

2.2 Rajasthan Small Industries Corporation Limited

Highlights

Rajasthan Small Industries Corporation Limited (Company) was incorporated in June 1961 with the objective of rendering assistance to small scale industries, artisans and craftsmen. The Company has, however, not taken-up any significant activity with regard to rendering financial, technical and managerial assistance to small scale industries.

(Paragraphs 2.2.1 and 2.2.2)

The performance of the Company during five years up to 2001-02 had been inconsistent. While the profit of the Company increased from Rs.4.59 crore in 1997-98 to Rs.4.93 crore during 1998-99 and to Rs.6.08 crore during 1999-2000, the profit reduced drastically to Rs.1.56 crore during 2000-2001 and turned into loss of Rs.1.91 crore during 2001-02.

(Paragraph 2.2.5)

The emporia of the Company sustained net losses to the extent of Rs.3.53 crore during five years upto 2001-02 despite commission of Rs.5.88 crore earned on consignment sale. Four out of eight emporia sustained losses aggregating Rs.1.48 crore during all the five years upto 2001-02.

(Paragraph 2.2.12)

The excess of employees' remuneration over counter sale in six emporia during 1997-2002 was to the extent of Rs.65 lakh out of which Rs.42.18 lakh was only in 2001-2002 in six emporia.

(Paragraph 2.2.12)

Demolition of the existing emporium building, Jaipur for construction of a new building, without eviction of co-occupants, led to avoidable expenditure of Rs.18.53 lakh on construction of temporary shed, besides unfavourable site resulted in steady decline of sales during 1999-2002.

(Paragraph 2.2.14)

The inland container depot at Bhilwara, scheduled to be completed in 1995-96 at an estimated cost of Rs.69 lakh, could be completed only in December 2000 at a total cost of Rs.2.33 crore registering an increase of 237.68 per cent. The depot sustained loss to the extent of Rs.82 lakh upto 2001-2002.

(Paragraph 2.2.17)

2.2.1 Introduction

Rajasthan Small Industries Corporation Limited (Company) was incorporated in June 1961 with the objective of rendering assistance to small scale industries, artisans and craftsmen.

2.2.2 Objects and activities

The main objects of the Company are:

- to aid, counsel, assist, finance and promote the interest of small industries in the State,
- to enter into contracts for fabrication, manufacture, assembly and supply of goods, and to arrange for the performance of such contracts and indents by sub-contracting them to small scale units,
- to effect co-ordination between large industries and small industries with a view to procuring orders for small scale industrial (SSI) units,
- to carry on the business of hardware and other articles and to act as stockist for various materials; and
- to promote handicrafts of Rajasthan, extend support to artisans and handicraft units of Rajasthan.

The activities of the Company were, however, confined to the following:

- Procurement and distribution of raw materials;
- Assistance in marketing of products;
- Running of emporia for handicrafts;
- Operation of a Handicraft Design Development and Research Center (DDRC) at Jaipur;
- Operation of inland container depots (ICD) and an air cargo complex (ACC).

No significant activity with regard to rendering financial, technical and managerial assistance to small scale industries was undertaken.

The Company has, however, not taken up any significant activity with regard to rendering financial, technical and managerial assistance to small scale industries. Its promotional activities for artisans remained limited to running of Carpet Training Centre which was discontinued in July 2000 due to stoppage of grant-in-aid from State Government.

2.2.3 Organisational set up

The management of the Company is vested in a Board of Directors. As on 31 March 2003, the Board consisted of five directors, four of which, including the Chairman and Managing Director (CMD), were appointed by the State Government and one director was appointed by the Central Government. There was, however, no professional on the Board of the Company. The participation of the Government nominee directors in 24 out of 29 Board meetings during period under review was between 25 and 80 *per cent*.

The Chairman and Managing Director is the chief executive and is assisted by Financial Advisor, General Manager (Administration) and General Manager (Commercial). During 1997-2003 there were change in incumbency of the CMD five times, of which one remained only for seven months.

The Company has 8 emporia^{*}, 13 raw material depots^{**}, 4 inland container depots^{***} and one air cargo complex at Jaipur airport.

2.2.4 Scope of Audit

The performance of the Company was last reviewed and included in the Report of the Comptroller and Auditor General of India for the year 1994-95 (Commercial)- Government of Rajasthan. The review was discussed by the Committee on Public Undertakings (COPU) in July 2000. The recommendations of the COPU were, however, awaited (July 2003).

The present review conducted during October 2002 to March 2003 covers the working of the Company for the last five years ending March 2002. The audit findings, as a result of test check of records of Head Office, Jaipur, seven emporia[@], two raw material depots[#], three inland container depots (ICDs)^{\$} and air cargo complex (ACC) at Jaipur airport, were reported to Government/Company in April 2003 with specific request for attending the meeting of Audit Review Committee for State Public Sector Enterprises (ARCPSE) so that view point of Government/management was taken into account before finalizing the review. The meeting of ARCPSE was held on 25 April 2003 where the Government was represented by Special Secretary to Government of Rajasthan, Industries Department and Chairman cum Managing Director of the Company.

* Jaipur, Udaipur, New Delhi, Mount Abu (closed in July 2001), Mumbai, Agra, Kolkata, (Garihath and Chowrangee).

** Jaipur, Kota, Jodhpur, Bhiwadi, Bhilwara, Bharatpur, Nagaur, Pali, Udaipur, Bikaner, Ajmer, Sriganganagar, Alwar.

*** Sanganer (Jaipur), Jodhpur, Bhilwara, Bhiwadi.

@ Jaipur, Udaipur, New Delhi, Mumbai, Agra, Kolkata, (Garihath and Chowrangee).

Jaipur, Kota.

\$ Jaipur, Jodhpur, Bhilwara.

2.2.5 Financial position and working results

The Company has finalized its accounts up to 2001-2002. The financial position and working results of the Company for the last five years ending March 2002 are detailed in Annexe 12 and 13 respectively.

The table given below indicates the profit earned/loss incurred by the Company during 1997-2002.

(Rupees in lakh)

	1997-98	1998-99	1999-2000	2000-2001	2001-2002
Profit (+)/loss(-) before tax	458.80	492.80	607.61	156.15	(-)190.78
Provision for tax	72.82	28.01	8.00	15.20	--
Profit (+)/loss (-) after tax	385.98	464.79	599.61	140.95	(-)190.78
Previous year adjustment	(-)4.26	(-)4.78	(-)87.01	(+)22.73	(-)1.20
Net profit(+)/loss(-)	381.72	460.01	512.60	163.68	(-)191.98

Profits reduced drastically during 2000-01 and the Company incurred loss during 2001-02.

It would be seen from above that the performance of the Company had been inconsistent during 1997-2002. While the profit of the Company increased during 1998-99 and 1999-2000 as compared to 1997-98, profit decreased drastically during 2000-01 and turned into loss during 2001-02.

The net profit of Rs.5.13 crore during 1999-2000 dwindled to Rs.1.64 crore in 2000-2001 primarily due to decrease in sale of raw material and provision of Rs.1.23 crore towards doubtful dues on account of sale of raw material on credit. The loss of Rs.1.92 crore incurred by the Company during 2001-02, was mainly due to decrease in the income from handling charges of ICDs. The loss would have further increased if provisions for leave encashment benefits and gratuity (retirement benefits) had been made by the Company. The financial impact of these provisions was not ascertainable.

Appraisal of activities

2.2.6 Raw material assistance scheme

To achieve its main objective of assisting SSI units, the Company procures and distributes raw material viz. iron and steel, paraffin wax, coal/coke, IPCL polymer and titanium di-oxide through its depots. In case of iron and steel it had been passing on a part of rebate of Rs.550 per MT received from Steel Authority of India Limited (SAIL) and other manufacturers on the quantity

sold to SSI units. In respect of other items, no such assistance was provided. Assistance by way of procurement and distribution of iron and steel is discussed in succeeding paragraphs.

2.2.7 Scheme for supply of iron & steel

The policy laid down by the Company for procurement and sale of iron and steel *inter alia* provided that:

-the depot incharge would initiate action for procurement of material from SAIL/manufacturer of iron & steel only after booking for material from SSI units in writing along with requisite security deposits.

-the sale of iron & steel can be made only against the secured credit i.e. bank guarantee(BG)/letter of credit (LC).

-the material would be made available for manufacturing purpose only to permanently registered SSI units with Industries department of State Government.

-utilisation certificate will be obtained from the SSI units and it would be ensured that the items of iron & steel supplied are mentioned in the certificate issued by the Industries department.

-rebate to SSI units is allowed according to slab prescribed by the Company.

The table below indicates the quantity of iron and steel sold to SSI units during 1997-2002:

Year	Number of SSI units	Quantity of iron and steel supplied to SSI units (MT)	Value of material supplied to SSI units	Rebate received
			(Rupees in lakh)	
1997-1998	150	20029	3434.82	116.58
1998-1999	128	26614	4436.44	149.10
1999-2000	56	29744	5059.18	159.61
2000-2001	21	3156	585.08	6.84
2001-2002	14	15742	2167.94	87.15
Total		95285	15683.46	519.28

The following observations are made:

Number of SSI units assisted by the Company came down from 150 during 1997-98 to 14 during 2001-02.

-The Company was not maintaining list of total SSI units registered with the Industries department under iron and steel category.

- The number of assisted SSI units drastically reduced from 150 in 1997-98 to 14 in 2001-2002. The management attributed the steady decline in number of assisted SSI units to availability of iron and steel at cheaper rates in market due to decontrol of iron and steel in January 1992. The contention of the management was not tenable as the decontrol of iron and steel was affected in January 1992 while the number of assisted units declined drastically from 1999-2000 onwards. Further the Company had been passing on rebate ranging

from Rs.50 to Rs.300 per MT based on the quantity supplied, thus making available iron and steel at cheaper rates in market.

-During last five years up to 2001-02, the Company received rebate aggregating Rs.5.19 crore from SAIL/other manufacturers on purchase of iron and steel. The amount of rebate passed on to SSI units could not be checked in audit as no record indicating actual rebate passed on to SSI units was maintained by the Company.

2.2.8 Supply of iron and steel to ineligible units

Utilisation certificates that iron and steel supplied was actually utilised for manufacturing purpose, were not obtained from any of the SSI units to whom iron and steel was issued during last five years up to 2001-02. The Company stated (April 2003) that though utilisation certificates were not obtained, undertakings were obtained from the SSI units on each copy of challans. Thus, the procedure being followed by the Company was in violation of its own policy.

A scrutiny of sales tax returns of four SSI units revealed that 2264 MT iron and steel valuing Rs.4.30 crore supplied to them was used for trading instead of manufacturing purpose, as detailed below:

Sl. No.	Name of Unit	Place	Year	Quantity lifted (in MT)	Amount (Rs. in lakh)	Rebate allowed (Rs. in lakh)
1.	Indian Steel Industries	Bhilwara	1998-99 1999-2000	623.971 809.690	81.87 132.67	1.10 1.07
2	Arpit Engineering Industries	Jaipur	1997-98 1998-99	915.075 222.550	151.35 50.22	1.54 0.24
3	Laxmi Electrical Industry	Jodhpur	1998-99	11.00	1.84	0.11
	Total			2264.046	430.03	4.06

Thus, allowing rebate of Rs.4.06 lakh to these SSI units was irregular.

The Company sold iron and steel based on the certificate of registration produced by SSI units. A test check of Kota and Jaipur depots of the Company revealed that out of total 5538 challans issued by these two depots during 1997-2002, SSI registration numbers were not found mentioned in 3534 cases (64 per cent).

The Company stated (April 2003) that incorporating registration numbers on challans was not found practicable. The reply was not tenable as the Company was required to follow the procedure prescribed by it. It is not understood as

to how the Company has ensured that the issue of material was made to bonafide units only.

2.2.9 Sale in contravention of credit policy

According to approved (June 1997) credit policy of the Company, Depot Managers were authorized to extend credit against bank guarantee (BG) or letter of credit (LC). A committee, formed by the Board of Directors of the Company, is authorized to extend unsecured credit to SSI units, which had earlier availed of credit and enjoyed credit worthiness by accepting post dated cheques against personal/corporate guarantee.

In Jaipur, the Company based upon the demand of a SSI unit purchased (March to May 2000) 20 wagons (1145.451 MT) of hot rolled sheets and plates valuing Rs.2.15 crore. The depot-in-charge delivered (May 2000) 11 wagons (628.136 MT) valuing Rs.1.16 crore by accepting post dated cheques in contravention of the credit policy laid down by the Company. Delivery of remaining nine wagons was not given as post dated cheques issued by unit for earlier supplies were dishonoured on their presentation to bank on 26 and 29 May 2000. Thus, due to purchase and issue of material without safeguarding its financial interests and in violation of its credit policy, the Company could not recover its dues of Rs.1.16 crore.

Audit scrutiny further revealed that the SSI unit had lifted 773.280 and 2147.304 MT during 1998-99 and 1999-2000 respectively. However, the SSI unit demanded 20 wagons (1046 MT) of iron and steel during May 2000 alone which proved that SSI unit was doing trading business.

The balance quantity of nine wagons (517.315 MT) valuing Rs.99 lakh was sold (October 2000) for Rs. 84 lakh after inviting open tenders, leading to a loss of Rs.15 lakh.

2.2.10 Marketing assistance scheme

In terms of Rule 30 of the Stores Purchase Rules of the State Government, purchase of selected items like barbed wire, polythene bags, RCC pipes, desert coolers, tents and tarpaulins, steel furniture by Government departments could be made without inviting tenders through the Company, acting as a nodal agency to provide institutional support for marketing of products manufactured by SSI units. Audit observed that the percentage of SSI units provided marketing assistance during last five years upto 2001-02 ranged from 1.29 (2001-02) to 1.66 (1998-99). Thus, the objective of providing marketing assistance to the SSI units could not be achieved.

The Company stated (February 2003) that the Government Departments had begun to purchase items directly from the market leading to a reduction in items procured through the Company. The Company further clarified (April 2003) that the Government Departments were not bound to procure these items through the Company.

In order to increase the marketing support to SSI units, Small Industries Institute completed (February 1999) a quick market survey of 56 items at the request of the Company. Out of 56 items, the Company requested (June 1999) the State Government for declaring the Company as the exclusive source of supply of 21 items to Government departments. Despite repeated pursuance, decision of State Government was awaited (March 2003).

2.2.11 Performance of emporia

One of the main objective of the Company was to promote handicrafts of Rajasthan, provide external support to artisans and handicraft units of Rajasthan to actively popularise and publicise handicrafts of Rajasthan for creating better awareness and market for them in India and abroad. For this purpose the Company established nine handicraft emporia, two at Kolkata and one each at Agra, Mumbai, New Delhi, Jaipur, Udaipur, Mount Abu and Jaisalmer (given on franchise w.e.f. 31 July 1996). Due to continuous losses, emporia at Mount Abu was closed in July 2001. The performance of the emporia is discussed in subsequent paragraphs.

2.2.12 Working results of emporia

The working results of the eight emporia (excluding Jaisalmer) during five year ending on 31 March 2002 are given below:

Year	No. of emporia making profits	Operational profit (Rs. in lakh)	No. of emporia incurring losses	Operational loss	Overall operational profit/ loss	Proportionate administrative charges	Net loss after proportionate administrative charges
				(Rupees in lakh)			
1997-98	3	65.06	5	24.76	40.30	58.76	18.46
1998-99	2	38.78	6	40.01	(-) 1.23	92.38	93.61
1999-00	3	71.36	5	42.31	29.05	83.69	54.64
2000-01	2	56.58	6	51.20	5.38	87.57	82.19
2001-02	2	44.12	6	90.26	(-) 46.14	57.93	104.07

It would be observed from the above that:

- The emporia sustained net losses to the extent of Rs.3.53 crore during five years upto 2001-02 despite having earned commission of Rs.5.88 crore on consignment sale for which no cost was incurred, as detailed below:

(Rs. in lakh)

Year	Net loss of emporia including commission	Commission earned on consignment sales	Net loss excluding commission
1997-1998	18.46	102.47	120.93
1998-1999	93.61	121.02	214.63
1999-2000	54.64	129.20	183.84
2000-2001	82.19	116.16	198.35
2001-2002	104.07	119.07	223.14
Total	352.97	587.92	940.89

- The upward revision in mark up ranging from 3 to 45 *per cent* in December 1997 and 30 to 85 *per cent* in June 1999 resulted in reduction of counter sale, as discussed in paragraph 2.2.13, with consequential reduction in profit.

Four out of eight emporia sustained losses of Rs.1.48 crore during all the five years upto 2001-02.

- Further four emporia suffered operational losses in all the five years, one was in loss in four out of five years and another one was in losses in three out of five years as indicated below:

(Rupees in lakh)

Sl. No.	Name of Emporia	Year					Total
		1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	
	Emporia which incurred losses in all 5 years						
1.	Rajasthali, Mumbai	11.18	12.76	11.25	9.37	14.60	59.16
2.	Rajasthali, Mount Abu	3.58	2.69	1.60	3.83	2.65	14.35
3.	Rajasthali, Agra	7.19	8.95	8.99	10.69	8.28	44.10
4.	Rajasthali, Udaipur	2.42	2.88	8.45	5.70	11.08	30.53
	Total	24.37	27.28	30.29	29.59	36.61	148.14
	Emporia which incurred losses in 4 out of 5 years						
1.	Rajasthali Kolkatta (Garihath)	0.39	3.07	(+)0.55	2.07	2.65	8.18
	Emporium which incurred losses in 3 out of 5 years						
1.	Rajasthali, Jaipur	(+)27.71	(+)35.18	12.02	19.54	51.00	82.56

Audit observed that losses in three emporia at Mumbai, Udaipur and Jaipur had in fact increased considerably during 2001-2002. The losses in these emporia were attributed to disproportionately high employees cost to counter sales, as detailed below:

Emporia	Percentage of employees' remuneration to counter sale				
	1997-98	1998-99	1999-2000	2000-01	2001-02
Mumbai	83.50	105.04	98.89	83.20	149.45
Mount Abu	91.93	91.48	102.45	175.73	459.57
Agra	163.45	176.31	271.82	257.43	303.41
Udaipur	44.43	54.84	97.12	86.21	130.67
Kolkata (Garihath)	37.50	49.95	48.69	69.32	101.95
Jaipur	38.21	39.88	58.14	75.61	165.92

The employees' remuneration in excess of counter sales in these emporia worked out to Rs.65 lakh during five years. Audit further observed that during 2001-02 employees' remuneration in six out of eight emporia was more than the counter sale by Rs.42.18 lakh.

The Board of Directors decided (June 2001) to close three loss making emporia at Mumbai, Mount Abu and Agra. While emporium at Mount Abu was closed in July 2001, as regards closure of Agra, and Mumbai emporia, the decision was awaited. The Company incurred operational loss of Rs.22.88 lakh during the year 2001-02 in running these two emporia.

2.2.13 Sale performance of emporia

The following table indicates the volume of sales by emporia during the last five years up to 2001-02:

(Rupees in lakh)			
Year	Counter sales	Consignment sales	Total sales
1997-98	328.14	399.07	727.21
1998-99	357.02	411.13	768.15
1999-00	304.25	354.65	658.90
2000-01	282.61	323.16	605.77
2001-02	211.11	330.36	541.47

It would be seen from the above that the counter sales steadily reduced from Rs.3.57 crore during 1998-99 to Rs.3.04 crore, Rs.2.83 crore and Rs.2.11 crore during subsequent three years, but in case of consignment sales it increased from Rs.3.23 crore in 2000-01 to Rs.3.30 crore during 2001-02.

The Company stated (April 2003) that sale of handicrafts is mainly dependent on foreign tourists. During last 3-4 years, due to various reasons and events, the inflow of foreign tourists declined. Reply is not tenable as inflow of foreign tourist increased during 1997-2000.

2.2.14 Construction of new building for Rajasthali, Jaipur

With a view to exploiting emerging opportunities in retail sales, the Company purchased (October 1997) 2020 sq. yards of land adjoining to existing building from Jaipur Municipal Corporation on payment of Rs.3.03 crore to build a handicrafts-cum-tourist complex, covering the existing emporium building of Company alongwith two other occupants, who are tenants of Government of Rajasthan on the said land.

Unfavourable site of the emporium building resulted in steady decline of sales during 1999-2001 and the Company suffered loss of Rs.1.27 crore.

The Company dismantled its portion of existing emporium building and started functioning from a temporary shed constructed at a cost of Rs.18.53 lakh. Simultaneously the Company started (May 1999) construction of the new emporium building and completed two floors at a cost of Rs.2.09 crore and shifted its show rooms (May 2000) to the new building. Thus, the emporium was functioning in the building, at the rear of the partly demolished old building with no direct approach. The unfavourable site resulted in reduction of sales from Rs.3.05 crore during 1998-99 to Rs.1.73 crore, Rs.1.22 crore and Rs.98 lakh during 1999-2000, 2000-01 and 2001-02 respectively and turned the profit earning emporium into a loss making unit. As against profit of Rs.4.15 lakh during 1998-99, the emporium sustained loss totalling Rs.1.27 crore during succeeding three years.

The Company stated (April 2003) that the decision to dismantle the portion owned by the Company was taken with a view to ensure early completion of the building and that no problem was anticipated in eviction of the two tenants. Efforts were being made to sort out the problem in consultation with Government through a tri-partite agreement. Thus the decision to demolish the portion owned by the Company without eviction of other tenants was hasty and ill founded and caused loss to the Company, as stated above.

2.2.15 Wood seasoning plant/Common facilities centre

In order to increase the export of wood based handicrafts on a sustainable basis and to generate income and employment for artisans, it was decided to set up Wood Seasoning Plant (WSP) and Common Facility Centre (CFC) at Jodhpur by Export Promotion Council for Handicrafts (EPCH) in collaboration with Development Commissioner Handicrafts (DCH). A feasibility report for WSP and CFC, was prepared (April 1996) by National Industrial Development Corporation Limited (NIDC) under orders from the Development Commissioner (Handicrafts), New Delhi. The scheme was approved by UNDP in January 1995 and forwarded (April 1996) to the Company, envisaging capital investment of Rs.85.81 lakh to be financed by Government of Rajasthan (GOR) (Rs.29.76 lakh towards land and building) and by UNDP through DCH (Rs.56.05 lakh towards plant, equipment and others).

GOR released Rs.23 lakh (June 1997 / June 1998) towards cost of land and building and DCH released Rs.25.33 lakh (August 1998 to June 2000) towards cost of plant and machinery. The DCH on being requested (July 1998) by Company sent maps, drawings and list of equipments to complete the work by September 1998, including setting up of CFC.

The Company initially awarded (November 1998) the construction work of WSP to Avas Vikas Sansthan (AVS), (a Government of Rajasthan undertaking) at an estimated cost of Rs.26.75 lakh. A mobilisation advance of Rs.10 lakh was paid (15 December 1998) to AVS by the Company. No work was, however, done by AVS and in March 1999, the State Government issued notification for closure of AVS. The Company decided (May 1999) to award the work to Rajasthan State Industrial Development and Investment Corporation Limited (RIICO) without recovering the mobilization advance paid to AVS. Construction work of WSP and CFC was completed in December 1999 and December 2000 respectively at the total cost of Rs.79 lakh including the cost of land, against which grant of Rs.23 lakh only was received from GOR. The Company thus financed cost over run (Rs.56 lakh) from its own funds.

Memorandum of Understanding (MOU) was entered into (27 October 1999) between the Company and Jodhpur Handicrafts Exporter Association (JHEA) for running the WSP cum CFC. WSP started functioning from 22 December 1999. CFC was, however, yet to start functioning.

Thus, despite having spent a total sum of Rs.1.04 crore (Rs.78.97 lakh + Rs.25.33 lakh) the purpose of export promotion, generation of income and employment to artisans remained unfulfilled.

2.2.16 Investment in a joint venture

In order to establish 'On Line Trading Zone' (OTZ) for Indian handicraft exporters/ handicraft manufacturers/artisans/traders, in the form of international bazar, the Company entered (27 February 1999) into a joint venture agreement with CISTems (Software) Ltd. (JVP*), in the name of Indo Bazar (P) Ltd.(JVC**).

The Company and JVP, were to hold equity in the ratio of 50:50 in the joint venture company, with initial paid-up capital of Rs.20 lakh. The joint venture company was incorporated on 3 May 1999 with an initial capital contribution of Rs.5 lakh each.

In addition to equity, the Company transferred Rs.4.21 lakh (upto February 2000) as advance to Indo Bazar (P) Ltd. Thus, a total investment of Rs.9.21 lakh was made by the Company.

The JVC suffered a loss of Rs.0.78 lakh and Rs.0.69 lakh during 2000-01 and 2001-02 respectively. The equity capital was utilised on account of consultancy and professional fee, pay and allowance to staff of JVP. In view of meagre business, it was decided (16 August 2000) to explore the possibility of selling the JVC. The JVC was lying defunct (March 2003). The Company stated (April 2003) that the issue of taking over of the JVC by JVP would be taken up in the next board meeting. However, the Company informed (January 2004) that no decision regarding the takeover by JVP had been taken in the board of the JVC.

* Joint Venture Partner

** Joint Venture Company

2.2.17 Export infrastructure services

In order to provide infrastructure to the entrepreneurs of the State, the Company started (1979) air cargo complex (ACC) at Sanganer airport for providing facilities of customs inspection and shipment of non-bulk goods for export by air. The Company also started (October 1989) inland container depot (ICD) at Jaipur, providing facilities of custom cleared containerised cargo to and from the ports of Mumbai, Kandla and Pipavav. The Company also started ICDs at Jodhpur, Bhiwadi and Bhilwara in September 1995, February 1999, and December 2000, respectively.

Inland Container Depot at Bhilwara with the projected cost of Rs.69 lakh could be completed with total cost of Rs.2.33 crore registering an increase of 237.68 per cent.

After a detailed survey (January 1995) for setting up an inland container depot at Bhilwara, it was found that setting up of an ICD at Bhilwara was a feasible proposition. Accordingly, formal application for setting up of ICD at Bhilwara was submitted (February 1995) to Ministry of Commerce, Government of India, New Delhi and a Feasibility Study Report (FSR) was got prepared (March 1995) from Rajasthan Consultancy Organisation Limited, Jaipur. According to the projections given in FSR, the Inland Container Depot at Bhilwara was required to be in operation during 1995-96 at a cost of Rs.69 lakh and was expected to earn profit from first year of operation. The container depot was, however, commissioned in December 2000. The project cost mounted to Rs.2.33 crore registering an increase of 237.68 per cent. Scrutiny in audit revealed that against estimated expenditure of Rs.10 lakh on land and site development and Rs.48.50 lakh on building and civil construction in FSR, the actual expenditure was Rs.1.19 crore on land and site development and Rs.1.10 crore on building and civil construction. The container depot has been incurring losses since very beginning and upto 2001-02 sustained losses aggregating Rs.82 lakh due to lesser volume of business, though FSR forecasted earning of profit from the beginning. As such the projections made in the feasibility report were not reliable.

2.2.18 Internal audit and internal control system

The internal audit of the various activities of the Company, except Head Office, is conducted on annual basis by an Internal Audit Wing, headed by the Financial Advisor and also by external agencies. Audit observed that the internal audit wing has not covered the vital areas such as (i) handling and transport contract and civil works, (ii) grants and subsidy, (iii) borrowings, and (iv) administrative and personnel matters. Further at the end of January 2003, 1538 paras of internal audit reports were outstanding of which 1066 paras pertained to 1979-99 which shows that management has not been giving due weightage to internal audit reports. Moreover, internal audit reports were not submitted to the Board of Directors.

As regards internal control system the Statutory Auditors while certifying annual accounts of the Company had repeatedly mentioned in their reports that the Company was not having adequate internal control procedure commensurate with the size of the Company and nature of its business for the

purchase of stores, raw material including components, plants and machinery, equipments and other assets, and for the sale of goods.

2.2.19 Reorganisation and restructuring

Raj Singh Nirwan Committee, appointed (January 2000) by Government of Rajasthan, for re-organisation, strengthening and disinvestment of State Public Sector Undertakings recommended that:

- the Company should withdraw from its promotional activities and transfer the same to the Directorate of Industries.
- brand name of 'Rajasthali' could be encashed by resorting to franchise system.
- inland container and air cargo business could be hived off into a separate company, formed as a joint venture with Container Corporation of India (CONCOR) or agencies in private sector.
- the staff strength should be drastically down sized.

The Company has not implemented the recommendation so far (April 2003).

Conclusion

The Company, established with the objectives of rendering assistance, *inter alia*, to small scale industries, has not taken up any significant activity with regard to rendering financial, technical and managerial assistance to small scale units. The profits reduced drastically during 2000-01 and the Company suffered loss during 2001-02 mainly due to disproportionate increase in employees' remuneration and establishment and other expenditure and decrease in sale of raw material and emporia and decline in cargo handling at inland container depots at Jaipur and Jodhpur. The Company needs to thoroughly review its activities, initiate effective steps to boost handicrafts and raw material sale and increase cargo handling at inland container depots to make them viable.