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P.A.C.

Presented to the Legislature on 12th October 1976.

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR 1974-75

GOVERNMENT OF KERALA

(COMMERCIAL)

Details of examination of paras
1974-75.

Section	Subject	Date of examn.	Date of receipt of draft report	Date of approval of draft report	No. of Report & Date of presentation to Legislature
I	Introduction Govt Coys.				
II	The Kerala Ceramics Ltd			20.3.79	16th Report (77-79) 30.3.79
III	Kerala Electrical and Allied Engg. Co. Ltd			28.2.79	15th Report (1977-79) 22.3.1979
IV	The Kerala State Cashew Development Corpn. Ltd	24.4.78		24.8.78	10th Report (77-79) 25.8.78
V	Introduction Statutory Corporations	28.11.78			
VI	K.S.R.T.C.	8.9.78 12,13-6-79 12,13.7.79 3,4,17-8-79			11th Report (80-82) 26.3.81
VII	Kerala State Ware-housing Corpn.	3.7.79		25.6.80	I Report 80-82 18-7-1980
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Report of the Comptroller and Auditor General of India for the year 1974-75 (Commercial)

102/9080/MC.

PREFATORY REMARKS

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

(i) Statutory Corporations;

(ii) Government Companies; and

(iii) Departmentally managed commercial undertakings.

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

3. There are, however, certain companies where Government have invested funds but the accounts of which are not subject to audit by the Comptroller and Auditor General. A list of such undertakings where Government investment is more than Rs. 10 lakhs as on 31st March 1975 is given in Annexure—A.

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

102/9080/MC.

5. In respect of the Kerala State Road Transport Corporation and Kerala State Electricity Board, the Comptroller and Auditor General is the sole auditor, while in respect of the Kerala Financial Corporation and Kerala State Warehousing Corporation, he has the right to conduct the audit of the concerns independently of the audit conducted by the professional auditors appointed under the respective Acts.

6. 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 1

Introduction

1. There were 51 Companies (33 wholly owned and 18 partly owned) including 8 subsidiaries, of the State Government as on 31st March 1975, as against 41 companies including 5 subsidiaries as on 31st March 1974. During the year, 7 new Companies, viz. Kerala Shipping Corporation Limited, Kerala State Civil Supplies Corporation Limited, Steel Industrials Kerala Limited, Kerala Forest Development Corporation Limited, Sitaram Textiles Limited, Kerala Garments Limited and Kerala State Construction Corporation Limited were incorporated. One Company, viz. The Travancore Sugars and Chemicals Limited, became a Government Company on 16th October 1974 when Government acquired more than 51 per cent (52.2 per cent) of the shares in the Company. Two other Companies, viz. Keltron Counters Limited incorporated in June 1964 and Meat Products of India Limited incorporated in March 1973, became Government Companies on 27th August 1974 and 8th August 1974 respectively by virtue of their becoming subsidiaries of Kerala State Electronics Development Corporation Limited and Kerala Agro-Industries Corporation Limited respectively.

2. Investments and guarantees

Total investment by Government by way of share capital in these companies at the end of March 1975 was Rs. 34,88.97 lakhs.

Government have given guarantees for repayment of loans/ overdrafts, amount raised by issue of bonds/debentures and payment for machinery purchased and payment of interest thereon in respect of 17 companies as detailed below:—

	In lakhs of Rupees
Maximum amount guaranteed	29,77.25
Amount guaranteed outstanding on 31st March 1975:—	
Principal	20,79.54
Interest	36.30

Summarised financial results of 35 companies which prepared accounts for 1974-75 and 5 other companies with reference to the latest available accounts finalised after the Report of the Comptroller and Auditor General of India for 1973-74 was finalised, are given in Annexure—B.

3. Paid-up capital

The aggregate of paid-up capitals of 28 companies (excluding 5 subsidiaries) stood at Rs. 30,97.97 lakhs at the end of March 1975 as against Rs. 26,61.13 lakhs at the end of March 1974.

The aggregate of paid-up capitals of 5 subsidiaries at the end of 1974-75 was Rs. 67.02 lakhs as against Rs. 53.01 lakhs at the end of 1973-74.

4. Borrowings

The borrowings (loans, deferred payments and cash credits) of 28 companies (excluding five subsidiaries) stood at Rs. 45,93.20 lakhs at the end of 1974-75, representing an increase of Rs. 14,47.27 lakhs over the borrowings (Rs. 31,45.93 lakhs) at the end of the previous year.

The borrowings of 5 subsidiary companies stood at Rs. 1,22.04 lakhs at the end of 1974-75 as against Rs. 1,01.29 lakhs in 1973-74.

5. Profits and dividends

The working results of 33 companies (including 5 subsidiary companies) for the year 1974-75, are analysed in the table given below:—

		Particulars	*Number of companies*	*Aggregate of*		*Percentage of profits to paid-up capital*
				Paid-up Capital	*Profit (+)/ Loss (—)*	
				(Rupees in lakhs)		
Companies other than subsidiary companies:						
(a)	Which earned profit	Industrial and Trading	12	13,45.87	(+) 3,99.48	29.7
		Financial	5	7,10.41	(+) 59.28	8.3
(b)	Which incurred losses	Industrial and Trading	9	9,68.19	(—) 90.59	..
		Financial	2	73.50	(—) 17.84	..
		Total	28	30,97.97	(+) 3,50.33	11.3
Subsidiary Companies:						
(a)	Which earned profit	Financial	1	25.00	(+) 6.00	24.0
(b)	Which incurred losses	Industrial and Trading	4	42.02	(—) 10.23	..
		Total	5	67.02	(—) 4.23	..

During 1974-75, out of 17 companies (excluding 5 subsidiaries) which earned profits of Rs. 4,58.76 lakhs, 3 companies declared dividends of Rs. 15.98 lakhs as detailed below:—

Name of Company	*Amount of surplus*	*Amount retained in business*	*Amount of dividend*	*Percentage of dividend to paid-up capital*
		(Rupees in lakhs)		
Wholly owned Government Companies:				
Kerala Urban Development Finance Corporation Limited	2.03	1.66	0.37	2
The Kerala State Financial Enterprises Limited	16.16	15.35	0.81	3
Partly owned Government Companies:				
Transformers and Electricals Kerala Limited	97.10	82.30	14.80	6

In the case of the following companies the cumulative losses were more than the paid-up capital:—

	1974-75	
	Paid-up capital	*Cumulative loss*
	(Rupees in lakhs)	
Trivandrum Spinning Mills Limited	51.45	1,40.49
Pallathra Bricks and Tiles Limited	14.58	18.38

16th Report of the CPU (1977-79)
presented on 30.3.1979.

SECTION II

THE KERALA CERAMICS LIMITED

1. Introduction

The Kerala Ceramics Limited, which was incorporated on 1st November 1963 to take over the erstwhile departmental undertakings of "Government Ceramic Concerns" and "Kerala Government Ceramics", started functioning from 24th February 1964.

The main objects of the Company are to carry on the business of mining, processing, refining and selling china clay, manufacturing, processing and selling of porcelain goods of all descriptions, earthen wares, terracotta and ceramic wares, stoneware pipes, electrical insulators and other electrical appliances such as switches, bases, fuse carriers, etc. When the undertakings were taken over, the Company had three working units, viz. the mining unit, the refractory unit and the porcelain unit. The refractory unit was closed down in January 1971.

The Company became a subsidiary of Kerala State Industrial Enterprises Limited, another fully-owned Government Company, in September 1973.

Some aspects on the working of the Company were mentioned in the Audit Report, 1966. The working of the Company was also reviewed by the Committee on Public Undertakings (Third Lok Sabha) in its Twentieth Report published in March 1966.

2. Capital structure

2.1. *Share Capital*

The authorised capital of the Company, which was Rs. 100 lakhs at the time of formation, was raised to Rs. 200 lakhs in September 1973. The paid-up capital of the Company, entirely subscribed by the State Government, was Rs. 107.95 lakhs as on 31st March 1975.

2.2. *Borrowings*

Loans aggregating Rs. 114.76 lakhs obtained from the State Government from February 1964 onwards were outstanding as on 31st March 1975. The loans bear interest at rates varying from 5 to $8\frac{1}{2}$ per cent per annum and are repayable in 15 to 20 annual instalments. The Company has not yet (January 1976) paid the interest (Rs. 35.88 lakhs) as well as the overdue instalments of principal (Rs. 23.84 lakhs). The default in repayment of principal and payment of interest has resulted in accrual of penal interest (at 2 per cent over the normal rate in respect of overdue instalments of principal and at rates ranging from 2 to $10\frac{1}{2}$ per cent in respect of overdue interest) amounting to Rs. 5.98 lakhs. The total amount of interest outstanding as on 31st March 1975 was Rs. 41.86 lakhs.

Since October 1973, the Company has obtained loans from the Holding Company at rates of interest varying from 10 to 14 per cent. The amount outstanding as on 31st March 1975 was Rs. 13.25 lakhs.

The working capital requirements of the Company were mostly met from cash credit arrangements with the State Bank of Travancore. The amounts outstanding at the close of each of the three years up to 1974-75 are indicated below:—

Year	*Maximum limit allowed*	*Balance outstanding*
	(*Rupees in lakhs*)	
1972-73	7.00	5.77
1973-74	7.00	1.65(Dr)
1974-75	15.00	14.90

The commission paid by the Company to the State Government for guaranteeing the repayment of principal and payment of interest on the cash credit availed of amounted to Rs. 0.18 lakh for the three years ended 31st March 1975.

3. Organisational set-up

The management of the Company vests in a Board of Directors. Excluding three directors representing staff and workers, whose term expired in January 1975, the Company had eight directors (appointed by the Holding Company) as on 31st March 1975. The Managing Director of the Holding Company has been holding the additional charge of the Company's Managing Director since August 1973. The day-to-day management of the Company rests with the General Manager.

The Holding Company renders management services in the field of sale, selection of personnel, etc., for which the Company paid Rs. 0.36 lakh for 1973-74 and Rs. 0.74 lakh for 1974-75, according to the rates prescribed by the Holding Company.

4. Financial position

The table below summarises the financial position of the Company under the broad headings for the three years up to 1974-75:—

Liabilities	1972-73	1973-74	1974-75
		(*Rupees in lakhs*)	
a. Paid-up capital	70.45	1,07.95	1,07.95
b. Reserves and surplus	0.47	0.56	0.56
c. Borrowings including advances from banks	83.04	1,24.77	1,42.92
d. Trade dues and other current liabilities (including provisions)	46.48	55.44	76.43
Total	2,00.44	2,88.72	3,27.86

		1972-73	1973-74	1974-75
	Assets		(*Rupees in lakhs*)	
e.	Gross block	43.27	43.39	43.38
Less:	Depreciation	16.86	18.10	19.37
	Net fixed assets	26.41	25.29	24.01
f.	Development projects	51.86	1,31.31	1,47.88
g.	Investments	0.05	0.05	0.05
h.	Current assets, loans and advances	40.98	57.22	66.63
i.	Miscellaneous expenses	0.34	0.01	0.01
j.	Losses	80.80	74.84	89.28
	Total	2,00.44	2,88.72	3,27.86
	Capital employed	27.26	35.75	26.54
	Net worth	(—) 10.22	33.66	19.22

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

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

3. The accumulated losses have been reduced by Rs. 5.96 lakhs in 1973-74 due to write back of interest on Government loans, salary, wages, etc., attributed to expansion projects (Rs. 5.73 lakhs) and profits earned (Rs. 0.23 lakh).

5. Expansion scheme

5.1. *Mining unit*

In July 1966, the Company entered into an agreement with a Yugoslavian firm for conducting investigations of samples of Kundara clay and preparation of detailed project report for establishing a china clay beneficiation plant, on a lumpsum fee of Rs. 1.58 lakhs. Before receipt of the final project report (January 1969), the Company obtained in October 1968, a preliminary report from two Japanese firms free of cost. Based on this report, the Company decided in November 1968 to enter into a collaboration agreement with the Japanese firms, as these firms agreed to impart technology for producing superior grade china clay and purchase all the surplus china clay produced. The project report received in January 1969 from the Yugoslavian firm was not processed further. The Company had spent Rs. 1.84 lakhs (Rs. 1.58 lakhs towards cost of the project report and Rs. 0.26 lakh towards travelling expenses of the Company's officials and foreign experts) for getting the project report.

The Company entered into an agreement with the Japanese firms for mechanisation and expansion of mining and refining of china clay for various industrial purposes on 12th May 1970. The agreement was to be in force for five years, subject to review thereafter. According to the agreement, in return for exclusive rights for selling clay in Japan, the collaborators were to furnish the design, drawings, etc., and all such assistance as might be required for setting up and operating the clay refinery. The collaborators also guaranteed to lift the entire available surplus of china clay at prices to be settled to the satisfaction of the Government of India, not below the cost of production.

The project schedule and the estimated production of refined china clay for paper coating as per the project report, which formed part of the agreement, and the progress of actual execution up to March 1975 were as shown below:—

Stage of the project	*Expected date of completion*	*Estimated production per month (tonnes)*	*Progress of actual execution*
First stage (erection of pilot plant and trial production)	December 1970	100-200	Pilot plant erected in October 1969. Trial production extended upto January 1974.
Second stage (erection of spray drier plant)	Two to three years after completion of the first stage	500-1000	Second and third stages were combined together and erection of the plant and machinery was completed in January 1974.
Third stage	Do.	1500-2000	
Fourth stage		3000-5000 (If there is good demand for the product during the third stage)	Not taken up (March 1976).

The Japanese collaborators submitted in July 1970 a scheme combining the second and third stages for production of 1500 tonnes of paper coating clay per month. The total cost of the project was estimated at Rs. 75 lakhs, excluding the cost of water supply facilities. The cost of production was estimated at Rs. 209.22 per tonne of natural dried clay and Rs. 249.28 per tonne of spray dried clay. The actual expenditure on the project up to 31st March 1975 was Rs. 147.37 lakhs. Government attributed (December 1975) the increase in expenditure mainly to:—

(i) construction of a building for spray drier;

(ii) increase in prices of some items of machinery;

(iii) provision of water supply arrangements;

(iv) provision of electrical installations not contemplated in the original estimate; and

(v) payment of customs duty on imported equipment and expenses for Japanese experts, etc.

The pilot plant, which commenced trial production in October 1969, continued to be under trial run up to January 1974 owing to the delay in erection of spray drier plant in the second stage. Against the estimated production during trial run of 100 to 200 tonnes per month the actual production during the period from October 1969 to June 1972 averaged 18 tonnes per month. The shortfall in production was attributed by Government (December 1975) to inadequate supply of water and regulation of production according to market demand. Though the installation of water supply facilities, commenced by the Company in February 1970, was completed at a cost of Rs. 10.80 lakhs in June 1972, production remained low at about 35 to 38 tonnes per month up to January 1974 until the spray drier plant was erected.

According to the agreement, the second stage of expansion should have commenced in January 1971. Orders for important items of equipment were placed between July 1971 and November 1972 and a contract for construction of godown for storing refined clay was awarded in May 1973. The spray drier went into production on 3rd January 1974. Against the estimated production of 1500 tonnes of paper coating clay per month, the actual production from January 1974 to March 1975 was 1042 tonnes.

As per the agreement, the foreign collaborators were to lift the entire available surplus of china clay at a price not below the cost of production. The collaborators purchased only 500 tonnes at Rs. 640 per tonne in June 1974 and thereafter declined to place further orders on the ground that the selling price, if linked with the cost of production, would not be competitive in the Japanese market. Instead of taking steps to ensure that the condition stipulated in the agreement was complied with, the Company decided to curtail production from September 1974. Though the demand for the product within the country was assessed by the Company in May 1973 at 500 to 550 tonnes per month, the actual demand was found to be poor. Accordingly, from September 1974, the plant has been operated at short intervals to keep the machinery in working condition. The Management stated in December 1974 that the existing restrictions in the manufacture and use of superior coated paper had adversely affected the sales, as most of the paper manufacturers had virtually discontinued the production of coated variety of paper. Government stated (December 1975) that the Government of India had in August 1975 liberalised the restrictions on manufacture of coated paper and internal sales were being pushed up.

5.2. *Refractory unit*

In June 1961, Government had sanctioned a scheme of Rs. 18.75 lakhs for re-organisation and modernisation of the refractory unit, before the departmental undertaking was taken over by the Company. Orders for machinery and equipment valued at Rs. 2.61 lakhs were placed between October 1962 and February 1964. Machinery and equipment valued at Rs. 1.46 lakhs were received by the Company between September 1964 and February 1967 and were erected between 1968-69 and 1970-71. Due to fall in demand for refractory items, the Company decided (October 1969) to stagger the implementation of the scheme. A part of the order for the remaining machinery and equipment valued at Rs. 1.15 lakhs was cancelled in June 1970. The other items of plant and machinery in the unit were disposed of between June 1972 and July 1973.

Meanwhile, the Company decided (February 1965) to construct a semi-continuous kiln with six chambers and a chimney at a cost of Rs. 1.25 lakhs and engaged the services of an expert from a neighbouring private company (October 1965) on payment of a fee of Rs. 5,000. The construction was completed in October 1967 at a total cost of Rs. 1.19 lakhs. After trial runs in January 1968, it was found that the kiln could not be worked successfully owing to defects in the chimney. The semi-continuous kiln was sold in February 1972 by open tender for Rs. 0.22 lakh. The loss in the disposal computed by the Company at Rs. 0.54 lakh (after charging depreciation amounting to Rs. 0.43 lakh) was written off in the accounts for 1971-72 and the unit was finally closed down in January 1971.

At the time the unit was taken over by the Company, it had five down draft kilns connected to one 150 feet chimney. These were dismantled between July 1971 and January 1973.

In order to dispose of the dismantled materials profitably, the Company took up the construction of a semi-continuous kiln for a Functional Industrial Estate for Ceramics at Quilon for the State Government. The work was taken up (February 1973) for Rs. 2.05 lakhs anticipating a profit of Rs. 0.30 lakh. As per the terms specified by Government, the work should have been completed by September 1973. The Management stated (March 1976) that the work was completed in October 1975 and the total expenditure was about Rs. 1.91 lakhs. The profit or loss on the contract has not been ascertained yet (February 1976).

A test check of the accounts of the materials dismantled and transported to the work site revealed the following:—

a) Detailed accounts were not kept for the materials salvaged on dismantling the kiln and the chimney.

b) Materials transported to the work site were not properly accounted for.

c) There were shortages in the quantities transported. The value of shortages in transit also has not been assessed (January 1976).

At the instance of Audit, the Holding Company conducted an inquiry (September 1974) about the dismantling, transportation and utilisation of bricks and construction materials at work site. A copy of the inquiry report called for in November 1974 is awaited from the Management (February 1976). Government stated (December 1975) that necessary personnel and procedural re-organisation had been made to eliminate possibilities of lapses in future.

5.3. *Porcelain unit*

Mention was made in paragraph 102(ii) of the Audit Report, 1966 that one of the reasons for the loss in the working of the Company was the limited capacity of the electric kiln (2 tonnes a day) compared to the capacity of the preparatory equipment (8 to 10 tonnes a day). The Committee on Public Undertakings (Third Lok Sabha) observed (March 1966) in its Twentieth Report that because of the imbalance, machine utilisation was only 40 per cent to 60 per cent and recommended that "the factory should make effort to obtain the necessary kiln from Indian manufacturers even if some essential parts have to be imported".

In March 1970, the Company obtained a project report free of cost from a Japanese firm for expansion of the crockery manufacturing plant. The report was revised in November 1970 and again in October 1971. The final report envisaged the setting up of a modern and up to date unit for maximum production of 2100 tonnes of porcelain crockery per year at a cost of Rs. 93.41 lakhs. Based on this report, the Company entered into a technical collaboration agreement (May 1972) with the Japanese firm. The scheme has not progressed much, though a letter of intent was granted by the Government of India in May 1973. Government stated (December 1975) that the scheme for expansion of the porcelain unit had been held in abeyance owing to the unwillingness of the Japanese collaborators to proceed further as the scheme had become uneconomic due to (i) increase in oil prices and (ii) difficulty in competing with other manufacturers in the country. The expenditure incurred on the scheme up to 31st March 1975 amounted to Rs. 0.49 lakh. The imbalance in the capacity of the preparatory machines has not been removed so far (February 1976).

6. Production performance

6.1. *Mining unit*

The Company has a mining unit set up in 1940 with a production capacity of 5000 tonnes of ceramic grade china clay per annum. The production of ceramic grade china clay for the three years up to 31st March 1975 was as follows:—

Year	*Production (in tonnes)*
1972-73	5,169
1973-74	4,070
1974-75	4,406

The shortfall in production during 1973-74 and 1974-75 was attributed by Government (December 1975) to diversion of 29 workers to the new spray drier plant which was expected to go into production in January 1974 and yield higher product value.

The Company engaged the Kerala State Productivity Council during 1969-70 for work study and job evaluation and also for suggesting improvements in the working of the Company. According to their report submitted in April 1971, production in the Mining unit could be increased to 12,500 tonnes per annum with the existing labour strength of 129 workers, by adopting the revised work norms suggested by them. The Company entered into an agreement with the workers in July 1974 to increase, *inter alia*, the output in the mining and refining sections in order to achieve a monthly production of 1040 tonnes of china clay (annual production of 12,500 tonnes) as recommended by the Council. The agreement involved an additional commitment of about Rs. 1.76 lakhs per annum (from 1st March 1972) towards increased wages to the workers. In November 1974, 44 workers found surplus in the Porcelain unit, were transferred to the Mining unit. The average monthly production during November 1974 to March 1975 was 436 tonnes. Even though the increase in production envisaged in the agreement did not materialise, the Company paid the stipulated increase in the wages with effect from March 1972. The Management stated in May 1975 that the transfer of the surplus workers did not improve production as they refused to accept jobs different from their earlier trade. However, they were retained in the Mining unit up to March 1975. The payment of idle wages to the surplus staff from November 1974 to March 1975 amounted to Rs. 1.51 lakhs approximately. Government stated (December 1975) that the surplus workers were retained in a pool to be utilised as helpers in the Mining unit from time to time and to fill up the vacancies that might arise in future in the Porcelain unit.

6.2. *Porcelain unit*

As against the kiln capacity of 730 tonnes per annum, the production achieved during the three years up to 1974-75 was as follows:—

Year	*Kiln capacity (Tonnes)*	*Production (Tonnes)*	*Percentage of capacity utilisation*
1972-73	730	439	60.1
1973-74	730	510	69.9
1974-75	730	594	81.4

Government stated (December 1975) that the installed kiln capacity could not be achieved in practice, due to time taken for maintenance and repairs and that the kiln capacity adopted by the Company was 594 tonnes per annum. The shortfall in production in 1972-73 and 1973-74 was attributed by the Government to power interruptions, voltage drops and reprocessing of underfired goods.

The weight of the porcelain goods manufactured is determined by the Company with reference to the weight of raw materials used and the estimated wastages or process losses, breakages and rejections at different stages of production. The percentages adopted varied from year to year. The Company has not maintained records for wastage, process losses and rejection at each stage. Government stated (December 1975) that maintenance of records of rejection at each stage would involve excessive clerical work. It was further stated that rejection was controlled by proper supervision.

7. Breakages

The table below indicates the percentage of breakage from green goods production stage to loading for glost firing:—

	1972-73	1973-74 (*number of pieces*)	1974-75
Green goods	22,80,266	24,09,557	25,76,038
Number loaded for glost firing	19,90,079	20,68,293	23,30,897
Breakage	2,90,187	3,41,264	2,45,141
Percentage	12.7	14.2	9.5

The Company has not so far (January 1976) fixed any norm for breakage at different stages. Government stated (December 1975) that the figure around 12 per cent was not abnormal in the manufacture of crockery and the breakage bears a relation to particular product mix adopted, i.e. items of certain shapes and designs are more liable to breakage than others. Details of breakage after glost firing are awaited (February 1976).

8. Working results

The Company had been working at loss since its inception except during 1973-74 when it earned a marginal profit of Rs. 0.23 lakh. The loss sustained during 1974-75 was Rs. 14.43 lakhs and the accumulated loss as on 31st March 1975 stood at Rs. 89.28 lakhs.

In this connection it may be mentioned that the profit of Rs. 0.23 lakh for 1973-74 was arrived at without providing for—

i) expenses relating to wages, advertisements, etc. amounting to Rs. 4.67 lakhs; and

ii) interest on loans allocable to fixed assets utilised for production, relating to the expansion scheme, and depreciation on such assets.

8.1. *Operational results*

The table below indicates the operational results of the Company for the three years up to 1974-75:—

	1972-73	1973-74	1974-75
		(*Rupees in lakhs*)	
1. Value of production			
a) Sales	30.94	38.43	44.57
b) Closing stock of finished goods and works-in-progress	11.09	21.21	29.34

	1972-73	1973-74	1974-75
		(Rupees in lakhs)	
c) Opening stock of finished goods and works-in-progress	9.87	11.09	21.21
Value of production (a+b−c)	32.16	48.55	52.70
2. Less consumption of raw materials, stores and spares	5.34	4.28	8.61
Contributed value	26.82	44.27	44.09
3. a) Payments to employees including provisions	25.20	28.88	35.93
b) Net expenses other than consumption of raw materials, stores and spares	13.16	15.16	22.59
4. Net loss (—)/ Profit (+)	(—)11.54	(+)0.23	(—)14.43
5. Percentage of—			
a) Contributed value to value of production	83.4	91.2	83.7
b) Payments to employees to contributed value	94.0	65.2	81.5
c) Consumption of raw materials, stores and spares to value of production	16.6	8.8	16.3

9. Stores control

9.1. *Inventory holdings*

The table below indicates the comparative position of inventory and its distribution at the close of each of the three years up to 1974-75:—

	1972-73	1973-74	1974-75
		(Rupees in lakhs)	
Raw materials, stores and spare parts, etc.	7.75	10.06	12.88
Loose tools	0.11	0.11	0.11
Works-in-progress	1.66	3.49	5.82
Finished goods	9.43	17.72	23.53
Total	18.95	31.38	42.34
Stock of raw materials, stores and spares in terms of consumption requirements (excluding materials for packing, repairs, maintenance etc.) in months	16	29	18
Finished goods in terms of number of months' sales	3.6	5.5	6.3

9.2. *Slow moving and non-moving stores*

The value of slow moving and non-moving stores, spares and raw materials held in the inventory as on 31st March 1975 is given below:—

	Number of items	*Value (Rupees in lakhs)*
Items which did not move for—		
a) One year	122	0.27
b) two years	65	0.19
c) three years and more	333	0.93
	520	1.39

The value of slow moving/non-moving items works out to 11.10 per cent of the value of stores, spares and raw materials held at the close of 1974-75. The Company has not segregated the unserviceable items held in stores for their disposal. Government stated (December 1975) that action was being taken to dispose of the items not required by the Company.

The value of slow moving and non-moving finished goods held on 31st March 1975 (excluding the stocks in show rooms) is given below:—

		Number of items	*Value (Rupees in lakh.)*
Items which did not move for—			
a)	one year	131	0.60
b)	two years	32	0.32
c)	three years and more	158	0.05
	Total	321	0.97

The value of slow moving/non-moving items of finished goods works out to 4.1 per cent of the value of finished goods at the close of 1974-75.

9.3. *Physical verification*

The Company has a system of annual physical verification of stock. The stock register maintained in the show room outside the factory premises was not written up from April 1974 to July 1974. A physical verification of the stock of finished goods in the show room was conducted in July 1974 and fresh stock registers were opened on the basis of the physical balances. The values of excesses and deficiencies, if any, have not been worked out after comparing the stock balance with the physical balances.

Physical verification of gunny bags in the packing section, conducted for the first time in July 1974, revealed a shortage of 1769 bags valued at Rs. 5,534. Government stated (December 1975) that the internal auditor of the Company was working out the value of excess and deficiencies in the stock of show room as also the reported shortage of gunny bags.

10. Pricing policy

10.1. *Crockery*

The selling price of crockery items fixed on f. o. r. Kundara basis, has been revised by the Company from time to time. The Management stated (February 1974) that the selling price was revised on the basis of market trends and cost of production. However, up to July 1975, the Company did not have a costing system to ascertain the cost of production of the products. Government stated (December 1975) that a cost cell had been formed in July 1975 to review the costs and the prices on a monthly basis.

11. Sales policy

11.1. *Sales performance*

The table below compares the actual sales with the budgeted sales for the two units of the Company for the three years up to 1974-75:—

	Mining unit				*Porcelain unit*	
	Clay		*Paper coating clay*			
Year	*Budgeted sale*	*Actual sale*	*Budgeted sale*	*Actual sale*	*Budgeted sale*	*Actual sale*
	(Rupees in lakhs)					
1972-73	7.50	8.43	5.15	1.84	25.50	20.57
1973-74	10.48	9.72	1,72.50	4.34	26.28	24.37
1974-75	11.92	13.76	11.26	6.96	27.27	23.85

According to the Management (December 1974) the reason for poor sales, in respect of paper coating clay was that the Company had not been able to conclude satisfactory marketing arrangements for Kaolin. In the case of Porcelain unit, the inability of the selling agents to lift the minimum quantities fixed was stated to be the reason for the marginal shortfall in sales.

11.2. *Marketing arrangements*

About 90 per cent of the total sales in the Porcelain unit is effected through selling agents appointed by the Company for the various regions of the country by inviting applications. They are allowed commission at rates varying from 5 to 10 per cent depending on the area earmarked for them. Direct sales are also made through the sales division of the Company, a show room at Kundara and a sales emporium at Trivandrum.

11.3. *Performance of selling agents*

The Company fixes the minimum annual offtake for each agent. Selling agency agreements provide for a penalty of Rs. 100 for every Rs. 1000 deficiency in the value of minimum offtake prescribed for each agent. The actual offtake by the agents was far below the minimum fixed, as indicated in the table below:—

Agent	*Minimum offtake (Rupees in lakhs)*	*Value of shortfall*			*Percentage of shortfall to minimum offtake*		
		1972-73	1973-74	1974-75	1972-73	1973-74	1974-75
		(*Rupees in lakhs*)					
A	5.00	..	0.28	0.58	..	5.6	11.6
B	11.00	6.97	5.07	2.74	63.4	46.1	24.9
C	6.00	5.17	4.91	4.44	86.2	81.8	74.0
D	6.00	3.00	2.78	3.81	50.0	46.3	63.5

The Company has not levied any penalty for shortfall in the offtake as per the selling agreements. The Management stated (May 1975) that the target was fixed at a higher figure to induce the agents to work hard and to have a control over them.

The term of agency agreements in respect of Maharashtra, Bombay city and Delhi areas expired on 31st December 1973, 31st October 1974 and 31st March 1974 respectively. The Board of Directors decided in September 1974 to appoint new agents for these areas. This has not been done and the sales in these areas continue to be effected through the former selling agents (February 1976). Government stated (December 1975) that the Company had decided in September 1975 to appoint Kerala State Industrial Enterprises Limited as agent for Bombay city and the northern States.

The offtake by the selling agent in the Calcutta area from July 1970 was less than 20 per cent of the annual minimum offtake fixed (Rs. 6.00 lakhs). Inspite of this, it was decided in September 1974 to extend the period of agency which expired in July 1974, on the basis that the performance of the agent was satisfactory. From July 1974 to March 1975 the sales through this agent amounted to Rs. 1.25 lakhs. Government stated (December 1975) that the agency was renewed as no suitable agents were coming forward from this area.

In July 1972, the Company invited applications for the appointment of selling agent in Bombay city. Offers made by two firms guaranteeing a minimum annual offtake of Rs. 3.00 lakhs at a commission of 5 per cent on the invoice price was rejected by the Company on the ground that they did not have adequate experience in the line. The Company appointed the existing selling agent of Mysore areas as the selling agent of Bombay city also (October 1972) at a commission of 8 per cent on invoice price with 2 per cent extra commission for annual offtake exceeding Rs. 3 lakhs. The average annual offtake of this selling agent for Bombay city was only Rs. 0.33 lakh up to October 1974.

11.4. *Sale of clay (spray dried) to Japanese collaborators*

The Company exported 500 tonnes of spray dried clay to the Japanese collaborators in August 1974. The export price agreed, including palletisation charges, was \$ 80 (Rs. 640) per tonne, f. o. b. Cochin. The Company paid Rs. 62,507 for palletisation and transportation which worked out to Rs. 125 per tonne. Thus, the net realisable value per tonne was Rs. 515.

According to the terms of agreement with the collaborators, the Company "shall not after the completion of the trial production stage (January 1974) be obliged to sell/export any china clay to the Japanese collaborators at price below the cost of production and the export of the china clay to the foreign collaborators shall be at prices settled to the satisfaction of the Government of India". However, the cost of sales estimated by the Company in October 1974 was Rs. 1,331 per tonne. The sale price in the indigenous market fixed by the Company was Rs. 1650 per tonne f. o. r. Kundara. The export price obtained by the Company was far below the inland sale price and the estimated cost of sales. The Company also did not obtain the approval of the Government of India to the export price fixed although this was stipulated in the agreement. The Management stated in May 1975 that the budgeted estimate of production for 1974-75 was 15,000 tonnes of spray dried clay and based on this the cost of sales would work out to Rs. 588.35 per tonne which was more than the price fetched including the cash assistance (Rs. 48,069) received from the Government of India as incentive for export sales. It was known to the Company as early as in June 1974, that the budgeted level of production and sales could not be achieved on the Kaolin plant (spray drier plant). The calculation of the export price based on the estimated cost at the budgeted level of production was not therefore correct. Government stated (December 1975) that the price of $ 80 per tonne was the highest that could be obtained after hard bargaining with the collaborators and this was agreed to after ascertaining the price prevalent in other overseas markets.

The collaborators arranged for booking of space on a vessel leaving on 7th August 1974. As the actual space available in the ship was for 300 tonnes only, 200 tonnes were shut out. This quantity was shipped on 31st August 1974 in another vessel arranged by the buyers. An expenditure of Rs. 0.12 lakh incurred by the Company towards re-palletisation, port overtime, and godown rent on the 200 tonnes shut out, has not been reimbursed by the collaborators (January 1976). The Management stated (May 1975) that the buyers have lodged a claim with the shipping agents.

11.5. *Supply of china clay at reduced rate*

In response to a tender notice by a Central Government Company for the purchase of china clay, the Company submitted a quotation (based on the list price) in March 1974 for Rs. 205 per tonne, f.o.r. Kundara, packing and handling charges extra. The Company enhanced the list price to Rs. 265 per tonne, f.o.r. Kundara (handling and packing extra) with effect from 28th March 1974. The revised rate was also intimated to the purchasing company on 29th March 1974. After negotiations with the purchasing company in December 1974, the Company finally offered the rate of Rs. 205 per tonne, f.o.r. Kundara in January 1975, and 248.750 tonnes were supplied from January 1975 to March 1975. The net realisation on this sale worked out to Rs. 122 per tonne (Rs. 205 less packing charges Rs. 66, handling charges Rs. 10 and drying charges Rs. 7 per tonne). Computed with reference to the list price, the transaction resulted in a loss of Rs. 35,570.

The Management stated (May 1975) that the reduced rate was agreed to in anticipation of a bulk order from the purchaser whose annual requirements were expected to be 3000 tonnes. The bulk order, however, did not materialise (February 1976) since the purchaser insisted on further supplies also at the reduced rate which was not acceptable to the Company.

11.6. *Sundry debtors*

The table below indicates the book debts at the end of each year and sales during the three years up to 1974-75:—

Total book debts at the end of the year

Year	*Considered good*	*Considered doubtful*	*Sales during the year*	*Percentage of debtors to sales*
	(*Rupees in lakhs*)			
1972-73	9.55	0.03	30.94	31.0
1973-74	9.63	0.03	38.43	25.1
1974-75	7.93	0.03	44.57	17.9

No provision has been made in the accounts for the debts considered doubtful.

12. Manpower analysis

Labour output analysis of the two units of the Company for the three years up to 1974-75 is given below:—

	1972-73	1973-74	1974-75
(a) Mining unit			
i) Number of workers	208	197	238
ii) Total earnings by workers (Rupees in lakhs)	6.80	8.73	9.90
iii) Total production (in tonnes)	5,169	4,070	4,406
iv) Average earnings per worker (in Rupees)	3,269	4,431	4,159
v) Production per worker (in tonnes)	24.85	20.66	18.51
vi) Labour cost per tonne (in Rupees)	131.5	214.5	202.0
(b) Porcelain unit			
i) Number of workers	259	250	206
ii) Total earnings by workers (Rupees in lakhs)	9.90	11.77	13.28
iii) Total production (in tonnes)	439	510	594
iv) Average earnings per worker (in Rupees)	3,822	4,708	6,447
v) Production per worker (in tonnes)	1.70	2.08	2.88
vi) Labour cost per tonne (in Rupees)	2,255	2,308	2,235

12.1. *Payment of bonus*

In August 1972, the Company paid Rs. 1.77 lakhs to its staff and workers as advance towards bonus for 1971-72. In July 1973, the Company declared bonus at 10.4 per cent of the total earnings for 1971-72 based on the instructions received from the State Government in June 1973. Arrears of bonus amounting to Rs. 0.17 lakh were disbursed (July 1973) to those employees in whose case the advance paid fell short of the actual bonus due. However, in 422 cases, the advance bonus granted exceeded the bonus due by Rs. 0.21 lakh. Government stated (December 1975) that it was finally decided not to recover these marginal amounts.

13. Other topics of interest

13.1. *Under-recovery of packing charges*

The Company was realising packing charges at one per cent of the selling price in respect of porcelain items and Rs. 1.60 to Rs. 2.90 per bag in respect of china clay, during the years 1972-73 and 1973-74. The packing charges realised on this basis during the years 1972-73 and 1973-74 were Rs. 1.43 lakhs and Rs. 1.55 lakhs respectively. The actual expenses incurred in packing (as worked out by Audit) was Rs. 3.05 lakhs in 1972-73 and Rs. 3.38 lakhs in 1973-74. The short recovery of the packing charges amounted to Rs. 3.45 lakhs. The Company has refixed the rate of packing charges from May 1974 on the basis of the actual cost of packing. Government stated (December 1975) that the price including packing charges was fixed on the basis of market acceptability and when the price was revised, the rate of packing charges was also revised.

13.2. *Government collection account*

At the time of formation of the Company, assets valued at Rs. 7.28 lakhs (plant and machinery: Rs. 0.69 lakh, sundry debtors: Rs. 3.10 lakhs, finished goods: Rs. 2.69 lakhs, amounts under litigation: Rs. 0.67 lakh and miscellaneous: Rs. 0.13 lakh) were not formally taken over but were kept in a separate account for eventual disposal/realisation and remittance of proceeds to

Government. The amount realised on the collection account up to 31st March 1975 was Rs. 2.55 lakhs. The Company has not maintained proper accounts to watch the disposal/realisation of the assets held in the separate account and remittance of the amounts collected to Government. The fixed assets and the finished goods have also not been physically verified. Government stated (December 1975) that steps were being taken for physical verification of assets held in Government collection account.

SECTION III

KERALA ELECTRICAL AND ALLIED ENGINEERING COMPANY LIMITED

1. Introduction

The Kerala Electrical and Allied Engineering Company Limited was incorporated on 5th June 1964. It took over the Government owned departmental undertaking, Electrical and Allied Industries (Travancore), and commenced business on 16th August 1964. The main objects of the Company are to carry on the business of electrical, mechanical and structural engineers, to manufacture engineering equipment and fittings, to manufacture and deal in electrical and plastic goods such as switches, ceiling roses, lamp holders, wall plugs, fountain pens and other allied items.

The Company has four divisions, the Motors and Castings division at Kundara and the Structural, Transformer and Switch-gear divisions at Mamala.

The Company became a subsidiary of the Kerala State Industrial Enterprises Limited, another fully Government owned Company, in August 1973.

Working of the Company was reviewed in the Report of the Comptroller and Auditor General of India for the year 1970-71 and discussed by the Committee on Public Undertakings (1973-74) in its Thirteenth Report published in October 1973.

15th Report of the CPU (1977-79)
presented on 22.3.1979

2. Capital structure

2.1. *Share capital*

The authorised capital of the Company, which was Rs. 25 lakhs at the time of formation, was raised to Rs. 50 lakhs in February 1969 and to Rs. 200 lakhs in November 1974. The paid-up capital of the Company as on 31st March 1975 was Rs. 75.06 lakhs, entirely subscribed by Government.

2.2. *Borrowings*

Loans aggregating Rs. 34.32 lakhs were obtained by the Company from Government between August 1965 and August 1971. Interest outstanding at the end of March 1974 was Rs. 13.45 lakhs, of which Rs. 12.13 lakhs were due but not paid. The entire loan and a part of the interest due (Rs. 2.41 lakhs) were converted into share capital contribution of Government in December 1974. Interest on the loan pending payment at the end of March 1975 was Rs. 12.80 lakhs.

The Company has also obtained loans aggregating Rs. 59.25 lakhs from the Holding Company at rates of interest varying from 10 to 16 per cent between December 1973 and October 1975. The amount outstanding on 31st March 1975 was Rs. 42 lakhs.

The working capital requirements of the Company are met by cash credit accommodation (Rs. 52.5 lakhs) and key loan (Rs. 7.5 lakhs) arranged with a bank. The amount outstanding in these accounts as on 31st March 1975 was Rs. 55.12 lakhs.

3. Organisational set-up

The management of the Company vests with a Board of Directors. As on 31st March 1975, the Company had 11 directors appointed by the Holding Company. The General Manager is the chief executive of the Company.

The Holding Company renders management services in the field of industrial engineering, personnel matters, industrial relations and finance and banking, for which the Company paid Rs. 0.29 lakh for 1973-74 and Rs. 0.78 lakh for 1974-75, according to the rates prescribed by the Holding Company.

The registered office of the Company was shifted to Mamala (from Kundara) from 1st April 1971.

4. Expansion schemes

4.1. *Steel Fabrication Project*

On the basis of a project report prepared by the Company, a steel fabrication unit at Mamala with an installed capacity of 1200 tonnes per annum was taken up for implementation in 1965-66. The project was estimated to cost Rs. 7.15 lakhs, with an annual turnover of Rs. 16.80 lakhs and an annual profit of Rs. 0.90 lakh on completion. The actual cost of the project, on completion in March 1968, was Rs. 10.35 lakhs. The increase in cost was attributed by the Management (June 1975) to higher cost of building and plant and machinery. Though the project was scheduled to go into production by January 1967, commercial production was started in April 1968. The Management stated (July 1975) that the delay in commissioning the unit was due to non-availability of transformer for completing power supply arrangements. The table below indicates the installed capacity, actual production and turnover up to 1974-75:—

Year	*Installed capacity (in tonnes)*	*Production (in tonnes)*	*Turnover (Rupees in lakhs)*
1968-69	1200	615.00	13.14
1969-70	,,	1009.00	16.47
1970-71	,,	736.20	16.15
1971-72	,,	772.98	13.41
1972-73	,,	397.00	16.45
1973-74	,,	847.00	25.72
1974-75	,,	600.00	44.76

The higher turnover during 1974-75, inspite of lower production, was attributed by the Management (December 1975) to fabrication of complicated structures like gates and hoists involving high value and low tonnage. According to the Management, the continuous shortfall in production was due to non-availability of steel at controlled rates up to 1972-73, strikes and lock-outs during 1970-71 to 1973-74.

4.2. *Transformer Manufacturing Project*

In October 1965, the Company obtained an industrial licence from the Government of India for manufacture of distribution transformers up to an annual capacity of 1,20,000 KVA at Mamala. A project report was got prepared in December 1966 by the Research and Development Organisation for Electrical Industries, Bhopal and a collaboration agreement was entered into with the organisation in March 1968. The project was completed in December 1968 and commercial production started in February 1969. As against the estimated cost of Rs. 29.4 lakhs, the actual cost of the project was Rs. 19.91 lakhs. The savings in actual cost was attributed (December 1975) by the Management to purchase of five winding machines as against ten envisaged in the project report and procurement of some items of machinery at cost less than that assumed in the project report. The following table compares the actual production of transformers with the manufacturing schedule as per the project report for the five years up to 1973-74 and the installed capacity for 1974-75:—

Year	*Production as envisaged in the manufacturing schedule (in KVA)*	*Actual production (in KVA)*	*Percentage of production to schedule*
1969-70	28,750	33,125	115.2
1970-71	68,750	45,600	66.3
1971-72	98,750	58,050	58.8
1972-73	1,18,750	41,750	35.2
1973-74	1,23,750	47,281	38.2
1974-75	1,20,000	34,916	29.1

The Management stated (June 1975) that the low output was due to meagre orders received for transformers of higher ratings. In this connection it may be mentioned that the Company manufactured only nine transformers of higher ratings (750 KVA and above) between 1969-70 and 1973-74 against 145 expected to be produced as per the project report during these years. It was further noticed that the production of transformers of lower ratings was also less than that anticipated in the project report. The percentage of actual production of transformers of lower ratings to that estimated in the project report declined from 81 in 1970-71 to 58 in 1973-74.

The table below indicates the sales forecast as per the project report and the actual sales for the three years up to 1973-74:—

Year	*Anticipation as per the project report*		*Actual*	
	Sales	*Profit (+)/ Loss (—)*	*Sales*	*Profit (+)/ Loss (—)*
	(Rupees in lakhs)		*(Rupees in lakhs)*	
1971-72	75.60	(+)2.40	43.18	(+)1.21
1972-73	85.90	(+)4.95	31.58	(—)3.61
1973-74	89.15	(+)5.45	34.76	(—)1.69

The Management stated (June 1975) that shortfall in sales was due to production schedule being regulated in accordance with the order position. It was noticed that the Company was generally quoting firm rates for supply of transformers though tender invitations issued by some Electricity Boards provided for price escalation. This resulted in loss due to increase in cost of raw materials procured subsequently by the Company in certain cases. An instance of such loss, which was noticed during test audit is indicated below:—

In August 1973, the Company accepted an order for supply of 350 transformers of 100 KVA to the Madhya Pradesh Electricity Board at the firm price of Rs. 7,097 each though the tender invitation provided for price escalation on the basis of increase in price of basic raw materials, etc. After supplying

115 transformers between March 1974 and September 1974, the Company stopped further supplies pending settlement of its claim with the Board for price revision. According to an assessment made by the Company (April 1974), on the basis of price of raw materials prevalent in January 1974, the loss on the supply of 115 transformers was Rs. 1.82 lakhs. On the basis of further negotiation with the Board, the Company resumed supplies in September 1975 and another 66 transformers were supplied up to January 1976. The Company's claim for price revision has not been settled by the Board (February 1976).

The Management stated (November 1975) that the Company's order position was not bright at the time of furnishing the quotation in March 1973 and this compelled it to quote firm price even though there was no ready stock of raw materials.

4.3. *Project for manufacture of high rupturing capacity (HRC) fuses, contactors/starters, etc.*

In October 1965, the Company obtained a licence for manufacture of 12,000 contactors/ starters and 1,20,000 HRC fuses per annum at Mamala. A project report was prepared by the Company in January 1969. The Company entered into a collaboration agreement with a French firm in May 1969 for implementation of the project. According to the agreement, the collaborators were to be paid Rs. 1,47,264 (96000 Francs) as fee for technical know-how and a royalty of 5 per cent on the annual net sales value of production for a period of five years after commencement of commercial production of these items. The estimated cost of the project was Rs. 20 lakhs including Rs. 7 lakhs for working capital. Commercial production was expected to commence in January 1971, and the profit anticipated was Rs. 5.50 lakhs per annum on a turnover of Rs. 38 lakhs. The original estimated cost of the project (Rs. 13 lakhs excluding working capital) was revised to Rs. 19.50 lakhs in 1972-73. The Management stated (June 1975) that the increase in estimated cost was mainly due to increased provision under buildings (Rs. 1.75 lakhs) and plant and machinery (Rs. 4 lakhs).

The essential items of plant and machinery for contactors/ starters and HRC units were installed in November 1973 and February 1976 respectively. The expenditure on the project up to March 1975 amounted to Rs. 14.43 lakhs. The Company started production of contactors/starters from February 1974. Production of HRC fuses has not yet been commenced (February 1976).

The Management stated (December 1975) that production of HRC fuses had not been commenced due to its inability to obtain perforated silver fusing elements and dies for punching fusing elements. According to the Management (July 1975), the original proposal was to import the fusing elements initially and, in the meantime, to develop necessary facilities for obtaining them indigenously. Though the first consignment of fusing elements valued at Rs. 1.45 lakhs reached Bombay port in January 1975, it was cleared in November 1975 (after payment of port and demurrage charges amounting to Rs. 7,607) and taken to the Company's works in January 1976. The delay in clearance was attributed (June 1975) by the Management to financial constraints.

Efforts made by the Company to locate indigenous sources for procurement of fusing elements and dies for punching the fusing elements were not successful. The Management stated (March 1976) that the foreign collaborators have agreed in principle to supply the dies and punching machine to the Company and their quotations for the supply were awaited.

The delay of over three years in commencement of production of contactors/starters was attributed (June 1975) by the Management to (i) delay up to March 1970 in obtaining approval of the Government of India for foreign technical collaboration; (ii) strike, labour dispute and lock-out during 1970-71 to 1973-74; and (iii) belated receipt of tools for development of dies for the bakelite components.

Against the installed capacity of 12,000 contactors/starters per annum, the production targets and actual production were as indicated below:—

Year	*Target fixed* (*in numbers*)	*Actual production* (*in numbers*)	*Achievement* (*Percentage*)
1973-74	5,300	2,680	50.6
1974-75	11,150	5,626	50.5

The Management stated (December 1975) that the company could not compete with well established manufacturers in the field and this led to curtailment of production.

4.4. *Brushless alternator project*

The Company obtained an industrial licence in March 1971, for manufacture of 600 brushless alternators (railway electrical equipment for lighting and air conditioning) at Kundara. The project, estimated to cost Rs. 47.93 lakhs (excluding working capital of Rs. 17.07 lakhs), was approved by the Board of Directors in July 1973. The Company executed a collaboration agreement with a French firm on 17th January 1974 for implementing the project. The agreement was valid for five years from the date of commencement of production. The agreement contemplated payment of Rs. 2.25 lakhs towards fee for technical know-how and 5 per cent of net sale value of production as royalty.

The fee for technical know-how was paid in January 1975. The Company spent Rs. 36,144 (foreign exchange element: £567) towards travelling expenses of the Chairman and the General Manager for visiting France and Rs. 53,106 (foreign exchange element: £ 1695) towards training expenses of two Engineers of the Company in Paris. The total expenditure on the project up to July 1975 was Rs. 3.54 lakhs.

As per the project report, erection of machinery was to be completed and trial production commenced in April 1975 and regular production in October 1975. But construction of building, scheduled for completion in October 1974, has not been completed so far (January 1976). The delay in construction of building has been attributed (December 1975) by the Management to difficulty in raising funds.

Though the machinery ordered for the project was not received, the Company had committed (July 1975) to supply 20 sets of brushless alternators valued at Rs. 19 lakhs to the Integral Coach Factory, Perambur from February 1976. The Management stated (February 1976) that the order for supply of brushless alternators stipulated submission of indigenously manufactured proto-type for testing and trial run by Research Designs and

Standards Organisation, Lucknow, before bulk supply against the order and the Company proposed to manufacture the proto-type in the existing unit at Kundara by using components bought from well established workshops and by the time the proto-type was approved, the project would be commissioned. The proto-type has not been manufactured (February 1976).

4.5. *Electric Motors Project*

In order to utilise the spare capacity of machinery and surplus labour at the Kundara division, the Company prepared a project report in 1967 to manufacture 1800 electric motors of 3 H. P. to 10 H. P. capacity per annum. The project report envisaged installation of additional machinery valued at Rs. 39,500. As against 1800 motors to be manufactured as per the project report, the licensed and installed capacity was only 500 per annum. The Management stated (December 1975) that the capacity was fixed as 500 based on the available spare capacity of lathes and this would be reviewed on the basis of actual production and sales in subsequent years. The project was completed in July 1968 and regular production commenced from February 1969.

As against the licensed capacity of 500 motors per annum, the targets fixed and the actual production during the three years up to 1974-75 are given below:—

Year	*Targeted production* (*in numbers*)	*Actual production* (*in numbers*)	*Percentage of actual production to target*
1972-73	300	117	39.0
1973-74	200	116	58.0
1974-75	336	258	76.8

The Management stated (June 1975) that the shortfall in production was due to inability of the Company to offer attractive terms to the customers (credit facilities, higher rates of discount, etc.) as done by other competitors in the line with much higher production capacity.

The project report envisaged a profit of Rs. 50 to Rs. 98 per motor based on a production of 1800 motors per annum. The Company has not assessed the profit based on the present installed capacity of 500 motors per annum. A test check (June 1975), however, revealed that the Company had been generally selling the motors at prices below the cost of production and the loss incurred on this account during the three years up to 1974-75 was Rs. 2.05 lakhs as indicated below:—

Year	*Number of motors sold below cost of production*	*Total Cost*	*Sale value*	*Loss*
			(*in Rupees*)	
1972-73	70	1,14,626	53,582	61,044
1973-74	151	2,74,281	1,51,573	1,22,708
1974-75	171	2,83,166	2,62,249	20,917
Total	392	6,72,073	4,67,404	2,04,669

The loss has been attributed (December 1975) by the Management to under-utilisation of capacity, resulting in increase in the cost of production. The Management also stated that efforts were being made to reduce the cost of production by fixing work standards and effective material control.

5. Performance of plant and machinery

5.1. *Plant utilisation*

The gross value of plant and machinery held by the Company as on 31st March 1975 was Rs. 29 lakhs. Except in the case of a gear hobbing machine, the Company has not maintained log books or machine loading charts to assess the operational efficiency and utilisation of capacity of the machines. The Management stated (July 1975) that steps were being taken to maintain records to watch the performance of all the main items of machinery.

5.2. *Under-utilisation of machinery*

(a) In 1967-68, the Company purchased a gear hobbing machine at a cost of Rs. 1.89 lakhs for cutting gears required for hoists/gates fabricated by the Company. This has not been used except for 365 hours in January 1975 in connection with fabrication of hoists for a State Government project.

(b) A varnish impregnation plant, purchased in 1968-69 at a cost of Rs. 0.55 lakh, intended for impregnating minute coils required in production of transformers of lower ratings (25 KVA to 50 KVA), was not utilised since January 1971 for want of orders for transformers of these ratings. The Management stated (January 1976) that the plant had been transferred to Kundara for their Alternator project.

6. Purchase policy

Purchase of stores and other materials is made by inviting quotations. Purchases for value exceeding Rs. 1,000 are approved by the stores purchase committee. Purchases exceeding Rs. 5,000 in individual cases are reported to the Board of Directors.

6.1. *Purchase of copper wire and copper strips*

The Company placed orders in January 1973 with a private firm of Angamally for supply of copper wires and strips, as follows:—

Materials	*Quantity ordered (kilograms)*	*Rate per Kilogram (in Rupees)*	*Stipulated date of completion of supply*
Double paper covered copper wire 1.22 mm.	1750	20.00	15th February 1973
Double paper covered copper strip 8 × 5.5 mm.	2000	19.75	15th February 1973
Double paper covered copper wire 3 mm.	1000	19.75	17th January 1973
Double paper covered copper strip 8.55 mm.	650	19.75	17th January 1973

The firm supplied 593.38 Kgs. of copper wire (1.22 mm) and 575.80 Kgs. of copper strip (8 × 5.5 mm) before the stipulated date. As the Company was under lock-out from 21st February 1973 to 18th May 1973, the suppliers were asked to supply the remaining quantity after the lock-out was lifted. The firm supplied 4347.80 Kgs. of copper strips and wires between May and August 1973 and claimed Rs. 5 per kilogram extra due to postponement of supply and increase in cost of production. The price increase allowed on 4165 Kgs. of copper strips and wires amounted to Rs. 0.21 lakh.

7. Manpower analysis

7.1. *Surplus labour*

(i) The table below indicates the extent of surplus labour under the various categories during the three years up to 1974-75 on the basis of actual requirements as per the project report:—

	Structural division			*Transformer division*		
	1972-73	1973-74	1974-75	1972-73	1973-74	1974-75
Foreman and Assistant Foreman	4	6	7	4	6	6
Skilled and semi-skilled workers	48	36	48	18	13	22
Unskilled workers	6	7	10	3	2	5
Total	58	49	65	25	21	33

The wages paid to the surplus labour amounted to Rs. 3.22 lakhs, Rs. 3.54 lakhs and Rs. 6.04 lakhs during 1972-73, 1973-74 and 1974-75 respectively. The Management stated (February 1976) that work load in the above two divisions had not been fixed and records showing incidence of idle time were not maintained.

7.2. *Payment for idle time*

The Committee on Public Undertakings (1973-74) in its Thirteenth Report (October 1973) recommended that the Management should bestow special attention to ensure optimum utilisation of manpower and to avoid payment of idle wages.

Details of idle wages as furnished (June 1975) by the Management for the three years up to 1974-75 in respect of the Motors and Castings division at Kundara are indicated below:—

Year	*Total labour hours available*	*Idle time hours*	*Idle time due to* Power failure	Want of work	Machine repairs	Want of material	Deliberate idling	*Total idle wages paid (Rupees in lakhs)*
			(in hours)					
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1972-73	264065	33893	567	19963	7765	1928	3670	0.48
1973-74	258391	48364	1699	39171	5493	..	2001	0.82
1974-75	259041	40158	1236	28917	4040	383	5582	1.03

The percentage of idle hours to the total available labour hours was 12.8, 18.7 and 15.5 during 1972-73, 1973-74 and 1974-75 respectively. The percentage of idle time for want of work and raw materials to total idle time was 64.6 in 1972-73, 81.0 in 1973-74 and 73.0 in 1974-75. The percentage of deliberate idling to total idle time was 10.8, 4.1 and 13.4 in 1972-73, 1973-74 and 1974-75 respectively.

The Management stated (July 1975) that there were about 25 surplus workers in the division from the time of take over, and that they could not be engaged on other works. This was attributed to refusal of the surplus workers to do other odd jobs entrusted by the supervisory staff. Labour remaining idle for want of material was attributed to inability of the Company to clear the documents in time from banks for want of sufficient working capital.

7.3. *Payment of overtime wages*

Though the Company had surplus labour strength, some workers were engaged on overtime in the foundry section (Kundara) as indicated below:-

Year	*Number of hours engaged on overtime basis*	*Overtime wages paid (Rupees in lakh)*
1972-73	6709	0.17
1973-74	5997	0.17
1974-75	5055	0.21

The Management stated (July 1975) that on all melt days, the foundry workers were engaged on overtime basis for about 4 to 5 hours and the problem could be solved to some extent once it succeeded in transferring some of the surplus labour to the foundry. It was also stated that the existing workers in the foundry section were resisting transfer of workers from other sections as it would reduce production bonus admissible under group incentive scheme.

7.4. *Productivity of labour*

The following table indicates the number of workers employed, actual production and output per man month compared to targeted output in the structural and transformer divisions of the Company during the three years up to 1974-75:—

Year	*Structural division*				*Transformer division*			
	Number of workers	*Actual production*	*Output per man month*	*Targeted output per man month*	*Number of workers*	*Actual production KVA*	*Output per man month KVA*	*Targeted output per man month KVA*
		(Tonnes)						
1972-73	70	397	0.47	..	69	41750	50	98
1973-74	78	847	0.90	1.04	67	47281	58	112
1974-75	82	600	0.61	1.15	67	34916	43	72

According to the Management (November 1975), the low output in the structural division during 1972-73 and 1974-75 was due to fabrication of structures involving more labour than ordinary structures. Low productivity in the transformer division was attributed to (i) scarcity of raw materials (laminations, copper, etc.); (ii) interruption in production on account of refusal by customers to accept price variation clause and (iii) non-acceptance of work standards by unions.

Reasons for the reduction in targeted output per man month in 1974-75 are awaited (February 1976).

7.5. *Loss due to strike/lock-out*

The table below indicates the number of days lost due to strike/lock-out since 1970-71, the resultant loss of production and the salary/compensation paid during the period of strike/lock-out as per conciliation proceedings, etc:—

	Number of days lost		*Loss of production (Rupees in lakhs)*	*Compensation paid as per conciliation proceedings, etc. (Rupees in lakhs)*
	Kundara	*Mamala*		
1970-71	64 (Workers) 65 (Staff)	77 (Workers) 60 (Staff)	14.23	1.02
1971-72		72 (Staff)	..	..
1972-73 1973-74		39 (Workers) 54 (Staff) 47 (Staff and Workers)	12.25	0.87

8. **Financial position**

The table below summarises the financial position of the Company for the three years ending March 1975, under the broad headings:—

		1972-73	1973-74	1974-75
	Liabilities		*(Rupees in lakhs)*	
(a)	Paid-up capital	38.32	38.32	75.06
(b)	Reserves and surplus	0.04	0.04	..
(c)	Borrowings	75.33	1,06.15	97.12
(d)	Current liabilities and provisions	47.11	58.25	76.77
	Total	1,60.80	2,02.76	2,48.95
	Assets			
(e)	Gross block	55.51	61.24	65.74
Less:	Depreciation	16.22	19.42	24.12
(f)	Net fixed assets	39.29	41.82	41.62
(g)	Investments	0.03	0.03	0.03
(h)	Current assets, loans and advances	88.53	1,28.32	1,69.32
(i)	Loss	29.69	28.42	27.08
(j)	Miscellaneous expenditure	3.26	4.17	10.90
	Total	1,60.80	2,02.76	2,48.95
	Capital employed	87.10	1,22.08	1,47.66
	Net worth	5.41	5.77	37.08

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

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

9. Working results

The Company had been working at loss since its inception, except during 1966-67, 1973-74 and 1974-75 when it showed profits of Rs. 0.57 lakh, Rs. 0.50 lakh and Rs. 1.37 lakhs respectively. The accumulated loss up to 1974-75 was Rs. 27.08 lakhs.

10. Operational results

The following table indicates the operational results of the Company for the three years ending March 1975:—

	1972-73	1973-74	1974-75
		(Rupees in lakhs)	
1. Value of production			
(a) Sales	71.04	84.27	1,09.19
(b) Closing stock of finished goods and works-in-progress (including scraps)	21.84	35.93	58.76
(c) Opening stock of finished goods and works-in-progress	18.87	21.84	35.93
Value of production (a+b−c)	74.01	98.36	1,32.02
Less consumption of raw materials, stores and spares	45.04	48.25	64.29
2. Contributed value	28.97	50.11	67.73
3. Expenses (other than consumption of raw materials) less miscellaneous income	39.28	49.61	66.36
4. Profit (+)/Loss (—)	(—)10.31	(+)0.50	(+)1.37

11. Material management and inventory control

The table below indicates the comparative position of inventory and its distribution at the close of the three years up to 1974-75:—

	1972-73	1973-74	1974-75
		(Rupees in lakhs)	
Raw materials	32.93	36.29	42.82
Stores and spare parts	2.41	1.58	2.38
Works-in-progress	14.44	26.81	41.35
Finished goods	5.16	6.51	10.97
Loose tools	1.00	0.58	0.68
Others	0.41	0.40	0.66

The main items of raw materials are aluminium rod and strips, copper strips, transformer oil, laminations and steel items. The stock of raw materials and stores and spares was equivalent to 9.42 months' consumption for production requirements in 1972-73 and 1973-74 as compared to 8.44 months' in 1974-75. Stock of finished goods represented about 0.87 month's sales in 1972-73 as compared to 0.92 month's in 1973-74 and 1.21 months' in 1974-75.

The works-in-progress at the end of 1974-75 represented about 3.76 months' value of production as against 2.05 months' during 1972-73 and 3.29 months' in 1973-74.

12. Sales performance

The table below compares the actual sales with the budgeted sales of the four divisions of the Company for the three years up to 1974-75:—

	1972-73		1973-74 *(Rupees in lakhs)*		1974-75	
	Budget	*Actuals*	*Budget*	*Actuals*	*Budget*	*Actuals*
Structural division	24.00	16.45	24.40	25.72	42.15	44.76
Transformer division	63.44	31.58	50.25	34.76	58.63	33.87
Switchgear division	..	..	8.32	0.28	23.00	6.04
Kundara division	28.05	23.01	31.70	23.51	39.72	24.52
Total	1,15.49	71.04	1,14.67	84.27	1,63.50	1,09.19

The reasons attributed (December 1975) by the Management for the shortfall in sales were:—

(i) shortage of raw materials such as steel plates, copper, laminations, etc.;

(ii) delay in preparation of designs and drawings, in the absence of an experienced design engineer;

(iii) shortage of managerial personnel at the level of engineers and managers;

(iv) lock-out during 1972-73 and 1973-74; and

(v) poor despatches of transformers against orders booked due to non-finalisation of price escalation claims.

12.1. *Amount withheld for belated supply*

The orders accepted by the Company for supply of transformers provide for payment of penalty for belated supply. In seven cases, sums aggregating Rs. 4.03 lakhs were withheld by four State Electricity Boards up to January 1976 for belated supply of transformers ranging from two to twenty months.

13. Sundry debtors

The table below indicates the book debts at the end of each year and sales during the year for the three years ending 31st March 1975:—

	1972-73	1973-74	1974-75
		(*Rupees in lakhs*)	
Book debts at the end of the year	20.89	43.12	51.05
Sales during the year	71.04	84.27	1,09.19
Percentage of book debts to sales	29.4	51.2	46.8

The party-wise and period-wise details of debtors as on 31st March 1975 are tabulated below:—

	Government Companies and Departments	*Electricity Boards*	*Private parties*	*Total*
		(*Rupees in lakhs*)		
Debts outstanding for less than two years	15.59	21.51	4.06	41.16
Debts outstanding for two years and more but less than three years	1.51	2.21	0.01	3.73
Debts outstanding for more than three years	1.88	4.28	..	6.16

The high percentage of book debts to sales indicates delay in collection of dues. The delay in collection ranged from 2 to 12 months in 38 out of 45 cases test checked by Audit in July 1975. The Management stated (July 1975) that there had been procedural delays in passing bills by the buyers. It was further stated (December 1975) that attempts to charge interest for belated payments were not successful.

14. Other topics of interest

14.1. *Demurrage charges*

The following table indicates the demurrage charges paid by the Company during the three years up to March 1975:—

Year	*Rupees in lakh*
1972-73	0.03
1973-74	0.22
1974-75	0.32

In almost all cases, the demurrage paid exceeded the freight charges. The Management stated (July 1975) that the delay in clearing materials was due to lack of funds.

14.2. *Cost accounting*

Though the State Government issued directions in February 1966 for introducing a system of cost accounting and analysis, the Company introduced cost accounting in 1974-75 only in the structural division. In transformer and switchgear divisions cost accounting has been introduced in 1975-76.

14.3. *Accounting manual*

The Company has not compiled an accounting manual laying down the accounting system and procedures. The Management stated (July 1975) that preparation of the manual had been commenced. This has not been completed (February 1976).

14.4. *Internal audit*

There is no independent internal audit system in the Company. The Management stated (July 1975) that the transactions in purchase, sales, stores, etc., branches were being verified by the respective branches. It was further stated that the question of introducing internal audit system was under consideration.

OTHER TOPICS OF INTEREST

SECTION IV

THE KERALA STATE CASHEW DEVELOPMENT CORPORATION LIMITED

1. Shortage in imported raw nuts

The Company's requirements of raw nuts are mostly met from imports arranged by the Cashew Corporation of India. Imported raw nuts from East Africa are paid for on the basis

Action taken –
6th Report (1980–82)
presented on
31.12.1980.

Included in the 10th Report
of the PUCC (1977–79)
Presented on
25.8.1978
Draft Report
appd on 24/8/78

Please see copy of note from CA party VII
dt 28.3.77 regarding this para, filed in 24.25/Kaund-MIP.

PAC-40
18/4/77

Examined paras
1 & 2 on 24·4·1978

of landed weight at Cochin port. Shortages were noticed when raw nuts were reweighed at the factories. The value of net shortages (104 tonnes) from 1972-73 to 1974-75 amounted to Rs. 2.49 lakhs. According to the Management (January 1976), the shortage was due to the fact that the dock workers at Cochin port weighed only a few bags and the total weight of the consignment was computed on the basis of the average weight per bag thus arrived at. The Management further stated that the raw nuts were being weighed in the weighbridge at Cochin port area from June 1975. However, according to the information collected from Cochin Port Trust, a 20 ton weighbridge was installed in March 1955 and a 30 tonne weighbridge was installed in June 1966. It has not been clarified by the Management why the new procedure of weighment could not be adopted earlier than June 1975.

2. Loss due to infestation

Between June 1974 and August 1974, the Company despatched 8700 cases of cashew kernels valued at Rs. 39.73 lakhs to various buyers in U. S. A. The buyers reported in August and September 1974 that the consignments were infested and contained moths, worms, cocoons, etc.

The Company admitted in March 1975 claims of the buyers aggregating Rs. 6.44 lakhs ($77,791) towards cost of reconditioning, sampling, transportation, etc. The Management stated (June 1975) that infestation might have occurred mainly from the despatches from the factory at Kottiyam which had a packing centre and a store for keeping rejected kernels received from all the other factories and that there were chances of cross infestation from the store to the packing centre. The Management also stated (January 1976) that the main reasons for infestation were leakages in tins, atmospheric conditions and longer time taken for processing and that suitable steps had been taken for preventing recurrence of large scale infestation.

Cases of infestation of kernels, exported during 1974-75, were also reported by some other buyers. Fifteen cases involving 10,100 cartons valued at Rs. 56.19 lakhs were infested as per the report of the Managing Director to the Board of Directors in November 1974. The Management stated (January 1976) that the extent of claims in the fifteen consignments had not been finalised as the matter was under correspondence.

During 1973-74 and 1974-75 the Export Inspection Agency of the Government of India had also rejected 33,224 cases, on account of infestation, vide the details given below:—

Year	*Number of cases*	*Value (approx.) (Rupees in lakhs)*
1973-74	23,928	68.86
1974-75 (July 1974 to January 1975)	9,296	40.06

The rejected cases of kernels were reconditioned by the Company by chopping, scrapping and removing dust and insects. Details of loss due to infestation and the expenditure incurred on reconditioning the above cases have not been assessed by the Company. The Management stated (January 1976) that it was not possible to find out the exact reasons for such rejections and to fix responsibility for the same. It was further stated that the Company had appointed (May 1975) one Assistant Manager for the packing centres to avoid repetition of such cases.

Examined pages 1 to 4
on 28. 11. 1978

CHAPTER II

STATUTORY CORPORATIONS

SECTION V

Introduction

There were four Statutory Corporations in the State as on 31st March 1975, viz. Kerala State Electricity Board, The Kerala Financial Corporation, Kerala State Road Transport Corporation and Kerala State Warehousing Corporation.

An analysis of capital structure, working results, etc. of these Corporations is given as under, separately in respect of (A) Kerala State Electricity Board and (B) other Statutory Corporations.

(A) KERALA STATE ELECTRICITY BOARD

1. Capital

The loan capital provided by the State Government [under Section 60 of the Electricity (Supply) Act, 1948] by way of transfer of assets to the end of 1974-75 stood at Rs. 23.81 crores.

2. Loans

The aggregate of long-term loans from Government and other sources obtained by the Board stood at Rs. 231.98 crores as at the end of 1974-75 and represented an increase of Rs. 18.63 crores over the long-term loans of Rs. 213.35 crores as at the end of the previous year.

3. Guarantees

Government had guaranteed under Section 66 of the Electricity (Supply) Act, 1948, repayment of loans raised by the Board from time to time. The aggregate of amounts guaranteed from the inception of the Board up to 31st March 1975 was Rs. 59,58.20 lakhs, against which loans, etc. actually availed amounted to Rs. 58,53.51 lakhs. Out of these, the Board had repaid loans aggregating Rs. 3,95.14 lakhs up to 31st March 1975, leaving a balance of Rs. 54,58.37 lakhs.

4. Surplus

The Board made a surplus of Rs. 78.90 lakhs during 1974-75 (being the amount appropriated towards contribution to general reserve) as against a surplus of Rs. 74.90 lakhs in the previous year.

A synoptic statement showing the summarised results of the working of the Board for 1974-75 is given in Annexure-C.

(B) OTHER STATUTORY CORPORATIONS

5. Paid-up capital

The aggregate of paid-up capitals of the three Corporations, viz. Kerala State Road Transport Corporation, The Kerala Financial Corporation, and Kerala State Warehousing Corporation stood at Rs. 17,77 lakhs at the end of 1974-75 and represented an increase of Rs. 1,28.49 lakhs as compared to the total paid-up capital of Rs. 16,48.51 lakhs at the end of the previous year.

The break-up of the paid-up capitals of the Corporations according to the investments made by the Central Government State Government and other parties as at the end of the year 1974-75 was as follows:—

Name of the Corporation	*Investments made by*			*Total*
	Central Government including the Reserve Bank of India	*State Government*	*Others*	
	(In lakhs of Rupees)			
Kerala State Road Transport Corporation	4,00.16	11,94.04	..	15,94.20
The Kerala Financial Corporation	15.70	@ 60.42	23.88	1,00.00
Kerala State Warehousing Corporation	..	41.40	41.40	82.80

@This does not include Rs. 22.50 lakhs invested by Government during the year for which shares have not been allotted.

6. Loans

The aggregate of long-term loans, including debentures and deposits obtained by two Corporations, viz. The Kerala Financial Corporation and Kerala State Road Transport Corporation stood at Rs. 16,34.52 lakhs at the end of 1974-75. This represented an increase of Rs. 2,59.90 lakhs over the total long-term loans of Rs. 13,74.62 lakhs as at the end of the previous year.

7. Profit/Loss

Kerala State Road Transport Corporation sustained a loss of Rs. 4,85.09 lakhs during 1974-75 as against a loss of Rs. 3,78.12 lakhs during 1973-74. The other two Corporations earned an aggregate profit of Rs. 53.20 lakhs during 1974-75 as against Rs. 20.92 lakhs during the previous year.

A synoptic statement showing the summarised financial results of the three Corporations for the year 1974-75 is given in Annexure-C.

8. Guarantees

Government has guaranteed the repayment of capital and loans (including bonds, debentures, fixed deposits and overdrafts) raised by two Corporations and the amount guaranteed outstanding as on 31st March 1975, was as follows:—

	Capital	*Loans* (*Rupees in lakhs*)	*Total*
(a) The Kerala Financial Corporation	1,00.00	10,38.97	11,38.97
(b) Kerala State Road Transport Corporation	..	3,18.24	3,18.24
Total	1,00.00	13,57.21	14,57.21

Payment of interest on loans (including fixed deposits) raised by these Corporations has also been guaranteed by Government. Rupees 4.15 lakhs were outstanding on this account as on 31st March 1975 in respect of long-term debenture loans raised by Kerala State Road Transport Corporation.

SECTION VI

KERALA STATE ROAD TRANSPORT CORPORATION

1. Introduction

The Kerala State Road Transport Corporation was established on 15th March 1965 in terms of section 3 of the Road Transport Corporations Act, 1950 with a view to:—

i. develop road transport for the benefit of the public, trade and industry;

ii. co-ordinate road transport with any other form of transport; and

iii. extend and improve the facilities for road transport in any area to provide an efficient and economical system of road transport service.

The Corporation took over the assets and liabilities of the Government Transport Department which was operating bus services in the State since 1938. In addition to road transport, the Corporation took over the water transport section operating ferry services around Cochin harbour. In November 1972, however, the Corporatian considered that it would not be in a position to devote sufficient attention to water transport section and decided to place it at the disposal of the Cochin Municipal Corporation. In April 1975, Government stated that the latter was not keen to take it over. The transfer has not been effected so far (February 1976).

The working of the Corporation was reviewed by the Committee on Public Undertakings (1970-71) in its First Report published in March 1971. Some aspects of its working were mentioned in the Report of the Comptroller and Auditor General of India for the year 1970-71 and discussed by the Committee on Public Undertakings (1973-74) in its Twelfth Report published in October 1973.

Para 1 examined on 8.9.1978

1, 2 on 12.6.1979

3 on 13.6.1979

4, 5 & 6 on 12.7.1979.

7 on 13.7.1979

8 to 11 on 3.8.1979

12.01 to 12.06 - 4.8.1979

12.07 to 19.03 - 17.8.1979

Report of C.P.U.

See XI Report of CPU (80-82)

2. Organisational set-up

The management of the Corporation vests with a Board constituted under Section 5 of the Act. As on 31st March 1975, the Board consisted of six members. The Chief Executive of the Corporation is the General Manager. He is appointed by the State Government under Section 14(1) of the Act. There were nine changes in the incumbency of the General Manager over a period of 10 years (March 1965 to March 1975).

At the end of March 1975, there were 24 operating depots (10 district depots and 14 sub-depots) and 4 operating centres. In addition to these, one central workshop, two regional workshops, five temporary divisional workshops, one central stores, one regional stores and the water transport section were also functioning.

3. Capital structure

3.01. *Capital contribution*

Pending valuation of the net assets taken over from the Transport Department on 1st April 1965, the book value of the net assets (Rs. 504.04 lakhs) was treated as the initial capital contribution of the State Government. Recommendation of a valuation committee (April 1970) to adopt the book value of assets and liabilities is still pending approval of the Government of India and the State Government (February 1976). In terms of Section 23(1) of the Act, the State Government and the Union Government agreed, at the time of formation of the Corporation, to contribute to the Corporation's capital in the ratio of 4:1. In May 1969, the ratio was revised to 3:1 for contributions made up to March 1969, and 2:1 thereafter. The contributions carry interest at $6\frac{1}{4}$ per cent per annum payable on the last day of each financial year.

The table below indicates the progressive capital contribution made by the State and the Union Governments at the end of each of the three years up to 1974-75:—

	1972-73		1973-74		1974-75	
	Progressive capital contribution (Rupees in lakhs)	*Percentage to total contribution*	*Progressive capital contribution (Rupees in lakhs)*	*Percentage to total contribution*	*Progressive capital contribution (Rupees in lakhs)*	*Percentage to total contribution*
State Government	9,68.04	71.7	10,93.04	74.1	11,94.04*	74.9
Union Government	3,82.67	28.3	3,82.67	25.9	4,00.16	25.1
Total	13,50.71	100	14,75.71	100	15,94.20	100

There was a shortfall of Rs. 62.50 lakhs in the capital contribution of the Union Government at the end of 1973-74 and Rs. 95.51 lakhs at the end of 1974-75. The Union Government has paid Rs. 64.01 lakhs (including adjustment of arrears of interest) towards capital contribution during April-October 1975.

3.02. *Payment of interest*

The statement below indicates the interest on capital contribution accrued and the amount pending payment at the end of each year up to 1974-75:—

Period	*Interest on capital accrued in favour of*		*Interest outstanding in favour of*	
	State Government	*Union Government*	*State Government*	*Union Government*
		(Rupees in lakhs)		
1965-66 to 1970-71	2,17.59	42.65	Nil	Nil
1971-72	48.05	17.06	Nil	Nil
1972-73	57.73	20.86	16.59	Nil
1973-74	64.59	23.92	64.59	6.43
1974-75	70.05	25.01	70.05	25.01
Total	4,58.01	1,29.50	1,51.23	31.44@

*includes Rs. 61 lakhs adjusted towards capital contribution out of interest of Rs. 212.23 lakhs due to the State Government up to 31st March 1975.

@the entire amount was adjusted towards the capital contribution in 1975-76.

3.03. *Borrowings*

For financing its capital projects, the Corporation raised Rs. 137.50 lakhs in 1969-70 and Rs. 110.00 lakhs in 1973-74 by issuing debentures (interest 6 per cent) redeemable after 12 years. Repayment of principal and payment of interest were guaranteed by the State Government. The Corporation created a sinking fund of Rs. 52 lakhs up to 31st March 1974 for redemption of the debentures and the amount was invested in long-term deposits with commercial banks. Against this deposit, the Corporation obtained a loan of Rs. 39.2 lakhs in 1974-75 for working capital. The Management decided (May 1975) to withdraw the fixed deposits on maturity and utilise the balance amount after adjusting the loan, for development schemes. Accordingly, the Corporation utilised Rs. 7.5 lakhs towards development schemes out of the deposits amounting to Rs. 30 lakhs which matured up to February 1976 (after adjusting the loan of Rs. 22.5 lakhs).

3.04. *Cash credit accommodation*

The Corporation has availed of cash credit facilities from the State Bank of Travancore (maximum limit: Rs. 19.95 lakhs) and another Scheduled bank (maximum limit: Rs. 75 lakhs) to meet its working capital requirements. The amount outstanding on 31st March 1975 on this account was Rs. 89.82 lakhs (State Bank of Travancore: Rs. 19.08 lakhs and another bank: Rs. 70.74 lakhs). The Corporation also availed of bill re-discounting facilities up to Rs. 45.28 lakhs, from the Industrial Development Bank of India for purchase of 45 chassis in 1974-75. The amounts are repayable in half-yearly instalments. A sum of Rs. 12.54 lakhs was repaid up to the end of February 1976, leaving a balance of Rs. 32.74 lakhs.

3.05. *Diversion of trust funds*

The Corporation created trusts for the benefit of its employees in respect of

(i) general provident fund (June 1967),

(ii) pension and gratuity (January 1967),

(iii) gratuity fund (January 1967), and

(iv) state transport provident fund (November 1969).

However, the trust funds have not been separated from the accounts of the Corporation and transferred to the trustees (February 1976). Government stated (February 1976) that the accounts of the trust funds were being separated.

According to the 'Fund' rules and section 20 of the Indian Trusts Act, the accumulation in the trust funds are to be invested in approved securities within 15 days from the date of contribution/receipt or accrual, as the case may be. The table below indicates the amounts diverted for meeting working capital requirements at the end of 1974-75:—

Particulars of funds	*Balance as on* 31*st March* 1975	*Investments at the end of March* 1975	*Amount utilised for working capital*
	(*Rupees in lakhs*)		
General Provident Fund	119.74	65.11	54.63
State Transport Provident Fund	179.10	139.30	39.80
Pension and Gratuity Fund	187.76	78.00	109.76
Gratuity Fund	52.28	14.03	38.25
Total	538.88	296.44	242.44

3.06. *Internal resources*

As per the accounts for the year ended 31st March 1975, there was a balance of Rs. 1151.35 lakhs under depreciation reserve fund. The corresponding investment, however, was Rs. 28.58 lakhs.

4. Nationalisation of routes

4.01. *Nationalisation during the Fourth Five Year Plan*

According to the broad objectives of the Fourth Five Year Plan for road transport in the State, drawn up by the State Planning Board in 1968-69, all the long distance routes (above

80 Kms.) and medium routes (between 40 and 80 Kms.) in the State were to be nationalised during the Plan period. As a first step, the Corporation decided (April 1970) to nationalise all the long distance routes (above 80 Kms.) as and when the validity of 173 permits held by private operators in these routes, lapsed. In September 1971, the Corporation, however, decided to prepare schemes for nationalisation of important road sectors, area-wise. Of five such schemes prepared and notified by the Corporation up to November 1973, only the routes in three schemes were nationalised (February 1976). The remaining two schemes are pending with Government (February 1976).

The table below indicates the details of total distance of bus routes in the State, routes nationalised, route kilometres operated in non-nationalised routes, total buses operated in the State and buses operated by the Corporation, at the end of 1968-69, 1973-74 and 1974-75:—

Year	*Total route kilometres in the State*	*Route kilometres operated by the Corporation in nationalised routes*	*Route kilometres operated by the Corporation in non-nationalised routes*	*Percentage of column (3) to column (2)*	*Percentage of column (4) to column (2)*	*Total number of buses in the State*	*Number of buses held by the Corporation*	*Percentage of column (8) to column (7)*
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1968-69	2,22,100	2,800	32,879	1.2	14.8	5,230	1,304	25.0
1973-74	2,85,600	2,800	81,739	1.0	28.6	6,390	1,956	30.6
1974-75	3,13,600	3,920	89,850	1.2	28.6	6,930	2,110	30.4

Operation of services by the Corporation in the nationalised routes continued to be low.

4.02. *Development schemes*

The table below indicates the physical and financial targets and the progress of development schemes undertaken during the Fourth Five Year Plan period:—

Physical target	*Plan estimate (Numbers)*	*Actuals (Numbers)*
Buses for operating new services	936	652
Schedules for expansion of the existing routes	480	495
Schedules for taking over the routes operated by private operators	320	Nil

Financial target	Plan estimate	Actuals
	(Rupees in lakhs)	
Cost of buses	6,55	5,75.2
Land, building, workshops and plant and machinery	3,15	2,06.4
New body building unit	25	Nil
Compensation to displaced operators	28	Nil
Other items	37	29.9
	10,60	8,11.5

The Management stated (November 1975) that the shortfall in procurement of vehicles was due to short supply and increase in the price of chassis and that the shortfall in the expenditure on other infra-structural facilities and compensation to displaced private operators, was due to paucity of funds and non-implementation of the nationalisation programme. The Corporation has not finalised its development programme for the Fifth Plan Period so far (February 1976).

5. Capital investment

5.01. *Acquisition of fleet*

The Corporation took over (April 1965) 981 vehicles (901 buses and 80 other vehicles) from the Transport Department on its formation in March 1965. The table below indicates the details of the fleet held by the Corporation from time to time:—

Types of fleet	*Number taken over in April* 1965	1965-66 *to* 1968-69			*Fourth Plan period (*1969-70 *to* 1973-74*)*			*Balance as at the end of* 1974-75
		Additions	*With-drawals*	*Balance as at the end of* 1968-69	*Additions*	*With-drawals*	*Balance as at the end of* 1973-74	
Single deck buses	891	489	86	1294	947	295	1946	2100
Double deck buses	10	..	..	10	..	..	10	10
Lorries	51	26	19	58	1	42	17	17
Other vehicles	29	40	5	64	41	21	84	85
Total	981	555	110	1426	989	358	2057	2212

About 60 per cent of the buses taken over by the Corporation in April 1965 continued to be operated up to the end of March 1975. Withdrawal of overaged buses from operation was slow. Government stated (February 1976) that the Corporation was compelled to keep the maximum number of the older vehicles in the fleet due to

(i) enormous growth of the vehicle schedules during 1965 to 1975, and

(ii) paucity of funds for purchasing new vehicles for replacement.

5.02. *Replacement of vehicles*

In March 1970, the Corporation engaged the Statistical Quality Control Unit of the Indian Statistical Control Organisation on a remuneration of Rs. 36,000 for determining, *inter alia*, the optimum period for replacement of buses. The Unit recommended in July 1971 seven years as the optimum life period of a vehicle for replacement. Government stated (February 1976) that the Corporation had accepted the recommendation of the Statistical Quality Control Unit. The table below indicates the composition of buses in terms of years and kilometres operated as at the end of 1964-65, 1973-74 and 1974-75:—

	Buses held at the end of 1964-65	*Percentage to total buses held*	*Buses held at the end of* 1973-74	*Percentage to total buses held*	*Buses held at the end of* 1974-75	*Percentage to total buses held*
(1)	(2)	(3)	(4)	(5)	(6)	(7)
A. *In terms of years of operation*						
Over 15 years	Nil	..	60	3.1	36	1.7
Between 10 and 15 years	65	7.2	381	19.4	421	20.0
Between 7 and 10 years	205	22.8	217	11.1	286	13.5
Less than 7 years	631	70.0	1298	66.4	1367	64.8
Total	901	100	1956	100	2110	100

	Buses held at the end of 1964-65	*Percentage to total buses held*	*Buses held at the end of* 1973-74	*Percentage to total buses held*	*Buses held at the end of* 1974-75	*Percentage to total buses held*
(1)	(2)	(3)	(4)	(5)	(6)	(7)
B. *In terms of Kilometres operated*						
Over 6 lakhs	Not available		568	29.0	608	28.8
Over 5 lakhs but not exceeding 6 lakhs	do.		198	10.1	219	10.4
Less than 5 lakhs	do.		1190	60.9	1283	60.8
Total			1956	100	2110	100
C. *Average age of Vehicles held*						
In terms of years	5.1		5.9		6.0	
In terms of lakh Kms. operated	Not available		4.5		4.5	

The Management stated (January 1976) that "the number of buses aged more than seven years increased because the replacement of old buses had to be reduced drastically on account of requirements for starting additional schedules".

5.03. *Spare buses*

The Corporation had fixed (1965) the strength of spare buses as 17 per cent of the schedules as against the minimum of 14.3 per cent ($\frac{1}{7}$) prescribed in the Kerala Motor Vehicles Rules, 1961.

The table below indicates the number of schedules, number of buses required, the number of buses held and the excess holding for the three years up to 1974-75:—

Particulars	1972-73	1973-74	1974-75
Number of schedules at the end of the year	1534	1596	1726
Number of buses required including spare buses, at 117 percent of the schedules	1795	1867	2019

	1972-73	1973-74	1974-75
Actual number of buses held as at the end of the year	1874	1956	2110
Percentage of fleet strength to number of schedules	122	123	122

The Management stated (January 1976) that a large number of vehicles (102 at the end of March 1973, 58 at the end of March 1974 and 30 at the end of March 1975), which were unfit for service operation, had to be retained due to delay in completion of procedure for their disposal. Government stated (February 1976) that the percentage of spare buses was high because deluxe, express and most of the fast passenger services required equal number of spare buses.

6. Profitability analysis

6.01 *Financial position*

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

Particulars	1972-73			1973-74			1974-75		
	Road Transport	*Water Transport*	*Total*	*Road Transport*	*Water Transport*	*Total*	*Road Transport*	*Water Transport*	*Total*
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
					(*Rupees in lakhs*)				
A. *Liabilities*									
a. Capital contributions from the State Government/ Government of India	1343.56	7.15	1350.71	1468.56	7.15	1475.71	1587.05	7.15	1594.20
b. Borrowings									
i. Debentures	137.50	..	137.50	247.50	..	247.50	247.50	..	247.50
ii. Loan from Industrial Development Bank of India	..	..	..	..	..	..	45.28	..	45.28
iii. Overdraft from bank (cash credit)	11.19	..	11.19	19.48	..	19.48	89.82	..	89.82
iv. Secured loan	..	..	..	..	..	..	39.20	..	39.20

Particulars	1972-73			1973-74			1974-75		
	Road Transport	*Water Transport*	*Total*	*Road Transport*	*Water Transport*	*Total*	*Road Transport*	*Water Transport*	*Total*
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
					(Rupees in lakhs)				
c. Funds									
i. Staff provident funds, pension and gratuity funds	356.37	..	356.37	440.00	..	440.00	538.88	..	538.88
ii. Depreciation Reserve fund	830.30	7.44	837.74	986.98	8.18	995.16	1142.74	8.61	1151.35
iii. Others (Insurance and sinking funds)	45.00	..	45.00	57.00	..	57.00	80.00	..	80.00
d. Trade dues and other current liabilities (including provision and deposits)	624.34	5.74	630.08	678.08	4.85	682.93	940.71	6.99	947.70
Total (as per Balance sheet)	3348.26	20.33	3368.59	3897.60	20.18	3917.78	4711.18	22.75	4733.93
Road Transport adjustment account balance		37.91*			51.57*			61.35*	
		58.24			71.75			84.10	
B. *Assets*									
(e). Gross block	1622.31	15.25	1637.56	1781.06	15.74	1796.80	2033.41	15.65	2049.06
(f). Capital works-in-progress	50.13	..	50.13	73.92	..	73.92	53.97	..	53.97
(g). Investments	403.17	4.92	408.09	357.58	4.92	362.50	400.46	4.92	405.38
(h). Current assets, advances and deposits	499.30	3.33	502.63	530.83	5.80	536.63	589.44	2.73	592.17
(i). Miscellaneous expenses	..	1.04	1.04	..	0.68	0.68	..	1.00	1.00
(j). Net revenue and appropriation account-deficiency	735.44	33.70	769.14	1102.64	44.61	1147.25	1572.55	59.80	1632.35
Total (as per Balance sheet)	3310.35	58.24	3368.59	3846.03	71.75	3917.78	4649.83	84.10	4733.93

Note:—*Represents the amount due by the Water Transport Section to Road Transport Section.

Particulars	1972-73			1973-74			1974-75		
	Road Transport	*Water Trans-port*	*Total*	*Road Transport*	*Water Trans-port*	*Total*	*Road Transport*	*Water Trans-port*	*Total*
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
				(*Rupees in lakhs*)					
Water Transport adjustment account balance	37.91*			51.57*			61.35*		
Total	3348.26			3897.60			4711.18		
@Capital employed			642.13			606.31			374.24

6.02. *Financial analysis*

The table below indicates the analysis of the accounts of the Corporation for the three years up to 1974-75:—

	1972-73	1973-74	1974-75
		(*Rupees in lakhs*)	
Capital invested(†)	14,88.21	17,23.21	18,86.98
Capital employed	6,42.13	6,06.31	3,74.24
Gross revenue	16,09.34	18,90.45	25,06.95
Total expenses	19,76.39	22,68.57	29,92.04
Net loss (—)	(—)3,67.05	(—)3,78.12	(—)4,85.09
Total interest charged to profit and loss account	87.68	1,00.40	1,16.67
Interest on long-term loans	86.84	98.78	1,09.91
Total return on capital employed	(—)2,79.37	(—)2,77.72	(—)3,68.42
Total return on capital invested	(—)2,80.21	(—)2,79.34	(—)3,75.18

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

*Represents the amount due by the Water Transport Section to Road Transport Section.

(†) Capital invested represents paid-up capital *plus* long-term loans *plus* free reserves at the end of the year.

6.03. *Analysis of expenditure and revenue*

The table below indicates the analysis of expenditure and revenue and percentage of each item of expenditure and revenue to the total expenditure and revenue in respect of the road transport section for the three years up to 1974-75:—

Analysis of expenses

Particulars	1972-73		1973-74		1974-75	
	Amount (Rupees in lakhs)	*Percentage to total expenditure*	*Amount (Rupees in lakhs)*	*Percentage to total expenditure*	*Amount (Rupees in lakhs)*	*Percentage to total expenditure*
Personnel	815.89	41.7	990.82	44.1	1323.95	44.7
Materials and stores (including ticket, stationery and uniform)	631.82	32.3	670.39	29.9	1041.71	35.2
Rent, rates, taxes and insurance	253.62	13.0	290.83	12.9	249.07*	8.4
Depreciation	136.17	7.0	159.63	7.1	179.98	6.1
Interest	87.29	4.5	100.07	4.5	116.89	3.9
Miscellaneous (including contribution to sinking fund)	30.51	1.5	33.18	1.5	50.33	1.7
Total	1955.30	100	2244.92	100	2961.93	100

Analysis of revenue

Particulars	1972-73		1973-74		1974-75	
	Amount (Rupees in lakhs)	*Percentage to total revenue*	*Amount (Rupees in lakhs)*	*Percentage to total revenue*	*Amount (Rupees in lakhs)*	*Percentage to total revenue*
Operating revenue	1557.96	97.5	1831.82	97.6	2452.97	98.4
Non-operating revenue	40.31	2.5	45.89	2.4	39.05	1.6
Total revenue	1598.27	100	1877.71	100	2492.02	100

* The reduction in expenditure under rent, rates, taxes and insurance for 1974-75 was due to waiver by State Government of surcharge on motor vehicles tax amounting to Rs. 97.91 lakhs

6.04. *Working results - road transport*

The working of the road transport section for the three years ending 1974-75 resulted in loss as indicated below:—

Year	*Loss* (*Rupees in lakhs*)
1972-73	357.03
1973-74	367.21
1974-75	469.91

The accumulated loss of road transport section up to March 1975 was Rs. 1572.55 lakhs which worked out to 99.1 per cent of the total capital contribution. Only in the first two years of its working, the road transport section earned profits (Rs.16.55 lakhs in 1965-66 and Rs. 24.80 lakhs in 1966-67).

The continuous losses since 1967-68 were attributed by the Management (September 1975) to:—

(i) increase in establishment charges every three months on account of the payment of variable dearness allowance linked with the cost of living index;

(ii) increase in prices of spares, lubricants and fuel;

(iii) uneconomic operation of city services; and

(iv) competition from private operators.

It was further stated that in spite of the revision of fare structure from 1st September 1974 and rescheduling implemented from October 1974, the earnings could not keep pace with the ever-increasing operational cost and hence the Management was not in a position to anticipate when the Corporation would breakeven.

7. Performance appraisal

7.01. *Operation of bus schedules*

The table below indicates the operational details for the three years ending 1974-75:—

	1972-73	1973-74	1974-75
Fleet held as on 31st March (number)	1874	1956	2110
Distance scheduled for operation (in lakhs of kilometres)	1342.10	1480.66	1773.66
Additional distance operated but not scheduled (in lakhs of kilometres)	18.15	21.00	22.05
Total	1360.25	1501.66	1795.71
Scheduled distance cancelled (in lakhs of kilometres)	153.03	156.45	244.86
Effective distance operated including extra operation not scheduled (in lakhs of kilometres)	1207.22	1345.21	1550.85
Percentage of cancellation to schedule	11.4	10.5	13.8
Non-revenue (dead) kilometres operated (in lakhs)	12.25	13.43	12.49
Percentage of non-revenue (dead) kilometres to effective kilometres operated	1.0	1.0	0.9
Operating revenue (Rupees in lakhs)	1557.96	1831.82	2452.97
Average operating revenue per effective kilometre (in paise)	129.0	139.00	158.17
Operating expenditure (Rupees in lakhs)	1802.63	2045.05	2730.25

	1972-73	1973-74	1974-75
Average operating expenditure per effective kilometre (in paise)	149.00	152.00	176.05
Average operating loss (—) per effective kilometre (paise)	(—) 20.00	(—) 13.00	(—)17.88
Non-operating revenue (Rupees in lakhs)	40.31	45.89	39.05
Non-operating expenditure (Rupees in lakhs)	152.67	199.87	231.68
Net loss (—) (Rupees in lakhs)	(—)357.03	(—)367.21	(—)469.91
Net loss per effective kilometre (in paise)	(—) 29.00	(—) 27.00	(—) 30.30

The reasons for the high percentage of cancellation of scheduled trips (11.4 in 1972-73, 10.5 in 1973-74 and 13.8 in 1974-75) as analysed by the Corporation are given below:—

Reasons for cancellation	1972-73		1973-74		1974-75	
	Number of scheduled trips cancelled	*Percentage to total trips cancelled*	*Number of scheduled trips cancelled*	*Percentage to total trips cancelled*	*Number of scheduled trips cancelled*	*Percentage to total trips cancelled*
Want of bus	2,76,948	60	1,82,168	39	2,86,190	44
Want of crew	62,066	14	1,55,527	34	1,36,252	21
Late arrival of buses due to break-down and accidents	Not available		57,182	12	99,212	15
Other reasons	1,19,024	26	70,449	15	1,33,374	20
Total	4,58,038	100	4,65,326	100	6,55,028	100

Although the number of buses held by the Corporation was in excess of the requirements for the sanctioned schedules, cancellation of trips for want of bus constituted the major reason. Cancellations for want of crew were mainly due to engagement of conductors for office work and drivers for work other than line duty, even though full complement of staff had been provided for these duties. The Committee on Public Undertakings

(1970-71) in its First Report recommended (March 1971) that "Conductors should not be posted for other duty except in cases of permanent disability". A review of weekly cancellation statements, conducted by Audit in 10 out of 24 units, showed that during the half year ending 30th September 1974, 15471 driver-days and 20994 conductor-days were utilised for other duties. Government stated (April 1975) that the practice of deputing conductors for other duties was being discontinued in a phased manner.

7.02. *Fleet and vehicle utilisation*

The table below indicates the vehicle holding and utilisation for the three years up to 1974-75:–

Fleet utilisation	1972-73	1973-74	1974-75
Average number of buses held during the year	1725	1918	2036
Average number of buses on road per day	1355	1462	1570
Average number of buses off road per day	370	456	466
Percentage of buses on road to average number of buses held	78.6	76.2	77.1
Vehicle utilisation			
Average distance operated (kilometres) per vehicle per day			
a. City service	171.1	161.6	152.9
b. Mofussil service	255.0	265.0	288.0
c. Overall	244.1	252.0	270.6
Average number of days on road per vehicle			
a. City service	318	327	341
b. Mofussil service	306	302	298
c. Overall	307	305	303

The average distance operated per vehicle per day in city service has been progressively declining from 171.1 kilometres in 1972-73 to 152.9 kilometres in 1974-75. The fall in the daily vehicle utilisation has been attributed (January 1976) by the Management to higher incidence of break-downs, repairs and cancellations due to increased number of old vehicles in operation.

7.03. *Introduction of new schedules*

The Committee on Public Undertakings (1973-74) in its Twelfth Report recommended (October 1973) that new schedules should be operated only after conducting traffic survey. Government stated (April 1976) that detailed route survey was being conducted before introduction of service in any new route. During 1974-75, 130 schedules were introduced. Reports of survey, called for, (December 1975 and April 1976) from the Management are awaited.

7.04. *Uneconomic operation of services*

A study conducted by the Corporation in August 1972, disclosed that for 92 per cent of the schedules, the operation cost was more than the earnings. The Management stated (October 1975) that as a result of another study conducted in August 1974, seventeen unremunerative bus schedules were proposed to be cancelled to bring in a saving of about Rs. 8 lakhs per annum. Details of implementation of the proposal and extent of savings effected are awaited (February 1976).

Preparation of statistics of trip-wise/route-wise earnings per kilometre, which served as index of the Corporation's earnings from different routes, was discontinued from December 1974 "for timely preparation of monthly operational review". In the absence of trip-wise/route-wise statistics, the Corporation is not in a position to watch closely the earnings of the various routes and take timely action to improve the earnings in uneconomic routes. Government stated (April 1976) that data relating to trip-wise earnings per kilometre was being collected on a sample basis by the economy cell attached to the Statistical Branch and this would enable the Corporation to eliminate uneconomic trips to a large extent.

8. Oils and lubricants

The table below indicates the expenditure on high speed
1974-75:—

Year	*Expenditure on*		*Total operating expense*	*Percentage of expenditure on fuel and lubricants to operating expense*
	HSD oil	*Lubricants*		
	(Rupees in lakhs)			
(1)	(2)	(3)	(4)	(5)
1972-73	298.38	33.90	1802.63	18.4
1973-74	315.63	40.58	2045.05	17.4
1974-75	455.40	117.63	2730.25	21.0

diesel oil and lubricants during the three years ending

Consumption (in kilolitres)		*Cost per effective kilometre (in paise)*		*Gross kilometres operated including departmental lorries (in lakhs)*	*Kilometres obtained per litre of HSD oil*	*Kilometres obtained per litre of lubricants*
HSD oil	*Lubricants*	*HSD oil*	*Lubricants*			
(6)	(7)	(8)	(9)	(10)	(11)	(12)
32108	710	25.9	2.9	1226.32	3.8	172.7
35460	801	24.0	3.1	1366.43	3.9	170.6
40623	948	29.4	7.6	1572.58	3.9	165.9

102/9080/MC.

8.01. *Excessive consumption of lubricants*

The fleet strength of the Corporation including departmental lorries as on 31st March 1975 was composed of 1018 Leyland and 1109 Tata vehicles. An analysis of the consumption of engine oil during 1973-74 revealed that the rate of consumption in Leyland vehicles was lower than that in Tata vehicles. The consumption for Leyland vehicles varied from 0.19 litre/100 Kms. to 0.79 litre/100 Kms. as against 0.23 litre/100 Kms. to 1.15 litres/100 Kms. for Tata vehicles. The manufacturers of Tata vehicles have prescribed a consumption of 0.2 to 0.3 litre of engine oil for every 100 Kms. and oil change at every 6000 Kms. (10 litres minimum and 14 litres maximum). The consumption of engine oil would work out to 0.53 litre per 100 Kms. even at the maximum level of consumption and change of oil. On the basis of the maximum consumption prescribed by the manufacturers of Tata vehicles, the excess consumption of engine oil during the three years up to 1974-75 worked out to 252 kilolitres valued at Rs. 12.97 lakhs as indicated below:—

Year	*Consumption (in kilo-litres)*	*Requirement at 0.53 litre/100 kilo-metres*	*Excess consumption*		
			Kilo-litres	*Price per kilolitre (Rupees)*	*Value (Rupees in lakhs)*
1972-73	710	650	60	2151	1.29
1973-74	801	724	77	3456	2.66
1974-75	948	833	115	7843	9.02
			252		12.97

Government stated (February 1976) that a large percentage of the fleet was composed of old vehicles which consumed more engine oil. It was further stated that efforts were being made to reduce the excess consumption during 1975-76.

8.02. *Excess consumption of H.S.D. oil*

Mention was made in paragraph 57 of the Report of the Comptroller and Auditor General of India for the year 1971-72 about excess consumption of fuel during the period from 1966-67 to 1970-71. A test check (conducted by Audit) of operations of 16 units during 1972-73, 14 units during 1973-74 and 19 units during 1974-75 showed that the consumption of H.S.D. oil was generally in excess of the norms fixed by the Corporation in August 1971, viz. 4.1 Kms. per litre for TMB vehicles and 3.8 Kms. per litre for Leyland buses. The excess consumption and the average kilometre per litre of H.S.D. oil obtained during the three years ending 1974-75 in respect of the units subjected to test check are given below:—

Year	*Excess consumption (in kilo-litres)*	*Value of excess consumption (Rupees in lakhs)*	*Average kilometres per litre of H.S.D. oil*	
			TMB	*Leyland*
1972-73	525	4.65	3.82	..
1973-74	834	7.89	3.73	3.59
1974-75	1108	10.59	3.75	3.58

The excess consumption of H.S.D. oil was attributed (August 1975) by the Management generally to the following:—

i) Non-replacement of engines, fuel injection pumps and automisers in time for want of sufficient supply of reconditioned spares from workshops;

ii) over-loading of buses;

iii) poor road conditions;

iv) erratic driving habits of drivers;

v) old age of vehicles ;

vi) spilling of diesel from fuel tanks; and

vii) inadequate workshop facilities.

It was, however, seen that the norms for consumption were fixed by the Corporation taking into consideration loss of fuel due to overloading, operation in terrain roads, etc. Government stated (February 1976) that the norms fixed were on the high side and every endeavour was being made to achieve the norms.

9. Tyres

The table below compares the expenditure on tyres and tubes to total operating expenditure and the expenditure per kilometre for the three years ending 1974-75:—

Year	*Expenditure on tyres and tubes (Rupees in lakhs)*	*Total operating expenditure (Rupees in lakhs)*	*Percentage of expenditure on tyres and tubes to total operating expenditure*	*Gross kilometres operated (in lakhs)*	*Expenditure on tyres and tubes per effective kilometre operated (in paise)*
1972-73	117.35	1802.63	6.50	1219.47	9.7
1973-74	135.98	2045.05	6.65	1358.64	10.1
1974-75	242.81	2730.25	8.89	1563.34	15.7

The expenditure on tyres and tubes per kilometre in 1974-75 showed an increase of 62 per cent over that in 1972-73. Government stated (February 1976) that the increase in expenditure was due to increase in the price of tyres. The increase in the price of tyres in common use (900 x 20) at the close of 1974-75, however, represented only 49 per cent over the price of tyres at the close of 1972-73.

9.01. *Performance of tyres*

Norms for performance of tyres are fixed periodically by the Corporation for its different operating centres, taking into account the local conditions, past performance, terrain of the road, etc. The latest norms fixed in December 1971 for tyres of size 900 x 20 ranged from 20,000 kilometres to 33,000 kilometres for new tyres and from 18,000 kilometres to 24,000 kilometres for retreaded tyres.

The table below indicates the performance of 2731 tyres 31st March 1975:—

Distance covered (kilometres)	*New tyres*	*Performance after retreading**			
		Percentage on total tyres	*First retread*	*Percentage on total tyres to column 4*	*Second retread*
(1)	(2)	(3)	(4)	(5)	(6)
Below 10,000	72	2.7	424	16.0	433
10,000 and above but below 20,000	860	31.5	1113	42.1	815
20,000 and above but below 30,000	1156	42.3	808	30.6	415
30,000 and above but below 40,000	472	17.3	241	9.1	139
40,000 and above but below 50,000	143	5.2	46	1.7	18
50,000 and above	28	1.0	13	0.5	2
Total	2731		2645		1822
Number of tyres scrapped	86		823		1188
Percentage of tyres scrapped to total tyres	3.1		30.1		43.5

* Same tyres included in column (2).

of 900 x 20 size, which were scrapped during the half year ended

Percentage on total tyres to column 6	*Third retread*	*Percentage on total tyres to column* 8	*Fourth retread*	*Percentage on total tyres to column* 10	*Fifth retread*	*Percentage on total tyres to column* 12
(7)	(8)	(9)	(10)	(11)	(12)	(13)
23.8	220	34.7	35	34.0	3	42.9
44.7	269	42.4	45	43.7	3	42.9
22.8	110	17.4	16	15.5	Nil	..
7.6	30	4.7	6	5.8	1	14.2
1.0	5	0.8	1	1.0	Nil	..
0.1	Nil	..	Nil	..	Nil	..
	634		103		7	
	531		96		7	
	19.5		3.5		0.3	

It will be seen from the table that about 34 per cent of the new tyres had not performed even the minimum 20,000 kilometres fixed by the Corporation. Performance of 16 per cent of tyres after first retread, 24 per cent after second retread and 35 per cent after third retread was less than 10,000 kilometres though the minimum norm fixed for retreaded tyres was 18,000 kilometres.

An analysis of the performance of the 86 new tyres scrapped before retreading is given below:—

Distance covered (kilometres)	*Numbers*
Below 10,000	13
10,000 and above but below 20,000	30
20,000 and above but below 30,000	24
30,000 and above but below 40,000	11
40,000 and above but below 50,000	5
50,000 and above	3

The low performance of tyres was attributed (January 1976) by the Management generally to

(i) poor road conditions,

(ii) overloading and overspeeding of vehicles,

(iii) handling of same vehicle by different drivers,

(iv) tread separation, blow out, nail cut, stone cut, etc.

Government stated (February 1976) that overload and overspeed were being controlled to the maximum extent and the drivers were given adequate training.

10. Fare structure

Under section 43 of the Motor Vehicles Act, 1939, fares of the stage carriages operated within the State are fixed by the State Government. The rates so fixed are applicable to the private transport services also. The fares fixed from time to time and the percentage of increase on each revision are given below:—

(Rates in paise per kilometre)

Category of Service	1st June 1963 to 14th October 1971	15th October 1971 to 31st August 1974		1st September 1974 onwards	
		Rate	Percentage of increase	Rate	Percentage of increase
City service	3	3.3	10	4	21
Ordinary service	3	3.3	10	4	21
Fast Passenger service	3	3.3	10	4.3	30.3
Express	4.5	5	11	5	
Deluxe express	4.5	5	11	6	20

In this connection it was noticed that the Corporation had recommended to Government (April 1974) to raise the fares to 4.5 ps/Km. for ordinary and city services, 5 ps/Km. for fast passenger service, 6 ps/Km. for express service and 7 ps/Km. for deluxe express service.

Government have notified (March 1976) an upward revision of fares, ranging from 25 to 50 per cent, effective from 1st April 1976.

The table below indicates the actual expenditure and earnings per seat kilometre against the basic fare for ordinary service during the four years up to 1974-75:—

	1971-72	1972-73	1973-74	1974-75
	(in paise)			
Basic fare	3.3 (3 up to 14th October 1971)	3.3	3.3	4.00 (3.3 up to 31st August 1974)
Average expenditure per seat kilometre including non-operating expenses	2.8	3.3	3.4	3.9
Average earning per seat kilometre	2.6	2.7	2.9	3.2
Load factor (percentage)	83.1	79.6	84.2	84
Average expenditure per occupied seat kilometre	3.0	4.2	4.1	4.6
Average earnings per occupied seat kilometre	2.7	3.3	3.3	3.8

10.01. *Carriage of papers, weeklies, etc.*

The Corporation earns about Rs. 1 lakh per annum by carriage of papers, weeklies, etc. at reduced rates. The basic rate of one Rupee per 100 Kgs. fixed by the Corporation in December 1965, remains unchanged. The Management stated (September 1975) that it intended to take up the question of revising the rates with the representatives of the Kerala Newspapers Editors Conference as the rate was fixed in consultation with them.

Government stated (April 1976) that a proposal to defer the revision of rates for carriage of newspapers, weeklies, etc. was under consideration of the Corporation.

11. Traffic analysis

The Corporation is operating four types of services, viz. ordinary, fast passenger, express/super express and deluxe express. Ordinary services are operated in Trivandrum city and mofussil (short) routes, while fast passenger, express and deluxe services are operated in mofussil (long) routes. Operation of the services, as at the end of 1974-75, is analysed below:—

Type of service	*Number of schedules*	*Percentage to total services*
i. Ordinary		
a. City (Trivandrum)	207	12.0
b. Mofussil	1146	66.4
ii. Fast passenger	338	19.6
iii. Express and super express	28	
iv. Deluxe	7	2.0
Total	1726	100

The table below indicates the traffic analysis of the city during the three years ending 1974-75:—

Particulars	1972-73		
	City	*Mofussil*	*Overall*
Number of routes at the end of the year	476	1,179	1,655
Route kilometres	5,133	56,910	62,043
Average route distance (in kilometres)	10.8	48.3	37.5
Average number of vehicles on road	175	1,180	1,355
Average seating capacity per bus (excluding standing)	45.4	49.2	48.8
Effective kilometres operated (in lakhs)	1,09.52	10,97.70	12,07.22
Total number of seat kilometres offered (in lakhs)	49,72.21	5,40,06.84	5,89,12.33
Number of passengers carried (in lakhs)	5,94.43	27,31.12	33,25.55
Average distance travelled by a passenger (in kilometres)	5.6	16.0	14.1
Total number of passenger kilometres (in lakhs)	33,28.81	4,36,97.92	4,68,90.25
Occupancy ratio	67.0	80.9	79.6
Average earnings per passenger (in paise)	18.5	52.6	46.5
Average cost per passenger (in paise)	N.A.	N.A.	54.2

N. A.:

and mofussil services (including inter-State services) operated

1973-74			1974-75		
City	*Mofussil*	*Overall*	*City*	*Mofussil*	*Overall*
346	1,539	1,885	526	1,796	2,322
3,620	80,919	84,539	6,041	87,729	93,770
10.5	52.5	44.8	11.5	48.9	40.3
183	1,279	1,462	202	1,368	1,570
41.0	49.6	48.7	41.5	50.1	49.2
1,07.90	12,37.31	13,45.21	1,12.84	14,38.01	15,50.85
44,23.90	6,13,70.58	6,55,11.72	46,82.86	7,20,44.30	7,63,01.82
6,09.64	29,03.81	35,13.45	6,78.57	35,38.20	42,16.77
6.4	17.7	15.7	6.6	16.9	15.2
39,01.69	5,13,97.44	5,51,61.16	44,78.56	5,97,95.58	6,40,94.90
88.2	83.7	84.2	95.7	83.0	84.0
19.4	59.0	52.1	N.A.	N.A.	57.9
N.A.	N.A.	58.2	N.A.	N.A.	70.2

Not available

11.01. *Operation of city services*

At the end of March 1975, the Corporation was operating 207 schedules in and around Trivandrum city covering a total distance of 35,731 kilometres daily in 526 routes with a total route distance of 6041 kilometres. Mention was made in paragraph 103(a) of the Report of the Comptroller and Auditor General of India for 1970-71 about loss incurred in the operation of city services in Trivandrum during the period from 1966-67 to 1970-71. A study conducted by the Corporation in August 1972 showed that earnings from none of the schedules in the city service could cover the cost of operation estimated at 136 paise per kilometre.

The table below indicates the loss incurred on operation of city services, based on monthly cost review prepared by the Corporation, vis-a-vis the total loss incurred on overall operation of road transport section:—

Year	*Total effective kilometres (in lakhs)*	*City services* (*Rupees in lakhs*)			*Total effective kilometres of road transport section (in lakhs)*	*Loss on overall operation of road transport section (Rupees in lakhs)*	*Percentage of*	
		Total earnings	*Total expenditure*	*Loss*			*Operation of city services to total distance*	*Loss of city service to total loss*
1971-72	94.42	99.81	180.92	81.11	1106.29	102.22	8.5	79.3
1972-73	109.52	114.71	201.83	87.12	1207.22	357.03	9.1	24.4
1973-74	107.90	118.52	244.51	125.99	1345.21	367.21	8.0	34.3

The heavy recurring loss in the operation of city services was attributed by the Management (April 1975) to the following:—

(i) one way empty operation while starting and ending schedules;

(ii) excess consumption of fuel due to frequent stopping;

(iii) issue of tickets at concessional rates to students;

(iv) low vehicle and crew utilisation; and

(v) competition from 13 private permit holders who were also operating services.

12. Mechanical engineering department

12.01. *Maintenance at depots/sub-depots*

Routine maintenance, lubrication, top-up of oil levels, etc. on the basis of kilometres operated and minor repairs and replacements of reconditioned units are done at the depot garages. The maximum time required for minor repairs at the depots was fixed as 10 days per vehicle by the erstwhile State Transport Department. It was, however, noticed that in many cases the time actually taken for completing the repairs exceeded the limit prescribed.

A test check of vehicle attendance register maintained at the operating units for the three years up to 1974-75 revealed that due to delay in repairing vehicles, 38571 vehicle-days were lost as indicated below:—

Year	*Number of units test checked*	*Number of vehicles involved*	*Total vehicle-days lost (in excess of 10 days)*
1972-73	20	510	14,732
1973-74	14	305	6,585
1974-75	19	590	17,254
		1,405	38,571

The delay in repairing the vehicles in the depots was generally attributed (May 1975) by the Management to (i) lack of sufficient workshop facilities and (ii) non-availability of spare parts and reconditioned units from the central workshops. Government stated (February 1976) that the depots had also taken up major repair works and this led to delay in completing minor repairs within the time prescribed. The number of vehicles off road awaiting repairs in the various depots for want of reconditioned assemblies/components at the end of September 1975 was 160. It was, however, noticed that a large number of job orders for reconditioning of assemblies were pending at the central workshops as indicated in paragraph 12.05.

12.02. *Maintenance at divisional workshops*

Five temporary divisional workshops were set up in September 1972 for attending to half-yearly maintenance required for obtaining fitness certificate from the Regional Transport

Government stated (April 1976) that the following steps had been taken to reduce the loss in the operation of city services:—

(i) the private operators had been completely eliminated and the routes operated by them taken over from December 1975;

(ii) schedules had been re-cast to improve vehicle and crew utilisation;

(iii) the rate of concession extended to students was being revised; and

(iv) a separate cell had been formed to review schedules, collections, etc.

The Corporation decided (January 1970) to open four sub-depots at different places outside the city with a view to avoiding dead mileage operations and to improve its earnings. Only two sub-depots (Pappanamcode in November 1971 and Vizhinjam in April 1972) have been opened so far. The reduction in operational cost, if any, consequent on opening of the two sub-depots has not been ascertained so far (February 1976).

11.02. *Concession to students*

As per the Kerala Motor Vehicles Rules, 1961, students of recognised educational institutions in the State enjoy 50 per cent concession in fare for journey between the boarding point and the educational institutions. Students are allowed concession at the rates in force prior to June 1963 as per directions of the State Government. The effective concession works out to about 70 per cent of the existing fare.

The table below indicates the details of concessions granted during the three years up to 1974-75:—

Year	*Number of concession tickets sold (in lakhs)*	*Value of concession tickets realised (Rupees in lakhs)*	*Shortfall in revenue with reference to the full rate (Rupees in lakhs)*
1972-73	3.4	18.4	32.3
1973-74	3.3	18.5	32.2
1974-75	4.0	23.1	50.3

Authority. The table below indicates the targets of half-yearly maintenance and the actual number of vehicles attended to at these workshops during the two years ended March 1975:—

Name of divisional Workshop	1973-74			1974-75		
	Target	*Performance (numbers)*	*Shortfall*	*Target*	*Performance (numbers)*	*Shortfall*
Trivandrum	168	100	68	168	112	56
Alleppey	120	105	15	120	91	29
Kottayam	144	82	62	144	115	29
Ernakulam	144	86	58	144	71	73
Alwaye	120	77	43	120	86	34
Total	696	450	246	696	475	221

Government stated (February 1976) that the divisional workshops were established on a temporary basis and there were certain handicaps in their operation which resulted in the shortfall in performance.

As per the Motor Vehicles Act, 1939 operation of vehicles without valid fitness certificate is an offence for which penalty is leviable. But 315 vehicles were being operated without fitness certificate at the end of September 1975.

12.03. *Overhauling and reconditioning at Central and Regional Workshops*

Apart from the Central Works at Trivandrum and the Regional Workshop at Alwaye, taken over from the erstwhile Transport Department, the Corporation started a Regional Workshop at Edappal in February 1974 (cost: Rs. 25.37 lakhs). The Central Works at Trivandrum and the Regional Workshop at Alwaye attend to complete overhauling of Leyland and Tata vehicles and reconditioning of their major assemblies and components, while the Regional Workshop at Edappal undertakes complete overhauling of Leyland vehicles in the depots of the northern districts and reconditioning of their parts.

12.04. *Overhauling of vehicles*

The Corporation has not fixed any norm for withdrawal of vehicles for overhaul. However, the Management stated

(September 1975) that as a matter of practice, the vehicles were being withdrawn for complete overhaul every three years or after every three lakh kilometres, whichever was earlier, taking into consideration the general condition of vehicles. A review conducted by Audit in October 1975 revealed that 18 vehicles were overhauled even before they had covered 1 lakh kilometres each and 14 other vehicles were overhauled before they had covered 2 lakh kilometres each, resulting in a total shortfall of 63.51 lakh kilometres.

Estimates for overhauling of vehicles were not prepared though required under the Accounts Manual. The total cost for complete overhaul of a vehicle varied from Rs. 8,000 to Rs. 50,000 in 1972-73. Government stated (February 1976) that certain vehicles had to be overhauled at shorter intervals due to premature failures and accidents.

The normal time required for an overhaul has been fixed as 30 days. In November 1973, the Corporation fixed monthly targets for overhauling of vehicles at the Central Works, Trivandrum and Regional Workshop, Alwaye. The table below indicates the number of vehicles overhauled by the workshops against the targets fixed during the two years up to 1974-75 and the time taken in overhauling in excess of the limit of 30 days fixed:—

Year	*Name of workshop*	*Target*	*Performance*	*Shortfall*	*Number of cases out of column 4 where the time taken was more than 30 days*	*Total delay (days)*
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1973-74	Central Works, Trivandrum	300	197	103	146	13,106
	Regional Workshop, Alwaye	180	68	112	67	8,784
1974-75	Central Works, Trivandrum	300	174	126	159	10,300
	Regional Workshop, Alwaye	180	71	109	67	5,836
	Regional Workshop, Edappal	Not fixed	76		46	2,097

The total number of buses awaiting major repairs/overhauling was 130, 141 and 164 respectively at the end of each of the three years up to 1974-75. Government stated (February 1976) that the maximum number of vehicles/units were taken up for overhauling, consistent with availability of space and other facilities.

12.05. *Reconditioning of major assemblies and components*

(i) Norms for periodical reconditioning of major assemblies/components have not been fixed. At present, major assemblies/components are withdrawn from vehicles and sent to the workshops for reconditioning when they fail completely. Though, according to the Corporation's Accounts Manual, reconditioning of assemblies/components has to be taken up only after ascertaining the reasonableness of the cost and economics of undertaking the job by preparing an estimate, in practice work orders are issued as soon as the assembly/components are received in the workshop. A review of the pending work orders has not been conducted and action for expediting work orders pending for more than three months has not been taken as required in the Accounts Manual. A test check of the work orders in the Central Works, Trivandrum, conducted in August 1975, showed that 2456 work orders pertaining to some of the major assemblies and components (engines 95, gear box 490, rear axle 167, front axle 205 and clutch pressure plates 1499) relating to the period 1967-68 to 1972-73 were pending. The year-wise analysis of the pending work orders was as below:—

Year	*Number*
1967-68	169
1968-69	180
1969-70	553
1970-71	268
1971-72	671
1972-73	615
Total	2456

The Works Manager, Central Works, Trivandrum, stated (April 1975) that 95 job orders pertaining to engine assemblies (replacement cost: about Rs. 19 lakhs) had not been undertaken since the major components of the engines were damaged beyond repair and hence they were scrapped and auctioned. But no accounts for the salvaged/scrapped parts were maintained.

(ii) A test check (December 1975) of performance of 87 reconditioned engines in four operating units showed that as against the norm of 1.75 lakh kilometres and 1.5 lakh kilometres fixed for the performance of reconditioned engines of Leyland and TMB vehicles respectively, the actual performance was far below the norms as indicated below:—

Kilometres operated after reconditioning	TMB	Leyland
Less than 10,000	2	1
More than 10,000 but below 25,000	12	6
More than 25,000 but below 75,000	35	9
More than 75,000 but below 1,00,000	19	3
	68	19

There was no system to assess the quality of repair works done. Performance of reconditioned components is neither watched nor the causes for their premature failure analysed and investigated.

(iii) In the absence of estimates of materials required for reconditioning, the control exercised on consumption of spare parts cannot be considered adequate.

(iv) Labour utilisation statements showing idle labour hours have not been prepared.

(v) Machine log books have not been maintained.

(vi) Cost accounts have not been prepared except in the Central Works, Trivandrum, where historical costing was

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12.05. *Reconditioning of major assemblies and components*

(i) Norms for periodical reconditioning of major assemblies/components have not been fixed. At present, major assemblies/components are withdrawn from vehicles and sent to the workshops for reconditioning when they fail completely. Though, according to the Corporation's Accounts Manual, reconditioning of assemblies/components has to be taken up only after ascertaining the reasonableness of the cost and economics of undertaking the job by preparing an estimate, in practice work orders are issued as soon as the assembly/components are received in the workshop. A review of the pending work orders has not been conducted and action for expediting work orders pending for more than three months has not been taken as required in the Accounts Manual. A test check of the work orders in the Central Works, Trivandrum, conducted in August 1975, showed that 2456 work orders pertaining to some of the major assemblies and components (engines 95, gear box 490, rear axle 167, front axle 205 and clutch pressure plates 1499) relating to the period 1967-68 to 1972-73 were pending. The year-wise analysis of the pending work orders was as below:—

Year	*Number*
1967-68	169
1968-69	180
1969-70	553
1970-71	268
1971-72	671
1972-73	615
Total	2456

done and costs were computed after one to two years' delay. Job costing in the Central Works, Trivandrum has been completed up to July 1975 (February 1976).

12.06. *Body building workshop*

The Corporation has a body building workshop at Trivandrum. Though the installed capacity of the workshop has not been fixed, the Corporation considered (April 1967) the production of 14 bus bodies per month as normal. The average number of mandays required for building a bus body was also fixed as 575 (April 1967). A production incentive scheme was introduced in April 1967 under which 50 per cent of wages saved each month on the basis of the standard mandays, was to be distributed as incentive bonus. In March 1970, the Corporation resolved to pay incentive bonus ranging from 50 to 90 per cent of the wages saved on the basis of actual production. Even after payment of incentive bonus under the revised scheme, production remained low as indicated below:—

Year	*Number of bodies to be built*	*Number of bodies built*	*Amount of incentive bonus paid (Rupees)*
1970-71	168	135	30,539
1971-72	168	151	55,868
1972-73 (up to October 1972)	98	77	29,675

The low production was attributed (December 1972) to high rate of absenteeism and non-availability of materials.

As the production under the above scheme was not satisfactory, a scheme for construction of one bus body a day was introduced in November 1972, by engaging the existing staff on overtime for three hours a day and an amount of Rs. 11.24 lakhs was paid during the period November 1972 to January 1975. Incentive bonus was also paid (Rs. 3.06 lakhs) to the workers under the scheme already in vogue. The table below indicates the number of bus bodies to be built, bodies actually built and the extent of shortfall:—

Year	*Number of bodies to be built*	*Number of bodies built*	*Shortfall*	*Percentage of shortfall to column 2*
(1)	(2)	(3)	(4)	(5)
1972-73 (November 1972 to March 1973)	122	100	22	18.0
1973-74	296	181	115	38.9
1974-75	261	207	54	20.7

The Management attributed (September 1975) the shortfall in construction of bodies to abnormal absenteeism of workers and occasional failure of power supply. Government stated (February 1976) that absenteeism was being controlled by disciplinary action. The scheme of constructing a bus body a day was discontinued in January 1975 owing to inadequacy of funds to purchase new chassis.

In order to meet the increased demand for new buses, 123 bus bodies (15 in 1971-72 and 108 in 1972-73) were got built by a private firm after inviting tenders.

12.07. *Tyre retreading shops*

The Corporation has two tyre retreading shops, one at Trivandrum and the other at Edappal. The shop at Edappal was commissioned in January 1973 with three moulds. Full production was started in August 1974 with the addition of two more moulds.

The table below indicates the installed capacity per day, the targets fixed and performance of the shops for the three years up to 1974-75:—

	1972-73		1973-74		1974-75	
	Trivandrum	*Edappal*	*Trivandrum*	*Edappal*	*Trivandrum*	*Edappal*
Number of moulds at the end of the year	5	3	5	3	6*	5 †
Installed capacity per day at the end of the year (Number)	60	36	60	36	72	60
Targets for recapping/retreading (Number)	17060	2439	16875	10305	19918	16592
Actual performance (Number)	15660	2233	14180	9503	16682	16621
Shortfall (Number)	1400	206	2695	802	3236	..
Number of tyres awaiting retreading at the end of the year	1279	87	4255	338	2165	1097
Percentage of shortfall to target	8.2	8.4	15.9	7.8	16.2	..
Average prime cost of retreading per tyre (Rupees)	125.60	£	136.97	123.16	183.78	159.50
Average prime cost of recapping per tyre (Rupees)	96.72	£	109.39	99.52	147.57	124.73

The shortfall in recapping/retreading in the Trivandrum shop was attributed (August 1975) by the Management to (a) idling of 825x20 size mould for about 10 to 12 days per month as tyres of that size were rarely received for retreading, (b) frequent break-down of boiler and (c) power failure. It was also stated (February 1976) that a new boiler was under erection. At the end of March 1975, 3262 tyres were awaiting retreading in the two shops. Owing to delay in retreading, 19 vehicles were off-road in April 1975 for want of tyres alone.

The Corporation has not fixed any norm for consumption of various retreading materials. The extra expenditure due to consumption of materials in the Trivandrum shop in excess of the scale of consumption in the Edappal shop was Rs. 1.77 lakhs

* additional mould commissioned in November 1974

† two moulds commissioned in May 1974 and August 1974

£ Edappal tyre shop started functioning from January 1973 and cost of retreading has been worked out from April 1973 onwards.

during 1974-75, though the same process was followed in both the shops.

The Mangement stated (August 1975) that it was not possible to fix norms for consumption of retreading materials as it varied from make to make and from size to size, depending upon the extent of wear and tear of tyres received for retreading.

13. Quality of services

13.01. *Punctuality of services*

The table below indicates the percentage of delayed departure and arrival of buses during the three years up to 1974-75:—

Year	*Percentage of delayed*	
	Departure	*Arrival*
1972-73	15.2	18.7
1973-74	15.1	18.6
1974-75	16.1	18.6

Government stated (April 1976) that the heavy rush during peak hours resulted in late arrival of buses and consequent delayed departures.

13.02. *Break-downs*

The table below indicates the total number of break-downs due to defects in engine, transmission system, chassis, etc. and the rate of break-down per 10,000 effective kilometres operated during the three years up to 1974-75:—

	1972-73	1973-74 (*Numbers*)	1974-75
Total break-downs	26630	29264	35796
Break-down per 10,000 effective kilometres operated	2.2	2.2	2.3
Daily average vehicle on road	1355	1462	1570
Break-down per average vehicle on road	20	20	23
Average age of fleet (in years)	6.0	5.9	6.0

Defects in engine, transmission system and brake contributed to more than 56 per cent of the total break-downs in all the years. Government stated (February 1976) that break-downs were being analysed cause-wise and action was advised from time to time.

13.03. *Accidents and compensation*

The table below indicates the details of accidents during the three years up to 1974-75:—

Type of accident	1972-73	1973-74 (*Numbers*)	1974-75
Fatal	42	48	84
Major	254	224	285
Minor	2655	2729	3276
Total	2951	3001	3645
Number of accidents per lakh of gross kilometres operated	2.4	2.2	2.3

The increase in the number of accidents was attributed (February 1976) by the Management to inadequate development of roads and highways to accommodate the growth in traffic and existence of traffic bottle-necks.

The total amount of compensation and ex-gratia payment during the three years up to 1974-75 was Rs. 11.80 lakhs (Rs.5.00 lakhs in 1972-73, Rs. 3.47 lakhs in 1973-74 and Rs. 3.33 lakhs in 1974-75). An aggregate of 821 cases relating to the period 1971-1975 were pending settlement (November 1975). The Management stated (November 1975) that the pendency was due to delay in getting details.

14. Inventory control

14.01. *Inventory position*

The table below indicates the value of spare parts, consumable stores, etc. held at the end of each of the three years up to 1974-75, for the road transport section:—

	Stock held at the close of the year			*Stock held in terms of months' consumption*		
	1972-73	1973-74	1974-75	1972-73	1973-74	1974-75
		(Rupees in lakhs)				
Spare parts	106.71	112.32	98.02	9.9	10.7	9.5
Other consumable stores	25.40	31.83	32.30	16.3	18.1	7.0
Fuel	2.50	1.90	3.52	0.1	0.1	0.1
Lubricant, oil and grease	2.50	1.32	4.22	0.9	0.4	0.4
Tyres, tubes and flaps (including retreaded tyres)	10.86	4.69	6.37	1.1	0.4	0.3
Batteries	1.33	0.15	6.98	2.2	0.2	4.8
Uniforms	1.48	2.23	8.40	0.7	2.7	7.2
Total	150.78	154.44	159.81			

The Corporation follows perpetual inventory system of physical verification of stores. Physical verification in 4 out of 57 units was not conducted during 1974-75. The value of shortages on physical verification in 38 units (5 conducted in 1972-73, 9 in 1973-74 and 24 in 1974-75) has not been assessed so far (January 1976). The Corporation has not assessed the value of surplus, unserviceable and obsolete items lying at the different units, except at the Chief Stores, Pappanamcode where 993 items valued at Rs. 7.27 lakhs were declared surplus, unserviceable and obsolete (January 1976). Government stated (February 1976) that 32 items were disposed of (value not specified) and attempts made thrice to dispose of some other items valued at Rs. 2.87 lakhs were not successful.

14.02. *Payment to consultant*

In order to effect economy and facilitate management control in materials, the Corporation engaged a Visiting Professor, School of Management Studies, University of Cochin, as consultant and paid Rs. 10,188 as remuneration including travelling allowance during January 1974 to August 1974. A copy of the report of the consultant called for by Audit in February 1975 is awaited (February 1976). An Officer of the Corporation was posted as Economy Officer during September 1974 to August 1975 to implement the recommendations of the consultant. The expenditure on pay and allowances of the Economy Officer (including travelling allowance) up to August 1975 amounted to Rs. 17,789.

Government stated (February 1976) that certain suggestions made by the consultant with regard to production in tyre shop, body building construction, etc. had been implemented and it was not possible to assess the saving in specific monetary terms.

14.03. *Advance payment to suppliers*

A review of the register of advances showed that advances aggregating Rs. 595 lakhs paid during the period 1965-66 to 1974-75 were pending adjustment at the end of March 1975 The yearwise break-up of the advances is indicated below:—

Year	*Number of items*	*Amount (Rupees in lakhs)*
1965-66 } 1966-67 }	50	13.49
1967-68	286	23.21
1968-69	438	36.36
1969-70	517	55.73
1970-71	356	40.72
1971-72	349	48.45
1972-73	482	53.43
1973-74	578	1,12.15
1974-75	640	2,11.41
Total	3696	5,94.95

The heavy accumulation of advances is due to their non-adjustment to the final heads on receipt of goods. For instance, a sum of Rs. 1.19 lakhs advanced in July 1973 for supply of tyres has not been adjusted (January 1976) though the tyres were received in August 1973. In another case, Rs. 1.11 lakhs advanced in March 1974 remains to be adjusted (January 1976) even though the goods were received in April 1974.

The amount of advance as per the register of advances (Rs. 594.95 lakhs as on 31st March 1975) does not correspond with the amount included in the annual accounts of the Corporation (Rs. 26.12 lakhs). The outstanding at the end of the year as per the annual accounts was derived by the Corporation by deducting the estimated value of goods received from the advances made without verifying whether the goods received actually related to the amounts already advanced. The Corporation has not maintained personal ledger of the suppliers as required in the Accounts Manual.

15. Manpower analysis

15.01. The table below shows the staff position in the road transport section and the number of employees (categorywise) per schedule for the three years up to 1974-75:—

	1972-73	1973-74	1974-75
Total number of schedules	1,534	1,596	1,726
Number of operating staff (drivers and conductors)	8,355	9,393	9,816
Number of operating staff per schedule	5.4	5.9	5.7
Number of traffic staff	776	899	1,083
Number of traffic staff per schedule	0.5	0.6	0.6
Number of workshop and maintenance staff*	4,386	4,786	5,443
Number of workshop and maintenance staff per schedule	2.9	3.0	3.2
Number of administrative staff including officers	2,211	2,502	2,993
Number of administrative staff per schedule	1.4	1.6	1.7

* Includes the staff employed in tyre retreading shop, body building workshop and state car section.

15.02. *Productivity of staff*

The table below indicates the productivity of the operating (conductors and drivers) and other staff in the operating units, staff ratio per schedule, earnings and expenditure per employee, etc. in respect of the road transport section for the three years up to 1974-75:—

	1972-73	1973-74	1974-75
1. Number of bus schedules	1,534	1,596	1,726
2. Total number of employees in the operating units at the end of the year	13,130	14,523	15,753
3. Total number of employees at the end of the year	15,728	17,580	19,335
4. Average staff in the operating units per schedule	8.6	9.1	9.1
5. Average total staff per schedule	10.25	11.01	11.20
6. Total effective distance operated (in lakhs of kilometres)	12,07.22	13,45.21	15,50.85
7. Effective distance operated per employee (kilometres)			
a) Operating unit staff	9,194	9,263	9,845
b) Total staff	7,676	7,652	8,021
8. Crew utilisation			
i. in terms of hours per day			
a) steering duty	5.37	5.67	5.90
b) spread over duty	7.34	7.25	7.10

	1972-73	1973-74	1974-75
ii. in terms of kilometres	129	136	144
9. Total operating revenue (Rupees in lakhs)	15,57.96	18,31.82	24,52.97
10. Average operating revenue per employee (overall—Rupees)	9,906	10,420	12,687
11. Total operating expenditure (Rupees in lakhs)	18,02.63	20,45.05	27,30.25
12. Average operating expenditure per employee (overall—Rupees)	11,461	11,633	14,121
13. Total capital invested (Rupees in lakhs)	14,81.06	17,16.06	18,79.83
14. Average number of employees per Rs. 1 crore of investment	1,062	1,024	1,029

While the effective distance operated per employee in operating units in 1974-75 increased by only 7.1 per cent over that in 1972-73, the average operating expenditure per employee during the same period increased by 23 per cent.

15.03. *Payment of bonus*

According to a three year agreement entered into with the employees' unions in August 1968, the Corporation agreed to pay a minimum bonus to the employees at $11\frac{1}{2}$ per cent of annual wages. Maximum bonus up to 25 per cent was also agreed to be paid on the basis of allocable surplus. Bonus for 1970-71 was paid at $13\frac{1}{2}$ per cent (including 2 per cent *ex-gratia*). The *ex-gratia* payment amounted to Rs. 7.67 lakhs.

The period of the agreement expired in August 1971. The Corporation, however, continued to pay bonus for 1971-72 at $14\frac{1}{2}$ per cent (including 3 per cent *ex-gratia*) though there was no allocable surplus. The extra payment over $11\frac{1}{2}$ per cent amounted to Rs. 12.92 lakhs. Bonus was paid at $11\frac{1}{2}$

per cent for 1972-73, 1973-74 and 1974-75 when there was no allocable surplus. The Management stated (January 1976) that bonus was continued to be paid even after the expiry of the period of agreement as the same was not terminated by either party.

According to the payment of Bonus (Amendment) Ordinance, 1975, 4 per cent bonus was payable for 1974-75. The excess payment of Rs. 63.18 lakhs made for 1974-75 remains to be adjusted/recovered. The Management stated (January 1976) that the question of recovery of this excess payment was under consideration.

16. Realisation of dues

Rupees 259.45 lakhs were shown as due from Government departments and private parties, on 31st March 1975. Party-wise details of the amounts due, indicating the date from which these were outstanding, were not available. Debts were not categorised as good, bad and doubtful. Hence the adequacy of the provision of Rs. 7.10 lakhs for bad and doubtful debts (created up to 1967-68) could not be ensured.

Delay in recovery of Rs. 1.67 lakhs from the Kerala Goods Transport Co-operatives Limited towards sale of high speed diesel oil and lubricants prior to April 1969, was mentioned in paragraph 103 (c)of the Report of the Comptroller and Auditor General for the year 1970-71. Though the Society had agreed in April 1974 to remit the dues in monthly instalments of Rs. 1,000, only Rs. 4,500 had been remitted (February 1976) . The Corporation is awaiting sanction of Government for proceeding against the Society (February 1976).

17. Accounting, internal audit and control system

17.01. *Accounting system*

The Corporation is not following commercial system of accounts, though the Accounts Manual introduced in April 1967 envisaged maintenance of accounts on commercial lines. The procedures laid down in the Manual for maintenance of purchase day book, personal ledgers of debtors and creditors, posting of monthly accounts of expenditure and receipts, receipt and issue of stores, preparation of monthly statement of fuel accounts and consolidated fuel stock accounts, etc. are not being followed. The cash balance has not been reconciled at any time with the treasury/bank balances. Schedules in support of balances under loans and advances, sundry creditors and debtors, deposits, etc. have not been prepared. Consumptions of stores, fuel, lubricants, etc. were derived figures (opening stock plus purchases less closing stock) and were not worked out on the basis of monthly statements of receipts and issues required to be submitted by the units, as laid down in the Accounts Manual. Asset registers for land, buildings and plant and machinery have not been maintained (the book value of such assets exceeded Rs. 470 lakhs as on 31st March 1975). The Management stated (August 1975) that a Special Officer had been appointed in January 1974 for introducing commercial system of accounts and his suggestions were being implemented stage by stage and most of the defects would be rectified when commercial system of accounts was introduced.

17.02. *Internal audit*

The Corporation's internal audit organisation functions under the overall control of the Chief Accounts Officer. Internal audit of the units is confined to checking of cash books, audit of way bills and pre-audit of payments. Stores and fuel accounts, operational data relating to performance of vehicles, tyres, etc. are not covered by internal audit, as required in the Accounts Manual. The half yearly inspections of units required to be conducted by the Chief Accounts Officer under provisions of the Accounts Manual and the Kerala State Road Transport Corporation Rules, 1965, have been completed up to 30th September 1973. The Management stated (October 1975) that since the inspection staff were engaged in clearance of arrears, audit work could not be made up to date. In October 1975, Rs. 638.52 lakhs were pending clearance in the objection book maintained by the Chief Accounts Officer for the period ended March 1975. Government stated (February 1976) that the staff had resumed their internal audit work from January 1976 and efforts were being made to settle the objections as early as possible.

arrears in ticket accounts
Previous report of CPU
See Para 63 - 24th Report of
CPU 75-76

Report on para 17.03
See CUP 80-82 - 11th Report.

17.03. *Control over ticket accounts*

Mention was made in paragraph 103 (d) of the Report of the Comptroller and Auditor General for the year 1970-71 about the arrears in preparation and checking of ticket accounts. The position of arrears (February 1976) in the preparation of ticket accounts for the period up to March 1974 in 16 out of 26 units rendering ticket accounts is indicated below:—

Extent of arrears	*Number of units*
Over four years	1
Above three years but below four years	1
Two years and above but below three years	4
Above one year but below two years	5
Below one year	5

The Committee on Public Undertakings (1973-74) in its Twelfth Report (October 1973) recommended that the arrears in preparation of ticket accounts should be cleared with the help of a special squad formed for the purpose. However, the Corporation decided (July 1974) to prepare ticket accounts from April 1974 onwards on the basis of physical balance of tickets in stock on 1st April 1974. The Management stated (July 1975) that instructions had been issued to all the units for clearing the arrears without further delay. But even thereafter, the ticket accounts up to December 1975 had fallen in arrears in all the 26 units for periods ranging from 4 to 19 months (February 1976).

17.04. *Budgetary control*

According to the Kerala State Road Transport Corporation Rules, 1965, any expenditure over the budgeted amount as a whole should not be incurred except with the prior sanction of Government. Government's sanction for the excess expenditure of Rs. 149.36 lakhs and Rs. 207.62 lakhs incurred during 1972-73 and 1974-75 respectively, is still awaited (February 1976).

The Accounts Manual provides for comparison of the budget provision with the actual expenditure every month; such a comparison is not, however, being made monthly.

17.05. *Statistical branch*

In terms of the Kerala State Road Transport Corporation Rules, 1965, the Corporation is required to submit to Government an operational review containing analysis of operation, vehicle position, revenue analysis, cost analysis and general statistics of accidents and break-downs, etc. relating to each month before the expiry of the succeeding month. The Corporation has so far (Feburary 1976) furnished the monthly operational review to Government up to December 1975 (excluding the period July to September 1975). The monthly cost analysis forming part of the operational review has, however, been prepared and sent to Government only up to March 1975 (March 1976).

18. Water transport section

18.01. *Fleet*

The water transport section operates 11 boats with capacity of 1523 passengers, daily in five routes around Cochin harbour. The number of passengers carried during 1974-75 was 89.14 lakhs against 86.90 lakhs in 1973-74 and 91.85 lakhs in 1972-73.

18.02. *Working results*

This section has been working at loss ever since its take over by the Corporation in April 1965. The accumulated loss up to 1974-75 was Rs. 59.80 lakhs against capital investment of Rs. 7.15 lakhs.

The reasons attributed (November 1975) by the Management for the recurring loss were as follows:—

(i) Students belonging to 41 institutions in and around Cochin were enjoying free travel facilities. Even the cost of printing and supplying identity cards to the students was met by the Corporation;

(ii) regular passengers were allowed 25 per cent concession on monthly season tickets; and

(iii) the employees of this section were allowed all the privileges and benefits of their counterparts in the road transport section.

18.03. *Analysis of expenditure and revenue*

The table below gives the cost of operation under the broad heads, revenue collections and the net working results for the three years up to 1974-75:—

	1972-73	1973-74	1974-75
		(*Rupees in lakhs*)	
Labour cost (wages and allowances including bonus)	14.78	17.23	21.13
Cost of materials	4.62	4.34	6.13
Taxes, interest and depreciation	1.13	1.74	2.34
Overhead	0.55	0.35	0.52
Total expenditure	21.08	23.66	30.12
Total revenue collection	11.06	12.75	14.93
Loss	10.02	10.91	15.19

The following table indicates the boat utilisation and productivity of labour during the three years up to 1974-75:—

	1972-73	1973-74	1974-75
I. *Boat utilisation*			
Total number of boats	11	11	11
Average number of boats in operation per day during the year	9	9	9
Percentage of boats in operation to total boats held	82	82	82
Total number of boat days available in a year	3240	3240	3240
Total number of boat days utilised	2880	2880	2880
Percentage of utilisation	89	89	89

	1972-73	1973-74	1974-75
II. *Productivity of labour*			
Number of employees on the roll	264	265	265
Number of boats held	11	11	11
Number of employees per boat	24	24	24
Average wage (including bonus) per employee per month (Rupees)	466.97	541.68	664.56
Average revenue collection per employee per month (Rupees)	349.23	400.90	469.50

19. Other topics of interest

19.01. *Misappropriation of cash*

During 1970 to 1975, 29 cases of shortage of cash involving Rs. 42,083 in all, came to notice. In seven cases, route collections aggregating Rs. 5,444 were not deposited by conductors during 1972-73 to 1974-75. In one case, Rs. 6,571 collected on 36 way bills in September and October 1971 were not accounted for by a cashier at the district office, Alleppey. The Management stated (March 1976) that the amount had since been remitted by the employee who had been dismissed from service. In another case, the entire collection of Rs. 6,313 for 6th October 1973 was not accounted for in the Vizhinjam depot; the clerk concerned was absconding. Action initiated by the Police and the Corporation was pending (March 1976).

In yet another case, the cash duty clerk at Trichur depot absconded with the way bill collection of about Rs. 9,600 in November 1974. The Management stated (March 1976) that the employee had been dismissed from service and recovery of the amount involved had become impossible as he had no realisable assets.

19.02. *Misappropriation of HSD oil*

An Assistant Store Keeper attached to the District Transport office, Ernakulam in connivance with a pump operator and an official of the Indian Oil Corporation Limited, sold about 1.6 lakh litres of H. S. D. oil costing Rs. 1.37 lakhs, on different dates between 1970 and 1972, while in transit to the depot from the Indian Oil Corporation Limited. The official concealed the pilferage by preparing false goods received notes and showing the quantity as issued to vehicles of other depots in the daily fuel issue sheets. This was detected by the Corporation in August 1973. The pump operator and the Assistant Store Keeper were placed under suspension. The case is pending finalisation (February 1976).

19.03. *Shortage of stores*

Stores valued at Rs. 36,831 were found short in a sub-store (Pappanamcode) during 1969-70 due to alleged alteration of entries in the office copies of issue notes after issue of stores, incorrect postings of issues in bin cards, issue of spare parts dismantled from old vehicles in lieu of new ones, incorrect striking of balances in the bin cards, etc. This was detected (July 1970) by the Vigilance Department of Government. Two employees were suspended (August 1970) and a case was filed in April 1973 in the court of the Enquiry Commissioner and Special Judge, which is still pending (February 1976).

SECTION VII

KERALA STATE WAREHOUSING CORPORATION

1. Introduction

The Kerala State Warehousing Corporation was established on 20th February 1959 under the Agricultural Produce (Development and Warehousing) Corporations Act, 1956, which was replaced by the Warehousing Corporations Act, 1962.

A review on the working of the Corporation was included in the Report of the Comptroller and Auditor General of India for the year 1969-70. The Committee on Public Undertakings also reviewed the working of the Corporation in its Seventh Report 1971-72 (March 1972).

2. Functions

The main functions of the Corporation, as given in Section 24 of the Act, are to:—

(a) acquire and build godowns and warehouses at suitable places within the State with the previous approval of the Central Warehousing Corporation;

(b) run warehouses in the State for the storage and transportation of agricultural produce, seeds, manures, fertilizers, agricultural implements and notified commodities offered by individuals, co-operative societies and other institutions; and

(c) act as agent of the Central Warehousing Corporation or of Government for the purpose of purchase, sale and distribution of agricultural produce, seeds, manures, fertilizers, agricultural implements and notified commodities.

3. Organisational set-up

The general superintendence and management of the affairs and business of the Corporation vests in a Board of Directors which, with the assistance of an Executive Committee and

Examined paras
1 to 12 on 3.7.1979 Complete

Ist Report (1980-82)
presented on 18.7.1980.

a Managing Director, exercises all the powers and discharges all the functions of the Corporation under the Act.

The Board consists of eleven directors of whom five are nominated by the Central Warehousing Corporation and six by the State Government, including the Chairman and the Managing Director, who are appointed by the State Government with the prior approval of the Central Warehousing Corporation.

In terms of Section 25 of the Act, there is an Executive Committee consisting of the Chairman, the Managing Director and three other directors.

Powers to the divisional officers, superintendents of warehouses and other officers of the Corporation have not been delegated so far (December 1975) under Section 33 of the Act.

4. Capital structure

The authorised capital of the Corporation as on 31st March 1975 was Rupees one crore. The paid-up captial was Rs. 82.80 lakhs as on 31st March 1975, which has been equally contributed by Government and the Central Warehousing Corporation.

5. Performance appraisal

5.01. *Acquisition and construction of godowns*

The Corporation acquired 23.76 acres of land valued at Rs. 11.17 lakhs in 20 centres for construction of godowns up to 31st March 1975. Title deeds of 11.67 acres of land valued at Rs. 4.45 lakhs taken over between December 1961 and December 1969 in 7 cases, have not been obtained by the Corporation so far (December 1975). The Management stated (September 1975) that these would be obtained without further delay.

5.02. *Acquisition of land at Badagara*

Mention was made in paragraph 109 (iii) of the Report of the Comptroller and Auditor General for the year 1969-70 about delay in acquisition and taking possession of land at Badagara for constructing a warehouse.

Land measuring 83 cents with an old building acquired (1966) at a cost of Rs. 22,682 and taken possession in December 1969 has not been utilised so far. The idea of constructing a godown was dropped in November 1970 on the ground that a permanent warehouse at Badagara would be uneconomical. The Corporation sought permission of Government to dispose of the land in January 1975. The decision of Government has not been communicated so far (December 1975). It was, however, stated by the Management (December 1975) that the question of constructing a godown was under reconsideration. The warehouse continues to function in a rented building (February 1976).

5.03. *Construction of godowns*

The table below indicates the average godown capacity (owned and hired) held during the five years up to 1974-75:—

(Capacity in tonnes)

Year	*Constructed capacity at the end of the year*		*Hired capacity at the end of the year*		*Total capacity at the end of the year*	
	Number of centres	*Capacity*	*Number of centres*	*Capacity*	*Number** of centres*	*Capacity*
1970-71	17	17,428	13	9,827	25	27,255
1971-72	17	17.428	13	12,697	26	30,125
1972-73	17	17,428	31	20,799	40	38,227
1973-74	18	21,328*	33	24,587	44	45,915
1974-75	18	23,578*	38	52,685	46	76,263

The above table would indicate that the increasing requirement of godown capacity was being met mostly by hiring godowns.

* includes 100 tonnes capacity utilised for office in one centre.

** Both constructed and hired capacity existed in some centres during the five years up to 1974-75.

The table below indicates the targets for construction and the actual construction of godowns during the Fourth Five Year Plan and the First Year of the Fifth Plan:—

	Targets (in tonnes)	*Achievements (in tonnes)*
1969-70	Nil	Nil
1970-71	Nil	Nil
1971-72	3500	Nil
1972-73	5250	Nil
1973-74	9500	4000
1974-75	7000	2250

The Management stated (September 1975) that no targets were fixed during 1969-1971 owing to reluctance of Government and the Central Warehousing Corporation to contribute towards additional share capital in view of the continuous loss suffered by the Corporation. The shortfall in construction in later years has been attributed to delay in getting possession of land, inadequacy of funds, scarcity of cement, asbesto sheets, etc.

5.04. *Delay in construction of godowns*

Construction of godowns taken up in four centres was not completed within the scheduled date of completion.

The following table gives the details of the scheduled dates for completion, actual dates of completion and the expenditure towards rent on hired godowns, consequent on delay in completing construction:—

Name of centre	*Capacity of godowns constructed (tonnes)*	*Scheduled date of completion*	*Actual date of completion*	*Delay (Months)*	*Rent paid for hired godowns (Rupees)*
Ponkunnam	500	June 1974	September 1975	14	4,900
Kottayam	3,000	July 1974	January 1976	17	75,415
Taliparamba	1,500	January 1975	December 1975	10	10,935
Muthalamada	1,500	January 1975	January 1976	11	2,300
Total	6,500				93,550

The Management stated (September 1975) that no action was taken against the contractors as the scheduled time for completion of construction had been purposely reduced in the contracts to make them time conscious. The delay in the construction of godown at Kottayam was attributed (September 1975) by the Management to non-availability of cement.

5.05. *Utilisation of storage capacity*

(i) The table below indicates the average capacity and the percentage of utilisation during the five years ending 1974-75:—

Year	*Total Capacity at the end of the year*	*Stock held at the end of the year*	*Percentage of utilisation*
	(in tonnes)		
1970-71	27,255	19,571	71.8
1971-72	30,125	21,335	70.8
1972-73	38,227	28,256	73.9
1973-74	45,915	40,896	89.1
1974-75	76,263	64,010	83.9

The under-utilisation of capacity has been attributed (September 1975) by the Management to early release of materials deposited by the Kerala State Civil Supplies Corporation Limited, Consumer Federation, etc., and the seasonal nature of products received for storage.

(ii) *Occupancy of warehouses*

The table below indicates the percentage-wise occupancy of warehouses (centres) at the close of each of the five years up to 1974-75:—

	1970-71		1971-72		1972-73		1973-74		1974-75	
Percentage of occupancy	*Number of centres*	*Capacity (in tonnes)*	*Number of centres*	*Capacity (in tonnes)*	*Number of centres*	*Capacity (in tonnes)*	*Number of centres*	*Capacity (in tonnes)*	*Number of centres*	*Capacity (in tonnes)*
1 to 10	..	..	3	2280	3	1400	4	1966	4	1840
11 to 50	7	5176	8	6295	16	7356	10	5972	12	6321
51 to 99	17	20679	11	15081	16	19831	18	13915	22	50106
100	1	1400	4	6469	5	9640	12	24062	8	17996
Total	25	27255	26	30125	40	38227	44	45915	46	76263

The occupancy of the warehouse at Kozhinjampara varied from 5 to 8 per cent during these years. In two other centres (Muthalamada and Vandanmettu) the percentage of utilisation varied from 2 to 51 during these years. The low occupancy in these centres was attributed by the Management (September 1975) to the seasonal nature of crops stored by producers. Government further stated (January 1976) that the Corporation was trying its best to popularise storage of fertilizers or foodgrains during off season in these warehouses.

(iii) The table below indicates the commodity-wise deposits made in the warehouses during 1970-71 to 1974-75 by Government, Government sponsored organisations and private parties:—

	1970-71		1971-72		1972-73		1973-74		1974-75	
Commodity stored	*Government and Government sponsored organisations*	*Private parties*	*Government and Government sponsored organisations*	*Private parties*	*Government and Government sponsored organisations*	*Private parties*	*Government and Government sponsored organisations*	*Private parties*	*Government and Government sponsored organisations*	*Private parties*
					(In tonnes)					
a) Foodgrains	32307		29580		27696		63313		66144	19488
b) Fertilizers	9995		65654		70772		84951		93627	10066
c) CARE articles	21344		22393		25751		18343		24374	
d) Others (Commercial crops, sugar, cement, etc.)	11445	13920	33182	14050	29760	15607	43941	16489	39375	24877
Total	75091	13920	150809	14050	153979	15607	210548	16489	223520	54431

The Corporation's storage facilities have mainly been utilised by Government and Government sponsored organisations for storage of foodgrains, fertilizers, CARE articles, sugar, etc.

(iv) The utilisation by producers, co-operatives, etc., for whose benefit the scheme of warehousing is primarily intended, has not been significant, as is evident from the details given below:—

Year	*Commodities deposited by producers*	*Commodities deposited by co-operatives*	*Commodities deposited by traders*	*Total*	*Total capacity utilised*	*Percentage of column 5 to column 6*
(1)	(2)	(3)	(4)	(5)	(6)	(7)
			(In tonnes)			
1970-71	932	1001	11987	13920	89011	16
1971-72	1501	1378	11171	14050	164859	9
1972-73	1013	1762	12832	15607	169586	9
1973-74	..	901	15588	16489	227037	7
1974-75	2037	28431	23963	54431	277951	20

Government stated (January 1976) that the marketable surplus available with producers was very insignificant and that the Corporation was trying its best to popularise the scheme among producers and co-operatives. It was further stated that in spite of the lower utilisation in terms of tonnage, the availability of the warehouses had helped the producers and co-operatives to increase their holding power to bargain for a better price.

5.06. *Expansion of credit facilities*

One of the objectives of setting up the Corporation was to expand commercial credit by creation of negotiable paper, i.e. warehousing receipt, by pledging which credit was given by commercial banks. The Corporation provided credit facilities to producers and co-operatives at places where commercial banks were not functioning by opening 17 banking counters in pursuance of an agreement entered into (March 1972) with a scheduled bank.

The table below indicates the details of advances obtained from banks by private depositors against warehousing receipts issued by the Corporation during 1970-71 to 1974-75:—

Year	*Advances availed of by traders*	*Advances availed of by producers and co-operatives*	*Total*	*Percentage of advance availed of by traders to total advance*	*Percentage of advance availed of by producers and co-operatives to total advance*
		(Rupees in lakhs)			
1970-71	45.18	15.26	60.44	74.75	25.25
1971-72	72.54	35.48	108.02	67.15	32.85
1972-73	98.17	46.11	144.28	68.04	31.96
1973-74	117.32	51.23	168.55	69.60	30.40
1974-75	175.14	64.89	240.03	72.97	27.03

The advances availed of by producers and co-operatives were much less than those availed of by traders.

5.07. *Payment of demurrage charges*

As a part of diversification of its activities, the Corporation undertook agency services for clearance, storage, transportation, etc. from 1970-71 onwards.

Four vessels arrived at Cochin port in February 1975 with 3,24,005 packets of CARE cargo for the Director of Public Instruction. The Corporation, however, cleared only 1,28,370 packets within the free period for clearance, viz. by 1st March 1975. There was delay of 33 days in clearing the remaining 1,95,635 packets which resulted in payment of demurrage of Rs. 69,829.

In May 1975, the Corporation claimed this amount from Government on the ground that the four ships arrived within an interval of three days making it impossible to clear the cargo within the free period with the existing personnel and facilities. The decision of Government is awaited (December 1975)

The Corporation also paid Rs. 26,250 towards demurrage on CARE articles that arrived between July 1974 and March 1975 (8 ships). The Management stated (September 1975) that the payment was necessitated due to the non-co-operation of two labour unions, difficulties at the wharf consequent on arrival of more important cargo and the resultant shortage of lorries, etc.

5.08. *Disinfestation services*

The Corporation undertakes disinfestation services outside their warehouses on specific request. The table below indicates the quantity disinfested and revenue realised from disinfestation services during the five years up to 1974-75:—

Year	*Quantity disinfested (tonnes)*	*Income from disinfestation*	*Total income*	*Percentage of disinfestation income to total income*
		(Rupees in lakhs)		
1970-71	763	0.05	7.08	0.7
1971-72	973	0.07	9.10	0.8
1972-73	1647	0.10	11.60	0.9
1973-74	2064	0.24	16.57	1.4
1974-75	1407	0.14	34.16	0.4

The Corporation formulated a scheme in 1970-71 for organising a mobile disinfestation unit to cater to the needs of the agriculturists within the State at a cost of Rs. 1.5 lakhs. This scheme was not implemented as the original proposal of working the same with a petrol van became uneconomical with the increase in price of petrol. The Management proposes (January 1976) to work the scheme with a diesel van.

5.09. *Soil fumigation*

During 1973-74, the Corporation undertook fumigation of soil against nematodes on behalf of the Central Plantation Crops Research Institute at its coconut nursery, Kayamkulam, District Agricultural Farm, Taliparamba and Pepper Research

Institute, Panniyoor. The trials conducted in 1973-74 after devising, designing and fabricating the necessary equipment were successful. Though the Corporation has been accepted (March 1974) by Government as a competent agency to carry out the work at Government nurseries throughout the State, the scheme was not continued on a commercial scale for want of necessary fumigants. It was stated (September 1975) that indigenous cylinders in which the chemicals were to be supplied were pending test and approval by the Indian Standards Institution.

5.10. *Impact of the Corporation's share in the State's storage Programme*

The agencies in the public sector providing storage facilities in the State are:—

i) Food Corporation of India,
ii) Central Warehousing Corporation,
iii) State Warehousing Corporation,
iv) Co-operatives, and
v) the State Government.

The available storage capacities with the various agencies at the end of March 1975 were as shown below (capacity available with the State Government not available):—

Name of agency	*Number of centres*	*Capacity in tonnes*		
		Constructed	*Hired*	*Total*
Food Corporation of India	18	1,96,420	30,059	2,26,479
Central Warehousing Corporation	3	10,160	6,666	16,826
Kerala State Warehousing Corporation	46	23,578	52,685	76,263
Co-operatives				1,13,900
		Total		4,33,468

The storage capacity available with the Corporation as on 31st March 1975 was only 18 per cent of the total capacity available with the various agencies.

6. Profitability analysis

6.01. The table below indicates the working results of the Corporation for the five years up to 1974-75:—

Income	1970-71	1971-72	1972-73	1973-74	1974-75
			(Rupees in lakhs)		
a) Warehousing charges	5.48	8.44	10.28	12.52	20.90
b) Interest on deposits	0.11	0.06	0.32	0.65	0.48
c) Agency commission	0.02	0.07	0.26	1.61	0.15
d) Income from transportation	..	0.42	0.46	1.27	12.28
e) Other items	1.47	0.11	0.28	0.52	0.35
Total	7.08	9.10	11.60	16.57	34.16
Expenditure					
a) Pay and allowances, bonus, gratuity, etc.	3.88	4.56	5.38	7.74	12.60
b) Rent, rates, taxes, insurance and fees	0.81	1.33	1.90	3.44	6.90
c) Depreciation including repairs and maintenance of buildings and equipment	0.92	1.09	1.13	1.37	2.33

	1970-71	1971-72	1972-73	1973-74	1974-75
		(*Rupees in lakhs*)			
d) Other items (chemicals, stationery, publicity and miscellaneous items)	0.64	1.05	1.12	1.58	2.33
Total	6.25	8.03	9.53	14.13	24.16
Net profit during the year	0.83	1.07	2.07	2.44	10.00
Total	7.08	9.10	11.60	16.57	34.16
Capital employed*	42.04	47.25	56.96	67.29	79.87
Equity capital	48.80	52.80	60.80	72.80	82.80
Net worth †	42.01	47.08	57.15	71.59	90.19
Percentage of net profit to					
Warehousing charges	15.1	12.7	20.1	19.5	47.8
Capital employed	2.0	2.3	3.6	3.6	12.5
Equity capital	1.7	2.0	3.4	3.4	12.1
Net worth	2.0	2.3	3.6	3.4	11.1

The Corporation was incurring losses since its inception and the accumulated loss up to 1969-70 was Rs. 7.62 lakhs. The Corporation started earning profits since 1970-71 and the accumulated loss has been wiped out in 1974-75.

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

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

The profit earned from 1970-71 was due to increase in revenue under warehousing charges and additional earnings due to diversification of activities, such as clearance, handling and distribution of various articles on behalf of Government and other institutions. For the first time, a provision of Rs. 1.4 lakhs has been made in the accounts for 1974-75 for declaration of dividend.

6.02. *Earnings per tonne*

The table below compares the earnings per tonne of storage capacity in the Corporation with those in other Warehousing Corporations, for the three years up to 1973-74:—

Name of the Corporation	1971-72			1972-73			1973-74		
	Average capacity (in tonnes)	*Percentage of occupancy*	*Storage charges per tonne of capacity (Rupees)*	*Average capacity (in tonnes)*	*Percentage of occupancy*	*Storage charges per tonne of capacity (Rupees)*	*Average capacity (in tonnes)*	*Percentage of occupancy*	*Storage charges per tonne of capacity (Rupees)*
Kerala	30125	71	28	38227	74	27	45915	89	27
Andhra Pradesh	90125	72	26	90125	71	21	80185	68	22
Tamil Nadu*	70615	100	34	82769	100	26	@		
Rajasthan*	302987	@	31	169988	@	39	168283	@	23
Haryana	82652	99	30	140719	83	30	213360	33	12
Central Warehousing Corporation	1382000	94	30	1578000	91	31	1603000	85	30

The lower earnings per tonne of storage capacity in the Corporation, when campared to the Central Warehousing Corporation, Rajasthan Warehousing Corporation, etc., in certain years, has been attributed by the Management (September 1975) to larger storage space given on guaranteed basis by those Corporations, lower storage charges fixed in

* The figures under average capacity represent the capacity as on 31st March in these cases.

@ Details not available.

Kerala for paddy, pulses, sugar, etc., and storage of varied items at different rates in different warehouses.

6.03. *Working of individual warehouses*

The Corporation has not worked out the profitability of individual warehouses since 1970-71. An analysis by Audit of the performance of 10 warehouses during the five years up to 1974-75 revealed that these warehouses have not become economically viable units though they are functioning for periods ranging from 9 to 15 years. The working results of these 10 warehouses are given below:—

Name of centre	*Year of starting*	@ *Deficit (—)/Surplus (+)* 1970-71	1971-72	1972-73 (*In Rupees*)	1973-74	1974-75	*Overall deficit (—)/ surplus (+)*
Badagara	1959-60	(—) 7,184	(—) 9,075	(—) 2,427	(—) 5,559	(+) 1,369	(—)22,876
Kozhinjampara	1960-61	(—) 794	(—) 646	(—) 3,791	(—) 4,027	(—) 5,714	(—)14,972
Mananthody	1961-62	(—) 1,564	(+) 5,671	(—) 903	(—) 3,468	(—) 4,439	(—) 4,703
Muthalamada	1959-60	(—) 1,371	(—) 774	(—) 1,612	(+) 7,818	(+) 5,999	(+)10,060
Ponkunnam	1960-61	(+) 67	(—) 658	(+) 4,216	(+) 5,769	(—) 5,410	(+) 3,984
Sultan Battery	1961-62	(—) 1,141	(+) 6,002	(—)11,320	(—) 3,101	(—) 4,666	(—)14,226
Thakazhy	1960-61	(—) 6,208	(—) 2,192	(—)11,599	(—) 2,555	(+)16,454	(—) 6,100
Vandanmettu	1965-66	did not function	(—) 1,013	(—) 4,165	(—) 4,525	(—) 7,941	(—)17,644
Nedumangad	1959-60	(+) 1,025	(—) 1,090	(—) 514	(—) 202	(—) 807	(—) 1,588
Thodupuzha	1960-61	(—) 2,873	(+) 6,700	(+)38,918	(+)13,052	(—) 8,360	(+)47,437

The overall profit of Rs. 47,437 at Thodupuzha Warehouse was due to the abnormal fall in the price of rubber during 1971-72 to 1973-74 necessitating deposit of the same in the Warehouse. The Warehouse has run into loss during 1974-75. The warehouse at Thakazhy, intended for paddy producers, has been working on loss up to 1973-74. The profit of Rs. 16,454 during 1974-75 was due to storage of wheat by Kerala State Civil Supplies

Nate: — @The deficit/surplus has been worked out on the basis of direct expenses and income without taking into account the share of head office charges.

Corporation Limited. The Management stated (September 1975) that attempts were being made to get guaranteed occupancy in these centres during off season.

7. Credit control

The table below indicates the volume of book debts against the warehousing, transport and handling charges and agency commission for the five years up to 1974-75:—

Year	*Book debts at the end of the year*	*Income from warehousing, transport and handling charges and agency commission during the year*	*Percentage of debts to income*
	(*Rupees in lakhs*)		
1970-71	1.20	5.50	21.8
1971-72	2.06	8.93	23.1
1972-73	3.48	11.00	31.6
1973-74	5.73	15.40	37.2
1974-75	19.58	33.33	58.7

The percentage of book debts to income has been steadily on the increase.

Party-wise and period-wise break-up of the debtors, as on 31st March 1975, are tabulated below:—

	Government Departments and Undertakings	*Private parties*	*Total*
	(*Rupees in lakhs*)		
(i). Debts outstanding for two years and above	0.19	..	0.19
(ii). Debts outstanding for one year and more but less than two years	0.24	..	0.24
(iii). Debts outstanding for less than one year	18.78	0.37	19.15
	19.21	0.37	19.58

All debts have been classified as good.

8. Inventory control

The following table indicates the opening stock, purchases, consumption and closing stock of chemicals for fumigation, etc. during the five years up to 1974-75:—

	1970-71	1971-72	1972-73	1973-74	1974-75
			(*In Rupees*)		
Opening stock	6,054	6,888	6,079	12,207	18,524
Purchases	4,357	3,772	12,027	20,037	54,220
Consumption	3,523	4,581	5,899	13,720	49,712
Closing stock	6,888	6,079	12,207	18,524	23,032

As most of the required chemicals are in short supply, the purchases are made according to availability from time to time. The closing stock represented 23,16,25,16 and 6 months' consumption during 1970-71, 1971-72, 1972-73, 1973-74 and 1974-75 respectively.

9. Manpower analysis

No work study has been conducted to ascertain the requirement of manpower.

The table below indicates the details of total capacity available, number of employees (excluding construction staff), etc. at the end of each of the five years ending March 1975:—

Year	*Number of employees*	*Total storage capacity (Tonnes)*	*Storage capacity per employee (Tonnes)*	*Total revenue earned (Rupees in lakhs)*	*Average revenue earned per employee per annum (Rupees)*
1970-71	78	27,255	349	7.08	9,077
1971-72	80	30,125	377	9.10	11,375
1972-73	92	38,227	415	11.60	12,609
1973-74	134	45,915	343	16.57	12,366
1974-75	179	76,263	426	34.16	19,084

The storage capacity per employee increased from 349 tonnes in 1970-71 to 426 tonnes in 1974-75, while the corresponding average revenue per employee increased from Rs. 9,077 to Rs. 19,084.

10. Financial management and internal audit

There is no system of rendering advice to the Managing Director on financial matters. The Management stated (January 1976) that a proposal to appoint a Financial Adviser was under consideration. Internal audit has not been introduced in the Corporation (December 1975).

10.01. *Manuals*

The Corporation has not prepared any manual (December 1975) covering accounting system and procedure, storage and preservation of commodities and personnel administration.

11. Avoidable payment of income tax

Mention was made in paragraph 109 of the Report of the Comptroller and Auditor General for the year 1969-70 about failure of the Corporation to file income tax returns up to 1965-66 and forfeiture of its right to carry forward loss of Rs. 2,64,874 to the succeeding years. The Management had stated (January 1971) that there was no loss in reality as the accumulated loss was not expected to be wiped out within the period of 8 years allowed under the Income Tax Act, 1961.

However, it was noticed that the loss suffered by the Corporation during 1965-66 (Rs. 28,714) was not allowed to be adjusted in the profits for 1973-74 due to the failure of the Corporation to file the income tax returns within the prescribed period. This resulted in avoidable payment of Rs. 13,703 towards income tax. Government stated (January 1976) that a revision petition was being filed for revising the assessment for 1974-75.

Examined para 1
on 28.11.1978

Paras 2, 3, 4 & 5 on 29.11.1978

OTHER TOPICS OF INTEREST

SECTION VIII

KERALA STATE ELECTRICITY BOARD

1. Working of treatment yards

1.01. *Introduction*

Teakwood poles issued for line supports in the distribution system are given special chemical treatment which protects them from fungi and insects and extends their life. There are four treatment yards under the Board at Pallom, Kundara, Nallalam and Edayar established in 1936, 1956, 1961 and 1973 respectively.

1.02. *Performance of treatment yards*

(i) The table below indicates the details of capacity and actual production at the different yards for the three years up to 1974-75:—

Yard	*Capacity*	*Year*	*Number of poles treated*		*Number of days required for treatment as per capacity*	*Percentage of utilisation of capacity at 280 days in a year*
			HT	*LT*		
Kundara	44 HT or 130 LT	1972-73	339	6113	55	19.6
	poles per day	1973-74	810	5897	64	22.9
		1974-75	1009	4379	57	20.4
Pallom	36 HT or 50 LT	1972-73	925	10446	235	83.9
	poles per day	1973-74	3689	9915	301	107.5
		1974-75	959	10764	242	86.4
Edayar	44 HT or 130 LT	1973-74	1292	4058	61	57.0
	poles per day	1974-75	1759	6905	93	33.2
Nallalam	36 HT or 60 LT	1972-73	1871	10527	227	81.1
	poles per day	1973-74	3275	8588	234	83.6
		1974-75	2299	6570	173	61.8

The low production at Kundara was attributed by the Board (March 1976) mainly to frequent stoppages of work on account of labour unrest and shortage of fashioned poles for treatment. The yard functioned only for 190, 207 and 142 days respectively during the three years ended 31st March 1975. During 1974-75, the plant was shut down from 21st August 1974 to 15th January 1975 for rectification work, resulting in lower out-turn. The low out-turn at Edayar (Commissioned in November 1973) was attributed to single charging of the plant in a shift against two normally possible, because of inadequate staff for fashioning poles. In this connection it was noticed that one of the main reasons for the delay in providing service connections by the Board was shortage of treated poles and other line materials. On 31st August 1975, 37878 service connections were pending.

(ii) *Cost of treatment of saplings*

The table below indicates the average cost of labour for treating teak wood saplings and cross arms at the different yards during the three years up to 1974-75:—

	1972-73*				1973-74				1974-75			
	Kundara	*Pallom*	*Vadakkampally*	*Nallalam*	*Kundara*	*Pallom*	*Edayar*	*Nallalam*	*Kundara*	*Pallom*	*Edayar*	*Nallalam*
Total cost of establishment (Rupees in lakhs)	1.09	1.98	0.99	1.92	1.47	2.68	1.25	2.83	2.54	3.54	2.06	3.43
Total volume of timber treated (in cubic metres)	1459	2610	655	3179	1628	3729	1328	3242	1412	2664	2090	2437
Average cost of labour per cubic metre of timber treated (in Rupees)	74.71	75.86	151.15	60.40	90.29	71.87	94.13	87.29	179.89	132.88	98.56	140.75

The average cost of labour per cubic metre of timber treated varied between Rs. 60.40 and Rs. 151.15 in 1972-73, Rs. 71.87 and

Note:—The cubic content of an LT pole is taken as 0.2 cum and that of an HT pole 0.4 cum.

*The yard at Vadakkampally was shifted to Edayar in August 1973 and the plant commissioned in November 1973.

Rs. 94.13 in 1973-74 and Rs. 98.56 and Rs. 179.89 in 1974-75. The high cost of treatment was attributed (March 1976) by the Board to low out-turn of treated poles consequent on single charging of the plant per shift and operation of single shifts at the yards at Kundara and Edayar. The Board also stated that efforts were being made to improve the out-turn in all the yards.

(*iii*) *Consumption of chemicals*

A chemical mixture (ascu mixture) is used for treating the poles. As per the standards fixed by Indian Standards Institution, 16 Kgs. of this mixture are required for treatment of one cubic metre of timber (viz. wooden poles, piles, fence posts, etc.). It was, however, noticed that the actual consumption of mixture in the treatment yard at Edayar varied between 18 Kgs. per cubic metre in 1973-74 and 8 Kgs. in 1974-75. The consumption in other yards varied beween 1.1 Kgs. and 3.4 Kgs. in 1972-73, 1.2 Kgs. and 2.7 Kgs. in 1973-74 and 1.0 Kg. and 4.8 Kgs. in 1974-75. The Board stated (March 1976) that the low absorption of chemicals at the Plant at Edayar had been taken up with the suppliers and they had been requested "to arrange a demonstration of how to maintain the proper toxic level" for getting the required absorption of chemicals. The low consumption in other plants was attribued to the deteriorated condition of the plants. It was further stated that action was being taken to repair/replace the old plants and instructions had been issued to the Executive Engineers concerned to improve the retention of chemicals as per standards. The Board also stated (March 1976) that the exact impact on the life expectancy of the poles with reduced impregnation of chemicals has not been studied in detail.

(*iv*) *Procurement of saplings*

The annual requirement of poles for line supports in the distribution system is about 1,20,000. Teakwood saplings required for treatment are procured from Government forests and private suppliers. In April 1971, the Board noted that only 30 per cent of the total poles offered by the Forest department were selected by officers of the Board. There was also considerable delay in selection and transportation of poles, in spite of instructions issued by the Additional Chief Engineer (Electricity) in December 1972 to conduct preliminary selection of saplings immediately after felling.

In September 1974, the Forest department intimated the Board that they would arrange selection of poles on payment of 3.25 per cent of the invoice value of poles. This proposal was accepted by the Board in November 1974. Final decision of the Forest department is awaited (March 1976). In the meantime, a committee consisting of the officers of the Board and the Forest department was formed in each forest circle to watch the progress of collection, selection and supply of poles in pursuance of a decision taken in September 1974.

The table below gives a few instances of delay in selection/transportation of poles:—

Month of intimation from Forest department	*Month of selection/transport*	*Number of saplings selected*	*Range*	*Reasons for delay*
April 1973	September 1973	3067	Mannarapara	Delay in selection
April 1973	July 1973	412	Arinallur	,,
May 1973	July 1974	2169	Nilambur	Delay in transportation
June 1972	April 1974	1326	Nemmara	,,

The delay in selection was attributed (March 1976) by the Board to unfavourable weather conditions, inaccessibility due to bad roads and non-availability of departmental vehicles. The delay in transportation of poles was mainly attributed to delay on the part of the transport contractors.

1.03. (i) *Delay in shifting the treatment yard at Nallalam*

Due to congestion in the treatment yard at Nallalam, the Board decided, in March 1971, to shift the existing plant to a more spacious area. For this purpose, 2.98 hectares of land at

Cheruvanoor, purchased at a cost of Rs. 2.33 lakhs, was taken possession of in January 1974. Orders for purchase of a plant with a treatment capacity of 130 LT poles per shift were placed in September 1975. The treatment yard has not been shifted (February 1976). The capacity of the existing plant at Nallalam is about 13,000 poles per annum. During 1973-74 and 1974-75, 15,333 saplings were transported from the northern forest ranges to the yards at Edayar and Pallom, instead of to the yard at Nallalam which is nearer to these ranges. Of these, 5268 saplings could have been treated at the existing plant at Nallalam had it been worked to full capacity.

(ii) *Payment of idle wages*

(a) One 10 ton tractor with trailer, purchased in 1957 (cost not available) for transportation of poles in the treatment yard at Kundara, became unserviceable in July 1971. The disposal of the tractor sanctioned by the Chief Engineer (March 1972) has not taken place (January 1976).

The driver of the tractor was kept idle in the division from July 1971 to 31st March 1975. The wages paid to him during this period amounted to Rs. 32,925.

(b) The Plant at Vadakkampally was closed down in May 1973. Part of the stores, chemicals and staff were shifted to Edayar in August 1973. Eleven employees, however, were retained at Vadakkampally for varying periods upto January 1975 without any work. The wages paid to them for the idle periods amounted to Rs. 23,000 approximately. The delay in transferring the employees was attributed (March 1976) by the Board to resistance by local people to the shifting of the plant on the ground that 'it was prejudicial to their interests'.

(iii) *Handling of timber*

The Board decided (July 1974) to have two chargings in the treatment yard at Kundara for each shift with a view to increasing production. Thirteen workers were engaged in addition to the existing strength to assist the loading and unloading operations for two chargings. Additional workers were also engaged on piece rate basis for conveying the fashioned poles and stacking the treated poles. Though the Board incurred an expenditure of Rs. 13,884 on additional wages during the period July 1974 to March 1975, two chargings per shift were operated only for 41 days. The Board stated (March 1976) that two chargings of the plant could not be continued due to want of fashioned poles. The shortage of fashioned poles was attributed to inadequacy of staff for fashioning the poles.

(iv) *Defects in the maintenance of accounts*

The Board has not prescribed any uniform accounting system to be followed in the treatment yards. A regular system of check measurement of the saplings received from the Forest department, is not in vogue. Cost of treatment of poles at each yard is not worked out. The Board has also not maintained consolidated records showing the number of poles offered by the Forest department, number selected by the Board, dates of selection, reasons for rejections, etc. to ensure effective control over the receipt of saplings. The Board stated (March 1976) that instructions were being issued to the Executive Engineers in charge of treatment yards to maintain these records.

Periodical physical verification of stock was not conducted in the treatment yards at Pallom and Edayar during the three years up to 1974-75.

2. Avoidable expenditure on the formation of a division

Mention was made in para 18.02 of Section VIII of the Report of the Comptroller and Auditor General of India for 1973-74 (Commercial) about some cases of avoidable expenditure on the formation/continuance of divisions without work. It was noticed in Audit (May 1975) that another electrical division at Vaikom was sanctioned by the Board in June 1973. The Executive Engineer posted to the division took charge in July 1973. The sub-divisions at Vaikom and Palai (which functioned under the Electrical Division, Muvattupuzha) were brought under the control of the division in March 1974. Another sub-division at Ettumanoor (which functioned under the Electrical Division, Pallom) was taken over by the division

in April 1974 and the division store started functioning from August 1974.

Funds were provided to the division in March 1974 and it began to render accounts only from that month. No work was executed by the division till then. The expenditure of Rs. 27,000 (approx.) incurred by the division towards pay and allowances of staff, rent of office building, etc. up to February 1974, financed by the Electrical Circle, Ernakulam, therefore, lacked justification. The Board stated (January 1976) that though the Executive Engineer took charge in July 1973, a suitable building for accommodating the office was got in August 1973 and the full complement of staff was sanctioned in February 1974. It was further stated that the Executive Engineer was engaged in attending to the preliminary works connected with the fixation of the jurisdiction of the new division.

3. Minimum guarantee schemes

The Board takes up extension of distribution lines on the basis of agreements executed by the beneficiaries guaranteeing a minimum return of 10 per cent per annum on the capital cost of the work. The minimum guarantee rates are fixed provisionally on the basis of estimated cost of the work and are revised after closing the individual works accounts. The guarantors are liable to pay unconnected minimum charges in case they do not apply for service connection within three months of their being informed of the availability of power.

The table below indicates the details of works undertaken on minimum guarantee basis in Nedumangad and Cannanore electrical divisions, noticed in Audit:—

Name of division	*Period*	*Number of of works*	*Number of consumers*	*Estimated expenditure (Rupees in lakhs)*
Nedumangad	1968-69 to 1973-74	813	6712	58.26
Cannanore	1964-65 to 1973-74	1018	7992	161.20

None of the works accounts was closed in the Nedumangad division though the works were completed. In Cannanore division accounts of some works were stated (November 1975) by the Board to have been closed but the details of works accounts closed were not available. As the works accounts were not closed, the Board was not in a position to ensure that the minimum guarantee amounts were revised wherever necessary.

Unconnected minimum charges were not being recovered regularly. The arrears on this account in sixteen out of thirty billing units as on 31st March 1975 amounted to Rs. 13.04 lakhs. A test check of the accounts of one centre (Payangadi) in Cannanore billing unit revealed that the rate of collection varied from 2 to 7 per cent of the demand (including opening balance) as indicated below:—

Year	*Balance as on 1st April*	*Demand for the year*	*Total*	*Collection during the year*	*Closing balance as on 31st March*	*Percentage of collection to total*
			(Rupees)			
1972-73	8,024	10,179	18,203	736	17,467	4
1973-74	17,467	7,964	25,431	1,782	23,649	7
1974-75	23,649	5,841	29,490	453	29,037	2

The Management stated (November 1975) that the poor rate of recovery of unconnected minimum was due to stay orders issued by the Board based on the representations received from the guarantors. Information regarding recoveries stayed under orders of Government/Board called for (January 1976) is awaited (March 1976). The dues stayed in six cases of minimum guarantee works in Cannanore division alone amounted to Rs. 1.19 lakhs as on 31st March 1975.

On the basis of an agreement executed in September 1968, the Board completed one 11 KV. line (1.2 Kms.) at Kambil in Cannanore district in March 1972 on minimum guarantee basis at an estimated cost of Rs. 22,374. The guarantor was to pay Rs. 2,237 per year for 10 years. He, however, refused to take power connection when the line was energised (June 1973) on the ground that the Board had delayed supply of power. The

amount due for collection (Rs. 22,374) under the agreement was waived by the Board in June 1974.

4. Short collection of deposits

According to the 'Conditions of supply of Electrical Energy' security deposits equal to three months' probable current consumption charges in the case of low tension and high tension consumers and two months' in the case of extra high tension consumers, have to be collected before giving connections. Additional security deposits have to be collected on the basis of periodical review of actual consumption.

A test check by Audit in October/November 1975 revealed that the Special Officer (Revenue) who keeps the accounts of extra high tension and high tension consumers had no details of deposits collected from 155 out of 313 consumers. The short realisation of deposits as per details furnished (March 1976) by the Board in respect of 13 high tension consumers and 2 extra high tension consumers amounted to Rs. 8.34 lakhs and Rs. 0.93 lakh respectively. The Board stated (March 1976) that action had been/was being taken to collect additional deposits and that the consumers had been permitted to pay the dues in instalments in some cases based on their requests.

Short collection of deposits from 103 low tension consumers in five billing units (Kozhikode, Alleppey, Quilon, Kunnamkulam and Nedumangad), test checked during 1974-75, amounted to Rs. 45,150. Records of deposits received had not been kept up to date in the Nedumangad unit and the arrears dated back to 1968. The Management stated (March 1976) that additional cash deposits had been realised from a good number of consumers. Details of additional deposits realised in these cases, however, were not furnished.

5. Internal check in assessment and collection of revenue

According to the Revenue Accounting Rules of the Board, Junior Engineers of distribution divisions have to check monthly 10 per cent of the meter readings to verify the load conditions and accuracy of tariff applied, and to ensure that there are no unauthorised connections. The Inspection Assistants attached to the billing units are required to check transactions of each collection centre atleast once in six months. The statements of check readings by the Junior Engineers and the Inspection Assistants have to be forwarded to the billing units monthly.

During 1974-75, no statement of test check of meter readings by Junior Engineers was received in five billing units (Kottiyam, Ettumanoor, Trivandrum North, Nedumangad and Palghat) with over 20,000 consumers on an average in each billing unit. In Kanjiramkulam and Balaramapuram centres, the percentage of check reading was only 1.5 and 1.4 respectively in February 1975. The inspections by the Inspection Assistants are also heavily in arrears. Out of 26 centres in Cannanore, only three centres had been inspected during 1974-75. The arrears in inspection in the remaining 23 centres ranged from 6 months to over 5 years. In Nedumangad billing unit, inspection in 16 out of 17 centres were in arrears for periods varying from one to three years.

The reports of the Inspection Assistant in Nedumangad billing unit showed 34 cases of unauthorised connections during May 1974 to March 1975 including two connections to consumers' premises which had been disconnected earlier.

In one case, incorrect tariff was applied to a consumer for over two years (March 1971 to September 1973), resulting in short collection of Rs. 42,393. The revised demand raised in October 1973 based on correct application of tariff was challenged by the consumer in the High Court and decision is awaited (February 1976). The consumer has, however, paid at the tariff billed from October 1973.

Meter census

In pursuance of the recommendation of Kerala State Electricity Board Finances Enquiry Commission 1967, the Board sanctioned in January 1969 an estimate for Rs. 95,000 for conducting a meter census to detect unauthorised connections and ensure correct application of tariff to the advantage of the Board. The census was to be completed within one year. Though the Board spent about Rs. 20,000 for printing 9 lakh census forms in December 1969 and distributed the same among the circle offices in February 1970, no census has been conducted so far (January 1976).

(R. C. Ghei)
Accountant General, Kerala.

Trivandrum,
The 27TH MAY 1976

Countersigned

(A. Baksi)
Comptroller and Auditor General of India.

New Delhi,
The 31ST MAY 1976

102/9080/MC.

Annexure—A

(Referred to in paragraph 3 of the prefatory remarks)

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

Sl. no.	*Name of the Company*	*Total investment up to the end of* 1974-75 (*Rupees*)
1.	The Travancore Rayons Limited	35,62,500
2.	The Travancore Cements Limited	23,44,689
3.	The Indian Aluminium Company Limited	18,70,008
4.	Premier Tyres Limited	50,00,000
5.	Parry and Company Limited	13,50,000
6.	Madura Coats Limited	14,84,677

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ANNEXURE

Summarised financial results of Government

(Figures in columns 5 to 9, 11 and

Sl. no.	*Name of the Company*	*Name of the department*	*Date of incorporation*	*Total capital invested* (*A*)	*Profit (+)/ Loss (—)*
(1)	(2)	(3)	(4)	(5)	(6)
	(*a*) *Financial results of wholly owned State Government Companies for 1974-75*:—				
1	Kerala State Industrial Development Corporation Limited	Industries	21-7-1961		(+) 30.54
2	Kerala State Small Industries Corporation Limited	Industries	21-7-1961		
3	The Kerala Premo Pipe Factory Limited	Local Administration and Social Welfare	12-9-1961		
4	The Plantation Corporation of Kerala Limited	Agriculture	12-11-1962	8,51.28	(+) 57.59
5	Trivandrum Rubber Works Limited	Industries	1-11-1963		
6	Travancore Plywood Industries Limited	Industries	1-11-1963	96.84	(+) 6.92
7	The Kerala Ceramics Limited	Industries	1-11-1963	2,35.97	(—) 14.43
8	Kerala Soaps and Oils Limited	Industries	1-11-1963	2,01.13	(—) 2.24
9	Trivandrum Spinning Mills Limited	Industries	1-11-1963	1,22.23	(—) 26.61
10	Kerala Electrical and Allied Engineering Company Limited	Industries	5-6-1964	1,17.06	(+) 1.37
11	Kerala Tourism Development Corporation Limited	Public (Political)	29-12-1965	71.08	(—) 4.58

—B

Companies

12 indicate lakhs of Rupees)

Total interest charged to profit and loss account	*Interest on long-term loans*	*Total return on capital invested (columns 6+8)*	*Percentage of total return on capital invested*	*Capital employed (B)*	*Total return on capital employed (columns 6+7)*	*Percentage of total return on capital employed*	*Remarks*
(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
29.65	29.65			(C) 10,05.25	(+)60.19	5.99	
							Accounts for 1974-75 awaited
							Accounts for 1973-74 and 1974-75 awaited
35.49	35.49	(+)93.08	10.93	7,50.43	(+)93.08	12.40	
							Accounts for 1974-75 awaited
6.60	4.57	(+)11.49	11.86	83.72	(+)13.52	16.15	
(D) 6.49	5.39	(—) 9.04	..	26.54	(—) 7.94	..	
3.35	0.76	(—) 1.48	..	60.72	(+) 1.11	1.83	
6.39	6.00	(—)20.61	..	16.84	(—)20.22	..	
13.82	13.82	(+)15.19	12.98	1,47.66	(+)15.19	10.29	
0.77	0.72	(—)3.86	..	43.16	(—) 3.81	..	

ANNEXURE

Summarised financial results of

(Figures in columns 5 to 9, 11 and

Sl. no.	*Name of the Company*	*Name of the department*	*Date of incorporation*	*Total Capital invested* (A)	*Profit (+)/ Loss (—)*
(1)	(2)	(3)	(4)	(5)	(6)
12	The Kerala Fisheries Corporation Limited	Development (Fisheries)	12-4-1966		
13	Handicrafts Development Corporation of Kerala Limited	Industries	16-11-1968		
14	The Kerala State Coir Corporation Limited	Industries	19-7-1969		
15	The Kerala State Cashew Development Corporation Limited	Industries	19-7-1969	2,09.44	(+)1,91.40
16	The Kerala State Financial Enterprises Limited	Taxes	6-11-1969		(+) 19.95
17	Kerala State Drugs and Pharmaceuticals Limited	Industries	23-12-1971	54.14	(+) 3.87
18	The Kerala Minerals and Metals Limited	Industries	16-2-1972	40.93	(+) 2.65
19	The State Farming Corporation of Kerala Limited	Industries	15-4-1972		
20	Kerala State Electronics Development Corporation Limited	Industries	29-9-1972	1,60.00	(+) 0.27
21	The Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited	Development	7-12-1972		(—) 1.34
22	The Kerala Land Development Corporation Limited	Agriculture	15-12-1972		(—) 16.50
23	Kerala State Industrial Enterprises Limited	Industries	25-1-1973		(+) 0.02
24	Kerala Employment Promotion Corporation Limited	Industries	28-1-1974		(+) 6.07
25	Kerala State Civil Supplies Corporation Limited	Food	25-6-1974	11.84	(+) 4.36

—B *(Contd.)*

Government Companies

12 indicate lakhs of Rupees)

Total interest charged to profit and loss account	*Interest on long-term loans*	*Total return on capital invested (columns 6+8)*	*Percentage of total return on capital invested*	*Capital employed* (B)	*Total return on capital employed (columns 6+7)*	*Percentage of total return on capital employed*	*Remarks*
(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
							Accounts for 1974-75 awaited
							Accounts for 1973-74 and 1974-75 awaited
							Accounts for 1974-75 awaited
(D) 18.39	2.14	(+)1,93.54	92.41	2,16.75	(+)2,09.79	96.79	
2.28	2.28			(C) 58.84	(+)22.23	37.78	
3.13	1.76	(+)5.63	10.40	77.96	(+)7.00	8.98	
(D) 1.04	1.04	(+)3.69	9.02	33.62	(+)3.69	10.98	
							Accounts for 1974-75 awaited
3.26	1.86	(+)2.13	1.33	1,54.00	(+)3.53	2.29	
0.88	0.88			(C) 29.18	(—)0.46	..	
2.49	2.49			(C) 79.05	(—)14.01	..	
5.07	5.07			(C) 88.76	(+)5.09	5.73	
0.05	0.05			(C) 1,49.60	(+)6.12	4.09	
31.98	..	(+)4.36	36.82	4,87.89	(+)36.34	7.45	

ANNEXURE

Summarised financial results of

(Figures in columns 5 to 9, 11 and

Sl. no.	Name of the Company	Name of the department	Date of incorporation	Total capital invested (A)	Profit (+)/ Loss (—)
(1)	(2)	(3)	(4)	(5)	(6)
26	**Steel Industrials Kerala Limited**	Industries	3-1-1975	Accounts for the first	
27	Kerala Forest Development Corporation Limited	Agriculture	24-1-1975	11.00	(Commercial
28	Sitaram Textiles Limited	Industries	14-2-1975	Accounts for the first	
29	Kerala State Construction Corporation Limited	Public Works	25-3-1975	Accounts for the first	
	Total of (a) excluding serial number 27 and subsidiary companies			21,71.94	(+)2,59.31
	Subsidiary Companies				
30	Kerala State Bamboo Corporation Limited	Industries	10-3-1971	7.00	(—) 1.06
31	Kerala State Textile Corporation Limited	Industries	8-3-1972		(+) 6.00
32	Kerala Garments Limited	Industries	17-7-1974	Accounts for the first	
33	Keltron Counters Limited	Industries	21-6-1964	Became a after its	Government becoming
	Total of the two subsidiary companies			7.00	(+) 4.94
	(b) *Financial results of partly owned State Government Companies for 1974-75:—*				
1	Forest Industries (Travancore) Limited	Industries	10-8-1946	23.91	(—) 5.78
2	Travancore Titanium Products Limited	Industries	18-12-1946	8,59.72	(+) 63.06

—B (*Contd.*)

Government Companies

12 indicate lakhs of Rupees)

Total interest charged to profit and loss account	*Interest on long-term loans*	*Total return on capital invested (columns 6+8)*	*Percentage of total return on capital invested*	*Capital employed (B)*	*Total return on capital employed (columns 6+7)*	*Percentage of total return on capital employed*	*Remarks*
(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
year were not due as on 31st March 1975							
operation not commenced)							
year were not due as on 31st March 1975							
year were not due as on 31st March 1975							
1,71.13	1,13.97	(+)2,94.12	..	35,09.97	(+)4,30.44		
0.35	0.07	(—) 0.99	..	5.26	(—)0.71	..	
4.14	4.14			(C) 83.37	(+)10.14	12.16	
year were not due as on 31st March 1975							
Company in August 1974. The accounts for the year Government Company were not due as on 31st March 1975							
4.49	4.21	(—) 0.99		88.63	(+)9.43		
..	..	(—) 5.78	..	23.68	(—)5.78	..	
46.82	45.77	(+)1,08.83	12.66	5,06.06	(+)1,09.88	21.71	

ANNEXURE

Summarised financial results of

(Figures in columns 5 to 9, 11 and

Sl. no.	*Name of the Company*	*Name of the department*	*Date of incorporation*	*Total capital invested* (A)	*Profit (+)/ Loss (—)*
(1)	(2)	(3)	(4)	(5)	(6)
3	United Electrical Industries Limited	Industries	3-10-1950	74.12	(+) 0.15
4	The Travancore-Cochin Chemicals Limited	Industries	8-11-1951	12,59.26	(—)14.34
5	Pallathra Bricks and Tiles Limited	Industries	21-12-1957	20.99	(—) 3.15
6	Kerala Water Transport Corporation Limited	Public Works	18-4-1958	Under	liquidation
7	Traco Cable Company Limited	Industries	5-2-1960	2,19.92	(—)18.48
8	Transformers and Electricals Kerala Limited	Industries	9-12-1963	3,63.62	(+)67.72
9	The Kerala Agro-Industries Corporation Limited	Agriculture	22-3-1968		
10	The Kerala Handloom Finance and Trading Corporation Limited	Industries	24-6-1968	31.61	(+) 0.12
11	The Chalakudy Potteries Limited	Industries	15-3-1969	20.78	(—) 0.98
12	Kerala Urban Development Finance Corporation Limited	Local Administration and Social Welfare	28-1-1970		(+) 2.70
13	The Travancore Sugars and Chemicals Limited	Industries	23-6-1937	Became a	Government year ended 30th
14	Kerala Shipping Corporation Limited	Public Works	25-5-1974	Accounts	for the first
	Total of (b) excluding four subsidiary companies			28,73.93	(+)91.02

—B *(Contd.)*

Government Companies

12 indicate lakhs of Rupees)

Total interest charged to profit and loss account	*Interest on long-term loans*	*Total return on capital invested (columns 6+8)*	*Percentage of total return on capital invested*	*Capital employed (B)*	*Total return on capital employed (columns 6+7)*	*Percentage of total return on capital employed*	*Remarks*
(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
6.22	0.96	(+) 1.11	1.50	1,22.64	(+) 6.37	5.19	
18.10	18.10	(+) 3.76	0.30	3,58.11	(+) 3.76	1.05	
(D) 0.73	0.63	(—) 2.52		3.84	(—) 2.42		
10.31	5.96	(—)12.52	..	2,26.28	(—) 8.17	..	
27.01	..	(+)67.72	18.62	5,56.60	(+)94.73	17.02	
							Accounts for 1974-75 awaited
(D) 0.34	0.34	(+) 0.46	1.46	31.76	(+) 0.46	1.45	
1.21	1.09	(+) 0.11	0.53	17.45	(+) 0.23	1.32	
24.52	24.52			(C) 4,40.46	(+)27.22	6.18	

Company in October 1974. Accounts for the
April 1975 awaited

year were not due as on 31st March 1975

1,35.26	97.37	(+)1,61.17		22,86.88	(+)2,26.28		

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ANNEXURE

Summarised financial results of

(Figures in columns 5 to 9, 11 and

Sl. no.	*Name of the Company*	*Name of the department*	*Date of incorporation*	*Total capital invested* (A)	*Profit (+)/ Loss (—)*
(1)	(2)	(3)	(4)	(5)	(6)

Subsidiary Companies

15	Packaging Paper Corporation Limited	Industries	29-6-1962	1.75	There are
16	Kerala Agro-Machinery Corporation Limited	Agriculture	24-3-1973	83.09	(—) 7.58
17	Fibre Foam Limited	Industries	23-7-1965	29.79	(—) 0.84
18	Meat Products of India Limited	Agriculture	13-3-1973	1.11	(—) 0.75
	Total of the three subsidiary companies excluding serial No. 15			1,13.99	(—) 9.17
	Grand total (excluding subsidiary companies)			50,45.87	(+)3,50.33
	Figures for the year 1973-74			41,25.30	(+)1,12.09

(c) Financial results of State Government Companies for the latest financial year for which accounts were received after the Report of the Comptroller and Auditor General of India for 1973-74 was finalised:—

Wholly owned State Government Companies

Financial results for 1973-74.

1	Kerala State Small Industries Corporation Limited	Industries	21-7-1961	1,31.45	(+) 10.37
2	Kerala Fisheries Corporation Limited	Development (Fisheries)	12-4-1966	2,25.00	(—) 69.86
3	Trivandrum Rubber Works Limited	Industries	1-11-1963	1,28.40	(—) 10.59
4	The Kerala State Coir Corporation Limited	Industries	19-7-1969	74.62	(+) 0.47

—B *(Contd.)*

Government Companies

12 indicate lakhs of Rupees)

Total interest charged to profit and loss account	*Interest on long-term loans*	*Total return on capital invested (columns 6+8)*	*Percentage of total return on capital invested*	*Capital employed (B)*	*Total return on capital employed (columns 6+7)*	*Percentage of total return on capital employed*	*Remarks*
(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
no figures since the entire expenditure was capitalised.							
..	..	(—) 7.58	..	60.23	(—) 7.58	..	
1.57	1.28	(+) 0.44	1.48	13.47	(+) 0.73	5.42	
..	..	(—) 0.75	..	(—) 1.27	(—) 0.75	..	
1.57	1.28	(—) 7.89		72.43	(—) 7.60		
3,06.39	2,11.34	(+)4,55.29		57,96.85	(+)6,56.72	11.32	
2,01.14	1,70.56	(+)2,01.74		41,73.01	(+)3,13.23	7.51	
5.41	5.41	(+) 15.78	12.00	1,31.20	(+) 15.78	12.03	
15.03	7.83	(—) 62.03	..	1,00.88	(—) 54.83	..	
6.69	3.44	(—) 7.15	..	43.82	(—) 3.90	..	
(D) 1.15	0.84	(+) 1.31	1.76	75.21	(+) 1.62	2.15	

ANNEXURE

Summarised financial results of Government

(Figures in columns 5 to 9, 11 and

Sl. no.	*Name of the Company*	*Name of the department*	*Date of incorporation*	*Total capital invested* (A)	*Profit (+)/ Loss (—)*
(1)	(2)	(3)	(4)	(5)	(6)
	Financial results for 1972-73				
	The Kerala Premo Pipe Factory Limited	Local Administration and Social Welfare	12-9-1961	24.50	(+)3.53

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

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

(C) Capital employed represents mean figures for the year, ie. aggregate of opening by two.

(D) Includes bank charges also.

—*B* (*Contd.*)

Companies

12 indicate lakhs of Rupees)

Total interest charged to profit and loss account	*Interest on long-term loans*	*Total return on capital invested* (*columns* 6+8)	*Percentage of total return on capital invested*	*Capital employed* (B)	*Total return on capital employed* (*columns* 6+7)	*Percentage of total return on capital employed*	*Remarks*
(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1.96	1.43	(+)4.96	20.24	23.83	(+)5.49	23.04	

reserves at the close of the year.

plus or *minus* working capital.

and closing balances of paid-up capital, reserves and borrowings, divided

ANNEXURE

Summarised financial results of statutory

(Figures in columns 5 to 9, 11 and 12

Sl. no.	*Name of the Corporation*	*Name of the department*	*Date of incorporation*	*Total Capital invested* (A)	*Profit(+)/ Loss (—)*
(1)	(2)	(3)	(4)	(5)	(6)
	(i) KERALA STATE ELECTRICITY BOARD				
1	Kerala State Electricity Board	Water and Power	1-4-1957	2,37,72.46	(C) (+) 78.90
	(ii) OTHER STATUTORY CORPORATIONS				
2	The Kerala Financial Corporation	Finance	1-12-1953	..	(+) 43.20
3	Kerala State Road Transport Corporation	Public Works	15-3-1965	18,86.98	(—) 4,85.09
4	Kerala State Warehousing Corporation	Agriculture	20-2-1959	90.19	(+) 10.00

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

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

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

(D) Capital employed represents mean figures for the year (i.e. aggregate of opening divided by two).

—C

corporations for the year 1974-75.

indicate lakhs of Rupees)

Total interest charged to profit and loss account	*Interest on long-term loans*	*Total return on capital invested (columns 6+8)*	*Percentage of total return on capital invested*	*Capital employed* (B)	*Total return on capital employed (columns 6+7)*	*Percentage of total return on capital employed*
(7)	(8)	(9)	(10)	(11)	(12)	(13)
4,92.96	4,92.96	(+)5,71.86	2.40	1,48,17.96	(+)5,71.86	3.86
73.16	..	..	..	(D) 14,05.24	(+)1,16.36	8.28
1,16.67	1,09.91	(—)3,75.18	..	3,74.24	(—) 3,68.42	..
..	..	(+) 10.00	11.09	79.87	(+) 10.00	12.52

at the close of the year.

plus working capital.

the Electricity (Supply) Act, 1948.

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

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