D. SCPA

CENTRAL GOVERNMENT

AUDIT REPORT

(COMMERCIAL)

1968

ERRATA

Page	*Reference*	*For*	*Read*
2	Remarks below Table—line 2	Inclues	Includes
8	First Table—Item (ii)—line 3	cndertakings	Undertakings
9	Second Table—Heading column 3—line 3	(i.	(i.e.
16	Column 1	Read '7' under Column 1 against 'Bharat Heavy Electricals Limited'.	
17	Serial No. 6—Column 15—last para—line 12	lowe	lower
23	Serial No. 18—Column 9	801,85,10	80,85,10
25	Serial No. 23—Column 12	3.25	3,25
	TOTAL—Column 12	5,7 ,17	5,70,17
35	Serial No. 39—Column 9	1,15,89,955	1,15,89,95S
41	Serial No. 52—Column 11	(—) 54	(+) 54
52	Second Table—Column 3—Heading	Capi al	Capital
54	Line 7	Plant not	Plant was not
59	Table—		
	item 4	6,703 xx	6,703
	item 5	1,276	1,276 xx
61	Table—Column 2—Heading—line 3	Tombay	Trombay
	Column 4—Heading—line 2	Rev sed	Revised
63	Para 7(a)(ii)—line 15	CO	Co_2
64	Line 8	hinderance	hindrance
70	Line 8	(i)	(ii)
76	Note 1 below the Table—line 1	Coke	*Coke
83	Column 3—Heading	l o rs	hours
	Do.—4—Do.	To al p oduction	Total production
	Do.—6—Do. —line 4	o	of
	Do.—7—Do. —line 3	L ck	Lack
	Do —8—Do. —lines 4 and 5	b eak-down	break-down
	I.T.S. shop—Column 4—against 1966-67	6480 7	648057
	Column 5 —	22 218	223218
	Column 9 —	10 70	10.70
	Column 13 —	1,10,99	1,10,992

Page	*Reference*	*For*	*Read*
86	Table—Item 2(c)	Capit l	Capital
95	Last line	were	where
102	1st line	of Rs. 68.6	to Rs. 68.06
130	penultimate line	Allov	Alloy
133	Serial No. 30—Item (iii)—line 2 .	Pipline	Pipeline
134	Serial No. 33—Item (v)(a)—last line	stock	stores
138	Serial No. 45—Item (ii)(c)—line 3 .	th	the
155	Column 10 against serial No. 16—last line	Capi al	Capital
156	Column 10 against serial Nos. 20 and 21	D	Do

TABLE OF CONTENTS

AUDIT REPORT (COMMERCIAL)

1968

PREFATORY REMARKS

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

(i) Government Companies.

(ii) Statutory Corporations.

(iii) Departmentally managed Commercial Undertakings.

2. The funds of the Companies and Corporations are separate from the Consolidated Fund of India. However, their accounts are subject to the scrutiny of the Comptroller and Auditor General to the extent mentioned in the relevant provisions in the Indian Companies Act or in the respective Acts constituting the Corporations.

2. The funds of the Companies and Corporations are separate from the Consolidated Fund of India. However, their accounts are Comptroller and Auditor General, but the latter is authorised 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 March, 1962 such directives were issued by him to the auditors for looking into certain specific aspects of the working of Government Companies. These were revised in December, 1965. The important points contained in the special reports submitted by the auditors in accordance with these directives have been mentioned in Section XIV.

4. In respect of the Air India, the Indian Airlines Corporation and the Oil and Natural Gas Commission, which are statutory organisations, the Comptroller and Auditor General is the sole Auditor, while in respect of the Central Warehousing Corporation he has the right to conduct the audit of the concern independently of the audit conducted by the professional auditors appointed under the Act.

5. The receipts and expenditure and transactions relating to Departmental Undertakings form part of the Consolidated Fund of India, and the Comptroller and Auditor General is responsible for their audit.

6. In the Audit Report a general review has been made of all the concerns falling under each of the above three categories and this is followed by a more comprehensive review of the working of some

of the concerns. The Report also refers to certain important points relating to cases of irregularities, losses, etc. in respect of undertakings for which a comprehensive review has not been made. Simplified *pro forma* accounts of some of the Government Departmental Undertakings have also been annexed.

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

CHAPTER I

GOVERNMENT COMPANIES

I—INTRODUCTION

A. Return on investment

1. There were 70 Companies with 2 subsidiaries of the Central Government as on 31st March, 1967 as against 68 Companies with 2 subsidiaries as on 31st March, 1966. In 1966-67 India Tourism Hotel Corporation Limited (subsequently known as Hotel Corporation of India Limited) and India Tourism Transport Undertaking Limited merged with India Tourism Corporation Limited which on merger was renamed as India Tourism Development Corporation Limited. One State Government Company *viz.* Tungabhadra Steel Products Limited, became a Central Government Company with effect from 22nd January, 1967.

2. 4 Companies (Serial Nos. 63, 67, 69 and 70 of Annexure 'A') which were registered during 1965-66 prepared their first accounts during 1966-67. 2 Companies (Serial Nos. 55 and 68 of Annexure 'A') though registered in 1965-66 did not prepare the annual accounts. Out of the 3 new Companies (Serial Nos. 59, 64 and 65 of Annexure 'A') which were registered during 1966-67, 2 Companies (Serial Nos. 59 and 64 of Annexure 'A') prepared their first annual accounts. The remaining 1 Company did not prepare the annual accounts.

3. *Paid-up capital.*—The total paid-up capital of the 70 Companies of the Central Government included in this Report stood at Rs. 1,310·88 crores at the end of 1966-67 representing an increase of Rs. 122·98 crores over the total paid-up capital of Rs. 1,187·90 crores of the 68 Companies as at the end of the previous year.

The break-up of the paid-up capital of these Companies according to the investments made by the Central Government, State

Governments and private parties as on 31st March, 1967 is as follows:—

(Rupees in thousands)

	No.	Paid-up capital Centre	State	Private parties	Total
(*i*) Companies fully owned by the Central Government (excluding subsidiaries)	50	11,93,80,87	..	..	11,93,80,87
(*ii*) Companies jointly owned by the Central Government and State Governments (excluding subsidiaries)	5	73,18,73	1,88,00	..	75,06,73
(*iii*) Companies jointly owned by the Central Government and private parties .	8	9,60,26	..	3,64,55	13,24,81
(*iv*) Companies jointly owned by the Central Government, State Governments and private parties	7	16,06,36	6,30,34	6,39,19	28,75,89
TOTAL .	70	12,92,66,22*	8,18,34	10,03,74**	13,10,88,30
		98.6%	0.6%	0.8%	100%
Figures for the year 1965-66 .	68	@ 11,73,33,35	@@ 7,53,10	@@@ 7,03,30	11,87,89,75
		98.8%	0.6%	0.6%	100%

*Includes Rs. 2,939.01 lakhs received for issue of shares.

**Inclues Rs. 73.55 lakhs received for issue of shares and Rs. 6.07 lakhs received on forfeited shares.

@Includes Rs. 3,301.32 lakhs received for issue of shares.

@@Includes Rs. 3.00 lakhs received for issue of shares.

@@@Includes Rs. 24.24 lakhs received for issue of shares and Rs. 6.07 lakhs received on forfeited shares.

4. *Profits and dividends.*—According to the annual accounts of the above 70 Companies there was a total net loss of Rs. 2,152·85 lakhs during 1966-67 as against the total net profit of Rs. 992·59 lakhs during the previous year. In 1966-67 30 Companies showed a profit of Rs. 38·79 crores which represented 18·6 per cent. of the paid-up capital of Rs. 208·42 crores invested in these Companies. 19 Companies (Annexure 'B') declared dividends amounting to Rs. 672·82 lakhs which represented 6·2 per cent. of the paid-up capital of Rs. 108·83 crores of these Companies. This works out to 0·5 per cent. on the total paid-up capital of Rs. 1,310·88 crores of all the Companies. One Company (Serial No. 15 of Annexure 'A'), which incurred a loss during the year, declared dividend out of general reserve created by transferring profits of the past year. 25 Companies in which the paid-up capital of Rs. 1,030·85 crores had been invested, showed a total loss of Rs. 60·32 crores of which Rs. 56·61 crores pertained to 8 Companies *viz.* Hindustan Steel Limited, Neyevli Lignite Corporation Limited, National Coal Development Corporation Limited, The Fertilizer Corporation of India Limited, Heavy Electricals (India) Limited, Mining and Allied Machinery Corporation Limited, Heavy Engineering Corporation Limited and Bharat Heavy Electricals Limited.

The details of the return on paid-up capital according to the 3 categories of Running concerns, Promotional and Developmental Undertakings and Companies under construction for 1965-66 and 1966-67 are given below:—

(Rupees in thousands)

	1965-66				1966-67			
	No.	Paid-up capital	Profit	Percentage	No.	Paid-up capital	Profit	Percentage
(*i*) Running concerns	44	10,76,06,33	12,08,15	1.1	48	12,35,14,08	(—)21,06,15*	..
(*ii*) Promotional and Developmental Undertakings	6	3,21,25	(—)11,73	..	7	3,85,89	(—)44,17@	..
(*iii*) Companies under construction	18	1,08,62,17	(—)2,03,83	..	15	71,88,33	(—)2,53	..
TOTAL	68	11,87,89,75	9,92,59	0.8	70	13,10,88,30	(—)21,52,85	..

*27 Companies showed profit of Rs. 3,860.67 lakhs.
21 Companies incurred loss of Rs. 5,966.82 lakhs.
@3 Companies showed profit of Rs. 18.29 lakhs.
3 Companies incurred loss of Rs. 62.46 lakhs and
1 Company's accounts not received.

One subsidiary Company which earned a profit of Rs. 29·53 lakhs declared dividend amounting to Rs. 5·00 lakhs on its paid-up capital of Rs. 100·00 lakhs.

5. *Loans*.—The long-term loans (including amounts due to the Government of India/Transferor Companies for assets and liabilities taken over, in lieu of which shares were to be issued or which were to be converted into long-term loans, etc. according to the information available) obtained by the Companies under review stood at Rs. 1,285·75 crores. This represented an increase of Rs. 306·92 crores over the long-term loans amounting to Rs. 978·83 crores of these Companies at the end of the previous year.

The break-up of long-term loans according to the sources of finance *viz.* the Central Government, the State Governments, foreign credits and other parties, as on 31st March, 1967 is as follows: —

(Rupees in thousands)

	1965-66	Percentage	1966-67	Percentage	Increase
(*i*) Central Government .	8,64,82,74	88.4	11,11,19,94	86.4	2,46,37,20
(*ii*) State Governments	1,44,74	0.1	1,31,26	0.1	(—) 13,49
(*iii*) Foreign credits	66,57,46	6.8	1,54,50,02	12.0	87,92,56
(*iv*) Others .	45,97,92	4.7	18,74,18	1.5	(—)27,23,74
TOTAL .	9,78,82,86	100.0	12,85,75,40	100.0	3,06,92,53

6. *Interest*.—Government have granted

(i) 'Interest holiday' on loans amounting to Rs. 357·10 crores in the case of Hindustan Steel Limited up to 31st March, 1962, the recovery so waived amounting to Rs. 39·71 crores, and

(ii) a loan of Rs. 15·00 lakhs to Hindustan Shipyard Limited for the Drydock Project. The interest paid on the loan by the Company will be reimbursed by Government for the first 7 years.

The Government of Madhya Pradesh have granted interest free loan of Rs. 111·19 lakhs to National Newsprint and Paper Mills Limited out of which the amount of Rs. 22·00 lakhs was outstanding as on 31st March, 1967. The money value of interest so forgone worked out to Rs. 1·47 lakhs for the year 1966-67 and Rs. 28·20 lakhs for the entire period (up to 31st March, 1967).

The Central Government have granted moratorium for periods ranging from 2 to 10 years in the cases of 18 Companies for repayment of loans aggregating Rs. 146·66 crores provided to these Companies during 1966-67.

7. *Guarantee.*—The Central Government guaranteed cash credit arrangements made by 22 Companies with the State Bank of India up to the total maximum limit of Rs. 87·11 crores. Against this limit the amount outstanding as on 31st March, 1967 aggregated Rs. 59·03 crores. Loans raised by 7 Companies were also guaranteed by Government, the amount outstanding as on 31st March, 1967 being Rs. 70·78 crores. In addition, Government gave guarantee in respect of the following:—

(a) Repayment of principal and interest in respect of letters of credit offered by the State Bank of India to exporters abroad to draw on it for funds in payment of specified goods to be shipped to India (10 Companies).

(b) Repayment of principal and interest and fulfilment of payment obligation in pursuance of agreements/letters of acceptance entered into with foreign consultants/contractors (12 Companies).

The maximum amount thus guaranteed as on 31st March, 1967 in the cases of these Companies was Rs. 152·81 crores against which the actual amount outstanding as on that date was Rs. 73·21 crores (approximately).

8. *Subsidy.*—Apart from the concessions mentioned in paras 6 and 7 above subsidies have also been granted to some Companies for meeting operational deficits, for Industrial Housing Schemes, etc. During 1966-67 9 Companies received such subsidies aggregating Rs. 622·66 lakhs. The cumulative total of subsidies paid by Government up to 31st March, 1967 was Rs. 26·91 crores. The Company-wise details are given in Annexure 'C'. The major portion of the subsidies was received by the following Companies:—

	(Rupees in lakhs)	
(*i*) Hindustan Shipyard Limited .	1,294.27	For meeting deficits towards higher cost of ship constructon.
(*ii*) National Small Industries Corporation Limited . . .	486.96	For promotional activities, in lieu of concessional rate of interest, etc.
(*iii*) National Coal Development Corporation Limited	375.14	For meeting operational deficits.
(*iv*) Mogul Line Limited . . .	111.53	For meeting deficit of India-Burma Service for repatriation of Indian Nationals.
(*v*) State Trading Corporation of India Limited	272.22	For meeting preliminary expenses, organisational expenses, etc.

9. *Return on capital invested.*—As (a) the capital structure differs from Company to Company, (b) rates of interest charged on long-term loans given to the Companies are not uniform and (c) certain special facilities have been given by Government to some Companies, the profits indicated in the accounts of the Companies do not reflect the real return on the total investment. Thus, a Company with a high loan capital discloses a low net profit and a Company which has been granted an 'interest holiday' discloses a large profit. In Annexure 'A', therefore, an attempt has been made to study the results on a uniform basis except to the extent that allowance has not been made for subsidies received from Government on various accounts. For this purpose, the capital taken into account is not merely the equity capital but the total of paid-up capital, the long-term loans and the free reserves at the close of the year. Similarly, the return has been taken not only as the profit disclosed in the accounts, but also as the interest paid on long-term loans. On this basis the return in 1966-67 on a total investment of Rs. 2,672·14 crores made in the 70 Companies amounted to Rs. 40·58 crores, being 1·5 per cent. of the investment.

The return on the capital invested according to the 3 groups of Undertakings mentioned in para 4 is indicated below:—

(Rupees in thousands)

	Capital invested	Profit	Interest	Total	Percentage
(*i*) Running concerns	25,36,47,43	(—)21,06,15*	60,14,75	39,08,60	1.5
(*ii*) Promotional and Developmental Undertakings	36,56,18	(—)44,17@	1,44,74	1,00,57	2.8
(*iii*) Companies under construction	99,10,32	(—)2,53	51,30	48,77	0.5

*27 Companies showed profit of Rs. 3,860.67 lakhs.
21 Companies incurred loss of Rs. 5,966.82 lakhs.

@3 Companies showed profit of Rs. 18.29 lakhs.
3 Companies incurred loss of Rs. 62.46 lakhs and
1 Company's accounts not received.

B. In the following paragraphs a study of the rates of growth of paid-up capital, reserves and surplus, gross assets, value of production and profits and also of sources and uses of funds, inventories and sundry debtors in respect of the 70 Government Companies and the 2 subsidiary Companies has been made.

1. **Rates of growth**

(a) *Paid-up capital and reserves and surplus.*—While the rate of growth of paid-up capital and reserves and surplus declined in

1966-67 as compared with that of 1965-66 in the cases of Running concerns and Promotional and Developmental Undertakings it increased in the cases of Companies under construction as indicated below:—

(Rupees in lakhs)

	Paid-up capital and reserves and surplus			Rate of growth	
	1964-65	1965-66	1966-67	1965-66	1966-67
	Rs.	Rs.	Rs.		
(*i*) Running concerns	84,416.00	1,14,797.24	1,32,602.03	36.0%	15.5%
(*ii*) Promotional and Developmental Undertakings	480.21	593.64	682.46	23.6%	15.0%
(*iii*) Companies under construction	26,816.39	10,612.94	7,188.85	(—)60.4%	(—)32.3%
(*iv*) All the 3 groups	1,11,712.60	1,26,003.82	1,40,473.34	12.8%	11.5%

(b) *Gross assets.*—While the rate of growth of total gross assets increased in 1966-67 as compared with that of 1965-66 in the cases of Promotional and Developmental Undertakings and Companies under construction it declined in the cases of Running concerns as indicated below:--

(Rupees in lakhs)

	Total gross assets			Rate of growth	
	1964-65	1965-66	1966-67	1965-66	1966-67
	Rs.	Rs.	Rs.		
(*i*) Running concerns	1,99,834.43	2,84,429.66	3,55,884.10	42.3%	25.1%
(*ii*) Promotional and Developmental Undertakings	3,471.56	3,915.45	4,635.31	12.8%	18.4%
(*iii*) Companies under construction	53,836.02	16,634.93	10,382.44	(—) 69.1%	(—) 37.6%
(*iv*) All the 3 groups	2,57,142.01	3,04,980.04	3,70,901.85	18.6%	21.6%

(c) *Value of production.*—The rate of growth of value of production declined in 1966-67 as compared with that of 1965-66 except in the cases of Promotional and Developmental Undertakings as indicated below:—

(Rupees in lakhs)

	Value of production			Rate of growth	
	1964-65	1965-66	1966-67	1965-66	1966-67
	Rs.	Rs.	Rs.		
(*i*) Running concerns	55,048.47	78,340.45	1,10,676.47	42.3%	41.3%
(*ii*) Promotional and Developmental undertakings	583.64	664.67	854.92	13.9%	28.6%
(*iii*) Companies under construction	1,345.68	50.37	..	(—)96.3%	(—)100.0%
(*iv*) All the 3 groups	56,977.79	79,055.49	1,11,531.39	38.7%	41.1%

(d) *Profits.*—The rate of growth of profits before tax declined in 1966-67 as compared with that of 1965-66 except in the cases of Companies under construction as indicated below:—

(Rupees in lakhs)

	Profits before tax			Rate of growth	
	1964-65	1965-66	1966-67	1965-66	1966-67
	Rs.	R.	Rs.		
(*i*) Running concerns	2,318.95	1,231.81	(—)2,076.62*	(—)46.9%	(—)268.6%
(*ii*) Promotional and Developmental Undertakings	(—)0.94	(—)6.81	@ (—)56.37	(—)624.5%	(—)727.8%
(*iii*) Companies under construction	(—)1,294.94	(—)203.83	(—)2.53	84.3%	98.8%
(*iv*) All the 3 groups	1,023.07	1,021.17	(—)2,135.52	(—)0.2%	(—)309.1%

*28 Companies showed profit of Rs. 3,890.20 lakhs.
21 Companies incurred loss of Rs. 5,966.82 lakhs and
1 Company's accounts not received.

@3 Companies showed profit of Rs. 18.29 lakhs.
4 Companies incurred loss of Rs. 74.66 lakhs and
1 Company's accounts not received.

2. Sources and uses of funds

(a) *Internal sources.*—Funds received from internal sources in 1965-66 and 1966-67 are indicated below:—

(Rupees in lakhs)

	Internal sources	Percentage to total funds (i.e. internal and external)	Internal sources	Percentage to total funds (i.e. internal and external)
	1965-66		1966-67	
	Rs.		Rs.	
(*i*) Running concerns	9,273.60	19.3	14,027.42	21.3
(*ii*) Promotional and Developmental Undertakings	129.23	0.3	17.85	..
(*iii*) Companies under construction	(—)2,158.83	(—)4.5	(—)177.56	(—)0.3
(*iv*) All the 3 groups.	7,244.00	15.1	13,867.71	21.0

(b) *External sources.*—Funds received from external sources in 1965-66 and 1966-67 are indicated below:—

(Rupees in lakhs)

	External sources	Percentage to total funds (*i.e.* internal and external)	External sources	Percentage to total funds(*i.e.* internal and external)
	1965-66		1966-67	
	Rs.		Rs.	
(*i*) Running concerns	75,321.63	157.5	57,427.02	87.1
(*ii*) Promotional and Developmental Undertakings	314.66	0.7	702.01	1.1
(*iii*) Companies under construction	(—)35,042.26	(—)73.3	(—)6,074.93	(—)9.2
(*iv*) All the 3 groups	40,594.03	84.9	52,054.10	79.0

The main feature indicated by the above data is the relative importance of the external sources in the cases of all the three groups taken together.

3. Inventories

Inventories of 47 Running Companies and 5 Promotional and Developmental Undertakings as on 31st March, 1966 and 1967 are indicated below. As on 31st March, 1967 the total inventory amounted to Rs. 55,001·93 lakhs as against the corresponding figure of Rs. 39,313·68 lakhs as on 31st March, 1966 and represented 52·9 per cent. of the net sales in 1966-67 as against 52·3 per cent. in 1965-66 In the compilation of the figures, the data relating to certain Companies of the following categories have been excluded.

Number of Companies	Reasons
3	These Companies carry on insurance and financing business only.
13	These Companies are still under construction.
1	This Company has not commenced operations.
2	Accounts not received.
1	This Company is being wound up.

(Rupees in lakhs)

Description of inventory	Running		Promotional and and Developmental		Construction (partial production)		Total	
	1965-66	1966-67	1965-66	1966-67	1965-66	1966-67	1965-66	1966-67
Number of companies	43	47	4	5	3	..	50	52
(*i*) Raw materials, stores and spares (including in-transit) loose tools, jigs and fixtures, etc.	25,031·78	34,161·30	68·88	91·84	982·68	..	26,083·34	34,253·14
(*ii*) Stock (finished and semi-finished goods)	12,908·79	20,281·86	272·74	466·93	48·81	..	13,230·34	20,748·79
(*iii*) Total	37,940·57	54,443·16	341·62	558·77	1,031·49	..	39,313·68	55,001·93
(*iv*) Net sales	74,646·81	1,03,377·40	519·60	673·57	7·00	..	75,173·41	1,04,050·97
(*v*) Percentage of (*iii*) to (*iv*)	50·8	52·7	65·7	83·0	14,735·6	..	52·3	52.9

'A'

Results for the year 1966-67

(Figures in thousands of Rupees)

Block assets (Net)	Deprecia- tion to date	Profit (+) Loss (—)	Interest on long-term loans	Total return	Percentage of total return on capital invested	Remarks
9	10	11	12	13	14	15
64	81	(+) 14,95	..	(+) 14,95	14.9	
18	19	(—)5,44	2,23	(—)3,21	..	Against loans and advances considered doubtful amounting to Rs. 16,56,536 there is a provision of Rs. 1,69,457. No provision has been made for the balance of Rs. 14,87,079.
82	100	(+)9,51	2,23	(+)11,74	5.9	
86	80	(+)8,46	1,54	(+)10,00	5.3	
23,36,98	6,64,35	(+)1,26,23	82,39	(+)2,08,62	6.3	No provision for interest amounting to Rs. 18,83,930 over and above the normal interest on loans granted to H.M.T. III, Pinjore has been made as this matter is under correspondence with Government.
54,08,43	6,54,57	(—)6,22,67	4,34,54	(—)1,88,13	..	

1	2	3	4	5	6	7	8
5.	Mining and Allied Machinery Corporation Limited	Ministry of Industrial Development and Company Affairs	1-4-1965	18,80,00**	24,38,47	..	43,18,47
6.	Heavy Electricals (India) Limited	Do.	29-8-1956	50,00,00	48,34,55	..	98,3 ,55

9	10	11	12	13	14	15
16,16,70	2,62,85	(—)4,71,52	1,46,35	(—)3,25,17	..	**Includes Rs. 1,58,00,000 received from the Government of India for issue of shares.
42,67,14	14,50,56	(—)6,76,57	2,42,71	(—)4,33,86	..	No depreciation has been provided for on surplus plant and machinery valued at Rs. 34·12 lakhs.
						Discrepancies in stock and stores so far ascertained have revealed a net credit balance of Rs. 3,02,013 which has been kept under suspense.
						Bills have not been raised in respect of 886 cases of insurance claims pertaining to the current year and 44 cases pertaining to previous years and no adjustment has been made in the accounts in respect of these claims, as the amount is not ascertainable.
						Sales include sums aggregating Rs. 90,10,975 for goods despatched but pending billing. The 'Sales' also include a sum of Rs. 43,88,420 relating to sales made at post-devaluation price, which is yet to be accepted by the party.
						No provision has been made against advances of Rs. 26,69,843 outstanding for over three years. The effectiveness of these balances could not be verified by the Auditors.

1	2	3	4	5	6	7	8
Bharat Heavy Electricals Limited	Ministry of Industrial Development and Company Affairs	13-11-1964	63,69,12*	42,32,16	..	1,06,01,28	

9	10	11	12	13	14	15
						The amount of Rs. 24.11 crores due from Bharat Heavy Electricals Limited on account of the net value of the assets and liabilities of the Projects transferred to it by this Company has been adjusted against the loans from the Government of India with retrospective effect from 16th November, 1964.
						The Company has treated this adjustment as advance repayment of loan instalments before due dates and taken credit for Rs. 23,01,662 as rebate for timely repayment and interest thereon which has not been allowed by Government.
						Interest and penal interest amounting to Rs. 5·19 lakhs on the loan of Rs. 138.89 lakhs due for repayment in 1966-67 has also not been provided for.
						Consequent upon the valuation of closing stock of finished goods produced against customers' sepecific orders at selling price, as against the previous method of valuing such stock at 'cost or selling price whichever is lowe ', the loss of the year has been reduced by Rs. 68,30,046.
46,15,90	3,48,57	(—)5,79,08	1,27,00	(—)4,52,08	..	*Includes Rs. 5,08,00,000 received from the Government of India for issue of shares.

1	2	3	4	5	6	7	8
8.	Hindustan Cables Limited	Ministry of Industrial Development and Company Affairs	4-8-1952	2,79,47*	1,62,60	87,97	5,30,04
9.	National Instruments Limited	Do. .	26-6-1957	2,68,96@	1,10,00	10,92	3,89,88

9	10	11	12	13	14	15
						Provision has not been made for :— (a) Panchayat Union tax in respect of buildings and vehicles of Tiruchi project, as the matter is under correspondence with the State Government concerned (amount not ascertainable) ; (b) Liability for penal interest on loans sanctioned in 1964-65 of Rs. 1,16.302.13 as the matter is under correspondence.
3,41,68	1,70,38	(+)36,22	10,68	(+)46,90	8.8	*Includes Rs. 65,00,000 received from the Government of India for issue of shares.
57,60	43,21	(—)1,98	4,19	(+)2,21	0.6	@Includes Rs. 50,00,000 received from the Government of India for issue of shares.
						No provision for income tax at source payable under Income Tax Act, 1961, if any, has been made in respect of the payments made to certain non-resident firms for services rendered by them (amount of liability not ascertained).
						No provision has been made in respect of interest payable on delayed payments to the Government of India for imported plant and machinery (amount not ascertained).
						In the absence of bills, the value of the services rendered and materials supplied by Mining

1	2	3	4	5	6	7	8
10.	Tungabhadra Steel Products Limited	Ministry of Industrial Development and company Affairs	20-2-1960	1,01,00	..	9,07	1,10,07
11.	Hindustan Aeronatutics Limited	Ministry of Defence	16-8-1963	38,53,00	66,59,54	8,73,17	1,13,85,71

9	10	11	12	13	14	15
						and Allied Machinery Corporation Limited and Indian Oil Corporation Limited could not be charged in the accounts.
21.12	20,62	(+)14,01	..	(+)14,01	12.7	The Company became a Central Government Company with effect from 22nd January, 1967.
26,42,98	10,72,39	(+)1,29,24	94.42	(+)2,23,66	2.0	Mysore Government's claim of Rs. 11.80 lakhs towards compensation for land acquired and for conversion charges has not been accepted and provided for in the accounts.
						Maharashtra Government's claim of Rs. 15.67 lakhs and Maharashtra State Electricity Board's claim of Rs. 5.79 lakhs towards higher supervision charges for capital works have been disputed and shown as advances.
						No provision for bonus under Bonus Act, 1965 estimated at Rs. 18.50 lakhs for 1964-65, Rs. 18.60 lakhs for 1965-66 and Rs. 16.50 lakhs for 1966-67 at Bangalore Division has been made.
						No provision for sales tax on sales of Aircraft and Glider by Kanpur and Nasik Divisions has been made as the question of levy of sales tax has been disputed.

1	2	3	4	5	6	7	8
12.	Bharat Earth Movers Limited	Ministry of Defence .	11-5-1964	8,13,80	..	45,00	8,58,80
13.	Praga Tools Limited	Do. .	28-5-1943	2,10,54*	1,56,36	..	3,66,90
14.	Bharat Electronics Limited	Do. .	21-4-1954	5,21,25	3,95,00	2,95,52	12,11,77
15.	Hindustan Teleprinters Limited	Department of Communications	14-12-1960	82,00	2,92,78	..	3,74,78
16.	Indian Telephone Industries Limited	Do. .	25-1-1950	4,66,82	4,88,44	3,23,23	12,78,49
17.	Nahan Foundry Limited	Government of Himachal Pradesh	20-10-1952	40,00	7,50	4,09	51,59
		TOTAL .		3,10,85,96	2,98,84,80	22,42,61	6,32,13,37
		Figures for the year 1965-66		2,12,84,38	1,57,49,40	17,23,13	3,87,56,91
	Chemicals						
18.	The Fertilizer Corporation of India Limited	Ministry of Petroleum and Chemicals	1-1-1961	57,90,14@	66,77,11	8,01,45	1,32,68,70

9	10	11	12	13	14	15
2,79,68	47,73	(+)43,30	..	(+)43,30	5.0	
1,94,22	95,37	(—)29,70	9,17	(—)20,53	..	*Includes Rs. 97,450 received on forfeited shares. The Company is contingently liable for certain cancelled share certificates re-circulated and transfers wrongly effected—amount not determined·
5,40,26	3,23,79	(+)2,56,43	17,96	(+)2,74,39	22.6	
1,00,41	26,70	(—)48,06	12,53	(—)35,53	..	
5,81,84	3,76,24	(+)2,59,47	26,79	(+)2,86,26	22.4	
24,18	11,82	(+)1,69	34	(+)2,03	3·9	
2,30,29,12	55,69,15	(—)15,62,99	12,09,07	(—)3,53,92	..	
1,54,04,57	38,50,09	(—)4,08,86	5,83,56	(+)1,74,70	0.5	
801,85,10	50,64,68	(—)1,36,28	3,80,84	(+)2,44,56	1.8	@Includes Rs. 6,40,00,000 received from the Government of India for issue of shares. The loss on account of the abandonment of Korba Project under the Orders of the Government of India has not been adjusted pending Government's decision on the Company's request for re-imbursement of the loss.

1	2	3	4	5	6	7	8
19.	Fertilisers and Chemicals, Travancore Limited	Ministry of Petroleum and chemicals	22-9-1943	7,45,98	12,83,88	4,17	20,34,03
20.	Hindustan Antibiotics Limited	Do.	30-3-1954	2,47,26	..	3,88,28	6,35,54
21.	Indian Drugs and Pharmaceuticals Limited	Do.	5-4-1961	21,50,00	24,81,49	..	46,31,49
22.	Hindustan Insecticides Limited	Do.	11-3-1954	1,25,47	2,00	1,40,36	2,67,83
23.	Indian Rare Earths Limited	Department of Atomic Energy	18-8-1950	1,00,00	50,00	40,18	1,90,18
24.	Hindustan Salts Limited (Year ending 30-9-1966)	Ministry of Industrial Development and Company Affairs	12-4-1958	1,78,81	..	14,82	1,93,63
		TOTAL		93,37,66	1,04,94,48	13,89,26	2,12,21,40
		Figures for the year 1965-66		65,47,66	63,27,76	14,36,42	1,43,11,84

9	10	11	12	13	14	15
						Under agreement with non-resident parties for capital works, taxes, if any, arising out o' their contracts with the Company will be payable by the Company. No provision theretor, has, however, been made in the accounts (amount not ascertainable).
17,54,30	5,63,62	(+)43,46	63,61	(+)1,07,07	5.3	
3.21,69	3,35,50	(+)1,82,72	..	(+)1,82,72	28.7	
12,44,16	54,72	(—)60,11	1,22,19	(+)62,08	1.3	
61,33	1,24,01	(+)47,42	28	(+)47,70	17.8	
89,50	48,19	(+)40,84	3.25	(+)44,09	23.2	Provision made in the accounts towards bonus as per payment of Bonus Act falls short to the extent of Rs. 1,19,855 as the Company has decided to make the entire payment this year as bonus.
50 53	14,64	(—)2,83	..	(—)2,83	..	
1,16,06,61	62,05,36	(+)1,15,22	5,7 ,17	(+)6,85,39	3.2	
84.37,33	52,71,74	(+)1,81,85	3,33,65	(+)5,15,50	3.6	

1	2	3	4	5	6	7	8
	Mining and Minerals						
25.	National Coal Development Corporation Limited	Ministry of Steel, Mines and Metals	5-9-1956	75,95,20*	77,76,50	..	1,53,71,70

9	10	11	12	13	14	15
92,46,18	31,18,95	(—)1,58,46	3,91,65	(+)2,33,19	1.5	*Includes Rs. 2,94,29,090 due to Government and to be adjusted against issue of shares. The maintenance expenditure amounting to Rs. 9.01 lakhs in respect of 3 suspended/closed mines has not been written off to revenue though similar expenditure in respect of seven other such mines has been written off. Depreciation amounting to Rs. 29,675 has been short provided for on coal tubs, haulage rope, first class residential buildings, etc. Further, on account of error in allocation of depreciation on different heads of account, Profit and Loss Account has been undercharged by Rs. 1,11,606, Deferred Revenue Account and Development Expenses Account have been over-charged by Rs. 43,476 and Rs. 63,130 respectively. No adjustments have been made in the accounts for the year 1966-67 in respect of (*a*) the loss of goods by theft aggregating Rs. 28,599, (*b*) pension, gratuity and special contribution to the Provident Fund which may ultimately be payable to the ex-State Colliery employees as the terms of service in respect of such benefits are pending finalisation

1	2	3	4	5	6	7	8
26.	Neyveli Lignite Corporation Limited	Ministry. of Steel, Mines and Metals	14-11-1956	80,00,00	79,02,11	..	1,59,02,[illegible]
27.	National Mineral Development Corporation Limited	Do. .	15-11-1958	16,22,03*	23,78,61	..	40,00 64

9	10	11	12	13	14	15
						(*c*) royalty amounting to Rs. 27,82,291 in respect of coal despatched from two Collieries pending determination of the State Government's right to royalty, (*d*) royalty on closing stock of 17,000 tonnes in one Colliery and (*e*) interest on loan amounting to Rs. 1,09,573.
1,15,23,15	19,51,73	(—)9,60,92	4,34,80	(—)5,26,12	..	As a result of the Supreme Court's Order holding certain provisions of the Madras Lignite (Acquisition of Land) Act, 1953 invalid, the Company may have to pay extra compensation estimated to amount to Rs. 25,00,000 for which no provision has been made.
						No provision has been made for claim on the Company for payment of tax on power consumed in the project under the Madras Electricity (Taxation on consumption) Act, 1962 (amount of claim not ascertained).
11,81,64	3,78,26	(—)44,65	1,13,26	(+)68,61	1.7	*Includes Rs. 1,22,03,000 received from the Government of India for issue of shares.
						Pending finalisation of transfer proceedings by the Government of Madhya Pradesh in respect of land allotted to the Company, no provision has been made for any demand for the cost of land.

1	2	3	4	5	6	7	8
28.	Manganese Ore (India) Limited	Ministry of Steel, Mines and Metals	22-6-1962	2,15,45	..	49,34	2,64,79
		TOTAL .		1,74,32,68	1,80,57,22	49,34	3,55,39,24
	Figures for the year 1965-66			1,54,56,75	1,44,77,93	85,61	3,00,20,29
	Shipping						
29.	Mogul Line Limited (Year ending 31-12-1966)	Ministry of Transport and Shipping	2-8-1877	1,01,19	1,14,42	1,69,54	3,85,15
30.	Shipping Corporation of India Limited	Do.	2-10-1961	23,45,00	21,63,92	11,69,70	56,78,62
		TOTAL		24,46,19	22,78,34	13,39,24	60,63,77
	Figures for the year 1965-66			24,46,19	18,10,45	8,78,59	51,35,23

9	10	11	12	13	14	15
						No provision has been made for prospecting and exploration work amounting to Rs. 95 lakhs done by Indian Bureau of Mines.
						No provision has been made for penal interest in respect of certain Government loans.
						No provision has been made for arrears of (*a*) wages estimated at Rs. 1,54,902 payable since 1st January, 1967 in pursuance of Central Wage Board award for Iron Ore Mining Industry and (*b*) enhanced D.A. for February and March, 1967 payable in terms of Government orders dated 11th September 1967.
66,00	29,22	(+)1,09,27	..	(+)1,09,27	41·3	
2,20,16,97	54,78,16	(—)10,54,76	9,39,71	(—)1,15,05	..	
2,09,47,81	38,24,59	(+)70,63	7,31,53	(+)8,02,16	2·7	
1,87,22	2,23,50	(+)34,37	2,83	(+)37,20	9·7	
44,52,59	14,57,81	(+)5,00,25	93,50	(+)5,93,75	10·5	
46,39,81	16,81,31	(+)5,34,62	96,33	(+)6,30,95	10·4	
33,58,43	14,26,59	(+)2,68,25	63,45	(+)3,31,70	6·5	

1	2	3	4	5	6	7	8
Ship-building and Repairing							
31.	Hindustan Shipyard Limited	Ministry of Transport and Shipping	21-1-1952	6,02,85	21,33	2,52	6,26,70
32	Mazagon Dock Limited	Ministry of Defence	26-2-1934	2,68,00	2,36,00	53,42	5,57,42
33.	Garden Reach Workshops Limited*	Do.	26-2-1934	1,20,00	93,21	72,03	2,85,24
		TOTAL		9,90,85	3,50,54	1,27,97	14,69,36
	Figures for the year 1965-66			8,70,85	2,45,78	1,10,69	12,27,32
Steel							
34.	Hindustan Steel Limited	Ministry of Steel, Mines and Metals	19-1-1954	5,28,00,00	5,00,50,03	..	10,28,50,03
		TOTAL .		5,28,00,00	5,00,50,03	..	10,28,50,03
	Figures for the year 1965-66 .			5,28,00,00	4,32,10,03	..	9,60,10,03

9	10	11	12	13	14	15
3,15,51	2,61,39	(+)3,68	93	(+)4,61	0·7	Claims to the extent of Rs. 17·78 lakhs made by the Company have not been accepted by the customers. In addition, claims/deductions have been made by the customers to the extent of Rs. 18·24 lakhs which have not been accepted and provided for by the Company.
1,49,71	82,67	(+)24,90	11,48	(+)36,38	6·5	
1,09,53	1,03,72	(+)42,34	6,06	(+)48,40	17·0	
5,74,74	4,47,78	(+)70,92	18,47	(+)89,39	6·1	
4,54,89	4,17,29	(+)54,76	14,75	(+)69,51	5·7	
6,26,62,51	2,38,80,74	(—)20,55,57	25,46,46	(+)4,90,89	0·5	The closing stock has been valued at cost or market price, whichever is lower, adopting the market price as (*a*) contract price in case of stock covered by specific orders, (*b*) stock-yard prices in case of stocks held at stock yards and (*c*) Joint Plant Committee prices where such prices are prescribed. The closing stock should have been valued at cost or net realisable value i.e. market price less provision for selling and administrative expenses, whichever is lower. The extent of over-valuation of closing stock resulting from the adoption of market price instead of the net realisable value could not be determined.
6,26,62,51	2,38,80,74	(—)20,55,57	25,46,46	(+)4,90,89	0·5	
5,84,60,12	1,90,88,99	(+)1,66,59	18,97,97	(+)20,64,56	2·2	

1	2	3	4	5	6	7	8
Miscellaneous							
35.	National News-print and Paper Mills Limited	Ministry of Industrial Development and Company Affairs	25-1-1947	4,94,52*	2,72,83@	74,59	8,41,94
36.	Hindustan Photo Films Manufacturing Company Limited	Do.	30-11-1960	4,70,00	7,09,66	..	11,79,66
37.	State Trading Corporation of India Limited	Ministry of Commerce	18-5-1956	2,00,00	13,47,07	9,28,81	24,75,88
38.	Minerals and Metals Trading Corporation of India Limited	Do.	26-9-1963	3,00,00	3,47,83**	5,30,45	11,78,28
39.	Indian Oil Corporation Limited	Ministry of Petroleum and Chemicals	30-6-1959	71,17,72£	84,56,69	4,15,94	1,59,90,35

9	10	11	12	13	14	15
3,56,16	3,08,52	(+)32,89	17	(+)33,06	3·9	*Includes Rs. 4,30,152 received on forfeited shares. @Includes Rs. 22 lakhs being interest free loan from the Government of Madhya Pradesh secured by a charge on factory buildings and office buildings and mill water works. Depreciation has not been provided for on machinery worth Rs. 2,24,973 installed but not commissioned.
9,67,16	48,00	(—)63,61	37,03	(—)26,58	..	
40,82	9,38	(+)2,35,35	73,75	(+)3,09,10	12·5	
32,33	7,02	(+)9,25,90	..	(+)9,25,90	78·6	**From State Trading Corporation of India Limited to be converted into reserves pending approval of the Court.
1,15,89,955	10,18,96	(+)6,26,40	4,95,26	(+)11,21,66	7·0	£ Includes Rs. 4,11,50,000 received from the Government of India for issue of shares. S No provision has been made for balance amount payable after adjustment of advances in respect of land acquired for Refineries at Gauhati and Barauni.. Arrangements for the participation of the States of Assam and Bihar in the equity capital for consideration given and documentation

1	2	3	4	5	6	7	8
40. Engineers India Limited	Ministry of Petroleum and Chemicals	[illegible]	[illegible]	[illegible]	..	[illegible]
41. Ashoka Hotels Limited	Ministry of Works Housing and Supply	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42. Janpath Hotels Limited	Do.	[illegible]	[illegible]	[illegible]	..	[illegible]
43. Hindustan Housing Factory Limited	Do.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44. National Buildings Construction Corporation Limited	Do.	[illegible]	[illegible]	[illegible]	..	[illegible]
45. National Projects Construction Corporation Limited	Ministry of Irrigation and Power	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46. Hindustan [illegible] Corporation Limited	Ministry of Steel, Mines and Metals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

9	10	11	12	13	14	15
						in respect of land acquired for the Refineries and land and buildings acquired from the Railways at Hathidah have not been completed so far.
						No provision has been made for income tax liability on account of tax on profit of foreign contractors payable by the Company (amount not ascertained).
5,19	96	(—)8,94	4	(—)8,90	..	No provision has been made for additional liability in respect of claims for undischarged debts for dollar commitments (due to devaluation).
1,75,44	1,16,18	(+)27,49	1,35	(+)28,84	14·6	
26,56	8,84	(—)3,58	71	(—)2,87	..	
44,04	20,98	(+)6,77	2,07	(+)8,84	8·3	
35,54	26,28	(—)17,18	7,00	(—)10,18	..	A reserve of Rs. 2,35,310 only has been made for defective and late completion of works, excess consumption of materials, etc. for which the clients made total deduction of Rs. 18,58,625 up to March, 1967 from the running bills.
5,13,26	2,51,21	(+)24,83	11,07	(+)35,90	7·3	
1,21,65	35,22	(+)70,25	1,00	(+)71,25	49·9	

1	2	3	4	5	6	7	8
47.	Central Fisheries Corporation Limited	Ministry of Food, Agriculture, Community Development and Co-operation	29-9-1965	54,00	..	..	54,00
48.	Central Road Transport Corporation Limited	Ministry of Transport and Shipping	6-3-1964	34,01	46,58	1,34	81,93
		TOTAL .		92,70,74	1,16,72,43	21,47,09	2,30,90,26
	Figures for the year 1965-66 .			80,50,50	87,21,04	14,22,43	1,81,93,97
	TOTAL OF RUNNING CONCERNS			12,35,14,08	12,28,37,84	72,95,51	25,36,47,43
	Figures for the year 1965-66			10,76,06,33	9,05,81,56	56,56,87	20,38,44,76
II.	PROMOTIONAL AND DEVELOPMENTAL UNDERTAKINGS						
49.	National Small Industries Corporation Limited	Ministry of Industrial Development and Company Affairs	4-2-1955	50,00	17,24,59	2,20,95	19,95,54
50.	National Industrial Development Corporation Limited	Do.	20-10-1954	10,00	10,19,49	17,16	10,46,65
51.	Rehabilitation Industries Corporation Limited	Ministry of Labour, Employment and Rehabilitation	13-4-1959	2,20,00	1,81,45	..	4,01,45

9	10	11	12	13	14	15
14,46	2,17	(—)5,61	..	(—)5,61	..	Some of the assets of the Fisheries Department of the Damodar Valley Corporation at book value have been taken over by the Company, but these assets have not been brought into the books. Out of these assets, some have been sold during the year and the sale proceeds of Rs. 10,271·64 have been credited to Profit and Loss Account without debiting the cost thereof.
51,44	25,69	(—)14,06	2,86	(—)11,20	..	
1,39,74.00	18,79,41	(+)18,36,90	6,32,31	(+)24,69 21	10·7	
1,00,02,15	11,99,30	(+)8,66,47	3,95,54	(+)12,62,01	6·9	
14,50,20,20	4,51,42,91	(—)21,06,15	60,14,75	(+)39,08,60	1·5	
11,70,66,16	3,50,79,39	(+)12,08,15	40,21,99	(+)52,30,14	2·6	
1,86,10	78,19	(—)29,71	78,61	(+)48,90	2·5	
3,25	1,66	(+)6,12	55,23	(+)61,35	5·9	
96,20	14,76	(—)29,36	8,27	(—)21,09	..	Depreciation amounting to Rs. 2,81,852 on the additions to the fixed assets deemed to have been made on 31st March, 1966 has not been provided for in the accounts of this year.

[illegible]	Ministry of Labour, Employment and Rehabilitation	[illegible]	[illegible]	..	[illegible]	[illegible]
53. National Research Development Corporation of India	Ministry of Education	[illegible]	[illegible]	[illegible]	..	[illegible]
54. National Seeds Corporation Limited [illegible]	Ministry of Food, Agriculture, Community Development and Co-operation	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
55. India Tourism Development Corporation Limited	Ministry of Tourism and Civil Aviation	[illegible]	[illegible]	[illegible]	..	[illegible]
TOTAL OF TRADING AND COMMERCIAL CORPORATIONS			[illegible]	[illegible]	[illegible]	[illegible]
Figures for the year [illegible]			[illegible]	[illegible]	[illegible]	[illegible]

III. COMPANIES UNDER CONSTRUCTION

56. [illegible] Limited	Ministry of Industrial Development and Company Affairs	[illegible]	[illegible]	[illegible]	..	[illegible]

9	10	11	12	13	14	15
						Provision for depreciation for the period prior to 1st April, 1963 in respect of Behala and No. I Bon-Hooghly Industrial Estates has not been made as the value of the assets completed during the period could not be assessed.
6	6	(−)54	..	(+)54	3·9	
12,51	9,36	(—)3,39	1,74	(—)1,65	..	
15,85	1,77	(+)11,63	89	(+)12,52	12·7	
..	..	..	..	..	..	Accounts not received.
3,13,97	1,05,80	(—)44,17	1,44,74	(+)1,00,57	2·8	
3,28,77	83,38	(—)11,73	1,26,50	(+)1,14,77	3·6	
1,51,10	5,27	..	6,20	(+)6,20	1·2	

1	2	3	4	5	6	7	8
57.	Triveni Structural Limited	Ministry of Industrial Development and Company Affairs	3-7-1965	1,60,00*	..	..	1,60,00
58.	Cement Corporation of India Limited	Do.	18-1-1965	1,79,16	..	..	1,79,16
59.	Bharat Heavy Plate and Vessels Limited	Do.	25-6-1966	24,00	..	..	24,00
60.	Hindustan Organic Chemicals Limited	Ministry of Petroleum and Chemicals	12-12-1960	2,69,19	..	..	2,69,19
61.	Pyrites and Chemicals Development Company Limited	Do.	22-3-1960	2,20,74	..	..	2,20,74
62.	Cochin Refineries Limited (Year ending 31-8-1966)	Do.	6-9-1963	6,97,60‡	17,85,00	52	24,83,12
63.	Madras Refineries Limited	Do.	30-12-1965	8,50,02**	..	..	8,50,02
64.	Lubrizol India Limited	Do.	20-7-1966	24,85*	..	..	24,85

9	10	11	12	13	14	15
11,58	66	..	..	..	..	*There is an ascertained liability of Rs. 4 lakhs in favour of the Collaborators (total amount payable Rs. 20 lakhs less Rs. 16 lakhs already paid in the form of equity shares) to be discharged by the allotment of equity shares. No provision for this liability has been made in the accounts as according to the terms of agreement the allotment of share capital on account of this liability should not exceed 10% of the subscribed capital at any time.
19,34	7,45	..	..	..	..	
1,00	4	..	..	..	..	
1,07,78	5,64	..	..	..	..	
60,74	3,33	..	..	..	..	
59,14	1,55	..	39,20	(+)39,20	1·6	‡Includes Rs. 79,875 received on forfeited shares.
2,78	41	..	..	..	..	**Includes Rs. 2,62,95,402 received for issue of shares.
6,79	5	..	..	..	..	*Includes Rs. 2,16,974 received from the Collaborators to be adjusted against issue of shares.

1	2	3	4	5	6	7	8
65.	Madras Fertilizers Limited	Ministry of Petroleum and Chemicals	8-12-1966	7,50£	..	..	7,50
66.	Bokaro Steel Limited	Ministry of Steel, Mines and Metals	29-1-1964	37,99,00&	89,65	..	38,88,65
67.	Bharat Aluminium Company Limited	Do.	27-11-1965	1,04,26£	..	..	1,04,26
68.	Hindustan Zinc Limited	Do.	10-1-1966	4,63,50	6,20,25	..	10,83,75
69.	Hindustan Latex Limited	Ministry of Health and Family Planning	1-3-1966	15,00	..	..	15,00
70.	Modern Bakeries Limited	Ministry of Food, Agriculture, Community Development and Co-operation	1-10-1965	44,98	25,00	..	69,98
	TOTAL OF COMPANIES UNDER CONSTRUCTION . .			71,88,33	27,21,47	52	99,10,32
	Figures for the year 1965-66 .			1,08,62,17	46,52,82	51	1,55,15,50
	GRAND TOTAL . .			13,10,88,30	12,85,75,40	75,50,23	26,72,13,93
	Figures for the year 1965-66 .			11,87,89,75	9,78,82,86	59,15,21	22,25,87,82

9	10	11	12	13	14	15
..	..	..	..	..	..	Accounts not due. £Represents advance received from the Government of India for issue of shares.
8,40,29	19,00	..	5,90	(+)5,90	0·2	& Includes Rs. 4,33,25,000 received from the Government of India for issue of shares.
2,3[illegible]	15	..	..	..	..	£ Includes Rs. 26,93,95) received from the Government of India for issue of shares and Rs. 30,92,949 due to Government to be adjusted against issue of shares.
..	..	..	..	..	..	Annual accounts not prepared by the Company.
66	9	..	..	..	..	
4,58	..	(—)2,53	..	(—)2,53	..	
12,68,16	43,64	(—)2,53	51,30	(+)48,77	0·5	
41,85,90	2,30,14	(—)2,03,83	1,62,21	(—)41,62	..	
14,00,86,71	4,52,92,35	(—)21,52,85	62,10,79	(+)40,57,94	1·5	
12,15,80,83	3,53,92,91	(+)9,92,59	43,10,70	(+)53,03,29	2·4	

1	2	3	4	5	6	7	8
Subsidiary Companies							
71. Handicrafts and Handlooms Exports Corporation of India Limited			11-4-1958	40,00	40,00	..	80,00
72. Sambhar Salts Limited (Year ending 30-9-1966)			30-9-1964	1,00,00	..	12,17	1,12,17
TOTAL OF SUBSIDIARY COMPANIES				1,40,00	40,00	12,17	1,92,17
Figures for the year 1965-66 .				1,40,00	40,00	6,11	1,85,11

9	10	11	12	13	14	15
3,39	2,88	(—)12,20	2,95	(—)9,25	..	Subsidiary to State Trading Corporation of India Limited.
97,61	5,93	(+)29,53	..	(+)29,53	26·3	Subsidiary to Hindustan Salts Limited.
1,01,00	8,81	(+)17,33	2,95	(+)20,28	10·5	
1,03,47	5,32	(+)28,58	2,04	(+)30,62	16·5	

ANNEXURE 'B'

STATEMENT SHOWING THE DIVIDEND PROPOSED/DECLARED DURING 1966-67

(Figures in thousands of Rupees)

Sl. No.	Name of the Company	Amount of dividend	Paid-up capital
1.	Hindustan Teleprinters Limited	1,64	82,00
2.	Indian Telephone Industries Limited . . .	33,77	4,66,82
3.	Bharat Electronics Limited	36,49	5,21,25
4.	Tungabhadra Steel Products Limited . . .	4,18	1,01,00
5.	Hindustan Antibiotics Limited	37,09	2,47,26
6.	Hindustan Insecticides Limited	7,53	1,25,47
7.	Indian Rare Earths Limited	8,00	1,00,00
8.	Manganese Ore (India) Limited	16,88	2,15,45
9.	Mogul Line Limited	7,59	1,01,19
10.	Mazagon Dock Limited	9,93	2,68,00
11.	Garden Reach Workshops Limited . . .	8,40	1,20,00
12.	National Newsprint and Paper Mills Limited . .	29,41	4,94,52
13.	Hindustan Housing Factory Limited . . .	2,94	48,99
14.	Indian Oil Corporation Limited	4,02,37	71,17,72
15.	State Trading Corporation of India Limited . .	20,00	2,00,00
16.	Minerals and Metals Trading Corporation of India Limited	30,00	3,00,00
17.	Hindustan Steelworks Construction Limited. .	3,45	23,00
18.	National Projects Construction Corporation Limited	6,00	2,00,00
19.	Ashoka Hotels Limited	7,15	1,50,00
	TOTAL	6,72,82	1,08,82,67

ANNEXURE 'C'

STATEMENT GIVING THE DETAILS OF THE SUBSIDIES RECEIVED BY THE COMPANIES UP TO 31ST MARCH, 1967

Sl No.	Name of the Company	Subsidy received during 1966-67	Total subsidy received up to 31st March, 1967	Purpose of subsidy	Remarks
1	2	3	4	5	6
		Rs.	Rs.		
1.	Hindustan Machine Tools Limited	..	7,69,820	Subsidy for construction of quarters under Subsidized Industrial Housing Scheme.	
2.	Hindustan Aeronautics Limited	5,44,775	8,14,775	Do.	
3.	Indian Telephone Industries Limited	..	5,34,666	Do.	
4.	National Newsprint and Paper Mills Limited	..	4,77,050	Do.	
5.	The Fertilizer Corporation of India Limited	..	10,17,579	(i) Subsidy for construction of quarters under Subsidized Industrial Housing Scheme . . . . Rs. 9,56,023 (ii) From the Government of Assam against stipend to trainees . . . Rs. 60,000 (iii) Grant-in-aid for school . Rs. 1,556	

1	2	3	4	5	6
6.	Fertilisers and Chemicals, Travancore Limited	29,20,606	30,16,856	(*i*) Subsidy for construction of quarters under Subsidized Industrial Housing Scheme . . . . Rs. 2,02,500 (*ii*) On account of increase in the cost of raw materials . . . . Rs. 28,14,356	
7.	Heavy Electricals (India) Limited	..	1,20,000	For hospital maintenance.	From the Government of Madhya Pradesh.
8.	Hindustan Cables Limited	..	71,000	For school building	From the Government of West Bengal.
9.	National Coal Development Corporation Limited	66,49,051	3,75,13,993	(*i*) For sand stowing . . Rs.1,45,56,463 (*ii*) For difficult and gassy mining . . . Rs.1,73,10,578 (*iii*) For hospital maintenance Rs.12,65,432 (*iv*) For miners' quarters . Rs.43,81,520	From 1962-63 onwards.
10.	Hindustan Shipyard Limited	1,48,42,140	12,94,27,312	For meeting operational deficit towards higher cost of ship construction.	
11.	Mogul Line Limited	24,65,217	1,11,52,889	For meeting operational deficit of India-Burma service for repatriation of Indian Nationals.	
12.	State Trading Corporation of India Limited	2,65,38,894	2,72,22,165	(*i*) For meeting preliminary expenses in regard to the setting up of State Trading Corporation of India as a limited Company . Rs. 2,00,000	

				(*ii*) For meeting expenses pertaining to the Company's participation in Chicago and New York Fair . . Rs. 43,946 (*iii*) For organisational expenses in respect of H.E.O. for the period from January, 1959 to December, 1960 . . . . Rs. 4,00,000 (*iv*) From the Government of India . . . . Rs.2,63,66,010 (*v*) Grant-in-aid for Nairobi office Rs.2,12,209
13.	National Small Industries Corporation Limited	59,40,884	4,86,96,051	For meeting expenses on promotional activities and in lieu of concessional rate of interest on loans drawn for commercial activities.
14.	National Industrial Development Corporation Limited	..	13,09,366	For meeting operational deficit.
15.	National Research Development Corporation of India	1,75,000	5,10,000	To cover interest on Government loans. A sum of Rs. 1,41,960 is receivable in addition.
16.	Handicrafts and Handlooms Exports Corporation of India Limited	21,89,467	64,75,395	(*i*) Grant from Marketing Development Fund for export promotion and trade development . . . . Rs.41,76,026 (*ii*) Losses reimbursed by State Trading Corporation of India Limited . . . Rs.22 99,369
	TOTAL . . .	6,22,66,034	26,91,28,917	

II. THE FERTILIZER CORPORATION OF INDIA LIMITED

A. Capital structure

On 31st March, 1967 the authorised capital of the Company was Rs. 7,500 lakhs and paid-up capital, wholly subscribed by the Government of India, amounted to Rs. 5,150·14 lakhs. In addition, the Company also received an advance of Rs. 640 lakhs from the Government of India towards equity shares.

The amount of long-term loans taken by the Company and outstanding as on 31st March, 1967 was Rs. 6,677·11 lakhs as detailed below:—

(Rupees in lakhs)

1. From the Government of India (excluding interest accrued and due—Rs. 20.83 lakhs)	4,873.74
2. From the Government of Punjab (for Nangal Unit in connection with the subsidised Housing Scheme)	6.11
3. From State Agency for International Development, U.S.A. (for Trombay Unit)	1,797.26
	6,677.11

The Company also obtained cash credit facilities from the State Bank of India to the extent of Rs. 705·54 lakhs against hypothecation of stores, stocks and book debts.

The allocation of capital and cash credit among its various Units/Divisions as on 31st March, 1967 was as under:—

(Rupees in lakhs)

	Capi al	Cash credit
1. Head Office	..	301.35
2. Sindri	1,700.00	176.50
3. Nangal	2,178.44	131.88
4. Trombay	280.70	51.54
5. Namrup	848.00	20.17
6. Gorakhpur	649.00	9.88
7. Durgapur	134.00	14.22
TOTAL .	5,790.14	705.54

In respect of loans taken from the Government of India, no allocation has, however, been made by the Company among its various Units/Divisions.

The Company has nine Units (viz. Head Office, Sindri, Nangal, Trombay, Namrup, Gorakhpur, Durgapur, Korba and Planning and Development Division) which are independent entities. Expenses relating to Head Office are allocated to the various Units *pro rata* on *ad hoc* basis. Similarly, the services rendered by the Planning and Development Division are charged to the various Units on the basis of the services availed.

The following paragraphs contain the review on the working of two Units of the Corporation *viz.* Trombay and Sindri.

B. TROMBAY UNIT

1. Introduction

In April, 1959 the Government of India approved the establishment of a fertilizer factory at Trombay to utilise the gas available with Burmah Shell and Standard Vacuum Refineries. Two plants were to be set up under the original Project, one for production of Urea with a capacity of 97,500 M. tons (subsequently increased to 99,000 M. tons) a year and the other for production of Nitrophosphate with a capacity of 2,54,000 M. tons (subsequently increased to 3,30,000 M. tons) a year. In December, 1962 Government approved the addition of the Methanol Plant with a capacity of 30,000 M. tons a year.

2. Agreements

(a) *Agreement for the supply of Ammonia, Urea and Nitric Acid Plant*

(i) The Unit entered into an agreement with a foreign firm on 22nd March, 1961 for the supply of Ammonia, Urea and Nitric Acid Plant and for supervisory services for the installation, start-up and test runs and for fulfilment of the performance guarantees. The effective date of the agreement was 27th June, 1961 when the first 7½ per cent. down payment provided for in the agreement was made.

According to the agreement the firm was to furnish outline drawings of foundations, civil works, etc. between October, 1961 and April, 1962 in accordance with the "estimated schedule" laid down in clause 3.7(a) and deliver machinery, equipment and materials within 18 months from the date of receipt of necessary import licences. The agreement also provided that, if for no fault of the firm, the Plant was not ready for initial operations within 48 months from the effective date of the agreement, the firm should be deemed to have satisfied its obligation.

There were delays on the part of the firm ranging from 72 to 258 days in the supply of civil works outline drawings/designs and delays ranging from 7 months to 27 months in the delivery of the machinery, equipment and materials, with the result that the Plant was not ready for start-up operations by the stipulated date *i.e.* 27th June, 1965.

In June, 1965 the firm contended that since the Plant not ready for initial operations for reasons for which it was not responsible, fresh arrangements should be made for the continuance of its services.

For the delay in the supply of drawings and equipment by the firm, the Unit initially preferred a claim of $ 8,20,000 but subsequently withdrew it for the following reasons:—

(1) The firm was not contractually responsible for consequential or indirect damages.

(2) The contract did not provide for any penalty for these delays and the schedule given for the scope drawings was only an "estimated" one.

(3) In any case, the Plant could not have been commissioned till the middle of May, 1965 for want of power.

The Ministry have stated (December, 1967) that "reasons for delay are many and all of them cannot be attributed to the Plant Supplier and the claim of $ 8·20 lakhs on M/s. Chemico, might not have been enforced even if the contract had a penal clause against delays on the part of the contractors".

(ii) In terms of clause 3.1 (c) and (d) of the agreement all freight, forwarding charges and insurance up to F.O.B. point were to be borne by the firm. The Unit first paid to the steamship company the freight which was charged by it and which included an element of loading charges between the F.A.S. point and F.O.B. point. A claim was subsequently made on the firm for $ 1,00,156 on the ground that the charges arose before the F.O.B. point. The firm, however, contended that its quotation at the time of negotiation was changed from F.A.S. to F.O.B., without any increase in the amount quoted, in order to save the Unit from making special arrangements for loading at U.S.A. ports. The Unit accepted the contention of the firm and did not pursue the claim.

The Ministry have stated (December, 1967) that "it was considered by FCIL that it would be inequitable to claim a refund of 'loading charges' on the ground that freight on shipments (paid by FCI) includes an element of loading charges".

(iii) By a supplementary agreement dated 27th June, 1965, the Unit agreed to extend the period for start-up operations by 6 months *i.e.* up to 27th December, 1965 and to release the firm from its obligations if it demonstrated the guarantees for only one instead of all the streams of the Plant as provided for in the original agreement. The Unit also agreed to bear the cost of stay (Rs. 26·36 lakhs) of the firm's personnel in India during the extended period.

The firm, however, failed to demonstrate successfully the operation of Urea and Nitric Acid Plants even at the end of the extended period and the Unit granted two further extensions, the first up to 31st January, 1966 for both the Plants, and the second up to 30th April, 1966 for Urea Plant. The operation of these Plants was demonstrated within these extended dates. The failure on the part of the firm to demonstrate guarantees in respect of each Plant by 27th December, 1965 resulted in an additional expenditure of Rs. 9·63 lakhs on the stay of its personnel for the period of the extensions which, in the absence of any penal provision in the agreement, was borne by the Company.

(b) *Agreement for the supply of Nitrophosphate Plant*

On 8th May, 1962 a contract for the design, engineering and supply of Nitrophosphate Plant, with a designed capacity of 1,100 M. tons of complex fertilizer per day by sulphonitric process or 900 M. tons per day by carbonitric process, was awarded to another foreign firm at a cost of $ 39,76,140 plus charges for the construction and start-up supervisory services estimated at $ 1,02,000.

According to clause 8·4 of the agreement, the successful demonstration of the operation of the Plant was to be completed within 9 months from the date on which the firm notified the Unit that the Plant was ready for initial operation. In the event of the Plant not fulfilling the requirements of production capacity, the firm was entitled to an extension of time up to 13 months from the date of start-up of the Plant under clause 8·5 of the agreement.

Although the firm notified the Unit on 30th June, 1965 that the Plant was ready for initial operation, it subsequently expressed its inability to demonstrate the performance by sulphonitric process. The Unit thereupon decided not to run the Plant by that process. The payment of $ 2,50,000 (Rs. 12 lakhs) as licence fee for incorporating the sulphonitric process thus proved infructuous. Besides, a sulphuric acid plant and an extra storage tank, installed at a total cost of Rs. 85·40 lakhs for this purpose, could not be fully utilised. As regards the sulphuric acid plant and an extra storage tank installed at a cost of Rs. 85·40 lakhs, the Ministry have stated (December, 1967) that the sulphuric acid is still required for carbonitric process.

In the carbonitric process the designed and guaranteed capacity of the Plant was 900 M. tons per day. Owing to various difficulties and shortcomings, the Plant could not, however, attain the designed capacity. According to an assessment of the Management based on more than a year's experience, the Plant could produce only 600 M. tons a day on a sustained load provided modifications at a cost of Rs. 15·00 lakhs were carried out.

According to clause 8 of the agreement, the firm was to pay penalties at stipulated rates subject to a maximum of $ 2,00,000 in the event of its failure to demonstrate the specified guarantees in respect of product yield and consumption of utilities. It was, however, free to effect any change deemed necessary by it to attain the designed production and to demonstrate the stipulated guarantees.

As the firm "failed to make any progress whatsoever either in the matter of bringing up the production capacity of the Plant or in mitigating the damages", the Unit informed it on 28th June, 1967 as follows:—

> "We notify you that we shall take over the legal control and supervision of the Nitrophosphate Plant with effect from 28th June, 1967 and remedy the defects of the Plant and/or rehabilitate it entirely at your risk and cost with such modifications and/or changes of process as may be advisable in order to get the desired resultant production, reserving at the same time our right to claim from you the entire expenditure so incurred and the losses and damages already suffered as well as those to which we may be entitled by reason of your continued breaches of the contract and, in particular, the heavy damages and losses incurred by us during the period from 1st December, 1966 up to the date of taking over the plant".

The Ministry have stated (December, 1967) as follows:—

> "The firm had time up to November, 1966 for proving the performance. The Corporation is initiating legal action".

(c) *Agreement for the supply of Methanol Plant*

(i) On 12th February, 1964 the Unit awarded a contract on a "turn-key" basis for the designing, engineering, supply, erection and commissioning of a Methanol Plant with a capacity of 100 M. tons per day to a third foreign firm at a cost of $ 60,44,890. Clause 8.09 of the agreement provided that the Plant would be ready for commissioning within fourteen months from the effective date of the agreement *i.e.* 1st September, 1964. The erection of the Plant was completed by 29th December, 1965 as against the date of 31st October, 1965 prescribed in the agreement.

Clause 8·01 of the agreement provided that test runs for the purpose of demonstration of guarantees would be conducted after the contractor had determined that the fully commissioned Plant was ready for testing, but not until the Plant had operated approximately on full load for at least two weeks. The Plant was commissioned in October, 1966 and demonstration of performance guarantees was completed in March, 1967 *i.e.* after a period of fifteen months from the date of erection. As the agreement did not prescribe any time limit for demonstration of guarantees after the completion of erection, no penalty could be levied on this account.

The Management have stated (December, 1966) that a Plant of this type ought to take only about 6 months for commissioning from the date of completion of erection. On this basis the extra expenditure incurred by the Unit on the salaries and wages of the operation and maintenance staff and overheads during the period of delay in commissioning the Plant amounted to Rs. 12 lakhs. Besides, there was loss of production of 7,500 M. tons of methanol, the sale price of which was Rs. 71·25 lakhs.

(ii) After the demonstration of performance guarantee in March, 1967 the firm claimed the balance of 5 per cent. of the plant price which was payable on satisfactory demonstration of performance. As the Unit had serious apprehensions regarding the reformer catalyst it agreed to make the 5 per cent. payment subject to the issue of a bank guarantee by the firm. When the guarantee was received it was found that two changes detrimental to F.C.I.'s interests had been made. As the firm did not execute the bank guarantee according to the terms of agreement, the balance of 5 per cent. of the plant price has not been released by the Unit.

The Management have stated (May, 1967) that the reformer catalyst of the Plant was not of the contracted quality, that it started showing signs of disintegration even before commencement of tests and that other sections of the Plant were also defective. The Plant was completely shut-down with effect from 21st April, 1967. The Plant was recommissioned on 3rd May, 1967, but there were several breakdowns in its functioning. On 8th July, 1967 the Unit took over the juridical possession of the Plant and tried it with a new catalyst. Except for some failures on the reformer tubes, the Plant is now being run successfully on partial load between 50 per cent. and 55 per cent.

The Ministry have stated (December, 1967) that "the question of the incapacity of Methanol Plant to produce owing to poor catalyst performance has been taken up actively by Fertilizer Corporation of India Limited with M/s. Girdler Corporation and it is intended to take legal action".

3. Targets and achievements

(a) *Delay in commissioning*

The following table indicates the scheduled dates of the commissioning of the various Plants as revised from time to time and the actual dates of commissioning:—

Name of the Plant	Original schedule (June, 1960)	1st revision (September, 1961)	2nd revision (December, 1962)	3rd revision (July, 1964)	Actual dates of commissioning
1. Ammonia .	November, 1963	January, 1964	April, 1964	October, 1964	15th October, 1965
2. Urea . .	Do.	Do.	Do.	Do.	31st October, 1965
3. Nitric acid .	Do.	Do.	Do.	December, 1964	Do.
4. Sulphuric acid .	..	November, 1963	June, 1964	February, 1965	31st January, 1966
5. Nitrophosphate	November, 1963	May, 1964	August, 1964	February, 1965	5th November, 1965
6. Methanol .	..	..	..	November, 1965	12th October, 1966

The delay in commissioning has been attributed by the Management to:

(i) delay in the award of contracts on account of re-invitation of tenders from the U.S. sources as the foreign exchange requirement of the Project was to be met out of U.S.A.I.D. loan only and late shipment of equipment on account of strike in the port of embarkation;

(ii) diversion of some of the equipments to other ports on account of congestion at Bombay port, resulting in loss of certain packages for replacement of which fresh orders had to be placed;

(iii) change in the product pattern of Nitrophosphate on account of the investigation carried out by a technical team;

(iv) delay in the execution of engineering and erection work on account of heavy monsoon and delay in receipt of scope drawings from the Plant suppliers;

(v) delay in obtaining certificate from the Boiler Inspector, import licence, etc.;

(vi) delay in making arrangements for carrying over-dimensional packages from Bombay port to factory site;

(vii) dispute between the Management and Plant suppliers regarding the quality of work of compressor foundation;

(viii) non-availability of power and water for start-up operations; and

(ix) defects in the Air-liquefaction plant at the commencement of trial operations.

The delay in the execution of the Project had the effect of pushing up the cost estimates by Rs. 236·54 lakhs (increase in the expenditure on construction—Rs. 167·81 lakhs and employment of staff in advance of the date of commissioning—Rs. 68·73 lakhs).

(b) *Production performance*

The Project was commissioned in October, 1965; the production guarantees in terms of the contracts were, however, demonstrated for Ammonia Plant in December, 1965, for Nitric Acid Plant in January, 1966, for Sulphuric Acid Plant in February, 1966, for Urea Plant in April, 1966 and for the Methanol Plant in March, 1967. The performance guarantee in the case of Methanol Plant has not been accepted as having been fulfilled by the Management as the Plant has not achieved the rated capacity. In respect of Nitrophosphate Plant, the suppliers have not so far demonstrated the performance.

The following table gives the production capacity of the factory and the production actually achieved thereagainst during the period from November, 1965 to March, 1967:—

(Figures in M. tons)

Name of the Plant	Rated capacity	Actual production		Percentage of production to capacity	
		1965-66 (November, 1965 to March, 1966)	1966-67	1965-66 (November, 1965 to March, 1966)	1966-67
Ammonia	1,15,500	12 274*	57,855	21.25	50.09
Urea	99,000	8,065	53,188	19.55	53.73
Nitrophosphate:					
(*a*) Sulphonitric process	3,30,000	The Plant has not been operated on this process for the reasons mentioned in para 2(*b*).			
(*b*) Carbonitric process	2,70,000	16,392	70,613	14.57	26.15
Nitric acid	1,05,600	6,703**	27,581	15.23	26.12
Sulphuric acid	66,000	1,276	8,350	11.6	12.65
Methanol	30,000	Commissioned in October, 1966	2,416	..	16.11

*Includes production of Ammonia in October, 1965 also.

**Commissioned on 31st January, 1966.

It will be seen that none of the Plants could achieve the rated capacity during the above period.

The Management have attributed the shortfall in production to the following factors:—

(i) Ammonia—technical defects in the Ammonia plant;
(ii) Urea—non-availability of Ammonia;
(iii) Nitric acid—under-capacity of Nitrophosphate Plant;
(iv) Nitric acid—lower production of Nitrophosphate;
(v) Sulphuric acid—failure of [illegible] process in the Nitrophosphate Plant affecting the production of sulphuric acid; and
(vi) Methanol—design defects in the Synthesis Section of the Methanol Plant.

Delay in the commissioning of the fertilizer group of plants by about 2 years and failure to achieve the rated capacity during the period from November, [illegible] to March, [illegible] resulted in a total loss of production of [illegible] M. tons of Urea ([illegible] M. tons on account of delay in commissioning and [illegible] M. tons on account of failure to achieve the rated capacity) and [illegible] M. tons of Nitrophosphate ([illegible] M. tons on account of delay in commissioning and [illegible] M. tons on account of failure to achieve the rated capacity).

As regards the shortfall in production of ammonia, the Ministry have stated (December, [illegible]) that "a committee appointed to study the shortfall in production has submitted its report and the recommendations are being implemented."

4. Consumption of raw materials and power.

The contracts for the supply of plants contained certain guarantees in respect of the consumption of raw materials and power. Though the firms have demonstrated fulfilment of such guarantees, in respect of the plants these guarantees were not fulfilled in actual operation during [illegible] as will be noticed from the data given below:—

(In M. tons)

Name of the Plant	Raw material required	Guaranteed consumption of raw material per M. ton	Actual consumption of raw material per M. ton	Excess consumption (percentage)
1. Ammonia	Naphtha	[illegible]	[illegible]	[illegible]
2. Urea	Ammonia	[illegible]	[illegible]	[illegible]
3. Nitric acid	Ammonia	[illegible]	[illegible]	[illegible]
4. Sulphuric acid	Sulphur	[illegible]	[illegible]	[illegible]
5. Nitrophosphate	Rock phosphate	[illegible]	[illegible]	[illegible]
	Nitric acid	[illegible]	[illegible]	
	Ammonia	[illegible]	[illegible]	
	Sulphuric acid	[illegible]	[illegible]	

Note.—[illegible]

The excess consumption of raw materials and power resulted in extra expenditure of Rs. 22·51 lakhs during 1966-67.

In this connection, the Ministry have stated (December, 1967) as follows :—

> "Owing to the various troubles in the Plant resulting in frequent shut-downs, the plants have not stabilised. Unless the Plants are stabilised, it is not possible to get the best efficiency. The guarantee test runs are conducted for 132 hours under very favourable conditions. The production and efficiency during this selected period cannot be expected to continue over the whole year. All attempts are being made to achieve this ideal condition".

5. Cost of production

The table below indicates the cost of production as estimated from time to time and the actual cost of production during the year 1966-67 :—

(Cost of production per M. ton of product)

Product	As estimated by the Tombay Fertilizer Project Committee	As per first sanctioned Project Estimate	As per Revised Project Estimate	As per budget (1966-67)	Actuals (1966-67)
1	2	3	4	5	6
	Rs.	Rs.	Rs.	Rs.	Rs.
1. Ammonia	325.00	401.00	449.00	590.62	875.56
2. Urea	360.00	434.80	483.70	612.03	878.41
3. Nitric acid	157.00	183.00	207.20	396.06	619.93
4. Nitrophosphate	232.00	248.30	286.90	545.52	704.88
5. Sulphuric acid	..	96.54	103.50	186.78	327.86
6. Methanol*	..	..	..	758.29	2,648.31

*Production commenced in October, 1966 only.

NOTE.—Figures against Nitrophosphate under columns 2, 3 and 4 relate to fertilizer of 12.9 : 12.9 grade by Sulphonitric process and those under columns 5 and 6 relate to fertilizer of 16 : 13 grade by Carbonitric process.

The high cost of production during 1966-67 has been attributed by the Management to:

(i) shortfall in production;

(ii) variations in consumption ratios of raw materials and utilities;

(iii) variations in price of raw materials and utilities; and

(iv) increase in fixed cost (i.e. depreciation and interest charges) due to devaluation.

6. Financial results

(i) The table below summarises the financial position of the Unit under broad headings for the last three years ending 31st March, 1967 :—

(Rupees in lakhs)

	1964-65	1965-66	1966-67
Liabilities			
(*a*) Inter Unit Accounts	1,980.60	2,680.69	2,708.80
(*b*) Borrowings :			
(*i*) Foreign credit	1,356·62	1,177.08	1,797.26
(*ii*) Cash credit	4.74	72.69	51.54
(*c*) Current liabilities and provisions	142.89	304.96	354.28
TOTAL	3,484.85	4,235.42	4,911.88
Assets			
(*d*) Gross block	443.75	3,360.67	4,558.33
(*e*) *Less* : Depreciation	36.28	142.93	442.37
(*f*) Net fixed assets	407.47	3,217.74	4,115.96
(*g*) Capital works-in-progress (including stores earmarked for capital jobs including in-transit)	2,176.95	510.99	16.53
(*h*) Construction period expenses pending allocation	573.86	..	..
(*i*) Current assets, loans and advances (including investments)	308.98	451.80	740.01
(j) Miscellaneous expenditure	17.59	54.89	39.38
TOTAL	3,484.85	4,235.42	4,911.88
Capital employed	573.56	3,364.58	4,501.69

NOTE.—Capital employed represents net fixed assets plus working capital.

(ii) *Working results.*—The Unit commenced production from October, 1965 and incurred a loss of Rs. 190·48 lakhs during 1965-66 and Rs. 407·75 lakhs during 1966-67.

7. Other topics of interest

(a) *Extra contractual payments*

(i) According to the agreement with the foreign firms for the supply of plants, the Unit was liable to reimburse the charges for furnished accommodation (without air-conditioning and refrigeration facilities) to the personnel of the suppliers. A total amount of Rs. 1·63 lakhs was, however, reimbursed by the Unit on account of air-conditioning and refrigeration facilities provided to these personnel.

(ii) Clause 8·6 (a) of the agreement with one of the foreign firms for the supply and erection supervision of Ammonia, Urea and Nitric Acid Plants provided for the payment of bonus for production in excess of 105 per cent. of the guaranteed production in all the streams. In the Urea Plant, the Unit, however, agreed to release the firm from all the obligations if it demonstrated the guarantee for one stream only. Accordingly, the firm demonstrated the operation of one stream of the Plant only and claimed bonus of $ 94,500 (Rs. 4·54 lakhs) in respect of all the streams. The amount was paid by the Unit in April, 1966.

In this connection, the Chief Engineer of the Plant had reported as follows :—

> "The plant when all the three streams are run, cannot produce 126·57×3=379·71 tonnes of Urea. The main bottleneck is Co_2 purification section......The Co purification as it is designed cannot supply Co_2 to make 380 tonnes of Urea. Without adequate capacity of this section, the capacity of subsequent section to produce 126·57 per cent. of designed capacity is only of academic interest, and is not eligible for production bonus".

The payment of bonus based on the performance of the one stream only was, therefore, un-justified.

(iii) While awarding the work of earth filling in the factory area to a firm on 24th December, 1960, the Unit agreed to increase the tendered rates by 12½ per cent. in consideration of the firm agreeing to waive certain conditions put forward in its tender. One of these conditions was that the Unit should "make necessary arrangements with Railway authorities and Bombay Municipality; and give a clear passage from the cutting site to the filling site".

In August, 1961 the firm represented for increase in rates on the ground that its transport cost had increased considerably owing to the small width of the Railway gate which also remained closed for 4 to 5 hours a day as against 1 to 1½ hours expected. Although the Unit was not contractually liable to increase the rates (since such a condition had been waived by the firm earlier) it agreed in June, 1963 to pay the firm an increase of 6½ per cent. over the approved tendered rate on account of hinderance caused in its work due to frequent closure of the Railway gate. The extra expenditure on this account worked out to Rs. 1·10 lakhs. In this connection, the Management have stated as follows :—

> "The payment was allowed so long as the impediment of the Railway passage continued and the moment the Railway overhead was constructed, the benefit of the additional increase was withdrawn".

(b) *Defective agreements for the supply of refinery gas and naphtha.*—On 22nd April, 1961 and 1st January, 1962 the Unit entered into agreements with two private oil refining companies for the supply of refinery gas by one and naphtha by the other for its Ammonia Plant. The agreements did not specify the minimum relative density of the gas/naphtha though the Plant was designed (on the basis of feed stock data supplied by the refining companies) for the consumption of gas having a relative density of 0·92 to 1·47 with an average of 1·12, and of naphtha having a relative density of 0·752.

Out of the four reactors of Ammonia Plant, commissioned on 15th October, 1965, three were designed for the consumption of either gas or naphtha and the fourth for the consumption of naphtha only. The Unit, however, decided to use refinery gas on two reactors and naphtha on the other two.

In actual operation the gas supplied by the refining company was found to be of a lower relative density (0·65) which affected the production of the Plant adversely and also caused certain explosions. On the matter being taken up by the Unit with the refining company, the latter stated on 16th February, 1966 that "we expect the relative density to average 0·6 but would recommend that any new equipment should cater for an estimated minimum relative density of 0·5".

As the supply of gas was much below the required specifications, the Unit switched over to the use of naphtha from 9th May, 1966 in all the four reactors. The actual relative density of the naphtha supplied by the refining company ranged from 0·6527 to 0·7467 as against the required specification of 0·752, with the result that the production capacity of the Plant was reduced by about 10 per cent.

The loss of Ammonia production on account of the supply of gas and naphtha of lower density was estimated by the Management at 16,891 M. tons during the period from October, 1965 to March, 1967.

In the absence of any stipulation in the agreements regarding the minimum relative density of gas and naphtha, the Management could not take any action against the private refining companies.

The Ministry have stated (December, 1967) that "the question of refinery gas has been taken up with M/s. Burmah Shell".

(c) *Idle plant.*—In June, 1963 the Unit imported a wagon tippler costing Rs. 16·07 lakhs for the purpose of unloading rockphosphate received in Railway wagons. The tippler was erected in February, 1965 at a cost of Rs. 6·36 lakhs.

On receipt of the first shipment of rockphosphate in May, 1965, the Unit invited tenders for transporting the material from docks to the rockphosphate storage. On the basis of the tenders received it was found that the transportation of the material by road was more economical than that by rail. This resulted in the wagon tippler remaining unutilised since the date of its installation.

In this connection, the Ministry have stated (December, 1967) that "when it was decided to have this wagon tippler, it was intended that the phosphate rock would be received by wagons. At present it is, however, cheaper to transport rockphosphate by road. This is the reason why wagon tippler has not been used... ... . Further, the Central Railway has not been able to place wagons at the disposal of Fertilizer Corporation of India. Negotiations are in progress with Railway authorities in this regard".

C. SINDRI UNIT

1. Introduction

The Sindri Fertilizers and Chemicals Limited (now a Unit of the Fertilizer Corporation of India Limited) was set up on 16th January, 1952.

The activities of the Sindri Unit of the Company up to the year 1960-61 were reviewed in para 100 of the Central Government Audit Report (Civil), 1962.

The following paragraphs contain the review on the working of the Unit for the period ending 31st March, 1967.

2. Loans

In respect of the loan of Rs. 7 crores obtained by the Company from Government for financing the expansion of Sindri Unit, the first instalment of the loan due on 1st October, 1962 was actually paid on 30th September, 1963, with the result that the Company lost the benefit of rebate amounting to Rs. 3·50 lakhs admissible for payment on the due date. The subsequent instalments were, however, paid regularly.

The Ministry have stated (November, 1967) that, as the terms of the loan of Rs. 7 crores were finalised on 10th May, 1963, there was no lapse on the part of the Company in making the payment of the first instalment of the loan due on 1st October, 1962.

It may be pointed out that the Company was aware of the policy decision of the Government of India contained in the Ministry of Finance (Department of Economic Affairs), O.M. No. F.7(2)-W&M/61 dated 1st June, 1961 according to which the Company should have made the payment of the 1st instalment of the loan on 1st October, 1962 (i.e. after two years from the date on which the Project went into production). Further, it may be mentioned that the Ministry of Petroleum and Chemicals in their letter No. Ferts/1102(25)/61 dated 21st October, 1964 rejected the request of the Company to get the rebate as the first instalment was paid in arrears.

3. Production performance

3.01 The table below indicates the rated capacity and actual production of the various plants for the last three years ending 31st March, 1967:—

Name	Rated capacity	Actual production	Shortage (—) or Excess (+) with reference to rated capacity
1	2	3	4
	M. tons	M. tons	Percentage
AMMONIUM SULPHATE			
1964-65	3,55,000	3,11,233	(—)12.3
1965-66	3,55,000	3,26,757	(—) 7.9
1966-67	3,55,000	3,14,002	(—)11.5
DOUBLE SALT			
1964-65	1,21,920	47,769	(—)60.8
1965-66	1,21,920	55,255	(—)54.6
1966-67	1,21,920	60,018	(—)50.8
UREA			
1964-65	23,470	17,945	(—)23.5
1965-66	23,470	19,025	(—)18.9
1966-67	23,470	18,529	(—)21.0

Ammonia Plants (Original and Expansion). The table below indicates the rated capacity and the actual production of ammonia in each of the Plants during the three years ending 1966-67:—

Year	Original Plant		Expansion Plant	
	Rated capacity	Actual production	Rated capacity	Actual production
	M. tons	M. tons	M. tons	M. tons
1964-65	96,000	93,256	62,370	37,120
1965-66	96,000	97,780	62,370	39,631
1966-67	96,000	91,840	62,370	43,974

Expansion Plant.—The Plant was designed to utilise the daily production of 10 million cubic feet of gas obtained from the Coke Ovens after processing the gas in the Gas Reforming Plant. The production of gas in Coke Ovens, which was always below the rated capacity, could not, however, be fully processed by the Gas Reforming Plant because of its intermittent functioning on 2 streams as indicated below, with the result that the unutilised gas amounting to 11·203 million NM³ had to be flared up during the three years ending 31st March, 1967:—

Year	Coke Oven Gas (Unit 1000 NM³)			
	Rated capacity	Produced	Utilised	Not utilised
1964-65	1,13,000	81,910	77,098	4,812
1965-66	1,13,000	79,608	76,290	3,318
1966-67	1,13,000	81,266	78,193	3,073

In connection with the attainment of the rated production in the Coke Ovens and the Ammonia Plant (Expansion), the Management stated in June, 1964 as follows:—

> "....the output of a total quantum of 10 million cubic feet of gas per day from the coke oven plant was calculated on the basis of utilisation of a certain amount of coal having high volatile content. Experience has shown that the processing of this type of high volatile coal beyond a point leads to the production of a type of coke which is definitely unsuitable for use in the semi-water gas generators in

It will be seen that all the three Plants did not attain the rated capacity.

The following reasons have been assigned by the Management for shortfall in production with reference to rated capacity:—

Ammonium Sulphate

(1) Shortfall in the production of ammonia in the Ammonia Plants (Original and Expansion) due to malfunctioning of the Plants and strike and lock-out during the period July-August, 1964 *vide* para 3.02.

(2) Low ammonia efficiency caused among other things by poor filterability of gypsum resulting in loss of substantial quantity of Ammonium Sulphate along with the Chalk sludge.

Double Salt

(1) *Lower availability of ammonia*.—Owing to the restricted availability of ammonia, the Company had to fix the budgeted production much below the rated capacity.

(2) Non-availability of better grade gypsum.

(3) Consumption of ammonia and nitric acid per M. ton of Double Salt was in excess of the prescribed limit.

(4) Low ammonia efficiency in Nitric Acid Plant which ranged between 88·9 per cent. and 90 per cent. in the years 1964-65 to 1966-67 as against the specified limit of 93 per cent.

Urea

(1) Restricted working of compressors due to increased maintenance.

(2) Low efficiency of ammonia which was 91·8 per cent. in 1964-65 and 91·7 per cent. in 1966-67 as against 94·7 per cent. guaranteed by the designers and 96 per cent. specified by the Management.

3·02 *Ammonia Plants*

The process of manufacture of all the three fertilizers at the Unit involves the consumption of ammonia which is produced in the

Sindri's old gas plant so much so that, as is well known, in one or two years the experiment led to a severe curtailment of ammonia production in the old ammonia plant with consequent fall in the production of Ammonium Sulphate. We have come to the conclusion that with the blend of coals which we can safely use to produce coke of a type suitable for use in the gas generators, we can in no circumstances, expect more than about 8½ million cft. of coke oven gas per day."

"....even after the extra compressors and other equipment are installed in the expansion ammonia plant in pursuance of the Expert Committee's recommendations, the stream efficiency of the Plant will increase to only 309 days" as against stream efficiency of 330 days per year prescribed by the designers.

The Ministry have stated (November, 1967) that "in order to attain the daily rated capacity of the Plant, it has been decided to install a Naphtha Gasification Unit to supplement Coke Oven Gas and this is expected to go into commission by July/August, 1968".

4. **Raw materials**

Sources of raw materials

Gypsum

(i) *Agreement for the supply of gypsum.*—Besides its own mines in Rajasthan from where gypsum is extracted departmentally or through contractors, the Company has a contract with a supplier for the supply of 3,00,000 tons of gypsum per year. In December, 1962 the supplier informed the Company that for maintaining further supply of high quality gypsum it would be necessary to shift the Jamsar Railway station and lines within six months and acquire the area thereunder. The supplier also requested the Company to bear a part of the compensation payable to the Railways and in return agreed to supply the entire quantity of gypsum of purity of 86 per cent. and above from the area to the Company without charging any premium for it. The area was estimated to bear 1 million ton of gypsum of 83 per cent. to 90 per cent. (average 86·5 per cent.) purity. The shifting of the Jamsar station was arranged at a total compensation of Rs. 9 lakhs out of which the Company's share amounted to Rs. 3 lakhs.

As the average purity of gypsum supplied from the area during the period from April, 1965 to March, 1967 ranged between 76·97 per cent. and 85·31 per cent. (except in May, 1966 when it was 86·10 per cent.) as against the purity of 86 per cent. stipulated in the agreement, the payment of Rs. 3 lakhs did not serve the intended purpose.

The Ministry have stated (November, 1967) that "though the purity of gypsum received from Jamsar did not come up to the expected level much operational difficulties in using the gypsum were not faced since the filterability was consistently good".

Coal

(i) *Shortage of coal.*—(a) During the period from April, 1962 to April, 1963 the Company received 15,564 M. tons of coal valued at Rs. 5·28 lakhs (inclusive of freight) short from the Bejdih/Methani Collieries owned by a private company. The shortage first came to the notice of the Plant Manager in October/November, 1962 when he attempted to link the R.R. weights with the actual weights recorded on the Company's weighbridge.

As the Company's weighbridge was also certified by the Railways it was considered by the Management that the shortages could be due either to shortloading by the collieries or to pilferage in transit. Accordingly the matter was taken up with the collieries and the Railways (South Eastern and Eastern Railways) in March, 1963. While the collieries contended that the loading had been done properly, the General Manager, South Eastern Railway intimated that the pilferage was taking place at various points beyond his jurisdiction. The General Manager, Eastern Railway, however, promised to take necessary action to improve the security arrangements.

While the matter was under correspondence as indicated above, it came to the notice of the Management that the Railway weighbridge at the collieries' siding had not been in order since April, 1962. In reply to an enquiry by the Company as to how clear R.Rs. giving the exact weight of coal in each wagon had been issued when the weighbridge was out of order, the Railways stated in November, 1963 that this was due to a clerical error.

As the clear R.Rs. were issued by the Railway authorities without actually weighing the wagons a suit was filed by the Company against the Railways in May, 1966 after protracted attempts to arrive at a settlement had failed. The decision of the Court is still (July, 1967) awaited.

(b) Another quantity of 17,949 M. tons of coal valued at Rs. 6·56 lakhs (inclusive of freight) supplied by above collieries was found short during the period from May, 1963 to December, 1964. The shortage was attributed by the Management to the non-weighment of the wagons by the Railways for want of weighbridge facilities. The matter was taken up with the suppliers and the Railways. The former declined to accept any liability on the ground that they had loaded the wagons up to the loading lines and the latter disowned responsibility on the plea that the coal had been booked at owner's risk.

The matter was, thereafter, taken up with the Coal Controller for settlement. As a reasonable basis for the assessment of the contents of wagons at the despatching end had not been settled initially, it was agreed in a meeting held on 16th September, 1965 between the representatives of the suppliers, Company and the Coal Controller that the suppliers should bear one-third of the value of the coal short supplied and the Company the value of the remaining shortage and whole of the railway freight. The cost including freight borne by the Company in accordance with this settlement amounted to Rs. 5·06 lakhs.

5. **Exchange of power with Damodar Valley Corporation**

The following table indicates the power generated in the Thermal Power House of the Unit, the power supplied to Damodar Valley Corporation and the power obtained from Damodar Valley Corporation during the five years ending March, 1967:—

Year	Units K.W.H. Power generated	Units K.W.H. Power obtained from Damodar Valley Corporation	Units K.W.H. Power supplied to Damodar Valley Corporation
1962-63 . . .	44,05,66,800	..	1,14,17,559
1963-64 . . .	46,59,58,600	..	3,38,56,045
1964-65 . . .	44,34,62,100	6,63,000	1,56,32,703
1965-66 . . .	42,34,85,200	2,22,67,000	8,14,323
1966-67 . . .	39,69,55,400	4,06,61,000	730

It will be seen that the off-take of power from Damodar Valley Corporation rose sharply during the years 1965-66 and 1966-67.

The Management have attributed the increased off-take of power from Damodar Valley Corporation to the breakdown of two of the generators in October, 1965. One of the generators which was recommissioned on 3rd February, 1966 again failed on 3rd March, 1966 and was recommissioned on 4th October, 1966. The other is still (May, 1967) to be recommissioned.

The cost of generation of power at the Thermal Power House of the Unit is Rs. 27 per M.W.H. as against the rate of Rs. 41·25 per M.W.H payable to the Damodar Valley Corporation. The extra expenditure on the power obtained from the Damodar Valley Corporation with reference to the cost of generation at the Unit's Thermal Power House amounted to Rs. 88·51 lakhs during 1965-66 and 1966-67.

6. **Manpower analysis**

(i) The table below indicates the staff position as on 1st January, 1965, 1966 and 1967 and 31st March, 1967:—

As on	Officers	Workers	Total staff
1-1-1965 . . .	378	7,662	8,040
1-1-1966 . . .	402	7,623	8,025
1-1-1967 . . .	414	7,586	8,000
31-3-1967 . . .	414	7,330	7,744

NOTE—1. The above figures do not include apprentices, trainees, etc.
2. The Project Report of the Unit did not lay down any norms for staff requirement.

In respect of technical staff a Technical Man Power Committee, appointed by the Board in July, 1961, recommended that the strength of technical staff should not exceed 5,904. Similarly, in respect of Accounts Department a firm of Consultants engaged in January, 1963 at a remuneration of Rs. 54,475 reported in August, 1963 that the reduction of staff from 309 to 204 was possible.

The following table indicates the proposals initiated by the Company for effecting reduction in staff and their implementation:—

Proposal	Position regarding implementation
(*i*) On 1-8-1964 the Board decided that no expenditure should be incurred on casual labour.	(*i*) The engagement of casual labour is being continued. In fact, the expenditure on their employment has been rising as indicated below :— Year — Expenditure 1964-65 . Rs. 4.37 lakhs 1965-66 . Rs. 4.60 lakhs 1966-67 . Rs. 6.13 lakhs
(*ii*) On the basis of a report prepared by a General Manager of the Company, two lists of 1,324 surplus employees (818 employees opting for transfer to other Units/Divisions and 506 employees who did not opt for transfer) were prepared by the Unit and submitted to the Board in December, 1964.	(*ii*) While deciding that Units/Divisions should absorb as many as possible of the employees opting for transfer the Board desired that the extent of surplus staff be examined further by the General Manager with the help of the Company's work-study engineers and other experts of his choice. The examination has not, however, been taken up so far (July, 1967).

In this connection, the Committee on Public Undertakings in para 238 of their 6th Report (Third Lok Sabha) observed as follows:—

> "There has been no manpower planning in the Sindri Unit from the very beginning. Neither did the Project Report indicate the staff requirements nor was any work study or job evaluation done later on to assess its requirements accurately. That unhealthy competition between the heads of the departments to have more and more men under them than was necessary should have resulted in proliferation of staff indicates failure of the top management to fix norms of work or relate it to actual needs. What is more, about 1,400 persons were recruited for the expansion of the Unit without an overall assessment of the staff requirements. Thus a good opportunity to absorb surplus personnel in the expansion of the plant was also lost. It is surprising that neither the Board of Directors nor the Government took note of this problem till 1959. Various Committees and specialist firms had subsequently to be appointed to assess the work-load and determine the staff strength entailing considerable labour and expenditure but a solution to the problem is not yet in sight".

(ii) *Overtime payment.*—Notwithstanding the fact that the Unit has surplus staff, the overtime payments were made on a large scale during the years 1964-65 to 1966-67 as indicated below:—

Year	Amount paid
1964-65	Rs. 16.02 lakhs
1965-66	Rs. 15.02 lakhs
1966-67	Rs. 17.57 lakhs

NOTE.—These figures do not take into consideration overtime payment at Chief Mining Engineer's Office, Jodhpur and Gypsum Mines.

7. Land

The following table indicates the utilisation of approximately 6,400 acres of land acquired by the Company in 1945-46 from the State Government of Bihar at a cost of Rs 58 lakhs (approximately).

Utilisation	Area in acres
(*a*) (*i*) Factory including Planning and Development Unit .	1,455
(*ii*) Township including Public Buildings and Places .	2,914
	4,369
(*b*) (*i*) Leased to Public/Private Bodies	501
(*ii*) Permanently transferred to the Bihar Institute of Technology	380
	881
(*c*) Not utilised up to 31st March, 1967	1,150
	6,400

The land acquired by the Company includes an area of 115 acres of homestead land valued at Rs. 1·04 lakhs which has not been made over by the State Government to the Unit so far (May, 1967), with the result that a sum of Rs. 1·29 lakhs (Rs. 1·04 lakhs as acquisition cost plus Rs. 0·25 lakh paid for rehabilitation of the evictees) remains blocked.

Lease deeds in respect of 264·19 acres of land leased by the Company to various parties, have not been executed so far (May, 1967) though some of the areas were leased as early as in 1950.

The Ministry have stated (November, 1967) that "steps are being taken to get lease agreements executed".

8. **Financial results**

(a) The table below summarises the financial position of the Unit under broad headings for the three years ending 31st March, 1967:—

(Rupees in lakhs)

	1964-65	1965-66	1966-67
Liabilities			
(*a*) Head Office and other Unit Accounts .	2,108.79	1,889.89	1,971.43
(*b*) Reserves and surplus	167.07	154.30	142.82
(*c*) Borrowings-cash credit	56.46	138.48	176.50
(*d*) Trade dues and current liabilities (including provisions)	165.24	147.97	171.59
TOTAL . . .	2,497.56	2,330.64	2,462.34
Assets			
(*e*) Gross block	4,501.15	4,524.66	4,565.44
(*f*) *Less* : Depreciation	2,885.55	3,075.99	3,252.47
(*g*) Net fixed assets	1,615.60	1,448.67	1,312.97
(*h*) Capital works-in-progress (including stores earmarked for capital jobs)	17.84	22.92	52.35
(*i*) Current assets, loans and advances (including investments)	864.12	858.95	1,096.87
(*j*) Miscellaneous expenditure	..	0.10	0.15
TOTAL . . .	2,497.56	2,330.64	2,462.34
Capital employed	2,314.48	2,159.65	2,238.25

NOTE.—Capital employed represents net fixed assets plus working capital.

(b) The working results of the Unit for the three years are tabulated below:—

(Rupees in lakhs)

	1964-65	1965-66	1966-67
(*i*) Profit before tax	113.47	157.02	105.95
(*ii*) Tax provision	..	..	..
Percentage of profit before tax			
(*a*) To Sales	7.8	10.3	7.4
(*b*) To Gross fixed assets . .	2.5	3.5	2.3
(*c*) To Capital employed . .	4.9	7.3	4.7

9. **Inventory**

(a) The following table indicates the comparative position of inventory and its distribution at the close of the last three years:—

(Rupees in lakhs)

	1964-65	1965-66	1966-67
Raw materials at cost	71.32	74.41	111.19
Stores, spare parts and packing materials (including in-transit) and loose tools (including food grains) at cost or under cost .	559.32	537.72	564.34
Semi-finished goods at cost . . .	2.97	16.45	20.47
Finished goods at cost	13.02	25.03	103.73
By-products at sale price . . .	0.90	1.38	0.96
TOTAL	647.53	654.99	800.69

(b) *Surplus stores.*—As on 31st March, 1967, the Unit was holding surplus stores of the value of Rs. 75·33 lakhs. Besides, the Unit was having stores worth Rs. 12·03 lakhs which had not moved since 1956. The surplus and slow moving stores still (June, 1967) await disposal.

In connection with the excessive holding of stores and spares, the Committee on Public Undertakings in paras 56 and 57 of their 6th Report (Third Lok Sabha) observed as follows:—

> "The Committee regret to observe that despite positive recommendations by the Tariff Commission and the Estimates Committee in 1959 and 1961 respectively, no concrete steps appear to have been taken to reduce the excessive stocks of spares and stores at Sindri; additional purchases continued to be made and the situation was rather allowed to worsen".

"The Committee are also not sure whether it would be possible to utilise surplus spares etc. in the new projects since the plant and other equipment in all the Units are not identical".

(c) The following table indicates the results of physical verification conducted during the last three years:—

(Rupees in lakhs)

	1964-65			1965-66			1966-67		
	Excesses	Shortages	Percentage to turnover	Excesses	Shortages	Percentage to turnover	Excesses	Shortages	Percentage to turnover
	1	2	3	1	2	3	1	2	3
Gypsum	4.47	..	(+)1.445	2.07	..	(+)0.641	13.70	..	(+)3.650
Steam coal	2.72	..	(+)2.463	1.17	..	(+)0.94	1.03	..	(+)0.768
Coking coal	..	2.88	(—)2.496	..	8.31	(—)5.79	7.75	..	(+)4.720
Coke	0.26	..	(+)0.243	4.51	..	(+)3.23	..	5.99	(—)4.160
Coke Breeze	..	0.03	(—)7.725	..	*0.11	(—)40.79	..	0.01*	(—)2.350
Ammonium Sulphate	..	15.70	(—)2.159	0.68	..	(+)0.081	4.66	..	(+)0.540
Double Salt	..	1.77	(—)1.005	..	1.44	(—)0.750	..	0.49	(—)0.226
Urea	..	2.63	(—)3.103	..	2.20	(—)2.290	..	1.35	(—)1.677
Recovered coke	..	..	..	..	..	..	0.04	..	(+)1.780
TOTAL	7.45	23.01		8.43	11.95		27.18	7.83	

	1964-65	1965-66	1966-67
Net results :	Shortages Rs. 15.56 lakhs	Shortages Rs. 3.52 lakhs	Excesses Rs. 19.35 lakhs

NOTE.—1. Coke Breeze was not evaluated by the Unit. Hence this has been evaluated at the rate of Re. 1 per M. ton on the basis of the evaluation done by the Unit in 1964-65, but has not been included in the total.

2. Transit losses and dust losses (Ammonium Sulphate) have been excluded from the above figures of excesses and shortages.

According to the Management, excesses and shortages were due to approximation involved in determining ground balances and errors in reporting consumption on account of incorrect recording by automatic weighers. Although the Estimates Committee in para 28 of their

120th Report (Second Lok Sabha) had emphasised the need of correcting the defects, if any, in the existing procedure for custody and control of stocks, no norms have so far (July, 1967) been laid down in respect of the various kinds of losses except in the case of Ammonium Sulphate where dust loss in production has been fixed at 1 **per cent.**

(d) The following table indicates the transit losses represented by difference between the invoiced weight and the weighbridge weight at Sindri in respect of gypsum, steam coal and coking coal during the years 1964-65 to 1966-67:—

Year	Nature of loss	Gypsum		Steam coal		Coking coal	
		M. tons	Value	M. tons	Value	M. tons	Value
1964-65	Transit loss	17,237	Rs. 9.88 lakhs	..	..	..	..
1965-66	Do.	11,241	Rs. 6.17 lakhs	4,536	Rs. 1.40 lakhs	11,481	Rs. 4.84 lakhs
1966-67	Do.	3,825	Rs. 2.17 lakhs	2,564	Rs. 0.83 lakh	13,156	Rs. 5.94 lakhs

10. **Pricing**

Retention prices of Ammonium Sulphate, Urea and Double Salt are fixed by the Government of India after a study of the cost of production. The table below indicates the retention prices of the above products fixed by the Government of India in 1964 and the actual cost of production for the last three years:—

Name of the Product	Retention price	Cost per M. ton		
		1964-65	1965-66	1966-67
	Rs.	Rs.	Rs.	Rs.
Ammonium Sulphate	316.00	285.25	284.81	302.00
Urea	582.00	522.63	500.34	513.16
Double Salt	426.00	451.47	440.94	432.82

The Board of Directors decided in September, 1965 to approach Government for an increase in the retention prices on the ground that, owing to statutory increase in the price of coal and freight on gypsum and the revision of pay scales and dearness allowance, the cost of production of Ammonium Sulphate, Urea and Double Salt had gone up by Rs. 23, Rs. 21 and Rs. 14 per M. ton respectively over the cost level of 1964-65 on the basis of which the existing retention prices had been fixed. The matter is still under correspondence (November, 1967).

11. Other topics of interest

11.01 *Unnecessary purchase of equipment*

For reducing the dust nuisance in the Semi-Water Gas Plant, the Company purchased in January, 1955 four dust collectors-Multiclone type valued at Rs. 1·64 lakhs from a firm of West Germany. The dust collectors were received in February, 1958 but could not be installed as certain modifications contemplated in the generators of the Semi-Water Gas Plant had not been completed.

The dust collectors were declared as surplus in August, 1963 and are still (May, 1967) lying in stock.

The Ministry have stated (November, 1967) that "as the installation of the Dust Collectors was major modification which had no direct bearing on the production, but at the same time, would result in appreciable downtime of the plant, it was not considered desirable to install these, particularly when the plant performance was not up to the mark, due to other difficulties" and that "efforts are being made to find a suitable use for these equipments".

11.02 *Demurrage charges*

The following table indicates the demurrage charges paid by Sindri Unit during the years 1961-62 to 1966-67 on account of detention of wagons beyond the permissible period:—

Year	Amount
1961-62	Rs. 7.00 lakhs
1962-63	Rs. 1.13 lakhs
1963-64	Rs. 1.68 lakhs
1964-65	Rs. 3.12 lakhs
1965-66	Rs. 2.60 lakhs
1966-67	Rs. 3.68 lakhs

In September, 1964 the Chief Finance and Accounts Officer submitted a report to the Board that the demurrage charges paid to the Railways were high and that these could be brought down by better co-ordination between Transportation and Material Handling Sections, better supervision and control so as to avoid loss of time in vibrators, etc. and control of pilots.

In order to effect improvement, the Unit in December, 1964 purchased one H.G.S. class engine at a cost of Rs. 92,000 and carried out certain additions and alterations to increase the tippler capacity.

Nothwithstanding the above improvements, the demurrage charges incurred by the Unit continued to be heavy as will be evident from the data for the years 1964-65 to 1966-67 given above.

III. HINDUSTAN CABLES LIMITED

1. Introduction

The Company which was incorporated on 4th August, 1952 took over the project for the manufacture of telecommunication cables in India which was being executed by Government as a departmental undertaking. As countrywide communication is a monopoly of the Indian Posts and Telegraphs Department, that Department is practically the sole customer of the products manufactured by the Company.

2. Capital structure

The authorised capital of the Company is Rs. 3 crores divided into 30,000 shares of Rs. 1,000 each. The issued and subscribed capital of the Company as on 31st March, 1967 was Rs. 279·47 lakhs (including advance of Rs. 65 lakhs for shares). Government have also from time to time advanced to the Company unsecured long-term loans which stood at Rs. 162·60 lakhs as on 31st March, 1967.

Besides, the Company has cash credit arrangements with the State Bank of India to the extent of Rs. 500 lakhs. The amount outstanding in the cash credit account as on 31st March, 1967 was Rs. 402·67 lakhs.

3. Expansion programme

The Company has taken up the following five expansion projects to supplement the existing capacity or to introduce new lines of production:—

(1) Extension of dry core cables to 3,200 Km. per annum.

(2) Plastic insulated telecommunication cables.

(3) Installation of wire drawing plant.

(4) Manufacturing unit for aluminium sheathed cables.

(5) Expansion of the existing capacity of the dry core plant up to 8,000 Km. per annum.

Besides, it proposes to take up the following three projects:—

(1) Establishment of a second cable factory at Hyderabad.

(2) Copper coated steel wire project.

(3) Type 174 coaxial cable project.

The table below indicates the estimated and actual costs as also the scheduled and the actual dates of completion of the five expansion projects which have been taken up:—

Sl. No.	Name of project	Cost (Rupees in lakhs)			Completion date		
		Original estimate	Revised estimate	Actual	Scheduled		Actual
					Original	Revised	
1.	Extension of dry core cables to 3,200 Km. per annum	112.00	143.03	133.50	May, 1963	May, 1965	October, 1965
2.	Plastic insulated telecommunication cables	45.50	54.32	49.41	Do.	Do.	Do.
3.	Installation of wire drawing plant	21.11	32.84	32.44	Do.	Do.	Do.
4.	Manufacturing unit for aluminium sheathed cables	212.00 (including township)	..	7.20 (up to May, 1967)	December, 1968	..	In progress
5.	Expansion of the existing capacity of the dry core plant up to 8,000 Km. per annum	509.00 (including township)	..	32.96 (up to May, 1967)	March, 1968	..	Do.

The Management have assigned (May, 1967) the following reasons for increase in the revised estimates over the original estimates of the projects at serial numbers 1 to 3 and for delay in their completion :—

Increase over original estimates

The original estimates drawn up in June, 1960 on the basis of the information supplied by the consultants in 1959 were tentative and had to be revised in May, 1963 after detailed study.

Delay in completion

(a) Delay in receipt of controlled materials *e.g.* cement, steel, G.I. pipes, etc.

(b) Delay in receipt of funds from Government.

The Management have further stated (October, 1967) as follows:—

(i) "Since the sanction to the projects was received from the Government in April, 1961 it gave 25 months time for completion of the projects. This date, however, proved to be unrealistic. Apart from normal delays involved in obtaining foreign exchange release, placing of indents on Director General of Supplies and Disposals, London, difficulty in procuring controlled materials like cement, steel pipes, G.I. pipes, etc. it was noticed that the deliveries of machines offered by the suppliers were such which would not have enabled Hindustan Cables Limited to complete the projects within the completion date originally envisaged".

(ii) "Immediately after firm indications of supply of machinery, etc. were available, a revised project report was prepared and submitted to Government during May, 1963 giving May, 1965 as the probable completion date".

4. Consumption of raw materials

The following table indicates the percentage and value of excess consumption over the standard consumption of some of the principal raw materials used in the manufacture of the cables during the last three years:—

(Rupees in lakhs)

Material	1964-65		1965-66		1966-67	
	Percentage	Value	Percentage	Value	Percentage	Value
		Rs.		Rs.		Rs.
Lead antimony .	3.30	0.97	2.75	3.15	5.78	7.58
Paper (ITS) .	45.41	4.60	31.70	3.71	36.66	7.78
Paper (CX) .	17.81	0.33	34.71	0.72	19.23	0.47
		5.90		7.58		15.83

It will be seen from the above that the percentage of excess consumption in respect of paper (ITS) and paper (CX) was quite heavy in all the three years. In respect of lead antimony the percentage increased considerably in 1966-67 as compared with the figures for 1964-65 and 1965-66.

In this connection, the Management have stated (November, 1967) as follows:—

(i) *Lead antimony.*—"A very high level of operational skill and perfection in machines and equipments will be required to work within the limits of standard consumption prescribed.

Although the foreign consultants have considered over-consumption of 1 per cent. as normal, in actual practice, taking into account the working and climatic conditions and operational skill available in this undertaking, it has not been possible to work within this limit at any time in the past. The over-consumption during 1966-67 was somewhat high, as two of our old lead presses with which the operators were familiar had broken down. Two new lead presses had to be operated extensively during this period, in which some teething troubles were initially experienced".

(ii) *Paper*.—"The paper used for insulation is a special quality paper requiring special tensile strength and insulating properties. We have so far been using in our works paper made by Messrs. Tullis-Russel and the quality of paper supplied by them had given us satisfactory performance in the past. With the increase in our capacity, Messrs. Tullis-Russel could not meet our total demand of insulating paper. We had, therefore, to tap other sources of supply. One such source was Messrs. Watson Limited of U.K. However, the quality of their paper could not come up to the standard of the quality manufactured and supplied by Messrs. Tullis-Russel".

5. **Utilisation of machines**

It will be seen from the table given below that in the I.T.S. (old and new) shop, O.L.P. shop, Armouring shop and Coaxial shop the percentage of idle time to the total scheduled hours ranged from 20.85 to 25.62, 21.63 to 30.02, 6.96 to 19.43 and 34.45 to 54.44 respectively during the years 1964-65 to 1966-67. Idle hours in all the shops mainly resulted from the breakdown of machines and lack of availability of work. In the case of I.T.S. shop idle time was also due to absenteeism.

Year	Total number of machines	Total number of scheduled hours excluding spare capacity and re-work	Total production hours	Total idle hours	Idle time percentage to total scheduled hours on account of: Lack of work	Lack of raw materials	Repairs breakdown, etc.	Absenteeism	Other causes	Total idle hours percentage to total scheduled hours	Re-work hours	Spare capacity hours
I.T.S. shop (old and new)												
1964-65 .	45	768711	592213	17[illegible]493	5.7[illegible]	2.70	3.61	7.17	3.73	22.97	Not recorded	Not recorded
1965-66 .	45	8[illegible]0020	[illegible]80743	179277	3.[illegible]4	1.17	5.00	8.87	2.27	20.85	3[illegible],125	17,384
1966-67 .	4[illegible]	871275	[illegible]	[illegible]	2.65	0.1[illegible]	[illegible].4[illegible]	10.7[illegible]	2.67	25.62	39,253	1,10,99
Old shop (Lead press)												
1964-65 .	3	21393	16766	4627	5.22	0.30	9.39	0.80	5.92	21.63	Not recorded	Not recorded
1965-66 .	3	25619	18489	7130	3.52	3.65	16.30	0.35	4.00	27.82	..	2,400
1966-67 .	3	2[illegible]297	1[illegible]7[illegible]1	75[illegible]6	3.59	1.95	18.91	0.20	5.37	30.0[illegible]	8	2,193
Armouring shop												
1964-65 .	6	33491	26983	6508	4.52	0.94	5.79	0.67	7.51	19.43	Not recorded	Not recorded
1965-66 .	9	[illegible]4[illegible]08	[illegible]9518	4390	3.65	0.07	3.[illegible]4	0.07	4.80	12.93	817	26,444
1966-67 .	9	34822	32[illegible]98	2424	0.14	0.46	[illegible].04	0.84	4.[illegible]8	6.96	198	24,274
Coaxial shop												
1964-65 .	13	49691	28058	21633	29.35	1.45	4.30	1.98	6.46	43.54	Not recorded	Not recorded
1965-66 .	13	54[illegible]55	35435	18620	18.16	1.38	7.13	3.55	4.23	34.45	622	50
1966-67 .	12	57320	26116	312[illegible]4	[illegible]2.86	0.01	6.96	1.63	2.98	[illegible]4.44	55[illegible]	..

In this connection, the Management have stated (October, 1967) as follows:—

(i) "As regards absenteeism, a very large percentage of our labour force is rural based and absenteeism is particularly high during some parts of the year. We have Attendance Bonus and other direct and indirect schemes meant for checking absenteeism. The scheme for encashment of leave has also been so devised as to improve the attendance of the workers. Despite these measures, it is not possible to reduce the absenteeism below certain level".

(ii) "As regards idle hours due to lack of work, ...the cable industry is a process industry where production in the subsequent stage primarily depends on the output of the previous stage. The main load centres in the factory are the I.T.S. (Insulating, Twisting and Stranding), Lead Press and Armouring. The parameters of work load for each of the load centres vary, depending upon the type of cable manufactured".

(iii) "As regards idle capacity due to machine breakdown, ...most of the equipment installed are 10 to 12 years old and have served most of the useful life. Further, to meet the increasing requirements of the P. & T., the Company is gradually going into 3 shift working, which places further strain on the old machines".

6. **Costing system**

The Company is following the system of job/process costing in order to ascertain the cost per cable Km. length.

The following features of the costing system have been noticed:—

(a) Standard costing system has not been introduced.

(b) There is considerable delay in the compilation of cost of major products.

(c) The system followed by the Company is not fully effective inasmuch as actual cost of production of a particular job order cannot be determined as the cost shown in a job cost sheet is not the actual cost but an estimated cost based on the standard consumption of materials fixed by the Planning Department.

7. **Accounting Manual**

An Accounting Manual laying down the detailed procedure for the maintenance and compilation of accounts has not been prepared. The instructions issued on the subject and included in the Financial

Hand Book prepared by the Company do not deal with many important aspects *e.g.* handling of cash, stores procedure, issue of raw materials and fixation of prices, etc.

The Management have stated (November, 1967) that "the Accounting Manual is under revision, and certain new chapters on subjects suggested by the Audit are being incorporated. It is expected that the Manual will be ready before the end of the current year".

8. **Internal Audit**

The system of internal audit is inadequate inasmuch as it does not extend to audit of projects and construction works, cost audit, audit of works' records and stock verification.

9. **Financial results**

(a) The table below summarises the financial position of the Company under broad headings for the last three years :—

(Rupees in lakhs)

	1964-65	1965-66	1966-67
Liabilities			
(*a*) Paid-up capital (including advance for shares)	179.47	179.47	279.47
(*b*) Reserves and surplus	69.94	73.07	87.97
(*c*) Borrowings (including cash credit) .	370.72	543.69	565.27
(*d*) Trade dues and other current liabilities (including provisions)	146.82	145.60	174.43
TOTAL . .	766.95	941.83	1,107.14
Assets			
(*e*) Gross block	410.26	470.83	512.06
(*f*) *Less* : Depreciation	104.27	138.14	170.38
(*g*) Net fixed assets	305.99	332.69	341.68
(*h*) Capital work-in-progress (including expenditure during construction not allocated) .	49.07	59.18	31.34
(*i*) Current assets, loans and advances (including investments)	400.49	544.09	734.12
(*j*) Development and commissioning expenditure	11.40	5.87	..
TOTAL . .	766.95	941.83	1,107.14
Capital employed	559.66	731.18	901.37
Net worth	238.01	246.67	267.44

NOTE.—1. Capital employed represents net fixed assets plus working capital.

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

(b) The working results of the Company for the last three years are tabulated below:—

(Rupees in lakhs)

	1964-65	1965-66	1966-67
(i) Profit before tax/loss	55.26	(—)16.57	36.22
(ii) Tax provision	15.00	..	18.00
(iii) Profit after tax	40.26	..	18.22
1. Percentage of profit before tax			
(a) To sales	15.17	..	5.71
(b) To gross fixed assets . . .	13.47	..	7.07
(c) To capital employed . . .	9.87	..	4.02
2. Percentage of profit after tax			
(a) To net worth	16.92	..	4.96
(b) To equity capital	22.43	..	6.52
(c) To capital employed . . .	7.19	..	2.02

10. Other topics of interest

Avoidable payment of electricity charges.—According to clause 15 of the agreement entered into by the Company with the Damodar Valley Corporation on 15th July, 1952 for the supply of electric energy, "maximum demand charges for any month and at any point of supply will be based on the maximum KVA demand for the month or 75 per cent. of the contract demand, whichever is higher".

On 12th November, 1964 the Company requested the Damodar Valley Corporation to increase its contract demand from 900 KVA per month to 1,750 KVA per month with effect from 1st January, 1965 and to 2,500 KVA per month with effect from 1st July, 1965. The Corporation acceded to the Company's request and on 5th December, 1964 forwarded to the Company a revised supplementary draft agreement which is still (July, 1967) to be formally executed.

During the period from January, 1965 to May, 1967 the actual off-take of energy by the Company was far below the enhanced contract demand, with the result that it had to make an extra payment of Rs. 1·71 lakhs to the Damodar Valley Corporation over and above the amount due on the basis of recorded demand.

The Management have stated (March, 1967 and October, 1967) that their estimates of consumption of electric energy were prepared after "taking into account the additional plant and machinery which were likely to be installed as a result of the expansion projects under execution and contemplated" and that "in actual practice, however, this maximum utilisation could not be achieved due to some major breakdowns especially in the Lead Presses" and to some extent due to unexpected delays in obtaining sanction for the Hindustan Cables Limited's new expansion projects at Rupnarainpur, as a result of which all the machines originally envisaged could not be installed in time.

The Management have stated subsequently (March, 1968) as follows:—

(i) "We had approached the D.V.C. authorities to revise our maximum demand in two phases, *i.e.* to 1500 KVA from the date the revision of the contract into a lower figure was intimated to them and to fix the maximum demand at 1800 KVA from January, 1968 from which date the additional machines likely to be procured against our current expansion projects are likely to be commissioned".

(ii) "The D.V.C. authorities have since confirmed revising the maximum demand to 1500 KVA from 1st April, 1967 to 31st December, 1967 and 1800 KVA from 1st January, 1968 onwards".

IV. PRAGA TOOLS LIMITED

1. Introduction

The Praga Tools Corporation Limited, Secunderabad (subsequently renamed as Praga Tools Limited) was incorporated as a Public Limited Company on 28th May, 1943 for the manufacture of high speed cutting tools and measuring instruments. On 31st March, 1959 the Company became a Government Company under the administrative control of Ministry of Commerce and Industry, when the Government of India acquired 2,00,000 shares worth Rs. 70 lakhs (51·5 per cent. of the paid-up share capital). In order to facilitate the more effective utilisation of the capacity available in the Company for the production of Defence items, the Government of India placed the Company under the administrative control of the Ministry of Defence with effect from 19th December, 1963.

2. Capital structure

On 31st March, 1967 the authorised capital of the Company was Rs. 300·00 lakhs and the paid-up capital Rs. 210·54 lakhs (Government of India, Rs. 143·64 lakhs, Government of Andhra Pradesh, Rs. 47·57 lakhs, private parties, Rs. 18·35 lakhs and forfeited shares, Rs. 0·98 lakh). In addition, Government have from time to time granted long-term unsecured loans which stood at Rs. 156·36 lakhs as on 31st March, 1967.

The Company has also obtained cash credit facilities from the State Bank of Hyderabad (a subsidiary of the State Bank of India) to the extent of Rs. 100 lakhs against the hypothecation of stocks of raw materials, stores and spares, work-in-process and finished products. The amount of cash credit availed of as on 31st March, 1967 was Rs. 49·65 lakhs.

3. Project estimates

The following table indicates the original estimates, revised estimates and the actual expenditure as on 31st March, 1967 in respect of the various projects undertaken by the Company:—

(Rupees in lakhs)

	Original estimates	Revised estimates	Actual expenditure
1. *U.K. Collaboration Project*			
C.V.A. Drill Chuck, Pratt Lathe Chuck & Tool and Cutter Grinder	123·20	144·34	90·44
2. Surface Grinder	25·17	35·91	0·54
3. Milling Machine	71·20	99·64	21·88
4. *Defence Projects*			
(*a*) Barrel Carbine	19·57	21·64	17·64
(*b*) Breech Block	25·25	25·25	18.09
5. Forge Shop Expansion	74·10	93·89	84·40
6. Foundry rehabilitation	5·37	..	6·09

The increases in the revised estimates over the original estimates have been attributed by the Management to (i) increase in prices of the machinery, (ii) enhancement of customs and other regulatory duties and (iii) impact of devaluation.

4. Targets and achievements

(a) *Delay in completion of the projects.*—The following table indicates the scheduled dates of completion of the various projects, revised dates of completion and the actual/anticipated dates of completion:—

Name and object of the project	Scheduled date of completion	Revised date of completion	Actual/ anticipated date of completion	Reasons for the delay
1	2	3	4	5
C.V.A. Drill Chuck (to increase production from 350 to 4,000 numbers per month)	Stage I (350 to 500 nos. per month)—June, 1961	..	June, 1961	
	Stage II (500 to 1,000 nos. per month)—June, 1962	..	July, 1962	
	Stage III (1,000 to 4,000 nos. per month)—July, 1964	..	Not completed.	Delay in finalisation of the estimates, (*ii*) receipt of wrong specifications from collaborators, (*iii*) loss of certain vital items of tooling in transit and (*iv*) non-availability of imported raw materials.
Pratt Lathe Chuck (to increase production from 3,000 to 12,000 nos. per annum)	June, 1963	March, 1967	Not completed	Delay was due to (*i*) need to revise the estimates on account of increase in prices, (*ii*) procedural difficulties encountered in placement of orders and provision of tools/accessories, (*iii*) lapsing of original foreign exchange allocation under U.K. Credit, necessitating re-orientation of project and securing of alternative foreign exchange allocations and (*iv*) time taken in finalisation of orders for machinery under the French Credit.
Tool and Cutter Grinder (to manufacture 200 machines per annum)	Stage I—1961-62 (48)	..	1962-63	
	Stage II- 1962-63 (80)	..	1963-64	

1	2	3	4	5
	Stage III—1963-64 (95)	1966-67 (100) 1967-68 (100)	Not completed.	Delay in placing orders for the machinery and non-availability of some of the castings (conforming to specifications) indigenously.
	Stage IV—1964-65 (150).	1968-69 (125)		
	Stage V—1965-66 (200)	1969-70 (150)		
Surface Grinder (to produce 300 machines per annum)	179 nos.—1966-67	55 nos.—1966-67	Not completed	Delay in getting Government's approval for the project and time taken in finalising contract.
	225 nos.—1967-68			
	250 nos.—1968-69			
	300 nos.—1969-70			
Milling Machine (to produce 400 machines per annum)	40+8* nos.—1966-67	..	Not completed.	Delay in getting Government's approval for the project, (*ii*) delay in obtaining import licence and (*iii*) time taken in finalising contracts under French Credit. (The project is expected to be commissioned by October, 1968).
	110 nos.—1967-68			
	250 nos.—1968-69			
	400 nos.—1969-70			
Defence Projects				
a) Breech Block (to manufacture 3,000 blocks per month)	3,000 blocks—January, 1966.	1,000 blocks—January, 1966	800 blocks—January, 1966	considerable time taken in finalisation of machinery required.
		1,000 blocks—February, 1966	670 blocks—February, 1966	
		1,500 blocks—March, 1966	1,000 blocks—March, 1966	
b) Barrel Carbine (to produce 6,000 nos. per month)	6,000 nos.—January, 1966	1,000 nos.—January, 1967 onwards.	Not completed.	

*To be imported for educational purposes.

The production of pratt lathe chuck, surface grinder and milling machine has yet to commence.

(b) *Production performance*

(i) *Machine Tools Division.*—The table below indicates the annual targets of the major products fixed by the Company from year to year and the actual production thereagainst for the last three years:—

	Original target	Revised target	Achievements	Excess(+) Shortfall(—)
	nos.	nos.	nos.	nos.
(1) *Drill Press*				
1964-65	1800	1782	1338	(—)444
1965-66	2270	1203	1202	(—) 1
1966-67	960	760	602	(—)158
(2) *Tool and Cutter Grinders*				
1964-65	144	146	122	(—) 24
1965-66	203	89	79	(—) 10
1966-67	150	100	53	(—) 47
(3) *Lathe Chucks*				
1964-65	5400	4849	4684	(—)165
1965-66	5700	4720	4783	(+) 63
1966-67	6000	4750	3632	(—)1118
(4) *Drill Chucks*				
1964-65	36000	22090	13319	(—)8771
1965-66	29500	19129	17285	(—)1844
1966-67	40000	25000	9222	(—)15778
(5) *Machine Vices*				
1964-65	1500	1664	1436	(—)228
1965-66	1200	916	916	..
1966-67	..	..	2	(+) 2
(6) *Breech Blocks*				
1964-65	..	..	..	..
1965-66	5500	5500	4170	(—)1330
(7) *Surface Grinders*				
1964-65	..	..	..	..
1965-66	..	64	60@	(—) 4
1966-67	100	55	15@	(—) 40

@Assembled out of components for 75 grinders received by the Company.

It will be seen that the shortfall in production in all the products was more pronounced in the year 1966-67.

The Ministry have assigned (November, 1967) the following reasons for shortfall in production in 1966-67:—

(i) "Go-slow policy of the labour to press certain demands during the first half-year.

(ii) Frequent power failures and power cuts imposed by the State Government.

(iii) Break-down of one Hammer in the Forge and Foundry Division besides difficulties experienced in the supply of steel of requisite quality for Railway Screw Couplings.

(iv) Delayed receipt of castings and components particularly for the Cutter and Tool Grinder Shop.

(v) Restricted production of traditional items such as Drilling Machines on account of falling market demand".

(ii) *Foundry*.—The table below indicates the rated capacity of the foundry in terms of good castings and the actual castings produced during the last three years:—

Year	Rated capacity M. tons	Actual Production M. tons	Shortfall in terms of rated capacity
1964-65 (December to March)	224.24	100·00	55·4%
1965-66	672·75	444·00	34·0%
1966-67	807·30	242·00	70·0%

The Management have attributed the shortfall in production during 1964-65 to the dislocation of production programme due to the shifting of the foundry.

As regards shortfall in production during 1966-67 the Management have stated (June, 1967) as follows:—

"The main reason for the low production in 1966-67 was the labour trouble, particularly in foundry, the foundry was closed for a month during this period and for about 4/5 months the production was very low. When the trouble ended foundry started working, then we had not got sufficient load for utilisation of our melting capacity available in the foundry."

5. Labour utilisation

The data given below will indicate that there were wide variations in the utilisation of labour hours available in the various divisions of the Company:—

(Utilisation percentage)

Division	1965-66 July to February	1966-67 April to February
Machine Tools Accessories . . .	50 to 135	7 to 103
Machine Tools	18 to 50	5 to 33
Precision Tools	47 to 87	17 to 100

The Ministry have stated (November, 1967) as follows:—

"As there has been a market slump since last two years, the workload in various shops has been sporadic and below normal. Hence, the figures taken in the 'Review' show wide variation depending upon the finished goods production".

6. Financial results

(a) The table below summarises the financial position of the Company under broad headings for the last three years:—

(Rupees in lakhs)

	1964-65	1965-66	1966-67
Liabilities			
(*a*) Paid-up capital (equity including amount paid on forfeited shares) . . .	150·54	150·54	210·54
(*b*) Reserves and surplus	9·79	13·30	11·37
(*c*) Borrowings			
(*i*) From the Government of India .	86·36	148·36	156·36
(*ii*) Cash credit and temporary overdraft	57·14	63·31	40·65
(*d*) Trade dues and other liabilities (including provisions)	66·81	62·84	61·21
TOTAL . . .	370·64	438·35	480·13

	1964-65	1965-66	1966-67
Assets			
(*e*) Gross block	231·78	260·14	289·59
(*f*) *Less* : Depreciation	82·38	81·25	95·37
(*g*) *Net* fixed assets	149·40	178·89	194·22
(*h*) Capital work-in-progress (including unallocated expenditure during construction)	12·63	12·82	38·18
(*i*) Other assets	2·68	8·08	5·58
(*j*) Current assets, loans and advances and investments	197·90	224·37	218·73
(*k*) Miscellaneous expenditure and loss	8·03	14·19	32·42
TOTAL	370·64	438·35	489·13
Capital employed	280·49	340·42	351·74
Net worth	152·30	149·65	189·49

NOTE.—1. Capital employed represents net fixed assets plus working capital.

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

(b) The working results of the Company for the last three years are tabulated below:—

(Rupees in lakhs)

	1964-65	1965-66	1966-67
(*i*) Profit before tax	14·20*	7·89*	(—)29·70
(*ii*) Tax provision	..	..	..
Percentage of profit			
(*a*) To sales (Outside)	9·7	6·5	..
(*b*) To gross fixed assets	6·1	3·0	..
(*c*) To capital employed	5·1	2·3	..
(*d*) To net worth	9·3	5·3	..
(*e*) To equity capital	9·4	5·2	..

*The figures have been recast to form a comparable basis.

7. Other topics of interest

Surplus machinery.—In para VI (6) of the Audit Report (Commercial), 1964 a mention was made of the surplus plant and machinery. Out of these, 3 machines valued at Rs. 91,368 are still (November, 1967) to be disposed of. Meanwhile, 4 more machines valued at Rs. 95,307 have been found surplus by the Company.

The Ministry have stated (November, 1967) as under:—

> "Tenders for the disposal of the surplus machines were invited by Praga in January, 1966. Since quotations for the 6 machines out of 7 listed were much less than the book value, it was thought prudent to defer action. The 7th machine has been added only in May, 1967. It was subsequently decided to recondition the machines so that the Company could get better price. Praga will be advertising for the sale after they finish the repair work".

V. THE NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

1. Introduction

The National Industrial Development Corporation Limited was incorporated on 20th October, 1954 for the promotion and development of industries in the country, particularly those which are necessary to fill up the gap in the industrial structure.

2. Capital structure

The authorised share capital of the Company is Rs. 1 crore divided into 1,00,000 ordinary shares of Rs. 100 each. The issued, subscribed and paid-up capital of the Company as on 31st March, 1967 was Rs. 10 lakhs.

In addition to the equity capital, the Company has obtained loans from the Government of India for the purpose of re-lending to industries which stood at Rs. 1,019·49 lakhs as on 31st March, 1967. The loans carry interest at 4½ per cent. to 5¾ per cent. per annum.

3. (a) Loans to industries

Since October, 1956 Government have been using the Company as an agency for the grant of special loans to the jute and cotton textile industries for their modernisation and rehabilitation. In November, 1959 the agency function was extended to the machine tool industry. The Company has also been giving assistance to the cotton industry for the purchase of indigenous machinery on hire purchase basis.

In February, 1963 Government decided that the Company should not entertain fresh loan applications which would be processed by the Industrial Finance Corporation in the usual way. The Company was, however, allowed to process pending applications were detailed surveys had already been completed or where recommendations of the Loan Advisory Committees had already been received.

The table below indicates the amounts of loans disbursed, loans outstanding, instalments of principal and interest due for recovery and instalments and interest actually recovered as on 30th June, 1967:—

(Rupees in lakhs)

Amount of loans disbursed	Amount of loans out-standing	Amount due for recovery		Amount actually recovered		Balance due for recovery	
		Instal-ments	Interest	Instal-ments	Interest	Instal-ments	Interest
1,803.66	1,002.03	835.97	332.62	801.63	319.65	34.34*	12.97@

*Amount recoverable from 14 parties.
@Amount recoverable from 10 parties.

(b) **Review of individual cases of loans**

(i) In March, 1959 loanee 'A' applied for a loan of Rs. 21·41 lakhs in two instalments (first instalment of Rs. 8·08 lakhs and second instalment of Rs. 13·33 lakhs) for the modernisation of its mills. The Jute Loan Advisory Committee did not recommend the loan on the ground that the margin of security in respect of assets offered for mortgage would be 10·5 per cent. as against the minimum margin of 20 per cent. stipulated by the Company. The Committee had, however, expressed the opinion that if the Company and Government intended to grant the loan to the loanee in view of the special nature of the case, they might do so. The Board decided to grant a loan of Rs. 8 lakhs in April, 1959, out of which a sum of Rs. 7·25 lakhs was disbursed in July, 1961.

The loanee had continued to incur heavy losses (the accumulated losses as on 30th September, 1961 being Rs. 11·74 lakhs), and it again applied for a second loan of Rs. 12·46 lakhs on 30th September, 1961. The Jute Loan Advisory Committee to which the loan application had been referred, did not make any recommendation, but felt that the application of the loanee should be referred to the Board of the Company for a decision. When the matter was considered by the Board of Directors, they decided to refer the case to the Jute Commissioner for examination. A fresh survey of the loanee's mills was thereafter carried out, and the application was further considered on the basis of the report received from the Jute Commissioner. In September, 1963 the Board sanctioned a second loan of Rs. 9·5 lakhs. The margin of security in respect of the assets offered for mortgage was 15·5 per cent. as against the prescribed margin of 20 per cent. The loanee drew a sum of Rs. 7·98 lakhs against the second loan.

On 4th May, 1965 the High Court passed a decree for Rs. 2,54,459·81 together with interest and costs against the loanee for the non-payment of the dues of a private party.

As the loanee did not pay the interest on the two loans due on 30th June, 1965, part of an instalment of principal of the first loan due on 30th December, 1964 and part of interest on the second loan for the half year ended 31st December, 1964, a notice was served on the loanee on 17th September, 1965 requiring full discharge of its liabilities to the Company. No payment was, however, made by it.

In April, 1966 the property of the loanee was attached by the Court on account of the recovery of sales tax arrears, dues of the Employees State Insurance Corporation, etc. amounting to Rs. 6·94 lakhs (approximately). On an objection being filed by the Company in the Court against the attachment of the loanee's property, the Court passed orders on 7th November, 1966 that the property could be sold subject to the prior charge of the Company.

As on 30th June, 1967 a sum of Rs. 16,24,160 (Rs. 5,33,186 balance of first loan, Rs. 7·98 lakhs representing the entire amount of the second loan drawn, Rs. 16,548 insurance premium paid by the Company on behalf of the loanee and Rs. 2,76,426 as interest) was outstanding against the loanee.

On 27th September, 1967 the properties of the loanee were auctioned for a sum of Rs. 20·15 lakhs in pursuance of the Court's order of 7th November, 1966 mentioned above. The sale is still (December, 1967) subject to confirmation by the appropriate authorities.

The Ministry have stated (December, 1967) that, although the Jute Loan Advisory Committee did not recommend the grant of the first loan, the Board of Directors "took into account the special nature of the case, *i.e.* displacement of a large number of workers in a difficult area consequent upon the closing of the mill which was otherwise threatened". As regards the second loan, they have stated that the Board were of the view "that the implementation of the second phase of the modernisation scheme was essential in order to enable the Company to derive the full benefits of even the first phase of their rehabilitation scheme".

(ii) During the period from July, 1959 to March, 1965 the Company advanced a loan of Rs. 21·54 lakhs against the mortgage of land, buildings and plant and machinery to loanee 'B' for the rehabilitation of its mills.

The loanee defaulted in the payment of 6th and 7th instalments of principal aggregating Rs. 3·3 lakhs due on 1st July, 1965 and 1966 respectively.

The loanee also disposed of mortgaged machinery for Rs. 1,32,367 without obtaining the permission of the Company for its sale and without depositing the sale proceeds thereof with the latter. The Company served a notice on the loanee on 2nd July, 1966 requiring it to discharge its liabilities in full. The loanee, however, did not make the payment.

On 13th August, 1966 the fixed assets of the loanee were attached by the Court for the recovery of provident fund and sales tax arrears amounting to Rs. 21,44,492. On an objection being filed by the Company against the attachment of the loanee's property, the Court passed orders on 22nd May, 1967 for its sale subject to prior charge of the Company.

As on 1st July, 1967 a sum of Rs. 14·90 lakhs was outstanding against the loanee on account of principal and Rs. 1·43 lakhs on account of interest. The accumulated losses and miscellaneous expenditure of the loanee amounted to Rs. 195·71 lakhs as against the paid-up capital of Rs. 61·17 lakhs as on 31st December, 1966.

(iii) Loanee 'C' was granted a loan of Rs. 45 lakhs in January, 1961 for the purpose of rehabilitation and modernisation of the mills at Bangalore. The loanee drew a sum of Rs. 43·86 lakhs and repaid an amount of Rs. 7·10 lakhs up to 31st March, 1967.

The total amount of loan and interest outstanding against the loanee as on 30th June, 1967 stood at Rs. 41·04 lakhs, out of which an amount of Rs. 10,28,087 was due for recovery. The loanee has not paid the outstanding dues so far (July, 1967).

4. Financial results

(a) The table below summarises the financial position of the Company under broad headings for the last three years:—

(Rupees in lakhs)

	1964-65	1965-66	1966-67
Liabilities			
(*a*) Paid-up capital	10·00	10·00	10·00
(*b*) Reserves and surplus	6·70	11·05	17·16
(*c*) Borrowings from the Government of India	1,129·19	1,098·00	1,019·49
(*d*) Trade dues and other current liabilities	26·36	35·34	54·78
TOTAL . . .	1,172·25	1,154·39	1,101·43

	1964-65	1965-66	1966-67
Assets			
(*e*) Gross block	2·37	3·54	4·91
(*f*) *Less* : Depreciation	0·68	1·07	1·66
(*g*) Net fixed assets	1·69	2·47	3·25
(*h*) Investments	2·47	3·38	5·11
(*i*) Current assets, loans and advances .	1,168·09	1,148·54	1,093·07
TOTAL	1,172·25	1,154·39	1,101·43
Capital employed	1,145·89	1,119·05	1,046·65
Net worth	16·70	21·05	27·16

NOTE.—1. Capital employed represents net fixed assets plus investments plus working capital.

2. Net worth represents paid-up capital plus reserves.

(b) The working results of the Company for the last three years are tabulated below:—

(Rupees in lakhs)

	1964-65	1965-66	1966-67
(*i*) Profit before tax . . .	4·28	4·35	6·11
(*ii*) Tax provision	..	..	..
Percentage of profit before tax			
(*a*) To equity capital	42·8	43·5	61·1
(*b*) To capital employed	0·4	0·4	0·6

(c) *Technological Consultancy Bureau*

The Company has been rendering consultant engineering services through its Technological Consultancy Bureau, which is maintaining a steady growth during the last three years. The Bureau is rendering consultancy services to Government, Government Undertakings, Private Sector as well as in the international field. The working results of the Bureau during the last three years are given below:—

(Rupees in lakhs)

	1964-65	1965-66	1966-67
Income	14·62	21·60	29·35
Expenditure	12·06	18·51	23·97

OTHER TOPICS OF INTEREST

VI. HEAVY ELECTRICALS (INDIA) LIMITED

1. *Avoidable payment of royalty.*—Under clause XVI(b) of the Consultancy agreement executed in November, 1955, the Company is required to pay royalty at the rate of 2½ per cent. on the total annual sales value reckoned up to 31st December of each year (changed to financial year with effect from 1963-64) of the finished products of the factory (excluding hydraulic turbines) minus the invoice value of the imported components purchased from the Consultants during the year.

With a view to arriving at the value of the imported components to be deducted from the sale value of the finished product, the Company proposed to the Consultants on 2nd September, 1964 that an addition of 5½ per cent. be made to the F.O.B. prices of the components to cover freight and insurance charges. The Consultants did not, however, agree on the plea that, in terms of the agreement, only the invoice value of the imported components should be taken into account irrespective of whether it was F.O.B. price or C.I.F. price.

In January, 1965 the Company took up the matter with Government who, while inviting the attention of the Company to their instructions issued in May, 1964 according to which the entire cost of the imported components including the ocean freight, insurance, customs duties, etc. was required to be deducted from *ex* factory cost of the product for the calculation of percentage payment of royalty, advised it to obtain legal opinion.

Accordingly, the Company obtained the opinion of its two legal advisers who held that for the purpose of calculation of royalty the invoice value of imported components should also include customs, freight and insurance charges incurred thereon. The Consultants, however, did not accept the aforesaid interpretation.

After negotiations, the Consultants agreed in October, 1966 to the original proposal of the Company for the addition of 5½ per cent. to the F.O.B. prices of the imported components for the purpose of determination of the sale value of the imported components under the agreement.

During the years 1963-64 to 1966-67 the amount of ocean freight, insurance, customs duty, etc. paid on the value of imported components was estimated at Rs. 116·97 lakhs, whereas the 5½ per cent. addition to the F.O.B. prices agreed to by the Consultants amounted to Rs. 24·44 lakhs only.

Had it been clarified in the agreement that the invoice value of the imported components would include not only the F.O.B. cost but also the element of freight, insurance, customs duty, etc. the Company could have avoided a payment of royalty amounting to Rs. 2·31 lakhs (*i.e.* 2½ per cent. of Rs. 92·53 lakhs) during the years 1963-64 to 1966-67.

The Management have stated (December, 1967) that "........only two courses of action were available to the Company for settling the issue (i) to resort to arbitration under clause XXVIII of the agreement and (ii) to settle the matter by negotiation. Arbitration would have not only meant a lot of delay and expenditure but also the outcome of the arbitration was uncertain. Therefore, negotiations were conducted with M/s. A.E.I. who finally agreed to the addition of 5½ per cent. to the F.O.B. prices of the imported components for the purpose of deductions from the finished output......"

2. *Defective estimates.*—In September, 1962 the Company entered into a contract with the Maharashtra State Electricity Board for the sale of 16 power transformers of various capacities at a total price of Rs. 63,31,996 (F.O.R. Bhopal). The price quoted was firm and there was no stipulation for escalation. It was estimated by the Company that the manufacturing cost would be Rs. 54,07,420 and that it would earn a gross profit of Rs. 9,24,576 in this contract.

The actual factory cost of the transformers on completion, however, worked out to Rs. 68,05,999, there being actually a loss of Rs. 4,74,003.

The increase in the actual cost was mainly due to the following reasons:—

(a) The actual cost of materials (including the manufactured components) utilised in ten out of sixteen transformers recorded an increase over the estimated figures.

(b) The cost of labour and factory expenses (including engineering expenses and Training School Workshop) recorded an increase of 86 per cent. and 106 per cent. respectively.

The fact that the actual cost of the products worked out of Rs. 68·6 lakhs as against Rs. 54·07 lakhs, estimated at the contract stage, indicates that the estimates prepared by the Company were unrealistic.

The Management have stated (December, 1967) that "in the earlier stages of production to which the Manufacturing Orders relate, the labour estimates were largely based on the Consultants' experience and our own anticipations of the growth of efficiency of Indian artisans, which could not be realised in practice due to lack of experience and hence the labour costs were more. Since the factory expenses are applied on direct labour, the two elements of labour and F.E. were on the high side. In regard to material cost in the present case, the overall percentage variation of actuals to estimated material cost is of the order of 5 per cent. only".

3. *Unnecessary purchase of a plant.*—In March, 1960 the Company placed an order for the import of a galvanising plant at a total cost of Rs. 5·52 lakhs. The Plant was received in early 1961 and commissioned in August, 1963.

Against the installed capacity of 600 M. tons per annum on a single shift basis, the Plant actually galvanised 7 M. tons, 80 M. tons, 50 M. tons and 66 M. tons of steel structure during the years 1963-64, 1964-65, 1965-66 and 1966-67 (up to January, 1967) respectively. The efforts of the Company to procure orders from outside parties to utilise the surplus capacity of the Plant, have also not met with any success so far (May, 1967).

The expenditure incurred on the maintenance of the Plant up to June, 1967 amounted to over Rs. 1 lakh.

On 9th February, 1965 the Chairman of the Company had observed as follows:—

> "A galvanising plant has been installed on the recommendations of A.E.I. I have not yet been able to find the components which will be galvanised. So far, the work being done in this plant pertains only to construction (gutters, rain water pipes, etc.) and some small components for the Switchgear Department".

Subsequently (December, 1967), however, the Management have stated as follows:—

(i) "The manufacture of air-blast circuit breakers has commenced in July, 1967. Galvanising plant is, therefore, being used now. It will be put to increased use from about February, 1968 onwards. It will, however, take some time before capacity of the plant is fully utilised. The utilisation depends upon various other items like flanges for 132 KV+ 220 KV CTs/VTs which are coming up for galvanising besides the components for air-blast items".

(ii) "........this is a small plant, which we have to install even though it may not be fully loaded all the time, to meet the specific demands of customers from time to time".

4. *Demurrage*.—(a) To ensure timely clearance of imported consignments, the Company maintained with the Bombay Port Trust authorities a deposit account in which funds were replenished from time to time according to requirement. A cheque for Rs. 50,000 issued on 27th March, 1963 when the balance in the deposit account of the Company had come down to Rs. 6,891 was, however, not accepted by the Port authorities on the ground that they did not have any account with the Reserve Bank of India. The deposit account was recouped subsequently on 3rd May, 1963.

Because of delay in the recoupment of deposit account, the Port Trust authorities provisionally charged Rs. 2·24 lakhs (approximately) on account of demurrage and wharfage charges on 158 consignments. In respect of 78 consignments, the demurrage and wharfage charges have been finally assessed at Rs. 54,694.

The Management have stated (December, 1967) that "we are pursuing the matter to finalise the assessment so that the matter can be taken up with the Dock Manager, Bombay Port Trust with a view to secure the waiver of demurrage incurred during this period".

(b) On 9th January, 1965 the Company received a consignment of 'Hot Rolled Steel Sheet' at Bombay Port. The Purchase and Liaison Officer of the Company at Bombay requested the head office on 23rd January, 1965 to remit funds for the purpose.

The amount of freight was received by the Bombay office on 8th February, 1965 by means of a cheque and the consignment was cleared between 26th and 28th March, 1965.

The Company had to pay demurrage charges amounting to Rs. 94,028 as the consignment could not be cleared within the permissible period *i.e.* by 15th January, 1965.

In this connection, the Purchase and Liaison Officer, Bombay in his letter dated 16/20th June, 1966 observed as follows:—

(i) "Relevant documents were sent to the Clearing Agents on 29th January, only as they were received late. Further, this consignment was received on freight to pay basis and the freight cheque along with the Banker's Certificate was received by this office only on 8th February, 1965 despite our frantic requests for the freight cheque".

(ii) "Documents were presented by the Clearing Agents on the 15th February, and it is expected that they should have completed all the customs formalities within next 6 days time *i.e.* by 21st. As such in the opinion of the undersigned the clearing agents have definitely delayed the clearing from the 22nd February to 2nd March, 1965 for which their explanation shall be called for and they shall be suitably punished by debiting their account. The amount of demurrage during this period works out to Rs. 13,270 approximately at the rate of Rs. 1,327 per single rate".

(iii) "........whatever the money had come was not only to be utilised for clearing of this consignment but there were other good number of consignments awaiting clearance which were also delayed for want of sufficient funds in the Personal Deposit Account with Port Trust. As such it will be seen that when the sufficient funds were received, the clearing agents have arranged clearance".

The Management have stated (December, 1967) that "......the delay in clearing consignments up to 8th February, 1965 was due to the late receipt of the documents from the Iron and Steel Controller and the belated decision of the Iron and Steel Controller regarding the incidence of the ocean freight".

5. *Avoidable expenditure on the purchase of underground cables.*—For the electrification of factory blocks I and II and the ancillary buildings, the Company placed an order on 19/21st December, 1960 on firm 'A' for the purchase of 8 types of underground cables valued at Rs. 5,94,798. In accordance with the terms of the offer, the delivery was to commence in 12 months and to be completed within 18 months (*i.e.* by 18th June, 1962) from the date of the order.

As the cables were required before the end of 1961, the Company, while placing the order on the firm on 19/21st December, 1960, stipulated the delivery period as "within ten months or still earlier from the date of........order". The firm did not, however, agree to the above delivery period, but, as an alternative, offered on 11th March, 1961 to supply cables within 10 weeks of the receipt of the order provided an actual users' import licence was procured in its favour by the Company for importing cables manufactured by its principals in U.K.

On 2nd May, 1961 the Company requested Government either to obtain an early delivery of the material from firm 'A' or, alternatively, to release foreign exchange for importing the cables. Government did not, however, agree to the Company's proposal and, instead, asked the Company to contact firm 'B' for the supply of the materials.

On 28th July, 1961 the Company issued an enquiry to firm 'B' which submitted a quotation on 16th August, 1961 stipulating completion of delivery by December, 1961.

2 types of cables valued at Rs. 55,088 had already been supplied by firm 'A'. The order for the remaining 6 types (21,946 metres) of cables placed on this firm was cancelled and a fresh order for these cables placed on the agents of firm 'B' on 26/31st August, 1961 at a total cost of Rs. 6,48,600 (F.O.R. Borivli) as against the price of Rs. 5,39,710 which would have been payable to firm 'A' in accordance with the terms of order with it.

The agents of firm 'B' supplied only 14,033 metres of cables up to December, 1961 and the remaining quantity was received between January, 1962 and August, 1962. Out of the supply made by firm 'B', a quantity of 457 metres was consumed up to December, 1961 and a further quantity of 2,040 metres was consumed up to June, 1962. The supplies by firm 'A' were scheduled to be completed by 18th June, 1962.

Out of the total quantity received, cables valued at Rs. 1,05,654 were sold to the Ordnance Factory, Ichhapur, West Bengal and the Bharat Heavy Electricals Limited, Hyderabad and cables worth Rs. 54,187 were lying in stock (December, 1967).

The purchase of cables at higher rates, on grounds of urgency which was not justified, resulted in an additional expenditure of Rs. 1·09 lakhs.

In this connection, the Management have stated (December, 1967) as follows:—

> "The decision to purchase cables at higher rates in August, 1961 which was during the very early years of the Project on the grounds of urgency was justified with reference to the circumstances prevailing then. In fact blocks I and II for which the cables were required were scheduled to be completed by July, 1961 according to the Project Report. Due to non-availability of matching steel and limited capacity of fabricators in India, the completion of the blocks I and II was, however, delayed".

6. *Excessive purchase of paints and varnishes.*—During the period from April, 1961 to July, 1963 the Company purchased 3,550 Kgs. of paints and 1,45,311·65 litres of varnishes. It was noticed by the Management that, owing to expiry of their shelf life, the paints and varnishes had deteriorated in quality.

Out of the quantities purchased, 285 Kgs. of paints and 1,06,421 litres of varnishes were utilised up to July, 1966 and 4,760 litres of varnishes (which had set in) valued at Rs. 30,000 written off in February, 1966. Besides, a quantity of 34,680 litres of varnishes which had become unusable was re-activated at a cost of Rs. 4,400. The remaining quantity of 3,265 Kgs. of paints is still (July, 1967) lying in stock.

A Departmental Committee appointed to enquire into the purchase of large quantities of paints and varnishes, the arrangements for their stocking and the delay in taking remedial action when these items were nearing the end of shelf life and to fix responsibility for any lapses which might have taken place, found 3 officers responsible for the various lapses. No action has, however, been taken by the Company against the officers. In this connection, the Management have stated (May, 1967) as follows:—

> "........it has been decided not to take any disciplinary action because of the fact that the responsibility for 'over ordering' lay not so much with the officers who had placed the indents but higher up and for the confusion which prevailed then".

The Management have further stated (December, 1967) that "as on date the stock of paints is 259 Kgs. and the stock of varnishes is 8,089 litres...... It is expected that the bulk of these will be consumed in another six months".

VII. HEAVY ENGINEERING CORPORATION LIMITED

1. *Improper maintenance of estate office records and delay in allotment of quarters*

(i) A review of the house cards maintained by the estate office indicated that in most of the cases, particulars regarding dates of occupation/vacation and emoluments drawn by the incumbents had not been noted therein. Besides, demand registers for watching the recovery of rent were not maintained properly. The figures appearing in the demand registers were also not reconciled with those appearing in the financial books.

The lack of proper maintenance of the records resulted in under-recovery of rent to the extent of Rs. 1·09 lakhs in certain cases which were noticed by Audit and pointed out to the Management in February, 1967.

The Ministry have stated (February, 1968) that scrutiny of the rent cards with reference to the under-recovery statement has since been taken up.

(ii) There was considerable delay in the allotment/occupation of quarters after their completion in the permanent township at Ranchi. Allowing one month's time as the reasonable period for observing all the formalities for allotment and occupation of the quarters, the loss of rent in respect of the quarters on the basis of 10 per cent. of the average of the pay ranges of officials to whom these were to be allotted worked out to Rs. 2·94 lakhs approximately.

Besides, 216 quarters of B and C/D type had been lying vacant (30th November, 1966) since their completion between April, 1965 and June, 1966. The total vacancy period up to the above date came to 2,644 months and the loss of revenue on this account worked out to Rs. 1·56 lakhs approximately.

The Ministry have assigned (February, 1968) the following reasons for delay in allotment of quarters:—

(a) There were delays in the allotment of 'C/D' type quarters in Sector III because initially certain fittings such as, air conditioners, geysers, etc. had to be installed to make these convenient for the experts. Later on, a decision was taken to accommodate the experts elsewhere. Pursuant to this decision, certain additions and alterations had to be made in these quarters to make these suitable for Indian Employees.

(b) "The allotment orders in respect of certain 'E' type quarters had to be issued and cancelled because the allottees failed to occupy them within the specified time and these quarters had to be re-allotted to two to three persons after cancelling the earlier orders".

(c) "The non-allotment of 'B' permanent and 'C/D' type quarters in Sector II was due to want of entitled persons".

The Ministry have further added that "following are some of the steps that have been taken with a view to reducing losses arising on account of houses remaining vacant":—

(a) Further construction work in the township has been stopped.

(b) Certain vacant houses are expected to be occupied when the construction of Diesel Engine Factory is taken up.

(c) Certain houses are likely to be allotted to the staff of the Foundry Forge Institute which will be set up at Ranchi shortly.

(d) The staff who are now living at Ranchi are being encouraged to occupy houses in township.

2. *Unnecessary purchase of winches.*—During the period from December, 1963 to July, 1965 the Company purchased the following winches:—

8 ton winches	1 no. on 31-12-1963
	1 no. on 5-5-1964
5 ton winches	2 nos. on 17-7-1965
3 ton winches	2 nos. on 3-6-1964
	2 nos. on 12-6-1964
	2 nos. on 23-5-1964

None of the winches received has been put to use so far (June, 1967).

The purchase at a cost of Rs. 4·30 lakhs of 10 winches which have been lying idle thus lacked justification.

It may also be mentioned that the Company had already in stock 34 winches (21 nos. of 5 ton winches and 13 nos. of 3 ton winches), which had been imported from a foreign country in August, 1962 and were lying unutilised since. It is, therefore, not clear why the Company purchased 2 nos. of 5 ton winches and 6 nos. of 3 ton winches.

3. *Excessive purchase of electrodes*

(a) During the years 1964-65 and 1965-66 the Heavy Machine Building Project purchased 59,40,928 nos. and 22,632 kgs. of electrodes of different kinds valued at Rs. 13·71 lakhs and Rs. 1·04 lakhs respectively.

Out of these, 13,57,900 nos. and 12,374·75 kgs. of electrodes valued at Rs. 2·65 lakhs were declared as surplus to requirement on the basis of an assessment made in June, 1966 by a Committee which was appointed to review the stock position of electrodes.

(b) Besides the above stock, one of the construction divisions to which electrodes were issued, was holding a surplus stock of 72,320 nos. of electrodes valued at Rs. 13,792.

4. *Unnecessary purchase of cranes.*—In January, 1963 the Company placed an order on a firm for twelve portable hand operated swing boom cranes at a total cost of Rs. 3,86,760 (*i.e.* Rs. 32,230 each). The cranes which were required in connection with the work of stores handling at the various projects of the Company were to be supplied within 2 to 3 months of the date of the order. As the firm could not make the supply within the stipulated period, an extension of time up to 30th December, 1963 was granted. Five cranes were received between September, 1963 and December, 1963. In August, 1964 the firm informed the Company that, as the latter had failed to make payment in terms of the purchase order, it would not supply the remaining 7 cranes.

None of the 5 cranes received has been put to use so far (April, 1967). Two out of these were declared as surplus on 15th September, 1966.

The purchase of the cranes has resulted in the blocking up of capital amounting to Rs. 1·61 lakhs.

In this connection, the Management have stated (February, 1967) as follows:—

> "Out of 5 cranes received at Central Stores, 2 cranes were sent to Heavy Machine Building Project and they were used for some time. These cranes had been passed by the Director General, Supplies and Disposals' Inspectors before they were despatched to Heavy Engineering Corporation. After they were received here, they were found to be not fully suitable for our purpose. The cranes have been declared surplus to the requirement at the Store Depots. The possibility of their being used in the Production Department is under consideration by the Works Manager/General Manager (Heavy Machine Building Project)."

It may be mentioned that no records were shown to Audit regarding the utilisation of the two cranes referred to in the Management's reply.

5. *Poor utilisation of cranes.*—In 1961, the Company purchased at a total cost of Rs. 1·67 lakhs two used cranes (one crane of 5 ton capacity and the other of 20 ton capacity) from the Bhilai Steel Plant for loading, unloading and shifting of the materials and equipments. Although the officers, who were sent to Bhilai for finalising

the deal, had certified the cranes to be in good condition, it was found on their arrival at Ranchi that they required overhauling before they could be put to use. After the necessary overhauling (cost of overhauling not ascertainable), the cranes were commissioned on 26th July, 1961 (5 ton capacity) and 20th September, 1961 (20 ton capacity). Up to January, 1963 these were used for 1,063 hours and 300 hours only as against their available life of 1,900 hours (5 ton capacity crane) and 9,676 hours (20 ton capacity crane) respectively and have since been lying in a dismantled condition (October, 1967).

VIII. HINDUSTAN STEEL LIMITED

ROURKELA STEEL PLANT

1. *Unnecessary purchase of equipment.*—Without ascertaining the specifications from the Railways the Plant purchased, in February, 1961, a weigh-bridge with a 40 feet long platform at a cost of Rs. 70,816 for weighment of out-going wagons at Purnapani Limestone Quarry. The weigh-bridge could not be installed as the length of the wagons in which lime was to be transported to the Plant site was 33 feet. In November, 1963 the suppliers were requested to reduce the size of the platform, but they expressed their inability in the matter, with the result that the weigh-bridge is still (February, 1968) lying un-installed at the Quarry siding. Besides, a jib mounted crane, purchased in November, 1962 at a cost of Rs. 73,967 for the purpose of adjusting the weight of wagons after their initial weighment at weigh-bridge, has also become idle.

The Ministry have stated (December, 1967) as follows: —

(i) "The order for a 100-ton capacity weigh-bridge was placed at the instance of Railways on August 9, 1960....The Railways, however, started supplying K.O. type wagons to Purnapani only from July 26, 1962, and at no time prior to the commencement of actual supply of K.O. type wagons from July 26, 1962 onward, the Railways had indicated the possibility of allotment of these wagons to Purnapani Limestone Quarry from any future date. As the order for the weigh-bridge was placed at the instance of the Railways, it was all along felt that it would be suitable, to meet the requirements. In this background it was not considered necessary to consult the Railways separately on the specifications of the weigh-bridge. There was also no question of cancelling the order for weigh-bridge, as it was received at site much before the actual supply of new type wagons commenced."

(ii) "Rourkela, however, are exploring the possibility of utilising these machines in the Plant or in other mines."

2. *Delay in commissioning of Sulphuric Acid plant.*—A Sulphuric Acid plant (a part of the by-product plants) was erected in May, 1960 at Rourkela at a total cost of Rs. 16·67 lakhs, for the manufacture of sulphuric acid of 78 per cent. strength out of the hydrogen sulphide gas available from the washing of the coke oven gas. The plant has not, however, been commissioned so far (January, 1968) as the hydrogen sulphide content in the coke oven gas is lower than that envisaged at the time of designing the plant.

The suppliers (M/s. Koppers) had suggested in November, 1961 the setting up of a Sulphur Burning Unit to make good the deficiency of hydrogen sulphide content in the coke oven gas. The decision to install the Unit was taken by the Management in November, 1962, but it was not until 16th November, 1966 that the order for the Unit was placed at a total cost of Rs. 3·81 lakhs. The Unit is yet (January, 1968) to be installed and commissioned.

The Ministry have stated (January, 1968) that the delay in setting up the Sulphur Burning Unit was due to following factors:—

(i) "....it had not been possible for Government to meet the demand of foreign exchange due to extreme stringency in the foreign exchange position."

(ii) It was decided in February, 1963 that the existing plants should be designed/modified to use indigenous pyrites instead of sulphur. It was only in November, 1965 that the Hindustan Steel Ltd. was informed that the Pyrites and Chemicals Development Company Limited was unable to supply pyrites.

(iii) Owing to difficulties in financing the installation of the Sulphur Burning equipment from free sources, suppliers were persuaded to agree to finance the equipment out of German credit. The foreign exchange was sanctioned by Government on 4th November, 1966 and the order was placed on 16th November, 1966.

COAL WASHERY PROJECT

3. *Defective contract.*—In May, 1963 a contract was executed with a foreign firm for the designing, supplying, erecting and commissioning of Dugda II Coal Washery at a contracted price of Rs. 5·25 crores including a foreign exchange element of Rs. 2·36 crores. The contract envisaged the supply of estimated quantities of 1,999·5 M. tons of F.O.B. materials for completion of the work. As

against this, only 1,273·26 M. tons of F.O.B. materials were supplied by the contractor up to December, 1967, the quantities short supplied working out to 36·32 per cent. The contractor was, however, paid on the basis of the full estimated quantities to be supplied and no proportionate reduction in the total contracted price was made on the ground that the contract did not contain a provision for recovery in respect of the quantities short supplied.

The absence of a suitable provision in the contract for *pro rata* reduction of contract value on account of short supply of materials mentioned in the contract thus resulted in an extra contractual benefit of Rs. 85·94 lakhs (approximately) to the contractor.

In this connection, the Ministry have stated (November, 1967) as follows:—

(i) Clause 16 of N.I.T. stipulated that weight tolerance plus or minus 5 per cent. of standard weights would only be permissible and that for any under-weight below 95 per cent., a deduction would be made at the full price per M. ton and that no payment would be made for excess over 100 per cent. The contractor did not, however, accept such a clause.

(ii) 'Although the break-up of approximate quantity and price for various components are indicated in a turn-key contract, the principal reason is not to make it a binding weight normally, but to provide a suitable mechanism for making progressive payments to the contractor.'

The Ministry's statement cannot, however, be accepted due to the following reasons:—

(i) The Additional Chief (Contracts) had observed on 18th March, 1966 that "the provision made in the Invitation to Tender regarding Binding Weight clause was modified by the contractors while submitting their original tender to read that there would be no adjustment in the contract price by reason of variation between the weights so stated, and the actual weights of materials and equipments. This does not appear to have been commented upon by the Tender Committee during the course of negotiations with the contractors".

(ii) The fact that the Management had themselves incorporated a binding weight clause in the N.I.T. goes to prove that the intention was to guard against undue benefit being derived by the contractor by supplying quantity of materials and equipment less than those provided for in the contract.

IX. HINDUSTAN ORGANIC CHEMICALS LIMITED

1. *Delay in disposal of rubble.*—While excavating earth for levelling the site for the factory during the period from 1962 to 1964, an outturn of 186 lakh cft. of rubble was conveyed to different leads and stacked at a cost of Rs. 9·63 lakhs. It was expected by the Management that two-thirds of the stacked rubble could be sold and one-third utilised for various civil works of the factory.

For the sale of the rubble an advertisement was issued by the Company in October, 1965 and five offers were received. The parties did not, however, respond when conditions of sale were intimated to them. In June, 1966 the Company again issued another advertisement, but there were no offers.

In connection with the utilisation of one-third of the material for civil work, a contract was awarded in December, 1965 for hand breaking of the rubble into ballast (size 2″) for a tendered amount of Rs. 1,35,000. After an expenditure of Rs. 21,900 had been incurred on the work, it was discontinued on receipt in December, 1966 of the opinion of the A.C.C. expert who, after inspecting the rubble, was of the view that 85 per cent. to 90 per cent. of the material was unsuitable for use in any civil engineering construction of some importance or even for road construction, as it had deteriorated in the process of weathering. The balance, according to him, could be used only if it was sorted out, but this would be an uneconomical proposition.

Had the material been disposed of as and when it was excavated, the Company could have realised a substantial amount. It may be mentioned that the Company expected to realise Rs. 25 lakhs from the disposal of the material according to its annual accounts for the year 1965-66. In the annual accounts for the year 1966-67 the realisable value has, however, been shown as Rs. 15·21 lakhs.

The Management have stated (August, 1967) that, as the rubble would not be useful for any civil engineering construction, the Board has approved of its use as murum for filling work.

2. *Award of contract for the construction of workshop building.*—(a) In 1962 the Company awarded the work of fabrication and erection of steel structure for its workshop building to contractor 'A' at a cost of Rs. 10·74 lakhs. The work was to be completed by 28th February, 1963. As the progress of work of the contractor was found to be very slow, it was decided by the Company to levy a penalty of Rs. 1,000 per week with effect from 1st April, 1964. Subject to the

imposition of penalty, extensions for completion of the work were granted to the contractor up to 30th September, 1965 when the contract was rescinded by the Company after giving due notice to the contractor.

In August, 1966 the Company awarded the unfinished portion of the work to another contractor at enhanced rates involving an extra expenditure of Rs. 1·41 lakhs.

The first contractor went into liquidation on 15th July, 1966 and the Company gave notice to the liquidator for the recovery of the amount of Rs. 2·09 lakhs (Rs. 1·41 lakhs on account of extra expenditure incurred on the unfinished portion of the work plus Rs. 0·68 lakh on account of other claims).

The Management have stated (August, 1967) that the official liquidator was asked to refer the case for arbitration but that he has not agreed. The question of instituting legal proceedings in the matter is under consideration.

(b) Out of the advance of Rs. 3·72 lakhs made by the Company to the first contractor against the security of materials at site hypothecated by the latter a sum of Rs. 94,182 was outstanding against the contractor as on June, 1966 after adjustment of the value of materials utilised in the work. The charge on the materials pledged by the contractor in favour of the Company was not, however, registered by the Company with the Registrar of Companies under Section 125 of the Companies Act. Owing to this failure, the pledge of the materials in favour of the Company has become non-enforceable against the liquidator of the contractor.

The Management have stated (January, 1967) that the requirement of registering the charge in terms of the Companies Act was apparently over-looked and that the correct procedure is now being followed.

The Management have further stated (August, 1967) as follows:—

(i) "...... the Company has in its possession 72·986 tonnes of Raw Steel and A.C. Sheets worth Rs. 29,774. The present market value of these materials, if sold by public auction by the Company, will be much more than the amount of Rs. 94,182 due to the Company".

(ii) "The official liquidator has been given notice that if he does not pay us the amount of advance together with interest due thereon, the material will be sold by public auction and the sale proceeds adjusted against the amount due."

(c) According to the terms of the contract, the contractor was to furnish security deposit to the extent of 10 per cent. of the contract value. He deposited National Plan Savings Certificates worth Rs. 27,000 and an amount of Rs. 8,824 was deducted from his bills up to February, 1964. In March, 1964 the contractor furnished a bank guarantee of Rs. 91,210 in lieu of security deposit. The guarantor bank informed the Company on 13th March, 1964 that the bank guarantee would only be operative on the release of National Plan Savings Certificates of Rs. 27,000 and security deposit of Rs. 70,000 held by the Company as security. The Company released the National Plan Savings Certificates of Rs. 27,000 and security deposit of Rs. 8.824 to the bank. However, no specific confirmation from the bank regarding the validating of the bank guarantee was obtained.

On the rescinding of the contract on 1st October, 1965 the Company lodged the claim against the bank in terms of the guarantee bond, but the latter disowned its liability on the ground that the Company had not fulfilled the condition regarding release of security worth Rs. 70,000.

The Company has filed a suit in the High Court against the bank.

X. FILM FINANCE CORPORATION LIMITED

Progress of disbursement of loans

(a) The following table indicates the number of films in respect of which loans were sanctioned, the amounts of loans sanctioned and the amounts actually advanced since the inception of the Company:—

Period	No. of films	Amount sanctioned (Rs. in lakhs)	Amount disbursed (Rs. in lakhs)
31st March, 1961	1	3·50	..
31st March, 1962	8	28·39	10·74
31st March, 1963	25	67·29	24·80
31st March, 1964	8	16·95	24·18
31st March, 1965	8	5·52*	21·05
31st March, 1966	5@	13·58@	27·82
31st March, 1967	12@@	12·47@@	11·94
TOTAL	67	147·70	120·53

* Represents the net figure after adjustment of the amounts sanctioned previously for 9 applications (Rs. 20·62 lakhs) which were withdrawn during the year.

@Excludes 3 applications (Rs. 6·95 lakhs) accepted but withdrawn subsequently.

@@Excludes 4 applications accepted but subsequently withdrawn or cancelled or sanctioned loans not availed of in part cancelled (Rs. 11·86 lakhs).

The gaps between loans sanctioned and loans disbursed are due to the following reasons:—

(i) Release of sanctioned loans in instalments in relation to the work done.

(ii) Delay in furnishing required securities or guarantees.

(iii) Withholding of instalments due to delay in rendering proper account of the earlier instalments.

The Company does not levy any commitment charges on the loans not drawn by the loanees.

(b) *Position of loans*

(i) The table below indicates the position as on 31st March, 1967 of loans released since the inception of the Company:—

(Rupees in lakhs)

	Disbursed	Recovered	Written off (including interest on doubtful loans not accounted for)	Out-standings
Principal	120·53	49·24	11·83	59·46
Interest due	20·75	10·29	5·07	5·39
TOTAL . . .	141·28	59·53	16·90	64·85

Out of the outstanding of Rs. 64·85 lakhs, an amount of Rs. 53·58 lakhs was due for recovery on 31st March, 1967. The amount of Rs. 16·57 lakhs is considered as doubtful debts by the Company.

The high incidence of bad and doubtful debts may be attributed to the following factors:—

(1) Grant of loans on inadequate securities.

(2) Failure of pictures.

(ii) Out of 51 films for which loans have been disbursed by the Company during the seven years of its existence, only 28 films have been released so far (September, 1967). In respect of 10 of these, loans and interest have been recovered by the Company in full. 14 films have been reported by the Management to have failed at the

The Ministry have stated (October, 1967) that "necessary steps are being made by the Fertilizer Corporation of India Limited to consume/transfer the surplus stock. The stock position of 20 mm M.S. Rounds on 22nd August, 1967 was 314 tons. The remaining quantity has been consumed in the works. The balance stock will be utilised in other projects of the Corporation".

(ii) Between October, 1963 and May, 1964, the Project purchased 9,570·500 M. tons of slack coal for supply to kiln contractors. The agreement with the kiln contractors did not provide for compulsory upliftment of coal from the coal stocks of the Project. When the supply position of coal improved in the local market, the contractors stopped taking coal from the Project from May, 1966, with the result that as on 22nd August, 1967 a quantity of 6,185 M. tons of coal valued at Rs. 2·98 lakhs was lying surplus.

In order to dispose of the coal, the Project issued press advertisements and contacted District Supply Authorities, kiln owners and local coal agents, etc., but the response was very poor and the offers were much below the book value. The Project is now exploring the possibility of using the coal in its own Steam Generation Plant which is yet to be commissioned.

The Ministry have stated (October, 1967) that "the surplus quantity of coal is expected to be used within a year".

XIII. HINDUSTAN AERONAUTICS LIMITED

Loss due to procurement of faulty wind-screen panels.—187 wind-screen panels for a certain make of aircraft were purchased by the Hindustan Aeronautics Limited from a firm in England under four contracts placed between 1956 and 1960. The panels were not inspected before shipment.

107 of these panels were found to have developed certain defects and were returned to the firm between December, 1960 and July, 1963. The manufacturers who inspected these panels attributed the defects to "atmospheric conditions during storage and possibly during transit" and declined to accept the responsibility for their repairs/replacement. They, however, agreed to replace 57 numbers free of charge and charge for the repairs/replacement of 50 of the panels. A contract for their repairs at a cost of £ 3,500 was accordingly placed with them in January, 1966.

The estimated charges for packing the repaired/replaced panels amounted to £ 1,124 and freight to U.K. and back to £ 1,090 at the standard tariff rates.

In respect of one consignment of 48 nos. returned to the suppliers in January, 1963, the Company had claimed a sum of £ 3,360 on 9th February, 1965 from the Insurers towards transit damages which was paid by them in March, 1967. The Organisation has thus incurred a net loss of £ 2,354 (cost of repairs, £ 3,500 plus packing charges, £ 1,124 plus freight, £ 1,090 less amount recovered from the Insurers, £ 3,360).

The Ministry stated (March, 1967) that no special instructions were given by the suppliers for the storage of these panels at the time of supply and that the storage conditions in the Hindustan Aeronautics Limited were satisfactory.

XIV. REPORTS OF COMPANY AUDITORS UNDER THE DIRECTIVES ISSUED BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

A. In pursuance of the directives issued by the Comptroller and Auditor General of India, the special reports on the accounts for the year 1966-67 have been submitted by the Company Auditors in the cases of 60 Companies (up to 29th February, 1968). The important points contained in these reports are mentioned below Company-wise: —

1. Film Finance Corporation Limited

Proper system of internal audit was not introduced.

2. Heavy Engineering Corporation Limited

(i) There was no Manual laying down the detailed procedure for the compilation and maintenance of accounts.

(ii) There was no Manual outlining the scope and programme of work for internal audit. The scope of internal audit did not cover all the sections and departments.

(iii) There were wide variations between the budget estimates and the actuals.

(iv) The targets fixed were not achieved.

(v) The selling prices were less than the cost of production.

(vi) Physical verification of finished and semi-finished stock was not done by an independent agency. The books and records of stores were not kept up to date (Heavy Machine Building Plant and Headquarters).

(vii) No *pro forma* accounts were maintained separately for service units for the benefit of staff (Foundry Forge Project and Heavy Machine Tools Project).

(c) Physical verification of the stores in the Switchgear Unit was not done during the year (Hyderabad).

(d) There was no regular and systematic flow of completion reports of buildings and erection reports of plant and machinery from the respective divisions, leading to delay in the capitalisation of assets (Hardwar).

(ii) No Manual outlining the scope and programme of work for internal audit was drawn up.

(iii) The targets fixed for production were not achieved (Hyderabad, Hardwar).

(iv) The selling price of the flame proof motors produced was less than the cost of production (Hardwar).

(v) Stores mainly consisting of G.I. pipes, cables and steel of the value of Rs. 12 lakhs were lying surplus (Tiruverumbur).

5. Hindustan Cables Limited

(i) No action was taken for settlement of discrepancy in the bank account.

(ii) The system of internal audit was considered inadequate. The internal audit system should be extended to cover more grounds.

(iii) There were variations between the original and revised budget estimates and the actuals.

(iv) There were considerable wastages in production which needed to be investigated to ensure that maximum permissible limit was not exceeded.

(v)(a) The costing system followed by the Company was not fully effective.

(b) There was considerable delay in the compilation of cost of major products.

(c) There was no system for ascertaining idle time for labour.

(vi)(a) The system of stock verification as followed by the Company was not adequate.

(b) There was no procedure for ascertaining surplus and unserviceable stores or for the disposal thereof.

6. National Instruments Limited

(i) Maintenance of accounts

(a) Control accounts for debtors, creditors and advances to employees needed reconciliation and proper adjustment.

(ii) The procedure [illegible] to stores [illegible] at [illegible] pur Unit required [illegible]. The [illegible] [illegible] and [illegible] have been taken [illegible] and [illegible] made [illegible] [illegible].

(c) Account [illegible] from the [illegible] were not available in many cases.

(ii) The Accounting [illegible] did not [illegible] internal audit. There was no internal audit system in force.

(iii) The targets fixed were not achieved.

(iv) There was no system of ascertaining idle time for labour and machinery specifying the reasons therefor.

(v) No system of physical verification of stores was in force at [illegible] Unit.

(vi) There was no system of review as to the stores requirements for production and maintenance or of determining surplus and unserviceable/obsolete stores periodically.

7. Hindustan Aeronautics Limited

Special tools valued at Rs. 52·49 lakhs were declared unserviceable/obsolete by the Company. Of these, tools worth Rs. [illegible] lakhs pertained to those taken over from Aircraft Manufacturing Depot.

In addition, stores worth Rs. [illegible] lakhs and tools worth Rs. [illegible] lakhs pertaining to Glider Section were assessed surplus to requirements.

8. Praga Tools Limited

(i) There was no internal audit during the year.

(ii) There was no system for ascertaining and recording idle time for labour and machinery specifying the reasons therefor.

(iii) There was shortfall in production and increase in the expenditure and overhead cost during the year.

9. Bharat Electronics Limited

(i) Physical verification of the fixed assets was not carried out in [illegible].

(ii) The [illegible] targets were not achieved.

10. Hindustan Teleprinters Limited

(i) There was no Manual laying down the detailed procedure for the [illegible] and maintenance of accounts.

(ii) No Manual outlining the scope and programme of work for internal audit was drawn up.

(iii) There were variations between the budget estimates and the actuals.

11. Nahan Foundry Limited

(i) There was no Manual laying down the detailed procedure for the compilation and maintenance of accounts.

(ii) No Manual outlining the scope and programme of work for internal audit was drawn up.

(iii) There was no internal audit during the year.

(iv) There was no effective budgetary control.

(v) Effective and integrated system of costing was not in existence during the year.

12. The Fertilizer Corporation of India Limited

(i) There was no Manual as such defining duties and responsibilities of various officers in regard to maintenance of accounts though certain instructions had been issued from time to time (Durgapur and Sindri).

(ii) A Manual outlining the scope and programme of work for internal audit was not drawn up.

(iii) Norms had not been fixed for normal wastage in handling of material, wherever necessary (Durgapur and Sindri).

(iv) There was no asset register for the new plants. The asset register for old plants did not have complete details (Sindri).

(v) The targets fixed were not achieved (Sindri).

(vi) Costing system

(a) The standard cost fixed earlier needed revision owing to change of circumstances *e.g.* availability of additional production capacity, improved technique and process, etc.

(b) There was no system of ascertaining the idle time for labour and machinery (Sindri).

(vii) Stores worth Rs. 72·95 lakhs were lying surplus for more than a year (Sindri).

13. Fertilisers and Chemicals, Travancore Limited

(i) There was no effective Manual laying down the detailed procedure for the compilation and maintenance of accounts.

(ii) Existing system of internal audit was not considered to be comprehensive and effective.

(iii) In the sales section attached to the Head Office, there was considerable delay in the adjustment of cheques/drafts received from customers and in remittance to bank for collection.

(iv) The selling prices of ammonium sulphate and ammonium chloride were less than the cost of production.

(v) There was no regular system of determining periolically the surplus/unserviceable or obsolete stores and of their disposal without undue delay.

14. Hindustan Antibiotics Limited

(i) Block registers did not show the location of each individual asset, value, depreciation, etc.

(ii) The targets fixed for production were not achieved.

(iii) There were wide variations between the budget estimates and the actuals.

(iv) No norms were laid down for rejects in each process.

(v) There was no system for ascertaining the idle time for labour specifying the reasons therefor.

15. Indian Drugs and Pharmaceuticals Limited

(i) There was no Manual laying down the detailed procedure for the maintenance and compilation of accounts.

(ii) No Manual was drawn up detailing the scope and programme of internal audit.

(iii) Maintenance of accounts

(a) Accounting of materials issued to contractors for fabrication was not proper (Rishikesh and Hyderabad).

(b) There was a long time lag between the receipt of goods and the preparation of the relevant material receipt reports, leading to incorrect working of average rate for issue purpose (Headquarters, Rishikesh and Hyderabad).

(c) The 'imported plant and machinery lying at site' was a balancing figure which could not be substantiated by means of a statement showing the physical existence of the items comprising therein.

(d) No ledger was maintained for sundry debtors (Madras).

(e) The system of effecting recoveries of advances from Soviet Experts was not in order (Madras).

(f) The system of recording and accounting of claims lodged with the Railways and the Insurance Company was far from satisfactory as no detailed register was maintained and no regular and constant follow-up was there (Madras).

(g) Register showing rent recoveries for staff quarters was not properly maintained and tallied with books of accounts (Madras).

(iv) The property/plant registers were not kept up to date and reconciled with financial books (Madras).

(v) The targets for production were not achieved (Madras).

(vi) No records were maintained for idle machinery specifying the reasons therefor (Madras).

(vii) Cost of production was very high as compared to selling prices (Madras).

(viii) Maximum and minimum limits for the stores were not prescribed (Madras).

16. Hindustan Insecticides Limited

(i) The property registers did not disclose depreciation written off on the assets. In the case of plant and machinery, no split-up of cost was shown against each item of equipment (Delhi).

(ii) (a) No Manual outlining the scope and programme of work for internal audit was drawn up.

(b) The programme of internal audit prescribed was not properly followed and kept up (Alwaye).

(c) The strength and status of internal audit department were not considered adequate.

(iii) Rejections were high (Delhi).

(iv) The full expenditure on labour and machinery was charged to the process without segregating idle time either of the workers or of the machinery.

(v) The excesses and shortages of stock found on physical verification were being adjusted as and when found after taking the approval of Works Manager, but no approval was taken from the Board of Directors (Alwaye).

(vi) Inventory of general stores and spares was on the increase year after year. Items amounting to Rs. 2·93 lakhs had not moved from last few years and also there were certain moving items (Rs. 2·15 lakhs) which were heavily stocked (Delhi). Separate inventories of moving and non-moving items were not prepared this year (Alwaye).

17. Indian Rare Earths Limited

(i) There was no effective Manual laying down the detailed procedure for the compilation and maintenance of accounts.

(ii) Property registers were not maintained for fixed assets (Bombay).

(iii) There was no system for ascertaining idle time for labour and machinery at Manavalakurichi Plants of Minerals Division (Kerala State).

(iv) Effective and integrated system of costing was not introduced during the year (Quilon).

18. Hindustan Salts Limited

(i) No property/plant registers were kept at Kharagoda Unit.

(ii) The following drawbacks were noticed in internal control system:—

(a) No periodical reconciliation of control accounts with the subsidiary records was made.

(b) 'Indentors' Deposit Account', 'Cost of Bags Account' and 'Bagging, Sewing and Loading Contractors Account prior to 30th September, 1964' at Kharagoda Unit stood unreconciled for a long time. No serious efforts were being made to reconcile these accounts.

(c) Accounting of unutilised materials of revenue and capital works was done much after the work was completed.

(d) Completion reports for capital and revenue works were not submitted in time.

(e) No procedure was laid down for linking advances with liabilities.

(iii) Proper system of internal audit was not introduced.

(iv) (a) There was no regular costing system in operation.

(b) No system existed for ascertaining the idle time for labour and machinery indicating the reasons therefor.

(v) The selling prices were less than the cost of production in the case of Kharagoda Unit.

(vi) (a) Shortages of 1450 M. tons of rock salt at Mandi Unit revealed during physical verification were adjusted in the accounts of the year. Neither formal approval of the Board of Directors was obtained nor were the reasons for shortages furnished.

(b) No physical verification of the stock of salt was carried out at Kharagoda unit.

(vii) Maximum and minimum limits of important stores were not prescribed.

(viii) There was no regular system of determining periodically the surplus and unserviceable/obsolete stores and of their disposal without delay.

19. Neyveli Lignite Corporation Limited

(i) The targets fixed for production of urea (Fertilizer Plant) and washed clay were not achieved.

(ii) The cost of production of power, leco, washed clay and urea was more than the sale price fixed.

(iii) The surplus stores held by the Company as on 31st March, 1967 amounted to Rs. 5·96 lakhs.

20. National Mineral Development Corporation Limited

(i) Maintenance of accounts

(a) Reconciliation of Head Office Account and the accounts of other projects and Calcutta Purchase Office was not done periodically. Substantial amounts of advances brought forward for a long time were lying unadjusted (Bailadila, Kiriburu).

(b) There were inordinate delays in the preparation of receipt vouchers (Kiriburu).

(ii) Property registers did not contain the calculation of depreciation (Kiriburu). These were not maintained in proper *pro forma* (Panna).

(iii) (a) The existing system of internal audit was not considered effective (Kiriburu and Calcutta).

(b) Some important points reported by internal audit were not promptly attended to (Kiriburu and Calcutta). The points raised at Bailadila were not replied to by the Project Authorities.

(c) The cashier was dealing with both cash book and ledger (Bailadila).

(iv) No record showing idle time for labour and machinery was available (Kiriburu).

(v) Selling prices were less than the cost of production (Kiriburu).

(vi) Proper system of procurement and disposal of stores, for determining item-wise maximum and minimum quantum of requirements, reorder, safety and insurance levels of stock on the basis of trend of issues was not in existence (Kiriburu).

(vii) In stores accounts there was no proper reconciliation (Bailadila).

(viii) Physical verification of stores was not conducted regularly. Stores at various depots were lying in heaps with the result that it was dfficult to carry out periodical physical check by counting or weighment (Bailadila).

21. Manganese Ore (India) Limited

(i) There was no Manual laying down the detailed procedure for the compilation and maintenance of accounts.

(ii) Proper system of internal audit was not introduced.

22. Shipping Corporation of India Limited

(i) There was no Manual laying down the detailed procedure for compilation and maintenance of accounts.

(ii) No Manual outlining the scope and programme of work for internal audit was laid down.

(iii) A proper system of budgetary control did not exist.

(iv) One vessel taken over by the Company during December, 1965 was not brought into account.

23. Hindustan Shipyard Limited

(i) The existing system of internal audit was not considered comprehensive and effective.

(ii) Adequate steps should be taken to ensure verification of all items in stores at least once in a year.

(iii) The targets fixed were not achieved.

(iv) Costing system

(a) Estimates prepared by the Company were not in consonance with the details of jobs, which were available for cost accounting purposes.

(b) Comparison between estimates and actuals is rendered impossible as estimating is done on a very broad basis for a ship and not by jobs.

(v) No system existed for ascertaining the idle time for machinery specifying the reasons therefor.

24. Mazagon Dock Limited

(i) Plant/property registers were not kept up to date (October, 1967).

(ii) No Manual outlining the scope and programme of work of internal audit was drawn up and the existing system of internal audit was not considered to be comprehensive and effective.

25. Hindustan Steel Limited

(i) In the plant, properties and other assets registers the breakdown of plant cost in terms of machines/equipment was not available (Durgapur Steel Plant).

Certified inventories were not available for assets worth Rs. 0·62 lakh (Rourkela Fertilizer Plant) and Rs. 8·56 lakhs (Rourkela Steel Plant).

Property/plant registers were not maintained in proper form (Coal Washeries).

(ii) A Manual outlining the scope and programme of work for internal audit was not drawn up (Rourkela Steel Plant, Rourkela Fertilizer Plant, Coal Washeries, Alloy Steels Plant and Bhilai Steel Plant).

The programme drawn up for the year could not be fully implemented (Rourkela Steel Plant and Rourkela Fertilizer Plant).

There was no effective internal audit at Coal Washeries and Alloy Steels Plant.

The existing system of internal audit was not considered comprehensive and adequate (Durgapur Steel Plant, Rourkela Steel Plant and Rourkela Fertilizer Plant).

(iii) The targets fixed for production were not achieved (Durgapur, Rourkela and Alloy Steels Plants, Coal Washeries and Bhilai Steel Plant).

(iv) No norms were fixed for rejection of finished products. There was abnormal increase in rejections in certain departments (Durgapur Steel Plant).

(v) Selling prices were less than the cost of production in the case of calcium ammonium nitrate (Rourkela Fertilizer Plant) and a number of steel products and by-products (Durgapur and Rourkela Steel Plants).

(vi) Stores worth Rs. 76 lakhs (Rourkela Steel Plant), Rs. 77·8 lakhs (Bhilai Steel Plant) and Rs. 12·33 lakhs (Durgapur Steel Plant) were lying surplus to requirements.

(vii) There were wide variations between the budget estimates and the actuals (Bhilai Steel Plant).

(viii) Maintenance of accounts

(a) Periodical balancing of sundry debtors' accounts was not done. Owing to lapse of time chances of recovery of a part of debts carried forward from 1962-63 to 1965-66 had become remote (Durgapur Steel Plant).

(b) There was scope for improvement in the procedure of linking wagons with Railway Receipts in respect of raw materials despatched by suppliers. Defect in procedure led to lodgment of claims with the Railways for missing wagons amounting to Rs. 60·75 lakhs and counter claims by the Railways of Rs. 61·94 lakhs as on 31st March, 1967 (Durgapur Steel Plant). There were unlinked balances of Rs. 10·46 lakhs relating to missing raw material wagons (Rourkela Steel Plant).

(c) Very large balances have been carried forward on suspense account from year to year without adjustment to final heads of account (Bhilai Steel Plant).

(d) As a result of incorrect accounting the following defects arose in the accounts :—

(1) Sundry debtors showed unlinked credit balances of Rs. 33 lakhs at Durgapur Steel Plant and Rs. 9·23 lakhs at Rourkela Steel Plant.

(2) Sundry creditors showed unlinked debit balance of Rs. 337·31 lakhs at Rourkela Steel Plant.

(3) Stores in transit showed carry forward of Rs. 34·3 lakhs from 1961-62 onwards at Rourkela Steel Plant.

(ix) Costing system

(a) Distribution of overheads was not shown in the cost sheet so as to exercise control (Durgapur).

(b) There was no standard costing system for evaluating performance and controlling costs (Durgapur).

(c) There was no system for ascertaining idle time for labour indicating the reasons therefor (Durgapur Steel Plant and Rourkela Fertilizer Plant).

26. National Newsprint and Paper Mills Limited

(i) There was no effective Manual laying down the detailed procedure for the maintenance and compilation of accounts. However, a draft Manual was stated to have been compiled and awaiting approval of Government.

(ii) During the year the internal audit section functioned only in a small way and was mainly concerned with perpetual inventory as in the previous year. Only a limited test check of financial records was carried out by this section.

(iii) As against the 100 per cent. physical verification of stores contemplated i.e. every item at least once a year, the verification covered 6,339 items out of the total number of approximately 10,500 items.

(iv) Maximum and minimum limits of stores were not prescribed.

27. Hindustan Photo Films Manufacturing Company Limited

(i) There were wide variations between the budget estimates and the actuals.

(ii) The targets fixed were not achieved.

(iii) Major portion of the production during the year was of substandard quality. Proper records were not kept for rejected products (scrap).

(iv) Cost of production exceeded selling price as the factory operated very much below its normal capacity.

28. State Trading Corporation of India Limited

(i) There was no Manual laying down the detailed procedure for the compilation and maintenance of accounts.

(ii) No independent internal audit department was set up by the Company and no Manual outlining the scope and programme of work for the department was drawn up.

29. Minerals and Metals Trading Corporation of India Limited

(i) No Manual outlining the scope and programme of work for internal audit was drawn up.

(ii) Pig iron stocks were not physically verified.

(iii) The selling prices of manganese ore exported were less than the cost of procurement.

30. Indian Oil Corporation Limited

(i) There was no Manual outlining the scope and programme of work for internal audit (Marketing and Refineries Divisions).

Existing system of internal audit in the Pipeline Division was not considered to be comprehensive and effective.

(ii) The existing system of process costing did not permit ascertainment of the cost of producion of each unit of the major products (Refineries Division).

(iii) There was no system for ascertaining the idle time for labour (Refineries Division and Pipline Division).

(iv) In Gauhati Refinery no uniform basis was followed for the pricing of issues of materials.

(v) The receipts and issues of materials and stores were not properly recorded (Haldia—Barauni—Kanpur Pipeline Unit).

(vi) The targets fixed were not achieved (Pipeline Division).

31. Engineers India Limited

(i) No regular property registers which could be reconciled with financial books were maintained.

(ii) The accounts of the 're-imbursable' costs of the various jobs in hand were not kept separately in the ledger as was done previously. The internal control, therefore, to get such expenses re-imbursed from their clients was not effective.

(iii) Proper system of internal audit was not introduced.

(iv) The Company did not prepare any detailed budget and hence could not make any comparison with the actual performance.

(v) The Company incurred losses because the recoveries of over head expenses from the clients were less than the actual expenses, part of which related to expenses on business development.

32. **Hindustan Housing Factory Limited**

(i) There were wide variations between the budget estimates and the actuals.

(ii) There was no system of ascertaining idle time for labour and machinery.

(iii) Maximum and minimum limits of stores were not fixed.

33. **National Buildings Construction Corporation Limited**

(i) The instructions issued by the Company prescribing the respective duties of various officers in regard to the maintenance of accounts were not being strictly adhered to.

(ii) No internal audit Manual outlining the scope and programme of work was drawn up.

(iii) There was no time to time reconciliation between Head Office and Units records.

(iv) There was no system for ascertaining the idle time for labour and machinery.

(v) Maintenance of accounts

(a) No regular day to day stock consumption record of the materials purchased and consumed in different Units was being maintained. The issues of materials were not accounted for and the difference between total purchases and the actual physical stock in hand at the close of the year was taken as consumed.

Similar was the position in regard to the issue of centering and shuttering material and small tools and stock.

(b) Materials worth Rs. 1,93,924 could not be traced and as such the amount has been written off as shortage in stock.

(c) The Namrup Unit did not adopt any correct method of valuation of issues with the result that majority of the issues had been either over-valued or under-valued.

(d) At Imphal Unit, no stocks or stores registers were maintained in respect of purchases from the outside parties.

(e) In some cases receipt vouchers were prepared in the accounting year ended 31st March, 1967 for supplies which had been received and consumed in previous years.

(f) The method of valuing the closing stock and the work-in-progress had invariably resulted in over-valuation. This year over Rs. 15 lakhs were adjusted on account of over-valuation made in the earlier years.

34. **National Projects Construction Corporation Limited**

(i) The posting of entries from the books of prime entry to the general and subsidiary ledgers was not done regularly thereby delaying reconciliation of books and compilation of final accounts.

(ii) The scope and period covered by internal audit needed to be widened and increased and internal checks and controls on payments and recoveries strengthened.

Action was pending on some of the important points raised by internal audit.

(iii) Budget estimates prepared for the year were incomplete and were not approved by the Board of Directors.

(iv) Targets fixed for completion were not achieved in the case of Chandan Project.

(v) There was considerable time lag in the compilation of cost accounts.

(vi) Although the procedure for fixing maximum and minimum store levels was laid down, no specific rules had been formulated and there was, therefore, no system to ensure that stores in excess of reasonable requirements were not accumulated.

35. **Hindustan Steelworks Construction Limited**

(i) There was no Manual laying down the detailed accounting procedure.

(ii) There was no effective system of reconciliation of the books by taking out periodical trial balances.

(iii) There was no internal audit system.

36. **Central Fisheries Corporation Limited**

(i) There was no Manual laying down the detailed accounting procedure.

(ii) No definite programme for internal audit was drawn up.

(iii) There were wide variations between the budget estimates and the actuals.

37. Central Road Transport Corporation Limited

(i) The directions and instructions issued in connection with the accounting procedure and the power, duty and responsibility of the different members of the staff were not satisfactorily followed.

(ii) Detailed records of assets other than vehicles could not be reconciled with financial records, as complete inventories were not available.

(iii) In order to make the internal checks more effective concurrent audit of the accounts by internal audit staff was necessary.

(iv) Sufficient records were not available in different Units to ascertain whether each and every movement of vehicles was brought into account and freight due to the Company was billed for.

38. National Small Industries Corporation Limited

(i) No Manual outlining the scope and programme of work for the internal audit was available except at Bombay. Head Office team visited the branches for a short period and conducted test checks.

(ii) The system of costing was not perfect inasmuch as the overhead was calculated on an *ad hoc* basis. In the absence of a Time Office and improved time recording system, the allocation of labour hours on respective jobs was not fool-proof (P.T.C. Howrah).

(iii) No system existed for ascertaining idle time for machines indicating reasons therefor (P.T.C. Howrah, P.T.C. Okhla, P.T.C. Rajkot).

(iv) Separate accounts were not maintained for Training and Prototype Development and Service to Small Industries activities and hence the actual result on sale of major products could not be ascertained with accuracy (P.T.C. Howrah).

(v) No maximum limit of stores was fixed (P.T.C. Howrah). In the case of P.T.C. Rajkot the maximum and minimum quantities were not given on the bin cards or stores ledgers.

(vi) Property/plant registers were not kept up to date (P.T.C. Rajkot).

(vii) There was no system of recording the rejections in production (P.T.C. Rajkot).

(viii) Records for wastage in process were not being maintained (P.T.C. Rajkot).

39. National Industrial Development Corporation Limited

(i) Proper system of internal audit was not introduced. There was no Manual outlining the scope and programme of work for internal audit.

(ii) There were wide variations between the budget estimates and the actuals.

40. National Research Development Corporation of India

(i) Stores ledger was not maintained properly at the Hyderabad Regional Research Laboratory for receipts and issues of stores and raw materials required by the laboratory for manufacturing activated carbons.

(ii) Priced ledger showing value of assets was not maintained in respect of Phthalic Anhydride Project.

(iii) There was no internal audit system in force except the checks exercised by the Accounts Officer.

(iv) The Company had no costing system.

(v) No record was kept of the actual rejections in production of goods at the laboratories.

(vi) The selling prices of Hykol 'X' manufactured by the Company were much less than the cost.

41. National Seeds Corporation Limited

(i) Duties and responsibilities for the proper maintenance of accounts were not defined in any Manual but from time to time instructions were issued.

(ii) The reconciliation of accounts such as bank, control and subsidiary (including those pertaining to Units) was not done properly.

(iii) No Manual outlining the scope and programme of work for internal audit was laid down but instructions were stated to have been issued from time to time. The system of internal audit required improvement.

42. Instrumentation Limited

(i) There was no Manual laying down the detailed procedure for the compilation and maintenance of accounts.

(ii) Proper system of internal audit was not introduced.

(iii) No action was taken for the shortages revealed on physical verification of stores for want of proper details and the shortages were debited to consumption account.

43. Triveni Structurals Limited

(i) The Manual and instructions laying down the detailed accounting procedure and specifying the duties and responsibilities of various officers were yet to be prepared.

(ii) The Manual drawn up for internal audit was found incomplete and very little internal audit work was carried out during the year.

44. Hindustan Organic Chemicals Limited

There was no Manual laying down the detailed procedure for the compilation and maintenance of accounts.

45. Pyrities and Chemicals Development Company Limited

(i) There was no effective Manual laying down the detailed procedure for the maintenance and compilation of accounts, nor written instructions were issued laying down the respective duties and responsibilities of various officers in regard to the maintenance of accounts.

(ii) Maintenance of accounts

(a) Bank reconciliation statement had not been prepared at the end of every month.

(b) Postings to the general ledger were made directly from vouchers instead of from cash book and journal.

(c) At Amjhore Project Office, financial entry for issue of stores was not made in the accounts every month. Entries for issues made during the year were passed only at the year end.

(d) At Sindri Project Office, no requisition/issue slips were prepared for stores issued during the year.

(iii) There was no internal audit system during the year.

(iv) No detailed budget was prepared by the Company.

46. Madras Refineries Limited

(i) There was no effective Manual laying down the detailed procedure for the compilation and maintenance of accounts.

(ii) Proper system of internal audit was not introduced.

47. Hindustan Latex Limited

(i) Proper system of internal audit was not introduced.

(ii) A proper assets register giving full details was not maintained.

48. Handicrafts and Handlooms Exports Corporation of India Limited

(i) There was no effective Manual laying down the detailed procedure for the compilation and maintenance of accounts.

(ii) Separate accounts of stores were not maintained in the financial books to enable their reconciliation with stores ledgers.

(iii) The Company had stocks of cloth known as "Bleeding Madras" valued at Rs. 91·84 lakhs as on 31st March, 1967. These stocks had remained "dead" for more than one year.

49. Sambhar Salts Limited

(i) Property/plant registers kept by the Company did not reveal the full particulars of additions made. A detailed list of assets as on 30th September, 1966 duly reconciled with the financial books was not furnished.

(ii) Proper system of internal audit was not introduced.

(iii) The following drawbacks were noticed in internal control:—

(a) Accounting of unutilised materials of capital and revenue works was done long after the work had been completed.

(b) Completion reports for capital and revenue works were not submitted in time.

(c) No procedure was laid down for linking advances with liabilities.

(d) Production of by-products was not linked up with the input.

(iv) (a) There was no regular costing system in operation.

(b) No system existed for ascertaining the idle time for labour and machinery specifying the reasons therefor.

(v) (a) The pricing of stores was not done on a uniform basis.

(b) No physical verification of finished goods was carried out.

(c) Maximum and minimum limits of stores were not fixed.

(d) There was no regular system of determining periodically surplus/unserviceable or obsolete stores and of their disposal.

(e) Bin card balances were not reconciled with ledger balances at any time during the year. The ledger balances exceeded the bin card balances by Rs. 9,239·66 representing differences prior to 30th September, 1963 which were not reconciled.

B. The special reports of the Company Auditors in respect of the accounts for the year 1966-67 have not been received in the cases of the following Companies. The important points contained in the special reports for the year 1965-66 which were not included in the Audit Report (Commercial), 1967 are mentioned below:—

1. National Coal Development Corporation Limited

(i) (a) The Accounts Manual required to be revised in the light of decentralisation of accounts.

(b) In the absence of general or specific office orders being made available at one place for ready reference or of these being incorporated in the Manual itself, the delegation of financial powers was not easily verifiable.

(ii) The accounting system was considered inadequate for the purpose of preparation of final accounts and of audit for the following reasons:—

(a) General ledger was not maintained at Area Offices.

(b) There was delay in accounting of stores transactions and their ultimate recording in the subsidiary books.

(c) The reconciliation between the priced and numerical stores ledgers was not done in time in some of the Units. In most of the Units no such reconciliation was taken up during the year under audit.

(d) There was no effective system for scrutiny and follow-up of old outstanding balances and for linking up of the balances under advances and sundry debtors with the corresponding credits in the sundry creditors, deposit ledger, etc.

(e) Separate stores inventory was not prepared for reconciliation with financial books.

(f) There was no system whereby the cost statements could be agreed periodically with the financial accounts.

(g) General ledger figures were not reconciled with the subsidiary ledger figures.

(iii) No assets register was maintained for assets other than plant and machinery.

(iv) (a) No Manual outlining the scope and programme of work for internal audit was drawn up.

(b) The scope of the existing internal audit, which was doing mostly colliery audit, was considered restricted and needed to be enlarged to cover verification of transactions recorded at Calcutta Office, Area Accounts Offices and Head Office.

(v) Drawbacks in internal control

(a) The attendance as shown in the wages/salary bills was not subjected to any detailed independent check with the attendance as originally recorded in the 'In and Out' attendance register of Miners Time Keeper resulting in numerous over/under drawal of wages.

(b) In some Units the paid strength of workers had not been verified with the sanctioned strength and the comparative statement of production.

(c) In some Units Time Keepers were entrusted with preparation of wage bills and disbursement of salaries.

(d) In some Units workers receiving pay were not properly identified at the pay counter.

(e) No proper registers in respect of land, buildings and rent recoveries were maintained by most of the Collieries.

(vi) In the case of Washery, no records were maintained for determining rejections in production.

(vii) No system existed for ascertaining idle time for labour and machinery (except heavy earth moving machines) specifying the reasons therefor.

(viii) The priced stores ledgers were not posted up to date and the closing inventories were not prepared.

(ix) Maximum and minimum levels of stores were not prescribed.

(x) Procurement of stores was not adjusted from time to time to suit the revised targets of production. This caused overstocking.

(xi) Stocks, including plant and machinery to the extent of Rs. 119·88 lakhs, were lying surplus to requirement as on 31st March, 1966.

2. Ashoka Hotels Limited

(i) There was no effective reconciliation of control accounts with subsidiary accounts.

(ii) The loss due to breakages, etc. of crockery and cutlery was not properly brought to light in the annual physical verification with the result that huge loss on account of breakages was detected during this year.

(iii) No Manual outlining the scope and programme of work for internal audit was drawn up.

The existing system of internal audit was not considered comprehensive. It was also not independent of the accounts department.

3. Rehabilitation Industries Corporation Limited

(i) (a) Most of the directives laid down in the Accounting Manual relating to purchase of stores, stock and material control were not followed.

(b) No instructions had been issued indicating financial powers delegated to the senior officers of the Company for adequate financial checks and safeguards.

(ii) Complete register of fixed assets was not maintained in many cases.

(iii) No Manual outlining the scope and programme of work for internal audit was drawn up. The office order issued in November, 1965 did not define the exact nature and extent of checks to be exercised by internal audit.

The extent of checks carried out by internal audit was considered inadequate. A number of important points raised by internal audit were also pending disposal.

(iv) Drawbacks in internal control

(a) Head Office did not have sufficient control on the movement of materials (raw materials, stores and finished goods).

(b) Input of materials was not reconciled with output in various production centres to ensure proper utilisation of materials.

(c) Head Office did not maintain proper control accounts in respect of Industrial Units and Estates.

(d) Gross purchases and sales, which were made both by Units and Head Office, could not be evaluated in the Unit itself in the absence of "fact-based" data from the Head Office periodically.

(e) There was no system of preparing detailed budgets for each Unit in advance and reviewing the actuals there-against at regular intervals.

(f) Quantitative reconciliation of the finished products Unit-wise in respect of sales/inter-unit transfers and closing stock was not made.

(g) No register for unpaid wages was maintained nor was any such list furnished for audit.

(h) Sales bills were not raised timely in several cases.

(v) There was no scientific system of procurement, disposal and control of inventory.

(vi) There was no system of cost accounting.

(vii) No system existed for ascertaining the idle time for labour/machinery specifying the reasons therefor.

CHAPTER II

STATUTORY CORPORATIONS

XV. INTRODUCTION

A. Return on investment

1. There were 4 Central Government Corporations as on 31st March, 1967 under the audit control of the Comptroller and Auditor General of India.

2. *Paid-up capital.*—The total paid-up capital of the 4 Corporations stood at Rs. 175·17 crores at the end of 1966-67 and represented an increase of Rs. 6·77 crores as compared with the total paid-up capital of Rs. 168·40 crores of these 4 Corporations at the end of the previous year.

The break-up of the paid-up capital of these Corporations according to the investments made by the Central Government and private parties as on 31st March, 1967 is as follows:—

(Rupees in thousands)

	No.	Centre	Private parties	Total
(*i*) Corporations fully owned by the Central Government	3	1,66,83,15	..	1,66,83,15
(*ii*) Corporations jointly owned by the Central Government and private parties .	1	6,39,00	1,94,44	8,33,44
TOTAL . . .	4	1,73,22,15 98·9%	1,94,44* 1·1%	1,75,16,59 100%
Figures for the year 1965-66	4	1,66,45,15 98·8%	1,94,39** 1·2%	1,68,39,54 100%

*Includes forfeited shares (Rs. 13,051)
**Includes forfeited shares (Rs. 8,600)

3. *Profits.*—According to the annual accounts of these Corporations there was a total net profit of Rs. 1,211·69 lakhs during the year 1966-67 as against the total net profit of Rs. 328·25 lakhs in the previous year. The net profit for the year 1966-67 represented 6·9 per cent. on the paid-up capital of Rs. 175·17 crores.

4. *Loans.*—The total long-term loans obtained by the 4 Corporations stood at Rs. 9,017·29 lakhs at the end of 1966-67 and represented an increase of Rs. 4,410·09 lakhs over the total long-term loans of Rs. 4,607·20 lakhs as at the end of the previous year.

The break-up of long-term loans of these Corporations according to the source of finance, *viz.* the Central Government and foreign credits, as on 31st March, 1967 is as follows: —

(Rupees in thousands)

	1965-66	Percentage	1966-67	Percentage	Increase
(*i*) Central Government .	27,80,68	60·4	36,95,87	41·0	9,15,19
(*ii*) Foreign credits . .	18,26,52	39·6	53,21,42	59·0	34,94,90
TOTAL	46,07,20	100·0	90,17,29	100·0	44,10,09

5 *Guarantee.*—Government have guaranteed the loans to the extent of Rs. 35·03 crores raised by the following Corporations: —

(i) Air India	Rs. 22·85 crores
(ii) Indian Airlines Corporation	Rs. 2·49 crores
(iii) Oil and Natural Gas Commission	Rs. 9·69 crores

Government have also guaranteed the repayment of the paid-up capital of Central Warehousing Corporation to the extent of Rs. 10 crores.

6. *Subsidy.*—Air India and Indian Airlines Corporation received as subsidy Rs. 6·60 lakhs and Rs. 1·41 lakhs respectively up to 31st March, 1967 for Staff Housing Scheme from State Governments.

Besides, Indian Airlines Corporation also receives subsidy for the operation of certain routes every year. During the year 1966-67 it received Rs. 78·56 lakhs as subsidy for this purpose. The total subsidy received on this account up to 31st March, 1967 amounted to Rs. 242·31 lakhs.

Central Warehousing Corporation received Rs. 10·41 lakhs as subsidy from National Co-operative Development Corporation to cover its working deficit up to 1963-64.

7. *Return on capital invested.*—For the reasons stated in para A.9. of Section I which also hold good in the case of Corporations, an attempt has been made in Annexure 'D' to analyse the working results of the Corporations on a uniform basis. On this basis the return in 1966-67 on a total investment of Rs. 284·12 crores made in these Corporations amounted to Rs. 17·56 crores, being 6·2 per cent. of the investment.

8. *Working results.*—The working results of individual Corporations are indicated below:—

(i) *Air India.*—The Corporation made a profit of Rs. 389·15 lakhs during 1966-67 as against Rs. 163·56 lakhs in the previous year. The increase in profits was attributed mainly to devaluation of the Rupee with effect from 6th June, 1966 and consequent rise in fares and freight rates in foreign currencies expressed in terms of rupees by 57·5 per cent. Had there been no devaluation the working results for the year 1966-67 would have shown a break-even position or at worst a small deficit.

The period of moratorium granted by Government for payment of interest on loan capital expired on 30th September, 1966. The above profit was arrived at after providing for interest voluntarily at 4½ per cent per annum on loan capital up to the date of expiry of moratorium and at 6½ per cent. per annum thereafter.

The Corporation declared a dividend at the rate of 6 per cent. on its equity capital for the year 1966-67 as against 4 per cent. for the previous year.

(ii) *Indian Airlines Corporation.*—The Corporation incurred a loss of Rs. 283·50 lakhs during 1966-67 as against a profit of Rs. 32·33 lakhs earned in the previous year. As in the previous year, no dividend was declared this year also.

The period of moratorium granted by Government for payment of interest on loan capital expired on 30th September, 1966. The loss for the year was, therefore, arrived at after providing for interest at 6½ per cent. per annum on loan capital for the remaining six months.

(iii) *Central Warehousing Corporation.*—The Corporation made a profit of Rs. 1·35 lakhs during the year 1966-67 as against a loss of Rs. 4·09 lakhs incurred by it in the previous year.

In the case of this Corporation the dividend has been guaranteed at the rate of 3½ per cent. Government paid Rs. 98·63 lakhs to this Corporation up to 31st March, 1967 to meet the guaranteed dividend.

(iv) *Oil and Natural Gas Commission.*—The Commission made a profit of Rs. 1,104·69 lakhs during the year 1966-67 as against a profit of Rs. 136·45 lakhs in the previous year.

B. 1. Rates of growth

(a) *Paid-up capital and reserves and surplus.*—The rate of growth of paid-up capital and reserves and surplus of the Corporations increased in 1966-67 as compared with that of 1965-66 as indicated below:—

(Rupees in lakhs)

Paid-up capital and reserves and surplus			Rate of growth	
1964-65	1965-66	1966-67	1965-66	1966-67
Rs.	Rs.	Rs.		
18,688·30	18,269·80	20,233·74	(—)2·2%	10·7%

(b) *Gross assets.*—The rate of growth of total gross assets of the Corporations increased in 1966-67 as compared with that of 1965-66 as indicated below:—

(Rupees in lakhs)

Total gross assets			Rate of growth	
1964-65	1965-66	1966-67	1965-66	1966-67
Rs.	Rs.	Rs.		
27,083·87	29,655·60	37,250·79	9·5%	25·1%

(c) *Value of production.*—The rate of growth of value of production/business of the Corporations increased in 1966-67 as compared with that of 1965-66 as indicated below:—

(Rupees in lakhs)

Value of production/business			Rate of growth	
1964-65	1965-66	1966-67	1965-66	1966-67
Rs.	Rs.	Rs.		
5,596·23	6,320·71	9,875·21	12·9%	56·2%

(d) *Profits.*—The rate of growth of profits before tax of the Corporations decreased in 1966-67 as compared with that of 1965-66 as indicated below:—

(Rupees in lakhs)

Profits before tax			Rate of growth	
1964-65	1965-66	1966-67	1965-66	1966-67
Rs.	Rs.	Rs.		
52·77	328·25	1,211·69	522·0%	269·1%

2. Sources and uses of funds

(a) *Internal sources.*—Funds received by the Corporations from internal sources in 1965-66 and 1966-67 are indicated below:—

(Rupees in lakhs)

Internal sources	Percentage to total funds(*i.e.* internal and external)	Internal sources	Percentage to total funds (*i.e.* internal and external)
1965-66		1966-67	
Rs.		Rs.	
932·64	36·3	2,232·56	29·4

(b) *External sources.*—Funds received by the Corporations from external sources in 1965-66 and 1966-67 are indicated below:—

(Rupees in lakhs)

External sources	Percentage to total funds(*i.e.* internal and external)	External sources	Percentage to total funds (*i.e.* internal and external)
1965-66		1966-67	
Rs.		Rs.	
1,639·09	63·7	5,362·63	70·6

The main feature indicated by the above data is the relative importance of external sources in the case of all the Corporations taken together.

3. Sundry debtors

The figures of sundry debtors and sales of the Corporations for the last 3 years are given below:—

(Rupees in lakhs)

1964-65			1965-66			1966-67		
Sundry debtors	Sales	Percentage of column 1 to column 2	Sundry debtors	Sales	Percentage of column 4 to column 5	Sundry debtors	Sales	Percentage of column 7 to column 8
1	2	3	4	5	6	7	8	9
Rs.	Rs.		Rs.	Rs.		Rs.	Rs.	
1,109·80	5,596·73	19·8	1,491·28	6,320·88	23·6	2,380·61	9,873·11	24·1

It will be seen that the percentage of sundry debtors to sales increased in 1966-67 as compared with that of 1965-66.

ANNEXURE

SUMMARISED FINANCIAL

Sl. No.	Name of the Corporation	Name of the Ministry	Date of incorporation	Paid-up capital	Long-term loans	Free reserves	Total capital invested
1	2	3	4	5	6	7	8
1.	Air India .	Ministry of Tourism and Civil Aviation	15-6-1953	26,81,63*	22,85,40	8,89,75	58,56,78
2.	Indian Airlines Corporation	Do. .	15-6-1953	21,94,16**	20,67,00	..	42,61,16
		Total .		48,75,79	43,52,40	8,89,75	1,01,17,94
	Figures for the year 1965-66 .			48,75,79	18,26,52	7,70,54	74,72,85
3.	Central Warehousing Corporation	Ministry of Food, Agriculture, Community Devlopment and Co-operation	March, 1957	8,33,44$	7,66,00	..	15,99,44
		Total .		8,33,44	7,66,00	..	15,99,44
	Figures for the year 1965-66 .			7,94,39	6,16,00	..	14,10,39
4.	Oil and Natural Gas Commission	Ministry of Petroleum and Chemicals	15-10-1959	1,18,07,36	38,98,89	9,88,61	1,66,94,86
		Total .		1,18,07,36	38,98,89	9,88,61	1,66,94,86
	Figures for the year 1965-66			1,11,69,36	21,64,68	..	1,33,34,04
		Grand Total .		1,75,16,59	90,17,29	18,78,36	2,84,12,24
	Figures for the year 1965-66 .			1,68,39,54	46,07,20	7,70,54	2,22,17,28

'D'

RESULTS FOR THE YEAR 1966-67

(Figures in thousands of Rupees)

Block assets (Net)	Deprecia-tion to date	Profit(+) Loss (—)	Interest on long-term loans and capital	Total return	Percentage of total return on capital invested	Remarks
9	10	11	12	13	14	15
34,38,91	15,47,30	(+)3,89,15	1,78,23	5,67,38	9.7	*Divided equally between equity and loan capital.
23,37,26	13,29,20	(—)2,83,50	1,14,19	(—)1,69,31	..	**Divided equally between equity and loan capital.
57,76,17	28,76,50	(+)1,05,65	2,92,42	(+)3,98,07	3.9	
36,27,86	22,76,26	(+)1,95,89	1,58,70	(+)3,54,59	4.7	
8,48,61	32,04	(+)1,35	39,47	(+)40,82	2.6	$Includes Rs. 13,051 received on forfeited shares.
8,48,61	32,04	(+)1,35	39,47	(+)40,82	2.6	
5,04,23	17,30	(—)4,09	11,50	(+)7,41	0.5	
@ 45,83,74	16,41,12	(+)11,04,69	2,12,10	(+)13,16,79	7.9	@Does not include development expenditure on areas other than producing properties.
45,83,74	16,41,12	(+)11,04,69	2,12,10	(+)13,16,79	7.9	
39,02,00	12,63,05	(+)1,36,45	78,16	(+)2,14,61	1.6	
1,12,08,52	45,49,66	(+)12,11,69	5,43,99	(+)17,55,68	6.2	
80,34,09	35,56,61	(+)3,28,25	2,48,36	(+)5,76,61	2.6	

CHAPTER III

DEPARTMENTALLY MANAGED GOVERNMENT UNDERTAKINGS

XVI. INTRODUCTION

On 31st March, 1967 there were 31 Government Undertakings of a Commercial and quasi-Commercial nature as against 34 Undertakings on 31st March, 1966. The changes during the year 1966-67 are detailed below:—

Three Undertakings [Indian Veterinary Research Institute (Live Stock, Milk and Milk Products), Izatnagar, Indian Veterinary Research Institute (Live Stock, Milk and Milk Products), Mukteswar and Indian Veterinary Research Institute (Biological Products), Izatnagar appearing at serial Nos. 24, 25 and 26 of Annexure 'E' to Chapter III of Audit Report (Commercial), 1967] were transferred to the Indian Council of Agricultural Research with effect from 1st April, 1966. Two Undertakings (Government Opium Factories, Neemuch and Mandsaur appearing at serial Nos. 3 and 5 of the said Annexure) were amalgamated with effect from 1st April, 1966. There is an addition *viz.* 'Pathini Tea Estates' which was acquired on 1st January, 1965 but the management was taken over by the Government of India on 1st February, 1966.

A list of these Undertakings arranged according to the controlling Ministries/Departments is given in Annexure 'E' with information regarding their financial results as on 31st March, 1967. The financial results of the working of these Undertakings are ascertained annually by preparing statements of accounts on a *pro forma* basis outside the General Accounts of Government. In respect of serial Nos. 12 and 13 (Publication Branch, Delhi and Government of India Presses) the Trading and Profit and Loss Accounts and the Balance Sheets are not prepared; instead, only Stores Accounts are maintained. The *pro forma* accounts of 9 Undertakings for the year 1966-67 *viz.* serial Nos. 13, 14, 15, 19, 20, 21, 27, 30 and 31 of Annexure 'E' have not been received so far (March, 1968).

ANNEXURE 'E'

SUMMARISED FINANCIAL RESULTS OF 1966-67

(Figures in thousands of Rupees)

Sl. No.	Name of the Department	Government capital	Block Assets (Net)	Depreciation to date	Profit(+) Loss (—)	Interest on Government capital	Total return	Percentage of total return to mean capital	Remarks
1	2	3	4	5	6	7	8	9	10
	Ministry of Finance								
1.	India Security Press, Nasik Road .	4,02,22	1,30,18	84,01	(+)21,02	15,32	(+)36,34	9.63	
2.	Currency Note Press, Nasik Road .	5,41,82	1,78,15	77,01	(+)1,50,06	16,58	(+)1,66,64	40·81	
3.	Government Opium Factories, Mandsaur and Neemuch .	29,93	1,72	7(*a*)	(—)4,33†	2,96	(—)1,37	..	†In arriving at cost of production of opium transferred from Mandsaur/Neemuch factories to Ghazipur factory, the elements of interest and administration charges are not included.
4.	Government Opium and Alkaloid Works, Ghazipur .	3,72,30	10,66	19,22	(+)1,19,36	13,41	(+)1,32,77	40.10	
5.	India Government Mint, Bombay . . .	3,55,58	78,08	3,68(*a*)	(+)77,24	10,71	(+)87,95	32.27	
6.	India Government Mint, Calcutta .	3,27,84	1,28,96	1,30,98	(+)2,13,04	19,91	(+)2,32,95	47.38	
7.	India Government Mint, Hyderabad .	84,71	28,39	48 (*a*)	(+)3,27	2,67	(+)5,94	9.04	

(*a*) Depreciation for the year 1966-67.

1	2	3	4	5	6	7	8	9	10
8.	Assay Department, Bombay . . .	1,05	40	5(*a*)	(+)3,00	..	(+)3,00	*	*The percentage of total return to mean capital has not been worked out as the amount of mean capital is a minus figure.
9.	Assay Department, Calcutta . . .	50	55	1(*a*)	(+)1,22	..	(+)1,22	*	
10.	Silver Refinery Project, Calcutta .	3,41,80	85,62	4,52(*a*)	(+)3,36,39	16,12	(+)3,52,51	109.32	The closing stock and work-in-progress of silver bars and other metals are being valued at market price instead of at cost price or market price whichever is less and this is one of the main factors for the percentage of return being high.
11.	The Kolar Gold Mining Undertakings .	5,23,61	3,00,40	1,66,63	(—)2,37,32	25,26	—)2,12,06	..	The sale of Kolar Gold is at the International Monetary Fund Rate.

Ministry of Works, Housing and Supply								
12. Publication Branch, Delhi	..	..	..	..	..	..	..	Trading and Profit and Loss Account and Balance Sheet are not prepared.
13. Government of India Presses	..	..	..	..	..	..	..	Accounts not received.
Ministry of Information and Broadcasting.								
14. All India Radio	..	..	..	..	..	..	..	Do.
15. Radio Publications	..	..	..	..	..	..	..	Do.
16. Films Division	17,94†	14,08	19,34	(—)32,35	5@	(—)32,30	..	†Before adjustment of notional revenue on films released for free exhibition. @Interest has been calculated after adjustment of notional revenue of Rs. 64,72,269 for free exhibitions in Government Capital.
Department of Communications								
17. Overseas Communications Service, Bombay	5,51,10	2,83,92	1,93,39	(+)2,61,35	13,73	(+)2,75,08	81.57	
Ministry of Transport and Shipping								
18. Lighthouses and Lightships Department	7,93,41	7,16,80	76,62	(+)88,70	92	(+)89,62	12.54	

(*a*) Depreciation for the year 1966-67 only.

1	2	3	4	5	6	7	8	9	10
19.	Shipping Department, Andamans .	..	..	..	..	..	..	..	Accounts not received.
20.	Ferry Service, Andamans	..	..	..	..	..	..	..	D .
1.	Marine Department (Dock Yard), Andamans .	..	..	..	..	..	..	..	D .
	Ministry of Home Affairs								
22.	State Transport Service, Andamans .	1,24	4,27	4,90	(+)1,06	4	(+)1,10	145.04	
	Ministry of Food, Agriculture, Community Development and Co-operation								
23.	Reserve Pool of Fertilizers . . .	33,90,16	..	..	(—)40,65,79	1,64,10	(—)39,01,69	..	
24.	Delhi Milk Scheme .	2,10,14	1,92,91	61,15	(—)14,66	8,92	(—)5,74	..	
25.	Forest Department, Andamans .	6,78,40	61,14	9,70(*a*)	(+)23,06	29,76	(+)52,82	8.86	
	Ministry of Health and Family Planning								
26.	Central Research Institute, Kasauli .	9,86	2,43	3,63	(+)1,19	38	(+)1,57	16.70	
27.	Medical Stores Depots	..	..	..	..	..	..	..	Accounts not received.

28. Bakery, Mineral Water Factory and Vegetable Garden of Hospital for Mental Diseases, Ranchi .	35	36	1(*a*)	(—)15	5	(—)10	..	
Ministry of Irrigation and Power								
29. Electricity Department, Andamans .	21,05	20,36	1,41(a)	(—)4,94	75	(—)4,19	..	
30. Electricity Department, Laccadive, Minicoy and Amindive Islands	..	..	..	..	..	..	..	Accounts not received since inception (April, 1961).
Ministry of Commerce								
31. Pathini Tea Estates .	..	..	..	..	..	..	..	Accounts not received.

(*a*) Depreciation for the year 1966-67 only.

In respect of the undertakings for which figures for the year 1966-67 *are not available the figures for the year* 1965-66 *are given below* :—

(Figures in thousands of Rupees)

1	2	3	4	5	6	7	8	9	10
	Ministry of Information and Broadcasting								
1.	All India Radio .	30,26,04	9,83,99	5,22,67	(+)37,04	39,96	(+)77,00	2.56	
2.	Radio Publications .	57,93	..	..	(—)3,35	6	(—)3,29	..	
	Ministry of Transport and Shipping.								
3.	Shipping Department, Andamans .	7,87	76,55	8,03*	(—)32,54	2,06	(—)30,48	..	Figures for the year 1964-65 have been taken as *pro forma* accounts for the year 1965-66 are under audit.
4.	Ferry Service, Andamans	23,90	23,67	4,18†	(—)5,72	94	(—)4,78	..	
5.	Marine Department (Dock Yard), Andamans .	13,71	3,01	12†	(—)2,20	51	(—)169	..	
	Ministry of Health and Family Planning								
6.	Medical Stores Depots	2,71,76	39,73	2,60	(+)13,11	8,66	(+)21,77	8.75	

*Depreciation for the year 1964-65 only.

†Depreciation for the year 1965-66 only.

Ministry of Information and Broadcasting

XVII. FILMS DIVISION

1. Introduction

The Films Division was set up in 1948 in Bombay with the object of producing and distributing newsreels, documentaries and other films required by Government for purposes of information, education and training. About 25 per cent. of the total production of the documentaries is assigned to approved private producers.

Films are distributed to State Governments, Five Year Plan publicity units, development commissions, educational institutions, etc. for free exhibition.

2. Targets and achievements

The targets and achievements of films production during the three years ending March, 1967 are given below:—

	Targets			Achievements		
	1964-65	1965-66	1966-67	1964-65	1965-66	1966-67
Newsreels . .	52	52	53	62	60	59
Overseas editions .	12	12	12	8	6	..
Documentaries						
(*a*) Production through private producers . .	24	24	24	24	18	9
(*b*) Films Division production . .	82	82	66	73	110	77
TOTAL .	170	170	155	167	194	145

The production of 194 films in 1965-66 included 43 short films (equivalent to 11 films) and 2 released versions of films completed earlier. The effective number of films produced during 1965-66, therefore, came to 160 as against the target of 170. The shortfall in production during 1965-66 has been attributed by the Management to shortage of directorial staff and that during 1966-67 to stoppage of production of overseas editions and reduction in director-wise quota of films with a view to laying greater emphasis on the quality of production.

3. Working results

The main source of revenue is the rental for the supply of films to cinema licensees which is assessed at 1 per cent. of their gross collections (excluding entertainment tax) subject to a minimum of Rs. 2·50 per week; the rates were fixed in February, 1958.

The following table indicates the working results of the Division for the three years ending March, 1967:—

(Rupees in lakhs)

	1964-65	1965-66	1966-67
(*a*) Government capital at the close of the year	9·40	16·85	17·94
(*b*) *Revenue*			
(*i*) Rental	59·64	64·17	66·64
(*ii*) Sale of prints	16·94	15·94	14·55
(*iii*) Miscellaneous	19·44	8·97	8·89
TOTAL	96·02	89·08	90·08
(*c*) Expenditure	128·57	110·79	122·43
(*d*) Excess of expenditure over income	32·55	21·71	32·35
(*e*) Notional revenue from films released for free exhibition	61·91	50·16	64·72
(*f*) Surplus after taking into account the notional value at (*e*) above	29·36	28·45	32·37

4. Costing

(a) *System.*—A simplified system of costing was introduced in June, 1957. This system does not envisage the comparison of the overheads recovered at predetermined rates with the actuals and the maintenance of log sheets for utilisation of machines and equipment. At the time of introduction of the system it was envisaged that it would be reviewed after one year. No such review has been conducted so far (October, 1967).

(b) *Cost of production.*—A comparative statement of the average cost of production of documentary films produced departmentally and of those assigned to the private producers during the three years ending March, 1967 is given below:—

	Cost of production per metre		
	1964-65	1965-66	1966-67
	Rs.	Rs.	Rs.
Films Division	68·50	70·21	105.97
Private producers	61·72	55·14	61·30

NOTE :—The cost of production of private producers includes overhead charges (Rs. 3·50 per metre for the years 1964-65 and 1965-66 and Rs.5 per metre for the year 1966-67) of the Division.

In para 155 of their 23rd Report (1963-64), the Public Accounts Committee had recommended that efforts should be made by the Division to effect possible economies in the production and distribution of such films so as to make them self-supporting.

It will, however, be seen that the cost of documentary films produced by the Division was much higher than that of the private producers during all the three years and that the cost of films produced by the Division during 1966-67 rose by 50 per cent. over the figure for 1965-66. According to the Management, the higher cost of production was due to (i) engagement of highly paid and skilled staff who are not employed on a regular basis by the private producers and (ii) adoption of certain principles and procedures laid down on administrative considerations which affected the cost of production.

As regards the sharp increase of 50 per cent. in the cost of production of films in 1966-67 over that of 1965-66, the Management have stated the following reasons:—

(i) Fall in production consequent upon the reduction in the director-wise quota of films with a view to laying greater emphasis on the quality of production.

(ii) The effect of devaluation which worked out to Rs. 4·33 per metre.

(iii) The increase in processing rates and establishment charges by Re. 0·43 and Rs. 4·71 per metre respectively.

5. **Idle time**

The table below indicates the number of idle man-days (after setting off the time allowed for practising music, to be recorded, at the rate of half an hour per day) for the Films Division and the value thereof during the last three years:—

	1964-65	1965-66	1966-67
Idle man-days	5,846	6,146	5,080
Value of idle man-days in lakhs of rupees . . .	2·47	2·59	2·01

6. **Delay in the production of films**

(A) (i) Government entered into a contract, after negotiations, with a private producer on 18th January, 1963 for the production of a film "India's case on China" of a length not exceeding 3,500 feet at the rate of Rs. 35 per foot as against the then prevailing rates of Rs. 11 to Rs. 24 per foot.

The producer submitted a complete rough cut (measuring more than 9,000 feet) in April, 1964 as against the stipulated date of 15th July, 1963. After many previews Government instructed the producer in September, 1964 to reduce the length of the picture to 6,000 feet. The final length of the picture delivered to and accepted by Government in November, 1964, however, came to 6,174 feet.

A dispute arose in the settlement of the producer's claim and the matter was referred to an arbitrator in April, 1966. The producer submitted to the arbitrator a total claim of Rs. 9·30 lakhs. Soon after the commencement of the arbitration proceedings, the arbitrator was transferred and a new arbitrator was appointed in March, 1967 by Government. The award of the arbitrator is awaited (January, 1968).

(ii) The above contract contains the following unusual features which deviated from the standard form of contracts executed by the Division:—

(a) Provision for compensation to be paid by Government to the producer for deleted footages in excess of 5 per cent. of the finally approved length of the picture. The producer submitted a total claim of Rs. 91,480 on this account. The Division has, however, admitted the claim for Rs. 58,205 only.

(b) Advance payment to the extent of 80 per cent. of the estimated cost of production as against the usual advance of 40 per cent.

(c) Non-inclusion of clause for the deposit of security for the fulfilment of the contract.

(d) Although the rate of Rs. 35 per foot was all-inclusive, the following assistance was rendered to the producer outside the scope of the contract:—

(1) Facilities for shooting in forward areas for which the Ministry of Defence normally charge Rs. 50,000. In order to expedite the production of the film, the Ministry of Information and Broadcasting had to pay a sum of Rs. 40,000 to the Ministry of Defence.

(2) Supply of film material/stock shots at concessional rates (Rs. 1,86,020).

(B) On 10th July, 1963 Government entered into another contract with the same producer for the production of a film titled 'Case on Indo-China Border No. 2' of length not exceeding 3500 feet at the rate of Rs. 50 per foot. According to the agreement, 'on account' payments aggregating Rs. 1·20 lakhs were to be made to the producer in five instalments and the last instalment of Rs. 30,000 was to be paid

FILMS DIVISION

Profit and Loss Account for the year 1966-67

Dr.	1965-66	1966-67	Cr.	1965-66	1966-67
To	Rs.	Rs.	By	Rs.	Rs.
Gross Loss brought forward from Distribution Account	17,47,852	26,81,458	Net Loss before charging notional value of free exhibition carried over to Balance Sheet	21,71,408	32,35,160
Interest on capital	815	4,903			
Government contribution to Provident Fund, Pensionary and Gratuity charges	4,02,741	4,70,559			
Audit Fee	20,000	78,240			
	21,71,408	32,35,160		21,71,408	32,35,160
Net Loss before charging notional value of free exhibition as above	21,71,408	32,35,160	Notional Revenue of films released for free exhibition	50,15,952	64,72,269
Notional Profit after charging notional value of free exhibition	28,44,544	32,37,109			
	50,15,952	64,72,269		50,15,952	64,72,269

FILMS DIVISION

Distribution Account for the year 1966-67

Dr.	1965-66	1966-67	*Cr.*	1965-66	1966-67
	Rs.	Rs.		Rs.	Rs.
To			By		
Cost of production transferred from production Account	90,20,580	1,00,91,301	Revenue from . . .		
Salaries, Allowances, Honoraria, etc. .	9,46,593	7,82,351	(*i*) Rental	64,16,610	66,64,193
Rent and Maintenance Charges of Building	54,681	59,402	(*ii*) Packing and forwarding .	1,25,160	1,17,058
Administrative expenses . . .	2,54,106	2,83,979	(*iii*) Sale of Prints . . .	15,94,389	14,54,824
Spools and Cans consumed . . .	87,129	89,938	(*iv*) Royalty . . .	17,815	26,549
Freight and Clearance . . .	1,93,756	1,84,443	(*v*) Sale of old stores and Miscellaneous Receipts . . .	7,53,532	7,45,399
Miscellaneous Office Expenses . . .	43,973	57,960	Gross loss transferred to Profit and Loss Account	17,47,852	26,81,458
Depreciation	..	9,443			
Publicity Expenses	54,540	1,30,664			
	1,06,55,358	1,16,89,481		1,06,55,358	1,16,89,481

FILM S DIVISION

Production Account for the year 1966-67

Dr.	1965-66	1966-67	*Cr.*	1965-66	1966-67
	Rs.	Rs.		Rs.	Rs.
To			By		
Opening balances :					
(*i*) Films in the making	15,71,701	22,93,541	(*i*) Cost of films in making .	22,93 541	16,98 296
(*ii*) Films completed but not released .	11,25,531	6,02,740	(*ii*) Cost of films completed .	6,0[illegible],740	17,46,361
	26,97,232	28,96,281		28,96,281	34,44,657
Raw Stock consumed	36,01,375	47,79,921	Share of administrative expenses transferred to Distribution Account	1,38,659	1,44,905
Miscellaneous Stores consumed .	59,245	80,356			
Processing charges	9,60,013	10,77,439	Balance of Production Account transferred to Distribution Account .	90,20,580	1,00,91,301
Salaries, Wages, Allowances and Honoraria	21,14,243	23,84,018			
Payment to Artist	2,10,260	2,82,998			
Electricity charges	21,488	15,584			
Cost of Outside Production . . .	6,30,359	4,32,222			
Miscellaneous Production expenses .	3,94,435	3,17,855			
Freight and Clearance charges . . .	21,103	30,681			
Depreciation	2,90,885	2,98,840			
Repairs and maintenance expenses .	51,110	23,593			
Miscellaneous Office expenses . . .	60,397	1,23,813			
Administrative expenses . . .	9,43,375	9,37,262			
	1,20,55,520	1,36,80,863		1,20,55,520	1,36,80,863

Ministry of Food, Agriculture, Community Development and Co-operation

XVIII. FOREST DEPARTMENT, ANDAMANS

1. Introduction

The main functions of the Department are the extraction of timber for commercial purposes, sale of timber and regeneration of the areas denuded by felling of the trees.

2. Targets and achievements

(a) The table below indicates the targets for shipment and the actual quantity shipped to the Calcutta and Madras Depots during the Third Five Year Plan period:—

Year	Targets (Tons)	Actual quantity shipped (Tons)
1961-62	37,200	23,350
1962-63	35,200	24,988
1963-64	38,400	23,958
1964-65	42,400	30,174
1965-66	36,000	20,931

In this connection, the Ministry have stated (January, 1968) that

(i) "The actual quantities of logs shipped fell short of the targets mainly as a result of deterioration of shipping position.............despite our constant requests to the D.G. Shipping, the required number of vessels for the transport of logs from the Andamans to the mainland could not be made available".

(ii) "The two station vessels 'M.V.' Andamans and 'M.V.' Nicobar carry only sawn timber. The Harbour Master who is the final authority to allot shipping space in these vessels could not allot the space asked for by the Forest Department..........".

(b) *Short landing of timber.*—Timber when unloaded at Calcutta and Madras Depots was generally found short, the losses written off during the period 1961-62 to 1965-66 amounting to Rs. 1·36 lakhs. Claims for the losses, when preferred with the shipping Company, were rejected by the latter on the ground that there was no scope for pilferage during the period of voyage as the hatches of the ships were sealed by the Forest Department and opened at the unloading points only by the Department's agents, and that the short landings might be due to wrong tallying at the loading points.

The Ministry have stated (January, 1968) that "the unloading of sawn timber at Calcutta is done in mid-stream and there is transhipment from the ships to the barges and then from the barges on to the depot. This transaction entails loss of timber by natural drift and by pilferage on barges...........Every effort is, however, being made to minimise this loss but it has not so far been possible to achieve much in this regard".

3. Working results

(a) The working results of the Department for the four years ending 31st March, 1967 are given below :—

(Rupees in lakhs)

	1963-64	1964-65	1965-66	1966-67
(*a*) Government capital at the close of the year	455·66	505·23	567·01	678·40
(*b*) Sale of timber (including departmental consumption), jungle fuel and charcoal	106·07	125·13	101·35	96·92
(*c*) Royalty receipts	58·19	64·94	72·42	102·05
(*d*) Net profit	10·84	13·73	5·35	23·06
(*e*) Percentage of profit to capital	2·38	2·72	0·94	3·40

The royalty receipts shown above include Rs. 49·00 lakhs, Rs. 60·98 lakhs, Rs. 66·94 lakhs and Rs. 96·86 lakhs, being the royalty on shortfalls for the years 1963-64, 1964-65, 1965-66 and 1966-67 respectively, recoverable from the North Andamans Licensee. Similar claims for the period ending March, 1963 have been referred to the arbitrators. The claims of the Department for the period up to 1960-61 have already been rejected by the arbitrators *vide* para 4. It will, thus, be seen that, but for the *pro forma* inclusion of these receipts, which the Department has not, so far, been able to realise, the working results would have disclosed a loss of Rs. 38·16 lakhs, Rs. 47·25 lakhs, Rs. 61·59 lakhs and Rs. 73·80 lakhs respectively during the four years mentioned above. These figures of losses would still go up if the other disputed claims outstanding against the North Andamans Licensee are, also, excluded from the *pro forma* accounts.

(b) The table below indicates the details of the amount of Rs. 2,50,953 outstanding for recovery in the books of Howrah Depot as on 31st March, 1967:—

	Rs.
(*i*) Outstanding for two years or less	1,01,224
(*ii*) Outstanding for three years and above . . .	1,49,729
TOTAL	2,50,953

The Ministry have stated (January, 1968) that efforts to realise the outstanding amounts are being made.

4. Outstanding royalty

In para 114 of Audit Report (Civil), 1962, it was mentioned that as on 31st March, 1961 a sum of Rs. 2·10 crores was outstanding against the North Andamans Licensee on account of royalty charges and that the Licensee had also put in a counter-claim of about Rs. 2 crores before the arbitrator.

As on 31st March, 1966 the amount recoverable from the Licensee stood at Rs. 4,99,61,999 out of which a sum of Rs. 3,44,03,852 was on account of royalty on shortfalls and the balance on account of other claims.

The table below indicates the particulars of the arbitration cases filed by Government and the Licensee before the arbitrators, the amounts claimed by the Licensee and Government, etc.

Sl. No.	Date of filing arbitration case	Amount claimed by the firm	Amount claimed by Government	Period of claim
		(Rupees in lakhs)		
1.	4-7-1961 . . . . . (Suit filed by the firm).	208·12	224·41	Since inception to 1960-61.
2.	15-7-1964 . . . . . (Suit filed by Government).	89·44	100·90	1961-62 and 1962-63.
3.	20-3-1965 . . . . . (Suit filed by the firm)	39·53	Claim not filed so far	1963-64

A total expenditure of Rs. 4·13 lakhs was incurred by the Department up to February, 1968 on the arbitration proceedings. On 18th March, 1967 the arbitrators gave the award in respect of the first case according to which Government's claim to the extent of Rs. 2,04,99,205 (including Rs. 1,97,86,935 on account of royalty on shortfalls up to 1960-61) and the entire claim of the Licensee were rejected.

In this connection, the Ministry have stated (January, 1968) that the Licensee has moved the Court for setting aside the Award and that it has been decided to oppose the application made by him to set aside the Award and to obtain judgement in terms of the Award under Section 17 of the Arbitration Act, 1940. The case is pending in the Calcutta High Court.

The Ministry have stated further that, pursuant to the recommendation of the Public Accounts Committee contained in para 2.22 of their 54th Report (Third Lok Sabha), a Committee of three Secretaries to the Government of India (in different Ministries) has been appointed on 10th August, 1967 to investigate the matters relating to the agreement with the North Andamans Licensee and that the Committee has been requested to submit its report within six months from the date of its appointment. The report is awaited (March, 1968).

5. **Stores**

(i) In February, 1962, 6 sets of loading gears were purchased at a cost of Rs. 29,208 on the basis of specifications obtained from the Eastern Shipping Corporation of India as the Department did not have technical ability for the purpose. The gears, however, could not be put to use as they were too heavy and did not conform to the needs of the Department.

The Ministry have stated (January, 1968) that efforts are being made to utilise the gears in other Departments of Andamans Administration or to dispose of them through Director General of Supplies and Disposals.

(ii) Stores worth Rs. 1·42 lakhs were purchased by the Andamans Administration in February, 1963 without inviting tenders.

The Ministry have stated (January, 1968) that

> "the stores were purchased by Andaman Administration after deputing an officer to mainland to collect quotations personally as these stores were needed very urgently. The Administration has, however, initiated disciplinary proceedings against the officer concerned. The case is still under investigation.

Suitable steps have been taken by the Administration to enforce strict control on the procedure of procurement of stores and to ensure that stores are not purchased much in excess of immediate requirements''.

6. Saw Mills

The table below indicates the intake and outturn of the departmental saw mills for the five years ending March, 1967: —

(Figures in tons)

	1962-63	1963-64	1964-65	1965-66	1966-67
Intake	21,370	23,177	27,020	27,509	26,043
Outturn (Squares and Scantlings)	11,530	12,524	13,424	13,869	11,864
Wastage	46·04%	45·97%	50·32%	49·58%	54·44%
Cost of sawn timber (in Rs. per ton). . .	314·67	309·71	336·59	385·10	546·67

It will be seen that (i) the percentage of wastage which was 46·04 per cent. in 1962-63 went up to 54·44 per cent. in 1966-67 and (ii) the per ton cost of production of sawn timber during 1966-67 recorded an increase of Rs. 232 (74 per cent.) over the figure for 1962-63.

The Ministry have stated (January, 1968) that the cost of production of sawn timber had increased mainly because of general increase in (a) the cost of extraction, (b) milling charges and (c) overhead charges. As regards the wastage, they have stated that Chatham Saw Mill (which accounts for more than 90 per cent. of the total intake) is basically a salvaging unit and as such it has not been possible to ensure a better outturn percentage.

FOREST DEPARTMENT, ANDAMANS

Balance Sheet as at 31st March, 1967

Capital and Liabilities	1965-66		1966-67		*Property and Assets*	1965-66	1966-67
	Rs.		Rs.			Rs.	Rs.
Government Capital							
Opening Balance .	5,05,23,394		5,67,00,838		Fixed Assets (Net) . . .	64,84,082	59,24,093
Add : Net adjustments during the year	56,42,540		88,32,421		Elephants	2,16,077	1,90,237
					Stock in hand		
Add : Profit during the year.	5,34,904		23,06,381				
		5,67,00,838		6,78,39,640	(*i*) Timber . . .	45,13,091	47,90,323
Reserve for death of elephants		65,252		71,039	(*ii*) Stores . . .	17,68,626	15,63,400
Outstanding liabilities .		68,42,152		55,25,482	(*iii*) Ration and ammunitions, etc.	42,904	44,750
Employees provident fund contributions		1,103		880	(*iv*) Loose Tools . . .	1,704	857
					(*v*) Mathematical Instruments .	4,856	3,180
Undischarged Liability					*Sundry Debtors*		
Audit fee		3,49,239		3,98,801	(*i*) M/s. P. C. Ray & Co. .	82,65,501	82,65,501
Suspense		88,200		1,00,162	(*ii*) Bills issuable accounts of P.C. Ray and Co. and others .	4,17,82,634	5,13,82,430
					(*iii*) Others . . .	2,24,477	7,06,855
					Advances	4,04,010	5,38,366
					Cash and other balances .	21,153	19,667
					Development Expenditure .	3,17,669	5,06,345
		6,40,46,784		7,39,36,004		6,40,46,784	7,39,36,004

FOREST DEPARTMENT, ANDAMANS

Trading and Profit and Loss Account for the year ending 31st *March,* 1967

Dr.					Cr
	1965-66	1966-67		1965-66	1966-67
To	Rs.	Rs.	By	Rs.	Rs.
Opening balance	35,48,763	45,13,547	Sale of timber, Jungle fuel and charcoal	97,20,265	93,00,366
Expenditure on departmental extraction .	44,65,131	45,47,018	Departmental consumption of timber .	4,15,034	3,91,211
Timber supplied by contractors .	4,00,708	1,72,921	Royalty	72,41,968	1,02,05,332
Royalty	42,23,806	38,57,532	Other receipts	4,15,265	3,59,994
Depreciation	6,99,622	7,62,035	Previous years' adjustments .	1,26,519	2,80,001
General Overheads (including Rs. 26,02,117 and Rs. 29,75,775 on account of interest for the years 1965-66 and 1966-67 respectively) .	29,86,776	49,89,448	Closing stock	45,13,547	47,90,711
Charges of export of timber . . .	50,34,168	34,65,116			
Expenses of North Andamans Lease .	5,23,511	6,99,345			
Development expenses . . .	15,209	14,272			
Net Profit	5,34,904	23,06,381			
	2,24,32,598	2,53,27,615		2,24,32,598	2,53,27,615

FOREST DEPARTMENT, ANDAMANS

Stores and Stock Account for the year 1966-67

	Stores		Mathematical Instrument		Loose Tools	
	1965-66	1966-67	1965-66	1966-67	1965-66	1966-67
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Opening balance	17,15,724	17,68,626	5,463	4,856	2,550	1,704
Receipts	17,89,631	12,74,137	222	..	..	..
	35,05,355	30,42,763	5,685	4,856	2,550	1,704
Issue	17,36,729	14,79,363	..	..	..	..
Less : Depreciation	...	..	829	1,676	846	847
Closing stock	17,68,626	15,63,400	4,856	3,180	1,704	857

OTHER TOPICS OF INTEREST

Ministry of Finance

XIX. KOLAR GOLD MINING UNDERTAKINGS

Fraudulent payments.—In January, 1967 it was noticed by the Management that the compensation payments arising out of temporary disablement resulting from the accidents in the Champion Reef Mine continued to be heavy notwithstanding the fact that the number of accidents had decreased. As a result of a preliminary investigation it was noticed that payments had been shown to have been made more than once in respect of the same accident in a number of cases. According to the reports of the Internal Audit submitted on 8th March, 1967 and 24th April, 1967, a total amount of Rs. 60,691 (including the amount of Rs. 22,748 pertaining to the period when the Undertakings were under the administrative control of the Government of Mysore) had been misappropriated during the period from March, 1957 to 31st January, 1967.

The fraud was committed by insertion in the Accident Payment Book of the names of persons who had already been paid compensation and drawal of funds in their names again, which were, then, misappropriated.

The Ministry stated (November, 1967) that "the Clerk Incharge who was the main person responsible for the misappropriation is absenting himself from 28th January, 1967" and a case registered against him by the Special Police Establishment, is under investigation. They further stated that "in regard to the action against the others, this matter is being pursued and action is being initiated in the matter".

XX. INDIA GOVERNMENT MINT, ALIPORE

Infructuous expenditure.—In order to provide individual water meters in the inlet pipes of the overhead tanks of the staff quarters of the Alipore Mint for the purpose of determining correct recoverable water charges from the occupants, a contract for installation of the meters was made in December, 1959 on the basis of an estimate approved both technically and administratively in February, 1959. After incurring an expenditure of about Rs. 26,000 on the water chambers (Rs. 12,100) and allied works, the work was abandoned in May, 1964 on the following grounds:—

(i) Further execution of the scheme would have involved considerable capital and recurring expenditure.

(ii) The installation of the meters was likely to lead to embitterment of relations between the Management and labour.

(iii) Individual water meters had not been installed elsewhere in the Central Government quarters in Calcutta.

The work completed has not been put to any use so far (February, 1968). Besides, out of the 273 meters procured in 1960, 171 meters (costing Rs. 16,000) are lying (February, 1968) unused and water charges are being recovered on *ad hoc* basis.

The Ministry have stated (February, 1968) that "the water chambers would be used to house the inlet valves of the water supply system, as they need some protection".

Ministry of Works, Housing and Supply

XXI. GOVERNMENT OF INDIA PRESS, NASIK

Incorrect fixation of sale price.—On the basis of an indent placed in October, 1963 by the Directorate of Education, Delhi for the printing of 2 lakh copies of a text book, the Manager, Publication Branch issued the printing order to the Nasik Press in December, 1963.

The estimate of cost prepared by the Press for the purpose of fixation of sale price of the book was defective in the following respects :—

(i) The time required for printing was assumed as 100 hours instead of 1,000 hours.

(ii) The overheads included in the estimate were those of Letter Press Wing (rate 385 per cent. of direct labour) instead of those of the Photo Litho Press (rate 1010 per cent. of direct labour) where the work was to be done.

Owing to the defective estimate, the sale price of the book was fixed by the Manager, Publication Branch at Rs. 1·25 per copy instead of the correct rate of Rs. 1·40 under the page-rate formula prescribed by the Director of Education, Delhi. Government would thus be able to realise Re. 0·15 less than what they should have done on every copy sold, resulting in a potential loss of Rs. 30,000 on 2 lakh copies.

The Ministry have stated (November, 1967) that the Estimator concerned and the Head Computer were responsible for the under-estimation but that it was a *bona fide* error of judgement. The Estimator has been warned and the Head Computer too is being warned to be more careful in future.

A. K. Bhattacharyya

NEW DELHI;
The 4th *May,* 1968.

Director of Commercial Audit.

Countersigned.

S. Ranganathan

NEW DELHI;
The 4th *May,* 1968.

Comptroller and Auditor General of India.

GMNGIPD—TSW—2 CAG (96)—2-5-68—2,700.

Besides, the Company has been authorised to operate cash credit account with the State Bank of India to the extent of Rs. 95 lakhs which has been guaranteed by Government. The balance outstanding in the cash credit account as on 31st March, 1966 was Rs. 77·59 lakhs.

3. Defective estimates

In the following cases, the actual costs of construction were appreciably more than the estimates on the basis of which tenders were submitted:—

(Rupees in lakhs)

Vessel	Total cost	Loss
A	3·54	0·45
B	27·08	1·85
C	19·72	6·16
D	2·88	1·22
E	2·01	0·56
F	3·00	0·35
G	7·87	2·56
H	2·42	0·90
I	0·60 (Approx.)	0·34
J	0·36	0·22

In this connection, the Ministry have stated (December, 1966) as follows:—

(i) The orders below the estimated cost were preferable to non-utilisation of production capacity entailing loss on account of idle labour hours, machine hours and capital. However, with enough orders in hand, the estimates prepared since 1965-66 are made on the basis that full oncost should be recovered, as far as possible, except in departments where lack of orders would cause idle time.

(ii) Losses were "partly due to the initial in-built loss when tendering and partly due to delay in completion of orders consequent on difficulties in obtaining materials, finalisation of drawings, etc.".

The Ministry have added that constant efforts are being made to improve the methods of construction taking into account the experience gained and that soon it would be possible to recover full cost including oncost.

4. Delays in execution of works and installation of equipment

(a) In the following cases, there was delay ranging from 6 to 28 months in the execution of works by the Company. Column 3 of the table below indicates the loss incurred in each case.

Vessel	Delay in completion (Months)	Loss (Rupees in lakhs)
1	2	3
A	17	0·25
B	14	0·57
C	18	0·96
D	7	0·73
E	6	0·31
F	28	3·87

The Ministry have given (December, 1966) the following reasons for delay in execution of works:—

(i) Non-availability of ship-building steel sections which were in short supply in the country.

(ii) Belated receipt of import licences and difficulties in procurement of materials and machinery in general.

(iii) Defective supply of machinery in the case of 'A'.

(iv) Delay in the approval of plans by the owner ('B').

(v) Non-availability of passage from Calcutta to Goalpara ('C') and of wagons for transport of the vessel to Bombay ('E').

(vi) Wrong shipment of machinery in the case of 'F'.

According to the Ministry the losses *vide* column 3 above were due to:

(i) initial in-built loss provided at the time of tendering on the principle of 'what the market will bear'; and

(ii) rise in price of raw material and statutory increase in wages during the long period of construction.

(b) A Diesel Harbour Tug which was to be delivered in November, 1962 at the sale price of Rs. 23·27 lakhs was actually delivered on 30th April, 1965 after completion at a cost of Rs. 29·96 lakhs. The gross loss thus worked out to Rs. 6·69 lakhs. The Company has preferred an escalation claim of Rs. 4·14 lakhs out of which the amount of Rs. 1·13 lakhs has been admitted by the owners.

According to the Ministry the loss of Rs. 5·56 lakhs is mainly attributable to increase in unit cost of labour, under-provisioning of oncost in the estimates and utilisation of labour in excess of estimated hours.

Similarly, an Ammunition carrying Tug which was to be delivered in June, 1964 at a cost of Rs. 13·08 lakhs was completed in August, 1965 at a cost of Rs. 16·92 lakhs (excluding cost of rectification of defects). Out of the loss of Rs. 3·84 lakhs, the amount of Rs. 1·74 lakhs was mainly due to under-recovery of overhead charges and excess consumption of labour hours. The remaining sum of Rs. 2·10 lakhs was accounted for by increase in labour and material and extra work for which a claim was preferred by the Company with the party in May, 1966 under escalation clause. The claim is still (December, 1966) under negotiation.

The Ministry have stated (December, 1966) that the losses in the construction of the above two vessels were mainly due to delay in construction which is "attributable to delay in receipt of import licence/imported store, delay in receipt of steel, delay in finalisation of drawings and specifications, etc.".

(c) With a view to replacing the obsolete and uneconomical steam powered smithy hammers the Company purchased two electric hammers of 15 cwt. (December, 1962) and 20 cwt. (February, 1963) at a cost of Rs. 2·47 lakhs. It was estimated by the Company that by the installation of power hammers there would be a saving of Rs. 50,000 per year by way of reduction in operating cost.

The Management decided in May, 1963 to install the hammers in the new smithy shop proposed to be constructed. Although the shop was completed in September, 1965, the hammers were not installed.

The Ministry have stated (December, 1966) that it was decided in March, 1966 to utilise the new smithy building as Block Assembly area for new construction of vessels and port craft and to install the hammers in the existing Brazier Shop which was to be converted into new smithy shop. It has further been stated that the hammers are to be installed before the end of the year 1966.

The hammers have not so far been installed (December, 1966).

The purchase of the electric hammers without proper planning for their installation resulted in the blocking of the amount of Rs. 2·47 lakhs for a period of about 4 years.

5. Utilisation of machines

It will be seen from the following table that in the Machine Shop and New Machine Shop the percentage of idle time to the total hours ranged from 11·42 to 18·39 and 14·50 to 33·31 respectively during the period from 1963-64 to 1965-66. Idle hours mainly resulted from absenteeism and lack of availability of work.

Year	Average number of machines	Total available hours	Total hours worked	Total idle hours	Idle time percentage to total hours on account of				
					Absenteeism	Lack of work	Lack of labour	Repairs, breakdown, etc.	Total
Machine Shop									
1963-64	108	357048	316261	40787	8.82	0.06	0.05	2.49	11.42
1964-65	108	355634	298123	57511	8.11	6.60	0.38	1.08	16.17
1965-66	108	358265	292388	65877	8.97	6.00	1.77	1.65	18.39
New Machine Shop									
1963-64	46	265754	227222	38532	10.55	2.19	0.52	1.24	14.50
1964-65	53	332507	221743	110764	16.24	11.51	0.55	5.01	33.31
1965-66	60	391313	263784	127529	10.71	14.59	0.86	6.43	32.59

In this connection, the Ministry have stated (December, 1966) as follows :—

(i) "The machine shops are manned by skilled/especially trained operatives including a small reserve force to provide against normal absenteeism. It will need an uneconomically large labour force to ensure that the absenteeism does not affect utilisation of machines".

(ii) "The installed machinery in these shops include certain machines/equipments of specialised nature which could be brought into use only when orders for suitable jobs requiring specific as well as precision operations to be processed in these machines are received.......... In fact, about 75 per cent. of the total idle hours due to lack of work in the New Machine Shop and Machine Shop are contributed by 10 per cent. of the machines which are all of a specialised nature".

6. Incentive scheme

In the Memorandum of Settlement concluded with the Unions on 5th October, 1961 the Company agreed to introduce a suitable incentive scheme in early 1962-63. The work of formulation of the scheme was assigned on 5th March, 1962 to a firm of Specialists who were retained for 13 months beyond the maximum contracted period of 18 months for solving the initial difficulties in implementing the scheme and paid Rs. 2,02,000 as against the original agreed amount of Rs. 1,60,000. The Specialists submitted their reports in batches and the draft incentive scheme was approved by the Board on 26th July, 1963.

After prolonged negotiations with the Unions the Company entered into an agreement with them on 12th May, 1964 and the scheme was put into operation from 24th May, 1964. In accordance with the Memorandum of Settlement of 1961, the Company advanced wages in 1961 and 1962 with a stipulation that the advances would be adjusted against future earnings under the incentive scheme which was expected to be introduced in 1962-63. Owing to delay in implementation of the scheme recovery of advances amounting to Rs. 4,62,844 had, however, to be waived by the Company in May, 1964. The delay in implementation of the scheme has been attributed (December, 1966) by the Ministry to the following factors:—

(i) Initial difficulty in locating and engaging a reputed and experienced consultant for the purpose of work study.

(ii) Workers' refusal to accept the incentive scheme for some departments only instead of the Workshop as a whole.

(iii) Delay involved in work study of a wide variety of work of a non-repetitive type.

According to the Specialists' proposal of January, 1962 the average productivity was to rise to 60 per cent. within one year of implementation of the scheme.

It was, however, noticed that the overall productivity index, which was 29 per cent. during the reference period (*i.e.* prior to implementation of the scheme), varied from 31 to 40 per cent. during the period from 20th June, 1964 to 27th March, 1966.

According to the Ministry the following factors have adversely affected the successful implementation of the scheme:—

(i) Control with the help of direct standards for the ship repair work was considered impracticable because of:

(a) large differences in work content of apparently similar jobs thus rendering it very difficult to relate standard times with suitable parameters; and

(b) difficulties in introducing a system of work reporting in terms of suitable parameters and controlling the accuracy of such reports.

(ii) It was not feasible to introduce a scheme which would reward individual worker as the Company processed mostly non-repetitive or repairing jobs of wide variety.

(iii) Work standard based on statistical relationship in jobbing industry could not be easily understood by the workmen in general.

7. Costing system

The Company is following the system of job/batch costing for most of its work. On the basis of job cards a ledger indicating the expenses incurred on each job *viz.* direct labour, material and expenses is maintained. On the prime cost so arrived at, a fixed percentage on the direct labour/material is added towards production and administrative overheads in all departments excepting machine shops where machine hour rate is applied.

The following features of the costing system have been noticed:—

(a) Wide variations between the overhead expenses recovered at the rates fixed and the actual overhead expenses incurred have been noticed by Audit. These indicate that the rates of recovery should be reviewed.

The Ministry have stated (December, 1966) that "while the overhead expenses and recoveries thereof are reviewed each month, it is the accepted policy in the Garden Reach Workshops Limited not to revise the recovery rates very often as this would be adversely viewed by their customers who entrust them with open order jobs".

(b) 'Norms' of rejection/loss in different processes of manufacture have not been fixed.

8. Internal Audit

The Internal Audit Department was established in October, 1964 under the control of the Finance Manager who is the head of both Finance and Accounts. The exact scope of internal audit has not been defined and laid down and got approved from the Board of Directors. The Ministry have stated (December, 1966) that "the scope of internal audit has been defined and laid down in a draft internal audit manual which will be placed before the Board of Directors for finalisation after it has been reviewed in the light of experience gained in the working of the internal audit department".

9. Accounting Manual

An Accounting Manual laying down the method of maintenance of records and compilation of accounts and prescribing the duties and responsibilities of various officials and delegation of financial powers to them has not been compiled. The Ministry have stated that the compilation of a comprehensive accounting manual needs the exclusive services of an expert officer for at least one year and that it has not been possible to appoint an officer exclusively for this work. It is, however, intended to finalise the Manual before 31st March, 1967 and bring it into use in 1967-68.

10. Financial results

(a) The table below summarises the financial position of the Company under broad headings for the last three years:—

(Rupees in lakhs)

	1963-64	1964-65	1965-66
Liabilities			
(*a*) Paid-up capital (including share deposit) .	80·00	100·00	100·00
(*b*) Reserves and surplus	62·22	59·76	79·09
(*c*) Borrowings			
(*i*) from the Government of India . .	65·00	85·00	100·45
ii) from Bank—cash credit . . .	49·27	33·28	77·59
(*d*) Trade dues and other current liabilities (in-including Provisions)	105·16	105·71	105·24
TOTAL . .	361·65	383·75	507·37

	1963-64	1964-65	1965-66
Assets			
(*e*) Gross block	134·07	145·21	186·66
(*f*) *Less*: Depreciation	79·22	87·48	94·27
(*g*) Net fixed assets	54·85	57·73	92·39
(*h*) Capital work-in-progress	6·64	14·94	8·26
(*i*) Current assets, loans and advances (including investments)	300·16	311·08	406·72
TOTAL . . .	361·65	383·75	507·37
Capital employed	249·85	263·10	348·87
Net worth	142·22	159·76	179·09

NOTE.—1. Capital employed represents net fixed assets plus working capital.
2. Net worth represents paid-up capital plus reserves.

(b) The working results of the Company for the three years are tabulated below:—

(Rupees in lakhs)

	1963-64	1964-65	1965-66
(*i*) Profit before tax	16·85	8·07	35·33
(*ii*) Tax provision	9·50	6·03	16·00
(*iii*) Profit after tax	7·35	2·04	19·33
1. Percentage of profit before tax			
(*a*) To sales	5·9	3·0	11·0
(*b*) To gross fixed assets	12·6	5·6	18·9
(*c*) To capital employed	6·7	3·1	10·1
2. Percentage of profit after tax			
(*a*) To net worth	5·2	1·3	10·8
(*b*) To equity capital	9·2	2·0	19·3
(*c*) To capital employed	2·9	0·8	5·5
(*iv*) Dividend	..	4·50 (5%)	6.00 (6%)

VIII. MAZAGON DOCK LIMITED

1. Introduction

The Mazagon Dock Limited became a Government Company on 13th May, 1960 in pursuance of an agreement entered into by the Government of India with the vendors of the Company, under which the entire shareholdings of the Company were acquired by the Government of India.

The main objects of the Company are to (a) provide repair facilities to naval ships, (b) increase repair facilities to merchant fleet and (c) construct naval and other ships so as to save foreign exchange.

After the liberation of Goa the Company was entrusted in April, 1962 with the task of re-activating Goa shipyard. The Company is paying Rs. 40,000 per annum for the hire of the yard. An expenditure of Rs. 19·46 lakhs (approximately) was incurred up to 31st March, 1966 on re-activation, purchase of equipment and machinery and other assets.

2. Capital structure

The authorised capital of the Company is Rs. 2 crores divided into 2,00,000 shares of Rs. 100 each. The issued and subscribed capital of the Company as on 31st March, 1966 was Rs. 168 lakhs.

In addition, the Government of India have from time to time advanced long-term loans aggregating Rs. 139 lakhs for financing the expansion programme and resuscitation expenses of the Goa shipyard.

Besides, the Company has made cash credit arrangements with the State Bank of India to the extent of Rs. 1 crore which has been guaranteed by Government. The balance outstanding in the cash credit account as on 31st March, 1966 was Rs. 86·36 lakhs.

3. Defective estimates

(i) *New construction works.*—In the following cases, the actual costs of construction were appreciably more than the estimates on the basis of which tenders were submitted:—

(Rupees in lakhs)

Vessel	Date of estimate	Actual cost including overheads	Loss
A	July, 1959	23·04*	6·43
B	July, 1959	0·58*	0·03
C**	December, 1959	88·42	32·11
D	April, 1960	2·36*	0·47
E	January, 1960	97·31	36·23
F	January, 1960		
G**	April, 1960	3·90	1·55
			76·82

*Excluding overheads as these are not available.

**Also see sub-paras (ii) and (iii) below.

The Company has stated that these losses were in respect of construction works for which the estimates were prepared by the previous Management.

Even after the take-over, estimates were not prepared correctly in the case of new construction works. Owing to incorrect preparation of estimates the Company incurred a total loss of Rs. 12·29 lakhs in the following cases:—

(Rupees in lakhs)

Vessel	Date of estimate	Actual cost including overheads	Loss
X	September, 1961	11·29	5·24
Y	November, 1961	14·96	7·05
			12·29

The Ministry have stated (December, 1966) that "a new system of data compilation and estimating had to be evolved and had to function before there could be any significant improvement in the accuracy of the estimates. The system of estimating has since been put on a firm footing".

(ii) *Construction of vessel 'C'.*—In December, 1959 the Company quoted Rs. 42,75,000 for the construction of vessel 'C'. This price was subject to escalation clause. The owners, however, insisted on a fixed price without any escalation to which the Company agreed in March, 1960 with the stipulation that price quoted should be increased by 2½ per cent.

On 9th September, 1960 the Company received the firm order at the increased price of Rs. 43·82 lakhs. Subsequently certain additions to the items of machinery and equipment were made and the final contract price was raised to Rs. 46·19 lakhs.

The work was completed in September, 1964 at a cost of Rs. 88·42 lakhs against which the owners paid Rs. 56·31 lakhs only. The Company thus suffered a loss of Rs. 32·11 lakhs in this deal.

The loss was due to under-estimation of total mandays required for building the ship, omission to include a number of items of material and absence of escalation clause which prevented the Company from preferring claim on account of subsequent increase in the cost of imported and indigenous equipment.

The Ministry have stated (December, 1966) that "the loss in this case was primarily due to the inexperience of the Company in building the sophisticated ships of this type and the time lag between the final quotation and the actual date of completion".

(iii) *Loss in building vessel 'G'.*—The Company in May, 1960 quoted Rs. 1·95 lakhs for the construction of vessel 'G'. The offer was open up to 25th September, 1960, but the contract was accepted in April, 1961 for Rs. 2·35 lakhs including transport charges, insurance, etc. Although, in the meantime, there was rise in the cost of imported materials required for the construction owing to revaluation of German currency, the Company did not revise its rate nor ask for insertion of escalation clause for the imported equipment. The designs for the vessel were prepared after receiving the order, with the result that a more powerful engine than originally contemplated had to be imported at an extra cost of Rs. 12,432 to fulfil the guaranteed speed. The construction of the vessel was completed in June, 1964 at a cost of Rs. 3·90 lakhs involving a loss of Rs. 1·55 lakhs to the Company.

The Company stated in April, 1965 that it did not have sufficient experience in accurate estimating of the new construction works and execution of the works within the estimates in the absence of production control methods. The Ministry have stated (December,

1966) that "the contract was accepted in April, 1961. This was a lean period for the Company due to low levels of ship repair and new construction work. The Company had a policy of accepting low offers to cover themselves during the lean period so that the permanent labour force could be kept employed".

4. Pricing policy of oil engines

The prices of oil engines were fixed in 1963 on the basis of negotiations with the selling agents. As the cost of production was more than the selling price, the Company incurred a total loss of Rs. 10·76 lakhs in the production and sale of oil engines during the period 1960-61 to 1965-66.

In reply to the recommendation of the Public Accounts Committee made in para 124 of their Twenty-Third Report (1963-64), Government had stated that, as it was not possible either to reduce the cost of production or to increase the selling prices, it had been decided to discontinue the production of oil engines in stages. The production of oil engines was discontinued by the Company in September, 1965, but it was recommenced in February, 1966. It has been stated by the Ministry that the production has again been started "in view of the reorganisation of this manufacturing line and revision of the arrangement with the distributors. The rate of production has been considerably increased and it is expected to bring in a profit now".

5. Costing system

The main activities of the Company are ship building, ship repairing, assembly of Mazdock Oil Engines and execution of miscellaneous engineering jobs. The Company has been following the system of departmental job costing.

The following deficiencies were noticed in the costing system:—

(a) The overhead recovery rates applied to the various jobs do not bear any relation to the actual expenditure. During 1965-66 the recovery of overheads amounted to Rs. 127·07 lakhs as against the actual expenditure of Rs. 148·03 lakhs, the resulting under-recovery being Rs. 20·96 lakhs. This is due to the fact that the overhead rates which were fixed in 1948-49 (with minor revision in 1950-51) have not been revised except in the case of a few departments where some revision was made in 1965-66.

(b) Idle time on account of break-down of machinery, power failure, etc. is not booked separately.

(c) History cards for machines are not maintained.

As regards (a) it has been stated by the Management that steps have been taken to revise the system of overhead allocation from 1st April, 1967 so as to ensure full recovery of overheads and labour charges.

6. Financial results

(a) The table below summarises the financial position of the Company under broad headings for the last three years:—

(Rupees in lakhs)

	1963-64	1964-65	1965-66
Liabilities			
(*a*) Paid-up capital	98·00	108·00	168·00
(*b*) Reserves and surplus	39·26	41·54	45·25
(*c*) Borrowings			
(*i*) from the Government of India	75·00	82·00	139·00
(*ii*) cash credit and overdrafts with banks	66·04	71·28	86·36
(*d*) Trade dues and other current liabilities (including provisions)	157·55	158·29	162·26
TOTAL	435·85	461·11	600·87
Assets			
(*e*) Gross block	114·81	148·36	159·06
(*f*) *Less*: Depreciation	65·75	72·68	79·08
(*g*) Net fixed assets	49·06	75·68	79·98
(*h*) Assets under construction	5·48	29·76	97·14
(*i*) Current assets, loans and advances (including investments)	381·31	355·67	423·75
TOTAL	435·85	461·11	600·87
Capital employed	272·82	273·06	341·47
Net worth	137·26	149·54	213·25

NOTE.—1. Capital employed represents net fixed assets plus working capital.
2. Net worth represents paid-up capital plus reserves.

(b) The working results of the Company for the last three years are tabulated below:—

(Rupees in lakhs)

	1963-64	1964-65	1965-66
(*i*) Profit before tax	25·88	14·66	17·98
(*ii*) Tax provision	10·00	7·80	9·75
(*iii*) Profit after tax	15·88	6·86	8·23
1. Percentage of profit before tax			
(*a*) To sales	5·8	3·6	4·3
(*b*) To gross fixed assets . . .	22·5	9·9	11·3
(*c*) To capital employed . . .	9·5	5·4	5·3
2. Percentage of profit after tax			
(*a*) To net worth	11·6	4·6	3·9
(*b*) To equity capital	16·2	6·4	4·9
(*c*) To capital employed . . .	5·8	2·5	2·4
(iv) Dividend	..	4·57 (4½%)	5·82 (4½%)

7. Other topics of interest

Delay in the finalisation of contracts with the Navy.—A review of the outstanding bills as on 31st July, 1966 for repair of ships showed that an amount of Rs. 40·21 lakhs pertaining to works executed during the period from 1961-62 to 1965-66 was outstanding against the Navy out of which Rs. 9·57 lakhs pertained to works executed before April, 1963. The bills are pending because of non-finalisation of contracts and non-completion of check by the Controller of Defence Accounts (Navy). While the Company's funds to the extent of Rs. 40·21 lakhs have been blocked, it has been paying interest on overdraft since 1962-63 at rates varying from 5 per cent. to 7½ per cent. The interest on the blocked funds worked out to Rs. 4·91 lakhs up to 31st July, 1966.

The Ministry have stated (December, 1966) that, "after deducting *ad hoc* payments of Rs. 18 lakhs, the net amount due works out to Rs. 22·21 lakhs. These amounts were not outstanding only on account of the delay in finalisation of the contracts. The major portion of outstandings (Rs. 21·08 lakhs) relates to work done in excess of Government sanction on authorisation by the Naval

Authorities. Similarly, a considerable amount (Rs. 8·63 lakhs) is outstanding on account of objections raised by Cost Audit on issues like rebate, scrap value, basis for pricing of material, etc. and the procedure to be followed for sub-contract work".

IX. FERTILISERS AND CHEMICALS, TRAVANCORE LIMITED

1. Introduction

The Fertilisers and Chemicals, Travancore Limited incorporated on 22nd September, 1943 as a public limited company under the Travancore Companies Act became a Central Government Company in July, 1963 on the acquisition of 50·3 per cent. of the shares by the Government of India.

2. Capital structure

The authorised capital of the Company is Rs. 50 crores. The paid-up capital of the Company as on 31st March, 1966 was Rs. 695·98 lakhs. This was contributed by the Government of India, several State Governments and private parties. The Government of India also advanced a sum of Rs. 50 lakhs during 1965-66 for which shares are yet to be issued (August, 1966).

In addition to the equity capital, the Company raised long-term loans which stood at Rs. 1,020·43 lakhs as on 31st March, 1966. The Company has also obtained cash credit from the State Bank of India and short-term loans from the Government of India which stood at Rs. 227·45 lakhs and Rs. 75·00 lakhs respectively on 31st March, 1966.

3. Expansion scheme

The first and second stages of expansion were completed by 1962-63. Owing to inadequate supply of power the third stage of expansion which was to be completed by the middle of 1965-66 is still in progress. Proposals for the fourth stage expansion scheme at a capital cost of Rs. 2·41 crores (Rs. 5 crores as a result of devaluation) were approved by the Government of India in principle in February, 1966 and the cost estimates were sanctioned in September, 1966. The scheme provides for replacement of the present Electrolytic Hydrogen plant by a modern Naphtha Steam Reforming plant, increase of production of ammonia from 250 M. tons to 300 M. tons per day and installation of a Phosphoric Acid Concentration plant. The Company has also undertaken to set up a fertiliser project at Cochin at a capital cost of Rs. 40 crores for producing 2 lakh M. tons of ammonia per annum. The estimates have, however, not been approved by Government so far (November, 1966).

4. Targets and achievements

The table below indicates the original target, revised target and the actual production of some of the products *vis-a-vis* the installed capacity for the last three years:—

(Figures in thousand M. tons)

Name of product	Installed capacity	1963-64			1964-65			1965-66		
		Original target	Revised target	Actual production	Original target	Revised target	Actual production	Original target	Revised tairget	Actual production
1. Ammonia	39·6	33·0	27·5	24·0	32·5	24·0	21·4	60·0*	18·5	15·4A
2. Sulphuric acid	99·0	97·0	83·2	74·6	97·0	86·6	74·3	181·5	71·0	58·8B
3. Ammonium sulphate	100·0	85·0	68·3	57·3	85·0	58·0	49·9	132·0	42·0	32·4
4. Ammonium phosphate	33·5	25·0	20·0	13·5	23·0	20·0	15·0	75·0	16·0	12·3
5. Ammonium chloride	8·0	8·3	6·6	5·3	7·0	5·0	4·8	12·0	4·7	4·0
6. Sulphurdioxide	3·3	1·5	1·3	1·3	1·5	1·5	1·3	5·0	2·3	1·6

A. Includes 7,186 M. tons of ammonia produced during the trial runs of the ammonia plant installed under the third stage expansion scheme.

B. Includes 13,097 M. tons of sulphuric acid produced during the trial runs of the plant installed under the third stage expansion scheme.

*The original target was based on the assumption that third stage plant would be commissioned during 1965-66.

The Management have attributed the shortfall in production to the following factors:—

Ammonia

(i) Shortage of power.

(ii) Shut-down of the plant for repairs and maintenance (80 days in 1963-64, 41 days in 1964-65 and 22 days in 1965-66).

(iii) Damage to 40 ton converter due to explosion in ammonia plant on 12th November, 1964.

(iv) Labour strike during the period from 24th August, 1965 to 6th September, 1965.

Sulphuric acid

Reduced off-take of the acid for the subsequent processes on account of shortage of ammonia.

Ammonium sulphate and Sulphurdioxide

Restricted production depending on the availability of ammonia.

Ammonium phosphate

Shortage of ammonia and lack of market due to the availability of other imported fertilisers.

Ammonium chloride

Insufficient supply and poor quality (in 1965-66) of hydrochloric acid.

5. Consumption of raw materials

The following table indicates the standard and actual consumption of raw materials per unit of output of certain products during the last three years:—

Name of raw material	Standard consumption per M. ton	Actual consumption per M. ton		
		1963-64	1964-65	1965-66
1	2	3	4	5
1. Sulphur for sulphuric acid .	0·344	0·350	0·351	0·347
2. (*a*) Sulphuric acid for sulphate	0·765	0·790	0·786	0·797
(*b*) Ammonia for sulphate .	0·275	0·304	0·301	0·310
3. (*a*) Rock for superphosphate .	0·595	0·625	0·610	0·610
(*b*) Sulphuric acid for superphosphate .	0·372	0·392	0·390	0·388
4. (*a*) Rock for phosphoric acid .	3·300	3·475	3·498	3·629
(*b*) Sulphuric acid for phosphoric acid . . .	2·920	3·375	3·245	3·319
5. (*a*) Phosphoric acid for ammonium phosphate . .	0·217	0·211	0·215	0·223
(*b*) Ammonia for ammonium phosphate . . .	0·201	0·220	0·221	0·220
6. (*a*) Ammonia for ammonium chloride . . .	0·344	0·377	0·371	0·366
(*b*) Hydrochloric acid for ammonium chloride . .	0·618	0·700	0·689	0·691
7. Naphtha for hydrogen (per 1000 CM)	0·382	0·426	0·406	0·409
8. Hydrogen for ammonia .	2·138	2·167	2·377	2·361
9. Nitrogen for ammonia .	0·705	0·710	0·794	0·789

It has been stated by the Management (August, 1965) that "the main contributing factor for the higher rate of consumption of raw materials and intermediate products is the unsteady conditions of operation. Owing to short supply of power we have not been able to maintain the working at a steady level. In a chemical process plant the designed efficiency can be achieved only if the different units are run at full capacity load. In fact, the standard consumption has been furnished by the designers for such optimum level of production under ideal conditions".

The Ministry have stated (November, 1966) that the unsteady conditions of operation were due not only to short supply of power because of seasonal power cuts, but also to voltage drops and power-offs.

6. Cost of production

Although the first and the second stages of the expansion scheme mentioned at para 3 have been completed, the object of expansion *i.e.* reduction in costs, has not been achieved as will be seen from the table given below:—

(Rupees per M. ton)

	Estimated cost	Actuals			Increase (+)/Decrease (—) over estimated cost		
		1963-64	1964-65	1965-66	1963-64	1964-65	1965-66
1. Ammonium sulphate	255·85	376·04	418·00	576·74	(+)120·19	(+)162·15	(+)320·89
2. Ammonium phosphate	416·52	537·60	604·02	813·00	(+)121·08	(+)187·50	(+)396·48
3. Superphosphate	174·25	169·86	174·82	202·02	(—)4·39	(+)0·57	(+)27·77
4. Ammonium chloride .	350·67	508·54	551·54	703·51	(+)157·87	(+)200·87	(+)352·84
5. Sulphuric acid	98·78	125·42	125·28	156·92	(+)26·64	(+)26·50	(+)58·14
6. Ammonia .	477·42	654·70	821·00	1,135·87	(+)177·28	(+)343·58	(+)658·45
7. Phosphoric acid	819·69	1,194·76	1,243·04	1,587·94	(+)375·07	(+)423·35	(+)768·25

The Management have attributed the increase in cost of production in the above cases (except item No. 3 for the year 1963-64) to non-utilisation of the rated capacity for want of adequate supply of power.

7. Costing system

To arrive at the unit cost of each product the Company is following the process costing system.

The following features of the costing system have been noticed:—

(i) There is no system of ascertaining idle time for labour and machinery.

(ii) Owing to the time lag in the posting of the subsidiary records, the compilation of the cost statements is delayed.

8. Pricing

(a) Selling prices of ammonium sulphate and ammonium phosphate which are the two main products of the Company are fixed by the Government of India after a study of the cost of production. The table below indicates the selling prices of the above products fixed by Government and the actual cost of production for the last three years:—

Name of the products	1963-64		1964-65		1965-66	
	Selling price per M. ton fixed by Government	Cost of production per M. ton	Selling price per M. ton fixed by Government	Cost of production per M. ton	Selling price per M. ton fixed by Government	Cost of production per M. ton
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1. Ammonium sulphate .	330·00	376·04	316·00	418·00	316·00	576·74
2. Ammonium phosphate .	525·00	537·60	525·00	604·02	525·00	813·00

It will be seen from the above table that in all the three years the cost of production was higher than the selling prices fixed by the Government of India.

The Management have stated (July, 1965) that "in fixing the prices the Government ususally assumes an ideal attainable capacity with little resemblance to actual achievement. This results in the prorating of fixed charges on a higher volume of production and consequent under-absorption in the accounts".

For the reasons stated below the Company requested the Government of India to refix the price of ammonium sulphate at Rs. 360·00 per M. ton for the years 1963-64 and 1964-65 and of ammonium phosphate at Rs. 540·00 per M. ton for the year 1964-65:—

(i) The depreciation charges and the provision for return on capital are distributed on the production capacity as estimated by the Cost Accounts Branch of the Ministry of Finance instead of the attainable/attained capacity which is very low. This has resulted in reducing the cost per unit on the basis of which the price is fixed.

(ii) The consumption ratio of raw materials adopted by the Cost Accounts Branch for purposes of fixation of prices is far below the ratios obtained in actual production.

In March, 1966 the Government of India approved the revision of selling price of ammonium sulphate as indicated below:—

	Price per M. ton
	Rs.
1963-64	344
1964-65	358
1965-66	345

Even after revision of selling price the cost of production of ammonium sulphate is higher than the selling price.

In respect of ammonium phosphate, though the Government of India have not yet communicated their decision, the Company has of its own increased the selling price to Rs. 610 per M. ton, *ex* factory, with effect from 15th August, 1966.

(b) The prices of other products *i.e.* ammonium chloride, anhydrous ammonia, sulphurdioxide, rock phosphate powder, etc. are fixed by the Company with reference to the cost of production, market conditions and other factors. Except in the case of ammonium chloride, the selling prices are higher than the cost of production.

9. Financial results

(a) The table below summarises the financial position of the Company under broad headings for the last three years:—

(Rupees in lakhs)

	1963-64	1964-65	1965-66
Liabilities			
(*a*) Paid-up capital (including advances for shares)	695·98	695·98	745·98
(*b*) Reserves and surplus	78·33	78·33	78·33
(*c*) Borrowings			
(*i*) from the Government of India	550·00	800·00	875·00
(*ii*) from the Government of Kerala	2·68	2·70	3·54
(*iii*) from Industrial Finance Corporation	259·59	238·24	216·89
(*iv*) from Banks	199·47	235·71	227·45
(*d*) Trade dues and other liabilities (including provisions)	189·18	182·38	266·39
TOTAL	1,975·23	2,233·34	2,413·58
Assets			
(*e*) Gross block	958·78	989·55	1,081·75
(*f*) *Less*: Depreciation	361·86	428·08	462·65
(*g*) Net fixed assets	596·92	561·47	619·10
(*h*) Development projects (including expenses to be capitalised)	793·44	1,073·84	1,099·88
(*i*) Current assets, loans and advances (including investments)	584·87	549·20	575·91
(*j*) Loss	..	48·83	118·69
TOTAL	1,975·23	2,233·34	2,413·58
Capital employed	1,006·61	945·29	948·62
Net worth	774·31	725·48	705·62

NOTE—1. Capital employed represents net fixed assets plus working capital.

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

(b) The working results of the Company for the last three years are tabulated below:—

(Rupees in lakhs)

	1963-64	1964-65	1965-66
Profit before tax/loss	(+)12·51	(—)48·83	(—)69·86
Percentage of profit before tax			
(*a*) To sales	2·3	..	..
(*b*) To gross fixed assets	1·3	..	..
(*c*) To capital employed	1·2	..	..
(*d*) To net worth	1·6	..	..
(*e*) To equity capital	1·8	..	..

10. Other topics of interest

Loss on disposal of firewood.—In 1965, the Company requested the Government of Kerala to reimburse a loss of Rs. 6,88,400 incurred by it in the following circumstances:—

In 1961, the Government of Kerala desired that about 2,200 acres of land in which the Company had been permitted to extract firewood on payment of royalty should be made available to them before 15th February, 1962 for raising rubber and teak plantations. Consequently, the Forest Industries (Travancore) Limited, the agent of the Company, had to extract the entire forest produce of 2,200 acres by the stipulated date. The extra supply of firewood could not be utilised by the Company as its requirement was very limited owing to switchover to oil gasification.

The surplus firewood (38,427 M. tons) was disposed of by the Company during 1962-63 and 1963-64 by auction at a loss of Rs. 6,88,400.

The State Government have not agreed to reimburse the loss. The Management have stated (August, 1966) that they have referred the matter to their solicitors.

X. NAHAN FOUNDRY LIMITED

1. Introduction

The Foundry, a wholly owned Government Company, was registered as a private limited company on 20th October, 1952.

Up to 23rd September, 1964, the administrative control of the Company was with the Ministry of Industry, Government of India and thereafter it was transferred to the Government of Himachal Pradesh. The main functions of the Company are to:—

(i) manufacture agricultural implements such as cane crushers;

(ii) hire and sell agricultural implements through hire and sale agencies; and

(iii) run service stations in the areas where these implements are sold.

2. Capital structure

The authorised capital of the Company is Rs. 1 crore divided into 10,000 shares of Rs. 1,000 each. The paid-up capital of the Company as on 31st March, 1966 was Rs. 40 lakhs.

In addition, the Government of India have advanced loans amounting to Rs. 7·50 lakhs to the Company.

Besides, the Company has made cash credit arrangements with the State Bank of India, Nahan to the extent of Rs. 7 lakhs which have been guaranteed by Government.

3. Targets and achievements

The Company has two cupolas each having an installed capacity for producing 3 tons of molten metal per hour. On this basis, the rated capacity of the cupolas is estimated to be about 4,500 tons of good casting per annum by the operation of each cupola on alternate days. The Expert *Ad hoc* Committee, appointed by the Government of India in January, 1957 to survey the manufacturing capacity of the Foundry, reported in 1957 that for the economic working of the Foundry its annual production of good casting should be at least 3,600 tons. The Company, however, fixed its annual target at 3,000 tons (3,048 M. tons).

No standards for the output of good casting from the material charged in the cupolas or for runners, risers and melting losses have been laid down.

4. Costing system

The Company manufactures electric motors, cane crushers and other agricultural implements. It follows the system of job/batch costing.

The following deficiencies have been noticed in the costing system:—

(a) Cost accounts are not reconciled with the financial accounts.

(b) Overheads are not separated into 'fixed' and 'variable', with the result that adequate control cannot be exercised on the incidence of overhead expenditure.

(c) Job estimates are not compared with the actuals and variations investigated.

(d) Records of idle labour and idle plant are not maintained.

(e) Standard costing system has not been introduced for repetitive jobs.

The Management have stated (November, 1966) that "it has not so far been possible to introduce the costing system, as recommended by the Cost Accounts Officer, fully for want of a qualified Cost Accountant. Steps have been taken to appoint at least a Cost Assistant, if not a Cost Accountant immediately".

5. Pricing

Selling prices of the items manufactured by the Company are fixed on *ad hoc* basis or on the basis of rough estimates of cost. A few cases, in which the Company has suffered losses owing to fixation of unrealistic prices, are mentioned below:—

(i) *Electric motors.*—During the period from 1960-61 to 1964-65, the Company sold 750 electric motors at a total price of Rs. 3,25,277 as against the factory cost of Rs. 5,18,967, the loss incurred being Rs. 1·94 lakhs.

(ii) *Horizontal power cane crushers.*—The production of horizontal power cane crushers was started in 1961-62. 51 units were produced up to the end of 1964-65. The year-wise cost per unit and the total cost of the crushers are given below:—

Year	Number manufactured	Cost per unit (ex-factory)	Total cost
		Rs.	Rs.
1961-62	7	4,751.73 (1961-62 and 1962-63)	33,262.11
1962-63	12		57,020.76
1963-64	12	3,327.11	39,925.32
1964-65	20	2,588.39	51,767.80
			1,81,975.99

Out of the 51 units manufactured, 50 were sold for Rs. 84,950 up to 31st March, 1965 at a loss of Rs. 94,926 (approximately).

The Management have stated that, since the production of power crushers is in the initial stages, it has not been possible to manufacture the crushers economically and that efforts are being made to reduce the cost of production. It has further been stated (November, 1966) that "the cost of production is expected to be below the selling price during 1966-67".

(iii) *C. I. manhole frames and covers.*—During the period from October, 1961 to March, 1965, the Company had rate contracts with the Controller of Stores, Punjab for the supply of manhole frames and covers. The details of the rate contract and the cost of production are given below:—

Description	Rate contract per set	Cost of production per set
	Rs.	Rs.
3 Cwt. manhole frame and cover (without chain)	62.00	91.56 to 95.50
3 Cwt. manhole frame and cover (with chain)	69.50	93.97 to 117.90
5 Cwt. manhole frame and cover (without chain)	101.75	122.52 to 148.58
5 Cwt. manhole frame and cover (with chain)	109.50	124.94 to 149.97

On the supply of 2,257 sets up to March. 1964 the Company incurred a loss of Rs. 55,616·55.

Similarly, in another contract entered into by the Company in August, 1963 for the supply of 250 manhole frames and covers of 5 Cwt. to a local body, the actual cost per set came to Rs. 148·58 as against the sale price of Rs. 115 per set F.O.R. destination. the resulting loss being Rs. 8,395.

The Management have stated (November, 1966) that "the cost of production as indicated in the review includes full overheads, whereas these orders were procured for utilisation of the spare capacity in the Foundry Section...............The recovery of even a part percentage of the overheads in such cases should be treated as profit, because otherwise the charges of labour which would not have been utilised would have amounted to a loss".

(iv) *Key bearing plates.*—In response to the Company's tender of March, 1961, the Director General, Supplies and Disposals placed an order in June, 1961 for the supply of 1,49,300 key bearing plates (subsequently reduced to 1,20,000) at Rs. 2·91 per unit F.O.R. Ambala City. The supply was to be completed by the end of June, 1962.

The Company could not supply the key bearing plates in time and the contract was extended from time to time up to April, 1964. The actual cost of production plus transportation cost ranged between Rs. 3·44 and Rs. 4·26 per piece. The Company suffered a loss of Rs. 1,25,318 in this deal.

The Management have stated that this work was taken on cost basis, exclusive of overheads, to utilise the surplus capacity of the Foundry.

6. Accounting Manual

An Accounting Manual laying down the method of maintenance of records and compilation of accounts and prescribing the duties and responsibilities of various officials has not been prepared so far (November, 1966). The Management have stated (November, 1966) that "this work shall be taken up as soon as a Chartered Accountant joins the Foundry for which we have since advertised".

7. Internal Audit

No internal audit system has been introduced (November, 1966) although the Company has been in existence for the last 14 years. The Management have stated (November, 1966) that "this shall also be taken up after the Chartered Accountant joins".

8. Financial results

(a) The table below summarises the financial position of the Company under broad headings for the last three years:—

(Rupees in lakhs)

	1963-64	1964-65	1965-66
Liabilities			
(*a*) Paid-up capital	40.00	40.00	40.00
(*b*) Reserves and surplus	1.00	1.01	1.74
(*c*) Borrowings			
(*i*) From the Government of India	7.50	7.50	7.50
(*ii*) From bank-cash credit	4.71	..	..
(*d*) Trade dues and other current liabilities (including provisions)	7.74	10.47	13.63
TOTAL	60.95	58.98	62.87

	1963-64	1964-65	1965-66
Assets			
(*e*) Gross block	21.03	21.33	24.26
(*f*) *Less* : Depreciation	9.45	10.30	11.07
(*g*) Net fixed assets	11.58	11.03	13.19
(*h*) Hiring stock (net)	9.92	9.31	7.07
(*i*) Capital work-in-progress	0.07	0.09	0.42
(*j*) Current assets, loans and advances	29.84	31.18	41.04
(*k*) Miscellaneous expenditure (loss)	9.54	7.37	1.15
TOTAL	60.95	58.98	62.87
Capital employed	43.60	41.05	47.67
Net worth	31.46	33.64	40.59

NOTE.—1. Capital employed represents net fixed assets plus hiring stock plus working capital.
2. Net worth represents paid-up capital plus reserves less intangible assets.

(b) The working results of the Company for the last three years are tabulated below:—

(Rupees in lakhs)

	1963-64	1964-65	1965-66
(*i*) Gross Profit/loss			
Manufacturing	(—)5.21	1.34	6.57
Hiring	0.14	1.94	2.93
(*ii*) Net profit (overall)	(—)5.23	1.64	7.82
1. Percentage of gross manufacturing profit			
(*a*) To sales (including transfers)	..	4.5	18.9
(*b*) To gross fixed assets	..	6.3	27.1
2. Percentage of gross hiring profit			
(*a*) To hire income	..	20.7	28.6
(*b*) To hiring stock	..	20.8	41.4
3. Percentage of net profit			
(*a*) To capital employed	..	4.0	16.4
(*b*) To net worth	..	4.9	19.3
(*c*) To equity capital	..	4.1	19.6

9. Other topics of interest

(i) *Manufacture of Power Sultan.*--In December, 1964 the Company agreed to supply 150 Sultan cane crushers, with power attachment, to a firm of Chalala (Saurashtra) by 20th January, 1965 at a net price of Rs. 1,320 (Rs. 1,650 less 20 per cent. discount) per crusher. 52 crushers were manufactured at a cost of Rs. 55,567.

On receipt of the first batch of 12 crushers in January, 1965, the firm pointed out certain manufacturing defects. As these defects could not be rectified, the Company agreed in April, 1965 to take back the crushers at its own cost. In May, 1965, the order was cancelled by the firm.

The Company made a provision of Rs. 33,127·20 for the likely loss in the disposal of the crushers in the accounts for 1964-65.

The Management have stated (November, 1966) as follows:—

> "This case was recently considered by the Board and it has been decided that further enquiry should be conducted by a technical hand from the Directorate of Technical Development. The Enquiry Report has since been sent to Chairman for consideration by the Board".

(ii) *Shortage of hard coke.*—The physical verification of stock of hard coke in March, 1965 disclosed a shortage of 234·825 M. tons after allowing for the normal wastage of 3 per cent. for dust and losses in transit. The shortage, valued at Rs. 19,432 (approximately), works out to 5·4 per cent. of the coke handled during the period from November, 1961 to March, 1965.

The reasons for the shortage have not been investigated so far (December, 1966).

OTHER TOPICS OF INTEREST

XI. HINDUSTAN STEEL LIMITED

1. *Avoidable expenditure on the purchase of water meters.*—In December, 1961 the Heads of the Steel Plants decided that, for the recovery from the residents of charges for water used in excess of the prescribed free quantity, meters should be installed in the houses. Accordingly, 1,206 water meters were purchased at Bhilai between January, 1962 and November, 1963 and 4,766 at Durgapur between October, 1963 and September, 1964. Out of these, only 190 meters were installed at Bhilai by March, 1965 when the Heads of the Steel Plants decided that the *status quo* should be maintained

in regard to levy of water charges. The remaining meters were, therefore, not installed.

The Company has incurred an avoidable expenditure of Rs. 5,18,578 on the purchase of water meters. The meters have not been disposed of so far (December, 1966).

The Ministry have stated (December, 1966) that "the meters were not actually installed and utilised in view of certain difficulties arising from the fact that the employees had been enjoying the facility of free water supply for a long time".

DURGAPUR STEEL PLANT

2. *Loss of revenue.*—Out of the quarters reserved for the foreign technicians, technicians of contractors, technical personnel of the Plant engaged in expansion work and other senior officials on recruitment and on transfer to the Plant, 89 quarters remained vacant for periods ranging from 4 to 59 months between July, 1960 and March, 1966.

Had the Plant reviewed the position of vacant quarters periodically and made suitable allotments thereof to its own officials a sum of Rs. 3·04 lakhs (approximately) could have been realised as rent up to March, 1966.

Besides, such allotment would have saved the bulk of the expenditure incurred on the engagement of chowkidars for guarding the vacant quarters. It may be mentioned that the expenditure on this account during the period from July, 1960 to March, 1966 amounted to Rs. 1·59 lakhs.

The Ministry have stated (October, 1966) that "though these quarters had to be kept ready to meet contractual obligation it has to be conceded that greater vigilance in regard to the reservation of these quarters could have possibly avoided a part of the loss of revenue and also the expenditure incurred on watching and guarding them".

XII. MINERALS AND METALS TRADING CORPORATION OF INDIA LIMITED

1. *Loss on the import of pig iron.*—(a) In pursuance of an agreement between the Government of India and the trade representatives of two foreign countries, the Iron and Steel Controller authorised the Corporation to handle foundry pig iron imported from these countries. According to the terms of A/Ts issued by the Iron and Steel Controller, the Corporation had to arrange delivery

of the material ex-jetty or ex-godown to the nominated consignees.

The following shortages were noticed at the time of taking delivery at the port during the period from Septmber, 1964 to March, 1965 against the A/Ts issued by the Iron and Steel Controller in August, 1964 and October, 1964:—

Name of the port	Quantity found short (In M. tons)	Value
Bombay	1075.2076	Rs. 4.74 lakhs
Calcutta	270.7400	
Madras	131.6650	

The claims lodged by the Corporation with the Steamer Agents and the Insurers were rejected by the former on the plea that the carriers were not liable for the short-landed quantity according to the terms of the Bill of Lading and by the latter on the ground that the consignments were covered against F. P. A. (Free from particular average) risk only.

On 27th May, 1965 the Corporation requested the Iron and Steel Controller to lodge claims for the shortages on the foreign suppliers. The latter informed the Corporation on 9th July, 1965 that the claims had been preferred against the suppliers, but that he was not quite sure whether the suppliers would accept the shortages in which case the shortages would be to the Corporation's account.

On 18th Setpember, 1965 the Iron and Steel Controller accepted the request of the Corporation that it be allowed to add 1 per cent. to the price of pig iron sold to the various allottees to meet losses due to shortages. The increased price was, however, approved in respect of allotments made after 18th September, 1965.

The total loss suffered by the Corporation on account of the shortlandings amounted to Rs. 4·74 lakhs, out of which a sum of Rs. 18,857 was stated to have been recovered (15th March, 1966) by way of 1 per cent. additional levy.

In this connection, the Ministry have stated (December, 1966) as follows:—

> In the earlier A/Ts issued by the Iron and Steel Controller, there was no provision for re-weighment of pig iron at the port of discharge. Subsequently, a clause was inserted providing for re-weighment of consignments on

arrival at the discharging port and in the event of the difference between the Bill of Lading weight and the discharging port weight exceeding 1 per cent. of the total contracted tonnage, the invoices were to be adjusted in accordance with the weight established at the port of discharge.

(b) During the years 1964-65 and 1965-66 the Corporation received 2,09,174 M. tons of pig iron, out of which only 1,30,382 M. tons were lifted by the allottees up to March, 1966. The balance quantity of 76,434 M. tons (excluding shortages of 2,358 M. tons) valued at Rs. 3·11 crores was not lifted because of the slackening of demand and the price of imported pig iron being higher than that of the indigenous material. According to the Management the stock lying undisposed of is likely to result in a loss of Rs. 4·44 million.

The Corporation has also paid rent to the extent of Rs. 3,15,702 for the plot where the material has been stocked.

2. *Shortage of iron ore stocks at Madras port.*—The annual physical verification of stock of iron ore at Madras port as on 31st March, 1964 by independent assayers revealed a shortage of 26,471 M. tons, i.e. 2·19 per cent. of the total quantity handled during the year 1963-64. The Regional Manager, Madras reported in May, 1964 that the shortage was of a higher magnitude than that noticed in annual verifications. The Financial Adviser was deputed in June, 1964 to arrange for a special audit of the transactions. As a result of his recommendation, two teams were constituted—an accounts inspection party to verify the book balance and a stock verification party to verify the physical balance. Another team of the Corporation's experts was also sent to examine the weight/volume ratio which was the yardstick for determination of the weight of the ore loaded into wagons by the suppliers. These teams undertook a detailed investigation as a result of which the shortage up to 25th June, 1964 was estimated at 1,14,312 M. tons valued at Rs. 47·29 lakhs. The following reasons for the shortage have been pointed out by the team of experts:—

(a) The suppliers were loading the ore into the Railway wagons up to load lines and the weight of ore determined on the basis of weight/volume ratios fixed in the initial stage was not accurate. Moreover, these ratios were not reviewed periodically with reference to the supplies received even when underloading and short supplies were noticed.

(b) According to the instructions issued from time to time by the Head Office, the weight of 10 per cent. of the wagons at the port was to be checked. In case the weighment of the wagons was not possible, the contents of the wagons were to be unloaded into lorries which had to be weighed at the port. There was gross negligence in carrying out these checks.

The shortage finally determined on 14th August, 1964 amounted to 1,35,657 M. tons valued at Rs. 56·98 lakhs at the rate of Rs. 42 per M. ton. As the shortage resulted from underloading and incorrect weight/volume ratios, the Corporation endeavoured to recover the amount of Rs. 56·98 lakhs from 73 suppliers. Some of the suppliers had gone out of business and, therefore, no recovery was possible from them. The Management have, however, been able to persuade about 39 suppliers (out of 73) to agree to make good their respective shares at the rate of 25 paise per M. ton on all current and future supplies. As against the total recovery of Rs. 30.00 lakhs that should have been effected from these parties, a sum of Rs. 8·28 lakhs only has been recovered so far (November, 1966).

The Ministry have stated (December, 1966) that "the enquiry for taking disciplinary action against the officials concerned has been initiated and its result is awaited".

XIII. FERTILIZER CORPORATION OF INDIA LIMITED

Abandonment of an ill-planned project.—To step up the country's production of fertilizers as envisaged in the Third Five Year Plan targets, the Government of India in August, 1962 asked the Company to select a site in Madhya Pradesh and undertake the designing and construction of a fertilizer plant with an annual production capacity of 1,00,000 M. tons of Nitrogen in terms of Urea. In June, 1963 the Company in consultation with the Ministry of Mines and Fuel selected the site for a coal based plant at Korba. According to the Project Report submitted by the Company to Government the estimated capital outlay was Rs. 32·78 crores.

In a meeting held on 13th January, 1964 the Ministry of Finance and Planning Commission expressed their doubts about "the wisdom of going ahead with the production of fertilizer based on coal gassification when the alternative and reportedly more economical feedstock, *viz.* naphtha, was available in increasing quantities". Accordingly, the Company was asked to consider the question of designing the plant for alternative use of naphtha and gassified coal. After an examination of the economics of a coal based plant at Korba and naphtha based plant at other centres, the Company came to the conclusion that the coal based plant at Korba would be a much better proposition. At a meeting held on 15th June, 1964 the Board of Directors of the Company approved the revised project estimate of Rs. 29·49 crores.

In October, 1964 the Government of India, however, directed the Company to defer the execution of the Korba fertilizer project pending finalisation of the proposals submitted by M/s. Bechtel Corporation for the production of 1 million M. tons of nitrogen by the end of the Fourth Plan period. The Company was asked not to incur any further expenditure on the project till Government had cleared the project.

In July, 1965 the Government of India finally decided to abandon the project for the following reasons:—

"(i) In view of the development of new naphtha technology in the last few years it is not considered advisable to burden the economy with a unit based on outdated technology with a significantly higher cost of production, and

(ii) the prospects of securing foreign exchange for this project from aid giving institutions are not very bright".

The project was abandoned at a stage when considerable expenditure had been incurred thereon by the Company. As it was abandoned at the instance of the Government of India, the Company in April, 1966 requested Government to reimburse the loss which, as estimated by it, amounted to Rs. 93·79 lakhs up to February, 1966.

The Ministry stated in September, 1966 that "the Company has first to liquidate all their assets and after arriving at the final figure of expenditure the matter with all the details will have to be placed before their Board of Directors for determining the mode of treatment to be given to the loss, if any".

The figure of loss (up to 30th September, 1966), as worked out by the Company and intimated to Audit in December, 1966, stands at Rs. 102·44 lakhs, out of which the expenditure incurred after October, 1964, when Government asked the Company not to incur any further expenditure on the project, amounted to Rs. 70·80 lakhs.

XIV. HEAVY ENGINEERING CORPORATION LIMITED

Avoidable expenditure on the purchase of water meters.—(a) In August, 1961 the Company decided that A and B type quarters where taps had been installed inside, should be provided with independent meters as soon as possible. In February, 1964 the Company further decided to recover from its employees occupying A, B, C/D, E and F type quarters charges for water used in excess of the prescribed free quantity. Accordingly, 6,912 water meters valued at Rs. 6·02 lakhs were procured by the Company between 7th February, 1963 and 19th January, 1965 on the basis of the orders placed by the Director General, Supplies and Disposals between 24th January, 1962 and 30th April, 1964. Out of 6,912 meters received, 2,129 were installed at a total cost of Rs. 1·09 lakhs during the period from April, 1963 to June, 1965.

In August, 1965 the Management Committee held that it would be difficult to recover water charges for consumption in excess of the free ceiling limit for the following reasons:—

(i) Because of the existing system of pipe line in the temporary quarters it was not possible to fix water meters in individual quarters.

(ii) The recovery of the water charges from the occupants in the permanent colony but not from those in the temporary colony would lead to an anamolous position.

In November, 1965 the Company decided to supply water free of charge to employees of low income groups and to charge the occupants of superior type quarters (*i.e.* C/D, E and F type quarters) at flat rates with effect from 1st December, 1965. The work of installation of water meters was, therefore, discontinued.

The Company incurred an avoidable expenditure of Rs. 6·02 lakhs on the purchase of water meters. Besides, the expenditure of Rs. 1·09 lakhs incurred on installation of the water meters proved infructuous.

In this connection, the Ministry have stated (January, 1967) as follows :—

> "As a result of the conciliation proceedings, an agreement was reached with the labour union on the 10th February, 1964, according to which the Management of the Corporation agreed to reduce substantially the rate of water

charges in respect of employees drawing pay up to Rs. 500 per month and a decision was taken to allow certain free limits up to which no water charges were recoverable in respect of various categories of quarters. On account of the decision to reduce the rate, the installation of water meters became an uneconomic proposition........ the decision not to instal meters mainly emerged as a result of the agreement entered into during 1964 and this could not be foreseen at the time of the decision to purchase the meters".

(b) The Director General, Supplies and Disposals, placed orders for the supply of 6,000 meters out of a total number of 6,912 between 18th January, 1964 and 30th April, 1964 as indicated below:—

Date of placing the orders	Number of meters ordered
18th January, 1964	1,000
21st January, 1964	2,400
30th April, 1964	2,600

These meters were received between 16th July, 1964 and 19th January, 1965. Had the Management, soon after the agreement of 10th February, 1964, requested the Director General, Supplies and Disposals to cancel the existing orders and not to place any fresh order they could have avoided a substantial amount of expenditure on the purchase of meters.

The Ministry have further stated (January, 1967) that "arrangements are being made for the sale of all the meters".

XV. HINDUSTAN AERONAUTICS LIMITED

Avoidable expenditure on purchase of stores.—The Hindustan Aeronautics Limited, Bangalore placed an indent on the India Supply Mission, London, in December, 1962, for certain items of airconditioning and pressurisation equipment estimated to cost approximately £ 1,52,727. In March, 1963, when the indent was being processed, they asked the India Supply Mission to suspend action on it pending 'full evaluation trial' of the equipment. The suspension was lifted in June, 1963, and in December, 1963, the India Supply Mission placed a contract for the equipment with a British firm at a cost of £ 1,13,092.

Between April, 1964 and November, 1965, the Hindustan Aeronautics Limited asked for the cancellation of supply of certain items of equipment costing £ 27,452 on the ground that review had established that they would not be required. The firm, however, demanded cancellation charges amounting to 100 per cent. of the value of all the items, except one, costing £ 1,593 for which they accepted cancellation on payment of a sum of £ 415. Of the rest of the items costing £ 25,859, stores costing £ 13,374 have already been supplied and the balance is being held in store by the firm pending settlement of the question of cancellation charges payable (February, 1967).

Incidentally, the cancellations intimated to the firm covered a few items costing £ 14,672 which the firm itself had advised the Hindustan Aeronautics Limited to exclude from the contract, when it was being negotiated, on the ground that they were not necessary. However, this advice was not then accepted by the Hindustan Aeronautics Limited.

An extra expenditure of £ 13,789 (£ 415 being cancellation charges already paid, £ 13,374 being cost of stores not required but supplied) and a further liability in respect of £ 12,485 for the balance of stores now being held by them could have been avoided had the contract been placed after the results of the evaluation trials been fully assessed. In addition, the Company incurred a sum of Rs. 19,585 on freight, customs duty, insurance charges, etc.

XVI. HEAVY ELECTRICALS (INDIA) LIMITED

Loss of revenue.—Out of 3,82,95,557 units of electricity purchased by the Company during the period from 1961-62 to 1963-64 from the Madhya Pradesh Electricity Board, 93,30,722 units were consumed in the township (non-revenue earning units 47,95,828 and revenue earning units 45,34,894). As against a sum of Rs. 13,34,969 recoverable on account of consumption of revenue earning units and meter rent, the actual recovery amounted to Rs. 9,12,109 only, the loss of revenue being Rs. 4,22,860. According to the Management, the shortfall represented 14 per cent. of the total consumption of the township.

In this connection, Management have stated as follows (August, 1966):—

(i) About 1 per cent. of the loss is due to the following factors:—

(a) losses during the testing of domestic installations, sub-station equipment, etc.;

(b) assessment of supply at a flat rate of Rs. 2·25 per month during 1961-62 and a part of 1962-63 as house energy meters were not available; and

(c) non-existence of facilities for testing and calibrating energy meters before installation in initial stages.

(ii) The remaining 13 per cent. of the loss may be treated as unaccounted for and the possibility of tampering with the meters cannot be ruled out.

It has further been stated that the following steps are being taken to reduce the losses:—

(a) a better type of meter board is being provided which would make the tampering difficult and easy to detect;

(b) disciplinary action is being taken against the defaulters, when caught; and

(c) action to increase the number of meter inspectors, meter readers and meter testers is also being taken.

XVII. NATIONAL SMALL INDUSTRIES CORPORATION LIMITED

Infructuous expenditure on the purchase of a machine.—In May, 1959 the Company placed an order on a foreign firm for the supply of an Impression Injection Mould costing Rs. 21,200 required by a hirer for use on 'Battenfield BSM 20 Moulding machine'.

On 24th February, 1960 the hirer informed the supplier as well as the Company that he would require a Mould suitable for use on a 40 BSM Battenfield Moulding machine instead of BSM 20 machine. The supplier agreed on 29th February, 1960 to manufacture a suitable Mould for fitting on a 40 BSM Moulding machine at an extra cost of £ 25, but the Company did not take any action to amend the order. In the absence of the amended order the supplier despatched on 29th June, 1960 the Mould suitable for BSM 20 machine according to the original order. On 30th August, 1960 the hirer refused to take delivery of the Mould as it was not according to his requirement.

The machine is still (November, 1966) lying with the Company. Efforts to dispose of it by public sale/auction have failed. The maximum bid received in an auction on 14th August, 1964 was Rs. 55 only.

The failure on the part of the Company to amend the order has resulted in an infructuous expenditure of Rs. 48,215 (*i.e.* cost, customs duty, interest, godown charges, etc. less earnest money forfeited).

XVIII. HINDUSTAN INSECTICIDES LIMITED

Delay in placing an order.—In response to a tender notice issued on 17th September, 1965 for the supply of 60,000 Mango-wood packing cases four quotations were received by the Company out of which the quotation of firm 'A' for Rs. 6·37 (for full order) and Rs. 6·47 (for part supply) per packing case was the lowest. On 27th October, 1965 the third lowest tenderer (firm 'C') also offered to supply half of the above quantity at the rate of Rs. 6·37 per packing case quoted by firm 'A'.

The quotations were valid up to 29th October, 1965. On 28th October, 1965 the Company asked firm 'A' telegraphically for extension of the period of validity by 15 days. On 1st November, 1965 the firm expressed its inability to accede to the Company's request as the latter had failed to accept its offer within the validity period. On 22nd November, 1965 firm 'C' also expressed its inability to supply the material on similar grounds.

Finally, on 6th December, 1965 the Company placed an order for the supply of 40,000 packing cases on the second lowest tenderer (firm 'B') at the rate of Rs. 6·85 per case, thereby incurring an extra expenditure of Rs. 19,200 (40,000 × Rs. 6·85—Rs. 6·37). Subsequently in February, 1966 the order for the balance quantity of 20,000 packing cases was placed on firms 'A' and 'C' at the negotiated rate of Rs. 6·65 per case as against the rate of Rs. 6·37 per case offered by them before the expiry of the period of validity, the extra expenditure incurred being Rs. 5,600 (20,000 × Rs. 6·65—Rs. 6·37). The total extra expenditure incurred in this case amounted to Rs. 24,800.

The Ministry have stated (February, 1967) as follows:—

> "To avoid any hold up in the despatch of our finished products, this Company had in the past placed orders on more than one supplier for packing cases so that in the event of any one supplier being unable to supply packing cases up to our full requirement, the packing cases may be

made available by the alternate supplier or suppliers. In keeping with our policy, efforts were made to negotiate with a view to ensure that there would be at least two suppliers for the packing cases".

It may be mentioned that two suppliers were available before the expiry of the validity date (*i.e.* 29th October, 1965) as firm 'C' had also offered on 27th October, 1965 to supply half of the required quantity at the rate of Rs. 6·37 per case quoted by firm 'A'. Had the Company placed orders on these two firms before the expiry of the validity date, the rates payable by it would have been Rs. 6·47 per packing case in respect of firm 'A' and Rs. 6·37 per packing case in respect of firm 'C'. The extra expenditure on this basis works out to Rs. 21,800.

XIX. NATIONAL INSTRUMENTS LIMITED

Infructuous expenditure on purchase of box wood blanks.—The Company purchased from a foreign firm through the D.G.I.S.D., London 32757 numbers of box wood blanks during 1958 at a total cost of Rs. 21,760. On receipt, the entire material was rejected as the thickness was below specification and there were defects like presence of shakes, knots, etc. and warping after polishing. The D.G.I.S.D., London, who was informed of this in January, 1959, took up the matter with the firm, but the latter did not agree to replace the material or pay compensation as the material had been inspected and certified to be of correct quality by D.G.I.S.D., London before despatch, according to the terms of contract.

As a measure of compromise, as suggested by D.G.I.S.D., London, in June, 1962, 13565 numbers of blanks, which were generally free from defects like lower thickness and presence of shakes and knots, were accepted in the hope that after about a year's seasoning in normal condition warping would not develop at the time of polishing. The result of tests conducted in May, 1964 was not, however, satisfactory. Only 2795 numbers of blanks valued at Rs. 1,856 could be utilised up to September, 1966. The Company has stated (September, 1966) that "as sufficient time has now been allowed for seasoning, a final test is being undertaken to see if the defect of warping still persists".

The remaining 19192 numbers of blanks valued at Rs. 12,749 were rejected as wholly unusable.

In July, 1964 the D.G.I.S.D., London informed the Company that the Legal Adviser, who had been consulted in the matter, was not in favour of any legal action against the firm.

The purchase of the blanks valued at Rs. 19,904 has thus proved infructuous.

The Ministry have stated (September, 1966) that "it is a fact that the purchase has proved infructuous although it may not be true to say that this will be a total loss as according to National Instruments Limited these materials will have a scrap value".

XX. REPORTS OF COMPANY AUDITORS UNDER THE DIRECTIVES ISSUED BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

In pursuance of the directives issued by the Comptroller and Auditor General of India, the special reports on the accounts for the year 1965-66 have been submitted by the oCmpany Auditors in the cases of 54 Companies (up to 15th March, 1967). The important points contained in these reports are mentioned below Company-wise:—

1. Mazagon Dock Limited

(i) There was no Manual laying down the detailed procedure for compilation and maintenance of accounts though the system followed was considered satisfactory.

(ii) Plant/property registers were not kept up to date (September, 1966).

(iii) No Manual outlining the scope and programme of work for internal audit was laid down. The existing system of internal audit was not considered to be comprehensive and effective.

(iv) No system existed for ascertaining the idle time of labour/machinery specifying the reasons therefor.

2. Central Road Transport Corporation Limited

(i) There was no effective Manual laying down the detailed procedure for the compilation and maintenance of accounts.

(ii) Proper system of internal audit was not introduced. There was no Manual outlining the scope and programme of work to be performed by the Internal Auditor.

(iii) Maintenance of accounts

Detailed records of assets other than vehicles could not be reconciled with the financial records.

3. Hindustan Antibiotics Limited

(i) Block registers did not show the location of each individual asset, value, depreciation, etc.

Inventory of assets prepared for physical verification was not reconciled with the asset cards and the schedule of fixed assets attached to the Balance Sheet as on 31st March, 1966.

(ii) The following drawbacks were observed in the system of internal control:—

(a) Pricing of issues and the balances in stores ledgers were not checked.

(b) Cases of short and excess payments of Muster Rolls were noticed.

(iii) The targets fixed for production were not achieved.

(iv) Rejections were 23 per cent. for vialling as against 10 per cent. provided for in the estimates.

(v) No system existed for ascertaining idle time of labour specifying the reasons therefor.

(vi) 6,304 items of stores worth Rs. 31·06 lakhs had not moved for more than one year as on 31st March, 1966. These included manufacturers' spares obtained along with the equipment.

4. Engineers India Limited

(i) Under the present system of accounts 'audit in depth' was not readily possible.

(ii) No regular property registers were maintained.

(iii) No system existed for ascertaining the idle time of labour indicating the reasons therefor.

5. Fertilisers and Chemicals, Travancore Limited

(i) There was no effective Manual laying down the detailed procedure for the compilation and maintenance of accounts.

(ii) Maintenance of accounts

(a) Journal slips prepared in support of entries through Cost Journal and Transfer Journal were vague in details and did not afford supporting particulars.

(b) No register was maintained for insurance claims lodged to keep a proper watch over the claims.

(c) Most of the accounts books (except cash and bank books) were not up to date.

(d) The property and palnt registers were not up to date, nor were they reconciled with financial accounts.

(iii) Existing system of internal audit was not considered to be comprehensive and effective.

(iv) There was no system of internal control over 'machinery stores and spares' and 'general stores'.

(v) The targets fixed were not achieved partly owing to power cuts, strikes and break-down of machinery.

(vi) The selling prices of ammonium sulphate, ammonium phosphate and ammonium chloride were less than the cost of production.

(vii) Stores accounts

(a) Raw materials were not physically verified.

(b) Inventory balances did not tally with book balances.

(c) Overvaluation of goods to the extent of Rs. 1·73 lakhs was noticed on random check of the valuation.

(d) Physical verification should be conducted in such a way as to cover all depots and Head Office at least once in a year with regard to finished goods and in two years with regard to stores.

(e) There was no regular system of determining periodically surplus/unserviceable or obsolete stores and of their disposal without undue delay.

(f) There was no effective stock control for raw material and interim products.

6. National Small Industries Corporation Limited

(i) There was no internal audit as such at the branches.

(ii) No Manual outlining the scope and programme of work for internal audit was available. Head Office team visited the branches for short periods and conducted test checks. Internal audit should be carried out periodically (Bombay, Calcutta and P.T.C. Howrah).

(iii) Proper manufacturing accounts should be drawn up (P.T.C. Howrah).

(iv) The system of costing was not perfect inasmuch as the overhead was calculated on an *ad hoc* basis. In the absence of a Time Office and improved time recording system, the allocation of labour hours on respective jobs was not fool-proof (P.T.C. Howrah).

(v) No system existed for ascertaining idle time for machines indicating reasons therefor (P.T.C. Howrah).

(vi) Separate accounts were not maintained for other activities and hence the actual result on sale of major products could not be ascertained with accuracy (P.T.C. Howrah).

(vii) No maximum limit of stores was fixed (P.T.C. Howrah).

7. Minerals and Metals Trading Corporation of India Limited.

(i) There was no Manual laying down the detailed procedure for the compilation and maintenance of accounts.

(ii) Asset register was not properly maintained and kept up to date. It was also not reconciled with the financial books periodically (Calcutta).

(iii) No Manual outlining the scope and programme of work for internal audit was drawn up.

(iv) The stock of pig iron was valued at cost irrespective of the market prices which were lower.

(v) The selling prices of manganese ore exported were less than the cost of procurement (Goa and Bombay).

8. Hindustan Insecticides Limited

(i) The property register did not disclose depreciation written off on the assets. In the case of plant and machinery, no split-up of cost was shown against each item of equipment. This would cause difficulty in the event of sale of any item (Delhi).

(ii) The targets fixed were not achieved (Alwaye).

(iii) Rejections were heavy (Alwaye).

(iv) The excesses and shortages of stock found on physical verification were being adjusted as and when found after taking approval of the Works Manager, but no approval was taken from the Board of Directors (Alwaye).

(v) The value of items of stores which had not moved for more than three years was of the order of Rs. 3·16 lakhs.

9. National Mineral Development Corporation Limited

(i) In store accounts there was no proper reconciliation (Panna and Bailadila)

(ii) (a) No Manual outlining the scope of work for internal audit was available.

(b) A number of important irregularities and cases of losses had been reorted by internal audit at Bailadila Project, but the roject authorities did not reply to any of the points.

(c) The Cashier was dealing with both cash book and ledger (Bailadila).

(iii) The targets fixed were not achieved (Kiriburu).

(iv) Selling prices of iron ore were less than the cost of production (Kiriburu).

(v) Maximum and minimum limits of stores were not prescribed (Kiriburu).

(vi) Physical verification of stores and spares was not conducted regularly. Stores at various depots were lying in heaps with the result that it was difficult to carry out periodical physical check by counting or weighment (Bailadila).

(vii) There was no system of determining periodically the amount of surplus and unserviceable stores (Bailadila).

10. State Trading Corporation of India Limited

(i) There was no Manual laying down the detailed procedure for the compilation and maintenance of accounts.

(ii) No independent internal audit department was set up by the Company and no Manual outlining the scope and programme of work for the department was drawn up.

(iii) No property register was maintained (Bombay).

11. Indian Rare Earths Limited

(i) There was no effective Manual laying down the detailed procedure for the compilation and maintenance of accounts.

(ii) Property registers were not maintained for fixed assets (Bombay).

(iii) Effective and integrated system of costing was not introduced during the year (Quilon).

(iv) There was no Manual outlining the scope and programme of work for internal audit. The existing system of internal audit was not considered to be comprehensive and effective.

12. Indian Drugs and Pharmaceuticals Limited

(i) There was no effective Manual laying down the detailed procedure for the compilation and maintenance of accounts.

(ii) Proper system of internal audit was not introduced.

(iii) Maintenance of accounts

(a) Bank reconcilation statement was not prepared periodically (Surgical Instruments Project).

(b) Goods rejected were not reported immediately which resulted in payment for rejected goods in some cases (Surgical Instruments Project).

(c) Mistakes were committed in working out issue rates (Surgical Instruments Project).

(d) Accounting of materials issued to contractors for fabrication was not proper (Headquarter).

(e) There was a time lag between receipt of goods and preparation of receipt voucher therefor (Synthetic Drugs Project).

(f) Machinery hire charges register was not properly maintained at Hyderabad and hire charges were not recovered from contractors correctly (Synthetic Drugs Project).

(g) 'The imported plant and machinery lying at site' was a balancing figure which could not be substantiated by means of a statement showing the physical existence of the items (Synthetic Drugs and Antibiotics Projects).

(iv) Rent recovery register for staff quarters was not properly maintained (Surgical Instruments Project).

(v) The targets fixed were not achieved (Surgical Instruments Project).

(vi) Effective and integrated system of costing was not introduced during the year (Surgical Instruments Project).

13. Heavy Electricals (India) Limited

(i) The existing system of internal audit was not considered to be comprehensive and effective. An Internal Audit Manual outlining the scope, policies and programme of audit was not drawn up.

(ii) The targets fixed were not achieved.

(iii) There was delay in preparation of cost statements which adversely affected their usefulness to the Management.

(iv) No system existed for ascertaining the idle time for machinery specifying the reasons therefor.

(v) The selling prices of transformers and capacitors were less than the cost of production.

(vi) Maintenance of accounts

There was delay in transmission of documents and information from Stores, Purchase and other departments to Accounts Department resulting in delay in compilation of accounts. The delay mainly related to:

(1) transmission of stores transaction documents from the Stores Department to the Accounts Department;

(2) lodgement of claims and their recovery;

(3) receipt of vacation and allotment report of quarters with consequent delay in recovery;

(4) payment of bills preferred by the suppliers (About 5,000 bills were pending in October, 1966);

(5) effecting clearance of the balance of machinery awaiting erection with consequent undercharge of depreciation; and

(6) reconciliation of book balance and balance found on physical verification.

14. Janpath Hotels Limited

(i) Though an internal audit department was in existence during the year there was no detailed Manual outling the scope and work of the department. The internal audit department was engaged on verifying stock and store issues and noting daily variations in the ratio of cost of raw material consumed and sales value of resultant sales.

There was no internal audit in Lodhi Hotel and Hotel Ranjit.

(ii) No budgets were prepared for Lodhi Hotel and Hotel Ranjit.

15. National Newsprint and Paper Mills Limited

(i) There was no Manual outlining the scope and programme of work for internal audit. During the year the internal audit section continued to function in a small way and was mainly concerned with perpetual inventory of stores. Only a nominal test-check of financial records was carried out by this section.

(ii) Maximum and minimum limits of stores were not prescribed.

16. Bokaro Steel Limited

(i) The internal audit department could not cover the entire programme during the year. The department was mainly engaged on verification of stores and assets only.

(ii) There was no system of periodical reporting on obsolete, unserviceable or surplus stores, if any, by Stores Department.

17. India Tourism Hotel Corporation Limited

There was no Manual laying down the detailed procedure for the compilation and maintenance of accounts.

18. Triveni Structurals Limited

(i) The Manual and instructions laying down the detailed accounting procedure were yet to be prepared.

(ii) No internal audit was carried out during the year.

(iii) The Manual outlining the scope and programme of work for internal audit was yet to be drawn up.

19. Pyrites and Chemicals Development Company Limited

(i) (a) There was no effective Manual laying down the detailed procedure for the maintenance and compilation of accounts.

(b) No written instructions were issued laying down the respective duties and responsibilities of various officers in regard to the maintenance of accounts.

(ii) Proper system of internal audit was not introduced.

(iii) Maintenance of accounts

(a) Preparation of bank reconciliation statements was delayed.

(b) The reconciliation of control accounts in the financial ledger with the registers for advances to staff and others was not made at regular intervals, nor were the registers scrutinised periodically for recovery of outstandings.

(c) Entry for issue of stores was not made every month. Similarly, return of stores was not promptly accounted for.

20. Shipping Corporation of India Limited

(i) No Manual outlining the scope and programme of work for internal audit was laid down.

(ii) A proper system of budgetary control did not exist.

(iii) One vessel taken over by the Company during the year was not brought into account.

21. Handicrafts and Handlooms Exports Corporation of India Limited

(i) There was no effective Manual laying down the detailed procedure for compilation and maintenance of accounts.

(ii) No regular procedure for internal audit system by specially assigned staff operating independently was established by the Company (Delhi and Madras).

(iii) There was no satisfactory procedure regarding write-off, discounts, refunds, etc. (Delhi).

(iv) Separate accounts of stores were not maintained in the financial books to enable reconciliation between financial books and stores ledgers.

22. National Research Development Corporation of India

(i) There was no internal audit system in force except the checks exercised by the Accounts Officer.

(ii) The Company had no costing system.

(iii) The selling prices of Hykol 'X' manufactured by the Company were less than the cost.

(iv) Complete record showing the value of assets was not maintained at the projects.

23. Hindustan Organic Chemicals Limited

There was no Manual laying down the detailed procedure for the compilation and maintenance of accounts.

24. Heavy Engineering Corporation Limited

(i) There was no Manual laying down the detailed procedure for compilation and maintenance of accounts.

(ii) A Manual outling the scope and programme of work for internal audit was under compilation (Heavy Machine Building Plant, Foundry Forge Plant and Heavy Machine Tools Plant).

The scope of internal audit did not cover the entire activities of the projects (Foundry Forge Plant and Heavy Machine Tools Plant).

There was a time lag of about one year in the checking of records.

(iii) There was no record specifying idle hours for machinery and direct labour showing reasons therefor (Heavy Machine Building Plant and Foundry Forge Plant).

(iv) There were wide variations between the budget estimates and the actuals (Foundry Forge Plant and Heavy Machine Tools Plant).

(v) The system of physical verification was not satisfactory as the stock verifiers were under the control of the Accounts Officers (Finance) who were also responsible for the maintenance of the stores priced ledgers (Foundry Forge Plant and Heavy Machine Tools Plant).

(vi) There were no maximum and minimum limits for the holding of stores for maintenance and production (Foundry Forge Plant and Heavy Machine Tools Plant).

(vii) No *pro forma* accounts were maintained separately for service units for the benefit of staff (Foundry Forge Plant and Heavy Machine Tools Plant).

(viii) Maintenance of accounts

(a) No property/plant registers were kept by the Foundry Forge Plant and the Heavy Machine Tools Plant.

(b) In a large number of cases payment vouchers were not properly prepared and referenced. Acknowledgements of payees were not available in many cases (Heavy Machine Building Plant, Foundry Forge Plant and Heavy Machine Tools Plant).

(c) Materials issued to contractors were not properly accounted for. Steel materials worth Rs. 11,15,817 as on 31st March, 1966 issued to the contractors had not been entered in the contractors ledgers (Foundry Forge Plant).

25. National Instruments Limited

(i) The Accounting Manual did not lay down any procedure for internal audit. Proper system of internal audit was not introduced.

(ii) (a) Unit cost for purposes of quotation was arrived at on the basis of standard costs which were not reviewed for some time. No records of variations between standard and actual costs were kept. Overheads were charged on estimate basis.

(b) There was no system of ascertaining idle time for labour and machinery specifying the reasons therefor.

(iii) (a) The system of physical verification of stores was not satisfactory because stock verifiers were under the control of

Accounts Officers (Finance) who were also responsible for maintenance of priced stores ledgers.

(b) No stores accounting was introduced at Durgapur unit.

(iv) There was no system of determining the surplus and unserviceable/obsolete stores periodically and of their early disposal.

(v) The targets fixed were not achieved.

26. Hindustan Cables Limited

(i) The system of internal audit was considered inadequate. The internal audit system should be extended to cover the following:—

(a) Stock verification.

(b) Audit of Projects and construction works.

(c) Cost audit.

(d) Audit of works records.

(ii) (a) The costing system followed by the Company was not fully effective.

(b) There was considerable delay in the compilation of cost of major products.

(iii) There was no procedure for ascertaining surplus and unserviceable stores or for the disposal thereof.

27. Central Fisheries Corporation Limited

(i) There was no Manual laying down the detailed accounting procedure and specifying financial powers, duties and responsibilities of different officers.

(ii) Proper system of internal audit was not introduced.

(iii) There was no system of any internal check.

(iv) There were wide variations between the budget estimates and the actuals.

28. Hindustan Teleprinters Limited

(i) There was no Manual laying down the detailed procedure for the compilation and maintenance of accounts.

(ii) There were wide variations between the budget estimates and the actuals.

(iii) The target fixed was not achieved.

(iv) No priced stores ledgers were maintained.

29. Indian Oil Corporation Limited

(i) The Accounting Manual did not deal with the detailed procedure for the maintenance and compilation of accounts covering all aspects of the business (Marketing Division).

(ii) A Manual outlining the scope and programme of work for internal audit was not drawn up. There was no internal audit system during the year in Gujarat Refinery and Pipe Line Division. The operation of the internal audit system in Barauni and Gauhati Refineries was limited to physical verification of stores, assets and examination of purchases and contracts. Internal audit was inadequate in Marketing Division also.

(iii) No physical verification of the assets was carried out.

(iv) The book value amounting to Rs. 1,55,30,848 of imported plant and machinery lying at site could not be substantiated by means of statement showing the physical existence of the items and the values thereof. No reconciliation was made of the tonnage received, issued and in stock. Value of spare parts included herein could not be segregated (Gujarat Refinery).

(v) There was no system for determining the idle time for labour and machinery specifying the reasons therefor.

(vi) (a) Excesses and shortages in physical verification were not investigated though these were noticed in earlier years (Gujarat Refinery).

(b) The system of physical verification of stores as it existed was not without limitations. The scope of verification did not cover the whole range of stores items (Gauhati and Barauni Refineries).

(vii) Maintenance of accounts

(a) In the case of Haldia Barauni Kanpur Pipe Line the consumption of material used could not be vouched adequately as detailed records had not been maintained (Pipe Line Division).

(b) No financial accounts were maintained in respect of advances of materials to contractors (Pipe Line Division).

(c) No uniform basis was followed for the pricing of issues of materials (Gauhati Refinery).

(d) Proper accounts of advances given were not maintained (Marketing Division).

(e) Accounting of stock and stores in general and steel stock in particular was not proper. Accounting of stores did not cover all the items of store (Marketing Division).

(f) Difference between the standard rate and the cost of cement issued to the contractors was not adjusted (Marketing Division).

(g) Proper records of claims lodged were not maintained (Marketing Division).

(h) Proper records of sales tax liability were not maintained (Marketing Division).

30. Hindustan Housing Factory Limited

(i) There was no system of ascertaining idle time for labour and machinery.

(ii) Maximum and minimum limits of stores should be fixed.

31. Fertilizer Corporation of India Limited

(i) There was no Manual laying down the detailed procedure for the compilation and maintenance of acounts (Sindri, Durgapur and Namrup).

(ii) There was no asset register for new plants. The asset register for old plants did not have complete details (Sindri).

(iii) (a) A Manual outlining the scope and programme of work for internal audit was not drawn up (Sindri and Durgapur).

(b) There was no internal audit during the year at Durgapur. Internal audit did not complete full programme in Sindri and Trombay.

(iv) Drawbacks in internal control

(a) For effective control over procurement and disposal of stores, maximum, minimum and ordering levels should be revised.

(b) Levels for normal wastage of raw materials, finished goods, etc. should be fixed.

(c) Physical verification of movable assets should be carried out at regular intervals and results should be intimated within a short time (Sindri).

(v) Costing system

(a) The standard cost fixed earlier needed revision owing to change of circumstances *e.g.* availability of additional production capacity, improved technique and processes, etc. (Sindri).

(b) There was no system of ascertaining the idle time for labour and machinery (Sindri).

32. Praga Tools Limited

(i) There was no internal audit during the year.

(ii) The targets fixed were not achieved.

(iii) There was no system of ascertaining idle time for labour and machinery specifying the reasons therefor.

33. Indian Telephone Industries Limited

Costing system

As costs were computed under bulk shop orders covering several allied products, it took a long time before shop orders were closed and evaluated.

34. Hindustan Steel Limited

(i) In some divisions/departments, property/plant registers were not maintained properly (Rourkela Fertilizer Plant, Rourkela Steel Plant, Coal Washeries and Durgapur Steel Plant). Certified inventories for assets worth Rs. 3·51 lakhs (Rourkela Fertilizer Plant) and Rs. 12.64 lakhs (Rourkela Steel Plant) were not available. No inventory was prepared for movable assets and loose tools lying on the floor of the Plant (Durgapur Steel Plant).

(ii) A Manual outlining the scope and programme of work for internal audit was not drawn up. The scope of internal audit was also inadequate. There was no internal audit during the year (Head Office and Rourkela Fertilizer Plant). Internal audit work was in arrear in Rourkela Steel Plant, Coal Washeries and Durgapur Steel Plant.

(iii) The targets fixed were not achieved (Rourkela Fertilizer Plant and Durgapur and Bhilai Steel Plants).

(iv) There was no system of ascertaining the idle time for labour specifying the reasons therefor (Rourkela Fertilizer Plant and Coal Washeries).

(v) Selling prices were less than the cost of production in the case of calcium ammonium nitrate (Rourkela Fertilizer Plant) and a number of steel products and by-products (Rourkela, Bhilai and Durgapur Steel Plants).

(vi) No *pro forma* accounts were maintained in respect of the operation of service units for staff (Rourkela Fertilizer Plant, Rourkela Steel Plant and Coal Washeries).

(vii) Maintenance of accounts

(a) Reconciliation of store cards as maintained in the Accounts Department with those maintained in the Stores Department was not completed during the year in respect of stores worth Rs. 36 lakhs (Durgapur Steel Plant).

(b) Procedure for maintenance of records for advances to suppliers and the linking of advances with corresponding supplies was not adequate. Advances to the extent of Rs. 57 lakhs remained unadjusted at the end of the year (Durgapur Steel Plant).

(c) Liabilities on account of medical stores were not accounted for promptly (Durgapur Steel Plant).

(d) Stock registers for finished goods were compiled only at the end of the year. Issues for internal consumption were not recorded promptly (Durgapur Steel Plant).

(e) There was scope for improvement in the procedure for reconciliation of control accounts with detailed subsidiary records in respect of sundry debtors, sundry creditors, earnest money and security deposit and adavnce to suppliers (Durgapur Steel Plant).

(f) The procedure for provision of liability for unpaid G.I. Notes and the linking thereof with payments was found defective (Rourkela Fertilizer Plant).

(g) The procedure for provision of liability for unpaid G.I. Notes and the linking thereof with payments was found defective (Rourkela Steel Plant).

(h) Finished goods loaded in the wagons were not included in the closing stock or the sales of the year (Rourkela Steel Plant).

(i) Sundry debtors (Sales) accounts showed a credit balance of Rs. 8·63 lakhs owing to lack of proper linking of the balances and wrong codification (Rourkela Steel Plant).

(j) No serial number of stores receipt and issue notes was maintained and there was delay in raising them (Rourkela Steel Plant).

(k) No manufacturing account was prepared as a part of the financial accounts (Alloy Steels Project).

(viii) No physical verification was carried out for finished and semi-finished goods and scrap materials (Alloy Steels Project).

(ix) Costing system

(a) Integrated system of cost and financial accounts should be evolved.

(b) There was idle and waiting time of 23,442 hours against available time of 70,080 hours in Steel Making Shop. The percentage of idle and waiting time to available hours was 33·45 as against 29·37 in the previous year.

(c) The Wheel and Axle Plant worked at 55·9 per cent. of its rated capacity.

(d) The percentage of idle and waiting time to total available hours ranged from 19·7 to 67·1 in the rolling mills of the Plant (Durgapur Steel Plant).

(e) The cost accounts should be reconciled with financial accounts at shorter intervals and the estimates adopted by the Cost Department should be periodically revised (Alloy Steels Project).

(x) There was no periodical reconciliation between the quantities of finished goods sent to stores as accounted for by the Stock Ledger Section and the Stores Accounts Section (Bhilai Steel Plant).

35. National Buildings Construction Corporation Limited

(i) A Manual outlining the scope and programme of internal audit was not drawn up.

(ii) The Company did not have records of the cost of each work undertaken by it.

(iii) There was no system of ascertaining the idle time for labour and machinery.

(iv) The method of valuing closing stock and work-in-progress had invariably resulted in overvaluation.

(v) Allocation of expenditure between Capital and Revenue had not been properly done.

(vi) Maintenance of accounts

(a) System of adjusting cost of purchases made during the year was most defective. The defective nature of this system of adjustment resulted in liabilities being credited twice over.

(b) No regular day-to-day stock consumption record of the materials purchased and consumed in the different units was being maintained. Difference between total purchases and actual physical stock at the close of the year was taken as consumed.

Similar was the position in regard to the issue of centering and shuttering material and tools and stores

36. Mining and Allied Machinery Corporation Limited

(i) There was no effective Manual laying down the detailed procedure for the compilation and maintenance of accounts.

(ii) The system of internal audit was not comprehensive.

(iii) There were shortfalls in production of some items.

(iv) There was no full-fledged costing system.

(v) There was no system of ascertaining idle time for machinery and labour.

(vi) No physical verification of stores and semi-finished goods of the value of Rs. 133·54 lakhs and Rs. 95·10 lakhs respectively was conducted during the year.

(vii) The selling prices compared unfavourably with the cost of production.

37. Film Finance Corporation Limited

(i) There was no effective Manual laying down the detailed procedure for the compilation and maintenance of accounts.

(ii) There was no internal audit system.

(iii) There were wide variations between the budget estimates and the actuals.

38. Manganese Ore (India) Limited

(i) There was no Manual laying down the detailed procedure for the compilation and maintenance of accounts.

(ii) Proper system of internal audit was not introduced.

39. Hindustan Aeronautics Limited

(i) There was no internal audit during the year (Koraput).

(ii) There was large capacity for production which remained unutilised (Kanpur).

(iii) Costing system

Prior estimates were prepared for jobs to enable comparison with actuals for the purpose of exercising 'effective' control action on periodical basis.

Because of (a) special situation arising out of the 'cost plus basis' of fixing selling price and (b) the existence of huge non-utilised capacity and idle capacity cost stemming therefrom it is essential that idle capacity cost incurred and ultimately shifted to Government, who is the main buyer, should be measured and quantified through cost accounts (Kanpur).

(iv) Procurement and disposal of stores and periodical determination of surplus/unserviceable stores were not based on proper system (Kanpur).

40. Neyveli Lignite Corporation Limited

(i) Maintenance of accounts

There was a time lag between the recording of the transactions in the Field Offices and the passing of the corresponding entries in Finance and Accounts Branch owing to delay in reporting by the Field Offices.

(ii) The existing system of internal audit was not considered comprehensive and effective.

(iii) The targets fixed for production of Lignite (Mining Scheme) and Leco (Briquetting and Carbonisation Scheme) were not achieved.

(iv) Cost of production of washed clay was more than the sale price fixed by the Government of India.

41. Bharat Heavy Electricals

(i) Maintenance of accounts

(a) The priced stores ledgers and some of the subsidiary registers were in arrear for 3/4 months (Hyderabad).

(b) The present procedure for the accounting of claims was defective. Claims lodged were not accounted for and value of the claims was not appropriately determined. Claims were preferred, but bills were not raised for facilitating accounting (Hyderabad).

(c) Linking of advances to suppliers with the liabilities under sundry creditors was in arrear (Hardwar).

(d) There was delay in the adjustment of the debit balance of 'Incidental freight and other charges account' to final heads of accounts. This meant under-absorption of expenses booked under this head (Hardwar).

(ii) A Manual outlining the scope and programme of work for internal audit was not drawn up.

(iii) The existing system of internal audit was not considered to be comprehensive and effective (Hardwar and Hyderabad).

(iv) No physical verification of loose tools was done in Hyderabad Unit during the year.

(v) Stores mainly consisting of G.I. pipes, cables and steel of the value of Rs. 18 lakhs were found surplus (Tiruverumbur).

42. National Projects Construction Corporation Limited

(i) There was considerable delay in the closing of accounts and these were finalised by the end of November, 1966.

(ii) No budgets were prepared.

43. Hindustan Salts Limited

(i) Maintenance of accounts

(a) Indentors' accounts were not maintained on double entry system at Mandi.

(b) The difference in the Indentors' account at Kharagoda was being carried forward from year to year.

(c) No control accounts for units were maintained at Head Office.

(ii) Proper system of internal audit was not introduced.

(iii) There were wide variations between the budget estimates and the actuals.

(iv) Effective and integrated costing system was not introduced during the year.

(v) Maximum and minimum limits of stores were not prescribed.

(vi) There was no regular system of determining periodically surplus/unserviceable or obsolete stores and of their disposal without delay.

(vii) No *pro forma* accounts were maintained in respect of the operation of service units for the benefit of the staff.

44. Sambhar Salts Limited

(i) There was no effective Manual laying down the detailed procedure for the compilation and maintenance of accounts.

(ii) Maintenance of accounts

(a) Indentors' accounts were not being maintained on double entry system.

(b) Stores accounts were not reconciled.

(iii) Proper system of internal audit was not introduced.

(iv) There were wide variations between the budget estimates and the actuals.

(v) The targets fixed were not achieved..

(vi) Effective and integrated costing system was not introduced during the year.

(vii) The maximum and minimum limits of important items of stores were not prescribed.

(viii) There was no regular system of determining periodically surplus/unserviceable or obsolete stores and of their disposal without delay.

(ix) No *pro forma* accounts were maintained in respect of the operation of service units for the benefit of the staff.

45. Nahan Foundry Limited

The special report of the Company Auditor in respect of the accounts for the year 1965-66 has not been received. The important points contained in the report for the year 1964-65 are mentioned below:—

(i) No written instructions were issued laying down the respective duties and responsibilities of various officers in regard to the maintenance of accounts.

(ii) No plant register showing the cost of identifiable plants, depreciation written off up to date and written down value of assets, etc. was maintained.

(iii) Proper system of internal audit was not introduced during the year.

(iv) Effective and integrated system of costing was not in existence during the year.

(v) Maximum and minimum limits of stores were not fixed.

CHAPTER II

STATUTORY CORPORATIONS

XXI. INTRODUCTION

A. Return on investment

1. There were 4 Central Government Corporations as on 31st March, 1966 under the audit control of the Comptroller and Auditor General of India.

2. *Paid-up capital.*—The total paid-up capital of the 4 Corporations stood at Rs. 168·40 crores at the end of 1965-66 and showed a decline of Rs. 7·14 crores as compared with the total paid-up capital of Rs. 175·54 crores of these 4 Corporations at the end of the previous year.

The break-up of the paid-up capital of these Corporations according to the investments made by the Central Government and private parties as on 31st March, 1966 is as follows:—

(Rupees in thousands)

	No.	Centre	Private parties	Total
(i) Corporations fully owned by the Central Government .	3	1,60,45,15	..	1,60,45,15
(ii) Corporations jointly owned by the Central Government and private parties . .	1	6,00,00	1,94,39	7,94,39
TOTAL . .	4	1,66,45,15	1,94,39*	1,68,39,54
		98·8%	1·2%	100%
Figures for the year 1964-65 .	4	1,73,60,40	1,93,74**	1,75,54,14
		98·9%	1·1%	100%

*Includes forfeited shares (Rs. 8,600).

**Includes forfeited shares (Rs. 8,600).

3. *Profits.*—According to the annual accounts of these Corporations there was a net profit of Rs. 328·25 lakhs during the year 1965-66 as against a net profit of Rs. 52·77 lakhs in the previous year. The net profit for the year 1965-66 represented 1·9 per cent. on the paid-up capital of Rs. 168·40 crores.

4. *Loans.*—The total long-term loans obtained by the 4 Corporations stood at Rs. 4,607·20 lakhs at the end of 1965-66 and represented

an increase of Rs. 1,763·71 lakhs over the total long-term loans of Rs. 2,843·49 lakhs as at the end of the previous year.

The break-up of long-term loans of these Corporations according to the source of finance *viz.* the Central Government and foreign credits, as on 31st March, 1966 is as follows:—

(Rupees in thousands)

	1964-65	Percentage	1965-66	Percentage	Increase
(i) Central Government	11,35,69	39·9	27,80,68	60·4	16,44,99
(ii) Foreign credits	17,07,80	60·1	18,26,52	39·6	1,18,72
	28,43,49	100·0	46,07,20	100·0	17,63,71

5. *Guarantee.*—Government have guaranteed the loans to the extent of Rs. 15·55 crores raised by the following Corporations:—

(i) Air India — Rs. 9·03 crores

(ii) Indian Airlines Corporation — Rs. 0·33 crore

(iii) Oil and Natural Gas Commission — Rs. 6·19 crores

Government have also guaranteed the repayment of the paid-up capital of Central Warehousing Corporation to the extent of Rs. 10 crores.

6. *Subsidy.*—Air India and Indian Airlines Corporation received as subsidy Rs. 6·60 lakhs and Rs. 1·41 lakhs respectively up to 31st March, 1966 for Staff Housing Scheme from State Governments.

Besides, Indian Airlines Corporation also receives subsidy for the operation of certain routes every year. During the year 1965-66 it received Rs. 83·11 lakhs as subsidy for this purpose. The total subsidy received on this account up to 31st March, 1966 amounted to Rs. 163·75 lakhs.

Central Warehousing Corporation received Rs. 10·41 lakhs as subsidy from National Co-operative Development Corporation to cover its working deficit up to 1963-64.

7. *Return on capital invested.*—For the reasons stated in para A .9. of Section I which also hold good in the case of Corporations, an attempt has been made in Annexure 'D' to analyse the working results of the Corporations on a uniform basis. On this basis the

return in 1965-66 on a total investment of Rs. 222·17 crores made in these Corporations amounted to Rs. 5·77 crores, being 2·6 per cent. of the investment.

8. *Working results.*—The working results of individual Corporations are indicated below:—

(i) *Air India.*—The Corporation made a profit of Rs. 163·56 lakhs during 1965-66 as against Rs. 304·15 lakhs in the previous year. In view of the substantial drop in the operating profits, the Corporation declared a reduced dividend at the rate of 4 per cent. on its equity capital for the year 1965-66 as against 5 per cent. for the previous year. The dividend amounting to Rs. 53·63 lakhs for the year 1965-66 was met to the extent of Rs. 45·00 lakhs out of the profits of the year and to the extent of Rs. 8·63 lakhs out of the balance of Rs. 9·22 lakhs available in the Dividend Reserve Account.

(ii) *Indian Airlines Corporation.*—The profit of the Corporation amounted to Rs. 32·33 lakhs during 1965-66 as against Rs. 133·01 lakhs in the previous year. In view of the substantial drop in the operating profits the Corporation did not declare any dividend for the year 1965-66 (Dividend at the rate of 5 per cent. on its equity capital was declared for the previous year).

Although Government have waived interest up to 1st October, 1966 on the loan capital advanced by them to the Corporation, a voluntary provision of Rs. 49·37 lakhs was made for the interest in the accounts for 1964-65. No such provision has, however, been made in the accounts for 1965-66.

(iii) *Central Warehousing Corporation.*—During 1965-66 the Corporation incurred a loss of Rs. 4·09 lakhs as against a loss of Rs. 13·79 lakhs in the previous year.

In the case of this Corporation the dividend has been guaranteed at the rate of 3½ per cent. Government paid Rs. 72·52 lakhs to this Corporation up to 31st March, 1966 to meet the guaranteed dividend.

(iv) *Oil and Natural Gas Commisison.*—The Commission made a profit of Rs. 136·45 lakhs during the year 1965-66 as against a loss of Rs. 370·60 lakhs incurred by it during the previous year. The profit for 1965-66 has been arrived at after the write-back of the Development Expenditure to the extent of Rs. 145·27 lakhs written off during the previous three years in respect of the Cambay Project which was declared as 'Producing field' in 1965-66.

B. Rate of growth

(a) The rate of growth of paid-up capital and reserves and surplus declined in 1965-66 as compared with that of 1964-65 as indicated below:—

(Rupees in lakhs)

Paid-up capital and reserves and surplus			Rate of growth	
1963-64	1964-65	1965-66	1964-65	1965-66
Rs.	Rs.	Rs.		
14,829·91	18,688·30	18,269·80	26·0%	(—) 2·2%

(b) The rate of growth of total gross assets declined in 1965-66 as compared with that of 1964-65 as indicated below:—

(Rupees in lakhs)

Total gross assets			Rate of growth	
1963-64	1964-65	1965-66	1964-65	1965-66
Rs.	Rs.	Rs.		
20,539·55	27,083·87	29,655·60	31·9%	9·5%

C. Sources and uses of funds

(a) *Internal sources.*—Funds received from internal sources in 1964-65 and 1965-66 are indicated below:—

(Rupees in lakhs

Internal sources	Percentage to total funds (*i.e.* internal and external)	Internal sources	Percentage to total funds (*i.e.* internal and external)
1964-65		1965-66	
Rs.		Rs.	
1,201·49	18·4	932·64	36·3

(b) *External sources.*—Funds received from external sources in 1964-65 and 1965-66 are indicated below :—

(Rupees in lakhs)

External sources	Percentage to total funds (*i.e.* internal and external)	External sources	Percentage to total funds (*i.e.* internal and external)
1964-65		1965-66	
Rs.		Rs.	
5,342·83	81·6	1,639·09	63·7

The main feature indicated by the above data is the relative importance of external sources in the case of all the Corporations taken together.

D. Value of production and profits

(a) The rate of growth of value of production/business declined in 1965-66 as compared with that in 1964-65 as indicated below:—

(Rupees in lakhs)

Value of production/business			Rate of growth	
1963-64	1964-65	1965-66	1964-65	1965-66
Rs.	Rs.	Rs.		
4,953·53	5,596·23	6,320·71	13·0%	12·9%

(b) The rate of growth of profits before tax increased in 1965-66 as compared with that of 1964-65 as indicated below :—

(Rupees in lakhs)

Profits before tax			Rate of growth	
1963-64	1964-65	1965-66	1964-65	1965-66
Rs.	Rs.	Rs.		
452·03	52·77	328·25	(—) 88·3%	522·0%

E. Sundry debtors

The figures of sundry debtors and sales for the last 3 years are given below:—

(Rupees in lakhs)

1963-64			1964-65			1965-66		
Sundry debtors	Sales	Percentage of column 1 to column 2	Sundry debtors	Sales	Percentage of column 4 to column 5	Sundry debtors	Sales	Percentage of column 7 to column 8
1	2	3	4	5	6	7	8	9
Rs.	Rs.		Rs.	Rs.		Rs.	Rs.	
1,012·41	4,952·16	20·4	1,109·80	5,596·73	19·8	1,491·28	6,320·88	23·6

It will be seen that the percentage of sundry debtors to sales increased in 1965-66 as compared with that of 1964-65.

ANNEXURE

SUMMARISED FINANCIAL RESULTS

Sl. No.	Name of the Corporation	Name of the Ministry	Date of incorporation	Paid-up capital	Long-term loans	Free reserves	Total capital invested
1	2	3	4	5	6	7	8
1.	Air India .	Ministry of Tourism, and Civil Aviation	1-8-1953	26,81,63*	9,02,74	5,77,94	41,62,31
2.	Indian Airlines Corporation	Do.	1-8-1953	21,94,16**	9,23,78	1,92,60	33,10,54
		TOTAL .	. .	48,75,79	18,26,52	7,70,54	74,72,85
	Figures for the year 1964-65		.	48,75,79	17,07,80	7,30,81	73,14,40
3.	Central Warehousing Corporation	Ministry of Food, Agriculture, Community Development and Co-operation	March 1957	7,94,39†	6,16,00	..	1 0, 39
		TOTAL .	. .	7,94,39	6,16,00	..	14,10,39
	Figures for the year 1964-65		.	6,93,74	1,07,00	..	8,00,74

'D'

FOR THE YEAR 1965-66

(Figures in thousands of Rupees)

Block assets (Net)	Deprecia-tion to date	Profit(+) Loss(—)	Interest on long-term loans	Total return	Percent-age of total return on capital invested	Remarks
9	10	11	12	13	14	15
20,96,00	11,93,20	(+)1,63,56	1,18,38	(+)2,81,94	6.8	*Divided equally between equity and loan capital.
15,31,86	10,83,06	(+) 32,33	40,32	(+) 72,65	2.2	**Divided equally between equity and loan capital.
36,27,86	22,76,26	(+)1,95,89	1,58,70	(+)3,54,59	4.7	
38,54,82	19,40,39	(+)4,37,16	1,80,59	(+)6,17,75	8.4	
5,04,23	17,30	(—) 4,09	11,50	(+) 7,41	0.5	†Includes Rs. 8,600 received on forfeited shares.
5,04,23	17,30	(—)4,09	11,50	(+)7,41	0.5	
1,86,59	9,11	(—)13,79	30	(—)13,49	..	

1	2	3	4	5	6	7	8
4.	Oil and Natural Gas Commission	Ministry of Petroleum and Chemicals	15-10-1959	1,11,69,36	21,64,68	..	1,33,34,04
		TOTAL . .	.	1,11,69,36	21,64,68	..	1,33,34,04
	Figures for the year 1964-65		.	1,19,84,61	10,28,69	..	1,30,13,30
		GRAND TOTAL .	.	1,68,39,54	46,07,20	7,70,54	2,22,17,28
	Figures for the year 1964-65		.	1,75,54,14	28,43,49	7,30,81	2,11,28,44

9	10	11	12	13	14	15
39,02,00	12,63,05	(+)1,36,45	78,16	(+)2,14,61	1.6	
39,02,00	12,63,05	(+)1,36,45	78,16	(+)2,14,61	1.6	
29,09,53	8,88,94	(—)3,70,60	1,77	(—)3,68,83	..	
80,34,09	35,56,61	(+)3,28,25	2,48,36	(+)5,76,61	2.6	
69,50,94	28,38,44	(+) 52,77	1,82,66	(+)2,35,43	1.1	

XXII. OIL AND NATURAL GAS COMMISSION

1. Introduction

The Commission was set up as a statutory body on 15th October, 1959 under the Oil and Natural Gas Commission Act, 1959 to plan, promote, organise and implement programmes for the development of petroleum resources and the production and sale of petroleum and petroleum products produced by it. As on 31st March, 1966 the Commission had undertaken such operations through 12 projects located in various parts of the country.

2. Capital structure

Under Section 16(1) of the Act, the non-recurring expenditure of Rs. 557·76 lakhs incurred by the Central Government during the period from 1955 to 14th October, 1959 (when the Commission functioned as a department of the Government of India) was treated as capital expenditure of the Commission as on 15th October, 1959. During the period from 15th October, 1959 to 31st March, 1966 Government advanced to the Commission funds aggregating Rs. 12,776·28 lakhs (Rs. 10,611·60 lakhs as capital and Rs. 2,164·68 lakhs as loans) under Section 16(2) of the Act. The terms and conditions relating to the issue of funds as capital (*i.e.* whether it should be in the form of equity or loans) have not, however, been determined so far (May, 1966).

The Ministry have stated (December, 1966) that "Government is re-examining the pattern of financing of the Oil and Natural Gas Commission and pending final decision, the funds advanced from the year 1965-66 are treated as capital to the extent of 62 per cent. and the balance 38 per cent. is treated as loan; the percentage division being based on the proportion of expenditure on exploration and production respectively".

3. Agreements

A. Agreements with M/s. SNAM S.p.A.

Under the E.N.I. credit of Rs. 5·77 crores the Commission entered into contracts with the above firm for undertaking drilling operations in the Ganga Valley, Punjab and the Gulf of Cambay and for setting up Udex Plant at Koyali. Some of the important features of these contracts are mentioned below:—

(a) *Drilling in Ganga Valley.*—The Commission had estimated in October, 1962 that during a working period of 34 months 5 wells of 5,000 metres each would be drilled at a cost of Rs. 3·28 crores (Rs. 1,312 per metre). During the period of 26 months and 21 days, however, 2 wells (1 well of a depth of 4,901 metres at Raxaul and another of 5,264 metres at Mohand) were drilled and thereafter the contract was terminated. The total cost of the 2 wells worked out to Rs. 2·37 crores approximately *i.e.* Rs. 2,327 per metre.

The Ministry have stated (December, 1966) that "the shortfall in achievement *vis-a-vis* the estimate (a maximum of 4 wells) was really on account of a very tight and almost unworkable estimate being framed, partly due to the lack of experience and partly to infuse a sense of urgency in the drilling contractor".

(b) *Drilling in Punjab area*

(1) The contract dated 13th May, 1963 provided for the drilling of wells up to a maximum depth of 6,500 metres at a total cost of $ 3,224,700 and Rs. 65·12 lakhs, subject to escalation. In the execution of this contract, the following extra contractual benefit was allowed by the Commission to the contractors:—

> Provision of internal roads, bunk house pillars, septic tank, soak pit, drains, etc. in the base camp area not provided for in the contract.................... Rs. 28,577·19.

In this connection, the Ministry have stated (December, 1966) as follows:—

> Out of the amount of Rs. 28,577·19 a sum of Rs. 11,057·35 is being recovered from the contractor.

(2) Owing to delay in the receipt of equipment the Janauri well scheduled to be spudded on 15th August, 1964 was actually spudded on 17th October, 1964. The delay in commencing drilling operations resulted in avoidable expenditure of Rs. 10·08 lakhs on account of payment for idle time to the contractors in terms of the contract.

A preliminary enquiry conducted by the Commission in July, 1965 indicated that the delay occurred on the part of both the Commission and the contractors. While in the case of 2 items (wing bits and casing and drilling pipes) the contractors delayed the shipment, in the case of 3 items (travelling blocks, draw works and derrick structures) the Commission failed to take prompt action in expediting the despatch of equipment unloaded at the ports.

The Ministry have stated (December, 1966) as follows:—

(i) No action was necessary against the contractor for the late shipment of wing bits and casing and drilling pipes "as these items were required only for spudding in of the well and afterwards, whereas, they actually reached the Project more than a week before the spudding in of the well".

(ii) "There had no doubt been some delay in transportation of travelling block, draw works and derrick structures. Suitable action has, however, been taken against the officers concerned (in June, 1966)".

B. Agreement under I.F.P. credit

Under this credit the Commission entered into an agreement with a foreign firm for oil exploration work in Jaisalmer region. The agreement was executed on 12th September, 1961 and was to be in operation for a period of 3 years (excluding a formation period of 4 months during which the foreign firm was required to send 1 or 2 engineers to undertake preliminary work for the formation of a regular team and to draw up a list of scientific equipments).

The table below indicates the scheduled dates of the commencement of the various operations, actual dates of commencement of operations, reasons for the delay, etc.:—

Sl. No.	Operation	Period of operation as prescribed in the agreement	Scheduled date of commencement	Actual date of commencement	Delay	Remarks
1	2	3	4	5	6	7
1.	Seismic survey	36 months	5th June, 1962	13th November, 1963	17 months	The delay in commencement of operations was due to the time taken in (a) the drawing up of the requirements of the various items of equipment by the foreign experts, (b) the finalisation of the terms and conditions for the repayment of the French credit and

1	2	3	4	5	6	7
						settlement of the question of liability for the payment of income tax in India and (c) the procurement of equipment.
2.	Structural drilling	33 months	September, 1962	December, 1964	27 months	The delay was due to the time taken in (a) the drawing up of the specifications of the drilling rig and equipment, (b) the finalisation of the terms and conditions for the repayment of the French credit and the settlement of the question of the procurement of drilling stores through the contractors and (c) the collection of the drilling rig and equipment and other required items. In the wake of hostilities with Pakistan the Commission decided on 5th October, 1965 to suspend operations, but the *force majeure* clause under which the Commission had the right to send back the foreign personnel at a notice of 7 days for a period of not less than 30 days was enforced only on 10th November, 1965. The delay in enforcing the *force majeure* clause resulted in an avoidable extra expenditure of French Francs 2,83,536 or Rs. 2,74,179 (difference between the fee of French Francs 11,876 per day payable normally under the contract and French

1	2	3	4	5	6	7
						Francs 4,000 per day payable if the experts were sent back under the *force majeure* clause for the period from 5th October, 1965 to 17th November, 1965).
3. Deep drilling .	21 months	September, 1963		..	..	No contract has been executed so far (December, 1966). The Ministry have stated (December, 1966) that "Seismic surveys and structural drilling operations carried out so far, have not helped in selection of the locations for deep drilling operations. Therefore, no contract has been concluded for deep drilling".

Owing to the delay in the commencement of the various operations, the period of agreement had to be extended by 26 months more involving an additional expenditure of about Rs. 12·50 lakhs on the fees and accommodation of foreign experts.

C. Agreement under the Trade Plans

Without obtaining global tenders, the Commission entered into an agreement in December, 1963 with a foreign firm for drilling wells in Assam area at a total estimated cost of Rs. 19·37 lakhs.

The contractors drilled 3 wells (Lakwa wells No. 3, 4 and 9) in 825 days (258, 353 and 214 days respectively) as against 402 days estimated by the Commission and the total labour cost for all the 3 wells worked out to Rs. 16·1 lakhs (Rs. 145·7 per metre) as against the estimate of Rs. 10·67 lakhs (Rs. 88·9 per metre).

According to the contractors the main reason for their unsatisfactory performance was the supply of Russian rigs and equipments with which their personnel were not acquainted.

The contract was terminated with effect from 3rd October, 1965.

In this connection, the Ministry have stated (December, 1966) as follows:—

(i) "It is, perhaps, true that the personnel of the contractor were used to drilling with the more modern, American rigs only and were not accustomed to drilling with Russian rigs. However, while this may account for a small part of the extra drilling time taken by the contractor, the bulk of the extra drilling time is accounted for by the fact that the Commission was not able to provide American drilling bits in adequate quantities, on account of foreign exchange shortage. Nor was the Commission able to provide heavy transportation and handling equipment in adequate quantities, on account of foreign exchange shortage".

(ii) "In any case, the fact remains that by employing the drilling teams of the contractor, the high rate of drilling which was being hoped for, was not achieved. The contract was, therefore, not extended".

4. Targets and achievements

The targets and achievements in terms of physical performance of the Commission during the Third Five Year Plan period are detailed below:—

Geological and Geophysical surveys.—The tables given below indicate the targets and achievements in respect of Geological and Geophysical surveys conducted by the Commission during the last five years:—

Geological

Year	No. of field parties			Detailed mapping (Square Kms.)		Semi-detailed mapping (Square Kms.)		Traversing (Line Kms.)	
	Targets		Actual	Targets	Achievements	Targets	Achievements	Targets	Achievements
	Original	Revised							
1	2	3	4	5	6	7	8	9	10
1961-62	20	16	18	2,803	448	14,568	19,706	1,615	1,924
1962-63	20	16	16	13,205	163	14,633	24,265	1,107	1,071
1963-64	20	19	16	8,900	585	14,069	16,351	969	2,203
1964-65	20	19	16	1,331	851	6,642	9,031	836	977
1965-66	20	19	13	849	999	5,168	6,560	820	1,554

Geophysical

Year	Gravity-cum-magnetic survey				Seismic survey					
	Annual targets		Achievements		Original plan targets	Mid-term appraisal targets	Annual targets		Achievements	
	No. of parties	No. of stations measured (Kms.)	No. of parties	No. of stations measured (Kms.)	No. of parties	No. of parties	No. of parties	Line Kms.	No. of parties	Line Kms.
1	2	3	4	5	6	7	8	9	10	11
1961-62	Not available	20,000	10	12,420	17	Not available	Not available	4,160	13	5,213
1962-63	12	64,750	11	28,066	21	15	19	5,951	14	4,632
1963-64	13	22,700	11	19,219	24	19	17	4,860	18½	5,470
1964-65	11½	17,244	9	13,204	26	25	23	7,250	20½	6,176
1965-66	12	15,260	10½	16,869	29	27	25	7,401	23	9,300
TOTAL . .	48½	1,39,954	51½	89,778	117	86	84	29,622	89	30,791

The shortfall in the deployment of parties and the quantum of work done in the gravity-cum-magnetic survey during the years 1961-62 to 1964-65, as indicated in the above table, was due to (i) delay in departure of the parties for field work, (ii) non-availability of stores and equipments and lack of transport facilities and (iii) shortage of equipment of requisite standard.

The Ministry have stated (December, 1966) that during the years 1961-62 and 1962-63 the targets were based on a uniform quota for each gravity party, irrespective of the nature of terrain and the area of work and that "the experience gained subsequently showed that this was not very realistic". Further, two of the gravimeters developed certain defects in 1962-63 which necessitated the repetition of a large number of stations.

5. Production

A. Crude oil

(a) During the Third Plan the Commission envisaged the production of 6 million M. tons of hydro-carbons i.e. crude oil, natural gas, etc. from Ankleshwar, Cambay, Kalol, Olpad and Assam oil fields. The table below indicates the year-wise production targets (as fixed under the Third Five Year Plan), annual targets fixed by the Commission and achievements thereagainst:—

(Figures in millions)

Year	Targets under Third Five Year Plan		Annual targets*	Achievements
	Original	Mid-term appraisal		
1	2	3	4	5
	M. tons	M. tons	M. tons	M. tons
1961-62	0·06	0·04	0·04	0·04
1962-63	0·55	0·49	0·45	0·45
1963-64	0·65	0·88	0·72	0·72
1964-65	1·45	1·13	0·83	0·77
1965-66	3·50	3·50	1·52	1·43
	6·21	6·04	3·56	3·41**

*Based on the daily rates of production fixed from time to time.

**In addition to the production of 3·41 million M. tons of crude, associated and non-associated gas measuring 641 million cubic metres equivalent to 0·64 million M. tons of crude was produced during the years 1961-62 to 1965-66.

The shortfall in the actual production as compared with the targets fixed as a result of mid-term appraisal of the Third Five Year Plan was mainly due to set-back in the exploratory drilling operations. The other factors contributing to this shortfall were as follows: —

(i) Failure of the structures (Olpad, Sanand, Kim and Teok) to come up to expectations.

(ii) Delay in the commissioning of the Koyali Refinery, with the result that the production could not be stepped up.

(iii) Short supply of Railway wagons which resulted in restriction of production to the extent of 96,174 M. tons valued at Rs. 77 lakhs (approximately).

(iv) Non-availability of foreign exchange for imported equipment.

(v) Delay in the commissioning of Dhuvaran Power House and its lower off-take of gas resulting in the restriction of hydro-carbon production from Cambay gas field.

(b) *Payment of freight.*—Since 17th April, 1963 the Commission has been paying Railway freight on the crude supplied to the Bombay Refineries on the basis of the carrying capacity of wagons at the rate of 21·6 M. tons per wagon. During the period from 16th April, 1965 to 31st March, 1966 (data for the earlier period not available) it despatched a total quantity of 9,83,826 M. tons of crude through 51,937 wagons. On this basis, the average load per wagon worked out to 18·9 M. tons approximately as against the carrying capacity of 21·6 M. tons. There was thus an underloading of 2·7 M. tons per wagon, the total underloading for 51,937 wagons being 1·38 lakh M. tons on which freight amounting to Rs. 30 lakhs (approximately) was paid.

The underloading has been stated to be partly due to accumulation of bottom sediments in all the wagons. The Railways agreed to take up the cleaning of wagons at the cost of the Commission with effect from April, 1965.

The Ministry have stated (December, 1966) that "as ......the actual conditions prevailing at the loading and unloading ends are different from the standard ones, the matter has been taken up with the Railways for a review and reconsideration so that the weight of the crude oil loaded up to the prescribed mark may conform, as far as possible, with the prescribed capacity."

The Ministry have further stated that "the Railways have since taken up the cleaning of the wagons from April, 1965 at the rate of 45 wagons a month".

B. Gas

Gas is produced at Cambay and Ankleshwar fields of the Commission. In 1961-62 it was decided to exploit commercially the non-associated gas from Cambay field and associated gas from Ankleshwar field. The gas produced at these fields is supplied to the Dhuvaran Thermal Power Station and Uttran Power House of the Gujarat Electricity Board. The agreements laying down the terms and conditions for the supply of gas to these power houses have not, however, been finalised so far (December, 1966).

The Ministry have stated (December, 1966) that the agreements could not be finalised as the matter regarding price fixation is under arbitration.

6. Sale of crude

(a) On 15th June, 1962 the Commission entered into separate agreements with M/s. Burmah Shell and ESSO for the sale of crude. The agreements which were to be in operation for a period of two and a half years in the first instance were subsequently extended for an indefinite period subject to the provision that these could be terminated at any time by either party by giving not less than three months' prior notice. The following features of the agreements deserve mention:—

(i) It was noticed by the Management that the price of crude as worked out in conformity with the price calculation clause was always lower by 1·06 per cent. than the import parity price of the equivalent quality of imported crude.

(ii) According to the agreements the handling charges at the provisional rate of Rs. 2·70 per M. ton are payable to the Refineries by the Commission subject to adjustment with reference to the actual expenditure (to be worked out in accordance with the formulae prescribed in the agreements) on the expiry of the agreements. Though the initial period of the agreements expired on 14th

August, 1964, no adjustment was made on this account up to September, 1966. The Ministry have, however, stated (December, 1966) that a sum of Rs. 31·92 lakhs has been recovered from M/s. Burmah Shell and that the matter regarding finalisation of handling charges incurred by M/s. ESSO up to 31st December, 1965 is under correspondence. It has further been stated that M/s. Burmah Shell have "now furnished the break-up of operating expenses incurred by them during the period 15th February, 1962 to 31st December, 1965" and that they have been "requested to indicate a suitable date for actual verification of expenses booked in their accounts".

(b) The Commission started supplying crude to the Gujarat Refinery with effect from 22nd September, 1965. No agreement regarding the terms of supply, sale price, etc. has, however, been executed so far (December, 1966). The Ministry have stated (December, 1966) that the agreement with the Gujarat Refinery is likely to be finalised shortly.

7. Operational efficiency

(a) The table below gives the operational data in respect of drilling undertaken at all the projects since 1962-63:—

Operations	1962-63	1963-64	1964-65
1	2	3	4
No. of rigs in operation	25	30	36
No. of wells completed	50	94	90
Metreage drilled in respect of completed wells	93,585	1,56,507	1,57,992
Total rig days available	6,516	10,056	11,697
Total rig days utilised	6,204	9,456	10,638
(*a*) De-rigging, transportation to next location and rigging up	1,626	2,871	3,102
(*b*) Drilling days	2,538	4,461	5,325
(*c*) Production testing (days)	2,040	2,124	2,211
Major overhauling (days)	..	369	294
Idle time (days)	312	231	765
Cycle speed per day (metres)	14·4	15·6	13·5
Commercial speed per day (metres)	36·9	35·1	29·9

NOTE—1. Cycle speed constitutes overall drilling speed per rig per day taking into account all the operations (e.g. rigging, de-rigging, testing, drilling, etc.) connected with drilling.

2. Commercial speed connotes the actual drilling speed attained by a drilling rig in a day.

It will be seen that the cycle speed and commercial speed declined sharply in 1964-65, thereby indicating that the operational efficiency in the drilling operations in 1964-65 was less than that of 1963-64.

While accepting the facts stated in the para, the Ministry have explained (January, 1967) that there was a decline in the commercial speed and cycle speed of drilling as a whole during the past years on account of the following factors:—

Commercial speed

(i) "Starting from the wells of comparatively shallower depth in the Western Region, the intensity of drilling has been shifted considerably to Eastern Region, with the result that there has been a significant increase in the average depth of completion of the wells".

(ii) "The number of rigs in deployment has increased 2½ times during the last five years. In order to form more drilling teams for manning the additional rigs we had continuously divert nucleus of trained persons from one rig to another so that additional teams could be made by supplementing the rest of man-power by untrained persons. While accepting in principle the desirability of having a fixed team on a rig, such a situation could not be avoided to keep pace with the additional number of rigs deployed".

(iii) "All the four factors namely mechanical repairs, complications encountered during drilling, fishing and shut-down have increased over the past five years. While the second factor may be to a certain extent attributable to the peculiarities in certain areas and formations drilled, the other three factors can be contained by proper measures".

Cycle speed

"On an analysis of the time spent on the various operations, it is revealed that, while the time spent on drilling has been fairly constant, the time spent on rig building operation including transportation has increased and

(iii) "Certain equipment like turbo-drills and their spares (costing over Rs. 2 crores) were also purchased, which have such a limited utilisation that the Commission was still holding about Rs. 1·8 crores worth of such spares on April 1, 1965".

(iv) "About 70 per cent. of closing balance represents the tubulars, the requirement of which cannot be predicted precisely in terms of planned metreage".

(v) It was necessary to have a comparatively larger stock of stores and spares keeping in view the lead time for imported stores which varies from 18 months to 2 years.

(b) *Surplus and unserviceable stores.*—The position regarding surplus and unserviceable stores in respect of the various projects of the Commission is as follows:—

Headquarters

(i) The Commission procured 17,031 drilling bits of large and medium size from the U.S.S.R. under various contracts entered into between 1959 and 1963. Owing to the availability of superior American Jet bits, these bits were not, however, utilised. The Chairman of the Commission observed in February, 1964 that a large sum of money of the Commission had been blocked and might be lost and that a proper plan for the utilisation of these bits should be prepared. There were 8,279 bits in stock as on 1st March, 1964.

With a view to disposing of these bits, a delegation headed by the Secretary, Ministry of Petroleum and Chemicals visited the U.S.S.R. in July, 1965 and discussed the matter with the foreign suppliers who agreed to take back these bits in exchange for new bits, on the condition that the Commission would bear all the expenses on freight and insurance. In April, 1966 the Commission had 5,508 Nos. of such bits valued at Rs. 64·83 lakhs surplus to its requirement.

The Ministry have stated (December, 1966) that "these bits were inspected by Russian authorities and were packed for despatch in May and June. The U.S.S.R. authorities, however, intimated that their port at Odessa was completely blocked up with stores and that they could not, therefore, accept these drilling bits at that time and that they would let us know when they would be in a position to accept them. The matter has since been taken up again with them and they have agreed to take the stores back as soon as possible".

(ii) About 5,500 empty non-returnable lubricant drums and other unserviceable stores *viz.* batteries, tyres, capital items, stores and spares, auto scraps, packing materials, etc. have been lying in the open yards or salvage yards of the projects for the last 5 to 6 years (July, 1966).

In October, 1965 the Commission laid down the procedure for the disposal of the unserviceable stores. Owing to certain difficulties in fixing the reserve price of the stores no action was taken by the projects for their disposal. The matter is stated to be under the consideration of the Commission (December, 1966). Meanwhile, the stores continue to remain in the open subject to the vagaries of nature.

The Ministry have stated (December, 1966) that "regarding unserviceable stores at Ankleshwar action to set up a Board of officers in accordance with the procedure laid down is in hand. At Cambay, the empty barrels numbering 2,500 have already been surveyed by the Survey Board and the matter of fixing their reserve price is in hand".

Ankleshwar

The mud chemicals mentioned below were lying unused as on 31st March, 1966:—

Description of material	Quantity purchased	Date of procurement	Quantity consumed	Quantity in hand	Value
	M. tons		M. tons	M. tons	Rs.
1	2	3	4	5	6
Acid Sodium Physophosphate . .	35·00	April/August, 1961	9·89*	25·11	98,477·40
Calcium Ligno Sulphate . . .	..	November/December, 1961 . . .	..	42·57	89,080·68
Sodium Hexametaphosphate . .	30·00	April/May, 1961	25·50**	4·50	18,527·91
Kambreak . .	6·00	August, 1964 . .	..	6·00	15,304·07
Oxalic Acid . .	4·35	June/November, 1962	0·51	3·84	12,444·14
					2,33,834·20

*The Project used 90 kgs. of acid only and the rest (9·80 M. tons) was transferred to Purnea and Jodhpur Projects.

**A major portion of 25·50 M. tons of Sodium Hexametaphosphate was transferred to Purnea and Jodhpur Projects.

The Project in its fortnightly reports sent to Headquarters on 22nd February, 1966 and 7th April, 1966 stated that it was necessary to take action for the disposal of these items as the materials were deteriorating day by day. The Ministry have stated (December, 1966) that "some of the mud chemicals held on stock on 31st March, 1966 have since been transferred to other Projects with the decrease in the drilling activity at Ankleshwar Project".

Baroda

In May, 1966 about 474 items of unserviceable (imported as well as indigenous) stores were awaiting disposal. These have not been disposed of so far (December, 1966).

Hoshiarpur

A Condemnation Board consisting of four officers of the Project was constituted in April, 1964 to survey the stores not fit for use. The extent of unserviceable and surplus stores as indicated by the Board in its report of August, 1964 and the latest position in regard to such stores are indicated below:—

(i) Stores and spares of the book value of Rs. 45 lakhs (Rs. 33·49 lakhs at Hoshiarpur and Rs. 11·51 lakhs at Jwalamukhi) were categorised as unserviceable. Of these, rubber goods (book value Rs. 99,852) were recommended to be burnt or buried. The unserviceable stores have not yet been disposed of (December, 1966).

(ii) Stores of the value of Rs. 5·42 lakhs were categorised as repairable. It has been stated (December, 1966) that "repairable stores worth Rs. 3·40 lakhs have been despatched to Baroda/Ankleshwar workshop for necessary repairs and further stores worth Rs. 0·98 lakh are under despatch. Necessary action to get the petty items repaired locally is also in hand".

(iii) 126 items of stores of the value of about Rs. 52·36 lakhs were declared surplus to requirement. As a result of further review it was, however, considered that 68 items of the value of about Rs. 16·65 lakhs might be required in future. Out of these 68 items, stores of the value of Rs. 5·6 lakhs have been stated (December, 1966) to have been consumed and stores worth Rs. 0·8 lakh have been diverted to other projects.

(c) *Physical verification of stores.*—The physical verification of stores was carried out in accordance with the provisions of Rule 17(1) of the Oil and Natural Gas Commission Rules, 1960, in 27 major establishments during 1963-64 and in 28 major establishments in 1964-65.

Drill site stores, workshop stores and transit stores were, however, not brought within the purview of annual physical verification.

The following shortages and excesses were noticed as a result of physical verification of stores conducted during the years 1962-63, 1963-64 and 1964-65:—

(Value in lakhs of Rupees)

Year	Stock		Shortage		Excess	
	No.	Value	No.	Value	No.	Value
1962-63 . .	67,157	..	2,659	83·02	3,154	78·87
1963-64 . .	95,483	3,457·47	19,497	1,615·58	7,499	433·49
1964-65 . .	1,19,640	3,623·19	10,282	1,160·78	6,914	617·11

The progress of settlement of the above shortages and excesses together with the shortages and excesses for the years 1959 to 1961-62 is indicated below:—

(Value in lakhs of Rupees)

Year	Discrepant items				Items since settled				Items outstanding			
	Shortage		Excess		Shortage		Excess		Shortage		Excess	
	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value
1	2	3	4	5	6	7	8	9	10	11	12	13
1959 to 1961-62 .	2,062	34·03	1,608	24·36	1,386	19·85	1,395	20·53	676	14·18	213	3·83
1962-63 . . .	2,659	83·02	3,154	78·87	1,888	67·95	2,853	45·01	771	15·07	301	33·86
1963-64 . . .	19,497	1,615·58	7,499	433·49	13,254	1,096·63	4,769	68·40	6,243	518·95	2,730	365·09
1964-65 . . .	10,282	1,160·78	6,914	617·11	3,167	180·80	2,076	69·85	7,115	979·98	4,838	547·26
TOTAL . .	34,500	2,893·41	19,175	1,153·83	19,695	1,365·23	11,093	203·79	14,805	1,528·18	8,082	950·04

It will be seen that discrepant items are increasing year after year. Out of 34,500 discrepant items of shortages detected up to 31st March, 1965, 14,805 items of the value of about Rs. 15·28 crores have not so far (May, 1966) been investigated.

The discrepancies have been attributed to one or more of the following factors:—

(i) Stores consumed without being recorded as issued in the stores accounts.

(ii) Obsolete and unserviceable stores not struck off from the stores accounts.

(iii) Pilferages or losses of stores.

(iv) Non-acknowledged items in the Distribution Registers being treated as short items.

(v) Lack of proper maintenance/preservation of stores in almost all the stores formations.

The stock verification team for the year 1964-65 had observed that the condition of certain groups (*viz.* spares for cementing units and heavy vehicles) at Ankleshwar was not satisfactory as the materials were lying on the floor and that owing to the unsatisfactory storage conditions tubular goods and items of mud chemicals and certain construction materials could not be checked by the stock verification teams for the last five years.

In this connection, the Ministry have stated (December, 1966) as follows:—

(i) "There are only 164 items involving a sum of Rs. 0·21 lakh which are outstanding settlement in respect of the stores verification cycle up to 1960-61. As regards the subsequent cycles from 1961-62 to 1964-65, of the total numbers of 53,351 discrepant items revealed, only 3,201 items valuing Rs 2·43 crores were outstanding for settlement as on October 1, 1966".

(ii) The problem of unreceipted issues will be obviated when a combined "indent-cum-issue" voucher is introduced.

(iii) Regarding the storage at Ankleshwar "it has been stated by the Project that these have since been stacked properly on racks".

(d) *Capital and non-consumable stores.*—The Commission has prescribed the maintenance of Distribution Registers in respect of capital and non-consumable stores (*e.g.* radios, cameras, airconditioners, refrigerators, carpets, furniture, etc.). The departments/ parties/officials to whom these items are issued are required to acknowledge the receipt of items at the time of issue and also to certify periodically their physical existence.

The Distribution Registers were not maintained properly or not maintained at all. In most of the cases the acknowledgements for the stores issued were not furnished by the departments and field parties although the items had been issued to them long ago. The value of such unacknowledged items runs into several lakhs of rupees. This deficiency was pointed out by Audit in the Audit Report (Commercial), 1964, but no steps appear to have been taken to carry out an investigation and to fix responsibility in the matter.

In 1964 the Commission decided to carry out the census of capital items whether in stock or lying with various field parties or at work site or with individual officers, with a view to reconstructing the Distribution Registers on the basis of such items as actually existed at that time. Although a special party was formed for this purpose in 1964 no action to reconstruct the Distribution Registers has been taken so far (December, 1966).

The Ministry have stated (December, 1966) that "on a closer scrutiny of the census results, however, it was found that the census results could not form the basis for correcting the financial ledgers and as such it would not be correct to reconstruct the Distribution Registers on their basis".

(e) *Linking of invoices with receipt of stores.*—Up to 31st March, 1963 the accountal of stores received was on the basis of payments made which were subsequently linked with the goods receipt vouchers. The position of unlinked invoices for the period 1959—63 was as follows (December, 1966):—

(Rupees in lakhs)

Year	Payment made	Amount linked	Balance amount unlinked	Remarks
1959-60	320·72	318·58	2·14	These are inclusive of short-landings amounting to Rs. 9·61 lakhs which will reduce the unlinked amount from Rs. 109·88 lakhs to Rs. 100·27 lakhs.
1960-61 1961-62	1,119·69	1,103·05	16·64	
1962-63	992·51	901·41	91·10	

The investigations made in July, 1965 and January, 1966 by the Inventory Teams in this regard revealed *inter alia* the following defects:—

(i) The consignments received at the projects had been diverted to drill sites without proper accountal. At certain projects a number of items were lying unaccounted for although in some cases consignments had been received 3 to 4 years ago.

At Ankleshwar Project, a large number of tubular goods worth several lakhs of rupees received from time to time had accumulated and had been brought on charge as surplus in one lot without scrutiny with reference to the relevant Railway Receipt or contract or invoice.

The Ministry have stated (December, 1966) that "since the stores were being received from foreign suppliers without proper invoices/ packing lists, etc. in the earlier years, the tubular goods in question could not be linked properly".

(ii) Details of despatch particulars at Transportation Office, Calcutta had not been properly maintained. Various types of pipes had been despatched by the Transportation Officer, Calcutta in bundles without indicating the number and type of pipes actually despatched. These pipes (value not furnished by the Ministry) were found dumped together at Sibsagar without being taken on charge.

(iii) As on 13th January, 1966, the value of missing invoices amounted to Rs. 67·56 lakhs. The Ministry have stated (December, 1966) that on 15th November, 1966 the total amount of missing invoices was Rs. 0·45 lakh (approximately).

(iv) Equipment worth Rs. 11·26 lakhs was delivered short by Assam Road Link, a transport contractor working in Eastern Region. The Ministry have stated (December, 1966) that the accounts relating to the deliveries made by Assam Road Link are still in the process of reconciliation and that "it is, therefore, not possible at this stage to indicate precisely the value of the equipment actually short delivered by M/s. Assam Road Link".

9. Losses due to blow out of wells

Two cases of losses on account of blow out of wells during the course of drilling are indicated below:—

(a) On 18th October, 1964 the rig deployed at well No. 33 (Kalol) was damaged and put out of order on account of blow out. The assembly-wise cost of repairs and replacements of the damaged parts of the rig amounted to Rs. 2·11 lakhs approximately (including establishment charges of the rig building parties and other staff utilised on its re-assembling, repairs, etc.).

The Enquiry Committee constituted on 19th October, 1964 to investigate the causes of the accident observed on 9th November, 1964 that "there was poor co-ordination among Drilling, Geology, Chemistry and Mechanical Section" and that "the blow out was caused by prevalence of complacency in the entire set-up".

The Ministry have stated (January, 1967) that "certain documents, which were required to initiate disciplinary action against the officers found negligent by the Enquiry Committee have since been collected, and further action in regard to the disciplinary proceedings is being taken". It has also been stated that "action for writing off the loss is also being taken".

(b) A blow out occurred at well No. Olpad 11 on 20th March, 1966. An investigation of the case was conducted by the Director (R&T).

The Ministry have stated (January, 1967) that "the Director, R&T, has since submitted his report. Action in regard to the findings and recommendations made in the report is being taken". It has also been stated that "action for write off of the loss is also being taken".

10. Financial results

(i) The table below summarises the financial position of the Commission under broad headings for the last three years:—

(Rupees in lakhs)

	1963-64	1964-65	1965-66
Liabilities			
(*a*) Government capital	8,647·76	11,984·61	11,169·36
(*b*) Reserves and surplus	122·08	122·08	258·53
(*c*) Borrowings from the Government of India	..	1,028·68	2,164·68
(*d*) Trade dues and other current liabilities (including provisions)	893·20	892·59	1,308·16
(*e*) Provident fund	60·62	99·95	3·04
(*f*) Stores adjustment account	94·27	78·56	112·25
TOTAL	9,817·93	14,206·47	15,016·02

	1963-64	1964-65	1965-66
Assets			
(*g*) Gross block	2,447·86	3,064·52	3,636·48
(*h*) *Less* : Depreciation	559·22	888·94	1,263·05
(*i*) Net fixed assets	1,888·64	2,175·58	2,373·43
(*j*) Trade marks, Patents and Designs . . .	3·38	4·85	4·90
(*k*) Producing property	781·18	729·10	1,523·67
(*l*) Development expenditure	2,911·67	4,191·45	4,841·51
(*m*) Capital works-in-progress and equipment in transit (including expenditure on Baroda Workshop pending allocation)	497·33	850·43	811·65
(*n*) Gujarat Refinery Project	710·70	1,915·25	..
(*o*) Persian Gulf Operations	..	560·62	..
(*p*) Petrochemical Complex	..	3·78	7·10
(*q*) Provident fund investment	34·77	90·96	..
(*r*) Current assets, loans and advances . . .	2,814·51	3,291·53	5,041·32
(*s*) Suspense account	175·75	22·32	41·84
(*t*) Loss	..	370·60	370·60
TOTAL	9,817·93	14,206·47	15,016·02
Capital employed	7,506·18	9,499·92	12,476·67
Net worth	8,594·09	11,713·77	11,015·45

NOTE.—1. Capital employed represents net fixed assets plus trade marks, patents and designs plus producing property plus development expenditure plus working capital.

2. Net worth represents capital plus reserves and surplus less loss and suspense account.

(ii) *Working results.*—Only two projects of the Commission have proved productive so far; one is mainly producing oil from 1962-63 and the other started producing gas during 1965-66. The working results of the Commission for the last three years ending 31st March, 1966 are tabulated below:—

(Rupees in lakhs)

	1963-64	1964-65	1965-66
(a) Profit/loss before tax	49·55	(—)370·60	136·45
(b) Percentage of profit before tax to sales . .	8·9	..	10·9

(iii) *Sundry debtors and turnover.*—The following table indicates the volume of book debts and sales for the last three years:—

(Rupees in lakhs)

As on	Total book debts		Sales	Percentage of debtors to sales
	Considered good	Considered doubtful		
31st March, 1964	90·63	0·05	556·69	16·3
31st March, 1965	119·96	0·23	587·61	20·5
31st March, 1966	407·43	0·23	1,240·88	32·8

The sundry debtors represented about 2·0 months' turnover in 1963-64, 2·5 months' in 1964-65 and 3·9 months' in 1965-66.

11. Costing

(a) *System.*—The activities of the Commission requiring cost compilation are

(i) geological and geophysical surveys,

(ii) exploratory and production drilling,

(iii) production of crude and gas, and

(iv) execution of the jobs in the workshops.

The Commission has been compiling costs in respect of drilling operations and production of crude. In respect of the other activities there is no cost compilation except in the case of geophysical surveys for which costs were compiled for the field season 1964-65 only. The cost data suffer from the following deficiencies:—

(i) The reconciliation of the cost figures with the figures in the financial books is not carried out.

(ii) The cost data are compiled and submitted to the Commission long after the completion of the wells. The position up to June, 1966 regarding the compilation of cost reports in respect of the various projects is indicated below:—

Project	Position as in June, 1966	
Punjab	Cost reports not compiled after June, 1962	
Cambay	Do.	June, 1964
Ankleshwar	Do.	September, 1964
Ahmedabad	Do.	Do.
Sibsagar	Do.	March, 1965

The Ministry have stated (December, 1966) that "action is already in hand for introduction of the integrated system of cost and financial accounting so as to provide a basis for prompt management reporting".

(b) *Actual cost* vs. *standard cost.*—In October, 1965 the Commission worked out a standard cost in respect of the production wells in Ankleshwar, development wells in Ahmedabad (Kalol) and exploratory wells in Rudrasagar. In certain cases, the actual cost far exceeded the standard cost so worked out.

The Ministry have stated (December, 1966) the following main reasons for variation in actual cost from the standard:—

(i) "Variation in cycle period which affects depreciation, cost of workshop, transport and other services.

(ii) In the standard the staff costs have been provided at the average of the scales, whereas the actual cost is compiled on the basis of actuals.

(iii) Variation in casing in drilling policy due to geological composition of the well strata".

It has further been stated that "efforts are being made to remove the existing deficiencies".

12. Budget

The Commission prepares the budget under various expense heads the basis of the programme drawn up by it in respect of the vari- activities. No separate capital, revenue and production budgets prepared to enable it to exercise proper budgetary control.

ther topics of interest

(i) *Absence of proper arrangements to transport mud chemicals rom one drill site to another.*—The mud chemicals required for drilling purposes are prepared at each drill site in a pond. After the drilling operations are over, the left-over chemicals can be utilised at the other drill site after certain treatment. The necessity for making use of the left-over chemicals was brought to the notice of the Commission in August, 1962 by Audit, but the former in May, 1963 observed as follows:—

> "..........it is not unlikely that mud from some wells may be in such a condition as can be utilised in another well. For such transportation of mud, some specialised equipment will be necessary. For instance, a suitable tank mounted on a trailer, a tractor to pull this trailer, a special mud pump for lifting the mud from the pit and loading into the tank will be required. All this equipment is expensive and it has to be finally established whether transportation of the left-over 'suitable' mud will be really economic. However, as an experimental measure, we have decided to set one or two units for this transportation of mud. After we have some experience we shall adopt this as a routine measure".

No such unit has, however, been set up so far (January, 1967). In the absence of such arrangements the Commission has not been able to retrieve mud chemicals of the order of Rs. 8·08 lakhs at Ankleshwar and Cambay Projects (data for the other projects not available) during the period from 1958-59 to 1964-65.

In this connection, the Ministry have stated (January, 1967) as follows:—

> "Repeated efforts have been made to procure special mud pumps suitable for lifting the mud from the pits and loading it into truck mounted tanks. However, the efforts have

not succeeded so far. Tenders for procurement of mud pumps were invited five times, but the mud pumps offered by the tenderers were not found suitable for pumping mu The matter is being further considered".

(ii) *Procurement of mud tanks.*—In April and May, 1963 the C mission placed orders with 2 firms of fabricators for the suppl 126 40M^3 mud tanks (115 mud tanks with firm 'A' of Delhi an with firm 'B' of Bareilly at the rate of Rs. 4,725 and Rs. 4,900 tank respectively) to be delivered to the following projects.

Sl. No.	Name of the Project	Quantity (No. of tanks)	Scheduled date of delivery
1.	Ahmedabad	52	3rd October, 1963
2.	Cambay	12	30th December, 1963
3.	Hoshiarpur	5	15th February, 1964
4.	Badaun and Tilhar . . .	11	17th July, 1963
5.	Ankleshwar	26	
6.	Kosamba and Dhodal . . .	12	30th November, 1963
7.	Olpad	8	
		126	

The orders were finalised without making enquiries from the projects of their likely requirements. After the orders had been placed, some of the projects intimated that these tanks were not required by them, while the others enquired about the basis on which the requirements had been worked out.

In December, 1964, by which date 61 tanks had already been supplied by the fabricators (52 tanks by firm 'A' and 9 tanks by firm 'B'), the Commission requested them to stop further supplies of tanks except 8 tanks which were in the process of fabrication with firm 'A'. Firm 'A' agreed to the cancellation of the balance quantity of 55 tanks on order in consideration for which the Commission had to place an order for the fabrication of 44 tanks of 20M^3 capacity in order to enable it to utilise the cut materials collected for the purpose of fabricating 40M^3 tanks.

The failure to assess the requirements of mud tanks thus led to an infructuous expenditure of Rs. 4·56 lakhs (Rs. 3·28 lakhs on the supply of 69 tanks of $40M^3$ and Rs. 1·28 lakhs on the supply of 44 tanks of $20M^3$ capacity).

The Management stated in June, 1966 that in case supply order for $20M^3$ tanks was not placed on firm 'A' compensation would have been payable according to the contractual agreement which would have resulted in a loss to the Commission. The reason why the orders for tanks were placed without ascertaining the exact requirements of the projects has not, however, been stated by the Commission.

In this connection, the Ministry have stated (January, 1967) as follows:—

(i) "No complaint was received from the project to say that the tanks were unsuitable. It is correct that after action had been taken to procure the above mud tanks, the policy was reviewed and the then Directorate of Exploitation recommended a change in the size and capacity of the tanks, on the basis of which action was taken to stop further supplies of the tanks of bigger size".

(ii) "The tanks of the larger size were and are being issued in the Project so that the question of infructuous expenditure does not arise".

(iii) "In view of the position explained above, therefore, it is also not possible to agree that the subsequent expenditure of Rs. 1·28 lakhs on the supply of smaller capacity tanks was infructuous".

The following facts will, however, show that the arguments of the Ministry are not tenable:—

(a) The Superintendent, Geologist had stated on 16th February, 1965 as follows:—

"40 M^3 tanks are not suitable as experience has now shown that it is not practicable to drag these tanks. Nor do we have adequate heavy transport to carry these from one point to another".

(b) The Finance in its note of 31st March, 1965 observed as follows:—

"It is a different thing that the capacity of the tanks under supplies, on experience, has been found to be unsuitable, which has necessitated the cancellation of order for the balance quantity, but it is obvious that our supplies under order were fairly in excess of the actual requirement.........the Deputy Director, Drilling have clearly stated that they do not need these tanks as their rigs are already well equipped with storage tanks.

It, therefore, seems that the proposed fabrication of 44 tanks of 20 M^3 is being done only to use the cut material........"

(iii) *Rejected claims.*—A total loss of Rs. 2·85 lakhs was incurred by the Baroda office of the Commission in the following cases:—

Sl. No.	Description	Amount (Rs. in lakhs)	Reasons for rejection
1.	Claim in respect of 88 packages short-landed during the period from May, 1964 to July, 1965	2·62	The claim was rejected by the Carriers on the ground that the Commission failed to give notice about shortlanding within 3 days of discharge of cargo according to Clause 15 of the Bill of Lading. The Ministry have stated (January, 1967) that "in so far as the Commission is concerned, the claims are still alive and the matter is being actively pursued for settlement".
2.	Claim for refund of custums duty in respect of Bill of Entry for consignment received through 'S.S. Sovalok in June-July, 1964.	0·15	The claim being time barred was rejected by the customs authorities both at the refund and at the appellate stage. It has been stated (January, 1967) that a revision petition has been filed with the Government of India whose decision is awaited.
3.	Loss of cable steel rope booked from Hoshiarpur to Cambay	0·08	The claim was not lodged within 6 months of the date of despatch as required by the Railway regulations. It has been stated (January, 1967) that disciplinary proceedings under the Commission's regulations have already been initiated against the three officials in this connection.
		2·85	

(iv) *Defective civil work and design of foundation.*—On 19th April, 1965, while the derrick of 3-D rig at Karaikal well No. 2 was being raised, the mast fell down from an angle of 25° causing severe damage to the four upper sections of the mast as well as the foundation and substructure of the well. The fact finding Committee, which was appointed to enquire into the accident, held that the accident occurred owing to the failure of the concrete foundation caused by defective civil work and design.

The Project had to incur an expenditure of Rs. 25,088·83 on the dismantling and recasting of the foundation (Rs. 5,864·43) and substructure (Rs. 3,922·40) and freight charges on the transportation of the mast of the rig from Karaikal to Cambay and back (Rs. 15,302). Besides, there was a delay of 3½ months in spudding the well, resulting in an unproductive expenditure of Rs. 1·98 lakhs on the payment of the salaries and allowances of the staff.

The Ministry have stated (January, 1967) that "action is in hand to fix responsibility for the mishap and necessary disciplinary action will be taken against the persons at fault".

(v) *Failure to instal meter.*—During the period from December, 1962 to March, 1966 the Baroda office of the Commission drew a supply of 20·83 crore gallons of water from the Municipal authorities. Although the major quantity of water was meant for domestic purposes, no separate meter for assessing the consumption of water for domestic use was installed. In the absence of such a meter the Municipal authorities recovered the water charges for the entire supply at the higher rates applicable to the supply of water for other purposes (*i.e.* other than domestic purposes), the resulting extra payment being Rs. 1·89 lakhs. A substantial portion of this excess payment could have been avoided had arrangements been made to instal a separate meter for consumption of water for domestic use.

The request of the Commission for the levy of water charges at the lower rate applicable for domestic purposes was rejected by the Municipal authorities. The Ministry have stated (January, 1967) that "the matter is still under correspondence with the Municipal authorities with a view to make them see the reasonableness of the Commission's request".

(vi) *Avoidable payment of penalty.*—On 24th October, 1960 the Regional Transport Authority, Ahmedabad informed the Cambay Project that, as the machines mounted on the chassis of the Project's seven vehicles came within the ambit of the definition of goods, the classification of all such vehicles should be under "transport" series and that taxes should be payable accordingly. The Commission requested the State Government on 1st November, 1960 to reconsider the case and keep the five vehicles, originally registered under "non-transport" series, under that series and change the classification of two vehicles received from Punjab into "non-transport" series. The State Government rejected the appeal of the Commission in March, 1961, but even then no action was taken by the Commission to pay the taxes.

In September, 1961 the Regional Transport Authority imposed a composition fee (penalty) of Rs. 40,278 and asked the Commission to pay the amount along with the yearly taxes. The Commission did not make payment of the composition fee, but ultimately had to pay an enhanced penalty of Rs. 56,795 (Rs. 43,582 for the period from 1st April, 1961 to 30th April, 1962 and Rs. 13,213 for the period from 1st May, 1962 to 31st August, 1962).

A Board of Enquiry, appointed in May, 1964, held that the delay in payment of taxes had resulted from an error of judgement on the part of the different officers in fighting out the case. The Management have stated (August, 1966) that warnings have since been administered to the officers concerned.

The Ministry have stated (January, 1967) as follows:—

(i) "A refund of Rs. 7,907·20 is expected to be received from the State Government authorities".

(ii) "As regards the reclassification of cementing units from transport to non-transport series, the matter has been taken up with the Ministry of Transport and Communications".

(vii) *Hiring of trucks.*—Without inviting open tenders and without obtaining the sanction of the competent authority, the Officer-in-charge of the Mohand Project in May, 1964 awarded the work of transporting equipment and materials from Iqbalpur Railway siding to the drill site at Mohand at the rate of Rs. 16 per ton or Rs. 175 per day in case the trucks were not utilised on any day. Although the work was completed on 5th August, .1964, 3 trucks remained with the Project till 5th October, 1964, with the result there were 183 idle truck days involving payment of Rs. 32,025 (subsequently reduced to Rs. 23,275 as a result of negotiations).

The Commission has stated (January, 1967) that "all the files relating to the case of hiring of trucks have been sent to the Central Bureau of Investigation, New Delhi for investigation and as such, it is not possible at this stage, to offer any comments".

CHAPTER III

DEPARTMENTALLY MANAGED GOVERNMENT UNDERTAKINGS

XXIII. INTRODUCTION

On 31st March, 1966 there were 34 Government undertakings of a Commercial and quasi-Commercial nature which number is the same as on 31st March, 1965.

A list of these undertakings arranged according to the controlling Ministries/Departments is given in Annexure 'E' with information regarding their financial results as on 31st March, 1966. The financial results of the working of these undertakings are ascertained annually by preparing statements of accounts on a *pro forma* basis outside the General Accounts of Government. In respect of serial Nos. 13 and 14 (Publication Branch, Delhi and Government of India Presses) the Trading and Profit and Loss Accounts and the Balance Sheets are not prepared; instead, only Stores Accounts are maintained. In respect of serial Nos. 24 and 25 [Indian Veterinary Research Institute (Live-stock, Milk and Milk Products), Izatnagar and Mukteswar] only Trading and Profit and Loss Accounts are prepared and the Balance Sheets are not prepared. The *pro forma* accounts of 16 undertakings *viz.* serial Nos. 4, 10, 11, 14, 15, 16, 20, 21, 22, 23, 27, 28, 29, 31, 33 and 34 of Annexure 'E' have not been received so far (February, 1967).

ANNEXURE 'E'

SUMMARISED FINANCIAL RESULTS OF 1965-66

(Figures in thousands of Rupees)

Sl. No.	Name of the Department	Government capital	Block Assets (Net)	Depreciation to date	Profit (+) Loss (—)	Interest on Government capital	Total return	Percentage of total return to mean capital	Remarks
1	2	3	4	5	6	7	8	9	10
	Ministry of Finance								
1.	India Security Press, Nasik Road .	3,88,77	1,17,52	80,89	(+)42,34	13,12	(+)55,46	16·62	
2.	Currency Note Press, Nasik Road .	4,41,40	1,77,25	71,54	(+)1,12,71	13,53	(+)1,26,24	36·68	
3.	Government Opium Factory, Neemuch	77,31	85	3*	(—)4,71	3,84	(—)87	..	
4.	Government Opium and Alkaloid Works, Ghazipur . . .	..	..	—	..	..	..	..	Accounts not received.
5.	Government Opium Factory, Mandsaur	37,63	79	2*	(—)1,57	1,58	(+)1	0·02	
6.	India Government Mint, Bombay .	2,77,39	77,04	3,82*	(+)2,39,16	6,87	(+)2,46,03	140·75	
7.	India Government Mint, Calcutta .	3,45,87	1,32,46	1,23,62	(+)2,72,49	18,22	(+)2,90,71	62·72	
8.	India Government Mint, Hyderabad	52,51	17,41	78*	(+)10,93	1,57	(+)12,50	31·79	
9.	Assay Department, Bombay . .	1,01	37	4*	(+)25	12	(+)37	11·73	

* Depreciation for the year 1965-66 only.

1	2	3	4	5	6	7	8	9	10
10.	Assay Deprtment, Calcutta . .	..	..	..	..	..	..	..	Accounts not received.
11.	Silver Refinery Project, Calcutta .	..	..	..	..	..	..	..	Do.
12.	The Kolar Gold Mining Undertakings	5,08,73	2,86,99	1,47,99	(—)2,46,13	24,43	(—)2,21,70	..	The sale of Kolar Gold is at the International Monetary Fund Rate.
	Ministry of Works, Housing and Supply								
13.	Publication Branch, Delhi . .	..	..	..	..	..	..	..	Trading and Profit and Loss Account and the Balance Sheet are not prepared.
14	Government of India Presses . .	..	..	..	..	..	..	..	Do. Stores Accounts not received. Accounts for 1964-65 also not received.
	Ministry of Information and Broadcasting								
15.	All India Radio	..	..	..	..	..	..	..	Accounts not received.
16.	Radio Publications . . .	..	..	..	..	..	..	..	Do.
17.	Films Division, Bombay. . .	16,85	14,18	17,52	(—)21,72	††1	(—)21,71	..	††This represents interest charges pertaining to 1964-65. No provision has been made for the current year as the Department has

								stated that the figure of mean capital will work out to a negative balance if a sum of Rs. 50,15,952 being the notional revenue is included under remittances.
Department of Communications								
18. Overseas Communications Service, Bombay	3,98,45	2,60,74	1,80,50	(+)1,78,65	15,04	(+)1,93,69	67·43	
Ministry of Transport and Shipping								
19. Lighthouses and Lightships Department	44,55	6,65,05	63,48	(+)53,78	1,58	(+)55,36	132·30	
20. Shipping Department, Andamans .	..	..	..	..	..	..	..	Accounts not received.
21. Ferry Service, Andamans . .	..	..	..	..	..	..	..	Do.
22. Marine Department (Dock Yard), Andamans.	..	..	..	..	..	..	..	Do.
Ministry of Home Affairs								
23. State Transport Service, Andamans .	..	..	..	..	..	..	..	Do.

1	2	3	4	5	6	7	8	9	10
	Ministry of Food, Agriculture, Community Development and Co-operation								
24.	Indian Veterinary Research Institute (Live stock, Milk and Milk Products), Izatnagar . . .	..	..	..	..	..	..	..	Balance Sheet is not prepared.
25.	Indian Veterinary Research Institute (Live stock, Milk and Milk Products), Mukteswar . . .	..	..	..	..	..	..	..	Do.
26.	Indian Veterinary Research Institute (Biological Products), Izatnagar .	5,93	2,68	23*	(—)1,69	28	(—)1,41	..	
27.	Reserve Pool of Fertilizers . .	..	..	..	..	..	..	..	Accounts not received.
28.	Delhi Milk Scheme . . .	..	..	..	..	..	..	..	Do.
29.	Forest Department, Andamans .	..	..	..	..	..	..	..	Do.
	Ministry of Health and Family Planning								
30.	Central Research Institute, Kasauli	10,54	1,77	3,53	(+) 5,19	28	(+) 5,47	77·20	
31.	Medical Stores Depots . . .	..	..	..	..	..	..	..	Accounts not received. Accounts for the year 1964-65 also not received.
32	Bakery, Mineral Water Factory and Vegetable Garden of Hospital for Mental Diseases, Ranchi . .	37	36	2**	(—)5	2	(—)3	..	**Depreciation for the years 1964-65 and 1965-66 only.

Ministry of Irrigation and Pow..

33. Electricity Department, Andamans	..	..	..	..	..	..	..	Accounts not received. Accounts for the year 1964-65 also not received.
34. Electricity Department, Laccadive, Minicoy and Amindive Islands .	..	..	..	..	..	..	..	Accounts not received since inception (April, 1961).

* Depreciation for the year 1965-66 only.

In respect of the undertakings for which figures for the year 1965-66 are not available the figures for the year 1964-65 are given below:—

(Figures in thousands of Rupees)

1	2	3	4	5	6	7	8	9	10
	Ministry of Finance								
1.	Government Opium and Alkaloid Works, Ghazipur (1-10-64 to 31-3-65)	4,01,57	10,58	17,80	(+)2,51	8,43	(+)10,94	2·5	
2.	Assay Department, Calcutta . .	58	57	6	(+)1,01	1	(+)1,02	824·23	
3.	Silver Refinery Project, Calcutta .	2,75,50	93,61	4,50†	(+)4,83,34	9,55	(+)4,92,89	189·46	
	Ministry of Information and Broadcasting								
4.	All India adio	30,40,80	9,42,55	4,48,41	(+)29,40	37,81	(+)67,21	2·23	
5.	Radio Publications . . .	58,03	..	..	(—)3,27	14	(—)3,13	..	
	Ministry of Transport and Shipping								
6.	Shipping Department, Andamans .	7,87	76,55	8,03†	(—)32,54	2,06	(—)30,48	..	
7.	Ferry Service, Andamans . .	—)1,87	6,2†	1,11%	(—)2,60	1	(—)2,59	..	
8.	Marine Department (Dock Yard), Andamans	10,32	3,14	13†	(—)2,58	36	(—)2,22	..	
	Ministry of Home Affairs								
.	State Transport Service, Andamans	1,15	2,37	70†	(+)74	6	(+)80	55·25	

Ministry of Food, Agriculture, Community Development and Co-operation								
10. Reserve Pool of Fertilizers . .	7,54,78	..	..	(+)40,14	21,33	(+)61,47	11·00	
11. Delhi Milk Scheme . . .	1,87,71	1,78,90	39,37	(—)97,77	8,32	(—)89,45	..	
12. Forest Department, Andamans .	5,05,23	70,19	10,51 †	(+)13,73	20,85	(+)34,58	7·47	
Ministry of Health and Family Planning								
13. Medical Stores Depots @ . .	2,11,10	36,60	3,55	(+)13,01	7,24	(+)20,25	9·73	@Figures for the year 1963-64 have been taken as *pro forma* accounts for the subsequent years have not been received.
Ministry of Irrigation and Power								
14. Electricity Department, Andmans@	14,20	14,00	1,05£	(—)61	51‡	(—)10	..	£Depreciation for the year 1963-64only. ‡Inclusive of adjustments pertaining to previous years.

† Depreciation for the year 1964-65 only.

Ministry of Finance

XXIV. GOVERNMENT OPIUM FACTORIES AT GHAZIPUR, NEEMUCH AND MANDSAUR

1. Introduction

The main functions of the Government Opium Factories at Ghazipur, Neemuch and Mandsaur are to manufacture (i) excise opium, (ii) export opium, (iii) medicinal opium, and (iv) alkaloids. The raw opium for the manufacture of the above products is purchased from licensed cultivators after the necessary test for moisture contents and adulterants.

2. Working results

(a) The working results of the factories for the four accounting periods ending 31st March, 1965 are indicated below. (With effect from 1st April, 1965, the accounting year which was previously from October to September has been changed to April to March. For this reason, the Department has compiled the accounts for the half year ending 31st March, 1965):—

(Rupees in lakhs)

Name of the Factory and the year	Government capital at the close of the year	Sales	Net profit	Percentage of net profit to	
				Capital	Sales
1	2	3	4	5	6
Ghazipur					
Year ending September, 1962 . . .	382.83	358.78	106.68	27.87	29.73
Year ending September, 1963 . . .	432.78	309.53	45.36	10.48	14.65
Year ending September, 1964 . . .	487.69	303.42	12.48	2.56	4.11
Half year ending March, 1965 . . .	401.76	194.60	2.51	0.62	1.29
Neemuch					
Year ending September, 1962 . . .	97.14	48.83	10.94	11.26	22·40
Year ending September, 1963 . . .	145.99	4.70	0.56	0.38	11.91

1	2	3	4	5	6
Year ending September, 1964 . . .	84.33	24.84	(—)4.80	..	..
Half year ending March, 1965 . . .	117.48	6.96	(—)1.31	..	..
Mandsaur					
Year ending September, 1962 . . .	The factory commenced operations on 6th May, 1962.				
Year ending September, 1963 . . .	85.49	(*a*)	Nil (*a*)	..	..
Year ending September, 1964 . . .	71.33	(*a*)	Nil (*a*)	..	..
Half year ending March, 1965 . . .	42.70	..	(—)1.09 (*b*)	..	..

(*a*) The opium manufactured by the Mandsaur factory is transferred to other factories at cost; there is, therefore, no ptofit or loss. The small profits of Rs. 284 and Rs. 484 shown in the *pro forma* accounts for the years 1962-63 and 1963-64 represent the 'miscellaneous receipts' of the factory *e.g.* recovery of house rent from the staff, sale proceeds of Government material, etc.

(*b*) The loss in 1964-65 was due to the charging of interest on capital in the Profit and Loss Account instead of in the Production Account.

It will be seen that the profits of Ghazipur factory decreased from Rs. 106·63 lakhs in 1961-62 to Rs. 12·48 lakhs in 1963-64 and to Rs. 2·51 lakhs in the half year ending 31st March, 1965 and that the Neemuch factory which made a profit of Rs. 10·94 lakhs in 1961-62 incurred losses of Rs. 4·80 lakhs and Rs. 1·31 lakhs in 1963-64 and the half year ending 31st March, 1965 respectively. According to the Management, the factors mainly responsible for the reduction in profits and the incurring of losses were increase in cost of production, less sales and the sale of export opium at a price below the cost of production.

(b) *Sundry debtors.*—An amount of Rs. 60·35 lakhs was outstanding for recovery in the accounts of Ghazipur factory as on 31st March, 1965. Out of this Rs. 0·69 lakh were more than 3 years old.

3. Costing system

(a) Under costing system introduced in 1925 cost of manufacture of opium is arrived at by taking into account the quantity of products estimated to be manufactured instead of the actual quantity produced.

The following observations are made in this connection:—

(i) The system adopted by the factory does not indicate the true cost of production.

(ii) The abkari losses (*i.e.* manufacturing losses) continue to form part of closing stock till the sanction for their write off is received. The manufacturing losses for the years 1954-55 to 1962-63 included in the closing balance of export opium for the period ending September, 1964 amounted to 1,36,761 Kgs. of the value of Rs. 58·46 lakhs. The fictitious closing balance resulting from the inclusion therein of the manufacturing losses completely vitiates the cost of production worked out by the Department.

(iii) The non-adjustment of the manufacturing losses in the Profit and Loss Account results in inflation of profits and this in turn increases the amount of 'Capital' as profits are adjusted to 'Capital' in Departmental Undertakings. With the increase in the amount of 'Capital' the liability of interest charges goes up leading to higher cost of production.

(iv) For the purpose of Profit and Loss Account, the closing stock of the semi-finished alkaloids is valued at 9/20th of the selling price of the drugs manufactured therefrom, whereas in the Production Account closing stock is valued on a different basis.

As regards items (i), (iii) and (iv) the Ministry have stated (February, 1967) that action has been initiated to have the costing system examined by the Cost Accounts Officer in the Ministry of Finance. Regarding item (ii), it has been stated that "the question of writing off of losses is under active consideration of the Government and as soon as losses are written off the closing balance column will represent truer picture".

(b) No standards for evaluating the operational efficiency have been laid down in respect of factories at Neemuch and Mandsaur. Certain experiments regarding operational processes like drying of opium without stirring, mixing of opium, stamping of opium cakes, etc. were undertaken from time to time, but these have not reached any conclusive stage so far (November, 1966).

4. Cost of production

(i) The following table indicates the output and cost of production of the major products of the factories for the four accounting periods ending March, 1965:—

	year ending 30-9-62		year ending 30-9-63		year ending 30-9-64		Half year ending 31-3-65	
	Output	Cost of production per kg.	Output	Cost of production per kg.	Output	Cost of production per kg.	Output	Cost of production per kg.
	Kgs.	Rs.	Kgs.	Rs.	Kgs.	Rs.	Kgs.	Rs.
Export opium								
Ghazipur factory . . .	3,96,748	59.60	5,00,587	63.02	3,01,077	68.94	2,76,117	67.01
Neemuch factory . . .	1,55,112	58.28	1,53,970	64.19	1,54,037	66.33	Not available	
Mandsaur factory . . .	..	..	53,213	61.28	1,10,268	65.76	Do.	
Excise opium (Ghazipur) . .	3,104	49.60	2,219	41.37	3,097	95.09	**	
Medicinal opium (Ghazipur)								
(*i*) IMO Powder . . .	2,783	75.71	3,003	77.06	3,597	79.32	2,499	78.09
(*ii*) IMO Cake . . .	1,016	61.59	805	69.21	924	68.76	860	63.73
Alkaloids (Ghazipur)								
Morphine and Morphine salt .	215	522·37	246	527·14	302	523·96	246	523·76
Codeine and Codeine salt .	2,051	431.66	2,111	544.20	2,896	497.33	1,420	690.80
Ethyl Morphine Hydro chloride	234	591.66	217	808.36	283	758.30	160	638.80

**The production accounts of excise opium and export opium were amalgamated during the period ending 31st March, 1965.

(a) *Export opium.*—The increase in the cost of production of export opium during the years 1962-63 and 1963-64 was mainly due to the high cost of raw opium, production of larger quantities of inferior opium, increase in the rate of dearness allowance given to the employees and in interest charges, etc.

(b) *Excise opium.*—It will be seen that the unit cost of production of excise opium in Ghazipur factory went up from Rs. 41·37 per Kg. in 1962-63 to Rs. 95·09 per Kg. in 1963-64. The increase was primarily due to disproportionate allocation of overheads to the closing stocks during the two years. The Ministry have stated (February, 1967) that "the accounts of excise and export opium have been amalgamated with effect from 1st October, 1964".

(c) *Medicinal opium.*—The increase in the cost of production of medicinal opium during 1962-63 and 1963-64 was generally due to increase in the cost of raw opium, manufacturing charges, etc.

(d) *Alkaloids.*—During the years 1962-63 and 1963-64 large quantities of good opium were used for the manufacture of semi-refined morphine and semi-refined codeine resulting in high cost of production of the end products. There was also a general increase in the other charges.

(ii) *Increase in district charges at Ghazipur factory.*—The average cost of raw opium purchased from licensed cultivators includes the district charges which are incurred in connection with the cultivation and collection of opium. The district charges for Banaras opium went up from Rs. 1·45 per Kg. in 1961-62 to Rs. 3·50 per Kg. in 1963-64 owing to employment of staff in excess of the norm laid down in the Opium Manual.

The Ministry have stated (February, 1967) as follows:—

> "It is conceded that there has been some surplus staff. Unlike other commercial commodities, opium cultivation is strictly controlled in the light of demand/carry over stock. International Bodies like Narcotics Commission, Drug Advisory Board, etc. exercise strict control over the operations connected with the narcotics. A certain amount of excess staff, therefore, becomes unavoidable when the out put is low.......... Major portion of the excess staff is permanent and steps are being taken to adjust them to the best advantage of the Government and to utilise them on prevention duties".

5. Losses

Opium losses occur because of adhesion, assay variation and handling at various stages, for instance, in procuring, storing, drying, etc. The loss is not worked out at each stage. The table below indicates the manufacturing and storage losses (in terms of percentage) over and above the normal prescribed limits and their value during the three years ending September, 1964: —

(a) *Ghazipur factory*

	Year ending 30-9-1962	Year ending 30-9-1963	Year ending 30-9-1964
Manufacturing loss			
Actual loss	3.12%	2.62%	The manufacturing losses have not been worked out after 1962-63. The manufacturing losses during the years 1954-55 to 1960-61 ranged between 1.71% and 4.43%.
Loss beyond prescribed limit (2%)	1.12%	0.62%	
Value of loss beyond prescribed limit (Rupees in lakhs)	3.22	1.63	

The Ministry have stated (February, 1967) that "the circumstances under which losses have risen to 4·43 per cent. are under investigation".

(b) *Neemuch and Mandsaur factories*

	Neemuch			Mandasur		
	30-9-1962	30-9-1963	30-9-1964	30-9-1962	30-9-1963	30-9-1964
Manufacturing and storage loss						
Actual loss . . .	5.03%	5.99%	4.39%	5.17%	5.68%	3.56%
Loss beyond prescribed limit (3.5%) . . .	1.53%	2.49%	0.89%	1.67%	2.18%	0.06%
Value of loss beyond prescibed limit (Rupees in lakhs) .	1.71	2.29	0.52	1.06	0.54	0.04

(c) *Transit losses.*—During April, 1963 Mandsaur factory despatched 20,521 Kgs. of up-graded opium to Ghazipur factory against which the latter acknowledged only 18,797 Kgs. The value of the quantity of 1,724 Kgs. not received amounted to Rs. 1·13 lakhs (approximately).

The Ministry have stated (February, 1967) as follows:—

> "The Deputy Narcotics Commissioner has reported that according to the practice then in vogue, dried opium consignments received from Mandasur and Neemuch factories were not previously weighed bag-wise and sampled immediately on receipt. The quantity at 70°C of such dried opium was determined at the time of packing in the Abkari Section. As such the loss noticed in the consignment sent from Mandsaur is not the total transit loss only. It is attributed to turn of scale, assay variation and to some extent transit loss. The correct practice of weighing the bags on receipt is now being followed".

Sanction of the write-off of the losses mentioned in sub-paras (a) to (c) above is still (December, 1966) awaited.

6. Stores

The closing stock of stores at the end of the four accounting periods ending 31st March, 1965 is indicated below:—

(Rupees in lakhs)

		30-9-1962	30-9-1963	30-9-1964	31-3-1965
Raw opium					
	Ghazipur . .	156.65	174.26	178.30	97.09
	Neemuch .	89.90	89.04	57.44	39.61
	Mandsaur .	..	57.62	45.88	11.65
Sundry Stores					
	Ghazipur .	1.64	2.39	4.65	4.60
	Neemuch .	0.12	0.05	0.05	0.08

Ghazipur factory

(i) Physical verification of stock required to be carried out annually was not conducted for the last four years. The Ministry have stated (February, 1967) as follows:—

> "So far as opium is concerned monthly stock estimation is done and the report is submitted by the Factory regarding the book balance and stock as estimated. As regards general stores it appears that there was administrative lapse. The Deputy Narcotics Commissioner has now taken steps to verify the stock".

(ii) The sundry stores included 38,543 litres of high speed diesel (to be used in the generator) of the value of Rs. 25,000 the order for which was placed in January, 1964. As a result of the commissioning of the rectifier by the Uttar Pradesh Electricity Board on 23rd January, 1964 the necessity for the use of the generator was considerably reduced and there was an accumulation of 38,543 litres (valued at Rs. 25,000) of oil as on 31st March, 1966.

The Ministry have stated (February, 1967) that "we have now advised the Deputy Narcotics Commissioner to explore the possibility of disposal of the surplus stock of fuel oil through the Director General, Supplies and Disposals".

(iii) 4 C.I. enamelled evaporator liners (cost Rs. 12,160) returned to the stores by the chemist in January, 1961 for auction have not been disposed of so far (February, 1967). Besides this, 2 M.S. steel storage tanks for benzene (capacity 5,000 gallons and 3,000 gallons) purchased through the Director General, Supplies and Disposals in 1963 (cost Rs. 9,722) have not been put to use (February, 1967).

The Ministry have stated (February, 1967) that action has already been initiated for the installation of storage tanks and for the disposal of 4 C.I. enamelled evaporator liners through Director General, Supplies and Disposals.

(iv) An air-conditioning plant purchased in September, 1954 at a cost of Rs. 15,200 for maintaining the temperature inside the opium store room at 70°F and relative humidity at 45 per cent. to 50 per cent. for which an additional expenditure of Rs. 2,390 on the provision of false ceiling and air-tight room was incurred has not so far (February, 1967) been put to use. The Ministry have stated (February, 1967) that the Director General, Supplies and Disposals has directed the supplier to rectify the defects and put the plant into commission.

GOVERNMENT OPIUM AND ALKALOID WORKS, GHAZIPUR AND GOVERNMENT OPIUM FACTORIES AT NEEMUCH AND MANDSAUR

BALANCE SHEET AS AT 31ST MARCH, 1965 (GHAZIPUR) AND 31ST MARCH, 1966 (NEEMUCH AND MANDSAUR)

Liabilities	1-10-1964 to 31-3-1965	1965-66		Assets	1-10-1964 to 31-3-1965	1965-66	
	Ghazipur	Neemuch	Mandsaur		Ghazipur	Neemuch	Mandsaur
	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.
Government capital at the close of the year . . .	4,01,57,453	77,30,846	37,63,164	Fixed Assets (Net) .	10,57,749	84,484	78,880
				Investments and Deposit .	..	16,678	..
Sundry creditors . . .	10,28,938	45,948	14,042	Stock in hand :			
Other liabilities . . .	..	27,340	13,906	(*i*) Opium . . .	3,16,66,985	77,21,714	37,19,053
				(*ii*) Miscellaneous Stores .	4,59,571	7,967	..
Undischarged liability—Audit Fee	66,582	13,969	7,504	(*iii*) Government of India Reserve Stock . .	20,09,400	..	..
Staff Provident Fund .	..	16,597	..	Sundry Debtors . .	60,35,314	1,119	71
Security Deposit and Advances	..	66	..	Cash including service stamps	23,954	2,804	612
TOTAL .	4,12,52,973	78,34,766	37,98,616	TOTAL .	4,12,52,973	78,34,766	37,98,616

GOVERNMENT OPIUM AND ALKALOID WORKS, GHAZIPUR AND GOVERNMENT OPIUM FACTORIES AT NEEMUCH AND MANDSAUR

TRADING AND PROFIT AND LOSS ACCOUNT FOR THE HALF YEAR ENDING 31ST MARCH, 1965 (GHAZIPUR) AND FOR THE YEAR 1965- (NEEMUCH AND MANDSAUR)

Dr. Cr.

Particulars	1-10-1964 to 31-3-1965	1965-66		Particulars	1-10-1964 to 31-3-1965	1965-66	
	Ghazipur	Neemuch	Mandsaur		Ghazipur	Neemuch	Mandsaur
	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.
To				By			
Opening Stock (excluding ware-house loss) . . .				Sales	1,94,59,837	11,42,630	..
Opium				Transfers . . .	25,419	75,39,901	48,74,239
(*i*) Finished . . .	14,28,936	81,92,625	31,79,128	Closing Stock :			
(*ii*) In progress . . .	2,06,79,808	..	..	Opium			
Alkaloids . . .	23,22,533	..	..	(*i*) Finished . . .	30,95,384	77,17,760	36,72,665
Receipt of Inferior Opium .	..	14,067	..	(*ii*) In progress . .	1,84,95,569	..	..
Cost of Manufacture .	1,77,44,660	82,69,525	53,67,776	Alkaloids . . .	21,63,825	..	..
Selling expenses . . .	..	12,476	..	Miscellaneous Receipts .	30,357	1,580	619
Interest on capital .	8,43,371	3,84,467	1,57,842	Net Loss	..	4,71,289	1,57,223
Net Profit . . .	2,51,083	..	..				
TOTAL .	4,32,70,391	1,68,73,160	87,04,746	TOTAL .	4,32,70,391	1,68,73,160	87,04,746

XXV. LIGHTHOUSES AND LIGHTSHIPS DEPARTMENT

1. The Lighthouses and Lightships Department was set up in April, 1929 under the Indian Lighthouse Act, 1927, with the main object of construction, maintenance and control of lighthouses. The main source of revenue of the Department is levy of lightdues which are collected through the Customs Department. A broad analysis of the income and expenditure of the Department for the three years ending 31st March, 1966 is given below:—

(Rupees in lakhs)

Expenditure	1963-64	1964-65	1965-66	Income	1963-64	1964-65	1965-66
Administration, establishment and miscellaneous charges	25.68	30.17	33.20	Lightdues (Net) . .	101.78	127.06	120.95
Stores including maintenance repairs, etc.	8.24	13.21	19.95	Miscellaneous receipts . .	7.04	3.51	2.79
Interest	2.78	1.81	1.58				
Audit Fee	0.52	0.81	0.76				
Contribution to Depreciation Reserve Fund and Replacement Reserve Fund	3.44	13.13	14.47				
Net surplus . . .	68.16	71.44	53.78				
	108.82	130.57	123.74		108.82	130.57	123.74

It will thus be seen that there was a decline of Rs. 17·66 lakhs in the net surplus in 1965-66 as compared with that in 1964-65 and that this was due partly to the increase of Rs. 10·83 lakhs in the expenditure and partly to the decrease of Rs. 6·83 lakhs in revenue receipts.

The decrease in the revenue receipts occurred mainly under light-dues and has been explained by the Management as due to the adjustment of credits pertaining to past years in the accounts for the year 1964-65. The increase in the expenditure in 1965-66 as compared with that in 1964-65 occurred under the following heads and was due to the reasons mentioned below:—

	Amount of increase	Reasons for increase
	(Rupees in lakhs)	
Administration, establishment and miscellaneous charges	3.03	Filling up of vacant posts, enhancement in the rate of dearness allowance, adjustment of arrear of rent for office accommodation, etc.
Stores including maintenance repairs, etc.	6.74	More expenditure on account of maintenance of new vessel M.V. Sagardeep and new lighthouses.
Contribution to Depreciation Reserve Fund and Replacement Reserve Fund	1.34	Actual contributions to these two funds were more in 1965-66 owing to commissioning of new lighthouses during the year.

2. Infructuous expenditure on maintenance

In January, 1964 the Department purchased a vessel at a cost of Rs. 1·57 crores for buoy-laying and other allied work. The vessel, which was received on 28th February, 1964, remained idle from May, 1964 to March, 1965 during which period an expenditure of Rs. 6·28 lakhs was incurred on its maintenance.

The Ministry have stated (December, 1966) that "ever since the acquisition of this vessel the Department has been experiencing great difficulty in finding suitable officers to man her" and that because of this reason the vessel remained idle and had ultimately to be transferred to the Shipping Corporation of India in March, 1966 for operation on their behalf.

An expenditure of Rs. 14,205 was incurred on the repair of this vessel during the guarantee period; the question of reimbursement of this amount by the Builders was under correspondence (November, 1966).

3. Idle vessel/equipment

(a) A lightship tender, which was purchased in March, 1954 at a cost of Rs. 6·66 lakhs for rendering navigational aid, has been lying idle since March, 1964, but the establishment for the running of the vessel continues to be engaged by the Department. During the period from March, 1964 to December, 1966 an expenditure of Rs. 4·38 lakhs was incurred on establishment and maintenance of the vessel which has largely proved nugatory.

The Ministry have stated (December, 1966) that as the continued maintenance of the vessel would be uneconomical, it has now been decided to dispose of it through the Director General, Supplies and Disposals.

(b) Radar equipment purchased at a cost of Rs. 1 lakh, which was received in 1959, was installed after 3-4 years and started functioning from May, 1963. The equipment has been lying out of operation since January, 1965 for want of spares for replacement (December, 1966).

The Ministry stated (December, 1966) that the Department had approached the Ministry of Finance through the Ministry of Transport in September, 1965 for the release of foreign exchange to the extent of Rs. 2,600 for the purchase of spares, but that the request was turned down by the Ministry of Finance owing to the general ban imposed in 1965. "The proposal has again been taken up with the Ministry of Finance in November, 1966 and the release is still awaited. Procurement action will be taken on receipt of release".

LIGHTHOUSES AND LIGHTSHIPS DEPARTMENT

BALANCE SHEET AS AT 31ST MARCH, 1966

Liabilities	1964-65	1965-66	Assets	1964-65	1965-66
	Rs.	Rs.		Rs.	Rs.
Government capital at the close of the year	39,12,695	44,55,461	Fixed Assets (Gross)	6,70,56,862	7,28,53,379
Reserve Funds			*Reserve Fund Investments*		
(*i*) General	6,27,50,158	6,81,28,001	(*i*) Depreciation	50,33,196	63,47,809
(*ii*) Depreciation	50,33,196	63,47,809	(*ii*) Replacement	2,67,750	4,00,500
(*iii*) Replacement	2,67,750	4,00,500	*Current Assets*		
Sundry Creditors	5,39,823	5,69,434	(*i*) Sundry Debtors	33,228	96,417
Undischarged liability—Audit Fee . .	2,23,682	2,99,922	(*ii*) Stores	3,36,018	5,02,272
			(*iii*) Cash	250	750
TOTAL . . .	7,27,27,304	8,02,01,127	TOTAL . . .	7,27,27,304	8,02,01,127

LIGHTHOUSES AND LIGHTSHIPS DEPARTMENT

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR 1965-66

Dr. Cr.

Expenditure	1964-65	1965-66	Income	1964-65	1965-66
To	Rs.	Rs.	By	Rs.	Rs.
Pay and Allowances including pension contribution, etc.	19,32,871	22,67,907	Lightdues (Net)	1,27,06,306	1,20,94,974
Establishment charges paid to other Departments	70,846	81,425	Miscellaneous Receipts	3,50,942	2,78,700
Miscellaneous charges	10,13,327	9,70,221			
Stores	3,73,119	4,62,490			
Maintenance, repairs, etc.	9,48,134	15,32,536			
Audit Fee	80,885	76,240			
Interest on Capital	1,81,275	1,57,649			
Contribution to :—					
(*i*) Depreciation Reserve Fund . . .	11,80,606	13,14,613			
(*ii*) Replacement Reserve Fund . .	1,32,750	1,32,750			
Net surplus to General Reserve . . .	71,43,435	53,77,843			
TOTAL	1,30,57,248	1,23,73,674	TOTAL . . .	1,30,57,248	1,23,73,674

Ministry of Information and Broadcasting

XXVI. ALL INDIA RADIO

1. Introduction

The All India Radio has at present 34 radio stations, 17 auxiliary centres and 26 transmitters for providing Vividh Bharti services to its listeners. In addition, there are four auxiliary studio centres and one television centre.

2. Working results

The table below indicates the working results of the Department for the last three years ending March, 1965:—

(Rupees in lakhs)

	1962-63	1963-64	1964-65
(a) Government capital at the close of the year .	2,830.79	3,018.70	3,040.80
(b) Licence revenue (Net)	418.32	545.57	653.18
(c) Total receipts (including licence revenue) .	493.51	631.68	757.63
(d) Total expenditure	570.17	635.71	728.23
(e) Loss (—) /Profit(+)	(—)76.66	(—) 4.03	(+)29.40

For the first time after 1946-47 the Department earned a profit of Rs. 29·40 lakhs in 1964-65.

3. Inventory

The following table will show that the Department is carrying a heavy inventory which is disproportionately large as compared with its actual requirements:—

(Rupees in lakhs)

Year	Consumption of stores and spares	Closing stock	Inventory in terms of months, consumption
1962-63	19.00	118.12	75
1963-64	16.47	137.58	100
1964-65	15.94	147.48	111

Out of stores valued at Rs. 29·43 lakhs held by the Maintenance Engineer as on 31st March, 1965, stores valued at Rs. 6·48 lakhs did not move from April, 1963.

The Ministry have stated (February, 1967) that to ensure a dependable continuous service an unavoidable minimum of spares is to be maintained as insurance against break-downs irrespective of the fact whether such break-downs actually materialise or not. "Most of these spares are imported and the manufacturers also advise stocking of such spares".

4. Uneconomic record processing plant

In order to preserve the speeches, messages and addresses of important and well-known personalities, the Department purchased in November, 1953 a plant of the rated capacity of 1,200 stampers and 25,000 prints per annum from the U.S.A. at a cost of Rs. 2·5 lakhs.

The plant started regular production in April, 1954. The operation of the plant was examined in 1959-60 by the Special Re-organisation Unit of the Ministry of Finance which observed that the plant was operating at a capacity of only 21·9 per cent. in stampers and 34·4 per cent. in prints and that the cost per disc worked out to Rs. 21·49 as compared with the prevailing market rate of Rs. 3·75 per disc. The suggestion of this Unit that the work could be got done more economically through a commercial firm was not accepted at that stage by the Department. In August, 1966 Government, however, decided to close the plant and dispose of it.

During the years 1962-63 to 1964-65 (data for earlier period not available) the operation of the plant resulted in an extra expenditure of Rs. 2·22 lakhs as compared with what would have been incurred had the work been got done through a commercial firm. In February, 1967, the Ministry, however, intimated that the question regarding the continuance or otherwise of the unit was still under consideration.

ALL INDIA RADIO

GENERAL BALANCE SHEET AS AT 31ST MARCH, 1965

Liabilities	1963-64 Rs.	1964-65 Rs.	Assets	1963-64 Rs.	1964-65 Rs.
Government Capital	12,79,49,189	13,90,96,355	Fixed Assets:		
Government Current Account	17,39,20,779	16,49,84,133	(*i*) As per Capital account	12,79,49,189	13,90,96,355
			(*ii*) As per Revenue account	18,64,918	19,44,429
	30,18,69,968	30,40,80,488		12,98,14,107	14,10,40,784
Sundry Creditors	64,47,779	70,99,198	Stores and Spares	1,49,20,259	1,60,61,434
Cash Security Deposit *per contra*	16,618	14,718	Stores in Transit	1,41,977	1,20,347
Depreciation Reserve	3,88,96,677	4,48,41,142	Sundry Debtors	3,36,474	1,06,285
Undischarged liabilty—Audit Fee	8,00,670	11,39,295	Cash Security Deposit *per contra*	16,618	14,718
			Prepaid Expenses	97,061	89,786
			Cash in hand	35,401	24,483
			Service Stamps	34,249	47,657
			Excess of Expenditure over Income from 1933-34 to 1964-65	20,26,35,566	19,96,69,347
TOTAL	34,80,31,712	35,71,74,841	TOTAL	34,80,31,712	35,71,74,841

ALL INDIA RADIO

REVENUE ACCOUNT FOR THE YEAR 1964-65

Dr. Cr.

Expenditure	1963-64	1964-65	Income	1963-64	1964-65
	Rs.	Rs.		Rs.	Rs.
To			By		
Salaries, Allowances, Honoraria, etc. . .	1,82,26,382	2,22,81,003	Licence Fees	6,27,83,724	7,52,11,717
Payments to Performing Right Society, News Agencies, Publicity Programmes, Artists, etc.	1,15,00,430	1,30,71,298	Miscellaneous receipts	3,84,574	5,51,545
			Excess of Expenditure over Income . .	4,03,187	..
Power, Lighting, Telephone and other Miscellaneous Expenditure	73,40,287	92,27,442			
Purchase of Gramophone records . .	1,10,180	1,01,531			
Maintenance and Repairs including hire of furniture and equipment	43,22,338	33,40,179			
Royalty	1,99,355	2,18,813			
Pension and Gratuity	22,34,710	20,07,413			
Depreciation	58,21,773	63,15,935			
Audit charges	2,37,181	3,38,625			
Interest on Capital	33,22,061	37,80,458			

	1963-64	1964-65		1963-64	1964-65
Head Quarter charges	20,30,247	22,46,161			
Collection charges on Licence Fees and charges for Antipiracy work paid to Posts and Telegraph Department	82,26,541	98,93,958			
Excess of Income over Expenditure . .	..	29,40,446			
TOTAL	6,35,71,485	7,57,63,262	TOTAL . . .	6,35,71,485	7,57,63,262

Ministry of Works, Housing and Supply

XXVII. PUBLICATION BRANCH

1. Introduction

The Publication Branch started functioning in April, 1924 and has at present two retail shops viz., (I) India Book Depot at Calcutta and (2) Kitab Mahal at New Delhi.

The main functions of the Branch are:—

(i) the storage and distribution of priced and un-priced publications of Government (including the distribution of unpriced and non-saleable Military publications) and their sale, either direct or through the agents;

(ii) the pricing and advertisement of the priced publications; and

(iii) the securing of advertisements for publications in the periodicals published by it.

2. Stocks of publications

(a) The table below indicates that the percentage of closing stock was between 156 per cent. and 176 per cent. to total issues during the three years ending March, 1965 and the value of unsold stock went up from Rs. 65·68 lakhs in 1962-63 to Rs. 80·19 lakhs in 1964-65.

(Rupees in lakhs)

Year	Sales during the year	Issues gratis during the year	Total issues during the year	Stock of publications at the end of the year	Percentage of closing stock to total issues
1962-63 .	16.40	25.72	42.12	65.68	156
1963-64 .	19.07	22.53	41.60	73.29	176
1964-65 .	24.77	22.97	47.74	80.19	168

GOVERNMENT OF INDIA, PUBLICATION BRANCH STORE ACCOUNT FOR THE YEAR 1965-66

Receipts	1964-65	1965-66	Issues	1964-65	1965-66
	Rs.	Rs.		Rs.	Rs.
Opening Balance	73,28,777	80,18,729	Gratis	22,97,462	23,00,432
			Payment Issues	24,77,069	23,85,223
Receipts during the year	58,45,691	63,09,209	Weeded out	2,06,997	1,71,845
Adjustments	11,982	4,852	Written off	640	1,078
			Deficit as per physical verification	4,47,124	2,49,893
Excess as per physical verification	2,64,222	1,94,887	Difference	2,651	..
Difference	..	1,257	Closing Balance	80,18,729	94,20,463
TOTAL	1,34,50,672	1,45,28,934	TOTAL	1,34,50,672	1,45,28,934

OTHER TOPICS OF INTEREST

Ministry of Food, Agriculture, Community Development and Co-operation

XXVIII. FOREST DEPARTMENT, ANDAMANS

A fleet of heavy vehicles lying idle.—The Divisional Forest Officer, Middle Andamans acquired between April, 1953 and August, 1962 one locomotive and 11 tractors at a cost of Rs. 9·48 lakhs for reclamation work. The locomotive and 5 tractors have been lying idle for want of repairs for long periods as indicated below:—

Period	Number and type of vehicles
For over a year but less than 2 years . . .	1 tractor
For 2 to 3 years	2 (one tractor and the locomotive)
For 3 to 5 years	3 tractors

The Divisional Forest Officer has stated (January, 1966) that the vehicles were of American make and could not be put into operation for want of spares for whose importation foreign exchange had not been released.

As a result 15 operational staff employed on them remained idle for a total period of 529 months up to December, 1965; their pay and allowances for the period amounted to about Rs. 73,000.

Ministry of Transport and Shipping

XXIX. MARINE DEPARTMENT, ANDAMANS

Idle machinery.—In May, 1963, the Marine Department, Port Blair, acquired a launch at a cost of Rs. 1·85 lakhs for conducting hydrographic surveys in the Andaman and Nicobar Islands, but the launch was lying idle till 9th June, 1966 for want of technical staff to operate the machine.

A sum of about Rs. 6,000 was spent on the maintenance of the launch up to 9th June, 1966.

The Administration intimated in January, 1967 that the launch had been handed over to Principal Engineer (Marine) on 9th June, 1966. The launch is, however, still (January, 1967) lying idle.

The para was sent to the Ministry in October, 1966 and their remarks are still (February, 1967) awaited.

Ministry of Finance

XXX. INDIA SECURITY PRESS, NASIK ROAD

Delay in the functioning of the hospital due to non-posting of medical officers.—Government sanctioned, in June, 1960, the construction of a hospital at Nasik Road for the staff of Security Press and Currency Note Press. The work of constructing the hospital was completed in April, 1964 and that of the sewage system and the electrical fittings in August, 1964 and September, 1965 respectively. The total cost of construction of the hospital (including equipment, etc.) amounted to Rs. 9·47 lakhs.

The hospital has not, however, started functioning as the medical officers have not been recruited so far (December, 1966).

The Ministry have stated (December, 1966) that "action to recruit Medical Officers was initiated as early as in February, 1964, but unfortunately neither the Ministry of Health nor the Union Public Service Commission has so far been able to nominate suitable Medical Officers who would be willing to accept the appointments on the salaries offered".

A. K. Bhattacharyya

NEW DELHI;
The 22nd May, 1967.

Director of Commercial Audit.

Countersigned.

S. Ranganathan

NEW DELHI;
The 22nd May, 1967.

Comptroller and Auditor General of India.

GMGIPND—T.S.S—269 CAG 16-5-67

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2,700

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