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HARYANA VIDHAN SABHA

COMMITTEE

ON

PUBLIC UNDERTAKINGS (1982-83)

(SIXTH VIDHAN SABHA)

(1)

NINTH REPORT

ON THE

GENERAL WORKING OF

HARYANA BREWERIES LIMITED

Presented to the House on 25 MAR 1983

HARYANA VIDHAN SABHA SECRETARIAT
CHANDIGARH

FEBRUARY, 1983

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COMPOSITION
OF
THE COMMITTEE ON PUBLIC UNDERTAKINGS (1982 83)

CHAIRMAN

1 Shri Sagar Ram Gupta

MEMBERS

2 Shri Bahadur Singh

3 Shri Bhim Singh Dahiya

4 Shri Daya Nand Sharma

5 Shri Dharam Bir

6 Shri Hari Chand Hooda

7 Shri Lachhman Singh Kamboj

8 Shri Neki Ram

9 Shri Sahab Singh Saini

SECRETARIAT

1 Shri Raj Krishan, Secretary

2 Shri S S Ahlawat, Joint Secretary

INTRODUCTION

I, the Chairman of the Committee on Public Undertakings, having been authorised by the Committee in this behalf, present this NINTH REPORT on the general working of the Haryana Breweries Limited, Murthal

2 During oral evidence, the Committee examined the representatives of the Department/Company concerned A brief record of the proceedings of each meeting of the Committee during the year 1982 83 has been kept in the Haryana Vidhan Sabha Secretariat

3 The Committee place on record their appreciation of the valuable assistance given to them by the Accountant General, Haryana, and his staff and are thankful to the Secretary to Government, Haryana, Finance Department including his representatives and the representatives of the Department/Company who appeared before them from time to time The Committee are also thankful to the Secretary Joint Secretary, the dealing Officer and the Staff of the Haryana Vidhan Sabha for the whole hearted co operation and unstinted assistance given in preparing this report

Chandigarh
the 25th February, 1983

SAGAR RAM GUPTA
CHAIRMAN

REPORT

INTRODUCTORY

Haryana Breweries Limited was incorporated on 14th September, 1970 as a subsidiary of the State Industrial Development Corporation limited The main objects for which the company was established are as under —

'(i) To carry on business as dealers and manufacturers of wine, spirits Aleohal anhydroses alcohal malt factors hop merchants corn merchants distillers brewers in connection with the business of the Company

(ii) To deal in and erect factories for the manufacture refine ment preservation dehydration, canning and bottling of vegetable products, milk powder jams pickles, ghee, fat cream ham pork poultry and all kinds of meat and vegetable fruit and cereal products squashes syrups health foods and drinks wines, liquors spirits and cognac of every description whether intoxicating or not

Presently the company is munfacturing only beer

The authorised capital of the Company is Rs 1,75 00 000 comprising 15 00 000 equity shares of Rs 1 50 crores and 25 000 preference shares of Rs 25 00 000 The present paid up capital at the end of year 1981 82 was Rs 120 08 lakhs including preference shares worth Rs 22 17 lakhs In addition the borrowings of the Company at the end of the year 1981 82 amounted to Rs 134 35 lakhs

2 Working Results

The Company has so far set up one brewery for a munfacturing beer at Murthal it went into production in the year 1974 75 The Company incurred losses upto the year 1976 77, the cummulative losses upto this year being Rs 68 51 lakhs The working results of the Company from the year 1977 78 to 1981 82 are summarised below

	1977 78	1978 79	1979 80	1980 81	1981 82
			(Rs in lakhs)		
Income					
Sales	219 02	246 60	274 36	309 55	342 08
Other Income	3 35	2 55	4 47	5 91	6 40
Provision for write back	0 19	—	—	0 05	—
Commission	—	—	—	—	—
Total	222 56	249 15	278 83	315 51	348 48

	1977 78	1978 79	1979 80	1980 81	1981 82
Expenditure					
Material consumed	119 92	142 48	163 75	195 15	213 73
Mauufacturing & other expenses (including deferred revenue expenditure)	67 11	73 84	78 00	91 72	94 45
Interest	25 49	19 34	19 52	19 82	21 77
Depreciation	5 54	5 60	5 77	5 78	6 02
Total	218 06	241 26	267 04	312 47	335 97
Net Profit	4 50	7 89	11 79	3 03	12 51

The Committee observed that profit as a percentage of sale in the year 1977 78 was 2 05% and in the year 1978 79 was 3 20% and in 1979 80 it increased slightly to 4 35% This ratio came down steeply in 1980 81 when it was only 0 98% In the year 1981 82 according to the un audited accounts, the percentage of profit to sale was 3 65

The table below indicates the percentages of profits to capital invested

	1977 78	1978 79	1979 80	1980 81	1981 82
			(Rs in Lakhs)		
Capital invested	251 88	246 75	256 45	246 22	254 43
Profit	4 50	7 89	11 79	3 03	12 51
Percentage	1 79	3 20	4 60	1 23	4 92

An examination of the above figures of percentages of profits to capital invested indicates that there have been sharp fluctuations in the percentages of profits For instance in the years 1978 79 and 1980 81, the amount of capital invested each year was almost the same viz Rs 246 75 lakhs and Rs 246 22 lakhs respectively but the profit fell from 3 20% to 1 23% Further the percentage of profit fell from 4 60 in 1979 80 to 1 23 in 1980 81 This fall is particularly alarming

It will be seen from the fore going that the financial performance of the Company has been extremely poor, as judged from the rate of return on capital and the percentage of profit on sale Upto the year 1976 77 as stated earlier the Company remained in loss Even after that the working results have been rather un even

The Committee have reason to cast grave doubt on the working results of the Company as shown in the annual accounts Some of the factors leading the Committee to this conclusion are enumerated below —

(i) No analysis has been made of the sundry debtors to determine the debts which are not reliable Their provision for the doubtful debts in the account might have been understated

(ii) Closing stock was being valued by the Company at market price instead of cost price even when according to the final accounts it had earned profits This practice of the Company is imprudent which allows it to take credit for profits during the years actually not earned as a result of sale

(iii) During the year 1981 82 the plant worked in double shift for 103 days for which no depreciation provision has been made

(iv) In the year 1980 81 cartons worth Rs 1 10 000 which were found actually short were not debited to the account as having been consumed without investigation

(v) Some of the assets were possibly over valued For example a standard Van which has been lying off the road since 1980 and which the Company could not dispose of was still valued in the accounts at Rs 41 110

Thus profits as shown in the accounts would be substantially re duced if the provision for dividend even on the preference shares is made by the Company

During the oral examination the respresentative of the Company was not able to give clear cogent and convincing reasons for the poor finan cial results of the Company But it appeared to the Commitee that the management had not yet apply its mind to the important aspects such as location of the areas of loss/wastages/excess cost and had not devised any means to remedy the situation The Committee are also distressed to note that while according to the Techno Economic report of the Consultants the achievement of 50% of the installed capacity was assess ed as the break even point, tne Company till claims that they have attained production above the installed capacity in the recent years and yet the profit position is precarious The Committee also note that as mentioned in para 6 18 of the report of the Comptroller and Auditor General of India for the year 1977 78 the breakeven point according to the company s own figures worked out at 88% of the installed capacity

3 Operational Efficiency

(i) *Raw Material Consumption*

The Committee must point out at the very outset that the Company has not made efforts to prepare properly corelated and consolidated information of its accounts This has greatly handicapped the Committre s work to examine the oprational working of the Company

The Committee attach great importance to the consumption of raw materials as a major part of the cost. The Committee was supplied information only relating to two years, i.e., 1979-80 and 1980-81. According to figures of these years the raw material consumed during the year 1979-80 worked out to Rs. 1.91 per bottle. which increased to Rs. 2.45 in 1980-81.

During the oral examination the Company's representatives stated that this increase was due to the higher prices prevailing in 1980 81 for malt hops and sugar. The Committee were not completely satisfied with the explanation given by the representatives of the Company because they have nowhere given physical data about the quantity of raw material used as related to physical production so as to enable the Committee to judge whether there has been any excess consumption of raw material physically.

The Company is not able to produce any authentic cost data to satisfy the Committee on this important point. However, after putting in considerable efforts the Committee have been able to arrive at the position of raw material consumed vis-a-vis the actual production of beer, during the five years upto 1981-82 on the basis of the annual reports of the Statutory Auditors of the Company. According to this position, while the raw material consumed in 1977-78 was 967.584 tonns (Malt 850.520, Sugar 107.290, Hops 9 774), the actual production was 46689 (H. L.) or 72,14219 botlles In 1978-79, the raw material consumed was 11922 608 tonns (Malt 991.820, Sugar 122 480. hops 8 308), and the production 52471 H. L or 8466840 bottles. In 1979-80, the material consumed was 1212 299 tonns (Malt 1073.895, Sugar 133.124, Hops 5 280) and the production 57147 H.L or 8506136 bottles. In 1980-81, the material consumed was 1317.955 tonns (Malt 1164 800, Sugar 147.217, Hops 5.938) and the production was 55,305 H L. or 8165068 bottles. In 1981-82, the raw material consumed was 1131.7 tonns (Malt 1001.0, Sugar 125.4 Hops, 5 3), and the production 50237 H L. or 7571273 bottles.

The foregoing analysis reveal that while 1122.608 tonns of raw material consumed produced 52471 H L /8466840 bottles of beer in 1978-79, 1131.7 tonnes of material consumed produced only 50227 H L./ 7571273 bottles of beer in the year 1981-82 Similarly, whereas 1212 299 tonns of material consumed produced 57147 H. L /8506136 bottles of beer in 1979-80, 1317.955 tonns of mateiial consumed produced 55305 H.L./8165068 bottles of beer in the year 1980-81. This is rather an anamolous situation, that while the quantity of material consumed has gone up in a particular year, the corresponding production has gone down. This gives the Committee a strong feeling that the Company is not reconciling/corelating the production of Beer with the consumption of raw material, which indicates its position far from satisfactory from the viewpoint of a manufacturing concern.

The Committee had a feeling that neither during the oral examination nor in their written replies have the Company stated the norms of consumption of raw material related to production. The Committee strongly feel that some ratio and norms must have been laid down in the project report or the Techno Economic projections made by the Consultants It, therefore appears that this important aspect has not received due attention of the management of the Company and the consumption of raw material has not been monitored according to any scientific principles so as to plug the loopholes for quantity manipulation wastage and excess consumption related to actual production

(ii) *Purchase of Gas*

The Committee observe that the Company purchased Co 2 Gas worth Rs 4 94 lakhs during 1979 80 and 1980 81 and the Gas generated during their production process was allowed to go waste The Committee feel that here is specific area in which the expenditure on this item easily be saved and the byproduce can be made to yield extra revenue by purifying/bottling the Gas-generated during production The Company seems to have made no serious efforts to set up this facility within its own works at Murthal except the purchase of a compressor which has been commented upon elsewhere

(iii) *Wastage and losses*

The Committee had drawn the attention of the Company to this important aspect in their Fifth Report on the report of the Comptroller and Auditor General of India for the year 1977 78 Firstly there was no reconciliation of cost data with the actuals as per the financial figures which has gravely compromised the utility of the compilation of costing information In reply to a query made by the Committee it was then stated by the Company that they were trying to bring down the process wastage and that for this purpose they had approached certain consultants

The Committee would reiterate the necessity of computing process wise wastage of beer and of fixation of norms for the consumption of raw material for different brands of beer as already observed in the Fifth Report of the Committee

Throughout the oral examination the company did not refer to the earlier recommendations of the Committee nor did they give clear idea of the action taken by them in regard to these important issues The overall impression gathered by the Committee was that the Company s approach to this aspect has been rather casual

The above observation of the Committee are borne out by the fact that during the oral examination the management of the company conceded that process losses upto the stage of manufacture of beer were about 10% and wastages of beer amounted to about 11%

These wastages are considered unreasonably high by the Committee In fact, the Committee strongly feel that these wastages are the major source of the poor financial performance of the company from year to year *(iv) Wastage to bottling*

The Committee were particularly distresed to see the bottling operations at the Brewery in Murthal It was pointed out to the Committee during spot study that the percentage of loss of beer due to breakage of bottles was quite heavy The breakage/loss of beer takes place during the bottling process and also durug the subsequent stages of packing handling loading, etc It was explained by the Company in written reply presumably which related to the years 1979 80 and 1980 81 that the loss due to extra breakage of bottles amounted to 7% The Committee are alarmed at this high rate of wastage which presumably is much over and above the norms

It was explained by the Company that this high breakage was due to intensive utilization resulting in heavy repairs and the cost incurred thereon The Committee are unable to accept the explanation of the managemement as during these two years the production did not exceed the installed capacity and therefore the question of any damage being caused by over utilization does not arise Therefore, the Committee are of the view that the breakage of bottles and the consequent excess loss of beer is due primarilly to poor maintenance and handling of bottles

During the site inspection it was also observed by the Committee that the operations in the bottling hall were not quite systematic The general conditions were also not hygienic The Committee therefore feel that there is considerable room for better supervision over the bottling process and for introduction of devices/procedures to cut down these losses and breakages

4 Financial Control

As brought out earlier, there hardly seems any systematic, effective or scientific control over cost in existence As regards the financial control on the day to day working of the Company the Committee have not been able to gather any clear idea as to what the nature of day to day Financian control is and how this is execrised Howerver, the Committee have been able to gather a few clues from the cases of embezzlements/misappropriation discussed elsewhere The Company did not explain the function and duty of sales officers and how their accounting was being controlled and supervised Misappropriation of ready cash going undetected for a number of years seems to indicate a total lack of any system of supervision The Committee are particularly unhappy to note that the field staff were almost given a licence to indulge in financial irregularities unchecked Firstly where party sales are made to a few licencees the question of realisation the payment in cash could not arise The handling of cash instead of receiving the payment by drafts facilitated these embezzlements Secondly there was no check on periodical acknowledgements reconciliation of debtors which further made it easy for the field staff to embezzle the amount realised for years together Thirdly the Committee failed to appreciate as to why such powers were delegated to or appropriated by the field staff in such matters as concern the revenue of the Company

The Company was also not able to say whether any security was taken from the field staff and whether any recovery had been made by withholding the security Although action is perhaphs contemplated to recover the amount from the individuals concerned the Committee feel that the system failure should also be studied with a view to tapping immediate remedial mearures Accounting and administrative staff who failed to exercise supervision over a number of years let alone the day to day transaction of sales must also be brought to book without any delay because it is their failure which facilitated such financial irregularities

5 OBSERVATIONS AND RECOMMENDATIONS OF THE COMMITTEE

Dropped 22-10-86

(i) At the time of setting up of the Company the objects were very divergent such as manufacturing of Wine, Spirit, Alcohal, Malt Hops etc

The Committee however observed that the company has strictly confined itselt to producting Beer alone The Committee feel that perhaps the Company have never applied its mind to the question of diversification of its activities by setting up units for manufacturing items other than Beer

The Committee would like the Company to explore the possibi lities for for setting up of certain other units besides the one for manufacturing Beer The Committee would also like the Company to think of the expansion of the present plant at Murthal During the course of examination, the Committee were informed that the present Beer manufacturing plant at Murthal was being utilized to its full capacity However the representatives of the Committee were not able to produce any satisfactory data in this regard nor were the representa tives able to satisfy the Committee on the point of its expansion not being undertaken by the Company The Committee strongly feel that a study for the possible expansion of the plant must immediately be undertaken by the Company and the results thereof be intimated within a period of six months

The Committee also feel that if found viable after aproper study a small bottle manufacturing unit could be setup as a subsidiary to caster to the needs of the Brewery as well as other Govt Companies/ Undertakings which require such materials—for example Haryana Agro Industries Corporation and the balance production could be marketed

The Committee have observed that right from the inception of the Company most of the Directors of the Board of Directors of the Company have been drawn from bureaucracy Only once or twice it seems non IAS members were nominated on the Board they too just one or two out of 8 or 12 members

The Committee strongly feel that if a sizable number of Directors of the Board are drawn from people having technical expertise in the field of Beer production or that of Raw Material consumed for the production of Beer, from the field of financial expertise, and from the public men deeply interested in the proper utilization of public funds The Committee would therefore like to recommend to the Government as well as the Company that they must ensure that at least half the members of the Board are nominated/elected from amongst the Technical Experts, Financial Experts, people related to production/marketing of raw material consumed for Beer production, and the people from public life such as the Legislators of Haryana Vidhan Sabha The last category may be elected by the Vidhan Sabha

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(ii) *Capacity Utilization*

During the course of oral examination, the representatives of the Company informed the Committee that the capacity utilization the Plant had reached almost 100% during the last three years However from the figures of production and capacity utilization supplied to the Committee, the Committee find that the plant capacity is being in fact, underutilized The Company do not appear to have taken into account the number of actual days worked as also the actual number of shifts worked on number of days in the year before calculating the percentage of capacity utilization For example, in the year 1979 80 the working days were 290 and the bottles produced per day on average were 30 317 The Capacity of 30 000 bottles approximately per day has been calculated on the basis of 250 working days per shift If the number of shifts actually worked out on the basis of a year are taken into consideration the average production per day will come down from 30 317 to 30 000 It was revealed by the Company s representative during the course of oral examination that whenever there was more demand and greater production needed the plant was made to work in two shifts This if taken into account will reduce considerably the average production of bottles per day

The Committee, therefore is not satisfied with the percentage of capacity utilization being put forward by the Company and feel that the plant is not being used to the full capacity Such under utilisation of capacity leads to increase in the cost of production Therefore it is recommended that the Company should make efforts to bring up the capacity utilization to 100% in the real sense and the steps taken in this direction may be intimated to the Committee within a period of six months from the date of presentation of the Report to the House

(iii) *M D s Office* Dropped 22-1-86

The Committee also noted that the Managing Director of the Company is keeping his office at Chandigarh and exercising overall control from there It is felt that this kind of arrangement where the Chief Executive of the company exercises control from a remote distance certainly adds to inefficiency in day today functioning of the company besides incurring unnecessary and avoidable expenditure Since the Company has just a sale depot at Chandigarh there is absolutely no justification for the presence of such a high official as the Managing Director at such a small depot The Committee would therefore recommend that the Managing Director s office be shifted from Chandigarh to the premises of the Company itself at Murthal

(iv) *Misappropriations and embezzlements* F/O 22 10 86

During the course of oral examination it was revealed that at least 4 cases of embezzlement/misappraoriition have been detected To mention some of these cases one relates to the alleged embezzlement of Company s funds by Shri Kul Bhushan sales representative at Chandigarh where embezzlement to the tune of over One lakh took place over a period of about three yeas and remained un detected till July/August 1982 Another case relates to the alleged defalcation by Shri Brij Mohan store clerk at Murthal Plant involving a sum of Rs 30 000 which too was detected very late in the year 1982

During the oral examination another case of alleged embezzlement at the Jullundur Sales Depot was also stated to have taken place and detected after years of its actual happening involving an amount of Rs 26 000 It was also admitted during the course of examination by the Managing Director that there were rumours about the alleged embezzlement in diesel consumption at Murthal Plant

The Committee are constrained to observe that all the above mentioned embezzlements/misappropriations point to two important failings in the functioning of the Company —

(a) There seems som thing seriously wrong with the accounting system of the Company which permits the kind of serious embezzlements/misappropriation mentioned above and which also permits inordinate delay in detecting all such cases

(b) The variable factor in the top administration where the Managing Director remains unaware of these cases for three years and the other detects them during a very short span after his taking over the Company s administration

The Committee therefore, feel that an expert study is required for finding ways of plugging the present loopholes and making the administrative and financial control fool proof and effective This should receive an urgent attention of the Company and necessary changes where ever necessary in the working system of the Company should be effected within six months

(v) *Loan Conversion* Dropped 22 10 86

During the course of oral examination it was revealed to the Committee that a loan of Rs 31 58 649 from the Haryana State Industrial Developm nt Corporation has been carrying compound interest This causes a huge amount of interest charge every year to the Company The paid up capital of the Company falls short of the authorised capital To save the Company from increasing and recurring liabilities of interest every year the Committee feel it advisable to recommend to the Government to explore the possibility for converting this loan into paid up capital of the Company It is distressing to note that the Company s Board of Director never took any initiative in this behalf and never made a request for such conversion

(vi) *Administrative over heads*

The Committee observed that the Company has taken on rent three buildings in Delhi at a cost of about Rs 1 lakh per year So much expenditure on rent appears to be quite disproportionate to the sales effected by the Company through its Delhi establishment Therefore there is ample scope for reducing the rent cost for effecting economy in this behalf through suitable steps

The Committee was pained to note that the cost of maintenance of the Company's vehicles was also rather on the high side During the oral examination it was revealed for example that the Company spent about Rs 36 000 on the maintenance of one car alone in one year It was also revealed that in one case the average done (shown) was 6 5 K M per litre of petrol The same vehicle the Committee was informed gave the average 9 k m per litre of petrol next year Such fluctuation and erratic performance given by the Company s Vehicles should certainly cause concern to the authorities of the Committee The Committee would like to advise the Company s management to get a study done of the performance of its vehicles in the last five years as also the ways and means which could possiblly be adopted to economise the Company s expenditure on this item

During the course of oral examination the Committee was informed by the Company s representatives that the Company was supplying 15% of its production of Beer to the Defence services at a subsidised rate and that the transportation charges thereof were also being paid by the Company The Committee is of the opinion that the transportation charges are an unjustified and unnecessary expenditure being incurred by the Company In fact such charges should be borne by the Union Government/State Government It is therefore recommended that the Company should take necessary steps in this regard to ensure that the transportation cost is not any more borne by the Company

During the course of oral examination it was rightly admitted by the Company s representatives that there is scope for affecting economy in the travelling expenses of the officers of the Company within the country and outside Having had a glance at the details of journeys performed by various officers of the Company and the expenses thereof during the last 8 years the Committee feel that there is certainly a need to curtail travelling by its officers, particularly the Marketing Manager the figures of whose journeys are rather alarming The Committee would appreciate if necessary steps in this direction are taken and it is apprised of the same

(vii) *Solar Energy Plant*

During the course of oral examination the Committee were informed that recently a Solar Energy Plant was installed in the Company on experimental basis by the Central Government Even from this very small Solar Energy Plant the Company was able to save a sum of Rs 2000/ per month approximately It was further revealed by the representatives of the Company that the total amount spent on fuel by the Company was over 25 lakh per year The Committee feel that the

Replaced
25-10-82

Company must explore the possibility for an immediate expansion of the Solar Energy Plant so as to meet their requirement to the maximum from this source reducing thereby the huge expenditure on fuel The Company need not entirely depend upon the Central Government agency for undertaking the expansion of the Solar Energy Plant Instead they are advised to get in touch with the Managing Director of the recently established Electronic Corporation of the Haryana State itself who is said to have the required know how in the field and had the necessary competence to set up effect expansion of the Solar Energy Plant

(viii) Co_2 Gas Compressor Plant

The Committee was constrained to find from the written replies and oral examination of the Company s representatives that the Gas Compressor which was purchased in the year 1973 74 at a cost of Rs 98 468 was still not being put to use in spite of nine or ten years that have gone by In fact the Company s representatives were quite hesitating and rather contradictory at times in explaining the matters relating to the Gas Compressor The Company s representatives also clearly admitted that they h ve never made any study about their gas requirement at different stages of Beer production The Committee was told that the Compressor could not be put to use even after the purchase of balance material worth Rs 14 000 in 1977 78 It was also revealed that Gas of 100% purity could not be prepared by this compressor Having gone through the entire material placed before the Committee by the Company the Committee feel that this is one particular instance where the carelessness and irresponsibility of the management is of a very high order

The Committee strongly recommend that the Company should take earliest possible steps to avoid losses to the Company in future on account of the non use or under use of the Gas Compressor either by putting the Compressor into use or by disposing it of at the b st available price The Committee would also appreciate if responsibility of the individual be fixed

(ix) Casual/Daily wage Labours

(a) During the course of oral examination the Company s representative informed the Committee that the strength of employees at the Company was about 400 out of which 160 were regular and the rest 240 on daily wage basis It was also revealed that out of the establishment expenses the salary of employees amounted to Rs 1 50 000 per month while wages of labour amounted to Rs 60 to 70 thousands The Committee is constrained to observe that keeping so many hands on daily wages basis every year is an ant labour practice and is open to exploitation

(b) The Committee were informed that the Company s plant worked for about 9 to 10 months in a year which means that it remains out of production only for about two to three months during the year It would therefore be advisable for the Company to make a rational and realistic assessment of man power it now requires for the jobs for which it now employs the casual labour After working out its genuine requirement the labour force required could be employed on regular basis and for the period of stoppage of plant such regular hands may either be paid lay off compensation or some retention allowance as is the practice in the co operative sugar mills This step will not only lead to greater efficiency and loyalty from the employees but will also lead to minimising of losses in bottling in handling and in loading/unloading In any case the Committee are strongly opposed to the employment of casual labourer on such a large scale as this violates the various labour laws and pratices which must be complied with from the social viewpoint

(x) *Maintenance of Accounts*

Even in its brief examination the Committee have come across ample evidences that the accounting system being followed by the Company is highly defective and not in accordance with the accepted principles of accountancy More seriously, there seems to be a total absence of higher financial control When questioned on this point the representatives of the Company merely stated that the remedy lies in centralisation of accounts On the whole the Committee were left completely dissatisfied with the replies given by the representatives of the Company in regard to the accounting and financial matters The Committee woutd like to bring this pointedly to the attention of the Government for immediate remedial measures

In view of the aforesaid instances and the frank admission by a former Managing Director that the Company s accounting system was not satisfactory the Committee do not feel satisfied with the complacement attitude of the representatives of the Company The hard fact is that if the annual accounts of the Company for the las 4 to 5 years are scrutinised and recast according to the accepted principles of accountancy profit figures shown by the present accounts of the Company might convert into loss figures

The Committee would strongly recommend that the Accounts Section of the Company needs to be headed by a properly qualified and experienced Financial Controller whose duty should not only to keep proper accounts in future but also to scan the past accounts with a view to restructuring them in accordance with the proper accounting system and rectifying the discrepencies if any as a remedial measure

(xi) *Input/Output*

Norms/yardsticks for process lossess/bottling losses and other Beer losses should be got fixed Where these norms/yardsticks have already been evolved in the Techno economic projections the same should be adopted forthwith These areas of excess cost/loss/wastage should be reviewed regularly to locate the particular sources from which they arise so that the remedial steps are taken well in time The objective should be to devise an effective system of cost control and monitoring of all losses and wastage as a regular feature

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