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CENTRAL GOVERNMENT

AUDIT REPORT

(COMMERCIAL)

1967-68

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ERRATA

<i>Page No.</i>	<i>Reference</i>	<i>For</i>	<i>Read</i>
2	Table—item (iii) Total . . .	7	3,37,97
24	Serial No. 15	Naban	Nahan
25	Column 15—lines 10 and 11 . . .	amount ting	amounting
37	Column 13	blank	(—) 3
38	Total—column 5	4,46,19	24,46,19
59	Column 15—last para —line 2 —line 3	in, rent-	in- rent,
66	Serial No. 70—column 2	end ng	ending
72	Serial No. 15—column 2	Corporation	Corporation
83	1st table—Heading—last column	throughout	throughput
100	Column 11—figure for 1965-66 . . .	(—)13·5	(—)13·54
110	Table—second line of heading of column 4.	o standing	outstanding
111	2nd table—column 1—3rd figure Column 3—2nd line	3,44,9 4·23 Read 'Errors' before	3,44,954·23 'in'
114	11th line	1312	13·12
	19th line	164	1·64
115	Table—column 1—heading	th	the
	Item 17—column 1965-66	+) 3·	(+)39·81
	Insert '.' after two digits from right in each of the figures appearing in the table.		
118	Table—column 3—8th line	Dire tor	Director
119	Table— column 1 line 1	shove s rece ved	shovels received
	column 2	97,091,90	97,091·90
	column 3 line 1	unloadi g	unloading
	lines 2, 3 and 5	19 4	1964
	column 3 lines 3 and 4	con-sigments	consignments



Page No.	Reference	For	Read
	line 6	i c earance	in clearance
	line 11	provis o	provision
	line 11	fu ds	funds
	lines 12 and 13	pay-me t	payment
	Total	1, 5, 398· 5	1,65,398·65
129	Sub para (f)(ii)—line 2	by	for
130	Table—column 1965-66 — item 2(a)(ii)	1 82	1·82
144	First line	Read '30' for the illegible figure.	
147	Table—lines 3 and 4 of remarks column against Unit V (Hyderabad)	estit-mates	esti-mates
163	Para 10(a)—table — column 1965-66—figure against item (d)	105·24	150·24
172	Table in Para 4—under 1965-66	tairget	target
186	Line 3	Septimber	September
	4th sub-para—line 1	Serpember	September
196	Section XX—1st para—line 3	OCmpany	Company
200	Line 2	reorted	reported
	Line 3	roject	project
202	Serial No. 14(1)—line 2	outling	outlining
213	Serial No. 41	Bharat Heavy Elec- tricals	Bharat Heavy Elec- tricals Limited
239	Table—under 1964-65—1st line	42,35	42,385
259	Insert 'that' in 2nd line after the word 'result'.		
262	Serial No. 10—column 2	Deptment	Department
265	1st line	Pow	Power
266	Serial No. 4—column 2	adio	Radio
	Serial No. 7—column 4	6,2±	6,28
	Serial No. 7—column 5	1,11%	1,11±
	Insert Serial No. 9 after Serial No. 8 in column 1.		
	Serial No. 14—column 2	Andmans	Andamans
269	2nd line below the table	ptofit	profit
273	Para 5(b)—line 6	prescribed	prescribed
274	Line 4	Mandasur	Mandsaur
277	Heading—line 4	1965-	1965-66
284	Para 3—Heading—column 4	months,	months'
286	Liabilities—last item	liabilty	liability

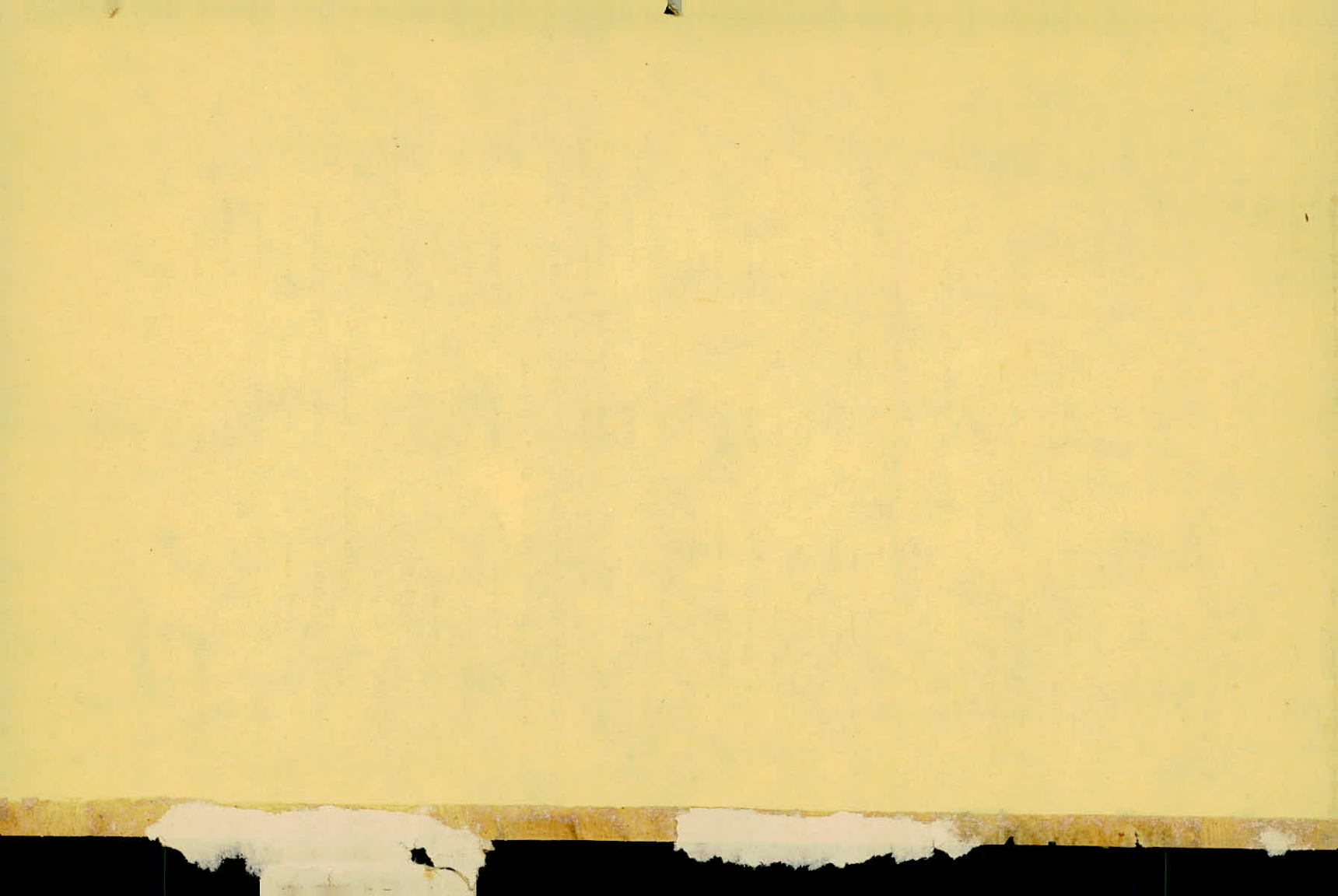


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PREFATORY REMARKS

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

- (i) Government Companies.
- (ii) Statutory Corporations.
- (iii) Departmentally managed Commercial Undertakings.

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

3. In the cases of Government Companies audit is conducted primarily by professional auditors appointed on the advice of the Comptroller and Auditor General, but the latter is authorised to conduct a supplementary or test audit. He is also empowered to comment upon or supplement the report submitted by the professional auditors. The Companies Act further empowers the Comptroller and Auditor General to issue directives to the auditors in regard to the performance of their functions. In March, 1962 such directives were issued by him to the auditors for looking into certain specific aspects of the working of Government Companies. These were revised in December, 1965. The important points contained in the special reports submitted by the auditors in accordance with these directives have been mentioned in Section XX.

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

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

6. This Report is based on results of audit conducted in the above manner. As usual, a general review has first been made of all concerns falling under each of these categories and this is followed by a more comprehensive review of the working of some of the concerns. Simplified *pro forma* accounts of some of the Government Departmental Undertakings have also been annexed.

7. This Report also refers to certain important points relating to undertakings in respect of which a comprehensive review has not been made; these points are confined to cases of irregularities, losses, etc. which appear to reflect directly or indirectly on the efficiency of the working of the undertakings.

CHAPTER I

GOVERNMENT COMPANIES

I—INTRODUCTION

A. Return on investment

1. There were 68 Companies with 2 subsidiaries of the Central Government as on 31st March, 1966 as against 60 Companies with 2 subsidiaries as on 31st March, 1965.

2. 4 Companies (Serial Nos. 41, 62, 63 and 70 of Annexure 'A') which were registered during 1964-65 prepared their first accounts during 1965-66. 1 Company (Serial No. 64 of Annexure 'A') though registered in 1964-65 did not prepare the annual accounts and 1 Company (Serial No. 50 of Annexure 'A') changed its accounting year from 31st March to 31st May and hence its accounts were not due. Out of the 8 new Companies (Serial Nos. 5, 37, 53, 61, 65, 66, 67 and 68 of Annexure 'A') which were registered during 1965-66, 3 Companies (Serial Nos. 5, 37 and 53 of Annexure 'A') prepared their first annual accounts. The remaining 5 Companies did not prepare their annual accounts.

3. *Paid-up capital.*—The total paid-up capital of the 68 Companies of the Central Government included in this Report stood at Rs. 1,187.90 crores at the end of 1965-66 representing an increase of Rs. 132.16 crores over the total paid-up capital of Rs. 1,055.74 crores of the 60 Companies as at the end of the previous year.

The break-up of the paid-up capital of these Companies according to the investments made by the Central Government, State Governments and private parties as on 31st March, 1966 is as follows:—

(Rupees in thousands)

		Paid-up capital				
		No.	Centre	State	Private parties	Total
(i)	Companies fully owned by the Central Government (excluding subsidiaries)	52	11,54,23,85	..	..	11,54,23,85
(ii)	Companies jointly owned by the Central and State Governments (excluding subsidiaries)	3	1,40,01	1,23,00	..	2,63,01

	Paid-up capital				
	No.	Centre	State	Private parties	Total
(iii) Companies jointly owned by the Central Government and private parties .	6	2,69,00	..	68,97	7
(iv) Companies jointly owned by the Central Government, State Governments and private parties .	7	15,00,49	6,30,10	6,34,33	27,64,92
TOTAL .	68	11,73,33,35*	7,53,10**	7,03,30***	11,87,89,75
		98.8%	0.6%	0.6%	100%
Figures for the year 1964-65 .	60	10,41,95,42†	7,25,05	6,53,36‡	10,55,73,83
		98.7%	0.7%	0.6%	100%

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

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

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

†Includes Rs. 714.74 lakhs received for issue of shares.

‡Includes Rs. 5.28 lakhs received on forfeited shares.

4. *Profits and Dividends.*—According to the annual accounts of these Companies there was a net profit of Rs. 992.59 lakhs during 1965-66 as against a net profit of Rs. 1,031.83 lakhs during the previous year. In 1965-66 36 Companies showed a profit of Rs. 24.90 crores which represented 2.73 per cent. of the paid-up capital of Rs. 912.85 crores invested in these Companies. 19 Companies (Annexure 'B') declared dividends amounting to Rs. 240.61 lakhs which represented 6.42 per cent. of the paid-up capital of Rs. 37.50 crores of these Companies. This works out to 0.20 per cent. on the total paid-up capital of Rs. 1,187.90 crores of all the 68 Companies. As the profits of the year 1965-66, after necessary appropriations to reserves, were not sufficient to meet the dividend declared by 3 Companies (Serial Nos. 5, 8 and 17 of Annexure 'B'), the dividend to the extent of Rs. 14.37 lakhs was met out of the profits of the past years by these Companies. 18 Companies, in which the paid-up capital of Rs. 238.91 crores had been invested, showed a loss of Rs. 14.97 crores of which Rs. 12.14 crores pertained to 4 Companies *viz.* Heavy Electricals (India) Limited, Mining and Allied Machinery Corporation Limited, Heavy Engineering Corporation Limited and Bharat Heavy Electricals Limited.

The details of the return on paid-up capital according to the 3 categories of Running concerns, Promotional and Developmental Undertakings and Companies under construction for 1964-65 and 1965-66 are given below:—

	(Rupees in thousands)							
	1964-65				1965-66			
	No.	Paid-up capital	Profit	Per-cent-age	No.	Paid-up capital	Profit	Per-cent-age
(i) Running concerns	38	7,87,00,94	23,18,95	2.9	44	10,76,06,33	12,08,15	1.1
(ii) Promotional and Developmental Undertakings	6	2,67,25	7,81	2.9	6	3,21,25	(—)11,73	..
(iii) Companies under construction	16	2,66,05,64	(—)12,94,93	..	18	1,08,62,17	(—)2,03,83	..
TOTAL	60	10,55,73,83	10,31,83	1.0	68	11,87,89,75	9,92,59	0.8

One subsidiary Company which earned a profit of Rs. 23.66 lakhs declared dividend amounting to Rs. 5.00 lakhs on its paid-up capital of Rs. 100.00 lakhs.

5. *Loans.*—The long-term loans (including amounts due to the Government of India/Transferor Companies for assets and liabilities taken over, in lieu of which shares were to be issued or which were to be converted into long-term loans, etc. according to the information available) obtained by the Companies under review stood at Rs. 978.83 crores. This represented an increase of Rs. 213.82 crores over the long-term loans amounting to Rs. 765.01 crores of these Companies at the end of the previous year.

The break-up of long-term loans according to the sources of finance *viz.* the Central Government, the State Governments, foreign credits and other parties as on 31st March, 1966 is as follows:—

	(Rupees in thousands)				
	1964-65	Per-cent-age	1965-66	Per-cent-age	Increase
(i) Central Government	6,92,83,27	90.6	8,64,82,74	88.4	1,71,99,47
(ii) State Governments	1,56,64	0.2	1,44,74	0.1	(—) 11,90
(iii) Foreign credits	54,73,07	7.2	66,57,46	6.8	11,84,39
(iv) Others	15,87,73	2.0	45,97,92	4.7	30,10,19
TOTAL	7,65,00,71	100.0	9,78,82,86	100.0	2,13,82,15

6. *Interest.*—Government have granted

- (i) 'Interest holiday' on loans amounting to Rs. 357.10 crores in the case of Hindustan Steel Limited up to 31st March, 1962, the recovery so waived amounting to Rs. 39.71 crores, and
- (ii) a loan of Rs. 6.33 lakhs which is free of interest for the first 10 years to Hindustan Shipyard Limited for the Drydock Project.

The Government of Madhya Pradesh have granted interest free loan of Rs. 111.19 lakhs to National Newsprint and Paper Mills Limited out of which the amount of Rs. 33 lakhs was outstanding as on 31st March, 1966. The money value of interest so forgone worked out to Rs. 2.01 lakhs for the year 1965-66 and Rs. 26.73 lakhs for the entire period (up to 31st March, 1966).

The Central Government have granted moratorium for periods ranging from 2 to 10 years in the cases of 17 Companies for repayment of loans aggregating Rs. 157.10 crores provided to these Companies during the year 1965-66.

7. *Guarantee.*—The Central Government guaranteed cash credit arrangements made by 20 Companies with the State Bank of India up to the total maximum limit of Rs. 80.44 crores. Against this limit the amount outstanding as on 31st March, 1966 aggregated Rs. 60.79 crores. Loans raised by 8 Companies were also guaranteed by Government, the amount outstanding as on 31st March, 1966 being Rs. 51.16 crores. In addition, Government gave guarantee in respect of the following:—

- (a) Repayment of principal and interest in respect of letters of credit offered by the State Bank of India to exporters abroad to draw on it for funds in payment of specified goods to be shipped to India (10 Companies).
- (b) Repayment of principal and interest and fulfilment of payment obligation in pursuance of agreements/letters of acceptance entered into with foreign consultants/contractors (12 Companies).

The maximum amount thus guaranteed as on 31st March, 1966 in the cases of these Companies was Rs. 113 crores against which the actual amount outstanding as on that date was Rs. 58 crores (approximately).

8. *Subsidy*.—Apart from the concessions mentioned in paras 6 and 7 above subsidies have also been granted to some Companies for meeting operational deficits, for Industrial Housing Schemes, etc. During 1965-66 11 Companies received such subsidies aggregating Rs. 447.90 lakhs. The cumulative total of subsidies paid by Government up to 31st March, 1966 was Rs. 21.49 crores. The Company-wise details are given in Annexure 'C'. The major portion of the subsidies was received by the following Companies:—

(i) Hindustan Shipyard Limited	Rs. 1,169.16 lakhs	For meeting deficits towards higher cost of ship construction.
(ii) National Small Industries Corporation Limited	Rs. 427.66 lakhs	For promotional activities, in lieu of concessional rate of interest, etc.
(iii) National Coal Development Corporation Limited	Rs. 308.65 lakhs	For meeting operational deficits.
(iv) National Industrial Development Corporation Limited	Rs. 93.39 lakhs	For meeting expenses on investigation and processing of projects, operational deficit, etc.
(v) Mogul Line Limited	Rs. 86.88 lakhs	For meeting deficit of India-Burma Service for repatriation of Indian Nationals.

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

the return has been taken not only as the profit disclosed in the accounts, but also as the interest paid on long-term loans. On this basis the return in 1965-66 on a total investment of Rs. 2,225.88 crores made in these Companies amounted to Rs. 53.03 crores being 2.4 per cent. of the investment.

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

Rupees in thousands)					
	Capital invested	Profit	Interest	Total	Percentage
(i) Running concerns	20,38,44,76	12,08,15	40,21,99	52,30,14	2.6
(ii) Promotional and Developmental Undertakings	32,27,56 (—)	11,73	1,26,50	1,14,77	3.6
(iii) Companies under construction	1,55,15,50 (—)	2,03,83	1,62,21	(—)41,62	..

B. Rate of growth

(a) While the rate of growth of paid-up capital and reserves and surplus increased in 1965-66 as compared with that of 1964-65 in the cases of Running concerns and Promotional and Developmental Undertakings it declined in the cases of Companies under construction as indicated below:—

(Rupees in lakhs)					
	Paid-up capital and reserves and surplus			Rate of growth	
	1963-64	1964-65	1965-66	1964-65	1965-66
	Rs.	Rs.	Rs.		
(i) Running concerns	69,692.85	84,416.00	1,14,797.24	21.1%	36.0%
(ii) Promotional and Developmental Undertakings	450.43	480.21	593.64	6.6%	23.6%
(iii) Companies under construction	26,386.50	26,816.39	10,612.94	1.6%	(—)60.4%
(iv) All the 3 groups	96,529.78	1,11,712.60	1,26,003.82	15.7%	12.8%

(b) While the rate of growth of total gross assets increased in 1965-66 as compared with that of 1964-65 in the cases of Running concerns and Promotional and Developmental Undertakings it declined in the cases of Companies under construction as indicated below:—

(Rupees in lakhs)

	Total gross assets			Rate of growth	
	1963-64	1964-65	1965-66	1964-65	1965-66
	Rs.	Rs.	Rs.		
(i) Running concerns	1,63,211.40	1,99,834.43	2,84,429.66	22.4%	42.3%
(ii) Promotional and Developmental Undertakings	3,227.63	3,471.56	3,915.45	7.6%	12.8%
(iii) Companies under construction	45,619.28	53,836.02	16,634.93	18.0%	(—)69.1%
(iv) All the 3 groups	2,12,058.31	2,57,142.01	3,04,980.04	21.3%	18.6%

C. Sources and uses of funds

(a) *Internal sources.*—Funds received from internal sources in 1964-65 and 1965-66 are indicated below:—

(Rupees in lakhs)

	Internal sources	Percentage to total funds (i.e. internal and external)	Internal sources	Percentage to total funds (i.e. internal and external)
	1964-65		1965-66	
	Rs.		Rs.	
(i) Running concerns	7,823.92	17.4	9,273.60	19.3
(ii) Promotional and Developmental Undertakings	42.42	0.1	129.23	0.3
(iii) Companies under construction	576.31	1.3	(—)2,158.83	(—)4.5
(iv) All the 3 groups	8,442.65	18.8	7,244.00	15.1

(b) *External sources.*—Funds received from external sources in 1964-65 and 1965-66 are indicated below:—

(Rupees in lakhs)

	External sources	Percentage to total funds (<i>i.e.</i> internal and external)	External sources	Percentage to total funds (<i>i.e.</i> internal and external)
	1964-65		1965-66	
	Rs.		Rs.	
(i) Running concerns	28,799.11	63.9	75,321.63	157.5
(ii) Promotional and Developmental Undertakings	201.51	0.4	314.66	0.7
(iii) Companies under construction	7,640.43	16.9	(—)35,042.26	(—) 73.3
(iv) All the 3 groups	36,641.05	81.2	40,594.03	84.9

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

D. Value of production and profits

(a) The rate of growth of value of production increased in 1965-66 as compared with that of 1964-65 except in the cases of Companies under construction as indicated below:—

(Rupees in lakhs)

	Value of production			Rate of growth	
	1963-64	1964-65	1965-66	1964-65	1965-66
	Rs.	Rs.	Rs.		
(i) Running concerns	46,237.79	55,048.47	78,340.45	19.1%	42.3%
(ii) Promotional and Developmental Undertakings	753.29	583.64	664.67	(—)22.5%	13.9%
(iii) Companies under construction	3,481.58	1,345.68	50.37	(—)61.3%	(—) 96.3%
(iv) All the 3 groups	50,472.66	56,977.79	79,055.49	12.9%	38.7%

(b) The rate of growth of profits before tax declined in 1965-66 as compared with that of 1964-65 except in the cases of Companies under construction as indicated below :—

(Rupees in lakhs)

	Profits before tax			Rate of growth	
	1963-64	1964-65	1965-66	1964-65	1965-66
	Rs.	Rs.	Rs.		
(i) Running concerns	1,372.07	2,318.95	1,231.81	69.0%	(—)46.9%
(ii) Promotional and Developmental Undertakings	37.39	(—) 0.94	(—) 6.81	(—)102.5%	(—) 624.5%
(iii) Companies under construction	(—)759.04	(—) 1,294.94	(—)203.83	(—) 70.6%	84.3%
(iv) All the 3 groups	650.42	1,023.07	1,021.17	57.3%	(—) 0.2%

E. Inventories

(i) Inventories of 43 Running companies, 4 Promotional and Developmental Undertakings and 3 Companies under construction (partial production) under broad categories as on 31st March, 1965 and 1966 are indicated below. In the compilation of the figures, the data relating to certain Companies of the following categories have been excluded.

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

(Rupees in lakhs)

Description of inventory	Running		Promotional and Developmental		Construction (partial production)		Total	
	1964-65	1965-66	1964-65	1965-66	1964-65	1965-66	1964-65	1965-66
Number of Companies	34	43	5	4	4	3	43	50
(i) Raw materials, stores and spares (including in transit), loose tools, jigs and fixtures, etc.	18,110.53	25,031.78	52.87	68.88	2,904.78	982.68	21,068.18	26,083.34
(ii) Stock (finished and semi-finished goods)	8,665.67	12,908.79	135.12	272.74	540.38	48.81	9,341.17	13,230.34
(iii) TOTAL	26,776.20	37,940.57	187.99	341.62	3,445.16	1,031.49	30,409.35	39,313.68
(iv) Net sales	54,695.20	74,646.81	625.52	519.60	1,242.39	7.00	56,563.11	75,173.41
(v) Percentage of (iii) to (iv)	49.0	50.8	30.1	65.7	277.3	14,735.6	53.8	52.3

(ii) As on 31st March, 1966 the stock of finished and semi-finished goods amounted to Rs. 13,230.34 lakhs as against the corresponding figure of Rs. 9,341.17 lakhs as on 31st March, 1965 and represented 52.3 per cent. of the net sales in 1965-66 as against 53.8 per cent. in 1964-65.

F. Sundry debtors

The figures of sundry debtors and sales for the last 3 years are given below:—

(Rupees in lakhs)

Concerns	1963-64			1964-65			1965-66		
	Sundry debtors	Sales	Percentage of 2 to 3	Sundry debtors	Sales	Percentage of 5 to 6	Sundry debtors	Sales	Percentage of 8 to 9
I	2	3	4	5	6	7	8	9	10
	Rs.	Rs.		Rs.	Rs.		Rs.	Rs.	
(i) Running concerns	7,551.73	45,648.52	16.5	8,340.62	54,695.20	15.2	11,509.46	74,646.81	15.4

	1	2	3	4	5	6	7	8	9	10
(ii) Pro- motion- al and Deve- lopmen- tal Un- dertak- ings		57.46	717.07	8.0	77.83	625.52	12.4	70.53	519.90	13.6
(iii) Com- panies under const- ruction		380.21	3,329.19	11.4	397.28	1,264.70	31.4	13.74	7.00	196.3
TOTAL		7,989.40	49,694.78	16.1	8,815.73	56,585.42	15.6	11,593.73	75,173.71	15.4

It will be seen that the percentage of sundry debtors to sales declined during the year 1964-65 as compared with the figure for 1963-64. In 1965-66 also it decreased as compared with the figure for 1964-65.

ANNEXURE
SUMMARISED FINANCIAL

Sl. No.	Name of the Company	Name of the Ministry	Date of incorporation	Paid-up capital	Long-term loans	Free reserves	Total capital invested
1	2	3	4	5	6	7	8
<i>I. RUNNING CONCERNS</i>							
<i>Financial Institutions</i>							
1.	Export Credit and Guarantee Corporation Limited (Year ending 31-12-1965)	Ministry of Commerce	30-7-1957	1,00,00	..	..	1,00,00
2.	Film Finance Corporation Limited	Ministry of Information and Broadcasting	25-3-1960	50,00	39,17	..	89,17
TOTAL . . .				1,50,00	39,17	..	1,89,17
Figures for the year 1964-65 . . .				1,00,00	25,00	18	1,25,18
<i>Engineering</i>							
3.	Hindustan Machine Tools Limited	Ministry of Industrial Development and Company Affairs	7-2-1953	11,50,00	12,36,74	4,67,40	28,54,14
4.	Praga Tools Limited	Ministry of Defence	28-5-1943	1,50,54*	1,48,36	13,14	3,12,04

'A'

RESULTS OF 1965-66

(Figures in thousands of Rupees)

Block assets (Net)	Depreciation to date	Profit(+) Loss (-)	Interest on long-term loans	Total return	Percentage of total return on capital invested	Remarks
9	10	11	12	13	14	15
65	64 (+)	10,91†	..	(+) 10,91	10.9	†Entirely appropriated to specific reserves.
21	16 (-)	2,45	1,54 (-)	91	..	Against doubtful loans and advances amounting to Rs. 13,33,560, there is a provision for Rs. 69,423. No provision has been made for the balance of Rs. 12,64,137.
86	80 (+)	8,46	1,54 (+)	10,00	5.3	
88	61 (+)	4,27	51 (+)	4,78	3.8	
22,00,17	5,00,07 (+)	1,32,48	62,48 (+)	1,94,96	6.8	
1,78,89**	81,25 (+)	7,89	6,99 (+)	14,88	4.8	*Includes Rs. 97,450 being the amount received on forfeited shares. **Does not include the cost of 195 acres 33 guntas of land taken over from the Govern-

1	2	3	4	5	6	7	8
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5. Mining and Allied Machinery Corporation Limited	Ministry of Industrial Development and Company Affairs	1-4-1965	1,12,00†	33,38,30†	..	34,50,30
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9	10	11	12	13	14	15
						ment of Andhra Pradesh during-1962-63.
						The Company is contingently liable for certain cancelled share certificates re-circulated and transfers wrongly effected (amount not determined).
12,48,23	1,38,64 (-)2,08,24		73,68 (-)1,34,56		..	†Includes Rs. 72,00,000 received from Government for issue of shares.
						†Includes Rs. 28,50,29,632 due to Heavy Engineering Corporation Limited on account of net value of assets and liabilities taken over. As against this, interest amounting to Rs. 60,00,000 has been provided at the rate of 6% per annum on Rs. 10,00,00,000 only.
						The question regarding liability for premium in respect of Emergency Risk Insurance is under consideration and, therefore, no liability therefor has been provided.
						No depreciation has been provided for on :-
						(a) Non-standard equipment manufactured and capitalised — Rs. 23,24,565.
						(b) Furniture and fixture manufactured by the Company itself— Rs. 17,964
						(c) Motor vehicles capitalised during the year though purchased earlier—Rs. 18,254.

1	2	3	4	5	6	7	8
6.	Heavy Engineering Corporation Limited	Ministry of Industrial Development and Company Affairs	31-12-1958	88,95,00	53,47,43	..	1,42,42,43
7.	Bharat Earth Movers Limited	Ministry of Defence	11-5-1964	6,81,30	..	26,99	7,08,29
8.	Hindustan Aeronautics Limited	Do.	16-8-1963	38,03,00	11,62,80	7,38,48	57,04,28

9	10	11	12	13	14	15
43,48,22*	3,83,62 (-)	1,87,48	2,45,34 (+)	57,86	0.4	<p>*Land for factory has been received free from the Government of Bihar. Land for township, for which advances have been paid, has not been included.</p> <p>Depreciation has been provided for on completed assets only.</p> <p>Assets and liabilities amounting to Rs. 30,85,39,888 and Rs. 2,35,10,256 respectively have been transferred to Mining and Allied Machinery Corporation Limited with effect from 1st April, 1965. Loans from the Government of India have been reduced by Rs. 28,50,29,632 being the net value of the assets and liabilities transferred.</p> <p>Stores and spares worth Rs. 274.86 lakhs have not been physically verified during the year.</p> <p>Raw materials and stores consumed to the extent of Rs. 4.72 lakhs have not been charged to Profit and Loss Account.</p>
2,08,69	26,75	(+)39,77	..	(+) 39,77	5.6	
18,66,36**	8,63,45(+)	1,21,98	11,76	(+)1,33,74	2.3	<p>**Does not include (a) the value of railway siding and the runway at Nasik, since completed and in use, for want of authentic final figures; and (b) cost of two un-serviceable aircraft</p>

1	2	3	4	5	6	7	8
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received for training purposes for want of intimation of the value. No depreciation has been provided for on these assets.

In the absence of confirmation from the Government of India in respect of the values of assets and liabilities of Aircraft Manufacturing Depot and Aeronautical Test Laboratory at Kanpur, the provisional figures supplied by the respective Board of Officers have been adopted and the net value of assets has been taken at Rs. 3,58,77,202 and Rs. 3,91,450 for the two units respectively.

Mysore Government's claim of Rs. 11.80 lakhs towards compensation for land acquired and conversion charges has not been accepted and provided for in the accounts pending final decision.

Maharashtra Government's claim of Rs. 1.98 lakhs towards higher supervision charges for capital works has been disputed and not provided for.

No provision for bonus under Bonus Act, 1965 estimated at Rs. 21.50 lakhs for 1964-65 and Rs. 23.50 lakhs for 1965-66 at Bangalore Division has been made. Liability has not been estimated for other Divisions and Headquarters.

1	2	3	4	5	6	7	8
9.	Hindustan Teleprinters Limited	Department of Com- munications	14-12-1960	82,00	2,45,40	14,01	3,41,41
10.	Indian Tele- phone Indus- tries Limited	Do.	25-1-1950	4,60,86	3,40,81	2,23,07	10,24,74
11.	Heavy Electri- cals (India) Limited	Ministry of Industrial Development and Com- pany Affairs	29-8-1956	50,00,00	34,02,06	..	84,02,06

9	10	11	12	13	14	15
82,12	17,01 (+)	21,15	12,95 (+)	34,10	10.0	
4,72,09	3,23,09 (+)	1,98,33	15,36 (+)	2,13,69	20.9	
39,40,45	10,81,33 (-)	6,74,80	1,25,20 (-)	5,49,60	..	The terms of the transfer of the land provided by the Government of Madhya Pradesh have not yet been finalised.

No provision has been made for the income tax liability of the Company for the financial year ended 31st March, 1960 assessed at Rs. 1,77,048 and paid under protest.

No provision has been made for the additional sales tax liability of the Company for 1962-63 assessed at Rs. 16,442 which is under appeal.

No depreciation has been provided for on plant and machinery

	Rs. (In lakhs)
(a) installed but not commissioned	133.69
(b) awaiting erection	449.25
(c) surplus	41.99

The Company has provided for depreciation during 1965-66 on certain plant and machinery for 6 months only, the short provision of depreciation being Rs. 83,880.

11	2	3	4	5	6	7	8
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9	10	11	12	13	14	15
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Discrepancies in stock and stores so far ascertained have revealed a net credit balance of Rs. 2,69,889 which has been kept under suspense. The figures of stock and stores represent net balance after setting off a sum of Rs. 15,67,131 being the aggregate of minus balances appearing in the priced stores ledgers as on 31st March, 1966.

Plant and machinery (Rs. 8,89,149), raw materials and stores-in-transit (Rs. 4,07,013) include balances brought forward from previous years.

Sales amounting to Rs. 6,08,471 are yet to be accepted by the customers.

Sales account has been credited with Rs. 55,96,705 in respect of sales to Electricity Board and others, for which contracts have not yet been finalised and bills raised. In addition, bills have not been raised for Rs. 2,57,324 included in the sales.

The amount of Rs. 24.11 crores due from Bharat Heavy Electricals Limited on account of the net value of assets and liabilities of the projects transferred by the Company has been adjusted against the loans from the Government of India with retrospective effect

1	2	3	4	5	6	7	8
12.	Bharat Electronics Limited	Ministry of Defence	21-4-1954	5,21,25	2,95,00	1,50,98	9,67,23
13.	Hindustan Cables Limited	Ministry of Industrial Development and Company Affairs	4-8-1952	1,79,47	2,05,00	73 07	4,57,54
14.	National Instruments Limited	Do.	26-6-1957	2,08,96*	20,00	14,60	2,43,56
15.	Naban Foundry Limited	Government of Himachal Pradesh	20-10-1952	40,00	7,50	1,39	48,89
TOTAL				2,12,84,38	1,57,49,40	17,23,13	3,87,56,91
Figures for the year 1964-65				50,83,23	27,76,46	13,69,72	92,29,41

9	10	11	12	13	14	15
						from 16th November, 1964. The Company has, therefore, written back the interest charges amounting to Rs. 48.77 lakhs provided for in the previous year.
						Penal interest amounting to Rs. 25,67,810 payable by the Company on overdue instalments of Government loan under the terms of sanction has not been provided for in the accounts.
4,45,89	2,47,09	(+)1,44,11	16,29	(+)1,60,40	16.6	
3,32,69	1,38,14	(-) 16,57	12,01	(-)4,56	..	
60,51**	38,58	(+) 4,31	1,16	(+) 5,47	2.2	*Includes Rs. 2,00,000 received from Government for issue of shares. **Does not include the value of 56 acres of land received free from the Government of West Bengal.
						No provision for income tax at source payable under Income Tax Act, if any, has been made in respect of payment made to certain non-resident firms for services rendered (amount of liability not ascertained).
20,26	11,07	(+)8,21	34	(+) 8,55	17.5	
1,54,04,57	38,50,09	(-)4,08,86	5,83,56	(+)1,74,70	0.5	
48,30,53	17,87,14	(+)8,28,48	1,20,43	(+)9,48,91	10.3	

1	2	3	4	5	6	7	8
<i>Chemicals</i>							
16.	Fertilizer Corporation of India Limited	Ministry of Petroleum and Chemicals	1-1-1961	51,50,14*	52,50,26	9,02,95	1,13,03,35
17.	Fertilisers and Chemicals, Travancore Limited	Do.	22-9-1943	7,45,98†	10,20,43	..	17,66,41
18.	Hindustan Antibiotics Limited	Do.	30-3-1954	2,47,26	..	3,73,93	6,21,19
19.	Hindustan Insecticides Limited	Do.	11-3-1954	1,25,47	7,07	1,24,40	2,56,94
20.	Indian Rare Earths Limited	Department of Atomic Energy	18-8-1950	1,00,00	50,00	13,00	1,63,00
21.	Hindustan Salts Limited (Year ending 30-9-1965)	Ministry of Industrial Development and Company Affairs	12-4-1958	1,78,81	..	22,14	2,00,95

9	10	11	12	13	14	15
72,84,51	43,31,75 (+)	42,23	[2,73,61 (+)	3,15,84	2.8	*Includes Rs. 2,95,00,000 received from Government for issue of shares. The loss on account of the abandonment of Korba Project under the orders of the Government of India has not been adjusted pending Government's decision on the Company's request for reimbursement of the loss.
6,19,10	4,62,65 (—)	69,86	59,51 (—)	10,35	..	†Includes Rs. 50,00,000 received from Government for issue of shares.
3,50,97	2,87,48 (+)	1,53,75	..	(+)1,53,75	24.8	
62,50	1,16,73 (+)	41,28	51 (+)	41,79	16.3	Provision has not been made in the accounts for the present liability in respect of future payments of gratuities to staff (amount not ascertained). Pending sanction of Government no provision has been made in the accounts for incentive and/or ex-gratia bonus for the year 1965-66.
65,42**	60,45 (+)	16,49	2 (+)	16,51	10.1	**Does not include the value of factory land initially acquired at Alwaye.
[54,83	12,68 (—)	2,04	..	(—)2,04	..	Loose tools at Khara-goda have not been depreciated and the unserviceable tools have not been written off.

1	2	3	4	5	6	7	8
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TOTAL . .	65,47,66	63,27,76	14,36,42	1,43,11,84
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Figures for the year 1964-65 .	61,24,01	53,41,61	14,07,91	1,28,73,53
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Mining and Minerals

22. National Coal Development Corporation Limited	Ministry of Steel, Mines and Metals	5-9-1956	61,94,27***	66,23,50	65,16	1,28,82,93
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9	10	11	12	13	14	15
						<p>Indentors' Deposit Account at Khara-goda showed a debit balance of Rs. 11,401 which was not supported by details. The final adjustment of this account would result in liability which has not been provided for.</p>
						<p>No formal agreement has been executed for the transfer of Government Salt Works at Sambhar, Didwana, Khara-goda and Mandi Mines together with their assets and liabilities.</p>
84,37,33	52,71,74 (+)1,81,85	3,33,65 (+)5,15,50	3.6			
57,96,68	46,30,68 (+)3,34,37	2,73,88 (+)6,08,25	4.7			
95,70,50	25,22,76 (+) 61,76	3,21,81 (+)3,83,57	3.0			<p>***Includes Rs. 61,98,243 due to Government to be adjusted against issue of shares.</p>
						<p>Cash and Bank balances as on 31st March, 1966 were overstated to the extent of Rs. 93,885 by inclusion of post-dated cheques amounting to Rs. 83,510 and of a total sum of Rs. 10,375 once in the 'Imprest cash balance' and again in the 'Cash balance other than Imprest account'.</p>
						<p>Work in connection with the transfer of assets and liabilities of pre-Corporation period was still in progress.</p>

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Book debts taken over from the State Collieries Rs. 1,83,95,502 and liabilities amounting to Rs. 1,23,09,782 have to be transferred back to the Government of India as decided in 1963-64. The Company has not transferred the balances in these accounts to the Government account.

The value of inter-Colliery stores and machinery in-transit as on 31st March, 1966 includes items aggregating Rs. 1,15,62,793 which have been brought forward from the previous years. Machinery used in some cases has been shown as in stock. Pending clearance, it has not been possible to know whether depreciation was provided for on the plant and machinery included therein.

Advances under various heads have not been linked or matched with the corresponding credits appearing in the subsidiary registers for deposits, advances and sundry creditors as included in the liabilities. Sundry debtors and sundry creditors have also not been correlated with corresponding credits and debits. A sum of Rs. 1,23,39,610 has been carried forward towards unallocated advances pending proper allocation and/or adjustment.

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Many subsidiary registers have not been completed at the time of closing audit. As such, the figures appearing in the Balance Sheet have been taken from control accounts of financial books without reconciliation with the registers.

Owing to capitalisation of expenditure on box-cut at Bisrampur Colliery under Development Account instead of charging it to Overburden Removal Account as was done in the previous years, the write-off to Profit and Loss Account has been less by Rs. 13.05 lakhs this year.

A sum of Rs 26,83,176 has been charged less to the Profit and Loss Account of the year owing to (a) change in the basis of apportioning certain expenses between mechanised coal raising cost and overburden removal cost — Rs. 18,31,816 and (b) the charging of the expenditure on removal of overburden by manual method to Profit and Loss Account on the basis adopted for expenditure on removal of overburden by mechanised method instead of in proportion of the coal raised to the coal exposed — Rs. 8,51,360.

1	2	3	4	5	6	7	8
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43.	Neyveli Lignite Corporation Limited	Ministry of Steel, Mines and Metals	14-11-1956	80,00,00	64,52,11	..	1,44,52,11
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No provision has been made in the accounts for (a) loss of goods by theft Rs. 11,489 during 1964-65, (b) pension, gratuity and provident fund contribution for employees of ex-State Collieries and Korba Partnership, (c) royalty Rs. 5,99,733 and (d) depreciation Rs. 44,33,932, being the difference between the provision computed under Section 205(2)(a) of the Companies Act, 1956 and the provision actually made.

Priced stores ledgers have not been maintained up to date. It has not been possible to reconcile the stocks as appearing in the financial ledgers with the stocks as per stores records. Errors have also been noticed in the pricing of the stores.

1,02,33,53 10,07,55 (+) 22,03 3,41,58 (+) 3,63,61

2.5 There was no correlation of accounts between the Mining Scheme and the Clay Washing Scheme. While the Mining Scheme showed a supply of Rs. 20,650 worth of raw clay to the Clay Washing Scheme, the latter showed the receipt at Rs. 26,858. On the basis of the Clay Washing Scheme accounts, the accounts of the Mining Scheme were adjusted by crediting the difference to a suspense account.

1	2	3	4	5	6	7	8
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24. National Mineral Development Corporation Limited	Ministry of Steel, Mines and Metals	15-11-1958	10,47,03*	14,02,32	..	24,19,35
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9	10	11	12	13	14	15
						Shortage of washed clay worth Rs. 19,819 has been written off during the year. The 'High powered Committee' appointed last year to investigate the reasons for shortage has not yet submitted its report.
						As a result of Supreme Court's Order holding certain provisions of the Madras Lignite (Acquisition of Land) Act, 1953 invalid, the Company may have to pay extra compensation estimated to amount Rs. 25,00,000 for which no provision has been made.
						No provision has been made for claim on the Company for payment of tax on power consumed in the project under Madras Electricity (Taxation on Consumption) Act, 1962 (amount of claim not ascertained).
10,89,20	2,71,59 (—)	68,17	68,14	(—)3	..	*Includes Rs. 59,17,000 received for issue of shares.
						No provision has been made for prospecting and exploration work of the order of Rs. 120 lakhs carried out by the Indian Bureau of Mines at Khetri unit.
						Pending finalisation of the agreement, the sales through the Minerals and Metals Trading Corporation of India Limited and closing stock of iron ore have been valued at Rs. 14.86

1	2	3	4	5	6	7	8
25.	Manganese Ore (India) Limited	Ministry of Steel, Mines and Metals	22-6-1962	2,15,45	..	20,45	2,35,90
TOTAL .			.	1,54,56,75	1,44,77,93	85,61	3,00,20,29
Figures for the year 1964-65 .			.	55,38,82	52,05,50	46,76	1,07,91,08

Shipping

26.	Mogul Line Limited (Year ending 31-12-1965)	Ministry of Transport and Shipping	2-8-1877	1,01,19	57,90	1,50,07	3,09,16
TOTAL .			.	4,46,19	18,10,45	8,78,59	51,35,23
Figures for the year 1964-65 .			.	24,46,19	11,37,96	6,87,14	42,71,29

Ship-building and Repairing

28.	Hindustan Shipyard Limited	Ministry of Transport and Shipping	21-1-1952	6,02,85	6,33	..	6,09,18
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9	10	11	12	13	14	15
						per M. ton as against the estimated net realisable value of Rs. 8.80 per M. ton adopted last year.
						No depreciation has been provided for on temporary structures.
54,58	22,69 (+)	55,01	..	(+) 55,01	23.3	
2,09,47,81	38,24,59 (+)	70,63	7,31,53	(+)8,02,16	2.7	
77,13,42	20,86,28 (-)	1,14,08	2,65,04	(+)1,50,96	1.4	
54,99	2,13,52 (+)	66,40	98	(+)67,38	21.8	No provision has been made in the accounts in respect of the total future liability for pension and gratuities to staff in accordance with the Company's rules as the amount has not yet been ascertained.
33,03,44	12,13,07 (+)	2,01,85	62,47	(+)2,64,32	5.5	
33,58,43	14,26,59 (+)	2,68,25	63,45	(+)3,31,70	6.5	
27,33,76	11,93,51 (+)	2,37,98	37,97	(+)2,75,95	6.5	
2,82,52	2,43,94	(+)1,45	32	(+)1,77	0.3	Claims to the extent of Rs. 16.00 lakhs made by the Company have not been accepted by the customers. Similarly, claims/deductions made by the customers to the extent of

1	2	3	4	5	6	7	8
29.	Mazagon Dock Limited	Ministry of Defence	26-2-1934	1,68,00	1,39,00	43,60	3,50,60
30.	Garden Reach Workshops Limited	Do.	26-2-1934	1,00,00	1,00,45	67,09	2,67,54
TOTAL			.	8,70,85	2,45,78	1,10,69	12,27,32
Figures for the year 1964-65			.	8,10,85	1,73,33	82,66	10,66,84
<i>Steel</i>							
31.	Hindustan Steel Limited	Ministry of Steel, Mines and Metals	19-1-1954	5,28,00,00	4,32,10,03	..	9,60,10,03

9	10	11	12	13	14	15
						Rs. 16.46 lakhs have not been accepted by the Company.
79,98	79,08	(+)17,98	6,35	(+)24,33	6.9	The estimated future liability for retiring gratuity payable to employees as at 31st March, 1966 is Rs. 58,17,138 against which the provision made is Rs. 44,78,155.
92,39	94,27	(+)35,33	8,08	(+)43,41	16.2	
4,54,89	4,17,29	(+)54,76	14,75	(+)69,51	5.7	
4,46,50	3,87,45	(+)23,30	8,23	(+)31,53	3.0	
5,84,60,12*	1,90,88,99	(+)1,66,59**	18,97,97†	(+)20,64,56	2.2	*Does not include the value of land acquired by the Railways and the Government of West Bengal for the Company against deposit made with them, as details are awaited. 5114.72 acres of vested land and 51.40 acres of other land included in the block assets have been valued provisionally at Rs. 300 per acre. These assets also include payments made to other public bodies towards creation of certain assets for joint use by the Company and these bodies. However, no agreement or document establishing the title of the Company to these assets could be produced to Audit.

1	2	3	4	5	6	7	8
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TOTAL . . .	5,28,00,00	4,32,10,03	..	9,60,10,03
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Figures for the year . . .	5,28,00,00	3,57,10,03	..	8,85,10,03
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Miscellaneous

32. National News-print and Paper Mills Limited	Ministry of Industrial Development and Company Affairs	25-1-1947	4,94,52***	84,26£	58,20	6,36,98
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9	10	11	12	13	14	15
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Stores and spares and stock-in-trade valued at Rs. 77.50 lakhs and Rs. 110.77 lakhs respectively as on 31st March, 1966 have not been physically verified during the year.

**Profit of the Company stands overstated to the extent of Rs. 37.88 lakhs owing to inflation of sales, overvaluation of closing stock and stores, non-provision of liabilities and expenses, short provision of depreciation and overstatement of revenues, etc.

Owing to change-over to straight line method of depreciation, accumulated loss of the Company has been reduced by Rs. 1,781.71 lakhs.

†Interest on the loan of Rs. 7,500 lakhs taken from the Government of India during the year has been provided for at the provisional rate of 5% per annum pending finalisation of the terms of loan.

5,84,60,12	1,90,88,99	(+)	1,66,59	18,97,97	(+)	20,64,56	2.2
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5,58,01,59	1,67,06,57	(+)	2,14,53	17,85,50	(+)	20,00,03	2.3
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3,60,42%	2,86,02	(+)	57,09	..	(+)	57,09	9.0
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***Includes Rs. 4,30,152 received on forfeited shares.

1	2	3	4	5	6	7	8
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33.	Hindustan Housing Factory Limited	Ministry of Works, Housing and Supply	27-1-1953	48,99	40,75	18.56	1,08,30
34.	Indian Oil Corporation Limited	Ministry of Petroleum and Che- micals	30-6-1959	65,29,22	77,97,86	1,93,10	1,45,20,18

9	10	11	12	13	14	15
						<p>£Includes Rs. 33 lakhs being interest free loan from the Government of Madhya Pradesh secured by a charge on factory buildings and office buildings and mill water works.</p>
						<p>%Includes plant and machinery-in-transit (at cost) worth Rs. 62,29,678.</p>
						<p>Depreciation has not been provided for on machinery worth Rs. 2,22,157 installed but not commissioned.</p>
						<p>Provision for 50% of the cost of railway siding to be borne by the Company has not been made for want of details.</p>
43,97	17,67 (+)15,83		2,35 (+)18,18		16.8	
85,93,72	5,08,99 (+)1,01,26		3,71,30 (+)4,72,56		3.3	<p>No provision has been made for the losses of Rs. 21.4 lakhs incurred by Indian Oil Blending Limited of which the share of the Company would be Rs. 10.7 lakhs.</p>
						<p>No provision has been made for the accrued liability in respect of gratuities payable in future to employees in accordance with the rules of the Company.</p>
						<p>No provision has been made to the extent of Rs. 70.28 lakhs for the difference between the excise duty actually paid and</p>

1	2	3	4	5	6	7	8
35. State Trading Corporation of India Limited	Ministry of Commerce	18-5-1956	2,00,00	..	8,57,74	10,87,74	
36. Minerals and Metals Trading Corporation of India Limited	Do.	26-9-1963	2,00,00	3,47,83*	1,02,97	6,50,80	

9	10	11	12	13	14	15
						that which is payable on certain products sold by the Company.
21.10	7,16(+)	4,24,53	..	(+)	4,24,53	39.0 Purchases and sales amounting to Rs. 1,11,57,147 and Rs. 1,12,77,004 respectively in respect of which the Company is not a direct supplier and recovers only service charges have been incorporated in the accounts of the Company, thus inflating purchases and sales.
						Net profit of the Company has been overstated to the extent of Rs. 3,81,857 by (a) taking credit for unrealised income of Rs. 2,84,249 in respect of 'Incentive Import Licences' and (b) overvaluation of goods-in-transit to the extent of Rs. 97,608.
						No provision has been made for ground rent amounting to Rs. 27,225 on the land acquired for staff quarters.
						Out of the total reserves of Rs. 10.57 crores of the Company as on 31st March, 1966 reserves amounting to Rs. 3.48 crores have to be transferred to Minerals and Metals Trading Corporation of India Limited subject to approval of the Court.
24.64	3,79(+)	1,27,33	..	(+)	1,27,33	19.6 *From State Trading Corporation of India Limited to be converted into reserves pending approval of the Court.

1	2	3	4	5	6	7	8
37.	Central Fisheries Corporation Limited	Ministry of 29-3-1965 Food, Agriculture, Community Development and Co-operation	33,00*	..	..	33,00	
38.	National Buildings Construction Corporation Limited	Ministry of 15-11-1960 Works, Housing and Supply	1,35,00	1,34,21	..	2,69,21	
39.	National Projects Construction Corporation Limited	Ministry of 9-1-1957 Irrigation and Power	2,00,00	2,15,79	80,92	4,96,71	

9	10	11	12	13	14	15
						The prevailing market rate of one of the commodities in stock was lower than the cost by about Rs. 44.4 lakhs for which no provision has been made.
						Closing stock of pig iron valued at Rs. 3.11 millions has not been physically verified during the year.
3,57	36	(—)2,08	..	(—)2,08	..	*Includes Rs. 12,00,000 received for issue of shares.
[40,16	21,18	(—)20,51	6,31	(—)14,20	..	A reserve of Rs. 2,09,689 only has been made for defective and late completion of works, excess consumption of materials, etc. for which the clients have made total deduction of Rs. 13.60 lakhs from the running bills.
5,47,45	2,13,73	(+)16,83	10,95	(+)27,78	5.6	The extent of the value of work done but considered doubtful of recovery has not been disclosed in the accounts.
						Against the instructions of the Government of India issued in pursuance of the recommendations of the Public Accounts Committee— Para 20 of 7th Report (Third Lok Sabha), the Company has declared dividend amounting to Rs. 6,98,794 by transferring Rs. 2.60

1	2	3	4	5	6	7	8
40.	Hindustan Steelworks Construction Limited	Ministry of Steel, Mines and Metals	23-6-1964	5,00	..	55,66	60,66
41.	Engineers India Limited	Ministry of Petroleum and Chemicals	15-3-1965	11,26*	..	..	11,25
42.	Ashoka Hotels Limited	Ministry of Works, Housing and Supply	17-10-1955	1,50,00	27,00	22,25	1,99,25

9	10	11	12	13	14	15
						lakhs from the General Reserve created in earlier years.
1,22,76	10,47 (+)	1,29,41	..	(+)1,29,41	213.3	
3,41	30 (-)	10,79	..	(-)10,79	..	*Includes Rs. 7,15,900 received from Government for issue of shares.
						No adjustment has been made in the books in respect of the consideration money of Rs. 1,00,000 which has to be received from the sub-contractors. The exact assessment of the expenses incurred in connection with the original contract could not be made. The final decision in regard to the adjustment of this amount was under consideration.
						Depreciation on library books has not been provided for.
1,72,75	1,07,07	(+)25,05	1,35	(+)26,40	13.2	For the past four years differences have arisen between the subsidiary records and the control account of sundry debtors. These have not been fully reconciled. Such differences as at 31st March, 1966 amounted to Rs. 7,509, the control account figures being more than the total of the individual accounts.
						The Management have contested the claim of the employees for bonus

1	2	3	4	5	6	7	8
43.	Janpath Hotels Limited	Ministry of Works, Housing and Supply	25-9-1963	13,50	13,50	1,48	28,48
44.	Central Road Transport Corporation Limited	Ministry of Transport and Shipping	6-7-1964	30,01	59,84	1,55	91,40
TOTAL				80,50,50	87,21,04	14,22,43	1,81,93,97
Figures for the year 1964-65				57,97,84	62,91,38	10,43,82	1,31,33,04
TOTAL OF RUNNING CONCERNS				10,76,06,33	9,05,81,56	56,56,87	20,38,44,76
Figures for the year 1964-65				7,87,00,94	5,66,61,27	46,38,19	14,00,00,40

II. PROMOTIONAL AND DEVELOPMENTAL UNDERTAKINGS

45.	National Small Industries Corporation Limited	Ministry of Industrial Development and Company Affairs	4-2-1955	50,00	13,58,63	2,39,71	16,48,34
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9	10	11	12	13	14	15
						for the years 1961-62 to 1963-64, which has been referred to Industrial Tribunal.
20,02	5,22	(+)14	65	(+)79	2.8	The record maintained with respect to the consumption of catering provision has not been adequate for the purpose of efficient control over consumption.
48,18	17,34	(+)2,38	2,63	(+)5,01	5.5	
1,00,02,15	11,99,30	(+)8,66,47	3,95,54	(+)12,62,01	6.9	
44,76,04	7,24,74	(+)7,90,10	2,80,39	(+)10,70,49	8.2	
11,70,66,16	3,50,79,39	(+)12,08,15	40,21,99	(+)52,30,14	2.6	
8,17,99,40	2,75,16,98	(+)23,18,95	27,71,95	(+)50,90,90	3.6	
2,20,82	65,62	(+)13,87	60,27	(+)74,14	4.5	The assessment for sales tax from 1st April, 1962 onwards has not been completed (liability, if any, not ascertained).
						Depreciation to the extent of Rs. 8,92,026 has not been provided for on the Industrial Estate, Naini (since inception).

1	2	3	4	5	6	7	8
46.	National Industrial Development Corporation Limited	Ministry of Industrial Development and Company Affairs	20-10-1954	10,00	10,98,00	11,05	11,19,05
47.	Rehabilitation Industries Corporation Limited	Ministry of Labour, Employment and Rehabilitation	13-4-1959	1,85,00*	1,37,85	..	3,22,85
48.	Rehabilitation Housing Corporation, Limited (Year ending 31-12-1965)	Do.	19-9-1951	6,25	..	7,07	13,32

9	10	11	12	13	14	15
2,47	1,07	(+)4,35	57,94	(+)62,29	5.6	No provision has been made for tax liability, if any, in respect of profits relating to excess of income over administrative expenses for the years 1963-64, 1964-65 and 1965-66. In respect of loans sanctioned by the Government of India during 1965-66 for assistance to Jute and Cotton Textile Mills, the rate of interest has been raised from 5% per annum to 5½% per annum. Similarly, in respect of loans sanctioned from 31st January, 1966 onwards for assistance to Machine Tool Industry the rate of interest has been raised from 4½% per annum to 5½% per annum. No provision has been made for the liability due to the increase in the rate of interest.
90,26	9,11	(-)24,76	6,74	(-)18,02	..	*Includes Rs. 15,00,000 received for issue of shares. No provision has been made for the land acquired from the Government of West Bengal for the Industrial Estates at Behala and Bon-Hooghly.
6	5	(+)56	..	(+)56	4.2	The Central Public Works Department has shown a balance of Rs. 84,290 only as due to the Company in their statement sent in April, 1966 as against a sum of Rs. 88,426 appearing in the books of the Company.

1	2	3	4	5	6	7	8
49. National Research Development Corporation of India	Ministry of Education	31-12-1953	34,00	34,00	..	68,00	
50. National Seeds Corporation Limited	Ministry of Food, Agriculture, Community Development and Co-operation	19-3-1963	36,00	20,00	..	56,00	
TOTAL OF PROMOTIONAL AND DEVELOPMENTAL UNDERTAKINGS			3,21,25	26,48,48	2,57,83	32,27,56	
Figures for the year 1964-65			2,67,25	25,27,34	1,68,11	29,62,70	

9	10	11	12	13	14	15
						No provision has been made for the amount payable in respect of reduction in area amounting to Rs. 3,012.
15,16	7,53	(-)5,75	1,55	(-)4,20	..	Values of the fixed assets held at the following projects were not verified during the year :—
						Rs.
						(i) Integrated Protein Project 15,14,491
						(ii) Phthalic Anhydride Project 2,58,759
						(iii) Lightning Arresters 1,09,637
						The difference of Rs. 14,618 between the gross value of fixed assets of Hykol 'X' project as shown in the books of the Company and the Inventory Report of the project has not been reconciled.
						The accounting year of the Company has been changed from 31st March to 31st May and, therefore, the accounts were not due as on 31st March, 1966.
3,28,77	83,38	(-)11,73	1,26,50	(+)1,14,77	3.6	
1,85,33	54,86	(+)7,81	1,15,60	(+)1,23,41	4.2	

1	2	3	4	5	6	7	8
<i>III. UNDERTAKINGS UNDER CONSTRUCTION</i>							
51. Bharat Heavy Electricals Limited	Ministry of Industrial Development and Company Affairs	13-11-1964	46,61,12*	15,96,77	..	62,57,89	

9	10	11	12	13	14	15		
20,28,92	1,28,70 (-)1,43,70	55,74 (-)87,96	..	<p>*Includes Rs. 2,50,00,000 received from Government for issue of shares and Rs. 24,11,12,000 due to the Government of India for net value of assets and liabilities taken over from Heavy Electricals (India) Limited to be settled by issue of shares.</p>	<p>Claims recoverable aggregating Rs. 79,013 have not been included in the accounts.</p>	<p>Out of a claim of Rs. 2,39,400 preferred against Heavy Engineering Corporation Limited a sum of Rs. 41,400 only has been included in the accounts.</p>	<p>In the case of Hyderabad Project, no part of interest on loans has been allocated to Profit and Loss Account as the production is still in the initial stage.</p>	<p>No provision for income tax on income from rent-interest, etc. for the year ended 31st March, 1965 has been made in the current year as the Company does not consider the income liable to taxation.</p>

1	2	3	4	5	6	7	8
52.	Instrumentation Limited	Ministry of Industrial Development and Company Affairs	21-3-1964	2,58,53	15,00	..	2,73,53
53.	Triveni Structurals Limited	Do.	3-7-1965	10,00	..	..	10,00
54.	Bokaro Steel Limited	Ministry of Steel, Mines and Metals	29-1-1964	19,80,00	1,15,25	..	20,95,25
55.	Hindustan Organic Chemicals Limited	Ministry of Petroleum and Chemicals	12-12-1960	2,19,19	..	..	2,19,19
56.	Indian Drugs and Pharmaceuticals Limited	Do.	5-4-1961	21,50,00	13,28,44	..	34,78,44

9	10	11	12	13	14	15
13,19	89	..	7	(+)7	..	400 acres of land from the Government of Rajasthan and 586.10 acres of land from the Government of Kerala have been received free of cost.
61	3	..	..	..	..
5,02,07	6,58	..	9,31	(+)9,31	0.4	
88,05	3,82	..	..	..	..	No provision has been made for Rs. 80,000 claimed by the Government of Maharashtra for land acquired at Panvel pending the award by the Land Acquisition Officer.
						Certain quantities of rubble, metal and murum at site recovered from the work 'levelling of site' have been lying at site and their value (Rs. 25 lakhs approximately) has not been adjusted in the books. The value will be adjusted in reduction of expenditure on land as and when the materials are used for construction or sold.
6,18,03	70,63	(-)56,45	44,96	(-)11,49	..	No adjustment has been made in respect of material issued on departmental works and lying unused on the ground that its value could not be readily determined.
						No provision has been made for income tax liability on payments made to non-resident parties for services rendered in India.

1	2	3	4	5	6	7	8
57.	Pyrites and Chemicals Development Company Limited	Ministry of Petroleum and Chemicals	22-3-1960	1,15,47	..	..	1,15,47
58.	Cement Corporation of India Limited	Ministry of Industrial Development and Company Affairs	18-1-1965	47,16*	..	..	47,16
59.	Hindustan Photo Films Manufacturing Company Limited	Do.	30-11-1960	4,70,00	4,79,48	..	9,49,48
60.	Cochin Refineries Limited	Ministry of Petroleum and Chemicals	6-9-1963	6,97,57**	11,09,32	51	18,07,40
61.	Madras Refineries Limited	Do.	30-12-1965	59,28₹	..	..	59,28
62.	India Tourism Corporation Limited	Ministry of Tourism and Civil Aviation	31-3-1965	1,39%	..	..	1,39
63.	India Tourism Hotel Corporation Limited	Do.	21-1-1965	2,00†	..	..	2,00
64.	India Tourism Transport Undertaking Limited	Do.	1-12-1964	18,15†	8,56	..	26,71
65.	Hindustan Latex Limited	Ministry of Health and Family Planning	1-3-1966	..	..	..	..

9	10	11	12	13	14	15
34,28	2,24	..	..	..	..
14,33	2,60	..	..	..	..	*Includes Rs. 23,66,000 received for issue of shares.
8,28,19	13,49	(-)1,64	20,76	(+)19,12	2.0	No depreciation has been provided for on imported and erected plant and equipment, electric installations and a portion of water works on the ground that only trial runs have taken place and production has not commenced.
57,67***	1,14	..	31,37	(+)31,37	1.7	**Includes Rs. 79,875 received on forfeited shares. ***Includes Rs. 50,106 being the value of three hired vehicles not owned by the Company.
..	..	..	..	..	..	Accounts not due. £Includes Rs. 34,90,000 from the Government of India and Rs. 24,23,892 from collaborators for issue of shares.
17	..	(-)55	..	(-)55	..	%Includes Rs. 1,38,500 received for issue of shares.
39	2	(-)1,49	..	(-)1,49	..	‡Includes R. 1,99,600 received for issue of shares.
..	..	..	..	..	..	Accounts not received. ‡Includes Rs. 6,95,055 received for issue of shares.
..	..	..	..	..	..	Accounts not due. The company did not raise any share capital during the year.

1	2	3	4	5	6	7	8
66.	Bharat Aluminium Company Limited	Ministry of Steel, Mines and Metals	27-11-1965	34,31	..	..	34,31
67.	Hindustan Zinc Limited	Do.	10-1-1966	1,38,00	..	..	1,38,00
68.	Modern Bakeries (India) Limited	Ministry of Food, Agriculture, Community Development and Co-operation	1-10-1965	..	..	..	..
TOTAL OF COMPANIES UNDER CONSTRUCTION				1,08,62,17	46,52,82	51	1,55,15,50
Figures for the year 1964-65				2,66,05,64	1,73,12,10	74	4,39,18,48
GRAND TOTAL				11,87,89,75	9,78,82,86	59,15,21	22,25,87,82
Figures for the year 1964-65				10,55,73,83	7,65,00,71	48,07,04	18,68,81,58

Subsidiary Companies

69.	Handicrafts and Handlooms Exports Corporation of India Limited		11-4-1958	40,00	40,00	..	80,00
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9	10	11	12	13	14	15
..	Accounts not due.
..	Accounts not due.
..	Accounts not received. The Company did not raise any share capital during the year.
41,85,90	2,30,14	(-)2,03,83	1,62,21	(-)41,62	..	
2,52,56,78	21,03,31	(-)12,94,93	7,40,11	(-)5,54,82	..	
12,15,80,83	3,53,92,91	(+)9,92,59	43,10,70	(+)53,03,29	2.4	
10,72,41,51	2,96,75,15	(+)10,31,83	36,27,66	(+)46,59,49	2.5	
2,36	2,28	(+)4,92	2,04	(+)6,96	8.7	Subsidiary to State Trading Corporation of India Limited. Net profit has been overstated by taking credit for unrealised income of Rs. 8,90,581 on account of estimated profit on 'Incentive Import Licences' in hand.

1	2	3	4	5	6	7	8
70.	Sambhar Salts Limited (Year ending 30-9-1965)	30-9-1964	1,00,00	..	6,11	1,06,11	
TOTAL OF SUBSIDIARY COMPANIES .				1,40,00	40,00	6,11	1,86,11
Figures for the year 1964-65 .				40,00	40,00	..	80,00

9	10	11	12	13	14	15
1,01,11	3,04	(+)23,66	..	(+)23,66	22.3	Subsidiary to Hindustan Salts Limited.
						The proportionate amount of royalty has not been written off as the terms for the transfer of the rights have not yet been finalised.
1,03,47	5,32	(+)28,58	2,04	(+)30,62	16.5	
2,69	1,92	(-)8,75	25	(-)8,50	..	

ANNEXURE 'B'

**STATEMENT SHOWING THE DIVIDEND PROPOSED/DECLARED DURING
1965-66**

(Figures in thousands of Rupees)

Sl. No.	Name of the Company	Amount of dividend	Paid-up capital
1.	Praga Tools Limited	4,49	1,50,54
2.	Hindustan Teleprinters Limited	1,64	82,00
3.	Indian Telephone Industries Limited	29,64	4,60,86
4.	Bharat Electronics Limited	31,28	5,21,25
5.	Hindustan Cables Limited	10,77	1,79,47
6.	Hindustan Antibiotics Limited	24,73	2,47,26
7.	Hindustan Insecticides Limited	7,53	1,25,47
8.	Indian Rare Earths Limited	7,00	1,00,00
9.	Manganese Ore (India) Limited	16,88	2,15,45
10.	Mogul Line Limited	7,59	1,01,19
11.	Mazagon Dock Limited	5,82	1,68,00
12.	Garden Reach Workshops Limited	6,00	1,00,00
13.	National Newsprint and Paper Mills Limited	29,41	4,94,52
14.	Hindustan Housing Factory Limited	2,94	48,99
15.	State Trading Corporation of India Limited	20,00	2,00,00
16.	Minerals and Metals Trading Corporation of India Limited	20,00	2,00,00
17.	National Projects Construction Corporation Limited	6,99	2,00,00
18.	Hindustan Steelworks Construction Limited	75	5,00
19.	Ashoka Hotels Limited	7,15	1,50,00
	TOTAL	2,40,61	37,50,00

ANNEXURE 'C'

STATEMENT GIVING THE DETAILS OF THE SUBSIDIES RECEIVED BY THE COMPANIES UP TO 31ST MARCH,
1966

Sl. No.	Name of the Company	Subsidy received during 1965-66	Total subsidy received up to 31st March, 1966	Purpose of subsidy	Remarks
1	2	3	4	5	6
		Rs.	Rs.		
1.	Hindustan Machine Tools Limited . . .	2,62,797	7,69,820	Subsidy for construction of quarters under Subsidized Industrial Housing Scheme.	
2.	Hindustan Aeronautics Limited . . .	..	2,70,000	Do.	
3.	Indian Telephone Industries Limited . . .	2,52,166	5,34,666	Do.	
4.	Heavy Electricals (India) Limited . . .	..	1,20,000	For hospital maintenance.	From the Government of Madhya Pradesh.
5.	Hindustan Cables Limited	71,000	71,000	For school building.	From the Government of West Bengal.
6.	National Coal Development Corporation Limited	1,10,87,060	3,08,64,942	(i) Rs. 1,05,99,624 for sand stowing. (ii) Rs. 1,48,34,628 for difficult and gassy mining. (iii) Rs. 10,49,170 for hospitals. (iv) Rs. 43,81,520 for miners' quarters.	From 1962-63 on wards.

1	2	3	4	5	6
7. Mogul Line Limited	47,46,960	86,87,672	For meeting operational deficit of India-Burma service for repatriation of Indian Nationals.	From the Government of India.
8. National Newsprint and Paper Mills Limited	..	4,77,050		Subsidy for construction of quarters under Subsidized Industrial Housing Scheme.	
9. Fertilizer Corporation of India Limited	..	10,17,579		(i) Subsidy for construction of quarters under Subsidized Industrial Housing Scheme—Rs. 9,56,023. (ii) Rs. 60,000 from the Government of Assam against stipend to trainees. (iii) Rs. 1,556 grant-in-aid for school.	
10. Fertilisers and Chemicals, Travancore Limited	..	96,250		Subsidy for construction of quarters under Subsidized Industrial Housing Scheme.	
11. State Trading Corporation of India Limited	..	39,325	6,83,271	(i) Rs. 2,00,000 for meeting preliminary expenses in regard to the setting up of State Trading Corporation of India as a limited Company. (ii) Rs. 32,298 for meeting expenses pertaining to the Company's participation in Chicago Fair, 1959. (iii) Rs. 11,648 for meeting expenses pertaining to the Company's participation in New York Fair. (iv) Rs. 2,50,000 for organisational expenses in respect of H. E. O. for the period from January, 1959 to March, 1960.	

12. National Small Industries Corporation Limited 75,39,272 4,27,65,867

(v) Rs. 1,50,000 for organisational expenses in respect of H. E. O. for the period from April, 1960 to December, 1960.

(vi) Rs. 39,325 from the Iron and Steel Controller.

(i) For meeting expenditure on Establishment and sales van operation Rs. 60,86,172.

(ii) For meeting expenditure on Prototype Production and Training Centres at

(a) Okhla . . . Rs. 1,52,44,000

(b) Rajkot . . . Rs. 79,29,817

(c) Howrah . . . Rs. 58,03,000

(iii) For meeting expenditure on Government Purchase Division and management of Industrial Estate, Naini . . . Rs. 34,89,829

(iv) For meeting expenditure on

(a) Industrial Design Exhibition . . . Rs. 6,70,000

(b) Other Exhibitions . . . Rs. 11,87,189

(v) Subsidy in lieu of concessional rate of interest on loans drawn for commercial activities Rs. 11,98,232

1	2	3	4	5	6
				(vi) Miscellaneous	Rs. 11,190
				(vii) Reimbursement of deficits	Rs. 3,71,438
				(viii) For Promotional activities	Rs. 7,75,000
13. National Industrial Development Corporation Limited		11,21,312	93,38,729	(i) For meeting operational deficit	Rs. 13,09,366
				(ii) For meeting expenses on investigation and processing of projects entrusted by the Government of India	Rs. 80,29,363
14. National Research Development Corporation of India		1,55,000	3,35,000	To cover interest on Government loans. A sum of Rs. 1,43,282 is receivable in addition.	
15. Handicrafts and Handlooms Exports Corporation of India Limited		14,67,074	19,54,586	(i) Grant from Marketing Development Fund	Rs. 13,56,947
				(ii) Grant for meeting expenses for participation in Moscow Fair, 1963	Rs. 1,45,639
				(iii) Losses reimbursed by State Trading Corporation of India Limited	Rs. 4,52,000
16. Hindustan Shipyard Limited		1,80,48,000	11,69,16,332	For meeting operational deficit towards higher cost of ship construction.	
				TOTAL	4,47,89,966 21,49,02,764

II. INDIAN OIL CORPORATION LIMITED

(REFINERIES DIVISION)

1. Introduction

A Company known as "Indian Refineries Limited" was incorporated under the Companies Act, 1956 on 22nd August, 1958 to construct, operate and manage the two Refineries at Noonmati and Barauni.

In order to secure co-ordination in policy and efficient and economic working of the companies responsible for the refining and distribution of petroleum products in the public sector in India, the Indian Refineries Limited was merged on 1st September, 1964 with the Indian Oil Company Limited which was renamed as the Indian Oil Corporation Limited.

The Gujarat Refinery which was set up in October, 1961 under the Oil and Natural Gas Commission was also transferred to the Indian Oil Corporation Limited with effect from 1st April, 1965.

2. Agreements

2.01. Gauhati

(a) *Inter-Governmental Agreement.*—On 20th October, 1958 an agreement was signed between the Government of India and the Government of Rumanian Peoples' Republic for the construction of Noonmati Refinery having a processing capacity of 7,50,000 M. tons of crude oil per year. The Rumanian Government also agreed to give a long-term credit of Rs. 5.23 crores repayable in seven years at an interest of 2.5 per cent.

(b) *Agreement for the supply of equipment.*—In pursuance of the above agreement, a Supply and Technical Assistance Contract was concluded on 17th August, 1959 between M/s. Industrialexport, Bucharest and the Company for the designing of the Refinery.

According to the agreement, equipment valued at Rs. 4,66,66,700 was to be procured for the Refinery against which equipment worth Rs. 5,32,62,742 (including Rs. 26,18,101 representing the value of 246.3 M. tons of left-over equipment purchased by the Company under supplemental agreements for maintenance and expansion of the Refinery) has been received.

2.02. Barauni

(a) *Inter-Governmental Agreement.*—On 28th September, 1959 an agreement was signed between the Government of India and the Government of U.S.S.R. for the construction of a Refinery at Barauni having a processing capacity of 20,00,000 M. tons of crude oil per year. Under the agreement, the Government of U.S.S.R. agreed to give a long-term credit of about Rs. 11·91 crores (100 million old Roubles) repayable in 12 years at an interest of 2·5 per cent.

(b) *Agreement for the supply of equipment.*—In pursuance of the above agreement, an agreement was entered into on 16th June, 1961 between M/s. Tiajpromexport and the Company for the supply of plant, equipment and materials.

According to the agreement, plant, equipment and materials weighing 38,075 M. tons were to be supplied at a total cost of Rs. 13·50 crores (Roubles 2,55,15,000) C.I.F. Calcutta. Subsequently, between 30th December, 1963 and 24th May, 1966, the Company entered into supplementary agreements for the additional supply of 3,259 M. tons of equipment. Against these agreements, equipment weighing 43,585 M. tons (including 50 M. tons air lifted) was actually received.

Out of 43,535 M. tons of equipment received by sea under the original and supplementary agreements only 17,803·203 M. tons were shipped in Indian vessels. In accordance with the Indo-Soviet Shipping Agreement, the Company could have insisted upon a parity of 50:50 in the shipment of cargo. Had this parity in the shipment of cargo been observed a saving of Rs. 4·88 lakhs at the average rate of Rs. 123·11 per M. ton could have accrued to the Company on 3,964·297 M. tons carried by the Russian vessels in excess of the prescribed limit of 50 per cent. The Management have stated (September, 1966) that “under the agreement, the shipment of goods was to be done according to the procedure laid down by the Indo-Soviet Shipping Agreement. It is the duty of the Government of India and the U.S.S.R. to ensure parity ratio”.

According to the original agreement the entire equipment for the first phase (excluding Kerosene Unit) should have been received by June, 1962 and that for the second and third phases by October, 1963. The equipment and materials were, however, not supplied according to the terms of the agreement and were delayed for

periods ranging from 2 months to 15 months. In the absence of any provision in the contract for the levy of penalty no action could be taken against the suppliers.

According to para 14 of the original agreement the goods on Russian vessels were to be insured against the usual marine risk for their full value with a foreign insurance company in the name of the customer. The Company lodged a claim with the insurance company for 18 M. tons of equipment valued at Rs. 63,000 which had been lost in transit. The claim was rejected by the insurance company on the ground that the insurance policy had not covered the goods loaded on deck.

The Ministry have stated (January, 1967) that "the matter regarding claim for loss of material in transit is still being pursued through the embassy with the suppliers and their insurers".

2.03. Gujarat

Agreement for the preparation of Project Report/working drawings and for supply of equipment.—Two agreements were concluded by the Oil and Natural Gas Commission with M/s. Tiajpromexport (State-owned Company of U.S.S.R.) for the technical assistance in designing an oil refinery in Gujarat and supply of equipment therefor. The Project Report which was to be delivered by 25th October, 1962 was received in March, 1963. There was also delay ranging from 63 days to 450 days in the supply of equipment. No penalty could, however, be imposed on the suppliers in the absence of any provision to this effect in the agreements.

In accordance with the Indo-Soviet Shipping Agreement the Company could have insisted upon a parity of 50:50 in the shipment of cargo. Besides, the equipment and materials, if carried in Indian ships, would have cost Rs. 4,152 per M. ton (F.O.B. cost Rs. 3,985 plus element of freight and insurance Rs. 167) as against Rs. 4,308 per M. ton in case of transport by Russian vessels. No steps were, however, taken to ensure that the maximum quantities on the basis of the parity of 50:50 were shipped by Indian vessels. Out of 14,998.138 M. tons of the equipment received so far (May, 1966) under the terms of the agreement, only 5,462.301 M. tons were shipped in Indian vessels.

Had the Company insisted upon a parity of 50:50 in the shipment of cargo, it could have saved a sum of Rs. 3,17,736 (at the rate

of Rs. 156 per M. ton) on the excess tonnage carried by Russian vessels.

3. Targets and achievements

3.01. Gauhati

(a) *Delay in commissioning.*—According to the agreement with the foreign Collaborators the Refinery was to be commissioned within 24 months from the date of acceptance of the technical design and the rated capacity was to be achieved within a period of 5 months from the date of commissioning. The design was accepted on 23rd October, 1959 and the Refinery should have gone into production by October, 1961. The table below indicates the delay in the commissioning of the various units of the Refinery:—

Unit	Actual date of commissioning	Delay
Crude Distillation Unit	December, 1961	2 months
Kerosene Refining Unit	April, 1962	6 months
Coke Oven Unit	April, 1962	6 months

The Management have attributed the delay to:—

- (i) shortage of certain materials of foreign supply such as G.I. pipes, metal cladding, etc. which had to be made up from the indigenous sources;
- (ii) delay in the receipt of certain foreign equipment *viz.* pumps for reduced crude circulation and for coke cutting; and
- (iii) delay on the part of civil contractors.

Owing to delay in the commissioning of the Refinery, the foreign technicians had to stay for longer periods (1,454 man-months) than originally anticipated (972 man-months), with the result that the cost of technical assistance rose from Rs. 28,57,100 to Rs. 39,20,852. Out of 482 additional man-months, 170 man-months were attributed by the Management to frequent shut-downs in Kerosene Unit during the guarantee period and delay in the receipt of certain accessories. A claim of Rs. 7,20,430 on account of 170 additional man-months was lodged in February, 1963 with the suppliers who agreed in August, 1964 to bear the cost of overstay of technicians due to troubles in the Kerosene Unit. The suppliers also agreed to consider the claim for a period of two months in respect of Coking

Unit. The Ministry have stated (January, 1967) that "a revised claim of Rs. 6,66,691 has already been lodged with the foreign suppliers".

(b) *Production performance.*—The table below indicates the designed capacity and achievement thereagainst for the years 1962 to 1965:—

(Figures in M. tons)

	Designed capacity	Actual quantity processed			
		1962	1963	1964	1965
I	2	3	4	5	6
Crude oil	7,50,000	1,96,389	4,54,679	7,56,494	7,95,466

Owing to shortage of crude oil stocks, delay in the commissioning of Coking and Kerosene Units, shortage of space to stock the intermediate products, etc. the Refinery could not operate at the planned throughput during 1962 and 1963 which resulted in a loss of production valued at Rs. 92.66 lakhs. The liability for this loss was not accepted by the foreign Collaborators on the ground that the responsibility for the delay in supplying ships in time and the delay in transportation of materials from Calcutta to Gauhati rested with the Company.

3.02. Barauni

(a) *Delay in commissioning.*—The table below indicates the scheduled dates of the commissioning of the various units of the Refinery and the actual or anticipated dates thereof:—

Unit	Scheduled date of commissioning	Actual or anticipated date of commissioning	Delay
I	2	3	4
<i>1st phase</i>			
Atmospheric Vacuum Unit—I	July, 1962	July, 1964	2 years
Coking Unit	Do.	October, 1964	2 years and 3 months
*Kerosene Treating Unit—I	January, 1964	January, 1965	1 year

1	2	3	4
<i>2nd phase</i>			
Atmospheric Vacuum Unit—II	April, 1963	February, 1966	2 years and 10 months
Kerosene Treating Unit—II	Do.	**Not yet commissioned	
<i>3rd phase</i>			
Phenol Extraction Unit	April, 1964	In progress (December, 1966)	2 years and 8 months
Bitumen Unit	Do.	Do.	Do.
Dewaxing Unit	Do.	Do.	Do.
Filtration Unit	Do.	Do.	Do.

*In May, 1962 the Company decided to shift the unit from third phase to first phase.

**Completed in December, 1965 but could not be commissioned as the capacity of the Kerosene Treating Unit—I is sufficient for 2 million M. tons of capacity of the Refinery.

The Ministry have stated (January, 1967) that the Phenol Extraction Unit and Bitumen Unit have already been commissioned.

(b) *Production performance.*—The first phase (1 million M. ton capacity) of the Refinery was commissioned in July, 1964 and the second phase (2 million M. ton capacity) excluding Lub. Oil Plant was commissioned in February, 1966. The table below indicates the actual production of the Refinery for the period ending July, 1966:—

(Figures in M. tons)

	Designed capacity	Actual quantity processed		
		1964	1965	1966
		(From July, 1964 to December, 1964)		(From January, 1966 to July, 1966)
1st phase	10,00,000	1,54,989	6,10,825	} 5,89,622
2nd phase	20,00,000	..	..

It will be seen that during 1965 the Refinery processed 6.11 lakh M. tons of crude oil *i.e.* 61.1 per cent. of the rated capacity of

10,00,000 M. tons (1st phase). The shortfall has been attributed by the Management to the following factors:—

- (1) Delayed start-up of the Coking Unit.
- (2) High stocks of reduced crude due to delayed start-up of the Coking Unit.
- (3) Difficulties in production of on-specification furnace oil resulting in build-up of high stocks of off-specification furnace oil which interrupted the Refinery operations.
- (4) Frequent shut-downs of the Coking Unit.

3.03. Gujarat

(a) *Delay in commissioning.*—The table below indicates the scheduled dates for the commissioning of the various units and the actual or anticipated dates thereof:—

Name of the Unit	Scheduled date of commissioning	Actual or anticipated date of commissioning	Delay	Remarks
1	2	3	4	5
Atmospheric Vacuum Unit (1st phase) 1 million M. ton	End of 1964	November, 1965	10 months	The actual refining of the crude commenced on 14th October, 1965, but Ethyl Blending Plant was commissioned on 9th November, 1965 with which all 1st phase jobs were completed.
Thermal Power Station	End of December, 1964	February, 1966	1 year and 2 months	The first unit was commissioned in October, 1965, while the work in the Boiler House was completed on 26th February, 1966 and that in Turbo Generator II in February, 1966.
Atmospheric Vacuum Unit (2nd phase) 1 million M. ton	Middle of 1965	June, 1966	1 year	
Catalytic Reforming Unit	Middle of 1965	October, 1966	1 year and 4 months	

The Management have attributed the delay in the commissioning of the Refinery to delay in receipt of working drawings and equipment and the delay in the construction of mechanical erection work due to strike by the contractor's labour.

(b) *Extra expenditure due to delay in commissioning.*—Owing to delay in the commissioning of the various units of the Refinery as indicated above the stay of 41 foreign specialists in India had to be extended for periods ranging from 1 month to 7 months, the resulting additional expenditure being Rs. 3.22 lakhs (approximately).

4. Financial results

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

(Rupees in lakhs)

	1963-64	1964-65	1965-66*
<i>Liabilities</i>			
(a) Paid-up capital	3,000.00	3,764.97	5,531.97
(b) Borrowings			
(i) From the Government of India	3,243.33	3,959.16	5,453.02
(ii) Foreign credit	479.63	101.19	4.41
(iii) Cash credit . . . . .	..	..	190.86
(c) Current liabilities and provisions	655.54	470.49	760.42
TOTAL	7,378.50	8,295.81	11,940.68

Assets

(d) Gross block	1,832.60	1,800.27	6,857.63
(e) Less : Depreciation	205.57	84.03	345.46
(f) Net fixed assets	1,627.03	1,716.24	6,512.17

	1963-64	1964-65	1965-66
(g) Capital goods in stores and in transit	355·91	87·99	71·02
(h) Unallocated capital expenditure	3,494·31	3,284·09	1,711·97
(i) Construction period expenses pending allocation	463·66	626·67	207·45
(j) Current assets, loans and advances (including inter-unit balances and investments)	1,329·15	2,545·86	3,393·67
(k) Miscellaneous expenditure	3·31	0·76	0·76
(l) Profit and loss account	105·13	34·20	43·64
TOTAL	7,378·50	8,295·81	11,940·68
Capital employed	2,300·64	3,791·61	9,145·42
Net worth	2,891·56	3,730·01	5,487·57

*Includes figures for Gujarat Refinery.

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

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

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

	(Rupees in lakhs)		
	1963-64	1964-65	1965-66
Net profit	4·39	77·97	0·27*
Percentage of net profit			
(a) To capital employed	0·19	2·06	0·003
(b) To net worth	0·15	2·09	0·005
(c) To equity capital	0·15	2·07	0·005

*Also includes the working results (net loss of Rs. 2.26 lakhs) of Gujarat Refinery.

5. Idle time

The following table indicates the periods (in terms of percentage of time) during which the various units at Gauhati remained idle, under inspection and maintenance and on stream:—

Unit	1962			1963			1964			1965		
	% idle	% un- der ins- pec- tion and main- tena- nce.	% on str- eam	% idle	% un- der ins- pec- tion and main- tena- nce	% on str- eam	% idle	% un- der ins- pec- tion and main- tena- nce	% on str- eam	% idle	% un- der ins- pec- tion and main- tena- nce	% on str- eam
I	2	3	4	5	6	7	8	9	10	11	12	13
Crude Distilla- tion	29.3	12.3	58.4	7.9	7.4	84.7	1.4	6.3	92.3	1.3	3.8	94.9
Kero- sene Re- fining	3.6	52.1	44.3	27.6	58.4	14.0	75.6	14.8	9.6	45.0	34.4	20.6
Coking	28.6	30.2	41.2	22.7	33.5	43.8	..	19.5	80.5	..	13.7	86.3

The percentage of idle time in the Kerosene Unit increased from 3.6 in 1962 to 45 in 1965 and the maximum percentage of 75.6 was noticed in 1964. The main reasons assigned for the higher percentage were mechanical troubles in the compressors and restrictions placed on the operation of the unit owing to poor upliftment of Iomex by the Marketing Division. The fixed expenses alone during the period the plant remained idle in 1964 and 1965 amounted to Rs. 24.39 lakhs and Rs. 27.88 lakhs (Rs. 8,712 per day on salary, depreciation and overheads, etc.) respectively.

The Company has not laid down any norms for the period of annual general shut-down. The period of shut-down in the various units ranged between 18 and 25 days during 1963 and 1964 and between 11 and 50 days during 1965.

6. Processing cost

The table below indicates the estimated cost of processing crude per M. ton at each of the three Refineries as per the Project Report, the actuals thereagainst during the year 1965-66 and that anticipated on full throughput:—

Name of the Refinery	Processing cost per M. ton		
	As per Project Report	Actuals as on 31-3-1966	Anticipated on full throughout
	Rs.	Rs.	Rs.
Gauhati	Not given	26.54	26.54
Barauni	26.31	52.44	42.14
Gujarat	18.67	32.77	24.67

It will be seen that the actual processing cost per M. ton as on 31st March, 1966 worked out to 199.32 per cent. and 175.52 per cent. of the cost as per Project Report in respect of Barauni and Gujarat Refineries respectively.

7. Stores and stock

7.01. The consumption of stores and spares and the closing stock for the last two years in respect of the Refineries at Barauni and Gujarat are indicated below:—

	(Rupees in lakhs)			
	1964-65		1965-66	
	Barauni	Gujarat	Barauni	Gujarat
Opening balance	88.68	36.90	96.67	120.17
Purchases	102.76	359.11	103.72	202.51
TOTAL	191.44	396.01	200.39	322.68
Consumption	94.77	275.84	65.01	181.41
Closing balance	96.67	120.17	135.38	141.27

Although the major construction works of the Projects have already been completed, detailed survey to assess the excesses and surpluses has not been conducted.

The Ministry have stated (January, 1967) that "assessment and declaration of surplus, with the approval of the Board, where necessary, has already been commenced".

7.02. Gujarat

(a) *Shortages.*—The physical verification of stores conducted during 1964-65 disclosed a net shortage of Hume Pipes valued at Rs. 49,576.

The Ministry have stated (January, 1967) that “a reconciliation of the total quantities received, total quantities issued, etc. is in progress”.

(b) *Defective maintenance of records.*—The following defects were noticed in the accounts maintained by the stores branch/garage:—

(i) No account was kept of worn out automobile parts, packing cases and empties. The Ministry have stated (January, 1967) that “a draft procedure has since been formulated under which the worn out parts will be kept in bag with the list of parts and at the end of week, the bag along with the list shall be sent to main stores for proper accounting and stock purpose”.

(ii) There was no procedure for reconciliation of the issue of stores as per Goods Issue Vouchers with the gate passes. The Ministry have stated (January, 1967) that “because of the large number of issues against the issue vouchers regular reconciliation of issues with gate passes could not be undertaken particularly as deliveries were staggered in accordance with the requirement of construction and owing to transportation problems”.

8. Man power analysis

8.01. *Gauhati.*—The actual working strength of the staff in the Refinery since 1963 continues to be in excess of the sanctioned strength as detailed below:—

Grade	Sanctioned				Actual			
	1963	1964	1965	1966	1963	1964	1965	1966
Rs.	No.	No.	No.	No.	No.	No.	No.	No.
165-325 . . .	13	13	13	13	14	14	14	13
165-275 . . .	178	178	178	178	199	203	203	203
120-210 . . .	87	87	87	87	164	164	164	164
75-145 . . .	189	189	189	190	258	258	259	259
30-55 . . .	210	210	210	210	214	214	214	214

The Management have stated (August, 1966) that "We are now assessing the actual requirement of posts in the various departments and the posts which have not been covered under proper sanctions will be regularised either by obtaining sanctions or by other measures like retrenchment, etc."

The Ministry have stated (January, 1967) that the main reasons for retention of additional staff were comparative inexperience of the staff and teething troubles faced by the Refinery.

8.02. *Gujarat*.—A comparative statement of the estimated requirements of personnel for operation and maintenance as recommended in the Project Report and the total number of men actually engaged on 1st April, 1966 is given below:—

Name of the Department	Staff as per Project Report	Actual staff as on 1st April, 1966
Administration and design group	64	232
Process and production	199	182
Power and utilities	280	163
Maintenance	217	190
Laundry	5	..
Guard	80	118
Fire protection	27	24
Medical aid	15	52
Laboratories	45	44
Cafeteria	35	4
TOTAL	967	1,009

NOTE.—1. Besides the regular staff referred to above, 384 persons were working on construction jobs in addition to daily-rated personnel.

2. The Administrative staff was also looking after construction work.

It will be seen that, though only the first unit of one million M. ton has gone into production, the ~~stre~~ the staff actually employed as on 1st April, 1966 was in excess of that provided for in the Project Report for the entire Refinery of two million M. tons and the Catalytic Reforming Unit. No norms for staff have been fixed so far (May, 1966).

9. Other topics of interest

Gauhati Refinery

9.01. Wastage of gas

(a) The Refinery commissioned in January, 1962 was designed to utilise most of the gas produced in the operational processes as heating fuel in the furnaces of the boiler house, distillation and coking units. From the very beginning the gas compressors installed in the coking unit started giving unsatisfactory performance which was brought to the notice of the foreign suppliers from time to time between May and November, 1962. The General Manager reported in September, 1963 that the compressors were found to have been badly worn out and that, according to a foreign expert, the compressor bodies required extensive reborring. He again reported in October, 1963 that the capacity of the compressors was not adequate to handle the full quantity of gas produced in the Refinery. On 16th December, 1963 he further stated that the supply of compressors with inadequate capacity had resulted in a loss of 30 M. tons of gas every day at the flare costing approximately Rs. 2,000 per day and that this loss would continue until extra compressors were provided to handle all the gas produced in the unit. In February, 1964 the Chief Production Engineer also reviewed the position and stated that as against the normal production of 4,450 M³ of gas per hour, the capacity of compressors was 2,500 M³ only and that the quantity of 1,950 M³ of gas per hour was being burnt at the flare. He assessed the total financial loss due to the flaring of gas during 1962 and 1963 at Rs. 9,28,000. During 1964 and 1965, out of 81,701 M. tons of gas produced, 31,082 M. tons of gas valued at Rs. 22.80 lakhs were flared.

In August, 1964 the Company agreed to accept payment in rupees the f.o.b. cost of the additional compressor. The suppliers have since paid a sum of Rs. 99,368 in settlement of the Company's claim.

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(b) Besides, [redacted] inadequate compressing capacity of the existing compressors, [redacted] liquid fuel oil is being used as fuel instead of gas in the Refinery. The total quantity of the fuel oil so used during the last three years ending 31st March, 1966 works out to 65,561 M. tons valued at Rs. 43.71 lakhs.

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

“It is true that this flare can be reduced by the installation of additional gas compressors..... On closer examination, this is being considered in collaboration with the problem of disposal of off-specification furnace oil which will be required to be disposed of. Installation of compressor above will not avoid the flaring of gas until market is created for off-specification furnace oil which will be replaced by the gas”.

9.02. *Defective contract.*—On 23rd June, 1961 the Company entered into an agreement with a firm for the sale of petroleum coke. The latter agreed to purchase from the Company during the continuance of the agreement all the saleable petroleum coke to be produced by the Refinery. According to the agreement the Company was to give notice from time to time to the purchaser of saleable petroleum coke available for delivery and the latter was to take delivery thereof. The agreement did not contain any penalty clause.

The firm failed to clear the stock of coke in time on several occasions, with the result that large quantities of coke ranging from 118 M. tons to 4,778 M. tons per month remained with the Company. An expenditure of Rs. 3·20 lakhs was incurred by the Company on the storage, handling charges, etc. of the coke.

The Ministry have stated (January, 1967) that out of the amount of Rs. 3·20 lakhs, a sum of Rs. 59,364 pertained to the Company's operations. As regards the balance amount of Rs. 2·61 lakhs, a sum of Rs. 16,266 has been recovered and certain issues are still under correspondence with the firm.

Regarding the absence of a penalty clause in the agreement, it has been stated that the agreement was executed by the erstwhile Indian Oil Company Limited and that this question has been taken up with the Marketing Division of the Corporation.

9.03. *Purchase of obsolete equipment.*—During 1962-63 and 1963-64 M/s. Industrialexport, Rumania supplied 2 Nos. UTOS tractors and 3 Nos. winch cars valued at Rs. 2,18,307·65 without any spare parts, with the result that only one tractor and one winch car (by cannibalising the parts from another winch car) could be kept in running condition by the Refinery. The suppliers, in a meeting held

on 2nd March, 1964, intimated that no spares for these equipments could be supplied as their manufacture had been stopped. In August, 1964, however, they agreed to arrange delivery of spare parts for the cars and the tractors, but eventually failed to make the supply.

The Refinery stated in July, 1966 that the tractors and winch cars had been purchased mainly for the construction phase and that 1 No. UTOS tractor valued at Rs. 20,559 and 2 Nos. winch cars valued at Rs. 1,18,126 had since been enlisted for disposal.

Apart from the fact that one tractor and two winch cars could not be put to use at all, a considerable part of the amount of Rs. 1,38,685 representing the value of the tractor and winch cars enlisted for disposal is likely to prove a loss to the Company.

9.04. *Adoption of a defective method of measuring crude oil.*—At the Standing Committee's meeting held on 17th April, 1962 both the Oil India Limited and the Indian Refineries Limited jointly accepted a procedure for the measurement of crude oil. The procedure consisted in the taking of dip in the tank, which recorded separately the water and the oil dips, before the filling up of the tank with oil. After filling, the tank was allowed to settle down for one or two days. Water dips and oil dips were again taken to arrive at the quantity of crude received.

On 31st August, 1963 the Company pointed out to the Oil India Limited that, owing to the short time allowed for the proper settling of tank after receipt of crude oil, the water content in certain cases was found to be even less than that at the beginning, in spite of the fact that no water had been drained or bled off from the tank. The Company also pointed out that, owing to the adoption of the defective procedure, 832.20 K.L. of water had been paid for at crude oil rates during the period from 2nd April, 1963 to 15th August, 1963, the total payment being Rs. 63,247.

On 24th September, 1963 both the parties discussed the procedure for measurement of crude oil and agreed to adopt a revised procedure, according to which dip measurements were eliminated and samples were to be taken from flow lines only.

The Oil India Limited, however, did not agree to make any adjustment for 832.20 K.L. of water which had already been paid for at crude oil rates.

The Ministry have stated (January, 1967) "that the matter is still under discussion with M/s. Oil India Limited and we hope to recover the amount".

Barauni Refinery

9.05. *Failure to prefer claims within the prescribed period.*—During 1963-64 and 1964-65, 6 claims relating to shortlanding of 8 packages of imported equipment valued at Rs. 1,14,265 were rejected by the Carriers under clause 15 of the Bill of Lading owing to non-submission by the Company of notice in writing within 3 days of the landing of cargo. These claims were also rejected by the Insurers under Rules 19 and 22 of Transport Insurance Rules as the delay in submission of documents or intimation of loss by the Company had jeopardised the Insurers' right of recourse.

Besides, claims valued at Rs. 3,05,984 are still pending with the Carriers/Insurers (January, 1967).

9.06. *Defective purchase of a trailer.*—In December, 1959, one 40 ton capacity trailer was purchased at Gauhati for Rs. 64,380. On receipt of the trailer, it was found that it did not conform to the required specifications given by the indenter. Besides, the local roads were not suitable for its use. The trailer could not, therefore, be used at all. On 1st February, 1960 another trailer was purchased for Rs. 61,004. The first trailer remained idle at Gauhati till August, 1962 and thereafter it was transferred to Barauni Refinery. The Management at Barauni have stated that the trailer has been in use since 19th May, 1963. No log book showing the period during which it was utilised has, however, been shown to Audit.

The case is being investigated by the Special Police Establishment, Patna (January, 1967).

9.07. *Fraudulent insertion of a clause in the tender.*—Noticing some unusual items in the bills of a contractor with whom a contract had been entered into for the clearing and handling of 50,000 tons of materials for transport from the Railway stations or nearby road transport terminals to the Refinery site at Barauni, the Management conducted a scrutiny of tender papers and noticed a fraudulent insertion of the following extra clause for "smalls" in the schedule of rates forming part of the contract:—

"N.B. Since there is no column for less than full lorry load or small packages which may be required to be taken delivery from parcel or goods, we mention our charges as follows:—

Single package or packages less than five maunds weight our charge will be Rs. 30 for carriage and Rs. 2 for each package for loading and unloading.

The above rates will include only the goods to be taken delivery from one place in one day. For one package over 5 maunds an extra charge of Re. 1 per maund will be charged”.

The Chief Engineer and the Deputy Controller of Accounts, who were the members of the Tender Committee, categorically denied that there was any such extra clause in the schedule of rates which was a part of the contract as originally finalised by the Committee on 2nd July, 1962. On 3rd August, 1963 the General Manager decided to make the payment for “smalls” at the rates stipulated in the agreement. Owing to this unauthorised insertion of a clause, the Company had to pay an extra amount of Rs. 30,839 (Rs. 42,457 instead of Rs. 11,618).

The Special Police Establishment who investigated the case, in their preliminary enquiry report dated 8th May, 1964, observed that “the said extra clause was deliberately allowed to be inserted in ink in the original tender by the delinquent officer in order that the contractor may obtain illegal pecuniary advantage”.

The Central Vigilance Commission after review of the Special Police Establishment’s findings, however, suggested that departmental proceedings might be instituted with a view to determining:—

- (i) Whether there was a fraudulent insertion of the clause in the contract as alleged; and
- (ii) if so, the responsibility of the officers concerned and the action to be taken against them.

The Ministry have stated (January, 1967) that the case is pending with the Commissioner of Enquiries.

9.03. *Losses.*—Owing to the low level of the site and heavy rainfall at Barauni, the following losses were caused by floods on 4th October, 1962:—

(a) *Loss on the setting of cement bags.*—Large stocks of cement stored in the temporary godowns were damaged by rain water. A Committee appointed by the Management assessed in November, 1962 that 1,115.65 M. tons of cement were completely set and 120.15 M. tons partially set. The total loss on this account, after adjustment of 61.05 M. tons of set cement utilised in works connected with the Refinery, worked out to Rs. 1,69,305. The entire loss was written off by the Board of Directors on 5th July, 1963.

(b) *Loss due to destruction of working drawings.*—The working drawings for the Kerosene Unit of the Refinery procured from foreign firm and kept in the Central Archives of the Drawing Office were destroyed. The duplicate of the plans and drawings had to be procured in November, 1963 at a cost of Rs. 24,074. The time lag of about 14 months in obtaining the duplicate drawings affected the overall construction programme of the Kerosene Unit which, according to the original schedule, was to be commissioned in January, 1964, but was actually commissioned in January, 1965.

(c) *Loss on account of damage to imported electrical equipment.*—The accumulation of rain water damaged the imported electrical equipment stored in low lying godowns. The equipment was got repaired by the Refinery at a cost of Rs. 48,903 (June, 1966).

The losses aggregating Rs. 2,42,282 *vide* sub-paras (a) to (c) above were not covered by any insurance policy for risks against damages by flood waters. The Management, however, took out the policies subsequently in 1963-64.

In January, 1963 the Management embarked on a plan for making adequate openings in the adjoining National Highway and the railway embankment to avoid the accumulation of rain water. The expenditure incurred up to September, 1966 amounted to Rs. 1,83,476.

Gujarat Refinery

9.09. *Extra expenditure due to lack of proper planning.*—In March, 1964 the Refinery invited tenders for the work of "Constructing storm water channel from Refinery western boundry to Meni river". According to the tender documents the excavated earth was to be disposed of in Kotars or elsewhere as directed up to a lead of 2,400 meters. The work was awarded to the lowest tenderer on 2nd May, 1964.

Before commencement of the excavation work for the channel, no arrangements for dumping the surplus soil were made with the land owners/State Government, nor were agreements entered into for sale thereof to private parties.

After the work was started in June, 1964 it was found that the lands and other areas which were envisaged as dumping places could not be hired as some of the Kotars had already been allotted to private parties by the State Government for reclamation purposes and also that no private party was willing to have the earth dumped

on his land. As a result a major part of the excavated soil had to be transported beyond 2,400 meters up to a lead of 6,000 meters at an additional cost of Rs. 11,34,216 (approximately) on extra item rate basis.

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

“As it was hoped that the Kotars will be available for dumping and having consideration to the above, no further arrangement was considered necessary. But when the work commenced, the prevailing conditions had changed. The Kotars, by that time, had been allotted to various parties for reclamation, who were not willing to have the earth dumped in their plots. No consideration was paid to the State Government so that we could ask them to allow us to dump the spoils in the Kotars”.

Had the Refinery made adequate arrangements in advance for dumping the surplus earth a substantial portion of the extra cost could have possibly been saved.

9.10. *Ill-planned purchases*

(a) *Shearing machines.*—In September, 1964 the Refinery invited tenders for two electrically operated shearing machines, the estimated cost of which was Rs. 25,000 each. The date for opening the tenders was stipulated as 1st October, 1964.

Out of the offers received, the lowest technically suitable offer of Rs. 50,000 per machine of firm ‘A’ was valid up to 45 days from the date of the opening of tender. The Refinery, however, could not place the order within the validity period as the offers were considered by Mechanical Department only on 8th December, 1964.

The second and third lowest offers of Rs. 58,095 and Rs. 65,000 per machine of firms ‘B’ and ‘C’ respectively were rejected on the ground that the delivery periods (6-8 months and 10 months) were too long. On 22nd January, 1965 the Refinery placed an order on the fourth lowest tenderer at the rate of Rs. 81,700 per machine. These machines were received in damaged condition in May, 1965 when the major portion of the tankage work, for which they were ordered, had already been completed.

The machines have neither been installed nor repaired so far (May, 1966). The Management have stated that these are being declared as surplus.

No claim for compensation on account of damages to the machines has been preferred by the Refinery. The delay in the processing of the tenders and the purchase of the machines without proper assessment of the actual requirement of the tankage work resulted in an avoidable expenditure of Rs. 1,70,502 (cost plus freight, etc.).

The Ministry have stated (January, 1967) that "..... these machines were purchased as per directions in the project report, a guide post for us to procure items such as these. Hence the question of fixing up responsibility for the purchase does not arise".

(b) *Shovel attachment.*—In November, 1963 the Project placed an order on a firm for one set of shovel attachment for 45 ton P & H Crane. The consignments valued at Rs. 85,447 were received at site between February and April, 1964. The equipment has been lying uncovered in the open store-yard and has neither been put to any use (May, 1966) nor is likely to be used in future in the absence of any shovel zone in the Project.

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

"As the excavation work had.....to be done by manual labour, the shovel attachment could not be put to any use. The question of fixing up responsibility in this case does not arise. The future need of the attachment is being assessed, and if it is found unnecessary to retain it, it will be disposed of by sale".

9.11. *Delay in notifying short-landed or damaged cargo*

(a) During 1963-64 and 1964-65, seven claims relating to short-landing of imported equipment valued at Rs. 88,439 and three claims of damage to cargo assessed at Rs. 12,504 were rejected by the Steamer Agents under clause 15 of the Bill of Lading owing to non-submission of notice in writing by the Refinery within three days of the discharge of cargo. The Insurers also rejected these claims because of delay in intimation of losses and production of short-landing certificates, survey reports, etc. which had jeopardised their right of recourse to the carriers. The delay in notifying the short-landings and damages thus resulted in a loss of Rs. 1,00,943.

(b) Similarly, nine claims of shortlandings valued at Rs. 18,776 and four claims for damage to cargo estimated at Rs. 43,139, although pending with Insurers, have already been rejected by the Steamer Agents on the ground of non-submission of the notice within 3 days of discharge of cargo.

The Management's contention in both the cases referred to above that clause 15 of the Bill of Lading refers to the delivery of cargo and not discharge thereof by steamer has not been accepted by Steamer Agents/Insurers.

9.12. *Purchase of insulating diatomite bricks.*—In October, 1963 the Project invited open tenders for the purchase of 3,00,000 insulating diatomite bricks (250×123×65 mm). According to the tender notice 1,35,000 Nos. were to be delivered between 1st April, 1964 and 15th July, 1964 and 1,65,000 Nos. between 1st November, 1964 and 1st March, 1965.

The tenders were opened on 20th November, 1963. Out of the quotations received, the lowest offer of firm 'A' was rejected on the ground of unsuitability of delivery schedule (commencing after six months at the rate of 25,000 Nos. per month from the date of receipt of order). The second lowest offer of firm 'B' was not found technically suitable. The purchase order was placed on firm 'C' on 22nd April, 1964 i.e. five months after the receipt and opening of tenders. In July, 1964 the Refinery revised the delivery schedule of the bricks as under:—

Group I	By 15-7-1964	15,000 Nos.
„	„ 31-7-1964	30,000 „
„	„ 15-8-1964	75,000 „
„	„ 31-8-1964	1,15,000 „
„	„ 15-9-1964	1,56,100 „
Group II	Balance to be delivered between 1-11-1964 and 1-3-1965	97,300 „
	TOTAL	<u>2,53,400 „</u>

The supplies of the first and second groups were actually completed in January, 1965 and May, 1965 respectively. No liquidated damages were recovered from the supplier on the ground that there was no loss to the Project because of delay in the supplies.

The very purpose of placing the purchase order with firm 'C' at a rate higher than that offered by firm 'A' was defeated as (i) the purchase order was placed five months after the receipt and opening of tenders and (ii) the supplies were delayed by 4-6 months and 3-7 months in case of groups I and II respectively.

Had the Refinery processed and finalised the purchase deal expeditiously, the supplies of bricks could have been obtained well in time and at cheaper rates from firm 'A' which would have resulted in a saving of Rs. 36,277.

9.13. *Payment of customs duty at a higher rate due to delay in filing documents with customs authorities.*—In January, 1965 a foreign supplier shipped 376.368 M. tons of equipment per "s.s. Indian Endeavour" which arrived at Bombay port on 16th February, 1965. The shipping documents in respect of the above consignment were despatched by the supplier on 30th January, 1965 and these were received by the Bombay Unit of the Refinery on 10th February, 1965. The documents were passed on to the clearing agents on 12th February, 1965. The Bill of Entry for the clearance of these consignments was filed by the clearing agents with the customs authorities on 17th February, 1965 by which time 10 per cent. additional regulatory duty *ad valorem* had already been levied (with effect from 17th February, 1965). On account of delay in filing Bill of Entry with the customs authorities, the Refinery had to pay an excess duty to the extent of Rs. 1,58,654 on the above consignment.

The Ministry have stated (January, 1967) that "the introduction of 10 per cent. regulatory duty was done all of a sudden and we could not foresee such an eventuality.

III. NATIONAL COAL DEVELOPMENT CORPORATION LIMITED

1. Introduction

The National Coal Development Corporation Limited was incorporated on 5th September, 1956 as a wholly-owned Government Company to organise and carry on the production of coal and associated activities.

On 1st October, 1956 the net assets aggregating Rs. 8.14 crores of the ex-State collieries were provisionally transferred to the Company. In 1963-64 Government, however, decided to transfer net assets worth Rs. 6.30 crores only after excluding the value of book debts and liabilities. The formal deed for the transfer of net assets worth Rs. 5.54 crores was executed in November, 1963 and the transfer of the remaining assets worth Rs. 0.76 crore is still (July, 1966) under finalisation.

2. Capital structure

On 31st March, 1966, the authorised capital of the Company was Rs. 65 crores and the paid-up capital, wholly subscribed by Government, amounted to Rs. 61.32 crores. In addition, Government have from time to time granted long-term unsecured loans which stood at Rs. 66.23 crores as on 31st March, 1966.

The Company has also obtained cash credit facilities from the State Bank of India to the extent of Rs. 7.45 crores against hypothecation of book debts, stores and spare parts and stock of coal. The full amount of credit was availed of as on 31st March, 1966

The debt equity ratio in 1965-66 was 1.08:1.

3. Production performance

(a) The Company's share in the Third Plan target of 97 million tons of raw coal per annum to be achieved by the end of 1965-66 was fixed at 30.5 million tons and constituted an increase of 17 million tons per annum over the Second Plan target of 13.5 million tons. The Company planned for the development of 27 new collieries during the Third Plan period with a total target output of 22.45 million M. tons. As against the planned development of 27 collieries, the Company developed only 16 collieries out of which as many as 7 collieries were temporarily closed down owing to slump in coal market and one colliery was finally closed on 31st March, 1965. The particulars regarding the estimated cost of collieries as per Project Reports, the up to date actual expenditure, annual target production as per Project Reports and the actual production for 1965-66 are given below:—

Sl. No.	Region	Colliery	Total estimated cost as per Project Report (Rs. in lakhs)	Actual expenditure up to the end of 1965-66	Annual target production as per Project Report (Million tons)	Actual production for 1965-66 (Million tons)
1	2	3	4	5	6	7
1	Madhya Pradesh	Duman Hill	320	157.19	0.71	0.008
2		Sonawani	306	85.54	0.56	Closed (April, 1965)
3		Jamuna	487	214.47	1.00	0.071 (O.C. unit closed from June, 1964)
4		Bijuri	206	67.31	0.36	Closed (November, 1964)
5		Katkona	300	47.60	0.50	Closed (November, 1964)
6		Bhaskarpara	309	9.09	0.50	Closed (July, 1964)
7		Singrauli	1,530	174.21	3.05	Closed finally (March, 1965)
8		Churcha	361	73.70	0.60	0.09
9	Korba	Banki	370	324.86	0.60	0.023
10		Surakachar	658	386.18	1.10	0.033

1	2	3	4	5	6	7
11		Manikpur	393	153.99	1.00	..
12		Silewara Pilot Mine	17.96	51.21	0.063	..
13		Patherkhera	217	83.84	0.45	0.021
14		Umrer	438	202.12	1.01	0.066
15	Orissa	Nandira	14	21.31	0.05	Closed (December, 1964)
16		Jagannath	356	41.95	1.01	Closed (November, 1964)

The Projects at Serial Nos. 7, 11, 12, 13, 14 and 16 were taken up as Captive Projects to meet the requirements of Thermal Power Stations in Uttar Pradesh, Madhya Pradesh, Maharashtra and Orissa States. No long-term agreements have, however, been executed with the respective State Electricity Boards except Maharashtra State Electricity Board as regards the quantity of coal to be supplied, the price to be charged and the date of commencement of supplies.

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

“As regards long-term agreements with the various State Electricity Boards for the coal to be supplied, we have an understanding to supply coal to Korba and Satpura power houses in Madhya Pradesh, to Obra power house in Uttar Pradesh and Talcher power house in Orissa. In case of Madhya Pradesh Electricity Board, there have been protracted negotiations with the Electricity Board and we have not yet been able to finalise the agreement. In the case of Uttar Pradesh State Electricity Board again, there have been negotiations and we feel that the Uttar Pradesh State Electricity Board has been offering a comparatively very low price. In the case of Talcher power house in Orissa, we had taken up development of Jagannath colliery but eventually we had closed down this project temporarily because no agreement was arrived at with the Electricity Board”.

(b) The percentage of shortfall in production to the Third Five Year Plan target and the targets fixed by the Company from year to year are indicated below:—

Year	Third Plan target (figures in million tons) (after making provision for cushion to take care of possible shortfall in production in individual collieries)	Target fixed by the Company			Actual production			Shortfall (—) or excess (+) in percentage (columns 5 to 2)	Shortfall (—) or excess (+) in percentage (columns 8 to 2)	Shortfall (—) or excess (+) in percentage (columns 8 to 5)
		Coking coal	Non-coking coal	Total	Coking coal	Non-coking coal	Total			
		(Figures in million M. tons)			(Figures in million M. tons)					
1	2	3	4	5	6	7	8	9	10	11
1961-62	7.53	3.062	2.896	5.958	3.133	2.917	6.050	(—)22.12	(—)20.92	(+) 1.54
1962-63	12.71	4.528	8.08	12.608	3.177	5.248	8.425	(—)2.36	(—)34.76	(—)33.18
1963-64	14.60	4.712	9.61	14.322	3.197	5.807	9.004	(—)3.45	(—)39.30	(—)37.13
1964-65	18.76	3.832	11.88	15.712	2.910	5.343	8.253	(—)17.57	(—)56.70	(—)47.47
1965-66	33.59	3.36	7.84	11.20	2.816	6.868	9.684	(—)67.18	(—)71.62	(—)13.5

According to the Management, the shortfall in the production of coking coal during the years 1962-63 to 1965-66 was mainly due to the non-existence of washing facilities for the coal raised from the Kathara colliery and exhaustion of the reserves of Giridih collieries and the shortfall in production in non-coking coal was due to slump in the coal market and the Company's deliberate policy of under-production on account of huge accumulation of pit head stocks from 1961-62 onwards.

The non-achievement of target production of 30.5 million tons by the end of 1965-66 resulted in machines, buildings and man power remaining idle to the extent of 68.2 per cent. Besides, the accumulation of pit head stocks entailed losses due to re-handling, deterioration in the quality of coal, spontaneous combustion, etc. amounting to Rs. 96,47,179 during the quinquennium ending on 31st March, 1966.

4. Washeries

In order to meet the increase in demand of washed coal during the Third Five Year Plan, the Company decided in February, 1962 to expand the capacity of the existing Kargali washery and to set up three new washeries at Kathara, Sawang and Gidi.

(a) *Kargali washery*

(i) Kargali washery with a rated capacity of 1.30 lakh M. tons of washed coal per month was commissioned on 1st November, 1958 (i.e. 10 months after the period stipulated in the contract with a foreign firm) to meet the washed coal requirements of Rourkela and Bhilai Steel Plants and the middling requirements of the Bokaro Thermal Power Station of the Damodar Valley Corporation. It has not attained the rated capacity so far (July, 1966) as will be seen from the data given below:—

Year	Raw coal input (M. tons)	Clean coal output (M. tons)	Percentage of clean coal to total input		Middlings output (M. tons)	Percentage of middlings to total input		Rejects (M. tons)	Percentage of rejects to total input	
			As per contract	Actual		As per contract	Actual		As per contract	Actual
1	2	3	4	5	6	7	8	9	10	11
1959-60	11,31,722	7,99,579	73.26	70.65	1,58,016	17.40	13.96	1,74,127	9.34	15.39
1960-61	10,70,662	7,64,463	„	71.40	1,46,933	„	13.72	1,59,266	„	14.88
1961-62	14,74,369	10,51,225	„	71.30	2,00,662	„	13.61	2,22,482	„	15.09
1962-63	15,61,394	10,81,284	„	69.25	2,24,551	„	14.38	2,55,559	„	16.37
1963-64	17,97,173	12,79,408	„	71.19	2,38,305	„	13.26	2,79,460	„	15.55
1964-65	16,82,715	12,00,090	„	71.32	1,76,790	„	10.50	3,05,835	„	18.18
1965-66	17,72,118	12,51,837	„	70.64	2,16,087	„	12.19	3,04,194	„	17.17

The shortfall has been attributed by the Management to the following factors:—

- (1) Reduction in capacity due to excessive size degradation of coal supplied to the washery.
- (2) Low utilisation of the capacity of the Bi-cable Ropeway due to its unsatisfactory performance. The Ropeway was abandoned with effect from 22nd July, 1963 and thereafter alternative arrangement for transportation of coal from Bokaro colliery by means of trucks and Railway wagons was resorted to. The extra expenditure involved in the change in transportation system has not been assessed by the Company.
- (3) Inability to make full use of the raw coal conveyor due to non-delivery of sufficient quantity of raw coal at the take-off point.
- (4) Excessive production of coal dust.
- (5) Reduction in the number of working hours from 16 (envisaged in the Project Report) to 13.

(ii) A filter plant forming part of the washery was installed in 1958 to recover coal fines mixed with water in the process of washing. Owing to the unsatisfactory performance of the filter, a part of the slurry had to be recovered manually from January, 1964 onwards. From January, 1965 the filter completely stopped working and the coal fines are being recovered wholly by manual operations. During the period from January, 1964 to February, 1966 a total quantity of 1,75,000 M. tons (approximately) of slurry was recovered manually through contractors and the Company had to incur an expenditure of Rs. 7 lakhs (approximately) in this connection. The Ministry have stated (February, 1967) that "the percentage of fine coal is more than 2 per cent. as envisaged in the design of Filter Plant. This accounts for the unsatisfactory performance of the Plant".

(b) *Kargali expansion*.—The contract for the expansion of the washery from 2.22 million M. tons of raw coal per annum to 2.72 million M. tons per annum was awarded to a foreign firm on 19th April, 1963 at a total cost of Rs. 1.57 crores (including foreign exchange component of Rs. 48.90 lakhs). The following feature of the contract deserves mention:—

Under clause 23 of the contract, the foreign firm was responsible for arranging the supply of necessary quantities of cement. It was further stipulated that, in the event of the supply being made by the Company from its own stock, such supplies would be charged at the rate of Rs. 140 per ton at site, although the Company had decided on 29th/30th June, 1962 that the supplies of cement were to be made at Rs. 155 per ton at site with effect from 1st July, 1962. The failure of the Company to incorporate the correct rate of Rs. 155 per ton at site resulted in a loss of Rs. 45,000 on the supply of 3,000 tons of cement to the contractor up to December, 1964. The Management have stated (June, 1965) that the recovery rate has been revised to Rs. 155 per ton at site for future supplies.

(c) *Delay in setting up new washeries.*—The following table indicates the progress in the setting up of the three new washeries along with their target capacity, estimates of expenditure and actuals thereagainst, etc.:—

(M. tons in millions and Rupees in crores)

Name of the washery	Target capacity (in terms of raw coal input) (M. tons)	Target capacity (in terms of clean coal output) (M. tons)	Cost as per Project Report Rs.	Actual expenditure up to 1965-66 Rs.	Scheduled date of commissioning	Remarks
1	2	3	4	5	6	7
Kathara . . .	3	1.5	8.05	4.62	End of 1965	Up to July, 1966 only 70—75 per cent. of the work was done and the Project is now likely to be commissioned by the 3rd quarter of 1967. Delay in completion has resulted in an extension of the period of retention of foreign specialists by another 42 man-months at an additional cost of Rs. 1.26 lakhs.
Gidi . . .	2.84	1.8	8.36	4.55	31st December, 1964 ²	The contractors have been given extensions of time up to 30th June, 1966 mainly on grounds of delay in the procurement of iron and steel materials. The Project is likely to be commissioned in June, 1967.
Sawang . . .	0.75	0.5	3.27	0.80		The Project is likely to be commissioned in April, 1968.

5. Civil works

(i) *Defective estimates.*—The Company has been preparing its estimates for civil construction works on the basis of Schedule of Rates approved in August, 1960. The Schedule of Rates provides that 'these rates will remain in vogue for 1960-61 after which they will be reviewed for modification, if any'. Although the estimates so prepared were found by the Management to be very much lower than the current market rates, no action appears to have been taken to review the Schedule of Rates so far (September, 1966).

(ii) *Construction of quarters on the basis of inadequate data.*—On 4th October, 1962 the Company awarded the work of construction of 889 quarters at a capital cost of Rs. 69.53 lakhs at Singrauli in pursuance of the master plan prepared by it. When the construction was in progress, the drilling reports received in March, 1963 from the Indian Bureau of Mines showed that the area allotted for the construction of quarters was workable for open cast mining. Consequently, further construction of quarters was stopped in July, 1963, but 743 quarters, which had already come up to various stages of completion, were allowed to be completed and the remaining 146 quarters were decided to be constructed at a new site. In May, 1963 the Superintending Engineer suggested the stoppage of work till a new site was chosen for the purpose as coal seams 50' thick with an average overburden of 150' were present in the existing area and any vibration caused by blast in the vicinity would affect the buildings. Accordingly, instructions for the stoppage of works were issued by the Chief Engineer on 19th May, 1963 and the works were actually stopped with effect from July, 1963. In spite of this, all the 743 quarters were completed by 15th August, 1964 along with some other civil works.

The construction of the quarters in the absence of proper survey and complete drilling reports thus lacked justification.

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

"Singrauli coalfield is a very vast coalfield with large reserves of coal. But it was very difficult to find out a suitable place for the construction of a colony outside the coalfield nearer to the proposed block of the coal reserve, as surrounding areas were mostly hilly. These quarters will be required for the continued exploitation of the vast coal reserves".

6. Central Repair Workshop

(i) No physical targets have been laid down for the Workshop, nor has any standard been fixed for permissible wastage in the manufacturing process.

(ii) The Project Report provides for construction of a Railway siding at an estimated cost of Rs. 13 lakhs to cater to the requirements of Central Stores and Central Workshop. With the completion of the Railway siding, the expenditure on road transportation of materials as well as wharfage charges are to be completely eliminated. Though the Workshop and the Stores have been in existence for five years, the Railway siding has not yet (October, 1966) been completed, with the result that transportation charges and wharfage charges are being incurred by the Management.

Up to 1963-64 the work of transportation of materials from Railway siding to Central Stores and Central Workshop was done departmentally. In 1964-65 a rate contract was entered into with a firm for handling and transporting stores and an amount of Rs. 1.45 lakhs was paid to the contractor during that year. The contract has been extended up to 31st August, 1966.

The Ministry have stated (February, 1967) that "it is a fact that the Railway siding for Central Workshop and Central Stores, Barkakana has not yet been completed. This is on account of the fact that a dispute has been going on between the Eastern Railway and ourselves as to whether we should deposit any further funds for the construction of this siding separately in addition to what was once deposited as an *ad hoc* payment for all the sidings of the Projects in Karanpura area and Central Workshop and Stores, Barkakana and Kathara Colliery".

7. Man power analysis

The table below indicates the total number of men engaged during the years 1963-64, 1964-65 and 1965-66 in respect of some of the revenue-earning collieries and the estimated requirement of personnel as mentioned in the respective Project Reports:—

Name of the colliery	Strength as per Project Report when full production is achieved	Actual strength		
		1963-64	1964-65	1965-66
I	2	3	4	5
Kurasia	1,847	3,452	3,287	3,240
Korba	1,619	3,301	2,959	2,988
Saunda	2,679	3,267	2,870	2,758
Sayal 'D'	1,431	2,240	2,266	2,306
Gidi 'A'	3,376	3,818	4,030	3,858

It will be seen that the strength of the staff employed from year to year in the above revenue-earning collieries, which have not so far attained full production, was far in excess of that provided in the respective Project Reports.

In order to reduce the surplus personnel the Company has extended voluntary retirement benefit to its staff. Up to January, 1967, 4,209 persons were retired on payment of a total retrenchment compensation of Rs. 32.34 lakhs. A ban on recruitment has been imposed and it has further been decided by the Company (March, 1965) to forward the applications of surplus personnel to the new Projects being set up in the Public Sector.

The Ministry have stated (February, 1967) that "the Project Reports provided for lump sum amounts in monetary terms for certain additional staff for operations like overburden removal, quarry coal face and maintenance. The strength of staff required for these operations has not been indicated in the Project Reports in terms of number of men. Consequently, it is not correct to compare the actual strength with the strength as per Project Report without allowing for the number of men required for the above operations under the lump sum monetary provisions".

The number of personnel employed on the operations for which lump sum provision has been made has not, however, been stated by the Ministry.

8. Sales performance

(a) The following table indicates the volume of production and despatches together with value thereof for the years 1963-64 to 1965-66: —

(Quantity in million M. tons and value in crores of Rupees)

	1963-64		1964-65		1965-66	
	Quantity	Value	Quantity	Value	Quantity	Value
Production	8.5	19.95	7.7	18.27	9.2	23.29
Despatches	8.5	19.52	7.5	17.76	9.0	22.67

NOTE. —The figures are exclusive of the figures of non-revenue collieries.

An analysis of the despatch statements showed that 80 per cent. of the total sales was made to Government or Government controlled organisations and the remaining 20 per cent. to private parties. For sales in the Private Sector and, in certain cases, in the Public Sector

(excluding Railways) the services of middlemen were secured at the rate of commission prescribed under the Colliery Control Order, 1944 and also at negotiated rates without calling for tenders. The table below indicates the quantum of commission or rebate paid during the last three years:---

(Rupees in lakhs)

Year	Total amount paid	Amount applicable to the sales made to the Public Sector Undertakings and Government Departments
1963-64	5.33	5.24
1964-65	4.96	1.47
1965-66	6.05	1.76

There were 39 middlemen doing business with the Company as on 31st March, 1966, but no formal agreements defining specifically the terms and conditions applicable to each of them have been executed so far (September, 1966).

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

- (i) "..... it is the patronage of middlemen by the Public Sector Undertakings that forces the National Coal Development Corporation to avail the services of middlemen".
- (ii) "While it may be desirable to have.....an agreement, it is not obligatory as the scope and functions of middlemen are fairly well known and under the Contract Act the relationship between the National Coal Development Corporation and the middlemen is that of a principal and agent".

(b) *Financial arrangements with middlemen*

(i) The table below indicates the amount of bank guarantee/letter of credit secured from the middlemen or selling agents and the total amount outstanding as on 31st March, 1966 against them together

with the percentage of the excess of outstandings over the bank guarantee/letter of credit:—

(Rupees in lakhs)

Name of the middlemen or selling agent	Amount of bank guarantee/letter of credit	Total amount outstanding as on 31-3-1966	Percentage of excess of outstanding bills over bank guarantee, letter of credit, etc.
1	2	3	4
A	5.00	62.91	1,158
B	4.00	37.68	842
C	3.50	12.78	265
D	1.50	12.93	762
E	1.75	17.54	922
F	3.00	6.36	112
G	Nil	9.55	..

In respect of firm 'A' it was proposed to obtain other modes of coverage such as hypothecation of assets, but the enquiries made in 1965-66 in regard to the assets of the firm showed that its assets, some of which were encumbered, were not adequate to cover the outstanding dues. The matter was brought to the notice of the Board of Directors in February, 1966 who decided in June, 1966 that the present level of sales through this firm might be maintained, but that the Sales Manager should keep a vigilant eye on the dues in order to ensure that arrears beyond the credit period were not allowed to accumulate. The Board further decided in August, 1966 that the outstandings against the firm should be brought down to the level of Rs. 15 lakhs immediately even at the cost of loss of orders for slack coal from Karanpura. Steps should also be taken to see that the total business with this firm in any quarter did not exceed Rs. 15 lakhs unless the firm was willing to give additional bank guarantee or arrange for direct payment of the bills by the consumers to the Company.

(ii) The Board decided in June, 1960 to levy interest at 7 per cent. on all bills for supplies of coal made on or after 1st July, 1960 and remaining unpaid for 60 days or more. No interest has, however, been charged/recovered so far (September, 1966) in respect of any of the amounts outstanding beyond the period of credit.

(c) *Bad and doubtful debts*

(i) The following table shows the provision for bad and doubtful debts in respect of sale of coal made by the Company during the three years from 1963-64 to 1965-66:—

Year	Provision for bad and doubtful debts	
	Government	Private parties
	Rs.	Rs.
1963-64	24,49,723	17,395
1964-65	33,15,038	9,574
1965-66	20,52,979	7,021

(ii) The partywise analysis of the bad debts written off (Government and private parties) during 1965-66 together with the various reasons for which the loss has been sustained is given below:—

Amounts written off		Reasons
Government	Private parties	
1	2	3
Rs.	Rs.	
4,315·75	..	Excess claimed
643·83	..	Loss in calculation
3,44,954·23	..	Inferior quality
6,38,144·44	417·35	Underloading of wagons
65,575·24	..	Difference in rates
15,992·37	..	Difference in quality
44·00	..	Misgraded coal
15,669·42	..	Shunting engine charges
22,672·02	..	Other reasons
8,09,352·85	894·23	Reasons not known
12,790·42	..	Demurrage
723·59	..	Wharfage
443·43	..	Missing wagons
<u>19,31,321·59</u>	<u>1,311·58</u>	

Most of the defects enumerated above could have been eliminated if the sales organisation had acted according to the requirements of the customers as specified in the terms and conditions of sale orders.

9. Costing

(a) *System.*—The Company follows the uniform system of costing as adopted by the Indian Mining Association for collieries suitably amended to meet the local requirements. No manual of costing procedure has, however, been prepared by the Company so far (September, 1966). Besides, no periodical reconciliation between cost and financial accounts is done.

(b) *Actual cost.*—The cost of production of coal from the revenue collieries during the last three years *vis-a-vis* the Project Report cost is indicated below colliery-wise:—

Name of the colliery	Cost per ton as per Project Report	Actual cost per M. ton			
		1963-64	1964-65	1965-66	
I	2	3	4	5	
	Rs.	Rs.	Rs.	Rs.	
1. Kurhurbaree		32·92	43·32	40·39	
2. Serampur		34·98	56·47	61·63	
3. Kargali	No Project Reports were prepared, as these were old co- llieries.	29·20	33·41	31·93	
4. Bokaro		21·74	22·31	22·73	
5. Jarangdih		29·79	29·43	25·17	
6. Sawang		27·77	31·55	24·01	
7. Argada		37·19	..	..
8. Talcher		34·97	28·20	28·42	
9. Deulbera		26·29	24·59	32·45	
10. Bhurkunda		15·27	18·86	20·86	23·11
11. Kurasia		17·58	27·76	25·28	21·38
12. Sayal 'D'	15·52	20·28	26·84	25·23	
13. Saunda	16·17	25·01	27·19	25·73	
14. Bachra	15·33	27·46	39·33	27·40	
15. Gidi 'A'	14·58	18·06	21·22	20·75	
16. Gidi 'C'	14·95	19·76	24·40	22·12	

I	2	3	4	5
	Rs.	Rs.	Rs.	Rs.
17. Korba	14.04	18.05	16.84	17.16
18. Korea	16.62	29.90	40.19	24.44
19. Churcha	17.81	..	..	28.84
20. Bistrampur	18.29	..	..	27.78
21. South Balanda	15.89	19.05	30.91	27.56
22. Kathara	14.32	19.01	20.49	20.36

It will be seen from the above table that in respect of collieries at Serial Nos. 1 to 9, for which there were no Project Reports, the cost went up from year to year in some collieries.

In respect of collieries at Serial Nos. 10 to 22, the actual cost of production of coal per ton exceeded the Project Report cost in all the three years.

10. Stores

(a) The table below indicates the break-up of stores inventory at the end of the last three years:—

Items	(Rupees in lakhs)		
	1963-64	1964-65	1965-66
(i) Stores and spare parts	925.77	1,206.78	1,414.87
(ii) Plant and machinery in stores	560.00	984.27	1,833.80
(iii) Others (iron and steel materials, etc.)	111.00	130.00	Merged with item (i)
	1,596.77	2,321.05	3,248.67

An analysis of the stores holdings of 12 collieries including Central Stores carried out by the Company during the period from December, 1963 to February, 1966 disclosed the following features:—

Sl. No.	Particulars	No. of items	Value (Rupees in lakhs)
1. Items of which stocks were held over and above 1 year's consumption in respect of general stores and 2 years' consumption in respect of spare parts	(i) General consumable stores	2,477	86.80
	(ii) Spare parts	1,129	48.74
2. Items of which there has been no consumption during the last three years	(i) General consumable stores	3,708	13.74
	(ii) Spare parts	9,474	43.91
3. Items of which there has been no consumption at all	(i) General consumable stores	2,600	11.61
	(ii) Spare parts	12,689	63.67

It will be seen that the stores and spares were procured by the Company without proper assessment of actual requirements. The Company has also not fixed maximum and minimum limits in respect of each item of stores.

The Ministry have stated (February, 1967) that the materials included in item 1 above are working stocks of current items and that though their holdings are relatively large, they cannot be termed as surplus. The remaining items include a large percentage of insurance items, which would have to be retained, although there has been no usage, to meet break-downs and unforeseen requirements coming up in the future. Only items valued at Rs. 13.12 lakhs are reckoned as dead surplus items. Action is being taken to circulate lists thereof to other public undertakings to ascertain their requirements.

(b) *Surplus and unserviceable tyre retreading materials.*—In April, 1961 the Company set up a Tyre Retreading Shop at the Central Workshop, Barkakana to undertake repairs of tyres departmentally. Owing to incorrect estimates of the requirements of tyre retreading and repair materials, a total quantity of materials worth Rs. 1.64 lakhs procured between June, 1962 and August, 1964 was rendered surplus. In addition, tyre retreading materials worth Rs. 70,502.21 were also rendered unserviceable as their normal life had expired. It was decided by the Management in February, 1966 that these materials should be disposed of by calling tenders. When tenders were invited in March, 1966 there was no response. It has subsequently been decided (May, 1966) to dispose of the materials by auction.

11. Plant and machinery

(a) Out of the basic equipment valued at Rs. 1,055.538 lakhs purchased by the Company for the underground mines during the Second and Third Five Year Plan period, equipment valued at Rs. 181.319 lakhs remained unutilised (as on 1st December, 1966) on account of closure of some mines as a result of glut in the coal market. In addition, equipment of the value of Rs. 131.90 lakhs was surplus to requirements and awaiting disposal as on January, 1967. The value of the equipment rendered surplus or remaining unutilised relating to the open cast mines has not been assessed by the Company so far (September, 1966).

(b) Surplus equipment and scrap materials valued at Rs. 38.19 lakhs were disposed of by the Company during the years 1962-63 to 1964-65 at a net loss of Rs. 2.13 lakhs and obsolete machinery valued at Rs. 6.87 lakhs was written off in the accounts for 1965-66.

12. Individual performances of the revenue collieries

The table below indicates the profit or loss earned/incurred by the revenue collieries during the last three years:—

Name of the colliery	(Rupees in lakhs)		
	1963-64	1964-65	1965-66
<i>B. & K. Region</i>			
1. Bokaro*	(+)14.84	(+)21.64	(+)48.63
2. Kargali*	(-)32.05	(-)51.06	(-)27.60
3. Jarangdih*	(-)8.44	(-)8.3	(+)0.76
4. Kathara	(+)6.87	(-)8.80	(+)5.74
5. Sawang*	(-)5.64	(-)12.57	(+)0.77
<i>Giridih Region</i>			
6. Kurhurbaree*	(-)17.02	(-)39.78	(-)26.60
7. Serampur*	(-)24.50	(-)43.83	(-)31.75
<i>Orissa Region</i>			
8. Talcher*	(-)19.07	(-)5.38	(-)3.63
9. Deulbera*	(-)1.69	(+)6.79	(-)12.52
10. South Balanda	(+)23.11	(-)9.65	(-)1.20
<i>Karandpur Region</i>			
11. Bachra	(-)12.33	(-)23.01	(-)7.11
12. Bhurkunda*	(+)33.59	(+)19.24	(+)9.68
13. Saunda	(-)13.41	(-)20.15	(-)8.15
14. Gidi 'A'	(+)48.32	(+)18.05	(+)35.49
15. Gidi 'C'	(+)6.49	(-)1.93	(+)5.75
16. Sayal—D	(+)13.87	(-)5.69	(+)3.48
<i>Madhya Pradesh Region</i>			
17. Kurasia*	(-)13.50	(+)2.64	(+)3.
18. Korea	(-)8.72	(-)18.25	(+)5.87
19. Bisrampur	..	..	(-)6.43
20. Churcha	..	..	(+)0.33
21. Korba	(+)12.61	(+)13.55	(+)14.20

NOTE.—The collieries marked * are State collieries taken over by the Company on its formation.

It will be seen that out of 21 revenue collieries as on 31st March, 1966, 9 collieries incurred losses in 1965-66.

13. Financial results

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

	(Rupees in lakhs)		
	1963-64	1964-65	1965-66
<i>Liabilities</i>			
(a) Paid-up capital	4,440.22	5,265.01	6,132.29
(b) Reserves and surplus	248.50	228.29	228.29
(c) Borrowings			
(i) from Government	4,305.50	5,205.50	6,623.50
(ii) from Banks . . . . .	..	701.41	745.00
(d) Trade dues and other current liabilities (including provisions)	1,289.89	1,364.56	2,054.17
(e) Government provident fund (including interest)	31.31	33.35	34.30
TOTAL	10,315.42	12,798.12	15,817.55
<i>Assets</i>			
(f) Gross block	7,018.69	8,726.67	10,442.43
(g) Less : Depreciation	1,657.93	2,069.54	2,520.05
(h) Net fixed assets	5,350.76	6,657.13	7,922.38
(i) Deferred revenue expenditure (removal of overburden, etc.)	1,875.55	1,081.65	1,331.58
(j) Plant and machinery in stores and in transit	560.00	997.51	1,875.04
(k) Current assets, loans and advances (in- cluding Korba partnership)	3,390.12	3,726.34	4,350.77
(l) Other assets	87.20	107.10	140.55

	1963-64	1964-65	1965-66
(m) Government provident fund investment and interest accrued	30.02	33.45	36.53
(n) Miscellaneous expenditure	11.77	..	..
(o) Loss . . . . .	..	194.94	160.70
TOTAL	10,315.42	12,798.12	15,817.55
Capital employed	8,336.54	10,100.56	11,550.56
Net worth	4,676.95	5,298.36	6,199.88

NOTE:—1. Capital employed represents net fixed assets plus deferred revenue expenditure plus working capital. Assets relating to the Units under development and non-operating revenue account have not been separated in working out the capital employed.

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

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

	(Rupees in lakhs)		
	1963-64	1964-65	1965-66
(i) Profit before tax	19.54	(—)171.37	64.20
(ii) Tax provision . . . . .	..	..	..
Percentage of profit :			
(i) To sales	1.0	..	2.9
(ii) To gross fixed assets	0.3	..	0.6
(iii) To capital employed	0.2	..	0.6
(iv) To net worth	4.1	..	1.0
(v) To equity capital	0.4	..	1.0

14. Other topics of interest

(i) Demurrage

(a) The table below indicates the amounts of demurrage and wharfage paid by the Company to the Railways from 1959-60 onwards:—

Year	Amount
	Rs.
1959-60	73,834
1960-61	4,39,256
1961-62	6,79,062
1962-63	6,20,317
1963-64	13,25,574
1964-65	12,98,168
1965-66	8,72,995

The Management have assigned (July, 1965) the following reasons for the payment of demurrage:—

(i) Free loading time prescribed by the Railways is not sufficient.

(ii) Wagons are often placed for loading at untimely hours.

(b) *Non-recovery of demurrage charges from the contractors.*—In collieries where loading of wagons is partially or fully done through contractors, the agreements executed with them provide for the recovery of demurrage paid to the Railways if they fail to complete the loading within the time limit prescribed by the Railways. It was, however, noticed that the Company could not recover the demurrage charges as no records indicating the time of handing over the wagons to the contractors and their return by them were maintained by the various collieries in order to determine whether the contractors had completed the loading within the prescribed time limit. In the case of one colliery at Bokaro which was noticed by Audit, the demurrage charges which could not be recovered from the contractors amounted to Rs. 32 000 during the period from January, 1961 to December, 1961. The figures in respect of the other collieries have not been worked out by the Management.

(c) *Avoidable payment of port demurrage.*—Owing to delay in the clearance of consignments a total demurrage of Rs. 1.65 lakhs was paid by the Company in the following cases:—

Particulars	Amount of demurrage	Remarks
1	2	3
	Rs.	
(i) 81 packages of shovels received at Calcutta Port on 19th March, 1964 ex S.S. Sovetsk	68,306.75	Unloading was commenced on 20th March, 1964 and completed on 2nd April, 1964. The consignments were cleared from the wharf on 16th May, 1964. The delay in clearance was attributed by the Director of Shipping, Calcutta to vague/wrong despatch instructions given by the Company.

1	2	3
(ii) 316 packages of electric shovels received at Calcutta Port on 17th April, 1964 ex S.S. Beoretsk	97,91,90	Unloading was started on 24th April, 1964 and completed on 25th May, 1964. The consignments were cleared from the wharf on 5th June, 1964. Delay in clearance was attributed by the Director of Shipping, Calcutta to the late receipt of documents from the Company and non-provision of adequate funds by the Company for payment of the customs duty.
TOTAL	<u>1,53,398.5</u>	

The Ministry have stated (February, 1967) that "the matter is under correspondence with the Director of Shipping".

(ii) *Failure to utilise a dragline purchased from a foreign country.*—In June and November, 1963, the Company placed an order for the import of two walking draglines at a cost of Rs. 16,70,000 C.I.F. Calcutta per dragline for use at Jagannath and Jamuna collieries. The draglines were required to be delivered within 10 months and 12 months respectively from the date of placing the orders, but were actually delivered in February, 1965.

In April, 1964 it was decided not to work the open cast mine at Jagannath colliery, and the dragline meant for this colliery was allotted to Pundi Project. This decision was, however, changed and ultimately it was decided to erect and commission the dragline by the end of 1967 at Jagannath colliery itself.

In reply to an audit query as to why the supply order in respect of the dragline meant for Jagannath colliery could not be cancelled in view of the fact that the suppliers could not stick to the delivery schedule prescribed in the agreement, the Management have stated (July, 1966) as follows:—

"While it is a fact that a decision was taken not to work the open cast mine of Jagannath colliery in April, 1964, no action was taken to cancel the order for dragline for the following reasons:

The negotiations for the purchase of these two draglines had been in progress from the middle of 1963 and the formal contract was already signed on the 11th November, 1963.

In this connection, it may be stated that the draglines of this type are not stock machines but equipment which are made to order. Any cancellation would have resulted in payment of compensation to the firm".

(iii) *Purchase of Loaders.*—Out of twelve M and C heavy duty gathering type Loaders received at Sayal 'D' Project against the supply order of 12th December, 1960, ten Loaders of the value of Rs. 9.07 lakhs were despatched to Central Stores on 4th November, 1961, as it was noticed after the initial use of two Loaders in the underground mines of the Project that the mining conditions prevailing at the Project were not suitable for the utilisation of the Loaders. The ten Loaders sent to the Central Stores were subsequently allocated to the following Projects:—

Korea 2 nos. (despatched on 17th July, 1963)

Churcha 4 nos. (despatched on 6th May, 1964)

Patherkhera 4 nos. (despatched on 8th July, 1964)

While the Loaders despatched to Korea were commissioned in May, 1964, those despatched to Churcha and Patherkhera have not been put to use so far (September, 1966). It was stated by the Management in February, 1965 that these Loaders would be commissioned as and when the coal production for Churcha and Patherkhera mines justified their use.

The failure to determine the suitability of the equipment in the first instance thus resulted in the blocking up of funds to the extent of Rs. 7.26 lakhs incurred on the acquisition of eight Loaders.

The Ministry have stated (February, 1967) that "the machines allotted to Patherkhera are ready for use and will start working as soon as Madhya Pradesh Electricity Board starts taking coal".

(iv) *Premature failure of tyres.*—24 tyres of heavy vehicles imported in January, 1965 at a total cost of Rs. 5.40 lakhs (Rs. 22,500 per tyre) and used at Kathara colliery worked only for a total period of 13,660 working hours as against 48,000 working hours based on the life of 2,000 working hours per tyre prescribed by the Management. The Management have stated (August, 1966) that these tyres were used for the first time in India under the adverse and steep working conditions of the quarries at Kathara colliery and that hence the tyres failed prematurely. It may, however, be stated, in this connection, that the normal life of the tyres was actually assessed by the Management taking into account the hard working conditions in the quarries at Kathara colliery.

(v) *Loss by fire.*—In an underground mine at Talcher (Orissa), a big fire broke out in September, 1963. No departmental enquiry was instituted to investigate the cause of fire, which was reported by the Area General Manager to be due to the installation of a large main ventilator with higher water gauge. The area under fire was completely drowned in water and sealed off, with the result that out of about 4.5 million tons of coal available in the mine, about 1 million tons of coal would not be ultimately recoverable except at a cost which from the present economic standard is stated to be prohibitive. Besides, the depillaring districts were lost and the entire stowing system including the bunker, mixing chamber, water tank, etc. were totally sterilised. An expenditure of Rs. 3,44,440 was incurred for the control of fire, and machines and installations worth Rs. 40,000 (depreciated value) could not be recovered from the sealed off area. The area was likely to be re-opened in stages from 1965-66, but it has not been re-opened so far (October, 1966).

(vi) *Import of defective equipment.*—In September, 1963 the Company placed an order for the supply of four Stationary Air Compressors together with spares at a total cost of Rs. 2,91,200. The Compressors were received between 3rd September, 1963 and 3rd October, 1963 and full payment therefor was made to the supplier. The machines which did not give any satisfactory service are lying (October, 1966) unutilised at the Project stores. Although three years have elapsed since the receipt of Compressors, no action has been taken regarding replacement/rectification of the defective Compressors, under the "Warranty" clause of the contract.

The Management have stated (June, 1966) that "Corporation is still considering to take suitable action against the firm, but it has been advised by the Legal Adviser to give some more time to the firm in view of the assurance given by the firm".

(vii) *Delay in installation and commissioning of a weigh-bridge.*—In order to accommodate box-wagons at Bhurkunda Railway siding, an order for the supply of one 100 ton weigh-bridge was placed with a firm of Calcutta at a cost of Rs. 1,23,000. The packages containing the weigh-bridge parts were received in two wagons at Bhurkunda in April, 1961. No action was taken at this stage to verify that all the packages had been received.

At the time of installing the weigh-bridge in August, 1964 (i.e. after a lapse of more than three years), it was noticed by the

Project authorities that a package containing 10 parts of the weigh-bridge was missing. Two of the missing parts could not be manufactured indigenously and the Company could not also arrange for the release of foreign exchange of Rs. 437 only required for the import of these parts from the U. K. Consequently, the weigh-bridge has not been installed so far (October, 1966).

Owing to the non-installation of the weigh-bridge the Company could not earn a rebate of Rs. 152,670 (rebate at the rate of 6 paise per M. ton on the quantity of 25,44,500 M. tons of coal despatched from January, 1963 to March, 1966) from the Railways.

The Ministry have stated (February, 1967) that "necessary spare parts have been imported and the installation of 100 ton Avery weigh-bridge has been completed in December, 1966. The Divisional Superintendent, South Eastern Railway, Dhanbad has been requested for linking up track lines to the weigh-bridge and also testing of the same at an early date".

(viii) *Non-realisation of claims.*—The letter of allotment issued by the Iron and Steel Controller for the supply of steel materials under D.L.F. Scheme at statutory price provides for reimbursement of freight in the case of materials despatched by an importer subject to the consignee furnishing the money receipt for the freight paid along with complete particulars.

In January, 1962 and February, 1962 the Company submitted claims aggregating Rs. 1.59 lakhs towards reimbursement of freight charges on the supplies made by three firms in 1959-60 and 1960-61. These claims were returned by the Iron and Steel Controller for re-submission along with the money receipts for the freight paid. As payments of freight in these cases were made by the collieries through credit notes instead of money receipts, the Iron and Steel Controller in April, 1963 asked the Management to submit copies of relevant credit notes, Railway consolidated bills covering these credit notes and receipts for payment of the bills. These documents have not so far (October, 1966) been produced to the Iron and Steel Controller. The Company has not, therefore, been able to secure the reimbursement of freight amounting to Rs. 1.59 lakhs.

The Ministry have stated (February, 1967) that "claims to the extent of Rs. 17,800 have been recovered and further claims preferred to the extent of Rs. 85,800. Also putting up of more claims is under consideration in consultation with the Project Officers concerned".

(ix) *Non-recovery of dues.*—With effect from December, 1963 the Company supplied coal for domestic consumption to the staff and workers of a contractor who was entrusted with the construction of Coal Washery Project at Gidi. Although no agreement was executed with the contractor for the supply of coal to his employees for domestic consumption, coal was issued to them from time to time. Besides, no records of the quantities of coal issued from time to time were maintained by the Company. Up to August, 1965 the Company raised bills aggregating Rs. 1.36 lakhs against the contractor for the supply of coal during the period from December, 1963 to July, 1965, but the contractor refused to accept responsibility for the consumption of coal by his staff.

The amount still (October, 1966) remains unrealised.

(x) *Failure to load the correct quantity of coal.*—A claim for an amount of Rs. 1,23,965.74 was lodged in December, 1962 by a firm towards the cost and freight charges on 2,481.3 M. tons of coal short supplied by the Bachra colliery of the Company during the period from May, 1962 to November, 1962. In a meeting with the firm held in March, 1963 the Management agreed to make the payment of a lump sum of Rs. 1,00,000 towards cost and freight charges on account of underloading subject to the condition that the firm's order on Bachra colliery would be retained and also on the understanding that it would increase its off-take of coal to the extent possible. The amount was adjusted in July, 1963 from the pending coal bills of the firm. The firm took coal from the Company only up to May, 1964, and the total quantity supplied during the period from July, 1963 to May, 1964 was 27,417.5 M. tons only.

Had proper care been taken to load the correct quantity of coal at the time of loading the wagons, the Company could have avoided the payment of Rs. 1,00,000, out of which a sum of Rs. 45,411 represented the freight charges on the underloaded quantity. No action appears to have been taken regarding fixation of responsibility in the matter.

(xi) *Loss due to re-booking of materials.*—The incoming consignments meant for Bokaro and Kargali group of collieries are first booked to Bermo Railway Station and then re-booked to the colliery siding concerned. During the period from April, 1962 to March, 1966 the Company incurred total freight charges of Rs. 1,06,420 in respect of re-booking of the consignments intended for the collieries and wasneries located at Kargali and Kathara.

Had the suppliers been advised to book the materials direct to the respective colliery Railway siding, the Company would have incurred only one-fifth of the above amount, thereby saving an amount of Rs. 85,136.

The Ministry have stated (February, 1967) that "a circular has been issued by the A.G.M., Kargali to all concerned that the suppliers should be instructed to book the full wagon load through the colliery siding of the respective collieries, *vide* No. AGM/B&K/Inspection/947/65 dated 5th April, 1966".

(xii) *Deterioration of cement for want of proper storage facilities.*— In October, 1963 the Company received a quantity of 300 M. tons of cement at Duman Hill colliery to be used in the civil works. Because of the slump in the coal market the Company finally decided to curtail the building programme in March, 1964 and the above stock of cement remained unutilised till June, 1964 when it was damaged by rain in the absence of proper stacking arrangements. Out of 300 M. tons, 110 M. tons were salvaged and subsequently utilised in the civil works and the balance 190 M. tons valued at Rs. 32,015 was found unfit for use.

IV. REHABILITATION INDUSTRIES CORPORATION LIMITED

1. Introduction

The Rehabilitation Industries Corporation Limited was set up by the Government of India as a private limited company on 13th April, 1959 primarily with the object of providing employment to displaced persons from East Pakistan through industrial development.

2. Capital structure

The authorised share capital of the Company is Rs. 5 crores divided into 50,000 equity shares of Rs. 1,000 each. The issued, subscribed and paid-up capital (including share application money of Rs. 0.15 crore) of the Company as on 31st March, 1966 was Rs. 1.85 crores.

3. Loans

In addition to the equity capital the Company has also obtained loans from the Government of India which stood at Rs. 137.85 lakhs as on 31st March, 1966. The loans carry interest at $4\frac{1}{2}$ per cent. to $5\frac{1}{2}$ per cent. per annum.

Between 29th March, 1961 and 26th March, 1964 Government advanced loans aggregating Rs. 101 lakhs at concessional rates of interest for the purpose of re-lending. Out of this amount, a total sum of Rs. 95.52 lakhs was disbursed from time to time up to August, 1966.

4. (i) **Loans to Industrialists, etc.**

(a) The Company granted loans to Industrialists, etc. to set up new industries or to expand existing ones for creating more employment potential for displaced persons. In considering the applications for loans, factors like security offered, employment potential to be created, profitability and technical soundness of schemes, competence and integrity of management, etc. were to be taken into consideration.

(b) The amounts of loan sanctioned and disbursed, number of displaced persons whom the loanees undertook to employ and the number actually employed are indicated below:—

Year	Amount sanctioned (Rs. in lakhs)	Amount disbursed (Rs. in lakhs)	Employment of displaced persons	
			Number according to agreement	Actual number on last day of the year
1959-60	23.83	4.89	..	..
1960-61	47.50	6.82	63	..
1961-62	15.13	36.14	91	569
1962-63	21.67	25.92	947	2004
1963-64	0.50	16.55	2175	2242
1964-65 . . . . .	..	3.72	3568	2531
1965-66	10.70	1.13	3620	2314
1966-67 (Up to August, 1966)	8.30	0.35	3620	2309
TOTAL	127.63	95.52		

It will be seen from the above table that as on 31st August, 1966, 2309 displaced persons were employed as against 3620 whom the Industrialists had undertaken to employ.

The Ministry have stated (January, 1967) that this was due to the fact that some of the parties were not able to draw the fullest amount of loan for various reasons.

(c) The loanee Industrialists were allowed a certain period of time for the fulfilment of the condition regarding employment of the stipulated number of displaced persons and the rebate of 1 per cent. was allowed to them during that period. There was no stipulation in the loan agreements for recovery of the rebate already allowed in those cases where the loanees failed to fulfil this condition even after the expiry of that period. In 14 cases where the stipulation has not been fulfilled, the Industrialists got rebates amounting to Rs. 88,757 up to March, 1966.

(d) A sum of Rs. 14.31 lakhs was outstanding as on 31st August, 1966 against 21 parties. The Company has instituted legal action against 2 parties and issued notices on 3 parties for payment of its dues by 15th September, 1966, failing which legal action is intended to be taken.

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

(a) *M/s. Bengal Textile Mills Limited.*—On 5th November, 1959 the Company sanctioned a loan of Rs. 14.35 lakhs to M/s. Bengal Textile Mills Limited. On 8th September, 1961 the Company decided that out of the sanctioned loan of Rs. 14.35 lakhs a sum of Rs. 12.35 lakhs be advanced to the Mill for the purpose of implementation of its existing expansion scheme with a total employment potential of 520 displaced persons and that the question of payment of the balance of the loan of Rs. 2 lakhs be considered after the Mill had obtained licence for further expansion.

The mortgage deed was executed on 14th February, 1962 and a total sum of Rs. 9.34 lakhs was advanced till 9th July, 1963. The Mill was closed on 10th June, 1965 owing to labour trouble and consequent lockout. The Company requested the Ministry of Rehabilitation to consider the possibility of its taking over the Mill, but the Ministry did not agree. Instead, the Ministry suggested that the Company might approach the Ministry of Industry for an investigation of the affairs of the Mill under Section 15 of the Industries (Development and Regulation) Act, 1951.

The Mill restarted working with effect from 12th October, 1965. A notice was served on the loanee to make payment by 15th September, 1966, but no amount has been received by the Company so far

(December, 1966). The total amount due for payment up to December, 1966 was Rs. 4.27 lakhs.

The Ministry have stated (January, 1967) that "the Mill has started payment of interest by instalments and the working of the Mill is under close watch of the Company".

The following features of the case have been noticed:—

- (i) The loan was disbursed in spite of the unsatisfactory performance of the loanee in respect of the loan taken earlier from the State Government in the matter of both repayment of loan and employment of displaced persons.
- (ii) In accordance with the terms of the agreement the Company had to appoint its nominee on the Board of Directors of the loanee Company. The nominee was actually appointed in June, 1966 long after the loanee had stopped making repayments of loan (September, 1964).

(b) *M/s. Sita Ram Rice Mills.*—On 30th June, 1961 the Company sanctioned a loan of Rs. 30,000 to *M/s. Sita Ram Rice Mills* towards working capital on the condition that the loanee would employ 38 displaced persons. The first instalment of the loan amounting to Rs. 20,000 was paid on 22nd December, 1962.

After working for two short spells, the Mill closed down from 23rd October, 1963. It failed to pay interest on loan from 31st December, 1963 onwards and did not renew the insurance which had expired on 22nd December, 1963. Legal action against the Mill was instituted by the Company in November/December, 1965 for the realisation of the dues of Rs. 22,907 outstanding up to June, 1965. The case is still (December, 1966) *sub judice*.

(c) *M/s. Burdhan and Company (Private) Limited.*—On 30th June, 1961 the Company sanctioned a loan of Rs. 1 lakh and allotted two 'A' type sheds at Bon-Hooghly Industrial Estate to *M/s. Burdhan and Company (Private) Limited* for setting up a factory for the manufacture of polythene lined hessian bags.

The arrears from the loanee on account of loan, rent and other dues amounted to Rs. 1.64 lakhs as on 31st August, 1966. The loanee defaulted in payment of instalments of loan and interest which fell due on or after 15th December, 1963. Legal action against the loanee was instituted by the Company on 15th June, 1965 for realisation of the dues.

The following features of the case have been noticed :—

(i) The paid-up capital of the loanee Company was only Rs. 20,000, whereas it was expected to provide further finance of Rs. 1.55 lakhs towards working capital and purchase of machinery.

(ii) The financial stability of the Managing Director of the loanee Company who stood personal surety for the loan or that of the business in which he claimed to have invested about a lakh of rupees was not verified.

(d) *Navajiban Co-operative Transport Society*.—The Company sanctioned two loans of Rs. 4.50 lakhs and Rs. 5.50 lakhs on 22nd July, 1961 and 11th June, 1962 respectively to the Navajiban Co-operative Transport Society for the purpose of purchasing trucks and for working capital. Only the first loan was disbursed in four instalments up to 17th June, 1963. The loan was repayable in quarterly instalments of Rs. 0.25 lakh commencing after the expiry of 6 months from the dates of the drawal of the loan.

The Society failed to pay the instalments on the due dates and the amount outstanding (after adjusting the haulage bills) as on 31st August, 1966 was Rs. 2.95 lakhs.

The following features of the case have been noticed :—

(i) The Society purchased through the Dandakaranya Development Authority 10 trucks which did not give satisfactory service.

(ii) The Society had no assets of its own and the full value of 10 trucks was advanced by the Company. In addition, the Company also paid Rs. 40,000 as working capital to the Society on 27th May, 1963, which was not covered by any asset.

(e) *M/s. Geof W. Rose and Company*.—On 5th November, 1959 the Board of Directors of the Company sanctioned a loan of Rs. 30,000 to M/s. Geof W. Rose and Company for the purchase of machinery required for the expansion of the factory. On 11th June, 1962 a second loan of Rs. 18,000 was sanctioned by the Board of Directors towards working capital.

The first instalment for repayment of loan was due on 31st January, 1963 and the request of the firm for postponement of the dates of repayment by 2 years was rejected by the Company. Thereafter the firm paid two instalments of principal due on 31st January,

1963 and 31st January, 1964. The party, however, defaulted in making payments of the instalments due on and after 1st September, 1964. The principal (Rs. 9,673) and interest (Rs. 681) were due from the loanee up to December, 1966.

The Ministry have stated (January, 1967) that "a legal notice was issued on the party and the four guarantors on 19th February, 1966 whereupon the party made payment of arrear interests. The repayment of arrear instalments is due".

(f) *Tallygunj Tant Shilpa Protisthan*.—On 8th September, 1961 the Company sanctioned a loan of Rs. 50,000 to the Tallygunj Tant Shilpa Protisthan, a sole proprietary concern, for the expansion of the existing handloom industry.

The first instalment of the loan amounting to Rs. 40,000 was disbursed on 16th July, 1962.

The loanee defaulted in payment of instalments of loan which fell due on and after 30th June, 1965. A total sum of Rs. 8,000 was outstanding against the loanee as on 28th February, 1967.

The following features of the case have been noticed:—

- (i) At the time of verification of the handlooms in July, 1962 before disbursement of the loan, 116 handlooms were certified to have been installed. A second verification conducted in August, 1963 showed that there were only 40 handlooms out of which 20 were working.
- (ii) The shed constructed by the firm was stated by the Company in March, 1963 to have been used by residential purposes.

5. Performance of the industries managed by the Company

In 1961 the Company decided to set up its own industrial units with the intention of transferring their ownership ultimately to the displaced persons employed in these units after sufficient profits had been ploughed back so as to reimburse the funds invested by the Company together with interest thereon.

As on 31st March, 1966 the Company had 22 such industrial units spread over Tripura, West Bengal, Orissa and Madhya Pradesh. These units are small scale enterprises manufacturing mostly consumer products of diverse range. A few units are, however, functioning as structural shop, cast iron foundry, sleeper factory, etc.

The table below indicates the working results of these units for the last three years:—

	(Rupees in lakhs)		
	1963-64	1964-65	1965-66
1. Number of units	12	16	22
2. Profit/loss (excluding share of Headquarter's expenses)	(—)0·05	(—)0·37	(—)4·33
(a) Units running at profit			
(i) Number	3	5	5
(ii) Profit	(+) 2·01	(+) 1·65	(+) 1·82
(b) Units running at loss			
(i) Number	9	11	17
(ii) Loss	(—) 2·06	(—) 2·02	(—) 6·15

It will be seen that the net loss (excluding share of Headquarter's expenses) increased from Rs. 0·05 lakh in 1963-64 to Rs. 0·37 lakh in 1964-65 and to Rs. 4·33 lakhs in 1965-66.

The Ministry have stated (March, 1967) that "the 'working results' of the units are ascertained to determine the manufacturing profit/loss and the contribution of the units towards the administrative overhead. These 'working results' do not form a part of the financial accounts of the Company".

6. Industrial Estates

With the formation of Rehabilitation Industries Corporation Limited, the scheme of constructing Industrial Estates to provide facilities for the setting up of new small scale industrial units with stipulation for employment of displaced persons was transferred by the Ministry of Rehabilitation to the Company.

The Company has established 3 Industrial Estates having the following capacities:—

Place	Number of sheds	Covered area	Un-covered area	Remarks
1. Behala	67	82,395 Sft.	74,560 Sft.	
2. Bon-Hooghly	50	67,377 „	60,001 „	
3. Durgapur	11	22,200 „	..	In addition, Cast Iron Foundry has been constructed on 12 acres.

(i) Land

(a) The Industrial Estate at Behala covered 8 acres of land and that at Bon-Hooghly 6 acres. Though the Estates were completed in 1961, the prices of the land estimated at Rs. 2.50 lakhs and Rs. 2.25 lakhs for Behala and Bon-Hooghly respectively have not been settled so far (January, 1967).

Similarly, in 1963, the Company obtained three plots of land measuring 36.17 acres at Bon-Hooghly from the State Government for expansion of Industrial Estate. Out of this area about 12 acres have been utilised (August, 1966). The prices of these plots of land have also not been settled so far (January, 1967).

The Ministry have stated (January, 1967) that the Central/State Governments have not finalised the development and acquisition costs and that accordingly the final price payable by the Company could not be determined.

(b) In Durgapur 100 acres of land were taken on lease from the State Government for 60 years from March, 1963 on a provisional rent of Rs. 10 per acre per annum excluding taxes and on payment of Rs. 6 lakhs as 'Salami'. Out of this area 6 acres were utilised for the construction of 11 factory sheds and another 12 acres for the construction of the Cast Iron Foundry set up by the Company. The remaining 82 acres are lying un-utilised. The Ministry have stated (January, 1967) that instead of proceeding with the construction of Industrial Estates the Management have decided to sub-lease "the available land to industrialists for setting up of industries on their own with a guarantee for displaced persons employment".

(ii) *Allotment*

Out of 11 sheds at Durgapur, 5 sheds though allotted in May, 1966 have been lying vacant from the dates of their completion in May, 1965.

The Ministry have stated (January, 1967) that two private industrialists have deposited the security money and have been reminded to execute the documents and take possession of the sheds immediately.

(iii) *Rent*

(a) According to the detailed instructions issued by the Ministry of Commerce and Industry on 30th July, 1960 economic rent for Industrial Estates is to be calculated by dividing the total of the following items by the total covered area of rentable buildings:—

- (1) Interest at $4\frac{1}{2}$ per cent. on total capital cost,
- (2) taxes, if any,
- (3) actual maintenance and administrative charges, and
- (4) depreciation at rates followed by the State.

On the basis of these instructions, the rent and service charges were worked out by the Company to be Rs. 19.01 and Rs. 17.54 per 100 sft. in respect of the sheds at Bon-Hooghly and Behala respectively.

On a representation made by the lessee industrialists, the Company fixed the rent at Rs. 16 and Rs. 2.70 per 100 sft. per month for covered and uncovered space respectively in both the Industrial Estates with effect from 1st January, 1963.

The Financial Adviser to the Ministry of Commerce and Industry to whom the matter was referred on 10th August, 1962 had suggested to the Company to consider payment of a direct subsidy towards rent instead of revision of rent. He was also against exclusion of interest from the calculation of rent as the Company was expected to pay a dividend on capital.

The Company had forgone rent to the extent of Rs. 1.19 lakhs (approximately) up to 31st August, 1966 which amounted to an indirect subsidy. Besides, no rent was recovered in respect of the uncovered space attached to the sheds rented out to the allottees.

The Ministry have stated (January, 1967) that "the question of foregoing does not arise as the fixation of rent should always be linked with Market rate of rent prevailing in the State for similar type of industrial sheds".

(b) As on 31st August, 1966 arrears of rent amounting to Rs. 1.04 lakhs were outstanding in the case of Bon-Hooghly Estate and Rs. 1.79 lakhs in the case of Behala Estate. In some cases the Company had instituted legal proceedings against lessees.

(iv) *Employment of displaced persons*

The position regarding the employment of displaced persons as on 31st July, 1966 is indicated below:—

Displaced persons	Number of persons	
	Bon-Hooghly	Behala
Minimum agreed to be employed	516	637
Actually employed	301	274

7. Training scheme for taxi drivers

The Company approved in January, 1963 a scheme for training taxi drivers to form Taxi Co-operative Societies to take advantage of 500 taxi permits proposed to be issued by the Government of West Bengal. The scheme envisaged the training of 500 displaced persons during 1963-64. The estimated expenditure was Rs. 3.57 lakhs towards capital cost and Rs. 3.10 lakhs towards recurring cost.

The training school started functioning at Kalyani from 4th March, 1963 in a shed taken on hire from the State Government. During March and April, 1963, 13 old and second-hand vehicles were purchased by the Company through private negotiations at a cost of Rs. 39,650 and a sum of Rs. 13,000 was spent during 1963-64 for keeping the vehicles road-worthy. 7 vehicles, however, remained off the road for the major parts of 1963-64 and 1964-65 greatly hampering the progress of training.

Though the training was suspended with effect from February, 1965, the shed taken on hire was retained by the Company up to October, 1965 thereby incurring an avoidable expenditure of Rs. 28,620 on its rent.

The Ministry have stated (January, 1967) that the rented shed was not surrendered immediately after closing the school, as it was decided by the Board to approach the Government of India for financial grant to train displaced persons in the driving of heavy motor vehicles and that "a time lag to dispose of the assets of the school should also be taken into account before the possession of the shed can be handed over".

8. Financial results

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

(Rupees in lakhs)

	1963-64	1964-65	1965-66
<i>Liabilities</i>			
(a) Paid-up capital (including advance for shares)	130.00	150.00	185.00
(b) Reserves and surplus	..	..	..
(c) Borrowings	101.00	131.00	137.85
(d) Trade dues and other current liabilities (including provisions)	11.48	20.07	18.06
TOTAL	242.48	301.07	340.91
<i>Assets</i>			
(e) Gross block	40.72	44.40	99.37
(f) Less : Depreciation	2.50	4.78	9.11
(g) Net fixed assets	38.22	39.62	90.26
(h) Capital work-in-progress	28.53	47.70	5.82
(i) Other assets (mainly machinery in transit)	..	0.14	..
(j) Current assets, loans and advances (including investments)	163.44	189.67	199.59
(k) (i) Miscellaneous expenditure	2.34	4.92	1.46
(ii) Losses	9.95	19.02	43.78
TOTAL	242.48	301.07	340.91
Capital employed.	190.18	209.22	271.79
Net worth	117.71	126.06	139.76

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

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

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

(Rupees in lakhs)			
	1963-64	1964-65	1965-66
Net loss	3.33	9.07	24.76

9. Other topics of interest

(i) *Loss in bucket manufacturing unit*

(a) In response to a tender notice issued by the Director General, Supplies and Disposals in May, 1963 for buckets 13", the Company quoted Rs. 7.92 per piece as against the estimated cost of Rs. 7.30 per piece. Subsequently in July, 1963, after negotiation, the Company accepted the order for 47,050 buckets at the rate of Rs. 5.50 per piece. The supply was completed in September, 1964 at a loss of Rs. 84,690.

(b) Again in September, 1964 one more order from the Director General, Supplies and Disposals was accepted for 25,000 buckets at the rate of Rs. 5.70 per piece. Against this order 24,863 buckets were supplied by the Company during the year 1965. The loss on the supply of these buckets was Rs. 39,780.

(c) 3,644 buckets rejected by the customer during inspection on the ground of sub-standard manufacture were lying unsold with the Company (August, 1966).

The Ministry have stated (January, 1967) that "but for the orders the factory would have remained entirely idle and it was decided to quote on the basis of prime cost *plus* an element of overhead". As regards the rejected buckets, it has been stated that "arrangements are being made to sell the products in the open market from where response has been encouraging".

(ii) *An ill-planned project.*—The Board of Directors decided in February, 1965 to set up a Spinning Mill in Dandakaranya area. The Mill, which was estimated to cost Rs. 1.98 crores, was expected to yield an annual profit of Rs. 14.04 lakhs and offer employment opportunity to 963 displaced persons. (Consequent upon devaluation in June, 1966, the original estimate was revised to Rs. 2.76 crores in August, 1966 with an estimated profit of Rs. 21.8 lakhs and an employment potential of 1,064 persons).

The Company took possession of land measuring 45 acres at Jagdalpur in February, 1966 and incurred an expenditure of Rs. 7,087 on the repair of the existing kutchha road. Besides, it recruited 10 employees during the period from August, 1965 to May, 1966.

On 1st October, 1966 the Board finally decided to drop the project and terminate the services of the personnel appointed on the ground that the project was highly capital intensive and that the *per capita* investment for the rehabilitation of displaced persons was abnormally high. The services of all the employees were terminated with effect from 5th November, 1966 (afternoon). The total expenditure incurred on their pay and allowances including travelling allowance up to the above date amounted to Rs. 62,291.

An infructuous expenditure of Rs. 69,378 (Rs. 7,087 on repair of kutchha road *plus* Rs. 62,291 on the pay and allowances of the employees) was incurred by the Company owing to the abandonment of the project.

(iii) *Stock of below standard woollen blankets.*—The Company received an order in October, 1964 from the Refugee and Rehabilitation Department of the West Bengal Government for the supply of 5,000 woollen blankets at Rs. 16 each. Out of 3,530 blankets supplied by the Company up to 4th January, 1965, only 1,868 were accepted by the State Government and the rest being below specification were rejected. No further deliveries were made against this order. The Company had 3,112 blankets valued at Rs. 49,792 in stock on 31st March, 1966.

The Management have intimated (February, 1967) that 2,555 blankets valued at Rs. 40,880 have been sold at a price of Rs. 29,460, the resulting loss being Rs. 11,420.

(iv) *Loss in flange manufacturing unit.*—In 1964, the Company in consultation with the Hindustan Cables Limited started a wood work centre at Rupnarayanpur to manufacture and supply wooden flanges of different sizes to the latter Company. The Hindustan Cables Limited had agreed to purchase the flanges at cost *plus* 10 per cent. subject to the maximum of market price paid by them, or alternatively, at negotiated prices.

The centre started production on 26th August, 1964. The total expenditure incurred on the centre up to 31st March, 1966 was Rs. 3.12 lakhs.

For the first instalment of supply in December, 1964 the Hindustan Cables Limited paid Rs. 21,407.50. The price paid did not cover even the material cost of the products. The Hindustan Cables Limited, which was not willing to pay more than the lowest rate which it had obtained in response to the general enquiry, asked the Company to reduce the cost of production. As it was not possible for the Company to effect cost reduction to the level of the lowest rate obtained by the Hindustan Cables Limited, it asked for price preference in view of the fact that the centre was started solely to cater to the needs of the Hindustan Cables Limited. This, however, was not agreed to by the latter.

The Company supplied in all 1,470 flanges up to May, 1965 and the total loss on the supply was Rs. 42,916.30.

(v) *Short recovery of electricity charges from tenants.*—The Company had undertaken to supply electric energy at the premises of the tenants and recover charges at rates chargeable by Calcutta Electric Supply Corporation subject to the monthly minimum guaranteed amount stipulated in clause 5 of the agreements. A review of monthly bills for electricity charges showed short recovery of Rs. 20,600 during the 4 years ending 31st March, 1966 because of the Company's failure to apply the minimum charge clause to the tenants. No action has been taken by the Company to effect recovery from the tenants of the amounts short realised (August, 1966).

The Ministry have stated (January, 1967) that "the bills so far raised by the Company are not final inasmuch as the working out of the final rate to be charged from the tenants has yet to be completed".

V. HINDUSTAN ANTIBIOTICS LIMITED

1. Introduction

The Hindustan Antibiotics Limited was incorporated as a Government Company on 30th March, 1954 to take over the control and management of the factory at Pimpri which had been set up by the Government of India for the production of penicillin.

The objects of the Company are to manufacture, buy, sell, export and import penicillin and its preparations, other antibiotics, sulpha drugs, preparations of anti-malarial products, etc. The Company is at present engaged in the manufacture of antibiotics only, particularly penicillin and streptomycin salts.

2. Capital structure

The authorised capital of the Company is Rs. 4 crores divided into 40,000 ordinary shares of Rs. 1,000 each. The paid-up capital of the Company as on 31st March, 1966 was Rs. 247.26 lakhs.

3. Targets and achievements

(A) The table below compares the targets fixed and achievements thereagainst of the various plants during the last three years :—

		1963-64		1964-65		1965-66	
		Targets	Achievements	Targets	Achievements	Targets	Achievements
(a)(i) Penicillin—1st Crystals (in million mega units)	Original	78.32	71.42	87.50	60.25	97.92	86.97
	1st revision	..	..	81.50	..	84.27	..
	2nd revision	..	..	66.80	..	84.49	..
(ii) Penicillin—Bulk (in million mega units)	Original	60.00	51.54	75.00	53.29	80.25	61.04
	1st revision	52.00	..	70.00	..	66.10	..
	2nd revision	..	..	60.90	..	65.11	..
(b) Streptomycin (in kilograms)	Original	37,500	36,734	60,000	37,562	75,000	66,870
	1st revision	..	..	55,000	..	68,300	..
	2nd revision	..	..	38,000	..	66,768	..
(c) Chlortetracycline (in kilograms)	Original	..	208.2	250	112.6	500	227.8
	1st revision	..	..	..	..	148	..
(d) Hamycin (in kilograms)	Original	..	3.3	25	11.67	36	7.7
	1st revision	..	..	..	..	12	..

It will be seen that actual production was far below the original targets in all the cases and that it was below even the revised targets which were fixed from time to time during the year, in the majority of cases. The Management have attributed the shortfall in production to the following factors:—

(a) Penicillin

1963-64

- (i) Difficulties in the production of procaine penicillin on account of the commissioning of the new and bigger equipment with effect from April, 1963.

- (ii) Decline in the yield percentage of procaine conversion.
- (iii) Scarcity of raw materials like procaine hydro-chloride.
- (iv) Draining of large number of batches on account of contamination due to leakage in sugar tanks.

1964-65

- (i) Major set-back in the titres.
- (ii) Non-commissioning of 20,000 U.S. gallon fermentor on account of certain problems of sterility and extraction.
- (iii) Heavy rejections by the Quality Control Department.

1965-66

- (i) Delay in completion of expansion scheme.
- (ii) Process problems of production.

(b) *Streptomycin*

1964-65 and 1965-66

- (i) Delay in completion of the doubling scheme.
- (ii) Higher ash content in the final products.
- (iii) Heavy rejections by Quality Control Department.
- (iv) Scarcity of raw materials.

- (c) *Chlortetracycline* } Non-completion of all stages of the project.
- (d) *Hamycin* } }

(B) The table below compares the rated capacity, targets fixed and achievements thereagainst in respect of vialling operations for the last three years:

(In lakhs of vials)

Year	Capacity on the basis of actual number of shifts	Targets	Actuals	Remarks
1963-64	826.82	Original 567 Revised 410	428.70	Semi-automatic lines discontinued from December, 1963.

(In lakhs of vials)

Year	Capacity on the basis of actual number of shifts	Targets	Actuals	Remarks	
1964-65	809.64	Original	540	376.78	One automatic line out of operation from April, 1962 to September, 1964.
		1st revision (August, 1964)	500		
		2nd revision (November, 1964)	450		
1965-66	1046.76	Original	550	501.71	
		1st revision (November, 1965)	525		
		2nd revision (February, 1966)	502		

The lines are rated to a filling capacity of 6,000 vials per hour. On the basis of 8 hours shift the capacity would be 48,000 vials per shift. According to the Ministry the effective running hours are generally about 6 hours per shift as some time has to be allowed for make-ready and adjustment, lunch and tea-breaks, etc. Besides, full speed cannot be maintained for all the running hours, owing to various operational reasons. The normal output per shift, therefore, would, in the view of the Ministry, be 36,000 vials per shift as against 48,000 vials per shift stipulated by the manufacturers.

Had the automatic lines been operated by the Company on the normal output of 36,000 vials per shift, the Company could have filled 1,392.31 lakh vials as against the actual vialling of 878.49 lakhs during the years 1964-65 and 1965-66. On the basis of a profit margin of 5 paise per vial, the loss of revenue on the shortfall of 462 lakh vials in production works out to Rs. 23 lakhs after allowing 10 per cent. for rejects.

4. Costing

(a) *System*.—The Company is following the system of 'Process Costing'.

The following deficiencies have been noticed in the costing system:—

- (i) Norms for rejects in various processes have not been laid down.
- (ii) Standard costing system has not been introduced.
- (iii) Idle time on labour, machinery, etc. is not ascertained and evaluated with a view to taking remedial steps, if any.

(b) *Cost of production.*—The table below indicates the variations in the cost of production (in terms of percentage) of the major products of the Company for the years 1964-65 and 1965-66 as compared with figures for 1963-64.

Products	Increase(+) / Decrease(—)	
	1964-65 %	1965-66 %
Penicillin 1st crystals 'G'	(+) 19.0	(+) 15.5
Streptomycin	(+) 12.0	(—) 12.6
Penicillin 1st crystals 'V'	(+) 26.2	(+) 29.2
Penicillin bulk 'G'	(+) 8.0	(+) 11.3
Penicillin bulk 'V'	(+) 28.4	(+) 49.8
Chlortetracycline bulk	(+) 213.6	(+) 152.6
Hamycin	(—) 42.8	(+) 11.5
Reprocessing cost of rejects (penicillin) 1st crystals	(+) 31.4	(+) 31.0

It will be seen that except in the cases of hamycin (for 1964-65) and streptomycin (for 1965-66) there was appreciable increase in the cost of production of all the other products.

In this connection, the Ministry have stated (November, 1966) as follows:—

“The costs of production of most of the products and specially of chlortetracycline and hamycin are not truly representative and several experimental variations in its processes for developmental purposes have been under way throughout these 3 years and all the equipment could not always be fully used for production, perhaps, owing to incompleteness of all the stages of the projects. The costs of production of chlortetracycline and hamycin are not truly representative as the pilot plant for tetracycline from which they are produced was not designed for these 2 items and the pilot plant is being used not only for chlortetracycline and hamycin but for other developmental products also. When produced on a large scale the costs of production of these 2 products are expected to fall considerably”.

5. Pricing policy

In the case of streptomycin salts the selling price of Rs. 175 per Kg. for supply to bottlers fixed by Government in 1964-65 remained unchanged up to September, 1965. Owing to high cost of manufac-

ture, the Government of India decided on 10th November, 1965 to raise the selling price to Rs. 225 per Kg. and grant subsidy to the manufacturers on the following terms effective from 1st October, 1965 to 31st March, 1966 (subsequently extended up to 23rd January, 1967).

- (1) The fair selling price of streptomycin salts was fixed at Rs. 250 per Kg.
- (2) The difference between the fair selling price (Rs. 250 per Kg.) and the actual sale price charged to viallers at Rs. 225 per Kg. was to be met by Government from the 'Streptomycin Trading Account' maintained by the Hindustan Antibiotics Limited.

On the above basis a sum of Rs. 14.69 lakhs was paid during the period from 1st October, 1965 to 31st March, 1966 as subsidy (Rs. 5.71 lakhs to private sector plant and Rs. 8.98 lakhs to public sector plant).

6. Financial results

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

	(Rupees in lakhs)		
	1963-64	1964-65	1965-66
<i>Liabilities</i>			
(a) Paid-up capital	247.26	247.26	247.26
(b) Reserves and surplus	435.98	429.74	476.93
(c) Trade dues and other current liabilities (including provisions)	142.99	149.98	154.35
TOTAL	826.23	826.98	878.54
<i>Assets</i>			
(d) Gross block	546.02	567.70	638.45
(e) Less : Depreciation	188.71	234.76	287.48
(f) Net fixed assets	357.31	332.94	350.97
(g) Capital works-in-progress (including unallocated expenditure)	31.60	50.09	16.04
(h) Current assets, loans and advances (in- cluding investments)	437.32	443.95	511.53
TOTAL	826.23	826.98	878.54
Capital employed	651.64	626.91	708.15
Net worth	683.24	677.00	724.19

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

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

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

	(Rupees in lakhs)		
	1963-64	1964-65	1965-66
(i) Profit before tax	142.35	76.15	143.67
(ii) Tax provision	70.00	25.50	71.60
(iii) Profit after tax	72.35	50.65	72.07
1. Percentage of profit before tax			
(a) To sales	31.82	19.90	26.66
(b) To gross fixed assets	26.07	13.41	22.50
(c) To capital employed	21.84	12.15	20.29
2. Percentage of profit after tax			
(a) To net worth	10.59	7.48	9.95
(b) To equity capital	29.26	20.48	29.15
(c) To capital employed	11.10	8.08	10.18

7. Other topics of interest

(i) *Purchase of materials without proper trials.*—In April, 1965 the Company asked the India Supply Mission, Washington to obtain the quotations of firms 'A' and 'B' for the supply of 48 M. tons of Brewers Yeast. The rate quoted by firm 'A' was \$ 0.09 per lb. F.A.S. New York, while that of firm 'B' was \$ 0.152 per lb. F.A.S. New York.

The Company decided on 8th May, 1965 to place an order for 10 M. tons each with firm 'A' (for trial purposes) and 'B' (regular supplier). On 12th May, 1965 the India Supply Mission informed the Company that the minimum quantities which firm 'A' and firm 'B' were willing to supply were 18 M. tons and 48 M. tons respectively. On 12th May, 1965 the Company placed an order with firm 'A' direct for 18 M. tons.

Although the India Supply Mission had informed the Company on 21st May, 1965 that firm 'A' had subsequently agreed to supply 10 M. tons at the rate of $\frac{1}{2}$ cent extra per lb. the Company did not reduce the quantity ordered from 18 M. tons to 10 M. tons. Moreover, before the shipment in respect of the above order was received, the Company decided in July, 1965 to obtain a further quantity of

30 M. tons of material from the same firm, though the suitability of the product had not been established. On receipt of this order the India Supply Mission stated on 22nd July, 1965 as follows:—

“The present decision on your part to place order on firm ‘A’ for balance quantity without evaluating their first consignment, comes to us as a surprise when all the while, before issue of orders, you had been insisting that it is essential to evaluate before placing bulk orders”.

In December, 1965 when the Company desired to obtain additional supplies of material, it was decided not to place order with firm ‘A’ as it was found that for every 250 Kgs. of Brewers Yeast utilised there was loss in production of streptomycin to the extent of 15 Kgs. valued at Rs. 3,500.

The Management stated in March, 1966 that they did not actually incur loss, as the material was being mixed with other costlier material which yielded better results. The contention of the Management is not correct as the Company had used 14,120 Kgs. of firm ‘A’s’ material unmixed up to 4th August, 1966 on which alone the loss of production worked out to Rs. 1,95,986. The loss, if any, in the case of mixture has not been assessed.

The Ministry have stated (November, 1966) as follows:—

- (i) “Once having placed an order on firm ‘A’ the quotation of firm ‘B’ automatically lapsed and since the quotation of firm ‘B’ could not be operated upon there was not much point in our changing either”.
- (ii) No material was shipped till July, 1965 and the Company was faced with alternatives of either stopping the production or taking risk of lower productivity with ‘A’s’ material. A fresh tender enquiry would have taken longer still.
- (iii) “It was with open eyes and knowing fully well that we had no knowledge of the product, that the balance of the quantity of 30 tonnes was ordered on ‘A’ in July, 1965”.

It may be mentioned, in this connection, that a quantity of 2 tons had already been obtained in 1964 by the Company from firm ‘A’ for the purpose of production trials. The Superintendent, Production had proposed on 29th April, 1965 that because of the lack of data conclusive information could not be obtained from the trial

runs and that further quantities should be obtained from firm 'A' for trial purpose and immediate requirements covered with firm 'B's' material. The action of the Company in placing the 2nd order for 30 M. tons of material with firm 'A' thus lacked justification.

(ii) *Purchase of defective material.*—Rubber stoppers valued at Rs. 1.37 lakhs purchased during the period from August, 1963 to July, 1965 were found to be defective on actual use although these had been duly inspected and accepted by the Company at the time of their purchase. In October, 1965 the Company noticed that these rubber stoppers were unfit for use.

The Ministry have stated (November, 1966) that, as a precautionary measure, a clause of replacement has been introduced in the purchase orders.

(iii) *Faulty storage of phosphoric acid.*—In August, 1963 the Company placed an indent with the India Supply Mission, Washington for the purchase of 192 M. tons of phosphoric acid to be supplied in three equal monthly instalments commencing from the placement of order.

On 3rd February, 1964 the India Supply Mission placed the order with a foreign firm stipulating that the stores should be delivered for shipment to India before 16th March, 1964. This delivery schedule was not objected to by the Company. Accordingly the entire material was shipped in April, 1964 in a single consignment.

Between July, 1964 and September, 1964 the Company received 675 drums of phosphoric acid out of which 89 drums were found to be leaking. For the loss in transit, the Company received a sum of Rs. 18,299.85 from the insurance Company.

Owing to lack of storage facilities, all the drums were kept in the open. In January, 1965 it was noticed that a quantity of 35.064 M. tons of acid valued at Rs. 44,182 had been lost because of faulty storage after receipt of the acid at the Company's premises. The Enquiry Committee which was appointed in February, 1965 to investigate the case attributed the loss to the following factors:

- (a) contact of acid with good drums during transit and subsequent storage in the salvage yard;
- (b) rusting of drums due to monsoon; and
- (c) improper storage of acid.

(iv) *Delay in payment of royalty to collaborators.*—In April, 1958 the Company entered into a collaboration agreement with a firm in the U.S.A. for the setting up of a streptomycin plant. According to the terms of the agreement royalty at the rate of 2½ per cent. on sales in India and 5 per cent. on sales outside India was payable in U.S. Dollars for each calendar quarter within sixty days after the end of each quarter. The payment was to be made at the rate of exchange prevailing on the last day of the calendar quarter in which such sales were made. The amounts due for the quarters ending December, 1965 and March, 1966 were Rs. 28,508·76 and Rs. 48,371·07 respectively (*i.e.* \$ 5,964·175 and \$ 10,082·255 respectively at the rate of exchange on the last day of the quarter). Though these payments were due before 28th February, 1966 and 31st May, 1966 respectively, these were made by the Company on 21st November, 1966 and 21st September, 1966 respectively. With the devaluation of rupee from 6th June, 1966, the Company had to make an extra payment of Rs. 43,468·39. This could have been avoided had the payment been effected within the prescribed time.

The Ministry have stated (November, 1966) that “the extra expenditure is mainly on account of delay in issue of foreign exchange by the Government on which the Company was helpless”.

VI. HINDUSTAN MACHINE TOOLS LIMITED

1. Introduction

Hindustan Machine Tools Limited was formed on 7th February, 1953 to take over the machine tools factory set up by the Government of India at Bangalore.

2. Capital structure

The paid-up capital of the Company amounted to Rs. 11·50 crores as on 31st March, 1966 and was entirely subscribed by Government.

In addition to equity capital the Company has also obtained long-term loans from Government which stood at Rs. 10·69 crores as on 31st March, 1966. The Company failed to pay the interest on the loan of Rs. 6 lakhs on the due dates, with the result that it had to forego a rebate of Rs. 39,813 (up to 31st March, 1966) admissible for timely payment of interest according to the terms and conditions of the loan.

3. Project estimates

The following table indicates the estimated cost, revised estimates and the actual expenditure as on 31st March, 1966:—

(Rupees in lakhs)

Unit	Estimated cost	Revised estimates	Actual expenditure	Remarks
Unit I (Bangalore)	3,000	837.70	674	On account of financial stringency the scheme was modified to a reduced capacity.
Unit II (Bangalore)	280.87	..	325.08	The actual expenditure of Rs. 325.08 lakhs includes the expenditure incurred towards provision of additional balancing facilities to cater to the diversified programme from time to time.
Unit III (Punjab)	750	..	679.89	
Unit IV (Kalamassery)	750	786	622.07	Estimates were revised taking into account (i) the increased cost of construction of factory buildings and (ii) extra expenditure incurred on the purchase of plant and machinery out of foreign credits owing to non-availability of foreign exchange from free resources.
Unit V (Hyderabad)	775	800*	451.55	The reasons for the increase of Rs. 25 lakhs in revised estimates over the original estimates are (i) increased cost of the factory and plant and machinery and (ii) rise in the rates of customs duty.
Watch factory (Bangalore)	200	308.80	257.03**	The reasons for the increase of Rs. 108.80 lakhs in the revised estimates over the original estimates are (i) change in the location of the factory site, (ii) extra expenditure on the purchase of plant and machinery due to increase in customs duty and addition of interest on Yen Credit and (iii) provision for township and other equipment not contemplated in the original estimates.

* Sanction of the Government of India is awaited (October, 1966).

** Includes expenditure of Rs. 52.35 lakhs on Indian and foreign technicians and preliminary expenses written off from the books of watch factory.

4. Production performance

(a) *Annual targets and achievements.*—The table below indicates the annual targets fixed by the Company and achievements there-against of the machine tool units and the watch factory for the last three years:—

Year	Target		Achievement Nos.	Excess (+) Shortfall(—)		Remarks
	Original Nos.	Revised* Nos.		Nos.		
1	2	3	4	5	6	
<i>HMT I and II</i>						
1963-64 . . .	2,006	2,005	1,983	(—) 22		
1964-65 . . .	2,110	2,145	2,139	(—) 6		
1965-66 . . .	2,135	1,548	1,529	(—) 19		The original target was revised periodically owing to the reduction in the flow of orders and industrial unrest for the first six months.
<i>HMT III</i>						
1963-64 . . .	40	..	..	(—) 40		Consequent upon the Company's decision to produce electrically operated milling machines in place of M2 milling machines, no M2 milling machine was produced.
1964-65 . . .	120	80	60	(—) 20		The shortfall in production was due to non-availability of foreign exchange in time and other initial difficulties.
1965-66 . . .	380	210	205	(—) 5		The target was revised periodically owing to the low demand for the machines.
<i>HMT IV</i>						
1964-65 . . .	120	80	40	(—) 40		The shortfall in production was on account of delay in receipt of essential machinery due to considerable time taken in finalising purchase orders.

I	2	3	4	5	6
1965-66 . . .	749	354	331	(—) 23	The target was revised from time to time owing to power shortage and delay in receipt of some of the imported machinery.
<i>HMT V</i>					
1965-66 . . .	30	20	..	(—) 20	The target was revised owing to delay in (i) construction works and (ii) receipt of plant and machinery.
<i>Watch factory</i>					
1963-64 . . .	1,00,000	1,21,532	1,21,602	(+) 70	
1964-65 . . .	2,40,000	2,00,000	1,95,048	(—)4,952	} The original target was revised downwards owing to foreign exchange difficulties for import of raw materials and components.
1965-66 . . .	3,00,000	1,95,010	1,96,110	(+)1,100	

* The figures indicate the final revision made in the month of February of the financial year concerned.

(b) *Rated capacity and actual production.*—In July, 1965 the Company had informed the Indian Machine Tools Manufacturers Association that the installed capacity of the foundries attached to HMT I and II was 8,000 M. tons per year. In October, 1966 the Company, however, stated in reply to an audit observation that “with the experience so far gained in melting, super heating the quality of scrap available, followed by Laboratory checking and building up the metal specifications to required grades of metals to various standards of metals, the rated capacity of the furnaces has been fixed at 5,000 tons of good castings per annum”. It was further stated in December, 1966 that the installed capacity of 8,000 M. tons per year mentioned to the Indian Machine Tools Manufacturers Association in July, 1965 was in the context of allotment of pig iron for the foundries.

According to the Management the capacity of the foundries comprising three furnaces is 46 M. tons per day and 84 days are required for crucible formation and relining, etc. Further, the Management have assumed that the actual production should be 90 per

cent. of the practical capacity of 46 M. tons per day and the output of good castings 58 per cent. of the production so arrived at. On this basis, the rated capacity of the foundries for 281 working days available in a year (excluding 84 days for crucible formation and relining, etc.) works out to 6,750 M. tons. The shortfall with reference to this rated capacity is indicated below:—

(In M. tons)

	Year	Rated capacity	Actual production	Shortfall in terms of percentage to rated capacity
HMT I and II	1963-64 . . .	6,750	3,673	45.6
	1964-65 . . .	6,750	4,113	39.1
	1965-66 . . .	6,750	4,486	33.5

It may also be stated that even on the basis of the capacity of 5,000 M. tons, as mentioned by the Management, the shortfall during 1963-64, 1964-65 and 1965-66 works out to 26.5 per cent., 17.7 per cent. and 10.3 per cent. respectively.

5. Cost of production

(a) The table below indicates the increase (in terms of percentage) of the cost of production of the various types of machines in the years 1964-65 and 1965-66 as compared with the cost of production in 1963-64:—

Name of the machine	Percentage increase (+)/ decrease (—) over the cost of production from 1963-64	
	1964-65	1965-66
I	2	3
HMT I and II		
<i>Lathes</i>		
LB-17 (1000 mm)	(—) 6.0 (+)	11.7
LB-25 (2500 mm)	(—) 5.8 (+)	10.6
LB-25 (3000 mm)	(—) 5.7 (+)	10.4

1	2	3
<i>Milling machines</i>		
M2H	(-) 0.4 (+)	12.3
M2U	(-) 0.4 (+)	12.5
M2V	(-) 0.3 (+)	12.5
M3U	(-) 12.9 (+)	26.1
M3V	(-) 18.4 (+)	24.7
<i>Radial drills</i>		
RM 50/60	(-) 2.7 (+)	15.4
RM 51/61	(-) 2.5 (+)	14.6
RM 52/62	(-) 2.4 (+)	14.1
RM 53/63	(-) 2.4 (+)	13.7
RM 55/65	(-) 1.9 (+)	11.5

It will be seen that the cost in 1965-66 registered an increase in respect of all the machines manufactured by HMT I and II as compared with the figures for 1964-65 and 1963-64.

(b) The table below indicates the increase in the actual cost of production over the standard cost of production fixed by the Company (in terms of percentage) during the last three years in respect of various types of machines:—

Name of the machine	Percentage increase of actual cost of production over standard cost of production		
	1963-64	1964-65	1965-66
1	2	3	4
HMT I and II			
<i>Lathes</i>			
LB-17 (1000 mm)	24.9	17.4	39.5
LB-25 (2500 mm)	25.4	18.2	38.7
LB-25 (3000 mm)	25.5	18.3	38.5
<i>Milling machines</i>			
M2H	16.0	15.5	30.2
M2U	15.5	15.0	29.9

1	2	3	4
M2V	16.0	15.6	30.5
M3U	22.8	7.0	54.8
M3V	23.4	0.7	53.9
<i>Radial drills</i>			
RM 50/60	36.4	32.8	57.4
RM 51/61	35.9	32.5	55.7
RM 52/62	35.8	32.5	54.9
RM 53/63	35.8	32.6	54.4
RM 55/65	35.7	33.2	51.3
HMT III			
<i>Milling machines</i> . . . . .	..	210.1	81.8

The Management have stated that the standard costs of machines have been worked out with reference to the theoretical standards only, that changes due to increase in basic wage cost and material cost have not been incorporated therein and that in respect of HMT III the actual cost is more than the standard cost as the machines manufactured are highly sophisticated and are being produced for the first time in the country.

No standard cost has been fixed for the various types of watches manufactured on the ground that "standard costs could be determined only after the factory reaches the optimum capacity and the full indigenous content of manufacture of components as planned in the Collaboration Agreement".

6. (a) Machine utilisation

The overall percentage of utilisation of the machinery in the three units of the Company for the last three years is given below:—

	1963-64		1964-65		1965-66	
	Percentage of utilisation	Percentage of idleness	Percentage of utilisation	Percentage of idleness	Percentage of utilisation	Percentage of idleness
HMT I and II	90	10	87	13	83	17
HMT III	27.50	72.50	56.63	43.37	61.78	38.22

The Management have stated (September, 1966) that the increase in idle time in respect of HMT I and II is due to the following reasons:—

- (i) Special purpose machines cannot be put to continuous use throughout the year.
- (ii) Variations in individual performances.
- (iii) Low output during 1965-66 due to low demand for the Company's products.
- (iv) Absenteeism of operators.

(b) Labour efficiency

(i) The table below indicates the overall efficiency of labour in respect of works for which standards have been fixed, for the last three years:—

HMT I and II	1963-64	1964-65	1965-66
1. Total standard hours	19,81,757	20,86,583	16,73,325
2. Actual hours taken	24,56,187	24,01,866	21,27,400
3. Percentage of efficiency	81	87	79

The Ministry have stated (February, 1967) that the variances in efficiency during 1965-66 were due to (i) diversification of production by introduction of new types of machines, (ii) labour unrest during the year and (iii) low output due to reduction of demand for machine tools during the year.

(ii) In the case of the watch factory, wide variations in efficiency were noticed as indicated below:—

Department	Efficiency percentage		
	1963-64	1964-65	1965-66
1. Auto Shop	40 to 57	44 to 76	45 to 59
2. Press Shop	67 to 83	62 to 104	66 to 90
3. Polishing	17 to 29	32 to 87	41 to 71
4. Case and dial	28 to 50	43 to 62	56 to 71

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

“It is natural that in the initial stages the efficiency of trainees will be less than those of the regular workers. As the workers have been trained in batches in the different sections as per the phased programme, the efficiency of the shops have been varying from period to period”.

7. Internal Audit

No internal audit system has been introduced in the units at Pinjore, Kalamassery and Hyderabad and in the watch factory at Bangalore so far (July, 1966).

8. Industrial estate

With a view to promoting small scale feeder and ancillary industries, the Company in June, 1959 approved a scheme for the setting up of an industrial estate at an estimated cost of Rs. 25 lakhs. The project was scheduled to be completed in three phases by the end of 1961-62. The table below indicates the programme of completion and the actual date of completion:—

Phase	Scheduled date of completion	Actual date of completion
I. Development of land and construction of 30 units	1960-61	June, 1961.
II. Construction of remaining 20 units	1961-62	January, 1965.
III. Construction of amenity buildings such as, administration block, canteen, dispensary, etc. . . .	1961-62	April, 1964.

After allotment of the sheds in the estate there was delay in occupation thereof ranging from 1 month to 36 months. This resulted in loss of rent amounting to Rs. 1.15 lakhs.

The Ministry have stated (February, 1967) that the time lag in occupation of the sheds was due to delay in receipt of plant and machinery by the allottees. Hence the Company decided that the occupation of sheds would be effective for charging rent only from the date of the commissioning of the sheds.

9. Financial results

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

(Rupees in lakhs)

	1963-64	1964-65	1965-66
Liabilities			
(a) Paid-up capital	800.00	800.00	1,150.00
(b) Reserves and surplus	324.99	424.30	532.40
(c) Borrowings (including cash credit)	751.33	1,372.36	1,728.62
(d) Trade dues and other current liabilities (including provisions)	308.46	389.84	362.28
TOTAL	2,184.78	2,986.50	3,773.30
Assets			
(e) Gross block	1,467.26	2,038.89	2,676.65
(f) Less : Depreciation	271.57	368.52	500.07
(g) Net fixed assets	1,195.69	1,670.37	2,176.58
(h) Capital works-in-progress	148.91	240.02	177.96
(i) Other assets (mainly machinery and equipment in transit)	136.52	153.34	166.97
(j) Current assets, loans and advances	633.96	903.39	1,251.79
(k) Development and commissioning expenditure	69.70	19.38	..
TOTAL	2,184.78	2,986.50	3,773.30
Capital employed	1,528.56	2,197.09	3,089.68
Net worth	1,055.29	1,204.92	1,682.40

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

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

(b) The working results of the Company for the last 3 years are tabulated below:—

(Rupees in lakhs)

	1963-64	1964-65	1965-66
(i) Profit before tax	277.80	248.39	132.48
(ii) Tax provision	56.00	70.00	27.00
(iii) Profit after tax	221.80	178.39	105.48
1. Percentage of profit before tax			
(a) To sales	28.3	19.2	10.6
(b) To gross fixed assets	18.9	12.2	4.9
(c) To capital employed	18.2	11.3	4.3
2. Percentage of profit after tax			
(a) To net worth.	21.0	14.8	6.3
(b) To equity capital	27.7	22.3	9.2
(c) To capital employed	14.5	8.1	3.4

VII. GARDEN REACH WORKSHOPS LIMITED

1. Introduction

The Garden Reach Workshops Limited became a Government Company on 19th May, 1960 in pursuance of an agreement entered into by the Government of India with the vendors of the Company, under which the entire shareholdings were acquired by Government.

The main activities of the Company are to (a) provide repair facilities to the ships of the Indian Navy and Merchant Fleet, (b) undertake construction of small vessels, lighters, etc., (c) execute general engineering works, and (d) earn and conserve foreign exchange.

2. Capital structure

The authorised capital of the Company is Rs. 3 crores divided into 3,00,000 shares of Rs. 100 each. The issued and subscribed capital of the Company as on 31st March, 1966 was Rs. 1 crore. Government have also from time to time advanced to the Company unsecured long-term loans, which stood at Rs. 100.45 lakhs at the end of 1965-66.