सत्यमेव जयते

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

UNION GOVERNMENT
No. 13 (COMMERCIAL) OF 1995

Reports to be laid on the Table of RAJYA SABHA

Authenticated

(TARUN GOGOI)
Minister of State
For Food Processing Industries

MODERN FOOD INDUSTRIES (INDIA) LIMITED

Table of Contents

PREFACE

A reference is invited to the prefatory remarks in Report of the Comptroller and Auditor General of India - Union Government No.1 (Commercial) of 1995 where mention was made that reviews of the performance of Companies by the Comptroller and Auditor General of India are presented in separate reports.

This Report contains a review of the working of Modern Food Industries (India) Limited.

OVERVIEW

The Modern Bakeries (India) Limited was incorporated in October, 1965 and was renamed Modern Food Industries(India) Limited in November, 1982. The main objectives of the Company are manufacture of nutritious bread & bakery products, processing of food stuff, fruits & vegetables and promoting manufacture of indigenous plants, equipments, inputs and ancillary units. The authorised and paid up capital of the Company at the end of March, 1994 were Rs.15 crores and Rs.9.58 crores respectively.

(Paras 1.1 to 1.3)

2. Due to labour trouble, decline in market demand and closure of plant, percentage of capacity utilisation was between 19% and 30% at Ranchi Unit, between 31% and 53% in Calcutta Unit and below 50 in Jaipur, Kanpur and Delhi-II Units. 50 percent of the bakery units were running at a loss.

(Para 3.3)

3. Percentage of defective production and return of unsold, damaged and defective bread exceeded the norms.

(Para 3.4)

4. Due to lack of market, two bun plants set-up remained idle upto 13 years and were then shifted to other places at a cost of Rs.42.27 lakhs. Two production lines at Delhi scheduled for commissioning by December 1989 and December 1990 at a cost of Rs.260 lakhs were commissioned in August 1992 and August 1993 respectively at a cost of Rs.394.32 lakhs.

(Paras 3.5 & 3.6)

5. Upto 1993-94, cumulative losses of Roller Flour Mill, Fruit Juice Bottling Plant, Fruit Pulp Processing Plant and Oil Plant were Rs 118.55 lakhs, Rs.644.00 lakhs, Rs.324.04 lakhs and Rs.819.44 lakhs respectively. Cumulative loss of Beverage Unit upto October 1992 was Rs.79.93 lakhs when it was merged with another unit.

(Paras 4.2 to 4.6)

6. A Pineapple Concentrate Plant projected at a cost of Rs.207 lakhs could not be commissioned due to disputes with contractors resulting in unfruitful expenditure of Rs.277.69 lakhs upto March 1994. The Company is looking for suitable buyers for this incomplete unit.

(Para 4.8)

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Signature [signature]

Name BRATIN SENGUPTA
(in block letters)

Division No. 218
(Lok ~~Sabha~~/Rajya Sabha)

Date ....

Time ....

P.T.O.

लोक सभा सचिवालय

संसद ग्रंथालय, संदर्भ, शोध और प्रलेखन एवं सूचना सेवा

सांसद संदर्भ सेवा

कृप्या निम्न जानकारी प्रदान करें :—

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जानकारी दिनांक....................................को....................................बजे तक अपेक्षित है ।

हस्ताक्षर ....

दिनांक ....

नाम ....

(स्पष्ट अक्षरों में)

समय ....

विभाजन संख्या........................लो.स./रा.स.

(कृ.पृ.उ.)

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The information is required on 13.08.2001 (date) at 4 P.M (time).

Signature Bratin Sengupta

Date ....

Time..............

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Division No. 218
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समय ....

विभाजन संख्या........................लो.स./रा.स.

(कृ.पृ.उ.)

INTRODUCTION

1.1 The Modern Bakeries (India) Limited was registered as a Company in October, 1965. It was renamed Modern Food Industries (India) Limited (MFIL) with effect from 11th November, 1982. The Company runs 14 bakery units located in 13 cities and 6 other units at other places. Its products are bread, oil, flour, fruit pulp, fruit juice drinks, beverage concentrates and energy food. The Company had also franchised production of its bread and bottling of its beverage products.

1.2 The original objective of the Company was to carry on business of bakery and confectionery and connected activities. In September, 1973, the objectives were revised to provide for manufacture of nutritious bread and bakery products at reasonable prices and to assist in improving dietary standards of people. The Company was also to promote manufacture of indigenous plant, equipment, chemicals and the raw material required for bread and bakery products and to set up ancillary units necessary for sustaining the production and growth of the bakery industry. In October, 1982, the objectives were enlarged to cover processing of food stuffs, fruits and vegetables.

1.3 The authorised capital of the Company as on 31st March 1994 was Rs. 15 crores while the paid up capital was Rs.9.58 crores. The loans from the Government of India and other bodies stood at Rs.15.22 crores.

2. FINANCIAL PERFORMANCE

The financial position of the Company as at the end of the last five years is given below:-

(Rs. in lakhs)

		1989-90	1990-91	1991-92	1992-93	1993-94
I.	**LIABILITIES**					
A.	**Paid up capital including pending allotment**	653.42	748.42	848.42	898.42	958.42
B.	**Reserves & Surplus**					
	(i)Free Reserves	590.79	389.81	87.47	240.80	314.04
	(ii)Committed Reserves	82.09	28.31	28.31	16.66	16.66
C.	**Grant in aid**				43.82	93.37
D.	**Borrowing from:**					
1.	**Govt.of India**	393.04	439.87	527.87	497.54	505.37
2.	**Banks**	454.74	508.69	325.61	596.16	548.92
3.	**Others**	69.93	75.37	104.13	474.01	399.11
E.	**Trade dues and other current liabilities**	1559.60	1956.36	2117.10	1846.05	1146.82
	Total:	3803.61	4146.83	4038.91	4613.46	3982.71
II.	**ASSETS**					
F.	**Gross Block**	2124.64	2291.83	2395.33	2742.57	2923.60
	Less depre-- ciation	1064.71	1148.55	1226.48	1324.11	1436.36

G.	Net Block	1059.93	1143.28	1168.85	1418.46	1487.24
H.	Capital works-in progress	169.62	157.40	272.81	150.30	126.46
I.	Investment	-	-	0.08	0.08	0.08
J.	Current Assets, Loans and Advances	2463.46	2676.73	2364.29	2824.81	2162.59
K.	Pre-operative expenses	104.18	163.77	230.19	214.28	198.06
L.	Misc. expenditure to the extent not written off	6.42	5.65	2.69	5.53	8.28
	Total	3803.61	4146.83	4038.91	4613.46	3982.71
M.	Capital Employed (G+J-E)	1963.79	1863.65	1416.04	2397.22	2503.01
N.	Net Worth A+B(i)-(K+L)	1215.70	997.12	703.01	919.41	1066.12
O.	Net Worth per rupee of share capital	1.86	1.33	0.83	1.02	1.11

WORKING RESULTS

1.	Sales	5180	5658	6413	8103	7988
2.	Others Income	99	117	138	122	140
	Total	5279	5775	6551	8225	8128
3.	Cost of Raw Material	3110	3466	3954	4733	4904
4.	Salaries and Wages	723	773	868	1048	1055
5.	Other manufacturing selling and Administrative overheads	1011	1190	1449	1613	1713

6.	**Other Expenses**	**296**	**385**	**452**	**471**	**310**
7.	**Prior period Adjustments**	**89**	**113**	**23**	**101**	**(-)56**
	Total	**5229**	**5927**	**6746**	**7966**	**7926**
8.	Gross profit	50	(-)152	(-)195	259	202
9.	Depreciation	101	105	107	117	137
10.	Net Profit	(-)51	(-)257	(-)302	142	65
11.	Provision for Taxation	-	-	-	-	(-)8
12.	Net Profit/Loss after Tax	(-)51	(-)257	(-)302	142	73

The Company paid dividends between 5 and 7 *percent* upto 1987-88 but no dividend was paid thereafter.

3. PERFORMANCE OF BAKERY UNITS

3.1 Bakery units accounted for 82 percent of the turnover of the Company during the year 1993-94. The installed capacity, actual production and sales in recent years are given below:-

(in lakhs of standard loaves - S.L.)

Year	Capacity	Target	Produc-tion	Capacity utilisation (%)	Sales*
1989-90	2441	2000	1856	76	1852
1990-91	2441	2170	1907	78	1975
1991-92	2441	2362	1910	78	2103
1992-93	2564	2150	1856	72	2043
1993-94	2686	2365	1764	66	1768

* Sales includes loaves produced by ancillary units

3.2 The unitwise capacity, production and profit are given below:-

Sl. No.	Name of the unit	Year	Installed capacity (lakh SL)	Production (lakh SL)	Capacity utilisation (%)	Profit(+) Loss(-) (Rs. in lakhs)
1.	Ahmedabad	1989-90	122.76	47.93	39	(-)35.06
		1990-91	122.76	47.80	39	(-)36.72
		1991-92	122.76	57.90	47	(-)31.87
		1992-93	122.76	43.71	36	(-)36.30
		1993-94	122.76	48.68	40	(-)20.00
2.	Bangalore	1989-90	117.96	79.82	68	(-)13.79
		1990-91	117.96	68.70	58	(-) 7.26
		1991-92	117.96	65.98	56	(+) 9.34
		1992-93	117.96	67.68	57	(+)35.05
		1993-94	117.96	80.31	68	(+)70.74

3. Bombay	1989-90	245.52	241.32	98	(+)97.05
	1990-91	245.52	229.28	93	(+)42.86
	1991-92	245.52	186.48	76	(+) 0.99
	1992-93	245.52	182.25	74	(+)42.28
	1993-94	245.52	192.93	79	(+)54.05
4. Calcutta	1989-90	327.36	100.63	31	(-)39.67
	1990-91	245.52	110.27	45	(-)32.56
	1991-92	245.52	130.63	53	(-)22.66
	1992-93	245.52	120.88	49	(-)28.16
	1993-94	245.52	106.75	43	(-)15.63
5. Chandigarh	1989-90	122.76	76.07	62	(-) 12.18
	1990-91	122.76	62.78	51	(-)24.90
	1991-92	122.76	83.96	68	(+) 1.89
	1992-93	122.76	77.20	63	(+)12.81
	1993-94	122.76	58.88	48	(-) 6.91
6. Cochin	1989-90	286.44	227.31	79	(+) 39.88
	1990-91	286.44	261.67	91	(+) 52.96
	1991-92	286.44	.288.21	101	(+)65.43
	1992-93	286.44	281.65	98	(+)111.07
	1993-94	286.44	287.74	100	(+)90.07
7. Delhi-I	1989-90	491.04	655.86	134	(+)151.76
	1990-91	491.04	681.70	139	(+) 46.13
	1991-92	491.04	632.13	129	(+) 11.70
	1992-93	491.04	580.63	118	(+)252.52
	1993-94	491.04	459.33	94	(+)51.70
8. Hyderabad	1989-90	117.96	56.27	48	(-) 32.23

	1990-91	117.96	50.37	43	(-)25.75
	1991-92	117.96	44.16	37	(-) 16.92
	1992-93	117.96	45.20	38	(-)28.64
	1993-94	117.96	48.62	41	(-)26.29
9. Jaipur	1989-90	122.76	29.61	24	(-) 17.21
	1990-91	122.76	36.85	30	(-) 26.57
	1991-92	122.76	52.99	43	(-) 8.50
	1992-93	122.76	47.17	39	(-) 8.56
	1993-94	122.76	37.33	30	(-)17.18
10. Kanpur	1989-90	117.96	49.98	42	(-)25.88
	1990-91	117.96	43.39	37	(-)37.94
	1991-92	117.96	34.67	29	(-)37.50
	1992-93	117.96	25.31	21	(-)50.01
	1993-94	117.96	33.05	28	(+)29.63
11. Madras	1989-90	122.76	147.36	120	(+)37.56
	1990-91	204.60	151.71	74	(+)37.07
	1991-92	204.60	180.49	88	(+)66.43
	1992-93	204.60	177.59	87	(+)84.03
	1993-94	204.60	184.69	90	(+)65.71
12. Ranchi	1989-90	122.76	23.02	19	(-)28.96
	1990-91	122.76	30.28	25	(-)28.72
	1991-92	122.76	36.22	30	(-)24.78
	1992-93	122.76	29.42	24	(-)20.22
	1993-94	122.76	25.68	21	(-)32.67

13. Indore	1989-90	122.76	120.43	98	(+)40.34
	1990-91	122.76	132.11	108	(+)35.60
	1991-92	122.76	116.06	95	(+) 1.83
	1992-93	122.76	139.71	114	(+)60.07
	1993-94	122.76	104.43	85	(+)35.47
14. Delhi-II	1992-93	122.76	36.28	30	(-)23.42
	1993-94	245.52	95.50	39	(-)47.99

3.3 Capacity utilisation in Ranchi unit was the poorest and was between 19 and 30 percent. In Jaipur, Kanpur and Delhi II Units, it was less than 50 percent. In Calcutta Unit it ranged between 31 and 53 percent. The poor capacity utilisation was attributed to labour trouble, decline in market demand and closure of plant for overhauling.

3.4 In Bombay and Bangalore,though the Units were profitable capacity utilisation was not very good. The Units at Cochin, Delhi I, Madras and Indore performed very well. Shortfall in profits and losses were also attributable to excess consumption of raw-materials over norms and production of defective bread. The Company has fixed a norm of 0.50% of total production as defective production. However, the percentage of defectives were consistently higher in Units mentioned below:-

Unit	**1989-90**	**1990-91**	**1991-92**	**1992-93**	**1993-94**
Ahmedabad	**0.81**	**0.60**	**0.64**	**1.14**	**1.53**
Delhi I	**0.89**	**1.28**	**1.89**	**1.65**	**1.54**
Calcutta	**1.04**	**0.79**	**0.85**	**1.16**	**0.81**
Delhi II	---	---	---	---	**1.61**

In addition to the above, a norm of 0.50% of bread as market return due to being unsold, stale, mouldy, damaged or defective is also allowed. The percentage was high in some of the Units as given below:-

Unit	1989-90	1990-91	1991-92	1992-93	1993-94
Hyderabad	5.40	4.04	3.58	3.14	3.70
Ranchi	4.63	4.67	3.73	4.43	5.28
Bombay	2.76	3.58	4.66	4.83	5.06
Ahmedabad	2.98	4.70	4.88	2.86	2.55
Cochin	1.74	1.51	1.87	2.09	2.66
Bangalore	0.94	1.21	0.88	0.86	1.14

This was attributed to inconsistent quality and unexpected closure of markets.

3.5 A bun plant was set up in Calcutta in July, 1976 at a cost of Rs.24.75 lakhs. It remained idle due to low demand for buns. After 13 years it was shifted to Madras in February, 1989 at a cost of Rs.2.70 lakhs and Rs. 23.56 lakhs were spent on construction of building for housing the plant, procurement of ancillary equipment overhauling and installation of plant. Similarly, due to poor market, the bun plant at Bombay was shifted to Cochin in April, 1983 where it was installed in December, 1984 at a cost of Rs.16.01 lakhs. The relocation of these plants indicate lack of initial market study.

3.6 FIFTH & SIXTH BREAD LINES AT DELHI

The 5th & 6th bread production lines at Delhi approved by the Board in September, 1988 for commissioning by December 1989 and December 1990 respectively at a cost of Rs. 260 lakhs were accomplished only in August 1992 and August 1993 respectively. An expenditure of Rs.394.32 lakhs was incurred upto March, 1994

4. OTHER PRODUCTION UNITS

4.1 The capacity and production in other units are given below:-

Sl. No. Name of the unit	Period	Unit of measurement	Capacity	Production	Percentage of capacity utilisation	Remarks
Roller flour Mill Faridabad						
(a)R.F.M	1989-90	M.T.	15,000	3598	24	Since Feb.1992
	1990-91	M.T.	15,000	1683	11	the plant is being
	1991-92	M.T.	15,000	1762	12	utilised for the
(b)Energy Food	1992-93	M.T	18,000	7700	43	production of
	1993-94	MT	18,000	9937	55	Energy Food
2. Fruit Juice Bottling plant Delhi	1989-90	Lakh Litres	191.28	18.87	10	An additional Energy Food Plant of 20 MT day installed from
(a) Fruit drinks/ soda	1990-91		191.28	18.40	10	19.2.1994.
	1991-92		191.28	11.68	6	
	1992-93		191.28	7.28	4	
	1993-94		191.28	5.74	3	
(b)Energy Food	1993-94	M.T.	680	443.50	65	
3. Oil Plant Ujjain	1989-90	M.T.	35500	13947	39	The plant is
	1990-91	M.T.	35500	11228	32	closed from
	1991-92	M.T.	35500	4787	13	31.3.1994.
	1992-93	M.T.	35500	Nil	Nil	
	1993-94	M.T.	35500	Nil	Nil	
4. Fruit Processing plant Bhagalpur	1989-90	M.T.	2856	1.61	0.13	A Plant for the
	1990-91	M.T.	2856	NIL	negligilble	production of
(a)Pulp Plant	1991-92	M.T.	2856	Nil	Nil	Energy Food
	1992-93	M.T.	2856	Nil	Nil	started functioning
	1993-94	M.T.	2856	Nil	Nil	from Nov.1993
(b) Energy	1993-94	M.T.	2500	594.63	24	
5. Extruder Plant Jaipur	1989-90	M.T.	1500	1143.57	76	
	1990-91	M.T.	1500	979.08	65	
	1991-92	M.T.	1500	1178.41	79	
	1992-93	M.T.	1500	1321.48	88	
	1993-94	M.T.	1500	1437.03	96	
6. Beverage Concentrate,Unit Faridabad	1989-90	10 kg	Not Applicable	1535	Not ascertainable	From 9th October, 1992 the accounts of this Unit was merged with RFM, Faridabad.
	1990-91	10 kg		1406		
	1991-92	10 Kg		390		
	1992-93	10 Kg		192		
	1993-94	10 Kg		96		

4.2 BEVERAGE UNIT

The Beverage Unit at Faridabad manufactures concentrate for sale to various franchise bottlers. Cumulative loss in the Unit upto October,1992 amounted to Rs. 79.93 lakhs. The Unit was thereafter merged with Roller Flour Mill, Faridabad. The sale of beverage concentrate which was 1702 Units in 1989-90 had decreased to 76 Units in 1993-94.

The details are given below:-

(In units of 10 kg.)

Year	Production		Sales	Loss
	Target	Actual		(Rs. in lakhs)
1989-90	3000	1535	1702	1.08
1990-91	2200	1406	984	9.06
1991-92	485	390	169	10.28
1992-93	200	192	60	4.94
1993-94	50	96	76	---

The Management stated that decline in sales was because of inability to compete in the markets involving higher expenditure on advertisement and publicity. In October,1992 the Board advised the Management to sell the land, building and machinery of the Unit. However, after reconsidering its decision, the Board has deferred the disposal of the Unit and has directed the Management to explore the possibilities of it's being utilsed for Biscuit Unit under its diversification plan (August 1994).

4.3 ROLLER FLOUR MILL (R.F.M.)

The Maize Mill at Faridabad was transferred from the Food Corporation of India to the MFIL in December, 1979 for Rs. 28.34 lakhs. The Maize Mill was converted into a Roller Flour Mill of 50 tonnes per day capacity at a cost of Rs. 57.30 lakhs and regular production started in December, 1987. From February, 1992 the plant is being utilised for production of energy food.

The Roller Flour Mill was running at a loss upto 1991-92 and cumulative losses upto the end of 1993-94 were Rs.118.55 lakhs. The capacity utilisation was poor at 24% in 1989-90, 11% in 1990-91, 12% in 1991-92,43% in 1992-93 and 55% in 1993-94.

The Mill was run as a captive unit for the Bakery units. Production remained low due to lower procurement of wheat and paucity of funds.

4.4 FRUIT JUICE BOTTLING PLANT,NEW DELHI

The plant was taken over from Government in April 1982 at a cost of Rs.98.84 lakhs. It had capacity for 12 lakh crates of bottling, 1.15 lakh of pouches and 6 lakh litres of loose juices per annum. Capacity was increased to 38.40 lakh, 4.80 lakh and 6 lakh respectively from 1989-90 respectively. The unit producing Rasika brand of Fruit Drinks and Tingler Lime Lemon have been incurring losses since inception and the cumulative loss was Rs.644 lakhs as on 31.3.94. This was mainly due to poor capacity utilisation as given below:

(Qty. in lakh crates)

Year	Installed capacity	Target Original	Target Revised	Production	%utilisation of capacity	Sales
1989-90	38.40	6.25	-	3.65	9.51	3.50
1990-91	38.40	6.25	6.50	3.70	9.64	3.54
1991-92	38.40	2.50	-	1.76	14.67	1.74
1992-93	38.40	2.00	-	0.99	2.58	0.91
1993-94	38.40	2.00	-	0.74	1.93	0.67

Cost of production was more than selling price. Still, the Company commissioned another plant for 220 bottles per minute at New Delhi in 1989 at a cost of Rs.142.49 lakhs on grounds of encouraging response for its products. The existing plant of 100 Bottles per minute was proposed to be transferred to Madras but was later converted into a plant for production of soda water (December 1991). However, the Soda Water Plant was also not successful. The steep decline in the sale of its products was attributed to the entry of international beverages in the market and paucity of funds to meet the advertisement and publicity expenditure. During 1993-94 the Company has set up facilities for production of energy food and for processing CARE commodities for supply to the Government of Uttar Pradesh to overcome the recurring losses (September,1994).

4.5 FRUIT PULP PROCESSING PLANT,BHAGALPUR

The Fruit Pulp Processing Plant was set up in August, 1985 at a cost of Rs.162.00 lakhs with an installed capacity to process two tonnes per hour mango fruit and one tonne per hour Guava fruit. The accumulated loss as on 31.3.94 was

Rs.324.04 lakhs. The plant remained under lockout from June 1990 to October 1993 due to labour trouble.

The targeted production, actual production and sales are shown below:-

Year	Target (MT)	Production (MT)	Sales (MT)
1989-90	1000	1.61	291
1990-91	500	nil	nil
1991-92	nil	nil	nil
1992-93	nil	nil	nil
1993-94	nil	nil	nil

The shortfall in production was attributed by the management to non-availability of mangoes and guavas of the desired kind. According to the Company, the mango of requisite quality had to be transported from the South making the operation uneconomic. It was not clear why only the non-available or costly kind was desired. Further, the main reason for setting up the plant at Bhagalpur was the abundant availability of fruits. Thus there was failure in planning and marketing and what was produced could not be sold. The Company wrote off damaged stock of 29.32 tonnes of guava pulp valuing Rs.2.25 lakhs in May, 1990. Unsold stock of pulp kept accumulating and production of pulp was suspended from September, 1987. The Company, in order to utilise infrastructure available has set up a poshahar plant in June, 1993 by restructuring the existing plant.

4.6. OIL PLANT, UJJAIN

The Oil Mill at Ujjain was transferred to the MFIL from Food Corporation of India in February, 1980. The cost of the plant was Rs.63.26 lakhs. It incurred losses from the year 1986-87 and cumulative losses upto 1993-94 were Rs.819.44 lakhs. It's capacity was under utilised as shown in the table below:-

	Refinery Section (capacity 7500 MT)		Solvent Section (capacity 18000 MT)		Expeller Section (capacity 10000 MT)	
Year	Target Original	Actual production	Target Original	Actual production	Target production	Actual production
1989-90	6000	2798	5000	11149	Not fixed	1973
1990-91	5000	705	10000	10523	-do-	Nil
1991-92	1333	283	8285	4504	-do-	Nil
1992-93	1415	Nil	9450	Nil	-do-	Nil
1993-94	Nil	Nil	7000	Nil	-do-	Nil

According to the Company the equipment was obsolete and three out of five expellers were not working. The cattle feed and decorticator sections of the unit were never put into operation. The Company stated (July 1992) that these could not be operated as the farmers in the vicinity of Ujjain grew only soyabean seeds and the machines were meant for groundnut seeds; the cost of repairs and modification was too high and uneconomic due to old design of the machines. The Company with the approval of Government decided to close down the plant from 31st March 1994.

4.7 EXTRUDER PLANT AT JAIPUR

A 2.4 MT per shift capacity extruder plant was set up in October, 1983 at a cost of Rs.40.87 lakhs to cater exclusively to the requirement of Special Nutrition Programme run by the Government of Rajasthan. The target, production and sales as against assessed capacity of 1500 MT were as below:-

Year	Target	Production	Sales
	(in metric tonnes)		
1989-90	1500	1143.57	1146.24
1990-91	1275	979.08	1011.62
1991-92	1350	1178.41	1190.86
1992-93	1450	1321.48	1319.66
1993-94	1500	1437.03	1428.14

The profitability of the unit is indicated below:-

Year	(Rs. in lakhs) Profit (+) / Loss (-)
1989-90	(+)0.26
1990-91	(-)7.42
1991-92	(-)3.49
1992-93	(+)10.31
1993-94	(+)17.65

The Management stated that the price of the extruder food was not revised upward by the Government of Rajasthan during the last few years whereas the cost of input had gone up considerably; the prices were, however, revised from 1st April 1992. The Company was exploring the possibility of commercialising the product to enable better utilisation of the available capacity and improve the operational results (September, 1994).

4.8 PINEAPPLE JUICE CONCENTRATE PLANT AT SILCHAR

A 6500 tonnes capacity Pineapple Concentrate Plant at a cost of Rs.207 lakhs was to be commissioned by January, 1986. Delay in inviting tenders and disputes with the contractors have resulted in an expenditure of Rs.277.69 lakhs (March 1994). The Management had decided to sell the incomplete unit on 'as is where is basis'(November 1991). There was no response when tenders were invited in February 1992. The Company stated that they were trying other sources and the matter had also been taken up with the Mizoram Government and other PSUs. However, the Company could not find any suitable buyer so far (October,1994).

4.9 POSHAHAR PLANTS - UDAIPUR AND BADAUN

A 'Poshahar' Plant of 4 MT/shift capacity was to be set up at Udaipur at a cost of Rs. 84.00 lakhs. For this the Company had taken loans of Rs.38.50 lakhs from the Government of India during 1989-90. An amount of Rs.26.90 lakhs had been spent upto March 1994. The plant remains to be completed.

A 10 MT/per day Poshahar plant at Badaun at a capital cost of Rs.70 lakhs was to have been set up. The Company has taken a loan of Rs.20 lakhs from the Government of India in March, 1990. An amount of Rs.5.12 lakhs have been spent on this upto March 1994. The plant remains to be completed. As the Management could not set up the plant within the stipulated period, the land allotment for the purpose has been cancelled and part of the amount deposited with District Authorities has been forfeited . The Company has decided not to go ahead with the project and has requested the land allotting authorities for refund of their balance deposits.

5. MARKETING AND PRICING

5.1 In Delhi, prices of bread were fixed by Delhi Administration till 11th October, 1991. In Calcutta prices of bread are controlled by State Government. Prices for special bread supplied to State Governments under social welfare schemes, were fixed by Company after negotiations.

5.2 The Company's products are marketed through distributors. Margins are fixed for distributors, wholesale/area dealers and retailers. The bread-unit at Delhi and Fruit Juice Bottling Plant, Delhi selected distributors without calling for competitive bids.

5.3 In the Fruit Juice Bottling Plant, the target of 85,000 cases for the Zonal Distributors was not mentioned in the agreements. No record was maintained to show if the zonal distributors/area dealers visited the retailers. A commission of Rs.5 per crate was given to area distributors appointed by the zonal distributors but the money was paid to the zonal distributors. Records showing targets, achievements and action taken on non-achievement of targets were not maintained.

Incentive schemes in vogue were insensitive to the volume of sales effected by the dealers and so did not help in increasing sales.

5.4 The Company's expenditure on advertisement and publicity in recent years was as under:-

(Rs. in lakhs)

Year	Publicity Expenditure	% Increase(+)/ Decrease(-) from previous year	Sales	% increase(+) Decrease(-) from previous year
1989-90	41.84	(+)13	5180.09	(+) 8
1990-91	32.86	(-)21	5657.99	(+) 9
1991-92	78.50	(+)139	6412.70	(+)13
1992-93	24.70	(-) 69	8102.92	(+)26
1993-94	32.61	(+)32	7988.03	(-) 1

The expenditure on advertisement and publicity had no impact on sales. The main reason was lack of direct contact between marketing staff and retailers and excessive dependence on distributors

5.5 The monthly operating reports of the units were consolidated and unit cost of production and sales of various products as well as operating profit/loss was worked out for the Company as a whole. There were wide variations in profit/loss as compiled from monthly operating reports and as shown in final accounts of the units and the Company as a whole. Costing of idle time, rejections and under-utilisation of capacity was not done to ascertain losses on account of these factors. In the absence of standard costing, the Company was unable to calculate and review periodically the cost of its products or exercise effective cost control.

5.6 The increase in losses was attributed by the Company, mainly to increase in salaries and wages, and cost of raw materials. Underutilisation of capacity, returns of bread, excess consumption of raw materials etc. contributed to losses.

6. CONSERVATION OF ENERGY

6.1 The consumption of electricity per unit of production in three production units was higher than the prescribed standard average as per details given below:-

(In KWH)

S. No.	Unit	Standard Average	1990-91	1991-92	1992-93	1993-94
1.	Fruit Juice Bottling Plant New Delhi	0.45 (Per crate)	0.46	0.53	0.90	0.55
2.	Ujjain Oil Plant	50.00 (Per MT)	74.23	113.82	-No Production-	
3.	Roller Flour Mill					
	(i)RFM Faridabad	7.5 (Per Qtls)	17.86	11.99	-	-
	(ii)Energy Food	4.00	-	-	4.04	3.30

The high consumption of energy {Ujjain Oil Plant (upto 1991-92) and Fruit Juice Bottling Plant}was attributed to less production. Effective steps needed to be taken for reduction of energy consumption.

R Chandra

New Delhi
The 3 MAY 1995

(RAMESH CHANDRA)
Dy. Comptroller and Auditor General cum Chairman, Audit Board

Countersigned

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

New Delhi
The 4 मई MAY 1995

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