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GOVERNMENT OF GUJARAT

REPORT OF THE

COMPTROLLER
AND
AUDITOR GENERAL OF INDIA

FOR THE YEAR 1979-80

(COMMERCIAL)

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REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

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(COMMERCIAL)

PREFATORY REMARKS

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

Government Companies;

Statutory Corporations; and

Departmentally-managed commerical undertakings.

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

3. The cases mentioned in the Report are those which came to notice in the course of audit of accounts during the year 1979-80 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 1979-80 have also been included, wherever considered necessary.

4. In the case of Government Companies, audit is conducted by company auditors appointed on the advice of the Comptroller and Auditor General, but the latter is authorised under Section 619 (3) (b) of the Companies Act, 1956 to conduct a supplementary or test audit. He is also empowered to comment upon or supplement the report submitted by the company auditors. The Companies Act further empowers the Comptroller and Auditor General to issue directives to the auditors in regard to the performance of their functions. Such directives were issued to the auditors from time to time.

5. There are, however, certain companies other than Government Companies in which Government has invested funds but the accounts of which are not subject to audit by the Comptroller and Auditor General. As on 31st March 1980, there were 43 such companies in which Government investment stood at Rs. 18,51.29 lakhs. The particulars of such

Companies in which Government investment was Rs. 25 lakhs and above (as on 31st March 1980) are given below :

		Investment (Rupees in lakhs)
Ahmedabad Electricity Company Limited, Ahmedabad		1,55.36
Gujarat Narmada Valley Fertilizers Company Limited, Bharuch		14,04.10
Narmada Cement Company Limited, Bombay	..	1,20.00
Shree Digvijay Woollen Mills Limited, Jamnagar	..	41.50
Surat Electricity Company Limited, Surat	..	25.03
Total	..	17,45.99

6. In respect of Gujarat Electricity Board, Gujarat State Road Transport Corporation and Gujarat Industrial Development Corporation, which are Statutory Corporations, the Comptroller and Auditor General is the sole auditor,while in respect of Gujarat State Financial Corporation and Gujarat State warehousing Corporation he has the right to conduct audit of their accounts independently of the audit conducted by the Chartered Accountants appointed under the respective Acts.

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

CHAPTER I

GOVERNMENT COMPANIES

SECTION I

1.1 Introduction

There were 32 Government Companies (including 10 subsidiaries) as on 31st March 1980, as against 30 Government Companies (including 11 subsidiaries) as at the close of the previous year. The following Companies were added during the year :

Name of Company	Date of incorporation	Authorised Capital (Rupees in lakhs)
1. Gujarat Rural Industries Marketing Corporation Limited	16th May 1979	1,00.00
2. Gujarat State Handloom Development Corporation Limited	12th November 1979	50.00
3. Gujarat Schedule Caste Economic Development Corporation Limited	22nd November 1979	2,00.00

The Gujarat State Machine Tools Corporation Limited, a subsidiary Company incorporated on 15th February 1975, ceased to be a Government Company consequent upon issue of further share capital in October 1979. It was, however, covered under Section 619-B of the Companies Act, 1956.

1.2 Compilation of accounts

25 Companies (including 10 subsidiaries) finalised their accounts for the year 1979-80. In addition, 4 Companies finalised their accounts for the earlier years. A synoptic statement showing the summarised financial results of 29 Companies based on the latest available accounts is given in Appendix 'A'. The first financial year of the Gujarat Schedule Caste

Economic Development Corporation Limited closes on 31st March 1981 and hence that Company's accounts were not due. The accounts of the following 6 Companies were in arrears for the period noted against each :

Name of Company	Extent of arrears
1. Gujarat Water Resources Development Corporation Limited	1977-78 to 1979-80
2. Gujarat State Handicrafts and Handloom Development Corporation Limited	1978-79 and 1979-80
3. Gujarat State Handloom Development Corporation Limited*	1979-80
4. Gujarat State Land Development Corporation Limited	1979-80
5. Gujarat State Rural Development Corporation Limited	1979-80
6. Gujarat Tractor Corporation Limited	1979-80

The position of arrears in the finalisation of accounts was last brought to the notice of Government in March 1981.

1.3 Paid-up capital

The total paid-up capital of 32 Government Companies as at 31st March 1980 was Rs. 39,15.52 lakhs of which the State Government investment was Rs. 29,93.09 lakhs. Investment as per Finance Accounts was Rs. 25,01.40 lakhs, difference of Rs. 491.69 lakhs was under reconciliation.

1.4 Loans

The balance of long-term loans outstanding in respect of 11 Companies (excluding subsidiaries) as on 31st March 1980 was Rs. 65,85.70 lakhs (State Government: Rs. 38,97.11 lakhs ; Other parties: Rs. 26,81.82 lakhs ; deferred payment credit : Rs. 6.77 lakhs) as against Rs. 49,19.34 lakhs as on 31st March 1979 (10 Companies excluding subsidiaries).

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*A new Company Gujarat State Handloom Development Corporation Limited was incorporated on 12th November 1979. The existing Company *viz*., Gujarat State Handicrafts and Handloom Development Corporation Limited continued to be a Government Company in old name.

1.5 Guarantees

1.5.1 The State Government had guaranteed the repayment of loans and payment of interest thereon raised by 5 Companies (including one subsidiary). The amount guaranteed and the amount outstanding thereagainst as on 31st March 1980, were Rs. 23,87.82 lakhs and Rs. 19,87.18 lakhs respectively as detailed below :

Name of Company	Amount guaranteed	Amount outstanding as on 31st March 1980
	(Rupees in lakhs)	
1. Gujarat Agro-Marine Products Limited	73.94	34.35
2. Gujarat Dairy Development Corporation Limited	10.00	..
3. Gujarat Industrial Investment Corporation Limited	18,83.38	18,83.38
4. Gujarat State Construction Corporation Limited	30.00	30.00
5. Gujarat State Seeds Corporation Limited	2,97.00	39.45
6. Gujarat State Textile Corporation Limited	93.50	..
Total ..	23,87.82*	19,87.18*

1.5.2 The State Government had guaranteed repayment of share capital and payment of dividend at 4 *per cent* thereon in respect of Gujarat Small Industries Corporation Limited. The paid-up capital as on 31st December 1979 was Rs. 60.00** lakhs.

1.5.3 In consideration of the guarantees given by the Government, the Companies have to pay guarantee commission to Government. Payment of guarantee commission was not in arrears as on 31st March 1980.

*The figures as per Finance Accounts are Rs. 35,03.46 lakhs and Rs. 28,06.09 lakhs respectively and the differences are under reconciliation.

**The amount guaranteed and amount outstanding as on 31st March 1980 as per Finance Accounts were Rs. 45 lakhs and Rs. 30 lakhs respectively ; differences are under reconciliation.

1.6 Performance of the Companies

1.6.1 The following table gives details of 9 Companies (including 2 subsidiaries) which earned profit during the year and the comparative figures for the previous year :

Name of Company	Paid-up capital		Profit (+)/Loss (—)	
	1978-79	1979-80	1978-79	1979-80
		(Rupees in lakhs)		
1. Gujarat Agro Foods Limited	14.90	14.90	(—)3.85	(+)3.05
2. Gujarat Agro Industries Corporation Limited	4,96.00	5,06.00	(+)48.75	(+)20.55
3. Gujarat Agro-Oil Enterprises Limited	6.16	6.16	(+)50.91	(+)7.31
4. Gujarat Communications and Electronics Limited	1,27.01	1,77.01	(—)0.54	(+)0.54
5. Gujarat Industrial Investment Corporation Limited	5,00.00	5,00.00	(+)4.75	(+)7.98
6. Gujarat Mineral Development Corporation Limited	3,18.00	3,18.00	(+)95.63	(+)94.24
7. Gujarat State Forest Development Corporation Limited	1,00.01	1,30.01	(+)18.39	(+)11.26
8. Gujarat State Seeds* Corporation Limited	29.00	37.00	(+)3.33	(+)34.70
9. Gujarat State Textile Corporation Limited	1,62.50	1,62.50	(+)22.06	(+)20.02

1.6.2 During the year one Company *viz.*, Gujarat Mineral Development Corporation Limited had declared dividend at 6 *per cent* (total disbursement : Rs. 19.08 lakhs).

*The Company had changed the accounting year ending in March 1979 to September 1979 and as such figures in columns for 1979-80 are for 18 months from April 1978 to September 1979 and figures in previous column are for previous financial year (*viz*. 1977-78).

Gujarat Small Industries Corporation Limited which incurred a loss of Rs. 24.53 lakhs after providing for an investment allowance reserve of Rs. 9.36 lakhs, (accumulated loss at the end of December 1979 : Rs. 59.53 lakhs), declared a guaranteed dividend of 4 *per cent* on the paid-up capital (Rs. 60.00 lakhs) out of the subvention of Rs. 2.40 lakhs received from the State Government in June 1981. The Company had earlier received subvention of Rs. 1.16 lakhs (for the year 1975) and Rs. 2.36 lakhs (for the year 1976) in June 1977 and July 1978 respectively.

1.6.3 The following table gives details of 11 Companies (including 3 subsidiaries) which incurred loss during the year 1979-80 and comparative figures for the previous year :

Name of Company	Paid-up capital		Profit(+) / Loss(—) during	
	1978-79	1979-80	1978-79	1979-80
		(Rupees in lakhs)		
1. Gujarat Agro-Marine Products Limited	25.01	25.01	(+)8.47	(—)2.52
2. Gujarat State Construction Corporation Limited	25.00	25.00	(—)70.57	(—)129.14
3. Gujarat Dairy Development Corporation Limited	82.39	123.97	(—)20.48	(—)52.46
4. Gujarat State Export Corporation Limited	15.00	15.00	(—)6.68	(—)3.95
5. Gujarat State Petrochemicals Corporation Limited £	..	49.01	..	(—)0.06
6. Polymers Corporation of Gujarat Limited	532.26	533.45	*	(—)161.99
7. Gujarat Rural Industries Marketing Corporation Limited ££	..	25.00	..	(—)1.91
8. Girnar Scooters Limited	†	†	(—)0.02	(—)0.05
9. Gujarat Sheep and Wool Development Corporation Limited	28.83	43.96	(—)12.72	(—)11.15
10. Gujarat Small Industries Corporation Limited	60.00	60.00	(+)11.09	(—)15.17
11. Tourism Corporation of Gujarat Limited	16.51	31.51	(—)2.29	(—)18.04

*Expenses pertaining to construction period transferred to pre-operative expenses pending allocation.

†Represents share capital of Rs. 70.

£For the period from 29th January 1979 to 31st March 1980.

££For the period from 16th May 1979 to 31st March 1980.

1.6.4 The accumulated loss in respect of 12 Companies (paid-up capital : Rs. 11,08.82 lakhs) amounted to Rs. 6,38.17 lakhs. Particulars of 3 Companies the accumulated loss of which had exceeded their paid-up capital are given below :

Name of Company	Year ending	Paid-up capital	Accumulated loss
		(Rupees in lakhs)	
Gujarat Agro-Marine Products Limited	December 1979	25.01	30.38
Gujarat Sheep and Wool Development Corporation Limited	March 1980	43.96	64.77
Gujarat State Construction Corporation Limited	July 1979	25.00	1,99.71

1.6.5 The following table gives details of Companies (subsidiaries) which are under construction and the total expenditure incurred during the year 1979-80 *vis-a-vis* in previous year :

Name of Company	Paid-up capital as on 31st March		Expenditure during	
	1979	1980	1978-79	1979-80
			(Rupees in lakhs)	
1. Cement Corporation of Gujarat Limited	2.50	2.50	0.01	0.93
2. Gujarat Leather Industries Limited	*	24.48	2.50	11.74
3. Gujarat Nylons Limited ..	2.50	2.50	1.13	0.78
4. Gujarat Tyres Limited ..	5.00	5.00	0.37	0.10
5. Steel Corporation of Gujarat Limited	*	*	3.71	0.06

* Represents paid-up capital of Rs 70.

1.7 In addition there were 4 Companies covered under Section 619-B of the Companies Act, 1956, as detailed below :

Name of Company	Latest year of accounts	Paid-up capital	Investment by Government: State Government	Investment by Government: Government companies	Profit (+)/ Loss (—) during the year
			(Rupees in lakhs)		
1. Gujarat State Fertilizers Company Limited	1980	15,99.67	7,84.09	3,78.95	(+)9,67.85
2. Gujarat Industrial and Technical Consultancy Organisation Limited	1979-80	5.00	..	5.00	(—)0.18
3. Rapicut Carbides Limited	1978-79	29.50	..	16.14	**
4. Gujarat State Machine Tools Corporation Limited	1979-80	2,08.67	..	1,14.85	(—)85.53

1.8 The Companies Act, 1956 empowers the Comptroller and Auditor General of India to issue directions to the auditors of Government Companies in regard to performance of their functions. In pursuance of the directives so issued, special reports of the company auditors on the accounts of 8 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 accounts manual	3
2. Non-maintenance/defective maintenance of property/plants/assets registers	1

** No Profit and Loss account was prepared.

Nature of defect	Number of Companies where defects were noticed
3. Absence of internal audit manual ..	3
4. Internal audit system not commensurate with the nature and size of business	2
5. Purchases made by not inviting open tenders ..	3
6. Absence of system of ascertaining idle time for labour and machinery	1
7. Non-fixation of norms for consumption of major raw materials	1
8. Payment of discount without proper scrutiny	1
9. Imperfect system of accounting of stores and spares	1
10. Non-determination of slow/non moving stores	1
11. Absence of budgeting system	2
12. Confirmation from debtors not obtained ..	2
13. Purchase procedure not laid down in accounting manual	1

1.9 Under Section 619(4) of the Companies Act, 1956 the Comptroller and Auditor-General of India has a right to comment upon or supplement the audit reports of the company auditors. Under this provision, the annual accounts of Government Comapnies are reviewed on a selective basis. Some of the errors/omissions, *etc.*, noticed in the course of review of the annual accounts for the year 1979-80 are detailed below :

Nature of defect	Number of Compnies where defects were noticed	Reference to serial number in Annexure 'A'
—Interest accrued but not due included under 'secured loans' instead of showing it under current liabilities	1	21
—Non provision/excess provision of liabilities for expenses, compensation, interest, *etc*.	2	12,21

Nature of defect	Number of Compnies where defects were noticed	Reference to serial number in Annexure 'A'
—Non-inclusion of unspent balances of Government grants under " current liabilities " resulting in understatement of " current liabilities " as well as " cash and bank balances "	1	21
—Inclusion of univestigated/unreconciled difference in trial balance under " creditors for expenses "	1	25
—Non accountal of cost of equipment received as a free gift	1	21
—Inclusion of obsolete stores as consumption of stores during the year	1	3
—Fixed deposits held in the joint names of the Company and Contractor were not disclosed	1	3
—Over valuation of stock resulting in overstatement of profit	1	18
—Adjustment of interest on investment in shares of a subsidiary Company resulting in overstatement of profit	1	9
—Non disclosure of expenses relating to previous year	1	6
Adoption of accounts in the Annual General Meetings without the comments of the Comptroller and Auditor General of India in violation of Section 619(5) of the Companies Act	2	5,23
—Profit and Loss account was not prepared as required under Section 210(3) of the Companies Act, 1956	1	619-B Company

SECTION II

GUJARAT SHEEP AND WOOL DEVELOPMENT CORPORATION LIMITED

2.01 Introduction

The State Government decided in August 1969 to implement a project for sheep and wool development through a Joint Stock Company to be formed in the joint sector in collaboration with the Indian Woollen Mills Federation with 51 per cent of the shares to be subscribed by the units of the Woollen Textile Mills industry and the remaining 49 per cent by the State Government. In pursuance of this decision, the Gujarat Sheep and Wool Development Corporation Limited was incorporated on 9th December 1970, with an authorised capital of Rs. 1 crore.

The paid-up share capital of the Company is as on 31st March 1976 Rs. 27.70 lakhs (Government share : Rs. 13.58 lakhs and Industry's share : Rs. 14.12 lakhs) against the issued capital of Rs. 35 lakhs. Since further private capital was not forthcoming and also in view of the continuing losses incurred by the Company, Government decided (March 1977) to convert the Company into a Government Company and contributed further share capital of Rs. 1.13 lakhs in March and May 1977.

2.02 Objects

The main objects of the Company are to—
— establish, extend and/or reorganise sheep breeding farms of exotic/local/cross-bred sheep,

—produce wool of suitable quality for worsted/woollen/carpet and allied sectors, and

—import, breed, sell and export sheep and sheep products.

2.03 Capital structure

Against the authorised capital of Rs. 1 crore, the paid-up capital as on 31st March 1980 was Rs. 43.96 lakhs (Rs. 29.71 lakhs contributed by Government, Rs. 14.12 lakhs by woollen industry and Rs. 0.13 lakh by other institutions). Further allotment of shares of Rs. 8 lakhs to Government was yet to be made for which share application money was received in March 1980.

The Company had obtained temporary loans from Government from time to time, bearing interest at 3 *per cent* over the bank rate and penal interest at 2 *per cent* on overdue payments of principal and interest, to be repaid in five equal annual instalments and had also obtained term loan and cash credit facility from a nationalised bank. The loans outstanding as on 31st March 1980 amounted to Rs. 38.56 lakhs as detailed below :

	(Rupees in lakhs)
(i) Temporary loans from the Government ..	31.86
(ii) Term loan from a bank	4.70
(iii) Cash credit account	2.00
Total ..	38.56

The Company had not repaid to Government, loan instalments of Rs. 19.14 lakhs which had become due up to 31st March 1980, and interest thereon amounting to Rs. 11.49 lakhs. The Management stated (April 1981) that the Company had requested the State Government (April 1979) to convert the loans and outstanding interest thereon into equity capital of the Company and hence provision was not made either for interest or penal interest (Rs. 0.99 lakh) in its accounts.

2.04 Financial position

The table below summarises the financial position of the Company for the three years up to 1979-80 :

Liabilities	1977-78	1978-79	1979-80
	(Rupees in lakhs)		
(a) Paid-up capital	28.83	28.83	43.96
(b) Reserves and surplus * ..	23.12	11.85	6.63
(c) Borrowings	46.61	39.50	38.56
(d) Trade dues and current liabilities	0.40	15.79	12.55
Total ..	98.96	95.97	101.70

* This represents unspent balances of grants-in-aid received from Government Drought Prone Area Project Agencies towards various schemes.

	1977-78	1978-79	1979-80
	(Rupees in lahks)		
Assets			
(a) Gross block	11.89	13.32	13.50
(b) *Less* : Depreciation ..	2.15	2.93	3.62
(c) Net fixed assets	9.74	10.39	9.88
(d) Live-stock	9.77	13.14	13.70
(e) Current assets, loans and advances	38.22	18.50	13.03
(f) Miscellaneous expenses ..	0.34	0.32	0.32
(g) Accumulated loss	40.89	53.62	64.77
Total ..	98.96	95.97	101.70
Capital employed	47.56	13.10	10.36
Net worth	10.72	(—)13.26	(—)14.50

Notes :

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

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

(i) The accumulated loss (Rs. 64.77 lakhs up to 31st March 1980) was understated to the extent of Rs. 14.99 lakhs due to interest accrued on Government loans (Rs. 13.20 lakhs), penal interest (Rs. 0.99 lakh) and lease rent (Rs. 0.80 lakh) payable to Government for land at Nalia not provided for.

(ii) The assets included expenditure of Rs. 2.15 lakhs on development of land and buildings at Nalia which had been returned to Government in December 1974. The Company's claim towards compensation of this expenditure (September 1975) had not yet been admitted by the State Government (April 1981).

2.05 Working results

The table below summarises the working results of the Company for the three years up to 1979-80 :

	1977-78	1978-79	1979-80
	(Rupees in lakhs)		
Income :			
(i) Sale of wool and agriculture produce	0.73	2.60	0.27
(ii) Other income	0.49	0.61	1.16
	1.22	3.21	1.43
(iii) Increase(+) or decrease(—) in stock	(+)0.44	(—)1.42	(+)0.59
Total ..	1.66	1.79	2.02
Expenditure :			
(i) Sheep maintenance expenses ..	2.51	2.87	2.50
(ii) Cultivation charges	1.51	1.77	1.61
(iii) Payment to employees ..	2.79	4.59	3.95
(iv) Other expenses	7.20	5.29	5.11
Total ..	14.01	14.52	13.17
Loss : ..	12.35	12.73	11.15

The income and the expenditure as assumed in the project report were as under :

	1977-78	1978-79	1979-80
	(Rupees in lakhs)		
Income	8.35	7.76	7.95
Expenditure	3.55	3.61	3.66
Profit	4.80	4.15	4.29

The actual income earned by the Company was much less than the projected income, whereas the actual expenditure incurred far exceeded the projected expenditure, which ultimately resulted in accumulation of heavy losses of Rs. 64.77 lakhs up to 31st March 1980, as against the estimated profit of Rs. 18.05 lakhs up to that date as envisaged in the project report. The loss every year was attributed by the Company to the developmental nature of work of the Company and absence of commercial returns. The Management further stated (April 1981) that as the Company was not provided sufficient funds and was not allowed to take up commercial activities, actual income earned was much less than the projected income. As the main objects of the Company are so extensive as to permit any commercial activity connected with sheep breeding, the contention of the Management lacks justification.

2.06 Sheep and wool development project

The Company started its activity by importing 1000 Russian Merino Sheep in 1971-72 and thereafter 350 sheep were also imported (1973-74:325, 1977-78 : 10 and 1978-79 : 15) at a total cost of Rs. 17.85 lakhs. The techno-economic report on this project prepared by the Animal Husbandry department of Government in 1970, however, envisaged an import of 2500 Russian Merino Sheep during the first four years for the first unit established at Nalia in Kutchchh district. The unit at Nalia was subsequently (December 1974) shifted to Hingolgadh near Jasdan in Rajkot district due to scarcity conditions. Reasons for not importing the balance number of Merino Sheep were not on record. The second unit as per project report was to be established at Morvi in Rajkot district but had not been established (June 1981).

The Company had not prepared any financial or performance budgets for the years 1977-78 to 1979-80.

The details of the exotic and other live-stock maintained by the Company at its Hingolgadh unit during the three years up to 1979-80 are given on pages 16 and 17 :

STATEMENT

Year	Description of animals	Addition during the year		
		Ram	Ewe	Lamb
1977-78	Russian Merino	100	121	189
	Cross F. I.*	60	58	940
	Corriedale	20	..	..
	Local Patanwadi	32	1943	316
	Total ..	212	2122	1445
1978-79	Russian Merino	68	43	172
	Cross-G:2-Merino**	..	..	51
	Cross F. I.	298	281	729
	Corriedale	..	..	..
	Local Patanwadi	69	35	74
	Total ..	435	359	1026
1979-80	Russian Marino	26	35	84
	Cross-G: 2-Merino	22	20	148
	Cross F. I.	188	235	702
	Local Patanwadi	5	8	342
	Total ..	241	298	1276

* Represents Cross breeding—first genertion.
** Represents Cross breeding—second generation of Gujarat Merino.

Sale/transfer/deaths			Closing balance			Estimated live stock of Russian Merino and Cross-bred as per project report		
Ram	Ewe	Lamb	Ram	Ewe	Lamb	Ram	Ewe	Lamb
147	495	348	2	374	110			
..	2	268	60	56	809	767	3185	1432
..	..	..	20	..	..			
61	249	241	..	3000	207			
208	746	857	82	3430	1126			
12	37	191	58	380	91			
..	..	5	..	..	46			
235	19	989	123	318	549	824	3416	1536
20	..	..	..	..	..			
53	726	214	16	2309	67			
320	782	1399	197	3007	753			
17	102	135	67	313	40			
3	1	66	19	19	128	876	3468	1536
208	34	691	103	519	560			
21	270	121	Nil.	2047	288			
249	407	1013	189	2898	1016			

The actual strength of animals held at the unit was much less than that anticipated in the project report. The low production was attributed (April 1981) by the Management mainly to the fact that (i) the Company was not provided sufficient funds as projected in the techno-economic report; and (ii) it was not allowed to undertake commercial activities. The object clause of the Company, however, was extensive to permit commercial activity connected with sheep breeding.

The table below indicates the percentage of mortality amongst different types of sheep during the three years up to 1979-80 :

Type of sheep		Percentage of mortality		
		1977-78	1978-79	1979-80
Merino ..	.. Adults	16.2	6.8	18.0
	Lambs	29.9	33.7	42.3
Cross-bred and	.. Adults	1.5	2.1	3.5
Corriedale.	Lambs	13.7	27.1	18.0
Patanwadi	.. Adults	7.3	6.4	8.9
	Lambs	30.1	24.9	20.5
Overall ..	.. Adults	9.0	5.7	8.8
	Lambs	21.2	27.7	20.6

The project report had assumed mortality rate of 10 and 20 *per cent* amongst adult Merino sheep and lamb respectively. Reasons for high mortality rate particularly for 1977-78 and 1979-80 for Merino adults and all the years for the rest were not investigated.

The Management stated (April 1981) that the mortality rate at the farm was much lower compared to any large scale sheep farm in the country where exotic or the cross-bred animals were bred. However, no details in support of this statement were produced.

2.07 Wool production

The project envisaged improving the quality of the Patanwadi sheep of Kutchchh and Saurashtra region by crossbreeding them with Russian Merino ram and producing fine quality apparel wool.

The table below indicates the total wool production and average production per sheep of each variety for the three years up to 1979-80 as against the targets given in the project report :

Type of sheep-wool.	Target of production	Production of wool per sheep		
	Target as per project report per sheep	1977-78	1978-79	1979-80
		(Kilograms)		
Merino	5.500	3.127	2.900	2.425
Cross-bred F. 1 (50 *per-cent* Merino)	2.400	0.682	0.549	0.605
Patanwadi ..	1.000	0.405	0.415	0.466
Cross-bred G. 2 (75 *per-cent* Merino) ..	2.400	Nil.	Nil.	1.294

The actual production was much less than that assumed in the project report. The low production was stated to be due to age factor of sheep particularly Merino ewes, large mumber of which were seven years old. The project report envisaged the sale price at Rs. 20 per kilogram of wool on the basis of prevailing market price in 1969. The prices were on the increase since then. However, the Company could realise an average sale price of wool at Rs. 18.16, Rs. 23.16 and Rs. 24.00 per kg. during the three years up to 1979-80 respectively. The Management stated (September 1980) that the better prices of wool could not be fetched as the quantities of wool put to sale at a time were less than a truck load.

2.08 Sale of manure

As per the norms fixed in the project report the income of manure from sheep was anticipated at Rs. 3 per sheep (based on value prevalent in 1969). The details of total number of live-stock at the end of each year and the income derived from sale of manure were as under :

	Total number of live-stock	Value of manure at Rs. 3 per animal	Realisation from sale of manure
		(Rupees)	
1977-78	4638	13,914	Nil.
1978-79	4072	12,216	10,950
1979-80	4154	12,462	5,560
	Total ..	38,592	16,510

The Company had maintained neither the quantity record of manure obtained from time to time nor any value account thereof. However, the income derived from sale of manure during the three years up to 1979-80 indicated that the income was much less than what was anticipated in the project report.

2.09 Payment of penalty for non-fulfilment of contract

In August 1978, the Company's tender for supply of 5 lakh Kgs. of grass of a reserved pasture land of Government duly cut, baled, and stacked at the fixed centres at the rate of Rs. 64 for 500 Kgs. was accepted by the Forest department. The quantity was later on reduced to 3 lakh Kgs. As the Company could cut and supply only 1.15 lakh Kgs. grass, the Forest department claimed (September 1979) a compensation for loss of Rs. 0.15 lakh as per tender agreement for short delivery of balance quantity of grass at Rs. 40 per 500 Kgs. In cutting, baling and stacking the above quantity of grass the Company had incurred an expenditure of Rs. 18,150 whereas the amount recovered was Rs. 0.14 lakh only resulting in a loss of Rs. 0.04 lakh. The Company had thus suffered a total loss of Rs. 0.19 lakh.

The Management attributed (April 1981) its inability to cut and supply the grass as contracted to encroachment of cattle of nearby villages, non-availability of labour and overgrazing by cattle due to scarcity conditions.

2.10 Internal audit

From the accounts of 1977-78, the Company appointed every year a firm of Chartered Accountants as internal auditors on an annual remuneration of Rs. 2,000. The scope of work covered included vouching of all prime entry books *viz.*, cash-book, bank-book, journals, *etc.*, to report on working of the Company as well as system of accounts and to submit quarterly reports to the Board of Directors. The firm in their third report of 1977-78, had pointed out that no compliance or explanations to their remarks and suggestions as reported in earlier two reports were furnished by the Company. The Company had received only one report each for the year 1978-79 and 1979-80 containing observations on vouching of cash, bank-books and ledger accounts. Some of the important irregularities as pointed out by internal aduitors in their report for the year 1977-78 included the following :

(i) There was no regular programme of physical verification of stock of wool, crop, stores, equipments, *etc.*, or any of the fixed assets except that of live-stock.

(ii) No practice of indenting of requistion or demand note for purchase and issue of stores articles was found in exinstence.

(iii) Internal control procedure regarding purchase of stores, medicines, concentrates and other assets was considered as inadequate.

(iv) No regular inquiries were made for giving jobs, contract works, *etc.*

(v) Classification of expenses between revenue and capital in many cases was found incorrect.

Detailed report on the working of the Company as well as system of accounts for the subsequent years 1978-79 and 1979-80 were not submitted by the internal auditors.

2.11 Summing up

(i) The Company had been incurring losses which amounted to Rs. 12.35 lakhs, Rs. 12.73 lakhs and Rs. 11.15 lakhs during the three years up to 1979-80 respectively. As against the envisaged profit of Rs. 18.05 lakhs, the Company had accumulated loss of Rs. 64.77 lakhs which exceeded the paid-up capital of Rs. 43.96 lakhs.

(ii) The total production of live-stock obtained by the Company was much below the targets fixed.

(iii) The mortality rate amongst Merino sheep and lamb was much higher than the anticipated rate, the average wool production was also below the target.

(iv) The Company suffered loss in the contract for cutting and supplying grass to the Forest department.

SECTION III

GUJARAT MINERAL DEVELOPMENT CORPORATION LIMITED

3.01 Introduction

The Government of Gujarat decided (March 1963) to set up a Government owned limited company to undertake the mining of important minerals and works ancillary to it, as also to exploit and develop the mineral resources in the State. Gujarat Mineral Development Corporation Limited was, thus, incorporated on 15th May 1963 as a private limited Company and was later converted into a public limited Company in July 1971, mainly to raise funds from the public and to avail of funds from outside agencies by way of loans.

The working of the Company was examined earlier by the Committee on Public Undertakings in the Fourth Report (Third Gujarat Vidhan Sabha) in October 1970, as also in the Second Report (Fourth Gujarat Vidhan Sabha) in March 1973.

3.02 Objectives

The main objectives for which the Company was established included among others, the following :

—to purchase or acquire any mineral fields, mines, beneficiation and mineral dressing, mineral and mines contract,

—to search for, prospect, get, win, work, raise, beneficiate, make merchantable, sell, dispose of and deal in all minerals and substances and to manufacture and sell all product obtained therefrom,

—to develop generally the resources of any land, properties and rights or privilages to be at any time acquired by the Company, and

—to undertake business of consultants and advisers as also to undertake promotional activities for development and exploitation of mineral resources, mining, beneficiation, processing of minerals and mineral based industries.

3.03 Activities

As on 31st March 1980 the Company was operating three bauxite mines (Naredi and Mandvi : Kutchchh district; and Mevasa : Jamnagar district), one lignite mine (Panandhro : Kutchchh district), one fluorspar mine (Ambadungar : Vadodara district), one sand stone mine (Vavadi : Surendranagar district), and a multi metal mine (Ambaji : Banaskantha district).

One fluorspar beneficiation plant (Kadipani : Vadodara district) and a sand stone crushing plant (Surajdeval : Surendranagar district) were also in operation. The Company had (December 1980) put up a pilot plant at Ambaji to beneficiate and separate three metal concentrates (lead, zinc and copper).

3.04 Capital structure

Share Capital

The initial authorised capital of the Company was Rs. 50 lakhs divided into 50,000 equity shares of Rs. 100 each and was increased to Rs. 5,00 lakhs in 1971-72. As on 31st March 1980, against the authorised capital of Rs. 5,00 lakhs (4 lakh equity shares of Rs. 100 each, and 1 lakh preference shares of Rs. 100 each), the paid-up capital was Rs. 3,18 lakhs in equity shares fully subscribed by the State Government. The Company had not issued any preference shares so far (March 1980).

3.05 Financial position

The table below indicates the financial position of the Company for the three years up to 1979-80 :

	1977-78	1978-79	1979-80
	(Rupees in lakhs)		
Liabilities			
(a) Paid-up capital	3,18.00	3,18.00	3,18.00
(b) Reserves and surplus ..	72.57	1,55.49	2,30.65
(c) Borrowings	3,58.56	3,93.05	5,37.02
(d) Trade dues and other liabilities ..	78.19	96.54	1,62.08
Total ..	8,27.32	9,63.08	12,47.75
Assets			
(a) Gross block	4,26.02	5,46.07	6,49.87
(b) *Less* : Depreciation	1,38.92	1,73.93	2,11.73
(c) Net fixed assets	2,87.10	3,72.14	4,38.14

	1977-78	1978-79	1979-80
		(Rupees in lakhs)	
(d) Capital works-in-progress (including machinery awaiting installation)	71.45	25.41	95.43
(e) Investments	..	0.25	0.25
(f) Current assets, loans and advances	3,60.73	3,98.62	4,63.14
(g) Miscellaneous expenses (to the extent not written off or adjusted)	1,08.04	1,66.66	2,50.79
Total ..	8,27.32	9,63.08	12,47.75
Capital employed	5,69.64	6,74.22	7,39.20
Net worth	2,82.53	3,06.83	2,97.86
Net worth per equity share (Rs. 100 each)	88.85	96.49	93.67

Note : (a) Capital employed represents net fixed assets *plus* working capital.

(b) Net worth represents paid-up capital *plus* reserves *less* deferred revenue expenditure (classified by management as miscellaneous expenses).

3.06 Working results

The following table indicates the working results of the Company during the three years up to 1979-80 :

	1977-78	1978-79	1979-80
		(Rupees in lakhs)	
(a) Income			
(i) Sales	3,23.48	4,02.80	4,97.69
(ii) Other income	5.30	1.66	7.33
(iii) Stock adjustments (increase(+) decrease(—))	(—)45.91	(—)26.21	(—)42.61
Total ..	2,82.87	3,78.25	4,62.41

	1977-78	1978-79	1979-80
		(Rupees in lakhs)	
(b) Expenditure			
(i) Manufacturing and other expenses	1,94.33	2,39.53	3,05.84
(ii) Interest	19.48	14.37	12.66
(iii) Depreciation	22.89	24.83	32.01
Total ..	2,36.70	2,78.73	3,50.51
(c) Profit for the year ..	46.17	99.52	1,11.90
(d) Prior period adjustments and expenses written off (net)	3.52	3.89	17.66
(e) Profit available for appropriation..	42.65	95.63	94.24
Percentage of profit to			
		(Per cent)	
(a) Sales	13.2	23.7	18.9
(b) Gross fixed assets ..	10.0	17.5	14.5
(c) Capital employed ..	7.5	14.2	12.8
(d) Net worth	15.1	31.2	31.6
(e) Equity capital	13.4	30.1	29.6

3.07 Review of operations

The Company had undertaken exploitation of the certain minerals which are dealt with in the succeeding paragraphs :

A Fluorspar

(i) Mining

Fluorspar is a strategic mineral located in Ambadungar hills of Vadodara district in an area of 3,200 acres. According to the report of the Geological Survey of India, deposits were estimated at about 11.6 million tonnes of varying grades, of which 2.6 million tonnes were of very rich grade, 3.5

million tonnes were of rich grade and 5.5 million tonnes were lean deposits and the average grade of the total deposits was of 30 *per cent* calcium fluoride (CaF_2) content.

Raw fluorspar is upgraded by floatation method. Upgraded fluorspar is classified into three grades *viz.* (a) acid grade—used for production of fluorine compounds, electrodes, cryolite and refrigerant gases, (b) metallurgical grade—used mainly as fluxing agent in metallurgical industries like copper, steel, aluminium, *etc.*, and (c) ceramic grade—used by ceramic and glass industries.

The Company was granted by the Government of Gujarat (June 1965) exclusive right for exploitation of fluorspar deposits over an area of about 3,200 acres and it commenced open cast mining immediately thereafter. The following table shows the yearwise targets of mining, actual production, cost of mining as per the project report and the actual cost for the three years up to 1979-80 :

Year	Production in tonnes		Cost of mining at mine site	
	Targetted	Actual	Estimated	Actual (in Rupees per tonne)
1977-78	91,500	95,550	17.26	31.84
1978-79	84,000	78,768	17.26	36.37
1979-80	84,000	80,182	17.26	39.07

In the last two years the targets of production were not achieved. The Board had stated in their Report to the Shareholders for 1978-79 that production from mines were brought down to avoid stock-piling of mill grade ore.

(ii) Beneficiation plant

The average CaF_2 content of the deposits was 30 *per cent* and it had to be upgraded to make it commercially suitable. The National Metallurgical Laboratory (NML) had, at the request of the Company (June 1966), undertook laboratory tests of the ore and after studying its amenability for beneficiation, prepared a process flow sheet (June 1968) for setting up a beneficiation plant with a capacity of 500 tonnes of run of mine ore per day for simultaneous production of acid and metallurgical grade fluorspar concentrates by floatation method. The plant was commissioned in December

1970. As presence of phospherous pentoxide (P_2O_5) was noticed, which had to be depressed, the Company made continuous changes in the flow-sheet to depress P_2O_5 as well as to improve the grade of the concentrates. In April 1976, the Company referred the matter to a foreign firm of consultants. The agreement with the firm of consultants was clear about the scope of work to be done it did not stipulate any guarantee by the consultants or a commitment to a definite result to be achieved. The report submitted (September 1978) by the consultants had not given definite conclusive recommendations and recommendations wherever given were not capable of giving desired results of lowering P_2O_5 contents or increasing recovery with minimum economical additions to the plant. The report, after due scrutiny by a committee of experts, was not pursued further (total cost paid to consultants was Rs. 12.29 lakhs).

The plant was designed to give an yield of 25 *per cent* of the input. The table given below indicates the quantity of raw ore fed, expected beneficiated production, actual production and yield percentage for the three years up to 1979-80 :

Year	Raw material used	Beneficiation production			Percentage of shortfall
		Expected	Actual (Tonnes)	Shortfall	
1977-78 ..	84,026	21,006	13,376	7,630	36.3
1978-79 ..	75,621	18,095	14,133	4,772	25.2
1979-80 ..	88,837	22,209	14,153	8,056	36.3

The table below indicates the break-up of production into different grades as compared to targets fixed for the three years up to 1979-80 :

Year	Targets fixed			Actual production (Tonnes)			Percentage of actual production to target fixed		
	Acid	Metallurgical	Total	Acid	Metallurgical	Total	Acid	Metallurgical	Total
1977-78	8,400	4,800	13,200	8,974	4,402	13,376	106.8	91.7	101.3
1978-79	10,300	3,950	14,250	9,841	4,292	14,133	95.5	108.6	99.1
1979-80	12,600	4,200	16,800	11,281	2,872	14,153	89.5	68.4	84.3

The plant did not give the required concentrates with P_2O_5 content of 0.25 *per cent*. The Company had carried out certain modifications in the process to depress P_2O_5 as well as to improve the grade of concentrates but detailed records were not kept indicating various modifications carried out, their cost and the results achieved.

The ore is ground and passed through the floatation ceils by adding various reagents for expediting the process and making it possible to float the fluorspar concentrates. Norms fixed and the actual consumption of five important reagents for the three years up to 1979-80 is given below:

Name of reagent	Standard laid down	Actual consumption during		
		1977-78	1978-79	1979-80
	(Quantity in Kgs per tonne of ore)			
Sodium silicate ..	3.00	2.66	2.31	1.55
Alum	3.80	4.01	4.19	2.88
Soap (Olic Acid) ..	0.90	0.95	1.17	0.71
Katha	0.25	0.27	0.39	0.29
Starch	0.12	0.14	0.29	0.29

The Management stated (August 1980) that the cost statements were being checked constantly and pursued by the Technical Cell of the Head Office. However, specific reasons for the excess consumption of reagents were not investigated.

(iii) Briquetting

The Company commissioned (November 1973) a briquetting plant for agglomerating metallurgical grade fluorspar powder. The details of installed capacity, the targets fixed and actual production of briquettes during the three years up to 1979-80 are given hereunder :

Year	Installed capacity	Targets fixed	Actual production	Percentage of actual production to	
				Installed capacity	Targets fixed
	(In tonnes)				
1977-78 ..	14,400	6,000	5,179	35.96	86.31
1978-79 ..	14,400	6,000	4,676	32.47	77.93
1979-80 ..	14,400	6,000	5,573*	38.69	92.86

Note : *The production was curtailed to match the demand.

(iv) Avoidable expenditure due to excessive load

(*a*) The Company entered into a contract in October 1968 with Gujarat Electricity Board for a contract demand of 3,000KVA for a period of seven years expiring on 31st March 1976. The project authorities after operation of the plant found (June 1971) that the actual load taken was approximately 1,700 to 1,800 KVA as against the contracted load of 3,000 KVA. It was also noticed at that stage that on installation of capacitors, the load was expected to come down to 1,500 KVA. The contract demand, however, was got reduced to 2,250 KVA from 1st December 1971. The matter was again examined in October 1975 and it was found that load had remained between 1,300 KVA and 1,400 KVA and would not exceed 1,900 KVA even if the plant worked at full capacity.

Due to improper estimation of load and non-review of the same in time the Company had to incur an additional expenditure of Rs.1.84 lakhs for the period from April 1970 to March 1976 for the shortfall in the utilisation of the contracted demand. The Management stated (February 1981) that being an altogether new plant, the advice of the consultant was accepted and this was done to err on the safer side than to starve the plant for want of power.

(b) The Company could not adhere to the power factor clause and also to the due dates for payment of bills and hence paid penalty of Rs. 0.19 lakh for low power factor and Rs. 0.06 lakh as charges for delayed payment during the year 1979-80. It was stated by the Management (August/September 1980) that power factor could not be maintained due to drawing more power at times and charges for delayed payment were due to the system of routing bills through Head Office.

(v) Sodium silicate plant

Sodium silicate is used both as reagent in the beneficiation of fluorspar ore and as a binder in manufacture of briquettes of fluorspar. The Company decided (February 1977) to put up a sodium silicate plant for departmental manufacture of sodium silicate at an approximate cost of Rs. 1.94 lakhs. The production was to be for captive use and not for trading. The work was completed by September 1978. When the Company was about to start commercial production, it was informed (October 1979) by the Government of India that manufacture of sodium silicate was reserved for small scale sector and no medium or large scale industry could produce such reserved item. The Government of India further advised the transfer of the unit to a small scale unit. As such the asset created by incurring an expenditure of Rs. 1.81 lakhs (up to 31st March 1980) remained unutilised/ undisposed of (January 1982).

The Management stated (September 1981) that the matter was pursued with the Government of India through the State Government to allow the Company to run the plant as a special case and such permission was awaited. In the meantime, the Company had issued open invitation to small scale entrepreneurs to run the plant on hire basis and to provide silicate for the plant.

B Sand stone and silica sand project

(i) Considering that other projects would take considerable time to go into operation, the Company decided (August 1963) to take up a small project which would earn profit to meet the establishment expenses and got (April 1964) 77 *acres* of land on lease from Government for undertaking mining of silica sand in Chotila *taluka* (Surendranagar district) suitable for glass industries and also for use in ceramic refractories, abrasives and silicate industries. The State Government also allotted land measuring 16,000 square yards for putting up a crushing and screening plant. The project came into operation in June 1965 with the commencement of mining of sand stone lumps and rubbles.

The following table gives the targets and actual production of sand stone for the three years up to 1979-80 :

Year		Production		Percentage of actual to target
		Target	Actual	
		(Tonnes)		
1977-78	..	13,200	12,163	92.1
1978-79	..	10,700	7,591	70.9
1979-80	..	12,300	5,142	41.8

The Management stated (September 1981) that decline in production during 1978-79 and 1979-80 was due to shortage of labour and declining efficiency of labourers consequent upon the implementation of the minimum wage schedule. They also stated that efforts to increase production did not yield any result due to resistance from the Trade Union.

(ii) In the initial stage, sand stones obtained after manual mining were subjected to dis-integration by passing a stone roller over the rubbles spread on the ground and screening the same into various mesh sizes before marketing. The process resulted in lower production, higher cost and clay contamination as stated by the Management. With a view to avoid contamination and also to meet the higher demand, the Company decided (September 1964) to instal a plant for crushing silica stones. An indigenous unit with an installed capacity of 40 tonnes/day to give an output of 800 tonnes per month on single shift working at 80 *per cent* capacity was put into operation in May 1969. The following table indicates the details of operation of this plant for the three years up to 1979-80 :

Year	Plant capacity	Target	Actual production	Percentage of actual production to	
		(Tonnes)		Plant capacity	Target
1977-78 ..	12,000	8,400	4,495	37.5	53.5
1978-79 ..	12,000	7,150	4,578	38.2	64.0
1979-80 ..	12,000	7,150	5,684	47.4	79.5

Even though the plant capacity was higher, targets were fixed at lower level and the actual production was still less. The basis adopted for fixing the targets and steps taken for improving the performance of the plant were not furnished (August 1981).

Immediately after commissioning the plant, a magnetic separator for removal of iron contents was felt necessary (1969-70). After considering various alternatives over a period of seven years the Company decided (April 1977) to modify the existing plant and the modifications were carried out by January 1978 at a cost of Rs. 1.17 lakhs. In August 1978, the Board was informed that the equipment installed was of inadequate capacity and was not giving the expected production ; the suppliers attended to the defects but could not rectify them to give the desired production. In June 1979, the Board decided to restore the pre-modification process. The expenditure incurred on the modifications made after careful and detailed considerations had been rendered infructuous. The Board had envisaged a reduction in cost of production of silica sand powder by Rs. 2.30 per tonne on implementation of the modifications but the cost actually increased from Rs. 38.75 per tonne in 1977-78 to Rs. 46.51 per tonne in 1978-79.

C Bentonite

The National Mineral Development Corporation Limited (NMDC) approached (January 1975) the State Government to reserve certain areas in Kutchchh district for exploitation by them. The State Government in turn, asked Company (February 1975) whether it was interested in the said bentonite deposits.

In this context, the Company noted that the State Directorate of Geology and Mining had no details about the proved resources of bentonite in Kutchchh district, that some private operations were being carried out in the district, that the ore occured in small and eratic pockets which could be exploited by the Company.

Accordingly, the Company decided (June 1975) to undertake mining of bentonite and to apply for areas falling in the bauxite belt of Company's bauxite mining leases. The Company applied for mining leases from time to time, but after excavating about 600 tonnes of bentonite the Company stopped mining, because of the poor quality of the mineral excavated. The Company had not surrendered these uneconomic leases and had incurred a liability of Rs. 0.36 lakh on them (March 1980), on account of dead rent and surface rent. Out of 600 tonnes of bentonite mined 382 tonnes was lying in stock (July 1980). The Management stated (September 1981) that mining was done on trial basis and stock was not reflected in accounts. To ensure quality control of bentonite which faced stiff competition from private parties, the Company decided to create its own facilities at a cost of Rs. 0.25 lakh for testing the samples (February 1977). A laboratory with a chemist and equipments worth Rs. 1.63 lakhs was established (August 1977) at Bhuj. Bentonite mining having been stopped, only 70 bentonite and 172 bauxite samples were analysed in the laboratory between August 1977 and June 1980. The chemicals, glasswares and instruments which accumulated in the laboratory were expected to be used on the commencement of Company's bentonite project in 1981-82.

From the above details, it follows that no regular survey of the proved reserves, their quality, their marketability *etc.*, was carried out before undertaking this project and as a result the testing facilities created could not be fully utilised.

D Bauxite

The details of leases for bauxite obtained from time to time are given hereunder :

Name of the taluka/district	Area of lease (hectares)	Date of commencing operation
Mandvi taluka, Kutchchh district ..	328 (2 leases)	December 1968*
Bhatia taluka, Jamnagar district ..	187	January 1970
Abdasa taluka, Kutchchh district ..	62	June 1978
Mandvi taluka, Kutchchh district ..	9	April 1976
Mandvi taluka, Kutchchh district ..	227	**

The table on pages 34 and 35 indicates the targets fixed and actual production in respect of bauxite mining operations in the two districts of Kutchchh and Jamnagar for the three years up to 1979-80 :

* The operations were closed in January 1978 due to depletion of resources of higher grade ore.

** Though lease was obtained in January 1977, the mines had not been operated so far (August 1981).

STATEMENT

	1977-78	
	Kutchchh	Jamnagar
Area operated	399	187
Target fixed	18,000	24,000
Actual production	9,866	12,962
Percentage of production to target	54.8	54.2

Note.—Figures of actual production are as per production records of

1978-79		1979-80	
Kutchchh	Jamnagar	Kutchchh	Jamnagar
(Hectares)			
71	187	71	187
(Tonnes)			
37,800	20,500	19,000	18,000
15,333	15,676	18,054	25,052
(*Per cent*)			
40.6	76.5	95.0	139.2

the Mines. The accounts figures are after adjustments of excesses, *etc.*

Targets have not been achieved except during 1979-80.

The Management stated (September 1981) that the production was regulated on the basis of orders available and with reference to availability of wagons.

Lease-wise record of ore deposits, actual excavations done and the balance deposits available/forgone was not maintained, there was also no record to show that the available quantity had been fully excavated. Moreover, in the absence of any specific plan to excavate specific areas, the operations were being carried out on *ad-hoc* basis. There was also no corelation or reconciliation between the quantity produced as per production reports and the quantity excavated as per periodical reports to Director General of Mines Safety.

The following table compares the cost of production at mines for the two mines in Kutchchh and Jamnagar district for the three years up to 1979-80 :

Year	Cost of production	
	Kutchchh	Jamnagar
	(Rupees per tonne)	
1977-78	31.10	30.98
1978-79	28.59	25.48
1979-80	28.89	21.37

3.08 Sales and sales performance

(*i*) *Pricing policy*

The Company formed a Pricing Committee in May 1974 consisting of three members to review and revise, from time to time, prices of the products sold by the Company and to deal with and decide all issues and matters pertaining to and arising from sales of all products of the Company in the internal and export markets. In August 1974, the Committee was required to report cases of revision in prices to the Board. The Chairman and the Managing Director were also authorised to make variations up to plus/minus 10 *per cent* in the prices fixed, subject to report to the Board.

Subsequently (January / July 1975) the Chairman/Managing Director were authorised to fix the sale price of lignite and bauxite and Board was normally approached for fixation of sale price of fluorspar. The Pricing Committee was abolished (March 1977) and fixation and revision of prices was taken over by the Board.

The table below gives the details of sales of the 4 minerals for the three years up to 1979-80 :

	Fluorspar	Bauxite	Glass sand	Lignite	Total
Sales		(Tonnes)			
1977-78	15,619	44,221	8,062	62,800	1,30,702
1978-79	17,108	48,404	6,533	1,58,247	2,30,292
1979-80	19,851	42,150	9,206	2,24,261	2,95,468
Sales value			(Rupees in lakhs)		
1977-78	2,55.68	32.62	4.06	31.12	3,23.48
1978-79	2,83.96	37.55	3.40	77.89	4,02.80
1979-80	3,16.43	27.64	4.95	1,48.67	4,97.69
Average realisation (Rupees per tonne)					
1977-78	1,637	74	50	50	247
1978-79	1,660	78	52	49	175
1979-80	1,594	66	54	66	168

The net realisation per tonne had shown a downward trend eventhough quantity of sales had increased. This was due to more sales of lower priced minerals and also lowering the price of fluorspar during 1979-80.

(*ii*) *Sale of fluorspar*

There was heavy accumulation of filter cakes (11,000 tonnes : value Rs. 1.07 crores as on 31st March 1975). Following the recommendations of the Committee on Public Undertakings (4th Report-Third Vidhan Sabha) in February 1976 to take steps to dispose of expeditiously this accumulated stock, the Company decided (October 1978) to invite offers through open advertisement. In response to the advertisement only two parties quoted Rs. 400 and Rs. 700 per tonne. After negotiations a rate of Rs. 825 per tonne exclusive of excise duty and sales tax was agreed upon and was accepted by the Board (December 1978). This offer was subject to the condition that 7000 tonnes would be lifted within a maximum period of one year of contract, the party would deposit a non-refundable security of ten *per cent* of the value of 7000 tonnes and failure to abide by the contract would entail its forfeiture. These conditions were modified (February 1979) by the Board limiting the security deposit to Rs. 1.5 lakhs and granting of credit for 45 days from the date of delivery, against irrevocable and revolving letter of credit in favour of the Company from a nationalised bank. Credit attracted interest at 15 *per cent* for the usance period and bank charges. The party accepted the terms and order was issued on 20th March 1979 after obtaining a letter of credit for Rs. 5 lakhs and deposits of Rs. 1.5 lakhs towards security deposit. During the period from March 1979 to March 1980, the party lifted a quantity of 2391 tonnes as against the agreed quantity of 7000 tonnes.

The sale of 2391 tonnes of cakes at Rs. 825 per tonne (against the cost of production of Rs. 922.33 and Rs. 981.63 during 1977-78 and 1978-79 respectively) had resulted in a loss of Rs. 3.74 lakhs. The Company had not decided (February 1981) the question of forfeiture of deposit as per contract.

(*iii*) *Sale of bauxite*

On 11th April 1974, the Company agreed to supply 20,000 tonnes of high grade bauxite at Rs. 45 per tonne ex-mines (Kutchchh) to a party of Bombay for export, to be lifted before 31st December 1974. Necessary security deposit of Rs. 0.45 lakh at five *per cent* of the order value was received in April 1974. In October 1974, the party expressed its inability to lift the material due to rise in ocean freight rates and requested for refund of security deposit.

The Board considered the request (2nd April 1975) and decided to adjust his deposit against another purchase of bauxite worth Rs. 0.95 lakh by the party provided the balance of Rs. 0.50 lakh was paid in advance. The party had neither made the advance payment nor lifted the material. The Company had not forfeited (January 1982) the security deposit.

A number of enquiries for export were received and supplies were effected to the local exporting agencies. The Company was neither directly exporting bauxite nor efforts were made through the Gujarat State Export Corporation Limited to export the ore. During the years 1977-78 and 1978-79 a total quantity of 21,400 tonnes of ore valued at Rs. 27.33 lakhs was supplied to the Minerals and Metals Trading Corporation of India Limited for export. The details of sales to local parties for export were not available. (Separate records showing sale of ore for export were not maintained.)

3.09 Loss due to shortage

(a) The Company started mining operations of bauxite at Mevasa Mines (Jamnagar district) from January 1970. There was no system of physical verification and there was no wieghbridge to ascertain the actual production of ore mined or despatched. The stock of ore was physically verified jointly with the help of two surveyors and it was noticed that there was a difference of 21,887 tonnes of bauxite ore (value : Rs. 2.34 lakhs approximately) between the physical balance and the stock balance. In July 1977, the Board considered these shortages and decided to set up a Committee to inquire into the reasons for the shortages as well as to suggest remedial measures for future. It was explained to the Committee that certain heaps of the bauxite ore originally rejected by the consumers, from which further sorting was done, might have been got mixed up with the waste heaps. After considering such stock at 5390 tonnes, the balance difference of 16497 tonnes (value : Rs. 1.79 lakhs) was written off in accounts for 1976-77 by the Board.

The Committee appointed in July 1977, visited the projects, investigated shortages and submitted a report to the Board which was accepted in June 1979. The important observations of the Committee were as under :

(i) Some quantity might have got mixed up with waste dumps requiring analysis of waste dumps ;

(ii) There was a practice of loading wagons on volumetric basis and to avoid shortages at destination the wagons were used to be comfortably over-loaded ;

(iii) Quantity mined was assessed and paid for on piece rate basis on the number of boxes filled in and lesser quantity might have been mined, if boxes had not properly been filled in.

The Committee concluded that the difference in stock might not be a result of the material moving out (unauthorisedly) but may be a cumulative result of the policies and practices followed, including system of production, reporting and paying on number of boxes filled in.

Thus, the loss written off could not be analysed accurately. The production was still being assessed on box basis and there was no weighbridge to weigh the material despatched from the mines.

(b) Shortage of silica sand

The Board decided (September 1976) that regular physical verification by volumetric basis should be done. Physical verification of silica sand stock was accordingly carried out in July 1976, January and April 1977. There were wide variations and it was submitted to the Board in July 1977, that stocks were verified earlier, the production was measured volumetrically, despatches were based on weighbridge figures or railways weighments and differences were possibly due to inaccuracy of measurements. As against the shortages of about 5000 tonnes in the stock of rubbles and sand stone and 390 tonnes in 30-80 mesh powder, there was an excess of 2270 tonnes in waste silica. The Board there upon decided (July 1977) to appoint a sub-committee to inquire into reasons for shortages and suggest remedial measures. This sub-committee was informed that most of the despatches were towards Bombay, involving transhipment at Viramgam and there was a practice to load 20 *per cent* excess material of loose despatches and 10 *per cent* on packed material to avoid reimbursement of freight charges. The committee considered this loss as an administrative lapse but did not consider any possibility of collusion or un-authorised outing. In the meantime, the shortages amounting to Rs. 0.23 lakh were written off in accounts for 1976-77 before the report of sub-committee was received. No weighbridge was installed (September 1981)and due to closure of the railway station at Surajdeval, most of the marterial was being despatched by road transport on volumetric basis.

3.10. Inventory and inventory control

The table below indicates the value of closing stock balance of various categories of stores at the end of each of the three years up to 1979-80:

	1977-78	1978-79	1979-80
	(Rupees in lakhs)		
Finished goods	30.41	9.53	18.42
Goods in process	63.81	56.80	9.01
Mined ore			
(i) Fluorspar and Silica Sand	13.29	16.13	11.09
(ii) Bauxite	7.75	6.60	7.92
Stores and Spare parts ..	60.99	70.79	1,09.34
Loose tools	0.49	0.79	1.19

The decreasing trend in finished goods and goods in process was partly due to clearance of stock at concessional rates as well as curtailment of production to match the sales turnover.

There was no system to assess obsolete, unserviceable, slow moving items. An attempt was made to categorise the stock of stores at Kadipani project during physical verification by the Management and it was noticed that spares worth Rs. 0.96 lakh were no longer required and the anticipated realisable value thereof was Rs. 0.14 lakh. The balance of Rs. 0.82 lakh was written off in the accounts for 1979-80. Out of 7100 items in stock (value : Rs. 50 lakhs approximately), more than 2300 items (value : Rs. 14.4 lakhs), were of slow moving, insurance and obsolete nature. No attempt was made to categorise the stock of stores at other place.

On a review of the stores records maintained at various places, the following points were found to deserve mention:

—maximum, minimum and re-ordering level were not prescribed,

—no bin cards were maintained,

—items were not segregated into capital and consumable stores, and

—no records were maintained of the intermittent use of spares, motors, *etc.*

As value accounts were not maintained, the consumption was arrived at by deducting value of the physical balance at the close of the year from the value of opening stock, purchases plus inter-unit transfers. Discrepancies and shortages thus got merged in the figure of consumption for the year.

3.11 Cash and cash planning

The Company had kept substantial amounts in the fixed deposits earning interest ranging from $2\frac{1}{2}$ to 6 *per cent per annum* though there was continuous need of funds (during April 1974 to February 1975, November 1975 to March 1977, June to Novemeber 1977 and February to November 1978) which had to be met by arranging cash credit/overdraft facilities at 14 to 16 *per cent per annum* interest. The details of balance of cash credit/overdraft, the amount in fixed deposits with various banks as at the end of four years are given below :

Balance as on 31st March Rupees in lakhs	Amount in cash credit/overdraft (Rupees in lakhs)	Amount in fixed deposits
1977	13.89	10.35
1978	..	23.27
1979	..	24.35
1980	27.81	171.17

Cash credit account was operated throughout the year 1978-79 though as on 31st March 1979 there was 'nil' balance. During 1979-80, sufficient balances were available in fixed deposit throughout the year, whereas the Company had availed of cash credit/overdraft facilities from June 1979 to March 1980. As against a total interest liability of Rs. 3.06 lakhs (for the varying balances of cash credit from Rs. 2.15 lakhs to Rs. 38.71 lakhs during June 1979 to March 1980), the total receipt on account of interest on fixed deposits (varying from Rs. 24 lakhs to Rs. 191 lakhs) was Rs. 2.22 lakhs only resulting in a loss of interest to the Company.

The Management stated (September 1980) that the amounts received from the State Government were being kept in short term deposits so as to make them available at the time of requirement for capital expenditure of various projects. It was also stated that exact planning of cash resources and its application was extremely difficult task as this depended upon year to year projections and all the projections not being realised fully, affected the financial planning. As the Company was planning output/sales, *etc.* periodically, a systematic effort to curb borrowings was needed. The cash budgeting was not done.

3.12 Internal Audit

The Company had an internal audit department headed by a qualified Chartered Accountant and was assisted by regular staff.

The internal audit was responsible for pre-audit of all the transactions of the Head Office as well as of capital works and continuous audit of accounts, stores and other financial and monetary transactions. It was also made responsible for rigid implementation of the provisions of the accounting manual, stores manual and for budgetary control and was placed under the overall control of the Financial Controller. Though in July 1973, it was placed under the direct control and supervision of the Managing

Director, it was, with effect from July 1979 reporting matters to the Financial Controller without any change in the procedure. Periodical reports about the important irregularities found during audit were made to the Financial Controller/Managing Director. Compliance of the audit objections by Accounts departments was not watched.

From the programme prepared and annual reports submitted during the three years up to 1979-80, it was observed that several records such as cost records, records of consumptions of re-agents in the process, records of consumption of tools and spares, records regarding blending and consumption of ore and process losses, records of emergency purchases made by the projects, physical verification of fixed assets and dead stock registers of projects, service books and leave accounts of the staff at projects, purchases and stock record of stationery articles as well as physical verification of filter cake stocks at Kadipani, records of planning, technical and civil departments had not been covered in internal audit.

Statutory Auditors had also pointed out in their report on the accounts of the Company for the years 1975-76 and 1977-78 that the internal audit was inadequate and had not attended to some aspects of the Company.

3.13 Idle machinery

(a) The Company purchased for its Kadipani Project a ball mill in November 1976 for Rs. 0.33 lakh. This mill was installed (December 1978) and commissioned (January 1979) for executing one order for 230 tonnes manganese briquettes for a public sector undertaking. After producing 239 tonnes briquettes, 222 tonnes were despatched in March 1979 (value: Rs. 2.30 lakhs), the mill was lying idle as there were no further orders for briquettes.

(b) The Company, with a view to increasing production, installed a vibrating screen and allied equipment for Rs. 1.17 lakhs in January 1978 which were not found to be giving desired production. The same were, therefore, removed (June 1970) and were lying idle. Further one Cooper engine of 40 HP (cost : Rs. 0.25 lakh) was also idle and hence despatched to Panandharo Lignite mines but was returned immediately. Vibrating screen and screw feeder were sent to Fluorspar project and Cooper engine was sent to Multi Metal Project, (September 1981). The details of their utilisation were awaited.

(c) The Company had a number of machines but details of total available hours for operation, total hours actually operated, reasons for under utilisation, if any, consumption of fuel per hour *etc*; were not being complied for analysing the reasons for the variations.

3.14 Workshop records

The Company has full fledged workshops, at Fluorspar project, Kadipani as well as at Lignite project, Panandhro, for undertaking repairs and replacement of machinery and equipment including preventive maintenance. The workshops were not maintaining job wise records showing the date of receipt of job, inspection reports showing nature of damage and replacement/repairs suggested *etc.*, major/minor repairs carried out and dates of their completion. The Management stated (February 1981) that material issue tickets for issue of material for each vehicle, *etc.*, were kept and more elaborate records would unnecessarily involve extra labour and result in avoidable expenditure and duplication of records.

3.15 Other topic of interests

Insurance claim

Two dumpers (Cost : Rs. 2.65 lakhs) stationed at Panandhro-Kutchchh Lignite mines of the Company met with accidents on 27th August 1978 and 24th December 1979. The lignite project office lodged claims with the insurance company and requested it (August 1978/December 1979) to make arrangements for survey so that estimate of loss could be known. However, surveyors from the insurance company did not visit the site till January 1981. The Company approached Ahmedabad office of the insurance company. According to the Management (September 1981) the insurance company had finalised the survey and procedure for settlement of the claim was in progress.

3.16 Summing up

(i) The actual production of fluorspar ore was less than the targets of production fixed for 1978-79 and 1979-80. The actual cost of mining increased from Rs. 31.84 per tonne in 1977-78 to Rs. 39.07 in 1979-80 as against the estimated cost of Rs. 17.26 per tonne. The shortfall in beneficiated product produced from raw ore varied from 25.2 to 36.3 *per cent*. The actual consumption of reagents exceeded the norms fixed.

(ii) Due to improper estimation of load of electricity and non-review of the same from time to time, the Company had to pay to Gujarat Electricity Board an additional amount of Rs. 1.84 lakhs.

(iii) Expenditure of Rs. 1.81 lakhs incurred on purchase and erection of a sodium silicate plant (September 1978) remained unfruitful as the Company was not authorised to manufacture Sodium Silicate which was reserved for the small scale sector.

(iv) Production of sand stone in the sand stone and silica sand project was much below the target and declined from 92.1 *per cent* in 1977-78 to 41.8 *per cent* in 1979-80. The target for crushing silica stones was fixed much below the plant capacity and the actual production was even below targets. Modifications made to the plant for improvement of the performance (cost : Rs. 1.17 lakhs) were not helpful and additional equipments dismantled had remained idle.

(v) Bentonite excavated was of poor quality and the mining was stopped. The Company incurred a liability of Rs. 0.36 lakh on dead rent and surface rent of area acquired on lease for mining and 382 tonnes bentonite excavated remained in stock. Investment of Rs. 1.63 lakhs made on laboratory equipment remained idle.

(vi) Records showing leasewise assessment of deposits of bauxite, actual excavation done and balance available were not maintained. Cost of production per tonne of ore varied from Rs. 31.10 to Rs. 28.59 and Rs. 30.98 to Rs. 21.37 respectively for Kutchchh and Jamnagar district during the three years up to 1979-80.

(vii) In the sale of fluorspar cake, the Company incurred a loss of Rs. 3.74 lakhs.

(viii) Production of bauxite was assessed on box basis, there was no weighbridge to weigh the ore mined, wagons were overloaded to avoid shortages at purchaser's end.

(ix) The Company was keeping large balances in fixed deposits simultaneously availing of cash credit/overdraft facility at higher rates of interest thereby incurring loss.

(x) Two dumpers which were involved in accidents remained out of use from August 1978/December 1979 to-date (June 1981) as the damage to the dumpers had not been surveyed by the insurance company.

CHAPTER II

STATUTORY CORPORATIONS

SECTION IV

4.1 Introduction

There were five Statutory Corporations in the State as on 31st March 1980:

— Gujarat Electricity Board,

— Gujarat Industrial Development Corporation,

— Gujarat State Financial Corporation ,

— Gujarat State Road Transport Corporation and

— Gujarat State Warehousing Corporation.

A synoptic statement showing the summarised financial results of the Corporations based on the accounts for 1979-80 is given in Appendix 'B'.

4.2 Gujarat Electricity Board

The working results, operational performance and a detailed review on transmission and distribution lines (construction) including purchse of poles have been dealt with in Section V of this report.

4.3 Gujarat Industrial Development Corporation

4.3.1 *Introduction*

The Gujarat Industrial Development Corporation was formed in August 1962 under the Gujarat Industrial Development Act, 1962.

4.3.2. *Capital*

The capital requirements of the Corporation are provided in the form of loans from State Government, the public and from the financial institutions.

The aggregate of long-term loans (including loans from Government) obtained by the Corporation was Rs. 50,82.89 lakhs at the end of 1979-80 and represented an increase of Rs. 6,87.55 lakhs, (15.64 *per cent*) on the long-term loans of Rs. 43,95.34 lakhs as at the end of the previous year. Details of loans obtained from different sources and outstanding at the close of the two years up to March 1980 were as follows :

Sources	Amount outstanding as on 31st March 1979	1980	Percentage increase
	(Rupees in lakhs)		
State Government	12,55.15	16,19.94	29.1
Public	16,34.56	17,51.01	7.1
Banks	8,21.31	8,07.19	(—)1.7
Life Insurance Corporation of India	5,73.00	7,30.50	27.5
Housing and Urban Development Corporation	1,11.32	1,24.25	11.6
Others	..	50.00	..
Total	43,95.34	50,82.89	15.6

Government had also given subsidies to the Corporation for development of rural industrial estates and for implementing the scheme for providing employment to educated unemployed persons and other schemes sponsored by Government. The amount of subsidy remaining unutilised or unadjusted as on 31st March 1980 was Rs. 2,33.36 lakhs out of Rs. 3,46.46 lakhs received till that date.

4.3.3 *Guarantees*

Government had guaranteed the repayment of loans raised by the Corporation to the extent of Rs. 42,74.99 lakhs and the payment of interest thereon. The amount of principal guaranteed and outstanding as on 31st March 1980, was Rs. 25,51.46 lakhs.*

*The figure as per Finance Accounts is Rs. 40,41,86 lakhs. The difference was partly due to repayment of loans for which guarantees were not vacated ; the difference is under reconciliation.

4.3.4 *Financial position*

The financial position of the Corpoartion at the close of three years up to March 1980 is given in the following table :

	1977-78	1978-79	1979-80
		(Rupees in lakhs)	
Liabilities			
(a) Loans	41,62.09	43,95.34	50,82.89
(b) Subsidy from Government	1,18.95	2,14.37	2,33.36
(c) Reserves and Surplus ..	1,26.37	1,46.08	1,85.77
(d) Receipt on capital account	9,98.33	15,11.39	19,86.71
(e) Current liabilities and provisions (including deposits)	10,58.27	10,48.53	13,53.40
Total	64,64.01	73,15.71	88,42.13
Assets			
(a) Gross block	37.84	52.55	60.85
(b) *Less* : Depreciation ..	14.97	19.49	24.60
(c) Net fixed assets ..	22.87	33.06	36.25
(d) Capital expenditure on development of industrial estates, *etc.*	53,46.21	57,31.94	69,20.60
(e) Investments	77.78	74.64	76.94
(f) Other assets	9,84.22	14,66.54	17,69.54
(g) Miscellaneous expenditure	32.93	29.53	38.80
Total	64,64.01	73,15.71	88,42.13
Capital invested* ..	42,38.46	45,41.42	52,68.66
Capital employed** ..	51,06.13	58,36.46	68,77.96

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

**Capital employed represents the mean of the opening and closing balances of reserves and surplus, subsidy from Government, borrowings and receipts on capital account.

4.3.5 *Working results*

The working results of the Corporation for the three years up to 1979-80 are summarised below :

	1977-78	1978-79	1979-80
		(Rupees in lakhs)	
Revenue receipts	4,73.20	4,83.25	6,09.01
Net expenditure (after capitalisation)	4,42.09	4,63.54	5,69.33
Excess of income over expenditure	31.11	19.71	39.68
Provision for replacement and renewal	14.68	16.65	19.91
Net surplus	16.43	3.06	19.77
Total return on			
(a) Capital invested ..	3,57.34	3,77.36	3,89.97
(b) Capital employed ..	3,57.34	3,77.36	3,89.97
Rate of return on		*(Per cent)*	
(a) Capital invested ..	8.34	8.31	7.41
(b) Capital employed ..	7.00	6.47	5.67

4.3.6 *Operational performance*

The following table indicates the operational performance of the Corporation for the three years up to 1979-80 :

	As on 31st March		
	1978	1979	1980
(a) Number of estates	78	86	111
(b) Area acquired (in hectares) ..	5318	5627	6653
(c) Area developed (in hectares) ..	3279.3	3430.5	3951.3

	As on 31st March		
	1978	1979	1980
(d) Cost of land and development (Rupees in lakhs) ..	31,36.50	34,09.31	41,25.28
(e) Area allotted (in hectares) ..	1888.6	2121.8	2632.7
(f) Number of sheds			
(i) constructed	4,523	4,869	5,437
(ii) allotted	4,001	4,615	5,234
(g) Number of housing quarters ..			
(i) constructed	3,018	3,018	3,244
(ii) allotted	2,786	2,909	2,995
(h) Percentage of		(*Per cent*)	
(i) area developed to area acquired	61.6	60.9	59.3
(ii) area allotted to area developed	57.6	61.9	66.6
(ii) sheds allotted to sheds constructed	88.5	94.8	96.3
(iv) quarters constructed to quarters allotted	92.3	96.4	92.6

4.4 Gujarat State Financial Corporation

4.4.1 *Introduction*

The Gujarat State Financial Corporation was established in May 1960 under the State Financial Corporations Act, 1951. The jurisdiction of the Corporation was extended to serve the Union Territory of Dadra and Nagar Haveli also with effect from 11th May 1967.

4.4.2 *Capital*

The paid-up capital of the Corporation as on 31st March 1979 was Rs. 10,00.00 lakhs (State Government: Rs. 4,89.04 lakhs; Industrial Development Bank of India Rs. 4,70.00 lakhs and others: Rs. 40.96 lakhs) and the paid-up capital remained the same as on 31st March 1980.

4.4.3 *Guarantees*

The Government had gauranteed the repayment of share capital of Rs. 9,00.00 lakhs* (excluding special share capital of Rs. 1,00.00 lakhs) under Section 6 (1) of the State Financial Corporations Act, 1951 and payment of minimum dividend thereon at the rate of 3½ *per cent.* Subventions paid by Government (up to March 1980) towards the guaranteed dividend amounting to Rs. 13.34 lakhs were transferred to Special Reserve No. 3 (Capital Fund) as agreed to by the State Government and as such no amount was outstanding for repayment as on 31st March 1980. The table below indicates the details of other guarantees given by Government for repayment of loans and fixed deposits raised/received by the Corporation and payment of interest thereon:

Particulars	Years of guarantee	Amount guaranteed	Amount outstanding as on 31st March 1980		
			Principal	Interest	Total
			(Rupees in lakhs)		
Loans ..	1964-65 to 1979-80	48,36 05	46,19.50	54.43	46,73.93
Fixed Deposits ..	1966-67 to 1975-76	5,00.00	1,62.19	8.02	1,70.21
	Total ..	53,36.05**	47,81.69	62.45	48,44.14**

4.4.4 *Financial position*

The table below summarises the financial position of the Corporation under broad headings for the three years up to 1979-80 :

	1977-78	1978-79	1979-80
	(Rupees in lakhs)		
Capital and liabilities			
(a) Paid-up capital	8,00.00	10,00.00	10,00.00
(b) Reserve fund, other reserves and surplus	3,99.52	5,28.85	6,89.76

*The amount shown as guaranteed in the Finance Accounts is Rs. 700 lakhs; the differene is under reconciliation

**The figures as per Finance Accounts are Rs. 6891.05 lakhs and Rs.63,47.17 lakhs respectively; differences are under reconciliation.

	1977-78	1978-79	1979-80
	(Rupees in lakhs)		
(c) Borrowings			
(i) Bonds and debentures ..	32,89.50	38,77.00	46,19.50
(ii) Deposits	2,16.72	2,05.53	1,62.19
(iii) Industrial Development Bank of India	29,38.34	37,45.71	46,82.51
(iv) Loans towards share capital			
(a) State Government ..	..	..	2,00.00
(b) Industrial Development Bank of India	..	..	2,00.00
(v) Others (including State Government loans)	56.02	1,28.58	1,43.16
(d) Subventions paid by the State Government on account of dividend	6.68	3.35	..
(e) Other liabilities and provisions ..	2,27.50	2,80.31	3,59.43
Total	79,34.28	97,69.33	1,20,56.55

Assets

	1977-78	1978-79	1979-80
(a) Cash and bank balances ..	2,22.14	2,01.22	4,08.88
(b) Investments	1,39.05	1,41.57	1,18.23
(c) Loans and advances	65,62.06	80,51.69	98,04.41
(d) Net fixed assets	9.04	8.90	9.62
(e) Dividend deficit account ..	6.68	3.35	..
(f) Other assets..	9,95.31	13,62.60	17,15.41
Total ..	79,34.28	97,69.33	1,20,56.55
Capital employed †	71,73.55	85,69.91	1,05,63.37
Capital invested *	73,62.00	89,68.81	1,10,91.12

†Capital employed represents the mean of the opening and closing balances of paid-up capital, reserves (other than those which have been funded specifically and backed by investment outside), bonds, deposits and borrowings (including refinance)

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

4.4.5 *Working results*

The following table gives details of the working results of the Corporation for the three years up to 1979-80 :

Particulars	1977-78	1978-79	1979-80
	(Rupees in lakhs)		
1. *Income*			
(a) Interest on loans and advances	5,87.60	7,59.11	9,47.43
(b) Other income ..	45.62	35.85	53.20
Total ..	6,33.22	7,94.96	10,00.63
2. *Expenses*			
(a) Interest on long-term loans ..	4,01.11	4,75.86	5,84.44
(b) Other expenses	1,04.19	1,11.36	1,62.87
Total ..	5,05.30	5,87.22	7,47.31
3. Profit before tax	1,27.92	2,07.74	2,53.32
4. Provision for tax	47.97	76.81	90.86
5. Other appropriations	58.32	1,06.10	1,30.47
6. Amount available for dividend ..	21.63	24.83	31.99
7. Dividend paid	17.57	21.40	24.55
8. *Total return on*			
(a) Capital employed	5,29.03	6,83.60	8,37.76
(b) Capital invested	5,29.03	6,83.60	8,37.76
9. *Percentage of return on*			
		(Per cent)	
(a) Capital employed	7.37	7.98	7,93
(b) Capital invested	7.19	7.62	7.55

4.4.6 *Disbursement and recovery of loans*

The loan performance of the Corporation in the disbursement / recovery of loans during the three years up to 1979-80 is indicated below :

Particulars	1977-78 Number	1977-78 Amount (Rupees in lakhs)	1978-79 Number	1978-79 Amount (Rupees in lakhs)
1. Applications pending at the beginning of the year	201	7,83.71	308	7,31.36
2. Applications received	1,603	37,47.63	1,794	56,62.56
3. Total	1,804	45,31.34	2,102	63,93.92
4. Applications sanctioned	1,227	24,53.85	1,194	28,48.48
5. Applications cancelled/ withdrawn / rejected / closed	269	9,59.99	452	14,12.13
6. Difference between loan applied and sanctioned	..	3,86.14	..	4,64.47
7. Applications pending at the close of the year	308	7,31.36	456	16,68.84
8. Loans disbursed ..	879	13,95.29	983	18,74.32
9. Amount outstanding at the close of the year	6,351	65,62.06*	7,203	80,51.70*
10. Amount overdue for recovery at the end of the year				
(a) Principal ..	2,792	12,30.05	5,562	17,05.95
(b) Interest ..	2,792	5,41.90	5,562	8,30.18
11. Percentage of default to total loans outstanding (10÷9). ..	44.0	27.0	77.2	31.5

*The figures of outstanding loans at the end of the year include other charges debited

1979-80		Cumulative since inception.	
Number	Amount (Rupees in lakhs)	Number	Amount (Rupees in lakhs)
456	16,68.84	..	..
2,200	78,09.32	19,662	3,96,98.51
2,656	94,78.16	19,662	3,96,98.51
1,492	36,35.11	14,903	2,19,79.65
793	34,73.45	4,388	1,20,39.59
..	5,41.63	..	38,51.30
371	18,27.97	371	18,27.97
1,117	22,28.53	10,422	1,31,60.31
8,228	98,04.41*	..	..
6,030	21,77.87	..	..
6,030	10,57.85	..	..
73.3	33.0	..	..

to the loanees accounts.

There were 499 loanees involving Rs. 7,82.39 lakhs (principal: Rs. 5,98.93 lakhs; interest : Rs. 1,83.46 lakhs) where legal action was taken for the recovery of the dues.

4.5 Gujarat State Road Transport Corporation

The working results, operational performance and a detailed review on purchase and performance of tyres including the two tyre retreading plants at Naroda (Ahmedabad) and Rajkot have been dealt with in Section VI of this report.

4.6 Gujarat State Warehousing Corporation

The working results, operational performance and point regarding share capital have been dealt with in Section VII of this report.

SECTION V

GUJARAT ELECTRICITY BOARD

5.1 Introduction

The Gujarat Electricity Board was formed in May 1960 under Section 5(1) of the Electricity (Supply) Act, 1948. The accounts of the Board for the year 1979-80 duly certified together with the audit certificate and report thereon were forwarded to the State Government in December 1980 for being presented to the State Legislature in terms of Section 69(4) and (5) of the Electricity (Supply) Act, 1948.

5.2 Capital

The capital requirement 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. 6,37,10.78 lakhs at the end of 1979-80 and represented an increase of Rs. 1,02,94.32 lakhs, *i. e.* 19.3 *per cent* on the long-term loans of Rs. 5,34,16.46 lakhs as at the end of the previous year. Details of loans obtained from different sources and outstanding at the close of the two years up to March 1980 were as follows :

Source	Amount outstanding as on 31st March		Percentage increase
	1979	1980	
	(Rupees in lakhs)		
1. State Government ..	3,57,84.90	4,23,99.90	18.5
2. Debentures / Bonds ..	88,35.75	1,04,72.61	18.5
3. Life Insurance Corporation of India	44,81.75	51,14.08	14.1
4. Rural Electrification Corporation Limited	23,33.75	31,39.18	34.5
5. Agricultural Refinance and Development Corporation	10,92.70	16,93.72	55.0
6. Agricultural Finance Corporation	6,75.68	6,75.68	..
7. Industrial Development Bank of India	9.60	6.86	..
8. Commercial Banks ..	1,10.67	10.57	..
9. Deferred payments ..	24.00	..	..
10. Others	67.66	1,98.18	192.9
Total ..	5,34,16.46	6,37,10.78	19.3

5.3 Guarantees

Government had guaranteed the repayment of loans raised by the Board to the extent of Rs. 1,59,37.45 lakhs* and the payment of interest thereon. The amount of principal guaranteed and outstanding as on 31st March 1980 was Rs. 1,54,22.23 lakhs.*

5.4 Financial position

The financial position of the Board at the close of three years up to 1979-80 is given in the following table :

	1977-78	1978-79	1979-80
		(Rupees in lakhs)	
Liabilities			
(a) Loans from Government ..	3,02,42.66	3,57,84.90	4,23,99.90
(b) Other long- term loans (including bonds)	1,48,01.43	1,76,31.56	2,13,10.88
(c) Reserves and surplus ..	46,44.50	51,22.96	67,34.58
(d) Current liabilities and provisions (including advances for agency work at Ukai)	1,69,01.95	1,74,83.00	1,86,27.63
Total ..	6,65,90.54	7,60,22.42	8,90,72.99
Assets			
(a) Gross fixed assets ..	4,56,21.23	5,41,04.12	6,36,02.05
(b) Less : Depreciation ..	86,05.72	97,94.36	97,24.51
(c) Net fixed assets	3,70,15.51	4,43,09.76	5,38,77.54
(d) Capital works-in-progress ..	1,51,54.33	1,72,38.94	1,80,43.30
(e) Current assets (including Ukai agency work)	1,44,20.70	1,44,73.72	1,71,52.15
Total ..	6,65,90.54	7,60,22.42	8,90,72.99
Capital employed** ..	3,58,89.00	4,29,24.80	5,41,81.02
Capital invested*** ..	5,01,23.64	5,83,35.48	6,92,00.33

*The figures as per Finance Accounts are Rs. 24,518.97 lakhs and Rs. 24,446.11 lakhs; the differences are under reconciliation.

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

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

5.5 **Working results**

The working results of the Board for the three years up to 1979-80 are summarised below :

	1977-78	1978-79	1979-80
		(Rupees in lakhs)	
(a) Revenue receipts ..	1,37,47.11	1,74,98.66	2,11,13.80
(b) Subsidy from Government ..	3.88	4.25	25.47
Total ..	1,37,50.99	1,75,02.91	2,11,39.27
(c) Revenue expenditure ..	1,05,21.91	1,34,24.39	1,54,90.29
(d) Gross surplus	32,29.08	40,78.52	56,48.98
(e) Appropriations			
(i) General reserve, *etc.* ..	2,13.28	—	—
(ii) Interest on Government loans	16,54.10	25,08.87	31,58.71
(iii) Interest on other loans and bonds	13,53.46	15,61.80	15,43.28
(iv) Discount allowed written off	6.10	..	..
(v) Preliminary expenses written off	2.14	1.81	..
(vi) Contribution to discount sinking fund	..	6.04	5.43
(vii) Repayment of loans other than Government loans	..	..	9,41.56
Total (e) ..	32,29.08	40,78.52	56,48.98
(f) Total return on capital employed	32,20.84	40,70.67	49,16.47*
(g) Total return on capital invested	29,29.75	38,26.09	47,01.99
(h) Rate of return on		(*Per cent*)	
(i) Capital employed ..	9.97	9.48	9.07
(ii) Capital invested ..	5.84	6.56	6.79

*Includes interest Rs. 214.48 lakhs included under revenue expenditure.

As on 31st March 1980 the Board had a cumulative contingent liability of Rs. 72,13.14 lakhs as detailed below :

	For the year 1979-80	Cumulative as on 31st March 1980
	(Rupees in lakhs)	
Interest on Government loans	..	49,70.73
Depreciation	18,50.10	22,42.41
Total ..	18,50.10	72,13.14

5.6 **Operational performance**

The following table indicates the operational performance of the Board for the three years up to 1979-80 :

Particulars	1977-78	1978-79 (In MW)	1979-80
1. Installed capacity			
(*i*) Thermal	1,120.5	1,316.5	1,512.5
(*ii*) Hydro	300.0	300.0	300.0
(*iii*) Others	57.0	56.5	56.5
Total* ..	1,477.5	1,673.0	1,869.0
2. Normal maximum demand (MW)	1,269.0	1,401.0	1,632.0
3. Power generated		(MKwh)	
(*i*) Thermal	4,384.327	5,323.173	6,126.502
(*ii*) Hydro	1,292.255	1,160.919	1,206.333
(*iii*) Others	131.609	123.456	75.860
Total ..	5,808.191	6,607.548	7,408.695

*These do not include Gujarat Electricity Board's share (190MW) of installed capacity in Tarapur Atomic Power Project.

	1977-78	1978-79	1979-80
		(MKwh)	
4. *Less*			
Auxiliary consumption including transformation loss	419.332	667.749	748.278
5. Net power generated ..	5,388.859	5,939.799	6,660.417
6. Power purchased ..	1,003.614	1,115.593	845.953
7. Total power available for sale	6,392.473	7,055.392	7,506.370
8. Power sold	5,155.122	5,883.580	6,243.776
9. Transformation, transmission and distribution loss ..	1,237.351	1,171.812	1,262.594
		(*Per cent*)	
10. Load factor	61.3	62.9	57.6
11. Transmission and distribution loss (8 to 6)	19.36*	16.61	16.82
		(Kwh)	
12. Number of units generated per KW of installed capacity	3,931	3,950	3,964

5.7 The following table gives other details about the working of the Board as at the end of three years up to 1979-80:

Particulars	1977-78	1978-79	1979-80
		(Numbers)	
1. Villages/towns electrified (cumulative)	8,121	9,464	10,867
2. Pump sets/wells energised (cumulative)	1,56,028	1,77,798	2,02,853
3. Sub-stations	215	221	225

*The Board had from 1978-79 onwards treated part of the transformation losses as auxiliary consumption; comparative figure of transformation and distribution loss for 1977-78 would be 17.57.

	1977-78	1978-79	1979-80
4. Transmission/distribution lines		(Kilometres)	
(*i*) High/medium voltage ..	58,946	63,825	69,748
(*ii*) Low voltage ..	48,633	54,588	62,736
5. Connected load (MW) ..	3,038.391	3,451.311	3,759.321
6. Number of consumers ..	18,17,128	20,63,938	23,09,700
7. Number of employees ..	23,621	25,584	28,068
8. Total expenditure on staff .. (Rupees in lakhs)	2256	2527	3020
9. Percentage of expenditure on staff to total expenditure	21.44	18.82	19.49

5.8 The following table gives the details of power sold and revenue, expenses and profit/loss per Kwh sold during the three years up to 1979-80 :

	1977-78	1978-79 (MKwh)	1979-80
1. Units sold			
(*a*) Agriculture	984.087	1,074.808	1,213.199
(Percentage share to total) ..	(19.1)	(18.3)	(19.4)
(*b*) Industrial	2,522.939	3,001.795	3,213.447
(Percentage share to total) ..	(48.9)	(51.0)	(51.5)
(c) Commercial	62.141	66.570	63.849
(d) Domestic	290.963	327.026	368.787
(e) Others	1,294.992	1,413.381	1,384.494
Total ..	5,155.122	5,883.580	6,243.776
		(Paise per Kwh)	
2. Revenue	25.44	27.24	32.78
3. Expenditure*	20.43	23.50	27.71
4. Profit (+)/Loss (—) ..	(+)5.01	(+)3.74	(+)5.07

*Inclusive of total depreciation for the year, but excluding interest on loans.

There was no significant increase in percentage of units sold for agriculture as compared to industrial purposes.

5.9 Transmission and distribution lines

5.9.1 *Introduction*

At the time of the formation of the Gujarat Electricity Board in May 1960 the total length of transmission (11 KV and above) and distribution (below 11 KV) lines was 4,154 and 3,282 circuit kilometres(Ckm) respectively.

5.9.2 *Growth of transmission system*

The planwise growth of generation capacity and length of transmission lines was as follows :

	As at the end of March				
	1961	1966	1974	1979	1980
Installed capacity (MW)	143.1	385.0	712.6	1,670.5*	1,866.5*
Maximum demand recorded (MW)	110.0	245.0	706.0	1,401.0	1,632.0
Total length of lines (11 KV to 220 KV- in circuit kilometres)	5,357	15,319	43,469	63,825	69,748

With the increase in generation and the need for evacuation of power from large power stations to the far off load centres, the Board increased the voltage of transmission system from time to time (up to 220 KV) and is contemplating to have 400 KV lines in the 6th Five Year Plan.

5.9.3 *Construction of transmission and distribution lines*

Projection of the Fifth Five Year Plan

The outlay in the Fourth Five Year Plan for transmission and distribution schemes was to the tune of Rs. 58 crores of which works for about Rs. 9.94 crores, had spilled over to the Fifth Five Year Plan due to delay in supply of material and equipment and acute shortage of cement and steel. On completion of the Fourth Five Year Plan the entire State was covered with standard transmission net work, which ensured better voltage regulation and continuity of supply. However, in formulating the transmission and

*Excludes diesel stations of 2.5MW capacity distribution schemes for the Fifth Five Year Plan, the main consideration was evacuation of power from various generating power stations (Ukai, Gandhinagar, Wanakbori and Kadana) to main load centre and provision of reactive compensation to improve the voltage conditions and minimise line losses.

The project report of the Fifth Five Year Plan-Transmission and Distribution Schemes—(1974-79) was formulated by the Board (September 1973) for Rs. 160 crores and approval of the Planning Commission was received in October 1977. The estimated cost of the transmission and distribution schemes to be taken up in the Fifth Five Year Plan, as finally approved by the Central Electricity Authority (March 1978) was Rs. 135.31 crores, as under :

	Route length of line (in kilometres)	Estimated cost (Rupees in lakhs)
I Transmission lines		
(i) 66 KV	1,616	11,08.90
(ii) 132 KV	703	9,96.80
(iii) 220 KV	1,530	40,98.61
Total ..	3,849	62,04.31
II Sub-stations	(Numbers)	
(i) 66 KV	149	30,27.23
(ii) 132 KV	22	11,77.51
(iii) 220 KV (new and extension)	17	28,21.68
Total ..	188	70,26.42
III Reactive compensation ..	..	3,00.00
Total ..	..	1,35,30.73

5.9.4 *Targets and achievements*

During the Fifth Five Year Plan period the programme of construction of extra-high tension lines and achievement there against up to the end of March 1979 were as follows :

Particulars		Planned length*	Actual length laid up to 31st March 1979	Shortfall	Percentage of shortfall
			(Circuit kilometres)		
66 KV	..	1759	1124	635	36.1
132 KV	..	789	561	228	28.9
220 KV	..	2005	1340	665	33.2

The Management stated (July 1981) that shortfall was due to scarcity of key materials such as steel and aluminium.

5.9.5 *Facilities built up*

The table on pages 66 and 67 indicates the transmission and distribution facilities built up during the Fifth Five Year Plan (1974-79) period :

*Includes works valued at Rs. 9.94 crores approximately spilled over from previous plan.

Particulars	1974-75	1975-76
Total installed capacity at the end of the year (MW)	859.9	1,119.5
Total length of lines at the end of the year (in circuit kms)		
Transmission	47,307	50,291
Distribution	38,915	41,671
Total ..	86,222	91,962
Capacity of power transformers at sub-stations/generating stations (in MVA)	5,071	6,257
Capacity of distribution transformers (in MVA)	1,872	1,986
Number of service connections at the end of the year :		
(a) total (in lakhs)	13.85	14.63
(b) average per Km of line ..	16.0	15.9
(c) per MVA of distribution transformer capacity	740	737
Units sold during the year :		
(a) total (Mkwh)	3,678	3,974
(b) average per KM of line (Kwh) ..	42,657	43,220
(c) average per MVA of distribution transformers (Mkwh)	1,965	2,001
Investment on transmission and distribution at the end of the year :		
(a) total (Rupees in lakhs) ..	174,35	194,47
(b) average per KW of installed capacity (in rupees)	2,030	1,734
(c) average per Km of line (in rupees)	20,221	21,146
Revenue earned during the year :		
(a) total (Rupees in lakhs) ..	77,60	89,81
(b) average per Km of line (Rupees in lakhs)	0.09	0.10
(c) average per MVA of distribution (transformer capacity) (Rupees in lakhs)	4.15	4.52

*Excludes diesel stations of 2.5 MW capacity.

1976-77	1977-78	1978-79	1979-80
1,354.5	1,474.5	1,670.5*	1,866.5*
54,582	58,946	63,825	69,748
44,966	48,633	54,588	62,736
99,548	1,07,579	1,18,413	1,32,484
7,131	7,849	8,779	9,513
2,311	2,679	3,072	3,425
16.41	18.17	20.64	23.10
16.5	16.9	17.4	17.4
710	678	672	674
4,692	5,155	5,883	6,244
47,088	47,921	49,682	47,130
2.030	1.924	1.915	1.823
230,00	266,72	309,99	359,54
1,698	1,809	1,855	1,926
23,100	24,802	26,178	27,138
120,66	137,47	174,99	211,14
0.12	0.13	0.15	0.16
5.22	5.13	5.70	6.16

5.9.6 *Growth of distribution system*

The details regarding 11 KV and low tension (LT) lines, total number of service connections, connected load, average number of services and connected load per kilometre of lines during the five years up to 1979-80 are given on pages 70 and 71.

STATEMENT

Year		Length of 11 KV lines (Ckms)	Length of LT lines (Ckms)	Total length (Ckms)
1975-76	..	31,457	41,671	73,128
1976-77	..	34,550	44,966	79,516
1977-78	..	37,513	48,633	86,146
1978-79	..	41,380	54,588	95,968
1979-80	..	46,238	62,736	1,08,974

HT and LT services connected (consumer numbers)	Average number of service connections per KM of line	Total connected load (MW)	Average connected load per KM of line (KW)
14,63,422	20	2425	33
16,40,940	21	2690	34
18,17,128	21	3038	35
20,63,938	21	3451	36
23,09,700	21	3759	34

5.9.7 *Maintenance cost of transmission and distribution lines*

The following table indicates various details about the transmission and distribution lines for the three years up to 1979-80 :

	1977-78	1978-79	1979-80
(a) Transmission			
Length of transmission lines (11 KV and above in Ckms)	58,946	63,825	69,748
Expenditure on operation and maintenance of transmission lines (Rupees in lakhs)	7,26.04	7,99.51	9,08.01
Expenditure per Km of transmission line (in rupees)	1,231	1,253	1,302
Units available for sale (Mkwh)	6,392.47	7,055.39	7,506.37
Expenditure on transmission per unit transmitted (in paise)	1.14	1.13	1.21
Units sold (Mkwh)	5,155.12	5,883.58	6,243.78
Expenditure on transmission per unit sold (in paise)	1.41	1.36	1.45
Transmission loss per unit (in paise)	0.27	0.23	0.24
(b) Distribution			
Length of distribution lines (in Ckms)	48,633	54,588	62,736
Expenditure on operation and maintenance of distribution lines (rupees in lakhs)	17,30.00	18,82.08	22,95.75
Expenditure per Km of distribution line (in rupees)	3,557	3,448	3,659
Expenditure on distribution per unit available for sale (in paise)	2.71	2.67	3.06
Expenditure on distribution per unit sold (in paise)	3.36	3.20	3.68
Distribution loss per unit (in paise)	0.65	0.53	0.62

The Management stated (July 1981) that transmission and distribution losses in Gujarat were one of the lowest in India and as an overall programme of system improvement the Board had taken various measures such as establishment of H.T. transmission lines and sub-stations, providing more capacitors, bifurcation of feeder lines, rearrangement of transformer positions, change of defective meters and checking of theft cases which aimed to bring down losses to 16 *per cent*.

5.9.8 *Non utilisation/under utilisation of lines*

The table on pages 74 and 75 indicates the lines not utilised or under utilised for the period noted against each :

Particulars of lines	Construction cost (Rupees in lakhs)	Construction completed in
1. 220 KV Navsari-Nasik	98.53	September 1977
2. 220 KV Kadana-Godhra	179.00	March 1980
3. 220 KV Wanakbori-Godhra	48.00	December 1979
4. 132 KV Jamnagar-Bhatia	59.14	June 1972
5. 132 KV Talod-Idar	56.57	March 1978

Period of non utilisation/under utilisation	Remarks
Not charged so far (October 1980)	An inter-state link line-Maharashtra section of line not yet completed.
Not charged so far (October 1980)	For want of switch yard at Kadana.
Charged at 11 KV in January 1980	For want of sub-station at Wanakbori.
(i) Charged at 33 KV in September 1973	For want of 132 KV sub-station at Bhatia.
(ii) Charged at 66 KV in September 1976	
March 1978 to January 1979	For want of 132 KV sub-station at Idar.

220 KV double circuit Navsari-Nasik line

In 1971-72 one inter-state transmission link line (220 KV double circuit-single circuit stringing) between Maharashtra and Gujarat States was approved to be constructed during the Fourth Five Year Plan at an estimated cost of Rs. 1,70.5 lakhs for 78 Kms of Gujarat portion. This line was to connect Nasik Thermal Power Station in Maharashtra to Navsari a load centre in South Gujarat. The contract for supply of tower material and erection of this line was placed in August 1972 and work was scheduled to be completed by December 1973. After erection of 114 super structures (cost : Rs. 34.03 lakhs) (out of 206) the work was suspended (January 1975) as the border part of route required to be changed in consultation with Maharashtra State Electricity Board. The work was again taken up in May 1977 and line was completed in September 1977. The line (62 KM) on which the Board had spent Rs. 98.53 lakhs up to March 1980 has not been put to use so far (June 1981).

The Board spared 32 numbers of tower material (value : Rs. 7.51 lakhs) and supplied them to Maharashtra State Electricity Board from May 1976 to June 1977. The bill for this supply was raised against Maharashtra State Electricity Board as late as in November 1979 and recovery of the amount was still awaited (June 1981).

5.9.9 *Execution of lines*

5.9.9.1 *Delay in settlement of steel account*

According to the new policy for procurement of steel effective from 22nd May 1970, the Boards got priority for allotment of steel as compared to private parties and the then Central Water and Power Commission (now Central Electricity Authority) advised Boards to place bulk indents for all transmission and distribution works. Therefore, for the orders placed earlier to this date but which were still under execution on the date of change, the Board issued the users' certificate on the basis of which steel was procured by the contractors for use in fabrication of towers. In respect of orders placed after this date, the Board took the responsibility for arranging the supply of steel to the contractors. Steel was procured by the Board from steel suppliers and despatched to the contractors. Proper accounts of such steel supplied to the contractors were, however, not maintained. In the case of one contractor for fabrication of towers, the steel account for supplies during the period from 1971 to 1977 was finalised only in March 1980 which revealed that the Board had supplied 866 tonnes of steel in excess of requirement. It was decided to recover its cost from the contractor from his outstanding claims on the basis of stockyard price prevailing in January 1978. The excess issue of steel (866 tonnes value : Rs. 15.71 lakhs) was worked out after giving allowance to the contractor for the following :

(i) Difference of 302.811 tonnes (value: Rs. 5.32 lakhs) in actual weight and sectional weight, and

(ii) wastage for 802.1 tonnes.

The following points were noticed :

(a) The excess issue of steel was the result of non-maintenance of proper account of the steel given to the contractor. Though the steel was being supplied to the contractor from time to time since 1971 it was accounted for in the books of accounts as late as in March 1977.

(b) The Board had permitted the wastage of 802.1 tonnes (estimated value : Rs. 14.05 lakhs) though there was no clause in the orders permitting for such wastage.

(c) The steel was given to the contractor on actual weight basis directly by the producers / suppliers while fabricated material was received on sectional weight basis. On this account Board had to bear the cost of 302.811 tonnes (value : Rs. 5.32 lakhs) being differences between the actual weight and sectional weight.

(d) Section-wise details of the surplus material had not been worked out; in absence of which it could not be ascertained whether sections against which the use of higher sections was permitted to the contractor were available in the steel issued in excess of requirement.

The Management stated (July 1981) that the contractor was having a number of works on hand and he was permitted to use steel relating to one contract for another contract depending upon the exigencies of the Board's work resulting in delay in settlement of steel accounts of some works until all works were fully completed. It was further stated that the items mentioned in the paragraph (302.31 tonnes and 802.01 tonnes) were normal and negligible. As regards excess issue (866 tonnes value : Rs. 15.71 lakhs) it was stated that a final decision to drop a work for which a work order was issued in 1970 was taken only in 1978 which resulted in excess issue of material.

As the Board had decided to club various orders as one, settlement of each work account, was not possible and Board's material and money remained blocked up. The final settlement of the account was under process (July 1981).

5.9.9.2 *Extra payment*

In November 1970 the Board had invited tenders for supply of galvanised towers and erection of 225 Kms/220 KV lines between Gondal/Gandhinagar-Mehsana. In tender inquiry it was clearly specified that the steel would be procured by the fabricator and in case the same was issued by the Board it would be at the prevailing Joint Plant Committee rate on the date of issue. A firm of Bombay in its offer against this tender enquiry had *inter alia* mentioned that :

> " Under the new distribution procedure for steel, priorities for movement of all categories of steel from the main producers will be accorded to by the Steel Priority Committee. We shall therefore prepare the necessary indents in the name of the purchasers for onwards transmission to Joint Plant Committee/Steel Priority Committee. The steel against such indents shall be consigned to us at Jaipur / Bombay basis and payment shall be made by the purchaser directly to the main producers. "

> " Despite the above procedure for steel procurement and in order to assist the Board they shall endeavour to supply the steel from their own resources to the extent possible. The payment of such steel shall be made on the basis of prevailing Joint Plant Committee rate ruling on the date of offering the steel to the purchaser plus Rs. 30 per tonne towards financing, storage, *etc.* "

In June 1971 the Board placed an order for supply of 4,800 tonnes of galvanised towers and erection of 220 KV lines with the firm of Bombay. Under the terms of the order the contractor was to arrange for steel required for the fabrication of towers. However, 100 *per cent* payment for raw steel was to be made by the Board to steel producers for direct purchases made in the name of Board and in case of procurement of steel by the firm 100 *per cent* advance for steel was to be given to the firm by the Board.

In November 1973, the firm informed the Board that against this order, it had utilised 2,292.157 tonnes of steel from its own sources for fabricated structure supplied to the Board up to that date and raised a bill for Rs. 6.82 lakhs being the difference in the Joint Plant Committee rate (Rs. 1,195 per tonne) ruling in November 1973 and basic rate given in the order (Rs. 906 per tonne) *plus* 3 *per cent* Central Sales Tax and requested the Board to pay this amount as deposit and promised to refund the amount on replenishment of the steel by the Board. In view of the change in the steel policy the Board considered the above request and decided (December 1973) to give an interest-free advance of

Rs. 9.23 lakhs in respect of 3100 tonnes of steel utilised up to November 1973, subject to refund of advance on replenishment of steel by the Board. Later on in May 1977 this was considered as final payment against price variation in steel prices.

The following points were noticed :

(i) The steel policy was changed in May 1970 before the invitation of the tenders in November 1970 and as per terms of the order the liability for procurement of steel was of the contractor. Hence the question of replenishment of steel by the Board to the tune of 3100 tonnes did not arise in terms of the order.

(ii) The contractor could have claimed the price escalation on 3100 tonnes steel as per rates prevailing on the dates of offer by the contractor to supply steel from their own stock as per the terms of the order which would have entitled the firm to Rs. 2.55 lakhs.

Thus an extra payment of Rs. 6.68 lakhs was made which was not covered by the terms of contract with the Board.

The Management stated (July 1981) that when the Board was not in a position to procure and supply steel, it could hardly insist on an un-workable condition on the contractor to accept price variation as per terms of the order. The acceptance of the conditional offer (January 1971) though the change in steel policy was known (May 1970) and inclusion of a specific condition in order which was later on considered as un-workable had resulted in an extra payment of Rs. 6.68 lakhs.

5.9.9.3 *Extra payment for rerolling charges*

The Board placed an order (August 1977) with a firm of Ahmedabad for supply of 3400 tonnes of galvanised towers and erection of various 132 KV (2143 tonnes) and 66 KV (1257 tonnes) transmission lines. As per the terms of the order, contractor was to procure the steel for fabrication of towers. An extension order was also placed with the firm (April 1978) for supply of 720 tonnes of towers for 132 KV Achhalia-Chavaj line. In July 1978 the Board on the request of the firm permitted 1000 tonnes of billets to be obtained and got rerolled for the requirement of 900 tonnes of smaller sections in three sizes. The extra cost of this rerolling was assessed at Rs. 3.60 lakhs to be borne by Board. It was observed in audit that (i) 50 *per cent* to 60 *per cent* of the smaller sections were available with the steel suppliers, (ii) the firm was having 1120 tonnes of surplus steel supplied to it against 6 orders placed up to November 1974 for which a detailed material account was prepared in December 1977, and (iii) responsibility for procurement of material was of the contractor as per order.

In view of the above position the Board's decision resulted in an extra expenditure of Rs. 3.60 lakhs.

The Management stated (July 1981) that (a) different sections were readily available and the firm had contracted on the assumption of free availability of steel, (b) smaller sections were not available when work was under execution and had to be rerolled and the Board preferred to bear extra expenditure of Rs. 3.60 lakhs instead of insisting on the firm to obtain the required sections themselves which would have indefinately delayed the work with consequent effects.

5.9.9.4 *Financial aid to a contractor*

According to the terms of orders for fabrication and supply of towers of various transmission lines, firms were allowed interest-free advances against raw material like steel, zinc and nuts and bolts. The recovery of such advances was to be effected proportionately from the bills for supply of fabricated material of the firms.

Against orders of June 1971/August 1972 a firm was paid Rs. 72.18 lakhs as advance (for zinc and steel) up to April 1975. Total supplies against the contracts were effected by the contractor up to October 1975 but Rs. 63.77 lakhs had been recovered leaving a balance of Rs. 8.41 lakhs. An amount of Rs. 6.50 lakhs was deposited by the contractor in cash in May 1979, while the balance of Rs. 1.91 lakhs was yet to be recovered (July 1981).

Thus due to delay in effecting recovery of advances the Board extended an undue benefit to the firm. The Management stated (July 1981) that although the supplies were completed by 1975, the final bills were not submitted by the firm till July 1979 because their demand for revision in rates was not finalised by the Board till 1977; moreover as against the recovery of about Rs. 2 lakhs, the Board had retained an amount of about Rs. 7.50 lakhs by way of 5 *per cent* of the contract value.

The supplies were over in April 1975 / October 1975 against these orders and against Board's dues an amount of Rs. 6.50 lakhs was paid only in May 1979 eventhough question of revision was already settled in 1977.

5.9.9.5 *Excess issues of materials to contractors*

The Boards regulations prescribed the procedure for issue of material to contractor, its accounting and recoveries, *etc.* It, *inter-alia*, provides that material should not be issued to the contractor in excess of immediate requirements of a particular work; issue should be strictly restricted to the extent necessary for the due economical completion of works and it should not exceed the quantities as estimated in the technical estimates. The additional Chief Engineer (RE) of the Board observed (July 1973) that the prescribed procedure for drawing the material was not followed as a result materials were issued to the contractors nearly $1\frac{1}{2}$ to 2 times more than required, thereby blocking up of material and involving litigation for recovery of the excess material remaining with contractors. Again in August 1979 the Chief Engineer (RE) observed that the procedure prescribed and the instructions issued in this respect were not being followed and reiterated that material should be issued keeping in view the capacity and dependability of the contractors for using the material within a reasonable time after issue.

It was noticed in test check in audit (1978-79 and 1979-80) that the material was issued to the contractors in excess of requirement and the material account was not settled because of one or other of the following reasons :

(i) The contractor had abandoned the work.
(ii) The contractor had not come forward with the final bill and to settle the material account.
(iii) Recording of measurements after completion of work was not signed/accepted by the contractor.

In three divisions the Board had filed 74 cases against 17 contractors for recovery of Rs. 13.57 lakhs of which 24 cases involving Rs. 6.06 lakhs were decided in favour of the Board and recovery was yet to be made (June 1981). However in one case a decree for Rs. 0.27 lakh was obtained but only Rs. 0.01 lakh could be recovered. The balance Rs. 0.26 lakh (cost of material Rs. 0.23 lakh; interest, legal charges, *etc.* Rs. 0.03 lakh) was to be written off. The remaining 50 cases were pending (July 1981).

5.9.9.6 *Construction of 132 KV Sub-station and line*

The Gujarat Industrial Development Corporation (GIDC) approached the Board in March 1968 for the supply of power to its Nandesari Estate. After ascertaining the technical feasibility, estimates amounting to Rs. 98.68 lakhs were prepared for this work and according to the procedure prescribed in May 1964, the cost of high tension feeder from Board's substation or nearest technically feasible high tension distribution line up to the industrial estate was to be shared equally by the Board and GIDC.

After acceptance by GIDC (October 1969) the Board decided to execute the work and GIDC paid Rs. 49.34 lakhs (November 1969 to August 1972) being the 50 *per cent* of the estimated cost. On completion of the work in June 1973 an additional amount of Rs. 18.64 lakhs was recoverable from GIDC. GIDC was resquested (January 1976) to pay this amount after a period of three years of completion of the work. GIDC intimated (August 1976) the Board that the excess expenditure of Rs. 18.64 lakhs was to be recovered from the participating industrial units of the estate and this amount would be paid to the Board after effecting the recovery. It transpired from the letter of the Additional Chief Engineer of the Board (19th December 1978) to GIDC that GIDC had already recovered the money from the participating units but had not paid the amount to the Board. The Management stated (July 1981) that the matter was being pursued with the Gujarat Industrial Developement Corporation for the recovery of additional expenditure and the State Government was also addressed to take up the matter with Gujarat Industrial Development Corporation.

5.10 **Purchase of poles**

Introduction

The Board is using pre-stressed Cement Concrete (PSCC) poles for erection of transmission and distribution lines (up to 33 KV). As the Board was not having its own ploe factories, in order to meet its requirement of PSCC poles open tenders for supply of PSCC poles were being invited from time to time and supply orders placed on various contractors according to requirements.

The order *inter-alia* provided for issue of materials like cement, H. T Steel wire and G. I. Wire by the Board at rates indicated in the contracts

To avoid payment of sales tax on the poles procured, the Board decided (July 1979) to place job work contracts instead of supply contract. According to the job work contract, contractors were paid per pole labour charges at fixed rate including cost of petty materials like sand, kapachi, and strips required for manufacturing poles. The main materials required for the manufacture of poles *viz*,. cement, steel and G. I. wire (8 gauge : 0.59 kg per pole, 10 gauge : 0.378 kg. per pole) were supplied by the Board free of cost.

The decision to provide inbuilt earthwire in PSCC poles manufactured by various contractors was taken in August 1971.

Since beginning (May 1972) there were complaints about the breaking of the end of G. I. wire provided as inbuilt earthwire, due to rusting during the process of curing or during loading, unloading and transportation, with the result that the inbuilt earthwire was a waste and the poles were used in erection after providing an open earthing. This was brought to the notice of Chief Engineer (Operation and Maintenance) by several field officers but no remedial action was taken to discontinue use of such wire in the poles.

The Board stated (November 1979) that the design of the inbuilt earth-wire in the PSCC poles had been changed.

The Board was put to a loss of about Rs. 15 lakhs from 1975 to 1978 by the use of G. I. wire in the poles.

5.11 Summing up

(i) Five lines constructed at the cost of Rs. 4,41.24 lakhs (approximately) during the period June 1972 to March 1980 were either under utilised or not utilised at all.

(ii) The Board had issued 866 tonnes (Rs. 15.71 lakhs) of steel in excess of requirements to a fabricator during the period from 1971-77 and the cost was not recovered (June 1981). The Board decided to adjust 802 tonnes (Rs. 14.05 lakhs) towards wastage though there was no clause in the order permitting such wastage.

(iii) A contractor was paid extra Rs. 6.68 lakhs in transactions relating to steel. In getting the billets rerolled to desired sections the Board had to incur an extra expenditure of Rs. 3.60 lakhs.

(iv) Advances for material were granted to the contractors in excess of limits, resulting in blocking up of Board's funds and delay in recovery with consequential loss of interest.

(v) Material was issued to the contractors in excess of requirements. In 3 divisions the Board had filed 74 cases against 17 contractors for recovery of Rs. 13.57 lakhs.

(vi) A sum of Rs. 18.64 lakhs was recoverable from Gujarat Industrial Development Corporation for work completed in 1973.

(vii) Board was put to a loss of about Rs. 15 lakhs for use of inbuilt earth wiring in poles which had not been found suitable.

5.12 Other interesting cases

5.12.1 *Loss due to fire*

On 3rd September 1977, a fire accident took place at the Board's 220 KV Gondal sub-station. In this accident, one 50 MVA, 220/132 KV transformer (No. 2) was completely destroyed. The fire was caused due to the bursting of 220 KV bushings of the transformer. As a result of this fire, the second transformer (50 MVA, 220/132 KV transformer (No. 1) which was installed in the sub-section facing transformer No. 2 was also affected and two 220 KV bushings of transformer No. 1 were also damaged. As the fire was caused due to bursting of the bushings, the matter was taken up by the Board with Bharat Heavy Electricals Limited (BHEL), the suppliers, for free replacement of the burnt transformer. As the failure of the bushing happened after the guarantee period, BHEL replaced the burnt transformer on payment by the Board of 50 *per cent* of the cost (Rs. 21.12 lakhs) of the new transformer. The bushing of the damaged transformer No. 1 were also replaced at a cost of Rs. 3.96 lakhs.

With the expansion of sub-stations and installation of more number of large size transformers in the sub-stations, the Board had decided and issued instructions (December 1976) to the field offices to construct fire protection walls between two adjacent transformers of 10 MVA or larger sizes, where the space between the transformers was not more than 12 metres. The instructions were reiterated in June 1977. Inspite of the instructions, the fire protection wall was not erected between these two 50 MVA transformers at Gondal sub-station. Had the fire protection wall been constructed, the damage to transformer No. 1, involving an expenditure of Rs. 3.96 lakhs on repairs, could have been avoided. The Management stated (August 1980) that the construction of a wall required long shut down and blasting for the foundation which could not be undertaken when the transformer was in service. This work was, however, executed subsequently without blasting when one transformer went off by accident.

5.12.2 *Extra exependiture in purchase of stay wire*

After inviting open tenders (November 1977) the Board approved purchase of 510 tonnes of stay wire (7/2.5 mm) from a supplier 'A' (third lowest offer) at Rs. 3,600 per tonne (and cost Rs. 4,071.17 per tonne) and placed an advance order on 18th January 1978 asking the supplier to commence delivery at 100 tonnes per month after one month of receipt of firm order. The firm order was placed on 2nd February 1978. Meanwhile the supplier sent a telegram to the Board on 17th January 1978 stating that as his stay wire plant had irrepairably broken down, he could not adhere to the delivery schedule offered. This telegram was received before placement of the firm order. The supplier also informed the Board by a letter on 30th January 1978 that he had decided to instal new machinery which would take three to four month and requested the Board to reckon the delivery period after the new plant was installed. Meanwhile as the stock was getting exhausted, the Board invited telegraphic quotations for procurement of 100 tonnes of stay wire and an order was placed on firm 'C' at Rs. 4,425.00 per tonne (end cost : Rs. 4,843.69 per tonne) on 28th April 197 and the supply was completed as per delivery schedule. In May 1978 the Board again invited tenders for purchase of 475 tonnes of stay wire and decided to place order on firm 'D' for 237 tonnes at Rs. 4,380 per tonne (end cost : Rs. 4,674 per tonne) and firm 'E' for 238 tonnes at Rs. 4,400 per tonne (end cost: Rs. 4,576 per tonne) at a total cost of Rs. 21.97 lakhs.

The offers received against open tender of November 1977 were valid up to 5th February 1978 and the next lower technically acceptable offer was from firm 'B' at end cost of Rs. 4,273.21 per tonne. The Board was aware before 5th February 1978 of the fact that firm 'A' was not in a position to supply the materials and could have placed the alternative order on firm 'B' before the expiry date of the tenders already invited. By not doing so the Board had to incur an avoidable extra expenditure of Rs. 2.04 lakhs.

The Management stated (July 1981) that it was not possible to accept the offer of firm 'B' as it was not technically acceptable and the supplier was new. However, in the note regarding offers prepared in December 1977 the offer of firm 'B' was not shown as technically not acceptable or as an offer having disqualifications but the remarks recorded against this firm were "fifth higher offer. No advantage over the recommended one; hence passed over."

Even assuming that the fifth lower offer was not acceptable, the Board could have availed of the sixth lower offer of firm 'F' (end cost being Rs. 4,305.50 per tonne) and thereby saved Rs. 1.82 lakhs.

5.12.3 *Loss in auction sale*

The Management approved (February 1974) disposal by auction of 15 items of scrap/unserviceable material which included 3.113 tonnes VIR wire scrap estimated to realise at Rs. 2,500 per tonne. This quantity of scarp wire increased by 17 tonnes by the time auction was held in March 1974. At the time of auction it was announced that if the amount of highest bid would be acceptable, approved quantity of 3.113 tonnes would be delivered on the spot and remaining quantity would be delivered on approval of Head Office. The highest acceptable bid was by a firm 'A' at Rs. 9,000 per tonne. As the rate offered by firm 'A' was attractive his willingness to lift additional material of 17 tonnes was obtained (March 1974) and a proposal was made by the Stores Officer to dispose of the entire quantity at that rate. This was not agreed to by the Chairman of the Board (April 1974) and only the advertised quantity of 3.113 tonnes was delivered to the firm. On a subsequent auction in January 1975, the bid obatained in auction was

Rs. 5,425 per tonne and the scrap was sold at that rate. Had the Board disposed of the full available quantity at Rs. 9,000 per tonne in the earlier auction, an additional revenue of Rs. 0.61 lakh could have been realised. The Management stated (July 1981) that this was a deliberate decision as the additional quantity was six times more and additional quantity was not known to the other bidders. Moreover Board was not a speculative trader and the scrap was of mixed variety containing copper and aluminium. However, since announcement of additional quantity was made before auction and the Board had secured a relatively high price, could have sold the same against the highest bid. The quantity of copper /aluminium in the scrap was also indicated in the note seeking approval of the additional quantity (March 1974).

5.12.4 *Avoidable expenditure*

The Additional Chief Engineer (Construction), Dhuvaran indented (December 1976) two sets of speed increasing gears for boiler feed pumps (stage II) alongwith quotation of a U. S. A. firm as the items indicated were proprietory items. The price quoted for 2 sets was $75,958 F. O. B. (Rs. 6,26,941). The validity of the quotation was got extended up to June 1977 and further up to September 1977 whereupon the supplier informed the Board that any further extension would be with increase in price. Board could not place order even within the extended period and placed order in December 1978 when the price quoted was increased to $ 86,014 (Rs. 7,09,941) involving an extra expenditure of $10,056 (Rs. 83,000 approximately). It was stated by the Management (December 1979) that efforts were being made to obtain the gears indigenously and hence order could not be placed within the validity period offered by the firm. However, this effort was in connection with the gears for Stage I, when the Board had tried to obtain gears through an indigenous source but due to failure of the firm to comply with the Board's requirements, the gears were imported in August 1973.

Board was already aware of the non-availability of spare gears from the indigenous source. Moreover, the fuel pumps for Stage II were of higher capacity which needed to be imported. The Board, however, did not process the quotation of December, 1976 expeditiously to avail of the benefit of the extended validity period offered by the firm and had to bear an extra expenditure of Rs. 1.41 lakhs due to increase in price (Rs. 83,000) and customs duty thereon Rs. 57,800. The Management stated (July 1981) that the quotations called for in this case were only for spare gears as a precautionary measure and they were not for immediate requirement. It was further stated that they had procured some gears for Stage I indigenously in September, 1978 / October 1979 and were hopeful of developing indigenous source for which evidence of effort was produced. It may, however, be stated that an import licence for 12 sets of gears for Stage I had been obtained in August, 1973/April 1978 only after assessing the non-availability of reliable indigenous material. Moreover the Board had not laid down any norms for keeping spare gears and delivery schedule for this critical supply being 50 weeks after import licence, speedy action was essential.

5.12.5 *Excess rebate to high tension consumers*

The new electricity tariff for high tension consumers (introduced from 1st January, 1970) provided for a rebate if in any particular month, the actual amount of the consumer's bill towards demand and energy charges under the new tariff exceeded by more than 15 *per cent* of the consumer's bill for the same charges, calculated under the earlier tariff (in force up to December, 1969). The rebate was subject further to the consumer having maintained in that month a load factor of not loss than 60 *per cent* The rebate was to be equal to the amount by which the bill under the new tariff exceeded the 15 *per cent* increase over the bill under the old tariff. As the new tariff provided two rates, a lower one for billing demand up to the contract load and a higher one for billing demand in excess of the contract load, the rebate was to be worked out on a notional bill under the new tariff on the basis of the lower rate.

During test check of high tension bills in audit, it was noticed that in case of three high tension consumers, for allowing the rebate, the demand charges for the billing demand in excess of contract demand were not calculated at the lower rate but at the higher rate resulting in excess rebate of Rs. 0.72 lakh.

Even though these three cases of excess rebate were brought to the notice of the Board in July 1979 and May 1980 the Board had taken action only in respect of these three cases (recovery effected so far Rs. 0.22 lakh) and had not reviewed whether similar excess rebates had not been allowed in other cases (May 1981).

SECTION VI

GUJARAT STATE ROAD TRANSPORT CORPORATION

6.1 Introduction

The Gujarat State Road Transport Corporation was established on 1st May 1960 under Section 3 of the Road Transport Corporations Act, 1950.

6.2 Capital

Under Section 23(i) *ibid* the State Government and the Central Government had agreed to contribute capital of the Corporation in the ratio of 2;1. The capital of the Corporation was Rs. 65,78.63 lakhs (State Government : Rs. 45,85.42 lakhs; Central Government : Rs. 19,93.21 lakhs) as on 31st March 1980 as against the capital of Rs. 54,69.63 lakhs (State Government : Rs. 36,46.42 lakhs; Central Government : Rs. 18,23.21 lakhs) as on 31st March 1979. The shortfall in the capital contribution of the Central Government as on 31st March 1980 was stated by the Management (December 1980) to be due to want of funds in the Central budget during 1979-80 and the amount was received in 1980-81. Interest is payable on the capital at 6.25 *per cent* per annum.

6.3 Guarantees

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

Particulars	Years of guarantee	Amount guaranteed	Amount outstanding as on 31st March 1980
		(Rupees in lakhs)	
Public loans	1967-68 to 1979-80	4,35.84	3,26.70
Bank loans	1975-76 to 1979-80	5,50.00	2,85.00
	Total ..	9,85.84*	6,11.70*

*The figures as per Finance Accounts are Rs. 12,32.37 lakhs and Rs. 11,18.47 lakhs respectively The differences are under reconciliation.

The Government had also guaranteed payment of interest on these loans and no liability on this account had devolved on the Government.

6.4 Financial position

The table below summarises the financial position of the Corporation under the broad headings for the three years up to 1979-80 :

	1977-78	1978-79	1979-80
		(Rupees in lakhs)	
Liabilities			
(a) Capital	4,082.33	5,469.63	6,578.63
(b) Borrowings	1,057.37	1,030.21	1,131.38
(c) Funds**	1,422.98	1,442.08	1,448.22
(d) Trade dues and other current liabilities (including provisions)	1,882.03	1,710.06	2,082.28
Total ..	8,444.71	9,651.98	11,240.51
Assets			
(a) Gross block	7,495.09	9,077.32	10,903.38
(b) *Less* : Depreciation ..	3,757.78	4,867.33	5,754.86
(c) Net fixed assets	3,737.31	4,209.99	5,148.52
(d) Capital works-in-progress (including chassis)	454.95	573.35	388.71
(e) Investments	343.73	328.10	348.76
(f) Current assets, loans and advances	1,421.11	1,661.25	1,928.80
(g) Accumulated losses ..	2,487.61	2,879.29	3,425.72
Total ..	8,444.71	9,651.98	11,240.51
Capital employed+ ..	3,227.14	4,109.52	4,935.30
Capital invested*	5,090.36	6,465.05	7,692.73

** Funds exclude depreciation fund.

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

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

6.5 Working results

The following table gives details of the working results of the Corporation for the three years up to 1979-80 :

	Particulars	1977-78	1978-79	1979-80
			(Rupees in lakhs)	
1	(a) Operating			
	Revenue	9,341.13	10,545.51	12,061.10
	Expenditure	9,716.13	10,902.72	12,616.39
	Surplus (+) / Deficit (—)	(—) 375.00	(—) 357.21	(—) 555.29
	(b) Non-operating			
	Revenue	328.94	389.99	495.60
	Expenditure	317.84	414.68	480.43
	Surplus (+) / Deficit (—)	(+) 11.10	(—) 24.69	(+) 15.17
	(c) Total			
	Revenue	9,670.07	10,935.50	12,556.70
	Expenditure	10,033.97	11,317.40	13,096.82
	(d) Net profit (+) / Loss (—)	(—) 363.90	(—) 381.90	(—) 540.12
2	Interest on capital (at 6.25 *per cent*) and loans (varying from 4.25 *per cent* to 15 *per-cent*)	310.63	408.44	475.83
3	Total return on			
	(a) Capital employed ..	(—) 55.70	(+) 21.75	(—) 68.90
	(b) Capital invested ..	(—) 85.03	(+) 23.66	(—) 65.57
4	Percentage of return on			
			(*Per cent*)	
	(a) Capital employed ..	..	0.53	..
	(b) Capital invested ..	..	0.37	..

6.6 Operational performance

The table below indicates the operational performance of the Corporation for the three years up to 1979-80 :

	Particulars	1977-78	1978-79	1979-80
1	Average number of vehicles held	5,331	5,702	6,101
2	Average number of vehicles on road	4,230	4,557	4,925
3	Percentage of utilisation ..	79.3	79.9	80.7
4	Route Kms	4,45,815	4,72,488	5,21,496
5	Kms covered (in lakhs) ..			
	(a) Gross	4,372.65	4,813.03	5,309.64
	(b) Effective	4,324.80	4,763.49	5,253.42
	(c) Dead	47.85	49.54	56.22
6	Percentage of dead Kms to gross Kms	1.09	1.02	1.05
7	Average Kms covered per bus per day	282.3	289.3	294.2
8	Average revenue per Km (paise)	215.97	220.40	229.16
9	Average expenditure per Km (paise)	224.64	227.86	239.71
10	Profit (+) / Loss (—) per Km (paise)	(—) 8.67	(—) 7.46	(—) 10.55
11	Number of operating depots ..	109	111	112
12	Average number of break-downs per lakh Kms	8.6	6.1	4.9
13	Average number of accidents per lakh Kms	0.34	0.36	0.36
14	Passenger Kms operated (in crores)	2,304.69	2,571.33	2,862.06
15	Occupancy ratio	76.2	77.2	74.2

6.7 Purchase and performance of tyres and tubes

6.7.1 *Introduction*

Tyres constitute a significant item of operating cost in Road Transport Undertakings. The cost of tyres and tubes per effective kilometre ranged between 6.0 *per cent* to 8.6 *per cent* of the total operating cost during the 5 years up to 1979-80 as shown below :

Year	Total expenditure on tyres and tubes (including flaps and retreaded tyres) (Rupees in lakhs)	Effective Kilometres (in lakhs)	Cost per effective kilometre: On tyres and tubes (In paise)	Cost per effective kilometre: Total cost operation (In paise)	Percentage of expenditure on tyres/tubes to total cost of operation
1975-76 ..	6,63.93	3,783.69	17.55	204.11	8.6
1976-77 ..	6,06.82	3,973.38	15.27	217.14	7.0
1977-78 ..	5,85.57	4,324.80	13.54	224.64	6.0
1978-79 ..	7,37.44	4,763.49	15.48	227.86	6.8
1979-80 ..	10,02.25	5,253.42	19.08	239.71	7.9

The reasons as stated by the Management (August 1980) for decrease in expenditure on tyres and tubes per Km in 1977-78 were due to improvement in tyre life, registration of more number of new vehicles, increased use of retreaded tyres and slight reduction in price as also increased operation in Kms.

The reasons for steep rise in cost per Km during 1979-80 were the price rise, decline in percentage of retreadability of new tyres and increased use of new tyres.

6.7.2 *Purchase of tyres*

The Corporation purchases about 40,000 to 50,000 tyres each year.

The average number of vehicles held (excluding vehicles held for scrapping), the number of tyres and tubes received and gross kilometres operated during the three years up to 1979-80 were as under :

Year	Average number of vehicles held during the year	Gross Kilometres covered during the year (Kilometres in lakhs)	Number received		Value	
			Tyres	Tubes	Tyres	Tubes
					(Rupees in lakhs)	
1977-78 ..	5,331	4,372.65	36,677	34,296	4,55.89	45.02
1978-79 ..	5,702	4,813.03	41,783	39,001	6,18.43	53.64
1979-80 ..	6,101	5,309.64	53,343	47,604	8,77.01	79.44

While average number of vehicles held increased by 14.4 *per cent* during the period of two years up to 1979-80 and the gross kilometres operated increased by 21.4 *per cent* the number of tyres purchased increased by 45.4 *per cent* during this period. The Corporation had not fixed minimum and maximum limits of stock of tyres/tubes.

The Management stated (March 1981) that there was shortage of tyres from 1974-75 onwards and the vehicles held by the Corporation were not provided with spare wheels as per statutory requirement. The tyres received in 1979-80 were in excess of the estimated requirement of 44,224 tyres, and the excess thus received was utilised for equipping the vehicles with spare wheels. It was further stated that purchase of some new tyres could have been avoided, if the third tyre retreading plant was commissioned earlier as planned.

6.7.3 *Performance of tyres*

6.7.3.1 *Performance of new tyres*

The performance of tyres, among other factors, depends on conditions of roads, driving habits, maintenance of correct inflation pressure, wheel alignment, proper fitment and timely removal of wornout tyres.

Since overall performance of tyres depends on a number of factors, the Corporation has not fixed any norms specifying the life of tyres. However, in order to watch the performance, yearly targets are fixed on *adhoc* basis, for each division, based on their past performance. Details of targets fixed, the number of new tyres removed for scrapping/retreading and their average performance, compared to the targets fixed during the three years up to 1979-80 in respect of divisions in which the shortfall was more than five *per cent* are indicated on pages 96 and 97.

STATEMENT

Division		1977-78		
		Total new tyres removed	Performance	
			Target	Actual
			(Kms per tyre in thousand)	
1		2	3	4
Mehsana	..	2,358	75.4	70.0
Himatnagar	..	..	..	..
Nadiad	..	4,374	76.2	72.2
Godhra	..	2,512	62.6	56.4
Surat	..	3,764	66.2	62.5
Bulsar ..	..	2,031	63.9	59.7
Bhavnagar	..	2,213	60.8	56.3
Amreli ..	..	..	..	..
Kutchchh	..	1,666	69.5	65.0

1978-79			1979-80		
Total new tyres removed	Performance Target (Kms per tyre in thousand)	Actual	Total new tyres removed	Performance Target (kms per tyre in thousand)	Actual
5	6	7	8	9	10
..	..	..	..	..	..
2,918	66.0	59.5	3,481	63.0	59.5
..	..	..	..	..	..
..	..	..	3,475	60.0	55.0
3,484	66.0	62.4	..	..	..
..	..	..	3,486	66.0	58.8
..	..	..	..	..	..
..	..	..	2,424	60.0	56.2
1,864	67.6	63.9	..	..	..

The Corporation had, however, not analysed the reasons for non-achievement of targets (performance) by the divisions.

6.7.3.2 *New tyres removed for scrapping*

The tyres, if removed in time can be retreaded for further use. While the cost of retreading is nearly one-fourth of the cost of new tyre, the life available after retreading is as much as one-half of life of a new tyre. As such a constant watch on the performance of the tyres is necessary for the timely removal of tyres for retreading. No norms were, however, fixed for removal of tyres for retreading. The number of new tyres removed, new tyres scrapped being unfit for retreading and the percentage of new tyres scrapped to new tyres removed during the three years up to 1979-80 is indicated below :

Year		Total new tyres removed	Tyres not fit for retreading	Percentage of unfit tyres to total tyres
1977-78	..	39,037	9,665	24.8
1978-79	..	43,226	11,355	26.3
1979-80	..	49,311	15,405	31.2

The percentage of new tyres scrapped to the total number of new tyres increased from year to year. During the three years up to 1979-80 36,425 new tyres removed from the buses were found unfit for retreading and had to be scrapped, which deprived the Corporation of the benefit of additional service rendered by the retreaded tyres.

6.7.4 *Tyre retreading plants*

6.7.4.1 *Capacity and out turn*

The Corporation has set up two tyre retreading plants, one at Central Workshop, Naroda (Ahmedabad) (CWA) and the other at Divisional Workshop, Rajkot.

The table on pages 100 and 101 indicates the capacity of the plants and their performance during the three years up to 1979-80 :

STATEMENT

Particulars	1977-78	
	CWA	Rajkot
Number of moulds at the end of the year	8	6
Installed capacity	16,000	14,400
Actual retreading and recapping done ..	16,600	15,360
Tyres awaiting retreading/repairs/inspection at the end of the year	3,321	2,491
Cost of materials	162	171
Average total cost	239	247

1978-79		1979-80	
CWA	Rajkot	CWA	Rajkot
(Numbers)			
8	7	8	7
16,000	16,800	16,000	16,800
16,700	16,500	16,800	16,700
5,171	3,816	8,067	6,221
(Rupees per tyre)			
170	175	192	192
258	253	289	278

The Management stated (March 1981) that excess cost of material in Rajkot plant as compared to that of CWA in 1977-78 and 1978-79 was due to more number of cuts in tyres retreaded at Rajkot as compared to those at CWA due to vast stony areas in Saurashtra which required more material.

6.7.4.2 *Rejection of tyre at the retreading plants*

Tyres when removed from buses are usually inspected at divisional workshop by the tyre inspector deputed from tyre shop to assess the nature of damage to the tyres and whether they would be fit for retreading. The tyres are then sent to tyre retreading plants for further processing. They are inspected by expanding them in full circle tyre spreader which enables a more detailed examination of the damage. The Corporation had only two such full circle tyre spreaders at two retreading plants and in the absence of the tyre spreader at each divisional workshop complete examination was not feasible at division level. This resulted in further rejection of tyres at plants.

The number of tyres rejected after examination at tyre retreading plants during the three years up to 1979-80 are detailed as under :

Year		Tyres received	Tyres rejected	Percentage of rejection
		(Number)		
Naroda				
1977-78	..	26,321	8,760	33.3
1978-79	..	30,109	7,773	25.8
1979-80	..	30,268	10,052	33.2
Rajkot				
1977-78	..	24,351	6,199	25.5
1978-79	..	26,274	6,619	25.2
1979-80	..	28,983	6,718	23.2

As rejection involved avoidable expenditure on transportation to the plant sites, the Corporation could have reduced the expenditure by providing one tyre spreader at each division. The Management stated (March 1981) that the suggestion would be examined for suitable action.

The loss on avoidable transportation for the three years up to 1979-80 works out to Rs. 1.77 lakhs (CWA: Rs. 1.02 lakhs and Rajkot: Rs. 0.75 lakh)

The percentage of scrapping at the plants was very high and the reasons thereof were not analysed by the Management.

6.7.4.3 In addition to tyres scarpped on inspection before retreading and repairs, some tyres were scrapped also during the process of retreading and repairs. The number of tyres taken up for retreading and repairs and the number of tyres scarpped during retreading and repairs, for the three years up to 1979-80 are given below :

Plant		Year	Number of tyres taken for retreading and repairs	Number of tyres scrapped during retreading and repairs	Percentage of scrapping
CWA	..	1977-78	16,856	156	0.9
		1978-79	16,912	127	0.8
		1979-80	17,039	134	0.8
Rajkot	..	1977-78	16,878	803	4.8
		1978-79	18,337	1,119	6.1
		1979-80	20,339	592	2.9

The cost of material, labour and overhead incurred on them up to the point before scrapping were not available.

The percentage of scrapping at Rajkot plant as compared to CWA was very high. The Management stated (March 1981) that tyres received in the two plants were from different regions wherein conditions of roads, driving habits, loading, temperature, *etc*., varied considerably.

6.7.5 *Tyre retreading plant at Bharuch*

Against the installed capacity of the two plants (24,000 tyres in 1975-76 to be increased by exapansion to 31,200 tyres by 1977-78), the number of tyres expected to be received for recapping in retreading plants was estimated at 30,900, 32,704 and 36,335 during the three years up to 1978-79 respectively. A proposal was, therefore, initiated (October 1976) to set up a third plant at Bharuch, to be completed within 21 months. This was approved by the Board in February 1978. The work was awarded in July 1979 and the plant was completed in August 1980 and production started in September 1980.

The plant which was to be commisioned in 1978-79 was thus commissioned in September 1980 and the Corporation got tyres recapped through outside agencies.

6.7.6 (a) *Recapping of tyres by outside agency*

The Corporation, after inviting open tenders, decided (October 1977) to entrust the recapping of 4,000 tyres to a firm "A" of Bombay at Rs. 290 per tyre in eight lots of 500 tyres each.

The terms and conditions of contract, *inter alia*, provided for a service of 22,000 kilometres in respect of lot numbers 1,2,3,4, and 8 and 18,000 kilometres in respet of lot numbers 5,6 and 7 and wherever defective workmanship and material was the direct cause of premature failure of recapped tyres, a prorata claim on the basis of difference between the kilometres already covered and the kilometres guaranteed was to be recovered. The firm started collecting the tyres from first week of December 1977 and by September 1980 returned 3,960 tyres duly recapped.

Average performance of 2,265 tyres out of 3,960 tyres issued to seven divisions was 13,758 kilometres (ranging from 11,709 kilometres-Bhavnagar division to 16,883 kilometres-Nadiad division). out of 362 tyres for which claims were raised up to December 1978 only claims for 131 tyres were accepted for free recapping.

The performance report of all the 3,960 tyres for the quarter ending September 1980 made available by the Management (March 1981) was found mixed up with some tyres recapped in the subsequent contract and the latest position about the details of warranty claim lodged and accepted by the firm were not available (March 1981).

The Management admitted (March 1981) that the actual performance of these tyres was less than the gurantee offered by the firm as well as the life obtained from the tyres recapped by the Corporation.

Against the average recapping cost of Rs. 258 per tyre in the Central Workshop, Ahmedabad in 1978-79 the firm was entrusted with the work of recapping at Rs. 290 per tyre involving an additional expenditure of Rs. 32 per tyre (Rs. 1.27 lakhs for 3960 tyres). The loss on account of their failure to give the guranteed kilometres in respect of 2,265 recapped tyres for which the performance reports were available works out to Rs. 2.12 lakhs.

(b) The Corporation again decided (December 1978), after inviting tenders to get 5,000 more tyres recapped from the same firm. The number was further increased by 2,500. The rates for the recapping of tyres without cuts were Rs. 286.31 and Rs. 296.26 per tyre collected from CWA and Rajkot plant respectively. The rates for tyres with cuts were Rs. 336.31 and Rs. 346.26 per tyre respectively. In the first phase, the firm was to select tyres which after recapping were to render a guaranteed service of 19,000 kilometres. In the event of failure of tyres, due to bad worksmanship, road hazards or other abuses, the firm would compensate for the loss due to shortfall in service at Rs. 18 per 1,000 kilometres. In the second phase, the firm was to select tyres, left out from the lots in the first phase and such recapped tyres would render service mutually agreed upon between the firm and the Corporation (which was agreed upon at 13,500 kilometres) with compensation for the loss due to short fall in service at Rs. 20 per 1000 kilometres. 5,169 tyres were recapped by this firm. The extra expenditure incurred in recapping these tyres by outside agency when compared to the recapping cost of CWA/Rajkot worked out to Rs. 2.05 lakhs.

With a view to watch the performance of these recapped tyres, the divisions were required to maintain suitable records. Although these tyres carried average guarantee of different kilometres separate records were not maintained for each category.

Further while the term "guarantee" was mentioned in the tender notice, the term "average guarantee" was used in the purchase order and it was not defined. The claims logdgd by the divisions, due to failure of individual tyres, before giving guaranteed kilometres were not accepted by the firm on the plea that the guarantee was not applicable to individual tyre. As a result of negotiation, the firm finally agreed to admit the claim, if the average of the total number of tyres recapped failed to give the guaranteed service.

The Management stated (March 1981) that CWA had been instructed to obtain details from the units about actual kilometres obtained, which would be available when all such tyres were removed either for scrapping or for recapping and final claim would be lodged when final performance report was available.

The firm while tendering the rates for recapping 4000 tyres (which was finalised in October 1977) had offered, to accept more tyres than the lot offered for recapping at the same rate of Rs. 290 per tyre and reiterated their offer again in April 1978, till the subsequent tender was finalisd. They also offered that if the rates finalised in the subsequent tender happened to be lower than Rs. 290, they would reimburse the difference and if the rates happened to be higher they would not claim more than Rs. 290 per tyre.

The number of tyres to be given was then, estimated to be 5,000. The tenders were, however, invited (September 1978) and finalised (December 1978) at higher rates with the same firm resulting in an extra expenditure of Rs. 1.86 lakhs on 3,628 tyres recapped by the firm.

The Management stated (March 1981) that according to the policy of the Corporation, repeat purchase order could be placed to the extent of 50 *per cent* of the tendered quantity. Extra expenditure in this case was incurred to stick to the policy of the Corporation, and the Corporation could not deviate from the policy although such deviation might prove to be advantageous.

6.7.7 *Summing up*

(i) The total number of tyres purchased was not proportionate to the increase in gross kilometres operated during the three years up to 1979-80.

(ii) The Corporation had not fixed any norms about the service to be rendered by the tyres. The targets laid down were not achieved by many divisions. No norms were fixed for removal of tyres for retreading.

(iii) The rejection of tyres at the tyre retreading plants involved avoidable expenditure on transportation.

(iv) There was delay in commissioning the tyre retreading plant at Bharuch. Delay in the commissioning of tyre retreading plant at Bharuch resulted in getting the tyres retreaded from private agencies at extra cost. The performance of these retreaded tyres was also poor. The Corporation incurred a loss of Rs. 1.86 lakhs by inviting fresh tenders instead of alloting work against the earlier contract.

6.8 Other topics of interest

6.8.1 *Excess expenditure*

With a view to provide more comfort to the passengers travelling by express buses, the Chairman of the Corporation decided (March 1976) to provide head-rest by increasing the height of the seat from its existing height of 32".

A new design of the seat with a height of 44", as prepared by the Central Workshop of the Corporation was approved by the Chairman in June 1976. The additional cost of this modification was estimated at Rs. 1,100 per bus. The work involved obtaining seat frames, plywood, back squabs, *etc.*, of special size. Hundred buses with head-rest, provided at an additional cost of Rs. 1.10 lakhs, were built and sent to various divisions of the Corporation for operation (November 1977). Immediately (November-December 1977) complaints regarding overall height and the gangway were received from passengers as well as from the operating crew. Modifications (reducing the height of the seat by 2" and increasing the gangway by $2\frac{1}{2}$") were carried out in February 1978. Even after modifications, complaints *viz.*, obstruction to clear vision to drivers and conductors, heavy suffocation, improper curvature, *etc.*, continued to be received. The Management, therefore, decided (March 1978) to bring down the height of the seats to the original level (*i. e.* 32") and carried out this decision.

Thus the expenditure of Rs. 1.10 lakhs incurred on providing head-rest did not serve the purpose of providing comfort to the passengers and the Corporation had to incur additional expenditure on dismantling, cutting, readjusting and refitting the seats. The cost of modifications carried out twice and operation of dead kilometres during such repair operations was not assessed.

The Management stated (February 1981) that (*a*) the extra expenditure incurred on seats with increased height was recouped by reusing the material in repairs of old seats and (*b*) it was an experiment to give more comfort and such experiment was necessary to know the reaction of the public.

However, for experiment purposes, the modification could have been limited to a small number of buses instead of 100 which would have reduced the additional expenditure. No account of material retrieved and reused was maintained and the cost of labour in modifying the seats twice and the cost of dead kilometres had not been assessed.

This experiment involving considerable expenditure was carried out without specific approval of the Board.

6.8.2 *Idle investment*

The Corporation was having a small pick-up stand in village Lathi, to pick-up and alight the passengers. Due to increase in traffic, the pick-up stand was considered small and difficulty was experienced in manoeuvering the vehicles. The Corporation, therefore, approved (August 1972) a proposal for the construction of a new bus station at Lathi.

A new bus station slightly away from the village, at the junction of cross road at the entry of the village, was constructed at a cost of Rs. 1.30 lakhs and opened to traffic in March 1975. After opening the new bus station it was observed that very few passengers made use of it and passengers continued to make use of the old pick-up stand. On account of the demand from the public, it was decided (November 1976) to start all the buses from the old pick-up stand and the new bus station had not been used at all from November 1976 onwards. The investment of Rs. 1.30 lakhs, therefore, remained idle. The Management stated (February 1981) that efforts to sell or let out the building were not fruitful. On a proposal to demolish this bus station put up in February 1979 the General Committee of the Board decided (March 1981) not to demolish the bus station but to commence operations at a convenient date.

6.8.3 *Loss in transit*

One automatic rotary ticket printing and cutting machine, imported from United Kingdom was installed at the Corporation's printing press at Naroda (May 1976) and for its smooth operation, spares valuing Rs. 1.15 lakhs were ordered on a firm of U. K. in June 1978. After getting the documents retired on payment of Rs. 1.15 lakhs, these were forwarded to the clearing agents at Bombay (December 1978). The clearing agents were advanced Rs. 0.90 lakh (January 1979) for payment of customs duty. On arrival of the ship in Bombay docks (March 1979) the consignment was not traceable.

The clearing agent obtained a short landing certificate from the port authorities (October 1979), and lodged a claim with the carriers. The consignment was not insured. According to a clause in the bill of lading, in case of loss of uninsured consignment, the carriers were responsible for a maximum amount of £ 100 only. Pending settlement of this claim, the Corporation approved write off of a loss Rs. 1.15 lakhs (September 1980). The Management stated (March 1981) that the consignment was not insured in view of the general policy of the Corporation, not to insure its properties or goods in transit but debit such losses to the revenue of the year in which the loss was written off. It was further stated that these spares were required for a sophisticated and special type of machine and thus having limited use, were not prone to pilferage.

The general policy of the Corporation, however, covered only inland transit of stores, which need not be insured, and did not cover import of stores from abroad.

6.8.4 *Loss in sale of scrapped vehicles*

The Corporation invited (November 1977) tenders for the sale of 76 scrapped vehicles divided into eight lots. The " terms and conditions for sale of scrapped vehicles " permitted offers for any lot of all the lots but offer against each lot was to ge given separately Out of seven tenders received one offer was for all the eight lots, one offer was for all the eight lots as well as for the first seven lots, three offers were for the first seven lots only and two offers were for selected vehicles, which was not permitted as per terms and conditions of sale.

The highest offer of a tenderer 'A' at Rs. 8.53 lakhs for all the eight lots (76 vehicles) was acceptable. However the committee constituted to consider the offers compared vehicle-wise price quoted by tenderer 'A' with the vehicle-wise price offered by another tenderer 'B' for selected eighteen vehicles. As the total price offered for eighteen vehicles by the tenderer 'B' at Rs. 2.18 lakhs was higher as compared to the price offered by the tenderer 'A' for these eighteen vehicles (Rs. 1.83 lakhs), the committee recommended to accept the offer of the tenderer 'B' for the said eighteen vehicles at Rs. 2.18 lakhs and of tenderer 'A' for the remaining fifty eight vehicles at Rs. 6.70 lakhs at the quoted rates for those vehicles. The fact that the tenderer 'B' had offered rates for selected vehicles which was not as per "terms and conditions for sale of scrapped vehicles" was not brought out in the note of the committee and the committee's recommendations were accepted by the Vice-Chairman and General Manager of the Corporation (December 1977).

The tenderer 'A' lifted the vehicles after payment whereas the tenderer 'B' failed to lift 18 vehicles and his earnest money deposit (Rs. 3,600) was forfeited (Feburary 1978). These eighteen vehicles were sold (March 1978) alongwith other vehicles for Rs. 0.85 lakh, resulting in a net loss of Rs. 0.94 lakh (after deducting Rs. 0.04 lakh forfeited). The Corporation accepted (April 1980) that the offer of the tenderer 'B' was not as per "terms and conditions of the sale of scrapped vehicles" but contended that rationale behind the condition regarding lot-wise offer to get the best price was not violated. As the offers were invited lot-wise, vehicle-wise comparison was not proper and even this comparison was not possible between all the tenderers.

6.8.5 *Expenditure on advance planning*

With a view to lessen the burden on Mehsana division due to rapid expansion of operations, the Corporation decided to open a new division at Palanpur in September 1972. The tentative date of opening of the division was fixed on 15th October 1974. Tenders were invited and work order was issued on 4th August 1973 to a contractor for construction of a divisional workshop at Palanpur within a time limit of 12 months. The contractor, however, abandoned the work and the contract was subsequently rescinded (May 1975). The Management was appraised (June 1974) by the Civil Engineering Department of the likely delay in completion of work as the contractor had failed to show progress as per schedule. In June 1974, Management approached the Board to sanction, in advance, some minimum staff to make advance arrangements for the bifurcation of existing division and starting of a new division without bringing to its notice about the likely delay in construction of divisional workshop. The Board sanctioned (June 1974) 57 posts in different categories to be released by the Vice-Chairman and General Manager as and when required. The Divisional Controller was posted on 5th August 1974 and persons against other 46 posts were posted during September-October 1974. The remaining 10 posts were not operated.

Facing certain difficulties in allocating depots to the two divisions, the Corporation decided (October 1974) to defer opening of the division by two months. 43 persons posted in advance were withdrawn in November 1974 and 4 persons were continued till the division was finally opened in November 1975—one year later. The Corporation incurred an additional expenditure of Rs. 0.20 lakh on 43 posts operated for nearly two months and Rs. 0.36 lakh on 4 posts continued till November 1975 mostly due to release of posts without assessing the position of work of construction of divisional workshop building.

The Management stated (May 1981) that even though the opening of Palanpur division was deferred for about a year no posts were utilised for the period exceeding that actually sanctioned and the posts were not sanctioned again for advance planning when the division was actually started from November 1975. However as the posts were not required to be operated for a period of one year for the advance planning even according to the original proposals, extra expenditure was largely avoidable.

SECTION VII

GUJARAT STATE WAREHOUSING CORPORATION

7.1 Introduction

The Gujarat State Warehousing Corporation was established by the State Government on 5th December 1960, under Section 28 of the Agricultural Produce (Development and Warehousing) Corporations Act, 1956 (replaced by the Warehousing Corporations Act, 1962).

7.2 Capital

The paid-up capital of the Corporation was Rs. 1,53.00 lakhs (State Government : Rs. 95.50 lakhs, Central Warehousing Corporation : Rs. 57.50 lakhs) as on 31st March 1980 against the paid-up capital of Rs. 1,22.00 lakhs (State Government : Rs. 64.50 lakhs, Central Warehousing Corporation : Rs. 57.50 lakhs) as on 31st March 1979. The Corporation had not raised any loans which were guaranteed by the State Government.

7.3 Financial position

The table below summarises the financial position of the Corporation under the broad headings for the three years up to 1979-80 :

Liabilities	1977-78	1978-79	1979-80
		(Rupees in lakhs)	
(a) Paid-up capital	1,22.00	1,22.00	1,53.00
(b) Reserves and surplus	90.66	1,00.59	1,03.57
(c) Borrowings	4.00	4.00	4.00
(d) Trade dues and other current liabilities (including provisions)	31.65	46.63	1,40.02
Total ..	2,48.31	2,73.22	4,00.59
Assets			
(a) Gross block	72.42	90.96	94.12
(b) *Less* : Depreciation	9.58	11.77	13.98
(c) Net fixed assets	62.84	79.19	80.14
(d) Capital works-in-progress ..	2.96	..	10.88
(e) Current assets, loans and advances	1,82.51	1,94.03	3,09.57
Total ..	2,48.31	2,73.22	4,00.59
Capital employed + ...	2,06.38	2,19.27	2,40.51
Capital invested **	2,09.34	2,19.27	2,51.39

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

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

7.4 Working results

The following table gives the details of the working results of the Corporation for the three years up to 1979-80 :

	Particulars		1977-78	1978-79	1979-80
				(Rupees in lakhs)	
1.	Income				
	(i) Warehousing charges	..	78.39	60.82	49.32
	(ii) Other income	..	10.04	7.30	14.52
	Total	..	88.43	68.12	63.84
2.	Expenses				
	Establishment charges	..	16.40	17.31	17.80
	Interest ..	..	0.31	0.31	0.31
	Other expenses ..	..	43.95	30.26	32.19
	Total	..	60.66	47.88	50.30
3.	Profit before tax ..	..	27.77	20.24	13.55
4.	Provision for tax ..	..	1.95	3.00	3.24
5.	Other appropriations ..	..	6.46	16.36	3.58
6.	Amount available for dividend	..	19.36	0.88	6.73
7.	Dividend paid ..	..	14.80	7.32	7.32
8.	Total return on				
	(a) Capital employed	..	28.08	20.55	13.86
	(b) Capital invested ..	..	28.08	20.55	13.86
9.	Rate of return on			(Per cent)	
	(a) Capital employed	..	13.60	9.37	5.76
	(b) Capital invested	..	13.41	9.37	5.51

7.5 Operational performance

The following table gives details of storage capacity created, capacity utilised and other information about the performance of the Corporation for the three years up to 1979-80:

	Particulars	1977-78	1978-79	1979-80
1.	Number of stations covered ..	67	73	86
2.	Storage capacity created up to end of the year (tonnes in lakhs)			
	(a) Owned	0.42	0.68	0.74
	(b) Hired	2.56	1.52	1.45
	Total ..	2.98	2.20	2.19
3.	Average capacity utilised during the year (tonnes in lakhs)	2.90	1.72	1.26
4.	Percentage of utilisation ..	97.00	78.16	57.56
5.	Average revenue per tonne per year (Rupees)	30.50	39.60	50.67
6.	Average expenses per tonne per year (Rupees)	20.92	27.84	39.92

7.6 Share capital

According to Section 19(1) of the Warehousing Corporations Act, 1962 the Gujarat State Warehousing Corporation is authorised to issue shares from time to time as and when the Corporation deems fit after consultation with the Central Warehousing Corporation and with the sanction of the State Government. Section 19(2) *ibid* stipulates that the State Government shall subscribe to 50 *per cent* of the capital issued and the remaining 50 *per cent* shall be subscribed by the Central Warehousing Corporation.

During 1976-77, the Central Warehousing Corporation communicated (December 1976) their concurrence for increasing the share capital of the State Warehousing Corporation by Rs. 6 lakhs by agreeing to contribute their share of Rs. 3 lakhs. However, the State Government sanctioned and released a sum of Rs. 10 lakhs which was in excess of the amount for which shares were to be allotted. In the year 1978-79 also as against Rs. 19 lakhs agreed to (April 1978) by the Central Warehousing Corporation for an increase in share capital by Rs. 38 lakhs, the State Government sanctioned and released (March 1979) Rs. 31 lakhs. On both these occasions the excess over the amounts agreed to be subscribed by the Central Warehousing Corporation was not legally payable to the State Warehousing Corporation as share capital. The share of capital contribution agreed to by Central Warehousing Corporation (Rs. 19 lakhs) was yet to be received (November 1980).

The orders sanctioning the payment in excess in 1976-77 did not specify any terms and conditions for retention of the money paid in excess as a loan or its refund. While paying Rs. 12 lakhs in excess in 1978-79 the State Government stipulated that the State Warehousing Corporation should refund the excess amount, alongwith the excess of Rs. 7 lakhs pertaining to 1976-77 by June 1979 in case it failed to get the matching contribution from the Central Warehousing Corporation. The Central Warehousing Corporation had not agreed to increase their share of capital contribution both for 1976-77 and 1978-79. The State Warehousing Corporation did not refund the sum of Rs. 19.00 lakhs received in excess, but appropriated the excess as share capital and also paid dividend thereon for 1976-77 and thereafter.

Action of the Corporation in treating the excess amount as share capital contravenes the provisions of the Warehousing Corporations Act, 1962. The retention of the excess amount by the Corporation despite the specific instructions to refund it, was irregular.

The matter was brought to the notice of Government in February 1981; their reply was awaited.

S. Ramachandran

Ahmedabad,
The 12 APR 1982

(S. RAMACHANDRAN)
Accountant-General-I, Gujarat

Countersigned

Prakash

New Delhi,
The

(GIAN PRAKASH)
Comptroller and Auditor General of India

7 APR 1982

APPENDIX 'A'

APPENDIX

Summarised Financial results
[Referred to in paragraph 1.2

Sr. No.	Name of Company	Date of incorporation	Accounts for the year ending	Capital invested	Profit(+) Loss (—)	Total interest charged to profit and loss account
1	2	3	4	5	6	7
1	Cement Corporation of Gujarat Limited (£)	29th March 1973	March 1980	4.53	..	..
2	Girnar Scooters Limited(≠)	9th September 1976	June 1979	0.59	(—)0.05	..
3	Gujarat Agro Foods Limited ($)	20th October 1970	December 1979	83.40	[(+)3.05	2.08
4	Gujarat Agro Industries Corporation Limited	9th May 1969	March 1980	6,86.41	(+)20.55	1.69
5	Gujarat Agro-Marine Products Limited($)	17th December 1971	December 1979	1,69.02	(—)2.52	10.33
6	Gujarat Ar o Oil Enterprises Limited($)	21st April 1971	December 1979	54.58	(+)7.31	0.06
7	Gujarat Communications and Electronics Limited	30th May 1975	March 1980	3,46.55	(+)0.54	3.86
8	Gujarat Dairy Development Corporation Limited	29th March 1973	March 1980	2,88.38	(—)52.46	6.15
9	Gujarat Industrial Investment Corporation Limited	12th August 1968	March 1980	52,98.51	(+)7.98	1,82.00
10	Gujarat Leather Industries Limited(£)	18th April 1978	March 1980	59.76	..	..

'A'

of Government Companies
of Section I (Chapter I)]

(Figures in columns 5 to 11 are in lakhs of rupees)

Interest on long -term loans	Total return on capital invested (6+8)	Capital employed	Total return on capital employed (6+7)	Percentage of total return on capital invested	Percentage of total return on capital employed	Remarks
8	9	10	11	12	13	14
..	..	0.78	..	..	..	Entire expenses were capitalised during the year. (£) Subsidiary of Sr. No. 9.
..	(—) 0.05	..	..	..	..	(≠)Subsidiary of Sr. No. 15
2.08	5.13	83.29	5.13	6.16	6.16	($) Subsidiary of Sr. No. 4
1.38	21.93	7,00.40	22.24	3.20	[3.18	..
10.33	7.81	1,68.87	7.81	4.62	4.63	($)Subsidiary of Sr. No. 4
0.06	7.37	54.59	7.37	13.50	13.50	($) Subsidiary of Sr. No. 4
3.86	4.40	2,83.98	4.40	1.27	1.55	..
3.82	(—)48.64	3,03.97	(—)46.31	..	..	..
1,82.00	1,89.98	47,46.69	1,89.98	3.59	4.00	..
..	..	11.17	..	..	..	Entire expenses were capitalised during the year. (£) Subsidiary of Sr. No. 9.

1	2	3	4	5	6	7
11	Gujarat Mineral Development Corporation Limited	15th May 1963	March 1980	10,49.70	(+)94.24	12.66
12	Gujarat Nylons Limited(£)	29th March 1973	March 1980	9.47	..	..
13	Gujarat Rural Industries Marketing Corporation Limited	16th May 1979	March 1980	28.09	(—)1.91	0.37
14	Gujarat Sheep and- Wool Development Corporation Limited	9th December 1970	March 1980	15.60	(—)11.15	1.14
15	Gujarat Small Industries Corporation Limited	26th March 1962	December 1979	2,78.06	(—)15.17	94.52
16	Gujarat State Construction Corporation Limited	16th December 1974	July 1979	3,69.39	(—)1,29.14	78.88
17	Gujarat State Export Corporation Limited	14th October 1965	March 1980	40.93	(—)3.95	3.77
18	Gujarat State Forest Development Corporation Limited	20th August 1976	September 1979	1,34.08	(+)11.26	..
19	Gujarat State Handicrafts and Handloom Development Corporation Limited	10th August 1973	March 1978	64.25	(—)3.08	3.23
20	Gujarat State Land Development Corporation Limited	28th March 1978	March 1979	55.19	(—)4.81	..
21	Gujarat State Petrochemicals Corporation Limited	29th January 1979	March 1980	48.95	(—)0.06	..
22	Gujarat State Rural Development Corporation Limited	9th July 1977	March 1979	38.00	(—)0.43	..

'A'

8	9	10	11	12	13	14
11.70	1,05.94	7,39.20	1,06.90	10.10	14.47	..
..	..	0.17	..	..	..	Entire expenses were capitalised during the year. (£) Subsidiary of Sr. No. 9.
0.37	(—)1.54	27.76	(—)1.54	..	..	..
1.14	(—)10.01	10.62	(—)10.01	..	..	..
57.40	42.23	10,63.98	79.35	15.19	7.46	..
68.77	(—)50.37	4,82.78	(—)50.26	..	..	..
..	(—)3.95	40.06	(—)0.18	..	..	..
..	(+)11.26	1,32.35	(+)11.26	8.40	8.51	..
3.14	0.06	71.28	0.15	..	..	..
..	(—)4.81	54.77	(—)4.81	..	..	..
..	(—)0.06	37.84	(—)0.06	..	..	..
..	(—)0.43	36.69	(—)0.43	..	..	..

APPENDIX

1	2	3	4	5	6	7
23	Gujarat State Seeds Corporation Limited	16th April 1975	September 1979	64.64	(+)34.70	39.35
24	Gujarat State Textile Corporation Limited	30th November 1968	March 1980	3,74.27	(+)20.02	20.52
25	Gujarat Water Resources Development Corporation Limited	3rd May 1971	July 1977	2,05.93	(—)7.96	1.40
26	Gujarat Tyres Limited (£)	29th March 1973	March 1980	69.94	..	..
27	Polymers Corporation of Gujarat Limited (£)	29th March 1973	March 1980	14,63.39	(—)1,61.99	1,37.30
28	Steel Corporation of Gujarat Limited (£)	16th January 1975	March 1980	24.31	..	..
29	Tourism Corporation of Gujarat Limited	10th June 1975	August 1979	10.98	(—)18.04	..

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

(2) Capital employed (excluding that in respect of Gujarat Industrial works-in-progress) *plus* working capital.

(3) Capital employed in respect of Gujarat Industrial Investment paid-up capital, bonds, reserves (other than those specifically funded

'A'

8	9	10	11	12	13	14
3.45	38.15	2,53.80	74.05	59.02	29.18	..
20.52	40.54	3,72.27	40.54	10.83	10.89	..
..	(—) 7.96	59.43	(—)6.56	..	..	..
..	..	12.16	..	..	..	Entire expenses were capitalised during the year. (£) Subsidiary of Sr. No. 9.
1,37.30	(—)24.69	16,50.32	(—)24.69	..	..	(£) Subsidiary of Sr. No. 9.
..	..	0.03	..	..	..	Entire expenses were capitalised during the year. (£) Subsidiary of Sr. No. 9.
..	(—)18.04	10.60	(—)18.04	..	..	..

loans *plus* free reserves.

Investment Corporation Limited) represents net fixed assets (excluding capital

Corporation Limited represents the mean of the opening and closing balances of and backed by outside investments) and borrowings.

APPENDIX

Summarised financial results of Statutory

[Reffered to in paragraph 4,1

Sr. No.	Name of Corporation	Name of Department	Date of incorporation	Total capital invested	Profit (+) Loss(—)
1	2	3	4	5	6
1	Gujarat Electricity Board	Industries, Mines and Power	1st May 1960	6,92,00.33	..
2	Gujarat Industrial Development Corporation	Industries, Mines and Power	4th August 1962	52,68.66	(+)19.77
3	Gujarat State Financial Corporation	Industries, Mines and Power	1st May 1960	1,10,91.12	(+)2,53.32
4	Gujarat State Road Transport Corporation	Home	1st May 1960	76,92.73	(—)5,40.12
5	Gujarat State Warehousing Corporation	Agriculture, Forests and Co-operation	5th December 1960	2,51.39	(+)13.55

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

(2) Capital employed in respect of Gujarat State Financial Corporation reserves (other than those which have been funded specifically and refinance). In case of Gujarat Industrial Development Corporation it subsidy from Government, borrowings and receipts on capital account. works-in-progress) *plus* working capital.

'B'

Corporations for the year 1979-80

of Section IV (Chapter II)]

(Figures in columns 5 to 11 are in lakhs of rupees)

Total interest charged to Profit and Loss account	Interest on long-term loans	Total return on capital invested (6+8)	Capital employed	Total return on capital employed (6+7)	Percentage of total return on capital invested	Percentage of total return on capital employed	Remarks
7	8	9	10	11	12	13	14
49,16.47	47,01.99	47,01.99	5,41,81.02	49,16.47	6.79	9.07	
3,70.20	3,70.20	3,89.97	68,77.96	3,80.97	7.41	5.67	
5,84.44	5,84.44	8,37.76	1,05,63.37	8,37.76	7.55	7.93	
4,75.83	4,74.55	(—)65.57	49,35.30	(—)68.90	..	..	
0.31	0.31	13.86	2,40.51	13.86	5.51	5.76	

reserves.

represents the mean of the opening and closing balances of paid-up capital, backed by investments outside), bonds, deposits and borrowings (including represents mean of the opening and closing balances of reserves and surplus, In other three cases it represents net fixed assets (excluding capital

PRINTED AT THE GOVERNMENT PRESS, VADODARA.

(G. P. V.)(J) H-1-1350-5-82

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Report of the Comptroller and Auditor General of India for the year 1979-80 (Commercial)—Government of Gujarat.

Sr. No.	Reference to Page No.	Para No. etc.	For	Read
(1)	(2)	(3)	(4)	(5)
1	(ii)	16th line	warehousing	Warehousing
2	1	1.1 item 3 of table	Schedule Caste	Scheduled Castes
3	1	1.2 last line	do.	do.
4	4	8th line	Agro Foods	Agro-Foods
5	4	10th line	Agro Industries	Agro-Industries
6	8	1.8 item 10 of the table	non moving	non-moving
7	8	1.9 2nd line of 1st sub para	Auditor-General	Auditor General
8	8	1.9 line No. 4	Comapnies	Companies
9	8	1.9 Heading of 2nd column.	Compnies	Companies
10	8	1.9 2nd line from bottom	Non provision	Non-provision
11	9	Heading of 2nd column	Compnies	Companies
12	9	1.9 item 2 of Table on this page	univestigated	uninvestigated
13	9	Column 3 of Table against item 2	25.	23

(1)	(2)	(3)	(4)	(5)
14	9	1.9 item 3 of table on rhis page	Non accountal	Non-accountal
15	9	1.9 item 8 of Table	Non disclosure	Non-disclosure
16	12	Column heading	lahks	lakhs
17	16	Foot Note*	genertion	generation
18	17	Heading in last column-1st line	live	live—
19	18	4th line	report;	report
20	20	2.09 2nd item of 1st sub para	Baled,	baled
21	20	2nd line from bot tom	requistion	requisition
22	20	Last line	exinstance	existence
23	22	3.02 item 3 of objectives	privilages	privileges
24	27	3.07 1st line A(ii)	phospharous	phosphorous
25	27	3.07 Item 2 A(ii) of table	18,095	18,905
26	28	do. 1st line of 2nd sub para	ceils	cells
27	31	3.07 2nd line from bottom	occured eratic	occurred erratic
28	32	3.07 C 7th line	Rs. 0.36 lakh on them	Rs. 0.36 lakh
29	32	3.07 C 14th line	equipments	equipment
30	36	3.07 D 9th line	*ad hoc*	ad hoc

1	2	3	4	5
31	36	3.07 D 10th line	corelation	correlation
32	38	3.08 (ii) 20th line of 1st sub-para	deposits	deposit
33	38	Last line	his	this
34	39	3.08 (iii) last line of the para	maintained.)	maintained).
35	39	3.09 (a) 3rd line of 1st sub-para	wiegh bridge	weigh bridge
36	40	3.09 (b) 6th line of sub-para	railways	railway
37	41	3.10 16th line	re-ordering level	re-ordering levels
38	42	Head of table-1st column	..	Delete the words 'Rupees in lakhs
39	43	3.13 (c) 2nd line from bottom	Complied	Compiled
40	44	Para No. 315 Heading	interests	interest
41	45	3.16 (iv) 10th line	equipments	equipment
42	45	3.16 (vi) 20th line	district	districts
43	46	4.2 2nd line of sub-para	purchse	purchase
44	47	4.3.2 heading to the table	sources	source
45	48	4.3.4 1st line of sub-para	Corpoartion	Corporation

1	2	3	4	5
46	51	Foot Note*	differene	difference
47	59	5.2 1st line of 1st sub-para	requirement	requirements
48	59	Foot Note*	interest	interest of
49	62	5.7 item 8 of table	in lakhs	in lakhs
50	64	5.9.3 3rd line	load centre	load centres
51	66	23rd line do.	1,965 2,001	1.965 2.001
52	73	5.9.8 heading	non utilisation	non-utilisation
53	75	5.9.8 heading of the table	non utilisation	non-utilisation
54	78	5.9.9.2 3rd line of 2nd sub-para	we shall therefore	we shall, therefore,
55	78	do. 4th line of 2nd sub-para	onwards	onward
56	80	5.9.9.3 8th line	indefinately	indefinitely
57	80	5.9.9.5 1st line of 1st sub-para	Boards	Board's
58	82	1st line	resquested	requested
59	82	5.10 sub-heading		Introduction
60	82	5.10 5th line	ploe	pole
61	82	5.10 9th line	order	orders
62	84	3rd line	section	stations

1	2	3	4	5
63	84	5.12.2 4th line	and cost	end cost
64	84	do. 13th line	month	months
65	85	5.12.3 last line	obatained	obtained
66	86	5.12.4 25th line	Rs. 57,800	(Rs. 57,800)
67	87	5.12.5 7th line of 1st sub-para	loss than 60 *per cent*	less than 60 *per cent*
68	88	6.2 2nd line of sub-para	2;1	2:1
69	88	6.3 heading in table	Amount outstanding-	Amount outstanding
70	88	Foot Note	Rs. 12,32.37 lakhs*	Rs. 12,32.47 lakhs
71	92	6.7.1 heading of table	Total cost operation	Total cost of operation.
72	97	6.7.3.1 Heading of table under 1979-80 Heading	(kms per tyre	(Kms per tyre
73	102	Heading	Rejection of tyre	Rejection of tyres
74	103	6.7.4.3 1st line of 1st sub-para	scarpped	scrapped
75	103	6.7.4.3 4th line of 1st sub-para	scarpped	scrapped
76	103	6.7.5 2nd line of 1st sub-para	exapansion	expansion
77	103	6.7.5 1st line of 2nd sub-para	commisioned	commissioned

	2	3	4	5
78	104	6.7.6(a) 3rd line of 2nd sub-para	respet	respect
79	104	6.7.6(a) 3rd sub-para 3rd line	out .	Out
80	104	do. 2nd line of 5th sub-para	gurantee	guarantee
81	105	6.7.6(b) 3rd line of 3rd sub-para	logdged	lodged
82	106	6.7.7 5th line of (iv) th sub-para	alloting	allotting
83	107	6.8.2 3rd line of 1st para	maneoeuvering	manoeuvring
84	108	6.8.4 5th line	ge	be
85	110	6.8.5 5th line of 2nd sub-para	However•as	However, as
86	116	Sl. No. 3 column 2	Agro Foods	Agro-Foods
87	116	Sl. No. 4 column 2	Agro Indus-	Agro-Indus
88	116	Sl. No. 6 column 2	Aro	Agro-
89	117	Column 13 Sl.No.4	13.18	3.18
90	122	Appendix 'B' Heading	(Reffered	(Referred