Committee on Public Undertakings

(1983-84)

(Seventh Legislative Assembly)

FIRST REPORT

ON

1. Andhra Pradesh State Trading Corporation Limited.
2. Andhra Pradesh Textile Development Corporation Limited.
3. Andhra Pradesh Steels Limited.
4. Andhra Pradesh Heavy Machinery and Engineering Limited.
5. Andhra Pradesh Technocrats Industrial Estate Private Limited.
6. Singareni Collieries Company Limited.

PRESENTED TO THE LEGISLATURE ON 6-3-1984

ANDHRA PRADESH LEGISLATURE
(ASSEMBLY SECRETARIAT)
HYDERABAD-500 486.

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1984

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1974—B—i

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COMMITTEE ON PUBLIC UNDERTAKINGS (1983-84)

(Constituted on the 24th March, 1983)

FROM THE LEGISLATIVE ASSEMBLY :

CHAIRMAN :

1. Sri Nissankararao Venkataratnam

MEMBERS :

2. Sri P. Rajagopalu
3. Sri Attada Janardhana Rao
4. Sri Budda Vengal Reddy
5. Sri A V. Suryanarayana Raju
6. Sri B.S. Jaya Raju
7. Sri M Murali Manohar Rao
8. Sri M.M.J. Thomas Chowdary
9. Sri Nimma Raji Reddy
10. Sri P. Chandra Sekhar
11. Sri B. Lakshmikantha Rao
12. Sri K.P. Reddaiah
13. Sri A.G. Krishna
14. Sri T.N. Srinivasa Reddy
15. Sri N. Indrasena Reddy

FROM THE LEGISLATIVE COUNCIL :

16. Sri S. Jagadeeshwar Reddy
17. Sri Y. Qureshi
18. Sri P. Nageswara Rao
19. Sri P.V. Chalapathi Rao
20. Sri S. Basava Punnaiah

LEGISLATURE SECRETARIAT :

1. Sri E. Sadasiva Reddy, Secretary.
2. Sri M. Viswanatham, Deputy Secretary.
3. Sri V.V. Subrahmanyam, Asst. Secretary.

ACCOUNTANT-GENERAL 'S OFFICE :

1.	Sri S. Soundar Rajan	—Accountant-General-II	(Upto 26-5-83)
2.	Smt. Padma	—Accountant-General-II	(Upto 9-12-83)
3.	Sri T.C. Krishnan	—Accountant-General-I	
4.	Sri R.S. Gopalan	—Senior Deputy Accountant-General	(Upto 27-6-83)
5.	Sri K. Krishna Das	—Senior Deputy Accountant-General	(Upto 23-12-83)
6.	Sri P.J. Chacko	—Senior Deputy Accountant-General	
7.	Sri B.C Vipra	—Audit Officer	

INTRODUCTION

I, the Chairman of the Committee on Public Undertakings (1983-84) having been authorised by the Committee at the sitting on 28-2-1984 present this First Report on certain Companies.

The Committee examined the general working and the audit paras contained in the Reports of the Comptroller and Auditor-General of India in respect of the following Companies as detailed below :

Sl. No.	Name of the Corporation	Year of the Report of the Comptroller and Auditor General of India (Commercial) examined.
1.	A.P. State Trading Corporation Limited	1980-81
2.	A.P. State Textile Development Corporation Limited	1979-80
3.	A.P. Steels Limited	1980-81
4.	A.P. Heavy Machinery and Engineering Limited	1980-81
5.	A P. Technocrats Industrial Estate Pvt. Limited	1974-75
6.	Singareni Collieries Company Limited	1974-75, 1976-77 1978-79 and 1980-81

The Committee held in all 30 sittings to record the oral evidence.

The Committee visited A.P. State Textile Development Corporation Limited, Hyderabad and its Tailoring Section, Garments Manufacturing Unit, Show Room etc. of the said Corporation on 29-9-1983.

As a member of the Select Committee on Hindu Succession (A.P. Amendment Bill, 1983) I had visited Tamilanadu, Kerala, Karnataka and Delhi. Utilising the opportunity, I tried to meet the Chairman of the respective Public Undertakings Committees. On 18-11-83 when

I found little time I had discussions with the Chairman, Public Undertakings Committee, Kerala State and also the Chairman, Kerala Textile Corporation Limited on the functioning of the Kerala State Textile Corporation Limited. I could not meet others as they were not available.

The Committee also visited open cast mines at Ramagundam, Under ground mines at Kothagudem, Hospital, Colleges etc. of Singareni Collieries Limited on 16th and 17th December ' 83 and also visited A.P. Steels Limited at Paloncha on 17-12-1983.

The Committee express their thanks to the Secretaries to Government, Industries and Commerce Department, Managing Directors of A.P. State Trading Corporation Limited, A.P. State Textile Development Corporation Limited, A.P.Steels Limited, A.P.Heavy Machinery& Engineering Limited and A.P. Small Scale Industrial Development Corporation Limited (on behalf of the A.P. Technocrats Industrial Estate Private Limited) and for the co-operation they have extended and for placing before the Committee the required material and information for examination.

The Committee place on record their appreciation of the assistance rendered to the Committee by Accountant-General-I and II, Andhra Pradesh, the Senior Deputy Accountant-Generals, other officers and staff of the Accountant-General and staff of the Legislature Department in the examination of the companies and in preparation of this report.

NISSANKARARAO VENKATARATNAM,

Chairman,

Committee on Public Undertakings

Hyderabad,

Date : 28-2-1984.

ANDHRA PRADESH STATE TRADING CORPORATION LIMITED

Audit Report (Commercial) for 1980-81.

Loss in the sale of imported caustic soda (solid.)

The Committee note from the para in Section VII of the Audit Report (Commercial) for 1980-81 that the Company had imported caustic soda (solid) without identifying the actual users for caustic soda (solid) in the State, as a result of which the Company was forced to dispose of the caustic soda (solid) to a private party of Bombay at a loss of Rs. 4.64 lakhs including the interest of Rs. 1.91 lakhs on the amount spent for import of caustic soda (solid). The Company in a written statement stated that due to import of caustic soda (solid) by actual users, the State Chemicals and Pharmaceuticals Corporation of India Limited (a subsidiary of the State Trading Corporation of India) and the export houses, and the increase in the indigenous production subsequent to the import of caustic soda (solid) the prices came down resulting in glut in the market. To a question as to the date from which the Government of India brought the item under OGL, the Company stated that the information has been called for from Joint Chief Controller of Imports and Exports and would be furnished on receipt from him.

To a question as to the other commodities imported and disposed of at loss, the Company in a written statement stated that 200 MTs of caustic soda (flakes) and 336.178 MTs of PVC resin imported by the Company during 1980-81 and 1981-82 at a cost of Rs. 50.04 lakhs was disposed of at loss. The Company stated that no procedure had been laid down for import of commodities and materials which are usually imported against the indents received from the users and also based on the anticipated demand for the same. From the statement furnished by the Company the Committee note that 200 MTS of caustic soda (flakes) and 150 MTS out of 336.178 MTS of PVC resin was imported on the basis of anticipated demand without obtaining firm commitments from the actual users. However, the actual loss incurred in the disposal of these two commodities was not furnished by the Company.

Regarding caustic soda (solid), the representatives of the Company while deposing before the Committee stated that the President, All India Manufacturers Association, Hyderabad and other users approached. The then Chairman and the then Managing Director of the Company for supply of caustic soda (solid) and a decision to import the caustic soda (solid) for supply was taken. The representatives of the Company,

however, expressed their inability to indicate the names of the users who approached the then Chairman and the then Managing Director of the Company for supply of the material as no record in the matter was kept by the Company.

In the absence of valid data on the points, the reasonableness of the decision taken to import caustic soda (solid) by the Company could not be judged by the Committee. In the opinion of the Committee the loss in disposal could have been avoided by the Company had the imports been made after obtaining firm commitments from the users. *The Committee would like the Government to cause an investigation to be made on the transaction and furnish the results of investigation to the Committee within 3 months.*

The Committee is sorry to observe that there is hesitancy on the part of the Undertaking to furnish required information. *The undertaking is therefore directed to furnish the information required above, on the receipt of which and also the report of the investigation by Government, a final report will be submitted fixing responsibility and the action to be taken against them.*

ANDHRA PRADESH STATE TEXTILE DEVELOPMENT CORPORATION LTD.

REPORT OF THE COMPTROLLER & AUDITOR GENERAL INDIA FOR THE YEAR 1979-80

1. INTRODUCTION :

The Government with a view to (i) providing the benefits of various development schemes to the weavers; (*ii*) developing handloom and powerloom industry within and outside the co-operative fold ; (iii) manufacturing and export the cotton and leather garments etc., established the Company in May 1975.

The Government ordered in March 1983, under the programme of reorganisation of its undertakings, the merger of the Company with the Andhra Pradesh Handicrafts Development Corporation (APHDC) another Government Company. The representatives of Government during deposition stated that in view of heavy losses and improper functioning of the Company in the past, the Government was reconsidering the decision. A proposal to handover various units of the Company to the APCO, Women Welfare Department, Setwin, etc., and then to wind up the Company instead of merging the Comapany with AP HDC was under examination of Government. *The Committee would ike Government to intimate the final outcome in the matter.*

2. NON-CONSTITUTION OF BOARD OF DIRECTORS - FREQUENT CHANGES IN THE INCUMBENCY OF THE DIRECTOR.

The Committee note from para 2.03.1 of Audit Report that threre was no Board during the period 30th December, 1977 to 27th November, 1978. The Government in a written Statement stated that the proposal for reconstitution of the Board was received from the Company on 23-12-1977 as the term of the Board was due to expire on 30-12-77. The Government however, reconstituted the Board on 27-11-1978 and the delay in reconstitution was due to administrative reasons. During deposition the representatives of the Government stated that on account of the change in Government there was delay in reconstitution of the Board. The Company in a written statement stated that the Government last reconstituted the Board in July, 1980 for a period of three years. The Company, however, as asked for by Government in November 1981, amended its Articles of Association reducing the tenure

of the Board from 3 years to 2 years. The matter regarding the tenure of the present Board after amendment of the Articles of Association was referred to Government and decision of the Government in the matter was awaited. During deposition the representatives of the Company stated that the Board met last in June 1982 and as on date there was no Board for the Company. It was expected that the Board would be reconstituted shortly by Government. The Committee regret to note that there was no Board for about 11 months in 1977 and 1978. The same situation was again repeated in 1982 and 1983.

The Committee also note from para 2.03.1 of the Audit Report and the information supplied by Government and the Company that during the period May 1975 to April 1983 Government nominated five Managing Directors. According to the Government during the period May 1975 to October 1975, and August 1976 to November 1976, there was no full time Managing Director and this was presumably due to non-availability of I. A. S. Officers for posting as M. D. on regular basis. As the postings of I. A. S. Officers were being done by the General Administration Department, the Industries Department was not in a position to indicate the exact reasons for not filling up the post of Managing Director on regular basis. The exact reasons for frequent changes in the incumbency of the Managing Director, were however, not furnished by Government. The Committee could not help in coming to the conclusion that the improper functioning of the Company, was mainly due to frequent changes in the incumbency of Managing Director and non-constitution of the Board. The Committee are also of the opinion that no useful purpose would be served by establishing public sector undertakings and entrusting them the various developmental programmes for execution unless continuity in the top management is maintained by Government.

The Committee are of the view that it is the responsibility of the Government to constitute the Boards in time and also avoid frequent changes in the incumbency of the Managing Director so that the undertakings can work on sound business lines.

In the circumstances stated the Committee would like the Government to examine the following.:-

1. *to appoint non I. A. S. personnel as M. Ds. if I. A. S. officers are not available ;*
2. *to see that the M. D., is continued atleast for a period of* 3 *years unless he is found to be not suitable ;*
3. *to see that the Boards are constituted or reconstituted intime to enable them to function without any time-gap ; and*
4. *to frame such rules or regulations as to make the officials or non-officials liable for the mismanagement, losses etc.*

3. NON-FINALISATION OF THF ACCOUNTS :

The Company in a written statement stated that the accounts for the year 1977-78 were finalised and were being checked by the Auditors. It was also stated that the accounts for the year 1977-78 were finalised and accounts for 1979-80 were under preparation. A cell for finalisation of accounts was stated to have been set up in Septemnber 1982.

The Committee note from the para 2.08 of the Audit Report that a loss of Rs. 28.60 lakhs was incurred by the Company to end of 1977-78. The Company in a written statement stated that for the years 1978-79 to 1981-82, the working of the Company had resulted in a loss of about Rs. 60.52 lakhs. The representatives of the A. P. S. T. D. C. Udyog Sangh during deposition stated that primary records of stores and stocks were not maintained properly. Even the cash book was not posted properly. In view of this, it was not feasible for the employees to furnish the information called for by the Auditors. It was also stated that heavy losses were incurred due to appointment of persons without technical qualifications and also due to frequent changes. The representatives of the Company during deposition stated that in the Accounts Branch of the Company there was no prpoer supervision and control and, therefore, the Accounts were not maintained properly. The Supervisory officer in the Accounts Branch was not able to enforce discipline.

The Committee note with regret the state of affairs obtaining in the Company. Accounts for 6 years were not finalised. The Committee could not help in coming to conclusion that the accounts were in arrears due to bad management and lack of control over employees. It is high time that remedial action is taken by Government/Company. *The Committee hope that the Company would take expeditious action in the matter of finalisation of accounts and bring the accounts upto date.*

The Committee found that staff and the management are blaming each other for the chaotic situation prevailing in the undertaking. It is also observed that the management in general is not committeed to the purpose and goals for which the Public Undertaking is constituted. The Committee views with concern that neither the Government nor management is fully aware of the growing disorder and indiscipline in the public Undertaking. Both of them allowed it to grow to point of no return. Only a machanical interest is taken by the Managing Directors or the Board or the Government representatives on the Board. There is no system existing in the functioning of the Board where the Government representatives report the adverse conditions prevailing

in tne Public Undertaking to the Government. It was very sad commentary that the Government representatives either not attended the meetings or attended without knowing any thing. *The Committee therefore recommend to the Government to overhaul the entire system and make it meaning-full and useful.*

4. PERFORMANCE ANALYSIS !

The Committee note from the Audit Report and the written statement furnished by the Company that the latter had set up (i) a research and development centre with 150 Sewing machines for designing and producing exportable varieties of readymade-garments ; (ii) a powerloom unit with 45 powerlooms at Jeedimetla industrial area ; (iii) 10 production-cum-procurement centres in all important weavers concentrated areas; and provided assistance to 31 powerloom weavers Co-operative Societies by sanctioning Rs. 7.69 lakhs as margin money for raising loans from the banks. Besides the Company, at the instance of Government also (i) procured cloth stocks worth Rs. 62.94 lakhs from the weavers, (ii) took up for implementation the Intensive Development Project (IDP), Export Production Project (EPP), Special Rehabilitation Project (SRP) for providing intesive training and employment to the identified weavers in the project areas sanctioned by Government of India at a cost of Rs. 413.26 lahks, (iii) took up the management of a sick unit viz., Anthergaon Textile Co-operative Production and Sales Society for reviving the unit ; (iv) set up a mini-spinning mill at Uravakonda at a cost of Rs. 7.60 lakhs and promoted a unit under a joint venture scheme.

The Committee also note from the Audit Report and replies furnished by the Company that the Company could not use to full extent the capacities of its units viz., Research and Development Centre at Hyderabad, Powerloom unit at Jeedimetla due to lack of orders. Records for unutilised fabrics, job orders, etc. were not maintained. Regarding supply of garments manufactured in the Research and Development unit at the rates less than the cost of production (at a loss of Rs. 3.55 lahhs) and transfer of cloth at a value less than the cost of production and payment of Rs. 0.55 lakh to weavers on account of adoption of increased number of weaver days in the case of powerloom units, the company stated that the issues would be examined and the Committee informed of the matter.

The Company in a written statement stated that it was able to get block and working capital loan of Rs. 52.82 lakhs to 30 powerloom Co-operative Societies from the banks under its programme of assistance to Powerloom Co-operative Societies. Most of the societies are not functioning . The loan was disbursed by the banks after execution

of guarantee by the Company. An amount of Rs. 43.79 lahks towards principal and Rs. .13.57 lakhs was due to four banks and one of the banks had invoked the guarantee and asked the Company to pay the amount. The Company had filed counter affidavit in the suit filed by the bank. It was also stated that marketing arrangements with these societies were not made due to the problems of marketing and financing difficulties faced by the Company itself.

Regarding the sale of cloth procured (valued Rs. 62.94 lakhs) during 1975-76 and 1976-77 at the instance (july 1975) of Government with a view to mitigating the difficulties of the Weavers cropped up due to slump in the market, the Company in a written statement in reply to para 2.09.1 of Audit Report stated that even though the cloth was purchased during 1975-76 and 1976-77, the matter was not put up to the Board till January, 1977 and the reasons for not bringing the matter to the notice of the Board upto January, 1977 were not known. It was also stated that the Managing Director was atuthorised (January 1977) by the Board to dispose of the cloth at a price lower than the procurement price and the loss /profit in the disposal of the cloth was not worked out so far as desired by the Board in its 30th meeting held on 10th July 1977. Reasons for not inviting the tenders for sale of cloth were stated to be not known.

The Company in reply to para 2.09.4 of the Audit Report stated that the projects under the schemes of IDP, EPP and SRP were prepared by the Director of Handlooms and Textiles in consultation with the State Government after taking into account the guidelines issued by Government of India was entrusted to the Company by Government for implementation and therefore, the Cmpany was not involved in the formulation and finanlisation of the projects. It waas also stated that there was nothing on record to indicate as to why the matter regarding entrutsment of the schemes to the Company for implementation was not placed before the Board before taking up the implementation of the projects under the schemes. The Committee was also informed that an expenditure of Rs. 371.59 lakhs was incurred upto end of March, 1982 as against Rs. 354.90 lakhs (Rs. 114.23 lakhs from Central Government and Rs. 240.68 lakhs from State Government) received. It was also stated that under the 3 schemes 4,111 looms (2,615 looms under IDP, 1296 looms under SPG and 200 looms under EPP) and 430 looms (355 looms under IDP, 25 looms under SRP and 50 looms under EPP) were modernised/replaced and 270 power looms (145 looms under IDP, 25 looms under SRP and 100 looms under EPP) were installed in training centres as against the installation targets of 10,000 looms under each of the three schemes. The power looms installed in the training centres (270 looms valued about Rs. 2.70 lakhs) were stated to be lying idle

consequent on closure of the project. The Committee note that the performance of the Company in the matter of installation of looms was very dismal.

The Company in its written statement stated that as against 3 dye units and 100 wrapping units required to be established under IDP schemes 2 dye units and 22 wrapping units were established. The two dye units commissioned in July 1978 and September 1978 at a cost of about Rs.3.08 lakhs are not working now as is the case of dye unit at Puttur where there is no work since 1982-83. The sheds of the unit at Gummaladibba were damaged in the cyclone in May/June 1979 and efforts of the Company to lease or sale this unit did not fructify.

The dye unit commissioned in February, 1979 at Janagaon at a cost of Rs. 5.36 lakhs under EPP scheme was also stated to be not working for want of adequate orders. It was also stated that as against 2 dye units and a Heat setting plant required to be established under SRP only one dye unit (at a cost of Rs. 8.90 lakhs) and Heat Setting Plant (at a cost of Rs. 89.11 lakhs) was established at Machilipatnam. The dye unit at Tenali was not established for want of funds as there was escalation in the cost of dye unit setup up at Machilipatnam The Heat Setting Plant commissioned in January 1982 was stated to be not working to its full capacity for want of soft water in required quantity. The Committee note that the Company not only did not set up the required number of units but was not able to operate units established by it. Thus, the purpose of entrusting the implementation of the schemes by Government to the Company was defeated.

The Company stated that the project centres started (number not indicated) under these three schemes were converted into Co-operate Societies with effect from 1-4-1981 with a view to enabling them to avail of the working capital requirement at a concessional rate and secure support for marketing from the Apex Society. The Cmmittee was not appraised as to whether all these societies are at present working or not. It was also stated that it would be appropriate to merge these societies with APCO so as to avoid duplication of functions and avoid the expenditture in running the Company.

The Mini-Spinning Mill with 912 spindles set up at Uravakonda at a cost of Rs. 7.60 lakhs was stated to be not working to its full capacity due to managerial problems and want of working capital and therefore the Andhra Co-operative Spinning Mills was asked to manage the unit.

The unit of Anthergaon Textile Co-operative Production and Sales Society taken up for revival was stated to have been handed over to the Rehabilitation Department in August, 1982.

The Committee could not help in coming to the conclusion from the above facts that the Company without assessing its capacity to manage had gone ahead with number of schemes either at its instance or at the instance of Government and virtually was not able to implement any of the schemes successfully, as a result of which the benefit expected to be derived by the weavers was denied to them besides wastage of public funds in the implementation of the schemes.

The Committee would like the Government to examine the capabilities of its undertakings before entrusting the implementation of the schemes to them and on entrustment review at periodical intervals their implementation so as to avoid wastage of public funds.

(*ii*) HEAT SETTING PLANT :

The Company, under SRP formulated for providing relief to weavers affected by the tidal waves in Krishna and Guntur Districts, set up a Heat Setting Plant at Machilipatnam for processing cotton and polyster cloth at a cost of Rs. 89.18 lakhs as against Rs. 25 lakhs provided under the scheme. The Project report was prepared. The plant was commissioned in January, 1982. The unit could not work to its full capaolty due to lack of soft water as the water of 4 borewells dug for the purpose contained high chloride. Regarding selection of site the representatives of Government during deposition stated that site was selected by the district level authorities at the instance of Government of India. It was also stated that the location of the unit at its present place was most unviable and useless because of transport difficulty and lack of water facility. Further for making the unit viable additional machinery worth Rs. 33 lakhs was required to be purchased in addition to digging a canal at a cost of Rs. 12 lakhs. The thinking in Government was to dispose of the unit to an intending buyer or set up the unit at some other place where the unit could be run prootably. However, a final decision in the matter was not taken by Government, so far. The Company in reply to para in Audit Report in a written statement stated that the plan may face fhe problem of procuring the required quantity of polyster and theireore the processing activity would have to be diversified. The Committee was surprised to note that a project of about Rs. 1 crore was executed without preparation of a project report and examining the suitability of the site. Even though a decision at the instance of Government of India was taken for location of the plant, the Government before taking up the execution could have got project report prepared

and suggested for change of site to Government of India. *The Committee would like the Government to probe into the matter of selection of improper site for setting up the plant and fix the responsibility for improper selection of site. The final decision of Government in the matter of operation of the plant may be intimated to the Committee.*

(*iii*) JOINT VENTURE UNIT :

The Company floated a joint venture unit and subscribed Rs 1.75 lakhs to the share capital. The Company imported without inviting tenders and without the prior approval of Board 10 PFFAFF stitching machines at a cost of Rs 2.70 lakhs and handed over these machines on the ground of lack of spare to the joint venture unit. 12 Vidya sewing machines and 10 MERRIT Sewing Machines were also given to the Joint venture unit. The Company also accepted two bills raised by the joint venture unit, without supplying 2500 leather garments. The bills for Rs. 1 lakh were discounted by the unit and the bank had filed a suit against the company for payment of the amount of the bills The Company, in reply to para in Audit Report, in a written statement stated that the production Assistant who issued a false certificate regarding the receipt of the garments was placed under suspension and the matter was under enquiry. During deposition the representatives of the Company stated that the unit became dormant in 1981 due to sustaining a loss of about Rs 9 lakhs and the company in addition to recovery of Rs. 1.75 lakhs had to recover about Rs 0.63 lakhs paid as advance. The amount recoverable from the unit by way of advance was yet to be assessed. It was also stated that a legal notice for recovery of Rs 1.75 lakhs was issued and the Company was seeking legal advice from the Advocate General for recovery of the amount. It was stated that in the matter of disciplinary action against the Assistant, the company in view of the suit filed by the Bank, had to proceed cautiously. The Company in a written statement stated that 10 PFFAFF machines were taken back from the joint venture unit and the other 22 Sewing machines were still with the joint venture unit. The Committee note the lethargy on the part of the Company in not taking back the 22 machines. The Committee would not like to draw any conusions, in view of the situation in which the Company had been placed due to its unbusiness like action in dealing with the joint venture unit. *The Committee would however, like to know the final outcome in the matter of recovery of the amount due from the unit, the action taken against persons responsible the outcome of the suit filed against the Company for recovery of the amount of bills and the position regarding taking back 22 Sewing machines.*

5. OTHER IRREGULARITIES IN THE WORKING OF THE COMPANY :

(*i*) An amount of Rs. 2 lakhs was deposited by the Company on 7-2-1979 in a fixed deposit with a Bank. The said bank granted loan

to the Company's joint venture unit on the basis of a guarantee alleged to have been given by the former General Manager of the Company. The alleged guarantee was purported to have been given without the approval of the Board. The bank did not refund the amount of deposit and on the contrary asked the Company to pay an amount of Rs. 50,258.90 after adjustment of the amount deposited together with interest thereon on the gruond that on the basis of guarantee of the company, the bank had sanctioned and disbursed the loan to the joint venture unit. The suit filed by the Company for appropriation of the amount by the bank and asking the Company to pay the balance amount was pending in the Court.

(*ii*) Not putting to use looms and accessories valued about Rs. 11 lakhs.

(*iii*) Purchase of 2 machines valued Rs. 4.27 lakhs for Heat Setting Plant even though not required.

(*iv*) Execution of Civil works of the Heat Setting plant under the supervision of the J.E. - piecemeal local purchases by the J.E. amounting to Rs. 6.09 lakhs by obtaining unsealed quotations etc.

(*v*) Entrustment of the work of supply and erection of machinery of Mini-Spinning Mill at Uravakonda without inviting quotations-Non-availability of information in the records of the Company as to the reasons for non-invitation of quotations.

(*vi*) Non-inspection of garments before export to Holland and West Germany - Short realisation - Other irregularities in the export - short realisation of the amount.

(*vii*) Export of cotton garments to West Germany even without renewal of the L.C. - Loss in the export etc.

(*viii*) Irregularities in the export of jerkins to West Germany-Loss of about Rs. 1.20 lakhs due to export of substandard jerkins-Non-fixing of responsibility on the concerned employee of the Company-Non realisation of Rs. 0.21 lakh due to dishonour of cheque issued by the West German Firm etc.

(*ix*) Supply of fabrics and garments to a firm of Delhi - despatch of invoices direct to the firm instead of through the bank, raising of 15 invoices in April 1981 for the supplies effected in 1978-79 and 1979-80 valued Rs. 17.59 lakhs - Non-payment of the amount of Rs. 21.27 lakhs due from the firm.

(*x*) Not taking action for recovery of Rs. 1.69 lakhs towards supply of fabrics from a firm of Bombay.

(*xi*) Appointment of a firm of Calcutta as selling agents - Non-execution of agreement, non collection of cash deposit of Rs. 10,000, Non-drawal of documents through bank despite the fact that the Managing Director ordered to despatch the documents through the bank, non-fixation of responsibility for not carrying out the orders of Managing Director, non-realisation of the amount of Rs. 3.93 lakhs, filing of a suit for recovery of the amount.

(*xii*) Non-issue of guidelines to the subordinate officers for the sales to be effected on credit, non-recovery of Rs 44.31 lakhs from the private parties, Rs. 15.59 lakhs from Cooperative Societies and Rs. 19.92 lakhs from Government departments, non-reconciliation of debtors accounts etc.

(*xiii*) Accumulation of stock valued about Rs. 60 lakhs.

(*xiv*) Incorrect claim of Rs. 0.83 lakh towards rebate on cloth sold to Delhi firm.

(*xv*) Theft of stock valued Rs. 50,000 in the Jeedimetla unit.

The representatives of the Company during deposition stated that strict measures were not taken by the Board as well as the Managing Director. When the administration was tightened there was revolt by the employees and the revolt was carried by the employees to the extent of cutting of the lights, preventing the visitors from seeing the Managing Director, preventing the driver of the car for Managing Director from attending duty, forcing the P.A. to Managing Director and Personnel Officer to proceed on leave. There is no administration in the Company and even the files/records are not made available by the employees to the Officers for pursuing the transactions. Added to this there is no Board and no Chairman for the Company. The present Managing Director is only an incharge Managing Director and is not in a position to take important decisions out of psychological fear as to what would happen at a latter date in case important decisions are taken.

The important records of the Company have since been kept under lock and key. In view of this it would not be feasible to explain in detail the implications in respect of the point mentioned in the Audit Report. It was also stated that a report regarding the state of affairs obtained in the Company was also sent to Government. The representatives of Government stated that very recently a report regarding the state of affairs obtained in the Company was received and the position was discussed with the employees representatives. To a specific question as to whether Government was not aware before receipt of the report about the position obtained in the company, the representatives of Government stated that the Government was aware of the position but no action

could be taken in the absence of report. The representatives of the Government also stated that Government in August 1983 had constituted One man Commission of Inquiry with a retired I.A.S. Officer to inquire into (i) the reasons for losses and identify the persons responsible for the irregularities leading to losses to the company ; (ii) irregularities in recruitment policy and practices in filling the vacancies ; (iii) export deals which resulted in losses and persons responsible for such losses ; (iv) reasons for lack of financial discipline and consequential losses and (v) reasons for inefficiency, indiscipline amongst the employees. It was also stated that the Commission, which was required to give its report within a period of three months from the date of assumption of office had not yet given its report. The Committee due to non-furnishing of details leading to irregularities mentioned in the Audit Report by Company/Government could not draw any conclusions.

The Committee, in the circumstances would like to wait till the inquiry is completed by the Commission.

The Committee would like Government to furnish a copy of the report of the Commission together with action taken on the report on completion of enquiry and submission of the report.

6. REPORT OF THE INSTITUTE OF PUBLIC ENTERPRISES :

The Company in a written statement stated that at the instance of Government the working of the company was studied by the Institute of Public Enterprises. The Institute in its report stated that as against the share capital of Rs. 370 lakhs the Company had net assets worth Rs. 15 lakhs and the balance amount was wiped out by way of losses, etc. The representatives of Government during deposition stated that report submitted by the Institute in October 1982 was under examination of Government and that a report from Managing Director regarding the affairs in the company had been received and a meeting would be convened for considering the report of the institute and that of Managing Director.

The Committee note with disappointment the apathy on the part of Government in dealing with the affairs of the Company despite the fact that the alarming situation in which the company was placed was known to Government from the report of the Institute. The decision of the report was not taken by Government even after six months of its submission. The Committee could not help in coming to conclusion that Government was also partly responsible for the present state of affairs in the company on account of its inaction. *The Committee would like to express its strong resentment for the inaction on the part of Government and hope that instances of inaction would be avoided in future.*

7. NOMINEE DIRECTORS :

The Committee note that Government officials are nominated on the Boards of its undertakings in addition to nonimation of non-officials. The representatives of Government during deposition stated that there is no system of reporting as to what transpired in the Board meetings and about the affairs of the undertakings. No instructions for submission of report were issued by Government to its official nominee Directors. It was also stated that there was no machinery in the Government prior to creation of Bureau of Public Enterprises a year ago. Now that the Bureau of Public Enterprises has been set up by the Government for review of working of the undertakings periodically, it would be appropriate to have an independent information system for the Bureau other than the information supplied by the undertakings. *The Committee would like Government to examine the feasibility of reporting to Government by its official nominee Directors as to what transpired in the board meetings and the state of affairs of the working of the Company after attending the Board Meetings. The result of examination and action taken may be intimated to the Committee.*

GENERAL :

(*i*) The representatives of the Company during deposition stated that for furnishing the clarifications required by the Committee, the Management was not able to get the relevant files due to non- Co-operation by the employees. The Committee note from the replies to the paras in the Audit Report that detailed replies to the points raised in the Audit Report were not furnished by the Company. The representatives of the Government to a question as to what action is taken by Government after the Audit Report is placed on the Table of the Assembly stated that the paras in the Audit Report are communicated to the respective departments/public sector undertakings and the paras relating to departments are revised in a meeting of the representatives of Government and department. The concerned undertakings prepare the replies for their paras. The Committee was surprised to note that Government had not prescribed any system for dealing with the objections contained in the Audit Report. Normally it is expected of Government to call for the replies on presentation of the Report to the Assembly from the respective department/undertakings, examine them and place before the Committee as and when called for with the remarks/action taken report so that the Committee need not spend much time in examination. It is surprising to note that no action was taken by Government in the matter till the Committee took up for examination the paras relating to this Company. The Management/Government during examination neither furnished detailed replies nor furnished proper clarifications to the points raised during the oral examination of the representatives of the Company/

Government. The Committee was happy to note that with a view to overcome the situation in which the Company/Government was placed while examining the working of the Company, Government ordered constitution of one man commission of Inquiry into the affairs of the Company. Due to incomplete furnishing of information by Company/Government it was not feasible for the Committee to draw the conclusions for the irregularities commented in the Audit Report.

In the opinion of the Committee, it would facilitiate the examination by the Committee in case Government on presentation of Audit Report ask the departments/undertakings to furnish their detailed remarks to the paras contained in the Audit Report, examine the remarks and place the same before the Committee along with the remarks/action taken by Government. This would not only save the time of the Committee but would enable the Committee to examine the replies/remarks of the Company/Government and draw the necessary conclusions. *The Committee hope that action would be taken for creating a machinery for obtaining remarks/replies to the paras contained in the Audit Report from the respective undertakings, examine them and place before the Committee with the remarks/action taken of/by Government as and when called for by the Committee.*

The Committee note that Government ordered in March 1983 for merger of the Company with Andhra Pradesh Handicrafts Development Corporation Limited. During deposition the representiatives of Government stated that there is a rethinking in the Government in the matter and Government would like to examine as to whether part of the activities like research and development unit, the unit at Jeedimetla,Heat setting plant etc. could be transferred to Women's Welfare Department, SETWIN, APCO, etc. The Company in a written statement stated that on conversion of the project centres started under I.D.P., S.R.P. and E.P.P. into Co-operative societies with effect from 1-4-1981 it was not having adequate activities to support itself. Thus, since last two and half years there were no adquate activities for generation of income with the Company. Regarding working of the Company in loss, the representatives of the employees' union of the Company during deposition stated that unless the accounts were finalised it would not be appropriate to presume that the working so far had resulted in loss. The Committee note that the Kerala State Textile Corporation was working on sound lines and was able to revive a number of sick units in the line of manufacturing of cloth, fabric etc. The present state of affairs in the Company, in the opinion of the Committee, was due to lack of proper control and management for which Committee feel Government was responsible. The Government, however, would not like to express its opinion about the continuity or othrwise of the Company. The Committee would

however, like to reiterate that on abolition of the Company the interest of weavers not covered under co-operative sector should not suffer and there must be an agency to look after their interest. *The Committee would like Government to examine this aspect and intimate the action, taken in the matter.*

ANDHRA PRADESH STEELS LIMITED, PALONCHA.

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR 1980-81 (COMMERCIAL).

1. INRODUCTION :

The Andhra Pradesh Industrial Development Corporation with a view to setting up an integrated mini-steel plant through sponge iron electric arc furnace route consisting of a sponge iron plant, electric arc furnace unit and rerolling mill promoted in November 1973, two subsidiary companies viz., Sponge Iron India Limited and A.P. Steels, Limited for manufacture of sponge iron billets and rods respectively. Sponge Iron India Limited was, however, handed over to Government of India.

The Andhra Pradesh Steels Limited (Company) set up a plant at Paloncha, a tribal area, with two 15/17 ton electric arc furnaces and continuous casting machine for production of 47,000 tonnes of billets per annum initially using steel scrap and subsequently scrap and sponge iron mix at a cost of about Rs. 511.51 lakhs. The plant was commissioned in January, 1977. Pencil ingots were manufactured up to June 1977 and thereafter cast billets. A composite wire rod mill of 35,000 tonnes capacity per annum required to be set up as per the project report at an estimated cost of Rs. 396 lakhs was not, however setup. Due to non-setting up of the wire rod mill, the company was forced to sell the billets or convert them into rods by entrusting the work to private re-rollers and sell the rods. The location of the plant was neither near to the generatin of scrap centres nor near the market for billets and rods and as a result of which the Company had to incur expenditure on transport of scrap as well as billets resulting in losses to the Company. The plant was located at Paloncha mainly with a view to utilising the sponge iron manufactured by the Sponge Iron India Limited, which was also to set up its plant for manufacture of 30,000 tonnes of sponge iron by utilising low grade iron ore available at Bayyaram mine and non-coking coal of M/s. Singareni Colleries.

Regarding non-setting up of wire rod mill, the representatives of Government during deposition stated that the policy of Government was to raise part of the capital investments by way of loans from the

financial institutions. It was also stated that the capacity of re-rolling mills in the private sector in the State was more than the capacity to manufacture billets and, therefore, it was thought that further investments in wire rod mill might not yield the desired results. It was also, stated that the policy of Government was to promote the industries and not to run the same. Moreover, the Company had been incurring losses from year to year. The losses to end of March 1982 were Rs. 618.13 lakhs as against paid up capital of R.. 158.61 lakhs. The, Government, keeping in view the opinions expressed in the Legislature, requested the Government of India to take over this Company. The Government of India, however, was not interested in the taking over of the Company. The Government was, therefore, forced to act as per the wishes of the creditors of the Company and felt that it would be in the interest of the State to hand over the Management to other parties. The Government as a mater of policy decicod to hand over the Management of the Company to other parties and offers received for take-over were being examined by Government in consultation with the creditors of the Company. It was also stated that the amount realised after the handing over of the Company to the parties could be utilised for development of the State.

The Committee examined some employees of the Company who felt that it would be unwise to sell it to a private Company at this stage when the Company passed over all the hurdles and began to earn profits, which arugument was not accepted by the Government representatives who deposed that if payment of interest etc., are taken into consideration, there would not be profit.

The Committee, therefore, would like the Government to intimate the ultimate decision taken in this matter.

PURCHASE OF SCRAP :

The Committee noted from para 3.09.2 of the Audit Report that in respect of 12 purchase orders (valued Rs. 38.95 lakhs) even though there was a provision for inspection of scrap at suppliers' premises no inspection was done and the scrap was accepted as per the classification indicated by the suppliers, which resulted in extra payment of Rs. 3.21 lakhs. The Company in reply stated that the Executive Director was relieved of his duties and the Commercial Manager was dismissed from service for acceptance of the scrap and making payment as per classification furnished by the suppliers. The then Executive Director, who was examined by the Committee, during deposition stated that there was a general scarcity of scrap and as the difference in the classification indicated by the suppliers and that made by the Company was not, substantial payment was made as per classification indicated by the suppliers. The Committee failed to understand as to why a clause

was provided in the purchase order for inspection of scrap at the premises of the suppliers when the Company was aware of general scarcity of scrap in the market and therefore was forced to accept the terms dictated by the suppliers. The committee was unable to agree with the views expressed by the then Executive Director during deposition. In the opinion of the Committee the dispensing of the services of the persons responsible for the loss was not adequate. *The Committee recommend the Government to cause an investigation in the matter and initiate action for recovery of the amount paid in excess of the ruling market rates for scrap from the persons responsible.*

SALES :

The Committee noted from para 3.10 that there was no price list prior to September 1978 and that the sales during the period April, 1978 to January 1979 were effected either at the prevailing market, rates or the rates negotiated by the Commercial Manager with the, customers. The approval of the competent authority for sales at negotiated rates were also not obtained. The Committee also noted from the para that there was a loss of about Rs. 4.08 lakhs in the sale of 4,399 tonnes due to effecting the sale at the rates less than the ruling market rates. The Company in a written statement stated that the sales were mostly done at the oral instructions of the Executive Director and no ratification of these transactions was recorded. The Committee also noted from the said statement that during the period 18th October 1977 to 1st December 1978 there was no fulfledged Managing Director and the Excutive Director was acting as Managing Director. In th opinion of the Committee, had there been a fulfledged Managing Director, the sales at less than market rates could possibly have been avoided. Further, the Committee noted that the legal advisor of the Company in his legal opinion dated 11th August 1979, advised the Company to conduct an enquiry of the transactions of sales, purchases, etc., finalised by the then Executive Director and Commercial Manager so that they could be sued in the Court of Law. However, no such enquiry was conducted for the reasons best known to the Company and the services of the Executive Director and Commercial Manager were dispensed with. The Committee was not happy with the way in which the Company acted in the matter. *The Committee would like the Government to cause an investigation in the matter as to why no enquiry was conducted by the Company and action taken for recovery of losses from the persons responsible.*

The Committee noted from para 3.11 that the sales were on credit and the Company was not able to recover the sales price together with interst from 2 parties and amount of interest from one party.

The Committee also noted from the para that in the case of supplies to a re-rolling mill at Hyderabad despite non-payment of hundies drawn by the Company on it, supplies were effected by the Company.

Not only that for recovery of the amount due the company had drawn a scheme of further supplies with a view to recovering the dues and effected supplies which resulted in increase in the amount due from Rs. 11.37 lakhs to Rs. 17.18 lakhs. The representatives of the Company during deposition stated that the civil suit filed by the Company in July 1980 against the proprietors of re-rolling mill was pending in the Court. It was also stated that criminal suit filed against the proprietors of re-rolling mill, the then Executive Director and Commercial Manager who were responsible for credit supplies was dismissed by the Court in December 1981 and the Company had filed an appeal in March 1982 against the judgement and the appeal is pending in the Court. The then Executive Director who was examined by the Committee during deposition stated that the credit was extended before his taking over charge as Managing Director and an amount of Rs. 19.50 lakhs was due from the proprietors of the re-rolling mill. With a view to recovering the same amount a scheme for supply on credit was drawn up and as a result of which the amount due was reduced from Rs. 19.50 lakhs to Rs. 17.18 lakhs. The representatives of the Company did not clarify as to the circumstances under which the credit to the firm to the extent of Rs. 19.50 lakhs was allowed initially i.e., before the taking over by the Executive Director as Managing Director. *The Committee recommend the Government to cause an investigation with a view to fixing responsibility for allowing credit initially to the extent of Rs. 19.50 lakhs without insisting on any security by way of bank guarantee, etc., and intimate the results of investigation and the action taken on the person responsible for extending the credit for such huge amount. The decision of the court in the case of criminal appeal and the Civil suit may also be intimated to the Committee.*

Regarding the recovery of Rs. 4.46 lakhs including interest of Rs. 1.54 lakhs for the supplies effected on credit to a firm of Mahaboobnagar the Company in a written statement stated that it had obtained a decree for Rs. 4.89 lakhs with interest and the decree was under execution.

The Committee would like the Company to inform the Committee the result of execution of the decree.

So far as the recovery of Rs. 1.65 lakhs from a firm of Hyderabad towards interest, the Company in a written statement stated that a decision on the request (made in October 1979) of the firm for waiver of the amount was not yet taken. *The Committee was surprised to note that no decision on a request made three years before was taken sofar by the Company and in view of the provisions of the Limitation Act, it was doubtful whether the Company would be able to recover the amount in case the request of the firm was negatived by the Company. The Committee would like the Company to furnish a report as to the circumstances under which a decision on the request of the firm could not be taken by the Company so far.*

ANDHRA PRADESH HEAVY MACHINERY AND ENGINEERING LIMITED.

REPORT OF THE COMPTROLLER AND AUDITOR-GENERAL OF INDIA FOR THE YEAR 1980-81 (COMMERCIAL).

1. INTRODUCTION :

The Committee was happy to note that the people of Krirshna District formed a Project Promotion Committee in April 1976 under the Chairmanship of District Collector and collected Rs. 204.54 lakhs for setting up of a Heavy Engineering Industry. A Company viz., Andhra Pradesh Heavy Machinery and Engineering Limited was formed in September, 1976 as a public limited company for implementation of the project. The amount collected by the project promotion Committee was handed over to the Company. The Committee was surprised to note that neither Andhra Pradesh Industrial Development Corporation nor Government came forward initially to channelise the interest of the people and as a result of which no concerete steps for formulating the project coud be taken even after incorporation of the Company for about one year and the company had to incur an expenditure of Rs. 1.25 lakhs on establishement. The Andhra Pradesh Industrial Development Corporation agreed to be the promoters for the project and started releasing funds from April 1977 i.e., after a lapse of about 6 months period after incorporation of the Company. *The Committee hope that in future Government/A.P. Industiral Development Corporation would take the initiative in the matter and come forward to channelise the resources mobilised by the people for setting up of industries without any loss of time so as to avoid delay in implementation of the projects.*

2. NON-DISPOSAL OF MACHINES :

The Committee noted from para 4.06.2 of the Audit Report that 4 air jet dusting machines manufactured at a cost of Rs. 5.73 lakhs were lying unsold due to slump in the leather market. The representatives of the Company during deposition stated that one machine was sold and another was given to Central Leather Research Institute. 2 machines were lying unsold. It was also stated that the Company initiated action for carrying out improvements in the machines to suit the requirement of leather industries. *The Committee hope that efforts of the Company to carry out improvements in the machines to suit the*

need of leather industry would be successful and the Company would be the leading manufacturers of these machines in the country. The Committee would also like the Company to intimate the fact of disposal of two machines.

3. PREPARATION OF INADEQUATE FEASIBILITY REPORT :

The Committee noted from para 4.07 of the Audit Report that the Company appointed a firm without invitation of quotations for preparation of feasibility report for establishing manufacturing facilities for mini-cement plants, supply of designs and drawings etc., at a cost of Rs. 1.50 lakhs. Despite the fact that the feasiblity report prepared by the firm was not useful in the absence of details of full set of machinery required to be installed and indication of incorrect length of kiln required for rotary dry process, etc, the Company paid Rs. 1.30 lakhs to the firm. The Committee also noted from the para that the firm was selected as it had foreign know-how and a licence for manufacture of mini-cement plants. The Committee failed to understand as to how without knowing the capacity of the firm to prepare the feasibility reports for mini-cement plants, the Company selected the firm. In the opinion of the Committee, possessing foreign know-how and licence for manufacture need not be the complete factors for selection of the firm. During deposition the representatiives of the Company stated that the firm, which was asked to refund Rs. 1.30 lakhs and agreed to get the approval of the financial institutions for the project and the company had asked the firm to refund the amount in case it was not able to get the approval and the matter was under negotiation. *The Committee would not like to make any observation at this stage and it would like the Company to intimate the final outcome in the matter.*

ANDHRA PRADESH TECHNOCRATS INDUSTRIAL ESTATE (PRIVATE) LIMITED.

REPORT OF THE COMPTROLLER AND AUDITOR-GENERAL OF INDIA FOR THE YEAR 1974-75 (COMMERCIAL).

The Andhra Pradesh Technocrats Industrial Estate (Private) Limited was incorporated with an authorised capital of Rs. 5 lakhs on 24th, March, 1971 with the main objects of acquiring lands, buildings or other immovable properties of any description for preparing factory site, establishing, running and maintaining the industrial estates and generally dealing in plots and buildings therein, either by way of sale on cash, deferred payment basis or by letting out on lease to technocrat industrialists.

As on 31st March, 1975 the finances of the Company consisted of paid up capital of Rs. 300 and advances amounting to Rs. 8,826 given by the Andhra Pradesh Small Scale Industrial Development Corporation Limited. The Company did not commence its functions during the entire period of four years since its incorporation in March, 1971 and incurred a cumulative losss of about Rs. 9,326 to the end of March, 1975.

The representatives of the A.P. Small Scale Industrial Development Corporation Limited during deposition stated that after five months of its incorporation the share holders decided to have the plots on individual names by paying the amounts of their shares to avoid the complicated nature of payment by all the 3 agencies viz., Company, Technocrats and the other agencies. Consequently, on the land acquired for the purpose, buildings were constructed and let out to the technocrats on hire purchase system. Some technocrats fully paid the amounts and some were given 20 years of time for full payment.

It is stated in the written reply that an application has been filed on 27-3-1981 with the Registrar of the Companies to strike off the name of the Company from the Registrar of Companies and that intimation is awaited from the Registrar. When asked as to why there was so much of delay it was deposed that there are lot of papers to be submitted to the Registrar and lot of procedure to be followed which formalities were stated to have been completed subsequently. Since the reply is not comprehensive with all the latest details the Committee is of the opinion that the process is going on at a snail's pace. *The process of winding up of the Company shall be completed immediately.*

THE SINGARENI COLLIERIES COMPANY LIMITED.

Audit Report (Commercial) for the year 1974-75.

1. REPORT OF HIGH POWER COMMITTEE :

The Committee noted from para 1 of Section-III of the Audit Report that the Government appointed in March 1970 a High Power Committee and the Committee submitted its report in November 1971. The Company in a written statement stated that Government appointed the Committee to undertake comprehensive study of the set up and working of the Company and to identify the impact of internal and external factors which had contributed to the continuing adverse results of the working of the Company. The Company as desired by Government furnished its comments on the report to the latter. It was also stated that most of the recommendations were general and technical in nature which were given due consideration and implemented. The problems faced by the Company at the time of appointment of the Committee and those faced now are quite different and therefore all the recommendations were not implemented. In the absence of furnishing the information called for by the Committee as to the recommendations of the High Power Committees, comments of the Company on the recommendations, the stage of implementation of these recommendations etc., either by the Company or by Government, the Committee could not know the exact position in the matter. The representatives of Government during deposition stated that the case was closed by Government and therefore decisions of Government on the report could not be made available to the Committee and efforts were made by Government to furnish the information required by the Committee. The Committee was surprised to note the manner in which the report was dealt with by the Company and felt that no useful purpose would be served by examining the position by it at this distance of time. The Committee would like to reiterate that no useful purpose would be served by appointing committees unless follow up action was also taken on their reports. *The Committee require the Government and the Company to submit the contents of the high Power Committee and their report of implementation immediately, to enable this Committee to suggest appropriate recommendations.*

2. NON-ENCASHMENT OF INVESTMENT IN AN INSURANCE COMPANY :

The Committee note from para 5.02 of the Audit Report that the shareholders in a meeting convened by the Ex-Chairman of the

Insurance Company (which was nationalised from 1st January 1973) authorised the Chairman to receive the amount of compensation from the nationalised Company and invest it in some other venture. The Company even though a shareholder did not depute any of its representative for attending the meeting and suffered on ex-parte decision which was binding on the Company. The Company in a written statement stated that the Board of Directors gave a general authorisation in 1964 to the Secretary of the Company to represent the Company in the shareholders meetings and the then Secretary and Chief Accounts Officer left the service of the Company in April 1976 and there is nothing on record to indicate the circumstances under which the meeting was not attended by him.

It was also stated that the new Company had issued 14,750 shares of Rs. 10 each against the compensation of Rs. 91,325 and interest thereon receivable by the Company. The representatives of the Government and the Company during deposition stated that the new Company which was scheduled to go in production at the end of 1983 had since gone in production and the shares of the new Company were not being listed in the stock exchange. It was also stated that despite receipt of the notice for attending the meeting nobody attended the meeting on behalf of the Company. The Committee was surprised to note the casual manner in which important issues were dealt with by the Management of the Company. Even the legal opinion in the matter was obtained by the Company as late as November 1980. Now that the then Secretary had left the service of the Company, nothing can be done by the Company even if some course of action is suggested by the Committee. *The Committee recommend that the authorised representatives who absented themselves may be made personally liable for the loss sustained by the Company and steps be taken immediately to recover the amount from them. This Committee is also surprised that the company suffered the loss silently without taking steps to set aside the exparte decision. Those who are responsible may be identified and action taken against them.*

3. WORKERS HOUSING :

The Committee noted from para 6.02 (*iv*) (*b*) that the Company constructed houses for workers under the Scheme of Coal Miners' Welfare Organisation. As per the scheme the quarters after construction are handed over to the organisation. Sixty per cent of the expenditure incurred is reimbursed by the Oragnisation. The information as to the number of quarters constructed so far, the expenditure incurred, the amount reimbursed, abandonment for construction of quarters etc., promised to be furnished by the representatives of the Company, during

deposition before the Committee, was not furnished. In the absence of furnishing the information the Committee could not know the number of quarters, the construction of which was abandoned, the expenditure incurred thereon, the reasons for abandonment etc.

The Company in a written statement in reply to para in Audit Report stated that of the 1350 quarters taken up for construction, construction of 926 quarters was completed and construction of 424 quarters were abandoned at various stages. It was also stated that construction of 218 quarters meant for workers of Godavari Khani 8, 9, 10, 11 was abandoned due to toning down of the mining activity in these minds on account of recession in Coal industry. The representatives of the Company stated that for the houses constructed, Government of India would give 40 per cent of the cost of the houses as subsidy and construction used to be taken up after preparation of the project report. In the absence of information as to number of quarters lying vacant, number of quarters the constructon of which was abandoned, etc., the Committee could not come to any conclusion as to whether the situation arose due to bad planning or the reasons beyond the control of the Company. The Committee expressed its concern over the matter as the scheme was meant for providing houses to workers. *The Committee would, therefore, like the Government to investigate in the matter and submit a report to the Committee along with its findings.*

4. UNFRUITFUL EXPENDITURE :

The Committee noted from para 6.02 (*v*) of the Audit Report that (*i*) railway siding at Kothagudem constructed at a cost of Rs. 0.91 lakh for transporting coal to Company's power house was not put to use by the Company due to shifting of source of supply of coal, (*ii*) work on railway siding and coal screening plant at Ramagundam was suspended after incurring an expenditure of Rs. 2.13 lakhs and (*iii*) work on construction of coal bunker and extension of railway siding for direct delivery of coal from a mine to the power house of A.P.S.E.B. at Kothagudem was suspended after incurring an expenditure of Rs. 4.39 lakhs, as transport of coal by road was found to be cheaper.

The Company in a written statement stated that even though Railways had agreed for dismantling the siding at Kothagudem, it had not issued instructions to their Permanent Way Inspector at Bhadrachalam Road for dismantlement and on dismatlement the rails would be used for other works of the Company. It was also stated that on the earthwork formatin done up to stores yard at Ramagundam at a cost of Rs. 1.25 lakhs, a Railway line was being laid now and due to limited availability

of sand the operations of the Number 8 incline were required to be restricted and therefore the works were not revived. The bore wells did not fructify and the work of construction of bunker and railway siding was taken up on the basis of survey report which revealed the availability of sand. A copy of the survey report or data based on which the conclusion regarding availbility of sand was drawn was not made available to the Committee. The Committee could not help in coming to the conclusion that the works were taken up by the Company in a most casual manner and without proper planning and investingation at initial stages. The works were taken up by the Compny in nineteen sixties. In the opinion of the Committee, no useful purpose would be served by passing any strictures at this stage espeicially when the representatives of the Company during deposition stated that without preparation of projet reports no projects are undertaken for execution now. *The-Committee regret to note that due to taking up of the works with out proper planning the Company had to incur an unfruitful expenditure and hope in future suspension of works would be avoided and no works would be taken up for execution without collection of adequate data and proper planning.*

5. TOURIST COMPLEX AT KINNERASANI DAM SITE :

The Committee noted from para 6.02 (*v*) (*i*) of the Audit Report that the company took up the construction of a tourist complex at Kinnerasani dam site situated at about 20 Kms. from Kothagudem. The work was taken up without prior approval of the Board of Directors. The Company in a written statement stated that the Compny's guesthouses at Kothagudem were not sufficient to provide the accommodation to businessmen who were visiting in connection with supplies and other work and therefore for providing the accommodation to the visitors, the project was conceived. Incidentally advantage was taken to locate the complex at a place which could be used as a toursit complex also. The representatives of the Company during deposition stated that as per the powers delegated to the Chairman and Managing Director in February 1975 the expenditure on the project was within the powers of Chairman and Managing Director and therefore prior approval of the Board of Directors was not obtained. The representatives during the deposition conceded that no provision in the budget of the Company was made at the time of initiation of action for the project and after initiation of action the approval of the Board was obtained in December, 1975. It was also stated that the Complex constructed at a cost of Rs. 11.02 lakhs was used as a holiday home for worker and being situated in the midst of the forest, it was used durig day timesonly. The canteen facilities were not provided and the rules for allotmment to private parties were not framed.

The Committee noted from the para in the Audit Report that the project was conceived in October/November 1974 *i.e.*, before the delegation of powers to the Chairman and Managing Director. Further, the committee noted that there was a self contradiction in the reply furnished by the Company in writing and that stated before the Committee during deposition by the representatives of the Company. The Committee are of the opinion that there was no necessity for the Company to go in for a project of Rs. 11.02 lakhs and by giving various explanations, the Company only tried to justify its action. *The Committee recommend that the Government may examine the necessity of construction of a complex by the Company and submit a report allong with the findings of Government to the Committee.*

Now that the Complex has been constructed and is being used as holiday home for workers, the Committee are of the opinion that some income may also be derived by the Company by letting out the rooms in the Complex to the private parties. For this purpose canteen facilities may also have to be provided by the Company. *The Committee recommend that the Company examine the feasibility of letting out of the rooms to the private parties and creation of canteen facilities for their use so as to enable the Company to earn income which would at least be sufficient for the maintenance of the complex.*

6. VEHICLES :

The Committee noted from para 6.02 (*vii*) of the Audit Report that the Company had a fleet of 85 cars and jeeps in August 1974 and purchased 105 new cars at a cost of Rs. 35.52 lakhs during the period August, 1974 to September 1975 ; 117 cars were allotted to Officers for their exclusive use. One extra car was placed at the disposal of the General Manager and Deputy General Manager. The Company in a written statement stated that it was the practice to provide the cars to the Senior Officers in the Company as the collieries are spread over large areas and the officers are called for work at any time. One extra car was provided to the General Manager and Deputy General Manager as they a have to tour extensively on inspection visits, etc., During deposition the representatives of the Company stated that in 1951-52, cars were provided to Officers for going to mining areas even though there was no stipulation in their terms of appointment. There was a suggestion to remove the drivers. The Industrial Engineering Department of the Company conducted a study and sugested for purchase of cars rather than jeeps and recommended for allotment of the same to Officers. The Chairman and Managing Director in consultation with the top officials of the Company decided to allot the cars to officers whose pay was not less the 1,350 per month. It was also stated that the report of the Industrial

Engineering Department was not available for perusal. The Committee was also informed that petrol quotas were fixed, Rs. 60 per month were recovered towards personal trips and log books were maintained. In the absence of making available the report of the Industrial Engineering Department, the Committee could not ascertain as to whether the cars were allotted to the Officers whose duty requires visits to the mines, etc. *The Committee would like the Government to examine, in consultation with the Company the issue of allotment of cars to the Company's Officers vis-a-vis their nature of duties and economics of their maintenance in the central pool vis-a-vis allotment to individual officers and furnish a report to the Committee along with findings of Government.*

7. COST OF PRODUCTION :

The Committee noted from the statement furnished by the Company that the latter had extracted coal from 51 mines during 1982-83. Of the 51 mines, coal from 2 mines was extracted by open cast mining method and rest by underground method. The average cost of prodctuion per tonne was Rs. 166.79 as against the average sales price of Rs. 155.14 per tonne realised. The total coal extracted during the year was 12.3 million tonnes as against the target of 13.5. million tonnes. It was also noticed from the statement that the average cost of production of open cast mine at Manuguru, 4 mines (No. 21 Incline, Polampalli, JK1 and 2 and JK3) at Yellendu area and 4 mines (GK 6 A, 7A, 9 and 8A) at Godavari Khani area was less than the average sales price realised. The representatives of the Company during deposition stated that sales price fixed by Government of India was not commensurate with the cost of production. The main reason for increase in cost of production was stated to be the age of the machinery and increase in cost of wages. The wages are fixed by Government of India in consultation with the labour unions and thus the Company had no control over wages and sales price fixed. It was stated that in a public utility industy like this Company losses were bound to occur. It was also stated that a target of 15 million tonnes production had been fixed for the year 1983-84 and the Company planned to produce 35 million tonnes of coal by 1990. From the facts made available to the Committee it was noticed that entire efforts of the Company were concentrated on increase in production irrespective of cost. It was also seen that the Company borrowed funds from Government of India for its expansion programme and burden of interest was also one of the contributory factors for increase in cost of production. The Committee also notice that with a view to achieveing the targeted production, the Company extracted coal from old mines, where the extraction operation was not economical, especilly the mines situated in the Kothagudem area. The Committee noted that as against the paid-up capital of Rs. 5,111.40 lakhs, the loss as at the end of March 1982 was

Rs. 8,159.50 lakhs. The interest burden developed on the Company on the amount borrowed from Government of India as at the end of March 1982 was about Rs. 309.41 lakhs. The Company's working in 1982-83 was stated to have resulted in a loss of Rs. 1,437.01 lakhs. The Committee was also informed that the wrorking of the Company during 1983-1984 was likely to result in a loss of about Rs. 4,000 lakhs. Thus the Committee noted that not only the entire capital was eroded on account of loss but also a portion of borrowed funds amounting to about Rs. 20,979.31 lakhs from Government of India. This is a very alarming situation. In a public utility concern like this Company, the control of cost of production hardly needs to be emphasised by the Committee. The Committee are of the opinion that unless a plan of action for replacement of old/obsolete machinery, stoppage of production from the mines where extraction is not economical even after use of new machinery, control of strikes for avoiding loss of prdouction and increase in output per manshift, is drawn up and cost controlled, the amounting losses cannot be arrested by the Company. *The action taken for reducing the losses may be intimated to the Committee.*

8. Loss in Transportation of Steel :

The Committee noted from para 10.04 (6) of the Audit Report that the transport contractor who was entrusted with the transport of steel from the stock yards of manufacturers at Secunderabad to various mining areas of the Company had not delivered materials valued Rs. 4.63 lakhs during the period 1972 to 1974 even though lifted from the stock yards. The Company in a written statement stated that the transport by lorry of the material is being discouraged, now. The Company did not clarify as to why it could not detect the short delivery of the materials till a news item appeared in the newspaper in October, 1974. How was the payment to suppliers made and was any responsibility on the employees of the Company for the lapse fixed ? The Company stated that the transport contractors convicted by the Chief Metropolitan Magistrate, Hyderabad for 3 years rigrous improsonment had gone in appeal and got themselves acquitted later on. It was also stated that Civil suit was decreed on 5-3-1982 by the City Civil Court, Hyderabad for a sum of Rs 5.78 lakhs and the transport contractor had gone in appeal to High Court and the court had asked the contractor not to alienate the immovable properties consisting of double storeyed building at Hyderabad and agricultural lands situated at Gudavalli village 9 kms from Vijayawada. *The Committee would like to be informed of the final outcome of the suit as well as the action taken on the employees of Company responsible*

9 Non-Compilation of Manuals :

The Committee was informed that the work of codification of a stores was completed and the Manual of Stores and purchases was no

compiled so far. It was also stated that Internal Audit Manual was also not compiled so far *The Committee would like the Company to compile the Stores and Purchase Manual and Internal Audit Manual and inform the fact of compilation.*

10. GENERAL :

During general discussion regarding the non-working of the weigh bridges, complaints of unauthorised transport of coal without weighment, pilferage of coal etc., the representatives of the Company stated that the consumers are not able to get coal adequately on account of illegal transport of coal and promised to examine the loop-holes in the existing security system. *The Committee would like the Company to take up the question seriously and take immdediate steps for proper and adequate distribtion of coal to the needy farmers. The Committee while visiting the coal fields found that pilferage is the main problem and adequate steps are not taken to stop the pilferage. The Committee therefore recommend that security force should be increased and strengthened. The Committee also found absence of commitment in the employees from top to bottom. The general dissatisfaction is due to* (i) *the key posts are occupied by non-telugu people who have no local interest in the Company,* (ii) *telugu people are dis-satisfied as some posts due to them are filled up by non-telugu people on deputation at the instance of the nontelugu people at the top occupying key posts,* (iii) *in the lower cadres the dis-satisfaction is alleged to be due to the fact that the posts are not given to local population. Therefore, the Committee recommed that adequate rules of employment and promotion in service matters and proper managements of available facilities like vehicles, quarters etc., and their implementtation at an early date, and intimate the results of examination and remedial measures taken for preventing the malpractices in weighment of coal and pilferage of coal.*

AUDIT REPORT (COMMERCIAL) FOR THE YEAR 1976-77.

1. Retiring rooms at Railway Stations :

The Committee noted from para 1.31 of the Audit Report that the Company paid Rs. 1.60 lakhs in June 1976 to the Railways as its contribution for construction of 10 retiring rooms in the three Railway Stations viz., Bellampalli 3 rooms, Bhadrachalam Road 4 rooms and Ramagundam 3 rooms. The Company also purchased three room air-conditioners at a cost of Rs. 0.37 lakh and handed over to the Railways in August 1976 for installation in one of the rooms in each of the three stations. The Committee noted from the para that prior approval of the Board of Directors was not obtained. The representatives of the Company during deposition stated that the trains at these three railway stations were halting during the nights and for the convenience of the employees of the Company, vistiors to the Company's colliery areas and other industrial establishments the Contribution was made for construction of retiring rooms. No preference was given by the Railways for providing accommodation in retiring rooms to the employees of the Company or visitors to the Company and the rent was collected by the Railways themselves. The Committee fail to understand the necessity for the Company to contribute for construction of retiring rooms at railway stations. The payment amounts to donation by one Public Sector undertaking to another. *The Committee would like Government to cause an investigation in the matter as the transaction was not in pursuance of the Company's objectives and submit a report to the Committee along with the findings of Government.*

2. Constructitn of Quarters :

The Committee noted from para 1.32 of the Audit Report that in pursuance of the advertisement in December 1975 inviting tendes for construction of quarters at Ramahrisknapur with last date for receipt of tenders as 6th January 1976 and opening of tenders as 10th January 1976, one tenderer quoted his rates before expiry of the last date of submission of tender, which were more by 48 per cent (Rs. 11.84 lakhs) than the estimate (Rs. 8 lakhs). The same tenderer again submitted on 10th January 1976 a revised tender (vaule Rs. 13.77 lakhs) enhancing his rates to 72 per cent over the estimate and requested the Company to ignore his original tender. On the basis of the revised tender the company conducted negotiations and entrusted the

work for Rs. 12.24 lakhs i.e., 53 per cent over and above the estimate. The representatives of the Company during deposition stated that for non-supply of information to the tender Committee that the offer based on which negotiations were conducted was not the original offer, the officer responsible was transferred. To a question as to why tenders were not recalled, the representatives of the Company stated that the position would be verified and the Committee appraised. It was also stated that the action taken against the officer responsible, in addition to transfer, would also be intimted to the Committee. The Company however, did not furnish the information on these two pionts to the Committee. In the absence of information the Committee could not come to any conclusion in the matter. *The Committee would like the Company to supply the information on these two points.*

The Committee visited the quarters and found that the quarters are not furnished to majority of the workers and the quarters provided are not maintained properly. Improvised quarters in which workers who are not allotted quarters, are in a very bad shape without adequate roads, lights and water. *The Committee recommend the Company to take steps to provide quarters to all the workers in a short time.*

EXTRA EXPENDITURE OF RS. 66,220 ON THE PURCHASF OF DIRECT HAULERS OF 60 HP CAPACITY :

The Committee note from para 6.02 of the Audit Report that the Company placed an order in March 1973 for supply of 13 direct haulers, the delivery of which was to be completed by September 1973. There was no provision in the purchase order for levy of liquidated damages for delay in supply. The firm supplied 2 haulers and 2 motors by April 1974 and asked in July 1974 for increase in price, even though there was no provision in the purchase order for escalation in cost. The firm supplied 9 haulers to end of January 1976 and the orders for 4 haulers were cancelled by the Company at the request of the Firm. An amount of Rs. 66,220 towards escalation in cost was paid. The Company in a written statement stated that there was increase in price of motors and on commercial consideration the increase was agreed to. The representatives of the Company during deposition stated that in the purchase orders placed since last 2 to 3 years clauses regarding levy of liquidated damages and price escalation are invariably provided. Due to non-provision of clause for levy of liquidated damages or recovery of cost in case of purchase from other source, the company had left with no other alternative but to agree for cancellation of the balance supplies and purchase the said number at an extra cost from other sources. Thus not only extra payment of Rs. 66,220 was devlolved on the Company but the Company was forced to purchase 4 haulers at increased rates from other sources. Now that more than 10 years period had elapsed, in the opinion of the Comittee no useful purpose would be served by suggesting some action to the Company. The Committee was surprised to note that even though the Company was functioning since 1920, it could not evolve clauses for safeguarding its interest, which reflected a very sorry state of affairs. *The Committee hope that atleast in future, the Company would not allow recurrence of such instances.*

The Committee would also require the Company to fix the responsibility on the individual or individuals responsible for the same and, realise the amount from him/them.

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR 1980-81 (COMMERCIAL).

(1) LOW TEMPERATURE CARBONISATION PLANT :

The Committee noted from para 5.01.2 and 5.01.3 that the Compny had erected a low teaperature carbonisation plant with three carbonisers of 300 tonnes capacity each, gas condensation unit, tar bending unit, ammonical liquor incineration, *etc.*, at a cost of Rs. 1,200.37 lahhs for conversion of coal for use as domestic fuel. The Committee also noted from the para that the plant was not utilised to the capacity and only one carboniser was operated at a time. The representatives of the Company during deposition stated that due to lack of demand the production was regulated to demand and therefore the plant was not operated to its capacity since its commissioning (first carboniser was commissioned in December 1978, second and thrid in April and November 1977 respectively). It was also stated that the product, could not be established due to its high cost of production and transport bottlenecks due to non-construction of railway siding. Now that the railway siding has been constructed, there would be no necessity to transport the coke by Motor transport and the Company is making efforts to strengthen its marketing wing for establishing the product in the market and had also appointed dealers for sale of the product. It hopes to have the product established in the market within hwo to three months. It was also stated that the plant was first of its kind in the country and was established as a reserach and development measure.

The working of the plant had resulted in a loss of about Rs. 496.05 lakhs to end of March 1982. The Committee are of the opinion that the loss could have been avoided had the construction of railway siding been taken up simultaneously along with the plant. The exact reasons for non-construction of railway siding simultaeeously were not indicated either in the replies furnished to the paras in the Audit Report or during deposition by the representatives of the Company. The Committee do not want to pass any strictures as the project, first of its kind in the country, was successfully implemented by the Company. *The Committe hope that the Company would avoid such lack of co-ordination with the Railway and consequent losses in future.*

The Committee noted from para 5.01.10 (*i*) of the Audit Report that the Cmpany had to pay Rs. 5.53 lahhs towards minimum charges to the Electricity Board as it could not avail of the power during the period

January 1978 to July 1978 due to non-obtaining the permission from Government for construction of a 33 KV line from Board's substation at Mancherial to the plant as required under Section 28 of the Indian Electricity Act, 1948. It was also noticed that despite receipt of intimation from the Board in January 1978 asking the Company to avail of the power within 3 months from the date of intimation, the Company could not avail of the power. Application for permission to Government was submitted in March 1978 and Government accorded permission in July 1978. The reasons for delay in submission of application were neither furnished by the Company nor indicated by the representatives of the Company during deposition. In a written statement the Company stated that the Board did not refund the amount despite request from the Company. The Committee was surprised to note that the Company was not aware of the legal formalities to be completed by it and due to which it had to incur an avoidable expenditure. The Committee would not like to pass any strictures about the payment as the amount was paid to another sister organisation. *The Committee would, however, like the Company to be careful in future in such matters and would recommend the Government, to look into the matter and settle the issue regarding refund of the amount paid to the Board.*

2. PURCHASE OF CRANE :

The Committee noted from para 5.03 of the Audit Report that 3 firms quoted their rates for supply of 30 tonnes capcity crane. The Company also obtained on 3rd April, 1979 (*i.e.*, after expiry of the last date 17th March 1979 for submission of quotations) a quotation from 4th firm. The validity of the lowest and second lowest quotations was to expire on 11th April and 29th April 1979 respectively and the Company forwarded 4 quotations for evaluation to the Field Office on 26th April 1979 *i.e.*, after expiry of the validity of the lowest quotation. It also noted from the para that despite the recommendation on 18th May 1979 by the Field Office to place the order on the firm whose rates were 2nd lowest in view of the satisfactory performance of the crane supplied by the firm earlier, the Company did not place orders with a view to availing of the benefit of lowest rate thereby effecting economy in the purchsae by about Rs. 6.12 lakhs (Rs. 13.62 lakhs—Rs. 7.50 lakhs). The Company got extended the validity period of the offer of the firm whose rates were 2nd lowest upto 12th July 1979 and asked the firm on 15th June 1979, whose rates were lowest, to arrange for demonstration nor informed the Company about its inability to arrange for demonstration before expiry of the validity period of the offer of the firm whose rate was 2nd lowest. The Company did not cancel the orders despite non receipt of any intimation for arranging for demonstration within the extended vailidity period. While extending the validity period of its offer second time from 12th July 1979 to 31st July 1979 the firm increased its rate from

Rs. 13.62 lakhs to Rs. 14.98 lakhs and the Company placed the order on 31st July 1979 at the enhanced rate for supply of one crane. The Company in a written statement stated that it had to suffer because it tried for purchase of a crane at a lower rate. The representatives of the Company while deposing stated that the firm did not inform the names of the organisation to which it had supplied the cranes. From the facts mentioned above, the Committee felt that there were delays at each and every stage and thereby the Company had to procure the crane at an extra cost of Rs. 1.36 lakhs. *The Committee recommend the Company to examine the existing purchase procedure prescribed by it with a view to taking remedial measures as so as to avoid delays in future in placement of the orders. The results of review and remedial measures taken may be intimated to the Committee.*

3. LONG STORAGE OF EXPLOSIVES :

The Committee noted from para 5.04 of the Audit Report that as against the order for supply of 30 tonnes of non-permitted explosives the firm of Calcutta on whom order was placed in October' 1978, the firm supplied 48 tones (at the rate of 16 tonnes to each of the three areas), during the period December 1978 to July 1979. The Committee also noted from the para that in the explosion on 15th May 1980 in Magazine 4 at Ramagundam, not only 19.525 tonnes of explosives valued Rs. 1.59 lakhs were destroyed, but 10 persons lost their lives for which Company had to pay Rs. 2.09 lakhs by way of compensation to the heirs of the deceased. The Company in a written statement stated that it had presumed the shell life of the explosives as 3 years as against 6 months indicated by the suppliers. The representatives of the Company during deposition stated that the exploisves were being used by the Companv since 1950 and there were occasions in the past when the explosives were stored for about 18 months and on the basis of the provision in the explosive manual 3 years shell life was presumed.

The Committee noted from the para that about 12.40 tones of explosives were destroyed during February 1980 as a safety measure. From the statement furnished by the Company regarding the dates of manufacture of explosives, it was seen that out of the 496 cases containing 12,400 tonnes of explosive for which cost was reimbursed by the suppliers, were manufactured during the period April 1979 to May 1979 and balance 166 cases containing 3,150 tonnes were manufactured during the period September 1978 to December, 1978. In the opinion of the Committee had the Company ascertained the shell life prescribed by the manufacturers for destruction of explosives in February 1980 it would have been feasible for the Company to avoid the catastrophe by taking suitable remedial measures. Further, the Committee was also surprised

to note that all the while the Company presumed the shell life as 3 years and did not ascertain the life prescribed by the manufacturers. It was stated in a written statement that as per the findings of the Revenue Divisional Officer of Peddapally, who was appointed as Enquiry Officer by the Collector, Karimngar to enquire into the causes for explosion the Junior Engineer in charge of the magazine was found guilty and the Management had admonished the Junior Engineer by recording a censure and warning him to be careful in future. *The Committee would like Government to cause an investigation into* (i) *as to the reasons why Company could not ascertain the shell life immediately after destruction of explosives in Feburary* 1980 *from the suppliers and avoid the catastrophe,* (ii) *the circumstances under which the quantity in excess of ordered quantity was accepted and* (iii) *the procedural defects, if any, in the matter of placement of orders, receipt of explosives, etc., and intimate the Committee the result of investigation together with the findings of Government.*

4. PURCHASE OF PARTS OF VEHICLES NOT RFQUIRFD FOR USE :

The Committee noted from para 5.06 of the Audit Report that the Company placed an order in July 1976 on the basis of spare part list supplied by the manufacturers indicating the part numbers without verifying the parts catalogue as the same was not supplied by the manufacturers. Due to placement of the order on the basis of part numbers (July 1976) the manufacturers supplied 537 parts valued Rs. 0.95 lakh to end of December 1977. These could not be used and were lying in the stores. The representatives of the Company during deposition stated that there was no procedural defect and the order on parts not required was placed due to human error. It was also stated that the efforts of the Company to return the parts to the suppliers did not fructify and on identification of the obsolete items in the stores offers through advertisement would be called for their sale. As more than six years period had lapsed since receipt of the parts from the suppliers, the Committee apprehended that the parts might become obsolete due to efflux of time. The orders for supply of parts not required for use were placed due to human error and not due to any defects in the procedure prescribed for purchase and storage, the Committee would not like to pass any stricturers, especially keeping in view the size of the Company. *The Committee would however, like to advise the Company to take expenditious action either for use or disposal of these parts.*

SUMMARY OF RECOMMENDATIONS.

I. ANDHRA PRADESH STATE TRADING CORPORATION LIMITED.

1. The Committee would like the Government to cause an investigation to be made on the transaction and furnish the results of investigation to the Committee within 3 months.

2. The undertaking is therefore directed to furnish the information required above, on the receipt of which and also the report of the investigation by Government, a final report will be sub-mitted fixing responsibility and the action to be taken against them.

II. ANDHRA PRADESH STATE TEXTILE DEVELOPMENT CORPORATION LIMITED.

1. The Committee would like Government to intimate the final outcome in the matter.

2. In the circumstances stated the Committee would like the Government to examine the following :—

1. *to appoint non-I.A.S. personnel as M.Ds., if I.A.S. officers are not available:*

2. *to see that the M.D. is continued atleast for a period of 3 years unless he is found to be not suitable* ;

3. *to see that the Boards are constituted or reconstituted in time to enable them to function without any time-gap* ; *and*

4. *to frame such rules or regulations as to make the officials or non-officials liable for the mismanagement/losses etc.*

3. The Committee hope that the Compny would take expeditious action in the matter of finalisation of accounts and bring the accounts upto-date.

4. The Committee therefore recommend to the Government to overhaul the entire system and make it meaning-ful and useful.

5. The Committee would like the Government to examine the, capabilities of its undertakings before entrusting the implementation of the schemes to them and on entrustment review at periodical intervals their implementation so as to avoid wastage of public funds.

6. The Committee would like the Government to probe into the the matter of selection of improper site for setting up the plant and fix the responsibility for improper selection of site. The final decision of Government in the matter of operation of the plant may be intimated to the Committee.

7. The Committee would, however, like to know the final outcome in the matter of recovery of the amount due from the unit, the action taken against persons responsible, the outcome of the suit filed against the Company for recovery of the amount of bills and the position regarding taking back 22 Sweing machines.

8. The Committee would like Government to furnish a copy of the report of the Commission together with action taken on the report on completion of enquiry and submission of the report.

9. The Committee would like to express its strong resentment for the inaction on the part of the Government and hope that instances of inaction would be avoided in future.

10. The Committee woud like Government to examine the feasibility of reporting to Government by its official nominee Directors as to what transpired in the Board meetings and the state of affairs of the working of the Company after attending the Board meetings. The result of examination and action taken may be intimated to the Committee.

11. The Committee hope that action woud be taken for creating a machinery for obtaining remarks/replies to the paras contained in the Audit Report from the respective undertakings, examine them and place before the Committee with the remarks/action taken of/by Government as and when called for by the Committee.

12. The Committee would like Government to examine this aspect and intimate the action taken in the matter.

III. ANDHRA PRADESH STEELS LIMITED, PALONCHA.

1. The Committee, therefore, would like the Government to intimate the ultimate decision taken in this matter.

2. The Committee recommend the Government to cause an investigation in the matter and initiate action for recovery of the amount paid in excess of the ruling market rates for scrap from the persons responsible.

3. The Committee would like the Government to cause investigation in the matter as to why no enquiry was conducted by the Company and action taken for recovery of losses from the persons responsible.

4. The Committee recomend the Government to cause an investigation with a view to fixing responsibility for allowing credit initially to the extent of Rs. 19.50 lakhs without insisting on any security by way of bank guarantee, etc., and intimtate the results of investigation and the action taken on the person responsible for extending the credit for such huge amount. The decision of the court in the case of criminal appeal and the civil suit may also be intimated to the Committee.

5. The Committee would like the Company to inform the Committee the result of execution of the decree.

6. The Committee was surprised to note that no decision on a request made three years before was taken so far by the Company and in view of the provisions of the Limitation Act, it was doubtful whether the Company would be able to recover the amount in case the request of the firm was negatived by the Company. The Committee would like the Company to furnish a report as to the circumstances under which a decision on the request of the firm could not be taken by the Company so far.

IV. ANDHRA PRADSH HEAVY MACHINERY AND ENGINEERING LIMITED.

1. The Committee hope that in future Government/A.P. Industrial Development Corporation would take the initiative in the matter and come forward to channelise the resources mobilised by the people for setting up of industries without any loss of time so as to avoid delay in implementation of the projects.

2. The Committee hope that efforts of the Company to carry out improvements in the machines to suit the need of leather industry would be successful and the Company would be the leading manufacturers of these machines in the country. The Committee would also like the Company to intimte the fact of disposal of two machines.

3. The Committee would not like to make any observation at this stage and it would like the Company to intimtate the final outcome in the matter.

V. ANDHRA PRADESH TECHNOCRATS INDUSTRIAL ESTATE (PVT.) LIMITED.

The process of winding-up of the Company shall be completed immediately.

VI. THE SINGARENI COLLIERIES COMPANY LIMITFD :

1. The Committee require the Government and the Company to submit the contents of the High Power Committee and their report of implementation immediatley, to enable this Committee to suggest appropriate recommendations.

2. The Committee recommend that the authorised representative who absented themselves may be made personally liable for the loss sustained by the Company and steps be taken immediately to recover the amount from them. This Committee is also surprised that the Company suffered the loss silently without taking steps to set aside the exparte decision. Those who are rseponsible may be idenitified and action taken against them.

3. The Committee would, therefore, like the Government to investigate in the matter and submit a report to the Committee along with its findings.

4. The Committee regret to note that due to taking up of the works without proper planning the Company had to incur an unfruitful expenditure and hope in future suspension of works would be avoided and no works would be taken up for execution without collection of adequate data and proper planning.

5. The Committee recommend that the Government may examine the necessity of construction of a complex by the Company and submit a report along with the findings of Government to the Committee.

6. The Committee recommend that the Company examine the feasibility of letting out the rooms to the private parties and creation of canteen facilities for their use so as to enable the Company to earn income which would atleast be sufficient for the maintenance of the complex.

7. The Committee would like the Government to examine in consultation with the Company the issue of allotment of cars to the Company's officers *vis-a-vis* their nature of duties and economics of their maintenance in the central pool *vis-a-vis* allotment to individual officers and furnish a report to the Committee along with findings of Government.

8. The action taken for reducing the losses may be intimtated to the Committee.

9. The Committee would like to be informed of the final outcome of the suit as well as the action taken on the employees of Company responsible.

10. The Committee would like the Company to compile the Stores and Purchase Manual and Internal Audit Manual and inform the fact of compilation.

11. The Committee would like the Company to take up the question seriously and take immediate stepts for proper and adequate distribution of coal to the needy farmers. The Committee while visiting the coal fields found that pilferage is the main problem and adequate steps are not taken tc stop the pilferage The Committee therefore recommend that security force should be increased and strengthened. The Committee also found absence of commitment in the employees from top to bottom. The general dissatisfaction is due to (i) the key posts are occupied by non-telugu people who have no local interest in the Company ; (*ii*) telugu people are dissatisfied as the some posts due to them are filled by by non-telugu people at the top occupying key posts ; (*iii*) in the lower cadres the dissatisfaction is alleged to be due to the fact that the posts are not given to local population. Therefore, the Committee recommend that adequate rules of employment and promotion in service matters and proper management of available facilities like vehicles, qurters etc., and their implementation at an early date, and intimate the results of examination and remedial measures taken for preventing the malpractices in weighment of coal and pilferage of coal.

12. The Committee would like Government to cause an investiga ion in the matter as the transaction was not in pursuance of the Company's objectives and submit a report to the Commitee along with the findigs of Government.

13. The Committee would like to the Company to supply the information on these two points.

14. The Committee recommend the Company to take steps to provide quarters tc all the workers in a short time.

15. The Committee hope that atleast in future, the Company would not allow recurrence of such instances. The Committee would also require the Company to fix the responsibility on the individual or individuals responsible for the same and realise the amount from him/them.

16. The Committee hope that the Company would avoid such lack of co-ordination with the Railway and consequent losses in future.

17. The Committee would, however, like the Company to be careful in future in such matters and would recommend the Government to look into the matter and settle the issue regarding the refund of the amount paid to the Board.

18. The Committee recommend the Company to examine the existing purchase procedure prescribed by it with a view to taking remedial measures so as to avoid delays in future in placement of the orders. The results of review and remedial measures taken may be intimated to the Committee.

19. The Committee would like Government to cause an investigation into (*i*) as to the reasons why Company could not ascertain the shell life immediately after destruction of explosives in February 1980 from the suppliers and avoid the catastrophe ; (*ii*) the circumstances under which the quantity in excess of ordered quantity was accepted ; and (*iii*) the procedural defects, if any, in the matter of placement of orders, receipt of explosives, etc. and intimate the Committee the results of investigation together with the findings of Government.

20. The Committee would, however, like to advise the Company to take expeditious action either for use or disposal of those parts.