

OVERVIEW

1 Overview of Government companies and Statutory corporations

As on 31 March 2001, West Bengal had 82 Public Sector Undertakings (PSUs) comprising 71 Government companies and 11 Statutory corporations as against 80 PSUs in 1999-2000. However, out of 71 Government companies, the number of non-working Government companies increased from three to six during the year. In addition, there was one company under the purview of 619-B of the Companies Act, 1956 as on 31 March 2001.

The total investment in working PSUs increased from Rs 13802.10 crore as on 31 March 2000 to Rs 18241.03 crore as on 31 March 2001. The total investment in non-working PSUs also increased from Rs 2.28 crore to Rs 47.04 crore during the same period.

The budgetary support in the form of capital, loans, grants and subsidy disbursed to the working PSUs increased from Rs 1446.65 crore in 1999-2000 to Rs 2355.50 crore in 2000-2001. The State Government also contributed Rs 0.33 crore in the form of grants/ subsidy to two non-working companies during 2000-2001. The State Government guaranteed loans aggregating Rs 3901.64 crore during 2000-2001. The total amount of outstanding loans guaranteed by the State Government increased substantially from Rs 4252.94 crore as on 31 March 2000 to Rs 9083.09 crore as on 31 March 2001.

Seventeen working Government companies and two working Statutory corporations had finalised their accounts for the year 2000-2001. The accounts of remaining 48 working companies and eight working Statutory corporations were in arrears for periods ranging from one year to nine years as on 30 September 2001. The accounts of four non-working Government companies were in arrears for periods ranging from one year to 17 years as on 30 September 2001.

According to latest finalised accounts, 14 working PSUs (11 Government companies and three Statutory corporations) earned aggregate profit of Rs 12.04 crore, of which none declared dividend. Against this, 59 working PSUs (52 Government companies and seven Statutory corporations) incurred aggregate loss of Rs 1079.63 crore as per the latest finalised accounts. Of the loss incurring Government companies, 37 companies had accumulated losses aggregating Rs 2117.16 crore which exceeded their aggregate paid-up capital of Rs 352.94 crore by nearly six times. Six loss incurring Statutory corporations had accumulated loss of Rs 2951.01 crore which exceeded their paid-up capital of Rs 1383.94 crore by more than two times.

In West Bengal State Electricity Board, the percentage of transmission and distribution loss to total power available had increased from 25.50 *per cent* in

1998-99 to 37.91 *per cent* in 2000-2001. In North Bengal State Transport Corporation, the loss per kilometre increased from Rs 9.80 in 1998-99 to Rs 12.14 in 2000-2001.

Even after completion of five years of their existence, the individual turnover of 31 Government companies (26 working, 5 non-working) and two working Statutory corporations had been less than Rs 5 crore in each of the preceding five years as per latest finalised accounts. Similarly, 13 working Government companies and one Statutory corporation had been incurring losses for five consecutive years as per their latest finalised accounts, leading to negative net worth. These companies are recommended for closure.

(Paragraphs 1.1, 1.2, 1.3 & 1.7)

2 REVIEWS ON GOVERNMENT COMPANIES

2A WEST BENGAL ELECTRONICS INDUSTRY DEVELOPMENT CORPORATION LIMITED

The Company (WBEIDC) was incorporated in February 1974 to undertake development of electronics and allied industries through establishment of manufacturing, research and development activities. It had 10 subsidiaries, five joint sector and nine assisted companies and had invested Rs 104.03 crore till March 2001. Even after the passage of 20 years, WBEIDC failed to achieve its objective of developing electronic and allied industries in the State. Some of the important points included in the Review are as under :

WBEIDC invested funds in the subsidiaries/ joint sector/ assisted sector companies without any policy or criteria. All subsidiaries except one had incurred huge cumulative losses due to poor operational performance.

(Paragraphs 2A.1 & 2A.6)

Accumulated profit of Rs 4.92 crore till March 2001 was notional since it was arrived at without providing for doubtful loans and investment of Rs 111.58 crore in sick subsidiary/managed companies.

(Paragraph 2A.5)

Of the nine subsidiaries and three managed companies, five joint sector partners walked out between 1995-96 and 1999-2000. Accumulated losses of subsidiaries/ managed companies of Rs 112.94 crore outstripped the paid up capital of Rs 32.14 crore, rendering WBEIDC's investment of Rs 94.48 crore unfruitful.

(Paragraph 2A.6)

Even after withdrawal of sales tax subsidy by the Government, Webel Consumer Electronics Limited (WCEL) continued to grant sales tax subsidy

on assembly of televisions to the original manufacturers and incurred loss of Rs 3.82 crore till December 2000. Absence of follow up after delivery and non collection of debt led to accumulation of Rs 1.89 crore becoming doubtful of recovery.

(Paragraph 2A.6B)

Due to cessation of activities by Webel Carbon and Metal Film Resistors Limited and Webel Video Devices Limited since April 1996 and January 1998 respectively, idle wages of Rs 7.96 crore were paid till March 2001. Further, Webel Crystals Limited stopped production from April 2001.

(Paragraphs 2A.6C, 2A.6K & 2A.6L)

Even after the Board for Industrial and Financial Reconstruction's directive of March 1997 to wind up Webel Capacitors Limited (WCL), WBEIDC invested Rs 7.83 crore between April 1997 and March 2001 in WCL and sustained losses aggregating Rs 14.68 crore as on 31 March 2001.

(Paragraph 2A.6E)

Due to limited domestic market and unwillingness of the technical and financial collaborator to support an optic-fibre based medical instrument project, the investment of Rs 1.93 crore by WBEIDC proved to be unproductive.

(Paragraph 2A.6F)

WBEIDC did not recover Rs 4.64 crore towards ground rent, rental and service charges in respect of Salt Lake and Taratala electronic estates from eight companies it had promoted.

(Paragraphs 2A.7.1 & 2A.7.2)

2B WEST BENGAL FOREST DEVELOPMENT CORPORATION LIMITED

The Company was set up in July 1974 with a view to purchase/ acquire forest, waste or any other kind of land, develop forests, carry out afforestation and promote wood based industries. Presently the Company is engaged in plantation, harvesting, afforestation and allied operations in only one Division in the State (Kalimpong Division) and in logging and sawing operations, cashew plantation, pole treatment in all other Divisions of the State as well as promoting joint forest management in South West Bengal. Some of the important points included in the Review are given below :

The Company did not maintain plantation journals and instalment registers leaving the scope for misappropriation of funds arising out of bad/ non existent plantations, poor survival rates and delay/ non-payment of bid amount.

(Paragraphs 2B.1 & 2B.7)

Profits reflected in the 1996-97 to 1998-99 accounts was understated by Rs 3.97 crore due to inconsistencies in the valuation of round timber and sawn timber.

(Paragraph 2B.5)

Injudicious drawal of Rs 5.00 crore against loan resulted in avoidable payment of interest of Rs 0.53 crore till March 2001. Similarly, two Divisional Managers failed to invest surplus fund of Rs 1.35 crore to Rs 2.87 crore in short term deposits during 1998-99 to 2000-2001 resulting in loss of interest of Rs 0.19 crore.

(Paragraphs 2B.4(b) & 2B.6(b))

Failure of the Company in obtaining approval of the Working Plan from Central Government resulted in shortfall in harvesting and loss of potential revenue of Rs 4.55 crore during 1997-98.

(Paragraph 2B.7.1(i))

Physical verification (July 1998) detected a shortage of 642 cubic metres timber valued at Rs 0.93 crore. The matter had not yet been probed so far to fix responsibility.

(Paragraph 2.7.4.1(B))

Implementation of Joint Forest Management Scheme reflected various deficiencies viz. unplanned selection of sites, plantations below minimum economic size, non-conformity with prescribed models, and non-maintenance of plantation journals.

(Paragraph 2B.10)

Due to poor capacity utilization and lack of orders, the Company sustained losses of Rs 0.35 crore and Rs 0.85 crore respectively on operation of Pole Treatment Plant during 1996-2000 and Automobile Engineering Workshop during 1996-2001.

(Paragraphs 2B.12 & 2B.13)

In Cashew Plantation Division, against the anticipated yield of 14025 MT, the actual yield was less than 10 per cent (1225 MT) during 1996-2001 due to failure to adopt improved techniques which resulted in loss of potential revenue of Rs 24.67 crore. Further, Rs 0.35 crore was incurred towards salary and wages of 18 surplus staff in contravention of the recommendation of the Review and Planning Committee.

(Paragraph 2B.14)

**2C WEST BENGAL SMALL INDUSTRIES
DEVELOPMENT CORPORATION LIMITED AND
WEST BENGAL FINANCIAL CORPORATION**

West Bengal Small Industries Development Corporation Limited (WBSIDC) was incorporated in March 1961 to develop infrastructural facilities, render technical and financial assistance and promote the interest of small scale

industries while West Bengal Financial Corporation (WBFC) was set up in 1954 to aid and assist in the growth and development of industries (including small scale industries) in West Bengal. Despite being in existence for more than three decades, neither agency was able to achieve their objectives. Some of the major points included in the Review are as under :

WBSIDC suffered a cash loss of Rs 1.75 crore which adversely affected its fund position and hampered its activities. WBFC had aggregate gross business receipts of Rs 196.94 crore against the payments of Rs 202.29 crore leading to negative fund generation of Rs 5.35 crore during 1996-97 to 2000-2001.

(Paragraphs 2C.1 & 2C.4)

Non-development of industrial estates at Tangra (New) and Taratala as well as inappropriate selection of site for Santoshpur Garment complex by WBSIDC led to blocking up of Rs 5.53 crore. Further, 'half hearted attempts' of WBSIDC frustrated the development of industrial estates in the backward districts of Bankura and Purulia.

(Paragraphs 2C.5.1.1, 2C.5.1.2, 2C.5.1.3 & 2C.5.1.4)

Improper selection of entrepreneurs led to cancellation of allotment. Further, non-functional defaulting units were not evicted despite accumulated dues of Rs 5.55 crore payable by such units.

(Paragraphs 2C.6, 2C.6.1 & 2C.7)

Under Marketing Assistance Scheme, sales to Government were below targets by 30 to 54 *per cent* between 1996-97 and 1998-99. Moreover, Rs 5.54 crore was due till March 2001 from Government departments resulting in loss of margin money of Rs 0.19 crore.

(Paragraph 2C.8.1)

WBFC failed to achieve targets for sanction/ disbursement despite lowering targets. Further, inadequate care by the Management of WBFC at the appraisal stage occasioned a three-fold increase in cumulative undisbursed sanctions between March 1997 and March 2001.

(Paragraphs 2C.9.1 & 2C.9.3)

Sanction to industrially backward districts ranged from 19 to 32 *per cent* reflecting a greater focus in the already developed districts.

(Paragraph 2C.9.5)

Despite introduction of One Time Settlement, recoveries continued to be poor. Principal dues of Rs 106.59 crore from 9424 borrowers were classified as "doubtful/ loss" assets. WBFC continued to disburse loans to 48 defaulting units with outstanding dues of Rs 58.40 crore ostensibly to rehabilitate them.

(Paragraph 2C.10)

3 MATERIAL MANAGEMENT AND INVENTORY CONTROL OF WEST BENGAL STATE ELECTRICITY BOARD

West Bengal State Electricity Board (Board) incurred Rs 2510.23 crore (19.37 per cent of its total revenue expenditure) on purchase of stores and materials during the last five years. Such huge expenditure requires efficient management and control over inventory. It was, however, observed that absence of material budget, improper assessment of requirement, lack of control over material purchased led to excess/ idle inventory. Some of the important points included in the Review are as under :

The Board incurred an extra expenditure of Rs 3.49 crore due to acceptance of the highest rate for purchase of energy meters and on purchase of Rs 1.57 crore of materials totally in excess of requirement.

(Paragraph 3.4.3)

The Board sustained extra expenditure of Rs 5.22 crore due to non-acceptance of lowest offer, delay in finalisation of tender, opting of firm price instead of variable price, non-inclusion of penal clause and lack of planning before procurement.

(Paragraph 3.4.4)

The stock holding of coal varied from 3.2 months' to 6.2 months' consumption resulting in excess holding of coal varying from Rs 74.37 crore to Rs 117.98 crore while stock holding of oil varied from 2 months' to 7.2 months' consumption resulting in excess holding varying from Rs 0.89 crore to Rs 10.83 crore. Excess holding of stores and spares varied from Rs 102.44 crore to Rs 175.70 crore. Excess holding resulted in average annual inventory carrying cost of Rs 36.52 crore

(Paragraph 3.5.1)

Due to use of light diesel oil instead of furnace oil, the Board incurred additional expenditure of Rs 27.53 crore.

(Paragraph 3.5.2.2)

4 OTHER TOPICS OF INTEREST

4A GOVERNMENT COMPANIES

West Bengal Power Development Corporation Limited failed to assess the requirement before placing purchase orders leading to excess procurement of equipment worth Rs 1.92 crore.

(Paragraph 4A.1.1)

The Durgapur Projects Limited installed a Mechanical Coke Cutter without entering into a long term arrangement with probable customers for sale of 80 mm size coke resulting in wasteful expenditure of Rs 2.85 crore.

(Paragraph 4A.2.1)

West Bengal Infrastructure Development Finance Corporation Limited borrowed funds to meet urgent requirements and thereafter parked these funds in short-term deposits at lower rates of interest involving a loss of Rs 0.53 crore.

(Paragraph 4A.3.1)

Due to unwarranted delay in payment of land cost for New Leather Complex, West Bengal State Leather Industries Development Corporation Limited incurred an extra expenditure of Rs 0.18 crore along with payment of idle wages of Rs 3.52 crore.

(Paragraph 4A.4.1)

West Bengal Livestock Processing Development Corporation Limited and Sundarban Sugarbeet Processing Company Limited paid idle wages of Rs 1.25 crore and of Rs 0.87 crore respectively.

(Paragraphs 4A.12.1 & 4A.13.1)

In Greater Calcutta Gas Supply Corporation Limited, the Pressure Reducing Station was installed without laying requisite main line for supply of coal gas resulting in an unfruitful investment of Rs 0.83 crore.

(Paragraph 4A.5.1)

West Bengal Tea Development Corporation Limited incurred an expenditure of Rs 1.36 crore on a mini hydel project at Rungmook Cedars Tea Estate and Rs 0.22 crore on its operation and maintenance which proved to be unfruitful due to non-completion of its linkage to a perennial water source.

(Paragraph 4A.10.1)

4B STATUTORY CORPORATIONS

Audit scrutiny revealed the following deficiencies in the execution of the rural electrification works by West Bengal State Electricity Board (WBSEB) in Midnapore, Bankura and Purulia districts :

- Non drawal of loan of Rs 117.60 crore from Rural Electrification Corporation Limited (REC) due to WBSEB's failure to identify mouzas and execute the works in time.
- Deduction of Rs 130.44 crore by the Government of India from plan assistance to the State Government during March 1998 to March 2001 against the dues to REC.

- Diversion of Rs 7.91 crore of grants for utilisation as working capital keeping electrification works pending in Midnapore, Bankura and Purulia districts.
- Huge cost over-run of Rs 3.80 crore in execution of five 33/11 KV sub-stations in these 3 districts due to delay ranging from seven to ten years in acquisition of land, re-alignment of routes etc.
- Against the target of electrification of 10468, 3540 and 2452 mouzas in Midnapore, Bankura and Purulia, the actual achievement was 5711, 2501 and 1608 mouzas. Similarly, against the target of energisation of 855 and 276 pump sets in Midnapore and Bankura, the actual achievement was 509 and 155 as of 31 March 2001.
- Under Lokdeep – Kuthirjyoti Scheme, non raising of bill by the Officer-in-charge led to loss of potential revenue of Rs 1.18 crore.
- Failure to operate 524 mouzas as the installations were either stolen or not erected fully, led to further investment of Rs 26.20 crore.

(Paragraph 4B.1.1)

West Bengal State Electricity Board (WBSEB) failed to invite open tenders for assessing the market rate before extending the contract for evacuation and disposal of dry/ moist fly ash at Bandel Thermal Power Station resulting in extra expenditure of Rs 0.53 crore. Further, belated payment of way leave compensation by the WBSEB led to delay in completion of a project and extra expenditure of Rs 0.32 crore.

(Paragraphs 4B.1.2 & 4B.1.3)

Calcutta State Transport Corporation sustained a loss of Rs 0.32 crore due to avoidable payment of interest.

(Paragraph 4B.2.1)