सत्यमेव जयते

REPORT

OF THE

COMPTROLLER AND AUDITOR GENERAL

OF INDIA

FOR THE YEAR 1983-84

(COMMERCIAL)

GOVERNMENT OF WEST BENGAL

PREFACE

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

—Government Companies;

—Statutory Corporations; and

—Departmentally managed commercial undertakings.

2. This Report deals with the results of audit of Government Companies and Statutory Corporations including West Bengal State Electricity Board and has been prepared for submission to the Government of West Bengal under Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended in March 1984. The results of departmentally managed commercial undertakings are contained in the Report of the Comptroller and Auditor General of India (Civil).

3. There are, however, certain companies where Government have invested funds, but the accounts of which are not subject to audit by the Comptroller and Auditor General of India as Government or Government owned|controlled Companies| Corporations hold less than 51 *per cent* of the shares. The total investment of the State Government in 24 such Companies was Rs.71,36.96 lakhs as on 31st March 1984. A list of such undertakings in which Government investment was more than Rs.10 lakhs as on 31st March 1984 is given in Annexure 'A'.

4. In respect of the three State Road Transport Corporations and the West Bengal State Electricity Board which are Statutory Corporations, the Comptroller and Auditor General of India is the sole auditor. In respect of West Bengal Financial Corporation and West Bengal State Warehousing Corporation he has the right to conduct the audit of their accounts independently of the audit conducted by the Chartered Accountants appointed under the respective Acts. The audit of the accounts of the West Bengal

Industrial Infrastructure Development Corporation has been entrusted to the Comptroller and Auditor General of India under Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 initially for a period of 5 years from 6th June 1978 and subsequently (September 1983) extended for another 5 years from 6th June 1983. The audit reports on the annual accounts of all these Corporations are being forwarded separately to the Government of West Bengal for being placed before the State Legislature.

5. The cases mentioned in this Report are those which came to notice in the course of audit of accounts during the year 1983-84 as well as those which had come to notice in earlier years but could not be dealt with in the previous Reports; matters relating to the period subsequent to 1983-84 have also been included, wherever considered necessary.

TABLE OF CONTENTS

CHAPTER I

GOVERNMENT COMPANIES

SECTION I

1.01. Introduction

There were 39 Government Companies (including 8 subsidiaries) as on 31st March 1984 as against same number of Government Companies (including 9 subsidiaries) as at the close of the previous year as one subsidiary Company (Damodhar Cement and Slag Limited) was converted into a 619B Company during the year and another Company, namely, The Calcutta Tramways Company (1978) Limited, was converted into a Government Company on 15th October 1982 with an authorised capital of Rs.25.00 lakhs.

1.02. Compilation of accounts

Audited accounts of 13 Companies (including two subsidiaries) for the year 1983-84 and 15 Companies for the earlier years were received. A synoptic statement showing the summarised financial results of these Companies based on the latest available accounts is given in Annexure 'B'. The accounts of the following 26 Companies (including six subsidiaries) were in arrears to the extent noted against each :

Name of Company	Extent of arrears
Basumati Corporation Limited	1978-79 to 1983-84
West Bengal Dairy and Poultry Development Corporation Limited	1978-79 to 1983-84
West Bengal State Minor Irrigation Corporation Limited ..	1980-81 to 1983-84
Webel Video Devices Limited	1980-81 to 1983-84
The Electro-Medical and Allied Industries Limited	1980-81 to 1983-84
West Bengal Small Industries Corporation Limited	1980-81 to 1983-84
West Bengal Handloom and Powerloom Development Corporation Limited	1981-82 to 1983-84
West Bengal Handicrafts Development Corporation Limited ..	1981-82 to 1983-84
Westinghouse Saxby Farmer Limited	1981-82 to 1983-84
West Bengal Agro-Industries Corporation Limited .. .	1981-82 to 1983-84
Webel Television Limited	1981-82 to 1983-84
West Bengal Livestock Processing Development Corporation Limited	1982-83 to 1983-84
West Bengal State Seed Corporation Limited	1982-83 to 1983-84

Name of Company	Extent of arrears
Webel Electronic Communication Systems Limited	1982-83 to 1983-84
West Bengal Ceramic Development Corporatin Limited ..	1982-83 to 1983-84
West Bengal State Leather Industries Development Coroporation Limited	1982-83 to 1983-84
Webel Business Machines Limited	1982-83 to 1983-84
The Kalyani Spinning Mills Limited	1983-84
Durgapur Chemicals Limited	1983-84
The Calcutta Tramways Company (1978) Limited	1983-84
West Bengal State Textile Corporatin Limited	1983-84
West Bengal Fish Seed Development Corporation Limited ..	1983-84
The State Fisheries Development Corporation Limited ..	1983-84
The Shalimar Works (1980) Limited	1983-84
West Bengal Sugar Industries Development Corporation Limited	1983-84
West Bengal Cements Limited	1983-84

The position of arrears in finalisation of accounts was last brought to notice of Government in January 1985.

1.03. Paid-up capital

Against the aggregate paid-up capital of Rs.96,95.53 lakhs in 39 Companies (including 8 subsidiaries) as on 31st March, 1983, the aggregate paid-up capital as on 31st March 1984 increased to Rs.1,21,98.97 lakhs as detailed below :

Particulars	Number of Companies	Investment by			Total
		State Government	Central Government	Others	
		(Rupees in lakhs)			
Companies wholly owned by State Government	21	89,80·73	..	...	89,80·73
Companies jointly owned with the Central Government/Others	10	22,48·61	3,64·02	2,30·76	28,43·39
Subsidiary Companies ..	8	..	12·00	3,62·85	3,74·85
Total ..	39	1,12,29·34*	3,76·02	5,93·61	1,21,98·97

*The amount as per Finance Accounts is Rs. 68,21·81 lakhs and the difference of Rs. 44,07·53 lakhs is under reconciliation.

1.04. Loans ...

The balance of long-term loans outstanding in respect of 24 Companies as on 31st March 1984 was Rs.2,59,53.74 lakhs (State Government : Rs.1,94,24.30 lakhs**, Others : Rs.64,23.34 lakhs; deferred payment credits : Rs.1,06.10 lakhs) as against Rs.2,00,11.40 lakhs as on 31st March 1983.

1.05. Guarantees

1.05.1. The State Government had guaranteed the repayment of loans raised by 13 Companies and payment of interest thereon. The amount guaranteed and outstanding thereagainst as on 31st March 1984 were Rs.65,10.64 lakhs and Rs.41,42.76 lakhs respectively, as shown below :

	Name of Company	Amount guaranteed	Amount outstanding as on 31st March 1984
		(Rupees in lakhs)	
1.	West Bengal Pharmaceutical and Phytochemical Development Corporation Limited	8·90	2·70
2.	West Bengal Mineral Development and Trading Corporation Limited	16·88	5·00
3.	The Durgapur Projects Limited	11,00·00	6,45·84
4.	Durgapur Chemicals Limited	3,00·00	2,69·42
5.	West Bengal State Minor Irrigation Corporation Limited ..	10,06·12	5,26·90
6.	West Bengal Forest Development Corporation Limited ..	1,60·25	41·66
7.	The Calcutta Tramways Company (1978) Limited ..	20·00	5·65
8.	West Bengal Industrial Development Corporation Limited ..	26,14·00	26,14·00
9.	West Bengal Tea Development Corporation Limited ..	42·16	31·59
10.	West Bengal Livestock Processing Development Corporation Limited	2·33	Nil
11.	West Bengal Essential Commodities Supply Corporation Limited	8,00·00	Nil
12.	West Dinajpur Spinning Mills Limited	4,00·00	Nil
13.	West Bengal Handicrafts Development Corporation Limited	40·00	Nil
		65,10·64	41,42·76

1.05.2. The Companies have to pay guarantee commission in consideration of the guarantees given by the Government. As on 31st March 1984, the payment of guarantee commission was in arrears to

**The amount as per Finance Accounts is Rs. 1,99,97·25 lakhs and the difference of Rs. 5,72·95 lakhs is under reconciliation.

2

the extent of Rs.11.52 lakhs in the case of two Companies as detailed below :

Name of Company	Amount (Rupees in lakhs)
1. West Bengal Industrial Development Corporation Limited	10·87
2. West Bengal Tea Development Corporation Limited	0·65
Total ...	11·52

1.06. Performance of Companies

1.06.1. The following table gives details of 4 Companies (including 1 subsidiary) which earned profit during 1983-84 and comparative figures for the previous year :

Name of Company	Paid-up capital		Profit		Percentage of profit to paid-up capital	
	1983-84	1982-83	1983-84	1982-83	1983-84	1982-83
			(Rupees in lakhs)			
1. West Bengal Industrial Development Corporation Limited	8,80·42	6,78·42	79·87	61·93	9·1	9·1
2. West Bengal Essential Commodities Supply Corporation Limited	1,03·00	89·00	2,67·22	2,82·13	2,59·4	3,17·0
3. West Bengal Forest Development Corporation Limited	4,45·72	4,18·72	6·41	4·56	1·5	1·1
4. Webel Telecommunication Industries Limited (Subsidiary)	1,00·00	1,00·00	1,27·19	1,32·84	1,27·2	1,32·8

1.06.2. During the year two Companies (including one subsidiary) declared dividend as indicated below :

Name of Company	Distributable surplus	Amount retained in business	Dividend declared	Percentage of dividend to paid-up capital
		(Rupees in lakhs)		
1. West Bengal Essential Commodities Supply Corporation Limited.	96·76	86·59	10·17	9·9
2. Webel Telecommunication Industries Limited (Subsidiary).	41·26	31·26	10·00	10·0

1.06.3. The following table gives details of 8 Companies which incurred loss during the year 1983-84 and the comparative figures of the previous year :

	Name of Company	Paid up capital		Profit(+)/Loss(−)	
		1983-84	1982-83	1983-84	1982-83
		(Rupees in lakhs)			
1.	The Durgapur Projects Limited ..	29,80·41	28,40·41	(−)1,57·91*	(+)4,29·92
2.	West Bengal Mineral Development and Trading Corporation Limited.	1,98·08	1,93·08	(−) 49·53	(−) 38·08
3.	West Bengal Pharmaceutical and Phytochemical Development Corporation Limited.	1,01·10	81·10	(−) 6·83	(−) 6·66
4.	West Bengal Tea Development Corporation Limited.	2,16·00	1,86·00	(−) 33·04	(−) 64·54
5.	West Bengal Film Development Corporation Limited.	1,41·57	1,16·57	(−) 5·04	(−) 5.60
6.	West Bengal Tourism Development Corporation Limited.	99·56	99·56	(−) 15·27	(−) 17·85
7.	West Dinajpur Spinning Mills Limited	3,11·01	1,76·01	(−) 20·49	(−) 8·44
8.	West Bengal Electronics Industry Development Corporation Limited.	4,99·00	4,09·00	(−) 30·64	(−) 16·81

1.06.4. Up to 31st March 1984, the accumulated losses in respect of 8 Companies (paid-up capital : Rs.45,46.73 lakhs) amounted to Rs.41,80.51 lakhs. The accumulated losses of the Durgapur Projects Limited (Rs.36,48.01 lakhs) exceeded its paid-up capital (Rs.29,80.41 lakhs) by Rs.6,67.60 lakhs as on 31st March 1984.

The accumulated losses in respect of the following 11 Companies also, as reflected in the accounts received up to the period noted against each earlier, had exceeded their paid-up capital :

	Name of Company	Year	Paid-up capital	Accumulated losses
			(Rupees in lakhs)	
1.	West Bengal Cements Limited	1982-83	51·10	1,32·98
2.	The State Fisheries Development Corporation Limited.	1982-83	1,15·00	1,29·99
3.	West Bengal Sugar Industries Development Corporation Limited.	1982-83	2,14·00	4,19·48
4.	The Shalimar Works (1980) Limited ..	1982-83	75·01	1,36·12
5.	Durgapur Chemicals Limited	1982-83	5,09·31	32,18·89
6.	The Kalyani Spinning Mills Limited ..	1982-83	1,58·21	27,45·88
7.	West Bengal Ceramic Development Corporation Limited.	1981-82	97·73	1,69·83
8.	West Bengal State Leather Industries Development Corporation Limited.	1981-82	52·84	69·10
9.	The Electro-Medical and Allied Industries Limited	1979-80	25·00	1,13·82
10.	Westinghouse Saxby Farmer Limited ..	1980-81	1,00·00	19,73·40
11.	Basumati Corporation Limited	1977-78	10·00	49·62

*Loss during 1983-84 in respect of the Durgapur Projects Limited was due to fall in production and lower sales.

1.07. The following table indicates the details of Companies under construction as on 31st March 1984 :

	Name of Company	As on 31st March 1984	
		Paid-up capital	Expenditure incurred
		(Rupees in lakhs)	
1.	West Bengal Fish Seed Development Corporation Limited ..	64·00	16·79
2.	Webel Precision Industries Limited	34·69	37·06 (up to 30th June 1984)
3.	Webel Electronic Communication Systems Limited ..	16·64	5·37

1.08. In addition there were two Companies covered under Section 619B of the Companies Act, 1956, as per details given below :

Name of Company	Year of accounts	Paid-up capital	Investment by				Profit(+)/ Loss(−) during the year
			State Government	Government Companies	Statutory Corporations	Others	
			(Rupees in lakhs)				
Damodhar Cement and Slag Limited.	1983-84	4,95·95	..	4,95·95	..	..	(+)0·14
West Bengal Filaments and Lamps Limited.	1983-84	2,50·92	..	2,45·77	2·95	2·20	(−)32·10

1.09. The Companies Act, 1956, empowers the Comptroller and Auditor General to issue directives to the auditors of Government Companies in regard to the performance of their functions. In pursuance of the directives so issued, special reports of the Company auditors on the accounts of 7 Companies were received during the year. The important points noticed in these reports are summarised below :

	Nature of defect	Number of Companies where defects were noticed**
1.	Absence of regular costing system	2(8 and 9)
2.	Absence of internal audit manual	4(2, 9, 11, 18)
3.	Sales below cost of production	2(8 and 9)
4.	Ineffective system of determination of surplus/unserviceable stores.	1(8)
5.	Absence of system of ascertaining idle time for labour and machinery.	1(8)
6.	Non-fixation of norm of manpower	2(8 and 9)
7.	Non-fixation of maximum/minimum limits of stores and spares	2 (8 and 9)
8.	Inadequate system for write off, discounts, refunds, *etc.* ..	2 (8 and 9)
9.	Absence of system of obtaining confirmation from debtors ..	2 (8 and 9)
10.	Absence of internal audit system	1(8)

**Figures in brackets indicate serial numbers of Companies as given in Annexrure 'B'.

1.10. Under Section 619(4) of the Companies Act, 1956, the Comptroller and Auditor General has a right to comment upon or supplement the audit reports of Company auditors. Under these provisions, a review of the annual accounts of Government Companies is conducted in selected cases. Some of the major errors/ommissions noticed in the course of review of the accounts of the following Companies for the year 1983-84 are detailed below :

(a) Errors which affected the working results :

The Durgapur Projects Limited	Repairs and maintenance expenditure (Rs. 90,16,324) did not include Rs. 1,48,708 being cost of repairs and maintenance of building and plant and machinery for the year.

(b) Errors of classification :

West Bengal Industrial Development Corporation Limited	An amount of Rs. 40·86 lakhs being interest accrued and due on loans of Rs. 3,26·36 lakhs was shown under 'Current Liabilities and Provision' instead of 'Unsecured loans'.
West Bengal Mineral Development and Trading Corporation Limited	An amount of Rs. 0·06 lakh representing interest accrued but not due on 'Unsecured Loan' received from State Government was shown under 'Unsecured loan' instead of 'Current liabilities'.
Webel Telecommunication Industries Limited	Income from other sources (Rs. 12·10 lakhs) included Rs. 11·90 lakhs being refund of Customs duty paid in excess in earlier years, which should have distinctly been shown as prior period adjustment.

(c) Others :

West Bengal Industrial Development Corporation Limited	Other liabilities (Rs. 31,27·91 lakhs) included Rs. 6·17 lakhs (Rs. 5·40 lakhs for the years from 1974-75 to 1982-83) being excess provision of liability for guarantee fee payable to State Government.
West Bengal Mineral Development and Trading Corporation Limited	Liability in respect of arrear dearness allowance amounting to Rs. 2·88 lakhs in terms of resolution passed in February 1984 by the Board of Directors of the Company was not disclosed.
The Durgapur Projects Limited	(a) Current liabilities and provisions were understated due to non-provision of liabilities for (i) cost of revamping and renovation work of boiler unit No. 3 : Rs. 5,92,383·75 and (ii) cost of earthwork done in switch yard : Rs. 1,89,817·00.
	(b) Closing stock was overstated due to wrong inclusion of materials valued Rs. 1,42,805 stolen during the year.
	(c) Fixed assets were understated due to wrong inclusion of cost of one transformer commissioned in 1976-77. This also caused undercharge of depreciation by Rs. 6,34,597·74 (Rs. 90,656·82 for the year and Rs. 5,43,940·92 for earlier years)

SECTION II

WESTINGHOUSE SAXBY FARMER LIMITED

2.01. Introduction

2.01.1. Westinghouse Saxby Farmer Private Limited, managed by Westinghouse Brake & Signal Company Limited, London, was taken over by the State Government on 19th July 1969 as the Company was on the verge of voluntary liquidation owing to financial difficulties. On acquisition of 51 *per cent* of its shares by the State Government, the company became a Government Company and was renamed as Westinghouse Saxby Farmer Limited on 6th August 1969.

2.01.2. The working of the Company was last reviewed in Section II of the Report of the Comptroller and Auditor General of India for the year 1974-75 (Commercial). The Report was considered by the Committee on Public Undertakings (COPU) in their Tenth Report (April 1980). Government and the Company are yet to take action on the recommendations of the Committee (September 1984).

2.02. Objects

2.02.1. The main objects of the Company are to manufacture and deal in the following items :

(a) Railway signal and interlocking apparatus, railway brakes, rolling stock for railways, appliances for lighting railway and other carriages and all kinds of railway appliances and accessories;

(b) Brakes and other mechanical appliances and accessories for all kinds of road carriages;

(c) Machines, tools, compressors, *etc.*, and

(d) Pneumatic and electric tools and appliances and pneumatic, electric and hydraulic railway and marine signal appliances.

2.02.2. Though not covered by the object clause of the Memorandum of Association, the Company, from March 1974, started business in the manufacturing and sale of diesel pumsets, power-tillers, civil construction works, trading and some other activities without altering the object clause and getting it confirmed by the Company Law Board as required under Section 17(2) of the Companies Act, 1956. In fact, application of the Company for change in the object clause, filed in January 1977, after serving due notice to every creditor, had been rejected (September 1978) by the Company Law Board on creditors' objection. Instead of filing any fresh petition with the Company Law Board by paying or securing the dues of the objecting creditors, the Company is still continuing its business in the diversified fields.

While considering the Report of the Comptroller and Auditor General of India for the year 1974-75 (Commercial) the Committee on Public Undertakings (COPU) in its Tenth Report observed (April 1980), *inter alia*, that carrying on business in those diversified lines was clearly irregular and recommended that the matter should be taken up with the Company Law Board at higher level so as to regularise the entire range of products at an early date. No action had, however, been taken by the Company so far (September 1984).

2.03: Organisational set-up

2.03.1. The management of the Company is vested in a Board of Directors headed by a Chairman. From 1st December 1983, both the offices of the Chairman and the Managing Director are being held by one and the same person. As on 30th June 1984, the Board of Directors consisted of a full-time Chairman-cum-Managing Director nominated by the State Government and six part-time directors of whom four were nominated by the Government and the rest by the Westinghouse Brake and Signal Company Limited, London.

2.04. Capital structure

2.04.1. As on 30th June 1984, the authorised capital of the Company was Rs.2,00 lakhs, divided into 20,00,000 shares of Rs.10

each. Paid-up capital of the Company as on that date was Rs.1,00 lakhs. Participation of the State Government and the Westinghouse Brake and Signal Company Limited, London, in the share capital was to the extent of Rs.87.75 lakhs and Rs.12.25 lakhs respectively.

2.05. **Working results**

2.05.1. The finalisation of the accounts of the Company had been in arrears and accounts for the year up to 1980-81 only had been finalised and audited so far (June 1985). The accounts had, however, not yet (June 1985) been placed before the Annual General Meeting of the Company.

2.05.1.1. According to the accounts for the year 1980-81, the Company had incurred a loss of Rs.3,47.57 lakhs as against Rs.3,92.61 lakhs during 1979-80 and Rs.3,72.45 lakhs during 1978-79. Though the sales had registered an increase from Rs.1,82.87 lakhs in 1978-79 to Rs.2,83.29 lakhs and to Rs.3.62.22 lakhs in the years 1979-80 and 1980-81, respectively (Paragraph 2.05.1.3 below), the Company suffered losses mostly due to increase in cost of production (Rs.5,74.85 lakhs in 1978-79, Rs.6,78.10 lakhs in 1979-80 and Rs.7,23.28 lakhs in 1980-81).

2.05.1.2. The accumulated losses up to 1980-81 amounted to Rs.19,73.40 lakhs against the paid-up capital of Rs.1.00 lakhs.

2.05.1.3. The following table indicates the details of the products sold by the Company during the three years up to 1980-81 :

Name of items	1978-79		1979-80		1980-81	
	Quantity	Value	Quantity	Value	Quantity	Value
			(Value : Rupees in lakhs)			
1. (a) Railway Brake equipment	481 sets	11·20	1,728 sets	28·71	1,408 sets	65·27
(b) Spares	NA	8·34	NA	6·51	NA	29·27
2. (a) Air brake equipment .. .. .. (for Diesel and Electric Multiple Units)	21 sets	10·30	160 sets	19·82	95 sets	39·35
(b) Spares	NA	13·92	NA	27·17	NA	42·43
3. (a) Railway signalling equipment	1,926 numbers	15·36	3,778 numbers	30·91	7,236 numbers	71·88
(b) Spares	NA	23·46	NA	30·97	NA	15·19
4. Sundries	NA	1,00·29	NA	1,39·20	NA	98·83
Total ..		1,82·87		2,83·29		3,62·22

N.A.—Not available.

2.06. **Borrowings**

The Company's resources comprised loans from the State Government and nationalised banks. Up to 31st March 1985, the Company, from time to time obtained long-term loans aggregating Rs.24,37.99 lakhs from the State Government. Out of this, a sum of Rs.4.90 lakhs was repaid in September 1974 and Rs.75.00 lakhs were converted (June 1979) by Government into equity. The balance (Rs.23,58.09 lakhs) remains outstanding. Interest accrued and due on the loans up to 31st March 1985 amounted to Rs.9,88.66 lakhs (provisional). The Company has not paid the interest so far (March 1985).

The Company had a cash credit arrangement up to Rs.55 lakhs each with two nationalised banks, *viz.*, United Bank of India and Bank of India against hypothecation of all stocks, work-in-progress *etc.* During 1977-78 United Bank of India enhanced the cash credit facility by Rs.55.00 lakhs thereby increasing the limit to Rs.1,10.00 lakhs. The Company obtained during 1978-79 a further credit facility of Rs.50.00 lakhs from the bank against guarantee of the State Government.

For meeting working capital requirement, the Company also secured overdraft facility of Rs.35.00 lakhs from the bank against guarantee given by the Government of West Bengal. In order to finance exports, packing credit facility up to a limit of Rs.15.00 lakhs was also extended by the bank against confirmed letter of credits and Export Credit and Guarantee Corporation Covers.

Thus, the Company obtained a total loan facility to the tune of Rs.2,10.00 lakhs (including overdraft and packing credit) from the United Bank of India alone. The outstanding balance in the cash credit account with the said Bank as on 31st March 1985 stood at Rs.1.83.07 lakhs including interest of both the cash credit and overdraft accounts.

The cash credit account with Bank of India (Rs.55.00 lakhs), though open, was not operated since February 1974 when the balance stood at Rs.61.00 lakhs (including interest). As the balance was liable to charge of interest at 13 *per cent* per annum or at such other rates as notified by the bank from time to time, the Company in its annual accounts, has been providing interest on *ad hoc* basis at 14.5 *per cent* (during 1978-80, thereafter at 15.65 *per cent*). The balance with the bank in the cash credit account as on 30th June 1983 amounted to Rs.2,28.51 lakhs including interest of Rs.1.73.51 lakhs.

2.07. **Activities**

2.07.1. As the pioneer in the field of manufacturing railway signal and interlocking apparatus, railway brakes and safety equipment and all kinds of railway appliances and accessories, the activities of the Company, according to its objectives, were initially confined to the production of four major traditional types of equipment, *viz.*, mechanical signal, electrical signal, air brakes and vacuum brakes for the Railways.

2.07.1.1. To arrest incidence of losses the Company decided (April 1972) to diversify its products and took certain new lines of activities such as, manufacture of brake regulators, expressors, compressors, hydraulic brakes, *etc.*, (within the scope of Memorandum of Association) and also took up civil construction works, manufacture and sale of diesel pump-sets and power-tillers, trading with Bangladesh, *etc.* (which were beyond the scope of Memorandum of Association).

2.07.1.2. The activities of the Company are carried out through its two main divisions, one at Entally and the other at Tangra each having a workshop under a General Manager.

The Company has also a small unit at Durgapur, functioning under an Assistant Manager.

2.08. **Entally Division**

2.08.1. In the Company's main workshop in this division all types of brakes along with requisite components and products under diversification schemes. like diesel pump-sets, power-tillers, *etc.*, are manufactured. All activities relating to execution of civil engineering projects are also organised and co-ordinated by this division.

The Workshop comprises *inter alia* a foundry, machine shop and and tool room, air brake assembly and testing shop, vacuum brake fabrication, assembly and testing shop, road brake assembly and testing shop, pump-set and power-tiller assembly and fabrication shop, *etc.*

Though each of the above shops has well-laid out plants and machinery of its own. no records of inventory are maintained. No log books for the machines are maintained either, in the absence of which the extent of utilisation of the machines could not be assessed in audit. No norms of production had been fixed or prescribed. No records of production showing the periodical position of works executed or under process of execution are maintained in the shops.

The assembly shops, where the components manufactured by other ancillary shops and bought out items are assembled into finished products, did not also maintain any records relating to finished products on the floor or transferred to stock for sale. As a result, sales and closing stock figures could not be reconciled with actual production.

The preformance of the major shops on the basis of test check of available records is given below.

2.08.1.1. *Foundry*

The bulk of cast iron of various grades and a small quantity of non-ferrous metals were cast in the foundry which was equipped with two cupolas of 3.5 tonne|hour capacity each.

The table below indicates the performance of the foundry during the 5 years up to June 1984 :

	1979-80	1980-81	1981-82	1982-83	1983-84
			(Tonnes)		
Installed capacity	7,200	7,200	7,200	7,200	7,200
Actual production	703	784	784	796	580
			(Per cent)		
Percentage of production to installed capacity	9·8	10·9	10·5	11·1	8·1
			(Number)		
Number of employees	66	76	97	94	89
			(Tonnes)		
Production per employee	10·65	10·32	8·08	8·47	6·52
			(Lakh hours)		
Available working hours	1·33	1·54	1·98	1·91	1·83
Hours utilised	0·13	0·17	0·21	0·21	0·15
Idle hours	1·20	1·37	1·77	1·70	1·68
			(Per cent)		
Percentage of idle hours to working hours available	90·2	89·0	89·3	92·7	92·0

It is seen that actual production in the foundry varied between 8.1 *per cent* and 11.1 *per cent* of the installed capacity.

The declining trend of production per employee and the extent of idle hours would indicate that the manpower which registered an increase of nearly 50 *per cent* from 1979-80 to 1981-82 remained unutilised.

The huge under-utilisation of the foundry was attributed (August 1984) by the Management to non-availability of sufficient funds for purchase of basic raw materials.

2.08.1.2. *Machine shop and tool room*

All machining works required to be done on components for the three types of brakes, *viz.*, vacuum, air and hydraulic, as well as on other products are carried out in machine shop and jigs, fixtures and gauges, *etc.*, are manufactured in the tool room.

The capacity and the quantum of work done in the machine shop during the 5 years up to June 1984 had not been recorded. The consultants, appointed (December 1977) by the Company at a fee of Rs.0.60 lakh to prepare a viability report on a long-term basis about revival of the unit, to determine the causes of sickness and to examine the existing inventory, reported that the Company had no chance of revival unless some drastic actions were taken, such as :

(i) inflow of additional fund of Rs.2,43.51 lakhs in the shape of (a) grant-in-aid for cash loss (Rs.1,00 lakhs); (b) additional working fund for critical items (Rs.47.60 lakhs) ; (c) addition to fixed assets (Rs.16 lakhs) ; (d) payment to pressing creditors (Rs.15.91 lakhs) ; and (e) payment for statutory liability (Rs.64 lakhs) ;

(ii) rationalisation of supervisory and clerical personnel;

(iii) stopping of off-loading work on outside parties which can conveniently be done in the shop ; and

(iv) initiation of efforts to increase the sales of pump-sets and power-tillers.

The Board of Directors accepted (December 1979) the report of the consultants but none of the recommendations had so far (September 1984) been implemented by the Company.

2.08.1.3. *Air brake assembly and testing shop*

2.08.1.3.1. Air brakes used in Electrical Multiple Unit coaches, diesel and electric locomotives of the Railways are of two kinds, (i) electro-pneumatic brake equipment and (ii) air brake for fitment to broad guage (BG) bogies, and open wagons (BOXN type). Each set of air brakes of either kind comprises a large number of sub-assemblies manufactured in other shops as well as bought out items. The assembly of such components is undertaken in this shop.

2.08.1.3.2. The performance of the shop during the 5 years up to June 1984 in respect of electro-pneumatic brake equipment is given below :

	1979 80	1980 81	1981 82	1982 83	1983 84
		(Number of sets)			
Installed capacity . .	288	288	288	288	288
Actual production ..	39	95	98	45	36
Percentage of achivement to installed capacity	13 5	33 0	34 0	15·6	12 5
		(In lakh hours)			
Available working hours ..	1 38	1 34	1 30	1 23	1 25
Number of hours utilised .	0 19	0·44	0·44	0 19	0 16
Idle hours .. .	1·19	0 90	0 86	1 04	1 09
		(Per Cent)			
Percentage of hours utilised to hours available	13 8	32 8	33 8	15 4	12 8

It would be seen from the above table that the performance of the shop was poor resulting in considerable working hours remaining idle during each of the 5 years. The Management stated (August 1984) that the idle capacity was due to dearth of orders in certain areas and also due to want of basic raw materials owing to paucity of funds.

2.08.1.3.3. The Company received (May 1982) from the Railway Board, an order for supply 1,800 sets of air brake equipment at Rs.23,786 per set. The equipment was to be delivered by December 1983. As the Company could deliver only 800 sets by that time the Railway Board extended that date of delivery to March 1984 subject to price reduction of Rs.714 per set. The Company delivered further 240 sets up to the above date and asked for further extension of delivery time. Railway Board, while extending date of delivery up to June 1984 withheld 10 *per cent* of the price payable over and above Rs.714 per set for final adjustment against liquidated damages, *etc.* From April to May 1984, 150 sets were supplied by the Company. Total loss by way of price reduction and liquidated damages worked out to Rs.6.35 lakhs. Balance 610 sets were not supplied so far (September 1984).

2.08.1.4. *Vacuum brake fabrication assembly and testing shop*

2.08.1.4.1. This shop is laid out for mass production of vacuum brake cylinder assemblies. The table below indicates the performance of the shop for the 5 years up to June 1984 :

	1979-80	1980-81	1981-82	1982-83	1983-84
		(Number of sets)			
Installed capacity	6,000	6,000	6,000	6,000	6,000
Actual production	812	1,408	1,512	774	368
Percentage of production to installed capacity	13·5	23·5	25·2	12·9	6·2
		(Lakh of hours)			
Available working hours ..	0·62	0·59	0·55	0·55	0·55
Number of hours utilised ..	0·08	0·14	0·14	0·07	0·03
Idle hours	0·52	0·45	0·41	0·48	0·52
		(*Per Cent*)			
Percentage of hours utilised to hours available	12·9	23·7	25·5	12·7	5·5

The Management adduced the idle capacity to the reasons mentioned in paragraph 2.08.1.3.2. *supra.*

2.08.1.4.2. The vacuum brake cylinder assemblies used to be a major production line of the Company with a turnover of Rs.78.00 lakhs during 1974-75, production started declining thereafter which was stated by the Management (August 1984) to be due to competition from smaller units and cancellation of orders by the Railways due to non-adherance to delivery schedule. The Railways cancelled orders for 175 sets (value : Rs.7.39 lakhs) in 1979-80, 320 sets (value : Rs.14.39 lakhs) in 1981-82, 160 sets (value : Rs.7.90 lakhs) in 1982-83 and 30 sets (value : Rs.1.90 lakhs) in 1983-84. Even after cancellation of the above quantities the balance order in hand as on 30th June 1984 was 83 sets (value : Rs.4.31 lakhs) although the installed capacity utilised was only 6 to 25 *per cent* during that period.

2.08.1.5. *Road brake assembly and testing shop*

2.08.1.5.1. *Supply of road brake* : The Company developed road brakes (both air and hydraulic type) for defence vehicles, *viz.*, *Nissan* and *Shaktiman* trucks.

The table below indicates the performance of the shop in respect of orders received from Vehicle Factory, Jabbalpur (VFJ) during 7 years ended June 1984.

Type of brake	Date of order	Number of sets ordered	Date by which orders to be executed	Number of sets produced/supplied					Balance to be supplied (June 1984)
				Up to 1979-80	1980-81	1981-82	1982-83	1983-84	
1. Nissan (hydraulic)	November 1974	3,000	March 1977	844	260	205	455	50	1186
2. Shaktiman (hydraulic)	November 1974	3,000	February 1977	1,521	50	650	650	329	1090
	October 1982	1,200	NA	..	..	..	..	..	..
3. Shaktiman (air)	November 1974	3,000	September 1978	10	..	..	..	..	2990
4. Shaktiman (towing)	November 1974	3,000	September 1978	..	200	1,993	1,357	850	400
	October 1982	1,800	NA	.	..	..	..	..	..

Though the supplies of Nissan hydraulic, Shaktiman hydraulic, Shaktiman air brakes and Shaktiman towing were to be completed by March 1977, February 1977 and Septebmer 1978 respectively, the Company failed to adhere to the delivery schedules and could supply only 844 sets Nissan hydraulic, 1346 sets Shaktiman hydraulic and 10 sets Shaktiman air brakes up to 1978-79 due to lack of experience in manufacturing sophisticated road brake assemblies while no Shaktiman towing could be supplied on account of technical know-how for the same was not acquired at that time. The Company obtained extensions from time to time but without any price revision. However, on the request of the Company for upward revision of price for the products, the purchaser agreed to accept the Company's proposal provided 50 *per cent* of the ordered quantity were supplied within the stipulated period. But the Company could not avail of this concession, due to not adhering to the extended schedules of delivery.

The Company has thus forgone the benefit of increase in price to the extent of Rs.16.05 lakhs during these years, by accepting orders for 12,000 (November 1974) and 3,000 (October 1982) as against the capacity of 4,200 sets of road brakes per annum.

2.08.1.5.2. *Rejection by VFJ* : In respect of the order of November 1974 for 3,000 Nissan (hydraulic) road brakes (referred to at serial number 1 of the table above), the Company obtained an advance of Rs.4.28 lakhs (February 1977) at 12 *per cent* interest for supply within extended period of delivery. But due to non-supply it had to pay liquidated damages and interest amounting to Rs.0.29 lakh and Rs.2.13 lakhs respectively. From April 1976 to June 1977 the Company could supply 800 sets with brake drums for both front and rear wheels. Out of 3,200 brake drums (4 for each set), 1,016 (608 front and 408 rear) brake drums were rejected (November 1977) on account of lesser thickness of walls of the drums. VFJ amended (March 1978) the order for supply of balance 2,200 sets without brake drums at a reduced rate of Rs.1,280 per set. The Company supplied 1,014 sets as per the amended order during March 1978 to August 1983 (no production in 1978-79 and 1979-80) and suffered a loss of Rs.1.12 lakhs as the reduction of Rs.400 per set for the drums was on the high side as compared to the value of brake drums assessed by the Company at Rs.290. In September 1983, the Inspectorate of Vehicles (Eastern Zone) intimated the Company that VFJ suspended further use of the type of brakes as these had developed technical defects.

The Company quoted rates of Rs.2,480 (July 1981) and Rs.2,730 (August 1983) to VFJ based on the cost of manufacture of the product against subsequent tenders while it was executing the above order at the rate agreed in 1974 *viz.*, Rs.1,280 per set. It therefore, had suffered a loss of Rs.5.51 lakhs on supplies made during April 1976 to August 1983. The total loss on the entire deal worked out to Rs.10.57 lakhs.

2.08.1.5.3. *Non-release of components returned by VFJ* : The 1,016 brake drums and 431 brake plates forming part of hydraulic brake equipment for Nissan trucks were rejected (January 1977 to February 1978) by VFJ. While urging early return of the rejected materials, the Management held (April 1979) that the brake drums had been procured from outside suppliers and as such the Company would not be able to shift the burden of the cost of rejection to the suppliers concerned unless the rejected materials were returned to them. Thereupon 800 brake drums and 431 brake plates; valued Rs.1.31 lakhs. were returned (May-June 1979) to the Company.

But contrary to their earlier proposition, the Company did not get released the consignments of the rejected materials from Howrah and Shalimar railway goods yards, contending (August 1979) that the rejected materials would be of no use. Demurrage and wharfage in the meantime rose to Rs.1.42 lakhs (up to January 1980).

The Company had also failed to recover the loss to the extent of Rs.1.31 lakhs representing cost of defective drums from the suppliers. Though notice for disposal of the materials under section 55 of the Indian Railways Act, 1890, was served (February 1981) by the Railways, the position of actual disposal or adjustment of demurrage|wharfage thereagainst was not made known by the Company (June 1985).

2.08.1.5.4. *Supply of Hydraulic breakes* : The Company received (November 1974) from VFJ an order for supply of 3,000 sets of hydraulic brake equipment for Shaktiman 3-tonne trucks for a total value of Rs.14.84 lakhs. In terms of the supply order the Company was to submit 4 sets of prototype by January 1975, free of cost for approval of the Inspectorate of Vehicles (Eastern Zone), and the bulk supply was to commence at an average rate of 100 sets per month for 6 months and thereafter 150 sets per month so as to complete the whole supply by February 1977.

After approval of the prototypes in March 1976, the Company started piecemeal supplies from October 1976 and delivered 554 sets by November 1979, out of which 33 sets (value : Rs.0.16 lakhs) were rejected upto July 1978 due to faulty hoses that failed in the whip test. Further, 63 wheel cylinder assemblies (value :Rs.0.19 lakh) were also rejected by October 1978. All the rejected materials were returned (October 1978) to the Company under railway receipt on 'freight to pay' basis. The consignment was, however, not got released by the Management as the demurrage and wharfage charges involved were stated (July 1984) to be more than the value of the goods.

The Company made (October 1980) a proposal to VFJ for revision of the existing rate of Rs.475 per set quoted as far back as November 1974, whereupon VFJ allowed (November 1980) an escalation of Rs.20 per set for 1079 sets with hoses while correspondingly reduced Rs.55 per set in the price for 400 sets to be supplied without hoses with the stipulation to complete the supply by October 1981.

The Company completed the supply after obtaining 14 successive extensions of delivery periods up to 31st July 1983 and at a loss of Rs.4.17 lakhs representing the cost of rejections (Rs.3.35 lakhs) and liquidated damages for delayed delivery (Rs.0.82 lakh).

2.08.2. *Pump-set and power-tiller fabrication and assembly shop*

2.08.2.1. The Company started manufacturing diesel pump-sets from March 1974. The components of the pump-sets were partly made in the factory and partly purchased from outside while the engine was of its own make. Fabrication of the body and assembly of the components into a finished pump-sets were done in this shop with a production target of 1,200 sets per annum.

2.08.2.2. The performance of the shop in respect of production of pump-sets during the 4 years up to 30th June 1984 is given below :

	1980-81	1981-82	1982-83	1983-84
		(Number)		
Target of production	1,200	1,200	1,200	1,200
Actual production	Nil	Nil	599	209
Number of employees	20	22	22	22
Percentage of production to target ..	Nil	Nil	50·0	17·4

2.08.2.3. A test-check of records revealed that during the period from March 1974 to July 1980 the Company delivered 3,500 diesel pump-sets of 5 HP capacity to the distributors (including 50 sets sold to own employees for their use) for sale. As the Company had no arrangement of its own for marketing and after-sale services of the pump-sets, it had to depend mainly on the distributors appointed from time to time for the same.

The details of distributors, total number of pump-sets sold through them, value thereof, outstanding dues, *etc.*, during January 1975 to September 1980 (when this system was discontinued) are tabulated below :

Name of the distributors		Number of pump sets supplied	Value (Rupees in lakhs)	Period of supply	Amount received from distributors	Amount due as on June 1985
					(Rupees in lakhs)	
A	..	164	7·05	Between January and June 1975	4·40	2·65
B	..	2,080	88·23	January 1976 to June 1977	73 38	14·85
C	..	149	6·36	April 1976 to February 1977	5·38	0·98
D	..	60	2·18	January 1978	1·29	0·89
E	..	459	19·56	October 1979 to September 1980	17·29	2·27
				Total ..	..	21·64

(a) In respect of realisation of outstanding dues from distributor 'A', the Company filed (December 1975) a suit for Rs.2.71 lakhs (including interest of Rs.0.06 lakh). The case is *sub judice* (March 1985).

(b) For realisation of dues, the Company agreed (November 1977) that distributor 'B' would secure to the Company due repayment, subject to a maximum of Rs.10 lakhs, by an equitable mortgage of the premises owned by the mother of the distributor. No mortgage deed was executed so far (March 1985) excepting that the title deeds of the premises were handed over to the Company in December 1977. As 'B' did not pay the outstanding dues the Company decided (December 1979) to take legal action against it. But excepting for serving (November 1980) a pleader's notice, no further legal action was taken so far (March 1985).

(c) After lapse of more than 3 years, the Company raised (December 1980) a claim of Rs.1.22 lakhs against distributor 'C,' which was revised (March 1982) to Rs.0.98 lakh as the earlier claim was objected to (July 1981) by 'C'. The revised claim was not yet accepted (March 1985) by the distributor.

(d) An amount of Rs.0.89 lakh was outstanding from distributor 'D' since February 1979. The Company pursued the case up to January 1983, whereafter action taken to realise the same was not on record.

(e) The distributorship of 'E' was terminated (February 1982) by the Company retrospectively from October 1980 as the dues of Rs.2.27 lakhs were not cleared. In the meantime 'E' preferred (February 1982) a counter claim of Rs.1.91 lakhs as commission on sale of 130 pump-sets and supply of spares, *etc.* Management proposed (August 1982) to appoint an arbitrator for settling the dispute, but 'E' straightway field (September 1982) a suit for recovery of its claim. The Company obtained a stay order on the ground that the dispute would be settled through arbitration as per agreement. The stay order was fixed for hearing on 5th May 1984 but the case was adjourned as the Company was not ready with suitable reply. Further development is awaited (March 1985).

2.08.2.4. From November 1980, the system of marketing through distributors was discontinued on account of accumulation of dues and involvement of litigation in such arrangement and started marketing its products through the dealers from November 1982. According to this new system of distribution, the supply of pump-sets was effected to the dealers by the Company against orders from authorised financiers of the customers.

2.08.2.5. As a measure of diversification, the Company developed, fabricated and assembled 5-7 HP diesel power tiller under brand name 'Haladhar', based on the technical know-how obtained (1977-78) from Manila (Philippines) by sending a departmental official without the approval of the Board of Directors. The engines of the power-tillers were procured from a firm of Calcutta while the other components were of its own make.

The Company manufacturd five power-tillers in 1980-81 and sold them to private praties at Rs.0.17 lakh each, while the sixth one was lying in the shop in semi-knocked down stage. Out of the five power-tillers sold, four were rejected and returned by the customers as these were defective. Further manufacture of power-tillers was abandoned in April 1982.

Thus the decision to diversify the products resulted in an infructuous expenditure of Rs.0.85 lakh for which no responsibility was fixed by the Company.

2.09. **Tangra division**

2.09.1. The division for works at Tangra was established in 1956 solely for manufacture of Railways electrical signalling equipment. By 1965, the capacity of the works was substantially increased and a number of new items of sophisticated types of equipment releated to route relay interlocking and mechanised marshalling system had been added to the range of production. As a measure of diversification of activities production of electronic equipment was also taken up in 1976 with a view to catering primarily to the growing needs of mining industries in the eastern region.

The Tangra works comprised *inter-alia,* a Relay room including coil winding section, Electro-mechanical shop, Fabrication shop and Electronic testing laboratory.

2.09.1.1. The Company did not maintain any shop-wise record showing their individual performances nor did it assess the installed capacity of plant and machinery of each shop. Log books for the machinery installed in the shops have also not been introduced (September 1984). As a result, the extent of under-utilisation of the machines could not be assessed. Despite the above shortcomings, on the basis of product-wise annual installed capacity, as made available (August 1984) to audit, the performance of major shops along with their products is discussed below.

2.09.2. *Relay room including coil winding section*

The following table indicates the installed capacity, actual production, *etc.*, of the above shop during the 4 years up to 1983-84 :

Year	Installed capacity per annum	Actual production per annum	Value	Percentage of production to installed capacity
	(Number)		(Rupees in lakhs)	
1980-81	24,000	7,236	73·00	30·2
1981-82	24,000	8,138	82·00	33·9
1982-83	24,000	9,954	1,00·00	41·5
1983-84	24,000	7,158	83·73	29·8

2.09.2.1. A test-check of records revealed that in respect of 18 orders, received from the Railways during the period from January 1971 to May 1980, involving supplies of 28,833 relays of different varieties, the Company supplied during the period from January 1976 to September 1984 after obtaining extensions of time without price escalation 22,749 relays, leaving a balance of 6,084 relays yet to be supplied (September 1984). According to the Management (August 1984) the delay was due to (i) difficulties faced in procurement of stores, equipment, raw materials, *etc.* and (ii) persistent power shortages.

Due to piecemeal execution of the old orders over a period ranging from 2 to 8 years, the Company could not realise the actual cost in respect of the old supplies computed with reference to the rates obtained in respect of new orders, although the Railways had accepted enhanced prices in the case of new orders for identical products obtained during 1976 onwards. As a result, the Company suffered a loss of Rs.66.18 lakhs for delayed supply of 22,749 relays at old rates.

2.09.3. *Electro-mechanical shop*

2.09.3.1. The electro-mechanical shop of the division is engaged in sub-assemblies and assemblies of Neale's ball token instrument, point machine, impedance bond and miscellaneous electro-mechanical signalling equipment. Performance of the shop during the 4 years up to 1983-84 is given below :

Name of the product	Installed capacity	Production				Percentage of production to the installed c city			
		1980-81	1981-82	1982-83	1983-84	1980-81	1981-82	1982-83	1983-8
		(In number)				*Per cent*			
Neale's Ball token instrument	180	6	8	72	50	3·3	4·4	41·1	27·8
Point machine	120	Nil	3	Nil	Nil	Nil	2·5	Nil	Nil
Impedance bond	360	66	72	4	70	18·3	20·0	1·1	19·4
Miscellaneous		(Not available)							

It would be seen from the above that as against annual installed capacities, the actual production during the 4 years up to 1983-84 was very low (ranging between zero *per cent* to 41.1 *per cent*).

2.09.3.2 The following table indicates the delayed|incomplete execution of some of the orders, received during the period from 1977-78 to 1983-84 in respect of (i) Neale's ball token instrument (ii) Point machine and (iii) Impedance bond.

Year	Number of orders received but execution was delayed or incomplete			Order executed			Balance of order		
	Neale's ball token instrument	Point machine	Impedance bond	Neale's ball token instrument	Point machine	Impedance bond	Neale's ball token instrument	Point machine	Impedance bond
	(In numbers)								
1977-78	..	150	..	..	..	..	..	150	..
1978-79	4	..	14	..	..	..	4	150	14
1979-80	..	..	50	2	..	14	2	150	50
1980-81	..	..	..	..	..	50	2	155	..
1981-82	132	..	..	8	3	..	126	147	..
1982-83	..	..	410	58	..	11	68	147	399
1983-84	..	..	—	9	..	72	59	147	327
Total ..	136	150	474	77	3	147	59	147	327

As against 7 orders for 136 Neale's ball token instruments, the Company could supply 77 instruments during the 5 years up to 1983-84 during which the cost of manufacture of these instruments had increased but the Railways did not allow escalation in price while granting extension of the delivery periods. Computed with the cost of manufacture as obtaining in the year of supplies made, the Company sustained a loss of Rs.3.68 lakhs on supply of only 77 instruments out of the 136 ordered.

Similarly, as against orders (April 1978) for 150 point machines at Rs.12,400 each, the Company supplied only 3 machines in April 1982 when the cost of manufacture had gone up to Rs.25,000 each.

Against orders for supply of 474 impedance bonds received from the Railways during November 1978 to September 1982, only 147 impedance bonds were supplied during 1980 to 1984. Meanwhile, the cost of the product had gone up but the Railways did not accept enhanced rates for old orders. As a result, the Company suffered a loss of Rs.5.97 lakhs by supplying at old rates.

2.09.4. *Fabrication shop*

2.09.4.1. The fabrication shop of the Division was set up in March 1976 primarily for structural fabrication work in connection with the Company's civil works and was expanded (November 1976) with additional structural shop facilities at a total expenditure of Rs.6.35 lakhs in the expectation that the Railways would place orders for at least two retarders every 2 to 3 years. It was further expanded in June 1978 at a cost of Rs.3.76 lakhs on receipt of order for fabrication and erection of transmission towers for supply to Bihar State Electricity Board (BSEB). With this end in view, the fabrication shop was divided into 3 adjacent areas, one marked for structural fabrication including retarders, the other for fabrication of transmission towers and the third for heat treatment. But the discontinuance of structural fabrication of the civil works department of the Company, non-receipt of orders for retarders from Railways and cancellation (October 1980) of orders for transmission towers by the BSEB rendered the capacity of the shop almost idle.

2.09.4.2. In October 1976, an agreement was executed between the Company and the Southern Railway for mechanisation of the humpyard at Jalarpettai junction with supply of retarders together with other control equipment at Rs.50.19 lakhs with the stipulation that, in case of failure to maintain the time schedule the Company would be liable to pay penalty at the rate of ½ *per cent* per week subject to a maximum of 5 *per cent* of the total value of work. The work was scheduled to be completed by September 1978 but was actually completed in August 1981. Consequently the Railways imposed a penalty of Rs.2.51 lakhs for delay in execution. The claim of the Company had not been settled so far (June 1985).

2.09.5. *Electronic testing laboratory*

2.09.5.1. Having diversified its activities in 1976 in the field of Central Despatcher System (CDS) for mining communications, the Company extended from time to time its range to more sophisticated electronic items like sound-powered telephone (Genephone), alarm annunciator board, blinkers, *etc.* Besides, production of some more electronic products, for the Railways *viz.* axle counter, automatic warning system, high impulse track circuit equipment, were also envisaged but abandoned subsequently (July 1979): There was no production of any of these items and these were only assembled and tested in the above shop.

2.09.5.2. The activities of the shop were accordingly restricted from July 1979 mainly to production of CDS and Genephone only. The performance of the shop, product-wise, is tabulated below :

Production

Name of product	1981-82		1982-83		1983-84	
	Number	Value	Number	Value	Number	Value
	(value : Rupees in lakhs)					
CDS (20 lines) ...	4	5·06	1	1·26	4	5·08
Genephone (Production commenced from January 1984)	..	..	..	..	183	7·32

It would be seen from the above that the Company could secure and execute orders only for 9 sets of CDS during the three years up to 1983-84. Since the Company did not assess the capacity of the shop, the extent of under-utilisation of the same could not be verified in audit. According to the Management, (September 1984) the Company, with its high overheads, could not compete successfully with many new entrants in the field and the facilities created for producing CDS remained unutilised. Had the Company prepared feasibility reports for its diversification activities before going into actual production incidence of high overheads could have been avoided.

2.10. **Civil engineering projects department**

2.10.1. The civil engineering project (CEP) department of the Company started functioning from March 1976 with the idea of generating more employment and increasing productivity at minimum investment and extending financial assistance to the Company. With this end in view, the Company took up 36 projects (estimated cost: Rs.6,22.97 lakhs) during May 1976 to November 1983. Out of these, 21 projects had been completed and the rest are at different stages of completion.

2.10.1.1. From the inception there were no codified rules and orders governig the working of the civil engineering project department. The Company did not also prepare individual project-wise accounts to assess their profitability or otherwise. While quoting rates against tenders, it had been preparing preliminary cost analysis of each work and adding 3 to 13 *per cent* to cover overheads and profit margin. But due to delayed execution of work, non-inclusion of price escalation clause in the contracts, appointment of inexperienced contractors|sub-contractors and high incidence of overheads, the Company suffered losses, as illustrated in the cases below noticed during test check in audit.

2.10.2. *Work relating to up-stream navigation lock gates at Farakka*

The Farakka Barrage Project Authority (FBPA) issued (November 1976) a letter of intent to the Company for design, manufacture, supply and installation of upstream navigation lock gates comprising 5 main items of work at Farakka at an estimated cost of Rs.1,21.87 lakhs with the stipulation that the project should be completed by November 1978. The FBPA was to dewater the work-bed free of cost and hand over the site for installation of the gates.

The Company appointed (June 1977) a firm of consultants of Calcutta for preparation of a detailed project report for the above work including the preparation of the designs and drawings of the work subject to the approval of Director, Gates Design, New Delhi and supervision of the entire work at a total fee of Rs.10 lakhs. An agreement was entered into by the Company with the consultants in January 1977, but the particulars of fee payable to the firm in respect of different items of work entrusted to them were not spelt out in the agreement. Conditional approval to the design and drawings prepared by them was, however, obtained (in piecemeal in September 1977, December 1977 and March 1979) by the consultants with the instruction that drawings and designs would suitably be altered to ensure satisfactory operation and stability on the basis of model tests without charging additional cost for the same.

The consultants did not submit the project report nor did they prepare the operating manual and programme showing the time required for completion of the project. Despite the above deficiencies, the Company paid from time to time (October 1977 to January

1978) Rs.9.60 lakhs against the contractual amount of Rs.10.00 lakhs resulting in an unintended benefit to the firm on one hand and an infructuous expenditure on the other.

The Company had also awarded (February 1978) major works of the project to the same consultants to be executed at a lump sum fee of Rs.33.22 lakhs and to be completed by April 1979. Although FBPA dewatered the work-bed, the consultants did not start the work due to delayed submission of drawings and designs by it even by November 1978 necessitating extension of time for completion up to the end of May 1980. FBPA undertook dewatering a second time in December 1979. Since the Company could not complete the work even within the extended period, on request of the Company (October 1980) FBPA dewatered the site once again in November 1980 deducting Rs.1.07 lakhs towards the cost of dewatering from the running account bills of the Company and the Company agreed to bear the cost up to Rs.1.00 lakh on this account.

The consultant firm was paid during the period from December 1980 to August 1982 a sum of Rs.29.42 lakhs. Further, on their representation that they had incurred additional expenditure to maintain their establishment during the extended period, the Company paid (December 1980) the consultants an *ad hoc* amount of Rs.2.00 lakhs which was beyond the scope of the contract. In August 1982 the firm suddenly withdrew itself out from the site without intimation to the Company leaving behind a considerable portion of incomplete work including some defective items (which were not detected in time by the Company), details of which were intimated (August 1982) by FBPA to the Company. The firm also left behind a labour force with unpaid wages to the extent of Rs.0.69 lakh which the Company had to pay to avoid unrest. Further, the Company had to bear an expenditure of Rs.0.50 lakh towards the repair of a crane of the FBPA made available to the firm and damaged by them.

The Company could not take any effective action against the consultants as there was no penal clause for recovery of liquidated damages, compensation, *etc.*, included in the Company's agreements with them. Such clauses were, however, incorporated in the Company's agreement with FBPA to guard against failure on the part of the Company.

The Company held (March 1984) that the Caisson gates, the heart of the project, had not been completed except for some structures and also that it had no expertise, competence and organisational capability to complete the lock gates, commissioning of which was of great national urgency and importance.

In order to complete the work the Company, at the instance of FBPA, started (January 1984) negotiations with the Calcutta Port Trust (CPT) and two other firms of repute for development of necessary technique for executing the work. Further developments are awaited (March 1985).

2.10.3. *Design and construction of 'A' and 'B' type quarters*

The Company received (May 1978) from Hindusthan Copper Limited (HCL) an order for design and construction of 'A' and 'B' type quarters including land development work at Mosabani and Surda (Ghatsila) at an estimated cost of Rs.1,01.21 lakhs. The work site was handed over to the Company in June 1978 and the entire work was scheduled to be completed by October 1979. The work, however, could not be completed in time by the Company even though extensions were given up to March 1981. A proposal for further extension made by the Company was turned down (November 1980) by HCL. Consequently, the Company stopped execution of the work and HCL issued notice of termination of the contract (December 1980). An arbitrator was appointed (December 1980) to settle the dispute arising out of the Company's claim of Rs.78.33 lakhs and HCL's counter claim of Rs.64.10 lakhs.

The arbitrator while admitting (February 1981) the Company's claim of Rs.55.44 lakhs also admitted counter claim of HCL to the extent of Rs.16.57 lakhs. The Company thus suffered a loss of Rs.21.82 lakhs (Rs.5.62 lakhs as penalty, Rs.2.50 lakhs as cost of rectification, Rs.11.39 lakhs towards price escalation and Rs.2.31 lakhs as disallowed value of work done) on the project.

2.10.4. *Fabrication and erection of structures for coal handling plant*

An order for fabrication and erection of structures at Bongaigaon coal handling (Plants of Bongaigaon Thermal Power Station) project was placed (October 1977) with the Company by a Government of India Undertaking of New Delhi at an estimated cost of Rs.13.66 lakhs with the stipulation that the work was to be completed by February 1979, failing which the Company would be liable to pay penalty at the rate of 1 *per cent* per month or part thereof, subject to a maximum of 5 *per cent* of the contract value.

Two labour contractors were engaged (April-May 1978) by the Company to execute the work. After doing only part of the work defectively, one of the contractors abandoned the work in November 1978 and the other in July 1979. The officer-in-charge at the site of the Project reported (August 1979) that labour contractors engaged had little experience and insufficient equipment to execute such work. Thereupon the Company engaged (January 1980) another contractor to complete the work including required rectifications. The work was completed in March 1982 at a cost of Rs.32.10 lakhs (including Rs.2.16 lakhs towards fabrication and erection of chequered plate, an additional item of work accepted in August 1979).

Against the claim for Rs.32.10 lakhs preferred (March 1982) the Company had received Rs.17.26 lakhs and a sum of Rs.13.11 lakhs comprising Rs.6.60 lakhs claimed on account of price escalation and Rs.6.51 lakhs claimed for certain supplementary work was disallowed by the firm as being beyond the scope of the contract. The firm also disallowed a sum of Rs.0.74 lakh representing the value of steel materials found short at site. After effecting a few other adjustments amounting to Rs.0.96 lakh a sum of Rs.0.03 lakh was paid in February 1983. The Company, thus, suffered a loss of Rs.13.85 lakhs due to delayed and defective execution of the work.

Besides, the firm imposed (July 1983) a penalty of Rs.0.95 lakh being 5 *per cent* of contract value for delayed execution of work, pending realisation whereof the retention money (Rs.1.89 lakhs) was withheld by them (September 1984).

2.10.5. *Construction of residential quarters at Haldia*

The Company received (January 1977) an order for construction of 84 units of residential quarters at Haldia from the Indian Oil Corporation Limited (IOC) at an estimated cost of Rs.21.62 lakhs with the stipulation to complete the work by November 1977. Though the site was handed over in February 1977, the Company could make little headway in the execution of work up to the due date of completion as it could not mobilise required men and material at site and finally it took the Company 44 months to complete the job in September 1980 after availing of 7 extensions. In executing the order the Company incurred an expenditure of Rs.25.56 lakhs (including overheads) resulting in a loss of Rs.4.24 lakhs.

2.10.6. *Construction of office-cum-commercial estate*

The Company received (June 1976) from a State Government Company, an order for construction of office-cum-commercial estate in Calcutta at an estimated cost of Rs.17.00 lakhs with the stipulation that the work should be completed by December 1977. Although the site was handed over to the Company in June 1976, the work could commence in November 1976 only and it was completed in February 1982. No final bill had been preferred by the Company so far (August 1984) as joint measurement was not taken.

As against the expenditure of Rs.16.50 lakhs (excluding overhead) incurred in the work, the Company could claim Rs.15.74

lakhs only (provisional) with reference to the rates agreed upon resulting in a loss of Rs.0.76 lakh.

2.10.7. *Construction of staff quarters for a Hospital*

An order for construction of staff quarters for a State General Hospital at Haldia was awarded (February 1981) to the Company by the State PWD at an estimated cost of Rs.33.54 lakhs. The work was stipulated to be commenced in February 1981 and completed in February 1983.

As the Company could not start the work despite several reminders the PWD forfeited (December 1981) the security money of Rs.0.20 lakh deposited by the Company. Besides, the Company incurred an expenditure of Rs.1.06 lakhs towards preliminary expenses on the work. The entire amount (Rs.1.26 lakhs), thus, proved to be infructuous.

2.10.8. *Outstanding dues*

A test check of records also revealed that a sum of Rs.18.97 lakhs relating to the period 1975-76 to 1979-80 had been outstanding against 7 parties (Government Departments and Undertakings) towards the cost of civil works done by the Company. The records did not indicate the action taken, if any, to realise the dues.

2.11. **Trading activity**

2.11.1. During the period from 1975-76 to 1979-80, the Company also engaged itself (as a measure of diversification) in various trading activities including that with Bangladesh. During these four years it traded in common salt, diphenyloxide, lime stone, railway sleepers, *.etc.* The cases of losses incurred and the irregularties noticed in trading with Bangladesh are detailed below.

2.11.2. *Supply of lime stone*

The Company executed (April 1976) an agreement with a firm of Bangladesh for supply of 10,000 tonnes of lime stone at a total cost of Rs.14.07 lakhs. In terms of the agreement, the Company furnished (April 1976) a performance guarantee of Rs.0.71 lakh with the stipulation that delivery would be made by railway wagon to Chittagong Steel Mills *via* Radhikapur and the payment for the supply was to be made on production of documents to the bank against the letter of credit opened in February 1976 for Rs.14.07 lakhs.

The Company could however, deliver, up to December 1976, 8,577 tonnes of lime stone to Bangladesh firm. The balance quantity (1,423 tonnes) remained undelivered reportedly due to non-availability of rake.

Due to failure to supply the entire quantity as agreed upon, the Bangladesh firm forfeited and encashed (March 1977) the amount (Rs.0.71 lakh) of performance guarantee of the Company.

The Company raised bills amounting to Rs.12.07 lakhs towards the cost of the material supplied, out of which Rs.0.56 lakh remained unrealised (September 1984). No action was taken to realise this amount. Thus the Company suffered a total loss of Rs.1.27 lakhs in the deal.

2 11.3. *Supply of sleepers*

An agreement was signed (May 1977) between the Company and the Bangladesh Railway authorities in terms of which the Company was to supply 6.50 lakh cft. sleepers to Bangladesh Railways at a total cost of Rs.1,56.63 lakhs.

Accordingly, a letter of credit was opened (May 1977) with a bank in Bangladesh for Rs.1,56.63 lakhs the validity of which was up to the end of September 1978 and a performance guarantee furnished (April 1977) for Rs.15.70 lakhs through a nationalised bank in Calcutta. The Company obtained (September 1977) necessary licence from Government of India for export of sleepers. The delivery was stipulated to be completed within 12 months from the date of receipt of export licence.

The Management decided (February 1978) to purchase wooden sleepers from Assam and for that purpose a temporary office was set up at Kakrajhar, as it was considered a close link from the areas of purchase. During April 1978 to September 1978, Company's officials visited various places of Assam, Meghalaya, Bihar and Orissa for procurement of sleepers, but could succeed in purchasing only 1,107 cft of sleepers and 1,410 cft of *sal* logs from Assam at a cost of Rs.0.62 lakh which were, however, not supplied to Bangladesh Railways. As the supply could not be completed by September 1978 the Bangladesh Railway authorities terminated (October 1978) the agreement and signified their intention to invoke the performance guarantee and to realise compensation for damage caused as a result of non-execution of the order.

In December 1979 the Bangladesh Railways claimed from the Company the extra cost involved in procurement of the sleeper from other sources. The legal opinion obtained by the Company (February 1980) indicated that the Company had no valid defence against it.

The sleepers obtained at a cost of Rs.0.62 lakh were disposed of (February 1979) in auction by the Company for Rs.0.14 lakh only.

Thus the Company suffered loss of Rs.0.48 lakh on the disposals of sleepers. Besides, the forfeiture of performance guarantee of Rs.15.70 lakhs and a claim for damages had not yet been settled (March 1985).

2.11.4. *Unadjusted advance*

The Company made advance payments to various parties in connection with trading in salt, lime stone, *etc.*, during the years 1975-76 to 1978-79. A total sum of Rs.5.37 lakhs in respect of 6 suppliers of Calcutta remained unadjusted|unrealised till date (September 1984) even though these trading activities were discontinued since March 1980. The Company has ceased to have any dealings with these parties. There was nothing on record to show if any effective action had been taken by the Management to realise the outstanding advances.

2.12. **Purchase procedure**

2.12.1. The Company has neither prepared any purchase manual nor prescribed any comprehensive purchase procedure so far (September 1984). According to procedure presently followed by the Company orders are placed on the basis of limited tenders and that too in most cases on verbal enquiry without giving wide publicity to obtain materials at competitive rates.

2.12.2. A test check of the purchase records revealed the following :

(a) Purchase of stores costing more than Rs.25,000 in each case was made during 1982-84 without the approval of the Board of Directors as required under the prescribed procedure.

(b) No up-to-date list of contractors|suppliers was maintained as required.

(c) Internal auditors of the Company in their report for the period from November 1982 to June 1983, observed that the Company had to bear an additional expenditure of Rs.0.55 lakh in procuring steel materials worth Rs.3.84 lakhs from open market instead of from SAIL.

(d) An order for supply of 20 tonnes of cast iron ballast at the rate of Rs.3.25 per kg was placed (December 1979) on a firm of Calcutta with the stipulation that the delivery should be completed within January 1980. An advance of Rs.0.21 lakh was made (January 1980) to the supplier against a proforma invoice. In March 1980 when the firm had supplied only 3 tonnes (value : Rs.0.11 lakh) of material the Company made another advance of Rs.0.43 lakh to the firm. When the firm failed to supply the materials, the order was cancelled (June 1980) by the Company with the request to refund the balance. As this was not done a legal demand notice was served (February 1981) on the defaulting supplier, which also remained unreplied. Ultimately a money suit was filed (September 1982) for realisation of the unadjusted advance of Rs.0.66 lakh (including interest of Rs.0.13 lakh). Further development is awaited (March 1985).

(e) The Company advanced (June 1979) Rs.0.45 lakh to a firm of Calcutta for supply of steel materials valuing Rs.0.46 lakh to its Durgapur unit. But the firm supplied materials worth Rs.0.37 lakh leaving Rs.0.08 lakh unadjusted (September 1984). For a further supply of steel materials to the same unit, a second advance of Rs.0.45 lakh was released (July 1979) to the supplier, while part of the earlier advance still remained unadjusted. No supply was, however, made by the firm against the second advance. In refund of the second advance in full, the firm issued (October 1979) a cheque which was dishonoured by the bank and the amount thus remained unrealised (September 1984). As regards the unadjusted balance of the first advance the supplier claimed (May 1982) to have remitted the same by a cheque which the Management could not trace for want of particulars.

(f) In connection with the supply of casting materials during 1982-83 under different purchase orders, the Company released Rs.3.46 lakhs from time to time (between September 1982 and January 1983) as advance to a firm of Calcutta, against which supplies valuing Rs.1.16 lakhs were made during the period from October to December 1982. The Company preferred (January 1983 to June 1983) claims for Rs.0.30 lakh against rejected castings. Since the firm did not make any further supply after December 1982 the total amount recoverable from them aggregated Rs.2.60 lakhs. By an order (April 1984) of the Hon'ble High Court, Calcutta the defaulting firm had gone into voluntary liquidation. The Company has not taken up the matter with the official liquidator so far (September 1984).

(g) As per extant procedure, materials procured from different suppliers, if considered good on inspection, are taken in the stock. Such materials, if proved unfit when put into use, are rejected and the value thereof stands realisable from the concerned supplier either in cash or by adjustment against future supplies.

A test check revealed that a sum of Rs.4.59 lakhs being the value of such rejected materials as claimed by issuing credit notes during the year from 1974-75 to 1983-84 were not realised|adjusted (September 1984).

Management stated (September 1984) that the old items pertaining to the period from 1974-75 to 1979-80 could hardly be adjusted|realised since, in a number of cases, suppliers had either closed down their business or were no more in business with the Company. Hence the Management was doubtful of realisation to the extent of Rs.2.38 lakhs pertaining to the above period. As regards adjustment|realisation of Rs.2.21 lakhs relating to post 1980 period, there was nothing on record to show that effective follow-up actions were taken to avoid recurrence of such losses.

2.13. **Inventory control**

2.13.1. The Company has two stores one at Entally division and the other at Tangra division with approximately 11,000 items of inventory valuing Rs.77.91 lakhs.

The preparation of stores accounts were in arrears since July 1981. The Company has a team of stores verifiers to follow a perpetual system of physical verification of stores. But a test check revealed that not even 50 *per cent* of the items were covered in such physical verification during any of the years under review.

The following shortcomings were noticed in audit :

(i) Shortages of stores like pig iron, mild steel plates *etc.*, valued at Rs.12.29 lakhs found on physical verification conducted (October 1980) at the instance of Company's bankers before extending cash credit facilities were adjusted in the annual accounts for 1980-81 without any investigation into the causes of such shortages and without fixing responsibility for the same.

(ii) Sotres valuing Rs.11.47 lakhs comprising 3,881 items belonging to two divisions of the Company, procured during 1952-53 to 1973-74 were found to be slow moving and did not move for over a decade.

Management stated (September 1984) that the materials had become redundant on account of change in designs by the clients.

No steps to dispose of the same have been taken so far (March 1985).

2.13.2. The Committee on Public Undertakings (COPU) while considering the Report of the Comptroller and Auditor General for the year 1974-75 (Commercial) desired, *inter alia,* that—

(i) the minimum, maximum and re-ordering level of stores and spares be immediately fixed ;

(ii) a store manual be compiled early; and

(iii) a system of material budgeting incorporating the annual requirement of materials based on production schedule be introduced.

No action had, however, been taken to implement the above recommendations (March 1985).

2.14. Sundry debtors

2.14.1. The table below indicates the position of outstanding dues of the Company *vis-a-vis* sales during 3 years up to 1982-83 :

Year	Book debts	Sales	Percentage of debts to sales
	(Rupees in	lakhs)	
1980-81	3,69 42	3,62·22	102
1981-82	4,06 66	4,62·22	88
1982-83	4,58·32	4,84·68	95

(Figures are provisional)

Sundry debtors represented more than 12 months' turnover in 1980-81, 10 months' in 1981-82 and 11 months' in 1982-83.

2.14.2. As the accounts of the Company are in arrears since 1981-82, age-wise analysis of book debts had not been worked out by the Company. The Company after assessing the realisability of the outstanding dues provided Rs.1,29.05 lakhs as bad debts up to the year 1980-81.

2.15. Accounting system

The Company has not drawn up any manual laying down the detailed procedure (March 1985) for the maintenance and compilation of accounts, the duties and responsibilities of various officials and the delegation of financial power to them (March 1985).

2.16. Costing system

The Company had not compiled any cost accounting manual so far (September 1984). It introduced 'job-cum-batch costing' (May 1981) under which material is allocated on actual basis while labour and overheads are apportioned on predetermined rates.

A study of the system revealed the following deficiencies :

(i) The cost records were not reconciled with the financial records|accounts;

(ii) The cost statements were in arrears for the four years up to 1983-84;

(iii) Even where cost statements were prepared variance analysis of all items were not made. Consequently, remedial measure, which was essential for the purpose of cost control could not be taken;

(iv) Administrative, selling and distribution overheads were not booked separately;

(v) The Company had neither determined nor maintained records in respect of idle time wages;

(vi) There was no record showing rejection of finished stock by the consumers and amount spent on rectification of defects in the products;

(vii) The Company had not determined the activity ratio and fixed time limit for completion of each job based on time and motion study. The estimated time for job completion was based on past experience; and

(viii) There was no system of apprising the Board of Directors of the cost trends in respect of major items of works.

2.17. Internal audit

The Company has no internal audit wing. The Company, however, appointed (November 1981) a firm of Chartered Accountants as internal auditors on a consolidated fee of Rs.2,500 per month to get the books of accounts and records of Head Office as well as of all the three factories checked and audited. The firm, whose tenure of appointment was extended from time to time, submitted their reports periodically to the Management.

No manual laying down the scope and programme of work to be carried out by the internal auditors had been prescribed by the Company so far (March 1985).

2.18. **Other points of interest**

2.18.1. *Commissioning of mini-computer*

The Company had a unit record installation (HOLARITH) for its accounting functions. It decided (July 1982) to replace this by installing a mini-computer as the existing unit, being old and of low capacity did not serve the needs.

The new system was to attain timely and accurate processing of existing applications like wages accounting, stores and work-in-progress and creditors accounting, new applications like production planning, financial accounting and budget and sales accounting *etc.*

The new computer system was installed in July 1983 by a Calcutta firm at a cost of Rs.8.05 lakhs plus installation charges of Rs.4.55 lakhs and Rs.3.40 lakhs as interest charges for deferred payment of the cost to the supplier by six monthly instalments spread over a period of 5 years. Since its commissioning, the computer could not be utilised fully for want of a programmer and other qualified staff. The staff engaged in operating the older unit record installation (16) were not conversant with the new computer and as such the Company had to depend on the supplier for programme and operation for which Rs.0.40 lakh was spent by the Company from July 1983 to September 1984.

Meanwhile due to less use of the computer arrears in works in all spheres of operation had been mounting, leaving aside the projected utilisation for new applications like production planning and financial management etc. Thus, the very purposes for which the Company incurred a liability of Rs.16.00 lakhs on the purchases of the computer together with a recurring annual expenditure of Rs.1.00 lakh by way of licence fee, *etc.*, have been defeated.

2.18.2. *Unauthorised occupation of flat*

The Company held under its possession a flat (in Calcutta) on a monthly rental of Rs.375 payable to the Official Receiver, Calcutta High Court, for providing accommodation to its Managing Director. The office of the Managing Director having fallen vacant the flat was occupied (August 1979) by the Controller of Finance and Accounts whose services were terminated on 22nd May 1981. However, as he continued to occupy the flat the Management had to provide (February 1983) the new Managing Director with an accommodation at Salt Lake taken on a monthly rental of Rs.1,500.

This has resulted in an infructuous expenditure of Rs.0.16 lakh up to August 1984 being the difference between the rent paid for the flat under illegal occupation and that of Salt Lake Flat.

The Managing Director of the Company observed (June 1983) that for the last two years, the Company took no action to evict ex-official from the Company's flat, nor was he informally asked to vacate the accommodation.

No action had been taken in this regard so far (March 1985).

2.18.3. *Non-payment of ESI contribution*

As the Company defaulted payments of ESI contribution for the period from July 1976 to May 1979 the Regional Directorate of Employees' State Insurance imposed (July 1980) damages (penalty) amounting to Rs.10.97 lakhs. The Company's plea from time to time (September 1979 to May 1980) for waiver of the levy of the damages on the ground of its financial stringency and being a sick Government Company was not only rejected by the ESI authorities but a certificate case was instituted (April 1981) against the Company for realisation of the amount of damages. Latest development of the case was not on record and the Management's reply in this regard was awaited (September 1984).

2.19. **Summing up**

1. The Company had an accumulated loss of Rs.19,73.40 lakhs up to June 1981 against its paid-up capital of Rs.1,00 lakhs.

2. Total outstanding loan received from Government and others up to 30th June 1984 was Rs.21,68.09 lakhs. Interest accrued and due up to that date was Rs.7,50.00 lakhs which was not paid by the Company so far (March 1985).

3. The Company had cash credit arrangement with two nationalised banks up to a limit of Rs.2,65.00 lakhs guaranteed by the State Government. The outstanding balance as on 30th June 1984 including interest amounted to Rs.3 97.86 lakhs. One of the two accounts was not in operation since February 1974, amount outstanding including interest in which was Rs.2,28.51 lakhs (June 1983).

4. In Entally Division of the Company no inventory of assets was maintained. No log books of machines were also maintained as a result the extent of utilisation of plant and machinery could not be assessed. No norm for production had been fixed. No records relating to production or works executed were also maintained.

5. The performance of foundry shop during 5 years up to 1983-84 ranged between 8.1 and 11.1 *per cent* of its installed capacity.

6. There was delay in executing orders for air brake equipment, resulting in loss of Rs.6.35 lakhs during 1983-84.

7. The performance of vacuum brake fabrication, assembly and testing shop during 5 years up to 1983-84 varied between 25.2 and 6.2 *per cent* of its installed capacity.

8. The Company received orders for supply of 15,000 sets (12,000 sets in November 1974 and 3,000 sets in October 1982) of different kinds of road brakes from Vehicle Factory, Jabbalpur, to be executed (November order) between February 1977 and September 1978 against which it could supply 9,424 sets up to 1983-84 after availing of several extensions of time without price escalation but attracting liquidated damages and suffered a loss of Rs.16.05 lakhs.

9. The Company started manufacturing 5 H.P. diesel pump-sets from March 1974 with no arrangement of its own for marketing and after sale services. It marketed its product through distributors appointed from time to time on commission basis. An amount of Rs.21.64 lakhs remained outstanding from 5 distributors for the supplies effected during January 1975 to September 1980.

10. During 1980-81 the Company manufactured 5 power-tillers based on the technical know-how obtained from Manila and sold them to private parties of which 4 were rejected and returned by the purchasers. The production of power-tillers was thereafter discontinued. The Company thus incurred a loss of Rs.0.85 lakh on this venture.

11. In respect of 18 orders involving supplies of 28,833 relays of different varieties, received from Railways during the period from January 1971 to May 1980, the Company obtained several extensions of time without price escalation and could supply 22,749 relays up to September 1984 at old rates. Due to execution of orders over a period of 2 to 8 years it suffered a loss of Rs.66.18 lakhs.

12. Due to non-adherence to the extended delivery schedules of Railways, the Company had to forego the benefit of price increase to the extent of Rs.3.68 lakhs, Rs.0.38 lakh and Rs.5.97 lakhs on the supplies of 77 neale's ball token instruments, 3 point machines and 147 impedance bonds, respectively.

13. As a measure of diversification of activities, the Company started (March 1976) civil construction projects and took up as many

as 36 projects during the period from May 1976 to November 1983. Due to delayed and defective execution of works it suffered a loss of Rs.41.93 lakhs.

14. The Company obtained (April 1976) an order for supply of 10,000 tonnes lime stone to a Bangladesh firm and could supply 8.577 tonnes up to December 1976. Due to non-supply of the full ordered quantity it suffered a loss of Rs.1.27 lakhs by way of foreiture of performance guarantee (Rs.0.71 lakh) and non-realisation of dues (Rs.0.56 lakh).

15. Due to non-supply of sleepers to Bangladesh Railways (at a cost of Rs.1,56.63 lakhs) within the stipulated time (September 1978), the Bangladesh Government terminated the contract and intimated their intention to revoke the performance guarantee of Rs.15.70 lakhs, besides making a claim towards liquidated damages. There was also loss of Rs.0.48 lakh in the disposal of the sleepers not sent to Bangladesh against the order.

16. Shortage of stores valued at Rs.12.29 lakhs detected on physical verification (October 1980) had been adjusted in the accounts for the year 1980-81 without any investigation.

Due to change in designs, stores valued at Rs.11.47 lakhs became redundant and no steps for their disposal had been taken so far (March 1985).

The above points were reported to the Government in April 1985; their replies were awaited (June 1985).

SECTION III

WEST BENGAL HANDICRAFTS DEVELOPMENT CORPORATION LIMITED

3.01. Introduction

The West Bengal Handicrafts Development Corporation Limited was incorporated on 1st June 1976, as a subsidiary of West Bengal Small Industries Corporation Limited (WBSIC), with a view to ensuring allround development of the existing handicrafts industries and promotion of new ones in the State, in accordance with a decision of Government (1973) to form a new company. It was further decided (October 1976) that all the emporia of the State Government and the WBSIC aimed at promotion of handicrafts should be under the unified management and control of the new company.

3.02. Objects

The main objects of the Company *inter alia,* are to look after promotion and development of handicrafts and to act as the implementing agency of the State Government for implementation of Central or State schemes relating to handicrafts, to procure and supply raw materials required for handicraft products, to assist in marketing of the products of the handicraft artisans, to establish handicrafts sales emporia in and outside the State and to give training in handicrafts.

3.03. Organisational set-up

The management of the Company is vested in a Board of Directors headed by a Chairman. The Board, as constituted in January 1984, consisted of 10 directors. The Managing Director, the Chief Executive of the Company, has been working part-time since October 1983.

3.04. Capital structure

3.04.1. *Share capital*

The initital authorised capital of the Company (Rs.25 lakhs) was increased to Rs.1,00 lakhs in November 1980, comprising of 1.00,000 equity shares of Rs.100 each.

The paid-up capital of the Company as on 31st March 1984 was Rs.48.50 lakhs contributed by the West Bengal Small Industries Corporation Limited (Rs.36.50 lakhs) and the All India Handicrafts Board (Rs.12 lakhs), 3.04.2. *Borrowings*

The Company obtained loans aggregating Rs.16.90 lakhs up to 31st March 1984 from the State Government, of these the terms and conditions of repayment and rate of interest in respect of a loan of Rs.5 lakhs received in February 1983 had not so far been fixed (August 1984). No amount was repaid towards principal (Rs.16.90 lakhs) and the interest thereon (Rs.1 lakh) up to 31st March 1984.

In addition, the Company had cash credit arrangement with Allahabad Bank up to a limit of Rs.40 lakhs for meeting working capital requirements; the balance outstanding was Rs.24 lakhs as on 31st March 1984.

3.05. **Working results**

The Company had been incurring losses up to 1979-80, the accumulated loss being Rs.16.33 lakhs. It made a profit of Rs.8.84 lakhs during 1980-81 bringing down the cumulative losses to Rs.7.49 lakhs.

The accounts of the Company are in arrears since 1981-82.

According to the Management (January 1981) during the initial years of business in and outside the State, where markets were very competitive and goodwill of the Company was yet to be established, losses could not be avoided.

3.06. **Activities**

3.06.1. *Emporia*

The Company opened its first sales outlet at Bangalore in March 1977. Subsequently, it took over the business of sales emporia located at Dum Dum Airport (July 1977), New Delhi (April 1978) and Lindsay Street, Calcutta (September 1980) from Apex Handicrafts Co-operative Society Limited, WBSIC and State Government.

As at the end of March 1984, there were nine emporia functioning at Lindsay Street, Dum Dum Airport, New Delhi, Bangalore, Darjeeling (since July 1977), Jaipur (October 1982), Howrah sub-way (September 1980), Haldia (February 1983) and Madras (August 1983).

3.06.2. *Sales performance*

3.06.2.1. The marketing activities of the Company are retail-oriented. Besides sales through retail outlets, products are sold through exhibitions, The table below indicates the sales targets fixed for the emporia and achievements thereagainst for the three years up to 1983-84 :

Sl. No.	Name of emporium	1981-82			1982-83			1983-84		
		Target	Achivement	Percentage of achivement	Target	Achivement	Percentage of achivement	Target	Achivement	Percentage of achivement
		(Rupees in lakhs)			(Rupees in lakhs)			(Rupees in lakhs)		
1.	Lindsay Street ..	Not fixed	6·85	..	Not fixed	7·82	..	20·00	13·77	68·9
2.	Dum Dum Airport ..	Ditto	3·08	..	Ditto	2·90	..	4·00	4·02	100·5
3.	New Delhi ..	12·00	14·81	123·4	15·00	15·52	103·5	18·00	17·78	98·8
4.	Bangalore	Not fixed	2·65	..	Not fixed	3·15	..	7·00	3·47	49·6
5.	Howrah Sub-way ..	Ditto	1·32	..	Ditto	1·79	..	2·00	1·75	89·5
6.	Darjeeling	Ditto	2·19	..	Ditto	2·51	..	4·00	2·51	62·8
7.	Jaipur	*	..	..	Ditto	2·70	..	6·00	3·08	51·3
8.	Haldia	*	..	..	Ditto	0·59	..	4·50	2·90	64·4
9.	Madras .. .	*	..	..	*	..	..	5·00	2·56	51·2
		Total	30·90			36·98			51·84	

*Started functioning subsequently

Emporia-wise sales targets were not fixed by the Company for the years 1981-82 and 1982-83 excepting for New Delhi emporium, reasons for which were not explained. It would be seen from the above table that the targets fixed could not be achieved excepting in the case of Dum Dum Airport emporium (and New Delhi to a large extent). While taking over the business of the emporium at Dum Dum Airport (July 1977) and New Delhi (April 1978) it was assessed by the Company that sales of Rs.3.12 lakhs and Rs.24 lakhs per annum for Dum Dum Airport and New Delhi respectively, would be necessary to attain break-even point. Thus, the target of sales fixed for the year 1983-84 for New Delhi emporium was on the lower side. The sales at Darjeeling, Bangalore, Jaipur, Haldia and Madras emporia were much less than the targets fixed. While analysing the sales of different emporia it was observed (October 1983) by the Management that in the cases of Darjeeling and Bangalore this was due to situation of the emporia being away from the commercial area.

The Management has been contemplating to shift the emporia at Bangalore and Darjeeling from their present premises to some suitable commercial area.

Though the possession of the Lindsay Street emporium of Calcutta was taken over by the Company in September 1980 no agreement had yet (February 1985) been executed with the owner of the building for transferring the tenancy of the premises in favour of the Company. The Company renovated the emporium premises during 1981-82 at a cost of Rs.4.70 lakhs. The owner of the building filed (December 1983) a suit in the Supreme Court for vacating the premises. The Company so far incurred (February 1985) an expenditure of Rs.0.15 lakh to defend the case.

All the emporia at New Delhi, Bangalore, Darjeeling, Dum Dum Airport were running at loss since inception to 1980-81. The cumulative loss incurred by these four emporia to end of 1980-81 amounted to Rs.17.03 lakhs. Profit and Loss accounts for the years from 1981-82 to 1983-84 were yet (June 1985) to be prepared.

Reasons for losses in the emporia were not explained by the Management.

3.06.2 2. The table below indicates the gross annual sales and the sales during the rebate period of festive seasons in different emporia of the Company during the three years up to 1983-84 :

Sl. No.	Name of emporium	1981-82			1982-83			1983-84		
		Gross annual sales	Sales during rebate period	Percentage of rebate sales to gross annual sales	Gross annual sales	Sales during rebate period	Percentage of rebate sales to gross annual sales	Gross annual sales	Sales during rebate period	Percentage of rebate sales to gross annual sales
		(Rupees in lakhs)			(Rupees in lakhs)			(Rupees in lakhs)		
1.	Lindsay Street, Calcutta	6·85	3·76	54·0	7·82	6·75	86·3	13·77	9·23	67·0
2.	New Delhi	14·81	7·39	49·9	15·52	2·84	18·3	17·78	8·31	46·7
3.	Dum Dum Airport ..	3·08	1·15	37·3	2·90	1·50	51·7	4·02	2·63	65·4
4.	Howrah Sub-way ..	1·32	0·87	65·9	1·79	1·06	59·2	1·75	1·33	76·0
5.	Darjeeling ..	2·19	0·58	26·5	2·51	0·55	21·9	2·51	1·23	49·0
6.	Bangalore	2·65	1·11	41·9	3·15	1·21	38·4	3·47	1·41	40·6
7.	Jaipur	..	..	..	2·70	1·03	38·1	3·08	1·20	39·0
8.	Haldia	..	..	..	0·59	0·45	76·3	2·90	1·88	64·8
9.	Madras	..	..	..		..	..	2·56	1·09	42·6
	Total ..	30·90	14·86	48·1	36·98	15·39	41·6	51·84	28·31	54·6

It will be seen from the above that the average sales during rebate period of 30 to 60 days in the year, (30 days in 1981-82 and 1982-83 and 60 days in 1983-84) ranged between 41.6 to 54.6 *per cent* of the gross annual sales of all the emporia during the three years up to 1983-84, as against 45.4 to 58.4 *per cent* during the rest of the year.

3.06.3. *Carpet Weaving*

The Company received a grant of Rs.3.50 lakhs in November 1978 from the All India Handicrafts Board for setting up of 5 Carpet Weaving Training Centres in Darjeeling district for imparting training to 50 trainees in each centre. The grant was, liable to be refunded to the Board as the training centres envisaged under the Scheme could not be set up during 1978-79 as the Company was not able to recruit necessary trainees and administrative staff and acquire accomodation for the Centres. On receipt of another grant of Rs.0.50 lakh in August 1979 from the Board the Company opened 5 training centres during November 1979-January 1980 at Singamari, Sonada, Sukhiapokhri, Kurseong and Kalimpong in Darjeeling district. As per the Scheme training was to be given for one year after which the training centres were to be converted into production centres. Number of trainees to be trained per centre was 50 and each trainee was to be paid Rs.60 as stipend. As the training could not be completed within a year, the scheme for training was extended up to 1982-83. The Management stated (March 1985) that the delay in completing the training could not be avoided as procedural formalities in connection with hiring of premises, recruitment of staff *etc.*, consumed a lot of time. The Company received Rs.6.50 lakhs in 1980-81, Rs.2.40 lakhs in 1981-82 and Rs.1.30 lakhs in 1982-83 from State Government to meet the expenditure arising out of the extension of the training scheme.

The table below indicates the position of trainees actually trained in different centres against the targetted number of 50 per year per centre during the years 1979-80 to 1982-83 :

Centre	1979-80	1980-81	1981-82	1982-83
	(Number of trainees trained)			
Singamari	..	50	40	23
Sonada	9	50	30	19
Sukhiapokhri	12	45	33	29
Kurseong	9	48	36	27
Kalimpong	1	50	41	31
Total ..	42	243	180	129

It will be seen from the above that in most of the cases the number of trainees trained fell short of the target. The officer-in-charge of the training centres stated (July 1984) that the trainees had left the training centres in course of training. The five centres were converted into ex-trainees' co-operative societies with effect from 1st July 1982. Value of assets including raw materials and finished products handed over to the Societies on their formation in the five centres were Rs.0.71 lakh, Rs.0.64 lakh, Rs.0.68 lakh, Rs.0.62 lakh and Rs.0.70 lakh respectively. The Company also advanced Rs.10,000 to each of the Societies to meet working capital requirements.

•It was contemplated in the Scheme that each of the Societies would have 16 looms, and engaged 38 weavers and 2 supervisors and produce 30 carpets of 3'×6' size per month. Value of monthly production of five Co-operative Carpet Weaving Centres was estimated to be Rs.1.13 lakhs for 150 pieces. The Company was to purchase 50 *per cent* of the products of these Societies.

The Company received (March 1981) a further grant of Rs.2.44 lakhs from State Government for establishment of two Carpet Weaving training centres at Takdah and Mirik in Darjeeling district for giving training to 30 trainees per centre for one year and for conversion thereafter into co-operative societies. The Centres were opened in Sepetmber 1981. Number of trainees actually trained at Takdah and Mirik were 26 and 30 during 1981-82 and 22 and 30 during 1982-83 respectively. A further sum of Rs.0.72 lakh was received during 1982-83 from Government for extension of the training period. Those two centres were converted into *ex*-trainees' Co-operative Societies with effect from 1st April 1983. Value of assets, excluding the value of finished products lying at the centres, handed over to the Co-operative Societies on their formation at Takdah and Mirik were Rs.0.26 lakh and Rs.0.24 lakh, respectively.

While submitting a report on marketing and raw materials assistance provided by the Company to these seven Societies during the years 1982-83 and 1983-84 the Manager-*cum*-Co-ordinating Officer, Darjeeling. observed (April 1984) that these Societies were not functioning satisfactorily, due to inexperience of workers|staff members in the working of an organisation|carpet business, lack of high-level skill for producing quality carpets and lack of sincerity on the part of the members of the Co-operative Societies.

Average number of carpets produced per centre per month ranged between 4 to 8 (against the target of 30 carpets per month). the value of which ranged between Rs.2 800 and Rs.5,600.

The Company supplies raw materials to the Societies on "no profit, no loss" basis, the value of which was to be adjusted against the value of finished products procured from the societies. Value of finished products (carpets) procured from these seven Societies during 1982-83 and 1983-84 was Rs.0.88 lakh and Rs.0.77 lakh respectively against the targetted value of Rs.9.45 lakhs per annum

Raw materials issued to the centres for manufacture of carpets and finished products procured therefrom and sold by the Company (except value of carpets received during 1982-83 and 1983-84) were not on record.

The Company had also received during 1982-83 a grant of Rs.2.30 lakhs from Government for establishment of two carpet weaving training centres at Bijanbari and Algarah in Darjeeling district to train 30 trainees per centre for one year. The Centres were opened in February 1984 with 30 trainees each. Trainees were paid stipend at the rate of Rs.90 per month. Expenditure up to February 1985 on raw materials issued to the centres was Rs.0.34 lakh. Reasons for delay in opening the Centres were not on record.

3.06.4. *Wool Knitting Scheme*

With a view to providing employment and developing the wool knitting industry in Darjeeling district the Company initiated the Wool Knitting Scheme with effect from September 1979. The Company received funds amounting to Rs.7.50 lakhs (Rs.2.50 lakhs as grants-in-aid and Rs.5.00 lakhs as loan during 1980-81 and 1981-82) from State Government for promoting the wool knitting in the State. The Scheme envisaged employment of 20 knitters who would produce 1,100 pieces of jerseys (by using 450 kgs of wool) per month (taking 25 working days in a month); net profit from sale of those products being estimated at Rs.2,450 per month. Funds were to be utilised in acquiring machines and to meet the recurring expenditure in connection with the implementation of the scheme.

The Company purchased (May 1980) 40 "Semac" knitting machines from a firm of Bombay at a total cost of Rs.1.55 lakhs. The machines were distributed to the Carpet Weaving Training Centres at Kurseong, Sonada, Singamari and Kalimpong. Capacity of production for each centre had not been assessed. The quantity of production had not been linked with the demand for the same. 11,100 woolen jerseys valuing Rs.6.99 lakhs were produced at these four centres up to 1981-82. The details of raw materials consumed, year-wise production of jerseys in each centre were not available.

Out of the 11,100 jerseys produced during 1980-81 and 1981-82 the Company could sell 6,036 jerseys valuing Rs.3.80 lakhs and 3,600 jerseys (value : Rs.2.27 lakhs) had been lying unsold owing to their unusual sizes. Of these, 1 607 jerseys had become completely damaged due to long storage in damp weather. The Management's attempt (November 1984) to re-knit garments from those jerseys also failed. Thus, production of non-standard jerseys in bulk quantity without assessing their marketability resulted in huge accumulation and loss arising out of damage to the stocks.

Profitability or otherwise of the scheme was not worked out by the Company.

Since April 1982 the Company stopped large scale knitting work at its own centres. Instead, it continued to supply raw materials to the knitters who had their won knitting machines and commerical knitting was got done through them on payment of fair wages to them. Raw materials supplied to the knitters during 1982-83 and 1983-84 amounted to 290 kgs (value : Rs.0.45 lakh) and 565 kgs (value : Rs.0.85 lakh) respectively. Against these, the number of jurseys obtained in the respective years were 970 (value : Rs.0.57 lakh) and 1890 (value : Rs.1.07 lakhs).

The working results of the revised scheme has not been compiled by the Company.

Large-scale knitting at the Centres of the Company having been discontinued with effect from 1st April 1982, 39 knitting machines acquired earlier, became surplus. One machine (value : Rs.0.04 lakh) was lost in November 1980 due to theft. The matter was reported to Police on 16th November 1980; final report was awaited (February 1985). No responsibility has, however, been fixed by the Company for the loss.

Out of 39 machines, 15 were given during 1982-83 to District Rural Development Agency on loan for one year. Though the period of one year has already elapsed the machines have not yet been received back by the Company. 15 machines had been sold during 1982-83 to three Co-operative Societies located at Sukhiapokhri, Takdah and Kalimpong (5 machines to each society) at Rs.3,200 per machine.

The remaining 9 machines (value : Rs.0.35 lakh) had been lying idle in stock (February 1985).

3.06.5. *Trading in conch-shells*

Procurement and distribution of conch-shells to chank artisans and co-operative societies was taken up by the Company in 1978-79.

The table below indicates the value of purchase and sales of conch-shells during 1978-79 to 1983-84 :

Year	Purchase	Sales
	(Rupees in	lakhs)
1978-79	26·00	10·14
1979-80	58·76	18·03
1980-81	..	76·32
1981-82	49·32	30·95
1982-83	..	24·12
1983-84	63·64	33·92
Total	1,97·72	1,93·48

The Company had to obtain loans (Rs.24.89 lakhs in kind towards cost of conch-shells transferred by WBSIC during 1978-79, Rs.48 lakhs from United Bank of India during 1979-80 and Rs.40 lakhs by cash credit arrangement with Allahabad Bank during 1981-82 to 1983-84) at rates of interest varying from 13½ to 16 *per cent* to meet expenditure on procurement of conch-shells from time to time. With a view to liquidating the loans together with interest from the sale proceeds of those chanks the Management fixed time schedules for disposal of the respective purchases. But in no case the sales could be effected as per schedule which resulted in blocking up of working capital.

Profit earned or loss sustained by the Company in all the individual deals and the overall profitability on the activity as well had, however, not been ascertained separately.

3.06.6. *Brass and bell-metal training centre*

The Company received (April 1981) a grant of Rs.0.93 lakh from the All India Handicrafts Board for setting up two training centres in brass and bell-metal works at Nabadwip (Nadia district) and Bishnupur (Bankura district) with 50 and 25 trainees respectively. Training was to be continued for one year. The training centres were set up in June 1981.

As against the sanctioned strength of 50 trainees, recruitment of only 25 and 47 trainees was made at the Nabadwip Centre in 1981-82 and 1982-83 respectively. The number of trainees recruited (1981-82) at the Bishnupur Centre was 23 against the sanctioned strength of 25. The Company received in May 1983 a further grant of Rs.0.80 lakh from the All India Handicrafts Board for continuance of the Training Centres.

The Management stated (December 1983) that the training could not be completed within the scheduled period due to some constraints and difficulties including want of technical guidance on *Moradabadi* craft. Since the sanctioned period of training at the expense of the All India Handicrafts Board was over, it was decided (December 1983) by the Management to obtain necessary financial assistance (Rs.0.25 lakh) from the State Government for extension of this training scheme. Sanction of State Government to the proposals was awaited (February 1985).

Up to the end of 1983-84, the Company incurred an expenditure of Rs.2.24 lakhs (Rs.1.50 lakhs for the Centre at Nabadwip and Rs.0.74 lakh for the Centre at Bishnupur) in connection with the establishment and maintenance of the training centres.

The Management stated (August 1984) that the scheme was undertaken by the Company to save the brass|bell-metal industry by product diversification. The Training Centre at Nabadwip had started functioning from February 1981 and it continued up to March 1984. About 45 trainees received full training.

The Company did not have the system of watching the activities of the trainees towards improvement of the trade after completion of their training. The Scheme also did not envisage monitoring the productivity of the ex-trainees either by the Company or by any other agency.

3.06.7. *Marketing assistance to mat making artisans*

The Government of West Bengal sanctioned (December 1977) Rs.6.90 lakhs as loan and Rs.2.14 lakhs as grant to meet the expenditure in connection with implementation of the Scheme for marketing assistance to mat making artisans through District Marketing Co-operative Societies.

The Company disbursed fund totalling Rs.8.32 lakhs to the District Marketing Co-operative Societies of Midnapore, North 24-Parganas and Howrah as shown below :

Year	Midnapore		North 24-Parganas		Howrah	
	Loan	Subsidy	Loan	Subsidy	Loan	Subsidy
			(Rupees	in lakhs)		
1977-78	0·40	0·10	0·10	0·06	0·12	0·04
1978-79	1·20	0·16	0·18	0·15	0·15	0·09
1979-80	3·50	0·47	0·66	0·15	0·56	0·05
1980-81	..	0·06	..	0·05	..	0·07
Total ..	5·10	0·79	0·94	0·41	0·83	0·25

The loans were disbursed to the Societies without settling any terms and conditions for the same. As per terms stipulated subsequently (April 1982) the loans would carry interest at the rate of 7¾ *per cent* per annum with a rebate of 2½ *per cent* for timely repayment of principal and payment of interest thereon. Accumulated interest was to be paid in five equal annual instalments from the fifth anniversary date of drawal of the loan and the principal was to be repaid in five equal annual instalments commencing from 1982-83. These terms and conditions were communicated to the Societies in February 1983.

In the absence of any follow up action the Company could neither recover any instalment of principal or interest from the Societies nor could repay it to the Government in turn so far (February 1985).

3.06.8. All India Handicrafts Board sanctioned (November 1978) Rs.5.00 lakhs as loan (terms not speficied) to the Company for purchasing ready stock of craft products from the artisans affected by the floods of 1978 and also for supply of tools and equipment whenever required as an outright grant to the craftsmen and artisans. As per terms of the order purchases were to be made directly from the artisans or through recognised agencies nominated by All India Handicrafts Board|State Government. The Company was to maintain (a) separate stock account of those items, (b) craft-wise stock register, (c) proper receipt of tools and equipment supplied, (d) list of tools and equipment given to craftsmen, (e) detailed account of purchases and sales of those items. The amount was to be refunded to the All India Handicrafts Board from the sale proceeds of those items. Accordingly, the Board directed (February 1979) the Company to deposit the sale proceeds within March 1979.

Though according to the Management an amount of Rs.5.12 lakhs had been utilised by the Company for purchase of handicraft products from flood affected artisans of 9 districts, *viz.*, Nadia, Murshidabad, Burdwan, Hooghly, Howrah, Midnapore, Birbhum, Bankura and Malda, the Company did not maintain any separate account of articles purchased from flood affected artisans and sales of those goods. The actual sale proceeds in respect of the items purchased from flood affected artisans, therefore, could not be ascertained by the Company and consequently the sale proceeds on that account could not be deposited with the Board as required.

Reasons for non-maintenance of separate accounts called for in July 1984 are awaited (February 1985).

The Company proposed (May 1981) to the Board to convert the sum of Rs.5.00 lakhs as an interest free loan to it. repayable in 10 equal instalments. Latest development in this regard was awaited (July 1984).

Management stated (August 1984) that Rs.2.00 lakhs had been refunded and the balance amount would be refunded as early as possible.

3.07. **Participation in exhibitions**

The Company participated in 12, 8 and 11 exhibitions|expos|fairs during 1981-82, 1982-83 and 1983-84 respectively. Accounts in respect of these exhibitions *etc.*, were yet to be prepared (February 1985). The Company engaged (January 1984) a firm of Chartered Accountants, which happened to be the internal auditor of the Company, to complete the accounts of the exhibitions|expos on a fee of Rs.5,500 per year. The accounts had not yet been compiled (March 1985).

It was noticed that handloom and handicraft products valued at Rs.33.06 lakhs were sent from the Central Stores to 8 exhibitions|fairs in which the Company participated during 1982-83. Total sales in those eight exhibitions amounted to Rs.16.66 lakhs. Items valuing Rs.8.11 lakhs were returned from five exhibitions and taken into stock of the Central Stores. Unsold items in respect of the remaining three exhibitions were not taken into stock account of the Central Stores. Discrepancies were also not reconciled.

The Management stated (July 1984) that causes of stock discrepancies would be ascertained on completion of the accounts of those exhibitions and thereafter steps would be taken to avoid recurrence of such incidents.

3.08 **Procurement Centres for handicraft products**

In July 1980 the Company opened a centre at Darjeeling for procurement of hill-handicrafts. Responsibilities of procurement were entrusted to a team consisting of three members *viz.*, officer-in-charge of Darjeeling Emporium, Field Officer and the Art-Designer attached to Design Centre of Cottage and Small-Scale Industries, Darjeeling. It was noticed that the procurement had been made on "as and when possible" basis in the absence of any definite programme. Value of products procured by the Centre during three years up to 1983-84 was Rs.0.39 lakh. Rs.0.12 lakh and Rs.0.55 lakh, respectively. Officer-in-charge of the procurement centre stated (July 1984) that low procurement in the year 1982-83 was due to the fact that the "procurement committee" did not function for most part of the year.

The Company also organised some procurement camps in the districts of Bankura and Nadia in 1982 and 1983. Details of products procured and expenditure incurred in connection with procurement of such articles were, however, not made available to audit.

3.09. **Inventory control**

3.09.1. The table below indicates the comparative position of inventory of handloom and handicraft products and conch-shells at Central Stores and different emporia for the three years ended 1980-81 :

	1978-79	1979-80	1980-81
	(Rupees	in	lakhs)
Sales during the year	22·81	34·50	113·84
Closing balance	24·07	74·16	35·67
	(in terms of months' sales)		
Closing stock in terms of months' sales	12·66	25·79	3·76

Relevant data for the years from 1981-82 to 1983-84 were not available.

3.09.2. A test-check of store records revealed the following deficiencies :

(i) No stores manual laying down stores procedure had been compiled so far (February 1985).

(ii) As per terms of appointment (August 1980 and July 1981) the internal auditors was to assist the Company in the introduction of a proper system of stores accounting from 1980-81 but it was not introduced so far (February 1985).

(iii) Minimum, maximum and re-ordering levels of stocks had not been fixed by the Management.

(iv) No item-wise account was kept in the stores ledger of the Central Stores. As a result, balancing of stores ledger accounts was not possible and the book balances of stores were not ascertainable.

(v) It was noticed that physical stock taking at the Central Stores for the year 1982-83 and 1983-84 had been done but no physical verification report indicating shortages| excesses of stores could be prepared in absence of book balances of the stores items.

(vi) There was no system to assess slow-moving materials. The Management did not prepare any list of slow-moving| obsolete items.

(vii) Unsold articles of the expos|exhibitions are either returned to the Central Stores or diverted to some other expos| exhibitions or emporia as and when considered necessary. Method of reconciling those balances was not explained by the Management.

Management stated (August 1984) that due to shortage of staff stores records were not properly maintained. New posts have recently been created to facilitate smooth functioning of the stores.

3.10. Re-imburseable rebate

3.10.1. The Company allows rebates on the sales from time to time as per orders of the State|Central Government. Rebates so allowed are re-imbursed to the Company by these Governments. It was noticed that 'special rebate' amounting to Rs.0.28 lakh at the rate of 20 *per cent* on the sales effected during rebate period of 1977-78 was receivable from the Government of West Bengal, but no claim had been preferred for the same. Further, 'general rebate' at the rate of 5 *per cent* on the sales of handicraft products for the period from 1977-78 to 1979-80 had neither been assessed nor any claim had been preferred for the same.

3.10.2. The table below indicates the amounts of rebates (special, general, on handicraft and hill-handicraft products) claimed from Central and State Governments, rebates actually realised and the balance lying unrealised during the period from 1979-80 to 1981-82 :

Year	Rebate claimed	Rebate actually realised	Unrealised balance
Handlooms			
	(Rupees in lakhs)		
1979 80	0·84	0·34	0·50
1980-81	3·62	2·83	0·79
1981-82	7·98	5·86	2·12
Handicrafts			
Up to 1981 82	0·40	0·25	0·15

Relevant data for the years 1982-83 and 1983-84 were not available with the Company.

The Management stated (August 1984) that all efforts are being made to prefer the arrear rebate claims and special stresses are being given to make the rebate claims up to date.

3.11. Manpower analysis

The table below indicates the number of staff employed and expenditure incurred per employee in each emporium *vis-a-vis* the sales effected during the three years ending 31st March 1984 :

Sl. No.	Emporia	1981-82 Number of employees	1981-82 Expenditure per employee	1981-82 Total sales	1981-82 Sales effected per employee	1982-83 Number of employees	1982-83 Expenditure per employee	1982-83 Total sales	1982-83 Sales effected per employee	1983-84 Number of employees	1983-84 Expenditure per employee	1983-84 Total sales	1983-84 Sales effected per employee
			(Rupees in lakhs)				(Rupees in lakhs)				(Rupees in lakhs)		
1.	Lindsay Street	23	0·09	6·85	0·30	23	0·10	7·82	0·34	24	0·10	13·77	0·57
2.	Dum Dum Airport	4	0·10	3·08	0·77	4	0·10	2·90	0·73	6	0·07	4·02	0·67
3.	New Delhi	17	0·12	14·81	0·87	17	0·13	15·52	0·91	15	0·14	17·78	1·19
4.	Bangalore	5	0·21	2·65	0·53	5	0·21	3·15	0·63	5	0·22	3·47	0·69
5.	Howrah Sub-way	2	0·20	1·32	0·66	2	0·20	1·79	0·90	2	0·21	1·75	0·88
6.	Darjeeling	8	0·11	2·19	0·27	8	0·11	2·51	0·31	6	0·15	2·51	0·42
*7.	Jaipur ..	..	..	..	..	3	0·10	2·70	0·90	3	0·19	3·08	1·03
**8.	Haldia ..	..	..	..	..	3	0·02	0·59	0·20	3	0·12	2·90	0·97
***9.	Madras	..	..	..	..	..	..	..	..	3	0·24	2·56	0·85

*Jaipur emporium has been working since 19th October 1982.

**Haldia emporium has been working since 26th February 1983.

***Madras emporium has been working since 12th August 1983.

It would be seen from the above table that the average sale effected per employee varied from Rs.0.27 lakh (Darjeeling emporium) to Rs.1.19 lakhs (New Delhi emporium) during the three years up to 1983-84. Reasons for low sales per employee at the Lindsay Street emporium (where larger number were employed) were awaited from the Management (March 1985). Low out-turn at the Darjeeling emporium was stated to be due to location of the emporium being away from the commercial area. No analysis was noticed to have been made by the Company to examine the staff requirement of each emporium.

3.12. **Accounting system**

The Company did not have any accounting manual.

The Company did not maintain any accounts showing the actual cost of production of different types of woolen products. In the absence of such accounts, cost involved in a product and the extent to which the actual cost had been recovered from sales was not capable of being ascertained by the Management.

3.13. **Internal Audit**

The Company has not set up any internal audit of its own. A firm of Chartered Accountants was appointed (August 1980) as the internal auditor at a fee of Rs.0.24 lakh per year plus travelling and out of pocket expenses for outstation visits.

As per terms of appointment the firm was to (i) guide the accounts wing for preparation of final accounts for the year 1980-81, (ii) assist in preparation of proper system of stores accounting and (iii) conduct internal audit.

The tenure of the firm of internal auditors was extended from year to year on the same terms and so far; it could complete finalisation of the accounts for the year 1980-81 by October 1984 and submit the internal audit reports for the years from 1980-81 to 1982-83 only.

No progress was made in the introduction of stores accounting system as yet (February 1985).

3.14. **Other points of interest**

3.14.1. *Advance to a supplier*

The Company placed (March 1981) an order on a firm of Calcutta for supply of 9,000 kg of wool, required for knitting woollen jerseys at Rs.110 per kg and paid (March 1981) Rs.1.35 lakhs as advance. As per terms of the order delivery was to be effected at the rate of 1,000 kg per month starting from May 1981. The firm failed to start delivery from May 1981, but it came forward with the proposal to complete the delivery by July 1981. But the idea of knitting woollen jerseys having been dropped (June 1981) due to non-procurement of any bulk orders, the Company did not take any effective steps to get the order executed by the supplier. It was noticed (May 1982) in audit that no formal purchase order had been placed nor any agreement executed in this regard. The Company's efforts, either to get refund of the amount or to adjust the same against other purchases from the supplier, failed.

The Company had not taken legal action against the supplier so far (June 1985).

3.14.2. *Damaged articles*

The Company entrusted (during 1983-84) the physical stock taking of the Central Stores and valuation of the closing stock to its internal auditor. Physical stock of the Central Stores was taken by the internal auditor in May 1983. The report as submitted (July 1983) by them indicated that handloom and handicraft products valuing Rs.1.22 lakhs and Rs.0.29 lakh respectively were found damaged.

The Management stated (August 1984) that the damage was due to leakage of water through the roofs of the godown owned by the West Bengal State Warehousing Corporation which was being reminded to repair the roofs and that steps were also being taken to dispose of the damaged goods as early as possible.

3.14.3. *Loss due to under-insurance of stock*

The Company participated (January 1981) in an exhibition at Calcutta and hired three stalls for 25 days from 12th January 1981 to 5th February 1981.

On 22nd January 1981 a fire broke out in the pavillion and all the three stalls were destroyed. Stocks lying at the stalls before the incidence of fire were valued at Rs.1.21 lakhs. But the Company had obtained insurance coverage for loss of stocks due to fire *etc.*, up to Rs.0.75 lakh. Accordingly, the Company received (December 1981) from the insurer an amount of Rs.0.75 lakh as full settlement of the claim. The Company thus, sustained a loss of Rs.0.46 lakh due to under-insurance of the stocks. The Management stated (March 1985) that reasons for under-insurance were under investigation.

3.15. **Summing up**

(i) The accumulated loss of the Company at the end of 1980-81 was Rs.7.49 lakhs. Losses in 3 years up to 1979-80 were Rs.3.16 laksh, Rs.8.00 lakhs and Rs.5.17 lakhs respectively.

(ii) The Company established seven Carpet Weaving Training Centres, which had subsequently been converted into *ex*-trainees' co-operative societies, at the different places of Darjeeling district. Number of trainees trained in those Centres were far below the number envisaged. As per the scheme the Company was to supply raw materials to those co-operative societies and to purchase 50 *per cent* of the finished products of those societies. Value of finished products procured from those 7 Societies was Rs.0.88 lakh in 1982-83 and Rs.0.77 lakh in 1983-84 against the targetted value of Rs.9.45 lakhs per year.

(iii) The Company initiated Wool Knitting Scheme in the district of Darjeeling and 40 'Semac' Knitting machines were acquired at a cost of Rs.1.55 lakhs. Out of 11,100 pieces of jerseys produced during 1980-81 and 1981-82, 3,600 pieces (value : Rs.2.27 lakhs) had been lying unsold till date as the purchasers did not lift the goods owing to their unusual sizes. Most of these jerseys had become damaged due to long storage.

(iv) Targets of sales fixed for the emporia were not achieved in most of the emporia and sales were substantial only in the rebate periods of festive seasons when rebates were allowed.

(v) There was no system of inventory control and the stores ledgers were not properly maintained.

The above matters were referred to Government in December 1984 : the replies were awaited (June 1985).

SECTION IV

WEST BENGAL SUGAR INDUSTRIES DEVELOPMENT CORPORATION LIMITED

4.01. Introduction

4.01.1. The National Sugar Mills Limited, a public limited company, established in 1957 at Ahmedpur (Birbhum district) having a crushing capacity of 600 tonnes per day was closed down in 1963-64 mainly due to financial difficulties and unsatisfactory cane development in the mill command area. The State Government took possession of the Mill in February 1965 but it had not started functioning.

4.01.2. West Bengal Sugar Industries Development Corporation Limited was incorporated by the State Government in May 1973 for promoting and developing sugar industries in the State and this Company had taken over the factory in September 1973 and started operations from December 1974.

4.02. Working results

The Company whose activity was confined only to running the mill suffered losses every year since its inception. The certified accounts of the Company for the year 1983-84 have not yet (April 1985) been received. The working of the Company for the last 3 years up to 1982-83 resulted in loss of Rs.53.57 lakhs, Rs.20.86 lakhs and Rs.68.42 lakhs respectively and the accumulated losses of the Company as on 31st March 1983 was Rs.4,19.48 lakhs, as against the paid-up capital of Rs.2,14.00 lakhs on that date.

4.03. The following paragraph gives details of working of the sugar mill with special reference to its capacity utilisation.

4.03.1. *Production performance*

The performance of the Mill during the four years ending 1983-84 is given below :

	1980-81	1981-82	1982-83	1983-84
Total working days in a season	150	150	150	150
Actual days worked	76	119	127	93
Installed crushing capacity (tonnes) during the entire season	90,000	90,000	90,000	90,000
Crushing capacity for the days worked (tonnes)	45,600	71,400	76,200	55,800

	1980-81	1981-82	1982-83	1983-84
Actual crushing (after deducting transit loss of sugarcane) (tonnes)	10,772	44,582	45,502	15,977
Average crushed per day (tonnes)	141·74	374·64	358·28	171·80
Percentage of actual crushing to—				
Total capacity	12·0	49·5	50·6	17·7
Crushing capacity for the days worked ..	23·6	62·4	59·7	28·6
Target of production of sugar (tonnes) ..	3,520	3,600	5,580	4,050
Sugar manufactured (tonnes)	856	4,138	3,814	1,201
Number of employees	602	602	602	602
Per capita production of sugar (tonnes) ..	1·42	6·87	6·34	1·99

The crushing capacity of 600 tonnes per day of the Mill could not be achieved since its take over (July 1973) by the Company and reasons for low capacity utilisation in 1980-81 and 1983-84 was attributed by the Management (October 1984) to low collection of sugarcane (*vide* para 4.03.6.2. *infra*). The main constraint in full utilisation of capacity was stated (by Management) to be insufficient availability of sugarcane.

4.03.2. Steps taken by the Company for increasing cane availability *etc.*, during the four years up to 1983-84 and extent of capacity utilisation by it have been discussed in the following paragraphs.

As a measure of extending financial assistance to the cane growers of Birbhum district, the Company sponsored (1978-79) a scheme for advances of interest free loans. According to the scheme the Company was to disburse loans to the cultivator on the condition that the cultivator sells 80 *per cent* of his produce to the Company in adjustment of the loan. In case of failure to adhere to the condition the cultivator was required to repay the loan with interest of 12.5 *per cent* as a penal measure.

Disbursement of loans and collection of sugarcane thereagainst by the Mill during the four years up to 1983-84 are shown in the table below :

	1980-81	1981-82	1982-83	1983-84
		(numbers)		
Number of loanees	3,250	4,000	1,519	*
		(acres)		
Area covered	2,263	3,800	904	..
		(Rupees in lakhs)		
Loan disbursed—				
Input loan	13·00	15·50	2·96	..
Cash loan	..	..	3·77	..
Total	13·00	15 50	6·73	..
		(tonnes)		
Production of sugarcane by loanees	8,000	42,000	37,500	18,000
Collection anticipated	6,000	32,000	30,000	11,000
Actual collection	4,000	20,000	19,000	5,000
		(*per cent*)		
Percentage of actual collection to collection anticipated	66·7	62·5	63·3	45·5

The collection of sugarcane during 1980-81 to 1982-83 ranged between 66.7 and 62.5 *per cent* of the expected quantity while it dropped to 45.5 *per cent* during 1983-84 due to discontinuance of the Scheme by the Management although the Government of West Bengal sanctioned (March 1983) a sum of Rs.20.00 lakhs as input loan for distribution of agricultural inputs to the cane growers. Out of this, Rs.10.00 lakhs were diverted for payment of price of cane for supplies effected during 1982-83 without any sanction of the State Government and Rs.3.27 lakhs were utilised for cane development (cultivation) work at Beldanga. No step had been taken by the Company to recover the outstanding dues (Rs.9.94 lakhs) so far (October 1984).

Another reason for shortage in procurement as observed in audit was that the payment by the Company for price of sugarcane supplied by the cultivators took about 7 to 8 months from the date of supply. As the Company failed to pay for its purchases immediately on procurement the cultivators did not evince much interest to effect supplies to the Company.

*Scheme discontinued in 1983-84

4.03.3. The Company fixed procurement price of sugarcane each year at a higher level than the statutory price fixed by the Government of India. But even then the price fixed by the Company was lower than the rate offered by the local *gur* manufacturers.

The table below indicates the statutory price fixed by the Government of India, price fixed by the Company and the rates offered by the *gur* manufacturers :

Year	Statutory price fixed by Government of India for supply at Mill gate	Price fixed by Company		Rates offered by *gur* manufacturer at cane fields
		For supply at Mill gate	At purchase centres	
		(Rupees per tonne)		
1980-81	130·00	230·00	200·00	180·00 to 220·00
1981-82	130·00	230·00	200·00	220·00 to 250·00
1982-83	130·00	200·00	150·00	200·00 to 250·00
1983-84	130·00	205·00 to 220·00	145·00 to 170·00	220·00 to 290·00

For procuring sugarcane beyond command areas of the Mill, the Company opened purchase centres at different cane growing areas of the districts.

The table below indicates the details of purchasing centre, quantity procured and average cost of procurement (other than cane price) for the four years ending 1983-84 :

Year	Number of purchasing centres	Quantity purchased	Average cost of procurement other than cane price
		(tonnes)	(Rupees)
1980-81	49	7,933·51	48·40
1981-82	31	25,311·66	46·40
1982-83	30	11,259·70	49·80
1983-84	35	7,340·77	55·00

The Company fixed the rates of procurement of sugarcane at Mill gate between Rs.230 and Rs.200 per tonne while its cost of procurement at purchase centres ranged between Rs.256 and Rs.204 per tonne (including transportation and transit losses) at purchase centres during 1980-81 to 1983-84. Had the Company fixed its procurement price at Mill gate at par with or with reference to the prices offered at the purchase centres, the price would have been competitive compared to prices offered by *gur* producers (Rs.180 to Rs.290 per tonne) resulting in better collection by the Company.

4.03.4. *Transit shortages*

The table below indicates the shortages that had occurred during the course of transport of sugarcane from purchasing centres to the Mill :

	1980-81	1981-82	1982-83	1983-84
		(In tonnes)		
Quantity purchased	7,933·51	25,311·66	11,259·70	7,340·77
Quantity received in Mill	7,630·20	24,185·60	10,546·40	7,120·00
Shortages	303·31	1,126·06	713·30	220·77
		(*per cent*)		
Percentage of shortages	3·8	4·4	6·3	3·0
		(Rupees in lakhs)		
Value of shortages	0·61	2·25	1·07	0·37

No norm has been fixed for transit losses. Minimising such loss according to the Management, depends on the availability of sugarcane from Birbhum

It would be seen from the table below that the contention of the Management about transportation losses was not tenable as the percentage of shortages during 1982-83 was the highest when the entire collection was made from Birbhum district only. Rather such shortages appeared to be on lower side when sugarcane was purchased from outside Birbhum district :

Year	Total quantity purchased	Quantity purchased from Birbhum district	Percentage of quantity purchased from Birbhum district to total purchase
	(In tonnes)		
1980-81	7,933·51	2,800·35	35·30
1981-82	25,311·66	19,979·36	78·93
1982-83	11,259·70	11,259·70	100·00
1983-84	7,340·77	2,471·17	33·66

4.03.5. *Idle hours*

The loss of working hours due to various reasons during the four years up to 1983-84 is analysed below :

	1980 81	1981 82	1982-83	1983 84
Available hours	1,810	2,833	3,019	2,210
Actual hours worked	468	1,857	1,903	711
Total hours lost	1,342	976	1,116	1 499
Hours lost due to—				
Electrical break-down .. .	2	15	200	12
Cane shortage .. .	1,190	276	308	1,240
Periodical cleaning	25	215	203	95
Mechanical defect	32	261	230	80
Process stoppage . ..		4	19	
Poor and bad feeding . ..	10	58	72	25
Others . .	83	147	84	47

It may be seen that shortage of sugarcane was the main reason of the plant remaining idle all the three years up to 1982-83.

4.03.6. The Committee on Public Undertakings in its Fifth Report (October 1976) emphasised the need for—

(a) Opening of a captive farm.

(b) Increase in the command area.

(c) Construction of suitable roads and bridges connecting the fertile areas in order to improve the utilisation of crushing capacity of the Mill.

(d) Attaining the target percentage of sugar recovery (9.5 *per cent*) as per feasibility report.

4.03.6.1. As regards establishment of captive farm, a survey was undertaken by the Company in June 1979 to locate about 200 acres of Government land along the river Bakreswar. Another block of 500 acres of 'vested' land near Bhimgarh, about 60 Kms from the Mill, was also located for cane cultivation. The Agriculture Department abandoned the idea of cane cultivation in the 'vested' land near Bhimgarh (October 1979) as the soil in the area was not fertile and unsuitable for cane cultivation. The proposal of opening captive farm along the river Bakreswar could not also materialise as the Forest Department did not release any land for cultivation of sugarcane there.

4.03.6.2. In connection with increase in the command area the Company disbursed loans of Rs.10.34 lakhs during 1975-76 to 1980-81 and 1982-83.

However from an analysis in audit of the production of sugarcane in the command area of the Mill in Birbhum district as well as cane growing areas other than command area for the years from 1980-81 to 1983-84 it was observed that there was enough sugarcane production required for full capacity utilisation of the Mill. The production particulars as well as collection *etc.*, by the Mill during the 4 years up to 1983-84 were as under :

Year	Sugarcane produced: Command area	Sugarcane produced: Birbhum district other than command area	Sugarcane collected: Command area	Sugarcane collected: Birbhum district other than command area	Percentage of collection to actual productin: Command area	Percentage of collection to actual productin: Birbhum district other than command area	Collection from other districts	Total collection
		(In tonnes)				(*Per cent*)	(In tonnes)	
1980-81	70,000	40,000	5,800	99·37	8·29	0·25	5,176·20	11,076
1981-82	1,00,760	48,000	32,500	1,416·42	32·25	2·95	11,792·14	45,709
1982-83	60,400	28,000	28,000	1,242·37	46·36	4·33	17,002,82	46,215
1983-84	90,500	47,000	8,000	100·73	8·84	0·21	8,096·83	16,198

4.03.6.3. In respect of the necessity for construction of link roads to encourage the cultivators to bring sugarcane to factory gate and purchase centres it was observed that no action has been taken so far (December 1984) to build the link roads.

4.03.6.4. Percentage of recovery of sugar was not up to the percentage (9.5 *per cent*) given in the feasibility report during the four years up to 1983-84 as revealed from the table below :

	1980-81	1981-82	1982-83	1983-84
Cane crushed (tonnes)	10,772	44,582	45,502	15,977
Sucrose contents in cane (*per cent*) ..	11·0	12·2	11·5	10·7
Yield (*per cent*)	7·9	9·3	8·4	7·5

It will be seen that the percentage of recovery of sugar ranged between 7.5 and 9.3 only and the Company incurred loss to the extent of Rs.42.80 lakhs during the four years.

Reasons for variation in recovery of percentage, according to the Management (October 1984) were—

(i) inadequate and irregular supply of sugarcane;

(ii) crushing operation much below the rated capacity;

(iii) interruption in continuous processing leading to inversion losses;

(iv) crushing of immature and low sucrose content canes; and

(v) low quality crop due to climatic variations like draught, flood, *etc.*

The above matters were referred to Government in January 1985; the replies were awaited (June 1985).

SECTION V

WEST BENGAL FOREST DEVELOPMENT CORPORATION LIMITED

5.01. **Introduction**

The West Bengal Forest Development Corporation Limited was incorporated on 19th July 1974.

The paid-up capital of the Company was Rs.4,45.72 lakhs as on 31st March 1984.

Net profits of the Company (after adjustment of prior period income|expenditure and creation of tax-provision) during the three years up to 1983-84 were Rs.3.72 lakhs, Rs.3.94 lakhs and Rs.4.09 lakhs respectively.

The working of the Company was last reviewed in the Report of the Comptroller and Auditor General of India for the year 1978-79 (Commercial).

Some aspects relating to sale of timber and charcoal and other points of interest as noticed in test check have been discussed in the succeeding paragraphs.

5.02. Timber

5.02.1. *Sales performance*

The prescribed procedures for disposal of trees and logs and other forest products of the Company are as under :

(a) by auction,

(b) by inviting sealed tenders, if auction fails, due to ring formation *etc.*,

(c) if tenders also fail, private negotiated sales after observing certain formalities.

Auctions are held at least once a month on dates notified in advance. Reserve price for each lot offered for auction is fixed taking into account the schedule of rates prepared by the Price Fixation Committee, rates received in the immediately preceeding auction and the current market conditions. The reserve price so fixed is firm and no sale is to be effected below this price without prior approval of the competent authority (Managing Director up to September 1982 and the General Manager thereafter).

5.02.2. The table below indicates the particulars of round timber sold during the three years up to 1983-84 :

Year		Opening stock	Extracted	Sold/Issued	Closing stock Quantity	Closing stock Value	Percentages of quantities sold to those of opening balance with receipt/extraction
		(In cubic metres)				(Rupees in lakhs)	
1981-82	..	30,750	96,340	49,243	47,097	1,83 57	44·1
1982-83	..	47,097	1,07,419	71,464	35,955	1,19·10	58·2
1983-84	..	35,955	1,06,794	69,743	37,051	89·97	55 9

It will be seen that substantial quantity of timber had been remaining unsold from year to year. This was due to delay in auction as well as delay in lifting of timeber by successful bidders.

5.02.3. *Loss on sale of timber*

In a meeting between the representatives of the Company and the Forest Directorate it was decided (March 1981) that some clear felling coupes of the Northern Circle Forests would be allotted to the saw mills of the Company by the Directorate for felling of trees and for carriage of timber by the Company itself for procurement of round timber required for the saw mills, for which the Company would pay royalty to the Directorate at the rates fixed by the Price Fixation Committee. Accordingly, an area of 242 acres under Kalimpong, Baikunthapur and Buxa Divisions of Northern Circle was allotted to the saw mills of the Company during 1981-82. As per normal procedure of the Company, the coupes were to be inspected before starting any felling operation and the logs suitable for sawing were to be selected and lifted to the saw mills. But no action was taken in this regard, reasons for which were not on record. The saw mills of the Company lifted 9,445.756 cum of *sal* timber and 3,101 cum of miscellaneous timber on payment of royalty (Rs.81.70 lakhs) of Rs.750 and Rs.350 per cum for .*sal* and miscellaneous timbers respectively to the Government during 1981-82. In addition, the Company incurred expenditure (Rs.12.55 lakhs) at the rate of Rs.100 per cum in connection with felling and carriage of those timbers to the saw mill depots. Of the total quantity lifted 2,531.024 cum of *sal* timber and 1,641.267 cum of miscellaneous timber, being found not suitable for sawing, were put to sale by auction during 1982-83. Out of those, 2,441.269 cum of *sal* timber and 1,491.503 cum of miscellaneous timber had been lifted by the successful bidders and the revenue realised was Rs.20.49 lakhs. Balance *sal* (89.765 cum) and miscellaneous (149.764 cum) timbers are lying in stock (May 1985).

The Company had, thus, sustained a loss of Rs.6.97 lakhs in the disposal of the timber due to procurement of the logs which were not suitable for sawing purpose.

5.02.4. *Sale of timber through negotiation*

As per the prescribed procedures for disposal of trees and logs felled by the Company, private negotiated sales could be effected only after obtaining prior approval of the competent authority. But a test check of the records in respect of Darjeeling (General) Division revealed that negotiated sales had been effected by the local management without such approval. It was also noticed (April 1984) that on 11 occasions negotiated sale involving value of timber of Rs.0.78 lakh in contravention of the approved procedure took place during 1981-82. The Divisional Manager, Darjeeling (General) Division, pointed out (July 1982) that those sales were made to tide over the tight cash flow position by quick disposal of the timber through negotiations and assured that approved procedure would be followed during 1982-83. But during 1982-83 in 26 cases (value of timber sold : Rs.1.78 lakhs) negotiated sale of timber was conducted by the same officer.

5.03. **Charcoal**

503.1. Prior to July 1974 charcoal was being supplied to different consumers in the hill towns of the State by the Divisional Forest Officer, Darjeeling. With the incorporation of the Company in July 1974, the responsibility had been transferred to it.

5.03.2. *Sale of Charcoal*

The Company assessed (May 1981) the cost of production of charcoal at Rs.14.50 per bag of 4 cft (excluding the cost of firewood consumed) when the sale rate to dealers was Rs.11.00 per bag, Rs.16.00 per bag for direct sales to consumers against special permit; the rates were subject to approval by the Deputy Commissioner (DC), Darjeeling. The Company approached (May 1981) to DC for the following revision in rates :

Dealer	—	Rs.14.50 per bag.
Special permit	—	Rs.18.50 per bag.

Approval was accorded in December 1981. Subsequently, however, on the basis of a decision taken (July 1982) in a meeting held in the chamber of the Additional Deputy Commissioner, Darjeeling, the system of issuing special permit to the consumers was withheld though sale through special permit was advantageous to the Company.

The Company re-assessed (December 1982) the production cost of charcoal at Rs.19.90 per bag (excluding cost of firewood consumed), as the labour charges for manufacturing charcoal and head-load carriage charges for lifting charcoal to motorable road side had increased in the meantime. Then the Company approached the DC for further revision of rates for dealers to Rs.17 per bag but the request remained unresponded. The Company, however, revised (November 1983) the selling rates without approval of DC.

The table below indicates the sale proceeds realised by the Charcoal Supply Range, Darjeeling, *vis-a-vis* the cost of production for the three years up to 1982-83 :

Year	Quantity sold	Sale proceeds	Cost of production*	Loss
	(In bags)		(Rupees in lakhs)	
1980-81	86,613	11·28	12·56	1·28
1981-82	66,440	8·62	9·63	1·01
1982-83	81,791	11·22	16·28	5·06

From the above it would be evident that the Company suffered losses of Rs.1.28 lakhs in 1980-81, Rs.1.01 lakhs in 1981-82 and Rs.5.06 lakhs in 1982-83 towards sale of charcoal in Darjeeling. Besides the above losses, the Company suffered a further loss of revenue amounting to Rs.8.66 lakhs, Rs.6.64 lakhs and Rs.8.18 lakhs during the years 1980-81, 1981-82 and 1982-83 respectively towards the cost of firewood consumed in production of charcoal which had not been considered while computing the cost of production of charcoal. Thus, the Company suffered a total loss of Rs.30.83 lakhs towards sale of charcoal in Darjeeling during the three years up to 1982-83. The main reason for the loss as observed in audit was that the selling price of charcoal was fixed without considering all the elements of costs of production of the same.

5.03.3. *Shortage*

A test-check of records of Charcoal Supply Range, Darjeeling, revealed that the closing stock of charcoal at the end of a month was not correctly carried forwarded to next month as opening balance, resulting in net short-accountal of 2,008 bags of charcoal (value: Rs.0.29 lakh) during 1982-83.

*Excluding cost of firewood consumed towards production and Head Office and other overheads.

5.04. Non-realisation of dues from the Railways

The Government Saw Mills, Siliguri, preferred bills for Rs.1,74,203.15 against the Railways in respect of West Bengal Sales Tax and surcharge for supply of sleepers by the Directorate of Forests to the Railways during the years 1963-64 to 1975-76. The Saw Mills having been taken over by the Company with effect from 1st June 1978, the responsibility of recovery of the dues from the Railways had fallen on the Government Saw Mills Division of the Company. Accordingly, the Division had taken up the matter several times with both the Railways and the Forest Utilisation Officer, Government of West Bengal. The Railways requested (February 1980) the Mills to furnish the details of the supplies made during 1963-64 to 1975-76 indicating booking instructions, number and date of R.R.. *etc.*, in order to settle the dues. However, the Mills could furnish (May 1981) only cash voucher numbers with dates; and the outstanding dues had remained unsettled so far (February 1985).

5.05. Non-realisation of dues

The Pole Treatment Plant at Siliguri, which was taken over by the Company with effect from 1st June 1978, had been supplying poles to the West Bengal State Electricity Board as and when orders were placed. It was noticed (May 1984) that an amount of Rs.10.55 lakhs was outstanding from the Board as on 31st March 1983, of which Rs.5.49 lakhs related to the supplies made during the period from 1973-74 to 1975-76. Though the bills for supplies made from 1976-77 onwards had been settled from time to time the old dues had remained outstanding.

5.06. Loss due to fire

As per standing practice the Company takes insurance cover against loss of cash in transit, machineries of the saw mills and vehicles, *etc.*, but it does not take such cover for logs|timbers lying at the depots; reasons for which were not on record. A fire broke out during night between 9th and 10th April 1983 in Lopchu Road-side Depot where 7,581.3 cum of miscellaneous timber had been stacked. On preliminary enquiry by the Divisional Manager, Darjeeling (General) Division it was found that the watchers posted for night watch, were in the Depot up to 10 PM only on 9th April 1983. The two watchmen, one on regular pay roll and the other on muster roll, having been found negligent of their duties, were discharged from services. The quantity of timber burnt was assessed to be 1,627.9 cum valued at Rs.6.29 lakhs on current auction rate of 1983-84. Besides, 1,520 logs (41.593 cum of timber valuing Rs.0.16 lakh) had been burnt partly. This was sold in auction (July 1983) at Rs.0.12 lakh.

The loss could have been avoided had the Management arranged insurance cover against loss on fire, *etc.*

SECTION VI

WEST BENGAL ELECTRONICS INDUSTRY DEVELOPMENT CORPORATION LIMITED

6.01. Introduction ..

The West Bengal Electronics Industry Development Corporation Limited was incorporated in February 1974 as a subsidiary of the West Bengal Industrial Development Corporation Limited.

One of the main objects of the Company is to develop electronic and allied industry through establishment of manufacturing research and development activities and such other means as will be conducive to the growth of electronics and allied technology.

6.02. Implementation of letters of intent

Till March 1984, the Company obtained 21 letters of intent for establishment of electronic and allied industries; 14 projects were set up against the letters of intent received so far. The progress of the projects and implementation of the balance letters of intent were as follows :—

(i) Projects commissioned—10 (one project started commercial production in November 1984)

(ii) Projects under implementation— 4

(iii) Letters of intent under consideration— 4

(iv) Letters of intent cancelled—3

6.03. Financial participation

The table below indicates the details of the Company's participation in its subsidaries and joint sector projects by way of contributions to share capital and loans as on 31st March 1984 :

WBEIDC's investment as

Investments in	Share capital			Loan		Total invested
	Number	Amount (Rupees in lakhs)	WBEIDC's share (*per cent*)	Number	Amount (Rupees in lakhs)	
Subsidiary Companies ..	7	2,32·85	100	4	23·17	3,16·02
	1	60·00	60	...	...	
Joint Sector Project ..	5	55·74	26	4	28·17	84·66
	1	0·75	50	..	...	
Total ..	14	3,49·34		8	51·34	4,00·68

In respect of payment of interest and recovery of loan the Company did not impose any condition upon subsidiaries|joint sector projects but fixed the rate of interest annually. Only one subsidiary entirely repaid the loan (Rs.7.00 lakhs) and interest (Rs.0.77 lakh) during the three years ending 31st March 1984. Interest on loan amounting to Rs.5.13 lakhs was due from the subsidiaries|joint sector projects besides principal of Rs.51.34 lakhs were outstanding as on 31st March 1984.

Instead of increasing its own investments, the Company disbursed loans aggregating Rs.14.50 lakhs to three private entrepreneurs to enable them to purchase shares of two joint sector projects. Contrary to the provisions of the agreements, shares so purchased as well as shares valuing Rs.10.50 lakhs were not pledged to the Company so far (December 1984).

6.04 **Physical performances**

6.04.1. Physical performances of projects under production and progress of projects under constraction are furnished in the following table :

Name of the Company/ Particulars of products	Unit	Installed capacity	Target fixed 1981-82	Target fixed 1982-83	Target fixed 1983-84	Actual production 1981-82	Actual production 1982-83	Actual production 1983-84	Shortfall 1981-82	Shortfall 1982-83	Shortfall 1983-84
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Webel Video Devices Limited—						(Figures in brackets represent percentages)					
Black and White television, picture tube	Numbers	50,000	30,000	30,000	45,000	10,000	18,000	10,000	20,000 (66·7)	12,000 (40·0)	35,000 (77·8)

Remarks : The shortfall in production was attributed (August 1984) by the Management to interruption in power supply, shortage of raw materials lack of trained workers, poor labour productivity due to industrial unrest and non-availability of working capital in time.

Webel Business Machines Limited—											
(a) Calculator	Numbers	5,000	2,500	2,500	2,500	150	335	1,459	2,350 (94)	2,165 (86·6)	1,041 (41·6)
(b) Invertor(Bhaskar) ..	Do.	600	250	500	500	237	203	40	13 (5·2)	297 (59·4)	460 (92)
(c) Other Items ..	Do.	512	60	60	212	26	17	76	34 (56·7)	43 (71·7)	136 (64·2)

Remarks : The Management stated (August 1984) that as the Company was at the development stage up to June 1984, the target of production could not be achieved.

Webel Telecommunication Industries Limited—											
(a) Transformer Receiver .	Numbers	8,000	8,000	8,000	8,000	2,837	4,559	3,588	5,163 (64·5)	3,441 (43)	4,412 (55)
(b) Other	Do.	14,600	..	..	..	..	..	..	..	..	—

Remarks : Production depends upon orders received from DGS & D and from different State Police Organisations. However, the Company earned profit during the years under review and declared dividend during 1982-83 and made provision for dividend dring1983-84 at 10 *per cent*.

Name of the Company/ Particulars of products	Unit	Installed capacity	Target Fixed			Actual production			Shortfall		
			1981-82	1982-83	1983-84	1981-82	1982-83	1983-84	1981-82	1982-83	1983-84
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
							(Figures in brackets represent percentages)				
Webel Television Limited—											
Black and White and Colour television sets	Numbers	10,000	3,000	4,500	6,000	1,137	2,161	4,799	1,863 (62·1)	2,339 (52)	1,201 (20)
Remarks : Reasons for shortfall was mainly due to non-availability of market and working capital.											
Webel Electronic Communication Systems Limited—											
Communication equipment	Numbers	Not Determined	Not fixed	Not fixed	Not fixed	Nil	66,500	4,80,000	..	..	..
Remarks : Performances of the Company could not be compared in absence of non-fixation of installed capacity so far. Letter of intent for foreign collaboration for implementation of a radio-communication system is being looked into. Market demand and defence requirements are being assessed.											
Webel Toolsind Limited—											
Electronically controlled Raw Tools	Numbers	25,000	9,000	12,000	15,000	1,738	4	160	7,262 (80·7)	11,996 (100)	14,840 (98·9)
Remarks : Poor production was due to lack of interest of the sole selling agent and paucity of fund as stated (December 1983) by the Management.											
Webel Carbon and Metal Film Register Limited—											
Carbon and Metal Film Register	Lakh pieces	5,000	..	..	..	..	..	..	..	..	..
Remarks : The Company commenced commercial production in November 1984 against the target date of April 1984.											

12

Webel Jyoti Power Electronic Limited—											
(a) Thysistor controlled modular drive	Numbers	50	50	50	50	2	16	3	48 (96)	34 (68)	47 (94)
(b) Other electronic products	Do.	Not fixed	Not fixed	Not fixed	Not fixed	11	13	62	..	..	..

Remarks : As per Annual Reports for 1981-82 and 1982-83 the Company could not execute the orders in hand due to financial constraints.

Webel Electro Ceramics Limited—											
Hard and Shoft ferrite	Tonne	80	80	80	80	57·29	62·79	Not available	22·71 (28·4)	17·21	..

Remarks : The shortfall in production was due to shortage of power supply and working capital as stated (November 1982)by the Management.

Besides above, the particulars of 3 subsidiaries *viz.* (a) Webel Precision Industries Limited, (b) Webel Computer Limited and (c) Webel Crystals Limited and 2 joint sector projects, *viz.*, (d) Webel Dawn Limited and (e) Webel Sen Capacitors Limited are given below :

(a) *Webel Precision Industries Limited* : Government of India sanctioned (March 1984) licences for production of precision tools, mould, precision stamping, *etc.*, valuing Rs.2.40 lakhs (ex-factory turnover). The Company was under construction (June 1985).

(b) *Webel Computer|Limited* : Government of India sanctioned license for production of mini computor on 22nd January 1982. The Company was to start its commercial production by February 1984. The business plan had been finalised after market survey. Commercial production had not started so far (December 1984).

(c) *Webel Crystals Limited* : Government of India sanctioned (March 1983) industrial licence for production of quartz crystals and commercial production was to be started within a period of 2 years from the date of issue of industrial licence. As on November 1984 plant and machinery were under installation.

(d) *Webel Dawn Limited* : The Company manufactured 407 float charging power plants and 90 chargers, besides other things, during 1981-82 and 1983-84. It declared dividend at the rate of 15 *per cent* during both the years. The performance of the Company could not be analysed in the absence of its installed capacity|target.

(e) *Webel Sen Capacitors Limited* : It was incorporated in 1981 with an industrial licence (received in April 1983) for manufacture of 500 lakh aluminium electrolyte capacitors per annum. The Company did not start commercial production so far (December 1984).

6.04.2. The table below gives the financial results of 9 Companies which commenced production :

	Name of Company	Year of incorporation	Date of commencement of production	Total paid-up capital*	Period of accounts (year ending)	Cumulative loss*	Accumulated profit*
				(Rupees in lakhs)		(Rupees in lakhs)	
1.	Webel Electro Ceramics Limited	1976	April 1980	19·00	30th June 1984	20·00	..
2.	Webel Business Machines Limited	1976	July 1980	16·78	30th June 1984	4·77	..
3.	Webel Jyoti Power Electronics Limited	1977	May 1979	9·50	30th June 1984	48·18	..
4.	Webel Video Devices Limited	1977	April 1981	95·50	30th September 1984	90·12	...
5.	Webel Toolsind Limited	1977	June 1981	18·28	30th June 1983	22·88	...
6.	Webel Telecommunication Industries Limited	1979	May 1980	1,00·00	31st March 1984	..	1,27·19
7.	Webel Dawn Limited	1980	1980-81	1·50	30th September 1983	...	0·77
8.	Webel Television Limited	1981	July 1982	18·34	31st August 1984	18·32	...
9.	Webel Electronic Communication Systems Limited	1981	1982-83	18·06	30th September 1984	11·10	..
		Total ..		2,96·96		2,15·37	1,27·96

Out of the seven Companies running in losses the accumulated loss (Rs.91.06 lakhs excluding adjustment of expenditure of Rs.4.13 lakhs incurred by WBEIDC on behalf of the projects) in 3 Companies (WBEIDC's investment : Rs.12.36 lakhs) exceeded their paid-up capital (Rs.46.78 lakhs). A sum of Rs.50.34 lakhs of loan advanced by the WBEIDC was outstanding from 6 Companies as on 31st March 1984 (excluding interest of Rs.5.09 lakhs).

WBEIDC received dividend amounting to Rs.6.20 lakhs from only 2 Companies during the three years ending 31st March 1984. Dividends received (Rs.6.00 lakhs) during 1983-84 from one Company worked out to 10 *per cent* of WBEIDC's investment (Rs.60 lakhs) in that Company.

*Figures as per the status report of the respective Companies.

6.05: **Projects under consideration or cancelled**

The Company had spent a sum of Rs.13.85 lakhs up to 31st March 1984 on 7 projects which were either cancelled or under consideration as on that date. The table below indicates the position of letters of intent received for such projects and progress made so far (March 1984).

	Products for which letters of intent issued	Date of issue	Present position	WBEIDC's expenditure up to 31st March 1984
				(Rupees in lakhs)
1.	Electronic PABX and Accessories	30th June 1981	An agreement has been executed for establishment of a joint sector project. The Company was yet to be registered (June 1985). Land for the project has only been earmarked.	Not yet allocated
2.	Push Button Telephone Instruments	2nd April 1984	An agreement has been executed for establishment of a joint sector project. The Company was yet to be registered (June 1985). Land for the project has only been earmarked.	Not yet allocated
3.	Electronic Mining Equipment	16th July 1981	WBEIDC is in search of a foreign collaborator to implement the project.	5•41
4.	Digital Electronic Watches	31st December 1980	As reported by the Management the project could not be implemented due to certain restrictive clauses in the letter of intent and the projects may be implemented after the clauses are withdrawn.	0·73
5.	Special Electronic Tubes	26th August 1975	Letter of intent was cancelled in 1981 for failure to finalise the plan in which WBEIDC intended to implement the project with the assistance of Government of India.	1•46
6.	Hybrid Circuits	8th May 1979	Letter of intent was cancelled in 1981 as WBEIDC did not take any effective steps to implement the projects.	1•05
7.	Chips *etc.*	31st October 1975	Letter of intent was cancelled in 1981 as the project proposed to be implemented was not according to the scheme and scope originally envisaged when the letter of intent was granted.	5•20

SECTION VII

OTHER TOPICS OF INTEREST

The Calcutta Tramways Company (1978) Limited

7.01. **Extra expenditure**

The Company placed (February 1981) two orders on a foreign firm for the supply of grooved rails, one for 935 tonnes at the rate of DM 1,317.90 (Rs.5,567.81) per tonne *c.i.f.* Calcutta and the other for 350 tonnes at the rate of DM 1,085 (Rs.4,583.86) per tonne *f.o.b.* Antwerp (Belgium). While the first order was to be financed by credit from the International Development Association (IDA), funds for the second were to be met from the Company's own resources. Quantities of 909.948 tonnes and 349.394 tonnes against the two orders were received (October 1981) by the same ship and Rs.9.87 lakhs and Rs.3.03 lakhs were paid by the Company towards freight and insurance charges on the two consignments. The incidence of freight and insurance paid against the first order (*c.i.f.* Calcutta) being higher than that paid against the second (*f.o.b.* Antwerp), the Company incurred an extra expenditure of Rs.1.98 lakhs calculated *pro rata* basis.

The Management explained (March 1984) that the placement of the first order on *c.i.f.* basis was obligatory in terms of the agreement with the IDA. It was, however, observed that as per the clause-3 of terms of agreement, *c.i.f.*, *ex*-factory or off-the shelf prices were required to be quoted by the bidders for the purpose of evaluation of rates offered by them to make them homogeneous during comparison of bids.

The matter was reported to Government in September 1984; replies were awaited (June 1985).

The Durgapur Projects Limited

7.02. **Loss of rebate**

As per the Electricity Duty Rules, 1935, a licencee should submit a monthly return to the State Government within 70 days following the month to which the return relates indicating, *inter alia,* details of electricity duty charged to its consumers, charged but not recovered and that is outstanding from the previous month. As per orders of Government, a rebate of one *per cent* on the amount of electricity duty collected and deposited with Government is admissible provided such deposit is made within 30 days following the date on which the above return falls due.

Though the Company had not submitted the above returns in time in respect of billing months from April 1967 to March 1981, it claimed from time to time rebates totalling Rs.4.40 lakhs of which Government allowed (January 1979), as a special case, only Rs.0.16 lakh pertaining to the duty paid for the period from June to September 1977 and the rest was rejected due to delayed deposit of duty. Rebates of Rs.0.47 lakh and Rs.0.43 lakh in respect of duty for the years 1981-82 and 1982-83 respectively were not claimed at all because of delay in depositing the amount. The Board of Directors decided (June 1984) to forego the balance claim of rebate of Rs.4.24 lakhs pertaining to the period from April 1967 to March 1981.

Due to delay in depositing electricity duty from time to time up to 1982-83, the Company lost rebate of Rs.5.14 lakhs. No responsibility was fixed for the loss.

7.03. **Avoidable expenditure**

The Company accepted (February 1974) the offer of Bharat Heavy Electricals Limited (BHEL) for supply of a turbo-generator set at Rs.6,60 lakhs for installation in the Sixth unit of its power station. It was stipulated in the general terms of contract that if, due to specific instructions or lack of instructions from the purchaser, the supplier was forced to store any equipment beyond 30 days from the date of its readiness for despatch, the purchaser shall be liable to pay storage charges at specified rates. BHEL informed (January 1976) the Company that they were expecting despatch of equipment from May 1976 and also communicated the specifications of the sheds to be built by the Company to keep the equipment. It was further informed (March 1977) that equipment valuing Rs.5,32.44 lakhs was ready for despatch. No despatch instruction was, however, issued to BHEL before July 1979 and equipment which arrived at the site since August 1979 was kept in the open yard, till construction of two sheds in May 1980 at a cost of Rs.5.10 lakhs.

For want of despatch instruction from the Company till July 1979, BHEL had to store some equipment from time to time and therefore, claimed (August 1979) an amount of Rs.31.62 lakhs towards storage charges which was reduced (June 1980) to Rs.18 lakhs and paid by the Company in February 1981.

Management stated (August 1982) that the payment of storage charges was necessitated due to :

(i) Lack of funds which caused the delay in construction of its own storage sheds; and

(ii) Its intention to avoid maintenance of the equipment pending installation as the Company had no infrastructure for the same.

Neither of the contentions was found tenable as it was noticed that out of Rs.13,00 lakhs received as loan from State Government during 1977-78 and 1978-79 for the Sixth unit, the Company spent only Rs.9,75.47 lakhs till 31st March 1979 and therefore, had sufficient funds for the construction of storage sheds. Also with five operating units having an aggregate capacity of 285 MW, the plea of absence of infrastructure for maintenance of equipment was also not convincing. The storage charges could have been avoided had the Company's own sheds been built in time.

The matter was brought to the notice of Management|Government in March 1985; their replies were awaited (April 1985).

7.04. **Avoidable payment of escalation charges**

On the basis of an enquiry (May 1980) by the Company for the purchase of bulldozer, Bharat Earth Movers Limited, a public sector undertaking, offered (June 1980) their terms which contained, *inter alia,* provision for escalation of the price (Rs.25.20 lakhs plus taxes and duties) at the rate of 1½ *per cent* per month from the date of quotation. The supply was to be effected within three to four months from the placement of the formal order along with 30 *per cent* advance payment. The Company issued a letter of intent on 29th July 1980 and the supplier furnished proforma invoice for 30 *per cent* advance on 1st August 1980; but payment thereagainst was released on 3rd November 1980 followed by the formal purchase order on 1st December 1980. The dozer was delivered in November 1981 and the supplier claimed escalation charges for the period from June 1980 to November 1981 (18 months) which was ultimately reduced to 9½ months (up to 15th March 1981) for Rs.4.03 lakhs. This was paid by the Company in January 1984.

It would be evident from the above that the delay of 9½ months included two months in issuing the letter of intent and a further three months in releasing advance payment which was followed by the formal purchase order.

Had the Company been prompt in issuing the letter of intent and making advance payment, it could have avoided escalation charges for five months which worked out to Rs.2.11 lakhs.

The matter was referred to Government in March 1985; the replies were awaited (June 1985).

7.05. Loss of generation

An explosion took place on 15th May 1984 in the boiler of the 5th unit of the Company's Power Plant resulting in extensive damage and stoppage of the boiler. A similar accident had occurred in the same boiler in 1979 for which it was repaired at a cost of Rs.3.15 lakhs. The Departmental Enquiry Committee reported (May 1984) that the explosion occurred due to improper assessment of the situation and incorrect handling of equipment by the operational personnel. The boiler was shut down for 527 hours and was recommissioned after repairs on 22nd June 1984 at a cost of Rs.4.71 lakhs. A claim for reimbursement of the cost preferred (October 1984) by the Company with the insurer had not yet been settled (January 1985). The Management had also not fixed any responsibility for the lapses leading to the accident.

The loss of generation due to shut down of the unit was 23.98 MU valued at Rs.19.78 lakhs.

The matter was reported to Government in March 1985; the replies were awaited (June 1985).

Durgapur Chemicals Limited

7.06. Defective purchase order

The Company placed (December 1979) an order on a firm of Gujarat for supply of 1,700 tonnes industrial salt at Rs.175 per tonne. The order stipulated payment for supplies against certificates to be obtained by the firm from an independent surveyor certifying the number of salt bags despatched and the certificate was to be attached to the invoice for negotiating letter of credit. During May-June 1980, the Company received six consignments of salt which, according to the Railway receipts were "said to contain" salt weighing 1,639.425 tonnes. During subsequent weighment at the Company's weighbridge, it was found that 247.965 tonnes valuing Rs.0.44 lakh were received short and the firm's bills were settled (August 1981) accordingly. The Company subsequently released (January 1982) the cost of the salt received short on the consideration that the weighment clause in the purchase order had not specified payment against actual quantity of salt received by the Company.

The defective purchase order thus resulted in a wasteful expenditure of Rs.0.92 lakh.

The matter was reported to Management|Government in June 1984; the replies were awaited (June 1985).

The State Fisheries Development Corporation Limited

7.07. Infructuous expenditure

Between September 1979 and May 1980 the Company purchased 210 nylon cages valuing Rs.7 lakhs from a firm of New Delhi. Of these, 173 cages were issued up to March 1981 to six fish farms of the Company and to two farms belonging to others for culture of fish inside them. The culture continued till 1981-82 but proved unsuccessful as the growth of fish in cages was not satisfactory because of the following reasons (as reported by the farmers from time to time) :

(i) escape of fishes from 25 cages damaged by crabs; of these 22 cages were transferred (April 1981) to another farm where also culture was not successful on account of low level of water in its tanks;

(ii) high mortality due to infection in another farm (25 cages); and

(iii) abandonment of culture following defect in agreement in respect of another farm (61 cages).

Culture in four farms (62 cages) could not be commenced at all; reasons for which were also not on record.

No remedial action was taken by the Management to overcome these difficulties. Of the remaining 37 cages, one was issued (January 1985) to another farm for storing fishes and 36 were lying in store (January 1985).

It would be evident from the above that the expenditure of Rs.7 lakhs incurred on the cage culture (excluding actual operational expenses which were not available) without studying its feasibility beforehand proved infructuous.

The matter was reported to Government in March 1985; the replies were awaited (June 1985).

CHAPTER II

STATUTORY CORPORATIONS

SECTION VIII

8.01. Introduction

There were six Statutory Corporations in the State as on 31st March 1984, *viz.*, West Bengal State Electricity Board, Calcutta State Transport Corporation, North Bengal State Transport Corporation, Durgapur State Transport Corporation, West Bengal Financial Corporation and West Bengal State Warehousing Corporation.

In addition, the audit of West Bengal Industrial Infrastructure Development Corporation, incorporated in November 1973 under the West Bengal Industrial Infrastructure Corporation Ordinance, 1973 (subsequently replaced by West Bengal Industrial Infrastructure Development Corporation Act, 1974) which was entrusted (June 1978) to the Comptroller and Auditor General of India by the State Government initially for a period of 5 years up to 1982-83 has further been extended (August 1983) for another period of 5 years up to 1987-88.

The accounts of the following Statutory Corporations were in arrears (April 1985) :

	Name of Statutory Corporation	Extent of arrears
1.	North Bengal State Transport Corporation	1975-76 to 1983-84
2.	Durgapur State Transport Corporation	1977-78 to 1983-84
3.	West Bengal Industrial Infrastructure Development Corporation	1976-77 to 1983-84
4.	West Bengal State Warehousing Corporatin ..	1982-83 to 1983-84
5.	Calcutta State Transport Corporation	1983-84
6.	West Bengal State Electricity Board	1983-84

The position of arrears in the finalisation of accounts was last brought to the notice of the Government in April 1985.

A synoptic statement showing the summarised financial results of West Bengal Industrial Infrastructure Development Corporation, West Bengal State Warehousing Corporation, Calcutta State Transport Corporation and West Bengal Financial Corporation, based on the latest available accounts, is given in Annexure 'C'.

8.02. West Bengal State Electricity Board

The financial position, working results, *etc.*, of the Board and some aspects relating to the construction of Kolaghat Thermal Power Project are given in Section IX of the Report.

8.03. Calcutta State Transport Corporation

8.03.1. *Capital*

The Calcutta State Transport Corporation was formed on 15th June 1960 under the Road Transport Corporations Act, 1950 for providing public transport for the people of Calcutta. The capital of the Corporation as on 31st March 1984 under Section 23(1) of the Act *ibid* was Rs.7,08.46 lakhs* (State Government : Rs.6,08.46 lakhs, Central Government : Rs.1,00.00 lakhs). Interest is payable on capital received from the State and Central Governments at the rates of 4 to 6 *per cent* and 6.25 *per cent* respectively.

8.03.2. *Guarantees*

The State Government had guaranteed (1972-73) the repayment of market loan (Rs.1,10 lakhs) raised by the Corporation and payment of interest thereon. The whole amount of the guarantee was outstanding as on 31st March 1983.

8.03.3. *Financial position*

The table below summarises the financial position of the Corporation under broad headings for the three years up to 1982-83 :

Liabilities	1980-81	1981-82	1982-83*
	(Rupees in lakhs)		
(a) Capital	7,08·46	7,08·46	7,08·46
(b) Reserves and surplus	15,98·40	18,18,30	20,78·87
(c) Borrowings	33,93·42	42,85·78	59,13·78
(d) Trade dues and other current liabilities	20,19·21	24,32·57	35,36·47
	77,19·49	92,45·11	1,22,37·58
Assets			
(a) Gross block	33,15·40	39,21·45	60,33·10
(b) *Less* : Depreciation	20,96·99	23,75·85	27,71·93
(c) Net fixed assets	12,18·41	15,45·60	32,61·17
(d) Capital works-in-progress	56·54	63·24	81·00
(e) Investments	14,04·08	15,52·06	17,43·18
(f) Current assets, loans and advances	15,04·25	19,33·08	21,94·25
(g) Accumulated losses	35,36·21	41,51·13	49,57·98
	77,19·49	92,45·11	1,22,37·58
Capital invested**	41,01·87	49,94·23	66,22·24
Capital employed†	6,03·54	9,35.57	18,34.60

*Figures are provisional.

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

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

8.03.4. *Working results*

The accounts of the Corporation for the year 1983-84 are in arrears (April 1985). The following table gives details of the working results of the Corporation for the three years up to 1982-83 :

Particulars	1980-81	1981-82	1982-83
	(Rupees in lakhs)		
1.(a) Operating—			
Revenue	13,63·65	14,73·44	15,32·85
Expenditure	27,11·17	28,96·82	33,49·66
Deficit	13,47·52	14,23·38	18,16·81
(b) Non-operating—			
Revenue	54·63	42·43	46·00
Expenditure	2,54·18	3,13·12	3,35·67
Deficit	1,99,55	2,70·69	2,89·67
(c) Total—			
Revenue	14,18,28	15,15·87	15,78·85
Expenditure	29,65·35	32,09.94	36,85·32
Net loss	15,47·07	16,94·07	21,06·47
2. Interest on capital and loan	2,58·72	3,18·53	3,43·69
3. Total return on :			
Capital employed	(—)12,88·35	(—)13,75·54	(—)17,62·78
Capital invested	(—)12,88·35	(—)13,75·54	(—)17,62·78

8.03.5. *Operational performance*

The following table indicates the operational performances of the Corporation for the three years up to 1983-84 :

	1981-82	1982-83	1983-84*
1. Average number of vehicles held	1,381	1,130	1,172
2. Average number of vehicles on road per shift ..	724	735	714
3. Percentage of utilisation	52·4	65·4	60·9
4. Kms covered (in lakhs) :			
(a) Gross	447	461	440
(b) Effective	423	436	417
(c) Dead	24	25	23
5. Percentage of dead kms to gross kms ..	5·4	5·4	5·2
6. Average kms covered per bus per day ..	161	163	160
7. Average revenue per km (paise)	357·02	351·00	391·14
8. Average expenditure per km (paise) ..	754·86	836·00	NA
9. Loss per km (paise)	397·84	485 00	NA
10. Route kms	9,556·70	10,083·40	9,822·40
11. Number of operating depots	8	8	9
12. Average number of break-downs per lakh kms ..	111·34	218·00	241·00
13. Average number of accidents per lakh kms ..	1·32	1·33	1·45
14. Passenger kms scheduled (in lakhs) ..	38,232	39,401	38,970
15. Passenger kms operated (in lakhs)	23,577	30,000	28,316
16. Occupancy ratio**	155	125	124

*The figures are provisional.

**Occupancy ratio means total seat kilometres occupied out of total seat kilometres offered, expressed in percentage.

8.04. North Bengal State Transport Corporation

8.04.1. *Capital*

The Notrh Bengal State Transport Corporation was formed on 15th April 1960 under the Road Transport Corporations Act, 1950 for providing public transport for the people of five North Bengal districts and also co-ordinating road transport with rail transport. As on 31st March 1984, the capital of the Corporation under Section 23(1) of the Act, *ibid* was Rs.8,21.06 lakhs *(State Government: Rs.5,87.04 lakhs; Central Government: Rs.2,34.02 lakhs) as against the capital of Rs.7,31.06 lakhs * (State Government: Rs.4,97.04 lakhs; Central Government: Rs.2,34.02 lakhs) as on 31st March 1983. Interest on capital is payable at 6¼ *per cent* per annum.

8.04.2. *Guarantees*

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

Particulars of guarantee	Year of guarantee	Amount guaranteed	Amount outstanding as on 31st March 1984		
			Principal	Interest	Total
		(Rupees in lakhs)			
Industrial Development Bank of India	1977-78	49·99	1·21	1·24	2·45
Ditto	1978-79	50·97	10·07	1·22	11·29
Cash Credit—					
Central Bank of India ..	1981-82	3·00	29·47	1·40	30·87
Total ..		130·96	40·75	3·86	44·61

The amount of guarantee fees in arrear as on 31st March 1984 was Rs.0.81 lakh.

8.04.3. *Operational performance*

8.04.3.1. *Operating results*: (a) The accounts of the Corporation are in arrears since 1975-76. The operating results of the Corporation for the three years up to 1983-84 (based on provisional figures) are summarised below :

	1981-82	1982-83	1983-84
Effective kilometres operated (in lakhs) ..	223·14	234·85	210·50
Earnings**			
(i) Total operating earnings (Rupees in lakhs) ..	5,12·14	4,84·05	4,82·05
(ii) In paise per kilometre	229	206	229
Cost of operation**			
(i) Total operating cost (Rupees in lakhs) ..	10,51·67	7,25·51	7,46·21
(ii) In paise per kilometre	471	309	354
Operating Loss**			
(i) Total operating loss (Rupees in lakhs) ..	5,39·53	2,41·46	2,64·16
(ii) In paise per kilometre	242	103	125

*Figures are provisional.

**Includes figures for goods transport service, for which separate accounts are not maintained.

The Corporation had been incurring losses continuously since 1966-67. The accumulated losses of the Corporation amounted to Rs.35,24.88 lakhs as on 31st March 1984.

(b) The table below indicates the operational performance of the Corporation for the three years up to 1983-84 :

		1981-82	1982-83	1983-84
1.	Average number of vehicles held†	415	455	408
2.	Average number of vehicles on road†† ..	274	278	254
3.	Percentage of utilisation	66	61	62
4.	Kms covered (in lakhs) :			
	(a) Gross	235·37	228·82	207·38
	(b) Effective	233·77	227·21	205·70
	(c) Dead	1·60	1·61	1·68
5.	Percentage of dead kms to gross kms ..	0·68	0·70	0·81
6.	Average kms covered per bus per day ..	234	224	222
7.	Average revenue per km (paise)@ ..	215	220	243
8.	Average expenditure per km (paise)@ ..	447	485	576
9.	Loss per km (paise)@	232	265	333
10.	Total Route kms	22,381	22,381	23,198
11.	Number of operating depots	18	17	17
12.	Average number of break-downs per lakh kms ..	14	15	15
13.	Average number of accidents per lakh kms ..	0·24	0·20	0·20
14.	Passenger kms scheduled (in lakhs) ..	11,380·14	11,587·71	10,490·19
15.	Passenger kms operated (in lakhs)	7,397·09	7,300·26	6,294·11
16.	Occupancy ratio (*per cent*)	65	63	60

8.05. Durgapur State Transport Corporation

8.05.1. *Capital*

The Durgapur State Transport Corporation was formed on 7th December 1973 under the Road Transport Corporations Act, 1950, for providing public transport in the Durgapur Industrial Complex, besides co-ordinating road transport with rail transport. As on 31st March 1984, the capital of the Corporation under Section 23(1) of the Act *ibid* was Rs.12,17.85 lakhs *(wholly subscribed by the State Government) as against the capital of Rs.11,40.16 as on 31st March 1983. Interest on capital is payable at 6.25 *per cent* per annum.

†Excludes 66 trucks held in 1981-82 and 1982-83, and 46 trucks held in 1983-84.

††Excludes 26 trucks in 1981-82, 20 trucksin 1982-83 and 15 trucks in 1983-84 on road.

@Includes information in respect of goods transport service.

(The figures for 1982-83 and 1983-84 in the table above are based on initial records in the absence of compiled accounts).

*Figure is Provisional.

8.05.2. *Guarantees*

The Corporation received (June 1983) a sum of Rs.23.42 lakhs as a loan from the Industrial Development Bank of India (IDBI) on the guarantee given by the State Government. No payment of guarantee fees on the above loan was made by the Corporation. An amount of Rs.0.19 lakh outstanding towards arrears of guarantee fees on credit (Rs.12.24 lakhs) received from IDBI was not paid during the year.

8.05.3. *Operational performance*

The operating results of the Corporation for the three years up to 1983-84 are summarised below :

	1981-82	1982-83 (Provisional)	1983-84
Earnings—			
(a) Total operating earnings (Rupees in lakhs) ..	1,31·23	1,33·30	NA
(b) Per kilometre earnings (in paise) ..	206	231	NA
Cost of operations—			
(a) Total operating cost (Rupees in lakhs) ..	2,83·70	2,96·04	NA
(b) Per kilometre cost (in paise)	445	514	NA
Operating loss—			
(a) Total operating loss (Rupees in lakhs) ..	1,52·47	1,62·74	NA
(b) Per kilometre loss (in paise)	239	283	NA

8.06. West Bengal Financial Corporation

8.06.1. The West Bengal Financial Corporation was formed on 1st March 1954 under Section 3(i) of the State Financial Corporations Act, 1951.

8.06.2. *Paid-up capital*

The paid-up capital of the Corporation as on 31st March 1984 was Rs.7,34.27 lakhs [State Government : Rs.3,43.02 lakhs; Industrial Development Bank of India (IDBI) : Rs.3,43.02 lakhs; Others : Rs.48.23 lakhs] as against Rs.6,76.27 lakhs (State Government : Rs.3,14.02 lakhs; IDBI : Rs.3,14.02 lakhs; Others Rs.48.23 lakhs) as on 31st March 1983.

8.06.3. *Guarantees*

The Government has guaranteed the repayment of share capital of Rs.6,84.27 lakhs* (excluding special share capital of Rs.50 lakhs)

N.A.=Not available.

*The figure as per Finance Accounts is Rs. 12,14·20 lakhs. The difference of Rs. 5,29·93 lakhs is under reconciliation.

under Section 6(i) of the Act *ibid* and payment of minimum dividend thereon at 3.5 *per cent.* Subvention paid by Government (up to 31st March 1984) towards the guaranteed dividend amounted to Rs.11.87 lakhs which was outstanding for repayment as on 31st March 1984. The Government also guaranteed repayment of the market loan (through bonds and debentures) of Rs.19,80.00 lakhs** raised by the Corporation. Amount of principal outstanding thereagainst an on 31st March 1984 was Rs.19,80.00 lakhs***.

8.06.4. *Financial position*

The table below summarises the financial position of the Corporation under the broad headings for the three years up to 1983-84 :

Liabilities	1981-82	1982-83	1983-84
		(Rupees in lakhs)	
(a) Paid-up capital	6,19·02	7,05·27	8,31·27
(b) Reserve fund, other reserves and surplus ...	3,63·30	3,96·62	4,15·44
(c) Borrowings :			
(i) Bonds and debentures	15,40·00	17,60·00	19,80·00
(ii) Others	15,55·81	18,76·73	23,82·74
(d) Subvention paid by State Government on account of dividend	11·87	11·87	11·87
(e) Other liabilities and provisions	1.92·99	2,14·08	2,56·75
Total ...	42,82·99	49,64·57	58,78·07
Assets			
(a) Cash and bank balances	2,61·56	2,18·80	1,79·78
(b) Investment	10·35	14·53	14·28
(c) Loans and advances	38,55·88	45,62·92	55,18·60
(d) Debentures and shares, *etc.*, acquired under under-writing agreements.	37·37	37·37	37·37
(e) Net fixed assets	9·57	12·29	10 16
(f) Dividend deficit account	11·87	11·87	11·87
(g) Other assets	96·21	1,06·79	1,06·01
Total ..	42,88·99	49,64·57	58,78 07
Capital employed†	37,28·64	43,66·15	51,31·21

**The figure as per Finance Accounts is Rs. 14,10·00 lakhs. The difference of Rs. 5,70·00 lakhs is under reconciliatin.

***The figure as per Finance Accounts is Rs. 12,10·00 lakhs. The difference of Rs. 7,70·00 lakhs is ,under reconciliation.

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

8.06.5. *Working results*

The following table gives the details of the working results of the Corporation for the three years up to 1983-84 :

Particulars	1981-82	1982-83	1983-84
		(Rupees in lakhs)	
1. Income :			
(a) Interest on loans and advances	2,01·94	2,70·99	3,84·85
(b) Other income	4·97	5·17	19·92
Total ..	2,06·91	2,76·16	4,04·77
2. Expenditure :			
(a) Interest on long-term loans	1,38·75	1,89·07	2,81·19
(b) Other expenses	34·74	47·43	64·35
Total ..	1,73·49	2,36·50	3,45·54
3. Profit before tax	33·42	39·66	59·23
4. Provision for tax	1·75	1·75	12·00
5. Other appropriations	13·75	15·86	23·69
6. Amount available for dividend	17·91	22·05	23·54
7. Dividend paid	12·25	1·87	1·69
8. Total return on capital employed	1,72·17	2,28·73	3,40·42
		(*per cent*)	
9. Percentage of return on capital employed ..	4·6	5·2	6·[illegible]

8.06.6. *Disbursement and recovery of loans*

The performance of the Corporation in the disbursement|recovery of loans during the three years up to 1983-84 is indicated below :

Sl. No.	Particulars	1981-82 No.	1981-82 Amount	1982-83 No.	1982-83 Amount	1983-84 No.	1983-84 Amount	Cumulative No.	Cumulative Amount
				(Amount : Rupees in lakhs)					
1.	Applications pending at the beginning of the year	99	4,42·63	83	4,70·84	246	5,13·46	..	..
2.	Applications received	599	19,94·03	1,116	24,81·08	1,649	31,44·65	6,865	2,05,38·32
3.	Total ..	698	24,36·66	1,199	29,51·92	1,895	36,58·11	6,865	2,05,38·32
4.	Applications sanctioned	545	15,36·11	894	19,20·15	1,314	24,85·84	5,318	1,42,68·56
5.	Applications cancelled/withdrawan/rejected	70	3,04·84	59	3,20·83	108	5,46·85	818	3,853·90
6.	Applications pending at the close of the year	83	4,70·84	246	5,13·46	362	5,37·62	362	5,37·62
7.	Loans disbursed	411	6,27·08	635	10,06·63	1,205	11,97·96	3,385	68,81·56
8.	Amount outstanding at the close of the year.	1,158	40,68·06	1,557	50,75·93	2,336	61,09·68	2,336	61,09·68
9.	Amount overdue for recovery :								
	(a) Principal ..		6,76·70*		6,77·76		9,18·38		9,18·38
	(b) Interest ..		5,99·43**		7,07·71		9,87·76		9,87·76
10.	Percentage of defaults to total loans outstanding		31·4		27·3		32·5		32·5

8.07. West Bengal State Warehousing Corporation

8.07.1. *Introduction*

The West Bengal State Warehousing Corporation was formed on 31st March 1958 under the Agricultural Produce (Development and Warehousing) Corporations Act, 1956, subsequently replaced by the Warehousing Corporations Act, 1962, for providing warehousing facilities in the State for storage and scientific preservation of agricultural produce, seeds, manures, fertilisers, *etc.*

*Excludes Rs. 24·99 lakhs for 1981-82 where other arrangements have been made.

**Excludes Rs. 7·69 lakhs for 1981-82 where other arrangements have been made

8.07.2. *Paid-up capital*

The paid-up capital of the Corporation was Rs.3,79.40 lakhs* (State Government : Rs.2,04.70 lakhs; Central Warehousing Corporation : Rs.1,74.70 lakhs) as on 31st March 1984 as against Rs.3,19.40 lakhs (State Government : Rs.1,74.70 lakhs; Central Warehousing Corporation : Rs.1,44.70 lakhs) as on 31st March 1983.

8.07.3. *Financial position*

The table below summarises the financial position of the Corporation under broad headings for the three years up to 1981-82 :

	1979-80	1980-81	1981-82
	(Rupees in lakhs)		
Liabilities			
(a) Paid-up capital	2,14·40	2,54·40	3,19·40
(b) Reserves and surplus	66·65	72·58	1,01·34
(c) Trade dues and other current liabilities	72·64	80·82	1,08·93
Total	3,53·69	4,07·80	5,29·67
Assets			
(a) Gross block	95·22	1,15·69	1,45·69
(b) *Less* : Depreciation	25·93	27·60	30·26
(c) Net fixed assets	69·29	88·09	1,15·43
(d) Capital works-in-progress	5·67	10·19	5·38
(e) Investment	9·00	11·77	19·25
(f) Current assets, loans and advances	2,69·73	2,97·75	3,89·61
Total	3,53·69	4,07·80	5,29·67
Capital employed†	2,66·38	3,05·02	3,96·11

*Figure is provisional.

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

8.07.4. *Working results*

The following table gives the details of the working results of the Corporation for the three years up to 1981-82 :

Particulars	1979-80	1980-81	1981-82
	(Rupees in lakhs)		
Income :			
(i) Warehousing charges	1,13·02	1,15·51	1,55·92
(ii) Other expenses	3·68	4·09	3·83
Total	1,16·70	1,20·60	1,59·75
Expenditure :			
(i) Establishment charges	44·06	49·29	58·38
(ii) Other expenses	49·63	57·23	65·51
Total	93·69	1,06·52	1,23·89
Profit before tax	23·01	13·97	35·86
Provision for tax	2·60	2·84	2·13
Other appropriations	3·63	3·65	6·07
Amount available for dividend	16·78	11·13	33·73
Dividend paid	5·71	NA	2·27
Total return on capital employed	23·01	13·97	35·86
		(*Per cent*)	
Percentage of return on capital employed	8·06	4·8	9·8

8.07.5. *Operational performance*

The following table gives the details of the storage capacity created, capacity utilised and other information about performance of the Corporation for the three years up to 1983-84 :

	1981-82	1982-83	1983-84
1. Number of stations covered	38	38	38
2. Storage capacity created up to the end of the year (tonne in lakhs)			
(a) Owned	0·36	0·36	0·45
(b) Hired	1·54	1·56	1·50
Total	1·90	1·92	1·95
3. Average capacity utilised during the year (tonne in lakhs)	1·84	1·79	1·85
4. Percentage utilisation	97	93	95
5. Average revenue per tonne (Rupees)	84·74	92·27	82·63
6. Average expenses per tonne (Rupees)	67·33	77·85	78·94

8.08. West Bengal Industrial Infr^structure Development Corporation

8.08.1. *Introduction*

The West Bengal Industrial Infrastructure Development Corporation was formed on 9th November 1973 under the West Bengal Industrial Infrastructure Development Corporation Act, 1974, with the object of providing industrial infrastructure facilities like road, water supply, power, housing accommodation, railway siding *etc.*, in the backward areas of the State of West Bengal.

The audit of the accounts was undertaken by the Comptroller and Auditor General of India at the request of the State Government under Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, initially for a period of five years commencing from 6th June 1978 and further extended (September 1983) to another five years from 6th June 1983.

The Corporation had obtained long-term loans from the Government of West Bengal from time time, outstanding balance of which as on 31st March 1984 was Rs.3,34.86 lakhs.

The Corporation had prepared its accounts for the year up to 1975-76 so far (April 1985). The working results of the Corporation for that year showed net loss of Rs.0.78 lakh as against profit of Rs.1.97 lakhs in 1974-75.

SECTION IX

WEST BENGAL STATE ELECTRICITY BOARD

9.01. Introduction

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

9.01.2. *Capital*

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

The aggregate of long-term loans (including loans from Government) obtained by the Board was Rs.10,36,32.79 lakhs* at the end of 1983-84 and represented an increase of Rs.1,01,78.28 lakhs i.e. 10.9 *per cent* on the long-term loans of Rs.9,34,54.51 lakhs at the end of previous year. Details of loans obtained from different sources and outstanding at the close of the two years up to 31st March 1984 were as follows :

Source	Amount outstanding as on 31st March		Percentage increase
	1983	1984	
	(Rupees in lakhs)		
State Government	4,07,78 11	4,58,41·47	12·4
Other sources	5,26,76 40	5,77,91·32	9·7
Total	9,34,45 51	10,36,32·79	10·9

9.01.3. *Guarantees*

Government had guaranteed the repayment of loans raised by the Board to the extent of Rs.5,07,71.49 lakhs* and the payment of interest thereon. The amount of principal guaranteed and outstanding as on 31st March 1984 was Rs.4,93,54.00 lakhs*. Amount of guarantee fees in arrears as on 31st March 1984 was Rs.6,49.11 lakhs*.

*Figures are provisional.

9.01.4. The financial position of the Board at the close of the three years up to 1983-84 is given in the following table :

Liabilities	1981-82	1982-83*	1983 84*
	(Rupees in lakhs)		
(a) Loans from Government	3,81,38·11	4,08,21·41	4,58,41·47
(b) Other long term loans (including bonds)	4,62,02·78	5,27,58·33	5,77,91·32
(c) Deposits from public	37,28·86	40,84·39	47,27·55
(d) Reserves and surplus	41,29·41	57,66 57	51,70·39
(e) Current liabilities	2,15,90·44	2,34,04·56	2,94,20·14
Total	11,37,89·60	12,68,35·26	14,29,50·87
Assets			
(a) Gross fixed assets	3,39,60·78	5,11,10·73	5,52,93·98
(b) *Less* : Depreciation	47,88·63	47,88·63	27,41·22
(c) Net fixed assets	2,91,72·15	4,63,22·10	5,25,52·76
(d) Capital works-in-progress	4,73,43·21	4,55,31·18	5,37,39·76
(e) Current assets	3,72,74·24	3,49,81·98	3,66,58·35
Total	11,37,89·60	12,68,35·26	14,29,50·87
Capital employed **	4,48,55·95	5,78,99·52	5,97,90·97

9.01.5. *Working results*

9.01.5.1. The working results of the Board for the three years up to 1983-84 are summarised below :

	1981-82	1982-83	1983-84
	(Rupees in lakhs)		
(a) Revenue receipts	1,78,17·94	2,08,41·78	2,14,55·80†
(b) Subsidy from State Government	13,17·66	13,17·66	13,17·66
Total	1,91,35·60	2,21,59·44	2,27,73·46
(c) Revenue expenditure including write off of intangible assets.	1,58,88·04	1,83,58·67	1,89,99·28
(d) Gross surplus for the year	32,47·56	38,00·77	37,74·18

*All figures for 1982-83 and 1983-84 are provisional.

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

†Revenue receipts for 1983-84 include Rs. 7,22·60 lakhs withdrawn from Depreciation Reserve.

9.01.5.2. The revenue receipts of the Board during the three years up to 1983-84 (*i.e.* gross surplus after meeting the operating, maintenance and management expenses) were not adequate to meet fully the other liabilities mentioned in Section 67 of the Electricity (Supply) Act, 1948 and, therefore, the Board distributed the surplus towards the following liabilities :

	1981-82	1982-83*	1983-84*
		(Rupees in lakhs)	
Gross surplus available including subvention from Government and after write off of intangible assets.	32,47·56	38,00·77	37,74·18
Add: Depreciation provided (not covered by revenue surplus during the year charged in accounts but withdrawn).	..	..	..
Amount available for appropriation	32,47·56	38,00·77	37,74·18
Appropriated to meet payment of interest on loans not guaranteed under Section 66 of the Act, *ibid.*	4,56·31	5,23·29	7,08·38
Interest on cash credit guaranteed under Section 66 of the Act, *ibid.*	..	..	6·34
Contribution to repayment of loans raised under Section 65 of the Act, *ibid.*	12,32·34	14,35·02	6,43·97
Payment of interest on loans guaranteed under Section 66 of the Act, *ibid.*	15,58·91	18,42·46	24,15·49
Payment of interest on loans from Government ..	..	..	..
Contribution to General Reserves	..	..	..
Contribution to depreciation	..	..	..
Total ..	32,47·56	38,00·77	37,47·18

The total return on capital employed during the three years up to 1983-84 is compared in the following table :

	1981-82	1982-83	1983-84
		(Rupees in lakhs)	
Total return on capital employed	20,15·21	23,85·75	31,30·22
		(*per cent*)	
Rate of return	4·5	4·1	5·2

Even though the gross surplus was not sufficient to cover the liabilities towards interest on Government loans and depreciation during 1983-84, the liabilities towards interest alone (Rs.50,64.19 lakhs* for 1983-84) was carried forward to be provided in future. Depreciation not provided during 1981-82 (Rs.33,80.94 lakhs), 1982-83 (Rs.46,86.23 lakhs) and 1983-84 (Rs.64,28.95 lakhs) was, however, adjusted to the assets account without charging to revenue.

*Figures for 1982-83 and 1983-84 are provisional.

The total cumulative liability not provided for the three years up to 1983-84 would amount to Rs.68,63.99 lakhs, Rs.96,39.25 lakhs and Rs.1,64,46.15 lakhs respectively as detailed below :

	1981-82	1982-83*	1983-84*
	(Rupees in lakhs)		
1. Interest on loans from Government ..	34,83·05	49,53·02	1,00,17·20
2. Depreciation not provided for by charge to profit and loss account during 1981-82, 1982-83 and 1983-84.	33,80·94	46,86·23	64,28·95
Total ..	68,63·99	96,39·25	1,64,46·15

9.01.5.3. *Profitability analysis*

The following table depicts the profitability position of the Board if all accrued charges towards interest and depreciation were provided during the three years up to 1983-84 :

	1981-82	1982-83	1983-84
	(Rupees in lakhs)		
1. Revenue receipts including subsidy from State Government for the year	1,91,35·60	2,21,59·44	2,27,73·46
2. (a) Operating, maintenance and management expenses and depreciation for the year	1,67,46·78	1,96,39·66	2,07,18·52
(b) Interest on loans for the year	32,47·40	38,35·72	81,94·40
Total revenue expenditure for the year ..	1,99,94·18	2,34,75·38	2,89,12·92
Deficit for the year	8,58·58	13,15·94	61,39·46
Add—Interest charged to profit and loss account ..	32,47·40	38,35·72	81,94·40
Actual return on capital employed	23,88·82	25,19·78	20,54·94
		(*per cent*)	
Rate of return on capital employed	5·3	4·3	3·4

*Figures for 1982-83 and 1983-84 are provisional.

9.01.6. *Operational performance*

9.01.6.1. The following table indicates operational performance of the Board for the three years up to 1983-84 :

Particulars	1981-82	1982-83*	1983-84*
		(in MW)	
1. Installed capacity :			
(i) Thermal	845·00	1,024·00	1,024·00
(ii) Hydel	38·70	37·40	45·80
(iii) Others	126·30	120·00	120·00
Total	1,010·00	1,181·40	1,189·80
2. Normal maximum demand	777·00	876·00	751·00
3. Power generated :		(in Mkwh)	
(i) Thermal	2,897·70	3,025·00	3,272·24
(ii) Hydel	75·30	99·00	111·69
(iii) Others	189·20	226·00	75·03
Total	3,162·20	3,350·00	3,458·96
Less : Auxiliary consumption :	281·40	311·60	349·84
4. Net power generated	2,880·80	3,038·40	3,190·12
5. Power purchased	920·80	1,178·20	925·82
6. Total power available for sale	3,801·60	4,216·60	4,034·94
7. Power sold	3,268·40	3,500·70	3,230·20
8. (i) Transmission and distribution losses	533·20	715·90	830·44
(ii) Free supply to Bhutan (Mkwh)	..	..	1·30
		(*per cent*)	
9. Load factor	66·0	59·0	61·9
10. Percentage of transmission and distribution loss to power available for sale.	14·0	17·0	20·6
		(kwh)	
11. Number of units generated per kw of installed capacity.	3,130·9	2,835·6	2,907·0

The following table indicates the total units of power sold, revenue earned per unit, expenses and profit|loss per unit sold during the three years up to 1983-84 :

	1981-82	1982-83*	1983-84*
1. Units sold :		(in Mkwh)	
(a) Agricultural	49·69	74·50	100·10
(b) Industrial	1,322·46	1,174 20	1,129·29
(c) Commercial	115·03	263·90	259·41
(d) Domestic	152·11	184·70	212·93
(e) Others	1,629·11	1,802·10	1,501·47
Total	3,268·40	3,499·40	3,203·20
		(in paise)	
2. Revenue per kwh	48·58	54·13	63·14
3. Expenditure per kwh	50·71	57·46	64·75
4. Profit(+)/Loss(−) per kwh	(−)2·13	(−)3·33	(−)1·61

*Figures are provisional.

Certain aspects of the working of the Board are discussed in the subsequent paragraphs of the Report.

9.02. Kolaghat Thermal Power Project

9.02.1. *Introduction*

To meet the shortfall in generation of power which was expected to be 1,185 MW at the end of the Fifth Five Year Plan (1978-79), the Board decided (March 1972) to install a new thermal power station at Kolaghat-Haldia region in the district of Midnapur.

9.02.2. *Project Report*

The Board submitted a detailed Project Report prepared by a consultant to the Planning Commission in October 1972 proposing installation of 3 units of 200 MW each in the first stage at an estimated cost of Rs.112.48 crores. The Planning Commission, however, modified the proposal and approved in June 1973 the installation of three 210 MW generating sets at an estimated cost of Rs.115.59 crores.

Kolaghat was recommended as the site for the power station in view of certain locational advantages.

The Project Report envisaged completion of the work in seven years from the date of issue of the letter of intent for supply of turbo-generators and boilers. Supply of 2,898 million units annually was envisaged assuming a load factor of 65 *per cent*. The Board contemplated (March 1975) that the units would be commissioned one each in September 1978, March 1979 and September 1979. Anticipated return was 11.7 *per cent* of the capital cost from the fourth year of operation.

9.02.3. *Project Estimate*

The original project estimate for Rs.115.59 crores (June 1973) was revised from time to time. The revised project estimate prepared in 1984 stands at Rs.350.00 crores as detailed below :

Particulars	Original project estimate (June 1973)	Revised project estimate (1984)	Percentage of increase
	(Rupees in crores)		
1. Land and preliminary work	1·19	7·94	567
2. Civil works	12·65	77·12	533
3. Plant and machinery *etc*, ...	92·98	228·84	146
4. Establishment and other charges	9·33	37·65	303
5. Receipts or recoveries(−)	(−)0·56	(−)1·55	..
Total ..	115·59	350·00	203

The anticipated return with reference to the increase in the estimated cost was not computed by the Board so far (July 1984).

It was stated (July 1981) by the Management that the Central Electricity Authority or the Planning Commission had not asked for any profitability analysis and the same would be prepared on completion of the Project.

As against the revised estimate of Rs.350 crores the approval of which by the Planning Commission is awaited, the provisional figure of expenditure booked up to March 1984 amounted to Rs.264 crores.

The main reasons attributed by the Management for the increase in the estimated cost while seeking the approval of the Board for revised estimates (Rs.350.00 crores) were as follows :

(i) Increase in the cost of various items due to delay in execution of the project.

(ii) Increase in the scope of work.

(iii) Increase in the cost of civil work due to extensive piling works (to a greater depths than envisaged) required to be undertaken for want of sub-soil data at the time of preparation of original estimate.

(iv) Increase in the cost of acquisition and development of additional land, *etc.*

This would indicate that the original Project Report was prepared without having undertaken sufficient investigation and necessary data.

9.02.4. *Project implementation*

9.02.4.1. With a view to implementing the Project the Board entered into a consultancy agreement with a firm of Calcutta in January 1975. As per the agreement the consultancy service for the first stage included the setting up of three units of 210 MW each and the preliminary work for the entire project including the second stage comprising the setting up of another three units of 210 MW each at a later date.

For services in the first stage the consultants were to be paid as follows :

(a) 2.276 *per cent* of the assumed ceiling project cost derived from the estimated project cost approved by the Planning Commission excluding therefrom the cost of colony, establishment, *etc.*, or

(b) 1.864 *per cent* of the actual cost of installation of the plant to be derived on the scheduled date of commissioning of each unit by excluding cost of colony establishment, *etc.*, from the then approved estimated project cost, at the option of the consultants. The payments initially being made as per (a) above.

The agreement did not also provide for any guarantee by the consultants for the working of the plants up to the designed capacity with the fuel for which these were designed nor any provision made for recovery of liquidated damages or penalty for defective or delayed execution of works.

It was observed that in a number of cases (as pointed out in paragraph 9.02.5.2. to 9.02.5.4., 9.02.6.7. and 9.02.6.8. *infra*) progress of works was affected due to delay in preparation of tender documents, in releasing designs and lay out drawings and unsuitable advise by the consultants.

9.02.4.2. The anticipated dates of commissioning of the 3 units of the project, as per the original schedule and revised estimates, were as under :

Unit	As per original estimate(1973)	As per revised estimate (1984)	Overrun period (in months)	Remarks
I ..	September 1978	September 1985	84	Not synchronised
II ..	March 1979	December 1984	69	Not synchronised
III ..	September 1979	March 1984	54	Synchronisd on 24th July 1984.

An anaylsis of the records in audit revealed that progress of the project was affected mainly due to the following factors :

(i) continuous resistance from the local people in the matter of acquisition of land;

(ii) delay in preparation|handing over of sites to the contractors;

(iii) delay in obtaining supply of machines and equipment;

(iv) poor performance by all the contractors working at site;

(v) non-availability of funds;

(vi) floods in September 1978;

(vii) delay in earth filling and grading work; and

(viii) delay in preparation of tender documents and in releasing drawings by the consultants, opening of letters of credit by the Board, etc.

A few cases of delay noticed in the implementation of the Project have been discussed in the succeeding paragraphs.

9.02.5. *Civil Works*

9.02.5.1. In response to a tender for foundation works for the three turbo-generators the offer of a firm of Calcutta was lowest at Rs.31.72 lakhs. Consultants recommended the offer of the firm for acceptance as they had requisite experience for this type of work and formal order was issued to them in January 1979 by the Board. The work was scheduled to be completed within November 1980. The firm started the work after three months from the stipulated date of commencement of work (January 1979) and completed it in April 1982.

The value of work increased from Rs.31.72 lakhs to Rs.41.36 lakhs (33 *per cent* above the estimate). The Board stated (December 1980) that the variation from original estimate was only due to inadequate provision in the original estimate.

The reason for delay of 17 months in completion of work as compared to the scheduled date of completion was attributed by the Project Authority to (a) labour disputes, (b) delay in completion of pile cap works on which the sub-structure of turbo-generator sets was to be built, (c) paucity of funds, *etc.* Delay in completion of the work also deferred the execution of other works especially the erection of turbo-generator sets. No liquidated damages were imposed for failure to complete the work in time, though the contract envisaged levy of the damages.

9.02.5.2. Civil works for coal handling system were entrusted to a firm of Calcutta in February 1980 at a total cost of Rs.2,94.44 lakhs. The works were due to be completed in February 1982. The first drawing was released by the consultants in the month of May 1980 and the contractor started work in August 1980.

At the time of excavation for construction of conveyor tunnel, it was found (December 1982) that the original method ot open excavation or *sal-ballah* piling for tunnelling work would not be suitable and switching over to sheet piling work was necessitated. Due to the switch over (which could have been avoided had the type of piling work suitable to the soil been correctly decided initially) there was a delay of 36 months in completion of the work and consequent delay in commssioning the units. The Board observed in January 1984 that advice was given by the consultants in this regard and it might be burdened with additional expenditure. The contract value had increased from Rs.2,50.00 lakhs to Rs.4,00.00 lakhs. The Board decided (May 1984) to recover|adjust Rs.9.80 lakhs from the consultants being the avoidable expenditure suffered by the Board on account of unsuitable method of construction advised by the consultants. On the representation of the contractor the Project Authority extended the completion period up to December 1984. The work is yet to be completed (March 1985).

Delay in completion of civil work resulted in delay in completion of the work of coal handling system awarded to another firm and consequent manual handling of coal leading to extra expenditure (vide Paragraph 9.02.6.3.).

9.02.5.3. Civil and structural works for miscellaneous pump house and other outdoor facilities and ash handling system were entrusted (April 1980) to a firm of Calcutta at a total cost of Rs. 2,39.10 lakhs (lowest offer). The work was due to be completed by April 1982.

Due to change in the method of construction of work (sheet piling instead of *sal-ballah* piling) and inclusion of new items of work the cost of the work increased from Rs.2,39.10 lakhs to Rs.5,00.00 lakhs.

Up to July 1984, the contractor completed work valued Rs.4,32.91 lakhs (including normal escalation amount of Rs.44.55 lakhs and Provident Fund escalation of Rs.8.87 lakhs).

According to the Project Authority, the contractor could not complete the work within the stipulated date (April 1982) mainly due to the following reasons apart from increase in scope of work, *inter alia* :

(i) sites for all the works could not be made available to the contractor in time;

(ii) drawings of all the sites could not be cleared by the consultants in time; and

(iii) timely payment could not be made to the contractor.

The Project Authority extended the time of completion up to June 1984. Delay in completion of civil works delayed the work of ash handling system.

9.02.5.4. In response to a tender notice (July 1978) for civil works for intake works, pump house and raw water conveying system, the offer of NBCC at Rs.99.77 lakhs was accepted by the Board in April 1979. The work was decided (April 1979) to be awarded to NBCC. However, in May 1979 the Board ordered retendering without recording any reasons for the same. Although NBCC's offer was the second lowest (Rs.1,02.77 lakhs) (offer of the 1st lowest tenderer was not considered on technical ground) the Board decided (March 1980) to entrust the work to a firm of Bombay, the fifth lowest tenderer at a total cost of Rs.1,25.93 lakhs on the specific recommendation of the Project Authority that the work had become a critical item and had a direct bearing on the timely commissioning of the Project. A letter of intent was issued (April 1980) to the firm of Bombay followed by a detailed order in August 1980 for Rs.1,25.93 lakhs. The work was scheduled to be completed by April 1982.

Though the work was awarded to the contractor on the consideration of quicker and better execution the contractor started work only in February 1981 due to delay on the part of the Board in releasing initial advance of Rs.10 lakhs. The progress of work was found unsatisfactory by the Project Authority. Up to March 1984 the contractor completed work valuing Rs.1,59.77 lakhs only (including the escalation amount of Rs.7.28 lakhs). Claims for further escalation amount of Rs.14.76 lakhs was still under consideration (July 1984). The contractor applied for extension of time up to January 1984 which was granted by the Board. The contractor refused (April 1983) to execute the balance work (Rs.26.59 lakhs) at the quoted rates and claimed extra Rs.9.00 lakhs. The Board excluded the balance work from the scope of the work of the contractor and awarded (May and September 1983) the work to another contractor at the same rates.

Thus, resorting to retendering resulted in an extra cost of Rs.26,16 lakhs (Rs.1,25.93 lakhs *minus* Rs.99.77 lakhs) to the Board, apart from defeating the object of quicker completion of the work.

9.02.5.5. *Extra expenditure on shuttering*

As per specification for the work of power house building the contractor was to execute shuttering works with plywood to the extent of 200 sqm and that with ordinary wood to the extent of 50,000 sqm. But the contractor executed the shuttering works to the extent of 23,072.516 sqm with plywood without the approval of the Board resulting in an extra expenditure amounting to Rs.2.27 lakhs. No penal action was taken against the contractor for violating the specification and the amount was paid to the contractor in April 1984.

9.02.5.6. *Construction of residential buildings*

Four separate tenders were invited (July 1981) by the Project Authority for construction of 46 'A' type residential buildings divided into 4 groups *i.e.* group A(I), A(II), B(I) and B(II) at an estimated cost of Rs.2.29 lakhs per building for all the four sets of tenders. Orders were accordingly placed (November 1981) on the lowest tendered rates obtained for each group against each tender *viz.;* Rs.2.64 lakhs, Rs.2.71 lakhs, Rs.2.97 lakhs and Rs.2.86 lakhs respectively. 3 buildings each were to be constructed under group A(I), A(II) and 20 buildings each under group B(I) and B(II). Even though the specification and estimated cost of all the four groups of buildings were the same, the tenderers who quoted higher rates for groups A(II) and B(I) and B(II) of buildings (Rs.2.71 lakhs, Rs.2.86 lakhs and Rs.2.97 lakhs) were not asked to reduce their rate to that of the other tenderer who quoted Rs.2.64 lakhs only for group A(I) nor the work was retendered in spite of considerable difference in the rates. This resulted in an extra cost of Rs.11.12 lakhs which could have been largely avoided had an attempt been made to negotiate with the lowest tenderers for the other 3 groups of buildings. Further, the works due to be completed by March 1983 had not been completed so far (July 1984).

9.02.6. *Mechanical and Electrical Works*

9.02.6.1. The Board issued (August 1973) a letter of intent to BHEL for supply of 3 turbo-generator sets (TG) of 200 MW each enhanced to 210 MW each in September 1973 at a total cost of Rs.37,13.00 lakhs for which advances totalling Rs.2,70.00 lakhs were paid during September 1973 to April 1974. Delivery of the sets was to commence within 24 months and completed within 36 months from the date of release of advance.

First set was expected to be made ready for testing in August|September 1976 and delivery of the same was also expected to be completed by December 1976.

It was decided by the Board (June 1976) that since funds were not avilable, despatch of the first set might be deferred to early 1978. Again, the Board requested (May 1978) the manufacturer not to despatch any part of the TG set, whose individual weight was more than 20 tonnes, before July 1978 as the site was not ready for erection. Thereafter, in December 1978 the Board further revised the schedule of delivery of the 3 sets as June 1979, December 1979 and June 1980.

In December 1978, BHEL intimated that due to revision in the delivery schedule all the units had been included in the fourth batch of production. The total price of three sets also increased after negotiation in December 1978 to Rs.38,46.05 lakhs, involving an increase of Rs.1,33.05 lakhs.

Since the BHEL had already manufactured the TG sets of Unit I in June 1978, the equipment was stored at their works at Hardwar as the Board failed to made the site ready for storage and erection of TG sets. The manufacturers agreed to store the materials at their works subject to payment of storage charges which the Board assessed as Rs.2.50 crores (in total) in respect of Unit I. However, the Board apprehended in February 1979 similar situation in respect of Units II and III and it was settled that the Board would release payment to the extent of 98 *per cent* of the cost of the equipment for all the Units and BHEL would store the materials at their works free of storage charges till the Board gave clearance to despatch the equipment. A sum of Rs.37,69.13 lakhs (98 *per cent* of the cost of equipment for all the units) was paid during the period from September 1973 to December 1980 by the Board. It was also agreed to dispense with the inspection at the works of suppliers. Thus, due to Board's failure to make the site ready for storage and erection of TG sets the original intention of receiving the sets within a period of 36 months from the date of advance payment with a view to effect commissioning of the Units by September 1979 was not fulfilled.

The supplies were delayed even beyond the revised scheduled dates and supply of 4,605.438 tonnes of equipment out of total estimated quantity of 4,650.000 tonnes was completed by June 1984.

The work relating to erection of the TG sets supplied by BHEL was awarded (February 1980) to it at a total cost of Rs.3,20.00 lakhs subject to price escalation with a ceiling of 10 *per cent* of the contract value.

The schedule of erection stipulated in the order was as follows :

Unit	*Completion time*
I	30 months from 6th May 1981
II	24 months from 6th May 1981
III	18 months from 6th May 1981

BHEL started the erection work of Unit III in September 1981 and could complete 95 *per cent* of the work (value : Rs.99.46 lakhs). The work of Unit II was started in October 1983 and BHEL could complete only 11.25 *per cent* of the work up to April 1984. The work of Unit I had not yet been taken up (July 1984). It was observed that there was no penalty clause for delay in the contract.

The reasons for delay in completion of the work was attributed (April 1984) by the Board to the delay in completion of civil and structural works by the other contractors.

9.02.6.2. A letter of intent was issued (August 1973) to a firm of Durgapur for supply of three 200|220 MW steam generating units (boilers) but final purchase order was not placed so far (February 1985). The price of the each boiler was settled (December 1974) at Rs.5,66.00 lakhs *plus* Rs.4,45.37 lakhs for imported components of each unit of the three units which were to be delivered by February 1976, August 1976 and February 1977 respectively.

Up to April 1984 the supplier completed supply to the extent of 20,850 tonnes of materials (against the estimated quantity of 22,400 tonnes).

The works relating to erection of boilers was also awarded (April 1975) to the same firm at a cost of Rs.2,65 lakhs for each boiler subject to price escalation as agreed to mutually.

Although the letter of intent was issued in April 1975, the site could not be handed over to the firm for erection of boilers before January 1978 as the foundations were not ready. The work was actually started in June 1978 and due to be completed within a period of 30 months. But due to flood in September 1978 the contractor revised the erection schedule covering the period from September 1979 to September 1981. As per the report (April 1984) of the consultants of the Board the progress of work was very poor. The progress up to March 1984 in respect of Unit III was 84.40 *per cent* of the work resulting in delay of commissioning of the same. In respect of Units I and II the performance was 10.87 and 43.50 *per cent* respectively.

The contractor attributed (August 1976) the poor progress to (i) frequent power interruption, (ii) inaccessibility to store yard (iii) poor infrastructural facilities mainly with regard to civil works at the site of errection, *etc.* According to the Project Authority, however, the slow progress of works was due to insufficient personnel engaged by the contractor and shortage of equipment. The Board, however, did not consider imposition of any liquidated damages for delay in execution of the work (July 1984).

9.02.6.3. A letter of intent for installing the coal handling system was issued (November 1979) to Mining and Allied Machinery Corporation Limited (MAMC), Durgapur, (a Government of India Undertaking) whose offers were lowest and found technically acceptable. The total cost of the system was Rs.7,22.85 lakhs (excluding the cost of spare parts and special tools) and the same was scheduled to be completed by December 1981.

The letter of intent included arch breaker units valued at Rs.5.71 lakhs which were not recommended by the consultants in view of the fact that the units do not function properly and create obstruction in the free flow path of coal.

In the letter of intent provision for primary crushing equipment for handling oversize coal was also made but the consultants did not recommend the same. The Board subsequently decided to delete the primary crushing arrangement and intimated the fact to the supplier in November 1980. A detailed order excluding the primary crushing arrangement was issued in December 1980 at a total cost of Rs.7,22.85 lakhs. On deletion of the primary crushing equipment the supplier not only asked (March 1980) for price increase and compensation (Rs.3.30 lakhs) but also revised the completion time from December 1981 to October 1982. The Board while agreeing to consider the claim sympathetically requested (November 1980) the firm to take necessary action to commission the coal handling plant by June 1982.

Consequent upon the deletion of the primary crushing arrangement from the original schedule of works and inclusion of crusher in its place after a lapse of one year from the date of letter of intent there were changes in design and specification entailing fresh procurement action for 'bought out' items. As a result the Board had to revise (July 1984) the rates of materials and erection work from Rs.7,22.85 lakhs to Rs.8,75.67 lakhs and also accept the escalation clause for materials supplied beyond February 1982. The estimated amount of escalation was Rs.32.71 lakhs. Thus, delayed decision for deletion of primary crusher not only hampered the construction programme but also inflated the cost of the project by Rs.1,52.82 lakhs excluding escalation charges of Rs.32.71 lakhs accepted by the Board.

As per the consultants the progress of work was very slow. Up to August 1984, MAMC could complete supply of materials valued Rs.5,29.52 lakhs and executed erection work valued Rs.27.91 lakhs against the supply of materials and erection work of Rs.8,75.67 lakhs. The time for completion of supply and erection work was extended up to June 1984. But MAMC failed to complete the job even within the extended period.

A quantity of 207.510 tonnes different sections of steel materials (value : Rs.7.56 lakhs) was issued during April 1981 to July 1982 to the contractor and 19.500 tonnes of cement (value : Rs.0.68 lakh) was also issued (during February 1981 to August 1981) to them though not provided for in the contract. The Board had not realised the amount so far (August 1984). Meanwhile the Board incurred a loss of Rs.3.09 lakhs (at the rate of 18 *per cent* per annum) by way of interest on the fund blocked up.

Delay in completion of coal handling system compelled the Board to arrange manual unloading of coal|middlings from Railway wagons and transportation of the same to coal stockyard resulting in a extra expenditure of Rs.18.24 lakhs up to April 1985, which could have been avoided had the coal handling system been completed in time.

The Project has been receiving coal|middlings since July 1984. All the wagons so far received by the project could not be weighed as the weigh-bridge was still under construction (April 1985). As a result, the Board is making payment to Coal India Limited (CIL) freight to Railways and manual handling charges to the contractor on the basis of capacity of each wagon (55 tonnes+2 tonnes). In the absence of the information about the actual quantity of coal/middlings received by the Power Station up to September 1984 the extra expenditure incurred on this account could not be ascertained in audit.

9.02.6.4. In December 1978, the consultants submitted draft specifications for ash handling system based on 'gravity disposal' for approval of the Board. The Planning and Engineering Wing of the Board, however, objected to the said specification on the ground that the system would not be safe and economically viable. Tenders were, however, invited (September 1979) on the basis of the specification given by the consultants. Two parties quoted for the work of which firm 'A' quoted for 'gravity disposal' system and firm 'B' for 'slurry disposal' system. In order to solve the problem of evaluation and also to get competitive rates, firm 'B' was asked (March 1980) to quote afresh in conformity with the exact tender specification. The firm quoted accordingly but with a rider that the system would not be economically viable. In April 1980, the Board asked the consultants and firm 'A' to make an appraisal of the performance of 'gravity disposal' system. Firm 'A' replied (May 1980) that they had not executed such a system for a distance of 3 kms as was necessary for the Project and the consultants could not also give a firm opinion about the efficacy of the system as such a system was not in operation anywhere in India. The Board decided (July 1980) in favour of slurry disposal system on the basis of which both the firms quoted afresh in August 1980. The offer of firm 'B' was lower by Rs.36.00 lakhs (Rs.3,62.00 lakhs *minus* Rs.3,26.00 lakhs). Firm 'A' offered (November 1980) a discount of 15 *per cent* on Rs.3,62.00 lakhs (value of equipment and erection charges *etc.*) and on Rs.22.12 lakhs (value of associated spare parts) and also simultaneously withdrew escalation clause stipulated in its original offer. On re-evaluation the offer of firm 'A' became lower than that of firm 'B' by Rs.7 lakhs. On this basis a letter of intent (January 1981) followed by a detailed order (July 1981) was placed on firm 'A' at the agreed discounted values of Rs.3,08.10 lakhs (for equipment and erection charges *etc.*) and Rs.18.80 lakhs (for spare parts) although the validity of the firm's offer expired by November 1980. So on the ground that the above order along with the release of stipulated 10 *per cent* advance was not issued within the validity period of the firm's offer, the firm re-imposed the escalation clause and withdrew the discount of Rs.3.32 lakhs previously allowed on the value of spare parts. The Board had to settle the matter by allowing (November 1981) escalation at the rate of 2 *per cent* on Rs.3,08.10 lakhs (Rs.6.16 lakhs) and accepting the withdrawal of discount of Rs.3.32 lakhs (February 1982).

Thus due to delay in placement of order including the release of initial advance the Board failed to avail of the discount of Rs.3.32 lakhs and had to bear an extra liability amounting to Rs.6.16 lakhs for escalation of which Rs.5.55 lakhs was already paid (January 1982).

The entire system was due to be completed within June 1982 in respect of Unit I, within December 1982 for Unit II, and within June 1983 for Unit III. But the contractor supplied materials valued Rs.2,13.00 lakhs up to July 1984 out of total materials of Rs.2,91.10 lakhs (excluding spares) and completed only 22.5 *per cent* of the erection work (valued at Rs.3.25 lakhs) as against total erection work of Rs.17.00 lakhs. Delay in completion of the work was attributed (August 1983) by the Board to (i) delay in payment of advance and normal bills, (ii) delay in receipt of comments of the consultants in regard to control panels and delay in releasing of drawings by them. It was observed in audit that there was delay of six months only in making payment of advance but the work was delayed by 2½ years. The Board did not impose any penalty for delay in completion of the work.

On the request (June 1983) of the firm the Board extended (September 1983) the time for delivery, erection and commissioning of system up to March 1984 in respect of Unit III and up to December 1984 in respect of Units I and II.

9.02.6.5. The work regarding supply, erection, testing and commissioning of three cooling towers was placed (April 1980) on a firm of Calcutta at a total cost of Rs.3,80.52 lakhs. The scheduled dates of completion of the work, as per work order, were August 1981, February 1982 and August 1982, respectively.

The sites were ready by August 1979 however, the contractor delayed taking possession of the same till August 1980. Although the Project Authority held the contractor responsible for delay in completion of the cooling towers it did not consider levy of any liquidated damages (Rs.8.59 lakhs to which the contractor was liable) while extending (June 1982) the completion time up to September 1982, February 1983 and August 1983 for the three towers respectively.

However, the contractor did not adhere to this revised schedule also and up to 31st March 1984 less than 50 *per cent* of supply and erection work (valued at Rs.1,82.61 lakhs) was done. Delay in completion of the cooling towers also contributed to the delay in commissioning of the Project.

As per stipulated specification the contractor was to be supplied mild steel (1,310 tonnes) at the rate of Rs.2,811.01 per tonne. As against this, the Project Authority issued 1,275 tonnes of "tor" steel (better quality steel) valued at Rs.3,121 per tonne which resulted in additional expenditure of Rs.3.82 lakhs. The work order was regularised through an amendment issued in April 1982.

9.02.6.6. An order was placed (January 1979) on a firm of Calcutta for supply of electrostatic precipitator (ESP) at a total cost of Rs.3,64.00 lakhs against a letter of intent issued in January 1978. The supply was due to be completed in June 1980 but was completed in July 1981 only. Up to April 1984, Rs.3,26.00 lakhs was paid to the firm including escalation amount of Rs.3.00 lakhs.

Order for erection and commissioning of the ESP was also placed on the same firm in January 1979 at a total cost of Rs.30.00 lakhs. The work was to be started in March 1980 and completed within 10 months (by January 1981). It was, however, observed that there was delay in completion of foundation work and the erection work was actually started in January 1981. Up to April 1984 the firm could complete 85 *per cent* (valuing Rs.7.30 lakhs) of work. The erection work of Units I and II has not yet been taken up (July 1984). A quantity of 232.85 tonnes steel of different categories (valued at Rs.8.50 lakhs at the rate of Rs.3,650.00 per tonne) was issued (December 1980) to the firm though not provided for in the contract. The amount had not yet been recovered from the contractor (August 1984). Thus, due to blocking up of capital to the tune of Rs.8.50 lakhs the Board has already incurred interest burden of Rs.5.61 lakhs (at the rate of 18 *per cent* per annum on Rs.8.50 lakhs for the period from January 1980 to August 1984).

9.02.6.7. The work of fabrication and erection of structural steel was awarded to a firm of Calcutta at their lowest offer of Rs.5,55.82 lakhs in April 1977. The work was of an emergent nature and tied up with other works and was due to be completed by March 1982 (three units by December 1980, July 1981 and March 1982). The firm commenced work only from April|May 1978 due to delay in finalisation of design|drawings by the consultants.

According to the original schedule of work 10,460 tonnes of steel materials (subsequently revised to 20,000 tonnes) for fabrication were to be supplied by the Board to the firm. Approval of the competent authority for the revised quantity had not yet been obtained (September 1984).

As per consultants of the Board (April 1984) the performance of the firm was very unsatisfactory. Although the Board issued steel to the firm from November 1977 the firm started work in May 1978 only and during the 6 years up to April 1984 only 75 *per cent* of the total erection work was completed.

According to the Board, it was the mismanagement on the part of the contractor which resulted in slow progress of work. However, extension of time was granted from time to time up to December 1983 with the benefit of escalation. The work was not completed so far (July 1984).

Up to March 1984, the Board had paid Rs.10,06.03 lakhs to the contractor (including escalation amount of Rs.2,54.11 lakhs). Payment for the excess quantity of work had been made to the contractor without the approval of the competent authority.

It was seen from the records that the required quantity of steel was issued belatedly to the firm from various sources and consolidated account of steel issued to the firm was not maintained and reconciliation thereof with the receipt of fabricated structurals from it had not been effected (July 1984). The quantum of off-cuts fixed by the Tender Committee of the Board was 5 *per cent* of the total tonnage of finished products and 3 *per cent* of unaccountable wastage. The Tender Committee asked (September 1983) the Project Authority to take action for disposal of off-cuts (550 tonnes as on November 1983 lying in the workshop of the contractor) but no action for disposal has been taken so far (July 1984).

As per the work order for the transportation of fabricated structurals from the workshop of the firm to project site the contractor was entitled to get Rs.40 per tonne for transportation by rail and Rs.100.00 per tonne by roads. It was also stipulated in the order that 50 *per cent* of the fabricated materials should be transported by rail. It was, however, observed that out of 13,584.36 tonnes of materials fabricated up to March 1984 the firm had transported 10,158.002 tonnes by road during the period from October 1980 to March 1984 resulting in additional expenditure of Rs.4.08 lakhs at the rate of Rs.60.00 per tonne (Rs.100.00 *minus* Rs.40.00) on 6,792.18 tonnes (50 *per cent* of 13,584.36 tonnes) to the Board due to transportation of fabricated materials by road instead of rail.

The rate of excise duty had been enhanced from 8 to 10 *per cent* from 1st March 1983 and consequently the firm claimed Rs.13.81 lakhs towards excise duty at 10 *per cent* on fabrication work done during March 1983 to December 1983. Had the work been completed before March 1983 as stipulated in the work order, the Board could have saved a sum of Rs.2.76 lakhs, being the difference of 2 *per cent* excise duty on Rs.1,38.10 lakhs.

9.02.6.8. With a view to commissioning the Project by December 1980, the Board asked (April 1977) the consultants to prepare specification and tender documentation in connection with power cycle piping, valves and specialities, *etc*. Due to delay in furnishing tender specification by the consultants and the processing of the case by the Board tenders could not be invited before July 1978. A letter of intent was issued (November 1978) to a firm of Calcutta for the procurement of piping at a cost of Rs.4.37 crores (Rs.3.95 crores for imported items). According to the delivery schedule, the supply of piping for the first unit was to be completed in 12 to 13 months commencing after four months from the receipt of final drawings and the remaining supply at an interval of 6 months each. Further, the firm was to procure on behalf of the Board, expansion joints (value : £3,498.25) from a supplier of United Kingdom and valves (value : U.S. Dollar 15,55,146) from a firm of United States of America against letters of credit to be opened by the Board. Delivery schedule for valves was January 1980 (Unit I) and March 1980 (Units II and III). As regards expansion joints, the delivery was to be completed within 12 to 14 working weeks from receipt of full and final instructions from the Board.

The consultants did not release the final drawings for piping even in January 1981 as against September 1979 committed by the Board to the firm. The firm started delivery of indigenous pipes in October 1980. The supply of expansion joints and valves was not commenced up to June 1981 owing to non-opening of letter of credit, although the foreign suppliers were in readiness to effect delivery. Ultimately the letter of credit was opened for Rs.1.54 crores in June 1983.

Up to July 1984, the supplier delivered 90 *per cent* of the total ordered materials. Delay in supply resulted in additional expenditure of Rs.1.54 lakhs to the Board due to imposition of auxiliary duty (customs) with effect from March 1981.

Order for erection of power cycle piping, valves, specialities and chemical feed equipment and accessories was placed (December 1981) on a firm of New Delhi at a total cost of Rs.99.51 lakhs. The scheduled dates of completion were 30th September 1982, 5th August 1983 and 5th June 1984, respectively for Units I, II and III.

The contractor was paid Rs.9.95 lakhs as advance in October 1981. But the contractor could not start erection work before January 1983 due to delay in supply of power cycle piping *etc.*, and non-availability of access to working fronts. Up to July 1984, the contractor completed work valued Rs.33.27 lakhs.

Due to delay in supply of power cycle piping, valves, specialities, *etc.*, and in releasing working fronts the Board had to incur an expenditure of Rs.5.07 lakhs as escalation apart from the advance of Rs.9.95 lakhs locked up with the contractors for 17 months thereby getting an unintended benefit.

9.02.7. *Other points of interest*

9.02.7.1. *Insurance claims*: The Board took two storage-cum-erection insurance policies for all the three units, one for boiler and boiler materials (value : Rs.40 crores) and the other for TG sets and auxiliaries, *etc.*, (value : Rs.111.52 crores). The period of insurance coverage in case of the former was from May 1978 to November 1982 and in case of the latter it was from 1979 to 1983 and the Board paid premia amounting to Rs.23 lakhs and Rs.53 lakhs, respectively. But due to delay in commissioning of all the units the former policy was extended up to June 1984 and the latter up to June 1985 by paying further premia of Rs.11.45 lakhs and Rs.29.68 lakhs respectively. Thus, due to delay in commissioning of the Project the Board had to pay extra premia totalling Rs.41.13 lakhs.

The table below indicates the claims lodged by the Board for damaged|missing boilers and TG materials, claims settled by the insurance companies and the claims awaiting settlement up to July 1984 :

Details of claims

	Lodged		Settled		Outsanding	
	Number	Amount (Rupees in lakhs)	Number	Amount (Rupees in lakhs)	Number	Amount (Rupees in lakhs)
Boiler sets	46	1,73·41	1	9·20	45	1,64·21
TG sets	44	14·59	4	1·20	40	13·39

In case of boiler materials, although the Board took the erection-cum-storage insurance, transportation, storage and handling was the responsibility of the supplier. As such, packages containing boiler materials supplied during May 1975 to date were neither inspected nor verified with the packing list and not received by the Project Authority. From 1978-79 to July 1984 the supplier furnished damaged|missing certificates in respect of boiler materials (valued at Rs.1,73.41 lakhs) and asked the Board to lodge claims on the insurance company. Accordingly the Board lodged the claims on the insurance company and placed orders (January 1980 to July 1984) on the supplier to replace|repair of damaged|missing items of the boiler materials worth Rs.1.52.39 lakhs to keep the works going. A Committee had been constituted (April 1984) to assess the extent of missing and damage of boiler materials, The report of the Committee was awaited (July 1984).

9.02.7.2. *Claims not preferred* : (a) As per order (10th August 1982) of the Board, BHEL sent (25th January 1983) spare parts in five wooden cases from Tiruchirapalli by rail. At the time of taking open|assessment delivery of the consignment four cases were found damaged. The value of the spare parts damaged was Rs.7.39 lakhs. The Board failed to lodge the claim within the stipulated period of six months with the Railways from the date of RR. The claim was actually lodged on 26th November 1984 *i.e.* after 22 months.

Although the Board was maintaining a running transit insurance no information was given to the insurer about the transport of the materials for transit insurance cover.

Reasons for delay in preferring the claims on the Railways and reasons for not taking the transit insurance coverage for the conignment were not on record.

(b) Suppliers of cement are liable to pay interest at the rate of 14 *per cent* per annum on the amount of advance received from the indentors in case of failure to effect supplies within 15 days of the receipt of the advance. It was, however, observed (July 1984) in audit that the Board did not work out and lodge claims amounting to Rs.4.55 lakhs (in seven cases) against suppliers of cement to whom advance of Rs.16.49 lakhs had been paid by the Board during March 1980 to September 1983 and against which cement was not supplied so far (July 1984).

9.02.7.3. *Refund of penalty* : (a) An order for supply of 662 kms of 1.1. KV grade, PVC make low tension power and control cable was placed with a firm of Calcutta for Rs.1,54.11 lakhs with stipulated delivery period between January and June 1982. The delivery period was extended with imposition of penalty. The firm delivered 531 kms of cables by due date and supplied the balance by 3rd November 1982, penalty of Rs.0.87 lakh leviable under the contract for delay in delivery was deducted from the bills of the suppliers during July to November 1982.

On a request (July 1983) of the firm extension in the delivery period was allowed in July 1983 *ex-post-facto* and the amount of penalty was refunded in March 1984.

(b) An order for purchase of Fuel Oil pressurising and Pre-Heating Units was placed (June 1981) with a firm of Calcutta. The stipulated period of delivery and commissioning was 85 weeks from the date of letter of intent. The delivery period could, however, be extended on imposition of penalty. The firm could not supply the material within the stipulated date. Penalty of Rs.1.36 lakhs leviable under the contract for delay in delivery was deducted from the bills of the supplier. On request (May 1984) of the supplier, the execution time was extended up to August 1984 and the penalty imposed was refunded in July 1984.

9.02.8. *Summing up*

(i) In order to meet the shortfall in generation of power in West Bengal the Planning Commission apporved (June 1973) the installation of thermal power station consisting of three units of 210 MW each at Kolaghat at a total estimated cost of Rs.115.59 crores (revised to Rs.350.00 crores in November 1984). The units were due to be commissioned one each in September 1978, March 1979 and September 1979. But only one unit (III) was synchronised on 24th July 1984.

(ii) As the Project Report was prepared by the consultants without detailed soil investigations, the orders for different civil construction works placed by the Board resulted in change of method of construction, delay in completion of civil works and increase in the cost from Rs.12.65 crores to Rs.77.12 crores.

Letter of intents for manufacture and supply of TG sets and boilers units were placed in August 1973 matching with the construction programme of civil works envisaged in the Project Report. The Board, however, failed to make the sites ready for storage and erection of the sets and boiler units due to the delay in completion of civil construction works. This led to ultimate delay in commissioning of the Power Station (partly) by 5 years.

(iii) In many cases the methods of construction were changed by the consultants during execution of works and there was delays in releasing of drawings and lay out designs. But in the consultancy agreement there was no clause to hold the consultants liable. Only in a single case, however, the consultants were asked (May 1984) to compensate the expenditure amounting to Rs.9.80 lakhs which had not been recovered so far (April 1985).

(iv) Work order for construction of intake works, pump house and raw water conveying system was decided to be placed with the lowest offerer (a Government of India Undertaking—NBCC) at Rs.99.77 lakhs but without assigning any reasons the same was not put to retender in April 1980 and the order was placed with a Bombay firm (5th lowest) at Rs.1,25.93 lakhs ignoring again the lowest offer (Rs.1,02.77 lakhs) of NBCC. This has resulted in additional expenditure of Rs.26.16 lakhs.

(v) The work order for fabrication and erection of structural steel was awarded to the lowest offerer (Rs.5,55.82 lakhs) in April 1977, till April 1984 only 75 *per cent* of the works was completed.

Due to this delay the Board had to incur additional expenditure of Rs.2.76 lakhs on account of enhanced rate of excise duty. Moreover, an amount of Rs.4.08 lakhs was spent extra for transportation of fabricated steel by road instead of by rail. The delay also affected the progress of other tied up works, specially the construction of power house building and erection of TG sets. The Board, however, allowed extension of construction period up to December 1983 with the benefit of escalation in rates.

(vi) The work of coal handling system was awarded (November 1979) to a Government of India Undertaking (MAMC), to be completed by December 1981. Up to September 1984 the firm did not complete the work. Delay in completion of coal handling system compelled the Board to arrange manual unloading and transportation of coal to the coal stock yard resulting in extra expenditure of Rs.18.24 lakhs.

(vii) Ignoring the contrary views of its own engineers the Board accepted the 'gravity disposal system of ash' prepared by its consultants (December 1978) and invited tenders accordingly (September 1979). Subsequently as that system was not considered suitable, the Board decided (July 1980) *i.e.* after 18 months to install the "slurry disposal" system. The detailed order was issued in July 1981 *i.e.* 8 months after the expiry of the validity period of the offer and the Board had to lose the benefit of discount of Rs.3.32 lakhs and to bear the burden of extra liability of Rs.6.16 lakhs by way of escalation in prices. The work was not completed so far (April 1985).

(viii) Due to delay by the consultants in releasing final drawings the supply of power cycle piping, valves *etc.*, was delayed by 17 months resulting in an extra expenditure of Rs.1.54 lakhs (increase in customs duty). The delay in supply also delayed the erection work which was awarded to another contractor to whom the Board paid (October 1981) an advance of Rs.9.95 lakhs. The contractor therefore, got undue benefit of retaining the amount for 17 months. The Board had also to pay an amount of Rs.5.07 lakhs to the contractor as escalation in prices for the said delay.

9.03. **Other Topics of Interest**

9.03.1. *Infructuous expenditure*

Against an order for manufacture, supply, delivery and erection of eight flow meters with accessories (value : Rs.3.06 lakhs) placed (July 1982) on a firm of Bombay for the Board's Kasba Gas Turbine Power Station, two meters (value : Rs.0.80 lakh) were received in December 1982 on trial basis. The meters were required for recording the receipt of high speed diesel (HSD) oil from tankers of the oil supplier. The point of installation of these meters (inflow point or outflow point) was, however, not mentioned in the purchase order. In March 1983 when the supplier's representative visited the site for installation found that these meters were meant for the discharge line only and not far installation at the point of unloading of HSD from tankers as required. The Management asked (June 1983) the firm to take back the meters and refund the cost on the ground that the point of installation for which the meters were meant had not been intimated by the firm. No reply was, however, received from the firm and the meters had not been put to any use so far (June 1985).

The expenditure of Rs.0.80 lakh thus became infructuous because of the failure of the Board to indicate the point of installation of the meters in the purchase order.

9.03.2. *Hiring of accommodation for staff training college*

(A) With a view to setting up a Staff training college, the Board rented a premises in Sector 1 of Salt Lake City, Calcutta, from 16th November 1979 at a rent of Rs.5,000 per month. Based on a petition (December 1979) of a resident of the locality, the Munsif, Sealdah Court, passed (June 1980) an order of injunction restraining the Board from starting the training college on the ground that under the Government Scheme, Sector 1 was earmarked for residential purposes only. On an application (July 1980) of another resident of the same locality, the Calcutta High Court issued (July 1980) a rule and passed an *ad interim* stay order on further proceedings in the relevant title suit pending before the Sealdah Court and granted an injunction restraining the Board from starting the training college in the said premises. The Board decided (August 1980) to vacate the house and ultimately did so in October 1980. The rent paid during the period amounted to Rs.0.58 lakh.

Thus, as a result of not ascertaining beforehand the suitability of the premises for the purpose of running a training college the Board had incurred a nugatory expenditure of Rs.0.58 lakh.

The matter was reported to Government in September 1984; the replies were awaited (June 1985).

(B) The Board obtained an offer through an estate agent of Calcutta for another accommodation of 4,200 sft for the training college at a monthly rent of Rs.3.50 per sft. The offer stipulated, *inter alia,* payment of interest-free advance to the landlord amounting to one year's rent to be adjusted in instalments against the rent at the rate of fifty *per cent* of the monthly rent. The Management agreed (March 1981) to pay the advance subject to an interest at the rate of twelve *per cent* per annum. The landlord agreed (March

1981) to pay the interest subject to the increase of the monthly rent to Rs.4 per sft. The Board approved (April 1981) enhanced rate and entered (May 1981) into an agreement with the landlord for a period of nine years and eleven months from 1st May 1981 and paid (June 1981) an advance of Rs.2.02 lakhs. The Board received interest of Rs.0.13 lakh on the advance which was adjusted against rent paid between May 1981 and December 1982.

It would appear from the above that against Rs.0.13 lakh received from the landlord by way of interest stipulated by the Board on the advance paid, it has already incurred an extra expenditure of Rs.0.82 lakh towards rent up to July 1984 and further liability of Rs.1.68 lakhs towards the same during the currency of the agreement.

The matter was referred to Government in September 1984; the replies were awaited (June 1985).

9.03.3. *Payment of demurrage*

The Board placed (August 1981) an order on a firm of New Delhi for supply of 240 kms of ACSR 'Zebra' conductor at Rs.0.25 lakh per km. On 29th September 1981 the Board advised the firm to deliver 200 kms of the quantity ordered to Durgapur Construction Division I. Accordingly, 158.034 kms of conductor were despatched by the firm between 1st October 1981 and 1st November 1981 which reached Durgapur Railway Station between 8th October 1981 and 15th November 1981. The dates of despatches of the materials were intimated by the supplier telegraphically both to the Board and to the consignee. Although the railway receipts had been sent by the supplier to the Board, the conductors could have got released by the consignee from the Railways within the free time of 24 hours on indemnity bond pending receipt of the railway receipts from the Board. These were, however, got released belatedly on indemnity bond between 6th November 1981 and 17th November 1981 on payment of demurrage of Rs.0.61 lakh.

The matter was reported to Government in March 1985; the replies were awaited (June 1985).

SECTION X

OTHER TOPICS OF INTEREST

West Bengal Financial Corporation

10.01. **Hiring of office accommodation**

In response to a tender for hiring of office space, the lowest offer for lease for 20 years received (October 1978) by the Corporation from a landlord of Calcutta for a premises of 13,200 sft was 70 paise, 10 paise and 21 paise per sft per month towards rent, service charges and municipal taxes respectively. One of the terms of the offer was that the landlord should be granted an interest-free advance of Rs.25 lakhs to be repaid on expiry of the tenancy agreement. Agreement was executed (May 1979) with the landlord for lease of the premises from 1st April 1979 to 14th October 1986 on the following terms :

(i) monthly rent payable at the rate of 70 paise per sft for the first two years, Rs.1.50 per sft for the next two years, Rs.2 per sft for the following two years and Rs. 3 per sft thereafter;

(ii) monthly service charges payable at the rate of 10 paise per sft for the first two years and thereafter at the rate of 10 *per cent* of rent;

(iii) municipal tax payable at the rate of 33⅓ *per cent* of monthly rent; and

(iv) an advance of Rs.23 lakhs was to be paid between December 1978 and December 1979 finally scheduled (January 1982) to be repaid at the rate of Rs.5 lakhs each on the 1st April of 1982, 1983 and 1984 and at the rate of Rs.4 lakhs each on the 1st April of 1985 and 1986.

Consequent on the revision of the repayment schedule of the advance paid to the landlord, (at the request of the Corporation for gradual repayment of the advance) the Corporation incurred additional liability of Rs.17.59 lakhs towards rent, service charges and municipal tax during the currency of the agreement which was off-set to the extent of Rs.8.62 lakhs by way of reduction in loss of interest as a result of phasing of the schedule of repayment of the advance. It was also observed that although the landlord repaid the first two instalments of the advance on 23rd September 1982 and 21st July

1983 as against the scheduled dates of 1st April 1982 and 1st April 1983, interest of Rs.0.55 lakh chargeable in terms of the agreement was not claimed by the Corporation. Further, there was delay of more than 20 months in shifting the Corporation's office to the rented premises resulting in an unfruitful expenditure of Rs.1.96 lakhs towards rent and other charges. Also, the liability of Rs.6.87 lakhs towards municipal tax was undertaken without reference to the actual amount of tax payable on this account.

The matter was referred to Government in March 1985; the replies were awaited (June 1985).

10.02. Calcutta State Transport Corporation

10.02.1. *Undue aid to suppliers*

The Corporation sanctioned nine advances amounting to Rs.2.07 lakhs to a private party for supply of timber between 18th May and 6th December 1978 against which timber worth Rs.1.07 lakhs was supplied between May 1978 to April 1979. The balance amount of Rs.1 lakh had not been refunded so far (August 1984). It was observed that payment of 100 *per cent* advance to the supplier was not in accordance with the terms of purchase order which stipulated payment against delivery only.

No action had been taken for obtaining the supply of the balance quantity of timber or effecting recovery of the outstanding advance from the suppliers till date (August 1984).

The matter was brought to the notice of Government in January 1985; the reply was awaited (June 1985).

10.02.2. *Avoidable expenditure*

Administrative approval for purchase of a 9 KVA generator for use at the long distance bus terminus of the Corporation in Calcutta was accorded in January 1982; the proposal was approved by the Tender Acceptance Board of the Corporation in March 1982 with the advice to procure the machine expenditiously (even by deviating from normal purchase procedures) in order to avoid recurring expenditure of Rs.5,000 (approximately) per month towards hire charges of a generator from a private party. The purchase order for the 9 KVA generator at a cost of Rs.0.39 lakh *plus* taxes was placed on 30th March 1982 with the lowest bidder on the basis of limited quotations. The generator, which was to have been supplied by April 1982, was actually delivered on 11th August 1982 and installed on 16th August 1982. As the order did not contain any penal provision, no penalty could be imposed for the delay in delivery.

The Corporation, therefore, continued to have a hired generator (at the rate of Rs.170 per day) from a private firm of Calcutta for the period from 25th May to 6th June 1981 and from 24th August 1981 to 15th August 1982. The hiring charges of Rs.0.23 lakh paid for the period from April to 15th August 1982 was therefore avoidable.

The matter was brought to the notice of Government in March 1985; the replies were awaited (March 1985).

U S Acharya

CALCUTTA, (U. S. ACHARYA)
The 19 APR 1986 *Accountant General (Audit) I, West Bengal.*

Countersigned

T. N. Chaturvedi

NEW DELHI, (T. N. CHATURVEDI)
The 28 APR 1986 *Comptroller and Auditor General of India.*

ANNEXURE 'A'

(*Reference* : Paragraph 3 of piefaoe)

List of Companies in which Government invested more than Rs. 10.00 lakhs but which are not subject to audit by the Comptroller and Auditor General of India.

Sl. No.	Name of Company	Total amount invested up to 1983-84
		(Rupees in lakhs)
1.	Engel India Machine and Tools Limited	1,52.75
2.	Gluconate Limited	1,38.56
3.	Eastern Distilleries (Private) Limited	19.50
4.	Sen Raleigh Limited	70.00
5.	Krishna Silicate and Glass Works Limited	6,21.59
6.	Inchek Tyres Limited	35·00
7.	Mackintosh Burn Limited	1,31.75
8.	Great Eastern Hotel Limited	70.25
9.	Duncan Brothers and Company Limited	34.58
10.	Britannia Engineering Company Limited	4,49.55
11.	Kinnison Jute Mills Company Limited	2,81·48
12.	Alok Udyog Vanaspati and Plywood Limited	48.00
13.	Dr. Paul Lohmann (I) Limited	1,26.68
14.	Aluminium Corporation of India Limited	20.00
15.	Shalimar Works Limited	1,95.50
16.	Apollo Zipper Company (Private) Limited	98·05
17.	Kolay Iron and Steel Company Limited	15.00
18.	Indian Health Institute and Laboratory Limited	1,28·04
19.	Bharat Jute Mills Limited	50·00
20.	National Iron and Steel Company Limited	1,13.50
21.	National Pipes and Tubes Limited	30.00
22.	Lily Biscuit Company and Lily Barley Limited	34.54
23.	India Belting and Cotton Mills Limited	12.64
24.	The Calcutta Electric Supply Corporation (India) Limited.	42,60.00
	Total	71,36.96

ANNEX

(*Reference* : Paragraph 1·02

Summarised financial results

Sl. No.	Name of Company	Name of Department	Date of incorporation	Period of accounts	Total capital invested	Profit(+)/ Loss(−)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
					(Figures in columns 6 to 12	
1.	The Durgapur Projects Limited	Public Undertakings	6th September 1961	1983-84	1,30,44·82	(−) 1,57·91
2.	West Bengal Industrial Development Corporation Limited	Commerce and Industries	6th January 1967	1983-84	53,41·48	(+) 79·87
3.	West Bengal Mineral Development and Trading Corporation Limited	Ditto	23rd February 1973	1983-84	2,21·38	(−) 49·58
4.	West Bengal Electronics Industry Development Corporation Limited	Ditto	4th February 1974	1983-84	7,71·16	(−) 30·64
5.	Webel Telecommunication Industries Limited	Subsidiary of Sl. No. 4	2nd April 1979	1983-84	1,62·00	(+)1,27·19
6.	Webel Precision Industries Limited	Ditto	23rd March 1981	1983-84	34·69	..
7.	West Bengal Essential Commodities Supply Corporation Limited	Food and Supply	15th October 1974	1983-84	4,90·15	(+)2,67·22
8.	West Bengal Pharmaceutical and Phytochemical Development Corporation Limited	Commerce and Industries	28th March 1974	1983-84	1,06·23	(−) 6·83
9.	West Bengal Tourism Development Corporation Limited	Tourism	29th April 1974	1983-84	1,92·29	(+) 15·27
10.	West Bengal Forest Development Corporation Limited	Forest	19th July 1974	1983-84	5,10·54	(+) 6·41
11.	West Dinajpur Spinning Mills Limited	Public Undertakings	22nd August 1974	1983-84	4,66·01	(−) 20·49
12.	West Bengal Tea Development Corporation Limited	Commerce and Industries	4th August 1976	1983-84	3,70·08	(−) 33·04
13.	West Bengal Film Development Corporation Limited	Information and Cultural Affairs	5th July 1980	1983-84	1,41·57	(−) 5·04
14.	The Kalyani Spinning Mills Limited	Public Undertakings	13th January 1960	1982-83	17,35·83	(−)3,00·00

U R E—'B'

of Section I, Page 1)

of Government Companies

Total interest charged to Profit and Loss Account (8)	Interest on long-term loans (9)	Total return on capital invested (Cols. 6+8) (10)	Capital employed (11)	Total return on capital employed (Cols. 6+7) (12)	Percentage of total return on Capital invested (13)	Percentage of total return on Capital employed (14)
are Rupees in lakhs)						
2,70·39	2,70·39	1,12·48	46,34·93	1,12·48	0·9	2·4
2,88·75	2,88·75	3,68·62	50,22·24	3,68·62	6·9	7·3
4·34	1·06	(—) 48·47	81·17	(—) 45·19	..	..
17·04	17·04	(—) 13·60	3,69·36	(—) 13·60	..	..
28·59	—	1,27·19	3,29·55	1,55·78	78·5	47·3
(Under construction)		—	3·91	—	—	..
34·06	3·11	2,70·33	10,97·64	3,01·28	55·2	27·4
0·13	0·13	(—) 6·70	41·97	(—) 6·70	..	..
4·05	4·05	(—) 11·22	76·40	(—) 11·22	..	..
5·04	5·04	11·45	4,96·84	11·45	2·2	2·3
8·02	8·02	(—) 12·47	1,07·80	(—) 12·47	..	..
9·89	9·11	(—) 23·93	1,83·62	(—) 28·15	..	..
—	—	(—) 5·04	65·00	(—) 5·04	..	..
1,58·48	1,15·75	2,71·25	(—)7,09·19	(—)2,28·54	..	..

ANNEX

Sl. No.	Name of Company	Name of Department	Date of incorporation	Period of accounts	Total capital invested	Profit(+)/ Loss(−)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
15.	Durgapur Chemicals Limited	Public Undertakings	31st March 1963	1982-83	26,54·86	(−)3,39·92
16.	The State Fisheries Development Corporation Limited	Fisheries	30th March 1966	1982-83	4,61·54	(+) 1·71
17.	West Bengal State Textile Corporation Limited	Industrial Reconstruction	19th March 1973	1982-83	2,33·55	(+) 1·82
18.	West Bengal Sugar Industries Development Corporation Limited	Commerce and Industries	30th May 1973	1982-83	5,69·51	(−) 56·02
19.	West Bengal Fish Seed Development Corporation Limited	Fisheries	27th March 1980	1982-83	40·00	..
20.	The Shalimar Works (1980) Limited	Industrial Reconstruction	12th January 1981	1982-83	1,79·00	(−) 82·51
21.	The Calcutta Tramways Company (1978) Limited	Home (Transport)	15th October 1982	1982-83	55,41·63	(−) 81·65
22.	West Bengal Livestock Processing Development Corporation Limited	Animal Husbandry and Veterinary Services	9th April 1974	1981-82	1,34·29	(−) 3·68
23.	West Bengal State Seed Corporation Limited	Agriculture	13th November 1980	1981-82	50·67	(+) 1·57
24.	Westinghouse Saxby Farmer Limited	Public Undertakings	19th July 1969	1980-81	16,58·20	(−)3,47·57
25.	West Bengal Handloom and Powerloom Development Corporation Limited	Cottage and Small Scale Industries	25th September 1973	1980-81	2,13·79	(+) 5·69
26.	West Bengal Handicrafts Development Corporation Limited	Subsidiary of West Bengal Small Industries Corporation Limited	1st June 1976	1980-81	48·69	(+) 8·85
27.	West Bengal State Minor Irrigation Corporation Limited	Agriculture and Community Development	29th January 1974	1979-80	5,96·01	(−) 28·75
28.	Basumati Corporation Limited	Information and Cultural Affairs	4th February 1975	1977-78	59·00	(−) 19·48

Notes : (1) "Capital invested" represents paid-up Capital *plus* long-term loans *plus* free working capital. In the case of West Bengal Industrial Development Corpora-

(2) "Capital employed" (except in the case of West Bengal Industrial Develop- of the aggregates of opening and closing balances of (i) paid-up Capital, (ii) bonds

U R E—'B' (*concld.*)

Total interest charged to Profit and Loss Account	Interest on long-term loans	Total return on capital invested (Cols. 6+8)	Capital employed	Total return on capital employed (Cols. 6+7)	Percentage of total return on	
					Capital invested	Capital employed
(8)	(9)	(10)	(11)	(12)	(13)	(14)
1,38·77	1,36·27	(—)2,03·65	(—)5,69·59	(—)2,01·15	..	..
10·07	5·90	7·61	1,93·55	11·78	1·6	6·1
..	..	1·82	2,33·26	1·82	0·8	0·8
31·61	31·61	(—) 24·41	1,08·78	(—) 24·41	..	..
(Under construction)		..	23·03	..	..	..
15·57	12·91	(—) 69·60	61·47	(—) 66·94	..	..
18·42	8·76	(—) 72·89	18,13·32	(—) 65·20	..	..
...	...	(—) 3·68	8·12	(—) 3·68	...	...
...	..	1·57	50·67	1·57	3·1	3·1
1,63·36	1,05·20	(—)2,42·37	1·08	(—)1,84·21	..	..
9·22	7·12	12·81	2,21·08	14·91	4·6	6·7
1·03	0·53	9·38	41·12	9·83	19·3	24·0
5·19	5·19	(—) 23·56	4,41·69	(—) 23·56	..	..
..	..	19·48	9·38	(—) 19·48	..	..

reserves at the close of the year.

ment Corporation Limited) represents net fixed assets (excluding works-in-progress) *plus* tion Limited, "Capital employed" represents the mean capital employed, *i.e.*, the mean and debentures, (iii) reserves, (iv) borrowings including refinance and (v) deposits.

ANNEX

(*Reference* : Paragraph 8·01

Summarised fiancial results

Sl. No	Name of Statutory Corporation	Name of Department	Date of incorporation	Period of accounts	Total capital invested
(1)	(2)	(3)	(4)	(5)	(6)
					(Figures in column 6 to 12
1.	West Bengal Financial Corporation	Finance	1st March 1954	1983-84	54,72·06
2.	West Bengal State Electricity Board*	Power	1st May 1955	1983-84*	11,28,85·68
3.	Calcutta State Transport Corporation	Home (Transport)	15th June 1960	1982-83	66,22·22
4.	West Bengal State Werehousing Corporation	Public Undertakings	31st March 1958	1981-82	3,35·76
5.	West Bengal Industrial Infrastructure Development Corporation	Ditto	9th November 1973	1975-76	1,05·73

Notes : (1) Capital invested represents paid up capital *plus* long-term loans *plus* free reserves.

(2) Capital employed (except in the case of West Bengal Financial Corporation) represents Financial Corporatin 'Capital employed' represents mean of the aggregates of opening including refinance and (v) deposits.'

* Figures are provisional

U R E—'O'

of Section VIII, page 93)

of Statutory Corporations

Profit(+)/ Loss(−)	Total interest charged to Profit and Loss Account	Interest on long-term loans	Total return on capital invested (7+9)	Capital employed	Total return on capital employed (7+8)	Percentage of total return on Capital invested	Percentage of total return on Capital employed
(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
are Rupees in lakhs)							
(+)59·23	2,81·19	2,81·19	3,40·42	51,31·21	3,40·42	6·2	6·6
..	31,30·22	28,18·43	28,18·43	5,97,90.97	31,30.22	2.5	5·2
(−)21,06·47	3,43·69	3,02·56	(−)18,03·91	18,34·60	(−)17,62·78	..	..
(+)35·86	..	..	35·86	3,96·11	35·86	10·7	9·1
(−)0·78	2·80	2,80	2·02	1,47·55	2·02	3·4	1·4

net fixed assets (excluding works-in-progress) *plus* working capital. In the case of West Bengal and closing balances of (i) paid-up capital, (ii) bonds and debentures, (iii) reserves, (iv) borrowings