132	5,228	3,714
Forced outages	..	1,451	3,243	541	2,293	1,437	2,901
Total	..	6,946	8,568	2,320	9,425	6,665	6,615
Available hours	..	35,040	35,136	35,040	35,040	35,040	35,136
Percentage of outages to total hours.	to	19.82	24.38	6.62	26.90	19.02	18.82

The reasons for forced outages during the different years, as available from the records of the plant, were leakage of boiler tube, H.P. heater and feed water hammer valve, tripping, mainbus fault, sparks in transformer, fire hazard, shortage of operating personnel, rapture of L.P. turbine diaphragm, etc.

Any analysis made by the Management of the reasons referred to above with a view to taking remedial action was not on record. It was, however, stated by the Management (April 1981) that every endeavour was made to keep unscheduled outages as low as possible, depending upon various operational constraints.

8.02.3. The turbo-generators were due to be overhauled at the end of the first year's service and thereafter at the end of three years of working. Phased programmes were not, however, drawn up by the plant authority for overhauling the turbo-generators of different units of the power station.

It was noticed that turbo-generators of units II, III and IV were overhauled after periods of about 8, 5½ and 6 years respectively since their last overhauling as against the prescribed interval of three years. The unit-wise particulars are given below :

Unit	Date of completion of first overhauling	Date of commencement of subsequent overhauling
I ..	.. 17th May 1972	22nd August 1975
II ..	.. 14th January 1971	6th December 1978
III ..	.. 4th May 1969	23rd October 1974
IV ..	.. 4th January 1972	5th November 1977

Further overhauling which would, normally, become due for units I and II had not been taken up (July 1980). Delay in overhauling is fraught with the risk of forced outages with attendant risk of damage to the equipment.

A Committee on modernisation of maintenance procedures, set up by the Central Electricity Authority (CEA) had prescribed (June 1975) that overhauling of turbo-generators should be completed within 45 days at the maximum, so that the down-time of the generating unit could be kept at the minimum. It was, however, noticed that the time taken for the latest overhauling in each unit was as follows :

Unit				Time taken (days)
I	..	..	..	151*
II	..	..	..	129
III	..	..	..	165
IV	..	..	..	133

The Management stated (April 1981) that any suggestion for standard time for overhauling of turbo-generators would not be realistic.

8.02.4. Boilers are required to be overhauled once a year. Phased programmes for overhauling were not, however, drawn up.

It was noticed that boilers of units I, II and III were overhauled after a lapse of about 50 months, 20 months and 27 months respectively from their last overhauling as against the prescribed interval of 12 months. The unit-wise particulars are given below :

Unit	Date of completion of last overhauling		Date of commencement of subsequent overhauling
I	9th June 1974	19th August 1978
II	11th July 1975	4th March 1977
III	2nd September 1977	4th November 1979
IV	27th August 1975	(a)

Further overhauling which would, normally, become due for units I and II had not been taken up (July 1980). Delay in overhauling is fraught with the risk of forced outages with risk of damage to the boiler.

*Both the turbo-generator and boiler were overhauled on account of explosion (vide paragraph 8.02.5)

(a) Information not available.

The Committee on modernisation of maintenance procedures had laid down (June 1975) a limit of 30 days for overhauling of boilers. It was noticed that the time taken for the latest overhauling in each case was as follows :

Unit				Time taken (days)
I	..	-	--	91
II	-	-	-	76
III	..	..	..	88
IV	..	..	..	(a)

The Management stated (April 1981) that any suggestion for standard time for overhauling of boilers would not be realistic.

8.02.5. On 22nd August 1975 a fire broke out in unit I followed by an immediate explosion. The special Enquiry Committee appointed by the Board (June 1976) to enquire into the explosion reported (August 1976) that since 18th July 1975 the Coal Mines Authority had stopped supply of coal and the stock of coal stood practically exhausted by the 16th August 1975. It would appear from the findings of the Committee that the explosion was due to shortages in supply of coal as according to enquiry report the "primary reason for the explosion can be traced to the coal flow trouble which became unmanageable in this case".

Repairs were completed during the period from September 1975 to January 1976 at a cost of Rs.3.57 lakhs (including the expenditure on safety measures for better performance of the unit), and the unit was commissioned in the month of January 1976. The Board realised a compensation of Rs.0.94 lakh from the Insurance Company against Rs.1.05 lakhs estimated as the expenditure on the repairs.

8.03.

The table below indicates the average permissible heat-value per Kg of coal, quantity of coal received in terms of heat-value and shortfall in the receipt of coal having regard to permissible heat-value for the three years ending 31st March 1980 :

	1977-78	1978-79	1979-80
Permissible heat-value per Kg of coal (K Cal per Kg) ..	5200	5200	5200
Quantity of coal received (in lakhs of tonnes) ..	7.13	7.30	7.32
Quantity of coal received in terms of permissible heat-value (in lakhs of tonnes).	6.74	7.15	7.19
Quantity of coal short received in terms of heat-value (in lakhs of tonnes).	0.39	0.15	0.13
C Consumption of coal and middlings (in lakhs of tonnes) ..	7.26	7.60	7.36

(a) Information not available.

The range of calorific value of coal with stipulations as to moisture, ash content, etc., was specified and mutually agreed upon by the suppliers of coal and the Management. The quality of coal actually supplied entitled the Board to claim penalty for the adverse variation in calorific value. The Board periodically claimed penalty for the period from 1973-74 to 1979-80 aggregating Rs.24.64 lakhs against which it had realised Rs.3.56 lakhs. The penalty yet to be realised from the supplier stood at Rs.21.08 lakhs (March 1981).

8.03.1. Due to detention of coal wagons beyond the permissible free time, Rs.56.27 lakhs were paid to the Railways as demurrage charges between April 1973 and December 1979, the break-up being as follows :

Period			Net demurrage paid* (Rupees in lakhs)
April 1973 to December 1974	..	..	23.72
1975 (Calendar year)	..	..	8.60
1976 (Ditto)	..	..	2.89
1977 (Ditto)	..	..	5.66
1978 (Ditto)	..	..	6.80
1979 (Ditto)	..	..	8.54
Total	..	..	<u>56.27</u>

The reasons attributable to demurrage as could be seen from the records of the plant from April 1976 onwards were shifting the boom stacker, dazer trouble, electrical trouble, conveyer under maintenance, bunching of wagons, plant trouble, heavy rain, mechanical defect due to conveyer trouble, bad weather, derailment of wagons, tippler trouble, oversize coal, other reasons (loco engaged in the 5th unit etc.) and absence of operator, etc.

Detailed analysis of the causes with a view to taking remedial measures to minimise the incidence of demurrage was not available (March 1981). However, the Management stated (April 1981) that payment of demurrage charges in the process of unloading of box-wagons could not be avoided because of various constraints of men and machinery.

*Demurrage claimed less amount waived.

8.04. Fuel

8.04.1. The consumption of oil during the six years ending 31st March 1980 is indicated below :

Year	Oil consumed	
	Total quantity	Quantity per Kwh
	(in tonnes)	
1974-75	13380.80	0.0097
1975-76	15741.42	0.0121
1976-77	13252.80	0.0084
1977-78	15871.48	0.0110
1978-79	16901.39	0.0106
1979-80	14317.20	0.0092

Norms for consumption of fuel oil had not been prescribed.

It was resolved in a meeting held under the auspices of the Central Water and Power Commission in June 1974 that furnace oil of high viscosity should be used in the place of light diesel, in view of the depleting supply of the latter in the country. The Chief Engineer (Thermal) of the Board had instructed (April 1975) the power station authorities to complete by August 1975, installation of additional heating appliances required to receive furnace oil of high viscosity from September 1975. The Board stated, in its Administrative Report 1976-77, that though there was a directive from CEA for switching over to high viscosity furnace oil for which necessary heating arrangements had been made, it was found necessary to continue obtaining light diesel oil for want of heating arrangement in railway tankers. It was, however, noticed that necessary installation for use of furnace oil of high viscosity had not actually been done (March 1981) and the Thermal Power Station had necessarily been drawing light diesel oil, as before.

In case high viscosity furnace oil had been consumed in lieu of light diesel oil, a saving of about Rs.12.36 lakhs could have accrued to the Board during the period from 1975-76 to 1979-80.

The Management stated in April 1981 that the additional problems involved in the use of furnace oil of high viscosity would outweigh the meagre savings expected to be achieved and the matter was, therefore, not pursued. There was nothing on record to show that the conclusion, as above, was derived from an analysis made by the Management, of the relevant factors.

8.04.2. A sum of Rs.70.87 lakhs representing advances paid to the Indian Oil Corporation between April 1977 and February 1980 against supply of light diesel oil and fuel oil was outstanding for adjustment as on 31st March 1980.

The break-up of the amount is as follows :

Period of advance	Amount of advance	Balance due for adjustment
	(Rupees in lakhs)	
April 1977 to March 1978	213.26	0.32
November 1978 to December 1978	41.59	5.79
June 1979 to November 1979	141.83	23.92
December 1979 to February 1980	85.50	40.84
	Total ..	70.87

Information about adjustment of the outstanding advances was awaited (March 1981).

8.04.3. The year-wise receipt of oil tank wagons and the amount of demurrage paid for detention of tank wagons were as follows :

Year	Wagons	Demurrage claimed	Demurrage paid (on <i>ad hoc</i> basis)
		(Rupees in lakhs)	
1976	500	0.70	0.36
1977	434	0.54	0.36
1978	688	1.51	0.49
1979	707	1.93	1.23
	Total ..	4.68	2.44

The Railways prefer bills on account of demurrage allowing 10 hours free time whereas the Board had demanded (February 1976) 16 hours free time computing only the daylight hours. Accordingly, the Board paid demurrage on the basis of 16 daylight working hours on an *ad hoc* basis. The Management stated (April 1981) that the question of free time allowable for determining the demurrage payable was in process of negotiation with the Railways.

8.05.

Details regarding cost of generation of power during the five years ending 31st March 1979 are tabulated below :—

	1974-75	1975-76	1976-77	1977-78	1978-79
Total cost of generation of power (per unit in paise).	7.93	9.88	9.31	9.99	10.02
Cost of fuel for generation (per unit in paise).	4.33	6.00	5.87	6.24	6.40
Cost of fuel as percentage of cost of power.	54.6	60.7	63.0	63.0	63.7
Cost of power sent out (per unit in paise).	8.68	10.89	10.17	10.89	10.89

The Management stated (April 1981) that increased cost of generation was attributable mainly to higher prices of coal, fuel oil, and increase in railway freights. It could not, however, be ascertained in the absence of any costing analysis made by the Management, whether the increase was caused by other controllable factors.

8.06. Manpower and overtime allowance

8.06.1. The manpower at the disposal of the power station during the period from 1974-75 to 1979-80 was as follows :

Year	Sanctioned strength	Actual strength	Expenditure on salary (Rupees in lakhs)
1974-75	1355	1491	78.43
1975-76	1371	1473	86.67
1976-77	1371	1495	87.25
1977-78	1393	1520	107.71
1978-79	1480	1509	119.12
1979-80	1553	1553	119.36

8.06.2. The actual strength of staff exceeded the sanctioned strength up to the year 1978-79. The Management stated (April 1981) that on completion of various projects, staff were being transferred to the Bandel Thermal Power Station depending upon workload already existing and/or likely to be created and that surplus personnel were utilised for various works pending orders from competent authority for creation of posts with reference to justification for the extra work involved. No steps had, however, been taken so far to regularise the surplus on the basis of a proper assessment of the workload.

8.06.3. The extent of overtime allowance paid to the staff of the plant during the period from 1974-75 to 1979-80 was as follows :

Year	Budget provision	Actual payment of overtime allowance	Pay of establishment (excluding officers)	Percentage of overtime allowance to pay of establishment
(Rupees in lakhs)				
1974-75	21.00	21.90	30.39	72.07
1975-76	22.00	23.24	29.89	77.74
1976-77	18.00	19.56	27.00	72.48
1977-78	20.00	24.75	26.40	93.77
1978-79	25.00	27.77	30.10	92.24
1979-80	32.00	42.90	55.27	77.62

8.06.4. A review of 23 individual cases of overtime payment for 1979-80 indicated that in 19 cases overtime allowance exceeded more than hundred per cent of the wages earned by the workers concerned.

The Management stated (April 1981) that due to ageing of the plant, the need for preventive|current maintenance requiring deployment of employees beyond normal working hours had become inescapable.

8.07. Material management and Inventory control

8.07.1. The position of receipt, issue and closing balance of stores materials during the five years ending 31st March 1979 was as below :

Year	Opening stock	Receipts	Total	Issues	Closing stock	Closing stock in terms of months' consumption
(Rupees in lakhs)						
1974-75	69.50	638.40	707.90	606.51	101.39	2.00
1975-76	101.39	794.49	895.88	747.72	148.16	2.38
1976-77	148.16	932.81	1080.97	913.15	167.82	2.21
1977-78	167.82	887.45	1055.37	946.38	108.99	1.38
1978-79	108.69	1035.39	1144.28	1045.74	98.54	1.13

The Board had not fixed maximum, minimum and re-ordering levels for any item. No system had been evolved either, to determine the normal requirement of stores, and to locate slow-moving and non-moving stores.

Physical verification of stores had not been conducted during the period from 1974-75 to 1979-80.

8.07.2. Stock account of coal is maintained as per weights mentioned in the Railway receipts irrespective of short receipt due to transit loss or other reasons. Mention was made in paragraph 5.01 of the Comptroller and Auditor General's Report (Commercial) for the year 1973-74 regarding mal-functioning of the weigh-bridge attached to the plant. While deposing (August 1978) before the Committee on Public Undertakings, the Department stated that "It is a fact that sometimes, the weigh-bridges had been out of action due to some damages in the cables and/or load cells due to mechanical impact by the falling coal. But it is also a fact that the weigh-bridges are restored at the earliest possible opportunity". The statement that the weigh-bridges were restored at the earliest opportunity was not borne out by facts as the weigh-bridge which went out of order in 1973-74 was yet to be repaired (May 1981).

8.07.3. There was no perpetual inventory system of verification of the stock of coal at the yard. The Management stated (April 1981) that such arrangements were being made.

8.08. Claims

8.08.1. The price of coal was being paid in advance since October 1975. A sum of Rs.52.06 lakhs representing the value of coal diverted between 1973 and 1980 to other parties without intimation to the Board remained unrealised (February 1981) from the Railways. The break-up of the diverted coal wagons and the value involved is as follows :

Year	Number of wagons involved	Amount involved (Rupees in lakhs)
-1973-74	188	3.99
1978	30	1.34
1979	38	1.73
1980	632	45.00
Total ..		<u>52.06</u>

Five hundred and thirty-two coal wagons despatched from different places during 1969 to 1979 were not received by the power station (October 1980). The approximate value of coal in these missing wagons amounted to Rs.11.72 lakhs. A joint-inspection for reconciliation of 480 missing wagons pertaining to 1969 to 1976 received by the power station was conducted by the representatives of the Railways and the Board in January 1979. An amount of Rs.8.46 lakhs was, however, reconciled up to November 1978. The

inspection and reconciliation of the remaining 52 missing wagons accounting for a total shortage amounted to Rs.3.26 lakhs pertaining to the period 1977-1979 was still to be attended to (March 1981).

During July 1974 to May 1980, 12 missing/diverted oil tanks involving an amount of Rs. 3.39 lakhs (amounts in respect of 5 other wagons were not available) were not received, though oil had been despatched to the power station by the Indian Oil Corporation on advance payment. Claims lodged with the Railways in this respect had not been realised so far (March 1981).

8.09. Expansion programme (Fifth unit : 200 MW)

8.09.1. In order to meet the shortfall in the availability of power, the Board decided, in November 1971, on an expansion of the Bandel Thermal Power Station (with existing capacity of 4 units of 87.5 MW each) by installing a fifth unit of 200 MW capacity. The Planning Commission approved the project in August 1972 at a cost of Rs.3310 lakhs and the unit was expected to be commissioned in 1976-77.

8.09.2. The estimated cost was revised to Rs.6351 lakhs (January 1976) and the target date of commissioning shifted to the first quarter of 1980. The estimated cost was further revised (October 1978) to Rs.7732 lakhs due to the rising trend in the prices of raw materials, salary, wages etc., and increase in the scope of work on certain items. Approval of the Planning Commission to the revised estimates was awaited (July 1980). While, in early June 1979, in response to Central Electricity Authority's direction to intimate the final cost of the Project, the Board had stated that the estimate for Rs.7732 lakhs would be final, the Project authorities alerted the Management later in the month of June that the estimate would require further revision to Rs.7826 lakhs due to increase in the scope of work and increased cost of materials. In terms of discussions of Annual Plan 1980-81 held in October 1979 with the State Government, the Board also decided (November 1979) to shift the target date of commissioning the plant still further to September 1980. The plant has not yet been commissioned (April 1981).

Letters of intent for purchase of the turbo-generator and boiler were issued in September 1972 and November 1972, respectively. But confirmatory orders had not so far (July 1980) been issued pending finalisation of the equipment and accessories and their prices. In respect of instrumentation and control system, a letter of intent was issued in February 1976 for supply of the same at a "notional price" of Rs.160 lakhs pending finalisation of equipment. A confirmatory order was, however, issued in April 1980 for design, manufacture, supply and delivery as well as erection, testing and commissioning at a total cost of Rs.347 lakhs.

The expenditure incurred up to March 1979 was Rs.4683 lakhs. Provisional figures of expenditure for the year 1979-80 stood at Rs.964 lakhs, making a total of Rs.5647 lakhs to the end of March 1980. The work was in progress (June 1981).

SECTION IX**Other points of interest****WEST BENGAL STATE ELECTRICITY BOARD****9.01. Extra expenditure**

According to the terms of an order placed (March 1972) on a firm of Calcutta for fabrication and supply of 2,196 tonnes of towers to 220 KV Santaldih-Durgapur transmission line, the firm was required to fabricate additional towers up to 20 *per cent* in excess of the original schedule at the tendered rate of fabrication *viz.*, Rs.380 per tonne, provided such additional requirements were assessed and communicated to the firm within a period of 6 months from the date of the order. The actual requirement of towers after a detailed route survey, could not, however, be assessed before March 1973, when procurement of additional 27 tonnes of "C" type towers was found to be necessary. Another order was placed (April 1973) on the firm for 27 tonnes at the negotiated rate of Rs.3,780 per tonne inclusive of the cost of steel at Rs.2,500 per tonne. Failure to order the additional quantity within six months from the date of the original purchase order (March 1972) resulted in an additional expenditure of Rs.0.64 lakh.

In all, 2,864.674 tonnes of steel were issued to the firm for execution of the fabrication order of March 1972, against the total estimated requirement of 2,305.752 tonnes. At the time of placement of order for the additional quantity (27 tonnes) it was within the knowledge of the Board that there were about 500 tonnes of steel on Board's account lying with the firm. Had the excess steel available with the firm (procured by the Board at JPC rate of Rs.1,035 per tonne) been utilised in fabrication of additional quantity of towers (27 tonnes) the additional expenditure could have at least been reduced to Rs.0.24 lakh.

9.02. Extra expenditure on purchase of feeder pillar boxes

The Board placed an order in November 1973 on a Howrah firm for supply of 85 sets of 433 volts outdoor type feeder pillar boxes at a cost of Rs.3.58 lakhs to be supplied by September 1974. The order stipulated that the prices were firm and nett for free delivery to the store at Salt Lake City but excluding sales tax and any other Central, State or local taxes. It was further stipulated in the order that time was the essence of the contract and in the event of failure on the part of the firm to deliver the materials within the prescribed period the Board would be entitled to purchase these

from other available sources at the risk of the firm. Till September 1974 the firm did not supply any pillar box, but no action was taken by the Board to invoke the risk purchase clause of the supply order.

After supplying the pillars between October 1974 and January 1975, (10 sets) the firm approached (February 1975) the Board for an increase in price on ground of escalation in the cost of raw materials. The Tender Sub-Committee accepted (February 1976) the price escalation on the ground, *inter alia*, that the supply of the materials required for Salt Lake area had already been delayed and higher rates may be quoted on re-tender. A revised order for Rs.4.34 lakhs was placed (June 1976) on the same firm for the balance quantity (75 sets), resulting in an extra expenditure of Rs.0.76 lakh to the Board which could have been avoided if the Board had taken action to enforce the terms and conditions of the contract relating to delays in supply.

The Management stated (December 1980) that increase in price could not be avoided in the interest of the Board's work.

9.03. Improper storage of equipment

Against the purchase order placed on a firm of Calcutta (January 1971), forty-eight 220 KV triple pole disconnecting switches were received in 1972 at the Central Stores, Shyamnagar for installation at 220|132 KV sub-stations at Durgapur and Howrah. The materials were transferred (February 1974) from the Central Stores to the regional stores at Durgapur and Howrah. In course of erection (March 1975) it was found that 30 polycone insulators of the switches had been damaged and were not suitable for installation.

The 220 KV triple pole disconnecting switches were ultimately installed at 220|132 KV sub-stations at Durgapur and Howrah after purchasing (May 1976) thirty polycone insulators from another firm of Tamil Nadu at a cost of Rs.0.37 lakh.

The damaged insulators had been lying in store (November 1980). Final action to fix up responsibility for the damage and to write-off the loss was awaited (November 1980).

The Deputy Chief Engineer (EHT) observed (January 1978) that the damage of the polycone insulators was due to bad storing over a long period of time and that the stores personnel were not sufficiently conversant with handling and proper up-keep of these equipment. The Management stated (November 1980) that there was no other alternative but to replace them by fresh purchases.

CALCUTTA STATE TRANSPORT CORPORATION

9.04. Purchase of cord repair fabrics

The Corporation invited open tenders (December 1977) due on 30th January 1978 for the purchase of 7,200 rolls of cord repair fabrics. Out of the 2 valid offers received, the lower offer at Rs.170 per roll was found unsuitable and the order was placed (April 1978) on Firm 'A' for the supply of the entire quantity at the higher tendered rate of Rs.204 per roll with instructions to deliver at the rate of 600 rolls per month. The firm instead of supplying any material at contracted rate, asked for a higher rate of Rs.211.87 per roll (May 1978) which was accepted by the Corporation even though firm 'B', a regular supplier of these goods came forward (March 1978) with an offer of Rs.152 per roll.

It was, however, noticed that the Corporation had procured 520 rolls from firm 'B' at the rate of Rs.152 per roll in May 1978 itself through short quotations in order to meet the urgent requirements.

Firm 'A' failed to execute the order and could supply 294 rolls only and the order was cancelled in December 1978. The Corporation through short quotations procured 2,632 rolls against an order placed (October 1978) with firm 'B' at the rate of Rs.163 per roll.

Thus the Corporation's failure to cancel the order with firm 'A' immediately (April 1978) after enhancement of the price by it and non-placement of bulk purchase order after invitation of fresh tender in May 1978 resulted in avoidable expenditure of Rs. 0.47 lakh.

K. Tyagarajan

(K. TYAGARAJAN)

Accountant General-II, West Bengal

CALCUTTA

The **23** APR 1982

Countersigned

Gian Prakash

(GIAN PRAKASH)

Comptroller and Auditor General of India

NEW DELHI

The **- 3** MAY 1982

APPENDICES

APPENDIX 'A'

(Reference : Paragraph 5 of prefatory remarks)

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

Sl. No.	Name of the Company	Total investment up to 1979-80 (Rupees in lakhs)
1.	Engel India Machine and Tools Limited	97.90
2.	Gluconate Limited	70.67
3.	Eastern Distilleries (Private) Limited	19.50
4.	Sen Raleigh Limited	70.00
5.	Krishna Silicate and Glass Works Limited	249.81
6.	Incheck Tyres Limited	35.00
7.	Mackintosh Burn Limited	81.75
8.	Great Eastern Hotel Limited	70.25
9.	Duncan Brothers and Company Limited	34.58
10.	Britannia Engineering Company Limited	384.55
11.	Kinnison Jute Mills Company Limited	262.83
12.	Alokudyog Vanaspati and Plywood Limited	28.00
13.	Dr. Paul Lohmann (I) Limited	47.18
14.	Aluminium Corporation of India Limited	20.00
15.	Shalimar Works Limited	25.00
16.	Apollo Zipper Company (Private) Limited	20.59
17.	Kolay Iron and Steel Company Limited	15.00
18.	Indian Health Institute & Laboratory Limited	22.50
19.	Bharat Jute Mills Limited	50.00
	Total	1,605.11

APPENDIX "B"

(Reference : Paragraph 1.02 of Section I, Page 1)

Statement showing the summarised financial results of Government Companies

(Figures in columns 6 to 12 are in lakhs of Rupees)

Sl. No.	Name of the Company	Name of the Department	Date of incorporation	Period of accounts	Total capital invested	Profit(+) / Loss(-)	Total interest charged to profit and Loss Account	Interest on long-term loans	Total return on capital invested (7+9)	Capital employed	Total return on capital employed (7+8)	Percentage of total return on capital invested	Percentage of total return on capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1.	The Durgapur Projects Limited	Public Undertakings	6-9-1961	1979-80	7,186.22	(-)118.37	288.24	288.24	169.87	2,994.66	169.87	2.36	5.67
2.	State Fisheries Development Corporation Limited	Fisheries	30-3-1966	1979-80	403.11	(-)37.72	8.97	8.97	(-)28.75	268.37	(-)28.75	..	..
3.	West Bengal Industrial Development Corporation Limited.	Commerce and Industries	6-1-1967	1979-80	..	(+)13.91	112.59	112.59	..	2,300.17	126.50	..	5.50
4.	West Bengal Cements Limited.	Public Undertakings.	13-12-1973	1979-80	116.45	..	..	3.30	..	12.28	..	..	..
5.	West Bengal Electronics Industry Development Corporation Limited.-	Commerce and Industries	4-2-1974	1979-80	336.32	(+)0.29	3.22	3.22	(+)3.51	134.52	(+)3.51	1.04	2.61

6. Webel Tele-communication Industries Limited.	Ditto	2-4-1979	1979-80	100.00	(-)8.26	..	..	(-)8.26	84.58	(-)8.26	..	..
7. West Bengal Mineral Development and Trading Corporation Limited.	Ditto	23-2-1973	1979-80	126.84	(-)4.53	..	..	(-)4.53	67.75	(-)4.53	..	..
8. West Bengal Tea Development Corporation Limited	Ditto	4-8-1976	1979-80	70.00	(-)8.01	..	..	(-)8.01	57.34	(-)8.01	..	..
9. West Bengal Pharmaceutical and Phytochemical Development Corporation Limited	Ditto	28-3-1974	1979-80	37.00	(-)4.77	..	..	(-)4.77	16.55	(-)4.77	..	..
10. West Bengal State Leather Industries Development Corporation Limited	Cottage and Small Scale Industries	3-3-1976	1979-80	96.87	(-)10.89	1.76	1.76	(-)9.13	68.83	(-)9.13	..	..
11. West Bengal Tourism Development Corporation Limited	Tourism	29-4-1974	1979-80	137.10	(-)7.56	..	..	(-)7.56	113.97	(-)7.56	..	..
12. West Bengal Essential Commodities Supply Corporation Limited	Food and Supplies	15-3-1974	1979-80	153.20	(+)36.98	77.99	1.92	38.90	214.75	114.97	25.39	53.54

APPENDIX "B" (Conold.)

(Reference : Paragraph 1'02 of Section I, Page 1)

Statement showing the summarised financial results of Government Companies

(Figures in columns 6 to 12 are in lakhs of Rupees)

Sl. No.	Name of the Company	Name of the Department	Date of incorporation	Period of accounts	Total capital invested	Profit(+) Loss(-)	Total interest charged to Profit and Loss Account	Interst on long-term loans	Total return on capital inveted (7+9)	Capital employed	Total return on capital employed (7+8)	Percentage of total return on capital invested	Percentage of total return on capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
13.	West Bengal Ceramic Development Corporation Limited	Public Undertakings	31-3-1976	1978-79	150.36	(-)25.89	3.05	3.05	(-)22.84	81.73	(-)22.84	..	..
14.	West Bengal State Textile Corporation Limited	Closed and Sick Industries	19-3-1973	1977-78	102.00	(+)0.58	..	..	0.58	92.77	0.58	0.57	0.62
15.	Westinghouse Saxby Farmer Limited	Public Undertakings	19-7-1969	1978-79	910.50	(-)372.45	95.56	50.02	(-)322.43	11.85	(-)276.89	..	..
16.	West Bengal Handicrafts Development Corporation Limited	Cottage and Small Scale Industries	1-6-1976	1978-79	162.97	(-)8.04	2.15	2.15	(-)5.89	152.36	(-)5.89	..	..
17.	The Kalyani Spinning Mills Limited	Public Undertakings	13-1 1960	1979-80	1265.07	(-)186.06	95.25	55.70	(-)130.36	(-)91.29	(-)90.81	..	..

18. West Bengal Sugar Industries Development Corporation Limited	Commerce and Industries	30-5-1973	1979-80	286.80 (-)58.08	24.81	21.52 (-)36.56	34.62 (-)33.27	..	..
19. West Bengal Small Industries Corporation Limited	Cottage and Small Scale Industries	29-3-1961	1978-79	453.37 (-)9.44	21.23	12.56	22.00	464.34	30.67	4.85	6.60
20. Durgapur Chemicals Limited	Public Undertakings	31-7-1963	1979-80	1948.34 (-)310.62	131.39	127.35 (-)183.27	(-)174.51 (-)179.23	..	..

Notes : (1) "Capital invested" represents paid-up capital plus long-term loans plus free reserves at the close of the year.

(2) "Capital employed" (except in the case of West Bengal Industrial Development Corporation Limited) represents net fixed assets (excluding work-in-progress) plus or minus working capital. In the case of West Bengal Industrial Development Corporation Limited, "capital employed" represents the mean capital employed, i.e., the mean of the aggregates of opening and closing balances of (i) paid-up capital, (ii) bonds and debentures, (iii) reserves, (iv) borrowings including refinance, and (v) deposits.

Appendix "C"

(Reference: Paragraph 6.01 of Chapter II, Section VI)

Statement showing summarised financial results of Statutory Corporations

(Figures in columns 6 to 12 are in lakhs of Rupees)

Sl No.	Name of the Corporation	Name of the Department	Date of incorporation	Period of account	Total capital invested	Profit(+) / Loss(-)	Total interest charged to Profit and Loss Account	Interest on long term loans	Total return on capital invested (7+9)	Capital employed	Total return on capital employed (7+8)	Percentage of total return on capital invested	Percentage of total return on capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1.	Calcutta State Transport Corporation	Home (Transport)	15-6-1960	1978-79	7939.85	(-)1418.18	533.51	533.51	(-)884.67	(-)1430.16	(-)884.67	..	..
2.	Durgapur State Transport Corporation	Ditto	7-12-1973	1975-76	227.04	(-)59.75	12.77	12.77	(-)46.98	74.85	(-)46.98	..	..
3.	West Bengal Financial Corporation	Cottage and Small Scale Industries	1-3-1954	1979-80	2956.30	(+)113.23	131.64	131.64	244.87	2535.77	244.87	8.28	9.66

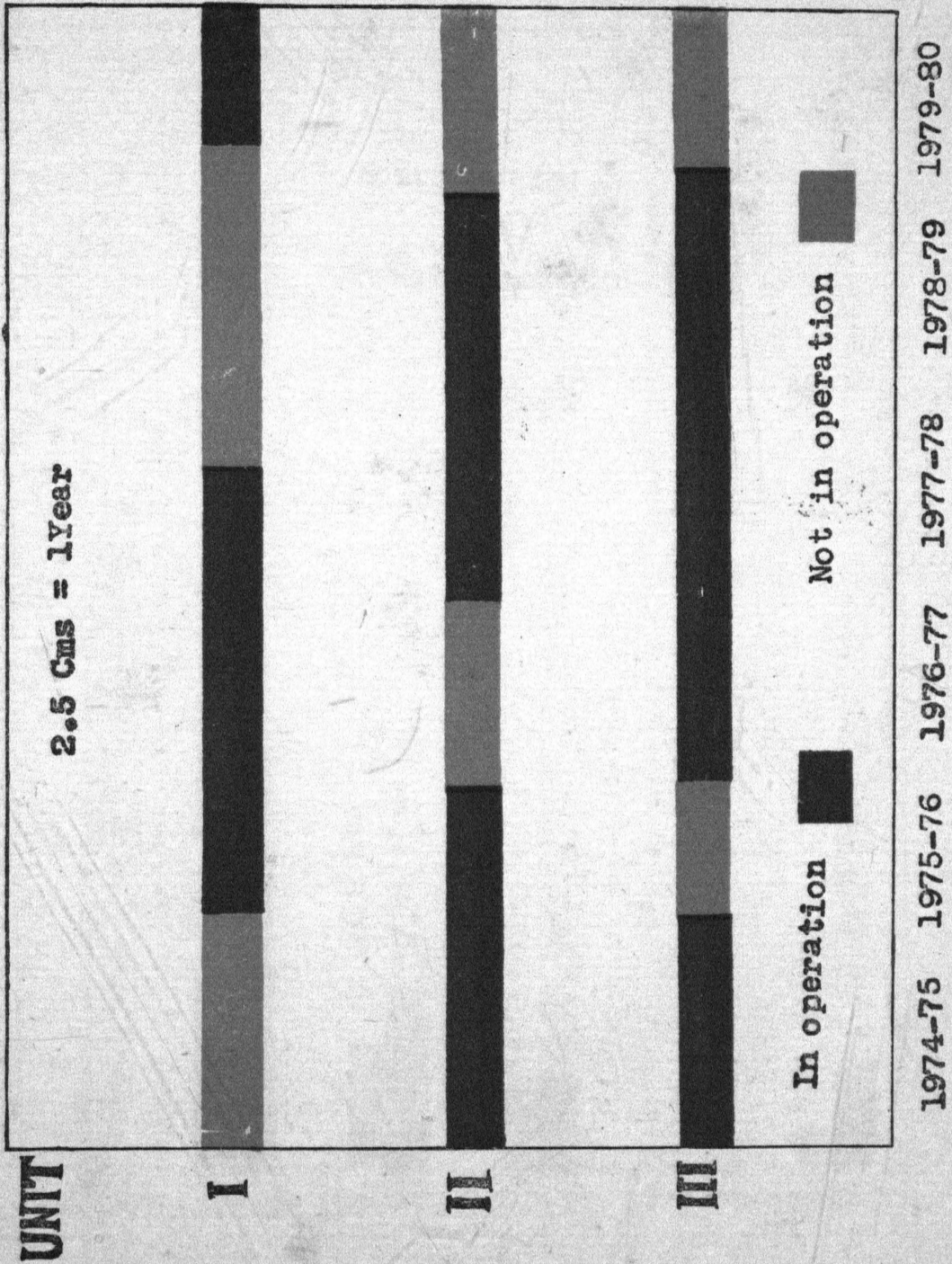
Notes : (1) "Capital invested" represents paid-up capital plus long-term loans plus free reserves at the close of the year.

(2) "Capital employed" (except in the case of West Bengal Financial Corporation) represents net fixed assets (excluding works-in-progress) plus working capital. In case of West Bengal Financial Corporation "Capital employed" represents mean of the aggregates of opening and closing balances of (i) paid-up capital, (ii) bonds and debentures, (iii) reserves, (iv) borrowings including refinance, and (v) deposits.

APPENDIX "D"

(Reference : Paragraph 7.02.5(a) of Section VII, page 86)

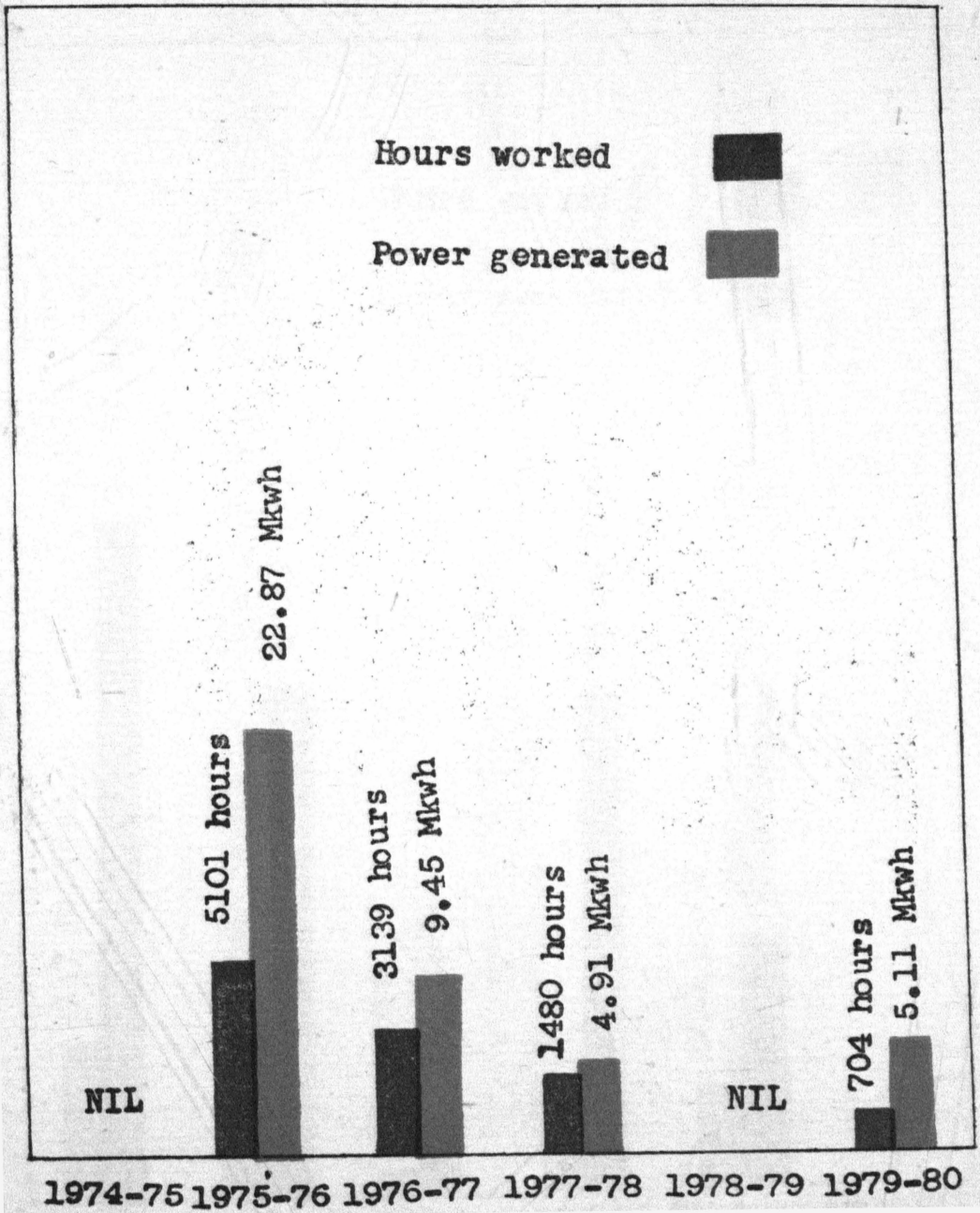
Chart showing period of operation of the different units of the Jaldhaka Hydrel Project



APPENDIX "E"

(Reference : Paragraph 7.02.5(b) of Section VII, page 86

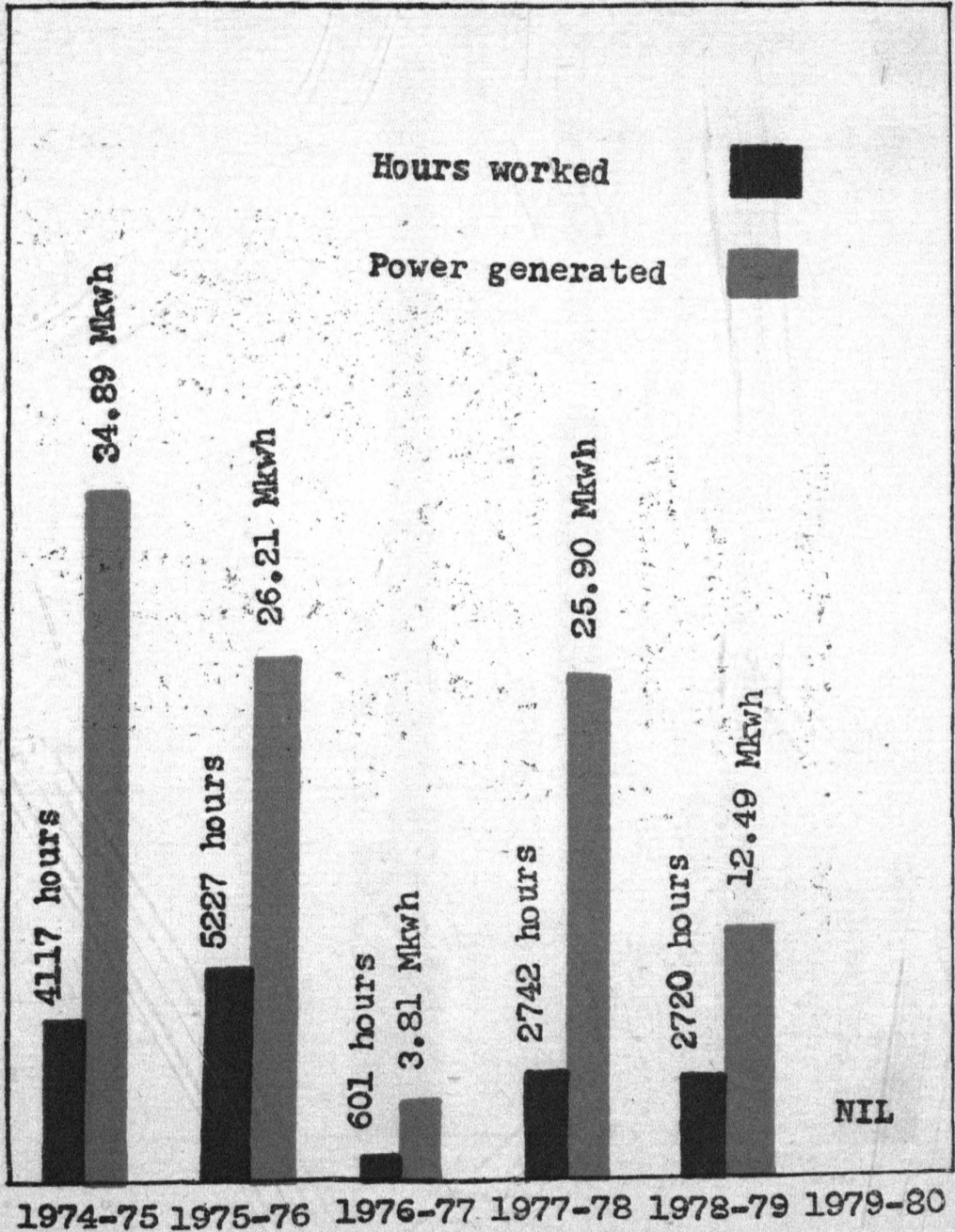
Chart showing particulars of hours worked and powers generated in Unit I of the Jaldhaka Hydrel Project for the years 1974-75 to 1979-80.



APPENDIX "F"

(Reference : Paragraph 7.02.5(b) of Section VII, page 86

Chart showing particulars of hours worked and power generated in Unit II of the Jaldhaka Hydel Project for the years 1974-75 to 1979-80.



APPENDIX "G"

(Reference : Paragraph 7.02.5(b) of Section VII, page 86

Chart showing particulars of hours worked and power generated in Unit III of the Jaldhaka Hydel Project for the years 1974-75 to 1979-80.

