

GOVERNMENT OF KERALA

991

REPORT OF
THE COMPTROLLER AND
AUDITOR GENERAL OF INDIA

FOR THE YEAR
1975-76

(COMMERCIAL)

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GOVERNMENT OF KERALA
(COMMERCIAL)

THE HISTORY OF THE
CITY OF BOSTON
FROM 1630 TO 1800

BY
JOHN H. COLEMAN

BOSTON
1880

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PREFATORY REMARKS

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

- (i) Statutory Corporations;
- (ii) Government Companies; and
- (iii) Departmentally managed commercial undertakings.

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

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

4. There are, however, certain companies where Government have invested funds but the accounts of which are not subject to audit by the Comptroller and Auditor General. A list of such undertakings where Government investment is more than Rs. 10 lakhs as on the 31st March 1976 is given in Annexure - A.

5. The Comptroller and Auditor General is the sole auditor of Kerala State Road Transport Corporation and Kerala State Electricity Board, which are Statutory Corporations, while he has the right to conduct an audit of the Kerala Financial Corporation and Kerala State Warehousing Corporation, independently of the audit conducted by professional auditors appointed under the respective Acts.

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

CHAPTER I

GOVERNMENT COMPANIES

SECTION I

1.01. Introduction

1.01.1. There were 58 Companies including 8 subsidiaries, of the State Government as on the 31st March 1976, as against 51 Companies including 8 subsidiaries as on the 31st March 1975. During the year, 6 new Companies, *viz.* Kerala State Film Development Corporation Limited, Kerala State Coconut Development Corporation Limited, Kerala State Small Industries Development and Employment Corporation Limited, Kerala Livestock Development and Milk Marketing Board Limited, Kerala Inland Navigation Corporation Limited and The Pharmaceutical Corporation (Indian Medicines) Kerala Limited were incorporated. One Company, *viz.* Keltron Crystals Limited incorporated in October 1974 became a Government Company on the 27th September 1975 by virtue of its becoming a subsidiary of Kerala State Electronics Development Corporation Limited. Kerala State Bamboo Corporation Limited, which was a subsidiary of Handicrafts Development Corporation of Kerala Limited, became a Government Company during the year as Government acquired more than 51 per cent of the shares in the Company.

1.01.2. Fortyeight Companies prepared accounts for 1975-76. Out of these, 6 Companies which had not started commercial operations and one Company which was under construction, capitalised the whole expenditure incurred during the year. Summarised financial results of 48 companies (including 8 subsidiaries) for 1975-76 and 4 other Companies with reference to the latest available accounts received after the Report of the Comptroller and Auditor General of India for 1974-75 was finalised, are given in Annexure - B.

1.01.3. The accounts of 4 other Companies which were incorporated during 1975-76, *viz.* Kerala State Small Industries Development and Employment Corporation Limited, Kerala Livestock Development and Milk Marketing Board Limited, Kerala Inland Navigation Corporation Limited and The Pharmaceutical Corporation (Indian Medicines) Kerala Limited were not due. One Company, *viz.* Kerala Water Transport Corporation Limited, was under liquidation.

1.01.4. The accounts of the following Companies are in arrears (March 1977):—

<i>Sl. No.</i>	<i>Name of the Company</i>	<i>Name of the Department</i>	<i>Date of incorporation</i>	<i>Year for which accounts are in arrears</i>
1	Handicrafts Development Corporation of Kerala Limited	Industries	16th November 1968	1974-75 and 1975--76
2	The Kerala Premo Pipe Factory Limited	Local Administration and Social Welfare	12th September 1961	1974-75 and 1975-76
3	The Kerala State Coir Corporation Limited	Industries	19th July 1969	1974-75 and 1975-76
4	Kerala State Small Industries Corporation Limited	Industries	21st July 1961	1975-76
5	The State Farming Corporation of Kerala Limited	Industries	15th April 1972	1975-76

1.02. Paid-up Capital

Total investment by Government by way of share capital in the 50 Companies (excluding 8 subsidiaries) at the end of March 1976 was Rs. 4261.76 lakhs.

The aggregate of paid-up capital of 40 Companies (excluding 8 subsidiaries) which prepared accounts for 1975-76 stood at Rs. 4444.56 lakhs at the end of March 1976 as against Rs. 3587.95 lakhs in respect of 33 Companies at the end of March 1975.

1.03. Long-term loans

The balance of long-term loans outstanding against 40 Companies (excluding 8 subsidiaries) which prepared accounts for 1975-76 stood at Rs. 4964.17 lakhs at the end of 1975-76 (Rs. 1579.61 lakhs from the State Government, Rs. 2845.99 lakhs from other parties and Rs. 538.57 lakhs as deferred payment credits) representing an increase of Rs. 1245.62 lakhs over the long-term loans (Rs. 3718.55 lakhs) outstanding at the end of the previous year.

1.04. Guarantees

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

	<i>In lakhs of Rupees</i>
Maximum amount guaranteed (principal)	3983.44
Amount guaranteed outstanding on 31st March 1976:—	
Principal	2380.55
Interest	24.55

1.05. Profits and dividends

The working results of 41 Companies (including 5 subsidiary Companies) for the year 1975-76 are analysed in the table given below:—

Particulars	Number of Companies	Aggregate of		Percentage of profit to paid-up capital	
		Paid-up capital	Profit(+)/ Loss(-)		
(Rupees in lakhs)					
Companies other than subsidiary Companies:					
(a) Which earned profits	Industrial and Trading	13	1657.96	(+)191.09	11.5
	Financial	5	854.79	(+) 43.19	5.1
(b) Which incurred losses	Industrial and Trading	16	1712.36	(—)471.46	..
	Financial	2	133.45	(—) 23.17	..
	Total	36	4358.56	(—)260.35	..
Subsidiary Companies:					
(a) Which earned profits	Industrial and Trading	1	50.00	(+) 0.55	1.1
	Financial	1	25.00	(+) 1.81	7.2
(b) Which incurred losses	Industrial and Trading	3	36.52	(—) 8.09	..
	Total	5	111.52	(—) 5.73	..

During 1975-76, out of 18 companies (excluding 5 subsidiaries) which earned profits totalling Rs. 234.28 lakhs, 4 companies declared dividends of Rs. 39.92 lakhs as detailed below:—

<i>Name of Company</i>	<i>Amount of surplus</i>	<i>Amount retained in business</i>	<i>Amount of dividend</i>	<i>Percentage of dividend to paid-up capital</i>
(Rupees in lakhs)				
The Kerala State Financial Enterprises Limited	6.49	4.87	1.62	6
Kerala Urban Development Finance Corporation Limited	1.20	0.83	0.37	2
Kerala State Drugs and Pharmaceuticals Limited	2.17	0.37	1.80	6
Transformers and Electricals Kerala Limited	71.96	35.83	36.13	12

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

	1975-76	
	<i>Paid-up capital</i>	<i>Cumulative loss</i>
	(Rupees in lakhs)	
Trivandrum Spinning Mills Limited	51.45	157.65*
Trivandrum Rubber Works Limited	57.70	157.56
The Chalakudy Potteries Limited	6.63	9.17
Pallathra Bricks and Tiles Limited	17.58	20.95
The Kerala Ceramics Limited	107.95	132.26
The Kerala Fisheries Corporation Limited	122.00	436.37

* After deducting General Reserve (Rs. 2.27 lakhs) and Development Rebate Reserve (Rs. 3.31 lakhs).

1.06. In accordance with Section 619-B of the Companies Act, 1956 (effective from February 1975), a company became subject to the provisions of Section 619 of the Act, as if it were a Government Company, if 51 *per cent* or more of the company's paid-up share capital is held by one or more of the following or any combination thereof, namely, the Central or one or more State Governments and one or more Government Companies, or Corporations owned or controlled by the Central or State Governments, or one or more Government Companies or Corporations, owned or controlled by Governments. As on 31st March 1976, there were five such companies in the State. These were The Travancore Cements Limited, Kerala Rubber and Reclaims Limited, Steel Complex Limited, South India Wire Ropes Limited and Excel Glasses Limited. All of them had prepared accounts (The Travancore Cements Limited for the year ended 31st December 1975, Kerala Rubber and Reclaims Limited and South India Wire Ropes Limited for the year ended 31st March 1976, Steel Complex Limited for the year ended 30th June 1976 and Excel Glasses Limited for the year ended 30th September 1976). The total paid-up capital of these five Companies was Rs. 344.04 lakhs of which shares of Rs. 189.25 lakhs were subscribed by the State Government and Companies or Corporations controlled by Governments. Three Companies (Kerala Rubber and Reclaims Limited, Steel Complex Limited and Excel Glasses Limited) sustained loss of Rs. 112.26 lakhs while the other two Companies earned a profit of Rs. 24.39 lakhs.

SECTION II

TRACO CABLE COMPANY LIMITED

1.07. Introduction

The Traco Cable Company Limited was incorporated as a public limited company in February 1960. It became a Government Company in July 1961. Some aspects of the working of the Company were mentioned in paragraphs 61 to 69 of the Report of the Comptroller and Auditor General of India for the year 1971-72. These were examined by the Committee on Public Undertakings (1975-76) in their Twenty-third Report. The Company has, at present, two divisions,

one for the manufacture of all-aluminium conductors (AAC), aluminium conductor steel reinforced (ACSR), polythene vinyl chloride (PVC) covered conductors and bare copper conductors, and the other for the manufacture of telephone cables.

1.08. Organisational set-up

The management of the Company vests in a Board of Directors. There were thirteen Directors on the Board as on the 31st March 1976. Though the State Government could nominate two Directors according to the Articles of Association of the Company, as revised in September 1972, only one Director has been nominated. The Industrial Development Bank of India and Industrial Finance Corporation of India, from which the Company took loans of Rs. 105 lakhs, have nominated one Director each. Of the remaining ten Directors, seven held qualification shares on behalf of Government and represented Government and three represented private shareholders. Private shareholders holding 8.48 per cent of the share capital of the Company had a representation of 23 per cent on the Board of Directors.

The Managing Director is appointed by the Governor from among the Directors for the conduct and management of business of the Company.

1.09. Capital structure

1.09.1. Share capital

The authorised capital of the Company which was Rupees one crore on its formation was raised to Rupees two crores in April 1970. The paid-up capital of the Company as on the

31st March 1976 was Rs. 114.92 lakhs and was contributed by the following:—

	<i>Share capital contribution (Rupees in lakhs)</i>	<i>Percentage to paid-up capital</i>
State Government	95.17	82.8
Kerala State Industrial Development Corporation Limited	10.00	8.7
Other parties (private individuals and institutions)	9.75	8.5
Total	114.92	

1.09.2. *Borrowings and financing arrangements*

The table below indicates the particulars of long-term loans obtained and the balance outstanding as on the 31st March 1976:—

<i>Source</i>	<i>Total loans obtained</i>	<i>Balance outstanding as on the 31st March 1976</i>
	<i>(Rupees in lakhs)</i>	
Industrial Finance Corporation of India	55.00	52.25
Industrial Development Bank of India	50.00	47.50
Total	105.00	99.75

The repayment of principal and payment of interest on the loan obtained from the Industrial Finance Corporation of India are guaranteed by Government.

Loans from the Industrial Finance Corporation of India and the Industrial Development Bank of India were repayable in twenty half-yearly instalments of Rs. 2.75 lakhs and Rs. 2.50 lakhs each commencing from May and June 1974 respectively. Consequent on the delay in completing the telephone cable project (originally scheduled to be completed by November 1971), the Company requested (February and May 1974) the financing institutions to postpone the repayment by 18 months (first three half-yearly instalments). The institutions agreed (July-August 1975) to this request on the condition that the Company should pay interest at enhanced rates on the three postponed instalments (11.25 per cent against the original rate of 8.5 per cent on the loan from Industrial Finance Corporation of India and 10.25 per cent against the original rate of 8.5 per cent on the loan from the Industrial Development Bank of India). The acceptance (September-October 1975) of this condition resulted in an additional liability to the Company for payment of interest totalling Rs. 3.52 lakhs on the first three instalments repayment of which was postponed.

The working capital required by the Company was met from margin money (Rs. 30 lakhs) provided for in the long-term loans, cash credit arrangements with the State Bank of Travancore and from internal resources. The maximum limit allowed under the cash credit arrangements with the State Bank of Travancore and the balance outstanding at the close of the three years up to 1975-76 are indicated below:—

<i>Year</i>	<i>Maximum limit allowed</i>	<i>Balance outstanding</i>
	<i>(Rupees in lakhs)</i>	
1973-74	60.00	26.52
1974-75	104.00	40.60
1975-76	104.00	32.28

Interest payment on the cash credit obtained amounted to Rs. 2.78 lakhs during 1973-74, Rs. 4.35 lakhs in 1974-75 and Rs. 5.66 lakhs in 1975-76.

It will be seen from paragraph 1.17.3 below that large amounts had to be obtained on credit because of delay in recovering moneys due to the Company.

1.10. Financial position

The table below summarises the financial position of the Company for the three years up to 1975-76:—

	1973-74	1974-75	1975-76
	(Rupees in lakhs)		
<i>Liabilities</i>			
(a) Paid-up capital	114.92	114.92	114.92
(b) Reserves and surplus	0.81	14.52	14.05
(c) Borrowings (including cash credit)	116.52	145.60	132.03
(d) Trade dues and other liabilities (including provision)	16.25	15.00	40.35
Total	248.50	290.04	301.35
<i>Assets</i>			
(e) Gross block	60.94	164.19	166.92
<i>Less: Depreciation</i>	34.37	46.46	58.23
(f) Net fixed assets	26.57	117.73	108.69
(g) Capital works-in-progress	96.86	..	..
(h) Investments	0.02	0.02	0.02
(i) Current assets, loans and advances	109.71	123.55	158.17
(j) Accumulated loss	10.50	42.87	28.76
(k) Miscellaneous expenditure	4.84	5.87	5.71
Total	248.50	290.04	301.35
Capital employed	120.03	226.28	226.51
Net worth	100.39	80.70	94.50

- Notes:* 1. Capital employed represents net fixed assets (excluding capital works-in-progress) *plus* working capital.
2. Net worth represents paid-up capital *plus* reserves and surplus *less* intangible assets (loss and miscellaneous expenditure).

1.11. Working results

During the sixteen years of its working up to 1975-76, the Company earned profits aggregating Rs. 38.85 lakhs in seven years and sustained losses amounting to Rs. 67.61 lakhs in nine years. The accumulated loss at the end of 1975-76 was Rs. 28.76 lakhs.

The working of the Company during 1975-76 resulted in a net profit of Rs. 13.81 lakhs out of which Rs. 1.38 lakhs were from the power cable division and Rs. 12.43 lakhs from the telephone cable division. The Company has not declared any dividend (up to March 1977).

1.12. Telephone cable project

1.12.1. *Project estimates:* The Company prepared (January 1970) a project report for manufacture of 1000 linear kilometres of paper insulated dry core telephone cables per annum. The project report, which envisaged a capital outlay of Rs. 185 lakhs (including Rs. 90 lakhs for margin money and working capital), was approved by the Board of Directors in February 1970. The project was implemented in technical collaboration with the Hindustan Cables Limited, a public sector undertaking of the Government of India. In November 1970, the estimate was revised to Rs. 209.10 lakhs (including Rs. 90 lakhs for margin money and working capital). The telephone cable division, which was expected to go into production in November 1971 according to the schedule appended to the original project report, commenced trial production in April 1974 and commercial production in August 1974. The revision of project estimates and delay in the completion of the project were considered by the Committee on Public Undertakings (Fourth Legislative Assembly-February 1976).

Estimates, actual expenditure up to the 31st March 1976 and the total anticipated expenditure after completion of the residuary works (but excluding requirements for working capital) were:—

<i>Particulars</i>	<i>Original estimates (February 1970)</i>	<i>Revised estimates (November 1970)</i>	<i>Actual expenditure up to 31st March 1976</i>	<i>Total expenditure anticipated on completion of residuary works (approximately)</i>
	<i>(Rupees in lakhs)</i>			
Land	0.50	0.60	1.60	2.20
Building	8.50	10.50	14.14	14.14
Plant and machinery	71.00	71.12	61.76	71.12
Technical know-how and pre-operative expenses	2.50	2.30	5.87	6.73
Miscellaneous fixed assets	11.50	9.45	9.86	10.06
Interest, commitment charges and mortgage expenses	..	15.45	17.64	17.64
Machine spare parts	..	4.07	1.07	1.07
Contingencies	1.00	5.61	..	1.75
Total	95.00	119.10	111.94	124.71

The increase in actual expenditure over the revised estimates was attributed (December 1976) by the Management to (i) increase in cost of cement during actual execution of work, (ii) construction of a tubewell not envisaged in the revised estimate and (iii) increase in pre-operative expenses and commitment charges due to delay in commencing commercial production.

While the project for production of 1000 linear kilometres was under execution, the Managing Director prepared a scheme for increasing the production capacity to 2000 linear kilometres per annum and this was approved by the Board of Directors in March 1972. A project report prepared in June 1972 was also approved by Government in September 1972. The new

project, according to Government (December 1976), was to be based on modern technology for manufacturing telephone cables using aluminium laminate and petroleum jelly; the Hindustan Cables Limited did not possess this technology at that stage. The Chairman and the Managing Director, therefore, visited (June 1972) the United Kingdom, Europe and Japan to negotiate and finalise the terms of technical collaboration for the new project. Rupees 0.55 lakh were spent on the foreign visit. An application was submitted to the Government of India in August 1970 for an increase in the production capacity to 2000 linear kilometres. The industrial licence sought for had not been received, nor had there been any other progress on this new project (March 1977).

1.12.2. *Actual production:* According to the revised project report (November 1970), it was anticipated that 42,000 conductor kilometres (220 linear kilometres) would be produced in the first year, 90,000 conductor kilometres (700 linear kilometres) in the second year and full production of 1,20,000 conductor kilometres (1,000 linear kilometres) from the fourth year, with the plant working in two shifts for 300 days each year. The actual production achieved during 1974-75 and 1975-76 is given below:—

	1974-75		1975-76	
	<i>Projected</i>	<i>Actual</i>	<i>Projected</i>	<i>Actual</i>
Number of working days	175	200	300	304
Production in conductor kilometres	42,000	3,857	90,000	40,069

The Management attributed (September 1976) the low production to frequent break-down of the stranding machine (mentioned in paragraph 1.19.1 below).

1.13. Power cable division

1.13.1. *Production:* Mention was made in paragraph 64 of the Report of the Comptroller and Auditor General of India for the year 1971-72, of the level of production in the power cable division. The Committee on Public Undertakings (1975-76) observed (February 1976) in paragraphs 55 and 56 of

their Twentythird Report that actual production to rated capacity had decreased from 58.52 per cent in 1970-71 to 17 per cent in 1972-73. While noting that against tenders worth Rs. 40 crores processed during 1971-72, the Company could secure orders only for Rs. 0.95 crore on account of cut-throat competition, the Committee expressed the view that unless the rated capacity was utilised more fully, the cost of production might not decrease. The Committee also recommended that Government should take sustained action to procure sufficient raw materials for the Company. Actual production of power cables *vis-a-vis* the installed capacity during the three years up to 1975-76 were as follows:—

	1973-74	1974-75	1975-76
(a) AAC and ACSR cables			
(i) Installed capacity (tonnes)	1,500	1,500	1,500
(ii) Actual production (tonnes)	576	416	577
(iii) Percentage of installed capacity utilised	38.4	27.8	38.5
(b) PVC covered and bare copper cables			
(i) Installed capacity (million core metres)	10.97	10.97	10.97
(ii) Actual production (million core metres)	3.97	1.14	0.74
(iii) Percentage of installed capacity utilised	36.2	10.4	6.8

In the Directors' Reports to the shareholders for the above period, it was stated that under-utilisation of installed capacity was mainly due to inadequate supply of copper (during 1973-74), and aluminium (during 1973-74 to 1975-76). Government stated (December 1976) that production in PVC cable division recorded a steep decline due to lack of orders.

1.13.2. *Customer composition:* The products manufactured in the power cable division cater mainly to the needs of State Electricity Boards. The cables manufactured in the telephone cable division are supplied only to the Posts and Telegraphs Department. Details of customer-wise sales of power cables during the three years up to 1975-76 are as follows:—

Power Cable Division

<i>Products and customers</i>	1973-74		1974-75		1975-76	
	<i>Quantity supplied (in Kms)</i>	<i>Value (Rupees in lakhs)</i>	<i>Quantity supplied (in Kms)</i>	<i>Value (Rupees in lakhs)</i>	<i>Quantity supplied (in Kms)</i>	<i>Value (Rupees in lakhs)</i>
(a) <i>A A C and A C S R (Cables)</i>						
(i) Kerala State Electricity Board	1225	13.23	1503	21.01	4994	64.55
(ii) Other Electricity Boards	5875	32.29	2850	22.16	1960	16.52
(iii) Others	..	..	38	0.39	58	1.70
Total	7100	45.52	4391	43.56	7012	82.77
	<i>Quantity supplied (in million core metres)</i>	<i>Value (Rupees in lakhs)</i>	<i>Quantity supplied (in million core metres)</i>	<i>Value (Rupees in lakhs)</i>	<i>Quantity supplied (in million core metres)</i>	<i>Value (Rupees in lakhs)</i>
(b) <i>P V C Cables</i>						
(i) Kerala State Electricity Board	..	..	..	..	..	..
(ii) Other Electricity Boards	..	..	0.07	3.47	0.68	18.40
(iii) Bokaro steel plant	0.60	6.31	Nil	Nil	0.11	4.15
(iv) Director General, Supplies and Disposals	1.80	22.12	0.24	6.29	Nil	Nil
(v) Badarpur Thermal Project	0.03	1.51	0.47	8.92	Nil	Nil
(vi) Others	1.12	5.99	0.62	13.09	0.51	6.28
Total	3.55	35.93	1.40	31.77	1.30	28.83

The sale of AAC and ACSR cables to the Kerala State Electricity Board varied from 29 per cent of the total sales in 1973-74 to 48 per cent in 1974-75 and 78 per cent in 1975-76.

No PVC cables were sold to the Board in these years. The Management stated (September 1976) that the Company was not able to get orders because of keen competition and under-quoting by competitors in that period. In paragraphs 13-26 of the Twenty-third Report of the Committee on Public Undertakings (1975-76), the Committee had recommended (February 1976) that Government should issue a directive to the Electricity Board and other Government institutions to procure their requirements of cables from this Company after settling the price on negotiation.

The Company manufactures cables only on the basis of firm orders received against quotations submitted. Up to August 1975, the Company followed a policy of "quoting prices by adding some percentage to the material cost to cover up other inputs of production and profit". A revised system of quoting prices on the basis of standard costs was introduced from September 1975. During 1975-76, the Company submitted five quotations for supply of 0.27 lakh kilometres of AAC/ACSR cables against tenders invited by the Kerala State Electricity Board, out of which orders (against three tenders) for supply of 0.18 lakh kilometres of cables were secured after negotiations were conducted after the tenders were opened. In response to invitation of tenders by 13 other electricity boards during 1975-76, the Company submitted 72 quotations for supply of 2.97 lakh kilometres of AAC/ACSR cables, against which orders for supply of 500 kilometres of cables materialised. In respect of PVC cables, the Company submitted 24 quotations during 1975-76 for supply of 0.35 lakh kilometres (including two quotations for the supply of 1705 kilometres to the Kerala State Electricity Board). Only one order was received from the Tamil Nadu Electricity Board for supply of a kilometre of cable. The comparatively poor orders, both for AAC/ACSR cables and PVC cables, from other electricity boards were because of the high rates quoted by the Company.

The Company has not introduced a system of cost accounting and it has not been possible for the Company to give quotations on the basis of reliable cost data. The Committee on Public Undertakings (1975-76) in their Twentythird Report had also stressed the desirability of introducing cost accounts.

1.14. Machine utilisation

1.14.1. *Power cable division:* (i) The average utilisation of machines used regularly in the power cable division as computed by the Management was 76.1 per cent of the available hours during 1973-74, which declined to 73.9 per cent in 1974-75 and to 63.3 per cent in 1975-76.

The main reasons for idleness of machines were lack of orders, shortage of raw materials and break-down as indicated in the table below:—

Reasons for hours lost	1973-74		1974-75		1975-76	
	Working hours lost	Percentage to total hours lost	Working hours lost	Percentage to total hours lost	Working hours lost	Percentage to total hours lost
1. Strike	45	0.4	300	2.3	..	..
2. Break-down	1191	9.9	954	7.2	1970	10.5
3. Power failure	639	5.3	466	3.5	530	2.8
4. Shortage of raw materials	2977	24.6	3873	29.2	1682	9.0
5. Lack of orders	6774	56.0	5305	40.1	10078	53.8
6. Other reasons	461	3.8	2342	17.7	4466	23.9
Total	12087	100.0	13240	100.0	18726	100.0

(ii) Details of machinery costing Rs. 5.06 lakhs which were not utilised or used sparingly during the three years up to 1975-76 are indicated in Annexure—C.

The Management stated (September 1976) that the braiding machine, intended for production of rubber insulated weather-proof cables, became obsolete, as these cables had been replaced by PVC cables in the market. As regards bunchers, it was stated that attempts were being made to procure orders for flexible and PVC insulated telephone cables from the Posts and Telegraphs Department and these machines could be partly utilised when orders were received. The light tinning line was reported (September 1976) by the Management to be idle for want of orders for switch board or jumper wires as the technology followed by the Company for the manufacture of these cables had become obsolete; other machines were not utilised or used sparingly for want of orders for cables of certain specifications.

1.14.2. *Telephone cable division:* The log books of machinery used in the telephone cable division did not indicate the actual hours of operation for production. Hours of operation of the machines during the last two years, as computed by Audit (September 1976) on the basis of labour hours utilised on operating them, were as follows:—

<i>Details of machinery</i>	<i>Hours available</i>		<i>Hours utilised</i>		<i>Idle hours</i>		<i>Percentage of utilisation</i>	
	1974-75	1975-76	1974-75	1975-76	1974-75	1975-76	1974-75	1975-76
1. Insulating machine (2 shifts)	2,814	4,256	1,245	3,253	1,569	1,003	44.2	76.4
2. Twisting machine (2 shifts)	2,814	4,256	1,174	3,473	1,640	783	41.7	81.6
3. Stranding machine (single shift)	1,407	2,128	931	1,657	476	471	66.2	77.9
4. Lead press (single shift)	1,204	1,764	343	1,246	861	518	28.5	70.6
Total	8,239	12,404	3,693	9,629	4,546	2,775	44.8	77.6

The cause-wise details of unutilised hours as furnished by the Management (August 1976) are given below:—

<i>Causes</i>	1974-75		1975-76	
	<i>Hours unutilised</i>	<i>Percentage to total</i>	<i>Hours unutilised</i>	<i>Percentage to total</i>
Strike	28	0.6	..	..
Break-downs	420	9.2	1,368	49.3
Power failure	126	2.8	347	12.5
Shortage of operators	950	20.9	657	23.7
Delay in introducing second shift in insulating and twisting machines	1,911	42.0	..	..
Others	1,111	24.5	403	14.5
Total	4,546	100.0	2,775	100.0

The high incidence of break-downs in 1975-76 was attributed (September 1976) by the Management to frequent failure of the stranding machine (*cf.* paragraph 1.19.1). The Management stated (September 1976) that there were teething troubles in stabilising production and therefore, operators were recruited in stages, which resulted in under-utilisation of machinery.

1.15. Inventory control and material management

1.15.1. *Inventory holdings:* The inventory at the close of the three years up to 1975-76 was:—

	1973-74	1974-75	1975-76
A	(<i>Rupees in lakhs</i>)		
(i) Stores and spares (including raw materials and loose tools)	39.50	39.58	25.11
(ii) Works-in-progress	13.45	21.23	21.28
(iii) Finished goods	10.53	7.57	6.21
(iv) Scrap	0.34	0.99	2.61
Total	63.82	69.37	55.21
B			
Consumption of raw materials, stores and spares	66.75	62.28	138.65
C			
Year end inventories of raw materials, stores, spares and loose tools as number of months' requirement for production	7.10	7.63	2.17

The raw materials in stock (value: Rs. 21.14 lakhs) at the end of March 1976 included 18 slow moving items valued at Rs. 1.53 lakhs, the consumption of which during 1974-75 and 1975-76 was Rs. 0.12 lakh only.

1.15.2. The Company procured 1976 kgs. of tin ingots at a cost of Rs. 0.47 lakh in 1965 when the factory went on stream.

Of this, 1091 kgs. were issued (1965) to the light tinning line. Of the quantity issued to the machine, 221 kgs. were utilised between 1965 and 1970. Tin ingots weighing 885 kgs. (value: Rs. 0.21 lakh) in stock and 870 kgs. (value: Rs. 0.21 lakh) in the light tinning line remained unutilised (March 1977). The Management stated (September 1976) that the chances of using the tin ingots were remote as the technology followed by the Company for the production of jumper wires and switch board wires had become obsolete.

1.15.3. Between October 1971 and August 1973, 50,453 kgs. of ACSR core wire were procured at a cost of Rs. 2.01 lakhs for manufacture of ACSR mink cables for supply to the Kerala State Electricity Board. Of this, 30,429 kgs. of ACSR core wire were partly processed in anticipation of an order from the Kerala State Electricity Board. As the order did not materialise, the ACSR core wire in stock and the partly processed wire remained unutilised. According to the estimates (December 1976) of the Company, a quantity of 30,939 kgs. of ACSR core wire would be required for the completion of an order placed by Tamil Nadu Electricity Board in July 1976.

1.15.4. *Finished goods:* Mention was made in paragraph 67 of the Report of the Comptroller and Auditor General of India for 1971-72, of the stock of power cables valued at Rs. 4.73 lakhs as on 31st March 1972 which had remained unsold from 1969. Of this, cables valued at Rs. 2.21 lakhs had been sold up to 1975-76. The closing stock of finished goods (Rs. 6.21 lakhs) at the end of 1975-76 comprised bits of cables of shorter length, PVC insulated switch board wire and bare aluminium cables, etc., valued at Rs. 4.95 lakhs, manufactured between 1966-67 and 1974-75. The Management stated (September 1976) that most of these items were manufactured in 1966-67 not against any firm orders but "to keep the industry going in the wake of recession in the industry" and that the items in stock were being sold as and when enquiries were received by the Company.

1.15.5. *Excess consumption of raw materials:* Based on experience, the Company fixed (1965) a wastage allowance of 3 per cent for all raw materials used in the power cable division. For the telephone cable division, the Company has adopted the standards indicated in April 1972 by the collaborators. In the two years up to 1975-76, consumption of poly-vinyl chloride (PVC) in the power cable division and lead in the telephone cable division was in excess of the prescribed standards as indicated below:—

	PVC		Lead	
	1974-75	1975-76	1974-75	1975-76
	<i>(in Kilograms)</i>			
Quantity of material required as per standard	74,344	51,995	41,461	3,25,407
Wastage allowance at three per cent	2,230	1,560	1,244	9,762
Total requirement	76,574	53,555	42,705	3,35,169
Quantity actually consumed	80,279	62,219	50,093	3,38,071
Excess consumption	3,705	8,664	7,388	2,902
(Percentage)	(4.8)	(16.2)	(17.3)	(0.9)
Value of material (allowing for value of scrap) consumed in excess (Rupees in lakh)	0.33	0.70	0.18	0.12

Excess consumption was attributed (September 1976) by the Management (i) in the case of PVC, to the adoption of a thickness of 0.5 mm for the inner sheath of PVC cables to avoid rejection as against the I. S. I. specification of 0.3 mm and (ii) in the case of lead in the telephone cable division to wastage

during trial production (1974-75). Government stated (December 1976) that the wastage allowance (in power cable division) had not been fixed after expert study by technically qualified people and even the standards fixed by I.S.I. for aluminium and PVC had been varying from year to year depending on various factors like length of cables produced, orders for small quantities, specific gravity of PVC, etc.

1.15.6. Mention was made in paragraph 67 (c) of the Report of the Comptroller and Auditor General of India for 1971-72 that the wastage of copper, which was 2.89 per cent in 1970-71, rose to 5.05 per cent in 1971-72. The Committee on Public Undertakings in their Twentythird Report (February 1976) recommended that a study should be conducted to find out the reasons for the high percentage of wastage and take action to bring it down. Further action taken in the matter by the Company is awaited (March 1977). Consumption of copper in the telephone cable and power cable divisions during 1975-76 was as follows:—

	<i>(in kilograms)</i>
Copper required in telephone cable division as per I. S. I. standards	73,586
Normal wastage at 7 per cent	5,151
Copper required in power cable division as per I. S. I. standards	16,277
Normal wastage at 3 per cent	488
Total quantity of copper required including permissible wastage	95,502
Quantity of copper actually utilised	97,240
Excess consumption	1,738
Value of material consumed in excess (after allowing for value of scrap) (Rupees in lakh)	0.04

As separate records for consumption of copper in power cable division and telephone cable division were not maintained, excess consumption of copper in each division could not be ascertained.

According to Government (December 1976), the excess consumption was only 839 kgs. after taking into account the pickling loss at the time of removal of oxides and impurities from the surface of copper and copper powder formed during wire drawing. It was, however, noticed (September 1976) in audit that neither were separate norms fixed for pickling loss after an expert study, nor were separate records kept of such losses.

As against the total copper scrap of 7,377 kgs. (representing normal wastage and excess consumption), expected to be obtained, the scrap actually collected was only 5,182 kgs. leaving an unaccounted difference of 2,195 kgs. Computed with reference to the latest auction price (January 1976), the value of copper scrap not accounted for was Rs. 0.56 lakh.

1.16. Manpower analysis

As on the 31st March 1976, there were two employees in position for every lakh of rupees of capital invested. The details of personnel in employment of the Company at the close of the three years up to 1975-76 are:—

	1973-74	1974-75	1975-76
	<i>(in numbers)</i>		
Officers	15	16	20
Office staff	25	31	33
Workers			
(i) Power cable division	121	120	130
(ii) Telephone cable division	26	45	36
Total	187	212	219

The number of employees, expenditure on salaries and wages and value of production per employee during the three years up to 1975-76 were as follows:—

	1973-74	1974-75	1975-76
Number of employees	187	212	219
Salaries and wages including fringe benefits (Rupees in lakhs)	11.09	16.40	19.36
Salaries and wages per employee (Rupees in lakh)	0.06	0.08	0.09
Total value of production (Rupees in lakhs)	82.40	83.05	209.39
Value of production per employee (Rupees in lakh)	0.44	0.39	0.96
Percentage of salaries and wages to value of production	13.5	19.8	9.3

Salaries and wages paid to the staff employed in power cable division and telephone cable division are not booked separately.

The Management stated (September 1976) that increase in the percentage of salaries and wages to value of production in 1974-75 was mainly due to increase in expenditure on dearness allowance.

1.17. Sales policy and credit control

1.17.1. *Sales policy:* After commercial production was started in the power cable division (April 1965), the Company appointed (May 1965) a firm as sole selling agents initially for one year but later on extended for two more years. The agency was terminated on the 1st May 1968 as the firm could not dispose of the entire products manufactured by the Company. The agents were paid Rs. 6.26 lakhs as commission during the three years up to 1967-68. Thereafter the Company sold all its products directly up to September 1969.

1.17.2. In October 1969, a common sales office was opened at Madras with two other Government Companies (Kerala Electrical and Allied Engineering Company Limited and United Electrical Industries Limited). The expenditure on running the office was shared by the Companies on an agreed basis. This office booked orders for the Company's products, the value of which was Rs. 1.83 lakhs, Rs. 5.11 lakhs and Rs. 5.35 lakhs during the three years up to 1975-76 against which the Company's share of expenditure was around Rs. 0.30 lakh per annum. Orders booked by this office were 1.7 per cent of the total orders booked by the Company in 1973-74, 6.0 per cent in 1974-75 and 3.3 per cent in 1975-76. The Management decided (June 1976) to withdraw from the common arrangement from April 1977.

1.17.3. *Credit control:* The products of the power cable division are sold mostly to electricity boards and other agencies of Government executing development projects. The cables manufactured in the telephone cable division are sold only to the Posts and Telegraphs Department. Payment is made by the purchaser departments on completion of supplies as provided for in the agreement entered into with them. Articles are also sold on credit to private parties.

The table below indicates the volume of book debts at the end of each of the last three years:—

	1973-74	1974-75	1975-76
	<i>(Rupees in lakhs)</i>		
Book debts at the end of the year	31.72	44.08	95.01
Sales during the year	81.45	86.01	210.75
Percentage of book debts to sales	38.9	51.3	45.1

It will be seen that a considerable portion of the sale proceeds of each year was awaiting collection at the end of the year.

1.17.4. A party-wise and period-wise break-up of amounts due from various parties as on the 31st March 1976 is given below:—

	<i>Kerala State Electricity Board</i>	<i>Other Electri- city Boards</i>	<i>Posts and Telegraphs Department</i>	<i>Others*</i>
	<i>(Rupees in lakhs)</i>			
Debts outstanding for 5 years and more	..	0.90	..	0.74
Debts outstanding for 3 years and more but less than 5 years	..	0.28	..	0.22
Debts outstanding for 1 year and more but less than 3 years	4.18	5.42	..	0.99
Debts outstanding for less than a year and debts, the age of which has not been ascertained	28.80	8.88	39.89	4.71
Total	32.98	15.48	39.89	6.66

1.17.5. The outstandings on the 31st March 1976, included Rs. 2.16 lakhs withheld by customers† as penalty for delay in supply and other disallowances. Out of this amount, in six cases involving Rs. 0.65 lakh, the Company had initiated legal action and obtained decree for the recovery of Rs. 0.26 lakh in three cases.

* includes Railways, private parties, Government departments, statutory corporations, etc.

† includes Railways, Electricity Boards, Government Companies, Municipal Corporations and private parties.

1.17.6. At the end of March 1976, price variation claims preferred by the Company against 8 parties totalling Rs. 11.80 lakhs were pending settlement and dues amounting to Rs. 0.98 lakh (mostly from Railways, Electricity Boards and Government departments) were barred by limitation as the Company had failed to take timely action for recovery. The Management stated (September 1976) that for want of time and staff, the voluminous transactions with the Director General, Supplies and Disposals from whom Rs. 2.47 lakhs were due (March 1976) and the Kerala State Electricity Board from which Rs. 32.98 lakhs were due (March 1976) could not be analysed for effective action towards recovery. Government stated (December 1976) that Rs. 76.36 lakhs had since been collected (May-June 1976) from Posts and Telegraphs Department and Electricity Boards. It was further stated that Government departments and Public sector undertakings did not normally take shelter under limitation and that the Company was able to recover an amount of Rs. 0.09 lakh from the Railways and Electricity Boards though the claims were barred by limitation; a sum of Rs. 1 lakh (out of Rs. 1.64 lakhs) from the Punjab State Electricity Board had also been collected though it was considered doubtful of recovery in earlier years.

1.18. Operational results

The table below indicates the operational results of the Company for the three years up to 1975-76:—

	1973-74	1974-75	1975-76
	<i>(Rupees in lakhs)</i>		
1. Value of production			
(a) Sales	81.45	86.01	210.75
(b) Closing stock of finished goods	10.53	7.57	6.21
(c) Opening stock of finished goods	9.58	10.53	7.57
Value of production (a+b-c)	82.40	83.05	209.39
<i>Less:</i> Consumption of raw materials, stores and spares	66.75	62.28	138.65
2. Value added	15.65	20.77	70.74
3. Expenses (other than consumption of raw materials, stores and spares) less miscellaneous/non-trading income	19.85	39.25	56.93
4. Profit (+)/Loss (—)	(—)4.20	(—) 18.48*	(+)13.81
Percentage of			
(a) Value added to value of production	19.0	25.0	33.8
(b) Expenses to value added	126.8	189.0	80.5
(c) Value of raw materials, stores and spares consumed to value of production	81.0	75.0	66.2

* This is exclusive of the development rebate reserve amounting to Rs. 14.02 lakhs. The loss during the year, after taking into account the development rebate reserve amounted to Rs. 32.50 lakhs.

The profit earned during 1975-76 was mainly due to increase in sales and decrease in expenses as compared to sales.

1.19. Other points of interest

1.19.1. The Company placed an order (January 1971) with a firm in Bihar for the purchase of a six-bay stranding machine at a cost of Rs. 7.10 lakhs for manufacture of telephone cables. An advance payment of Rs. 0.71 lakh (10 per cent of the total cost) was also made in January 1971.

The machine was to be supplied by March 1972, but was ready for delivery in September 1972. As the suppliers had not agreed to a provision for payment of liquidated damages on non-fulfilment of contractual obligations on their part, no action could be taken on the delay. Government stated (December 1976) that the suppliers were, at the time, the only manufacturers in India of this type of machine and were, therefore, dictating their own terms.

Because of a strike by the Company's employees from late September 1972 to January 1973, the Company took delivery of the machine in January 1973.

Certain parts of the machine were either received short or were damaged in transit. These parts were replaced by obtaining fresh supplies from suppliers. As a result, the machine, scheduled to be commissioned in April 1973, was actually commissioned in August 1973. There were frequent break-downs thereafter because of inherent manufacturing defects in the motor and the control panel of the machine. Consequently production in the telephone cable division could not be stabilised (see paragraphs 1.12.2 and 1.14.2). The guarantee period specified in the purchase order (15 months from the date of despatch) expired in March 1974. The defects were finally set right in September 1975. Rupees 0.18 lakh were spent by the Company on major repairs after the guarantee period (August 1976).

1.19.2. Internal audit

There was no system of internal audit. The Management stated (September 1976) that there was no internal audit department as such and all claims were being pre-audited before effecting settlement.

1.19.3. *Budgetary Control*

The Company does not prepare any budget on income, expenditure, production and sales for effective financial management and control. The Management stated (September 1976) that the budgets could not be prepared for want of firm orders.

SECTION III

UNITED ELECTRICAL INDUSTRIES LIMITED

1.20. **Introduction**

The United Electrical Industries Limited was incorporated in October 1950 with the following main objects:—

- (i) to manufacture and deal in electric house service meters and other allied commodities, and
- (ii) to carry on the business of mechanical and electrical engineers.

With the enactment of the Companies Act, 1956, it became a Government Company. However, it ceased to be a Government Company in September 1962, when the State Government did not contribute to the fresh issue of shares offered by the Company. Mention was made of this in paragraph 69 of Audit Report 1964, Government of Kerala. Consequent on a recommendation by the Public Accounts Committee (47th Report, Third Lok Sabha—March 1966), the State Government purchased (January 1967) shares of the value of Rs. 4 lakhs raising its holdings in the share capital of the Company to 51.31 per cent and the Company again became a Government Company. The Company is now engaged in the manufacture of single and poly-phase house service meters, motor starters, switchgears, magneto generators and other electronic items.

1.21. **Organisational set-up**

The management of the Company vests in a Board of Directors. As on the 31st December 1975, there were six directors, of whom one each was nominated by the Government of Kerala

and the Kerala State Industrial Development Corporation Limited (another Government Company referred to as KSIDC). The Government's nominee functions as the Chairman of the Board. Besides the nominated directors, there were four elected directors, three representing the Government of Kerala and one representing private shareholders. The day-to-day management of the Company rests with the General Manager.

1.22. Capital Structure

1.22.1. Share capital

On the 31st December 1975, the authorised capital of the Company was Rs. 50 lakhs and the paid-up capital Rs. 43.90 lakhs. The break-up of the paid-up capital by ownership is given below:—

	<i>Share capital contribution (Rupees in lakhs)</i>	<i>Percentage to paid- up capital</i>
Government of Kerala	32.75	74.6
Kerala State Industrial Development Corporation Limited	9.36	21.3
Other parties (Private individuals and institutions)	1.79	4.1
Total	43.90	100.0

1.22.2. Borrowings

The Company obtained six long-term loans aggregating Rs. 19 lakhs from the State Government between 1970 and 1974 bearing interest at rates varying from 7 to 10 $\frac{3}{4}$ per cent per annum, to finance its expansion schemes. The amount outstanding on the 31st December 1975 was Rs.18.23 lakhs.

The Company applied (November 1974) to the Kerala Financial Corporation for a loan of Rs. 30 lakhs for its schemes to manufacture carbon film resistors and 11 KV switchgears. Anticipating a delay in disbursement of the loan, the Company obtained two short-term loans of Rs. 2 lakhs (December 1975)

and Rs. 3 lakhs (August 1975) from the State Government and the KSIDC respectively. While the loan taken from the State Government (interest $9\frac{3}{4}$ per cent per annum) was to be repaid on receipt of the loan from the Kerala Financial Corporation, the loan from the KSIDC (interest 13 per cent per annum) was to be repaid by the 31st March 1976 or immediately on receipt of the loan from the Kerala Financial Corporation, whichever was earlier. Though the first instalment of the loan (Rs. 5.96 lakhs) carrying interest at 14 per cent per annum was received from the Kerala Financial Corporation in March 1976, the Company repaid the short-term loans obtained from the KSIDC and the State Government in June 1976 and November 1976 respectively. The Management stated (July 1976) that the loan from the State Government was not repaid immediately on receipt of the first instalment of loan from the Kerala Financial Corporation (March 1976) due to financial difficulty and that a proposal (June 1976) to convert the short-term loan into a long-term loan was pending Government's decision. It was further stated (December 1976) that the KSIDC had given extension of time up to July 1976 for repayment of the loan.

1.22.3. To meet its working capital requirements, the Company had made cash credit and loan arrangements with the State Bank of Travancore and obtained overdraft facilities from another bank. Against the sanctioned limit of Rs. 30 lakhs for cash credit accommodation on hypothecation of all movables, stores, stocks and floating assets (interest: 14.5 per cent), the amount drawn by the Company as on the 31st December 1975 was Rs. 27.51 lakhs. In respect of cash credit accommodation not availed of during the three years up to December 1975, the Company paid commitment charges (at one per cent) amounting to Rs. 0.06 lakh. Out of the loan of Rs. 10 lakhs sanctioned (August 1975) by the State Bank of Travancore (against material stored in the Company's godowns in the bank's custody) carrying interest at 14 per cent, Rs. 7.37 lakhs had been drawn by the Company by December 1975. In addition, the Company had availed of overdraft facilities (Rs. 4.40 lakhs as on the 31st December 1975) from the other bank (interest: 18 per cent), the repayment of which was guaranteed by the State Government. The guarantee commission paid to the State Government for the three years up to December 1975 was Rs. 0.11 lakh.

There was a steady increase in interest and bank charges from Rs 3.52 lakhs in 1973 to Rs. 6.22 lakhs in 1974 and Rs.10.11 lakhs in 1975.

1.23. Financial position

The table below summarises the financial position of the Company for the three years up to December 1975:—

<i>Liabilities</i>	1973	1974	1975
	<i>(Rupees in lakhs)</i>		
(a) Paid-up capital	36.90	36.90	43.90
(b) Reserves and Surplus	21.46	18.60	5.26
(c) Borrowings	41.06	57.72	62.51
(d) Trade dues and current liabilities (including provisions)	31.00	33.98	33.35
Total	130.42	147.20	145.02
<i>Assets</i>			
(e) Gross block	41.88	44.78	52.65
<i>Less:</i> Depreciation	17.85	19.66	14.02
(f) Net fixed assets	24.03	25.12	38.63
(g) Capital works-in-progress	0.69	0.44	1.26
(h) Investments	..	0.03	0.03
(i) Current assets, loans and advances	105.55	119.82	98.65
(j) Miscellaneous expenses	0.15	1.79	6.45
Total	130.42	147.20	145.02
Capital employed	111.87	122.64	114.94
Net worth	58.21	53.71	42.71

- Notes:—
1. Capital employed represents net fixed assets *plus* working capital.
 2. Net worth represents paid-up capital *plus* reserves and surplus *less* intangible assets.

1.24. Working results

The accounting year of the Company is from 1st January to 31st December. During the period it was a Government Company (1956 to 1961 and 1967 onwards), it worked at a profit except from 1957 to 1959 and in 1975. It declared dividends at rates varying from 5 to 8.5 per cent during 1956, 1967 and 1970 to 1972. The total amount paid as dividends during these years was Rs. 8.21 lakhs. No dividend was declared for the years 1973 and 1974 in view of the meagre profits (Rs 0.80 lakh in 1973 and Rs 0.15 lakh in 1974) and the requirement of funds for expansion schemes.

The working of the Company resulted in a loss of Rs. 13.02* lakhs during 1975. According to the Management (May 1976), the loss was mainly due to (i) increase in the wage bill consequent on a rise in the cost of living, (ii) increase in the cost of raw materials, (iii) the unrealistic market price for meters because of unhealthy competition, and (iv) lack of demand for other products.

1.25. Operational results

The table below indicates the operational results of the Company for the three years up to December 1975:—

	1973	1974	1975
	<i>(Rupees in lakhs)</i>		
1. Value of production			
(a) Sales	110.64	121.81	105.27
(b) Closing stock of finished goods	2.09	5.46	9.38
(c) Opening stock of finished goods	6.97	2.09	5.46

*This has been computed after taking credit of Rs. 7.39 lakhs on account of excess depreciation provided for in previous years and Rs. 3.39 lakhs consequent on re-valuation of closing stocks of components and raw materials due to change in the method of valuation adopted during the year.

	1973	1974	1975
	<i>(Rupees in lakhs)</i>		
Value of production (a+b-c)	105.76	125.18	109.19
<i>Less:</i> Central excise duty included in the value of production	1.71	0.20	0.08
Net value of production	104.05	124.98	109.11
<i>Less:</i> Consumption of raw materials, stores and spares	51.64	68.23	71.43
2. Contributed value	52.41	56.75	37.68
3. Conversion expenses	51.61	56.60	50.70
4. Profit (+)/Loss(-)	(+) 0.80	(+) 0.15	(-) 13.02
5. Percentage of			
(a) Contributed value to value of production	49.6	45.3	34.5
(b) Conversion expenses to contributed value	98.5	99.7	134.6
(c) Value of raw materials, stores and spares consumed to value of production	48.8	54.5	65.4

The Management stated (September 1976) that the increase in the percentage of conversion expenses to contributed value was mainly due to increase in salaries and wages, interest charges, etc. It was further stated that the increase in the percentage of consumption of raw materials, stores and spares to the value of production was due to decline in sales in 1975 and escalation in the price of raw materials.

1.26. Production performance and expansion schemes

1.26.1. The Company was engaged in the manufacture of single phase and poly-phase house service meters, oil immersed motor starters— OSR (slip ring type), NSD (star delta type) and

ATS (auto transformer starters)—, air-break starters— ND type (push button starters) and ASD type (ordinary star delta starters)—and contactor units, when it became a Government Company in January 1967. The Company plans the quantities of different products to be manufactured each year considering market conditions.

1.26.2. The table below compares the actual production of meters, oil immersed starters and air-break starters with the installed capacity and the production as budgeted each year:—

<i>Products</i>	<i>Year</i>	<i>Installed capacity</i>	<i>Budgeted production</i>	<i>Actual production</i>	<i>Percentage of actual production to budgeted production</i>
<i>(in numbers)</i>					
Meters*	1973	2,00,000	1,65,000	1,46,790	89.0
	1974	2,00,000	1,36,000	1,28,805	94.7
	1975	2,00,000	1,38,000	1,42,932	103.6
	1976	2,00,000	1,46,590	1,44,208	98.4
Oil immersed starters					
OSR	1973	1,500	1,200	1,213	101.1
	1974	1,500	2,400	2,015	84.0
	1975	1,500	1,200	350	29.2
	1976	1,500	600	987	164.5
NSD	1973	2,400	3,600	3,081	85.6
	1974	2,400	3,600	3,005	83.5
	1975	2,400	2,400	2,412	100.5
	1976	2,400	2,400	2,767	115.3
ATS	1973	600	480	611	127.3
	1974	600	900	566	62.9
	1975	600	720	414	57.5
	1976	600	600	505	84.2
Air-break starters					
ND	1973	3,600	1,800	450	25.0
	1974	3,600	300	235	78.0
	1975	3,600	600	1,025	170.8
	1976	3,600	1,800	31	1.7
ASD	1973	3,700	600	64	10.7
	1974	3,700	300	17	5.7
	1975	3,700	600	268	44.7
	1976	3,700	1,800	45	2.5

* In terms of single phase meters.

The Management stated (July 1976) that the variation in actual production compared to budget estimates was due to restrictions in production necessitated by market conditions. It was also stated (September 1976) that production of oil immersed starters was in excess of installed capacity in certain years due to increased demand which was met by assembling the components obtained from sub-contractors. As regards ND type air-break starters, it was stated (June 1975) that the profit margin being low, the Company had not taken up production to the full capacity, but maintained only a meagre production depending on the orders received. Production of ASD type air-break starters, according to the Management (July 1976), was restricted by the demand.

1.26.3. In December 1966, the Company obtained from the Government of India a licence, *inter alia*, for the manufacture of 300 flame-proof type air-break starters and 7,200 contactor units per annum. The proposal for manufacture of flame-proof type air-break starters had not been implemented as the Company was yet to develop this product with its own design and technology (March 1977). Production of contactor units was suspended from 1968 as, according to the Management (June 1975), the profit margin in this item was low.

1.26.4. *Switchgear project*

The Company obtained an industrial licence in April 1970 to manufacture switchgear up to 22 KV and entered into a collaboration agreement (January 1970) with a firm in Calcutta for manufacture of low tension and 11 KV switchgears. The agreement was valid for five years from commencement of production or seven years from April 1970 (when the agreement was approved by the Government of India), whichever was earlier.

The Project report envisaged production of 600 low tension switchgears annually with an investment of Rs. 7.50 lakhs (including Rs. 3.50 lakhs for working capital). The actual outlay on the project was not available as separate accounts were not maintained. The number of low tension switchgears

produced, the installed capacity (as in the project report) and the production as budgeted during the four years up to 1976 were:—

Year	Installed capacity	Budgeted production	Actual production	Percentage of actual production to budgeted production
	(in numbers)			
1973	600	360	61	16.9
1974	600	270	129	47.8
1975	600	360	81	22.5
1976	600	240	132	55.0

The Management stated (June 1975) that the shortfall in production was due to some manufacturing problems up to the end of 1974 and to recession in the market for electrical goods.

The project for manufacture of 11 KV switchgears, at a cost of Rs. 30 lakhs, envisaged commencement of commercial production early in 1975. Production had not started (March 1977). Capital expenditure incurred on the project up to March 1977 was Rs. 8.75 lakhs. The Management stated (July 1976) that the implementation of the scheme had been delayed for want of funds.

1.26.5. *Electronic project*

In July 1973, the Government of India issued an industrial licence to the Company for manufacture of plastic film capacitors (10 millions per annum), carbon film resistors (20 millions per annum) and ceramic capacitors (20 millions per annum).

(a) *Plastic film capacitors*: The Company did not prepare a project report for the scheme. However, according to the feasibility report prepared by the Company in May 1975, the project was estimated to cost Rs. 39.81 lakhs. The Company entered into a collaboration agreement in December 1973 with a

Japanese firm for production of plastic film capacitors. The agreement was valid for eight years from the date of the agreement or for five years from the date commercial production commenced, whichever was earlier. As contemplated in the agreement, the Company paid Rs. 1.50 lakhs (Rs. 0.50 lakh in October 1974 and Rs. 1 lakh in April 1976) to the Japanese firm as fees for technical know-how. The Company also paid Rs. 0.17 lakh as salary and Rs. 0.15 lakh as lodging and travelling expenses for the period July to October 1975 to an engineer deputed by the collaborators. The machinery required for the project had been received and installed by April 1975. The total expenditure on the project up to December 1975 was Rs. 16.15 lakhs.

The licence for the import of raw materials (polyester films, aluminium foil, aluminium solder and phenolic resin) was obtained by the Company in April 1975. The Company placed an order (23rd April 1975) with a firm in Japan for supply of 4722 kgs. of the raw material. It was stipulated in the purchase order that 924 kgs. of the raw materials were to be air-lifted to avoid delay in commencing production. The air-lifted material was received in July 1975. The difference between freight charges by air and sea was Rs. 0.24 lakh. The remaining quantity (3798 kgs.) reached Cochin Port by sea in August 1975 and was received in the factory in October 1975. Commercial production commenced in September 1975.

The Company placed another order with the same firm in Japan (31st January 1976) for supply of 950 kgs. of raw materials (aluminium foil and polyester films) on the basis of an import licence (applied for in August 1975) obtained in January 1976. As the stock of raw materials at the time of placing the order was very low, the Company requested the suppliers to air-lift this quantity (value: Rs. 0.53 lakh) to ensure uninterrupted production. Though the raw material reached Cochin airport in March 1976, it was cleared by the Company only in May 1976. The air-lifting of material resulted in an extra expenditure of Rs. 0.40 lakh (including warehouse rent).

The Management stated (July 1976) that the delay in clearance was due to some confusion regarding the value of raw material indicated in the invoices sent by the Japanese firm.

The installed capacity, budgeted and actual production of plastic film capacitors during 1975 and 1976 were:—

<i>Year</i>	<i>Installed capacity</i>	<i>Budgeted production</i>	<i>Actual production</i>	<i>Percentage of actual production to budgeted production</i>
(numbers in lakhs)				
1975 (September to December)	100	20*	7.11	35.6
1976	100	60	26.09	43.5

The low production was attributed by the Management (August 1976) to recession in the electronic industry.

(b) *Carbon film resistors*: The Company prepared a project report (November 1974) for manufacture of Carbon film resistors at a cost of Rs. 23 lakhs. The project report envisaged that imported machinery would be received by April or May 1975 and production would commence by June or July 1975. The licence for import of machinery applied for by the Company in November 1974 was finally received in December 1975. Orders for purchase of machinery were placed in December 1975. The machinery, to be supplied within 6 months of the date of the purchase order, arrived at Cochin Port in December 1976 and was erected in March 1977; the purchase order did not stipulate any penalty for delayed supplies.

Meanwhile, the Company also entered into a collaboration agreement (February 1975) with two Japanese firms. According to the agreement, the collaborators were to be paid Rs. 1.50 lakhs for know-how and technical services in three equal instalments. The first instalment of Rs. 0.50 lakh was paid in August 1976.

* for 4 months

1.26.6. *Production of magneto generators:* Magneto generator was not an item in the regular line of production of the Company. The Company started to produce this item for the Indian Telephone Industries Limited, against an order received in February 1970 for 15000 numbers. The budgeted and actual production of magneto generators during the period 1973 to 1976 were:—

<i>Year</i>	<i>Budgeted production</i>	<i>Actual production</i>	<i>Percentage of budgeted production to actuals</i>
	(in numbers)		
1973	6,900	329	4.8
1974	4,360	357	8.2
1975	500	254	50.8
1976	Not fixed	766	..

1.26.7. *Consumption of raw materials:* Norms for consumption of raw materials required for manufacture of 11 KV switchgears, magneto generators and plastic film capacitors had not been fixed (March 1977).

1.27. Machine utilisation

An analysis of utilisation of machines, made by the Company for the first time in 1971, showed that the utilisation of 12 out of 46 machines varied from 4 to 63 per cent; the utilisation of the other 34 machines ranged between 60 and 100 per cent. Similar analysis was not attempted till December 1975. The Management stated (January 1976) that with the introduction of switchgear production, the work involved in production, planning and control had increased and hence the data collection could not be carried out. It was stated (July 1976) that machines were under-utilised in 1971 because production was restricted, considering market conditons.

1.28. Inventory control

Stocks held on the close of each of the three years up to December 1975 were as follows:—

	1973	1974	1975
	<i>(Rupees in lakhs)</i>		
A. (i) Stores and spares (including raw materials), components and loose tools	49.41	66.32	59.71
(ii) Stores and spares in transit	..	3.18	..
(iii) Works-in-progress	1.31	1.12	0.84
(iv) Finished goods	2.09	5.46	9.38
Total	52.81	76.08	69.93
B. Consumption of raw materials, stores, spares, components and loose tools	52.49	69.29	72.23
C. Year-end inventories of raw materials, stores, spares, components, loose tools and stores in transit as number of months' requirement for production	11.31	12.05	9.92

1909

The following is a list of the...

No.	Name	Address	City	State	Occupation	Age	Marital Status	Remarks
1	John Doe	123 Main St	New York	NY	Teacher	35	Married	
2	Jane Smith	456 Elm St	Chicago	IL	Homemaker	28	Married	
3	Robert Brown	789 Oak St	Philadelphia	PA	Engineer	42	Married	
4	Mary White	101 Pine St	Boston	MA	Shopkeeper	30	Married	
5	James Black	202 Cedar St	San Francisco	CA	Lawyer	40	Married	
6	Elizabeth Green	303 Birch St	Los Angeles	CA	Artist	25	Single	
7	William Gray	404 Spruce St	Portland	ME	Farmer	50	Married	
8	Anna King	505 Willow St	Seattle	WA	Teacher	38	Married	
9	Charles Lee	606 Ash St	Denver	CO	Merchant	45	Married	
10	Frances Hall	707 Hickory St	San Diego	CA	Homemaker	32	Married	

1.29. Sales

The table below compares the actual sales with

<i>Products</i>	1973			
	<i>Budget</i>		<i>Actuals</i>	
	<i>Quantity (Numbers)</i>	<i>Value (Rupees in lakhs)</i>	<i>Quantity (Numbers)</i>	<i>Value (Rupees in lakhs)</i>
Kwh meters (in lakhs)	1.42	73.09	1.23	65.99
Starters	7,890	38.60	5,657	40.39
L.T. switchgears	330	8.18	72	1.85
Magneto generators	6,000	2.82	302	0.19
Electronic items	3,000	6.72	603	0.89
11 KV switchgears	..	..	..	..
Plastic film capacitors (in lakhs)	..	..	..	..

the budgeted sales for the three years up to December 1975:—

1974				1975			
<i>Budget</i>		<i>Actuals</i>		<i>Budget</i>		<i>Actuals</i>	
<i>Quantity (Numbers)</i>	<i>Value (Rupees in lakhs)</i>	<i>Quantity (Numbers)</i>	<i>Value (Rupees in lakhs)</i>	<i>Quantity (Numbers)</i>	<i>Value (Rupees in lakhs)</i>	<i>Quantity (Numbers)</i>	<i>Value (Rupees in lakhs)</i>
1.12	55.20	1.07	52.74	1.26	62.31	1.26	65.64
7,500	67.47	5,744	61.91	5,520	52.89	3,403	30.23
270	7.56	136	4.51	360	12.60	39	1.56
3,930	1.97	375	0.29	500	0.50	130	0.13
Not specified	2.50	662	0.89	Not specified	1.00	878	0.45
37	2.78	..	..	45	12.38	6	1.77
..	..	..	..	18.00	9.00	7.07	3.86

The Management stated (August 1976) that the shortfall in sales was due to general recession in the electrical industry from the middle of 1974 to the middle of 1976, fall in prices, stiff competition among manufacturers and widespread power cuts in various States resulting in lower demand for items like meters, starters and switchgears.

1.30. Sales procedure

1.30.1. Certain products such as meters, starters and switchgears are sold directly by the Company and also through selling agents. Plastic film capacitors are sold through selling agents and magneto generators directly by the Company. Direct sales are effected through the sales office at Quilon and the regional office at Madras. Selling agency arrangements with one firm each for oil immersed starters and plastic film capacitors were finalised after negotiations in October 1964 and March 1975 respectively, considering their experience in the field. The discounts paid to agents for sale of starters and plastic film capacitors during the three years up to December 1975 are indicated below:—

<i>Year</i>	<i>Discount on starters (oil immersed)</i>	<i>Discount on plastic film capacitors</i>
	<i>(Rupees in lakhs)</i>	
1973	15.52	..
1974	24.18	..
1975	12.04	1.29

1.30.2. Between 1973 and 1975, the discount allowed varied from 27.3 per cent to 35.8 per cent on the sale value of starters. The Company offered varying rates of discount taking into account the demand for the product and the sales targets to be achieved. The discount allowed during 1975 on sale of plastic film capacitors was 25 per cent. The Management stated (August 1976) that discounts on sale of motor starters and plastic film capacitors were fixed on the basis of discounts passed on by the agents to dealers, expenses incurred for canvassing orders, normal trade practice in the industry, etc.

1.30.3. The agency agreements (region-wise) for sale of meters entered into with two firms in 1956 and another firm in 1975 did not provide for any minimum offtake by the agents. At the same time, the agents were allowed an overriding commission on direct sales effected by the Company. The sales effected through these firms during 1973 and 1974 represented 8 and 18 per cent of the total sales and the commission paid for these years amounted to Rs. 0.41 lakh and Rs. 0.29 lakh respectively. No sale was effected by these firms during 1975. Yet they were allowed an overriding commission of Rs. 0.24 lakh. Government stated (November 1976) that the overriding commission was allowed as provided in the agreement with the selling agents and that it would be paid only on realisation of the sale proceeds from the customers concerned.

1.30.4. Sales through the regional office at Madras are shown below with the expenditure incurred on the office during the three years up to December 1975:—

<i>Year</i>	<i>Expenditure</i>	<i>Turnover</i>	<i>Percentage of expenditure to turnover</i>
	<i>(Rupees in lakh)</i>		
1973	0.13	0.44	29.6
1974	0.21	0.27	77.8
1975	0.22	0.38	57.9

The Management stated (August 1976) that the regional office was attending to follow-up action of sale of meters to Tamil Nadu Electricity Board, after-sales service and also collection of dues.

1.31. Pricing policy

The Company generally fixes the selling prices of its main products on the basis of cost of production. Due to competition and lack of demand, the Company had sold meters below the cost of production. The loss sustained by the Company on sale of meters at prices below the cost of production during the three

years up to 1975 was Rs. 52.02 lakhs as indicated below:—

	<i>Single phase meters</i>	<i>Poly-phase meters (3x4)**</i>	<i>Poly-phase meters (3x3)</i>	<i>Total</i>
1973				
Number of meters sold (in lakhs)	1.06	..	..	..
Cost of production per meter (Rupees)	49.08	..	..	..
Average selling price per meter (Rupees)	42.58	..	..	..
Loss on sale per meter (Rupees)	6.50	..	..	..
Total loss (in lakhs of rupees)	6.88	..	..	6.88
1974				
Number of meters sold (in lakhs)	0.98	0.09	..	..
Cost of production per meter (Rupees)	58.54	181.61	..	..
Average selling price per meter (Rupees)	43.18	118.26	..	..
Loss on sale per meter (Rupees)	15.36	63.35	..	..
Total loss (in lakhs of rupees)	15.00	5.67	..	20.67
1975				
Number of meters sold (in lakhs)	1.15	0.10	0.01*	..
Cost of production per meter (Rupees)	63.63	162.00	130.95	..
Average selling price per meter (Rupees)	45.28	130.03	105.59	..
Loss on sale per meter (Rupees)	18.35	31.97	25.36	..
Total loss (in lakhs of rupees)	21.17	3.26	0.04	24.47
				52.02

* Only 139 meters.

** 17059 poly-phase meters were sold above cost and are not included in the table.

1.32. Rectification of defects in supply

Out of 3.55 lakh meters sold between 1973 and 1975, 0.13 lakh meters were returned by the customers as defective. The cost of labour utilised for rectifying the defects during these years, as assessed by the Company from time to time, totalled Rs. 0.30 lakh. Materials drawn for the rectification were not accounted for separately. The Management stated (January 1976) that usually major components were not found necessary and hence separate accounts for consumption of materials had not been maintained. It was also stated (March 1977) that the defects in the meters occurred during transit even though they were tested in the factory before despatch.

Out of 300 magneto generators supplied (250 in 1973 and 50 in 1974) to Indian Telephone Industries Limited (a Central Government Company), 224 (212 in 1973 and 12 in 1974) were rejected. Though the rejected items were dismantled and reassembled between November 1974 and June 1975, the cost of rectification had not been assessed by the Company. The Management attributed (July 1976) the rejection to high standard of technical requirements and specifications prescribed by the buyer.

1.33. Sundry debtors

The table below indicates the book debts *vis-a-vis* sales during the three years up to December 1975:—

<i>Year</i>	<i>Book debts at the end of the year</i>	<i>Sales during the year</i>	<i>Percentage of book debts to sales</i>
<i>(Rupees in lakhs)</i>			
1973	35.76	110.64	32.3
1974	28.62	121.81	23.5
1975	18.96	105.27	18.0

The details of debtors as on the 31st December 1975 are tabulated below:—

	<i>Government companies and departments</i>	<i>Electricity Boards</i>	<i>Selling agents</i>	<i>Total</i>
	<i>(Rupees in lakhs)</i>			
Debts outstanding for less than two years	1.04	Nil	4.69	5.73
Debts outstanding for two years and more but less than three years	0.22	8.63	0.25	9.10
Debts outstanding for three years and more	0.10	3.87	0.16	4.13
Total	1.36	12.50	5.10	18.96

The Management stated (December 1976) that the outstanding represented retention moneys of 5 to 10 per cent due from Electricity Boards; the payments were delayed mainly on account of procedural formalities in approving test certificates and in condonation of delay in supplies.

1.34. Other points of interest

1.34.1. *Payment of demurrage:* Delay in clearing 620 consignments out of 1420 consignments in 1974 and 528 consignments out of 1102 consignments in 1975, after receipt of despatch advices from the suppliers resulted in payment of demurrage of Rs. 0.42 lakh (Rs. 0.17 lakh in 1974 and Rs. 0.25 lakh in 1975) to the Railways and other transport organisations. The interest and bank charges paid by the Company for belated clearance of documents sent through banks totalled Rs. 2.28 lakhs (Rs. 0.44 lakh in 1974 and Rs. 1.84 lakhs in 1975). The Management stated (July 1976) that the payment of demurrage and interest was due to lack of funds.

1.34.2. *Payments to consultants:* The Company engaged a firm of Management Consultants to study and report on production, planning and control, inventory control, costing and budgetary control. The study was conducted from September 1967 to April 1968 for which a payment of Rs. 0.30 lakh was made.

The Board had directed in September 1968 that a report on the progress of implementation of the recommendations should be submitted with details of cost of implementation and possible financial savings. The report had not been prepared and submitted (March 1977). The Management stated (December 1976) that the recommendations of the consultants, "which were possible for implementation have been implemented in respect of production, planning and control, inventory control and costing". The recommendations on budgetary control had not been implemented (March 1977).

1.34.3. *Internal audit:* The internal audit section of the Company functions under the overall control of the Finance Manager-cum-Secretary. Internal audit is confined to checking of accounts, pay rolls, purchases and sales, but had not been extended to budget and costing section. The reports of internal audit were not submitted to the Board periodically.

A manual laying down the scope and functions of the internal audit section had also not been prepared (March 1977).

SECTION IV

THE STATE FARMING CORPORATION OF KERALA LIMITED

1.35. Historical background

1.35.1. The Mannam Sugar Mills Co-operative Limited was registered as a co-operative society in February 1960 for setting up a sugar mill at Pandalam. While applying for industrial licence (February 1960), the State Government indicated that the area under sugarcane cultivation by *ryots* within a radius of 10 miles from the proposed mill could be increased

from 3,229 acres to 10,000 acres which would supply annually the minimum of 1.55 lakh tonnes of sugarcane required when the mill commenced production. On this basis, the Government of India decided (August 1960) to issue licence for a sugar mill with a crushing capacity of 1,000 tonnes of sugarcane per day. The mill went into regular production in October-November 1964. Because of shortage of sugarcane, the mill could not be utilised even up to 25 per cent of its installed capacity.

1.35.2. The mill had been working at a loss from its inception; the accumulated losses up to 1970-71 totalled Rs. 193.42 lakhs against the paid-up capital of Rs. 41 lakhs. As the State Government had invested Rs. 67.77 lakhs towards share capital (Rs. 25 lakhs) and loan (Rs. 42.77 lakhs including interest) and also stood guarantee for loans raised by the mill to the extent of Rs. 117.95 lakhs (up to 1970-71) from Industrial Finance Corporation of India, Life Insurance Corporation of India and Syndicate Bank, it approached (1971) the Government of India for an interest free loan of Rs. 150 lakhs for rehabilitating the mill. The Government of India constituted (March 1971) a High Level Committee to consider how far it would be possible to rehabilitate the mill and to suggest measures for extending the area under sugarcane cultivation to feed the mill. Meanwhile, the State Government felt (July 1971) that it would be advantageous to form a Government company to cultivate and supply sugarcane to the mill and appointed a special officer (July 1971) to start cultivation of sugarcane as a pilot project in the forest lands leased out by Government and to attend to the preliminary work connected with the formation of the Company.

1.35.3. In their Report, submitted in September 1971, the High Level Committee observed that the shortage of sugarcane was mainly due to (i) diversion of lands to other crops such as paddy, tapioca, etc., (ii) competition from manufacturers of gur and (iii) inadequate measures taken by the mill for development of sugarcane on lands owned by *ryots*. The Committee, therefore, welcomed the decision of the State Government to entrust cultivation of sugarcane to a fully owned Government company as a 'very paying proposition'. The Committee also suggested that the proposed company should start working

without further loss of time. Accordingly, the State Farming Corporation of Kerala Limited was incorporated in April 1972 and it took over the pilot project as a going concern in June 1972.

1.35.4. The accounts of the Company for 1975-76 had not been finalised (March 1977). The data in the succeeding paragraphs have, therefore, been incorporated up to the financial year ended the 31st March 1975.

1.36. Capital structure

1.36.1. *Share capital*: The authorised capital of the State Farming Corporation is Rs. 100 lakhs. The paid-up capital as on the 31st March 1975 was Rs. 40 lakhs, entirely subscribed by the State Government.

1.36.2. *Borrowings*: The borrowings of the Company at the end of March 1975 stood at Rs. 72.23 lakhs from the State Government (Rs. 26.88 lakhs), scheduled banks (Rs. 15.35 lakhs) and a co-operative society (Rs. 30 lakhs).

1.37. Development of land

The High Level Committee had estimated that Rs. 110 lakhs would have to be spent on the development of infrastructural facilities in 12,297 acres (4,979 hectares) of land to be allotted by the State Government during the five years up to 1975-76. This included 3,000 acres (1,215 hectares) of forest lands in Shendurni, which would be submerged on completion of the Kallada dam being constructed by the Irrigation Department. The funds required were to be provided by the State Government (Rs. 75 lakhs as equity capital and Rs. 35 lakhs as term-loans). The State Government allotted 3,545 hectares of land up to 1974-75 as follows:—

	<i>Permanent areas</i>	<i>Temporary areas (including land due for submersion) (hectares)</i>	<i>Total</i>
1971-72	110	1079	1189
1972-73	584	..	584
1973-74	1211	..	1211
1974-75	272	289	561

The Committee estimated an expenditure of Rs. 100 per acre (i.e. Rs. 247 per hectare) for developing irrigation facilities in the temporary area and Rs. 1000 per acre (i.e. Rs. 2470 per hectare) for permanent area. The Company spent Rs. 30.39 lakhs up to 1974-75 on developing irrigation facilities on the lands taken up for sugarcane cultivation. This included Rs. 25.36 lakhs spent on the submersible area at Shendurni (1078.83 hectares) as against Rs. 2.66 lakhs estimated by the High Level Committee. The actual expenditure incurred up to 1974-75 on providing irrigation facilities in permanent areas (1905.15 hectares) was only Rs. 5.03 lakhs, i.e. Rs. 264 per hectare against the amount of Rs. 2470 per hectare estimated by the High Level Committee.

The Management stated (December 1976) that it would take another decade for the completion of the Kallada Irrigation Project and till then the benefit of irrigation facilities provided at the cost of about Rs. 1,000 per acre in Shendurni farm would be available to the Company. It was further stated that the pumps, motors, pipes, etc. installed in the farm could be salvaged and used elsewhere when the farm was surrendered with the completion of the project.

1.38. Survey and Utilisation of land

The area of the land allotted to the Company and the area actually cultivated at the end of each of the three years up to 1974-75 were:—

	1972-73	1973-74 (in hectares)	1974-75 *
Area allotted by Government	1190	1773	2984
Area under sugarcane Cultivation			
Plant crop	1146	563	708
Ratoon crop	Nil	1146	1677
Total	1146	1709	2385
Area left fallow	44	64	599

* Does not include 289 hectares of temporary land and 272 hectares of permanent land allotted in 1974-75 but due for harvest in 1975-76.

No survey of the topography of the lands to identify areas suitable for sugarcane cultivation was conducted before cultivation was started in September-October 1971. The Management stated (December 1975) that this was not done as the special officer, who became the first Managing Director of the Company, was directed by Government to commence cultivation immediately on allotment of land.

The survey of lands allotted had not been completed (March 1977). The Management stated (December 1976) that survey of land could be done only during the interval between the harvesting of the standing crop and replanting, and that this was being undertaken in a phased manner from 1973-74.

1.39. Cultivation of sugarcane

1.39.1. Agricultural operations are not undertaken directly by the Company, though the annual expenditure on farm labour for cultivation of cane on about 2,000 hectares was estimated at Rs. 60 lakhs by the High Level Committee. All the works connected with cultivation, such as clearing of land, planting the cane, manuring, interculturing and harvesting are arranged through contractors (for each block) without any stipulation regarding the minimum yield. The Management stated (October 1976) that in the first year (1971), it was practically impossible to undertake direct cultivation by engaging labourers as planting had to be commenced urgently to take advantage of monsoon; however, during the subsequent years, also, the agricultural operations were continued to be carried out through contractors.

1.39.2. The Company had no research and development programme for producing disease free and improved varieties of sugarcane, as recommended by the High Level Committee. There were no arrangements for measuring the sucrose content of the cane. To ensure the maximum yield, sugarcane has to be planted after selecting the variety suitable for the type of soil in the farms. The Company had not adopted such planting up to 1974-75. Planting according to suitability of soil had

been undertaken on an experimental measure in each farm during 1975-76. Nurseries for planting improved varieties of cane had also not been established. The Management stated (December 1976) that planting of appropriate varieties was not possible till 1974-75 due to (i) non-availability of good quality cane setts within economic distance of the farms and (ii) heavy expenditure involved in procuring cane setts from Tamil Nadu. The sub-committee set up in July 1974 (by the follow-up committee of the High Level Committee) for reviewing the progress in rehabilitation of the Mannam Sugar Mills observed as follows:—

“The Corporation is at present cultivating cane in their own way. It is not based on scientific lines. In order to put the cultivation of farms on scientific lines, it is desirable that a small research cell is created to conduct preliminary researches on varietal, cultural and manurial aspects of sugarcane and control of pests and diseases..... If this is not done, the cane productivity of the farm which is already low would further go down”.

The recommendation was forwarded by the Government of India to the State Government in May 1975. Further action taken by the State Government was not ascertainable (March 1977).

1.39.3. *Non-planting of sugarcane*: During test check by Audit (August 1976), it was noticed that of 478 hectares of land cleared by contractors for cultivation in Chithelvetty, Mullumala (between November 1973 and March 1974) and Nilackal (between November 1975 and January 1976), 143.7 hectares were left unplanted during the respective cultivation seasons. The expenditure incurred on clearing these 143.7 hectares was Rs. 0.20 lakh. The Management stated (August 1976) that the area cleared could not be planted for want of rain, torrential rain or unfavourable climatic conditions.

1.39.4. *Gap filling*: The varieties of sugarcane suitable for cultivation in Kerala, as ascertained from the Kerala Agricultural University, are Co 419, Co 449, Co 735 and Co 997. But

the Company procured (September 1971) a mixture of all varieties for planting in the first year of cultivation. The Management stated (December 1976) that the cane setts were obtained at short notice from Mannam Sugar Mills as there was no time to get good quality setts from other sources.

Only 55 to 60 per cent of the setts planted germinated as against 80 to 85 per cent anticipated by the Company (1971). In spite of this, the Company did not undertake gap filling, that is re-planting, with fresh cane setts, gaps left by cane setts which did not germinate. The Management stated (December 1975) that no gap filling was done in Shendurni area (except blocks II and X) due to shortage of planting materials.

It was noticed in audit (August 1976) that contractors for raising crop in the Shendurni farms (except blocks II and X) were paid (between October 1971 and January 1972) Rs. 0.30 lakh (approximately) for gap filling too. When this was brought to the notice of the Company, the Management stated (August 1976) that gap filling was done and, therefore, there was no excess payment to the contractors. As the reply given by the Management in August 1976 apparently contradicted the earlier reply of December 1975, the Management was requested to indicate the correct position. The Management stated (March 1977) that their reply of December 1975 was in the nature of a general reply for the low yield and that gap filling operations were actually carried out by the contractors in Shendurni farm during the first season. Separate accounts for issue of setts for gap filling were not maintained. It was not, therefore, possible to ascertain from the accounts whether setts were issued for gap filling.

1.39.5. *Irrigation system in Shendurni*: Sugarcane plantations have to be irrigated eight to ten times from December to May after the cane is planted between October and December. Sugarcane planted in Shendurni farm was proposed to be irrigated by lift irrigation using power driven pumps. Orders were placed (January/February 1972) by the Special Officer (referred to in paragraph 1.35.2.) on five private firms for the supply of pumpsets, motors, pipes and accessories at Rs. 14.41 lakhs. These items were received by June 1972 and installed in

January and February 1973. The first crop which had been harvested by November 1972, thus did not benefit from the irrigation system provided (December 1972) at a cost of Rs 24.28 lakhs (Pumpsets, pipes, motors and accessories: Rs 18.60 lakhs, contour channels, pump houses, water tanks, etc:Rs. 5.68 lakhs). In January 1974, the Company procured a sprinkler unit for Rs. 0.36 lakh and in February 1975, another unit at Rs. 0.61 lakh and these were used with the pumpsets, pipes, etc.

Information on the areas to be irrigated with the pumpsets as originally installed, or as augmented by the sprinkler sets, was not available. The area under cultivation and the area actually irrigated between February 1973 and April 1975 were as under:—

<i>Period of irrigation</i>	<i>Area under cultivation</i>	<i>Area irrigated</i>
		<i>(hectares)</i>
February 1973 to May 1973	1038	397
January 1974 to May 1974	1010	387
January 1975 to April 1975	856	170

Despite the use of sprinkler units from January 1974 in addition to the ordinary irrigation system, the total area irrigated has decreased. Reasons for this had not been investigated.

The Company switched over completely to sprinkler irrigation by February 1976 with ten more sprinkler units purchased between November 1975 and February 1976 at a cost of Rs.5.33 lakhs and lift irrigation system was stopped. As a result, some water tanks, pipe lines, delivery pipes and contour channels provided for lift irrigation initially were rendered surplus. The Company had not assessed the cost of these items. Sketches showing the layout of underground pipe lines, delivery pipes, etc. were also not available with the Company to facilitate salvaging of the surplus pipes. The remarks of the Management are awaited (March 1977).

1.39.6. *Application of manure:* Contracts for cultivation of sugarcane in 1153 hectares in the farms at Shendurni and Nilackal were awarded on the basis of open tenders, during September—October 1971, to six contractors. The work involved planting the setts in pits, application of the prescribed dose of manure and interculturing within 45 days of planting along with earthing-up. The agreement with the contractors, however,

did not specify the quantity of fertiliser to be applied. According to the Management (December 1975), the prescribed dose was 900 kilograms of 12:6:6 NPK fertiliser per hectare. On this basis, 1037.70 tonnes of fertiliser were necessary for 1153* hectares in the two farms. Only 388.2 tonnes of fertiliser were in fact purchased and supplied by the Company to the contractors. The contractors were paid at the rate stipulated for the application of the full dosage of fertiliser.

The Management stated (December 1976) that taking advantage of the high humus content of the virgin forest soil, the special officer-in-charge of the pilot project (who ultimately became the Managing Director of the Company, after its formation in April 1972) might have decided to use 350 kilograms of fertiliser per hectare and on this basis 388.163 tonnes of fertiliser (against 403 tonnes required) were purchased and applied in the entire area cultivated. It was also stated that as the manure purchased was applied over the entire area, there was no saving in labour.

1.40. Yield of sugarcane

(a) The table below indicates the yield of sugarcane per hectare estimated by the High Level Committee (September 1971) and the Company every year, *vis-a-vis* the actual yield for the three years up to 1974-75:—

	1972-73			1973-74			1974-75		
	Area under cultivation	Total yield	Average yield per hectare	Area under cultivation	Total yield	Average yield per hectare	Area under cultivation	Total yield	Average yield per hectare
	(hect-ares)	(in lakhs of tonnes)	(tonnes)	(hect-ares)	(in lakhs of tonnes)	(tonnes)	(hect-ares)	(in lakhs of tonnes)	(tonnes)
Estimates of the High Level Committee	800	0.50	62.5	1200	0.75	62.5	1400	1.05	75.0
Company's estimate	1146	0.50	43.6	1709	0.70	41.0	2385	0.60	25.2
Actuals	1146	0.34	29.9	1709	0.50	29.1	2385	0.50	20.8
Percentage of actual yield to									
(i) estimate of the Committee			47.8			46.6			27.7
(ii) estimate of the Company			68.6			71.0			82.5

* The total area under cultivation as per the annual accounts for 1972-73 was 1146 hectares.

As against the average yield of 29.9, 29.1 and 20.8 tonnes per hectare obtained by the Company in 1972-73, 1973-74 and 1974-75 respectively, the average yield of sugarcane for the State as a whole was 51.5* tonnes in 1972-73, 53.9* tonnes in 1973-74 and 56.7* tonnes in 1974-75.

(b) The yield of sugarcane per hectare from each farm as compared to the yield estimated by the Company every year, for the three years up to 1974-75 were as follows:—

Name of farm	1972-73		1973-74		1974-75	
	Yield per hectare		Yield per hectare		Yield per hectare	
	estimated (in tonnes)	actual (in tonnes)	estimated (in tonnes)	actual (in tonnes)	estimated (in tonnes)	actual (in tonnes)
1. Shendurni	41.9	29.0	34.5	26.1	24.8	22.5
2. Nilackal	60.2	38.3	50.0	29.6	28.6	23.8
3. Kumarankudi	..	..	45.9	30.2	26.5	19.1
4. Ambanar	..	..	60.0	41.4	45.2	36.0
5. Chithelvetty	..	..	..	..	12.8	10.3
6. Mullumala	..	..	..	..	36.5	28.0

In the second year of cultivation (October 1972 to September 1973), three interculturing† and two to three earthing-up operations** were provided as against two interculturing and two earthing-up operations in the previous year at an extra cost of Rs. 2.50 lakhs (approximately). But the average yield in the second year was less than in the first year.

The Management stated (December 1976) that during the first year, interculturing and earthing-up operations were provided on the basis of data available with the Agriculture Department farms while during the subsequent year, these operations were provided on the advice of the farm adviser who joined the

* Figures furnished by the State Agriculture Department.

† Digging of soil in between two rows of plants to loosen the soil strata for easy penetration by the roots and absorption of nutrients and eradication of weeds.

** Depositing of dug-up soil at the base of the plants to facilitate growth of roots and to act as a prop.

Company in September 1972. The variations in the kind and number of operations were based on the actual field conditions in each farm. In certain areas, the wind velocities were higher and types of weed growth might be different. According to these variations, the cultural operations were changed.

The low yield up to 1974-75 was attributed by the Management (December 1975) to the following reasons:—

(i) Cultivation in certain areas which were not suitable for growing sugarcane, as the survey of the topography of the lands had not been completed.

(ii) Inability to procure good quality cane setts due to paucity of funds.

(iii) *Lack of irrigation facilities*: During the first year of cultivation in the farms at Shendurni and Nilackal, the crops were raised mainly under rainfed conditions (also see paragraph 1.39.5 above). In the other farms, where sugarcane cultivation commenced subsequently, the Company could not provide adequate irrigation facilities for want of electric connection.

(iv) *Inadequate application of manure*: According to the Management (December 1975), as against 1532, 2146 and 2080 tonnes of N.P.K. fertiliser required during 1972-73, 1973-74 and 1974-75, only 427, 36 and 205 tonnes respectively were applied because of lack of funds.

1.41. Supply of sugarcane to the Mannam Sugar Mills

Harvesting of cane and its transportation to the mills are arranged through contractors. The weight of the cane supplied is accepted by the Company as assessed by the factory, without any independent weighment. It was, therefore, not possible for the Company to assess the loss in weight of cane in transit by pilferage or driage. The quantities of sugarcane to be supplied by the Company to the factory, as estimated by the High Level Committee based on the expected yield mentioned in paragraph 1.40, and

the actual quantities supplied in the three years up to March 1975 were:—

	1972-73	1973-74	1974-75
	<i>(in lakhs of tonnes)</i>		
Estimated quantity to be supplied to the factory	0.50	0.75	1.05
Sugarcane actually produced	0.34	0.50	0.50
Sugarcane supplied to the factory	0.30	0.45	0.46
Supplied to others (including cane setts used for planting)	0.04	0.05	0.04

1.42. Financial position

The financial position of the Company for the three years up to March 1975 was broadly as follows:—

<i>Liabilities</i>	1972-73	1973-74	1974-75
	<i>(Rupees in lakhs)</i>		
Paid-up capital	15.00	15.00	40.00
Borrowings	50.50	71.46	72.23
Current liabilities and provisions	13.35	26.48	28.55
Total	78.85	112.94	140.78
<i>Assets</i>			
Gross block	35.47	47.37	50.04
Less: Depreciation	2.14	5.83	5.83
Net fixed assets	33.33	41.54	44.21
Current assets, loans and advances	33.13	32.79	39.54
Miscellaneous expenditure	0.24	0.21	0.17
Loss	12.15	38.40	56.86
Total	78.85	112.94	140.78
Capital employed	53.11	47.85	55.20
Net worth	2.61	(—) 23.61	(—) 17.03

- Notes:*
1. Capital employed represents net fixed assets *plus* working capital.
 2. Net worth represents paid-up capital *less* intangible assets.

1.43. Working results

The High Level Committee had anticipated net profit of Rs. 0.50 lakh, Rs. 0.75 lakh and Rs. 8.05 lakhs during the first three years of working of the Company. As against this, the Company suffered a loss of Rs. 12.15 lakhs in 1972-73, Rs. 26.25 lakhs in 1973-74 and Rs. 18.46* lakhs in 1974-75. The accumulated loss as on the 31st March 1975 was Rs 56.86 lakhs which was more than the paid-up capital (Rs. 40 lakhs) of the Company. The working results of the Company for 1975-76 had not been assessed (March 1977).

According to the Management (January 1975), the main reasons for the loss were (i) poor yield of cane, (ii) heavy cost of harvesting and transportation and (iii) increase in the expenditure on salaries and wages. The Management stated (October 1976) that the loss was also due to the unremunerative and uneconomical price obtained for the sugarcane supplied to the factory. The price was fixed on a mutually agreed basis taking into account the cost of production of cane by the Company, cost of production of sugar by the factory, expenditure on transportation and the minimum price fixed by the Government of India from time to time. It was further stated (January 1977) that intensive cultivation of sugarcane in ideally suitable places had been undertaken during 1976-77, the prescribed dosage of manure had been applied in areas where irrigation could be provided and in areas not suitable for sugarcane cultivation, crops like cashew and coconut were being raised. The Company hopes to get substantial profits from these crops.

1.44. Selling price and cost

1.44.1. The minimum cane price fixed by the Government of India, the cost to the Company of sugarcane supplied to the factory and the selling price per tonne (fixed by agreement

* The loss for 1974-75 has been understated to the extent of Rs. 4.39 lakhs due to non-provision of depreciation (Rs. 3.47 lakhs) and over-valuation of standing crops (Rs. 0.92 lakh).

between the Company and the Mannam Sugar Mills) during the three years up to 1974-75 were as follows:—

	1972-73	1973-74	1974-75
	<i>(Rupees per tonne)</i>		
Minimum cane price fixed by the Government of India	80.00	80.00	85.00
Cultivation expenses	55.00	70.00	58.00
Harvesting and transportation charges	40.00	38.00	56.00
Overheads	28.00	30.00	42.00
Cost of supply at the factory	<u>123.00</u>	<u>138.00</u>	<u>156.00</u>
Selling price	<u>91.50</u>	<u>91.50</u>	<u>98.00</u>
Transport subsidy due from the factory	..	..	Rs 10 per tonne for a distance of 40-60 kms. and Rs. 14 per tonne for a distance beyond 60 kms.
Loss per tonne	31.50	46.50	Rs. 48 or Rs. 44 depending on the distance of the farms from the mills.

It will be seen that in these years, the price obtained was less than the cost of cultivation, harvesting and transport, even after taking into consideration the transport subsidy payable by the factory in 1974-75.

1.44.2. The High Level Committee had suggested (September 1971) that forest lands allotted for cultivation of sugarcane should be within 32 to 40 kilometres of the Mannam Sugar Mills to ensure quick and cheap transportation.

The lands allotted by Government were at distances ranging from 40 to 90 kilometres from the mills, as given below:—

<i>Places in which the farms are situated</i>	<i>Distance from Mannam Sugar Mills (kilometres)</i>	<i>Area allotted by Government up to March 1975 (hectares)</i>
Shendurni	86	1079
Nilackal	73	111
Ambanar	65	214
Kumarankudi	63	500
Chithelvetty	40	841
Mullumala	67	239
Cheripittakavu	70	163
Kottakayam	57	109
Vandalode	90	289
		3,545

The Management stated (July 1975) that “the heavy expenditure on harvest and transport had increased the overhead expenses considerably”.

1.45. Payment of rent

Up to March 1975, the Company had taken 3,545 hectares of forest land on lease from Government. The rent payable at Rs. 125 per hectare per annum from the beginning up to 1974-75 (Rs. 8.38 lakhs), had not been paid by the Company (March 1977). The Management stated that Government had been addressed in December 1975 not to charge rent for the first four years and a decision was awaited (March 1977).

OTHER POINTS OF INTEREST

SECTION V

KERALA TOURISM DEVELOPMENT CORPORATION
LIMITED**1.46. Cochin Hotel Project**

For construction of a three star multi-storeyed hotel -cum-shopping centre at Ernakulam by the Company, Government transferred (February 1972) the Additional Guest House ("Ram Mandir") and 1.20 acres of surrounding land in Ernakulam, belonging to the Tourist Department, to the Company. In the same month, the Company forwarded, for approval of Government, a project report for construction of the hotel at an estimated cost of Rs. 55 lakhs (excluding the cost of land). By the time the project was approved (July 1972) by Government, the project estimate was revised (April 1972) to Rs. 63 lakhs which was also approved by Government in August 1972. The project estimate was further revised (August 1974) to Rs. 156 lakhs (including the cost of land:Rs. 24 lakhs and working capital: Rs. 3 lakhs) and approved by Government in January 1976. The last revision of estimate was attributed (August 1974) by the Management to (i) increase in the cost of material and labour due to delay in taking up the project, (ii) inclusion of 0.62 acre of reclaimed land (cost: Rs. 12 lakhs approximately) to be taken over from the Greater Cochin Development Authority, (iii) increase in interest charges on loan capital to be raised for financing the project and (iv) changes effected in the plan.

The project was proposed to be financed by share capital contributed by Government (Rs. 54 lakhs) and loans totalling Rs. 102 lakhs from financial institutions.

In this connection, the following points deserve mention:—

(i) While communicating (November 1974) the value of land (1.20 acres: Rs.12.00 lakhs) and building with furniture (Rs. 0.93 lakh) transferred to the Company in February 1972 from the Tourist Department, Government had decided

that the Company should pay the amount in three annual instalments and interest at 7 per cent per annum on the cost of the property from the date of its take over (February 1972) till the date of allotment of shares in lieu of cost. The shares were allotted in November 1976. Interest amounting to Rs. 4.22 lakhs up to October 1976 had not been paid to Government (March 1977).

(ii) The arrangements for raising funds to finance the project from financial institutions had not been finalised (March 1977). Government have paid Rs. 19.50 lakhs (up to January 1977) in the form of share capital.

(ii.) Between July and October 1974, the Company procured 205 tonnes of steel at a cost of Rs. 4.31 lakhs for construction works; the steel was lying stacked in the open yard till October 1976. Thereafter, only 3.9 tonnes of steel were used for pile foundation work up to March 1977.

(iv) The Company placed an order (September 1974) with a firm of Bombay, the second lowest tenderer, for two elevators (a passenger and a service elevator) at a cost of Rs. 3.64 lakhs and paid to the firm (September 1974) an advance of Rs. 0.91 lakh. According to the contract (July 1976), the firm was to despatch the elevators within 49 weeks of the date of approval of the lay-out of the building and settlement of all technical details. As the final lay-out of the hotel building was approved only in September 1976, the amount of Rs. 0.91 lakh paid as advance remained blocked till then; the loss of interest up to August 1976 on the advance was Rs. 0.22 lakh at 12 per cent.

(v) According to the revised project report (August 1974), the project was to be completed in all respects within two years from the month in which architects were entrusted with the preparation of detailed drawings, estimates, etc. The architects were asked to prepare the estimates, detailed drawings, etc., in December 1973 and the project should, therefore, have been completed by December 1975. The contract for pile foundation was awarded in April 1976 and the work actually commenced in November 1976. The total expenditure incurred on the project up to March 1977 was Rs. 8.00 lakhs.

SECTION VI

THE KERALA MINERALS AND METALS
LIMITED, QUILON**1.47. Loss of revenue**

In November 1974, the Company accepted an order placed (November 1974) by a firm in India on behalf of their associate company (a foreign firm) for supply of 100 tonnes of Zircon at £ 189 per tonne f. o. b. Cochin. The Company was to be paid at £ 180 per tonne and the balance of £ 9 was to be appropriated by the Indian firm towards service charges. Because of urgency, the firm in India specifically desired that the material be shipped by the ~~the~~ first available vessel. The Company had offered to deliver the material ex-stock, but the order was not executed because of delays in the settlement of terms and conditions of supply. As the material was not shipped during the contractual period (up to March 1975), the firm in India cancelled the order in April 1975. Zircon was ultimately sold by the Company to other customers at Rs. 900 per tonne from June 1975 onwards. This resulted in loss of revenue of Rs. 2.32 lakhs to the Company (computed at the exchange rate prevalent in March 1975).

The Management stated (February 1976) that execution of the order was delayed as sales through the firm in India was a major deviation from the general policy of the Company, which was to deal directly with customers and a decision on this point had to be taken by the Board. It was further stated that there was shortage of Zircon in the world market in the last quarter of 1974; by the time the deal was concluded, the supply position eased and the prices came down, which accounted for the cancellation of the order.

Government stated (June and October 1976) that:—

(i) Some of the specifications, terms and conditions in the purchase order were not acceptable to the Company and hence clarification was required to avoid disputes later.

(ii) Questions connected with chemical analysis, general survey and sampling before movement of cargo had to be decided and this took time.

(iii) A discussion proposed (3rd January 1975) by the Company in January itself could be held only on 3rd March 1975 as the representative of the firm in India was pre-occupied and found the earlier date inconvenient.

(iv) The original purchase order dated the 20th January 1975 of the associate company, necessary for completing export formalities, was received by the Company only on the 24th March; thus it was impracticable to deliver the goods before the 31st March 1975.

It was noticed in audit that in October 1974, even before the order was placed, the firm in India had expressed its willingness to discuss the terms and conditions of the purchase order. The Company sought clarification on numerous points by correspondence from November 1974 onwards. After clarification was received on certain points, the Company proposed a discussion which could not be arranged in January as the Company's Managing Director was out, or in February as the representative of the firm in India was otherwise pre-occupied. Eventually the discussion took place on the 3rd March 1975 when the outstanding issues were resolved.

It was also noticed that the foreign associate's original purchase order was forwarded to the Company by the firm in India with a letter dated the 3rd February 1975. The Management stated (December 1976) that it was not received with this letter but with another letter on the 24th February. It appears from records that the Company did not inform the firm in India that the purchase order had not actually been received with the letter of the 3rd February. This purchase order, as amended after the discussions on 3rd March, was finally received by the Company on the 24th March 1975.

SECTION VII

THE KERALA AGRO-INDUSTRIES CORPORATION
LIMITED**1.48. Egg collection and marketing scheme**

In August 1973, the Board of Directors approved a scheme for marketing of eggs collected through local dealers. The scheme envisaged a profit of Rs. 2.80 lakhs per annum. In August 1974, the Board desired that the feasibility of the scheme should be examined afresh taking into account the fluctuations in the price of eggs and transportation problems. On account of reduced profitability indicated by the fresh examination, it was eventually decided (November 1974) by the Board of Directors to drop the scheme.

A manager was employed to implement the scheme from January to December 1974 and Rs. 0.10 lakh (approximately) were spent on his pay and allowances.

In May 1974, the Company placed orders, after negotiations with a firm at Cochin for supply, within 30 days, of 5000 cartons at Rs. 6 each. The firm did not supply the cartons but demanded (23rd July 1974) an increase of Rs. 1.20 per carton. This was accepted (31st July 1974) by the Company, though there was no price escalation clause in the purchase order.

The firm supplied the cartons in August 1974 for which Rs. 0.36 lakh were paid; Rs. 1750 were also spent on transportation, packing, etc.

As the scheme was abandoned, the cartons were not used. The Company's attempts to dispose of the cartons by auction and negotiations were not successful (March 1977), the highest bid being Rs. 2005 only and the offer from a Ceramic Company being Rs. 2 per carton. Meanwhile, it was reported (November 1975) by the Kottarakara Servicing Centre of the Company that about 500 cartons (cost: Rs. 0.04 lakh) had been completely damaged by rain.

Government stated (September 1976) that:—

(i) the post of manager was filled up as it was absolutely essential for implementation of the scheme within the shortest possible time;

(ii) though the Company was not bound to pay an enhanced rate for supply of cartons, it was agreed to as the price of raw materials had gone up and the rate even after enhancement was cheaper than other offers; and

(iii) the Company incurred the expenditure in good faith.

SECTION VIII

THE KERALA PREMO PIPE FACTORY LIMITED

1.49. Expansion scheme

1.49.1. In pursuance of a scheme for rehabilitation of repatriates from Burma, Sri Lanka and other countries, formulated (August 1964) by the Government of India, the Company proposed (November 1968), at the instance of the State Government (September 1968), expansion of the existing plant at Chavara and setting up of new units to manufacture R. C. C. poles and pipes, at a total cost of Rs. 27.55 lakhs. The original proposal sent to the Government of India by the State Government in May 1969, was revised in April 1971 and was approved in May 1973. The revised proposal envisaged expansion of the existing plant and setting up a new unit for the manufacture of R. C. C. pipes (but not poles) at a cost of Rs. 27.55 lakhs. It was anticipated that on completion of the facilities in May 1972, employment to 250 repatriates would be provided.

Based on the assurance from the Government of India that loans would be provided, the Company went ahead with the proposed scheme and spent Rs. 17.50 lakhs (Rs. 14.88 lakhs on purchase of machinery and Rs. 2.62 lakhs on land) between October 1969 and April 1973, out of its working capital.

In May 1973, the Government of India agreed to give a loan of Rs. 13.75 lakhs (representing fifty per cent of the cost of the expansion scheme) subject to the condition that (i) the balance of the amount required for the scheme was to be raised from financial institutions, (ii) the scheme was to provide employment to 250 repatriates within 12 months of the date of the loan, and (iii) the project was to be completed in one year. These conditions were not acceptable (August 1973) to the Company, as the cost of the scheme had meanwhile increased to Rs. 44 lakhs and employment could not be provided to more than 100 repatriates, because of pressure from local people to provide employment to them. As a result, the Company decided (October 1974) not to proceed with the scheme or to take the loan sanctioned by the Government of India. The machines purchased for the scheme are lying packed. The entire outlay on the expansion scheme (Rs. 17.50 lakhs) thus remains blocked (March 1977).

Government stated (January 1977) that the possibilities of erecting the plant somewhere in Shiruvani area were being explored to manufacture and supply pipes to Tamil Nadu.

1.49.2. The Company had obtained loans (Rs. 12 lakhs in June 1971 and Rs. 1 lakh in April 1972) and also secured additional share capital (Rs. 1 lakh in April 1972) from the State Government to replenish its working capital. The first loan of Rs. 12 lakhs (repayable in January 1972) had not been repaid (March 1977). Two instalments (Rs. 0.15 lakh) of the second loan of Rs. 1 lakh (repayable in 13 annual instalments) were also overdue (March 1977). Interest and penal interest payable on the defaulted loan and instalments totalled Rs. 6.39 lakhs up to September 1976. Government stated (January 1977) that due to acute financial stringency, the Company was unable to repay the loan or interest thereon.

1.50. Avoidable payment of penalty

The Company came under the purview of the Employees Provident Fund Act, 1952 and the scheme framed thereunder from the 31st December 1963. According to the scheme, the

Company is to remit to the Regional Provident Fund Commissioner the provident fund collected from employees within 15 days of the close of every month, failing which damages up to 25 per cent of the amount in arrear have to be paid.

Between November 1970 and March 1973, the Company delayed the remittance of contributions on 18 occasions by 9 to 121 days and paid (February 1975) damages totalling Rs. 0.38 lakh. The delay in remittance was attributed (January 1977) by Government to the poor financial position of the Company.

CHAPTER II

STATUTORY CORPORATIONS

SECTION IX

2.01. Introduction

There were four Statutory Corporations in the State as on the 31st March 1976, *viz.* Kerala State Electricity Board, The Kerala Financial Corporation, Kerala State Road Transport Corporation and Kerala State Warehousing Corporation.

The accounts of Kerala State Road Transport Corporation for 1975-76 have not been finalised (March 1977). Hence the figures in the succeeding paragraphs in respect of this Corporation are based on provisional accounts. An analysis of the capital structure, working results, etc. of Kerala State Electricity Board and other Statutory Corporations are given below:—

2.02. Kerala State Electricity Board

2.02.1. Loan capital

The aggregate of long-term loans from Government and other sources obtained by the Board stood at Rs. 25372.65 lakhs as at the end of 1975-76 and represented an increase of Rs. 2174.96 lakhs over the long-term loans of Rs. 23197.69 lakhs as at the end of the previous year.

2.02.2. Guarantees

Government had guaranteed repayment of loans (including overdrafts and purchases under I.D.B.I. schemes along with interest due) raised by the Board from time to time. The aggregate of the amounts guaranteed from the inception of the Board up to the 31st March 1976 was Rs. 7317.32 lakhs, against which loans, etc. actually availed amounted to Rs. 6971.43 lakhs. Out of these, the Board had repaid loans aggregating Rs. 435.74 lakhs up to the 31st March 1976, leaving a balance of Rs. 6535.69 lakhs.

2.02.3. *Surplus*

The Board had a surplus of Rs. 60 lakhs in 1975-76 (being the amount appropriated towards contribution to general reserve) as against a surplus of Rs. 78.90 lakhs in the previous year.

A synoptic statement showing the summarised results of the working of the Board for 1975-76 is given in Annexure—D.

2.03. Other Statutory Corporations

2.03.1. *Paid-up capital*

The aggregate of paid-up capital of the three Corporations, *viz.* Kerala State Road Transport Corporation, The Kerala Financial Corporation and Kerala State Warehousing Corporation stood at Rs. 1969.71 lakhs at the end of 1975-76 and represented an increase of Rs. 192.71 lakhs as compared to the total paid-up capital of Rs. 1777.00 lakhs at the end of the previous year.

The break-up of the paid-up capitals of the Corporations according to the investments made by the Central Government, the State Government and other parties as at the end of the year 1975-76, was as follows:—

<i>Name of the Corporation</i>	<i>Investment made by</i>			<i>Total</i>
	<i>Central Government</i>	<i>State Government</i>	<i>Others</i>	
		<i>(in lakhs of rupees)</i>		
Kerala State Road Transport Corporation	469.87	1237.04	..	1706.91
The Kerala Financial Corporation	..	95.42	74.58	170.00
Kerala State Warehousing Corporation	..	46.40	46.40	92.80

* This does not include Rs 12.50 lakhs invested by Government during 1975-76 for which shares were allotted in March 1977.

2.03.2. *Loans*

The aggregate of long-term loans, including debentures and deposits, obtained by two Corporations, *viz.* The Kerala Financial Corporation and Kerala State Road Transport Corporation stood at Rs. 2091.54 lakhs at the end of 1975-76. This represented an increase of Rs. 457.02 lakhs over the total long-term loans of Rs. 1634.52 lakhs as at the end of the previous year.

2.03.3. *Profit and Loss*

Kerala State Road Transport Corporation sustained a loss of Rs. 416.77 lakhs during 1975-76 as compared to a loss of Rs. 485.09 lakhs during 1974-75. The other two Corporations earned an aggregate profit of Rs. 69.26 lakhs during 1975-76 as against Rs. 53.20 lakhs during the previous year.

A synoptic statement showing the summarised financial results of the three Corporations for the year 1975-76 is given in Annexure—D.

2.03.4. *Guarantees*

Government had guaranteed the repayment of capital and loans (including bonds, debentures, fixed deposits and overdrafts) raised by two Corporations and the amount guaranteed outstanding as on the 31st March 1976, was as follows:—

	<i>Capital</i>	<i>Loans</i>	<i>Total</i>
	<i>(Rupees in lakhs)</i>		
(a) The Kerala Financial Corporation	170.00	1235.06	1405.06
(b) Kerala State Road Transport Corporation	..	324.02	324.02
Total	170.00	1559.08	1729.08

Payment of interest on loans (including fixed deposits) raised by these Corporations had also been guaranteed by Government.

SECTION X

KERALA STATE ROAD TRANSPORT CORPORATION

WATER TRANSPORT SECTION

2.04. Introduction

The ferry transport service between Ernakulam and Cochin, operated by the State Transport Department of the erstwhile Travancore-Cochin State, was taken over by the Corporation in 1965. The ferry service is being operated by the Corporation.

Some aspects of the working of this Section were mentioned in the Audit Report 1969, and the Report of the Comptroller and Auditor General of India for the year 1970-71. Mention was also made in paragraph 1 of Section VI of the Report of the Comptroller and Auditor General of India for the year 1974-75 (Commercial) of the proposal (November 1972) of the Corporation to place the ferry service at the disposal of the Cochin Municipal Corporation. One condition laid down (October 1972) by the Cochin Municipal Corporation was that a feasibility study of the ferry service should be made as early as possible by the Corporation at its expense. In April 1975, Government stated that the Cochin Municipal Corporation had finally declined to take over the Water Transport Section. The feasibility study had, however, not been conducted (March 1977).

The Committee on Public Accounts (1969-70), while reviewing the continuous loss sustained by the Section, recommended (January 1970) that a decision regarding the transfer of this Section to the State Inland Water Transport Department should be taken within six months. Information on the decision taken in the matter was awaited (March 1977).

2.05. Capital structure

The Corporation took over the assets and liabilities of the erstwhile State Transport Department on the basis of their book value. The Committee set up (1965) by the State Government for valuation of assets and liabilities also recommended (April 1970) adoption of the book value. Valuation of the assets and liabilities had not, however, been finalised (March 1977) pending a decision in regard to the treatment of undischarged liabilities of the Transport Department taken over by the Corporation. Pending finalisation of valuation, the initial capital contribution of the State Government to the Water Transport Section at the time of take over was tentatively fixed at Rs. 7.16 lakhs. It may be mentioned that the Committee on Public Undertakings (1973-74) in their Fifteenth Report (March 1974) had expressed concern over the inordinate delay in finalisation of the valuation and recommended that a final decision should be taken without further delay. After take over, the Corporation had incurred a capital expenditure of Rs. 10.55 lakhs on land, buildings and structures, boats, etc. up to March 1976.

2.06. Acquisition of fleet

At the time of take over of the Water Transport Section, there were ten boats (total passenger capacity : 1434). Between 1965 and 1976 six new boats with a total passenger capacity of 770 were added by the Corporation at a total cost of Rs. 7.18 lakhs, to the fleet. Five old boats, with a passenger capacity of 634, were disposed of up to May 1976. At present, there are 11 boats with a passenger capacity of 1570 in the fleet (March 1977). Of these, 7 boats are more than ten years old. According to the Officer-in-charge of the Section (November 1976), the fleet is sufficient for operating the existing services.

2.07. Working results

The accumulated loss sustained by the Corporation in running the ferry service up to 1975-76 was Rs. 70.11* lakhs against the total capital outlay of Rs. 17.71* lakhs. The loss in

* The figures are provisional.

the working of the Section amounted to Rs. 10.91 lakhs in 1973-74 (as against Rs. 10.02 lakhs in 1972-73) Rs. 15.19 lakhs in 1974-75 and Rs. 10.31* lakhs in 1975-76. The increase in loss during 1973-74 and 1974-75 was attributed (September 1975) by the Management to (i) increase in wages, (ii) increase in cost of spare parts, stores, lubricants and fuel and (iii) free travel concession to students.

The value of concession of free passes issued to students was of the order of Rs. 0.43 lakh in 1973-74 and Rs. 0.50 lakh in 1974-75. The Officer-in-charge of the Section reported (July 1976) that the details of free passes issued during 1975-76 were not available. From February 1976, students are granted concession tickets at 50 per cent of the normal fares.

Season tickets were also concessional, being 50 per cent of the normal fare up to December 1965 and thereafter 25 per cent. Calculated on 60 single journeys, the value of concessions allowed was Rs. 0.45 lakh for the three years up to 1975-76.

The decrease in loss during 1975-76 was due to (i) increase in the number of passengers carried, (ii) increase in revenue consequent on revision of fares from January 1976, and (iii) reduction in expenditure on establishment and spares and fuel.

2.08. Fare structure

Soon after the Section was taken over, the Corporation revised the fares as from 24th May 1965, to reduce the recurring losses in the operation of the ferry service. As the revised fares did not decrease the annual loss, the Corporation submitted to Government proposals for a further revision of fares in September 1969. After some discussion, Government approved in August 1973 a 20 per cent increase over the then existing fares from September 1973 without linking it to the cost of operation.

* The figures are provisional.

Proposals for a further increase in the ferry fares were submitted by the Corporation in March 1975. A notification issued by Government in November 1975, increasing the fares by 66 to 150 per cent, was not implemented owing to opposition from students and the public. In January 1976, Government issued a revised notification increasing the fares by 25 to 50 per cent from 11th January 1976. The revised fare structure also had not been linked to the cost of operation, duration of operation and the distances covered.

2.09. Operational and financial statistics

The operational details of the ferry service for the three years up to 1975-76 are furnished below:—

	1973-74	1974-75	1975-76
1. Number of routes operated	5	5	5
2. (a) Fleet strength	11	11	11
(b) Fleet used in service*	10	10	10
3. Number of scheduled trips per day	324	324	324 (up to 30th September 1975) 500 (from 1st October 1975)

* One boat "Samuel" (passenger capacity: 27) was not used for passenger service during these years. Another boat was kept as a stand-by and the day's schedules were operated with 9 boats.

	1973-74	1974-75	1975-76
4. Scheduled distance per day (in Kms) (total route distance scheduled to be run by all boats each day on the average)	870	870	870 (up to 30th September 1975) 1824 (from 1st October 1975)
5. Average distance operated per day (in Kms) (total of all route distances covered by all boats in a day)	797	829	1289
6. Number of scheduled trips during the year (in lakhs)	1.18	1.18	1.51
7. Number of trips actually operated during the year (in lakhs)	1.08	1.13	1.39
8. Number of trips cancelled (in lakhs)	0.10	0.05	0.12
9. Percentage of cancellation	8.44	4.72	7.78
10. Actual hours of operation of the service	36254	37726	40037
11. Total expenditure (Rupees in lakhs)	23.66	30.12	26.91*
12. Cost of operation per hour (Rupees)	65.26	79.84	67.21*
13. Total revenue (Rupees in lakhs)	12.75	14.93	16.60*
14. Revenue per hour of operation (Rupees)	35.17	39.57	41.46*

* Figures are provisional.

	1973-74	1974-75	1975-76
15. Loss per hour of operation (Rupees)	30.09	40.27	25.75*
16. Total loss (Rupees in lakhs)	10.91	15.19	10.31*
17. Passenger capacity operated (in lakhs)	182.00	136.20	148.93
18. Actual number of passengers carried (in lakhs)	86.90	89.74	91.98
19. Percentage of utilisation of passenger capacity	48	66	62

The cost of operation per hour, which was Rs. 65.26 in 1973-74, increased to Rs. 79.84 in 1974-75 but decreased to Rs. 67.21 in 1975-76. The increase in cost of operation during 1974-75 was attributed (September 1975) by the Management to increase in running time due to increase in the route distance (by about 1 kilometre) with the commencement of foreshore reclamation works and shifting of the operation point from the High Court Jetty to Ernakulam Jetty in August 1972.

As the additional distance was being operated from August 1972 onwards, this could hardly be the reason for increase in cost of operation during 1974-75. The variations in the cost of operation were, it seems, mainly due to the reasons indicated in paragraph 2.07.

The low utilisation of passenger capacity was attributed (July 1976) by the Officer-in-charge of the Section to operation of ferry services during non-peak hours.

2.10. Excess consumption of H.S.D. oil

The standard consumption of H.S.D. oil for each boat is fixed by the Officer-in-charge of the Section at the time of its launching after taking into account the condition of the engine and its parts as well as weather and intensity of water currents. The standard so fixed is not reviewed periodically.

* Figures are provisional.

A study of operations of boats during the three years up to 1975-76 showed that the average consumption of H.S.D. oil in eight boats was in excess of the standards fixed for each boat. The cost of H.S.D. oil consumed in excess (61.4 kilolitres) in the three years up to 1975-76 was Rs. 0.69 lakh.

The excess consumption of H.S.D. oil was attributed (October 1976) by Government to adaptation of TMB/Leyland vehicle engines for the boats, non-accounting of idle time at the jetties in the operational hours, dead mileage in connection with maintenance and repairs to boats, peak hour overloading, etc.

2.11. Performance of workshop

2.11.1. A workshop attached to the Section attends to:—

- (i) maintenance and minor repair of boats and engines,
- (ii) major repairs to boats (dry dock repairs), and
- (iii) construction of new boats.

The workshop also attends to repair of boats owned by the State Tourist Department and Cochin Port Trust on payment.

2.11.2. *Dry dock repairs*

Dry dock repairs to boats at periodical intervals are necessary to keep them fit for operation. According to the Officer-in-charge of the Section (November 1976), dry dock repairs should be undertaken within six years of construction in the case of new boats and once every three or four years in the case of old boats. It was, however, noticed (July 1976) that three boats mentioned below were not sent to the dry dock for repairs even once since they were constructed or rebuilt:—

<i>Name of boat</i>	<i>Year of make</i>
Olympia	1963 (rebuilt)
Gayathri	1968
Jalaja	1969

The Officer-in-charge of the Section stated (July 1976) that it would be difficult to keep a fixed time schedule for undertaking major repairs with the available facilities in the workshop. Government stated (October 1976) that boats were withdrawn for dry dock repairs only when they became unsafe and uneconomical for operation. It was further stated that non-availability of sufficient spare boats also stood in the way of following a time bound programme for dry docking. Absence of a time bound programme for dry dock repairs to boats resulted in frequent minor repairs (*cf.* paragraph 2.11.4).

2.11.3. The workshop has two bays for major dry dock repairs or construction of boats. Neither bay was utilised from January to April 1973 while one bay also remained unutilised from May to September 1973 and again from May 1975 to July 1975. Minor maintenance repairs to boats which did not require dry docking during the period from January 1973 to September 1975 were carried out in the workshop. The table below indicates the details regarding boats sent to the dry dock, time taken for repairs and the cost of repairs:—

Name of boat	Date of commencement of repairs	Date of completion of repairs	Time taken (in months)	Cost of repairs	
				Estimated	Actuals
Ganga	May 1973	April 1974	11	0.43	0.71
President	April 1974	August 1974	4	0.22	0.49
Tharangini	August 1974	March 1975	7	0.40	0.62
Kerala Kumari	May 1975	September 1975	4	..	..
				*	*

* Dry dock repairs of 'Kerala Kumari' were undertaken without preparing an estimate and the actual cost of repairs had not been assessed (November 1976). Government stated (October 1976) that the actual cost of repairs of 'Kerala Kumari' was being assessed and that strict instructions had been issued to the Water Transport Officer to prepare estimates before undertaking dry dock repairs to boats. Further developments are awaited (March 1977).

The Officer-in-charge of the Section stated (July 1976) that absence of experienced personnel to prepare realistic estimates and non-adoption of scientific methods to watch the execution of work were the reasons for the actual cost exceeding the estimates.

Government stated (October 1976) that estimates for dry dock repairs were prepared before dismantling the structures and in some cases extensive replacement of planking, ribs and other structural parts of boats were found necessary after actual dismantling. This necessitated the use of more material and labour compared to the original estimates. It was also stated that the upward increase in the price of materials and increase in wages consequent on payment of variable dearness allowance were also responsible for the actual cost exceeding the estimates.

2.11.4. *Expenditure on repairs*

The average expenditure on repairs (including dry docking) and maintenance increased from Rs. 0.34 lakh per boat in 1973-74 to Rs. 0.47 lakh in 1974-75 but decreased to Rs. 0.29 * lakh in 1975-76. The increase in expenditure during 1974-75 was attributed (July 1976) by the Officer-in-charge of the Section to the following:—

- (i) Absence of a time bound programme for dry dock repairs, which necessitated frequent minor repairs to the boats.
- (ii) Non-replacement of old and uneconomic boats.

The decrease in expenditure in 1975-76 was attributable mainly to fall in expenditure under establishment, spare parts, stores, etc. compared to 1974-75.

2.11.5. *Construction of new boats*

The bays in the workshop can be used for construction of new boats or for dry dock repairs. It was observed that up to August 1969, the Corporation had constructed four boats (passenger capacity: 556) at a total cost of Rs. 3.22 lakhs.

* Provisional.

No new boats were constructed thereafter till September 1973. The site of the old boat yard was transferred to the Cochin Shipyard in September 1970 and the boat yard was shifted to the present site. The facilities were partially utilised for dry dock repairs to one boat in 1971 and two boats in 1972. Government stated (October 1976) that as the site in which the old boat yard was situated was proposed to be transferred to the Cochin Shipyard, the Section could not lay a keel for new construction. It was further stated that the proposal to hand over the ferry services to the Cochin Municipal Corporation was also a contributory factor for not taking up construction of new boats during this period. The following boats were constructed between October 1973 and April 1976:—

Name of boat	Date of commencement of construction	Stipulated date of completion	Actual date of completion	Delay in completion (in months)	Cost of construction	
					Estimated (Rupees in lakhs)	Actual
Aswathi	October 1973	March 1974	April 1975	13	1.23	2.22
Karthika	August 1975	Not fixed	April 1976	..	1.50*	2.16
Third boat (unnamed)	August 1975	Not fixed	Incomplete	..	1.50*	**

The delay in construction of the boat 'Aswathi' was attributed (July 1976) by the Officer-in-charge of the Section to the following:—

- (i) Major dry dock repairs to two boats had to be attended to simultaneously with the construction of this boat, and
- (ii) additional staff posted for construction of the boat was diverted to repair of other boats and for making furniture.

The excess over the estimated cost of construction was attributed by the Officer-in-charge of the Section (June 1976) mainly to increase in wages and cost of material.

* No detailed estimates were prepared. Only a lumpsum was sanctioned for these two boats.

** Actual expenditure could not be ascertained.

According to the Officer-in-charge of the Section (July 1976), detailed estimate and time schedule for completion of the third boat was not prepared for want of experienced personnel. Government stated (October 1976) that the detailed estimate of the boat was under preparation and that the delay in this regard was due to a change in the design from that of boat to a tug for sale to the Kerala Inland Navigation Corporation Limited.

2.12. Manpower

2.12.1. The Section has three divisions, one each for service operations, office administration and workshop operations. The table below indicates the total number of employees in the three divisions, number of boats held, number of employees per boat, total expenditure on pay and allowances, average wage per employee per month and the average revenue collection per employee per month:—

	1973-74	1974-75	1975-76
Number of employees on the roll	265	265	273
Number of boats held	11	11	11
Number of employees per boat	24	24	25
Total expenditure on pay and allowances (Rupees in lakhs)	16.61	20.67	18.36*
Average pay and allowances (including bonus) per employee per month (Rupees)	542	664	575*
Average revenue collection per employee per month (Rupees)	401	470	506*

2.12.2. The staff strength for service operations and workshop operations had been fixed on the basis of the report of a technical committee appointed by the Corporation in September 1967.

* Figures are provisional.

The Committee recommended (October 1967) that for operation of 10 boat schedules per day 47 employees would be required in the workshop (both for maintenance and major repairs). The Section has been operating only 9 schedules per day and the requirement of staff for operating these schedules had not been assessed (March 1977). The staff in position in the workshop was 49 in 1973-74 and 1974-75 and 56 in 1975-76, against 47 recommended for operation of 10 boat schedules per day.

2.12.3. In respect of service operations, the committee recommended the employment of 78 operational staff (syrag, drivers and boatmasters) for 10 boat schedules per day. The table below indicates the crew required for operating 9 schedules on the norms fixed by the technical committee, crew actually employed and the extent of surplus staff during the three years up to 1975-76:—

<i>Category of Staff</i>	<i>Number required as per norms</i>	1973-74		1974-75		1975-76	
		<i>Number actually employed</i>	<i>Surplus</i>	<i>Number actually employed</i>	<i>Surplus</i>	<i>Number actually employed</i>	<i>Surplus</i>
Drivers	24	27	3	26	2	26	2
Syrag	24	26	2	27	3	24	..
Boatmasters	24	25	1	25	1	24	..

Computed with reference to the emoluments drawn on the minimum of the pay scales, the wages paid to the surplus crew during the three years up to 1975-76 totalled Rs. 0.72 lakh (approximately). The Officer-in-charge of the Section stated (August 1976) that it would not be economical to operate all the ten schedules and generally nine schedules only were being operated and the existing staff was necessary for operation of the services. Government stated (October 1976) that the crew on the rolls were barely sufficient for 9 schedules and there was no surplus staff considering the various kinds of leave benefits extended to the employees.

2.12.4. *Engagement of boatmasters*

According to the rules framed by the Public Works Department of the erstwhile Cochin State under the Cochin Public Canals and Backwaters Navigation Act, 1939, boatmasters have to be employed in boats operated in public canals. Operation of boats by the Section is confined to the backwaters for ferrying passengers for which the services of boatmasters are not statutorily required. The licences issued by the Cochin Port Trust for operation of boat services under the Cochin Harbour Craft Rules, 1947 also do not include boatmasters in the list of crew prescribed for each boat. Unlike the boats operated in Public Canals, boatmasters do not issue tickets to the passengers who board the boat from the jetties en route as they are issued by jetty-masters posted at the jetties. It was, however, noticed that boatmasters had been employed on all the boats except one fast passenger boat. Expenditure on the engagement of boatmasters amounted to Rs. 1.23 lakhs (approximately) per annum.

The Officer-in-charge of the Section stated (August 1976) that even though all the boats of the Section are operated in backwaters, boatmasters had been employed mainly to prevent leakage of revenue and to co-ordinate the operation of the boats. It was, however, noticed that separate staff (jetty-masters and ticket examiners) had been employed to issue tickets at the boat jetties and to check passengers at embarkation and disembarkation points.

SECTION XI

KERALA STATE ELECTRICITY BOARD

TRANSMISSION AND DISTRIBUTION

2.13. **Transmission and distribution lines**

2.13.1. The power system in Kerala is purely hydro-electric. All power stations are inter-connected and the whole State is treated as one grid for the purpose of supply of electricity.

The grid is also inter-connected with the neighbouring States of Tamil Nadu and Karnataka. A network of 220, 110, 66, 22 and 11 KV transmission lines transmit the power generated to the distribution centres. Power is distributed mainly through 11 KV and low tension lines.

2.13.2. Electrical energy is distributed retail by the Board, except in Kottayam (up to September 1976), Munnar, Mattancherry and Trichur where it is supplied by the Board in bulk to distributing licensees for redistribution to the consumers. The energy distributed through licensees was the equivalent of 3.3 per cent of the total energy distributed in the State during 1975-76.

The Committee on Public Undertakings (1972-73) in their Tenth Report had recommended (paragraphs 4.13, 4.15, 4.17 and 4.18) termination of licences granted to all licensees except the licensee at Trichur (Trichur Municipality). Up to January 1977, the undertaking of the Kottayam licensee alone had been taken over in October 1976. The Board had stated (June 1975) that the question of enacting an enabling legislation to take over all private electricity undertakings in the State was under consideration of Government. Further developments were awaited (March 1977).

2.13.3. Some aspects of the transmission and distribution system were mentioned in paragraph 4 of Section VIII of the Report of the Comptroller and Auditor General of India for the year 1973-74 (Commercial). Some further aspects and later developments are mentioned below.

2.14. Growth in transmission and distribution

2.14.1. The table below indicates the growth of high tension transmission lines (22 KV and above) as at the commencement

and the end of the Fourth Five Year Plan (1969-74), and as on the 31st March 1976:—

<i>Particulars of line</i>	<i>1st April</i>	<i>31st March</i>	<i>31st March</i>
	1969	1974	1976
	<i>(in circuit kilometres)</i>		
220 KV	316.40	316.40	454.00
110 KV	1068.00	1350.00	1351.60
66 KV	1601.40	1711.25	1728.39
22 KV	160.00	160.00	160.00

It will be seen that the high tension transmission network had not expanded significantly in 1974-75 and 1975-76; during the Fourth Plan, too, only 110 and 66 KV transmission lines had been extended by 282 and 110 circuit kilometres respectively.

2.14.2. The table below indicates the growth in the electricity distribution system as at the end of the different Plan periods and March 1976:—

	<i>First Five Year Plan (1951-56)</i>	<i>Second Five Year Plan (1956-61)</i>	<i>Third Five Year Plan (1961-66)</i>	<i>Annual Plans (1966-69)</i>	<i>Fourth Five Year Plan (1969-74)</i>	<i>31st March 1976</i>
1. Length of 11 KV lines constructed (in km)	1,733	5,209	6,327	7,046	9,447	10,184
2. Length of 6.6 KV and 3.3 KV lines constructed (in km)	(Not available)			35	38	38
3. Number of distribution transformers	845	2,898	4,080	4,907	8,285	8,994
4. Length of L.T. lines* constructed (in thousands of kilometres)	2.3	8.9	14.2	17.0	26.0	28.5
5. Number of street lights installed (in lakhs)	0.25	0.83	1.07	1.45	2.74	2.80
6. Number of service connections (in lakhs)	0.80	1.75	3.24	4.39	7.77	9.10

2.15. Outlay and physical achievements

2.15.1. The Board lacks a co-ordinated programme for matching the development of generation, transmission and distribution systems to ensure availability of sufficient transmission and distribution facilities with the growth in generating

* Represents supply at 415 and 230 volts.

capacity. Up to 31st March 1969 (i. e. at the beginning of the Fourth Plan), Rs. 6580.56 lakhs had been invested on generation, Rs. 1005.20 lakhs on transmission and Rs. 2811.94 lakhs on distribution of electricity. The emphasis in the power development programme during the first three plan periods was on creating surplus generating capacity; transmission and distribution schemes came to be accorded lower priority. With the commissioning of the Sabarigiri (1967-68) and Sholayar (1968-69) hydro-electric projects, the Board found in March 1971 that the transmission system was insufficient to cope with the additional generating capacity created. The imbalance in the power system was sought (March 1971) to be remedied by strengthening and expanding the transmission and distribution system during the Fourth Plan period at an estimated cost of Rs. 51.08 crores.

2.15.2. *Transmission schemes:* The details of the transmission lines and sub-stations scheduled to be completed and actually completed during the Fourth Plan as well as the first two years (1974-75 and 1975-76) of the Fifth Plan were:—

Particulars	Fourth Five Year Plan		Fifth Five Year Plan			
			1974-75		1975-76	
	Works Scheduled to be completed	Actual	Works Scheduled to be completed	Actual	Works Scheduled to be completed	Actual
Lines (circuit kilometres)						
220 KV	445.00	..	*	..	*	137.60
110 KV	461.50	282.00	*	..	*	1.60
66 KV	712.00	109.85	*	..	*	17.14
Sub-stations (numbers)						
220/110 KV	2	..	..	..	..	..
110/66 KV	8	..	..	..	2	..
110/11 KV	3	..	1	..	1	..
66/11 KV	44	18	5	1	10	4

* Year-wise plans for laying of lines have not been formulated. The total length of lines proposed to be added during the Fifth Plan period is as follows:—

220 KV lines—215.60 circuit km.

110 KV lines—835.99 circuit km.

66 KV lines—970.71 circuit km.

Despite the emphasis given to transmission schemes, the physical progress achieved during the Fourth Plan and the first two years of the Fifth Plan was less than planned. According to the monthly progress reports submitted by the Board to Government, the poor progress was because of delays in the construction of lines and in selection and acquisition of sites for sub-stations.

2.15.3. The table below indicates the details of some lines (scheduled to be completed by the 31st March 1974), where the progress was poor:—

<i>Particulars of line</i>	<i>Distance (in kilometres)</i>	<i>Estimated cost (Rupees in lakhs)</i>	<i>Expenditure as booked ** up to 31st March 1976 (Rupees in lakhs)</i>	<i>Progress at the end of March 1976</i>
110 KV Edamon-Trivandrum line	51.88 DC*	90.00	40.99	Out of 176 locations, tower erection had been completed in 65 locations and earthing at 96 locations. Towers to be erected at the remaining locations were awaited from the suppliers.
110 KV Kundara-Edamon line	37.28 SC*	50.00		
110 KV Kalamassery-Vaikom line	44.19 DC	75.00	0.41	Supply of power conductors was in progress. Survey and profile marking had been completed.
110 KV West Hill tap line	6.20 SC	8.00	0.03	Route map was approved in October 1974. Contract for the work was awarded in April 1976. Survey of the line had not been completed by the contractors (April 1977).

*DC denotes double circuit lines.

*SC denotes single circuit lines.

**Expenditure figures do not include amounts booked under suspense heads which had not been debited to the specific works accounts.

<i>Particulars of line</i>	<i>Distance (in kilo- metres)</i>	<i>Estimated cost (Rupees in lakhs)</i>	<i>Expendi- ture as booked** up to 31st March 1976 (Rupees in lakhs)</i>	<i>Progress at the end of March 1976</i>
110 KV Payyannur tap line	2.00 SC*	4.00	0.02	Work had not been started.
66 KV Malappuram -Nilambur line	34.37 SC	35.00	4.34	Out of 114 locations, excavation had been completed at 69 locations and stub setting at 65 locations. Out of these, earthing and tower erection had been completed in 35 locations.
66 KV Cannanore-Mattannur line	21.00 SC	25.00	0.15	Towers and line materials except insulators were ordered in September 1974. Route map was yet to be finalised.
66 KV Sultan Battery tap line	13.00 SC	17.50	0.12	Route map was approved in October 1973. Towers and conductors were ordered in September 1974. Work had not started.
66 KV Kuttikattoor-Nallalam line	8.24 DC*	16.00	0.01	Work had not started.
66 KV Pathanamthitta-Adoor line	16.00 SC	14.90	0.33	Site was taken over only in January 1976.

It was stated by the Management (October 1976) that these works, included in the Fourth Plan proposals for power development, could not be completed due to delay in (i) acquisition of land and (ii) finalisation of location of sub-stations, route map and contracts for the supply of materials and equipment for transmission lines and sub-stations.

2.15.4. The budgeted and the actual expenditure on transmission schemes during the Fourth Plan period and the

*DC denotes double circuit lines.

*SC denotes single circuit lines.

**Expenditure figures do not include amounts booked under suspense heads which had not been debited to the specific works accounts.

first two years of the Fifth Plan (1974-75 and 1975-76) were:—

<i>Particulars</i>	<i>Budgeted expenditure</i>	<i>Actual expenditure</i> (Rupees in lakhs)	<i>Excess (+)/ Savings (—)</i>	
Transmission schemes (within the State)				
1969-74	1721.66	1660.57	(—)	61.09
1974-75	290.00	328.48	(+)	38.48
1975-76	620.00	212.34	(—)	407.66
Inter-State transmission schemes				
1969-74	217.00	193.32	(—)	23.68
1974-75	125.70	124.20	(—)	1.50
1975-76	152.00	145.15	(—)	6.85

The reasons for expenditure being less than the budget estimates, especially on transmission schemes (within the State) during 1975-76 called for from Government and Board in November 1976 are awaited (March 1977).

2.15.5. *Distribution schemes*

Details of 11 KV lines, low tension (LT) lines, villages to be electrified, street lights and service connections programmed and actually completed during the Fourth Plan period and the first two years of the Fifth Plan (1974-75 and 1975-76) were:—

<i>Particulars</i>	<i>Fourth plan (1969-74)</i>		<i>Fifth plan (1974-75 and 1975-76)</i>	
	<i>Scheduled to be completed</i>	<i>Actuals</i>	<i>Scheduled to be completed</i>	<i>Actuals</i>
11 KV lines (km)	5,100	2,401	Not fixed	737
LT lines (km)	4,400	9,016	Not fixed	2,509
Villages to be electrified (numbers)	436	238	40	34
Street lights (in lakhs)	1.50	1.29	0.04	0.06
Service connections (in lakhs)	3.50	3.38	1.04	1.33

Considering the inadequate growth of low tension lines as compared with the growth of generating capacity during 1967-68 to 1971-72, the Committee on Public Undertakings, in paragraph 10.20 of their Tenth Report (1972-73), observed that to cope with the installed capacity, the addition of low tension (LT) lines to the distribution system should have been 6,000 kms. per annum from 1968 onwards. The actual addition of LT lines to the system during the four years (1972-73 to 1975-76) was only 6,535 kms. or an average of 1,634 kms. per annum. As a result, the output capability of the generating stations during 1972-73 to 1975-76 (11442 million units) remained underutilised to the extent of about 1138 million units.

2.15.6. Budgeted and actual expenditure on distribution schemes during the Fourth Plan period and the first two years of the Fifth Plan (1974-75 and 1975-76) were:—

<i>Period</i>	<i>Budgeted expenditure</i>	<i>Actual expenditure</i>	<i>Excess(+)/ Savings(—)</i>
	<i>(Rupees in lakhs)</i>		
Fourth Five Year Plan			
1969-74	2732.35	3006.63	(+)274.28
Fifth Five Year Plan			
1974-75	335.00	283.45	(—) 51.55
1975-76	850.00	324.76	(—)525.24

The reasons for the variations between the budgeted expenditure and the actuals called for from Government and Board in November 1976 are awaited (March 1977).

2.16. Analysis of lines

The year-wise distribution of 11 KV and low tension lines, total number of high tension and low tension service connections

and connected load per kilometre of line as at the end of each year from 1969-70 to 1975-76 are indicated below:—

<i>Year</i>	<i>Length of 11 KV and low tension line (km)</i>	<i>Number of service connections (in lakhs)</i>	<i>Average number of connections per kilometre of line</i>	<i>Total connected load (in lakhs of Kws)</i>	<i>Average connected load per kilometre of line (kw)</i>
(1)	(2)	(3)	(4)	(5)	(6)
1969-70	25,671	4.86	19	8.36	32.56
1970-71	27,704	5.43	20	8.80	31.75
1971-72	30,255	6.38	21	10.51	34.74
1972-73	33,351	7.11	21	11.28	33.82
1973-74	35,415	7.77	22	12.31	34.77
1974-75	36,576	8.25	22	13.00	35.55
1975-76	38,661	9.10	24	14.05	36.35

The average number of service connections per kilometre of the line was static during 1972-73 and 1974-75. The Fourth Five Year Plan proposals of the Board (March 1971) envisaged 3.5 lakh service connections with an addition of 9500 kms. of 11 KV and low tension lines, which worked out to an average of 37 connections per kilometre of line. The actual addition to the number of service connections during the period was 3.38 lakhs with an addition of 11417 kms. of line. The average service connections per kilometre of line added was only 30. No target for extension of the line was fixed during the first two years of the Fifth Plan. However, the average service connections per kilometre of the additional length of the line laid during this period was 41.

2.17. Analysis of facilities

The transmission and distribution facilities built up, units sold and revenue earned during the Fourth Plan and the

subsequent two years were:—

	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76
(i) Total installed generating capacity at the end of the year (MW)	546.5	546.5	546.5	621.5	621.5	621.5	751.5
(ii) Total length of lines (km)	28964	31118	33741	36885	38991	40152	42393
(iii) Capacity of power transformers at sub-stations and generating stations (MVA)	1513.875	1659.875	1889.955	1971.375	2012.625	2050.625	2409.120
(iv) Capacity of distribution transformers (MVA)	400.443	433.153	479.003	539.680	566.260	581.010	622.400
(v) Number of service connections:—							
(a) Total (in lakhs)	4.86	5.43	6.38	7.11	7.77	8.25	9.10
(b) Average per km of line	17	17	19	19	20	21	21
(c) Per MVA of distribution transformer	1214	1253	1332	1318	1372	1421	1463
(vi) Units sold							
(a) Total (MKWH)	1738.70	1870.47	1901.50	2030.31	2105.03	2202.99	2330.80
(b) Average per kilometre of line (KWH)	60028	60108	56356	55045	53987	54866	54981
(c) Average per MVA of distribution transformer (MKWH)	4.34	4.32	3.97	3.76	3.72	3.79	3.74

While the total number of service connections increased, the average units sold per kilometre of line and per MVA of distribution transformer declined from 1971-72 onwards compared to the figures for 1969-70 and 1970-71.

2.18. Inter-State transmission lines

2.18.1. Mention was made in paragraph 4.06 of Section VIII of the Report of the Comptroller and Auditor General of India for the year 1973-74 (Commercial), of delays in construction of two 220 KV inter-State lines (Centrally sponsored), one from Moozhiyar to Kayathar (Tamil Nadu) and another from Idukki to Hootgalli (Karnataka). The former line was completed in December 1975. The line from Idukki to Hootgalli was proposed to be completed by April 1977.

The following further points were noticed (January 1976) in audit in respect of this line:—

(i) *Survey work:* The Board sanctioned (October 1973) six posts of first grade overseers for carrying out the survey work for the line. These posts were filled between December 1973 and January 1974. Only reconnaissance survey was completed between January and March 1974 as scheduled. The preliminary and detailed surveys, which followed the reconnaissance survey, were entrusted to contractors between October 1974 and December 1975, at a cost of Rs. 4.85 lakhs. In September 1974, the Executive Engineer, 220 KV Line Construction Division, informed the Chief Engineer that the six posts of surveyors (first grade overseers) would be redundant as the preliminary and detailed surveys for the line were being entrusted to contractors. The Superintending Engineer of the Circle reported to the Chief Engineer in December 1976 that during April 1974 to December 1975, the services of the surveyors were utilised for directing the preliminary and detailed surveys and that from January 1976 onwards, they were engaged for stub setting and other construction works. It may be mentioned that the stub setting and other construction works had also been entrusted to the contractors entrusted with the preliminary and detailed surveys. The Board is spending Rs. 4,200 per month on pay and allowances of these surveyors.

The Committee on Public Undertakings recommended (March 1973) in their Tenth Report (paragraph 9.7) that survey works should be done departmentally and not be given on contract. The Board did not indicate the reasons for giving the preliminary

and detailed surveys of the line on contract and stated (October 1976) that they had recently adopted the policy of conducting the complete survey departmentally, as recommended by the Committee.

(ii) *Issue of steel:* The contract for the design, fabrication, testing and supply of 795 towers for the line was awarded (November 1974) to a firm of Bombay on the basis of tenders finalised in August 1974. The firm was to procure the steel required for the fabrication of towers. However, 6378 tonnes of steel valued at Rs. 99.24 lakhs were shown as issued to the line work between January and March 1975 in the accounts of the Central Stores Division, Alwaye, though the steel was not physically transferred to the work. As this is a Centrally sponsored scheme, an effect of this transfer was that more Central assistance was obtained in 1974-75 than was strictly due on the basis of the correct expenditure. The Chief Engineer of the Board stated (March 1976) that as the steel was not actually required for the line work, it was not actually transferred to the work. It was further stated that steel required on other works executed departmentally and through contractors was being issued from this lot, crediting its value to the line. The value of steel charged to the work, but not utilised up to November 1976, was Rs. 65.73 lakhs. Further developments are awaited (March 1977).

2.18.2. *Delay in energisation of completed lines*

Delays were noticed in energising some major transmission lines after they were completed, as for instance:—

<i>Line</i>	<i>Month of completion</i>	<i>Month of energisation</i>	<i>Total expenditure on the line up to March 1976 (Rupees in lakhs)</i>	<i>Reasons</i>
1. Inter-State line (220 KV) from Moozhayar to Edamon (to be connected to Kayathar in Tamil Nadu)	December 1975	Not energised (April 1977)	181.20	Permission sought for from Forest Department in November 1975 for cutting of trees along the route of the line was received in February 1976. Auction of the trees and arrangements for cutting them are pending with the Forest Department from March 1976.

<i>Line</i>	<i>Month of completion</i>	<i>Month of energisation</i>	<i>Total expenditure on the line up to March 1976</i> (Rupees in lakhs)	<i>Reasons</i>
2. Tap line (110 KV) to Viyyur from Chalakudy-Shoranur feeder	January 1976	August 1976	15.33	Application was sent to the Electrical Inspectorate for inspection and approval of the line in September 1975 when the line work was in progress. Approval of the Inspectorate was received in July 1976.
3. Double circuit line (110 KV) from Shoranur to Palghat	January 1971	One Circuit in February 1971 and the other in January 1976	24.92	The circuit energised in February 1971 was charged at 66 KV. The work of charging this circuit at 110 KV was reported to be in progress (April 1977). The other circuit was charged at 110 KV in January 1976. Reasons for charging the first circuit at 66 KV instead of at 110 KV and the reasons for the delay in energising the second circuit are awaited (April 1977).
4. Ettumanoor-Palai Line (66 KV)	February 1976	Not energised (April 1977)	1.92	Approval sought for in January 1976 from the Central Power Telecommunication Co-ordination Committee for the route was received in January 1977. Protective devices for energising the line on commercial basis had not been fitted by the Divisional Engineer, Telegraphs, Kottayam (April 1977).
5. Tap line (66 KV) to Kozhinjampara	February 1975	December 1975	2.23	Sanction for energising the line sought for from Electrical Inspectorate in June 1975 was received in September 1975.

2.19. Interruptions

The Committee on Public Undertakings in paragraph 10.15 of their Tenth Report recommended (March 1973) that suitable instructions should be issued to set right power interruptions within the minimum possible time. Accordingly, the Board issued instructions (February 1974) to make arrangements for attending to interruptions in power supply promptly and diligently.

The average duration of power interruption which was 30 minutes in 1974-75, however, increased to 73 minutes in 1975-76 on Extra High Tension and High Tension lines though the number of interruptions decreased, as will be seen from details below:—

Reasons	1974-75			1975-76		
	Number	Duration		Number	Duration	
		Hours	Minutes		Hours	Minutes
(i) Transient fault	1008	19	01	723	17	46½
(ii) Malfunctioning of relays	6	2	56	1	0	04
(iii) External agency	26	154	13	3	0	56
(iv) Break-down of line equipment	43	365	59½	56	982	57
(v) Other reasons	106	55	22½	48	15	25½
(vi) Total	1189	597	32	831	1017	09
(vii) Average duration of power interruption			30			73

The increase in the number and duration of interruptions because of break-down of the line equipment in 1975-76 was attributed (October 1976) by the Chief Engineer (Electricity) to break-down of current transformers at Pallivasal Power station.

2.20. System loss

2.20.1. The Central Water and Power Commission, while stressing the need for reducing the system loss, had recommended (April 1967) a norm of 15 per cent as the transmission and distribution loss for the system as a whole. The Commission had also stressed that efforts should be made to restrict the system loss to less than 10 per cent. With this end in view, the Board proposed (July 1970) an investment of Rs. 210 lakhs in the Fourth Five Year Plan for installation of capacitor banks and condensers in the system. But no expenditure was incurred during the Fourth Plan period (*cf.* paragraph 2.20.5).

2.20.2. The table below indicates the details of energy generated, energy used by power station auxiliaries, system loss, etc. for the three years up to 1975-76:—

	1973-74	1974-75	1975-76
	<i>(in million Kwh)</i>		
(i) Energy generated (gross)	2510.50	2659.16	2783.28
(ii) Energy used by power station auxiliaries	23.30	23.57	22.19
(iii) Energy generated (net)	2487.20	2635.59	2761.09
(iv) Energy purchased from other States to meet emergencies	1.23	1.02	2.36
(v) Energy available for supply	2488.43	2636.61	2763.45
(vi) Energy sold to ultimate consumers	2105.03 (84.6)	2202.99 (83.6)	2330.80 (84.3)
(v i) Energy lost in transformation, distribution and unaccounted for	383.40 (15.4)	433.62 (16.4)	432.65 (15.7)

Note:—Figures in brackets denote percentage with reference to item (v).

2.20.3. According to the minutes of discussion (December 1975) of the Board with the Planning Commission in connection with the resources for annual plan (1976-77), only 13.5 per cent system loss was anticipated for 1975-76 on the basis of Rs. 328 lakhs invested on system improvement by the Board in 1974-75. The loss for 1975-76 was, however, 15.7 per cent. The value of energy lost in excess of 13.5 per cent computed on the basis of the

average revenue realised was Rs. 74.18 lakhs. The high incidence of the system loss was mainly due to delay in purchase and installation of capacitor banks, of which some details are mentioned in paragraph 2.20.5 below.

2.20.4. As mentioned in Section VIII of the Report of the Comptroller and Auditor General of India for the year 1973-74 (Commercial), the Board has not segregated the system loss during transmission, transformation and distribution for want of metering facilities; the Board had also not conducted a comprehensive study on system losses (March 1977). In a study conducted by the Board in Trivandrum City in December 1975, the system loss was found to be 29 per cent. The reasons, for the abnormally high loss, asked for from Government and Board in November 1976 are awaited (March 1977).

2.20.5. *Purchase of capacitor banks*

(i) Consequent on the Board's decision to install capacitor banks for reducing the system loss, the Board, on the basis of tenders, placed an order (July 1972) for supply of three 4 MVAR capacitor banks with accessories (cost: Rs. 17.36 lakhs) with the Bharat Heavy Electricals Limited, Bhopal Unit (BHEL). The capacitor banks were manufactured in February 1973 and the routine tests for output, voltage, insulation resistance and capacitance were conducted (February 1973) at the manufacturer's works under the supervision of the Board's engineers. In spite of a request (June 1973) from BHEL to depute the Board's engineers to witness the stability test, the Board did not send its engineers but accepted (August 1973) the test reports of the suppliers. According to the order, the entire supply should have been completed by June 1973.

Out of the three 4 MVAR capacitor banks received (March 1974), two were installed and commissioned in two sub-stations in November 1975 and April 1976. The Chief Engineer (Electricity) stated (February 1977) that the third capacitor bank (Value: Rs. 5.79 lakhs) was ready for commissioning. Information regarding the date of commissioning is awaited

(March 1977). The delay in erection of the capacitor banks was attributed (February 1977) by the Chief Engineer (Electricity) to delay in receipt of erection pamphlets and replacements for damaged items or items not supplied or lost in transit.

Of the two 4 MVAR capacitor banks commissioned, a capacitor bank of 1 MVAR (part of one 4 MVAR) in each sub-station failed in January and April 1976 and only 3 MVAR capacitor banks were reported (October 1976) to be working in each sub-station. The engineers deputed by BHEL, who inspected the capacitor banks in September 1976, observed that the reactor of the capacitor banks had absorbed a lot of moisture during the long period of storage and had to be dried out to improve insulation.

The capacitor banks were guaranteed for satisfactory performance for a year from the date of supply. The guarantee period of the capacitor banks expired in March 1975. The Chief Engineer (Electricity) stated (February 1977) that BHEL had promised to replace the faulty units free of cost and that, out of 9 faulty units, replacement for five had been received at the site.

(ii) The Board placed another order (July 1972) on a private firm of Poona for supply of thirty six 500 KVAR capacitor banks with accessories (total capacity:18 MVAR) at Rs. 11.34 lakhs. The supply was to be completed by March 1973. In July 1973, the delivery period was extended up to September 1973. The firm had furnished a bank guarantee for Rs.1.13 lakhs for successful completion of the contract.

A proto-type of the capacitor bank sent (September 1972) by the firm was approved by the Chief Engineer in October 1972. The drawings forwarded by the firm in October 1972 were finally approved by the Chief Engineer in February 1973. Meanwhile, the firm requested (January 1973) the Chief Engineer to arrange inspection of a consignment kept ready for despatch. In October 1973, the Chief Engineer directed the firm to conduct the test themselves and forward the test reports for approval. The test reports forwarded by the firm between October 1973 and January 1974 were approved by the Chief Engineer between December 1973 and February 1974.

In December 1973, the firm informed the Board that they would supply only eight 500 KVAR capacitor banks at the rates specified in the purchase order and demanded 22 per cent increase in price for the other twenty-eight, though there was no price escalation clause in the purchase order. The Board decided (March 1974) to accept eight 500 KVAR capacitor banks and cancel the order for the balance. The firm did not supply even eight capacitor banks and requested (September 1975) the Board to cancel the entire order. The bank guarantee furnished by the firm expired on the 1st January 1974 and was not renewed. The Board directed (June 1975) the Chief Engineer to fix the responsibility for this lapse; no action had been taken in this regard (March 1977).

According to the Law Officer of the Board (June 1975), the Board could not proceed against the firm due to delay in approving the drawings, testing the equipment kept ready and failure to take decisions at the appropriate time.

It was observed in audit that 8 kiosks, intended to be used with the capacitor banks, were purchased in March 1974 at a cost of Rs. 2.57 lakhs from BHEL and were lying idle (January 1977). The Chief Engineer stated (October 1976) that the kiosks would be utilised on procurement of capacitor banks. Further developments are awaited (March 1977).

2.21. Repair of transformers

2.21.1. Up to April 1968, the Board had only one workshop at Pallom for repair of defective or damaged transformers. As the workshop could repair only 8 to 10 transformers a month, the Board set up in May 1968 another workshop at Shoranur. Heavy accumulation of defective and damaged transformers awaiting repairs in the workshops was mentioned in paragraph 90 of the Audit Report, 1969 and paragraph 84 of the Report of the Comptroller and Auditor General of India for the year 1970-71. The Committee on Public Undertakings in paragraph 69 of their Eleventh Report (October 1973) urged the Board to take early steps to augment the facilities for repairing transformers not only by increasing the capacity of the existing workshops but also by opening new workshops at suitable places.

The Committee was informed (September 1973) that a new workshop at Trivandrum would be started within six to seven months. In fact the workshop was set up in July 1976. It was noticed that the scheme for the setting up of this workshop, submitted by the Chief Engineer (Electricity) in May 1974, was approved by the Board in May 1976.

2.21.2. The number of faulty transformers received for repairs, the number actually repaired and those awaiting repairs at the workshops at Pallom and Shoranur in the three years up to 1975-76 were:—

(Figures in numbers)

Year	Pallom				Shoranur			
	Opening balance	Received	Repaired	Closing balance	Opening balance	Received	Repaired	Closing balance
1973-74	377	336	123	590	528	160	109	579
1974-75	590	476	153	913	579	196	135	640
1975-76	913	453	344	1022	640	307	231	716

While 1553 transformers were awaiting repairs at the end of 1974-75 in these workshops, the Board purchased 424 transformers of different ratings during 1975-76 at a total cost of Rs. 62.23 lakhs (excluding sales tax and price variations).

According to the Chief Engineer (August 1975), the workshops could repair only 30 transformers per month. The average number of transformers repaired varied between 19 in 1973-74 and 24 in 1974-75. The reasons for the low out-turn in the workshops have not been furnished by the Board. From September 1975, the capacity of the two workshops was increased to 65 transformers per month. As there was a heavy accumulation of faulty transformers in the workshops, the Board decided (June 1975) to place trial orders with private firms for repair of transformers. Between July 1975 and June 1976, orders were placed, after negotiation, with four firms for repairing 222 faulty transformers. Out of these, 204 transformers were received back after repair up to November 1976. Repairs of the remaining transformers were reported (January 1977)

by the Chief Engineer to be in progress. The expenditure incurred on repairing 172 transformers (for which invoices were received) amounted to Rs. 7.66 lakhs.

While reviewing the payments made to the firms for repair of transformers in the Electrical Division, Ernakulam, the Chief Engineer (Electricity) observed (May 1976) that the repair charges for some of the transformers were very high compared to the cost of new transformers and in some other cases, the repair charges were in fact more than the cost of new transformers. The amounts charged by one firm for repairing 3 transformers of 150 KVA capacity each were Rs. 11,368, Rs. 20,956 and Rs. 22,160, while the cost of a new transformer of similar capacity was around Rs. 13,000.

The Board stated (October 1976) that consequent on the formation of the third workshop at Trivandrum in July 1976, dependence on private agencies for repair would be gradually reduced. The Board further stated that after providing additional staff and workers, the target for repair of transformers in each workshop had been fixed at 50 per month from April 1976 and that the backlog of faulty transformers was expected to be cleared in two years.

2.21.3. An investigation into the causes of failure of transformers, conducted by the Chief Engineer (Electricity) between October 1975 and February 1976, revealed that most of the defects were due to lack of periodical maintenance. Instructions were issued (February 1976) to all Superintending Engineers and Executive Engineers to arrange, during inspections, for periodical maintenance and to take suitable disciplinary action against delinquents.

2.22. Cost trends

2.22.1. The quantum of energy sold and the cost (excluding interest charges) of transmission and distribution per unit at

various supply points for the three years up to 1975-76 were:—

Particulars of supply point	1973-74		1974-75		1975-76	
	Quantum of energy sold (in MKWH)	Cost (paise per KWH)	Quantum of energy sold (in MKWH)	Cost (paise per KWH)	Quantum of energy sold (in MKWH)	Cost (paise per KWH)
Transmission—high and extra high voltage	1272.81	1.078	1322.65	1.137	1315.56	1.397
Distribution—high voltage	328.94	3.122	327.43	3.846	361.52	4.432
Distribution—medium and low voltage	503.28	25.418	552.91	27.321	653.72	24.883
Total	2105.03	..	2202.99	..	2330.80	..

The cost of transmission at high and extra high voltages increased by 5.5 per cent in 1974-75 and 22.9 per cent in 1975-76 over that in the immediately preceding years. The increase in cost in 1975-76 was mainly due to increase in establishment charges.

The cost of distribution at high voltage increased by 23.2 per cent in 1974-75 and 15.2 per cent in 1975-76 over that in the immediately preceding years. The increase in cost was due to increase in establishment charges and maintenance charges in sub-stations.

The cost of distribution at medium and low voltage increased by 7.5 per cent in 1974-75 but decreased by 8.9 per cent in 1975-76 over that in the immediately preceding years. The decrease in cost in 1975-76 was, it appears, mainly due to an increase in the quantum of energy sold at these points.

2.22.2. Expenditure incurred on operation and maintenance per route kilometre of transmission and distribution

line and the revenue earned during the five years up to 1975-76 were:—

<i>Particulars</i>	1971-72	1972-73	1973-74	1974-75	1975-76
Length of line (route km)	30405	33399	35437	36273	38723
Operation and maintenance charges (Rupees in lakhs)					
(a) Transmission	142.94	177.12	206.33	230.01	305.23
(b) Distribution	918.73	1143.19	1507.64	1808.59	2033.27
Total	1061.67	1320.31	1713.97	2038.60	2338.50
Revenue earned (Rupees in lakhs)	1904.97	2090.61	2327.37	2598.76	2902.12
Revenue per route km of line (Rupees)	6265	6259	6568	7164	7495
Expenditure per route km of line (Rupees)	3492	3953	4837	5620	6039

[Notes:—1. Prior period depreciation of Rs. 69.30 lakhs provided for in 1975-76 has been excluded from calculation.

2. Interest charges excluded from operation and maintenance charges.

While the operation and maintenance expenditure (excluding interest) per route km of line in 1975-76 increased by Rs. 2547 (73 per cent) as compared to that in 1971-72, the increase in revenue per route km in the corresponding period was only Rs. 1230 (20 per cent).

2.23. Other points of interest

2.23.1. *Purchase of power transformers:* To meet the requirement of Mangad and Payyannur sub-stations, the Board, on the basis of tenders, placed in August 1973 a telegraphic order, followed by a detailed order in November 1973, on a firm of Bangalore for supply of two 10 MVA power transformers at Rs. 5.47 lakhs each. The telegraphic order was issued to ensure acceptance of the order within the validity period. The price was subject to variation based on the IEMA price variation formula with the basic rate prevailing on 1st February 1973 and subject to variation up to a ceiling of plus or minus 10 per cent.


According to the order, delivery was to be completed within 14 to 16 months after the detailed purchase order was placed. While acknowledging the detailed order in December 1973, the firm admitted that the order was placed within the validity period of their quotation and they had no case for claiming price revision. The firm, however, explained that in the intervening period between the telegraphic order and the detailed order, the price of raw materials had gone up and requested for an increase of 10 per cent in their quoted price or that the price be brought up-to-date by applying the price variation formula with IEMA basic rate from 1st October 1973. No settlement was reached on the claims for price fluctuations and the Law Officer of the Board to whom the matter was referred (May 1975), stated (June 1975) that "The detailed purchase order was placed on 3rd November 1973. So the two transformers were to be supplied at the latest in March-April 1975. Assuming that the prices have exceeded the 10 per cent limit, the price of one unit works out to Rs. 6,02,250. Under the contract, the Company is bound to supply the two units ordered at Rs. 12,04,500".

The Purchase Committee of the Board, taking into account the market price of transformers and the favourable delivery period offered by the firm, decided (September 1975) to allow price fluctuations on the IEMA formula without ceiling subject to the grant of a rebate of 10 per cent (on the price so arrived at) by the suppliers. The transformers were supplied by the firm in June 1976 and the price of each was fixed at Rs. 7.86 lakhs, as approved by the Purchase Committee.

The fixation of the price on the above basis resulted in an extra expenditure of Rs. 3.86 lakhs (including excise duty of Rs. 0.04 lakh and sales tax of Rs. 0.15 lakh). The remarks of Government and Board called for in November 1976 are awaited (March 1977).

2.23.2. The Board accorded (April 1971) sanction for extension of the 110 KV line from Kalamassery to Vytilla at an estimated cost of Rs. 44 lakhs. According to the route for the line approved (January 1974) by the Chief Engineer (Electricity), the line was to pass over land acquired by the State Government for effecting improvements to a navigation canal.

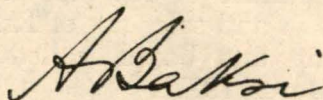
The Board constructed (October 1974) a masonry platform on the land at a cost of Rs. 0.33 lakh, for erection of a tower without obtaining Government's permission. At the request (August 1975) of the Irrigation Department, demolition of the masonry platform at an estimated cost of Rs. 0.10 lakh was ordered by the Chief Engineer of the Board and the route was diverted by 25 metres with the concurrence of the Irrigation Department. The platform had not been demolished (March 1977). The loss to the Board would amount to Rs. 0.43 lakh (including the estimated cost of demolition).

R. k. a. 

Trivandrum,
The 24TH JUNE 1977

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

Countersigned



New Delhi,
The 28TH JUNE 1977

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

ANNEXURES

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ANNEXURE—A

(Referred to in paragraph 4 of the prefatory remarks)

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

<i>Sl. No.</i>	<i>Name of the Company</i>	<i>Total investment up to the end of 1975-76 (Rupees)</i>
1.	Punalur Paper Mills Limited	13,26,767
2.	The Travancore Rayons Limited	35,62,500
3.	The Indian Aluminium Company Limited	21,20,008
4.	Premier Tyres Limited	60,00,000
5.	Parry and Company Limited	13,50,000
6.	Madura Coats Limited	19,94,677
7.	Apollo Tyres Limited	25,00,000

ANNEXURE

Summarised financial results of*(Referred to in paragraph 1.01.2.*

<i>Sl. No.</i>	<i>Name of the Company</i>	<i>Name of the department</i>	<i>Date of incorporation</i>	<i>Accounts for the year ended</i>	<i>Total capital invested (A)</i>
(1)	(2)	(3)	(4)	(5)	(6)
1	The Travancore Sugars and Chemicals Limited	Industries	23-6-1937	30-4-1975	59.18
2	Forest Industries (Travancore) Limited	Industries	10-8-1946	31-3-1976	28.78
3	Travancore Titanium Products Limited	Industries	18-12-1946	31-12-1975	829.91
4	United Electrical Industries Limited	Industries	3-10-1950	31-12-1975	72.39
5	The Travancore-Cochin Chemicals Limited	Industries	8-11-1951	31-3-1976	1590.21
6	Pallathra Bricks and Tiles Limited	Industries	21-12-1957	31-3-1976	23.99
7	Traco Cable Company Limited	Industries	5-2-1960	31-3-1976	214.67
8	Kerala State Small Industries Corporation Limited	Industries	21-7-1961	31-3-1975	131.45
9	Kerala State Industrial Development Corporation Limited	Industries	21-7-1961	31-3-1976	..
10	The Kerala Premo Pipe Factory Limited	Local Administration and Social Welfare	12-9-1961	31-3-1974	25.50
11	The Plantation Corporation of Kerala Limited	Agriculture	12-11-1962	31-3-1976	863.41

—B

Government Companies

of Section I)

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

<i>Profit (+) Loss (-)</i>	<i>Total interest charged to profit and loss account</i>	<i>Interest on long- term loans</i>	<i>Total return on capital invested (Columns 7+9)</i>	<i>Percentage of total return on capital invested</i>	<i>Capital employed (B)</i>	<i>Total return on capital employed (Columns 7+8)</i>	<i>Percentage of total return on capital employed</i>
(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(+) 0.98	0.58	..	(+) 0.98	1.66	90.61	(+) 1.56	1.72
(+) 4.85	..	..	(+) 4.85	16.85	28.55	(+) 4.85	16.99
(+) 2.56	38.92	38.35	(+)40.91	4.93	748.06	(+)41.48	5.55
(-) 13.02	(D) 10.11	1.77	(-)11.25	..	114.94	(-) 2.91	..
(-)134.18	60.89	60.89	(-)73.29	..	1588.98	(-)73.29	..
(-) 2.51	(D) 0.83	0.59	(-) 1.92	..	4.40	(-) 1.68	..
(+) 13.81	14.78	9.12	(+)22.93	10.68	226.51	(+)28.59	12.62
(+) 17.93	5.58	5.58	(+)23.51	17.88	154.23	(+)23.51	15.24
(+) 21.61	32.30	32.17	..	..	(C) 1071.74	(+)53.91	5.03
(+) 5.66	2.13	1.56	(+) 7.22	28.31	27.05	(+) 7.79	28.80
(+) 43.53	37.43	37.43	(+)80.96	9.38	811.43	(+)80.96	9.98

Summarised financial results of*(Referred to in paragraph 1.01.2.*

<i>Sl. No.</i>	<i>Name of the Company</i>	<i>Name of the department</i>	<i>Date of incorporation</i>	<i>Accounts for the year ended</i>	<i>Total capital invested (A)</i>
(1)	(2)	(3)	(4)	(5)	(6)
12	Trivandrum Rubber Works Limited	Industries	1-11-1963	31-3-1976	161.03
13	Travancore Plywood Industries Limited	Industries	1-11-1963	31-3-1976	96.84
14	The Kerala Ceramics Limited	Industries	1-11-1963	31-3-1976	222.72
15	Kerala Soaps and Oils Limited	Industries	1-11-1963	31-3-1976	220.36
16	Trivandrum Spinning Mills Limited	Industries	1-11-1963	31-3-1976	122.06
17	Transformers and Electricals Kerala Limited	Industries	9-12-1963	31-3-1976	506.29
18	Kerala Electrical and Allied Engineering Company Limited	Industries	5-6-1964	31-3-1976	174.71
19	Kerala Tourism Development Corporation Limited	Public (Political)	29-12-1965	31-3-1976	80.08
20	Kerala Fisheries Corporation Limited	Development (Fisheries)	12-4-1966	31-3-1976	399.88
21	The Kerala Agro-Industries Corporation Limited	Agriculture	22-3-1968	31-3-1976	271.02
22	The Kerala Handloom Finance and Trading Corporation Limited	Industries	24-6-1968	31-3-1976	34.01
23	Handicrafts Development Corporation of Kerala Limited	Industries	16-11-1968	31-3-1974	54.49
24	The Chalakudy Potteries Limited	Industries	15-3-1969	31-3-1976	20.68
25	The Kerala State Cashew Development Corporation Limited	Industries	19-7-1969	31-3-1976	142.65

—B (Contd.)

Government Companies

of Section I)

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

<i>Profit (+)/ Loss (-)</i>	<i>Total interest charged to profit and loss account</i>	<i>Interest on long- term loans</i>	<i>Total return on capital invested (Columns 7+9)</i>	<i>Percentage of total return on capital invested</i>	<i>Capital employed (B)</i>	<i>Total return on capital employed (Columns 7+8)</i>	<i>Percentage of total return on capital employed</i>
(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(-)34.11	9.69	9.69	(-)24.42	..	34.40	(-)24.42	..
(+) 2.11	7.44	4.89	(+)7.00	7.23	97.82	(+)9.55	9.76
(-)42.99	(D) 15.03	11.32	(-)31.67	..	156.07	(-)27.96	..
(-) 4.96	2.84	0.43	(-)4.53	..	59.50	(-)2.12	..
(-)29.10	1.32	0.01	(-)29.09	..	(-)17.90	(-)27.78	..
(+)85.96	34.11	..	(+)85.96	16.98	819.67	(+)120.07	14.65
(-)44.42	(D) 13.38	13.38	(-)31.04	..	147.56	(-)31.04	..
(-) 1.86	0.51	0.40	(-)1.46	..	51.41	(-)1.35	..
(-)77.45	(D) 31.09	22.30	(-)55.15	..	87.90	(-)46.36	..
(-)2.75	5.00	..	(-)2.75	..	270.65	(+)2.25	0.83
(-)0.98	0.33	0.28	(-)0.70	..	30.76	(-)0.65	..
(-)8.24	3.67	1.27	(-)6.97	..	35.24	(-)4.57	..
(-)4.29	1.82	1.41	(-)2.88	..	13.80	(-)2.47	..
(-)74.86	46.87	2.19	(-)72.67	..	324.43	(-)27.99	..

ANNEXURE

Summarised financial results of*(Referred to in paragraph 1.01.2.)*

<i>Sl. No.</i>	<i>Name of the Company</i>	<i>Name of the department</i>	<i>Date of incorporation</i>	<i>Accounts for the year ended</i>	<i>Total capital invested (A)</i>
(1)	(2)	(3)	(4)	(5)	(6)
26	The Kerala State Financial Enterprises Limited	Financial Taxes	6-11-1969	31-3-1976	..
27	Kerala Urban Development Finance Corporation Limited	Local Administration and Social Welfare	28-1-1970	31-3-1976	..
28	Kerala State Bamboo Corporation Limited	Industries	10-3-1971	31-3-1976	23.81
29	Kerala State Drugs and Pharmaceuticals Limited	Industries	23-12-1971	31-3-1976	70.33
30	The Kerala Minerals and Metals Limited	Industries	16-2-1972	31-3-1976	86.36
31	The State Farming Corporation of Kerala Limited	Industries	15-4-1972	31-3-1975	66.88
32	Kerala State Electronics Development Corporation Limited	Industries	29-9-1972	31-3-1976	324.19
33	Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited	Development	7-12-1972	31-3-1976	..
34	The Kerala Land Development Corporation Limited	Agriculture	15-12-1972	31-3-1976	..
35	Kerala State Industrial Enterprises Limited	Industries	25-1-1973	31-3-1976	..
36	Kerala Employment Promotion Corporation Limited	Industries	28-1-1974	31-3-1976	..
37	Kerala Shipping Corporation Limited	Public Works	25-5-1974	31-3-1976	658.97

—B (Contd.)

Government Companies

of Section I)

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

Profit (+)/ Loss (—)	Total interest charged to profit and loss account	Interest on long- term loans	Total return on capital invested (Columns 7+9)	Percentage of total return on capital invested	Capital employed (B)	Total return on capital employed (columns 7+8)	Percentage of total return on capital employed
(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(+)18.62	2.48	2.33	..	..	69.62	(+)21.10	30.30
(+)2.88	29.73	29.73	..	..	(C) 537.86	(+)32.61	6.06
(+)3.51	0.89	0.35	(+)3.86	16.21	26.93	(+)4.40	16.34
(+)3.07	9.83	3.75	(+)6.82	9.70	118.82	(+)12.90	10.86
(+)12.28	1.02	1.02	(+)13.30	15.40	73.17	(+)13.30	18.18
(—)18.46	8.72	2.37	(—)16.09	..	55.20	(—)9.74	..
(+)1.09	8.37	0.85	(+)1.94	0.60	317.59	(+)9.46	2.98
(—)3.61	4.38	4.38	..	..	(C) 64.43	(+)0.77	1.20
(—)19.56	5.60	5.60	..	..	(C) 156.00	(—)13.96	..
(+)0.02	4.10	4.10	..	..	(C) 164.86	(+)4.12	2.50
(+)0.06	..	..	..	..	(C) 171.47	(+)0.06	0.03
(+)11.91	5.80	5.66	(+)17.57	2.67	658.97	(+)17.71	2.69

Summarised financial results of

(Referred to in paragraph 1.01.2.)

Sl. No.	Name of the Company	Name of the department	Date of incorporation	Accounts for the year ended	Total capital invested (A)
(1)	(2)	(3)	(4)	(5)	(6)
38	Kerala State Civil Supplies Corporation Limited	Food	25-6-1974	31-3-1976	14.06
39	Kerala State Construction Corporation Limited	Public Works	25-3-1975	31-3-1976	15.50
40	Kerala State Coconut Development Corporation Limited	Agriculture	10-10-1975	31-3-1976	1.53
<i>Companies which did not commence commercial operation</i>					
41	Steel Industrials Kerala Limited	Industries	3-1-1975	31-3-1976	9.41
42	Kerala Forest Development Corporation Limited	Agriculture	24-1-1975	30-6-1976	40.50
43	Sitaram Textiles Limited	Industries	14-2-1975	31-3-1976	31.20
44	Kerala State Film Development Corporation Limited	Public	23-7-1975	31-3-1976	8.00
<i>Subsidiary Companies</i>					
45	Packaging Paper Corporation Limited	Industries	29-6-1962	30-9-1975	1.75
46	Keltron Counters Limited	Industries	21-7-1964	31-3-1976	62.13
47	Fibre Foam Limited	Industries	23-7-1965	30-9-1975	29.27
48	Kerala State Textile Corporation Limited	Industries	8-3-1972	31-3-1976	..
49	Meat Products of India Limited	Agriculture	13-3-1973	31-3-1976	2.51
50	Kerala Agro-Machinery Corporation Limited	Agriculture	24-3-1973	31-3-1976	131.97
51	Kerala Garments Limited	Industries	17-7-1974	30-9-1975	0.01
52	Keltron Crystals Limited	Industries	8-10-1974	31-3-1976	60.53

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

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

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

(D) Includes bank charges also.

Government Companies

of Section I)

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

Profit(+) Loss(—)	Total interest charged to profit and loss account	Interest on long- term loans	Total return on capital invested (Columns 7+9)	Percentage of total return on capital invested	Capital employed (B)	Total return on capital employed (Columns 7+8)	Percentage of total return on capital employed
(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(+)5.43	49.76	..	(+)5.43	38.62	641.11	(+)55.19	8.61
(—)3.35	..	..	(—)3.35	..	71.54	(—)3.35	..
(—)0.63	..	..	(—)0.63	..	0.90	(—)0.63	..

There are no figures since the entire expenditure was capitalised

(+)0.55	8.86	1.80	(+)2.35	3.78	114.42	(+)9.41	8.22
(—)1.30	1.89	1.44	(+)0.14	0.48	11.84	(+)0.59	4.98
(+)1.81	4.26	4.26	..	..	(C) 67.67	(+)6.07	8.97
(—)1.26	..	..	(—)1.26	..	(—)1.13	..	..
(—)5.53	3.74	3.74	(—)1.79	..	130.23	(—)1.79	..

Commercial operation not commenced

Commercial operation not commenced

reserves at the close of the year.

plus working capital.

balances of paid-up capital, reserves and borrowings.

Details of machinery which were not utilised or used

(Referred to in sub-paragraph (ii) of paragraph

Sl. No.	Details of machinery	Original cost (Rupees in lakhs)	Hours available on two shift basis	1973-74	Percentage of utilisation
				Hours utilised	
(1)	(2)	(3)	(4)	(5)	(6)
1.	Buncher No. I		4,214	510	12.1
2.	Buncher No. II	2.59	4,214	Nil	..
3.	Buncher No. III		4,214	136	3.2
4.	Small armouring machines	0.09	4,214	Nil	..
5.	Cabler	1.00	4,214	75	1.8
6.	Howrah extruder	0.53	4,214	580	13.7
7.	Light tinning line	0.57	4,214	Nil	..
8.	Braiding machine	0.28	4,214	Nil	..
	Total	5.06	33,712	1,301	3.9

sparingly in Traco Cable Company Limited

1.14.1. of Section II)

<i>Hours available on two shift basis</i>	1974-75		<i>Hours available on two shift basis</i>	1975-76	
	<i>Hours utilised</i>	<i>Percentage of utilisation</i>		<i>Hours utilised</i>	<i>Percentage of utilisation</i>
(7)	(8)	(9)	(10)	(11)	(12)
4,228	300	7.1	4,256	1,864	43.8
4,228	172	4.1	4,256	7	0.2
4,228	Nil	..	4,256	Nil	..
4,228	Nil	..	4,256	Nil	..
4,228	1,047	24.8	4,256	159	3.7
4,228	397	9.4	4,256	340	8.0
4,228	Nil	..	4,256	Nil	..
4,228	Nil	..	4,256	Nil	..
33,824	1,916	5.7	34,048	2,370	7.0

ANNEXURE

Summarised financial results of Statutory

Sl. No.	Name of the Corporation	Name of the department	Date of incorporation	Accounts for the year ended	Total capital invested (A)	Profit(+)/ Loss(-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(i) KERALA STATE ELECTRICITY BOARD						
1.	Kerala State Electricity Board	Water and Power	1-4-1957	31-3-1976	26077.70	(C) (+) 60.00
(ii) OTHER STATUTORY CORPORATIONS						
2.	The Kerala Financial Corporation	Finance	1-12-1953	31-3-1976	..	(+) 55.85
3.	Kerala State Warehousing Corporation	Agriculture	20-2-1959	31-3-1976	110.43	(+) 13.41
4.	Kerala State Road Transport Corporation	Public Works	15-3-1965	31-3-1976	1987.16	(-) 416.77

- Notes:— (A) Capital invested represents paid-up capital plus long-term loans plus free
 (B) Capital employed represents net fixed assets (excluding works-in-progress)
 (C) This represents contribution to General Reserve in terms of Section 67
 (D) Capital employed represents the mean of the aggregate of opening and

—D

Corporations (Referred to in Section IX)

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

Total interest charged to profit and loss account	Interest on long-term loans	Total return on capital invested (columns 7+9)	Percentage of total return on capital invested	Capital employed (B)	Total return on capital employed (columns 7+8)	Percentage of total return on capital employed	Remarks
(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
568.16	568.16	(+)628.16	2.41	16205.80	(+) 628.16	3.88	
96.76	..	..	..	(D) 1816.19	(+) 152.61	8.40	
..	..	(+) 13.41	12.14	104.56	(+) 13.41	12.83	
131.37	119.65	(—)297.12	..	137.12	(—)285.40	..	Figures are provisional

reserves at the close of the year.

plus working capital.

(viii) of the Electricity (Supply) Act, 1948.

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

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