

Chapter-III

Performance review relating to Statutory corporation

Maharashtra State Warehousing Corporation

3. Performance Audit of warehousing operations and augmentation of warehousing capacity

Highlights

Despite availability of funds, the Corporation failed to construct the targeted storage capacity of 56,000 metric tonne planned for 2001-06.

(Paragraph 3.7)

The capacity utilisation of up to 129 warehousing centres of the Corporation during 2001-06 was below the breakeven point of 75 per cent. Deficiencies were also noticed in the computation of capacity utilisation. Over 25 per cent of the centres incurred losses during the period 2001-05.

(Paragraphs 3.9 and 3.10)

There was no revision in tariff during 2000 till 2005 despite increase in average expenditure per metric tonne by 49.70 per cent from Rs.496.18 in 2001-02 to Rs.742.79 in 2004-05. The bills were not raised and recovered regularly. Rebates were being allowed without verification of the beneficiaries' credentials as laid down in the case of farmers and in a non transparent manner to others.

(Paragraphs 3.13-3.16)

Due to storage losses in excess of the norms prescribed, payment of Rs.71.59 lakh due to the Corporation was withheld by FCI.

(Paragraph 3.17)

In the seven bonded warehouses in Navi Mumbai, Pune and Nagpur regions there were 186 cases in which bonds had expired and the goods were lying in warehouses since 1982-83. The Corporation had not been able to recover its legitimate dues of Rs.18.29 crore on account of storage charges due to faulty rules in this regard.

(Paragraph 3.19)

Despite its owned warehousing capacity not being fully utilised at 26 centres, additional godowns were hired by the Corporation in an unplanned and non transparent manner.

(Paragraph 3.12)

Introduction

3.1 The Maharashtra State Warehousing Corporation (Corporation) was established on 30 September, 1960 under the Agricultural and Produce (Development and Warehousing) Corporation Act, 1956 which was subsequently replaced by the Warehousing Corporations Act, 1962. The main objective of the Corporation is to acquire, build and operate warehouses in the State for storage of agricultural produce, fertilisers, seeds, manures *etc.* The Corporation is also catering to the needs of importers and exporters through its Bonded Warehouses and Container Freight Stations.

The management of the Corporation is vested in a Board of Directors comprising eleven Directors of whom five each are nominated by the State Government and Central Warehousing Corporation (CWC). The Chairman and Managing Director (CMD) is appointed by the State Government with the prior approval of the CWC. The Board is assisted by an Executive Committee consisting of CMD and three Directors. The performance of the Corporation was last reviewed in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2000 (Commercial) – Government of Maharashtra which was discussed by the Committee on Public Undertakings (COPU) in April 2003.

Scope of Audit

3.2 The present review conducted during February-May 2006 covers the performance of the Corporation relating to warehousing operations and augmentation of warehousing capacity during 2001-06. Audit findings are based on test check of records maintained at the Head office of the Corporation and 15 centres under three* out of nine# regional offices having 164 centres.

* Jalgaon, Nagpur and Pune.

Aurangabad, Dronagiri node, Jalgaon, Nagpur, Nashik, Navi Mumbai, Parabhani, Pune and Solapur.

Audit objectives

3.3 The objectives of the review were to ascertain whether:

- the warehousing operations were undertaken after due planning and carried out economically and efficiently;
- the capacity of warehouses was augmented as planned and utilisation of the augmented capacity was optimised;
- the capacity utilisation was correctly worked out and its utilisation was at or above breakeven point;
- tariffs fixed were adequate for various commodities so as to cover the operational costs and earn profits and the rebates allowed were as prescribed in the tariff; and
- rail transit losses were worked out and intimated as per the instructions of Food Corporation of India (FCI) and shortages in stock were within the prescribed limits.

Audit criteria

3.4 The following criteria were adopted:

- Target and achievement of storage and construction of warehouses;
- Instructions/guidelines of Government of India/Government of Maharashtra (GOM)/the Corporation and FCI regarding procurement, storage, delivery of foodgrains, procedures prescribed for raising of bills, construction and maintenance of warehouses, timely revision of tariff and its prompt realisation; and
- Terms and conditions of agreements entered with FCI/contractors for constructions of warehouses.

Audit methodologies

3.5 Audit followed a mix of the following methodologies:

- scrutiny of the Corporations records regarding decisions of the Board of Directors and the Executive Committee;
- scrutiny of records of the Corporation both at head office and field offices selected for test check; and
- discussion and interaction with officials of the Corporation.

Audit findings

3.6 The audit findings were reported to the Government/management in June 2006 and discussed in the meeting of the Audit Review Committee for State Public Sector Enterprises (ARCPSE) held on 21 July 2006 which was attended by the Under Secretary (Co-operation, Marketing and Textile Department), GOM, Chairman and Managing Director, General Manager (Business Development) and General Manager (Engineering) of the Corporation. The views of the Government and the management have been taken into account before finalising the review.

The audit findings are discussed in the succeeding paragraphs.

Planning

3.7 The Corporation planned to add warehousing capacity of 2.63 lakh metric tonne (MT) during 2001-06. Audit scrutiny revealed that though the Corporation had prepared detailed estimates for construction of new/additional godowns, no feasibility report indicating cost/benefit analysis, or the breakeven points for making each centre profitable was prepared. No sensitivity analysis of variations in capacity utilisation was carried out to have an assessment of the profitability under various scenarios. During 2001-06, the Corporation added 2,06,735 MT capacity at a cost of Rs.59.98 crore by way of addition to the capacity of existing centres and by establishing new centres as under:

Particulars	2001-02	2002-03	2003-04	2004-05	2005-06	Total
Capacity addition in existing centres:						
No. of centres	7	4	37	--	2	50
Capacity added (MT)	13,260	11,650	1,38,840	--	3,960	1,67,710
Total cost (Rupees in lakh)	216.73	217.11	2,805.08	--	85.47	3,324.39
Capacity addition through new centres:						
No. of centres	4	2	6	2	--	14
Capacity (MT)	13,800	5,400	10,800	9,025	--	39,025
Total cost (Rupees in lakh)	232.98	106.51	312.21	2,022.29	--	2,673.99
Total capacity addition:						
No. of centres	11	6	43	2	2	64
Capacity (MT)	27,060	17,050	1,49,640	9,025	3,960	2,06,735
Total cost (Rupees in lakh)	449.71	323.62	3,117.29	2,022.29	85.47	5,998.38

It can be seen from the table above that actual capacity addition during 2001-06 was 2.07 lakh MT as against planned capacity of 2.63 lakh MT during the same period. Thus, there was a shortfall of 0.56 lakh MT in

capacity addition as of March 2006. Similarly, out of the budget provision of Rs.105.73 crore for construction, the actual expenditure incurred was Rs.90.98 crore[#].

Delay in claiming subsidy from NABARD

3.8 The Corporation constructed 76 godowns (Capacity 1,49,640 MT) by availing a loan of Rs.26.50 crore from Bank of Maharashtra. As per the Capital Investment Subsidy Scheme of National Bank of Agriculture and Rural Development (NABARD), subsidy at 25 per cent of the capital cost was available to the Corporation of which half of the amount was to be released by NABARD in advance on submission of a project profile cum claim form along with approved plans of the godowns by the lending bank. The bank submitted (March 2003) subsidy claim to NABARD without the approved drawings/plans of all the proposed godowns. These were submitted in October 2003 as there was delay in submitting the plans and drawings to the bank by the Corporation. The subsidy of Rs.2.72 crore was received on 31 March 2004.

Thus, delay (eight months from March to October 2003) in submission of approved plans etc. to NABARD resulted in avoidable interest payment of Rs.17.68 lakh to the Bank at the rate of 9.75 per cent per annum.

The management stated (July 2006) that as and when Bank of Maharashtra/NABARD asked for any information, the same was filed immediately as far as possible. The reply is silent about the reasons for non-submission of approved drawings/plans along with the claim.

Capacity utilisation

3.9 The utilisation of storage capacity of the Corporation for the five years ended March 2006 was as under:

Sl. No.	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06 (Provisional)
1.	Number of warehousing centres at the end of the year	156	158	162	164	164
2.	Storage capacity at the end of the year (in lakh MT)					
	Owned	9.48	9.63	10.75	10.93	10.96
	Hired	0.94	0.49	0.61	1.30	1.16
	Total	10.42	10.12	11.36	12.23	12.12
3.	Average storage capacity available (in lakh MT)	10.12	10.23	10.82	11.45	12.28
4.	Average storage capacity utilised (in lakh MT)	7.51	6.96	6.20	7.65	9.83
5.	Percentage of utilisation to available capacity	74.21	68.04	57.30	66.87	80.05
6.	Number of centres with capacity utilisation below 75 per cent (breakeven capacity)	93	106	129	113	68

[#] Including expenditure on incomplete works.

The capacity utilisation in 68 centres was less than the breakeven point.

The Corporation considered 75 per cent capacity utilisation as breakeven point. It could be seen from the table above that the capacity utilisation was below 75 per cent during 2001-05 and increased to 80 per cent in 2005-06. The capacity utilisation showed a decreasing trend during 2002-04. The number of centres with capacity utilisation below 75 per cent increased from 93 in 2001-02 to 106 in 2002-03 and to 129 in 2003-04. The percentage of such centres was as high as 41 at the end of March 2006.

The management stated (July 2006) that the decrease in business during 2002-04 was due to high prices of commodities in the neighbouring States, high international rates of commodities at the time of procurement itself and the cotton purchased by the Cotton Marketing Federation under cotton monopoly procurement scheme was less than that by the private traders, thereby resulting in lower demand for storing/warehousing requirement. The reply indicates that the Corporation does not have any business continuity plan nor has made efforts to diversify its depositor base.

3.10 The method used for computation of capacity utilisation suffered from the following deficiencies:

Capacity utilisation calculation was incorrect as it was not based on actual storage done.

- The capacity utilisation has to be calculated considering the average utilisation of the month based on daily stocks held. The stock held on the last day of the month was, however, taken as the figure of capacity utilisation for the entire month. Due to this, the capacity utilisation reported by 15 centres test checked for the months of March 2005 and March 2006 varied between (-)64 and (+)113 per cent as compared to the average utilisation during these months.

The management stated (July 2006) that the process of web based connectivity of all Centres with Regional offices and Head office was in progress and was being planned to monitor the occupancy position on day to day basis and due care will be taken in future.

- The capacity utilisation is calculated considering the standard weight of each bag as 100 kg regardless of actual weight of each bag. The actual weight of each bag varied between 25 and 100 kg. As a result the utilisation reported was higher by 10 to 21 per cent in five centres than the actual quantity stored. In one centre, at Gultekadi, the percentage of capacity utilisation reported was 129. The capacity utilisation based on actual weight, however, worked out to only 57 per cent of the available capacity of the godown. Thus, capacity utilisation was inflated by 72 per cent.

The management stated (July 2006) that the procedure adopted was due to their charging storage rent for 100 kg whether the bag contained 96 kg or 90 kg. The reply is factually incorrect as the Corporation collects storage charges for actual quantity of each bag which varied from 25 kg to 100 kg and hence capacity utilisation stood inflated.

- According to the instructions issued (May 1986) by the Corporation, the capacity of all constructed godowns was to be shown in all periodical

The procedure adopted for calculation of the capacity utilisation was incorrect.

returns as per the gross capacity informed by the Construction branch instead of capacity as per thumb* rule which was being followed by the Corporation earlier. In violation of these instructions, the thumb rule capacity was considered for computation of capacity utilisation which was lower by five to 27 *per cent* of the constructed capacities.

Loss making centres

3.11 The Corporation earned net profit of Rs.51.59 crore during 2001-06. There were, however, some centres, which incurred losses aggregating Rs.4.71 crore. The details of which are as under:

Year	Total number of centres	Net profit of the Corporation (Rupees in crore)	Number of loss making centres (percentage)	Amount of loss (Rupees in crore)
2001-02	156	9.25	40 (25.64)	1.11
2002-03	158	9.11	43 (27.22)	0.84
2003-04	162	1.65	55 (33.95)	1.52
2004-05	164	14.28	46 (28.05)	1.02
2005-06	164	17.30 (Provisional) [§]	11 (6.7)	0.22 (Provisional) [§]
Total		51.59		4.71

It would be seen from the table above that the net profit of the Corporation during 2003-04 was Rs.1.65 crore. The losses incurred by the Corporation on 55 centres were, however, Rs.1.52 crore. The Corporation had not taken any concrete step to reduce the number of loss making centres till 2004-05. Only in 2005-06 the number of such centres was reduced to 11 mainly due to increase in rental charges from April 2005.

The management stated (July 2006) that the increase in business and better capacity utilisation were also the reasons for reduction in the number of loss making centres. An analysis in audit, however, revealed that the reason for loss was high establishment cost in 38 to 64 *per cent* centres whose capacity was less than 2,000 MT.

The management agreed (July 2006) that the losses were due to low installed capacity and relatively higher operational cost.

Hiring of private godowns

3.12 In order to meet the storage demand during 2001-06, the Corporation hired private godowns with capacities ranging between 0.49 lakh and

*Thumb rule capacity is six square feet of carpet area for storage of a tonne of foodgrain in standard bags when the height of godown is 16 feet and above. The constructed capacity of godown of 1,800 MT worked out to 1,580 MT as per the thumb rule.

[§] Awaited as Accounts for the year 2005-06 have not been finalised.

1.30 lakh MT. Some new centres were opened with hired godowns only. Audit scrutiny revealed the following deficiencies in hiring of godowns:

- Three Centres at Sillod (May 2001)[#], Nagbhid (December 1998)[#] and Talodhi Balapur (December 1998)[#] were working with hired godowns despite incurring losses since the date of hiring. The Corporation dehired them only in October 2004 when the centres were closed down. These centres incurred losses of Rs.13.76 lakh during 2001-06. Had timely decision to dehire the godowns been taken, the losses could have been avoided.
- The decision to hire private godowns for augmenting the capacity temporarily should have been taken on need basis and in a planned manner considering their financial viability. It was, however, noticed in audit that hiring of godowns was done on an *ad-hoc* basis and in a non transparent manner. The Corporation did not invite tenders/quotations to ascertain competitive rates for hiring. It instead decided to hire godowns based on applications obtained from owners of private godowns.
- Based on average capacity utilisation, the owned capacity at 30* centres was sufficient to cater to the storage needs. Even then additional capacity of 61,546 MT was hired during 2001-06 for periods ranging from three months to four years.
- Audit scrutiny of 30 centres revealed that the capacity utilisation during 2004-06 at 26 centres for periods ranging from two to 12 months was less than the owned capacity available. Hiring of additional capacity during this period, therefore, lacked justification.

Fixation of storage charges

3.13 The main revenue source of the Corporation is storage charges. The details of the storage charges revised by the Corporation during the last ten years are as under:

Schedule No.	Effective from	Rate increased by (per cent)	Time gap between the revisions (months)
42	1 January 1996	33	26
43	1 January 1997	13-15	12
44	1 June 1998	10-15	17
45	1 April 2000	20	22
46	1 April 2005	5-15	60

[#] Brackets indicate the dates of hiring.

* Amalner, Akot, Amgaon, Bhosari, Chandrapur, Chalisgaon, Chandur Railway, Dhamangaon, Dharangaon, D' Raja, Jalna, Jalgaon, Kasoda, Khamgaon city, Khamgaon MIDC, Lasur, Latur MIDC, Malegaon (N), Manwat, Murtizapur, Miraj, Nanded, Neera, Parli APMC, Pachora, Pusad, Resod, Srirampur, Wardha and Warud.

The average expenditure per MT per year gradually increased from Rs.496.18 in 2000-01 to Rs.742.79 in 2004-05. The Corporation, however, did not consider gradual revision of storage charges during the above period. It was only in April 2005, that the storage charges were revised, which resulted in reduction in the number of loss making centres from 55 in 2003-04 to 11 in 2005-06.

Prior to April 2005 the storage centres were classified in two categories viz. Average rated and standard rated warehouses. From April 2005 onwards, however, the storage centres were classified under the following four categories:

- A+ - High standard rated (in Navi Mumbai).
- A - Standard rated
- B - Average rated.
- C - Low rated.

Though the storage centre were categorised for fixing the storage charges yet, locational advantages of the warehouses were not given any weightage.

The management stated (July 2006) that while fixing the storage charges various factors like size of the city, market turnover of the commodities, intensity of demand and rates fixed by other agencies are considered. The management also assured to review the categorisation process.

Arrears of storage charges

3.14 The year wise revenue earned from warehousing charges and arrears thereof were as under:

(Rupees in lakh)

Particulars	2001-02	2002-03	2003-04	2004-05	2005-06 (Provisional)
Annual revenue towards warehousing charges	3,444.04	3,221.25	3,005.87	4,185.45	4,899.18
Average monthly revenue	287.00	268.44	250.49	348.79	408.26
Warehousing charges receivable at the end of year	1,113.97	1,232.93	1,303.63	1,677.88	1,292.97
Number of months' of revenue in arrears	3.88	4.59	5.20	4.81	3.16
Warehousing charges due from private parties	475.67	579.72	773.82	923.57	533.20
Percentage of dues from private parties to total dues	42.70	47.02	59.36	55.04	41.24

It would be seen from the table above that about three to five months' revenue was in arrears of which more than 40 *per cent* revenue was receivable from private parties.

Further analysis of dues of Rs.9.24 crore as on 31 March 2005 revealed the following:

- About 90 *per cent* of the dues (Rs.8.31 crore) pertained to the customers who had stored their material on warehouse receipt (WHR) basis[#]. A review of such dues revealed that in 14 out of 15 selected centres the material stored from as far back as 1991 was not lifted by the customers. Total dues at 14 such centres worked out to Rs.59.43 lakh against 1,818 WHRs issued up to 31 December 2004. As per the WHRs issued to the customers, the material was accepted for storage for a period of three months. If the material is not lifted within three months, the material is required to be delivered only after recovery of storage charges for the entire period. The present system does not ensure timely collection of storage charges beyond the period of three months nor does it prescribe a procedure for disposal of material for realisation of dues after a specified period beyond three months.

The management stated (July 2006) that though efforts were made in the past for collecting storage charges every three months and instructions in this regard were also issued by the Head Office, these instructions could not be implemented due to 'field' difficulties. The reply is not tenable, as the Corporation had not streamlined the procedure to ensure timely collection of storage charges. During the ARCPSE meeting the Corporation assured to look into this aspect.

Dues of Rs.76.51 lakh were not recovered from private parties. No delayed payment charges were levied.

- Arrears of Rs.76.51 lakh pertain to private parties who had reserved space for storage. In such cases, though as per the extant procedure monthly warehousing charges were to be recovered from the customers, yet these were not recovered. It was also noticed that though the payments were outstanding for more than three months, 22 parties (arrears of Rs.37.17 lakh) were allowed to take away the goods stored without payment of storage charges. Further, delayed payment charges of Rs.19.79 lakh at the rate of 18 *per cent* per annum were also not levied on the defaulting parties.

The management stated (July 2006) that efforts would be made for recovery of dues along with delayed payment charges.

Audit analysis further revealed that:

- In one case, the monthly bill for August 2002 (Gujrat State Fertilisers and Chemicals Limited) was not raised till it was pointed out by Audit in May 2006.

[#] In this case dues are realisable only when the material is delivered back to the customers.

There were delays in raising bills pertaining to FCI and other private parties, resulting in belated revenue realisation.

- For storage of foodgrains, FCI reserves certain capacity at various centres for which monthly bills for reserved quantity were to be prepared at Head office. There were, however, delays ranging between one and nine months in issue of monthly bills by the billing and recovery unit at the Head office of the Corporation though the reservation data were available.
- For the quantities stored in excess of reservation, the monthly bills are to be raised at normal storage rates by the respective warehousing centres. It was, however, noticed in audit that at 20 centres, 68 monthly bills were not raised at all. It was also noticed that at 10 to 19 centres there were delays ranging from one to 33 months in issue of monthly bills of Rs.1.66 crore for excess quantity. Though the monthly statements about storage charges are received from warehousing centres, no remedial action to avoid delay was taken at the Head office level indicating lack of monitoring.

The management stated (July 2006) that the delay in raising the bills was due to delay in receipt of communication of reserved quantity, from FCI. The reply is factually incorrect as reservation is communicated in the beginning itself whereas there were delays in raising the monthly bills for subsequent period.

Rebates allowed to farmers

3.15 The Corporation offers rebate up to 25/35 *per cent** on storage charges to all farmers and 50 *per cent* to SC/ST farmers and farmers holding less than ten acres of land. While allowing rebates it is to be ensured that the beneficiaries are farmers and that the product stored is the one cultivated by them on their own land. During 2001-05, the Corporation had allowed rebate of Rs.1.39 crore.

A review of rebate granted to farmers by 13 centres revealed that in ten centres the rebate was allowed in 91 cases without adequate proof of land holding or the crop entries were not checked by the warehousing centre managers to ascertain whether the cultivation of foodgrains was done by the farmer himself. Further, foodgrains stated to be stored were not proportionate to the crop entry on the said proof. This was also not checked by Regional Managers during their regular visits to the centres.

The management stated (May 2006) that henceforth the proof of land holdings and proper crop entries would be checked before allowing rebate. The reply does not state why the prescribed procedure was not followed in the past.

Rebate allowed to other than farmers

3.16 The Corporation prescribed the quantum of various rebates in the tariff itself. Audit scrutiny, however, revealed that during 2001-06 the CMD allowed rebate on the warehousing rates to the tune of Rs.53.71 lakh at variance with the rebate prescribed. It would be seen from the table below

*Increased to 35 *per cent* from 8 August 2004.

that the rebate was allowed on *ad-hoc* basis as the percentage of rebate in different cases varied from three to 50:

<i>Per cent of rebate</i>	<i>No. of cases</i>	<i>Rebate (Rupees in lakh)</i>
3 to 10	8	1.76
15	13	6.88
20	15	14.79
25	8	23.68
30 to 50	3	6.59
Total	47	53.71

Had the above cases been considered under the rebate structure for bulk reservation prescribed in the tariff, 19 cases would have been eligible for rebate of Rs.3.69 lakh at the maximum rate of five *per cent*. The excess rebate allowed therefore lacked justification.

The management stated (July 2006) that rebates were given to attract customers. The reply is not tenable as the rebates were given in violation of its own publicised tariff orders and in a non transparent manner.

Maintenance of warehouses

Storage loss

Due to excessive storage loss, payments of Rs. 71.59 lakh were held up by FCI.

3.17 FCI stores the foodgrains at the Corporation's warehouses. Storage loss at the rate of 0.5 *per cent* is allowed for moisture and other reasons. It was noticed that there were losses in excess of one *per cent* for which FCI had withheld Rs.71.59 lakh as under:

<i>Year</i>	<i>No. of cases</i>	<i>Amount (Rupees in lakh)</i>	<i>Actual losses ranged between (in percentage)</i>
2001-02	7	5.95	1 and 3.5
2002-03	17	40.95	1 and 8.73
2003-04	12	19.94	1 and 4.25
2004-05	4	4.75	1 and 1.26
Total	40	71.59	

It would be seen from the above table that the percentage of loss was as high as 8.73. The storage loss in excess of the norm of 0.5 *per cent* indicated that the maintenance of stock at godowns was deficient. Storage losses in excess of the norms were due to excess moisture contents in the foodgrains, long storage period and difference in mode of weighments. The matter of high storage losses than the norms was neither reported to the Board of Directors nor was it taken up with FCI.

The management stated (July 2006) that the matter was being pursued with FCI for regularising the excess storage losses. The reply is not tenable as the issue involved is not of regularisation of the excess loss but investigating reasons for higher losses and taking remedial measures.

Rail transit losses

3.18 As per the instructions issued by FCI and procedure followed by the Corporation, rail transit losses (RTL) are required to be intimated immediately after completing loading/unloading of foodgrains. In two cases, however, there were delays on the part of the Corporation in intimating the transit losses resulting in withholding of payment of Rs.26.30 lakh by FCI.

The management stated (July 2006) that the RTL were not reported immediately as the FCI squad was present at the time of unloading and they had instructed to issue the stock without investigating the RTL. In the absence of a formal claim from the Corporation, FCI had withheld the payments.

The reply is not tenable as the Corporation had failed to report the RTL immediately as per the instructions of FCI.

Bonded warehouses

3.19 The Corporation has seven bonded warehouses in Navi Mumbai, Pune and Nagpur regions. It was noticed in audit that there were 186 cases in which bonds had expired while the goods were lying in the warehouses since 1982-83. The accrued storage charges on such expired bonds worked out to Rs.18.29 crore. The first claim on such goods is that of the Customs Authorities for recovering Custom Duty (CD). There were 39 cases in which CD (Rs.2.34 crore) was more than the CIF value of such goods (Rs.1.36 crore). Thus, even after selling such goods, the Corporation would not be in a position to recover its dues amounting to Rs.1.64 crore detailed as under:

Centre	No. of cases	CIF value	Custom duty	Storage charges	Period of storage
Vashi	19	38.62	96.28	48.90	1984 to 2005
Manpada (BW)	8	13.51	21.27	46.29	1982 to 1996
Taloja	12	84.22	116.04	69.10	1995 to 2005
Total	39	136.35	233.59	164.29	

Though the storage charges for initial three months' period were recovered in advance, no further bills were raised and the storage charges were not recovered for the period beyond three months.

Audit further noticed the following deficiencies in the operation of bonded warehouses:

- One bonded godown of 1,580 MT capacity at Wadi Hingna (Nagpur) was vacant except for four months during the period 2001-06, {three months from March-May 2002 (37 *per cent* utilisation) and one month November 2004 (eight *per cent* utilisation)}. During this period the Corporation earned revenue of only Rs.0.56 lakh. Had this godown been dereserved from 'Bonded' to General Warehouse, the Corporation could have earned potential revenue to the tune of Rs.17.75 lakh during 2001-06 (assuming normal average capacity utilisation of 60 *per cent*).
- In one case (Wadi Hingna), though the Customs Authorities had auctioned the material and an amount of Rs.12.52 lakh was realised in November 2003, the Corporation got Rs.1.22 lakh in July 2005 (after 20 months) against the dues of Rs.2.90 lakh. The Corporation did not take up the matter with the Customs Authorities so as to realise its dues in time.
- The material in Taloja centre for which storage charges of Rs.1.33 crore were due, was shown as auctioned. Further details about realisation, adjustment of CD *etc.* however, were not made available to Audit.
- One hired godown at Manpada bonded warehouse centre had incurred losses in all the five years, totalling Rs.56.53 lakh. The same had, however, not been de-hired so far in the absence of a specific clause in the agreement for disposing off the material after expiry of period of bond.

The management stated (July 2006) that all efforts were made with customs authorities but they were not able to recover the storage charges in cases of expired bonds. Even in case of disposal of bonded material, the Corporation did not get any amount relating to storage charges it being the third priority. The reply is not acceptable, as the Corporation had failed to protect its interest through specific provision for disposal of goods after expiry of bond so that its warehouse space does not get blocked. The Corporation during ARCPSE meeting agreed to look into the matter.

Monitoring

3.20 Regular Monitoring of the activities at all levels/times ensure effective implementation. During audit it was noticed that monitoring was lacking in the following areas:

- The planned capacity addition *vis-a-vis* the actual construction and budget provisions was not monitored at top management level as discussed in Paragraph 3.7.
- The capacity utilisation of warehouses below the breakeven point and recovery of cost of warehousing through tariff was not monitored at Head office level as discussed in Paragraphs 3.9 and 3.13.

- The shortages in stock in excess of the norms and RTL loss were not monitored at warehousing centre level and Regional office level as discussed in Paragraphs 3.17 and 3.18.
- The raising of bills for the storage of stock on reservation basis to ensure early realisation of dues and granting of rebates as per the rates prescribed in tariff were not monitored at Head office level as discussed in Paragraphs 3.14, 3.15 and 3.16.
- Decisions for hiring and de-hiring of private godowns were not monitored at Regional and Head office level as discussed in Paragraph 3.12.

Acknowledgement

3.21 Audit acknowledges the co-operation and assistance extended by different levels of management at various stages of conducting the performance audit.

Conclusion

The performance of the Corporation with regard to warehousing operations and augmentation of warehousing capacity was found deficient. The capacity utilisation of warehousing centres was below the breakeven point of 75 per cent and there were deficiencies in the computation of capacity utilisation. The Corporation hired additional storage capacities in a non transparent manner, and at places where its owned capacity utilisation was sub-optimal. Storage losses were in excess of the norms. Rebates to farmers and others were allowed without verifying their eligibility and in a non transparent manner. There were substantial arrears of revenue on account of storage charges and huge dues were outstanding due to goods held up in bonded warehouses. No criteria were laid down for deciding the category of locations while revising the rentals.

Recommendations

The Corporation may:

- **take measures for optimum utilisation of the warehouses and adopt a proper system for computing the capacity utilisation.**
- **hire godowns in a transparent manner and after ensuring its economic viability.**

- **fix the storage charges on the basis of the locational advantages of the godowns, to maximise revenue from rentals.**
- **amend the rules regarding storage of goods in warehouses to provide for disposal of material not lifted after the period of three months so that warehouse space does not get blocked.**
- **have a joint lien alongwith customs authorities on the proceeds obtained from disposal of goods stored in bonded warehouses, for recovering the Corporation's dues.**

The above audit findings were reported to the Government (June 2006); their reply had not been received (December 2006).