Chapter-II

Performance review relating to a Government Company

Madhya Pradesh Laghu Udyog Nigam Limited

2. Operational Performance

Highlights

Despite 46 years of existence, the Company did not render assistance to even one *per cent* of SSIs in the State.

(Paragraph 2.8)

Due to lack of appropriate analysis of the cost of drug kits by the Company, the State Government departments had to incur extra expenditure of Rs.2.85 crore.

(Paragraph 2.12)

The State Industrial Policy 2004 envisaged providing linkage between the SSIs and industrial units in the Industrial Growth Centers and creation of Research and Development facilities. However, the Company had not initiated any action so far in this regard.

(Paragraph 2.13)

Despite COPU's recommendation to transfer the staff and work of the estate and construction division to other agencies, the Company continued to retain them.

(Paragraph 2.18)

Failure of the Company to ensure payment of EPF dues by the contractors resulted in liability of Rs. 1.53 crore.

(Paragraph 2.20)

Introduction

2.1 Madhya Pradesh Laghu Udyog Nigam Limited (Company) was incorporated in December 1961 for promotion and protection of small scale industries (SSIs) by providing marketing, financial, technical and managerial assistance. Activities of the Company include supply of articles to Government, extending testing facilities for the products, arranging procurement of raw material required by the SSIs, selling handloom and handicraft items, construction of buildings of Government Organizations etc. To ensure growth of the Company, the State Government every year fixes targets for various activities of the Company and signs a Memorandum of Understanding (MOU). The Management of the Company is vested in a Board of Directors (BOD) consisting of eleven Directors (March 2008) including a Chairman and a Managing Director appointed by the State Government. The Managing Director is the Chief Executive officer and is assisted by five Chief General Managers (Finance and Accounts, Emporiam, Estate and Construction, Marketing and Coordination). The Company has three Marketing Offices, four Raw material depots, ten Emporia (including five located outside the State, viz., New Delhi, Kolkata (two), Jaipur and Udaipur), five Estate and Construction Divisions and two Testing Laboratories.

During the period of five years ending 2007-08, five Managing Directors held the charge ranging from nine to 24 months. Frequent changes at the top management level adversely affected the long term planning of the Company**.**

The activities of the Company were last reviewed and included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2001 (Commercial) Government of Madhya Pradesh. The Audit findings were discussed by the Committee on Public Undertakings (COPU) in December 2005. The COPU recommended, *inter alia*, strengthening of emporia and transfer of staff and work of the estate and construction division to other agency for maximum utilisation. Its follow up has been discussed in respective paragraphs subsequently.

Scope of Audit

2.2 The present review covered the activities of the Company for the period from 2003-04 to 2007-08. The records of Head Office located at Bhopal and 17 field units[24] out of 24 units were examined in audit.

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[24] *1. Regional Marketing Office - Indore, Gwalior and Jabalpur, 2. Testing Labs - Jabalpur and Indore, 3. Raw Material Depots - Indore, Jabalpur, Gwalior and Bhopal, 4. Emporia -Bhopal, Indore, Gwalior and Jabalpur, 5. Estate and Construction divisions - Bhopal, Indore, Gwalior and Jabalpur.*

Audit objectives

2.3 This performance review was undertaken to assess whether:

- marketing assistance to SSIs was adequate;
- raw-material and technical services were provided efficiently and effectively;
- the services rendered to artisans and weavers were to their benefit;
- the rationale of continuing construction activities was examined; and
- resources were utilised efficiently.

Audit Criteria

2.4 Audit criteria adopted for assessing the achievement of audit objectives were:

- State purchase rules and purchase policy of the Company regarding assistance to SSI units;
- Provisions contained in the MOU with the State Government;
- Projections/estimates of the Company for various activities undertaken;
- General principles of contract as well as provisions of State and Central Public Works Department manuals;
- Recommendations of COPU; and
- State Industrial Policy 2004, as amended up to 2007, with regard to development of SSI and other industries.

Audit Methodology

2.5 A mix of the following methodologies was adopted:

- Examination of agenda and minutes of Board meetings;
- Scrutiny of periodical returns and other documents submitted by the Company to the State Government;
- Detailed examination of files on selection basis *viz* 65 files of high value items with a turnover of Rs. five crore and above in marketing assistance and 28 files of construction contracts valued at Rs. 25 lakh and above; and
- Examination of files relating to purchase of bicycles, drug kits, etc., and allocation of steel, iron, cement and coal to SSI units.

Audit findings

The Audit findings were reported to the Management/Government in July 2008. The Management submitted their views on the audit findings in the Audit Review Committee on Public Sector Enterprises (ARCPSE) meeting held on 5 November 2008. During the meeting formal replies to the audit findings were also submitted and have been considered while finalising the performance review. The audit findings are discussed in the succeeding paragraphs.

Financial Position

2.6 The financial position and working results of the Company for the period from 2003-04 to 2006-07[25] are given in ***Annexure-9.***

It is observed from the annexure that there had been increasing trend in the business activities of the company over a period of four years ending 2006-07. The net profit increased from Rs. 1.85 crore in 2003-04 to Rs. 11.85 crore in 2006-07 indicating marked improvement in the functioning of the company. The particulars of turnover and net profit for the years 2003-04 to 2006-07 are tabulated below:

(Rupees in crore)

Particulars	2003-04	2004-05	2005-06	2006-07
Turnover	32.86	72.80	93.24	102.87
Net profit	1.85	3.70	9.65	11.85

Failure to transfer cash balance ranging from Rs. 0.07 crore to Rs. 1.60 crore by Regional offices.

The Company prescribed (July 1998) maintenance of two bank accounts for all the Regional Marketing Offices, one for transfer of their receipts to the Head Office (collection account) and the other for receipt of funds transferred by Head Office for expenses. The balance to be maintained in collection account was limited to a maximum of Rs. 5,000 and any surplus was to be transferred to the Head office account. Verification of the bank balances of Indore and Jabalpur Regional Marketing Offices revealed that the balances at the end of the month in the collection account ranged from Rs. 7.13 lakh to Rs. 71.94 lakh and Rs. 35.85 lakh to Rs. 1.60 crore respectively during November 2007 to February 2008. Had this amount been transferred to Head office account, the same could have been utilised for its operations. This indicated poor cash management at Regional Marketing offices level.

The Company stated (November 2008) that funds were not transferred due to malfunctioning of the computers of the banks. The banks have been requested to make good the loss of interest suffered by the Company. However, the banks have not paid the interest so far (November 2008).

[25] *Annual accounts for the year 2007-08 were in arrears.*

Physical performance

2.7 The Company prepares its annual plan indicating the target for business activities in various segments and submits the same to the State Government in June/July every year. In turn, State Government signs a MOU specifying the target for each activity. The particular of targets (overall) in terms of turnover *vis-a-vis* achievements there against and percentages thereof are given below for the period 2003-04 to 2007-08:

(Rupees in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
Targets	260.00	203.00	231.20	445.00	721.32
Achievements	260.54	371.98	583.20	675.61	1195.77
Percentage	100	183	252	152	166

(The achievements represent overall business undertaken by the Company and will not match with turnover at paragraph 2.6 as the latter includes only the commission on direct business.)

The targets and achievements of the Company in various segments of its activities for five years ending 31 March 2008 are given in ***Annexure-10***.

It is observed from the annexure that achievements in various activities of the Company except emporia for all the years (except 2003-04) were higher than the targets fixed in MOU. This was due to fixing of targets without taking into account the achievements of the previous year leaving a little scope for improvement and needed to be re-looked. Thus, the overall targets fixed for the Company were not realistic.

Fixation of unrealistic targets.

The Company stated (November 2008) that the business done by it comprised of both reserved and non-reserved items and could not be estimated as business on account of non-reserved items could not be anticipated and business relating to reserved items was shared by sister concerns like Consumer Federation, MP State Industrial Federation, Khadi Board, etc.

The reply is not acceptable as the volume of business done in reserved items, though shared by sister concerns, was steadily increasing and could be estimated based on the past experience and budget allocations made to the departments and the business of non-reserved items were only in respect of Government schemes having definite budget estimates. On the basis of the estimates the targets could be fixed.

Marketing assistance

2.8 Store Purchase Rules (SPR) prescribe that requirements (indents) of reserved[26] items for use in the Government Departments (Departments) are to be received by the Company, who shall arrange supply of these items from

[26] *149 articles manufactured by SSIs of MP which can be purchased only through the Company and classified as reserved items in the Store Purchase Rules (SPR).*

SSIs registered with them. For this purpose the Company finalises rate contracts for reserved items, which are valid for one year. An element of commission (ranging from two to four *per cent*) receivable by the Company is also included in the rates. The finalised rates of various products are circulated for the benefit of the buying departments and are notified on the web site of the Company. To keep pace with time, the Company introduced (August 2006) e-tendering system. Inspection of the ordered items is also arranged by the Company. The Company also deals in procurement of unreserved items following the same procedure.

2.8.1 The total number of SSIs registered with the Director of Industries *vis a vis* the number of SSIs assisted by the Company during the period from 2003-04 to 2007-08 are given below:

Year	Registered with Department of Industries	Assisted by the Company	Percentage of assistance
2003-04	3,24,023	1,636	0.50
2004-05	3,39,896	1,551	0.46
2005-06	3,54,841	1,494	0.42
2006-07	3,71,574	1,637	0.44
2007-08	3,78,114	872	0.23

(Source: Data supplied by Department of Industries& Commerce and the Company)

Despite 46 years of existence the SSIs assistance remained less than 0.50 *per cent*.

In spite of 46 years of existence, the percentage of SSIs availing the marketing assistance remained at 0.5 *per cent* and below. Thus, the Company did not broad base its marketing activities and rendered assistance only to those SSIs which approached them.

The Company stated (November 2008) that it would be more appropriate to compare the number of SSI units manufacturing reserved items and units under rate contract. It further added that the all efforts were being taken to attract SSIs for participation in the rate contracts.

The fact remains that the Company is dealing in reserved as well as unreserved items manufactured by SSIs indicated above. Further, the Company did not analyse reasons for poor participation of SSIs.

2.8.2 The performance of the Company indicating indents[27] received, volume of business undertaken and commission earned during the last five years ending 2007-08 was as under:

[27] *These are purchase requisitions for materials received from various departments of the State Government.*

(Rupees in crore)

Year	No. of indents	Business done	No of SSIs	Commission earned
2003-04	17,892	187.63	1,497	3.72
2004-05	24,557	250.36	1,344	4.96
2005-06	49,049	403.79	1,351	7.98
2006-07	51,372	452.27	1,294	8.76
2007-08	19,133	838.62	872	19.56

(Source: Data furnished by the Company)

The increase in business of the Company was due to the entrustment of Government schemes whereas the decrease in number of beneficiary SSIs was due to factors like improper management and belated receipt of indents, besides direct purchases effected by Government departments as discussed in succeeding paragraphs. During 2007-08 indents of the Health department were received from their head office including those of their branches. Therefore, there was decrease in receipt of indents.

Improper management of indents

2.9 SPR 14 provides for direct placing of orders by the indenting Departments on the Company for supply of reserved units. However, the Company accepted the indents brought by the SSI units and placed supply orders on them. This practice deprived equitable distribution of the business/ supply orders among the SSIs and was against the spirit of the SPR, resulting in enrichment of few SSIs. The particulars of total indents received, number of indents brought by the SSIs *vis a vis* received directly by the Company for last five years ending 2007-08 are given below:

Year	Total indents	Indents brought by SSIs		Indents received directly from Departments	
		Number	Percentage	Number	Percentage
2003-04	17,892	13,944	78	3,948	22
2004-05	24,557	20,764	85	3,793	15
2005-06	49,049	42,192	86	6,857	14
2006-07	51,372	44,727	87	6,645	13
2007-08	19,133	13,716	72	5,417	28

(Source: Data furnished by the Company)

The indents received did not indicate the value of the products. Hence, the value of the indents brought by SSI units and value of the indents received directly from the Department could not be ascertained. The State Government introduced (October 2007) electronic indenting system to make the receipt of the indents and issue of supply orders more transparent. The Company, however, continued to accept manual indents by post and through messenger also till date (October 2008).

Despite instruction of Lok Ayukt the Company accepted indents brought by SSIs.

The practice of obtaining indents by SSIs directly was also objected by the Lok Ayukt (February 2000) who directed the Company to phase out this practice in three years time. Accordingly, the Company issued (April 2000 and March 2001) instructions to its marketing divisions for phasing out this practice.

The Company stated (November 2008) that Lok Ayukt office did not object Company's request (July 2002 & October 2002) for continuing the practice of bringing indents by SSI units. It was further stated (November 2008) that it had to accept such indents as electronic media were not available at the Government offices located in remote places and small towns. The fact remains that the Company did not follow Lok Ayukt orders as well as the provisions of SPR and continued the practice of collecting indents through interested SSIs from Government Departments.

Belated receipt of indents

Extra expenditure of Rs. 18.06 lakh due to belated receipt of indents.

2.10 The SSIs, after getting the indents from the Departments, retained the same and submitted to the Company for issue of supply orders after finalisation of the rates for the next year to avail the benefit of increased rates. On a test check, it was observed that in 37 supply orders (April 2006 to July 2007) valued at Rs.1.12 crore, the Departments incurred extra expenditure of Rs. 18.06 lakh as indents were held for periods ranging from 30 to 330[28] days by the SSIs till the rate contracts were finalised for the succeeding year. The Company did not take any penal action for holding the indents by SSIs to their favour. Thus, suppliers by using speculation and unfair approach, enriched themselves at the expense of State exchequer.

The Company stated (November 2008) that indents were received at the fag end of the rate contract period or when the rates for subsequent year were under finalisation. It was also stated that conditional supply orders for supply at old rates were issued. The fact remains that in these 37 cases conditional supply orders were not issued.

Direct purchase by Departments

Loss of revenue of Rs. 68.64 lakh due to direct purchase of reserved items by Departments.

2.11 While the SPR provisions stipulate purchase of reserved items through the Company only, neither the Company nor the State Government evolved any mechanism to monitor the procedure followed by the Departments for purchases made during the year. Several Government Departments/Authorities like, Narmada Valley Development Authority, Public works Department, Public Health Engineering, Rural Engineering Services etc., were purchasing reserved items directly. The Company came to know of the instances of direct purchases only through public advertisements. During the Audit scrutiny it was noticed that in nine cases, the value of direct purchases made (from

[28] *30-75 days -6; 76-100 days-19; 101-200 days-7; 201-300 days-4 and 301 days and above-1.*

December 2004 to September 2007) was Rs. 4.71 crore[29] and the loss of revenue to the Company worked out to Rs. 9.42 lakh at two *per cent* commission receivable.

The purchases expected during the year 2004-05 from Public Health Engineering Department by the Company was Rs. 70 crore. However, Public Health Engineering Department purchased items only worth Rs. 40.39 crore. The remaining items were purchased by the Department directly. This resulted in loss of revenue Rs. 59.22 lakh to the Company in the form of commission foregone. Thus, failure to evolve a suitable monitoring system to ensure that the Departments follow the provisions of SPR, resulted in loss of revenue of Rs.68.64 lakh. Further, by not giving opportunity to SSIs for supplying the reserved items, the concerned departments ignored the interest of the SSI units and the Company did not intervene in the matter.

While agreeing to the audit observation, the Company stated (November 2008) that the State Government would be requested to explore the possibility of ensuring that the purchase rules are strictly followed by its Departments.

Purchase of drug kits

Extra expenditure of Rs. 2.85 crore due to failure to estimate cost.

2.12 The Company invited open tenders from Central Public Sector Enterprises and their subsidiaries (drug manufacturers) for supply of drug kits (containing drugs ranging from six to forty numbers) to Primary Health Centres in the State for the year 2006-07 and finalised (November 2006) the bid submitted by Karnataka Antibiotics Limited. The kits were priced on the basis of drugs kept in them. The rates finalised among various kits were Rs. 1,422 for Asha and Rs.49,980 for RTI[30]/STI[31]. Earlier the individual rates for constituent drugs were finalised (June 2006) by the Company under regular rate contract. The cost of drug kit "Asha" with the rates of individual drugs contained in the Kit, was analysed in audit and it was observed that the cost of the kit worked out to Rs.870.60. The Company arranged supply of 50,000 drug kits during 2006-07 at a cost of Rs. 7.11 crore causing extra expenditure to the extent of Rs. 2.75 crore to the Government. Similarly, on comparing the rates of individual drugs (Rs.27,556) with the rate of drug kit (RTI/STI), the extra expenditure worked out to Rs. 10.31 lakh for supply of 46 drug kits. Thus, the Company failed to arrive at the cost of the drug kits considering the cost of individual drugs already available with them.

The Company stated (November 2008) that Health Department was requested not to release payment till the entire issue was re-examined. The matter is placed before the Purchase Committee for appropriate decision and reply from the Department was awaited.

[29] *RCC hume pipes; RCC fencing poles; Barbed wire.*
[30] *Reproductive tract infection.*
[31] *Sexual tract infection.*

Non-fulfilling the assigned role

2.13 The State Industrial Policy 2004 envisaged the Company to function as a nodal agency for establishing and providing linkage between the SSIs and other Industrial units in the Industrial Growth Centers and strengthen Research and Development Institutions in the state to provide technical guidance to specific industries and industrial clusters. The Company did not take any initiative in these directions and the Company failed in its role as a State agency established for transformation of the State Policy into activities and under technical assistance to SSIs.

The Company stated (November 2008) that it had organised (January 2008) an Expotech 2008, an exhibition-cum-buyer-seller meet at Gwalior for providing marketing assistance to weavers and artisans and proposed to conduct one more in the year 2009.

However, the Company did not elaborate the reasons for not taking initiative to establish linkage between SSIs and the buyers of their products located in industrial growth centers as directed by the State Government.

Performance of Raw material Depots

2.14 The activities of the Company include assistance to SSIs in procurement of raw material also. The main raw materials dealt by the Company are cement, coal, iron and steel. In addition, the department handles the supply of footbridges to the departments. The total business taken up and profit earned for procurement and distribution of raw material to SSI Units for last five years ending 2007-08 are given in ***Annexure-10***.

Extra expenditure of Rs. 9.85 lakh to departments due to delay in acceptance of indents.

During the scrutiny of records of the depots, it was noticed that in 32 cases for supply of cement (a non-reserved item), the indents obtained from the Departments were retained (for periods ranging from 45 days to 112 days) by the suppliers till the rates were revised upwards and submitted for issue of supply orders during April to June 2007 resulting in payment of extra expenditure of Rs.9.85 lakh by the Department. The acceptance of the indents belatedly by the Company after effecting revision of rates went to encourage unfair business practices adopted by the suppliers, which resulted in delay in receipt of the material and avoidable expenditure to the Departments.

Performance of Emporia

2.15 The Company operates ten emporia (Bhopal, Gwalior, Indore, Jabalpur, Jaipur, Kolkata, Kolkatta-Avanti, New Delhi, Rewa and Udaipur) engaged in sale of handloom and handicraft items and also supply some reserved items. The handloom items are purchased from the local markets and the selling prices are fixed by increasing the purchase price by 60 *per cent.* The emporia normally allow discount of 20 *per cent*. Besides, additional discount of 10 *per cent* is extended to select customers. The business done, gross income and profit/loss of the emporia during the five years upto 2007-08 are given in ***Annexure-10***.

Analysis of the profitability of the emporia revealed that the profits from 2005-06 to 2007-08 were arrived at after inclusion of commission from marketing of reserved items and rental receipts (Rs. 30.34 lakh in 2005-06, Rs. 40.64 lakh in 2006-07 and Rs. 51.84 lakh in 2007-08) indicating that the main activities of the emporia continued to incur losses by Rs. 9.83 lakh in 2005-06, Rs. 5.38 lakh in 2006-07 and Rs. 14.70 lakh in 2007-08. Scrutiny of records of emporia revealed that Gwalior, Udaipur and Jaipur emporia were incurring losses continuously for more than five years ending 2007-08. The COPU in its recommendation (March 2006) directed the Company to periodically review the performance of these emporia and take corrective actions to improve their performance. However, the Company did not evolve any plan to make these three emporia viable after investigating reasons for continued loss.

The Company stated (November 2008) that it had taken measures to cut down the running cost of the Jaipur emporium and renovated the emporia at Gwalior and Udaipur to facilitate more business and better results.

Inventory

2.16 The position of inventory held by emporia at the end of each year during the last five years ending 2007-08 is given below:

(Rupees in crore)

Year	Sales	Closing stock	Stock in term of month sales
2003-04	2.84	3.03	12.80
2004-05	3.32	3.08	11.13
2005-06	4.15	3.22	9.31
2006.07	4.85	3.57	8.83
2007-08	6.25	3.61	6.93

(Source: Data furnished by the Company)

Continuous holding of higher inventory.

It was observed in audit that stock held in terms of monthly sales had decreased considerably over a period of five years ending 2007-08. However, the closing stock was still on higher side and remained over rupees three crore throughout this period.

The Company stated (November 2008) that high inventory level was due to maintaining the stock for meeting demand during rainy season and inclusion of fabrics kept for further processing. However, the Company did not furnish any data in support of its contention so that its impact on total inventory could be ascertained.

Holding of trade fairs

2.17 The Company participated in six national and six international fairs during the period under review and sold articles worth Rs. 9.85 lakh only. For participation in the fairs, the Company received grant from Central/State Government.

The grant received, expenditure incurred and income earned through sales during the last five years ending 2007-08 were as under:-

(Rupees in lakh)

Year	Expenditure incurred	Grant received	Net expenditure	Income earned
2003-04	3.71	1.60	2.11	4.00
2004-05	NIL	NIL	NIL	NIL
2005-06	43.63	37.64	5.99	3.12
2006-07	36.66	33.92	2.74	0.22
2007-08	4.15	3.06	1.09	2.50

(Source: Data supplied by the Company)

The earning during 2005-06 and 2006-07 did not meet even the expenditure incurred by the Company for participation in the fairs. During the years 2005-06 and 2006-07 the Company participated in international trade fairs but did not earn any export orders.

The Company stated (November 2008) that its participation in the Trade Fair was only to provide an exposure to the weavers and artisans so that design and quality of the products developed by them would be improved considering the demand of the foreign market. Earning profit was not the main objective. However, the Company did not furnish any data regarding enquiries/orders received from foreign markets where fairs were conducted for five years. Hence the benefit derived by the Company was not ascertainable.

The State Industrial Policy 2004 envisaged that the Company should arrange buyer-seller meet and Urban Haats at Indore and other places to achieve buyer-seller linkage as a measure of marketing assistance. But the Company had not organised any meet in this regard.

The Company stated (November 2008) that an Expotech-Reverse Buyer Seller Meet was conducted at Gwalior in January 2008 to assist the SSIs engaged in export business as a measure of export promotion. Further Company added that Urban Haats were organised by other Government agencies viz., Hasta Shilpa Vikas Nigam, Khadi and Village Industries Board etc. However, the Company did not elaborate reasons for not organising any meeting of SSIs and other industries located in the industrial growth centers for marketing and display of SSIs products as envisaged in the State Industrial Policy 2004.

Performance of Estate and Construction Division

2.18 The objectives of the Company include construction, maintenance and administration of industrial estates/areas for SSI units, which needed special construction procedure/methods. In order to fulfill this objective, a construction division was established. A scrutiny of the works undertaken by the division for the period from 2003-04 to 2007-08 revealed that the Company deviated from its objective and constructed buildings for schools, hostels etc., for Government Departments/ Bodies and did not construct any industrial structure.

Non-adherence to COPU's recommendation.

The COPU recommended (March 2006) that the Estate and Construction Division of the Company with staff and work be transferred to other agencies. The Company intimated (March 2007) COPU that being a profit-earning centre, the division was retained. However, the fact remains that the works taken up by the Company did in no way relate to SSIs.

The Company stated (November 2008) that staff of estate and construction division was not transferred considering the efficient performance of the estate and construction division. The Company added further that the transfer of staff to other agencies would affect the service conditions and seniority. The Company had already requested the COPU to reconsider their earlier directions.

Performance of Construction Division

2.19 The Company undertook 306 works valued at Rs. 86.69 crore through its four divisions (Bhopal, Indore, Jabalpur and Gwalior) as deposit works during the review period and completed 164 works valued at Rs. 43.27 crore. The balance 142 works valuing Rs. 43.42 crore were under progress (February 2008). The details of total business done by Estate and Construction divisions and profit earned are given in ***Annexure-10***.

Payment of EPF dues of the contractor

2.20 The contractors of the Company are liable to pay the monthly provident fund contributions recovered from the wages of the workers employed by them together with an equivalent amount of management contribution to the Employees Provident Fund Organisation (EPFO). Any failure in payment by the contractors would make the Company liable to pay the EPF dues in their capacity as Principal Employer.

Liability of Rs. 1.53 crore due to contractors' default.

The Enforcement Officer (EO) of the EPF, after verification of the Company's records for the period from August 1998 to August 2005, assessed (July 2006) the dues payable by the contractors of the Company as Rs. 1.53 crore and raised a demand against the Company (the principal employer) for payment of the amount. In response, the Company appealed (October 2006) to the Provident Fund Commissioner, Bhopal. The Assistant Provident Fund commissioner (AC-PF) who heard the appeal confirmed (December 2006) the demand raised by the EO and appropriated (January 2007) Rs. 65.48 lakh available in the Company's bank account. The Company again filed (January 2007) an appeal with the Appellate Tribunal, New Delhi. The Appellate Authority stayed (January 2007) further appropriation of the Company's bank accounts. Further proceedings by the Appellate authority were in progress.

Thus, due to failure of the Company, as the Principal employer in the works contract, to ensure payment of statutory dues by the contractors either by incorporating suitable clause in the contract to verify the payments or by effecting necessary deductions in the bills of the contractors, resulted in punitive action from EPFO.

The Company stated (November.2008) that a clause insisting on furnishing registration number of contractors with EPF authorities has been included in the tender conditions. The reply is not acceptable as it would not safeguard the interest of the Company and an enabling clause in the agreement to verify the payment details would meet the requirement.

Conclusion

The Company did not achieve its primary objective of promoting and protecting SSIs by rendering marketing assistance as it failed to attract more SSIs under rate contracts for offering their products. It did not increase the supplier base and continued to accept the indents brought by the SSIs from the Departments leading to inequitable distribution of supply orders. The Company took no efforts for establishing Research and Development facilities for the benefit of SSIs as envisaged in State Industrial Policy. The Company did not act on the recommendations of COPU with regard to transferring the activities and staff of Estate and Construction Division to other agencies.

Recommendations

The Company should:

- **create awareness among the SSIs about the services extended by the Company by adopting suitable media techniques;**
- **prevail upon the Government departments to send the indents directly to the Company through electronic media;**
- **establish linkage between SSIs and other Industries; and**
- **provide Research and Development support and Technological assistance to the SSIs for improving the quality of their product.**