REPORT

OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED

31st MARCH 1995

No. 2

(COMMERCIAL)

GOVERNMENT OF UTTAR PRADESH

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Preface

The Report deals with the activities of Government companies and Statutory corporations including the Uttar Pradesh State Electricity Board. The report has been prepared for submission to Government of Uttar Pradesh under Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Services) Act, 1971 as amended from time to time.

Audit of the accounts of the wholly owned Government companies is conducted by the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956. There are some companies in which Government as well as Government companies/corporations jointly hold 51 per cent of the shares and these are also audited by Comptroller and Auditor General of India under Section 619B of the Companies Act.

There are, however, certain companies which inspite of Government investment, are not subject to audit by the Comptroller and Auditor General of India as Government or Government owned/controlled companies/corporations hold less than 51 per cent of the shares.

In respect of Uttar Pradesh State Electricity Board and Uttar Pradesh State Road Transport Corporation, which are the Statutory corporations, the Comptroller and Auditor General of India is the sole auditor. In respect of Uttar Pradesh Financial Corporation and Uttar Pradesh State Warehousing Corporation, he has the right to conduct the audit of their accounts independently of the audit conducted by the Chartered Accountants appointed under the respective Acts. The Audit Reports on the accounts of these corporations are being forwarded separately to the Government of Uttar Pradesh.

This Report contains four chapters. Chapter-I discusses the general aspects of the results of working of the Government companies and Statutory corporations.

Chapter-II contains two reviews relating to the Government companies viz. uneconomic venture in liquor trade undertaken by Uttar Pradesh State Food and Essential Commodities Corporation Limited and working of Uttar Pradesh State Bridge Corporation Limited. The review on uneconomic venture of liquor trade shows that the Company could have avoided huge losses by proper planning prior to commencing the business. The review on the working of Uttar Pradesh State Bridge Corporation shows that there is compelling need of improvement in the management of funds and adoption of measures to ensure accurate preparation of estimates and timely completion of construction works to avoid losses.

Chatper-III deals with three reviews relating to the Statutory corporations viz. Anpara Thermal Power Station (Stage `A'), Growth of Transmission System and Cash Management in Uttar Pradesh State Electricity Board. The review on Anpara Thermal Power Station draws urgent attention to the necessity of reducing the generation cost by exercising economy in consumption of coal, oil and other material, reducing auxiliary consumption and operation and maintenance expenses. The review on growth of transmission system indicates that the Board needs to plan its activities so that the transmission capacity matches with the generating capacity to ensure maximum utilisation of installed generation capacity. The review on cash management calls for urgent action to streamline procedures for efficient management of cash received and accountal thereof to improve the financial health of the Uttar Pradesh State Electricity Board.

Chapter-IV deals with miscellaneous topics relating to loss, lack of economy or efficiency and other matters of public interest. The cases reported in this section came to notice in course of audit during the year 1994-95 as well as those which came to notice earlier but were not dealt in the previous year's Reports. Matters relating to the period subsequent to 1994-95 have also been included wherever necessary.

Overview

Overview

The State had 102 Government companies (including 42 subsidiaries), 6 companies under the purview of section 619 B of the Companies Act, 1956 and 4 Statutory corporations as on 31 March 1995. Thirteen companies (including 10 subsidiaries) were under the process of liquidation.

(Paragraphs 1.2.1, 1.2.10 and 1.3)

The aggregate paid-up capital of Government companies was Rs. 1497.02 crores, out of which Rs. 1463.26 crores were invested by State Government, Rs. 30.86 crores by Central Government and Rs. 2.90 crores by others. The aggregate long term loans outstanding as on 31 March 1995 against 59 companies was Rs 1664.20 crores.

The State Government guaranteed the repayment of loans and interest thereon. The outstanding amount of guarantees aggregated to Rs. 343.55 crores at the close of March 1995.

(Paragraphs 1.2.1, 1.2.2, and 1.2.4)

Of the 89 Government companies, finalisation of the accounts of 78 companies were in arrears for periods ranging from 1 year to 20 years.

(Paragraph 1.2.5)

Out of 11 companies which finalised their accounts, 2 companies earned a profit of Rs. 5.61 crores and declared dividend amounting to Rs. 2.23 crores.

(Paragraph 1.2.6.2)

Twenty five companies have eroded their paid-up capital as the accumulated loss of these companies exceeded their paid-up capital. Of the 52 loss making companies, 15 companies suffered loss during consecutive five years. Maximum loss of Rs. 4.60 crores was suffered by Uttar Pradesh State Sugar Corporation Limited.

(Paragraph 1.2.6.3)

Out of 4 Statutory corporations, Uttar Pradesh Financial Corporation and Uttar Pradesh State Road Transport Corporation which finalised accounts upto 1993-94 *incurred loss (Rs. 30.45 crores) whereas other two corporations which finalised accounts for 1994-95 earned profit (Rs. 261.15 crores).*

(Paragraph 1.3.3)

Uneconomic Venture In Liquor Trade

The Uttar Pradesh State Food and Essential Commodities Corporation Limited was formed in October 1974 as a wholly owned Government Company with the objective of providing essential commodities to the general public of the State. In pursuance of Government's decision of March 1992, the Company took over the business of liquor trade without working out the viability of the new business and without negotiation on the amount of licence fee, though the Company had option for the same.

(Paragraphs 2A.1, 2A.3 and 2A.6)

As against the anticipated (June 1992) profit of Rs. 92.76 lakhs in the year 1992-93, the Company suffered a loss of Rs. 608.54 lakhs. The main reasons for losses were the high licence fees, lack of planning, failure to prevent illegal sale of liquor from the neighbouring districts and heavy leakages and breakages.

(Paragraph 2A.5)

There were shortages, leakages and breakages to the tune of Rs. 53.16 lakhs during 1992-93.

(Paragraph 2A.9)

The basic objective of undertaking liquor trade was to break monopoly of private traders. The objective was not fulfilled as the business was transferred back in April 1993 to private traders. In the transfer of closing stock of Rs. 25.48 lakhs to private traders, the Company suffered a loss of Rs. 3.24 lakhs as the contractors did not accept claim preferred by the Company.

(Paragraph 2A.10)

Uttar Pradesh State Bridge Corporation Limited

Uttar Pradesh State Bridge Corporation Limited was incorporated in October 1972 for construction of bridges and executing other civil works.

(Paragraphs 2B.1 and 2B.7)

Despite huge balances in term deposits ranging between Rs. 316.62 lakhs and Rs. 811.69 lakhs, the units of the Company obtained interest bearing mobilisation advances (balance as on 31 March 1993 Rs. 1000.61 lakhs) resulting in avoidable payment of interest of Rs. 283.30 lakhs during 4 years upto 1992-93.

Further, the Company made avoidable payment of bank guarantee commission amounting to Rs. 81.49 lakhs by furnishing bank guarantees in Government works where it was not necessary and thereafter failure to reduce the value of guarantee with reduction of advances in contract works.

(Paragraph 2B.7)

In deposit works, the Company received centage charges at the rate of 13.5 per cent to cover the overhead charges. However, overhead charges of the Company ranged from 15.76 to 26.35 per cent which resulted in unrecovered amount of Rs. 604.18 lakhs.

(Paragraph 2B.7.1(i))

Cost overrun of Rs. 1432.52 lakhs (Rs. 5117.03 lakhs against Rs. 3684.51 lakhs) could not be claimed from the State Government in respect of deposit works as prior sanction thereof was not obtained.

(Paragraph 2B.7.1 (ii))

Four tender works secured during 1989-90 and to be completed upto March 1992, could not be completed as of October 1995. The abnormal delay resulted in cost overrun of Rs. 3300 lakhs which the Company could not claim as the same was not covered in the terms of agreement.

(Paragraph 2B.7.2(i))

The Company suffered loss of Rs. 461.02 lakhs on contract works mainly due to: incorrect assessment of work involved (Rs. 101.76 lakhs), placement of order on a black listed firm (Rs. 65.25 lakhs), defective works (Rs. 143.22 lakhs) and non-pursuance of claims (Rs. 150.69 lakhs).

(Paragraph 2B.7.2(ii) to (v))

The Company engaged labour in excess of requirement during 4 years upto 1993-94 resulting in payment of idle wages aggregating to Rs. 870.35 lakhs.

(Paragraph 2B.9)

Claim for export incentive for Rs. 686.75 lakhs filed in 1992 was not entertained by the Government of India on account of failure of the Company to submit necessary documents.

(Paragraph 2B.11(i))

Anpara Thermal Power Station (Stage `A')

The Uttar Pradesh State Electricity Board commissioned, between January 1987 and April 1989, three thermal power units each of 210 MW capacity, at a cost of Rs. 765.24 crores, at Anpara (District: Sonebhadra). The commissioning of the units was delayed by 55, 56 and 70 months respectively resulting in cost overrun of Rs. 538.05 crores (originally projected cost: Rs. 227.19 crores) mainly due to delays in finalisation of designs and supply of plant and equipments and delayed execution of works.

(Paragraphs 3A.1.1 and 3A.2.1)

In execution of the project, the Board incurred extra and avoidable expenditure aggregating to Rs. 30.67 crores primarily due to inadmissible overheads allowed, construction of only part of circular railway track leading to transportation of coal at higher cost, delay in execution of coal handling and ash disposal systems consequently leading to extra expenditure and award of works at higher rates.

(Paragraph 3A.2.2 to 3A.4.9)

The Board incurred an extra expenditure of Rs. 19.60 crores on procurement of boilers and turbo generators from BHEL due to delay in approval of designs of *matching boilers. Further, as the Board failed to pay for the performance guarantee test, the same was not carried out by BHEL. In the absence of such tests, the liability for defective booster pumps and bowlmills, replaced subsequently at a cost of Rs. 2.85 crores, could not be fixed on BHEL.*

(Paragraph 3A.2.5.1)

Cost of generation of the power house was high, ranging from 46.38 paise to 77.84 paise per unit against projected cost of 12.82 paise per unit. The high cost of generation was due to excessive consumption of coal, oil, other material and excessive operation and maintenance expenses. The value of such excessive consumption and expenditure as worked out by Audit amounted to Rs. 202.86 crores during five years up to 1994-95.

(Paragraph 3A.3.4)

Growth of Transmission System

Transmission system comprises transmission lines and connected sub-stations at high voltage necessary for carrying power from generating and receiving points for its distribution to consumers. With a view to ensuring availability of galvanised tower parts and sub-station structures, the Uttar Pradesh State Electricity Board established a fabrication unit at Naini and a Transmission Line Erection Unit at Varanasi with a departmental workshop in 1975.

(Paragraph 3B.1.1)

Growth of transmission system of the Board could not keep pace with generating capacity. Transformation capacity per MW of generating capacity decreased from 2.52 MVA in 1989-90 to 2.48 MVA in 1993-94 and transmission lines from 2.39 Ckms in 1989-90 to 2.22 Circuit Kilometres (Ckms) in 1993-94 due to (i) non-matching investments in generation and transmission system (ii) delay in execution of transmission system resulting in loss of 1757.84 MUs of generation valued at Rs. 198.64 crores in two projects and (iii) deferment of transmission system of Srinagar Hydro Electric Project resulting in infructuous expenditure of Rs.103.20 lakhs and unfruitful expenditure of Rs. 494.89 lakhs.

(Paragraph 3B.3.2)

Underutilisation of capacity of Board's workshops at Naini and Varanasi has resulted in payment of unproductive wages of Rs. 169.53 lakhs and Rs. 18.87 lakhs respectively to the idle labour during four years up to 1993-94.

(Paragraphs 3B.5.1 and 3B.6.1)

Cash Management

Main source of cash inflow of Uttar Pradesh State Electricity Board is revenue from sale of power, subsidy and borrowings from the State Government, Financial Institutions and World Bank. Cash outflow mainly comprises expenditure on capital works, operation and maintenance, purchase of power, fuel, stores and repayment of loans and interest on borrowings.

(Paragraph 3C.1.1)

Continued heavy cash deficit during 1989-90 to 1993-94 which ranged from Rs. 737.08 crores in 1989-90 to Rs. 1189.75 crores in 1993-94, led to constant increase of current liabilities (Rs. 972.85 crores to Rs. 3193.76 crores) and interest (Rs. 336.49 crores to Rs. 1615.96 crores) due during 1989-90 and 1993-94.

(Paragraph 3C.2)

Sundry debtors for power increased from Rs. 661.54 crores at the end of 1989-90 to Rs. 2038.23 crores at the end of 1993-94 indicating that large part of Board's revenue remained unrealised.

(Paragraph 3C.4)

A sum of Rs. 12.95 crores remitted by Bank to Board's main account during July 1989 to August 1994 had not been credited to Board's account. Further, interest of Rs. 1.61 crores for delay in remittance of Board's revenue by the local banks to Board's main account was not claimed.

(Paragraph 3C.4.3)

Miscellaneous Topics Of Interest

Besides the reviews as mentioned above, a test check of the records of the Government companies and Statutory corporations in general disclosed the following miscellaneous points of interest:

In disinvestment of shares of four assisted units, Uttar Pradesh State Industrial Development Corporation Limited incurred loss of Rs. 84.97 lakhs by offloading of shares at lower than the stipulated rates.

(Paragraph 4 A.1)

Delay in completion of three works of construction of building and allied structures by Uttar Pradesh Rajkiya Nirman Nigam Limited resulted in loss of Rs. 22.36 lakhs by way of payment of liquidated damages (Rs. 13 lakhs) and rejection of price escalation claims (Rs. 9.36 lakhs).

(Paragraph 4 A.5)

Uttar Pradesh State Mineral Development Corporation Limited incurred loss of Rs 25.03 lakhs in trading of coarse sand as the sales realisation fell short of expenditure incurred.

(Paragraph 4 A.10)

Uttar Pradesh State Cement Corporation Limited failed to avail itself of the Railways' pre-paid scheme of payment and incurred avoidable expenditure of Rs. 40.05 lakhs on surcharge.

(Paragraph 4 A.19)

For privatisation of power network, Uttar Pradesh State Electricity Board handed over the area pertaining to Greater NOIDA to a newly formed company i.e. Noida Power Company Limited (NPCL) in September 1992. Till November 1995, the Board could not recover from NPCL (i) instalment of a loan granted to NPCL (Rs. 2.64 crores) for purchase of assets transferred (ii) arrears from consumers for pre-take over period (Rs. 1.37 crores) and (iii) short assessment, short recovery and non-recovery of the value of energy sold to NPCL (Rs. 10.08 crores).

(Paragraph 4 B.1)

Two distribution divisions of Uttar Pradesh State Electricity Board applied incorrect tariff in case of World Bank Tubewells which resulted in short assessment of Rs. 515.15 lakhs.

(Paragraph 4 B.4)

Another two distribution divisions of Uttar Pradesh State Electricity Board did not levy surcharge of Rs. 48.13 lakhs upto July 1994 for non-installation of shunt capacitors by the consumers.

(Paragraph 4 B.5)

Chapter - I

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General view of Government companies and Statutory corporations

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Introduction

CHAPTER I

GENERAL VIEW OF GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

1.1 Introduction

The accounts of the Government companies and deemed Government companies (as defined in Section 619 B of the Companies Act 1956) are audited by the Statutory Auditors who are appointed by Central Government on the advice of Comptroller and Auditor General of India (CAG) as per provisions of Section 619 (2) of the Companies Act 1956. These accounts are also subject to supplementary audit conducted by the CAG of India as per provisions of Section 619 (4) of the Companies Act.

Of the four Statutory corporations, the accounts of Uttar Pradesh State Electricity Board and Uttar Pradesh State Road Transport Corporation are audited solely by CAG under their respective Acts. The accounts of Uttar Pradesh Financial Corporation and Uttar Pradesh State Warehousing Corporation are audited by the Chartered Accountants appointed by the State Government in consultation with the CAG who also undertakes the audit of these corporations separately. Audit Reports on the accounts of all the Statutory corporations are issued by the CAG to the respective organinsations/State Government.

1.2 Government companies - General view

1.2.1 As on 31st March 1995, there were 102 Government companies (including 42 subsidiaries) out of which 13 companies (including 10 subsidiaries) were under liquidation. Total investment in remaining 89 companies (including 32 subsidiaries) was Rs. 3161.22 crores (Equity: Rs.1497.02 crores; long term loans: Rs. 1664.20 crores) as against total investment of Rs. 2778.89 crores as on 31st March 1994 (Equity: Rs. 1458.73 lakhs; long term loans: Rs. 1320.16 crores). There were 6 deemed Government companies as on 31st March 1995.

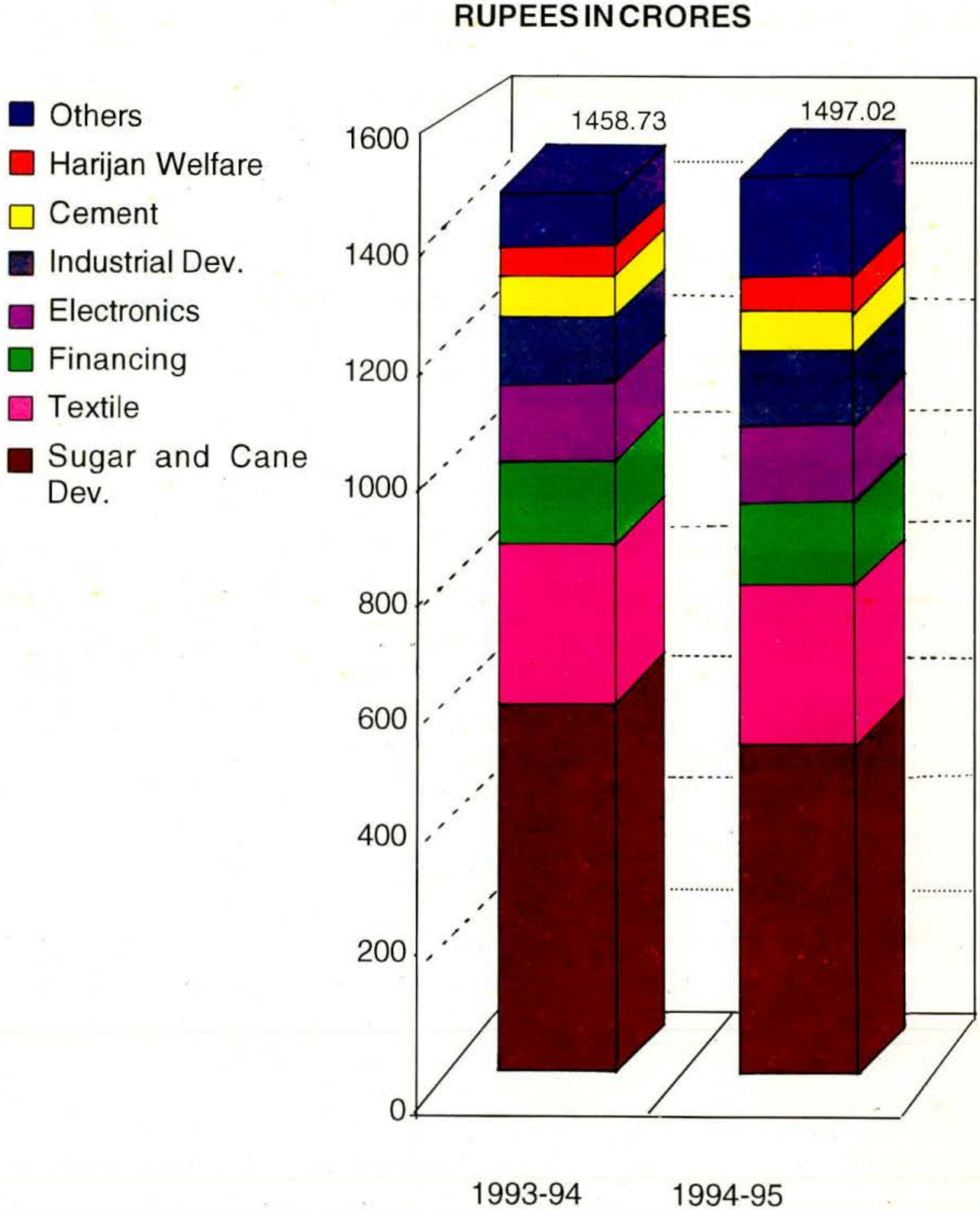
1.2.2 The financial position and working results in respect of all the Government companies are given in Annexure 2 and 3 respectively.

The sectorwise investment in all 95 companies (including 6 deemed Government companies) is given on the next page:

(Rupees in crores)

Department/type of Public Sector Undertaking (P.S.U.)	As on 31st March 1995			As on 31st March 1994			Debt equity ratio as on 31st March 1995
	Number	Equity	Loan	Number	Equity	Loan	
Agriculture							
Government companies	3	27.22	4.86	3	27.22	4.87	0.18:1
Deemed Government company	1	2.38	--	1	2.19	--	0:1
Animal Husbandry							
Government companies	2	4.26	1.89	2	4.26	0.61	0.44:1
Deemed Government company	1	0.24	0.36	1	0.24	0.28	1.50:1
Area Development							
Government companies	10	9.36	4.94	10	9.36	2.40	0.53:1
Subsidiary company	1	0.02	--	1	0.02	--	0:1
Cement							
Government company	1	68.28	235.53	1	68.29	177.34	3.45:1
Electronics							
Government company	1	75.60	25.10	1	75.40	9.34	0.33:1
Subsidiary companies	6	56.19	115.87	6	55.58	23.74	2.06:1
Deemed Government companies	2	42.49	143.51	2	42.49	143.51	3.38:1
Export Promotion							
Government companies	3	16.26	5.43	3	16.26	5.11	0.33:1
Financing							
Government companies	3	137.40	448.95	3	137.40	441.13	3.27:1

SECTORWISE GROWTH OF EQUITY IN GOVERNMENT COMPANIES



(Refer paragraph 1.2.2.)

(Rupees in crores)

Department/type of Public Sector Undertaking (P.S.U.)	As on 31st March 1995			As on 31st March 1994			Debt equity ratio as on 31st March 1995
	Number	Equity	Loan	Number	Equity	Loan	
Fisheries Development							
Government company	1	1.00	--	1	1.00	--	0:1
Food and Civil Supplies							
Government company	1	5.50	15.46	1	5.50	15.57	2.81:1
Harijan and Social Welfare							
Government companies	6	57.96	31.57	6	49.35	22.82	0.54:1
Hill Development							
Government companies	3	21.88	12.96	3	21.87	11.38	0.59:1
Subsidiary companies	9	6.30	5.82	9	6.30	2.90	0.92:1
Deemed Government company	1	2.00	5.00	1	2.00	4.73	2.50:1
Home							
Government company	1	3.00	--	1	1.00	--	0:1
Industries and Industrial Development							
Government companies	3	64.13	4.54	3	64.12	3.36	0.07:1
Subsidiary companies	7	56.09	213.90	7	48.58	153.66	3.81:1
Institutional Finance							
Government company	1	8.18	4.85	1	8.18	5.74	0.59:1
Irrigation							
Government company	1	5.40	--	1	4.90	--	0:1
Panchayati Raj							
Government company	1	1.39	--	1	1.39	--	0:1

(Rupees in crores)

Department/type of Public Sector Undertaking (P.S.U.)	As on 31st March 1995			As on 31st March 1994			Debt equity ratio as on 31st March 1995
	Number	Equity	Loan	Number	Equity	Loan	
Planning Department							
Government companies	2	1.06	--	2	1.06	1.06	0:1
Power							
Government companies	2	1.70	44.00	2	1.70	44.00	25.88:1
Public Works							
Government companies	2	11.00	8.90	2	8.00	17.17	0.81:1
Rural and Small Industry							
Government companies	2	28.70	19.53	2	19.96	12.37	0.68:1
Subsidiary companies	2	0.78	0.67	2	0.78	0.67	0.86:1
Deemed Government company	1	0.01	--	1	0.01	--	0:1
Sugar and Cane Development							
Government companies	5	480.06	307.63	5	541.66	227.75	0.64:1
Subsidiary companies	4	69.88	26.62	4	61.60	26.40	0.38:1
Textile							
Government company	1	155.79	26.26	1	155.79	26.88	0.17:1
Subsidiary companies	3	112.93	90.87	3	114.09	75.41	0.80:1
Tourism							
Government company	1	8.20	8.04	1	8.20	7.72	0.98:1
Waqf							
Government company	1	1.50	--	1	1.50	--	0:1

1.2.3 Analysis of Investment

a. Increase in investment is due to additional investment in electronics and cement industries.

b. In context of the Industrial Policy of the Central Government to disinvest the shareholdings in PSU, the State Government has not so far (October 1995) laid down any policy to disinvest its shareholdings in Government companies.

1.2.4 Guarantees

The guarantees given by the State Government against loans and credits given by banks etc. to the PSU for the preceding three years upto 1994-95 and outstanding as on 31.3.1995 are shown in the table below:

(Rupees in crores)

Sl. No.	Guarantees	Amount Guaranteed during			Guaranteed amount outstanding as on 31st March 1995
		1992-93	1993-94	1994-95	
1.	Cash credit from State Bank of India and other nationalised banks	105.58	25.45	33.55	343.55
2.	Loans from other sources	98.67	10.70	9.80	

Budgetary outgo and waiver of dues

(i) The outgo from the State Government to 89 PSUs during the years 1992-93 to 1994-95 in the form of equity capital, loans and subsidy is as detailed below:

(Rupees in crores)

	1992-93	1993-94	1994-95
1. Equity capital outgo from budget	109.06	57.36	54.56
2. Loans given from budget	88.30	102.29	79.36
3. Subsidy	0.22	2.32	0.07
Total outgo	197.58	161.97	133.99

(ii) During the year 1992-93, the Government had written off loan of Rs. 6.35 crores due against a sick Company (Uttar Pradesh State Yarn Company Limited) and also waived interest of Rs. 1.16 crores due thereon.

1.2.5 Finalisation of accounts

Accountability of PSUs to the legislature is to be achieved through the submission of audited annual accounts within the prescribed time schedule to the legislature. Of 89 Government companies, the accounts of 78 companies were in arrears for the periods ranging from 1 year to 20 years as indicated in Annexure-3 (as on 30th September 1995). Accounts of only 11 Companies were finalised for the year 1994-95 by September 1995.

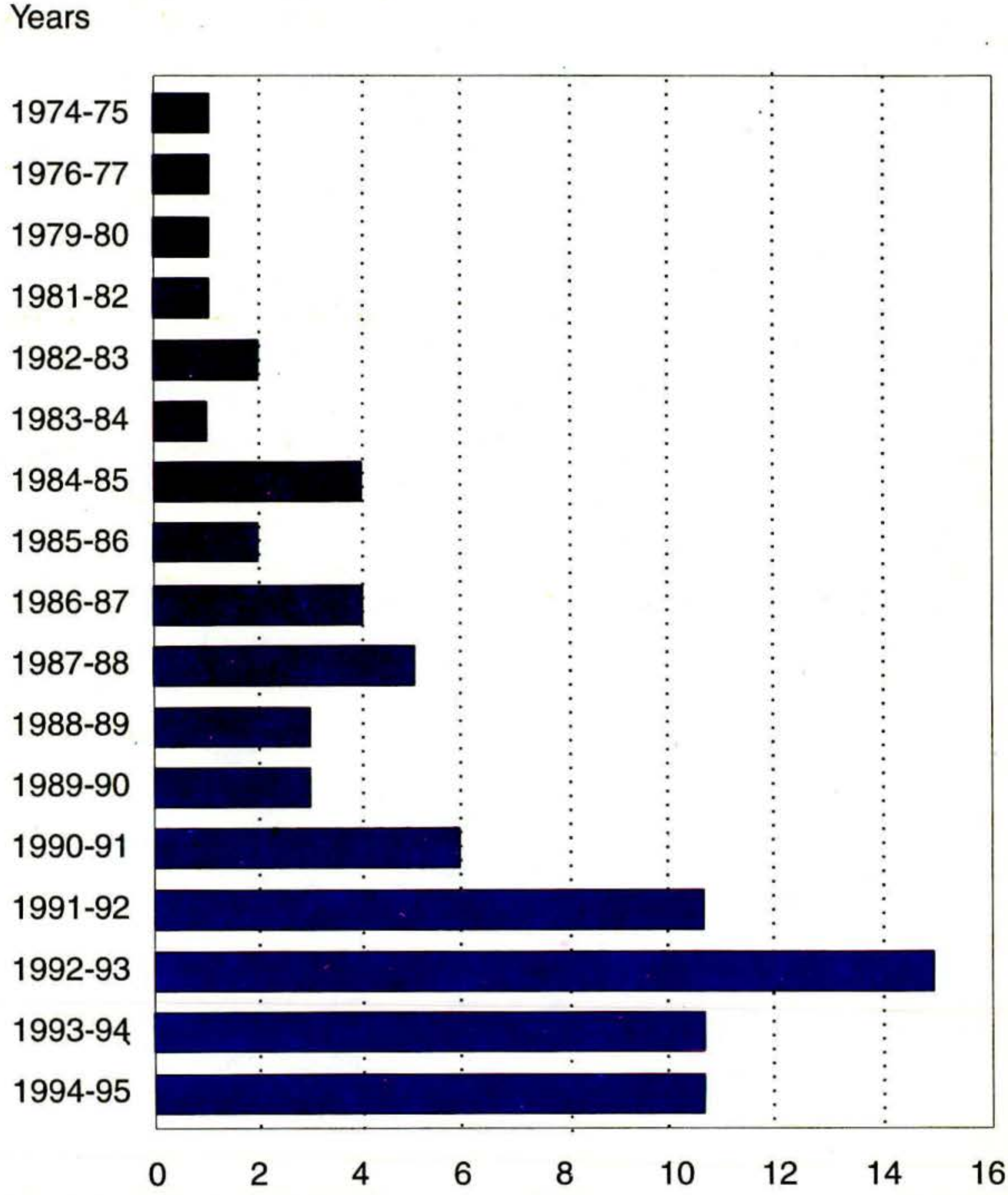
According to the latest finalised accounts of these companies, 52 companies had incurred losses of Rs. 267.80 crores and the remaining* 30 companies earned profit of Rs. 18.91 crores as indicated in the table below:

(Rupees in lakhs)

Sl. No.	Number of companies	Year upto which accounts were finalised	Profit		Loss		Reference to serial No. of Company as per Annexure 3	
			No. of companies	Amount	No. of companies	Amount	Profit	Loss
1.	1	1974-75			1	0.81		12
2.	1	1976-77			1	0.01		15
3.	1	1979-80			1	0.78		64
4.	1	1981-82	1	1.12			41	
5.	2	1982-83			2	4.78		53,74
6.	1	1983-84			1	11.42		39
7.	4	1984-85			4	141.43		21,40, 44,77

* 4 companies at serial 8, 9, 50 and 56 of Annexure 3 were under construction and 3 companies at serial 57, 58 and 65 had not rendered any account since inception.

FINALISATION OF ACCOUNTS
Year upto which accounts finalised



(Refer paragraph 1. 2. 5.)

(Rupees in lakhs)

Sl. No.	Number of companies	Year upto which accounts were finalised	Profit		Loss		Reference to serial No. of Company as per Annexure 3	
			No. of companies	Amount	No.of companies	Amount	Profit	Loss
8.	2	1985-86	1	50.53	1	4.60	13	36
9.	4	1986-87	1	11.24	3	1.73	45	10,38, 46
10.	5	1987-88			5	84.58		14,37, 43,52, 84
11.	3	1988-89	3	1.87			61,81,88	
12.	3	1989-90	3	19.16			11,47,72	
13.	6	1990-91	3	62.08	3	953.10	54,73,78	2,18, 29
14.	11	1991-92	4	102.56	7	1653.84	16,31,60, 82	20,30, 32,35, 42,48, 51
15.	15	1992-93	7	736.35	8	11,477.32	3,17,33, 49,71,76, 77	5,7, 27,28, 55,59, 69,86
16.	11	1993-94	5	344.69	6	3791.34	22,34,75, 79,87	1,4, 6,19, 67,85,
17.	11	1994-95	2	561.27	9	8654.15	68,80	23,24, 25,26, 62,63, 66,83, 89
Total	82		30	1890.87	52	26779.89		

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the companies in the annual general meeting within time schedule prescribed in the Companies Act 1956. Though the concerned administrative ministries and officials of the Government were apprised by Audit of the position of arrears quarterly, no effective measures had been taken by the Government for timely finalisation of accounts. As these companies did not adhere to the time schedule, the investment made in these companies remained outside the purview of audit and their accountability could not be ensured.

1.2.6 Working Results

1.2.6.1 Profit making Companies

During the year, 22* companies which finalised accounts for 1994-95 or previous years, earned profit of Rs. 18.72 crores. Of these, 14@ companies earned profit for two successive years or more and 2 companies declared dividend. Free reserves and surplus amounting to Rs. 68.15 crores were built-up in 18 companies.

1.2.6.2 Profit and dividend

Out of 11 companies which finalised their accounts for 1994-95 by September 1995, 2 companies earned profit of Rs. 5.61 crores on total share capital of Rs. 111.58 crores and declared dividend amounting to Rs. 2.23 crores as per details given below:

(Rupees in crores)

Name of company	Profit earned	Dividend declared	
		per cent	Amount
Pradeshiya Industrial and Investment Corporation of Uttar Pradesh	5.53	2	2.21
Uptron Leasing Limited	0.08	2	0.02
Total	5.61		2.23

The dividend as percentage of share capital in the profit making companies worked out to 0.85. The remaining 20 profit making companies did not declare any dividend on the profit of Rs. 13.11 crores earned by them in 1994-95. On the total

* Serial number of Annexure 3: 3, 11, 13, 16, 17, 22, 33, 34, 49, 54, 60, 68, 71, 72, 73, 75, 76, 77, 79, 80, 82 and 87.

@ Serial number of Annexure 3: 16, 22, 33, 34, 54, 60, 68, 71, 73, 75, 76, 79, 80 and 87.

equity capital, the return worked out to 0.15 per cent in 1994-95 compared to 0.23 per cent in 1993-94.

1.2.6.3 Loss making companies

According to the latest available accounts, 25* companies had eroded their paid-up capital as the accumulated losses of these companies had far exceeded the paid-up capital. Of the 52 loss making companies, 15 companies suffered loss for 5 consecutive years as shown below:

(Rupees in lakhs)

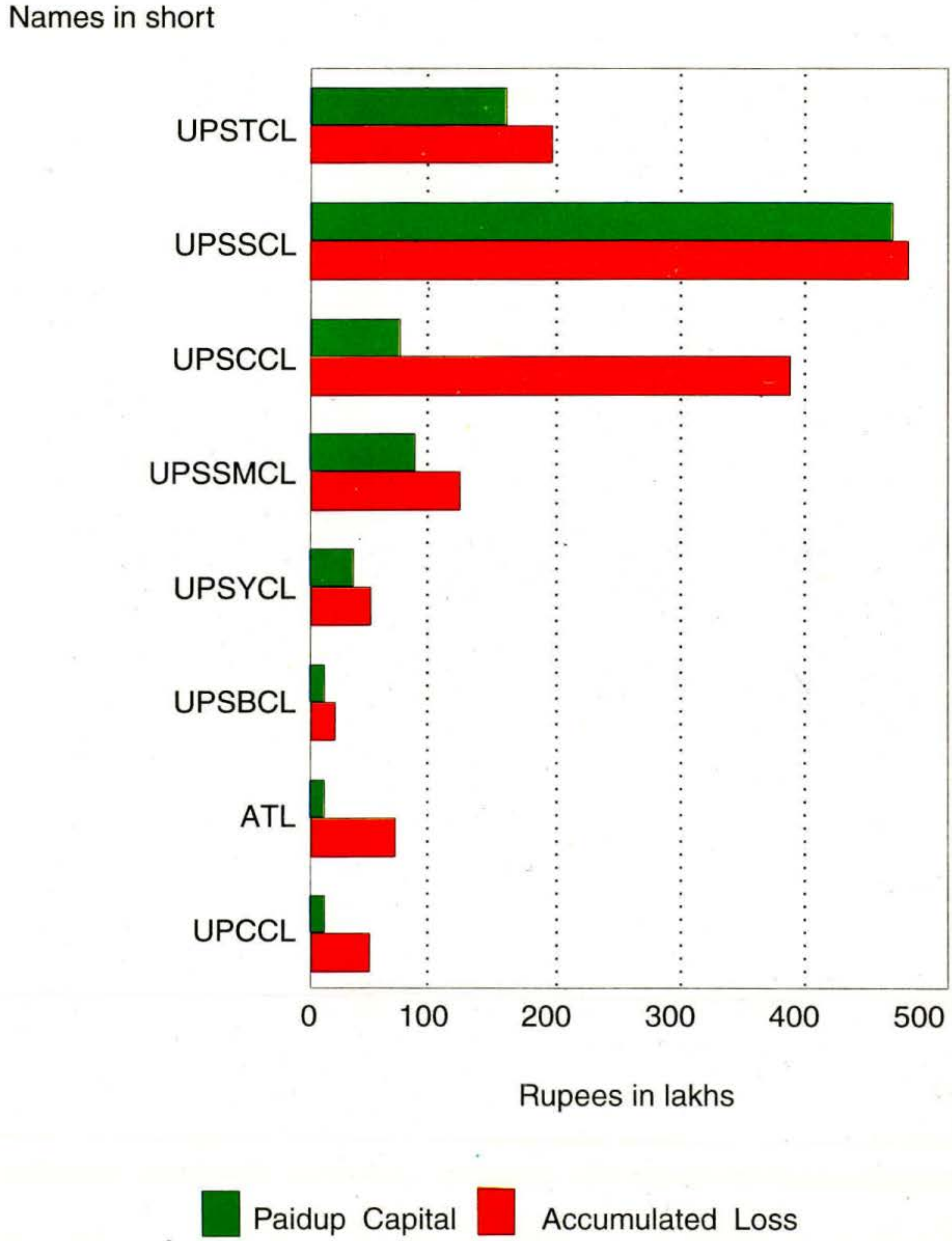
Sl. No.	Name of Company	Year upto which account received	Paid-up capital	Accumulated loss	Percentage of capital eroded	Loss suffered due to
1.	Auto Tractors Limited **(ATL)**	1990-91	7.50	64.94	865.87	Poor sales performance.
2.	Bhadohi Woolens Limited **(BWL)**	1994-95	3.76	11.99	318.88	Underutilisation of capacity.
3.	Ghatampur Sugar Company Limited **(GSCL)**	1991-92	7.94	13.04	164.23	Underutilisation of capacity.
4.	Uttar Pradesh Carbide and Chemicals Limited **(UPCCL)**	1992-93	6.59	35.32	535.96	Heavy interest burden and underutilisation of capacity.
5.	Uttar Pradesh State Brassware Corporation Limited **(UPSBC)**	1990-91	5.38	6.04	112.27	Poor sales performance.
6.	Uttar Pradesh State Bridge Corporation Limited **(UPSBCL)**	1992-93	7.00	17.05	243.57	Losses in tender works and decline in turnover of deposit works.

* Serial number of Annexure 3: 1, 2, 5, 6, 7, 10, 14, 18, 19, 20, 21, 23, 24, 25, 26, 27, 35, 49, 51, 59, 66, 67, 72, 82 and 89.

(Rupees in lakhs)

Sl. No.	Name of Company	Year upto which account received	Paid-up capital	Accumu-lated loss	Percen-tage of capital eroded	Loss suffered due to
7.	Uttar Pradesh State Cement Corporation Limited (**UPSCCL**)	1994-95	68.28	378.24	553.95	Underutilisation of capacity and heavy transportation cost of clinker.
8.	Uttar Pradesh State Horticultural Produce, Marketing & Processing Corporation Limietd (**UPSHMC**)	1984-85	1.91	2.55	133.51	Low production.
9.	Uttar Pradesh Small Industries Corporation (Potteries) Limited (**UPSIC**)	1987-88	0.58	0.60	103.45	Low production and absence of adequate marketing arrangement.
10.	Uttar Pradesh State Textile Corporation Limited (**UPSTCL**)	1994-95	155.79	196.55	126.16	Underutilisation of capacity, surplus staff and abnormal wastage.
11.	Uttar Pradesh State Sugar Corporation Limited (**UPSSCL**)	1992-93	452.01	460.48	101.87	Poor recovery of sugar and low capacity utilisation.
12.	Uttar Pradesh State Spinning Mills Company Limited (**UPSSMCL**)	1994-95	78.43	109.94	140.18	Heavy interest burden and surplus staff.
13.	Uttar Pradesh State Yarn Company Limited (**UPSYCL**)	1994-95	31.91	51.38	161.01	Underutilisation of capacity and heavy interest burden.
14.	Uttar Pradesh Tyres and Tubes Limited (**UPTT**)	1992-93	1.83	9.96	544.26	Underutilisation of capacity and shortage of working capital.
15.	The Indian Turpentine and Rosin Company Limited (**ITR**)	1993-94	0.22	3.92	1781.82	Underutilisation of capacity due to shortage of raw material.
	Total		829.03	1362.00	164.29	

MAJOR LOSS MAKING COMPANIES WHICH HAVE ERODED THEIR PAID-UP CAPITAL



(Refer Paragraph 1. 2. 6. 3)

Out of 89 working companies, 14 companies were either sick or in the process of being referred to BIFR or in the process of liquidation. Out of 25 companies which eroded capital, 13* companies were defunct or non-functional.

In spite of the poor performance leading to complete erosion of paid-up capital, the State Government continued to provide financial support to the companies in the form of contribution towards equity, further grant of loans, subsidy, etc. The total financial support provided to 7** of these companies during 1994-95 amounted to Rs. 58.17 crores.

1.2.6.4 Return on capital

(a) Return on capital invested

As the capital structure differs from company to company and rates of interest charged on long term loans given to the companies are not uniform, it may be unrealistic to compare profit of the companies wholly on the basis of profit and loss as reflected in these accounts. To study the results on a uniform basis, the capital was taken into account which consisted of the total paid-up capital, long term loans and free reserves less accumulated losses at the close of the financial year. Similarly, the return was taken not only as the profit or loss (before tax and prior period adjustments) as disclosed in the accounts but also the interest paid on long term loans. On this basis, on total investment of Rs. 1852.56 crores during the year 1994-95 in 89 companies, there was negative return of Rs. 115.67 crores (before tax and prior period adjustments) in 1994-95. The return on capital invested during 1994-95 (previous year's figure given in the bracket) in companies in different sectors was as follows:

(Rupees in crores)

Sector	1994-95		
	Capital invested	Return on capital invested	Percentage of return on capital invested
Agriculture	21.37	- 5.69	--
	(1.56)	(- 3.71)	--

* Serial number of Annexure 3: 21, 82 and 36 to 46.

** Serial number of Annexure 3: 1, 14, 20, 23, 27, 59 and 89.

(Rupees in crores)

Sector	1994-95 Capital invested	Return on capital invested	Percentage of return on capital invested
Animal Husbandry	2.16 (1.77)	0.26 (- 0.20)	12.04 --
Area Development	6.98 (6.25)	- 0.98 (0.70)	-- (11.2)
Cement	- 222.90 (- 197.25)	- 37.26 (- 45.29)	-- --
Electronics	166.69 (75.78)	- 27.83 (- 25.42)	-- --
Export Promotion	6.56 (8.75)	0.60 (- 2.13)	9.15 --
Financing	604.49 (597.57)	61.11 (11.24)	10.11 (1.88)
Fisheries	3.36 (3.36)	- 0.18 (0.18)	-- (5.36)
Food and Civil Supplies	5.46 (1.30)	- 0.05 (- 0.05)	-- --
Harijan and Social Welfare	56.64 (51.58)	173.02 (2.00)	3.05 (3.88)
Hill Development	44.29 (35.98)	- 0.29 (- 6.34)	-- --
Home	2.10 (1.57)	1.06 (0.45)	50.48 (28.66)
Industries and Industrial Development	202.80 (130.69)	- 7.35 (- 13.79)	-- --
Institutional Finance	- 1.26 (1.85)	0.04 (- 0.24)	-- --
Irrigation	2.03 (3.53)	2.00 (- 1.48)	-- --

(Rupees in crores)

Sector	1994-95 Capital invested	Return on capital invested	Percentage of return on capital invested
Panchayati Raj	1.42 (1.42)	0.01 (0.01)	0.70 (0.70)
Planning	1.04 (1.04)	0.01 (0.01)	(0.96) (0.96)
Power	183.56 (196.52)	- 0.50 (141.74)	-- (72.12)
Public Works	60.90 (72.97)	- 3.40 (- 4.67)	-- --
Rural and Small Industry	22.23 (19.87)	1.80 (- 2.87)	8.10 --
Sugar and Cane Development	563.47 (226.54)	- 84.29 (- 60.16)	-- --
Textile	105.48 (26.08)	- 8.68 (- 103.66)	-- --
Tourism	12.19 (5.26)	- 3.80 --	-- --
Waqf	1.50 (1.50)	0.01 (0.01)	0.67 (0.67)
Total	1852.56 (1275.49)	- 115.67 (- 113.67)	

(b) Return on capital employed

Capital employed has been taken as net fixed assets (excluding capital works-in-progress) plus working capital. Interest on borrowed funds is added/substracted to the net profit/loss as disclosed in the profit and loss account. Thus, during 1994-95 the total capital employed worked out to Rs.1250.46 crores in 89 companies on which there was negative return of Rs. 23.57 crores as against negative return of Rs. 10.30 crores in 1993-94.

Sectorwise details of the return on capital employed during 1994-95 (previous year's figure given in the bracket) was as under:

(Rupees in crores)

Sector	1994-95 Capital employed	Return on capital employed	Percentage of return on capital employed
Agriculture	- 1.41 (4.30)	- 2.34 (- 3.68)	-- --
Animal Husbandry	3.01 (2.76)	0.39 (- 0.20)	12.89
Area Development	8.89 (8.18)	- 0.72 (- 0.14)	-- --
Cement	- 210.10 (16.34)	- 37.26 (0.46)	-- (2.82)
Electronics	94.38 (97.22)	- 4.31 (- 3.94)	-- --
Export Promotion	14.98 (19.10)	1.09 (- 1.72)	7.27
Financing	601.25 (583.82)	63.29 (11.24)	10.53 (1.93)
Fisheries	3.32 (3.32)	- 0.18 (- 0.18)	-- --
Food and Civil Supplies	5.46 (5.46)	0.53 (0.53)	9.63 (9.71)
Harijan and Social Welfare	53.92 (50.03)	1.73 (2.00)	3.21 (4.00)
Hill Development	45.22 (38.71)	- 0.36 (0.43)	-- --
Home	2.10 (1.56)	1.06 (0.45)	50.51 (28.85)

(Rupees in crores)

Sector	1994-95 Capital employed	Return on capital employed	Percentage of return on capital employed
Industries and Industrial Development	- 23.72 (3.42)	- 4.45 (- 9.63)	-- --
Institutional Finance	3.41 (3.49)	0.04 (- 0.24)	1.32
Irrigation	- 0.52 (0.81)	- 2.00 (- 0.32)	-- --
Panchayati Raj	1.40 (1.40)	0.01 --	0.18
Planning	1.04 (1.04)	0.01 --	1.20
Power	144.93 (173.15)	- 0.50 (141.74)	-- (81.86)
Public Works	60.89 (81.13)	- 0.70 (- 4.48)	-- --
Rural and Small Industry	23.61 (25.30)	1.84 (- 2.80)	7.78
Sugar and Cane Development	339.81 (286.25)	- 45.19 (- 41.87)	-- --
Textile	65.76 (120.13)	8.24 (- 97.96)	7.78 --
Tourism	11.34 (4.91)	- 3.79 --	-- --
Waqf	1.49 (1.49)	0.01 (0.01)	0.44 (0.67)
Total	1250.46 (1533.32)	- 23.57 (-) 10.30	

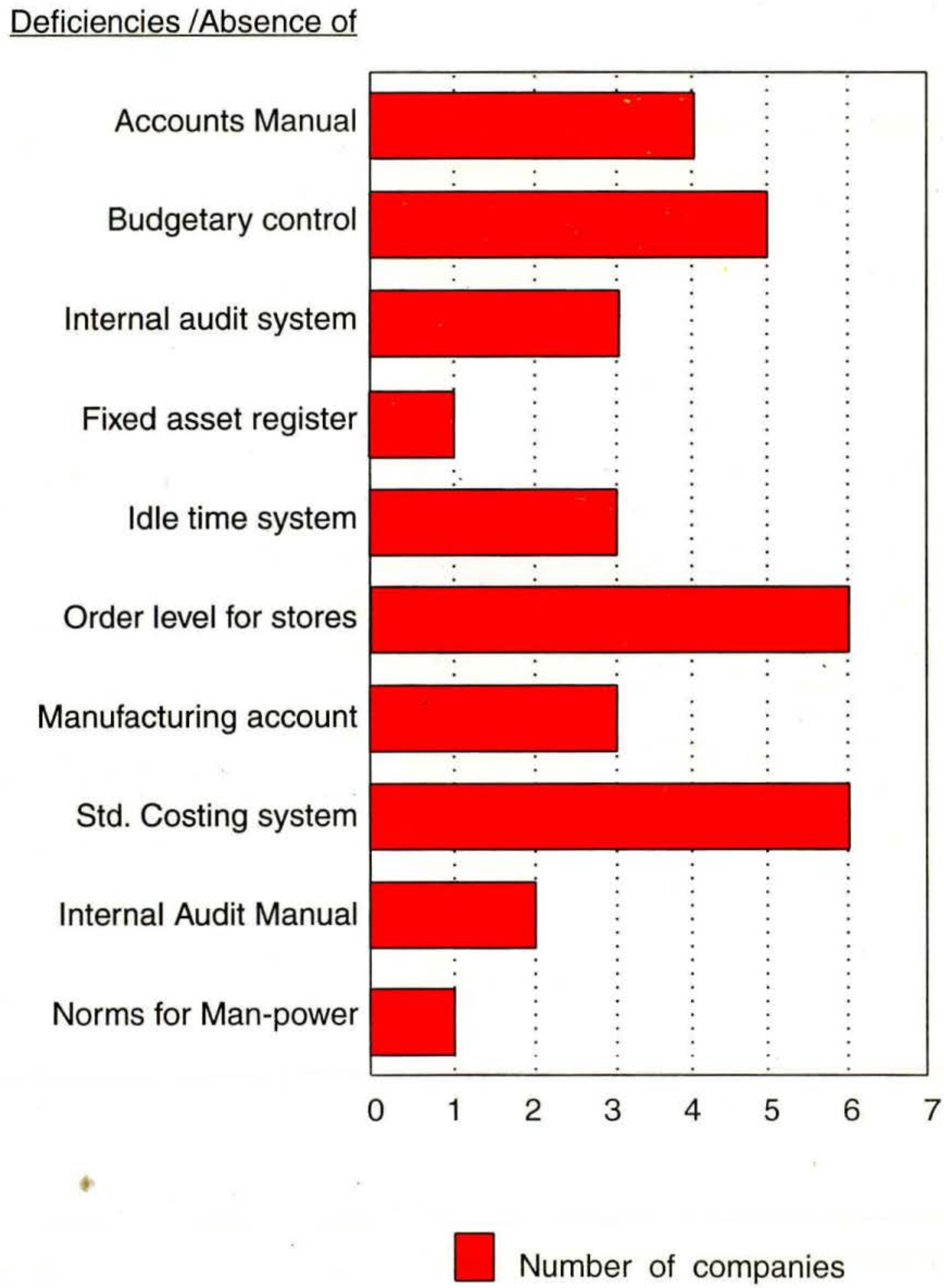
1.2.7 Buy back of shares by joint sector companies promoted by Government companies

Some of the Government companies are engaged in the development/promotion of industries in the State by providing loans or making investments in their share capital. The terms and conditions of the promotional agreement provides for the buy back of the shares from the Government companies by the co-promoter after the promoted unit starts commercial production. During the year, the shares of only one unit viz. Twiga Fibre Glass Limited valued at Rs. 43.51 lakhs were disinvested by the Uttar Pradesh State Industrial Development Corporation Limited.

1.2.8.1 The Companies Act 1956 empowers the CAG of India to issue directives to the Auditors of Government companies in regard to the performance of their functions. In pursuance of the directives so issued, special reports of the Company Auditors on the accounts of 8 companies were received during October 1994 to September 1995. Important points noticed in these reports are summarised below:

Sl. No.	Nature of defects	Number of companies where defects were noticed	Reference to serial number of Annexure 3
1.	Absence of accounting manual	4	28,2,5,55
2.	Absence of adequate budgetary control system	5	24,5,55,68 56
3.	Internal audit system not commensurate with nature and size of business or needed to be strengthened	3	81,5,56
4.	Defective maintenance/non-maintenance of fixed assets register	1	5
5.	Absence of system of ascertaining idle time for labour and machinery	3	81,5,56
6.	Non-fixation/non-observance of order level of stores and spares	6	24,28,81,5 55,56

NUMBER OF COMPANIES WHERE DEFECTS WERE NOTICED



(Refer paragraph 1. 2. 8. 1)

Sl. No.	Nature of defects	Number of companies where defects were noticed	Reference to serial number of Annexure 3
7.	Non-operation of separate manufacturing account	3	5,68,56
8.	Absence of standard costing system	6	24,81,2,5 68,56
9.	Absence of internal audit manual	2	5,56
10.	Non-fixation of norms for man-power	1	56

1.2.8.2 Under Section 619 (4) of the Companies Act, 1956, the CAG of India has the right to comment upon or supplement the report of the Statutory Auditors. Under this provision, the review of annual accounts of Government companies is being conducted on selective basis. Out of 66 accounts of 55 companies received during the year, accounts relating to 42 companies were selected for such review during the period from October 1994 to September 1995. The net effect of the important comments as a result of such review was as follows:

(Rupees in lakhs)

Details	Number of accounts	Monetary effect
Decrease in profits/increase in loss	13	774.49
Decrease in loss	1	0.69
Non-disclosure of material facts	7	--

The financial results of all the 89 companies based on the latest available accounts is given in Annexure - 3.

Some of the major errors and omissions noticed in the course of review of annual accounts of some of these companies, not pointed out by Statutory Auditors, are mentioned on the next page:

(A) Uttar Pradesh Pashudhan Udyog Nigam Limited (1989-90)

(i) The accumulated losses and other liabilities were understated by Rs.19.60 lakhs as provision for refund of interest earned on unutilised grant, which was refundable to the Rural Development Department, has not been provided for in the accounts.

(ii) The accumulated losses were further understated by Rs. 4.12 lakhs, as loss on Company's scheme of sale of buffaloes was not charged to Profit and Loss account but incorrectly shown as amount receivable from Rural Development Department.

(B) Uttar Pradesh State Leather Development and Marketing Corporation Limited (1993-94)

The accumulated losses were understated by Rs. 30.09 lakhs due to non-provision of depreciation on fixed assets not utilised during the year.

(C) Uttar Pradesh State Bridge Corporation Limited (1991-92)

The loss for the year as well as current liabilities were understated by Rs. 39.13 lakhs due to non-provision of interest liability on mobilisation advance.

(D) Uttar Pradesh Export Corporation Limited (1991-92)

The Company neither made any provision for substantial fall of Rs. 27.21 lakhs in realisable value of investment in Bhadohi Woollens Limited nor disclosed the fact in notes to accounts.

(E) Indian Turpentine and Rosin Company Limited (1993-94)

The accumulated losses and current liabilities were understated by Rs. 9.58 lakhs due to non-provision of interest on overdue rentals payable to IFCI.

(F) Uttar Pradesh State Handloom Corporation Limited (1985-86)

The bank balances were overstated by Rs. 43.79 lakhs as cheques for withdrawals from banks were not entered in the books of the Company.

(G) Uttar Pradesh State Industrial Development Corporation Limited (1993-94)

Industrial land under development was understated by Rs. 165.70 lakhs as negative value of land of two industrial areas were incorrectly deducted from the value of land of other industrial areas.

(H) Uttar Pradesh Small Industries Corporation Limited (1989-90)

The profit of the Company was overstated by Rs. 39.65 lakhs due to short provision for transportation/handling charges, revision in salary and allowances of staff and expenditure incurred in 1990-91 but not provided for.

(I) Uttar Pradesh Poultry and Livestock Specialities Limited (1992-93)

The accumulated losses were understated by Rs. 44.46 lakhs as the Company had taken credit for interest amounting Rs. 26.30 lakhs in the year of account (Rs. 18.16 lakhs in previous year) earned on Government funds which was refundable to State Government.

(J) Uttar Pradesh Scheduled Caste Finance and Development Corporation Limited (1990-91)

(i) Margin money loan released to the loanees through banks were overstated by Rs. 205.99 lakhs due to inclusion of undisbursed amount of loan lying with banks.

(ii) Balance amount of loan due against loanees was overstated by Rs. 25.63 lakhs as undisbursed loan refunded by banks to the Company had not been adjusted in loan disbursed account.

(K) Uttar Pradesh State Sugar Corporation Limited (1992-93)

(i) Accumulated losses were understated and current assets (stock in trade) overstated each by Rs. 796.89 lakhs due to overvaluation of stocks of finished sugar and sugar-in-process on account of inclusion of interest, cane development expenses, administrative expenses and head office expenses in costs.

(ii) Loss of the year 1991-92 was understated by Rs. 5.22 lakhs due to non-inclusion of cost of independent power feeder line under power and fuel charges.

1.2.9 Capacity utilisation

The utilisation of the installed or rated capacity of the manufacturing companies (to the extent the information is available) is given in Annexure 4. Main reasons for shortfall in capacity utilisation in case of five Sugar companies was non-availability of sugar cane whereas in case of M/s Transcable Limited and Uttar Pradesh Instruments Limited, lack of demand was the main contributory factor for low capacity utilisation.

1.2.10 619 B Companies

There were 6 companies covered under Section 619 B of the Companies Act, 1956. The table below indicates the details of paid-up capital and working results of these companies based on the latest available accounts:

(Rupees in crores)

Name of Company	Year of accounts	Paid up capital	Investment by			Profit(+)/ Loss(-)
			State Government	Government companies	Others	
Almora Magnesite Limited	1994-95	2.00	--	1.22	0.78	- 2.25
Command Area Poultry Development Corporation Limited	1991-92	0.24	--	--	0.24	+ 0.09
Electronics and Computers India Limited	Accounts not finalised since inception (1975-76).					
Steel and Fasteners Limited	1978-79	0.90	--	0.55	0.35	- 0.45
Uptron Colour Picture Tubes Limited	1993-94	42.49	--	30.38	12.11	- 48.97

(Rupees in crores)

Name of Company	Year of accounts	Paid up capital	Investment by			Profit(+)/ Loss(-)
			State Government	Government companies	Others	
Uttar Pradesh Seeds and Tarai Development Corporation Limited	1993-94	2.48	0.80	0.60	1.08	+ 4.54

The accumulated losses in respect of Almora Magnesite Limited, Command Area Poultry Development Corporation Limited and Uptron Colour Picture Tubes Limited amounting to Rs. 5.20 crores, Rs. 0.35 crore and Rs. 208.44 crores had exceeded their paid-up capital of Rs. 2 crores, Rs. 0.24 crore and Rs. 42.49 crores respectively.

1.2.11 Other investments

The State Government has invested Rs. 79.63 crores in 57 other companies. Though the Government invested Rs. 10 lakhs and above in these companies they are not subject to audit by the Comptroller and Auditor Genreal as the aggregate amount of investment made by the Government, Government companies and Corporations and Financial Institutions was less than 51 per cent of the equity of the respective companies. A list of these companies is given in Annexure 1.

1.3. Statutory corporations

1.3.1 General aspects

There were four Statutory corporations in the State as on 31st March 1995. Audit arrangements of these corporations are given below:

Name of the Corporation	Statute under which constituted	Date of formation	Audit arrangement	Year up to which accounts finalised	Separate Audit Report (SAR) placed in the legislature up to the year	Authority for audit by Comptroller and Auditor General of India
Uttar Pradesh State Electricity Board	Section 5(1) of the Electricity (Supply) Act, 1948	April 1959	Sole audit by Comptroller and Auditor General of India	1994-95	1989-90	Section 69(2) of the Electricity (Supply) Act, 1948
Uttar Pradesh State Road Transport Corporation	Section 3 of the Road Transport Corporation Act, 1950	June 1972	- Do -	1993-94	1990-91	Section 33(2) of the Road Transport Corporation Act, 1950.
Uttar Pradesh Financial Corporation	Section 3 of the State Financial Corporation Act, 1551	November 1954	Chartered Accountants, SAR issued by Comptroller and Auditor General of India	1993-94	1992-93	Section 37(6) of the State Financial Corporation Act, 1951.
Uttar Pradesh State Warehousing Corporation	Section 18(1) of the Warehousing Corporation Act, 1962	March 1958	- Do -	1994-95	1993-94	Section 31(8) of the Warehousing Corporation Act, 1962.

1.3.2 Investment

The investment in the four Statutory corporations as on 31st March 1995 was Rs. 13042.52 crores (equity: Rs. 423.08 crores; long term loans: Rs. 12619.44 crores) as against the total investment of Rs. 12165.86 crores as on 31st March 1994 (equity: Rs. 422.70 crores; long term loans Rs. 11743.16 crores).

The Sectorwise investment in these corporations is given on the next page:

(Rupees in crores)

Name of the Corporation	Equity and loans as at the end of 1994-95		1993-94		Debt equity ratio in 1994-95
	Equity	Loans	Equity	Loans	
1. Power Department					
Uttar Pradesh State Electricity Board	--	11682.90	--	10857.50	--
2. Transport Department					
Uttar Pradesh State Road Road Transport Corporation	313.51	43.26	313.13	38.43	0.14:1
3. Industries Department					
Uttar Pradesh Financial Corporation	100.00	888.26	100.00	841.35	8.88:1
4. Cooperative Department					
Uttar Pradesh State Warehousing Corporation	9.57	5.02	9.57	5.88	0.52:1
Total	423.08	12619.44	422.70	11743.16	

1.3.3 Profit/Loss of the corporations

All the four corporations have finalised their accounts for the year 1993-94 of which Uttar Pradesh Financial Corporation and Uttar Pradesh State Road Transport Corporation incurred loss (Rs. 30.45 crores). Other two corporations which finalised accounts for the year 1994-95 earned profit (Rs. 261.15 crores).

1.3.4 Finalisation of accounts

The annual accounts of all the four Corporations for the year 1993-94 have been finalised. Annual accounts of Uttar Pradesh State Warehousing Corporation and Uttar Pradesh State Electricity Board have been finalised for the year 1994-95 and accounts of the remaining two Corporations are under audit scrutiny (November 1995).

1.3.5 Guarantee on loans

The guarantee given by the State Government against loans, credits given by banks etc. (including interest) to the Statutory corporations for the preceding three years up to 1994-95 and outstanding as on 31st March 1995 is shown in table below:

(Rupees in crores)

Serial number	Guarantees	Guanantees given by State Government 1992-93	1993-94	1994-95	Guaranteed amount outstanding as on 31st March 1995
1.	Cash credits from State Bank of India and other nationalised banks	7.50	7.50	9.00	506.56
2.	Loans from other sources	146.56	216.40	258.30	2129.53
3.	Letter of credit opened by State Bank of India and other nationalised banks for purchase of power	75.00	75.00	123.00	--
4.	Payment obligation under agreements with foreign consultants or contractors	--	--	--	24.50 billion Yen

1.3.6 Budgetary outgo:

The outgo from the State Government to the Statutory corporations during the years 1992-93 to 1994-95 in the form of equity capital, loans and subsidy is as detailed below:

(Rupees in crores)

	Particulars	1992-93	1993-94	1994-95
1.	Equity capital outgo from budget	4.00	45.01	0.37
2.	Loans given out from budget	1191.57	625.15	679.14

The Government waived off interest of Rs. 1469.49 crores on loans payable by the Board to the Government for the period from April 1988 to March 1992 in full and final settlement of Board's rural electrification subsidy claims of Rs. 2490.60 crores for above period.

1.3.7 Subsidy

The State Government gives subsidy to the Uttar Pradesh State Electricity Board for rural electrification losses to the Board.

The State Government gave (March 1979) an undertaking to the World Bank to provide subsidy to the Uttar Pradesh State Electricity Board for rural electrification losses so that the Board may achieve and maintain a return of 9.5 per cent on its average capital base. Subsidy was either the difference between the operating expenses and operating revenue in respect of rural electrification operations or such lower amount as may be necessary to achieve and maintain the said return. Subsidy recoverable from Government for the years 1992-93, 1993-94 and 1994-95 worked out to Rs. 905.32 crores, Rs. 1160.60 crores and Rs. 1236.60 crores respectively. Subsidy receivable from the State Government on this account as on 31st March 1995 was Rs. 4331.60 crores.

1.3.8 Partial or total privatisation of any activity

Power network of Uttar Pradesh State Electricity Board pertaining to Greater NOIDA area of Ghaziabad district was privatised during the year 1993-94. A draft para on the subject, highlighting that the action taken to privatise the network was not advantageous to the Board, has been included in this Audit Report vide para 4B.1.

1.3.9 Working results

The working results of the Statutory corporations for the latest year for which accounts have been finalised are summarised in Annexure-5. Salient points about the accounts and physical performance of these Corporations are given below in paragraphs 1.4. to 1.7.

1.4 Uttar Pradesh State Electricity Board

1.4.1 The capital requirements of the Board are met by way of loans from Government, public, banks and other financial institutions.

The aggregate of long-term loans including loans from the Government obtained by the Board and outstanding on 31st March 1995 was Rs. 11682.90 crores and represented an increase of Rs. 825.40 crores (7.6 *per cent*) on long term loans of Rs. 10857.50 crores, outstanding at the end of the previous year. Particulars of loans obtained from State Government and other sources and outstanding at the close of each of the two years up to 1994-95 are as follows:

(Rupees in crores)

Sources	Amounts outstanding as on 31st March 1994	1995	Percentage of increase +/ decrease -
1. State Government	8303.19	8980.33	(+) 8.15
2. Other sources			
(i) Central Government	38.64	35.45	(-) 8.26
(ii) Public borrowing:			
- Bonds	702.00	702.00	--
- Commercial deposits	7.49	7.38	(-) 1.47
(iii) Foreign Currency deferred credits	435.35	365.35	(-) 16.08
(iv) Financial institutions	578.76	877.86	(+) 51.68
(v) Rural Electrification Corporation	536.25	528.36	(-) 1.47
(vi) State Government companies and corporate bodies	255.82	186.17	(-) 27.23
Total	**10857.50**	**11682.90**	

1.4.2 The Government had guaranteed the repayment of loans raised by the Board to the extent of Rs. 3347.45 crores and payment of interest thereon. The amount outstanding thereagainst as on 31st March 1995 was Rs. 1711.26 crores.

1.4.3 The financial position of the Board at the end of the three years up to 31st March 1995 is given below:

(Rupees in crores)

Particulars	1992-93	1993-94	1994-95
A Liabilities			
Long term loans from:			
(a) Government	7622.79	8303.19	8980.33
(b) Other sources	2360.04	2554.32	2701.57
Subvention and grants from			
(a) Government	67.93	108.46	108.66
(b) Others	0.46	0.46	6.85
Reserve and surplus	657.09	776.60	1017.58
Current liabilities and provisions	5487.22	5262.71	6747.19
Total A	16195.53	17005.74	19562.18
B Assets			
Gross fixed assets	6764.69	9435.50	11811.08
Less- Depreciation	1662.84	1929.10	2307.66
Less- Consumers contribution	493.83	560.19	625.22
Net fixed assets	4608.02	6946.21	8878.20
Capital works-in-progress	4669.44	3085.34	1713.33
Current assets	3249.30	3626.68	4484.24
Subsidies receivable from Government	3403.90	3095.00	4331.60
Investments	39.14	87.72	154.42
(a) Intangible assets	0.04	0.33	0.39
(b)Accumulated deficit	225.69	164.46	--
Total B	16195.53	17005.74	19562.18

(Rupees in crores)

Particulars	1992-93	1993-94	1994-95
C Capital employed*	5813.14	8492.93	11101.27
D Capital invested@	10708.31	11743.03	12814.99

1.4.4 The working results of the Board for the three years up to 1994-95 are summarised below:

(Rupees in crores)

Particulars	1992-93	1993-94	1994-95
1. (a) Revenue receipts	2631.18	2868.77	3486.10
(b) Subsidy from Government	905.32	1160.67	1236.60
Total	3536.50	4029.44	4772.70
2. Revenue expenditure#	2542.10	2969.80	3064.21
3. Gross surplus (1-2)	994.40	1059.64	1658.53
4. Utilisation			
(a) Depreciation	264.57	282.52	391.60
(b) Interest on			
- State Government loans	632.15	785.33	897.33
- Central Government loans	3.48	3.20	2.93
- Other loans and bonds	250.28	317.66	352.67
Total	885.91	1106.19	1252.93
(c) Less: Interest capitalised	369.94	390.30	244.39
(d) Net interest	515.97	715.89	1008.54
Total (a+d)	780.54	998.41	1400.14

* Capital employed represents net fixed assets plus working capital.

@ Capital invested represnets long-term loans plus free reserves including subvention and·grants.

\# Revenue expenditure does not include depreciation and interest and loans.

(Rupees in crores)

Particulars	1992-93	1993-94	1994-95
5. Net surplus	213.86	61.23	258.44
6. Total return on capital employed and capital invested (Net surplus plus net interest)	729.83	777.12	1266.98
7. Percentage of return on:			
(a) Capital employed	12.55	9.15	11.50
(b) Capital invested	6.82	6.62	9.96

1.4.5 The following observations were made in Separate Audit Report on the annual accounts of Uttar Pradesh State Electricity Board for the years 1994-95 (revised and final) which showed a surplus of Rs. 258.44 crores instead of Rs. 320.84 crores shown in the accounts submitted for audit.

The surplus of Rs. 258.44 crores shown in the accounts were overstated by Rs. 33.07 crores on account of the following:

(Rupees in crores)

	Particulars		Amount
(a)	Understatement of expenditure on repair and maintenance of transformers		50.27
(b)	Understatement of revenue from sale of power		17.20
		Net effect (a - b)	33.07

1.4.6 The table below indicates the operational performance of the Board for three years up to 1994-95:

Particulars		1992-93	1993-94	1994-95
1. **Installed capacity (MW)**				
(a) Thermal		3554.00	4054.00	4544.00
(b) Hydel		1504.75	1504.75	1504.75
	Total	5085.75	5558.75	6048.70
2. **Power generated (Mkwh)**				
(a) Thermal		14017.00	14560.00	15611.00
(b) Hydel		4150.00	5287.00	6064.00
	Total	18167.00	19847.00	21675.00
(c) Less: Auxiliary consumption		1588.00	1618.00	1642.00
(d) Net power generated		16579.00	18229.00	20033.00
(e) Power purchased		12824.00	12775.00	13331.00
(f) Total power available for sale (d+e)		29403.00	31004.00	33364.00
3. Power sold **(Mkwh)**		22318.00	23813.00	25810.00
4. Transmission and distribution losses **(Mkwh)**		7085.00	7194.00	7554.00
5. Percentage of transmission and distribution losses		24.10	23.20	22.64
6. Units generated per KW of installed capacity **(Kwh)**		3591.20	3570.41	3583.41
7. Percentage of generation to installed capacity		41.00	40.46	40.80
8. Percentage of Plant Load factor		51.10	49.80	43.59
9. Villages/towns electrified at the end of year **(Number)**		84256	84906	85334

Particulars	1992-93	1993-94	1994-95
10. Pump sets/tubewells energised at the end of year **(Number)**			
(a) Private Tubewells	663271	690119	N.A.
(b) State Tubewells	31631	31814	N.A.
11. Connected load **(MW)**	11635	12087	12843
12. Number of consumers **(In lakhs)**	52.71	55.90	58.87
13. Number of employees*	98808	97711	97711
14. Employees cost per Mkwh **(Rupees in lakhs)**	1.97	2.06	2.05
15. Break-up of units sold according to categories of consumers **(Mkwh)**			
(a) Agricultural	8498	8924	9485
(b) Industrial	5941	6030	6281
(c) Commercial	1435	1706	1901
(d) Domestic	4577	5124	6025
(e) Others	1867	2026	2118
Total	22318	23810	25810
16. (a) Revenue per Kwh **(Paise)**	118	120	135
(b) Expenditure per Kwh **(Paise)**	149	167	172
(c) Profit(+)/Loss(-) per Kwh **(Paise)**	(-) 31	(-) 47	(-) 37

* Indicates number of employees at the beginning of the year.

1.5 Uttar Pradesh State Road Transport Corporation

1.5.1 In terms of Sections 23(1) of the Act, the State and Central Governments provide capital required by the Corporation in the ratio of 4:1 which was revised to 1:1 in January 1976.

The paid-up equity capital of the Corporation as on 31st March 1995 was Rs. 313.83 crores (State Government: Rs. 244.58 crores and Central Government: Rs. 69.25 crores) as against Rs. 313.13 crores as on 31st March 1994 (State Government: Rs. 243.88 crores and Central Government: Rs. 69.25 crores). Further, loans amounting to Rs. 43.26 crores (State Government: Rs. 4.15 crores and Life Insurance Corporation of India Rs. 39.11 crores) were outstanding as on 31st March 1995. The State Government had also given guarantees for repayment of loans raised by the Corporation from other sources and payment of interest thereon. As on 31st March 1995, the amount of principal outstanding thereagainst was as indicated below:

(Rupees in crores)

Particulars	Amount guaranteed	Amount outstanding as on 31st March 1995
(i) Cash credit from banks	6.00	4.96
(ii) Life Insurance Corporation of India	24.97	19.34
Total	30.97	24.30

1.5.2. The financial position of the Corporation at the end of each of the three years up to 1994-95 is given below:

(Rupees in crores)

Particulars	1992-93	1993-94	1994-95 (Provisional)
(A) Liabilities			
Capital	265.34	313.13	313.51
Reserves and surplus	2.85	1.38	0.95
Borrowings	107.54	112.40	127.34

(Rupees in crores)

Particulars	1992-93	1993-94	1994-95 (Provisional)
Trade dues and other current liabilities	134.63	80.77	122.25
Total- A	510.36	507.68	564.05
(B) Assets			
Gross Block	443.50	452.71	483.44
Less: Depreciation	288.76	306.67	318.01
Net fixed assets	154.74	146.04	165.43
Capital work-in-progress	3.27	4.20	4.88
Investments	0.80	0.80	0.80
Current assets, loans and advances	47.56	52.67	52.71
Accumulated losses	303.99	303.97	340.23
Total- B	510.36	507.68	564.05
(C) Capital employed*	70.48	120.90	99.61
(D) Capital invested@	299.06	351.55	356.78

1.5.3. The working results of the Corporation for the three years up to 1994-95 are summarised below:

(Rupees in crores)

Particulars	1992-93	1993-94	1994-95 (Provisional)
Total revenue	400.28	444.43	457.91

* Capital employed represents net fixed assets plus working capital.

@ Capital invested represents paid up capital plus long term loans plus free reserves.

(Rupees in crores)

Particulars	1992-93	1993-94	1994-95 (Provisional)
Total expenditure:			
(a) Other than interest	398.51	435.58	473.36
(b) Interest	24.28	17.60	20.17
Total	422.79	453.18	493.53
Net Loss	22.51	8.75	35.62
Total return on:			
(a) Capital employed	1.77	8.85	- 15.45
(b) Capital invested	1.77	8.85	- 15.45

The Corporation suffered a loss of Rs. 35.62 crores during the year 1994-95 as compared to loss of Rs. 8.75 crores suffered during the year 1993-94. The loss of the Corporation increased by 307.08 *per cent* during the year 1994-95 as compared to the year 1993-94. The loss during 1994-95 was attributable mainly to increase in cost of operating expenses, fuel and oil, repairs and maintenance, welfare and general administrative expenses.

The accumulated loss at the end of 1994-95 amounted to Rs. 310.23 crores which was understated by Rs. 3.17 crores due to non-provision for bad debts (Rs. 2.76 crores), shortages of stores (Rs. 0.25 crore) and liability for passenger tax (Rs. 0.16 crore).

1.5.4 The table given below indicates the physical performance of the Corporation during the three years up to 1994-95:

Particulars	1992-93	1993-94	1994-95 (Provisional)
Average number of vehicles held (effective fleet)	7956	8023	7920

Particulars	1992-93	1993-94	1994-95 (Provisional)
Average number of vehicles on road*	7052	7112	6891
Percentage of utilisation	89	89	87
Kilometres covered (In lakhs)			
- Gross	6379	6645	6507
- Effective	6213	6479	6344
- Dead	157	166	163
Percentage of dead kilometres to gross kilometres	2.46	2.50	2.50
Average kilometres covered per bus per day	241	249	252
Average revenue per kilometre (Paise)	644	686	722
Average expenditure per kilometre (Paise)	680	699	778
Loss per kilometre (Paise)	36	13	56
Total route kilometres (In lakhs)	5.45	5.90	5.98
Number of operating Depots	105	106	108
Average number of break-downs per lakh kilometres	3.54	3.96	4.43
Average number of accidents per lakh kilometres	0.23	0.21	0.20
Passenger kilometres			
- Scheduled (in lakhs)	334511	348924	341371
- Operated (in lakhs)	227467	240758	221891
Occupancy ratio (*Per cent*)	68	69	65

* Vehicles include buses, taxies and trucks.

1.6 Uttar Pradesh Financial Corporation

1.6.1 The paid-up capital of the Corporation as on 31st March 1994 as well as on 31st March 1995 was Rs. 100.00 crores (State Government: Rs. 63.115 crores; Industrial Development Bank of India: Rs. 34.215 crores and others: Rs. 2.67 crores).

1.6.2 The Government has guaranteed repayment of share capital of Rs. 9.65 crores under Section 6(1) of the State Financial Corporations Act, 1951 and payment of minimum dividend thereon at 3.5 *per cent*. During the year 1994-95, the Corporation's total income was Rs. 109.95 crores and revenue expenditure was Rs. 86.63 crores (provisional). Thus, there was a profit of Rs. 23.32 crores.

The Government has also guaranteed repayment of market loans (bonds and debentures) of Rs. 428.28 crores raised by the Corporation. The approval of the Government for guarantee against bonds of Rs. 50 crores issued during 1994-95 was awaited. The entire amount of principal thereagainst was outstanding on 31st March 1995.

1.6.3. The financial position of the Corporation at the end of each of three years up to 1994-95 is given below:

(Rupees in crores)

Particulars	1992-93	1993-94	1994-95 (Provisional)
(A) Liabilities			
(i) Paid-up capital	91.60	100.00	100.00
(ii) Reserves and surplus	15.87	15.87	9.64
(iii) **Borrowings:**			
(a) Bonds	328.28	378.28	428.28
(b) Others*	489.17	463.07	459.98
(iv) Other liabilities and provisions	42.92	76.61	86.43
Total-A	967.84	1033.83	1084.33

* Includes loans in lieu of share capital of Rs. 20.00 crores in 1992-93 and Rs. 18.60 crores in 1993-94 and 1994-95.

(Rupees in crores)

Particulars	1992-93	1993-94	1994-95 (Provisional)
(B) Assets			
(i) Cash and bank balances	47.44	47.62	32.98
(ii) Investments	0.34	0.27	. 0.75
(iii) Loans and advances	861.81	864.60	921.65
(iv) Net fixed assets	3.11	2.89	11.33
(v) Other assets	55.14	118.45	117.62
Total-B	967.84	1033.83	1084.33
(C) Capital employed#	898.37	941.07	977.56
(D) Capital invested@	924.92	957.22	997.90

1.6.4 The working results of the Corporation for the three years up to 1994-95 is given below:

(Rupees in crores)

Particulars	1992-93	1993-94	1994-95 (Provisional)
Income			
(a) Interest on loans and advances	83.41	86.13	106.26
(b) Other income	2.46	0.89	3.69
Total	85.87	87.02	109.95

Capital employed represents the mean of the aggregate of opening and closing balance of paid-up capital, bonds and debentures, reserves, borrowings (including refinance) and deposits.

@ Capital invested represents paid-up capital plus free reserves and long term loans.

(Rupees in crores)

Particulars	1992-93	1993-94	1994-95 (Provisional)
Expenditure			
(a) Interest on long-term loans	105.96	95.03	72.15
(b) Other expenses	12.66	13.69	14.48
Total	118.62	108.72	86.63
Profit before tax	(-) 32.75	(-) 21.70	23.32
Profit after tax	..	..	23.32
Other appropriations	..	..	19.30
Amount available for dividend	..	..	4 02
Dividend payable	..	..	..
Total return* on:			
(a) Capital employed	(-) 32.75	(-) 21.70	23.32
(b) Capital invested	(-) 32.75	(-) 21.70	23.32
Percentage of return on			
(a) Capital employed	NIL	NIL	2.39
(b) Capital invested	NIL	NIL	2.34

The table given on the next page indicates the position regarding receipts and disposal of applications for loans during three years up to 1994-95:

* The interest on long term loan has been included as main source of income and expenditure of the corporation is interest itself which form the basis of working result.

(Rupees in crores)

Particulars	1992-93		1993-94		1994-95	
	Number	Amount	Number	Amount	Number	Amount
Applications pending at the beginning of the year	264	38.47	107	15.27	72	7.67
Applications received	1581	234.35	458	76.42	1193	441.98
Total	1845	272.82	565	91.69	1265	449.65
Applications sanctioned	1188	167.88	273	46.40	974	333.14
Applications cancelled/with-drawn/rejected/reduced	550	89.67	220	37.61	146	37.69
Applications pending at the close of tine year	107	15.27	72	07.68	145	78.82
Loans disbursed	1167	127.65	390	75.25	643	175.89
Loan outstanding at the close of the year	24558	861.82	24063	864.60	26068	921.65
Amount overdue for recovery at the close of the year:						
(a) Principal	--	90.04	--	109.89	--	136.06
(b) Interest	--	160.33	--	212.12	--	331.19
Total		250.37		322.01		467.25
Amount involved in recovery certificate cases	--	87.31	--	131.18	--	127.92
Total		337.67		453.19		595.17
Percentage of default to total loans outstanding	--	39.19		52.46		64.58

As may be seen from the table given above, out of outstanding loans of Rs. 921.65 crores (excluding interest) as on 31st March 1995, an amount of Rs. 467.25

crores (including interest of Rs. 331.19 crores) was overdue for recovery. The percentage of overdue amount to the total outstanding has increased from 39.19 *per cent* in 1992-93 to 52.46 *per cent* in 1993-94 and to 64.58 *per cent* in 1994-95.

Age-wise analysis of the overdue loans has not been done by the Corporation.

The data of investment in sick and closed units was not available.

The Corporation has made cumulative provision of Rs. 70.70 crores towards non-performing assets up to 31st March 1995. Besides, the Corporation has written off bad debts of Rs. 0.43 crore during 1992-93 (Rs. 0.08 crore), 1993-94 (Rs. 0.12 crore) and 1994-95 (Rs. 0.23 crore).

1.7 Uttar Pradesh State Warehousing Corporation

1.7.1 The paid-up capital of the Corporation as on 31st March 1994 as well as on 31st March 1995 was Rs. 9.57 crores (State Government: Rs. 5.59 crores and Central Warehousing Corporation: Rs. 3.98 crores).

1.7.2 The particulars of guarantees given by Government for repayment of loans raised by the Corporation and payment of interest thereon is given in the following table:

(Rupees in crores)

Particulars	Year of guarantee	Amounts guaranteed	Amount outstanding as on 31st March 1995		
			Principal	Interest	Total
1. Loan from Land Development Bank	1986-87	2.45	1.45	0.01	1.46
2. Loan from Punjab National Bank	1989-90 and 1990-91	4.53	2.27	0.01	2.28
	Total	6.98	3.72	0.02	3.74

1.7.3 The financial position of the Corporation at the end of each of the three years up to 31st March, 1995 is given on the next page:

(Rupees in crores)

Particulars	1992-93	1993-94	1994-95
(A) Liabilities			
Paid-up capital	8.41	9.57	9.57
Reserves and surplus	7.00	6.16	8.47
Borrowings	8.63	8.06	5.02
Trade dues and other current liabilities	10.36	9.05	10.37
Total-A	**34.40**	**32.84**	**33.43**
(B) Assets			
Gross block	33.70	33.83	34.02
Less depreciation	11.79	12.71	13.27
Net fixed assets	21.91	21.12	20.75
Capital work-in-progress	1.10	0.98	1.03
Current assets, loans and advances	11.39	10.74	11.65
Total-B	34.40	32.84	33.43
(C) Capital employed*	22.94	22.81	26.35
(D) Capital invested#	24.04	23.79	23.06

1.7.4 The working results of the Corporation for the three years up to 1994-95 are summarised on the next page:

* Capital employed represents net fixed assets plus working capital.
\# Capital invested represents paid-up capital plus reserves and surplus plus borrowings.

(Rupees in crores)

Particulars	1992-93	1993-94	1994-95
Income			
(a) Warehousing charges	6.83	10.20	14.98
(b) Other income	0.28	0.40	0.26
Total	7.11	10.60	15.24
Expenses			
(a) Establishment charges	6.70	7.61	8.75
(b) Interest	0.96	0.97	0.89
(c) Other expenses	2.53	2.89	2.76
Total	10.19	11.47	12.40
Net profit (+)/loss (-)	- 3.08	- 0.87	+ 2.84
Prior period adjustments	- 0.19	+ 0.12	- 0.13
Profit before tax	- 3.27	- 0.75	+ 2.71
Amount available for dividend	..	..	2.71
Transfer from/to general reserve	7.12	0.75	2.31
Proposed dividend	..	..	0.40
Total return on:			
(a) Capital employed	(-) 2.31	(+) 0.22	(+) 3.60
(b) Capital invested	(-) 2.31	(+) 0.22	(+) 3.60

1.7.5. The physical performance of the Corporation for the three years up to 1994-95 is summarised on the next page:

Particulars	1992-93	1993-94	1994-95
Number of stations covered	129	117	102
Storage capacity created up to the end of the year :-		(Tonnes in lakhs)	
(a) Owned-	11.34	11.50	11.54
(b) Hired-	1.35	1.19	1.17
Total	12.69	12.69	12.71
Average capacity utilised	5.25	7.94	9.22
Percentage of utilisation	41.37	62.57	72.54
		(Rupees per tonne)	
Average revenue	125.90	128.46	161.06
Average expenses	191.24	144.46	136.44
Average net earning	- 65.34	- 16.00	+ 24.62

Chapter - II

Section - 2A
Uneconomic venture in Liquor Trade

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Uneconomic Venture in Liquor Trade

SECTION - 2A

UTTAR PRADESH STATE FOOD AND ESSENTIAL COMMODITIES CORPORATION LIMITED

UNECONOMIC VENTURE IN LIQUOR TRADE

HIGHLIGHTS

The Company was formed in October 1974 as a wholly owned Government Company with the objective of providing essential commodities to the general public of the State. The Government directed the Company in March 1992 to develop an alternate arrangement for sale of liquor in Lucknow district to break the monopoly of private traders and the Company took over the business of liquor trade during the year 1992-93 at a licence fee of Rs. 43.78 crores without working out the viability of the new business and without negotiation on the amount of licence fee, though the Company had option for the same.

(Paragraphs 2A.1,2A.3 and 2A.6)

The Company anticipated (June 1992) a profit of Rs. 92.76 lakhs in the venture against which the actual losses incurred in the business amounted to Rs. 608.54 lakhs due to Company's failure to gear up itself to carry out new business efficiently. The main reasons for losses were the high licence fees, lack of planning, failure to prevent illegal sale of liquor from the neighbouring districts and heavy leakages and breakages.

(Paragraph 2A.5)

Delay in opening of shops resulted in non-lifting of allotted quota of liquor (24.22 lakh litres) even though it had to pay licence fee of Rs. 10.46 crores. Further, due to less sale of liquor (2.89 lakh litres), the Company could not earn an anticipated profit of Rs. 28.65 lakhs.

(Paragraph 2A.7)

At the close of the business of liquor on 31 March 1993, there was unrecovered amount of Rs. 53.16 lakhs against employees due to shortages (cash and stock, theft etc.) and recovery due to leakages and breakages of liquor bottles.

(Paragraph 2A.9)

Though the Company had the option to run the business for three years i.e. up to 1994-95, yet in view of heavy losses incurred, it did not undertake the business from 1993-94. In the transfer of closing stock of Rs. 25.48 lakhs to private traders, the Company suffered a loss of Rs. 3.24 lakhs as the traders did not accept claim preferred by the Company.

(Paragraph 2A.10)

2A.1 Introduction

2A.1.1 The Company was incorporated in October 1974 as a wholly owned State Government Company with the main objective of undertaking procurement, purchase, storage and movement including distribution and sale of foodgrains, oilseeds, other agricultural products and items of mass consumption essential to the needs of the community. Accordingly, the Company is engaged in the activities relating to the foodgrains (wheat, paddy, pulse, rice etc.) edible oils, janta cloth, tea, sugar, cooking gas (LPG) through janta stores, fair price shops and mobile vans in the State.

The Company undertook business of liquor trade at Lucknow at the cost of its normal activities and incurred heavy loss (Rs. 608.54 lakhs).

2A.1.2 Liquor trade in Uttar Pradesh, upto 1991-92, was operated through private traders by annual auction in each district. During the year 1992-93, private contractors by forming syndicates attempted to cause loss to the State exchequer by offering very low bids (amount not available) in some districts including Lucknow. In order to deal with this situation, a high level meeting presided over by Principal Secretary, Excise Department was held on 24th March 1992 to consider the operation of liquor trade through Government Companies. Special Secretary, Finance Department while agreeing with the need to break the monopoly of private contractors had some reservations about the scheme as to whether the Government would succeed in this work as there were many practical difficulties in taking up this trade. He also held that if the Government Companies sustain losses, then their own entity would be affected adversely apart from the Government suffering financial loss. The Managing Director of Uttar Pradesh State Food and Essential Commodities Corporation (UPSFECC) was of the view that considering the lack of experience and practical difficulties it would be better to run this business on sub-contract basis. Finally it was decided to allot the liquor trade of Lucknow district to UPSFECC by providing following facilities:

(i) sanction of loan equal to two month's licence fee and for the working capital;

(ii) authorisation to appoint sub-contrctors by relaxing Excise Rules;

(iii) allotment of shops for three years with the option toterminate contract after one year;

(iv) special instructions to district administration to ensure speedy possession of shops to UPSFECC for sale of liquor, security for maintenance of law and order and smooth sale of liquor.

Accordingly, deviating from their main objective, the Company undertook (April 1992) the business of liquor in Lucknow district at an annual minimum licence fees (MLF) of Rs. 47.76 crores as fixed by the Government. The licence fees for the remaining period of the year 1992-93 from 27th April 1992 to 31st March 1993 was worked out to Rs. 43.78 crores (country liquor: Rs. 32.08 crores and foreign liquor: Rs. 11.70 crores).

Ignoring the option of running the business through sub-contractors in which case a fixed income was guaranteed, the Company opted to run the business on their own.

2A.2 Scope of Audit

The Company carried out the liquor trade only for the year 1992-93 and incurred heavy losses (Rs. 608.54 lakhs). The operation of the business was reviewed in audit for this period and the results are discussed in succeeding paragraphs.

2A.3 Suspension of normal activities

As the activity of liquor trade was taken up without formulating any plan of action, the Company had to divert about 550 employees, posted in various districts, to run the liquor trade by curtailing its existing normal activities of sale of essential commodities. Consequently, the loss of the Company increased from Rs. 139.12 lakhs (Provisional) in 1991-92 to Rs. 207.77 lakhs (Provisional) in 1992-93 (excluding the loss in liquor trade : Rs. 608.54 lakhs).

It was noticed in audit that for the year 1992-93, a lucrative scheme for procurement, storage and sale of 25000 MT of wheat was proposed which ensured a profit of Rs. 47.99 lakhs. However, as new business of liquor trade had been taken up, the Company did not attempt to take up the wheat procurement scheme.

2A.4 Non-repayment of loan

The Company obtained (April 1992) two term loans of Rs. 809.50 lakhs and Rs. 450.00 lakhs from the State Government for payment of two months licence fees and for working capital respectively to run the liquor business. The loans carrying interest of 15.5 *per cent* per annum were repayable after 10 months with a rebate of 3.5 *per cent* for timely repayment. In view of heavy losses, the Company could not generate adequate resources to repay the loans (Rs. 1259.50 lakhs) and interest (Rs. 589.57 lakhs) as of May 1995.

The request of the Company to the State Government in August 1993 for writing off the losses (Rs. 608.54 lakhs) and conversion of remaining amount of short term loan (Rs. 650.96 lakhs) into long term loan (repayable in seven years) on the ground of disruption of its normal business activities was not accepted by the Government (May 1995).

2A.5 Working results

The table on the next page indicates the summarised position of liquor trade and its working results as depicted in the accounts prepared by the Company:

(Rupees in lakhs)

	Amount
A. Income:	
(i) Sales	5216.37
(ii) Shortages and breakages	65.67
(iii) Closing stock	25.29
(iv) Canteen rent	10.12
(v) Others	3.44
Total	5320.89
B. Expenditure:	
(i) Purchase	1157.44
(ii) Income tax	17.46
(iii) Transportation	10.23
(iv) Licence fees	4378.38
(v) Interest on loan	182.69
(vi) Establishment	183.23
Total	5929.43
C. Loss incurred	(-) 608.54

Audit analysis revealed the following points:

(i) After meeting the cost of purchases (Rs. 1157.44 lakhs), the Company was not able to meet even the licence fee (Rs. 4378.38 lakhs) from the sales (Rs. 5216.37 lakhs).

(ii) It is pertinent to mention that the Company anticipated (June 1992) a profit of Rs. 92.76 lakhs against which it sufferred a loss of Rs. 608.54 lakhs. The main factors contributing to the abnormal loss are discussed below:

(a) high licence fee;

(b) improper planning;

(c) failure to prevent illegal sale of liquor; and

(d) heavy leakages and breakages.

2A.6 High licence fee

Against the licence fee of Rs. 45.18 crores for the year 1991-92, the State Government fixed the target of Lucknow district at Rs. 47.76 crores for the year 1992-93 to which private contractors did not respond. At the time of entrusting this business to the Company, the State Government proposed (23 March 1992) that the amount of licence fee can be negotiated with reference to target fixed by the State Government. However, the Company did not excercise this option and without considering the financial viability of the business, agreed to pay the licence fee of Rs. 43.78 crores for the remaining period from 27th April 1992 to 31 March 1993.

2A.7 Improper planning

Liquor trade was a new business for the Company. As such it required meticulous planning at all levels. However, the Company did not work out the modus operandi for efficient running of the business. Audit scrutiny brought out the Company's failure on the following fronts:

2A.7.1 Delay in opening of shops

Excise Department had permitted (April 1992) the Company to open 110 shops of country liquor (including 11 new shops) and 40 shops of foreign liquor during 1992-93. The existing shops run by the previous private contractors were handed over to the Company by Excise Department with the help of district administration on the night of 25/26th April 1992. However, 134 shops (96 shops of country liquor and 38 shops of foreign liquor) could, not be opened on the scheduled date (27th April 1992) resulting in non-operation of business for period ranging between 1 and 158 days. This resulted in loss of sale to the extent of 2.89 lakh litres of country (2.69 lakh litres) and foreign (0.20 lakh litres) liquor valued at Rs. 209.16 lakhs which included profit element of Rs. 28.65 lakhs.

The Management stated (May 1995) that the delays in opening of the shops on the scheduled dates was due to disputes/delay in handing over the shops and time taken in redeploying employees to Lucknow and delays in transfer to and opening of new shops by the Company.

The reply of the Management is not tenable as there was delay/dispute only in case of four shops and the Government had decided on 24th March to entrust the business to the Company, after which, there was sufficient time for redeployment of employees and opening of new shops.

2A.7.2 Non-lifting of allotted quota of country liquor

Minimum Licence Fee (MLF) of Rs. 32.08 crores for Minimum Guarantee Quota (MGQ) of 74.28 lakh liters of country liquor fixed by the State Government was remitted by the Company from time to time during the year. However, against 74.28 lakh litres, the Company could lift only 50.06 lakh liters and a sum of Rs.10.46 crores was paid without lifting the balance quantity of 24.22 lakh litres.

The Company paid Rs. 10.46 crores for 24.22 lakh litres of country liquor it did not lift.

The Management stated (May 1995) that the liquor could not be lifted as the expected sales did not pick up and there was less demand.

The reply is not tenable as during the preceding year 1991-92 and succeeding year 1993-94, when the liquor was sold by private contractors the sale of country liquor was to the tune of 71.78 lakh litres and 60.96 lakh litres respectively which was higher than the sale by the Company (50.06 lakh litres) indicating the failure of the Company in maintaining and exploiting the sales potential of the market.

2A.7.3 Lack of cost control

For pricing of liquor, costing based on analysis of projected cost and determination of break-even sales was required to be done before start of the business. The exercise was to be repeated periodically after ascertaining the actual cost which would serve as an indicator for price revision subsequently.

The Company appointed a consultant belatedly in June 1992 who advised in November 1992 that the per day break even sale for the business should be Rs. 18.99 lakhs. It was, however, observed that the Company never achieved the break even as the per day sale ranged between Rs. 6.99 lakhs and Rs. 17.38 lakhs except in the month of March 1993 when the sale was Rs. 20.61 lakhs due to substantial reduction in the selling price. Thus, the strategy for cost control and price reduction measures could not be decided in advance.

Belated fixation of break even sales resulted in lack of advance planning for cost control/price reduction measures and failure to achieve the required level of sales.

2A.7.4 Non-appointment of sub-contractors

As mentioned in para 1.2 supra, at the time of taking decision to entrust the liquor business to the Company, the Managing Director expressed difficulties in operation of the business. Accordingly, the State Government permitted (24th March 1992) appointment of sub-contractors by relaxing excise rules. The Company, however, did not avail of this facility and undertook the work by its own inexperienced staff.

The option of appointing sub-contractors, where income was guaranteed, was not exercised even after noticing substantial loss (Rs. 2.38 crores) in June 1992.

The Company reviewed the working in June 1992 and noticed that there was a loss of Rs. 2.38 crores in this business. Even then the Company did not take any action to part with this uneconomic venture and to appoint sub-contractors where income was guaranteed on commission basis.

2A.8 Illegal sale of liquor

The main reason for not achieving break-even sales as intimated (February 1993) to the Government was illegal sale of liquor from other districts. In this connection it is pertinent to mention that according to the decision taken (March 1992) at the time of entrusting this business to the Company, the State Government directed the district authorities to provide full protection and security arrangements for smooth running of the business. However, the orders of the Government could not be effectively implemented with the result the illegal sale could not be prevented.

2A.9 Unrecovered shortages, leakages and breakages

The Company did not evolve any system to avoid or to minimise losses due to leakages, breakages or otherwise. According to a note submitted to the Board of Directors of the Company in June 1992, it was stated that Delhi Civil Supply Corporation carrying out the liquor business in Delhi did not allow any shortages, leakages or breakages in liquor. At the close of the business on 31st March 1993, net amount of unrecovered shortages and losses worked out to Rs. 58.16 lakhs as detailed below:

> ***The Company could not evolve proper system to avoid or minimise leakages or breakages etc. leading to unrecovered shortages and losses to the tune of Rs. 58.16 lakhs.***

(Rupees in lakhs)

		Foreign liquor	Country liquor	Total
(i)	Cash shortages	5.47	4.14	9.61
(ii)	Stock shortages	1.65	1.40	3.05
(iii)	Leakages and breakages	1.76	48.01	49.77
(iv)	Theft of cash and stock	0.05	0.18	0.23
(v)	Recoverable from deliverymen	N.A.	8.29	8.29
	Total (i to v)	**8.93**	**62.02**	**70.95**
	Less:			
(vi)	Recovered from incentive	0.06	7.78	7.84
(vii)	Recovered from employees	..	3.56	3.56
(viii)	Deposit against shortages	..	1.39	1.39
	Total (vi to viii)	**0.06**	**12.73**	**12.79**
	Net amount recoverable	**8.87**	**49.29**	**58.16**

The Company found 72 employees responsible for loss of Rs. 8.87 lakhs in foreign liquor and 218 employees for loss of Rs. 41.00 lakhs in country liquor. The amount was debited against the employees in 1993-94 and notices issued to them for explanation. Further developments were awaited (May 1995). Regarding amount of Rs. 8.29 lakhs recoverable from deliverymen, the Company did not have any details.

2A.10 Loss in transfer of balance liquor

In the subsequent year 1993-94, the Company did not take part in the auction of liquor shops though it had the option to run the business for three years. With the expiry of the contract for the year 1992-93, the District Excise Officer directed (31 March 1993) the Company to hand over the possession of shops as well as closing balance to the private traders for the year 1993-94. Against the cost of Rs. 25.32 lakhs for foreign liquor and Rs. 0.16 lakh for country liquor (total value: Rs. 25.48 lakhs) handed over, the contractor accepted (February 1994) a claim for Rs. 20.57 lakhs and Rs. 0.06 lakh (total: Rs. 20.63 lakhs) resulting in loss of Rs. 4.69 lakhs. For reduction in value of closing balance, the contractor stated that from the year 1993-94, the Government has reduced the excise duty by Rs. 5 per litre for foreign liquor and Rs. 13 per litre for country liquor. Even on the reduced duty, the value of 0.32 lakh litres handed over to the contractor worked out to Rs. 23.87 lakhs. Thus, the Company suffered a net loss of Rs. 3.24 lakhs in transfer of liquor. Out of the accepted amount of Rs. 20.57 lakhs, the contractor paid only Rs. 15 lakhs in April 1994 and the balance amount of Rs. 5.63 lakhs was still to be recovered (May 1995).

The basic objective of undertaking liquor trade was to break monopoly of private contractors. The objective was not fulfilled as the business was transferred back in 1993-94 to private contractors.

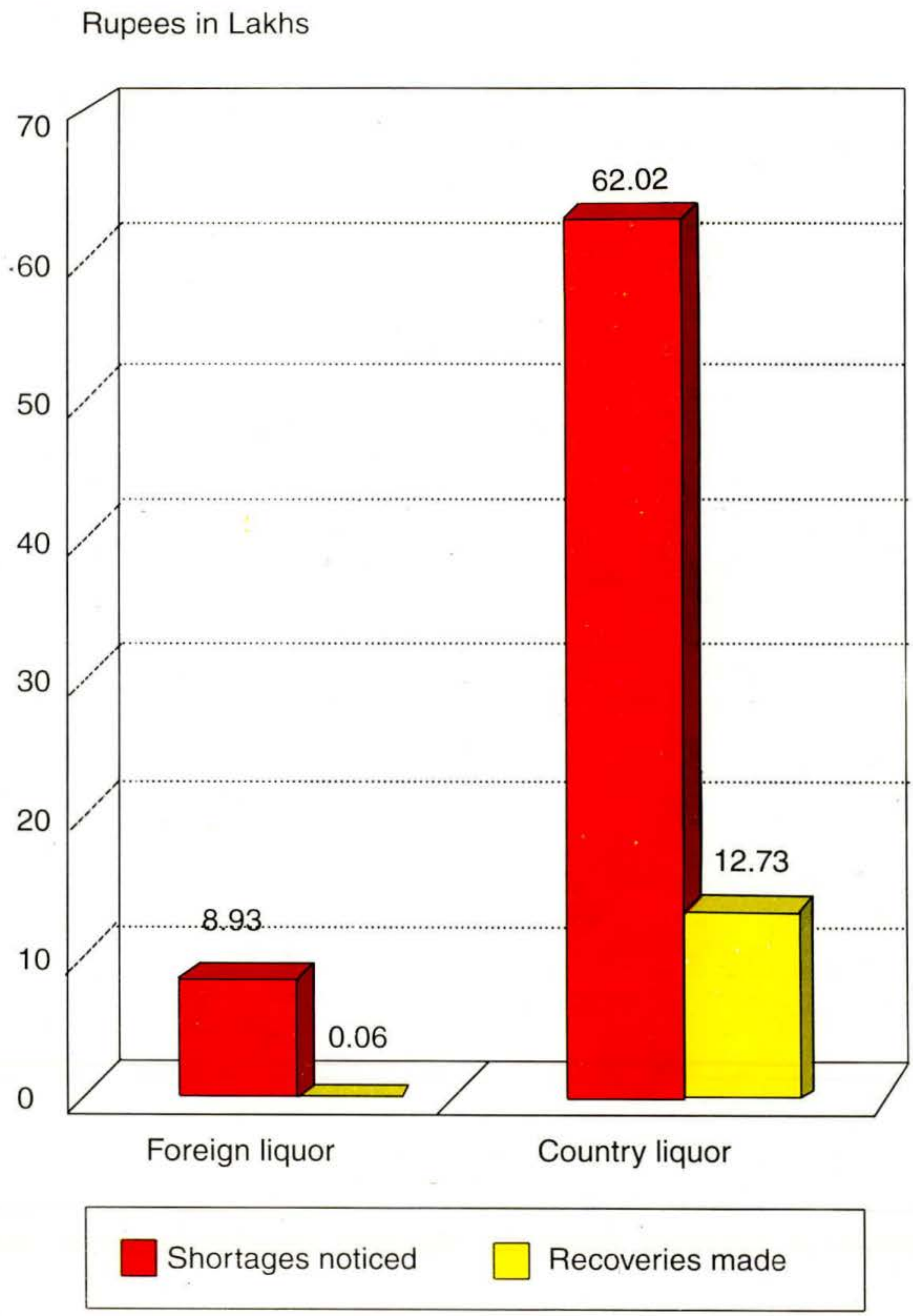
The Management stated (May 1995) that the matter was under pursuance with the Excise Department.

2A.11 Other topics of interest

2A.11.1 Loss due to non-utilisation of available canteen facility

Out of 110 country liquor shops opened between 27th April 1992 and 16th May 1992, 42 shops had canteen facility. The canteens were, however, not operated

SHORTAGES AND RECOVERIES IN LIQUOR



(Refer paragraph 2A. 9)

simultaneously from the date of opening of shops. These were operated through canteen contractors from 1st July 1992 (29 shops) and between August and December 1992 (13 shops). Due to delay in opening of canteens, the Company could not augment its resources to the extent of Rs. 3.43 lakhs in the shape of canteen rent, calculated with reference to the rent of subsequent periods. This also resulted in loss of business, the quantum of which was not ascertainable in audit.

2A.11.2 Nugatory expenditure

Between August 1992 and October 1993, the Company engaged three firms of Chartered Accountants for maintaining accounts of each liquor shop and for concurrent audit thereof. The two firms, appointed in August 1992 and December 1992 to whom a sum of Rs. 1.50 lakhs was paid between October 1992 and May 1994 had neither maintained accounts nor carried out concurrent audit/any other work. The third firm appointed in October 1993 at a consolidated remuneration of Rs. 40,000.00, however, rendered an interim report only in April 1994.

Thus, the Company had incurred nugatory expenditure of Rs. 1.50 lakhs paid to two firms without obtaining any services in return from them and had not initiated any action to recover the amount of Rs. 1.50 lakhs as of May 1995.

Conclusion

The Company (UPSFECC) which was engaged in providing essential commodities to general public was entrusted with the liquor trade and asked to run the liquor shops deviating from the main objective of the Company for which it was formed. The objective of entrusting this work to the Company was to break the monopoly of the private traders and thus to increase the revenue of the Government. The practical difficulties in running this business were already known to the Government. The Company, however, failed in planning and taking adequate measures to overcome these difficulties and could not break the monopoly of the private traders. In the next year, business had to be handed back to the traders after sustaining a loss of Rs. 6.08 crores which was direct loss to the public exchequer. Besides, the Company had to suspend/divert its resources from its normal activity (providing essential commodities to the general public) to engage in this venture.

These matters were reported to the Government in May 1995; reply has not been received as of October 1995.

Section - 2B
Uttar Pradesh State Bridge Corporation Limited

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Uttar Pradesh State Bridge Corporation Limited

SECTION-2B

UTTAR PRADESH STATE BRIDGE CORPORATION LIMITED

HIGHLIGHTS

Uttar Pradesh State Bridge Corporation Limited was incorporated (October 1972) for construction of bridges, and executing other civil works. The Corporation was undertaking these works on deposit basis entrusted by the State Government and securing contracts by participating in tenders.

(Paragraphs 2B.1. and 2B.7.)

Despite huge balances in term deposits ranging between Rs. 316.62 lakhs and Rs. 811.69 lakhs, the units of the Company obtained interest bearing mobilisation advances (balance as on 31st March 1993 Rs. 1000.61 lakhs) resulting in avoidable payment of interest of Rs. 283.30 lakhs during 4 years upto 1992-93. Further, the Company made avoidable payment of bank guarantee commission amounting to Rs. 81.49 lakhs by furnishing bank guarantees in Government works where it was not necessary and failure to reduce the value of guarantee with reduction of advances in contract works.

(Paragraph 2B.7.)

In deposit works, the Company received centage charges at the rate of 13.5 per cent to cover the overhead charges. However, overhead charges of the Company ranged from 15.76 to 26.35 per cent which resulted in unrecovered amount of Rs. 604.18 lakhs.

(Paragraph 2B.7.1.(i))

Cost overrun of Rs. 1432.52 lakhs (Rs. 5117.03 lakhs against Rs. 3684.51 lakhs) could not be claimed from the State Government in respect of deposit works as prior sanction for expenditure was not obtained.

(Paragraph 2B.7.1 (ii))

During last 5 years upto 1993-94, the Company participated in 83 tenders. As it could not compete with other tenderers it could secure contracts only in respect of 21 tenders (25 per cent).

(Paragraph 2B.7.2)

Four tender works secured during 1989-90 and to be completed by March 1992, could not be completed as of October 1995. The abnormal delay resulted in cost over run of Rs. 3300 lakhs which was not reimbursable to it as the same was not covered in terms of agreement.

(Paragraph 2B.7.2.(i))

The Company suffered loss of Rs. 461.02 lakhs on contract works mainly due to :

-- Incorrect assessment of work involved (Rs. 101.76 lakhs)

-- Placement of order on a black listed firm (Rs. 65.25 lakhs)

-- Defective works (Rs. 143.22 lakhs)

-- Non-pursuance of claims (Rs. 150.69 lakhs)

(Paragraph 2B.7.2.(ii) to (v))

The Company was having 4 Batching plants and 5 Transit Mixers as surplus, even then it procured 2 Batching plants and 6 Transit Mixers (value Rs. 97.04 lakhs) on lease from UPRNN. This resulted in avoidable payment of lease rent of Rs. 151.08 lakhs. Further, construction machinery valued at Rs. 279.31 lakhs was lying surplus for periods ranging from 1 to 5 years.

(Paragraph 2B.8.1.(ii)(a))

The Company engaged labour in excess of requirement which ranged between 1441 and 4030 during 4 years upto 1993-94 resulting in payment of idle wages aggregating Rs. 870..35 lakhs.

(Paragraph 2B.9.)

Claim for export incentive for Rs. 686.75 lakhs filed in 1992 was not entertained by the Government of India on account of failure of the Company to submit necessary documents.

(Paragraph 2B.11.(i))

2B.1. Introduction

The Uttar Pradesh State Bridge Corporation was incorporated on 10th October 1972 as a wholly owned State Government Company for construction of bridges and other civil structures. The Corporation expanded and diversified its activities by securing contracts within and outside India for construction of barrages, aqueducts, pump houses, RCC conduits, stadiums, subways and Roads etc.

2B.2. Objectives

According to the Memorandum of Association of the Company, the main objectives of the Company are :

- to construct, execute, administer, improve, manage,control or maintain all types of bridges and other structures, works and conveniences pertaining to bridges including approach roads to bridges;
- to undertake works as civil engineers, mechanical engineers, electrical engineers, sanitary and water engineers etc;
- to acquire, establish,construct, maintain and administer factories, townships, estates, railway sidings, buildings, yards, water reservoirs, channels, pumping installations, pipelines of all descriptions; and
- to raise loans from financial institutions to carry out the projects and achieve the various objectives of the Company.

2B.3. Organisational set-up

The management of the Company is vested in a Board of Directors consisting of not less than three and not more than twelve directors nominated by the State Government.

The Principal Secretary, Public Works Department is the Ex Officio-Chairman of the Company. The Managing Director is the executive head of the Company who is assisted by a Joint Managing Director, eight General Managers, a chief Accounts Officer-cum Financial Advisor and a Secretary at the headquarters and Chief Project Managers/Project Managers/Deputy Project Managers incharge of respective units in the field for managing the affairs of the Company.

2B.4. Scope of Audit

The working of the Company since incorporation to the year 1976-77 was reviewed in Section III of the Report of the Comptroller and Auditor General of India for the year 1976-77 (Commercial) wherein continued losses and non-preparation of completion report in respect of works was highlighted. The review was discussed by COPU during the months of February 1984 and September 1986. However, recommendations are still awaited (November 1995).

Present review conducted during the month of October 1994 to March 1995 covers construction activity of deposit and contract works, purchase, hiring and leasing of plant and machinery and manpower utilisation by the Company during the last five years upto 1993-94.

2B.5. Financial position and working results

The table below summarises the financial position and working results of the Company at the end of the last five years upto 1993-94:

(a) Financial Position

(Rupees in lakhs)

	1989-90	1990-91	1991-92	1992-93	1993-94 (Provisional)
I Liabilities					
(a) Paidup Capital	150.00	150.00	400.00	700.00	700.00
(b) Reserves & surplus#	2237.97	1838.39	1413.68	1076.31	1130.32

Reserves and surplus after adjustment of accumulated losses includes exchange variation reserve amounting to Rs. 1313.20 lakhs, Rs. 1401.20 lakhs, Rs. 1636.86 lakhs, Rs. 1637.52 lakhs and Rs. 1636.86 lakhs, respectively which has been excluded while calculating the net worth and other ratios.

(Rupees in lakhs)

	1989-90	1990-91	1991-92	1992-93	1993-94 (Provisional)
(c) Borrowings (including cash credit)	4025.86	3859.71	3846.05	2471.79	1736.34
(d) Trade dues & current liabilites	2346.25	3197.12	4167.78	6117.23	5971.74
Total	8760.08	9045.22	9827.51	10365.33	9538.40
II Assets					
(a) Gross Block	2946.78	3041.89	3095.36	3135.45	3091.14
(b) Less depreciation	2589.93	2671.24	2729.76	2788.55	2824.90
(c) Net Block	356.85	370.65	365.60	346.90	266.24
(d) Current assets, loans and advances	8403.23	8674.57	9461.91	10018.43	9272.16
Total	8760.08	9045.22	9827.51	10365.33	9538.40
III Capital employed*	6413.83	5848.10	5659.73	4248.10	3566.66
IV Net Worth**	1074.77	587.17	176.82	138.80	193.46

(b) Working results

(Rupees in lakhs)

	1989-90	1990-91	1991-92	1992-93	1993-94 (Provisional)
A Income					
Value of work done	7167.85	7278.18	7603.66	8958.20	10196.99
Work in progress	101.31	(-) 104.43	--	--	--

* Capital employeed represents net fixed assets plus working capital.

** Net worth represents paid-up capital less intangible assets.

(Rupees in lakhs)

	1989-90	1990-91	1991-92	1992-93	1993-94 (Provisional)
Other receipts	168.53	140.10	222.14	195.84	80.53
Total	7437.69	7313.85	7825.80	9154.04	10277.52
B Expenditure					
Works expenses	6612.96	6568.98	7152.78	8101.68	8950.32
Administrative expenses	820.52	999.38	1101.43	1091.93	1035.09
Depreciation	126.73	97.94	59.65	59.36	36.35
Lease rent of Plant & machinery	44.88	136.44	170.99	236.72	220.61
Total	7605.09	7802.74	8484.85	9489.69	10242.37
C Profit(+)/Loss(-)	(-) 167.40	(-) 488.89	(-) 659.05	(-) 335.65	(+) 35.15
D Prior period Adjustment	(-) 0.75	(-) 1.29	(-) 1.30	(-) 2.37	---
E Proft/Loss after Adjustment	(-) 168.15	(-) 487.60	(-) 660.35	(-) 338.02	(+) 35.15

Following observations are made in this connection:

(i) Reserves and surplus included Rs 1313.20 lakhs, Rs 1401.20 lakhs, Rs 1636.86 lakhs, Rs 1637.52 lakhs and Rs 1636.86 lakhs respectively during five years ending March 1994, being the difference on account of conversion of foreign currency into Indian currency at different rates and hence it was not available for setting off the losses. The Company, however, appropriated this reserve for setting off losses annually leading to diminution of its specific reserve. This also resulted in non depiction of accumulated losses aggregating Rs 1670 lakhs as on 31st March 1994 in its accounts.

(ii) The trade dues and liabilities increased from Rs. 2346.25 lakhs in 1989-90 to Rs. 5771.74 lakhs in 1993-94 mainly due to under-utilisation of funds received for construction works.

The main reasons for losses as analysed in audit were high expenditure on establishment, idle labour and under-utilisation of plant and machinery. These points are being discussed in subsequent paragraphs.

2B.6. Finance and cash management

The table given below indicates the yearwise position of Cash and Bank balances held at the close of last five years upto the year 1993-94:

(Rupees in lakhs)

Nature of balances	1989-90	1990-91	1991-92	1992-93	1993-94
Cash in hand	13.68	7.74	8.26	7.90	7.30
Current Account	1071.57	1115.73	1225.31	481.78	932.86
Term Deposit	533.06	316.62	563.85	653.11	811.69
Total	1618.31	1440.09	1797.44	1142.79	1751.85

The Company did not evolve a system to assess and monitor the fund requirements of its units. This led to accumulation of huge amounts in term deposits, in some of the units, whereas other units raised funds on interest.

The Company held substantial funds in term deposits, but its units obtained interest bearing mobilisation advances and paid Rs. 283.30 lakhs as interest.

(i) Above table indicates that though heavy amounts were held in term deposits, even then some units of the company obtained mobilisation advances (balance as on 31st March 1993: Rs. 1000.61 lakhs) during the 4 years upto 1992-93 carrying interest rates of 14 per cent to 19.5 per cent per annum and paid interest of Rs. 283.30 lakhs.

(ii) The Company took machinery advance of Rs. 149.34 lakhs carrying interest at the rate of 14 per cent per annum for purchase of plant and machineries for road works to be executed by the Gorakhpur unit. However, machineries worth Rs. 82.64 lakhs were taken on lease for the same work during 1990-91 for 5 years by obtaining finance from Banks (SBI & PNB). The total liability of repayment was Rs. 119.00 lakhs including Rs. 36.36 lakhs as interest on lease finance.

> ***The Company raised two loans for the same purpose which resulted in avoidable payment of Rs. 36.36 lahks as interest.***

Thus, raising of two loans for the same purpose resulted in avoidable payment of interest of Rs. 36.36 lakhs.

(iii) **Bank Guarantee**

Company furnished bank guarantees in favour of clients for contract works for obtaining mobilisation advance and for performance till the completion of contract. Audit scrutiny of records revealed lapses/shortcomings which resulted into avoidable payment of commission on bank guarantees amounting to Rs 81.49 lakhs as discussed in subsequent paragraphs.

> ***Failure to reduce the value of guarantees corresponding to the reduction of mobilisation advance resulted in avoidable payment of guarantee commission of Rs. 39.93 lakhs.***

(a) Bank Guarantees (BGs) for mobilisation advances remain valid for a period of 2 to 5 years whereas amount of advance was being adjusted from running bills. Company, however, failed to reduce the amount of Bank guarantee correspondingly with reference to reduction of advances. This resulted in avoidable payment of Rs. 39.93 lakhs towards guarantee commission during the period from April 1989 to March 1994.

(b) In terms of State Government's orders (January 1976 and December 1976), the Company was exempted from furnishing BGs for mobilisation advance or

> ***The Company paid Rs. 41.56 lakhs as guarantee commission on bank guarantees for Government works, though exempted by State Government.***

performance to any other department of the State Government, Company or Body corporate. It was, however, observed that the Company furnished BGs for Rs. 149.40 lakhs to Public Works Department (P.W.D.) Agra, Rs. 597.35 lakhs to P.W.D. Gorakhpur and for Rs. 63.68 lakhs to P.W.D., Ghazipur during August 1992 to February 1993 on which it paid Rs 41.56 lakhs as guarantee commission.

2B.7. Construction performance

The works executed by the Company are divided into two categories (i) deposit works and (ii) tendered works. The deposit works are mainly entrusted by the Government departments on cost plus basis i.e. actual cost plus centage charges at the rate of 13.5 per cent (effective from February 1978) to meet overhead expenses incurred by the Company. The tendered works are obtained on the basis of tenders submitted by it for a lumpsum amount.

The Company since its inception completed construction of 874 works valued at Rs. 931 crores, while 90 works valued at Rs. 378 crores were in hand at the end of March 1994.

The table below indicates the position of number of works (including deposit and contract works) completed as compared to projected targets as envisaged in Corporate Plan during five years upto 1993-94.

Year	No. of works in hand	Target of works to be completed	No. of works actually completed	No. of works incomplete	Percentage of works completed as against the target
1989-90	164	75	48	116	64
1990-91	145	75	52	93	69
1991-92	122	75	29	93	39
1992-93	134	75	27	107	36
1993-94	133	75	43	90	57

The achievement against projected targets thus ranged between 36 and 69 per cent during this period. The target of 75 works fixed by the Company was not based on an accurate assessment of works involved and as such was unrealistic. Further there was no analysis for non-achievement of targets on record.

2B.7.1. Deposit Works

The State Government entrusts the construction of all bridges of more than 30 metres long to the Company. The funds for the same are made available by the State Government either through Public Works Department (PWD) or are arranged from financial institutions.

The table below indicates the number of works in hand, completed and expenditure incurred during five years upto 1993-94:-

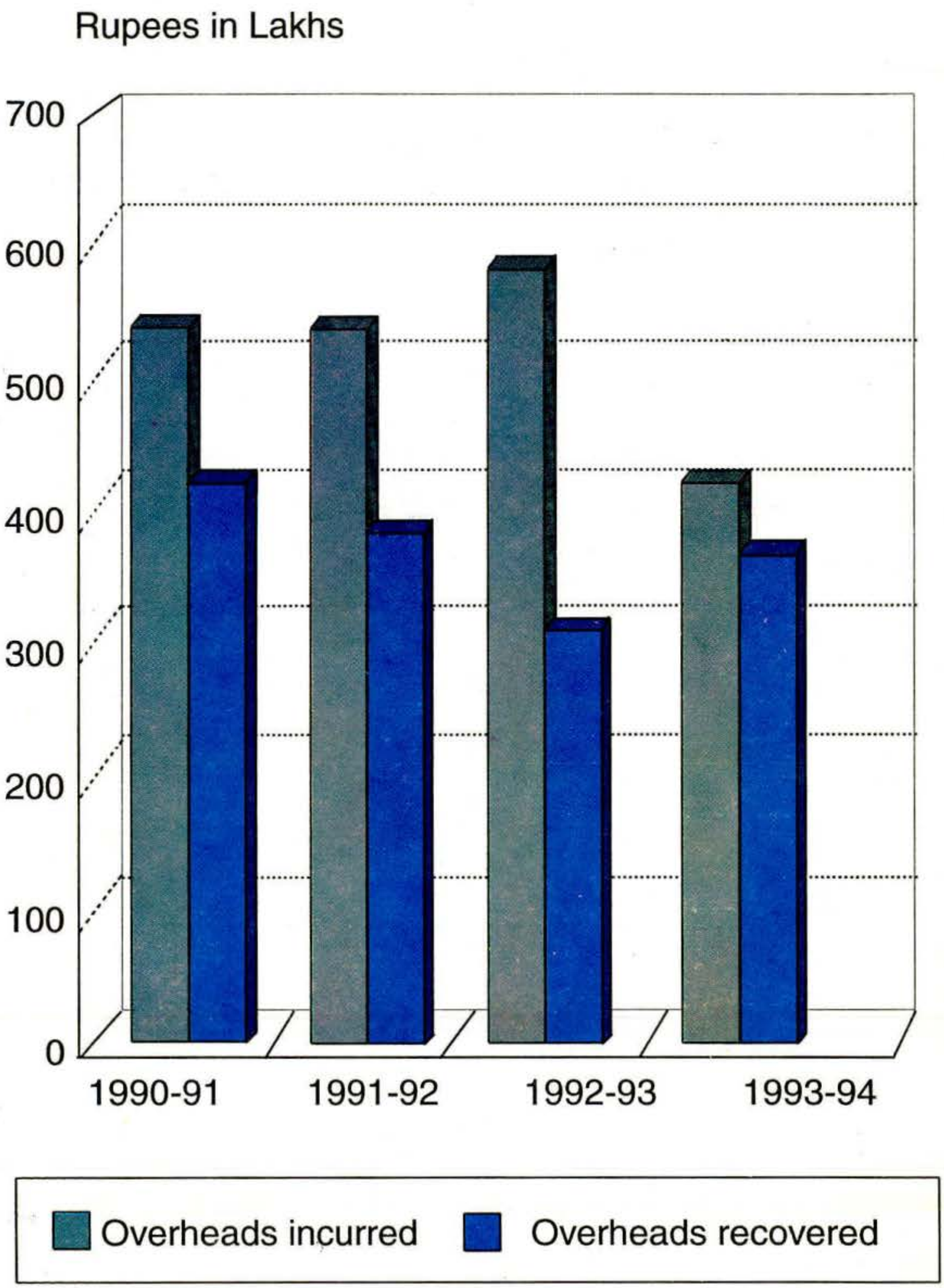
(Rupees in lakhs)

Year	No. of works in hand	No. of works completed	Estimated cost	Expenditure incurred	Excess of expenditure over estimated cost	Percentage of excess expenditure to the estimated cost
1989-90	125	42	2316.47	2769.62	453.15	19.56
1990-91	107	44	2130.64	2026.11	(-) 104.53	--
1991-92	85	21	1266.91	1382.49	115.58	9.12
1992-93	99	20	569.18	828.02	258.84	45.48
1993-94	91	36	1872.24	3045.92	1173.68	62.69
Total	507	163	8155.44	10052.16	1896.72	

It would be seen from above that the actual expenditure on completed works exceeded the estimated cost in all the years except during 1990-91.

The main reason for excess expenditure over estimates was delay in completion of works which is being discussed in para 2B.7.1. (iii) infra.

EXCESSIVE OVERHEADS
U.P. STATE BRIDGE CORPORATION



(Refer paragraph 2B. 7.1. (i))

2B.7.1.(i) Excessive overheads

As mentioned in para 7, Deposit works are being executed on centage of 13.5 per cent to cover the overheads. The table below indicates the value of deposit works executed, overheads incurred, percentage of overheads to works executed, centage earned, and unrecovered overheads during four years upto March 1994:-

(Rupees in lakhs)

Year	Value of deposit work executed including works in progress	Overheads incurred	Percentage of overheads to value of deposit works	Centage earned at the rate of 13.5%	Unrecovered overheads
1990-91	3112.78	524.82	16.86	420.22	104.60
1991-92	2718.94	521.86	19.19	367.06	154.80
1992-93	2223.48	585.94	26.35	300.17	285.77
1993-94	2612.05	411.63	15.76	352.62	59.01
Total	10667.25	2044.25		1440.07	604.18

It is evident that as against prescribed percentage of 13.5, the percentage of overheads in works executed ranged between 15.76 and 26.35 resulting in incurring of excessive overheads amounting to Rs. 604.18 lakhs during 4 years upto 1993-94. However, the Company did not take any action to either reduce the overheads or get the State Government to enhance the centage charges.

The overheads incurred were in excess of allowed centage which resulted in unrecovered overhead of Rs. 604.18 lakhs.

A test check of some of the deposit works revealed the following.

2B.7.1.(ii) Cost overrun without prior sanction

Under the Government financial rules, for incurring excess expenditure over estimates, prior sanction of the Government is necessary. It was, however, noticed that out of 163 works (estimated cost Rs. 8155.44 lakhs) completed during last 5 years ending March 1994, the expenditure in respect of 111 works (Rs. 5117.03 lakhs) exceeded the estimated cost (Rs. 3684.51 lakhs) by Rs. 1432.52 lakhs without prior approval of Government. The amount spent in excess could not be claimed so far as prior sanction of the State Government was not obtained.

The Company did not obtain sanction before incurring expenditure in excess of the estimated cost as a result of which an amount of Rs. 1432.52 lakhs could not be claimed from the State Government.

As per the General Financial Rules the technical sanction of the competent authority is a precondition for commencement of any work. However, it was noticed in audit that in all these 111 works, the technical sanction of the Managing Director has not been taken prior to commencement of the work.

2B.7.1.(iii) Delays

A test check revealed that there were delays ranging from 1 to 60 months in taking up, completion and handing over of completed bridges resulting into cost overrun amounting to Rs. 9460.81 lakhs as indicated below:-

(Rupees in lakhs)

Sl.No.	Nature of delay	No. of Bridges	Period of delay (Months)	Amount of cost overrun
1.	Delay in taking up of bridges	114	1 to 36	7921.77
2.	Delay in completion of works	38	1 to 27	1539.04
3.	Delay in handing over the completed bridges	26	1 to 60	NA

The delays were attributed by the Management to delayed approval of designs and drawings and inadequacy of funds. Reply is not convincing as getting approval of designs/drawings from the PWD was the responsibility of the Company and there was no shortage of funds, as discussed in the following para.

There were delays in taking up the work, its completion and handing over of the completed bridges resulting into cost overrun of Rs. 9460.81 lakhs.

2B.7.1.(iv) Allotment of funds

Every year, the State Government allots lump sum funds for construction of bridges without any specific mention about the amount to be spent on any particular bridge. However, according to the Chief Engineer, PWD's letter dated 4th April 1992, the Company was required to maintain a bridge wise detailed account of the amount received and expenditure incurred therefrom. It was noticed that the Company failed to maintain any such account. However, following table indicates year wise availability of funds with the Company:-

(Rupees in lakhs)

Year	Opening balance	Received during the year	Total funds available during the year	Expenditure during the year	Closing balance as on 31st March	Percentage of funds unutilised to total available
1989-90	2507.00	2729.00	5236.00	3922.47	1313.53	25.08
1990-91	1313.53	3254.00	4567.53	3112.78	1454.75	31.85
1991-92	1454.75	4081.00	5535.75	2718.94	2816.81	50.88
1992-93	2816.81	1728.00	4544.81	2223.48	2321.33	51.07
1993-94	2321.33	2068.00	4389.33	2612.05	1777.28	40.49

Above table indicates that every year, the Company had sufficient funds and in fact could not spend the funds available for the year. Thus, the argument of the

The Company had sufficient funds, but it stopped works on the pretext of shortage of funds which resulted in infructuous wages of Rs. 43.83 lakhs and Rs. 30.93 lakhs in two cases.

Company that works were delayed due to shortage of funds is not tenable.

A test check of two works (December 1994) where work was stopped due to paucity of funds revealed as follows:-

(a) Construction of Ghaghra - Turtipur bridge in district Deoria

The work of construction of bridge was entrusted in October 1985 for Rs. 1012.32 lakhs with schedule date of completion in March 1989. The work which commenced in August 1986 was stopped in June 1991, after executing 52 per cent work, at an expenditure of Rs. 578.95 lakhs due to non-availability of funds. The labour deployed on the work remained idle till September 1994 and the expenditure of Rs. 43.83 lakhs incurred on their wages proved infructuous.

(b) Construction of bridge over river Kuwano on Dhanghata - Sikriganj Road in district Gorakhpur

The work was entrusted in September 1986 for Rs. 76.97 lakhs with the scheduled date of completion in December 1989. The work was stopped during January 1990 to March 1992 and Rs. 30.93 lakhs was spent on the wages of the idle labour.

2B.7.2. Contract works

In addition to deposit works the Company obtained contract works by participating in tenders and some works (20 works) valued at Rs. 7036 lakhs were also obtained through direct negotiations. The position of tenders in which the Company participated and actually secured the works during last five years ending March 1994 is given below:-

The Company secured 21 works only out of 83 tenders, where it participated.

Year	Tenders in which participated (Nos.)	Contracts received (Nos.)	Percentage of works secured
1989-90	8	4	50
1990-91	7	NIL	NIL
1991-92	16	2	12.5
1992-93	20	9	45
1993-94	32	6	18
	83	21	25

From the above it is seen that out of a total 83 tenders in which the Company participated it was able to secure only 21 contracts, (25 per cent) valued at Rs. 19918.69 lakhs. This indicates that the Company was not able to compete with other tenderers. However, there is nothing on record to indicate that the Company made any effort to analyse the reasons thereof and take remedial measures to secure more contract works.

2B.7.2.(i) Performance of contract works

The progress of completion of works against the works targetted during the last five years ending March 1994 is given below:-

(Numbers)

Year	Opening balance of works	Works received during the year	Total works in hand during the year*	Target for completion during the year	Works completed during the year	Closing balance	Percentage of works completed against the total works targetted during the year
1989-90	30	9	39	12	6	33	50
1990-91	33	5	38	13	8	30	62
1991-92	30	7	37	8	8	29	100
1992-93	29	6	35	7	7	28	100
1993-94	28	14	42	11	7	35	64
Total	150	41	191	51	36	155	

It would be seen that the progress of works completed against the works targetted during 1989-90, 1990-91 and 1993-94 ranged from 50 to 64 per cent.

* The figures do not tally with No. of contracts received as some orders were received in subsequent years.

An analysis of these works revealed that out of 35 works in progress as at the end of March 1994, 4 works (tendered cost Rs. 5229 lakhs revised cost Rs. 8529 lakhs) were obtained prior to 1989-90 and were to be completed during the period from July 1990 to March 1994. The delay in respect of these 4 bridges (Bombay, Baroda, Goa and Agra) ranged between 43 and 64 months upto October 1995. This has resulted in cost overrun to the extent of Rs. 3300 lakhs, which was not reimbursable as the same was not covered under the terms of agreement. However, the actual loss on these contracts could not be worked out as these were still (October 1995) in progress.

Execution of four works was delayed which resulted in a substantial cost overrun of Rs. 3300 lakhs.

2B.7.2.(ii) Execution of contract works

Eight cases test checked in audit indicated losses of Rs. 461.02 lakhs in 5 cases. Test check of the contract works revealed that the main reasons of losses were submission of tenders without assessing actual work involved, defective execution of works and use of excess quantity of material. Some of the cases are discussed in subsequent paragraphs.

2B.7.2.(ii)(a) Construction of a high level bridge at Chapora in Goa

The construction of a high level bridge at Chapora (Goa) was undertaken by National Project Construction Corporation (NPCC) who left the work uncompleted. Reasons of leaving the work by NPCC were not on record. This work was entrusted (July 1989) by the Public Works Department, Goa to the Company at a tendered cost of Rs. 375.00 lakhs. The work was to be started from October 1989 and completed in October 1991. The left over work included part of the sub-structure and super-structure to be completed by the Company. Before undertaking the work, the Company did not work out the detailed cost estimates, which was worked out belatedly in May 1992 (after 3 years) to

Company incurred loss of Rs. 84.28 lakhs in the bridge at Chapora (Goa) as it could not anticipate actual cost (Rs. 537.20 lakhs against tendered cost of Rs. 375 lakhs).

Rs. 537.20 lakhs. The client (PWD, Goa) released mobilisation advance of Rs. 58.10 lakhs upto April 1992. The work started in October 1989, however, was stopped in May 1992 after completing only 6 per cent of the allotted work (cost of Rs. 34.45 lakhs) for want of funds from the client. Against the value of work executed, the client adjusted the advance of Rs. 23.32 lakhs and did not agree for adjustment of Rs. 11.13 lakhs (including Rs. 6.41 lakhs for extra work undertaken without the approval of the client). The client did not pay further funds as the Company had not executed the works to the extent of funds (Rs. 58.10 lakhs) already released to them.

After stoppage of work in May 1992, the Company retained its men and material at site without any work. The expenditure on the salary of staff and overheads upto November 1994 worked out to Rs. 20.71 lakhs. The client has also levied liquidated damages of Rs. 37.50 lakhs for breach of contract which has not been paid so far (October 1995).

Thus, the Company failed to work out the actual cost involved before participating in the tender and failed to make satisfactory progress in the work to enable itself to obtain further funds. Anticipating heavy losses, the Company opted for the termination of the contract agreement on penalty charges at 10 per cent. The total loss on the project according to the progress report of March 1994 (worked out by the Company) was Rs. 84.28 lakhs. The client has treated the work as finally measured and asked the company to refund the mobilisation advance in April 1995. Further progress was awaited as of October 1995.

2B.7.2.(ii)(b) Construction of a bridge on river Ganga in Bhagalpur, Bihar

In response to tender floated by PWD of Bihar Government in August 1989 for construction of a bridge on Ganga river in Bhagalpur, the Company obtained the work at a lump sum cost of Rs. 5500 lakhs. The date of commencement and completion of the bridge according to the agreement were April 1991 and April 1996 respectively. The work, commenced in April 1991, was completed upto 53 per cent (upto March 1995) at a cost of Rs. 2901.42 lakhs.

It was noticed in audit that while working out the quantity of concreting at the time of submitting tender, the Company did not include concreting for the miscellaneous works such as foot path, crash barrier, railing etc. This resulted in under estimation of the quantity by 8000 cums (1.38 lakh cums in place of 1.46 lakh cums) valued at Rs. 17.48 lakhs.

As the contract was for a fixed lump sum amount, the Company had to suffer a loss of Rs. 17.48 lakhs due to incorrect estimation of quantity of concreting work.

The Company, while submitting tenders underestimated the volume of concreting which resulted in loss of Rs. 17.48 lakhs.

The local management accepted (February 1995) the facts. No action has, however, been taken to fix responsibility of the loss.

2B.7.2.(iii) New Mandovi Bridge, Goa

The work of construction of a bridge over Mandovi river, Goa was awarded (February 1987) to the Company at a cost of Rs. 957 lakhs. According to the work order, the bridge was to be completed by March 1990. However, it was completed in June 1992 at the cost of Rs. 1734.32 lakhs against which the Company received a sum of Rs. 1599.06 lakhs and suffered a loss of Rs. 135.26 lakhs. The salient features of the contract, as observed in audit, were:

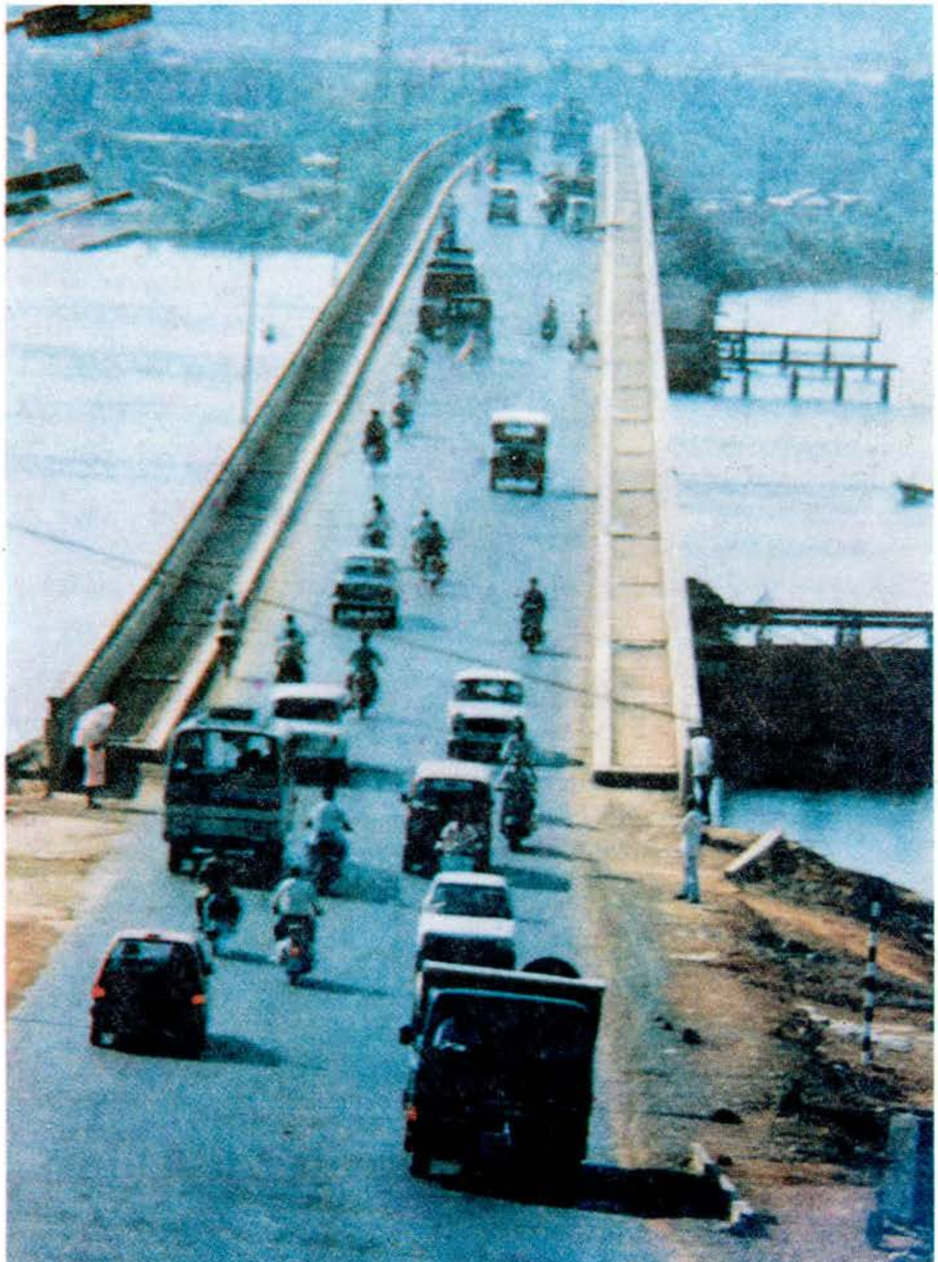
Poor workmanship and delays in execution of works resulted in loss of Rs. 135.26 lakhs in New Mandovi Bridge (Goa).

- On account of collapse of span No. 11, the date of completion was further extended to December 1991 by the client but the work could be completed only by June 1992.

- Additional works valued at Rs 37.15 lakhs were done without obtaining approval of the client and the client later on outright rejected the claim.

- Due to abnormal delay in completion, client has lodged a claim for Rs 171.50 lakhs for loss of toll revenue and in view of that security deposit Rs. 78.28 lakhs has not been released till date (May 1995).

- The terms of contract, interalia, stipulated clearance of site within 30 days of completion of work failing which rent at the rate of Rs. 2.00 lakhs per annum were leviable. Although the work was completed in June 1992, the Company neither shifted/disposed off 1200 MT of material for clearing the site nor transferred the staff posted, thereby incurring expenditure of Rs. 87 lakhs on staff for the period from July 1992 to December 1994 besides incurring liability on account of rent of Rs. 4.00 lakhs for the site not cleared.



New Mandovi Bridge, Goa

Second Thane Creek Bridge, Bombay

2B.7.2 (iv) Loss due to defective work in construction of a bridge on river Mahi in Baroda

The work of construction of a bridge on river Mahi in Baroda was awarded to the Company in April 1985 for Rs. 462.83 lakhs. The work which started in May 1985 was completed as scheduled in May 1989 at a total cost of Rs. 445.42 lakhs.

The Company suffered a loss of Rs. 8.06 lakhs in the construction of a bridge on river Mahi due to poor workmanship and non-execution of some contracted works and tests of due to poor workmanship

The client rejected payment of Rs. 8.06 lakhs on account of defective work (Rs. 6.05 lakhs), non-execution of inspection gallery and load test (Rs. 0.88 lakh) and imposed a penalty (Rs. 1.13 lakhs) for non-execution of a few items of the work.

2B.7.2.(v)(a) Construction of Thane Creek bridge in Bombay

The Company suffered a loss of Rs. 434.98 lakhs in construction of Thane Creek bridge (Bombay) due to delayed approval of designs by the client. The claim for loss was partially (Rs. 284.29 lakhs) accepted, but no action was taken to claim the balance (Rs. 150.69 lakhs).

The work of construction of two bridges (up and down streams) on Thane Creek was awarded to the Company in February 1987 by PWD, Maharashtra at a total cost of Rs. 3286 lakhs. The work was to be commenced by February 1987 and to be completed by February 1992. As against this, the work of only one bridge (up stream) could be started in February 1987 and completed in October 1994. The delay were attributed to delayed approval of drawings/designs by the consultants of the client. For compensating the losses caused due to delay in completion of the work, the Company lodged (April 1989) a claim for Rs. 434.98 lakhs out of which claim of Rs. 284.29 lakhs was accepted by the client. No action was however, taken to pursue the realisation of the balance amount of the claim (Rs. 150.69 lakhs) through arbitration/court of law.

2B.7.2.(v)(b) Loss due to placement of order on a black listed firm

In terms of provisions of para 22.7 of the contract for construction of Thane creek bridge Bombay, the Public Works Department Maharashtra Bombay (client) was to be consulted for the procurement of bridge bearings. However, the General Manager placed (March 1989) an order on a firm of Meerut for supply of bridge bearings valued at Rs 143.80 lakhs. This firm was black listed by the client. Accordingly, after due warnings by the client that it would reject the supply, the Company rescinded the contract (December 1989) of the firm (M/s J & Sons). The firm went into Arbitration and the award was given (March 1993) in favour of the firm for payment of Rs 65.25 lakhs. A civil suit filed at Lucknow by the company was also decided in favour of the firm.

Placement of purchase order on a black listed firm resulted in abritrator's award of Rs. 65.25 lakhs against the Company.

Thus, due to non-adherence of provisions of the contract, the company was compelled to bear this avoidable liability of Rs 65.25 lakhs.

2B.7.2.(vi) Disputed claims

The position of amount of claims referred to arbitration/Sachiv Samiti, claims awarded in favour of company and amount rejected as on 31st March 1994 are given below.

(Rupees in lakhs)

Sl. No.	Claims outstanding	No.	Amount	Claims awarded in favour of the Company		Claims rejected		Claims not finalised	
				No.	Amount	No.	Amount	No.	Amount
1.	In Arbitration	14	322.46	3	41.26	3	96.10	8	185.10
2.	With Sachiv Samiti	8	223.83	3	47.91	3	135.47	2	40.45
3.	Others	19	170.30	-	---	-		19	170.30
	Total	41	716.59	6	89.17	6	231.57	29	395.85

It would be evident from above that company's claims worth Rs 231.57 lakhs were rejected in arbitration on the grounds that extra works were already covered within scope of lump sum agreement.

Even amount of Rs. 89.17 lakhs for which award was given in favour of the Company has not been recovered as formalities for recovering the same have not been completed.

2B.8. Purchases

According to purchase policy of the Company, plant and machinery are purchased at the headquarters of the company through purchase committees. Minor Tools & Plant and spares upto Rs. 10,000 each are being purchased by the General Managers and consumables are being purchased by the unit incharges according to the provisions in the sanctioned estimates of the work. It has been laid down that the purchases exceeding Rs one lakh are to be made after inviting tenders with 21 days clear notice and below Rs. one lakh on the basis of sealed quotations. During test check following irregularities were noticed:

2B.8.1. Plant and machinery

2B.8.1.(i) Paver finishers

In compliance of pre-qualification of tender bids for World Bank aided road work, the Company floated tenders for purchase of 4 nos. of electronic paver finishers. The purchase committee, in May 1989, after evaluating offers of 4 firms recomended the purchase of 2 nos. electronic and 2 nos. manually controlled paver finishers at the rate of Rs. 19.95 lakhs and Rs. 6.75 lakhs each respectively. The Company, however, placed orders for 4 nos. manually controlled paver finishers, on the grounds of financial constraints. It was observed that two manually controlled paver finishers could not be utilised as this was in contravention of the agreement which provided use of electronics paver finishers. The reason given for the decision to purchase manual paver finishers as against electronic paver finishers was the financial constraint being found by the Company. The reason

Injudicious purchase of manually controlled Paver finishers resulted in extra expenditure of Rs. 12.55 lakhs.

given was not tenable as the cost of these paver finishers was to be met by the banks under lease financing scheme. On insistance of P.W.D. for meeting pre-qualification condition, Company had to purchase one electronic paver finisher in August 1991 at the rate of Rs. 32.50 lakhs.

Thus, the expenditure of Rs. 13.50 lakhs on the injudicious purchase of 2 manually controlled Paver Finishers proved infructuous and due to delay in purchase of one electronic Paver Finisher Company had to incur an extra expenditure of Rs. 12.55 lakhs.

2B.8.1.(ii) Injudicious acquisition of machines

2B.8.1.(ii)(a) Machines on lease from UPRNN

The Company was having 17 batching plant and 26 transit mixers out of which 4 batching plants and 5 transit mixers were declared surplus during the period 1990 to 1994 by Bombay, Baroda and Nepal units. Uttar Pradesh Rajkiya Nirman Nigam (UPRNN) made an offer to give on lease to the Company 2 batching plants (valued at Rs. 34.42 lakhs) and 6 transit mixers (valued at Rs. 62.62 lakhs) which were lying idle with UPRNN since its purchase. The Company, without considering the surplus equipments with them accepted the offer of UPRNN and thus had to incur avoidable expenditure of Rs. 151.08 lakhs, being the lease rent of plants for the period from March 1992 to March 1994.

The Company incurred avoidable expenditure of Rs. 151.08 lakhs on lease rent of machines taken on lease from UPRNN, when the same were already available in surplus with them.

2b.8.1.(ii)(b) Strand pusher

Company placed order (September 1989) for purchase of strand pushing machine costing Rs 10.39 lakhs for Bombay unit. The machine was received in March 1991. However, the machine was never put to use as the work was got done manually as per previous practice of the Company. Ultimately, the machine was declared surplus and was lying unused (October 1995).

This resulted into locking up of a sum of Rs 10.39 lakhs for over four years besides a loss of interest of Rs. 11.35 lakhs till date.

2B.8.2. Under utilisation of Plant and Machinery

The Company was having construction plant and machineries of the value of Rs. 2436.58 lakhs as on 31st March 1989 which were increased to Rs. 3457.79 lakhs (including leased assets) as on 31st March 1994. These machineries are broadly categorised under:

(i) Road construction machineries viz. hot mix plants, paver finishers and road rollers etc. (ii) bridge construction machineries viz. batching Plants, transit mixers, concrete pumps etc. (iii) general machineries viz. generators, cranes, stone crushers, heavy vehicles including trucks, trippers, hoppers, dumpers etc.

2B.8.2.(i) According to the accounting policy of the Company, operational charges based on the actual utilisation of different equipment and machinery are charged to the works. The table below indicates the value of work done and the operational charges debited to works during last 5 years upto the year 1993-94:

(Rupees in lakhs)

Year	Value of work done	Operational charges
1989-90	7167.85	304.56
1990-91	7278.18	252.11
1991-92	7603.66	236.17
1992-93	8958.20	262.83
1993-94	10196.99	245.14*

It would be seen from the above table that while the value of work done has increased from Rs. 7167.85 lakhs during 1989-90 to Rs. 10196.99 lakhs, the operational charges have come down from Rs. 304.56 lakhs to Rs. 245.14 lakhs which would indicate lesser utilisation of machines.

2B.8.2.(ii) Considering the large number of machineries lying idle, Board of Directors of the Company decided to give the surplus machineries on hire to private parties so that some return on the investment could be obtained. However, it was

* Provisional.

observed that no attempt was undertaken to either make effective utilisation of the same or to give them on hire.

Some cases of idle/non-utilisation of machines noticed during test check are discussed below:-

(a) Out of 13 concreting pumps(valued at Rs. 118 lakhs), 9 were kept idle (3 from the year 1989, 1 from 1990, 2 from 1991 and 3 from 1992 till 1994) even though Rs. 3.69 lakhs were spent on repair of 4 pumps during the idle period.

(b) Out of 4 stone crushers (valued at Rs. 40 lakhs) 2 did not work at all during past 5 years ending March 1994, and the other two were utilised for 6 and 8 months only.

(c) Out of the three hot mix plants (value Rs. 121.31 lakhs) purchased in 1989-90, two were rendered surplus from October 1994 and one was given to P.W.D on hire since the date of purchase to March 1992 and thereafter remained idle (March 1995).

Deployment of manpower in excess of requirement resulted in payment of idle wages of Rs. 870.35 lakhs.

2B.9. Man power analysis

The Company did not set out any norms for deploying work charged/casual labour. These were engaged by the unit heads on ad-hoc basis without ascertaining actual requirement at specific time and site. The information furnished by the Company to the State Government (August 1994) envisaged engagement of 4406 labour on turnover between Rs. 60 and 80 crores. Based on this information, it was noticed that the Company had engaged/employed excess labour ranging between 1441 and 4030 during four years upto 1993-94 which resulted into payment of idle wages aggregating Rs. 870.34 lakhs during this period as indicated below:

(Rupees in lakhs)

Year	Value of work done	Labour deployed (In	Labour required numbers	Excess deployed)	Amount
1990-91	7278	8436	4406	4030	290.160
1991-92	7604	7106	4406	2700	243.000
1992-93	8958	7106	5665	1441	155.628
1993-94	10197	7106	5665	1441	181.566
					870.354

2B.10. Accounting system and Internal Audit

(i) Accounting System

Company did not have any accounting manual of its own. Two ex-Managing Directors of the company were engaged (March 1984) for preparation of manual at a monthly remuneration of Rs. 1000.00 each plus perks. They worked upto December 1991, however, the manual is yet to be finalised (October 1995).

(ii) Internal Audit

Though there is an Internal Audit Wing of the company but there is no internal audit manual containing the rules and procedure for conducting internal audit. The quantum of checks to be exercised was also not prescribed. The services of internal audit wing were mainly utilised for compilation of monthly accounts and finalisation of annual accounts of the company.

2B.11 . Other topics of Interest

(i) Export Incentives

During the period from 1990-91 to 1991-92 Government of India launched a scheme of export incentive to the Indian civil construction companies, working outside India. Under this scheme an incentive of 20 per cent of foreign currency brought to India, out of profit, was to be given on submission of the claim. The Company having executed works in Iraq till 1991, filed the claim of Rs. 686.75 lakhs in 1992 which was not entertained by the Government of India because Company failed to submit all the required documents. The claim was still pending with the Government (October 1995).

> ***The Company could not submit the required documents while claiming the export incentive which resulted in non entertainment of a claim of Rs. 686.75 lakhs.***

(ii) Avoidable payment of sales tax

The Mandovi unit (Goa) was not registered under Central Sales Tax (C.S.T.) till October 1991. Due to this, the Company could not avail the concessional rate of sales tax at 4 per cent on purchases made from outside state and paid sales tax at rates ranging from 10 per cent to 12 per cent on cement and H.T. wire purchased during May 1988 to September 1991. This has resulted into avoidable payment of extra sales tax amounting to Rs. 12.58 lakhs (Rs. 9.54 lakhs on cement and Rs. 3.04 lakhs on H.T. wire). Thus, delay in registration resulted in extra payment of sales tax to the extent of Rs. 12.58 lakhs.

Delay in obtaining registration of CST resulted in avoidable payment of the tax to the tune of Rs. 12.58 lakhs.

(iii) Loss due to late payment of Insurance premium

The agreement made with the PWD, Goa for the construction of New Mandovi Bridge, Goa, inter-alia, includes the following conditions:-

(i) The Company should take an insurance cover of the proposed bridge.

(ii) The site of the bridge should be cleared after completion of the bridge.

The Company insured (June 1987) the bridge with New India Insurance Company taking the cost of bridge as Rs. 957 lakhs. Due to escalation of cost of bridge from Rs. 957 lakhs to Rs. 1600 lakhs, the insurance policy was revised in March 1990. The insurance Company demanded a premium of Rs. 7.93 lakhs, on escalated cost, which was reduced to 7.17 lakhs at the insistance of the Company. This premium was to be deposited in three instalments upto 15th September 1990. However, the Company deposited only Rs. 4.40 lakhs against Rs. 7.17 lakhs and failed to deposit Rs. 2.77 lakhs in time. One span of the bridge collapsed in October 1990. The Company filed a claim of Rs. 126.60 lakhs (including Rs. 75 lakhs being cost of removal of debris) for the losses due to collapase of span. The insurance Company admitted the claim of Rs. 38.26 lakhs rejecting the claim of Rs. 75 lakhs for the debris. However, it made a further deduction of Rs. 14.78 lakhs due to late deposit of premium of Rs. 2.77 lakhs.

Company suffered a loss of Rs. 89.78 lakhs due to late payment of premium (Rs. 14.78 lakhs) and failure to fully cover the risk by insurance (Rs. 75 lakhs).

The claim of Rs. 75 lakhs being the cost of removal of debris could not be entertained due to the failure of the Company in covering this risk in the insurance policy, though the Insurance Company had proposed coverage for this type of risk ab-initio.

Thus the Company suffered a loss of Rs. 89.78 lakhs due to late payment of premium and not covering all the risks which were obligatory in terms of the agreement with the client (PWD, Goa).

CONCLUSION

Uttar Pradesh State Bridge Corporation Limited is undertaking the work of construction of bridges through deposit works entrusted by the State Government and other works by taking part in open tenders. In the deposit works it incurred loss of Rs. 604.18 lakhs as it failed to restrict its overhead charges to the extent of centage received on these works, whereas in contract works loss of Rs. 461.02 lakhs was mainly due to incorrect assessment of the work, placement of order on a black listed firm, defective works, rejected claims etc. Further, the offers submitted were not competitive and the Company could obtain only 25 per cent of the tenders submitted.

On the financial management side also it was observed that the Company was grossly mismanaged as:-

(i) It incurred avoidable payment of interest of Rs. 283.30 lakhs on the advances inspite of having sufficient funds;

(ii) Cost overrun of Rs. 1432.52 lakhs could not be claimed as prior sanction for expenditure was not obtained;

(iii) Avoidable expenditure of Rs. 151.08 lakhs was incurred on the lease rent of machines;

(iv) Payment of idle wages to the extent of Rs. 870.34 lakhs was made due to deployment of excess labour.

These matters were reported to the Management and the Government in June 1995; replies have not been received as of October 1995.

Chapter - III

Section - 3A
Anpara Thermal Power Station (Stage `A')

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Anpara Thermal Power Station (Stage 'A')

SECTION 3A

Anpara Thermal Power Station (Stage-A)

HIGHLIGHTS

The Uttar Pradesh State Electricity Board (Board) commissioned, between January 1987 and April 1989, three thermal power units each of 210 MW capacity, at a cost of Rs. 765.24 crores, at Anpara (District: Sonebhadra). The commissioning of the units was delayed by 55, 56 and 70 months respectively resulting in cost overrun of Rs. 538.05 crores (originally projected cost: Rs. 227.19 crores) mainly due to delays in finalisation of designs and supply of plant and equipment and delayed execution of works.

(Paragraphs 3A.1.1 and 3A.2.1)

In execution of the project, the Board incurred extra and avoidable expenditure aggregating Rs. 30.67 crores primarily due to inadmissible overheads allowed, construction of only part of circular railway track leading to transportation of coal at higher cost, delay in execution of coal handling and ash disposal systems consequently leading to extra expenditure and award of works at higher rates.

(Paragraph 3A.2.2 to 3A.4.9)

The Board incurred an extra expenditure of Rs. 19.60 crores on procurement of boilers and turbo generators from BHEL due to delay in approval of designs of matching boilers. Further, as the Board failed to pay for the performance guarantee test, the same was not carried out by BHEL. In the absence of such tests, the liability for defective booster pumps and bowlmills, replaced subsequently at a cost of Rs. 2.85 crores, could not be fixed on BHEL.

(Paragraph 3A.2.5.1)

According to the norms envisaged in the project report, auxiliary consumption should be 9 per cent of energy generated. The actual consumption ranged between 9.5 and 11 per cent resulting in excess consumption of 200.69 Mkwh of energy valued at Rs. 18.67 crores during five years up to 1994-95.

(Paragraph 3A.3.3)

Cost of generation of the power house was high ranging from 46.38 paise to 77.84 paise per unit against projected cost of 12.82 paise per unit. The high cost of generation was due to excessive consumption of coal, oil, other materials and excessive operation and maintenance expenses. The value of such excessive consumption and expenditure worked out by Audit amounted to Rs. 202.86 crores during five years up to 1994-95.

(Paragraph 3A.3.4)

3A.1.1. Introduction

With a view to meeting the increasing demand of power in the State, the Planning Commission approved (January 1979) the project estimate of July 1977 for setting-up of three thermal power units each of 210 Mega Watt (MW) capacity under stage `A' of the power house at Anpara of Sonebhadra district (ATPA). The units were commissioned in January 1987, August 1987 and April 1989 respectively at a cost of Rs 765.24 crores.

3A.1.2. Organisational set-up

The overall management of ATPA is vested in Member (Generation) of the Board, stationed at Lucknow. The General Manager (GM) of ATPA is responsible for management of day to day operations of the power station. The GM is assisted by two Chief Engineers, one Deputy Chief Accounts Officer, twelve Superintending Engineers and other subordinate staff.

3A.1.3. Scope of Audit

Activities relating to setting up of ATPA and its operational performance for a period of five years from 1990-91 to 1994-95 was reviewed in audit during November 1994 to May 1995. Audit findings are discussed in the succeeding paragraphs.

3A.2. Setting up of the power station

3A.2.1. Time and cost overrun

The projected dates of commissioning of the units were June 1982, December 1982 and June 1983. The units were, however, commissioned late by 55, 56 and 70 months (commissioning dates: January 1987, August 1987 and April 1989) respectively. The main reasons for late commissioning were (i) delayed finalisation of designs; (ii) delay in supply of plant and equipments; (iii) delay in award of contacts for execution of civil, electrical and mechanical works and (iv) lack of co-ordination at various levels in execution of works.

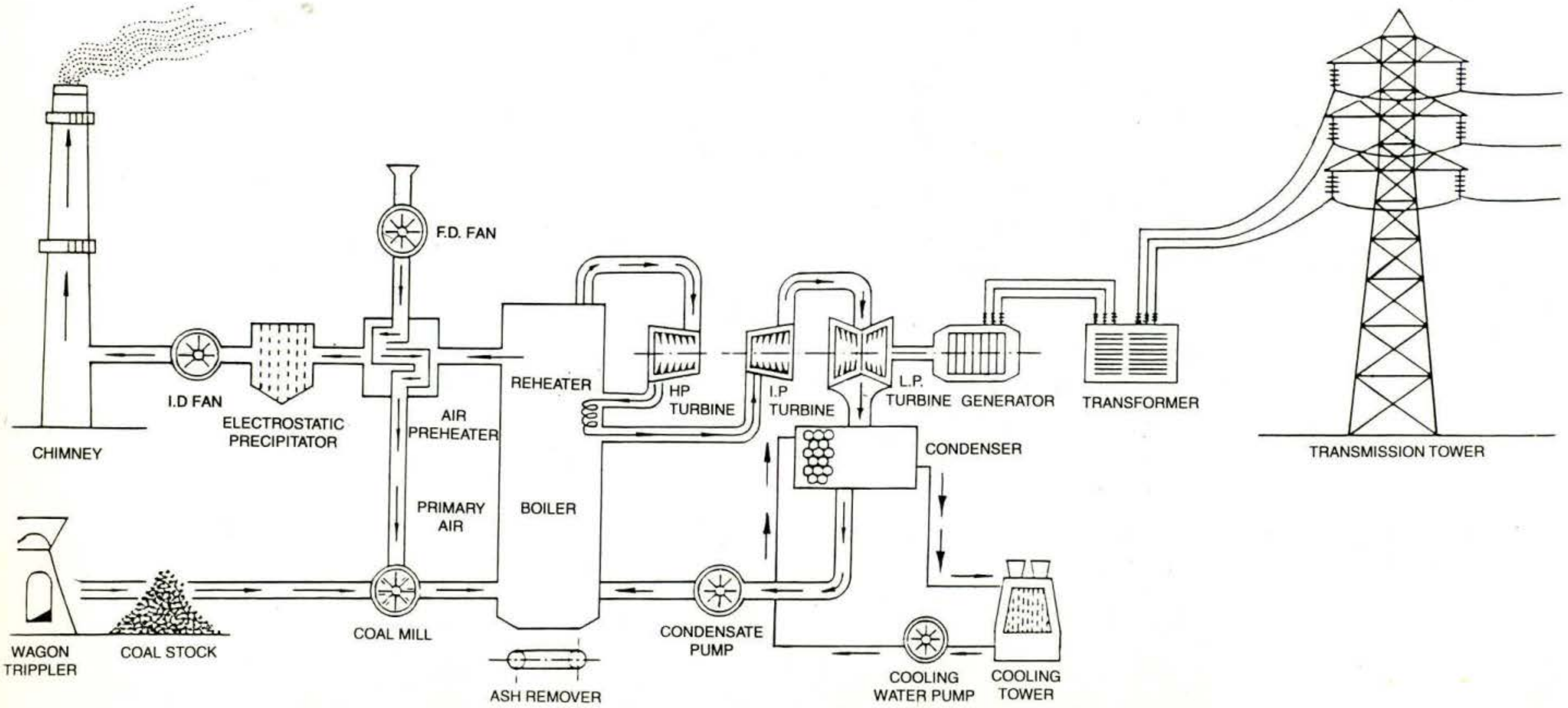
In respect of 10 contracts test checked, it was noticed that the supply of plant and equipments was delayed by 33 to 72 months beyond their scheduled dates. Similarly, the work contracts relating to construction of chimney, coal and ash handling system were awarded late in May 1981, September 1981 and September 1982 respectively, though the approval of Planning Commission for the project was received as early as in January 1979.

Panoramic view of
Anpara Thermal Power Station

SCHEMATIC DIAGRAM

OF

A THERMAL POWER STATION



The project cost of Rs. 227.19 crores for setting up the units was revised to Rs. 657.74 crores in July 1984 and finally to Rs. 721.02 crores in December 1990 (estimate prepared after commissioning of the units). The cost, according to the executed project estimate, represented an increase between 102 and 2151 per cent over the original project estimate as detailed below::

(Rupees in crores)

Sl. No.	Particulars	Estimated cost as per project estimate of July 1977	Final cost as per executed project estimate of December 1990	Increase over the original project estimate	Percentage of increase
1.	Land including survey	0.66	3.08	2.42	367
2.	Land development	0.75	16.88	16.13	2151
3.	Roads and bridges	0.41	6.16	5.75	1402
4.	Railway siding and tracks	4.20	22.97	18.77	447
5.	Residential and non-residential buildings	6.25	31.72	25.47	408
6.	Civil works in power house area	19.57	137.96	118.39	605
7.	Plant and machinery (including erection and spares)	161.68	384.71	223.03	138
8.	Miscellaneous expenditure	14.66	79.18	64.52	440
9.	Overheads	19.01	38.36	19.35	102
	Total	227.19	721.02	493.83	217

The actual expenditure incurred in implementation of the project, however, worked out to Rs. 765.24* crores up to 1993-94. The cost overrun (Rs. 538.05 crores) included price escalation of Rs. 291.26 crores, increase in contracted quantum of works (Rs. 174.49 crores), introduction of new items (Rs. 28.08 crores) and other incidental works (Rs. 44.22 crores). Cases of delay, excess and avoidable payments aggregating to Rs. 30.67 crores in execution of works as noticed in audit are given below:

The commissioning of the units was delayed by 55 to 70 months resulting in cost overrun of Rs. 538.05 crores. In execution of the project, the Board incurred excess and avoidable expenditure aggregating to Rs. 30.67 crores.

3A.2.2. Excess payment in case of design and engineering works

The work of complete design and engineering of civil, electrical and mechanical works including supervision of erection works at site was awarded (March 1978) to Central Electricity Authority (CEA) for a lump sum value of Rs. 84 lakhs. The contracted cost was based on the average salary of its staff for 3400 man-months** with 58 per cent thereof as overheads. This was raised by the Board (March 1992) to lump sum amount of Rs. 218.40 lakhs (excluding Rs. 17.50 lakhs towards travelling allowances etc.) since March 1978 itself based on 6000 man months and 100 per cent thereof as overheads. The increase of overheads from 58 per cent to 100 per cent from March 1978 was not admissible as the Government of India allowed such increase only from April 1980. The inadmissible increase allowed by the Board resulted in excess payment of Rs. 7.02 lakhs being the difference of overhead percentage admissible (58 per cent) and paid for (100 per cent).

Further, the complete design and engineering (including preparation of technical specifications and drawings) for the coal and ash handling systems were covered in the scope of the above work order. The Board, however, executed (September 1981 to September 1982) the work through two firms of New Delhi and one firm of Durgapur

* Sub-headwise details not worked out by the Board.

** Man-months indicate work done by a labour (man) in a month.

at an additional expenditure of Rs. 203.27 lakhs for coal handling (Rs. 95.37 lakhs) and ash handling system (Rs. 107.90 lakhs).

> ***Board paid additional amount of Rs. 203.27 lakhs for design and engineering work to three other firms which were included in the scope of lumpsum design and engineering contract awarded to CEA.***

3A.2.3. Extra expenditure due to non completion of Merry-Go-Round system (MGR) of circular rail track

Construction of MGR system of circular rail track (32.7 kms.) for transportation of coal from Khadia, Marrack, Bina and Kakri coal mines of Northern Coalfields Limited (NCL) was entrusted (July 1980) to Indian Railway Construction Company Limited (IRCON), New Delhi (estimated cost: Rs. 898.30 lakhs) on cost plus 10 per cent basis. The work was to be completed within two years. The Board paid (up to August 1990) Rs. 1124.18 lakhs for the total work against which IRCON constructed only 16.8 Kms. of track up to Kakri mines. According to the local management, the work of circular track link for other coal mines was not executed due to shortage of funds with the Board. Transportation of coal from these coal mines was, therefore, done by road during 1990-95 at an extra expenditure of Rs. 348.45 lakhs as compared with the cost of transportation through MGR.

> ***Rupees 1124.18 lakhs was paid for linking four mines with circular rail track by July 1982. However, only 16.8 Kms. has been completed upto Kakri till date (October 1995). This resulted in extra expenditure of Rs. 348.45 lakhs in transportation of coal by road at higher rates.***

3A.2.4.1. Extra expenditure in execution of general civil works

For general civil works, the lowest and technically suitable offer (May 1981) of a firm of Lucknow valued at Rs. 295.99 lakhs (subject to price variation with ceiling of 2.5 per cent) was recommended by CEA (July 1981) and by the Chief Engineer, Thermal Design and Engineering (TDE) wing of the Board (August 1981) on the basis of the firm's experience of civil works. The Central Stores Purchase Committee (CSPC), however, ignored the recommendations of CEA and TDE on the ground that the firm had not executed similar works at any Thermal Power Station and accepted (November 1981) the highest offer of a firm of New Delhi at negotiated price of

Rs. 328.17 lakhs (subject to price escalation). The price escalation was limited to a ceiling of 8 per cent during contractual period of 20 months and without any ceiling for works executed thereafter. The work was awarded to this firm in December 1981.

The firm completed the work late by 5 years, in September 1988, against the completion date of August 1983 at a cost of Rs 485.16 lakhs (value of work executed: Rs. 368.34 lakhs and price escalation: Rs 116.82 lakhs). Thus, compared to the technically suitable offer of the firm of Lucknow, the Board incurred extra expenditure of Rs. 141.60 lakhs, calculated with reference to the price variation loaded in the offers.

The Board ignored the technically suitable lower offer of a firm of Lucknow and thereby incurred extra expenditure of Rs. 141.60 lakhs.

Further, the firm was entitled to a price escalation of Rs. 5.35 lakhs only, being 8 per cent of the value of work done (Rs. 66.82 lakhs) up to the contractual period (August 1981). Against this, it was paid Rs. 7.80 lakhs resulting in excess payment of Rs. 2.45 lakhs.

3A.2.4.2. Avoidable expenditure on ash disposal system

TDE awarded (September 1982) the work of ash handling system (inside and outside area of the power house) to a firm of New Delhi for the three units at a firm price of Rs. 1522.56 lakhs. The system was to be commissioned by March 1984, November 1984 and July 1985 respectively. The firm, however, completed (December 1986) the ash handling system only inside the power house area. The work outside the power house area (contract value: Rs 138.71 lakhs) could not be completed due to non-availability of land from Forest Department. The land was acquired in 1989 after which the contractor executed some works valued at Rs14.25 lakhs and left the work in March 1992, for reasons not available on record. Non-completion of the ash handling system outside the power house area necessitated construction and maintenance of temporary ash bunds for disposal of

The Board incurred extra expenditure of Rs. 236.80 lakhs in civil works including construction and then dismantling of temporary ash bunds due to partial completion of ash disposal system.

ash, at an extra expenditure of Rs. 236.80 lakhs which was subsequently dismantled due to partial completion of ash disposal system. The expenditure of Rs 571.67 lakhs incurred on civil works outside power house area (including ash bunds and 42 Kms. of pipes) during 1982-83 to 1992-93 remained locked up as the work outside power house area has not been completed as of October 1995. The following further cases of avoidable and extra payments were noticed:

(i) For construction of ash handling system, the price escalation of 47 per cent (Rs. 65.19 lakhs) was allowed by TDE in August 1990 against 40 per cent agreed to (February 1989) by the firm and recommended (April 1989) by the General Manager. This resulted in additional increase in project cost by Rs. 9.71 lakhs against which Rs. 1.00 lakh has already been incurred on the work executed.

(ii) The requirement of pipe for temporary ash bunds was only 20 kms. However, 6 Kms of pipes were again purchased by the Board from Steel Authority of India Limited for Rs. 54.28 lakhs in 1990-91. Thus, the entire expenditure of Rs. 54.28 lakhs on 6 kms. of pipes procured subsequently was avoidable.

(iii) One firm each of Robertsganj and Anpara were awarded (July 1992/June 1993) the work of construction of 400 metre long temporary ash bund No. 3 for Rs. 35.77 lakhs (Robertsganj: Rs. 24.39 lakhs and Anpara: Rs. 11.38 lakhs). In case of the work of earth filling, the measurements were to be recorded on the basis of bottom and top widths, length and height of the bund according to approved design. Based on this measurement, the quantum of earth filling works out to 65977 cubic meters (cums) against which the payment was made for 83550 cums of earth work as per pit measurements resulting in excess payment of Rs 6.80 lakhs for 17573 cums of earth work.

3A.2.4.3. Avoidable expenditure on construction of coffer dams*

TDE awarded (January 1980) the work of construction of approach channel (length: 2900 metres) for carrying water from the Rihand Reservoir to the pump house valued at Rs 780.87 lakhs to National Projects Construction Company, New Delhi (NPCC). According to the agreement, the work was to be completed up to January 1982. CEA, while recommending (October 1979) the firm's offer, intimated (November 1979) to TDE that if the work of approach channel was completed as per

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* Coffer dams are temporary earthen bunds to prevent flow of the reservoir water into the project area.

schedule, construction of coffer dam was not required. The work of approach channel was, however, completed as late as in October 1985. Delay in completion of approach channel necessitated construction of two coffer dams from the pump house during 1980-81 to 1985-86 to prevent flow of the reservoir water into the channel and then its dismantling at an avoidable expenditure of Rs. 212.79 lakhs.

The work of approach channel from water reservoir to pump house was delayed by 3 years which necessitated construction of two coffer dams and its subsequent dismantling at an expenditure of Rs. 212.79 lakhs.

Further, NPCC was required to remove the coffer dam at chainage* 1800 metres before 1983 (monsoon), and utilise 57000 cums of available earth for strengthening of the coffer dam at chainage 600 metres. NPCC, however, removed (May 1983) only 40,000 cums of earth, out of which only 20,000 cums of earth was utilised (May 1983) at the coffer dam at chainage 600 metres and the remaining earth was dumped at the bank of approach channel. The balance earth (19,824 cums) was bought from outside to strengthen the dam at chainage 600 metres which resulted in avoidable expenditure of Rs. 5.33 lakhs.

3A.2.4.4. Avoidable expenditure in lump sum contracts

According to paragraph 405 of Financial Handbook Volume VI, a lump sum contract is awarded for execution of a complete work in accordance with drawings and specifications for a fixed sum with a schedule of rates to regulate the amount to be added or deducted from the fixed sum for additions or alterations carried out subsequent to the award of contract. TDE awarded during September 1981 to September 1982, three contracts (on the basis of tenders received during February to August 1981) for aggregate value of Rs 6026.29 lakhs for construction of coal and ash handling systems which included civil works at a lump sum cost of Rs. 2049.11

The Board failed to finalise drawings and item-wise details while awarding the works on lump sum basis. This resulted in avoidable payment of Rs. 852.92 lakhs due to lower volume of work as per final drawings and specifications.

* Exact point with reference to length of approach channel.

lakhs. The drawings and specifications were to be finalised later on. No schedule of rates were stipulated in the contracts to regulate additions and deductions due to change in quantum of the work after finalisation of drawings and specifications. The total value of the civil works according to subsequently finalised drawings and specifications worked out to Rs 1196.19 lakhs only (at the item wise rates of works awarded in December 1981 on the basis of tenders received in May 1981). But, the Board had to pay Rs. 2049.11 lakhs according to the terms of the contracts due to its failure to finalise drawings and item-wise details in advance. This resulted in avoidable expenditure of Rs. 852.92 lakhs.

3A.2.4.5. Extra expenditure due to non-maintenance of schedule of rates

Paragraph 523 of Financial Hand Book Volume VI requires maintenance of a schedule of rates for each kind of work to serve as a guide in settling rates of the agreements. TDE, however, neither maintained any such schedule of rates nor adopted PWD/CPWD schedule with the result that tendered rates had to be accepted without ascertaining their reasonability. During October 1979 to May 1985, 33 contracts for execution of civil works valued at Rs. 69.96 crores were awarded. According to the project estimate of July 1977, the value of such works was only Rs. 19.57 crores. In view of substantially higher rates, chances of pooling of rates or other malpractices by tenderers can not be ruled out.

A test check revealed that the rates (Rs. 14 to Rs. 19.40 per cum) of earth work in soil (55.60 lakh cums) allowed in eight contracts (on the basis of tenders received during July 1979 to July 1980) and rates of Rs. 40.35 to Rs. 45 per cum of earth work in rocks (29.69 lakh cums) allowed (November 1979) in three contracts (on the basis of tenders received during July 1979 to October 1979) were higher than the subsequent rates of Rs. 8 and Rs. 27 per cum for similar specifications of work to be executed in the same area (on the basis of tenders received during June 1982 and October 1979 respectively). The higher rates allowed earlier involved extra expenditure of Rs. 860.43 lakhs.

Similarly, rates of an Anpara firm accepted (September 1982) for construction of earthen dams for disposal of ash (valued at Rs. 128.43 lakhs) were higher by 15.2 per cent than the rates allowed to the same firm in December 1990 (after eight years) for left over portion valued at Rs. 29.85 lakhs. The higher rates of September 1982 involved extra expenditure of Rs. 19.29 lakhs.

Thus, non-maintenance of schedule of rates deprived the Board of the opportunity or capability to assess the prevailing rates and avoiding acceptance of higher rates.

3A.2.4.6. Non-preparation of detailed estimates - avoidable expenditure

According to paragraph 375(a) of Financial Hand Book Volume VI, no work should be commenced unless properly detailed design and estimates have been sanctioned. Civil works valued at Rs. 175.84 crores were, however, executed without prior sanction of estimates. This led to award of works for tentative quantities, lack of control over executed quantities, and execution of works not included in tenders/agreements. A test check revealed the following points:

(i) The work of construction of discharge channel was awarded (January 1983) to firm `A' of Lucknow on the basis of tentative quantities included in its tender of June 1982. In execution of the work, there were deletions/reductions in executed quantities of the items for which the rates were lower and increase in quantities of the items for which the contractor's rates were higher than those of the other tenderer firm `B',. Had the quantities to be executed been accurately indicated after proper soil survey in the tender documents, the tenderer `B' could have executed the work for Rs. 108.16 lakhs as against Rs. 134.04 lakhs paid to the firm `A' of Lucknow. Thus, the award of the work for tentative quantities resulted in avoidable extra expenditure of Rs. 25.88 lakhs.

(ii) Quantities valued at Rs. 480.76 lakhs stipulated in nine contracts awarded during January 1980 to February 1983 had increased up to 41.5 times in actual execution. This involved additional payment of Rs. 1359.33 lakhs which included Rs. 711.26 lakhs on account of execution of earth work in rocks (Rs. 30 to Rs. 55 per cum) in place of stipulated item of earthwork in soil (Rs. 8 to Rs. 16.60 per cum). Further, according to the reports of an Executive Engineer of June and August 1992, Rs. 185.79 lakhs was paid to local contractors for items already covered in the scope of the above contracts.

Thus, adequate control was not possible over the large variations and execution of various works in the absence of detailed estimates.

(iii) The work of construction of earthen dam for disposal of ash awarded (June 1983) to a firm of Anpara included the items of jungle clearance (uprooting of trees and vegetations) which was required in area of excavation, embankment and borrow pits.

During execution, it increased from 0.33 lakh square metres (sqms.) to 2.13 lakh sqms out of which 1.49 lakh sqms was measured on a single day (i.e. 28th June 1985) when major works had already been completed and there was no necessity of jungle clearance. Thus, excess and irregular measurements resulted in excess payment of Rs. 3.44 lakhs.

3A.2.4.7. Extra expenditure in execution of extra items of work

A test check of execution of extra items revealed extra expenditure of Rs. 61.81 lakhs as mentioned below :

(i) An extra item of providing water proofing cement compound for Rs 37.63 lakhs for construction of pressure ducts by one firm each of Delhi and Howrah was allowed by the Project Works Committee (PWC) in December 1981 at 3 per cent of weight of cement consumed for normal concreting. Another firm of New Delhi executed the work of proofing compound at 1.5 per cent of cement consumed in normal concreting in the items of boiler foundation works against contract No. 7AC (February 1980 to September 1984). Compared to this, the Board incurred extra expenditure of Rs. 18.81 lakhs due to excess consumption of cement compound in case of former two firms.

(ii) Earth (3.25 lakh cums) excavated from the bottom of auxiliary pond against the contract No. 22AC awarded in July 1982 was utilised for filling of the pond's embankment. The payment for the work was, however, made at the rate of Rs 16 per cum applicable for excavation of earth and its disposal up to 500 metres. For compactions of the above, a rate of Rs. 3.78 per cum was further allowed (January 1986). Thus, the earth work of filling and compaction was executed at Rs. 19.78 per cum. Against this, the contract (22AC) for filling of embankment with earth from outside including compaction provided a rate of Rs. 15 per cum. Compared to this, the excess payment in case of 3.25 lakh cums of earth work worked out to Rs 15.53 lakhs.

(iii) Excavation of earth below water table means excavation of earth which may be mixed with water and excavation under water means excavation of earth where water is flowing. NPCC was required to excavate earth of approach channel below water table from chainage 1775 to 1825 meters before 1983 monsoon payable at Rs. 18.85 per cum under the contract (4AC) item awarded in January 1980 by TDE. The work was, however, done by the contractor during 1984 monsoon for which the General Manager allowed in January 1993 (eight years after excavation) as extra item of excavation of

46859 cum earth under water at Rs. 60.94 per cum. The delayed excavation of earth by the contractor, thus, resulted in extra expenditure of Rs. 19.72 lakhs.

(iv) A sum of Rs. 7.75 lakhs was incurred during 1985-86 on removal of 13979 cum of slush from pressure and discharge ducts through local contractors. This work was, however, covered under the contract (10AC) awarded by TDE to two firms one each of New Delhi and Calcutta in December 1980. Thus, the excavation of the earth through other agencies resulted in avoidable extra expenditure of Rs. 7.75 lakhs.

3A.2.4.8. Excess payments in carriage of earth

The contract awarded (February 1983) by TDE to a firm of Lucknow for construction of discharge channel, provided different rates for carriage of excavated earth up to 500 meters, and beyond 500 meters up to 1 Km. The contractor carted (up to March 1986) 16,792 cums of soil and 159,343 cums of rock beyond 500 metres up to 1 Km, and was, therefore, paid at the contracted rates of Rs. 5 and Rs. 7 per cum respectively. However, an additional rate of Rs. 7.20 per cum was allowed (April 1985) for carriage of the above quantities of soil and rock (176,135 cums) up to 500 metres. This resulted in excess payment of Rs. 12.68 lakhs on the works already covered in the agreement of February 1983.

3A.2.4.9. Land acquisition and its development

(i) Non- retrieval of dismantled material

The Board acquired 5230 acres of land during January 1978 to May 1984 at a cost of Rs. 300 lakhs. The project report envisaged requirement of only 2816 acres of land valued at Rs. 60 lakhs. The acquisition cost included Rs. 42.79 lakhs (up to March 1989) as compensation paid for 819 houses (Rs. 35.06 lakhs) and 1718 trees (Rs. 7.83 lakhs) though old building material from dismantled houses or timber from trees cut were not retrieved back. It is interesting to note that the Board incurred expenditure of Rs. 10.47 lakhs for cutting of trees and bushes through contractors.

Further, the project authorities did not maintain records indicating plot-wise position of the land acquired and utilised in the absence of which the position of surplus land or land encroached upon (if any) could not be ascertained in audit.

(ii) Avoidable expenditure on levelling and grading

The CEA recommended (December 1979) a level of RL* 275.6 meters for levelling and grading of store shed area against which the work executed was deeper up to RL 275 meters. Levelling and grading for a lower strata caused seepage on excavation of foundation (January 1980 to April 1981) for store sheds. The ground/plinth level had, therefore, to be adjusted by further earth filling at an avoidable expenditure of Rs. 10.95 lakhs.

3A.2.5. Purchase, erection and commissioning of plants

Fixed assets register (indicating date, source and value of procurement, subsequent replacements, additions to value, depreciation charged) and contractors' ledgers were not maintained properly. The measurement books used for payment of cost of supplies and erection works did not contain cumulative figures of value of supplies/works with the result that up-to-date position of payments against respective contract for supply and erection of plant was not available on record to ensure that the amount paid for has not exceeded the lump sum contract prices.

A test check revealed that the Board incurred extra expenditure of Rs. 24.48 crores on purchase and erection of plant and equipments as discussed in the following paragraphs:

3A.2.5.1. Failure to assess liability for defective equipments of boilers and turbo-generator sets

> ***The Board incurred an extra expenditure of Rs. 19.60 crores on procurement of boilers and turbo generators from BHEL due to delay in approval of designs of matching boilers.***

TDE placed a provisional order on Bharat Heavy Electricals Limited (BHEL) in March 1978 on the basis of its single offer for design, manufacture and supply of boilers and Russian design turbo-generators for all the units valued at Rs. 103.57 crores subject to adjustment of the price due to change in design. BHEL revised the value to a firm price of Rs 138.00 crores in July 1980 (with turbo-generators of KWU German design). The offer was not accepted by the Board as designs of matching

* RL denotes reduced level with reference to mean sea level.

boilers had not been finalised by CEA, BHEL and the Board. Finally, the order was placed by the Board to BHEL for the design, manufacture and supply of boilers with turbo-generators of KWU German design at a value of Rs. 157.60 crores in November 1982, after finalisation of complete designs. Thus, the delay in finalisation of the designs resulted in an extra expenditure by Rs 19.60 crores besides delay in supply and commissioning of the plant.

The order of November 1982 provided for Rs 10 lakhs for performance guarantee test, which was increased by BHEL in February 1990 to Rs 46.30 lakhs on the ground that the Board did not release 50 per cent advance as demanded by BHEL in October 1982. The Board did not accept the revised price and did not pay any amount. The performance test was, therefore, not carried out to ensure guaranteed performance of the plant, and liability of BHEL for non performance of booster pumps, high pressure (HP) heaters and bowlmills covered under the scope of the order could not be fixed. The avoidable loss due to replacements worked out to Rs. 285 lakhs besides other losses due to inherent defects in the equipments as detailed below:

(i) Boiler feed pumps of WIER make supplied by BHEL at a cost of Rs. 362.30 lakhs included booster pumps (cost not segregated) which failed to serve the required purpose. Booster pumps of modified design were, therefore, purchased from BHEL itself for Rs. 135 lakhs during July 1988 to March 1989. Reasons for not fixing responsibility on BHEL for failure of the original booster pumps were not on record.

(ii) Frequent tube leakages/failures in H.P. heaters (designed by BHEL) No. 5 and 6 from the very beginning (November 1988) led to shut downs of the plant and loss of generation. BHEL was, therefore, required to replace them in view of their contractual liability to give successful performance test. In December 1989, BHEL demanded additional amount of Rs 233.26 lakhs for replacement of defective HP heater tubes which the Board did not accept as the General Manager attributed (July 1990) the failures to inherent design defects. The power plants are being operated with defective HP heaters and suffering generation losses due to frequent shut downs. The actual generation loss, however, could not be worked out in absence of proper records. It was noticed that to make the heaters operative, the Board was incurring Rs. 9 lakhs annually on rectification of tube leakages (carried out through other firms of Anpara). It may further be mentioned that Rs 700 lakhs have been provided for replacement of HP heaters in the final project report of December 1990. The HP heater tubes have not been repiaced so far (April 1995).

(iii) Due to failure of bowlmills supplied by BHEL (cost not segregated) alongwith the boilers, bowlmills of modified designs were purchased from BHEL itself for Rs. 150 lakhs in June 1988 without fixing responsibility on BHEL for failure of the original bowlmills.

3A.2.5.2. Avoidable payments in erection of plant and equipments

Final Project Report of December 1990 indicated that cost of erection of boilers, turbo generators, coal handling systems, fire protection equipments, laying of cables and low pressure pipes had increased from the total contract price of Rs. 10.32 crores to Rs. 23.80 crores including increase in boiler erection cost from Rs. 5.13 crores to Rs 10.72 crores and cable laying from Rs. 1.30 crores to Rs. 6.15 crores. Reasons for abnormal increases could not be analysed in audit in the absence of records. A test check revealed that the contract for erection of boiler awarded to WEI Limited, Pune provided for adjustment of the contract price for variation over the contracted weight of 32463 tonnes of steel (including 2.5 per cent normal variation) and the contracted 46444 high pressure joints (including 5 per cent normal variation). However, if any change in drawings/scheme is indicated prior to commencement of the work, the revised weight and number of HP joints would be covered under the scope of the work and such increased weight and number of joints would not be treated as extra work. In this connection, the following cases of avoidable payment of Rs. 2.03 crores were noticed:

(i) A sum of Rs. 45.08 lakhs (excluding price escalation) was paid (up to April 1991) for erection of additional weight of 2938.78 tonnes of equipments over and above the contracted weight of 32463 tonnes at stipulated rate of Rs. 1534 per tonne. The actual weight of boilers and auxiliaries according to details furnished by BHEL (August 1991) was only 32491 tonne. This resulted in excess payment of Rs. 44.65 lakhs (excluding price escalation) for additional weight of 2910.78 tonnes for which reasons were not on record.

(ii) The contractor was paid Rs. 158.16 lakhs (up to April 1991) for additional 19980 high pressure joints over and above the contracted 46444 joints in respect of which neither number of joints required according to approved drawings issued from time to time nor reasons of under estimating the number of joints in the contract were on record. Had the drawings been finalised before commencement of the work and number of joints correctly stipulated in the contract, the Board could have saved Rs. 158.16 lakhs.

3A.3. Operational performance

3A.3.1. Plant availability and capacity utilisation

(a) A Technical Committee on Power appointed by the State Government recommended in its report (December 1972) that the power stations of the Board should aim at to achieve 80 per cent of plant availability* within a short time and 85 per cent within next two to three years. The position of plant availability* and capacity utilisation** during five years up to 1994-95 is given below:

	Items	1990-91	1991-92	1992-93	1993-94	1994-95
(i)	Hours available	26280	26352	26280	26280	26280
(ii)	Hours of operation	21376	22935	23211	22813	21489
(iii)	Percentage of plant availability*	81	87	88	87	82
(iv)	Installed generating capacity (Mkwh)	5518.80	5533.92	5518.80	5518.80	5518.80
(v)	Energy generated (Mkwh)	3743.74	3979.01	4109.78	4132.08	3699.86
(vi)	Percentage of capacity utilisation**	68	72	74	75	67

The plant availability came down to 82 per cent during 1994-95 as a result there was a shortfall of generation in 1994-95 by 432.22 Mkwh valued at Rs. 50.01 crores.

3A.3.2. Outages***

Outages on account of grid disturbance, non-availability of coal, annual overhauling, repairs and rectification of defects in the plants ranged between 3069 and 4904 hours in each of the five years from 1990-91 to 1994-95. The percentage of outages of individual units to total available hours varied from 6.50 to 28.55 in each of the five years during 1990-91 to 1994-95. In this connection, following points were noticed :

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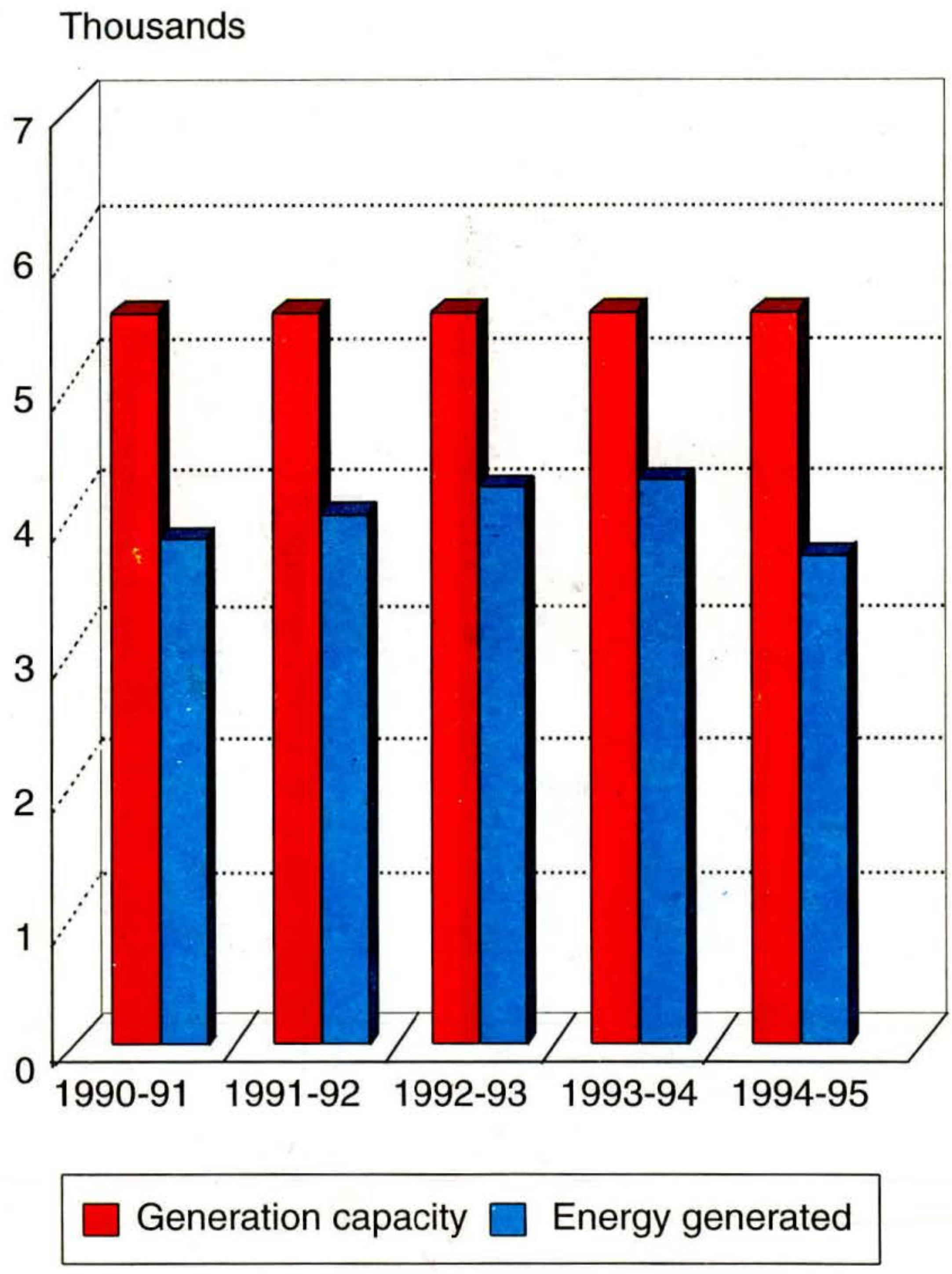
* Plant availability is the ratio of operation of the plant to the available hours in a year.

** Capacity utilisation is the ratio of installed capacity of generation to the actual generation.

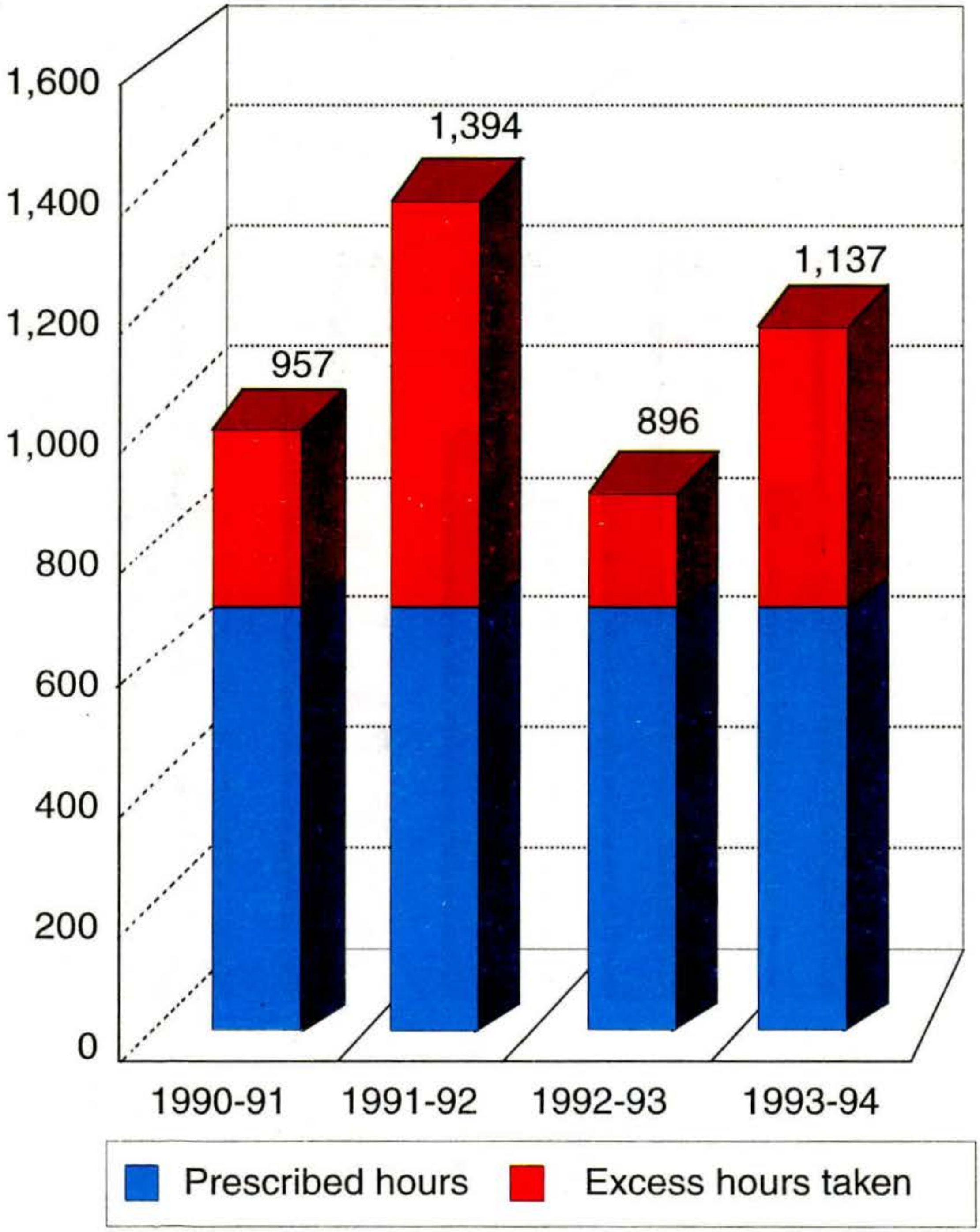
*** Outages indicate non-operation of units of a power station.

CAPACITY UTILISATION
IN MILLION UNITS (MKWH)



(Refer paragraph 3A. 3.1)

TIME TAKEN IN ANNUAL MAINTENANCE



(Refer paragraph 3A. 3.2)

(i) The Technical Committee on Power in its report of December 1972 stated that it would be possible for the Board to limit the period of annual maintenance to 672 hours. The actual time taken by the power station for annual maintenance of units was higher by 1696 hours during four years up to 1993-94 resulting in loss oef generation of 356.16 MKWH valued at Rs. 3404.93 lakhs as detailed below:

(Rupees in lakhs)

Unit	Annual maintenance			Loss of generation		
	Period	Hours taken	Excess hours	Units (MKwh)	Average revenue realisation per unit (In paise)	Value
III	1st August 1990 to 10th September 1990	957	285	59.85	77.60	464.44
II	3rd August 1991 to 30th September 1991	1394	722	151.62	84.55	1281.95
III	28th August 1992 to 4th October 1992	896	224	47.04	112.40	528.73
I	3rd October 1993 to 19th November 1993	1137	465	97.65	115.70	1129.81
	Total	4384	1696	356.16		3404.93

(ii) Immediately after the annual maintenance, frequent break downs occurred leading to closure of the units. Some instances are given below :

(Rupees in lakhs)

Unit	Period of maintenance	Subsequent outages		Loss of generation	
		Period	Hours	Units (MKwh)	Value
II	1st October 1990 to 26th October 1990	27th October 1990 to 26th November 1990	713	149.83	1162.68
III	1st August 1990 to 10th September 1990	18th September 1990 to 27th September 1990	228	49.91	387.30
II	3rd August 1991 to 30th September 1991	1st October 1991 to 6th October 1991	119	24.92	210.70
III	28th August 1992 to 4th October 1992	6th November 1992 to 9th November 1992	84	17.54	197.15
III	7th July 1993 to 21st July 1993	4th September 1993 to 8th September 1993	96	20.24	234.18

As a result of frequent break-downs, the unscheduled outages for repairs and rectification of defects in plant ranged between 1261 to 3065 hours each year which exceeded the maximum limit (4 per cent of available hours) of 1051 hours as recommended by the Technical Committee.

3A.3.3. Auxiliary consumption of energy

Some of the energy generated is consumed in auxiliaries at the power station and is not available for sale. The Project estimate of July 1977 contemplated auxiliary consumption of 9 per cent of generation. The actual consumption in auxiliaries, however, ranged between 9.5 per cent and 11.00 per cent which resulted in excess consumption of 200.69 MKwh of energy during 1990-91 to 1994-95 valued at Rs. 18.67 crores.

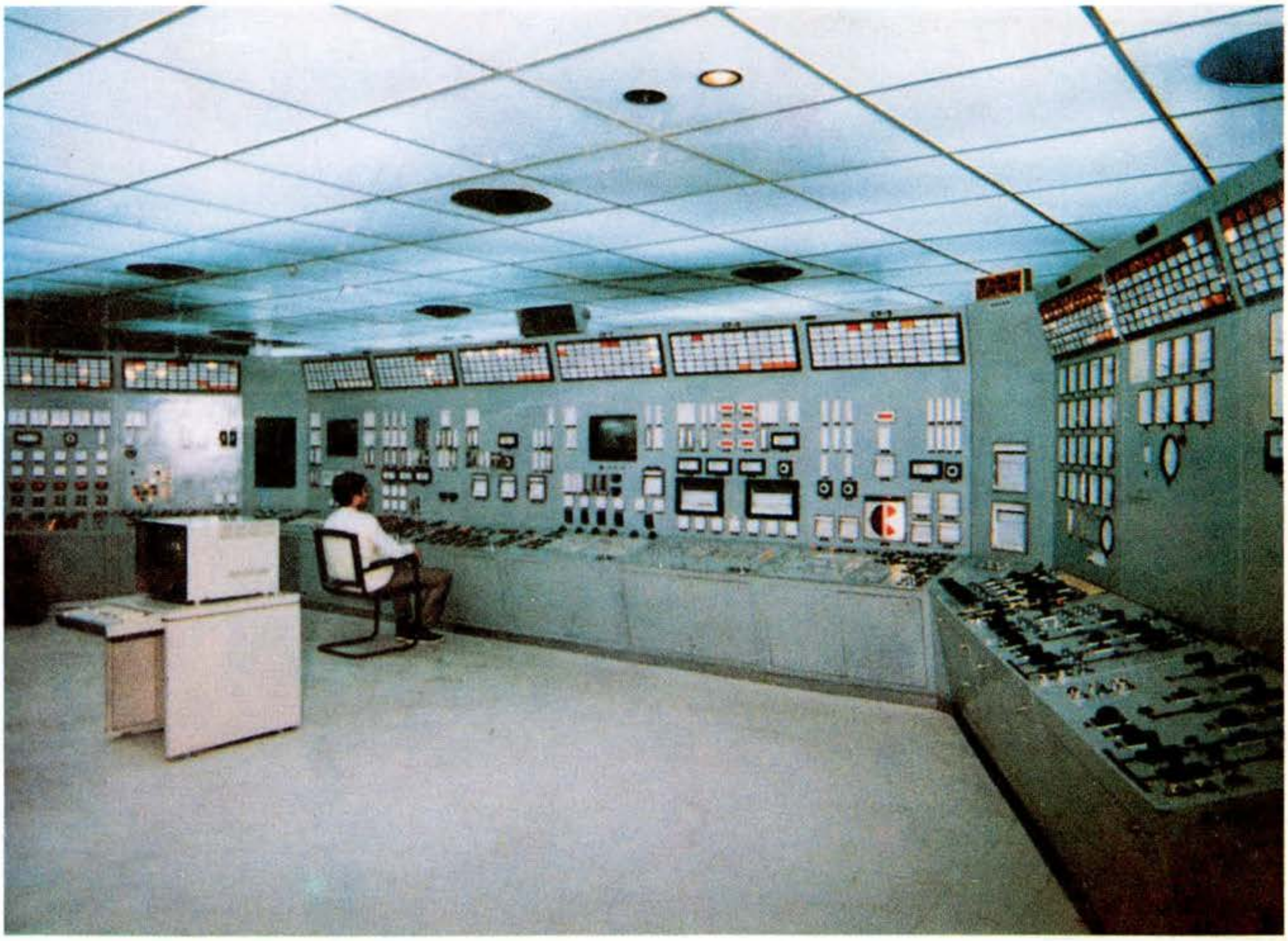
3A.3.4. Cost of generation

The project estimate of July 1977 envisaged cost of generation at 12.82 paise per unit of saleable energy. The actual cost of generation, however, varied from 46.38 to 77.84 paise per unit during 1990-91 to 1994-95 (up to January 1995).

Reasons of the higher cost of generation have not been analysed by the Board with a view to ascertain reasonability of the increases. It is partly attributable to excess consumption of coal and fuel oil, increased capital cost leading to higher burden of depreciation and interest and excessive expenses on establishment and operation and maintenance of the plant.

Cost of generation was high partly due to excess consumption of coal, fuel oil and other material and excessive maintenance expenses which aggregated to Rs. 202.86 crores.

As noticed in audit, the Board incurred extra expenditure aggregating to Rs. 202.86 crores by excess consumption of coal, oil and other material and excessive operation and maintenance expenses as discussed in subsequent paragraphs:



Monitoring heart beats of the Power Station (Control room)

3A.3.4.1 Excess consumption of coal

The consumption of coal depends upon the calorific** value of coal used. The project estimate of July 1977 envisaged consumption of coal at 0.546 Kg (including 7 per cent for transit losses and unavoidable wastages) per unit of power generated based on calorific value of 4750 K.Cal/Kg*. The calorific values of the coal actually consumed in different periods were not made available except the weighted average calorific value of the coal received in 1993-94 which was 4393 K.Cal/Kg. The required coal consumption based on calorific value of 4393 K.Cal/Kg worked out to 0.590 Kg per unit of power generated. The actual consumption of coal, however, varied from 0.73 to 0.84 Kg per Kwh of power generated resulting in excess consumption of 38.99 lakh tonnes of coal valued at Rs. 135.83 crores during the five years up to January 1995.

3A.3.4.2. Excess consumption of fuel oil

Furnace oil and light diesel oil are required during starting up and flame stabilisation of the boiler. The project estimate of July 1977 provided for consumption of oil at 2.5 per cent of the cost of coal used.

Consumption of oil was on much higher side as compared with the norms laid down in the project estimate resulting in excess consumption of 18,289 Kilo litres of oil valued at Rs 997.00 lakhs during 1990-91 to 1994-95 (up to July 1994).

Reasons for excess consumption had not been analysed by the Board.

3A.3.4.3. Excess consumption of other materials

Neither norms for consumption of various materials were laid down nor was any system evolved to analyse wide variations in their actual consumption from year to year. Even actual consumption of material issued from stock was not recorded in measurement books with reference to their requirements for the works done. A test check revealed excess consumption valued at Rs. 154.94 lakhs as detailed given on the next page:

** Heat generating potential of coal.

* K.Cal/KG. represents Kilo Calorie per Kilogram.

(Rupees in lakhs)

Item	Period	Actual consumption	Basis for working out excess consumption	Quantity of excess consumption	Value of material consumed in excess
Turbine oil hour	1991-92 to 1993-94	3.42 to 4.16 litres	0.98 litre per per running hour of turbine through contractors	1.95 lakh litres in 1990-91	78.07 running
Caustic soda lye	1991-92 to 1993-94	229 to 333 tonnes per annum through departmental staff	93 tonnes in 1994-95 through departmental staff	597 tonnes	37.82
High speed diesel	1992-93 to 1994-95	3.41 to 7.77 tonnes of coal transported per litre of diesel by departmental locomotives operated through contractors	8.27 tonnes of coal per litre of diesel transported in 1991-92	7.81 lakh litres	39.05
					154.94

No action was taken by the Board to investigate reasons of excess consumption.

3A.3.4.4. Excessive operation and maintenance expenses

The project estimate of July 1977 envisaged expenses on establishment, operation and maintenance (O&M) at 2 per cent of the projected capital cost. The percentage of actual O&M expenses ranged between 2.64 to 5.02 per cent of the actual capital cost during the five years from 1990-91 to 1994-95 (up to January 1995) and total expenditure over and above the limit of 2 per cent of the actual capital cost amounted to Rs. 5551.37 lakhs during the above period.

The Board had not analysed reasons of high incidence of operation and maintenance expenses.

3A.3.4.5. Excessive expenditure on maintenance of civil works

Project Schedule of Rates (PSR) framed in 1990 was revised only in 1991 and 1994.

During test check, it was noticed that eight contracts for repairs and maintenance of roads, buildings and drains etc. were awarded for Rs. 41.27 lakhs during August to December 1994 at 29 to 48 per cent above PSR of 1991 (cement and steel to be issued by the Board as per PSR 1991). This worked out to 40.68 to 73.8 per cent above PSR 1991 for the works (value: Rs. 34.30 lakhs) excluding cement and steel cost of which remained constant. As compared with PSR 1994, which was higher than PSR 1991 by only 19.86 per cent, the award of the above works resulted in an extra expenditure of Rs. 5.89 lakhs. The higher tendered rates were attributable to the fact that tenders were sold to specific parties under the orders of divisional officers, and tenderers offered pooled rates as evidenced by simultaneous purchases of tender documents and non-judicial stamp papers and deposit of earnest money.

3A.3.5. Purchase of stores

The project had three Electricity Procurement Divisions (EPD) to procure all the material required by the project. Besides, other divisions were also procuring coal and oil, and making purchases for meeting their urgent requirements. Annual purchase estimates, however, were not prepared. No list of approved suppliers for different items was also maintained as required in the Board's orders of April 1970.

The Project Tender Committee was empowered to approve individual tenders for purchase of materials up to Rs. 25 lakhs. In contravention of above, bearings valued at Rs. 29.61 lakhs and Rs. 27.73 lakhs were imported against the tenders approved by the Project Tender Committee in November 1991 and August 1992 respectively.

A test check revealed extra expenditure of Rs. 42.00 lakhs on purchase of stores as discussed below:

3A.3.5.1. Purchase of bearings

(a) EPD-I placed four orders in November 1991 and October 1993 on two firms of Calcutta and Obra for supply of 61 imported bearings of different capacities at Rs. 52,468 to Rs. 1,61,111 each by April 1992 (10), July 1992 (28) and March 1994 (23). Only 28 bearings were supplied within stipulated delivery periods. Supplies of the remaining 33 bearings were accepted during September 1992 to December 1994 at the aforesaid rates even when the rates had decreased to Rs. 40691 to Rs. 137851 each as offered against subsequent tenders received in July 1992 and April 1994. This resulted in an extra expenditure of Rs. 4.37 lakhs.

(b) On the basis of tenders received in March 1993, orders were placed in April/May 1993 on the two firms of Calcutta for supply of 21 sets of imported bearings at Rs. 88,711 per set. The lowest rate of Rs. 81,271 (including excise duty and sales tax) offered by National Engineering Industries, Jaipur for indigeneous NBC make bearings was ignored on the ground that imported bearings were to be purchased. Subsequently, in September 1993, the same division purchased 18 sets of similar indigeneous bearings at Rs. 59,900 (excluding excise duty and sales tax) per set. Had NBC make bearings been purchased against tenders received in March 1993 at Rs. 81271 per set, an extra expenditure of Rs. 1.56 lakhs could have been avoided.

3A.3,5.2. Purchase of caustic soda lye

An order was placed (July 1992) on a firm of Renukoot (Sonebhadra) for supply of 400 tonnes of caustic soda lye (47.5 per cent purity) at Rs. 5,880.75 per tonne (including Rs. 418.25 towards overhead charges and freight but excluding excise duty and sales tax). The price was variable with reference to the basic price of caustic soda lye (100 per cent purity) at Rs. 11500 per tonne. Accordingly, 198.89 tonnes of caustic soda lye (47.5 per cent purity) was purchased during January 1993 to July 1993 at enhanced price of Rs. 6,370.89 per tonne due to increase in price of caustic soda lye (100 per cent purity) from Rs. 11500 to Rs. 12,500 per tonne with effect from January 1993. The price was, however, not reduced on decrease in the price of castic soda lye (100 per cent purity) from Rs. 12500 to Rs. 7619 per tonne. Accordingly, the rate of caustic soda should have been reduced from Rs. 6370.89 to Rs. 4052.52. However, the Board paid at the previous rate (Rs. 6370.89) for the subsequent purchase of 210.229 tonnes, which resulted in excess payment of Rs. 4.87 lakhs (excluding excise duty and sales tax).

3A.3.5.3. Purchase of pulverised fuel bends (PF bends)

Cast steel PF bends of different sizes with life of 15,000 to 18,000 hours were purchased in February 1992 from a firm of Hathras (Aligarh) at Rs. 8,989 to Rs. 53,932 (including excise duty) each on the ground that ceraline PF bends with higher running life of 20,000 to 25,000 hours were four to five times costlier than cast steel bends. The statement about high cost of ceraline PF bends was not factually correct as the rates of ceraline PF bends subsequently purchased (August 1992) from a firm of Banglore ranged between Rs. 8,130 and Rs. 38,056 (including excise duty) per bend only. Thus, the purchase of cast steel bends from the firm of Hathras in February 1992 on the basis of two tenders received in December 1991 without inviting offers for ceraline bends not only resulted in an extra expenditure of Rs. 4.52 lakhs as compared to the rates of the firm of Banglore but also involved use of bends with lower life.

3A.3.5.4. Purchase of coal conveyor belt

On the basis of tenders received in July 1992, the Project Tender Committee headed by the General Manager decided (November 1992) to purchase 800 metres of nylon conveyor belt (1500 mm wide) at Rs. 3039 per metre (valued at Rs. 24.31 lakhs) from Nirlon Synthetics Fibre Limited, New Delhi. The supplier demanded 10 per cent i.e. Rs. 2.43 lakhs advance payment alongwith purchase order against bank guarantee for which approval of Member (Generation) was necessary. Fresh tenders were invited (January 1993) as the approval of the Member for advance was not received and 1000 metres of similar conveyor belt was purchased at Rs. 3941 per metre (value: Rs. 39.41 lakhs) from Hilton Rubbers Limited, New Delhi. Thus, non-acceptance of the lower offer of July 1992 due to non-approval of advance of a meagre amount of Rs. 2.43 lakhs resulted in an extra expenditure of Rs. 9.02 lakhs.

3A.3.5.5. Failure of equipments within guarantee period

No records were maintained to monitor replacements/refunds in respect of equipments failed/damaged within guarantee period. During test check, it was observed that nylon coal conveyor belt purchased from a firm of New Delhi at Rs. 39.41 lakhs during March to July 1994 and another conveyor belt purchased from a firm of Giridih (Bihar) at Rs. 7.44 lakhs in August 1993 had broken frequently during the guarantee period of one year. The broken belts were jointed by the project authorities at the cost of Rs. 6 lakhs and Rs. 3.42 lakhs respectively. No action was, however, taken against the suppliers for their replacements or refund of cost of repairing charges.

3A.3.5.6. Non-recovery of liquidated damages

The position of non-supply or incomplete supply of materials against purchase orders was not placed before the competent Purchase Committee for taking action against the suppliers for recovery of penalty/liquidated damages. A test check revealed that materials valued at Rs. 108.88 lakhs remained unsupplied against 38 purchase orders placed during January 1990 to October 1993, and recovery of penalty amounting to Rs. 10.89 lakhs on this account was not affected as provided under the terms of the orders. These cases included non-supplies of perforated screen plates, impact idlers and MPO base plates valued at Rs. 9.42 lakhs which were purchased subsequently at higher cost of Rs. 17.66 lakhs (against fresh tender enquiries) during August 1992 to July 1994 involving an extra expenditure of Rs. 8.24 lakhs. However, no action was taken against the suppliers to recover this cost according to risk purchase clause of the order.

3A.3.5.7. Procurement of Coal

The Board operated its own two rakes of 22 and 23 wagons for transportation of coal from neighbouring coal mines of Northern Coalfields Limited (NCL). NCL was responsible for transportation of coal from mines and loading the same into wagons at loading centre. A test check revealed following points.

(a) Non-availing of rebate for coal stones

According to a decision of the Union Energy Minister (January 1987), Coal India Limited (CIL) was required to make every effort not to supply stone above 200 mm with coal to any power station. In case of supply of stone above 200 mm, CIL and its subsidiaries were required to reimburse to the power station the loss incurred in terms of the cost of coal. It was noticed that the Power Station awarded seven contracts successively to a firm of Tuticorin (Tamilnadu) during 1991-92 to 1994-95 (total value: Rs. 139.35 lakhs) for picking up stones, shales and other foreign materials from running conveyor belts at Rs. 2.11 lakhs to Rs. 2.64 lakhs per month. The power station was receiving coal containing boulders (size not identified) from NCL on account of which lineside equipments purchased by the Board at a cost of Rs. 11.25 lakhs were not used for automatic opening of bottom discharge hopper wagons. These equipments were lying idle on account of chances of derailment. Thus, the failure on the part of Board in identifying the size of boulders resulted in non-claiming of rebate (amount indeterminate) besides locking up of funds in the line side equipments.

(b) Avoidable expenditure on services at the loading centre

NCL's rates of supply of coal included transportation of coal from mines to the loading centre, and loading the same into wagons. It was, however, noticed that expenditure of Rs. 13.47 lakhs was incurred on manual breaking of coal (Rs. 6.60 lakhs) and the work of movement of dumpers from coal mines to loading head (Rs. 6.87 lakhs) during 1991-92 and 1993-94 which was the responsibility of the NCL.

3A.4. Inventory control

Operation and maintenance stores division is the central store accounting unit of the project which issues materials to user divisions against their indents. The table below indicates opening balance, receipt, issue and closing balance of stores for the four years up to 1993-94.

(Rupees in crores)

Particulars	Opening balance	Purchases and receipts	Total	Issues and transfers	Closing balance
1990-91	418.70	582.31	1001.01	590.61	410.40
1991-92	410.40	1075.56	1485.96	829.85	656.11
1992-93	656.11	600.90	1257.01	944.63	312.38
1993-94	312.38	900.33	1212.71	1128.87	83.84

Following points were noticed on test check:

(a) Minimum, maximum, and ordering levels of stores have not been fixed.

(b) Prescribed checks of entries in registers of stock receipts and issues, were not conducted by Sub Divisional Officers (10 per cent) and Divisional Officers (5 per cent).

(c) Half yearly sub-divisional and divisional stock registers and yearly registers of tools and plants were not closed since inception with the result that sub divisional and divisional officer had no record to check accuracy of balances of stock and tools and plants shown in sectional registers.

(d) Physical verification of stores at least once a year was not carried out and materials not required during following 12 months were not reported. Position of shortages, surplus/unserviceable/ obsolete stores, thus, remained undetected.

3A.4.1. Surplus material

A test check revealed that materials valued at Rs. 551.96 lakhs comprising imported steel (Rs. 163.76 lakhs), cables (Rs. 38.72 lakhs), control and instrumention stores (Rs. 40.94 lakhs) and spares parts (Rs. 308.54 lakhs) remained unutilised for more than three to five years at the end of September 1994 due to their procurements in excess of requirements.

Apart from locking up the Board's fund, the unutilised materials involved extra expenditure of Rs. 11.68 lakhs on rerolling of cables (Rs. 7.58 lakhs) and shifting of imported steel from one place to another in the project area (Rs. 4.10 lakhs).

3A.4.2. Sale of scrap

Spare parts removed from plants on their failures and damages were not immediately categorised as repairable and irreparable (scrap) with the result that the accuracy of actual quantum of scrap could not be ascertained and timely repair and disposal of the spare parts could not be ensured.

Scrap of 1463 tonnes of various categories valued at Rs. 81.70 lakhs was sold during February 1991 to January 1994 on the basis of tenders received during November 1990 to March 1992. Reasons of not adopting the system of disposal of scrap by public auction introduced in the stores organisation of the Board in June 1981 were not on record.

Further, 1463 tonnes of the scrap was sold to four firms to be lifted within a period of 2 months failing which interest at 18 per cent per annum and storage charges at 2 per cent per fortnight were recoverable from the firms. Only 437 tonnes of the scrap was lifted by the firms within 2 month and the remaining 1026 tonnes was lifted during 3rd to 13th month from the dates of the respective sale orders. A test check revealed that interest and storage charges in respect of 724 tonnes of scrap delivered during May 1991 to April 1993 (after expiry of stipulated period of 2 months) worked out to Rs. 5.59 lakhs and Rs. 12.37 lakhs respectively which were not recovered from the firms.

3A.5. Manpower analysis

The Project Estimate of July 1977 envisaged the manpower strength of 1500 for operation and maintenance of the plant. The actual deployment of the manpower, however, ranged between 1524 to 1786. The actual strength not only exceeded the projected strength but also additional manpower was deployed through contractors for routine maintenance and auxiliary works connected with operation of the plant at an approximate cost of Rupees one crore per annum, for which manpower at the rate of Rs. 40 per man per day comes to 685. This resulted in deployment of excess manpower ranging between 755 to 1023 during 1990-91 to 1994-95 (including overtime allowance converted into manpower at double the monthly salary of an operator at Rs 3000) as detailed below:

	1990-91	1991-92	1992-93	1993-94	1994-95
(i) Manpower projected	1500	1500	1500	1500	1500
(ii) Actual deployment					
(a) Board's staff	1566	1553	1550	1524	1786
(b) Manpower through Contractors	685	685	685	685	685
(c) Overtime (converted into manpower)	34	39	40	46	51
Total	2285	2277	2275	2255	2523
(iii) Manpower deployed in excess	785	777	775	755	1023

Reasons of deploying excess manpower have not been analysed by the Board.

3A.6. Other topics of interest

3A.6.1. Sale of coal mill rejects

Coal mill rejects (CMR) represent coal pieces up to 10 mm with gross calorific value of 1500 to 1700 Kcal/Kg including stone, shale and other foreign materials which could not be pulverised by coal bowlmills. During November 1986 to March 1995, expenditure of Rs. 87.83 lakhs was incurred on collection and transportation of CMR (7.65 lakh tonnes). No proper accounts of collection and sale of CMR were maintained.

During test check, it was noticed that on the basis of tenders received in May 1989 a contract was executed in September 1989 in favour of a firm of Rihand Nagar (Sonebhadra) for sale of 20,000 tonnes of CMR at Rs 45 per tonne to be lifted by August 1990. Only 2079 tonnes of CMR was lifted by the firm up to February 1990 when the contract was rescinded by the Board without assigning any reason. The firm filed a suit in Allahabad High Court and the case was listed on 17th February 1993. However, the Board did not contest the case and the Court delivered (April 1993) ex-parte decision stating that the firm was entitled to lift the remaining quantity of 17921 tonnes of CMR. The firm was delivered 12,227 tonnes of CMR during June 1993 to June 1994 at Rs. 45 per tonne out of the fresh stock for the sale of which (1 lakh tonnes) another contract had been executed in May 1993 in favour of another firm of Kachchwa (Mirzapur) at Rs. 301.99 per tonne. The later firm was delivered only 385 tonnes of CMR up to March 1995 as against the stipulated delivery of the entire quantity of 1 lakh tonnes by November 1993. This was attributable to deterioration in quality of CMR on account of its volatile nature. Thus, non-delivery of CMR to the firm of Rihand Nagar during the contract period up to August 1990 resulted in loss of Rs 31.42 lakhs to the Board on account of realisation of lower sale proceeds as compared with the prevailing rate of Rs. 301.99 per tonne.

The above details indicated that only 14691 tonnes of CMR was sold out of 7.65 lakh tonnes of CMR collected up to March 1995. The position of the remaining 7.50 lakh tonnes of CMR valued at Rs. 22.65 crores was not available on record.

3A.6.2. Loss on working of transport base

The Project had a transport base with 16 other technical staff under the charge of an Executive Engineer for repair and maintenance of the Board's vehicles and heavy earth moving machines. A test check, however, revealed that repairs of vehicles, bulldozers and loaders were carried out through local contractors (not representing any approved garage) for Rs. 17.92 lakhs (excluding cost of spare parts) at the transport base itself during 1991-92 to 1993-94. Besides, Rs. 8.88 lakhs were paid to contractors for normal repairs of vehicles at monthly rate of Rs. 37,455/Rs. 28,330 without any record of the actual repairs done during 1993-94 and 1994-95. Therefore, services of the staff at the transport base (2 Junior Engineers, 4 Mechanics/Technicians and 10 Mazdoors) with staff cost of Rs. 24 lakhs (1991-94) could not be gainfully utilised.

3A.6.3. Premature failure of power transformers

Two power transformers of 5 MVA each supplied and installed by Voltas Limited, Lucknow in May/August 1987 (warranty period: one and half years), at a cost of Rs 20.47 lakhs failed in November 1990 and December 1991 respectively. Although their prescribed life is 35 years, the transformers were not repaired, and were replaced

in April 1992 by two transformers of 10 MVA each at a total cost of Rs. 84.00 lakhs. The two transformers of 5 MVA each were still lying unrepaired (October 1995).

3A.6.4. Pilferage of oil

There was no system of regular check of oil received and utilised up to June 1988. A surprise check by Central Industrial Security Force (July 1988) revealed that pipe housing measuring dip stick of a road oil tanker was manipulated to indicate higher levels on dip stick even if the quantity of oil was less. The departmental committee constituted by the General Manager (July 1988) to examine accounts of light diesel oil since September 1985 (1023 days) confined its investigation to 34 tankers said to contain 478 Kilolitres of oil received during 5th to 23rd July 1988 (18 days) only, and reported (September 1988) pilferage of 138.914 Kilolitres valuing Rs. 5.05 lakhs. Neither any responsibility was fixed for the above pilferage nor was enquiry in respect of 7974 kilolitres of oil received during September 1985 to June 1988 entrusted to any other agency. Reasons for not examining accounts for total period were not on record.

Conclusion

Lack of proper planning, co-ordination, monitoring and control delayed finalisation of designs, award of contract, supply of plant and equipments and execution of the project which resulted in delay in commissioning of the power plants for over 55 months. The cost overrun on this account was more than double the projected cost.

In execution of the project, the rules and procedures relating to financial and technical controls were not followed which resulted in extra expenditure on supplies and execution of works. The guarantee clause provided in the contracts for supplies of plant and maintenance materials could not be enforced because the performance test thereof was not carried out.

Consumption of coal, fuel oil and operation and maintenance expenses exceeded substantially as compared to norms. In case of other materials, such norms were not prescribed. There was also no system to monitor cases of wide variations in consumption to initiate remedial control measures. Consequently, the actual cost of generation increased four to six times the projected cost.

Rules and procedure relating to purchase of materials were not followed which resulted in avoidable extra expenditure.

These matters were reported to the Board and to the Government in July 1995; their replies had not been received (October 1995).

Section - 3B

Growth of Transmission System

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SECTION-3B

GROWTH OF TRANSMISSION SYSTEM

HIGHLIGHTS

Transmission system comprises transmission lines and connected sub-stations at high voltage necessary for carrying power from generating and receiving points for its distribution to consumers. With a view to ensuring availability of galvanised tower parts and sub-station structures, the Board established a fabrication unit at Naini and a Transmission Line Erection Unit at Varanasi with a departmental workshop in 1975.

(Paragraph 3B.1.1.)

Growth of transmission system could not keep pace with generating capacity. Transformation capacity per MW of generating capacity decreased from 2.52 MVA in 1989-90 to 2.48 MVA in 1993-94 and transmission lines from 2.39 Ckms in 1989-90 to 2.22 Ckms in 1993-94 due to (i) non-matching investments in generation and transmission system (ii) low generation due to delay in execution of transmission system resulting in loss of 1757.84 MUs of generation valued at Rs. 198.64 crores in two projects and (iii) deferment of transmission system of Srinagar Hydro Electric Project resulting in infructuous expenditure of Rs. 103.20 lakhs and unfruitful expenditure of Rs. 494.89 lakhs.

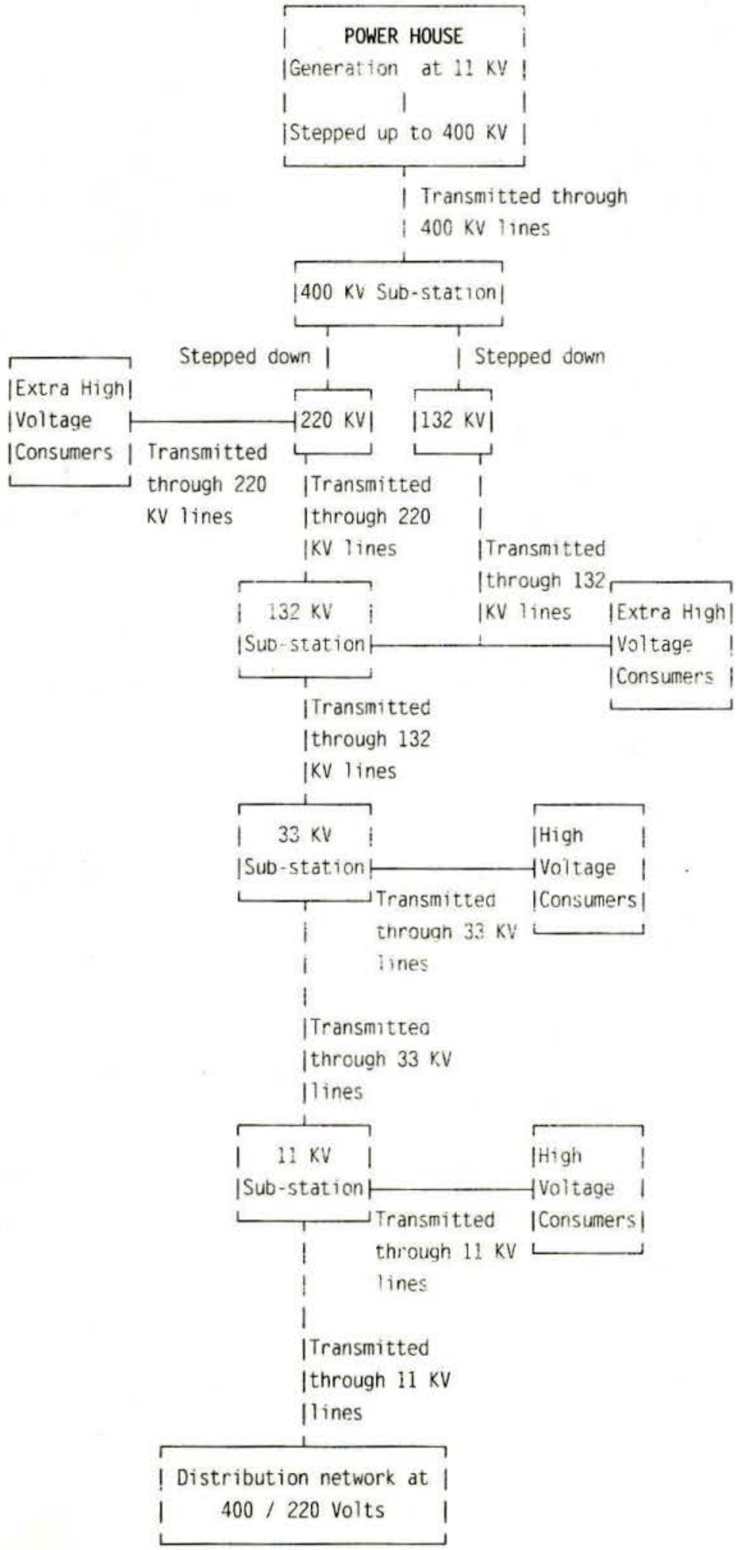
(Paragraph 3B.3.2.)

Due to incurring of substantial expenditure on the work of construction of 132 KV sub-station and associated line of Milkipur, Khaga and Kaimganj without approval of scheme by Rural Electrification Corporation, Board funds amounting to Rs. 253.20 lakhs were locked up.

Further, due to time overrun in completion of 132 KV sub-station at Varanasi Cantt, Board had to incur an additional expenditure of Rs. 187.97 lakhs. Besides, Board was put to loss of revenue to the extent of Rs. 256.62 lakhs annually.

(Paragraph 3B.4.)

FLOW CHART OF TYPICAL POWER TRANSMISSION SYSTEM



Underutilisation of capacity of Board's workshops at Naini and Varanasi has resulted in payment of unproductive wages of Rs. 169.53 lakhs and Rs. 18.87 lakhs respectively to the idle labours during four years up to 1993-94.

(Paragraphs 3B.5.1 and 3B.6.1.)

3B.1.1. Introduction

Transmission system comprises transmission lines and connected sub-stations at high voltage necessary for carrying power from generating and receiving points for its distribution to consumers. With a view to ensuring availability of galvanised tower parts and sub-station structures for construction of transmission lines and sub-stations, the Board established Electricity Fabricaion Unit at Naini and Electricity Transmission Line Erection Unit (ETLU) at Varanasi (with a departmental workshop) in 1975.

3B.1.2. Scope of Audit

Construction and growth of transmission lines in Uttar Pradesh State Electricity Board (Board) was last reviewed in the Report of the Comptroller and Auditor General of India for the year ended 31st March 1980 (Commercial), Government of Uttar Pradesh. The report was discussed by COPU in September 1988 but its recommendations are awaited (October 1995).

The present review conducted during October 1994 to March 1995 covers the growth of transmission system (132 KV and above) for the period from 1989-90 to 1993-94 which includes working of Electricity Fabrication Unit at Naini and Electricity Transmission Line Erection Unit (including departmental workshop) at Varanasi.

3B.1.3. Organisational set up

The Transmission Wing, responsible for planning and execution of transmission works, functions under Member (Planning and Transmission) who is assisted by one Chief Engineer each at Central Monitoring, Planning, Transmission, Power System and Planning and Transmission wings. Electricity Fabrication unit at Naini and Electricity Transmission Line Erection Unit (including departmental workshop) at Varanasi each are headed by an Executive Engineer.

3B.2. Growth of the system

The power generated at power stations of the Board (capacity: 8071.75 MW) and the power purchased from other sources viz. National Thermal Power Corporation, National Hydro Power Corporation and other States is transmitted through transmission network of the Board.

The table given below indicates the position of achievements vis-a-vis targets of transmission lines and transformation capacity for five years up to 1993-94:

(Rupees in lakhs)

Period	Transmission lines (In Ckms)			Transformation capacity (In MVA)			Financial progress		
	Targets	Achieve-ments	Percen-tage of achiev-ements	Targets	Achieve-ments	Percen-tage of achiev-ments	Sanct-ioned outlay	Actual expen-diture	Percen tage of actual expen-diture
Upto 1989-90	4523	1782	39.4	4765	2980	62.5	62481	40095	64.2
1990-91	505	103	20.4	660	364	55.2	6000	10842	180.7
1991-92	549	140	25.5	1078	597	55.4	10270	11557	112.5
1992-93	703	266	37.8	1360	200	14.7	10000	18447	184.5
1993-94	548	417	76.1	960	1060	110.4	24811	17131	69.1

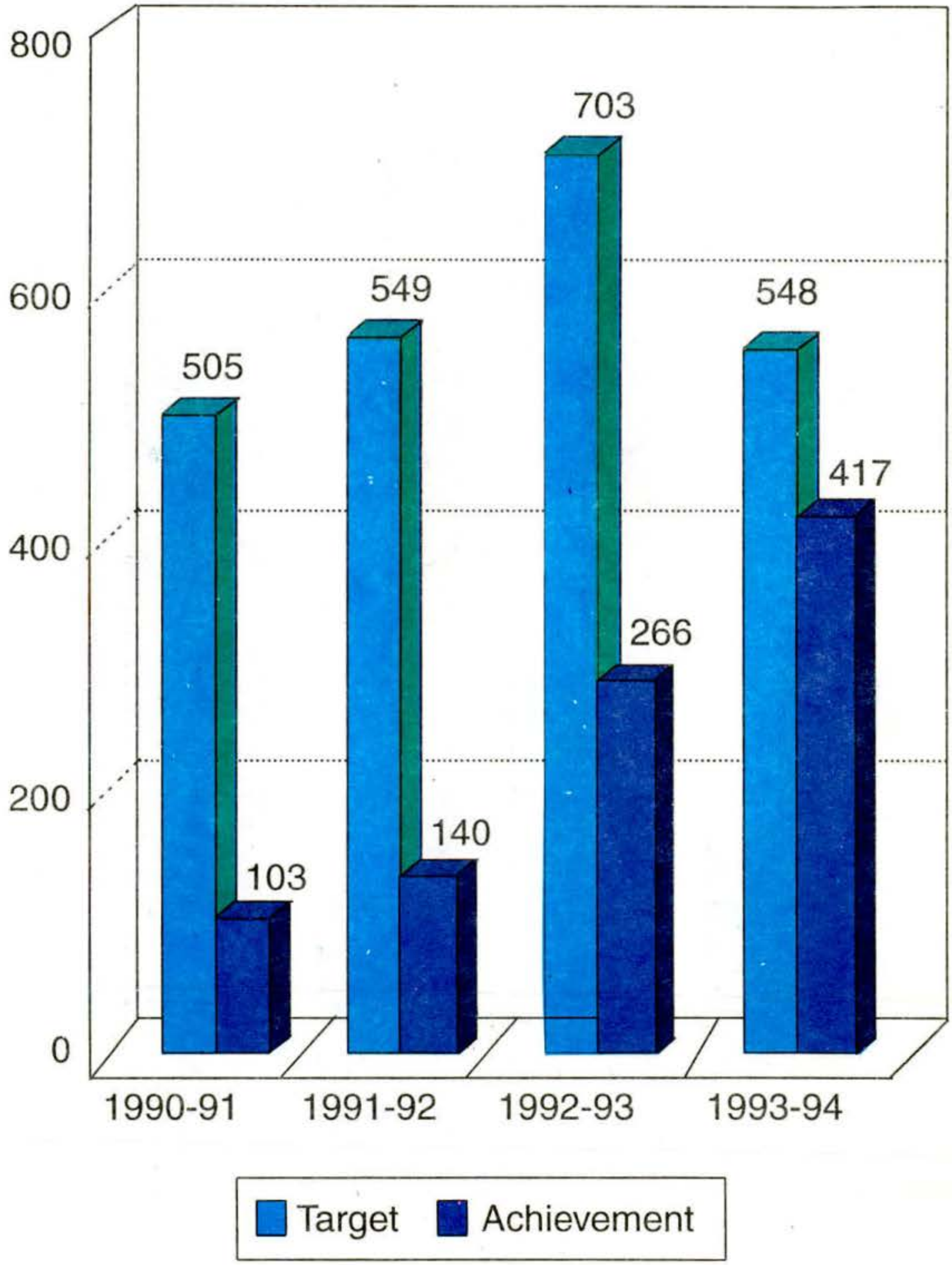
It would be seen from the above that the physical achievements compared with the targets were very low though the expenditure incurred was higher than the sanctioned outlay during 1990-91 to 1992-93. The reasons for shortfall in achievements as attributed by the Board were:

(i) delay in acquisition of land/levelling of site etc;

(ii) delay in finalisation of contracts for supply of material and

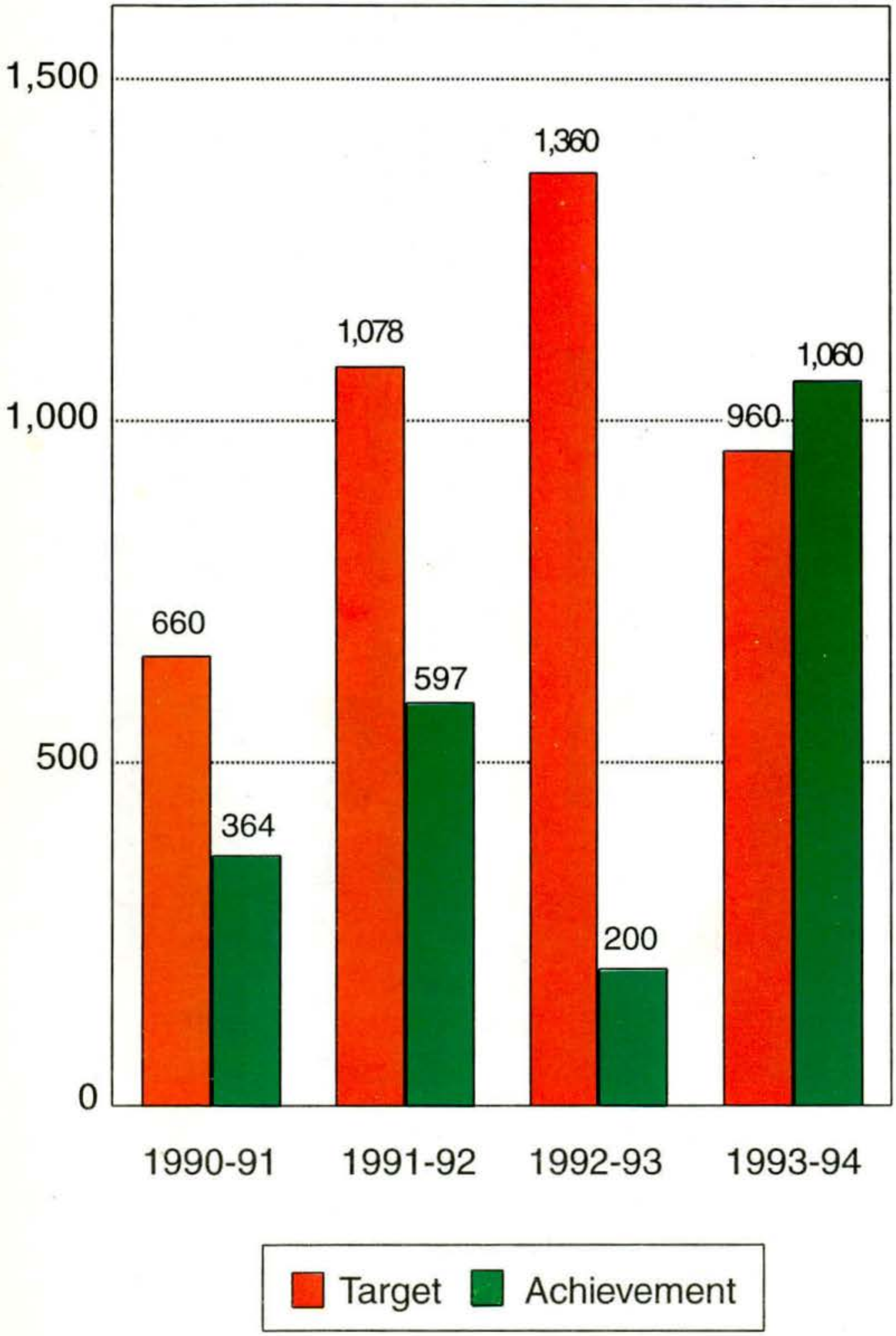
(iii) delay in completion of civil works.

ERECTION OF TRANSMISSION LINES
(In Circuit Kilometres)



(Refer paragraph 3B. 2)

ADDITIONS TO TRANSFORMATION CAPACITY (IN MVA)



(Refer paragraph 3B. 2)

3B.3. Inadequacy of the system

For adequate and efficient evacuation of power from the generating stations, growth of transmission system must keep pace with the increase in generating capacity to avoid overloading, ensure proper voltage to minimise losses and to improve the reliability of the system. This is possible when the growth of transmission system is synchronised with the growth of generating capacity.

The table below indicates the growth of transformation capacity and the transmission lines vis-a-vis generating capacity during five years up to 1993-94:

	1989-90	1990-91	1991-92	1992-93	1993-94
Generating capacity (MW)*	7114	7039	7217	7328.5	8071.75
Transformation capacity (MVA)**	17895	18240	18813	19056	20016
Transmission lines (Ckms)@	17029	17132	17272	17538	17955
Transformation capacity per MW of generating capacity (MVA)	2.52	2.59	2.61	2.60	2.48
Transmission lines per MW of generating capacity (Ckms)	2.39	2.43	2.39	2.39	2.22

While the transformation capacity per MW of generating capacity decreased from 2.52 MVA in 1989-90 to 2.48 MVA in 1993-94, the growth of transmission lines decreased from 2.39 Ckms to 2.22 Ckms.

The reasons mainly attributable to decrease in growth of transmission lines and transformation capacity, as analysed in audit, were as under:

3B.3.1. Mismatch of investment in transmission system

The Rajyadhyaksha Committee, set up by the Government of India, recommended (1980) that investment in generation and transmission system should be

* MW stands for Megawatt.

** MVA stands for Mega Volt Ampere.

@ Ckms stands for Circuit Kilometers.

in the ratio of 2:1. Against this, the investment ratio of generation and transmission ranged between 4:1 and 10:1 during five years up to 1993-94.

3B.3.2. Loss of generation due to delayed execution of transmission system

(a) In case of Anpara "B" Thermal Power Station, it was observed by a study team of the Board in July 1992 that evacuation of power would be possible only when linked transmission system was completed.

However, while Units I and II of Anpara "B" Thermal Power Station were commissioned in January 1994 and July 1994 respectively at a cost of Rs. 1210.88 lakhs (upto March 1994), the work on linked transmission system for evacuation of power could be started as late as from April 1995. The reason given for delay in taking up of the work was delay in signing the agreement for financing arrangements with Overseas Economic Cooperative Fund (OECF), Japan and in getting the clearance from the state forest department and Ministry of Environment, Government of India.

The delay in setting up the power evacuation system resulted in consequent mismatch of generation with transmission system. Units I and II of Anpara "B" Thermal Power Station could be operated to generate 4819.84 million units (MUs) against the established capacity of 6540 MUs which also could be transmitted through the existing Obra power evacuation system.

Mismatching of the two systems, resulted in loss of 1720.16 MUs of generation valued at Rs. 194.38 crores upto March 1995.

Delay in taking up the work of linked transmission system at Anpara Thermal `B' and Khara Hydro Electric Projects resulted in low utilisation of generation capacity with consequent loss of Rs. 198.64 crores.

(b) In case of Khara Hydro Electric Project (commissioned in December 1992), two 220 KV transmission lines (Khara-Saharanpur and Khara-Shamli) were envisaged for evacuation of power. While 220 KV Khara-Saharanpur line (60.2 Ckms) was constructed and energised in March 1990, construction of 220 KV Khara-Shamli line (120 Ckms) scheduled to be completed in March 1990 was still under progress (October 1995). Non-completion of the line resulted in closure of Khara power house for 157 hours during

7th October 1994 to March 1995 as 220 KV Khara-Saharanpur line was the only source of evacuating power which was under breakdown. This resulted in loss of 37.68 MUs of generation valued at Rs. 4.26 crores.

3B.3.3. Infructuous expenditure on deferred transmission system of Srinagar Hydro Electric Project

A composite scheme comprising 330 MW Hydro Power Station and transmission system (400 KV and 220 KV sub-stations, lines and extension of existing facilities) was approved by the Planning Commission for growth of transmission in seventh Five Year Plan (1985-90). The package of 350 million US dollars (Rs. 458.50 crores) was financed by the World Bank through IBRD* under a tripartite agreement (between Government of India, IBRD and the Board) of July 1988 at an annual interest rate of 10.25 per cent. The agreement stipulated, inter-alia, an obligation on the part of the Board to ensure return of not less than 3 per cent on net fixed assets. Part of the package, being construction of 400 KV single circuit lines (Srinagar-Karanprayag- 100 Ckms and Srinagar-Moradabad-240 circuit Ckms) and sub-stations, was envisaged (July 1988) to be constructed at a projected cost of Rs. 122.00 crores with targetted date of completion being December 1994.

In anticipation of release of loan by IBRD, Board incurred an expenditure of Rs. 598.09 lakhs. The loan was cancelled due to non fulfilment of contractual obligation resulting in infructuous expenditure of Rs. 103.20 lakhs and locking of funds of Rs. 494.89 lakhs.

In anticipation of release of loan by IBRD, the Board incurred an expenditure of Rs. 598.09 lakhs as advance payment during May 1990 to March 1991 against survey, design, fabrication, supply and erection of towers (Rs. 247.78 lakhs), value of transformers (Rs. 183.00 lakhs), conductors and isolators (Rs. 40.28 lakhs), oil circuit breakers and panels (Rs. 26.31 lakhs), oil purifier equipments (Rs. 20.61 lakhs) and miscellaneous other items (Rs. 80.11 lakhs) out of its own resources. These advances remain unadjusted as of March 1995. However, the loan from World Bank was

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* International Bank for reconstruction and development.

suspended (April 1991) and subsequently cancelled (August 1992) as the Board could not maintain the stipulated rate of return.

Out of Rs. 247.78 lakhs advanced to three contractors for supply of material Rs. 154.86 lakhs was paid to Electrical Manufacturing Company Limited, Calcutta who preferred the bills for Rs. 103.20 lakhs towards cost of survey (Rs. 15.15 lakhs), soil investigation charges (Rs. 7.60 lakhs) and cost of design, engineering and tower testing (Rs. 80.45 lakhs) which are awaiting adjustments.

Board decided (July 1991) to defer the scheme till revival of the World Bank loan or managing financial resources otherwise. Even four years after suspension of loans, the Board is yet to finalise the financing of the scheme (October 1995).

Thus, the action of the Board to take up the scheme without adopting measures to ensure return of 3 per cent rendered the expenditure of Rs. 103.20 lakhs on survey, soil testing, designs and tower testing etc. as infructuous. The balance amount of Rs. 494.89 lakhs remained locked up (March 1995) which resulted in interest liability of Rs. 316.73 lakhs (at the rate of 16 per cent per annum) for four years up to 1994-95. Neither material, for which advance was paid, has been received nor refund of advance could be obtained from the suppliers. Besides, the suppliers have claimed (January 1993 to July 1993) compensation for Rs. 775.40 lakhs for breach of contract which also remained unresolved as of October 1995.

3B.4. Execution of schemes

For the growth of transmission system, some projects/schemes undertaken by the Board during sixth and seventh Five Year Plans had to be deferred subsequently after incurring expenditure of Rs. 441.17 lakhs as discussed subsequently.

3B.4.1. Locking of funds in the schemes

Before getting the schemes approved and tying up the funds from Rural Electrification Corporation (REC), the Board undertook the construction of 132 KV sub-stations and associated lines of Milkipur (December 1983), Khaga (January 1991) and Kaimganj (March 1993) at an

Funds to the extent of Rs. 253.20 lakhs were locked up as it was spent without approval and sanction of these schemes by REC.

estimated cost of Rs. 727.60 lakhs, Rs. 485 lakhs and Rs. 627.57 lakhs respectively. After incurring an expenditure of Rs. 253.20 lakhs, the works on these projects were stopped as the REC did not approve the schemes and release the loans subsequently due to non-refund of loans against other schemes. This resulted in locking up of funds of Rs. 253.20 lakhs.

3B.4.2. Delay in completion of sub-station

For strengthening the power supply system in Varanasi, construction of 132 KV sub-station started in October 1990 (with targetted date of completion as March 1991), could be completed only in August 1993 i.e. after a delay of 29 months. This resulted in cost overrun of Rs. 187.97 lakhs besides loss of generation of 3127 MUs per annum valued at Rs. 256.62 lakhs due to inadequate transmission capacity.

Delay in completion of sub-station resulted in cost overrun of Rs. 187.97 lakhs.

3B.5. Working of Electricity Fabrication Unit, Naini

For minimising delays in construction of lines and sub-stations due to delayed supply of galvanised tower parts and sub-station structures required, the Board established (August 1975) Electricity Fabrication Unit at Naini (Allahabad) at a cost of Rs. 25.92 lakhs. The workshop had an installed capacity of fabricating and galvanising 200 MT per month of steel structures.

3B.5.1. Production performance

The table below gives details of installed capacity, quantity produced by the workshop and capacity utilisation during the five years upto 1993-94:

Year	Installed capacity (MT)	Production (MT)	Capacity utilisation (Per cent)
1989-90	2400	531	22
1990-91	2400	926	39
1991-92	2400	1400	58
1992-93	2400	1900	79
1993-94	2400	1393	58

It would be seen from the above that except during 1992-93, when the capacity utilisation touched the level of 79 per cent, the utilisation during four years upto 1993-94 ranged between 22 and 58 per cent. Inspite of under utilisation of the capacity of its own workshop and resultant idle labour, the Board procured 9469.638 MT of galvanised tower parts valued at Rs. 1843.08 lakhs from market during the year 1989-90 to 1993-94. This resulted in unproductive wages amounting to Rs. 169.53 lakhs as detalied below:

Low capacity utilisation of fabrication workshop ranging from 22 to 58 per cent (except during 1992-93) resulted in unproductive wages of Rs. 169.53 lakhs.

(Rupees in lakhs)

Year	Quantity procured from market (MW)	Quantity which could be fabricated in workshop with available capacity (MT)	Total wages paid	Unutilised capacity (Per cent)	Unproductive wages paid for unutilised capacity
1989-90	2449.969	1869.00	68.37	78	53.24
1990-91	1985.669	1474.00	61.70	61	37.90
1991-92	1730.00	1000.00	58.33	42	27.94
1992-93	1580.00	500.00	74.68	21	15.56
1993-94	1724.00	1007.00	83.15	42	34.89
					169.53

3B.5.2. Excess scrap

The Board has not fixed norms for realisable wastage in the shape of scrap. The Board allowed (1977) 5 per cent as scrap for fabrication got done through private contractors. The table given on the next page indicates the quantity of steel received for fabrication, fabricated and identified as scrap in the workshop during four year up to 1993-94:

Year	Raw steel used for fabrication	Quantity fabricated	Scrap recovered	Percentage of scrap to quantity of raw steel
	(	M. T.	)	
1990-91	1610.352	926.000	684.352	43
1991-92	1604.319	1400.000	204.319	13
1992-93	3024.948	1900.000	1124.948	37
1993-94	2207.879	1393.000	814.879	37
Total	8447.498	5619.000	2828.498	

It would be seen from the above that in the absence of proper control on utilisation of raw steel for fabrication by resorting to use of standard length and size, the percentage of scrap recovered during four years up to 1993-94 was much higher than the permissible limit which ranged between 13 to 43 per cent. The value of scrap (2406.127 MT) in excess of allowable limit of 5 per cent worked out to Rs. 96.24 lakhs.

3B.5.3. Non-moving items

(a) Galvanised tower parts and sub-station structures valued at Rs. 100.78 lakhs and black fabricated tower parts valued at Rs. 19.88 lakhs were lying in the workshop for more than five years resulting in locking up of funds. The loss of interest on the locked up funds worked out to Rs. 19.31 lakhs at cash credit rate of interest.

(b) Steel of different sections valued at Rs. 30.03 lakhs were lying in the workshop for the last five years. Though the Executive Engineer stated (January 1995) that these sections could not be utilised due to change in the design of tower parts and sub-station structure, action for its disposal was not taken as of October 1995.

3B.6. Working of departmental workshop at Varanasi

The Board established (August 1975) a departmental workshop at Varanasi (under the over all charge of ETLU) with an installed capacity of fabricating 60 MTs of raw steel per month (720 MT anually) for erection of lines departmentally.

3B.6.1. Production performance

The Board had not fixed annual targets for production by the workshop. The table below indicates production performance and utilisation of capacity during the six years upto 1993-94:

Year	Production (In MT)	Percentage utilisation of capacity
1988-89	29.892	4
1989-90	25.997	4
1990-91	9.141	1
1991-92	32.437	5
1992-93	NIL	NIL
1993-94	NIL	NIL

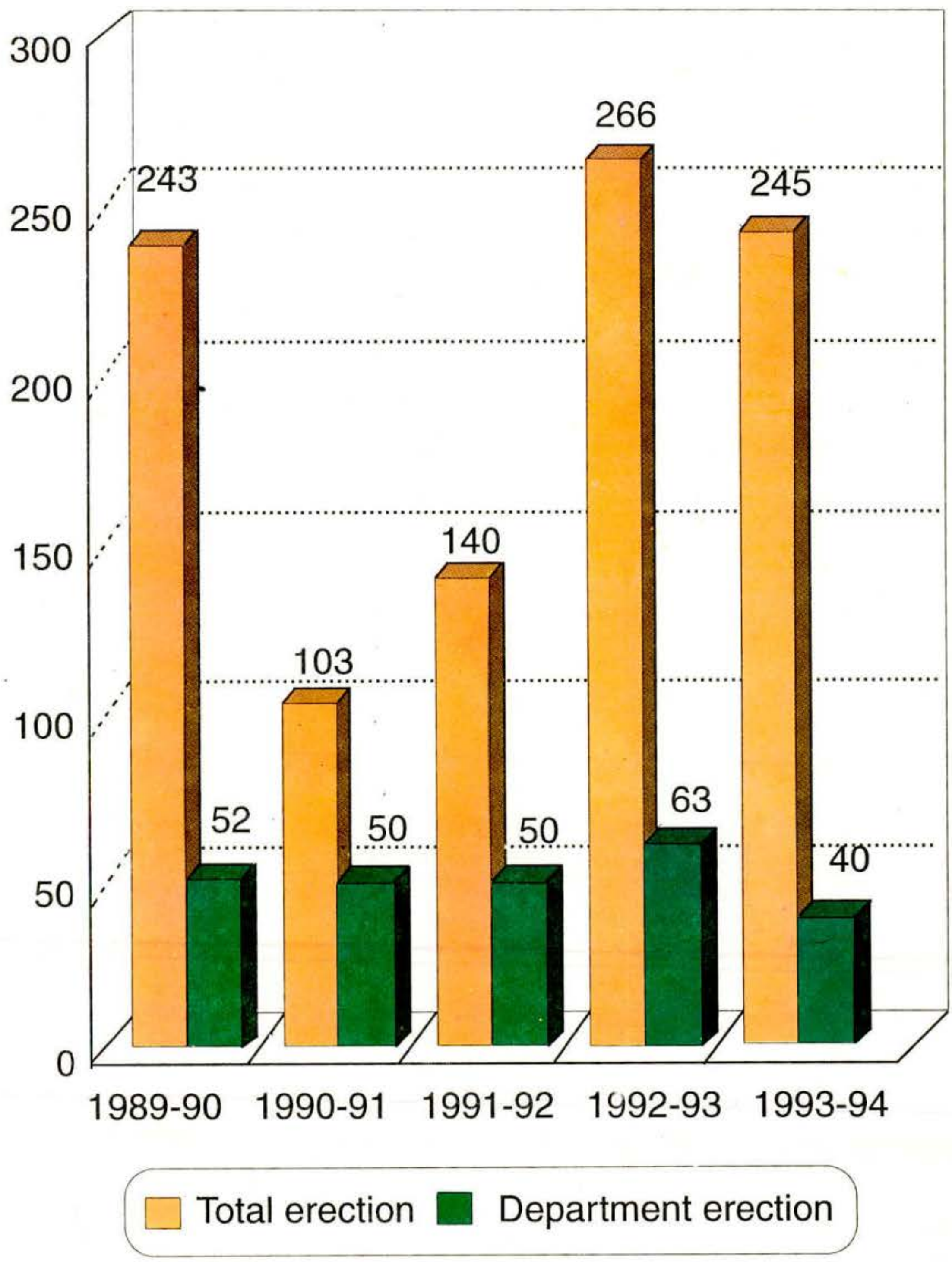
It would be seen from the above table that:

(a) While the workshop had nominal production upto 1991-92 (utilisation percentage ranging between 1 and 5), it did not undertake any fabrication work during 1992-93 and 1993-94. Reasons for not carrying out fabrication work were attributed by the local management due to adoption of galvanised towers in place of painted towers for which the workshop was not equipped with.

The capacity utilisation of departmental workshop was zero during 1992-93 and 1993-94 resulting in infructuous staff cost of Rs. 18.87 lakhs.

(b) The workshop did not have fabrication activities during 1992-93 and 1993-94. However, the staff had not been transferred to other places resulting in an infructuous expenditure of Rs. 18.87 lakhs on salaries and allowances of 20 employees for 1992-93 and 1993-94. The machines, tools and plants and other fabrication equipments were also lying unutilised/undisposed off (value indeterminate). A committee on Power set up by the Government of India recommended (1980) for gradual phasing out of such non-

ERECTION OF HIGH VOLTAGE LINES
(In Circuit kilometres)



(Refer paragraph 3B. 7.1)

galvanising units, but action on the recommendation is yet to be taken up (October 1995).

3B.7. Electricity Transmission Line Erection Unit, Varanasi

The unit was established in August 1975 for departmental erection of 132 KV and 220 KV transmission lines.

3B.7.1. Erection performance

The Board had not fixed targets for erection of lines by the unit. The table given below indicates the position of lines erected by the unit vis-a-vis outside parties during the last five years upto 1993-94:

Year	Total length of lines erected	Length of line erected by the unit	Erection through outside parties	Percentage of contribution by the unit
	(Circuit	Kilometers	)	
1989-90	243	52	191	21.4
1990-91	103	50	53	48.5
1991-92	140	50	90	35.7
1992-93	266	63	203	23.7
1993-94	245	40	205	16.3

It may be seen from above table that erection work undertaken by the unit was much low compared to work done by outside parties.

Further, the value of works executed declined from Rs. 666.00 lakhs in 1990-91 to Rs. 149.00 lakhs in 1993-94 against nominal variation in staff cost as indicated in the table on the next page:

(Rupees in lakhs)

Year	Expenditure on works	Staff cost	Percentage of expenditure on works
1990-91	666.00	153.40	23.03
1991-92	329.00	162.30	49.33
1992-93	172.00	183.30	106.57
1993-94	267.00	220.70	82.66
1994-95 (upto 12/94)	149.00	158.80	106.57

Though the Executive Engineer recommended (August 1994) closure of the unit to the Board but decision on the recommendation has not been taken (October 1995).

3B.8. Other topics of interest

3B.8.1. Unrecovered shortages and damages

The work for erection of 132 KV single circuit line from Mathura to Kosikalan (length: 47.86 Ckms) was awarded (August 1991) to M/S Orient Translines, Allahabad at a cost of Rs. 22.10 lakhs. The work was to be completed by December 1994. Terms of the work order, inter-alia, stipulated furnishing of security at the rate of 1 per cent of works (Rs. 0.23 lakh) and bank guarantee of Rs. 2.21 lakhs, to be revalidated till successful commissioning of lines. The contractor paid security by deduction from bills of January 1992 to January 1993 and furnished bank guarantee in August 1992. According to the terms of the work order, the Board had a right to claim compensation for losses in case the work was left incomplete.

It was noticed that the contractor left the work incomplete (December 1992) which was got completed (August 1993) departmentally by incurring an expenditure of Rs. 3.64 lakhs. The work done by the contractor was valued at Rs. 23.23 lakhs against which he had already been paid (between January 1992 and January 1993) an amount of Rs. 17.08 lakhs. The value of left over work, defective works, shortage of materials, cost of damaged conductor and theft of tower parts, worked out to Rs. 10.77 lakhs which was recoverable from the contractor against the balance amount of his pending claims of Rs. 5.07 lakhs payable by the Board. The Board, instead of withholding the payment, invoking the bank guarantee and forfeiting security, released further payment of Rs. 1.08 lakhs during December 1993 to January 1994.

Thus, the Board could not recover the amount of Rs. 5.47 lakhs (after adjustment of security of Rs. 0.23 lakh) as of October 1995.

3B.8.2. Excess issue of mild steel rods

Under an agreement entered into in April 1991 valued at Rs. 3.60 lakhs for laying of earthmat for earthing 400 KV sub-station, Mau, a firm of Azamgarh was issued 37,167 metres of mild steel (M.S.) rods against the required quantity of 31,348 metres according to the drawing resulting in excess issue of 5819 metres of M.S. rods valued at Rs. 4.85 lakhs.

The Executive Engineer of Mau Sub-Station Division accepted (February 1995) the excess issue but did not initiate action to get back the material or recover the cost thereof from the contractor as of October 1995.

Conclusion

Foregoing paras of the review revealed that the Board failed to improve transmission system which suffers from the following defects:

(i) Mismatch of investment in generation and transmission system;

(ii) Delay in taking up the construction of transmission system for evacuation of power resulting in low generation;

(iii) Infructuous and unfruitful expenditure on transmission system due to deferment of transmission projects and

(iv) Underutilisation of capacity at Fabrication Workshop at Naini, and Electricity Transmission Line Erection Unit at Varanasi including its Departmental workshop.

These matters were reported to the Board and the Government in June 1995; reply has not been received as of October 1995.

Chapter - III

Section - 3C
Cash Management

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Cash Management

SECTION - 3C
CASH MANAGEMENT

HIGHLIGHTS

Main source of cash inflow of Board is revenue from sale of power, subsidy and borrowings from the State Government, Financial Institutions and World Bank. Cash outflow mainly comprises expenditure on capital works, operation and maintenance, purchase of power, fuel, stores and repayment of loans and interest on borrowings.

(Paragraph 3C.1.1)

Continued heavy cash deficit during 1989-90 to 1993-94 which ranged from Rs. 737.08 crores in 1989-90 to Rs. 1189.75 crores in 1993-94, led to constant increase of current liabilities (Rs. 972.85 crores to Rs. 3193.76 crores) and interest (Rs. 336.49 crores to Rs. 1615.96 crores) due during 1989-90 and 1993-94.

(Paragraph 3C.2)

The Board had paid Rs. 1.17 crores and incurred further liability of Rs. 0.81 crore towards commitment charges for failure in timely drawal or surrender of loans. Due to failure in timely repayment of principal and interest, the Board paid penal interest amounting to Rs. 8.37 crores to Power Finance Corporation Limited during the year 1990-91 to 1993-94 and Rs. 39.43 crores to Life Insurance Corporation of India during the year 1991-92 and 1993-94.

(Paragraph 3C.3)

Sundry debtors for power increased from Rs. 661.54 crores at the end of 1989-90 to Rs. 2038.23 crores at the end of 1993-94 indicating that large part of Board's revenue remained unrealised.

(Paragraph 3C.4)

A sum of Rs. 12.95 crores remitted by Bank to Board's main account during July 1989 to August 1994 had not been credited to Board's account. Further, interest of

Rs. 1.61 crores for delay in remittance of Board's revenue by the local banks to Board's main account was not claimed.

(Paragraph 3C.4.3)

3C.1.1 Introduction

Cash management involves projection of cash inflows/outflows and financing needs coupled with cash control. Effective cash management aims at establishing a sound system of cash and credit control so as to judge the need for additional borrowings or to invest surplus funds.

Main source of cash inflow of the Uttar Pradesh State Electricity Board (Board) is revenue from sale of power, security deposits and miscellaneous income, deposit of service connection charges, subsidy and borrowings from State Government, financial institutions and World Bank. Cash outflow of the Board comprises expenditure incurred on capital works, establishment, operation and maintenance, purchase of power, fuel, stores and stock, repayment of loan and interest on borrowings.

3C.1.2 Scope of Audit

Cash management of the Board was last reviewed in the report of the Comptroller and Auditor General of India for the year 1980-81 (Commercial). The report was discussed by the Committee on Public Undertaking (September 1990) but their recommendations are awaited (October 1995). The present review undertakes to identify the deficiencies and lapses in remittance of receipts to Board's account, its appropriation for meeting various items of expenditure and borrowings from Financial Institutions etc. The results of the review covering period of five years upto 1993-94 conducted during October 1994 to February 1995 are discussed in succeeding paragraphs.

3C.1.3 Organisational set up

Management of cash at Board's Headquarter is vested in Chairman, Member (Accounts), Member (Distribution), Controller of Funds and Chief Accounts Officer. In the unit offices, management of cash is vested in General Manager of projects, Chief Zonal Engineers, Deputy Chief Accounts Officers/Senior Accounts Officers and Divisional Accountants.

3C.2 Sources and application of funds

There is no system of preparation of cash budget either at Board or at Unit level. However, a monthly review of cash flow is prepared at Board level on the basis of targetted and actual collection of receipts and expenditure.

The table below gives the cash inflow and outflow of the Board during five years upto 1993-94:

(Rupees in crores).

Sl. No.	Particulars	1989-90	1990-91	1991-92	1992-93	1993-94
(1)	Cash in flow					
(A)	Revenue receipts	1929.86	2327.31	2666.81	3592.96	4086.82
	Less:					
(a)	Increase in sundry debtors	751.81	890.32	1141.38	1354.93	96.95
(b)	Adjustment of subsidy	--	--	--	--	1469.50
	Net revenue receipts	1178.05	1436.99	1525.43	2238.03	2520.37
(B)	Capital receipts	770.55	1264.88	1763.13	1757.30	1251.04
	Less repayment of loans	145.78	214.36	130.77	105.06	224.42
	Net capital receitps	624.77	1050.52	1632.36	1652.24	1026.62
	Total cash inflow (A+B)	1802.82	2487.51	3157.79	3890.27	3546.99
(2)	Cash outflow					
(A)	Revenue expenditure	1736.69	2064.98	2390.14	2932.36	3650.03
(B)	Capital expenditure	803.21	948.45	1586.26	1734.18	1086.71
	Total cash outflow (A+B)	2539.90	3013.43	3976.40	4666.54	4736.74
(C)	Cash deficit (2-1)	737.08	525.92	818.61	776.27	1189.75

In this connection, following observations are made:

(i) Deficit of cash inflow (after accounting for borrowings) during 1989-90 to 1993-94 aggregated to Rs. 4047.63 crores despite the fact that the Board resorted to borrowings which amounted to Rs. 6357.59 crores. This led to increase of current liabilities from Rs. 972.85 crores in 1989-90 to Rs. 3193.76 crores in 1993-94 and interest liability from Rs. 336.49 crores in 1989-90 to Rs. 1615.96 crores in 1993-94.

Cash deficit of the Board increased constantly due to lower sale price compared to cost of generation and purchase of energy, continued higher T & D losses and large part of revenue remaining unrecovered from consumers.

(ii) Cash deficit increased from Rs. 737.08 crores in 1989-90 to Rs. 1189.75 crores in 1993-94 mainly due to following reasons:

-- Sale of energy at lower price than its cost (Paragraph 3C.2.1)

-- continued high Transmission and Distribution (T&D) losses (Paragraph 3C.2.2)

-- part release of subsidy by the State Government (Paragraph 3C.2.3) and

-- increase in dues from consumers (Paragraph 3C.4)

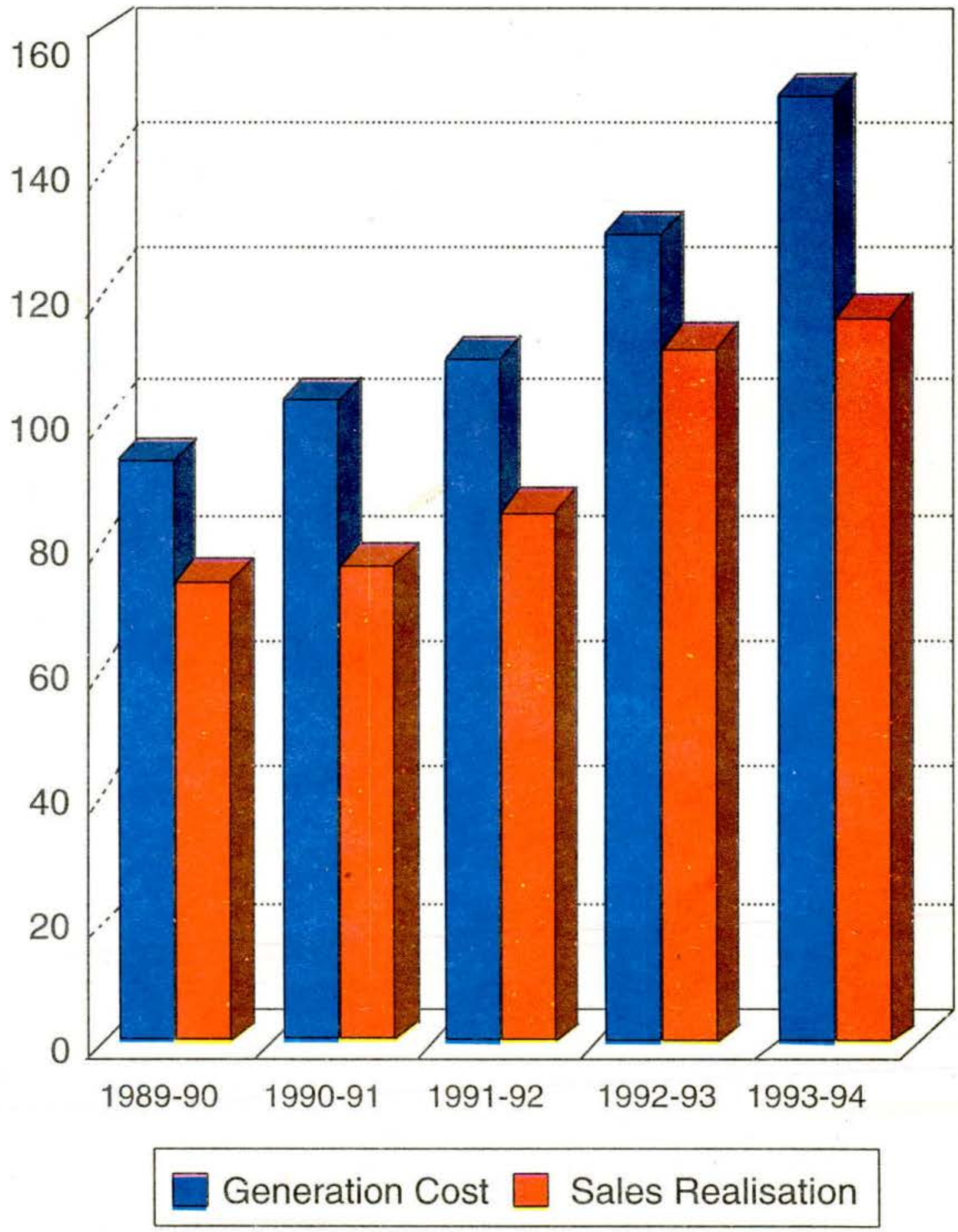
These points are discussed below:

3C.2.1 Sale of energy at lower price than its cost

Cash resources of the Board were affected due to the fact that average sale price (ranging between 74 paise and 115.41 paise) of electricity sold to consumers was lower than average purchase price plus cost of generation (ranging between 93.73 paise and 150.89 paise) during the last five years ending 1993-94 as detailed on the next page:

Sale of energy at lower price than its cost led to cash deficit of Rs. 2584.37 crores during five years up to 1993-94.

COST OF GENERATION AND AVERAGE SALE PRICE
U.P. STATE ELECTRICITY BOARD
PER UNIT IN PAISE



(Refer paragraph 3C. 2.1)

Items	1989-90	1990-91	1991-92	1992-93	1993-94
(a) Average cost of generation and purchase price (paise)	93.73	102-20	109.56	128.70	150.89
(b) Average sale price per unit (paise)	74.00	77.60	84.55	112.40	115.41
(c) Deficit on sale per unit (paise)	19.73	24.60	25.01	16.30	35.48
(d) Unit sold (million units)	18069	19732	21348	22318	23810
(e) Deficit on total sale (Rs. in crores)	356.50	485.40	533.91	363.78	844.78

Sale of energy at lower than the cost price led to cash deficit of Rs. 2584.37 crores during five years up to 1993-94.

3C.2.2 High T & D losses

The Seventh Five Year Plan (1985-90) of the Board envisaged T & D loss of 18 per cent against 15 per cent recommended by the Central Electricity Authority (CEA). The percentage of T & D losses of the Board, however, ranged from 23.20 to 26.10 per cent during five years up to March 1994. Due to high percentage of loss, the Board could not generate revenue valued at Rs. 853.93 crores due to loss of 9616 MUs of energy in the system over the percentage of 18 per cent envisaged in the Board's own plan.

The Board could not generate revenue valued at Rs. 853.93 crores due to loss of 9616 MUs in the system as T & D losses were in excess of the prescribed norms.

3C.2.3 Part release of subsidy

The State Government agreed (March 1979) to make good the losses sustained by the Board in the rural electrification schemes by way of subsidy with effect from 1st April 1979. However, the Board's claim of subsidy of Rs. 2498.60 crores raised between June 1990 and September 1994, on account of losses in rural electrification for the years 1988-89 to 1991-92 was not made good by the State Government. Instead, the

State Government set off (October 1993) its interest amounting to Rs. 1469.49 crores due from the Board for the corresponding period. While setting off its outstanding amount of interest, the Government stated (October 1993) that Board would not prefer any claim on account of losses on rural electrification for the years 1988-89 to 1991-92. Further, Board's claim of subsidy raised in November 1995 for the subsequent years (1992-93 to 1993-94) amounting to Rs. 2065.99 crores was not settled due to delay in preferring the claim.

Part acceptance of claim for subsidy for the period 1988-89 to 1991-92 by the Government and non-acceptance of claims for subsidy for the subsequent periods affected the cash resources of the Board to the extent.

3C.3 Borrowings

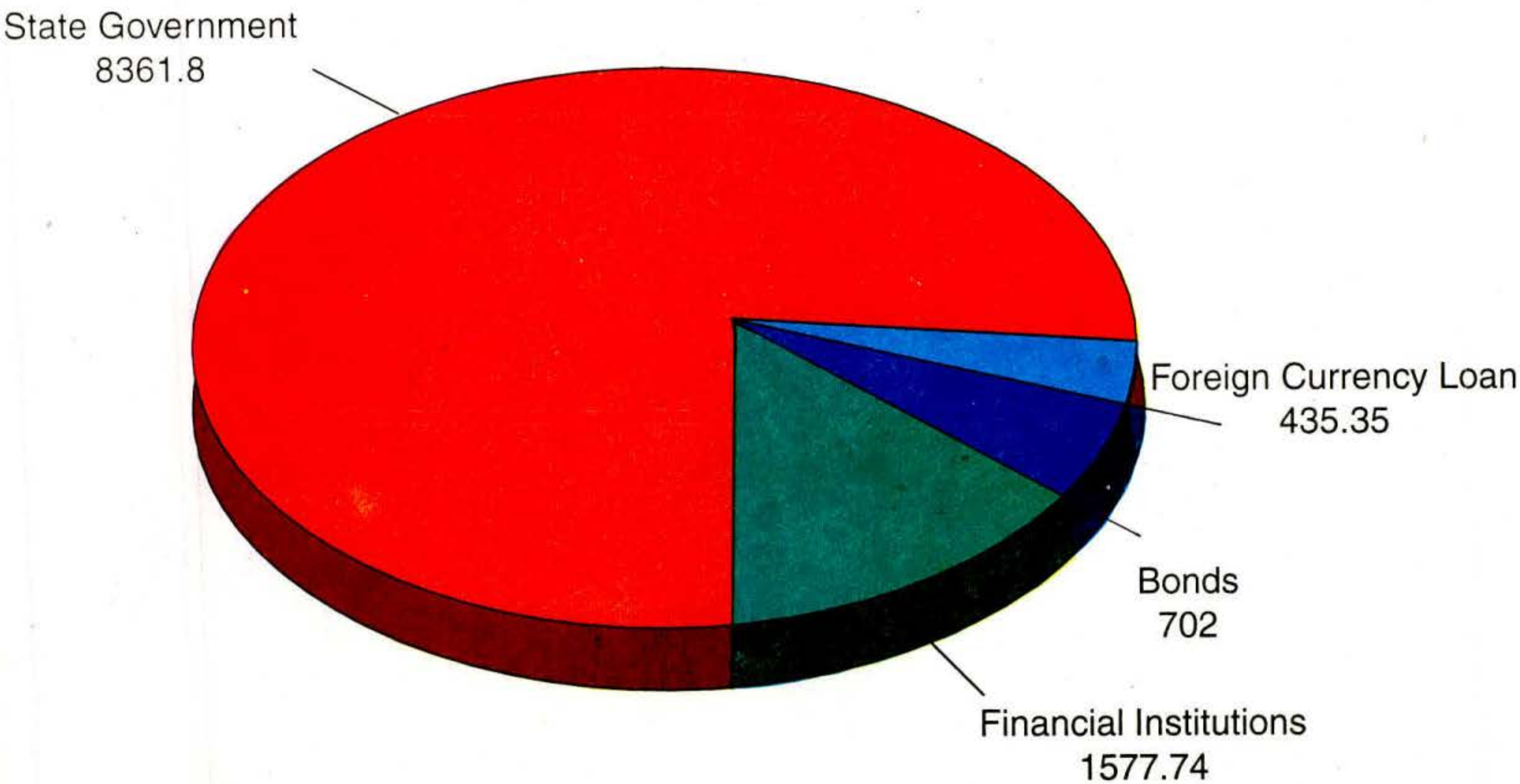
The Board has been financing its capital requirements by taking loans from the State Government, Power Finance Corporation Ltd. (PFC), Rural Electrification Corporation of India (REC), Life Insurance Corporation of India (LIC) and other financial institutions. Board also raised funds for meeting its capital expenditure requirements by issuing Bonds from time to time and also taking foreign currency loans from World Bank and Overseas Economic Co-operation Fund (Japan). The table given below gives the position of long term loans availed by the Board during the last five year upto March 1994:

(Rupees in crores)

Source of finance	Loans received during					Out standing at the end of 1993-94
	1989-90	1990-91	1991-92	1992-93	1993-94	
1. State Government	334.00	774.09	1304.94	1191.57	686.39	8361.80
2. Financial institutions	282.88	370.73	194.73	168.99	377.01	1577.74
3. Bonds	69.72	41.80	41.80	41.80	41.80	702.00
4. Foreign currency loan	0.77	15.99	146.91	250.60	21.07	435.35
5. Total	687.37	1202.61	1688.38	1652.96	1126.27	11076.89

BREAK-UP OF LOANS OUTSTANDING AS ON 31/03/94

Rupees in Crores



(Refer paragraph 3C 3)

Efficient cash management in respect of borrowings involves timely drawal of loans for smooth progress of the projects, avoidance of commitment charges and arrangement of funds for timely repayment of principal and interest to avoid payment of penal interest.

Failure of the Board in managing these financial aspects noticed during test check are summarised below:

(i) Avoidable payment of commitment charges

The agreements executed with PFC made the Board liable to pay commitment charges at the rate of one *per cent* on the amount remaining undrawn upto the end of the year from the 1st day of the following year till the date of drawal or surrender of the loan. The Board, however, failed to draw or surrender 19 loans aggregating to Rs. 149.36 crores during six years upto 1993-94 and paid commitment charges aggregating Rs. 1.17 crores on such loans during 1992-93 and 1993-94. The payment of commitment charges could have been avoided had proper precautions for drawal/surrender of loans been taken. A further liability of Rs. 0.81 crore was incurred thereon up to October 1994, which is yet to be paid. Further, the Board could not comply with the necessary conditions e.g failure in timely submission of schedule of completion of supply of material, civil and erection work for which payments had become due and submission of application for drawal of loan with required certificates and documents with the result the undrawn loan amounting to Rs. 149.36 crores had to be surrendered during May 1993 and May 1994.

The Board could not manage timely drawal or surrender of loans sanctioned by PFC and paid commitment charges of Rs. 1.17 crores and incurred further liability of Rs. 0.81 crore up to October 1994.

(ii) Payment of penal interest

In the event of non-payment of interest and principal on due dates, the terms of agreements with PFC provided for payment of penal interest at 2.75 *per cent* over and above the normal rate which was 12.5 *per cent* upto 15 January 1992 and 16.75 *per cent* thereafter. The Board paid a sum of Rs. 836.88 lakhs as penal interest during

1990-91 to 1993-94 in respect of 34 loans for its failure to repay instalments of principal and interest on due dates.

(iii) According to the terms of the agreements executed with LIC between March 1990 and April 1993, additional interest of one *per cent* over and above the prevailing rate of interest (14 per cent) was leviable on the instalments of principal and interest remaining unpaid after due dates. Due to continued default in repayment of principal and interest to LIC, Board had to incur liability of penal interest of Rs. 39.43 crores for the years ending March 1992 (Rs. 6.22 crores) and March 1994 (Rs. 33.21 crores).

Failure to manage timely repayment of the instalment of principal and interest resulted in payment of penalty of Rs. 39.43 crores to PFC up to 1993-94.

3C.4 Increase in dues from consumers

The following table shows the assessment, collections and balances of Board's revenue from sale of energy to consumers during five years upto 1993-94:

(Rupees in crores)

Particulars	1989-90	1990-91	1991-92	1992-93	1993-94
Assessment of revenue during the year	1353.68	1554.92	1827.19	2538.06	2794.24
Increase during the year	212.14	201.24	272.27	710.87	256.18
Sundry debtors for power at close of the year	661.54	924.56	1182.74	1632.37	2038.23
Increase during the year	203.01	163.02	258.18	449.63	405.86
Percentage of increase in sundry debtors to increase in assessment	96	81	32	63	158

It would be seen from the above table that assessment of energy charges increased to Rs. 2794.24 crores during 1993-94 as compared to Rs. 1353.68 crores during 1989-90, growth being 106 per cent. However, during the same period, sundry debtors for power increased to Rs. 2038.23 crores at the end of 1993-94 as against Rs. 661.54 crores at the end of 1989-90; the growth being 208 per cent. This indicated that large part of Board's revenues remained un-realised.

The Board failed to recover large part of revenue assessed. The amount of Rs. 661.54 crores at the end of 1989-90 increased to Rs. 2038.23 crores at the end of 1993-94.

3C.4.1 Delay in remittances

The revenue receipts of the Board are collected in 158 revenue units, who are required to remit the amount on the same day in Board's Branch receipt Account opened with local branches of nationalised banks. Cash so deposited in local branches are transferred by the bank thrice a week viz. every Tuesday, Thursday and Saturday to "Main receipt Account" of the Board at Lucknow by TT/MT/TPO/DD.

Cases of delay in remittance of revenue realised by units to Board's branch receipt account, delay in remittance of fund by Banks to Board's main receipt account and other related points have been brought out below:

3C.4.2 Delay in remittances of revenue realised by units to Board's branch receipt account

Revenue collecting units/divisions were accepting cheques from private consumers in settlement of electricity bills. During test check of Electricity Urban Distribution Division III, Bareilly, it was observed that division remitted revenue collection amounting from Rs. 0.02 lakh to 9.72 lakhs with delays ranging from 1 to 10 days. The delays in remittances of revenue to bank had resulted in loss of interest of Rs. 1.05 lakhs. Responsibility for the loss has not been fixed by the Board as of October 1995.

3C.4.3 Delay in remittances of funds by banks to Board's main receipt account

Memorandum of understandings between the Board and Banks, provided that; (a) remitttance from branch receipt account to main receipt account shall be completed within seven days. In case of failure, Board would charge interest from Bank at CC (Cash Credit) rates, beyond 7 days from the date of transfer and (b) no incidental charges viz. bank charges and commission would be levied by the Bank on the Board. In respect of telegraphic transfers, actual telegraphic charges were to be recovered by the Bank.

Following instances and non credit were noticed in remittance of funds by the banks to Board's main receipt account.

> ***Delay in remittance of funds resulted in loss of interest of Rs. 1.61 crores in 110 cases test checked. Further a sum of Rs. 12.95 crores transferred from branch receipt account was not credited to Board's main account.***

(i) During test check, it was noticed that in 110 cases, there were delays ranging from 10 to 1763 days in remittance of funds by 24 branches to the main account of the Board. The interest chargeable for delay over and above 7 days worked out to Rs. 1.61 crores, which was not claimed from the Banks for reasons not on record.

(ii) A sum of Rs. 12.95 crores remitted by the Banks to Boards main account during July 1989 to August 1994 was not credited to the account as whereabouts of the remittances were not known (March 1995). The matter was under correspondence with the banks as of July 1995.

Further, bank charges and commission aggregating Rs. 19.01 lakhs were debited to Board by the banks in Lucknow, Meerut and Gorakhpur Distribution Zones during 1991-92 to 1993-94 which were not payable according to the terms of Memorandum of Understanding. No claim for reimbursement of these charges was, however, lodged by the Board as of October 1995.

3C.5.1 Delay in preparation of bank reconciliation statements

Board issued orders (September 1969 and July 1977) for preparation of Bank Reconciliation Statement (BRS) every month by each division/unit.

Delay and non-preparation of bank reconciliation statements resulted in non-accountal of Rs. 2.56 crores.

During test check in 14 divisions, it was noticed that preparation of BRS was in arrears for the periods ranging from 10 months to 8 years. Due to delayed/non-preparation of BRS, irregularities led non-accountal of revenue of Rs. 2.56 crores and loss of interest of Rs. 1.08 crores in branch receipt accounts of the Board were noticed as detailed below:

(Rupees in lakhs)

Sl.No.	Division	Period during which remittance shown in Cash Book but not credited	Amount remitted	Loss of interest due to non credit till March 1995	Remarks
(1)	Electricity Distribution Division I, Muzaffarnagar	Prior to May 1992	63.27	37.95	Bank reconcialion prior to May 1992 has not been done.
(2)	Electricity Urban Distribution Division II Gorakhpur	Prior to March 1992	5.02	3.00	Bank reconciliation from September 1990 to March 1992 has not been done.
(3)	-- do --	August 1992 to October 1993	7.45	1.12	16 cheques not credited in Board's account and have become time barred.

(Rupees in lakhs)

Sl.No.	Division	Period during which remittance shown in Cash Book but not credited	Amount remitted	Loss of interest due to non credit till March 1995	Remarks
(4)	Electricity Distsribution Division I, Moradabad	January 1990 to September 1992	91.22	45.61	38 cheques though shown as remitted to Bank were not actuaily remitted. This could not be detected due to non-preparation of Bank reconciliation statement. As a result these cheques became time barred and Board's revenue to the the extent of Rs. 91.22 lakhs remained unaccounted for.
(5)	Electricity Distribution Division I, Gorakhpur	August 1984 to April 1992	6.66	3.88	18 cheques not credited in Board's account and have become time barred.
(6)	Electricity Distribution Division, Amhora	October 1985 to March 1994	82.49	16.50	The Division continued to operate its receipt account at Moradabad even after its shifting to Amroha where a new account was opened. Bank Reconciliation statements from October 1985 to March 1994 were prepared at a stretch, which indicated that cheques/bank drafts of Rs.82.49 lakhs had not been credited to Board's account.
	Total		256.11	108.06	

3C.5.2 Frequent dishonouring of cheques

Revenue collecting divisions were accepting cheques from private parties in settlement of electricity bills. The procedure prescribed by the Board in September 1977 provides that payment may not be accepted by cheques if earlier cheques were bounced even once. It was however, noticed that though in a number of cases cheques given by the consumers were repeatedly dishonoured by the Bank yet no remedial action was taken by the Board.

The facility of payment by cheques was not withdrawn as per prescribed procedure inspite of repeated bouncing of cheques of parties.

Some of the cases noticed during test check where cheques were dishonoured repeatedly are given below:

(Rupees in lakhs)

Sl. No.	Division	Period	No. of cheques dishon-oured	Amount	Remarks
(1)	Electricity Distribution Division,I Gorakhpur	September 1991 to February 1992	46	19.72	36 cheques of Rs. 15.22 lakhs were issued by a single party M/S Geet-Anjali Paper Mills.
(2)	-- do --	October 1991 to February 1992	21	9.22	6 cheques of Rs. 4.55 lakhs were issued by M/S Mathura Cold Storage and 4 cheques by M/S Prem Cold Storage Anand Nagar.
(3)	Electricity Distribution Division, II Gorakhpur	September 1991 to February 1992	9	41.23	All the nine cheques were issued by M/S Saraiya Steels, Sardar Nagar, Gorakhpur.
			76	70.17	

Respective Executive Engineers, thus, failed to review such cases to ban payments by cheques. The consumers were allowed to make payments by cheques inspite of repeated boucing thereof.

3C.5.3. Non remittance of service connection deposits

According to procedure prescribed in September 1990 by the Board in respect of consumers taking supply at 11 KV and above, service connection charges received from prospective consumers were to be remitted to Member (Distribution) of the Board. During test check of records, following points were noticed.:

(i) Balances ranging between Rs. 4.36 lakhs and Rs. 42.40 lakhs were retained by Electricity Urban Distribution Division II (EUDD-II), Gorakhpur during December 1991 to January 1995 and kept idle for 1 to 9 months resulting in loss of interest of Rs. 4.23 lakhs.

(ii) Electricity Distribution Division, Kanpur retained in its "Deposit Works Accounts" heavy balances ranging between Rs. 31.73 lakhs and Rs. 62.76 lakhs at the end of each month during April 1993 to June 1994. Retention of such heavy balances resulted in locking of funds and consequent loss of interest amounting to Rs. 12.05 lakhs.

(iii) The bank statement received at Electricity Distribution Division-I, Muzaffarnagar revealed that balances ranging from Rs. 2.24 lakhs to Rs. 18.22 lakhs were held by a bank from 1 to 19 days during 1993-94. Similarly, a balance of Rs. 5.80 lakhs was held by the bank for 43 days during February-March 1992. The holding of heavy cash balances by the bank in different periods during 1991-92 to 1993-94 resulted in loss of interest of Rs. 2.03 lakhs. Board has not taken steps to recover loss of interest and to streamline the procedure (October 1995).

The Board's order further provide for withdrawals from deposit works account only for the purpose for which these deposits were made. However, Electricity Distribution Division I, Muzaffarnagar withdrew Rs. 16.97 lakhs during May 1991 to March 1994 for meeting establishment and staff expenses and contingent expenditure for which it was not authorised.

CONCLUSION

Cash Management of the Uttar Pradesh State Electricity Board involves projection of cash inflow/outflow and financing needs coupled with cash control. Audit scrutiny of Cash Management of the Board revealed that there were:

(i) continued and heavy deficits of cash resulting in deterioration of financial position of the Board.

(ii) accumulation of heavy current liabilities and increase in sundry debtors.

(iii) failure in timely drawal/surrender of loans resulting in payment of heavy commitment charges of Rs. 198.56 lakhs.

(iv) failure in timely repayment of principal and interest resulting in payment of penal interest of Rs. 47.80 crores during 1990-94.

(v) delays in remittance of receipts from branch receipt account leading to loss of interest of Rs. 1.61 crores during 1992-94.

(vi) delayed/non-preparation of bank reconciliation statements leading to non accountal of cash of Rs. 2.56 crores during 1985-94.

These matters were reported to Board in May 1995 and to Government in May 1995; reply has not been received as of October 1995.

Chapter - IV

Section - 4A

Miscellaneous Topics of Interest - Government companies

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Miscellaneous Topics of Interest
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SECTION-4A

Government companies

Uttar Pradesh State Industrial Development Corporation Limited

4A.1 Loss in disinvestment of shares

In September 1983, the Company constituted a Disinvestment Committee, consisting of Managing Director (M.D.) of the Company, President of Kanpur Stock Exchange, one nominee from State Bank of India and one Senior Chartered Accountant, to consider the disinvestment of the shares acquired under Equity Participation Scheme to promoters in terms of agreement with them at the highest of the following.

(i) Book value of the preceding quarter or (ii) Capitalised prices of the shares at 16 times of the average dividends paid during the last three years or (iii) Paid-up value of shares plus premium at the rate of 12.5 to 13.5 per cent per annum from the date of subscription less dividend paid or (iv) the highest average market price of equity shares for any quarter in the last three years or (v) the highest bonafide offer.

In disregard to the contractual provisions, the Company disinvested equity shares in four units at lower rates resulting in a loss of Rs. 84.97 lakhs which are discussed in subsequent paragraphs:

> ***In disinvestment of shares of four assisted units, the Company incurred loss of Rs. 84.97 lakhs by off loading of shares at lower than the stipulated rates.***

(a) Equity participation assistance

(i) Indo Gulf Explosives Limited (IGEL), New Delhi

The Company subscribed (December 1984) Rs. 20.00 lakhs (2 lakh equity shares of Rs. 10 each) in IGEL under an agreement of November 1984. Clause 5 of the agreement stipulated re-purchase of entire share holdings by the promoters in 3 equal instalments starting from the 5th year from the date of subscription (i.e. from November 1989).

The Company disinvested (January 1991) the entire shareholding at the rate of Rs. 27.50 per share as recommended by the disinvestment committee. The sale proceeds were received in July 1991. The average market price in any quarter during the previous three years (April to June 1990) was Rs. 36.50 per share. Compared to this average price, the loss in disinvestment worked out to Rs. 18.00 lakhs.

The Management stated (September 1995) that "promoters were adamant to stick to their offer for repurchase of shares at the rate of Rs. 25.00 per share in view of decreasing trend of the overall capital market. As a result of the derecesing trand, the price of such shares were quoted as low as Rs. 25. The promoters had agreed for premature buy-back of 3rd instalment and therefore, the committee decided (January 1991) to off load the entire shareholding of the Company at the rate of Rs. 27.50 per share".

The reply is not acceptable since the share was being quoted in the stock market at Rs. 35 and not Rs. 25. Further, the promoters were legally obliged to repurchase the share at the price arrived at in terms of the agreement.

(ii) Sanjay Paper and Chemical Industries Limited (SPCI), Calcutta

The Company subscribed (March and June 1983) 1.50 lakhs unquoted equity shares of Rs. 10 each (face value: Rs. 15.00 lakhs) in the share capital of SPCI under an agreement of February 1983.

The Company disinvested (March/April 1991) the entire share-holdings at the rate of Rs. 9 per share (total value: Rs. 13.50 lakhs) offered by the promoters. The Company did not consider the contractual obligation of SPCI, which as per condition No. 5 (iii) of the agreement, was liable to purchase the shares at the paid-up value of the shares plus premium at the rate of 13.5 per cent per annum from February 1983 to February 1991 which worked out to Rs. 20.80 per share. The Company incurred a loss of Rs. 17.70 lakhs in the disinvestment.

The Management stated (September 1995) that considering the accumulated losses and break-up value of the share as well as on account of early buy-back, the disinvestment committee decided (January 1991) that the shares can be off-loaded at the rate of Rs. 9.00 per share.

The reply is not tenable because promoters were liable to repurchase the shares at a price highest among the five options i.e. at Rs. 20.80 per share. Further, SPCI earned profit of Rs. 27.21 lakhs in 1989-90 against loss of Rs. 43.13 lakhs in earlier year which was indicative of its improved performance.

(iii) Shiva Paper Mills Limited (SPM), New Delhi

The Company subscribed (October 1980) Rs. 20 lakhs (two lakhs equity shares of Rs. 10 each) under an agreement of 7th October 1980. The re-purchase of shares became due from October 1985.

The financial position of SPM improved remarkably on account of modernisation-cum-expansion schemes undertaken during 1988-89 and it earned a substantial profit (Rs. 123.98 lakhs) against a loss (Rs. 182.30 lakhs) in the previous year. The market rate of the shares which was as low as Rs. 3 in January 1990 improved to Rs. 24.50 in July/August 1990. The price of shares based on paid-up value plus premium at the rate of 12.5 per cent (for the period November 1980 to August 1990) worked out to Rs. 22.30 per share.

However, notwithstanding the terms and conditions of the agreement, the Company disinvested the entire shares in September 1990 in favour of promoters at a negotiated price of Rs. 16 per share. Thus, compared to the value of Rs. 22.30 per share, the Company incurred a loss of Rs. 12.58 lakhs. The sale proceeds were received in September/October 1990.

The Management stated (August 1995) that committee considered that the unit was running at a loss and net worth had eroded completely. There appeared hardly any chance in near future for writing off its accumulated losses and its turning around into profit to give high price.

Reply is not correct since the unit earned a profit of Rs. 123.98 lakhs and earning per share was Rs. 4.94 during 1989-90 against loss of Rs. 182.30 lakhs in earlier years, resulting in increase of the market price of the shares from Rs. 3.00 to Rs. 25.00 per share.

(b) Underwriting commitments

(iv) Kanoria Chemicals and Industries Limited (KCIL)

During the year 1964, the Company acquired 99425 equity shares of KCIL at Rs. 9.94 lakhs as underwriting obligation to the share issue. The Company's shareholding in the assisted unit increased to 447412 shares at the close of 1989 due to issue of bonus shares by the unit from time to time.

The Disinvestment Committee, which considered the case, decided (January 1991) to dispose of the shares when the share market conditions stablise. Subsequently, on the basis of three offers collected from stock brokers of Calcutta and Bombay for sale to institutional buyers, the Committee approved in June 1991 to sell the entire lot of 4,47,412 shares at the offered rate of Rs. 35 per share against prevailing market rate of Rs. 54 per share on the ground that there were no buyers to purchase such a big lot and the shares were thinly traded in the market as stated by one of the brokers. The entire lot was sold to a stock broker (Singhania and Company) of Calcutta in July 1991 at Rs. 35 (net) per share. Subsequently, it came to the notice of the Company in September 1991 through a complaint lodged by the Chairman of KCIL to the Government that these shares were lodged with KCIL on 9th September 1991 by Canara Bank Mutual Fund for transfer in their favour at their purchase price of Rs. 70 per share which itself was indicative of the fact that the quoted price of Rs. 54 per share was realisable through Mutual Funds. Had the Company offered these shares to Mutual Funds or other Financial Institutions, it could have realised at least Rs. 43.20 per share (after allowing a margin of 20 per cent on the prevailing rate for brokerage and discount for spot payment). Compared to this rate, disinvestment by the Company at the rate of Rs. 35 per share had resulted in loss of Rs. 36.69 lakhs.

The Management stated (September 1995) that after regular efforts, the Company could locate three interested brokers and decided to sell entire shareholdings at the rate of Rs. 35 per share against the then quoted rate of Rs. 54 per share on the ground that the shares were not frequently traded, such quotations were for small lots and larger lot of the Company's shares may not be absorbed in the market and even if the Company could offload a part of it, the market value thereof may decrease substantially.

The reply is not acceptable as the Company never contacted the mutual funds for sale of shares who are main buyers of such large lots of shares. The shares were ultimately purchased by Canara Bank Mutual Fund (through indirect channel) without affecting the market value which in fact increased up to Rs. 70.00 in September 1991.

The matter was reported to the Government in May 1995; reply has not been received (October 1995).

4A.2 Failure to obtain bank guarantee resulting in non recovery of dues

The Company executed an agreement with M/S Vespa Car Company Limited (VCCL) in May 1986 to construct roads, drains, culverts and 72 residential houses for VCCL in Salon Industrial Area, Raibareily at an estimated cost of Rs. 100.43 lakhs plus 12.5 *per cent* towards overheaads.

According to terms of agreement, VCCL were required to deposit Rs. 15 lakhs within 3 days of agreement and to make payment of the balance cost in ten yearly instalments starting from October 1987 along with the interest at the rate of 18 per cent per annum payable half yearly. To ensure recovery of the expenditure on construction and interest due thereon, the agreement stipulated submission of bank guarantee by VCCL for Rs. 112 lakhs within 60 days of agreement which was to remain valid for three years and was to be renewed for outstanding amount on demand by the Company.

The Company, without obtaining the bank guarantee for repayment from VCCL, incurred expenditure of Rs. 40.37 lakhs during the period from May 1986 to June 1987 which exceeded the amount of deposit of Rs. 15 lakhs available with it. Thereafter, the Company left (July 1987) the balance work incomplete due to non-submission of bank guarantee by VCCL. The excess expenditure of Rs. 25.37 lakhs alongwith interest due up to June 1995 amounting to Rs. 40.11 lakhs could not be recovered by the Company from the VCCL due to its failure to obtain bank guarantee to cover the overdues. The Company has neither initiated legal action against VCCL for recovery of amount nor has fixed any responsibility on the officers responsible for the lapse so far (June 1995).

The Management in reply stated (July 1995) that action for recovery would be taken according to the orders of Managing Director passed in February 1995. However, no recovery could be effected so far (October 1995).

The matter was reported to the Government in April 1995; reply was awaited (October 1995).

4A.3 Unauthorised expenditure

According to Clause 3 (f) of lease deed of the Company, allottees of industrial plots in areas developed were required to maintain approach roads to their units at their cost. It was, however, noticed in audit (December 1994) that the Company, without obtaining any authorisation and funds from the allottees of industrial area Naini, Allahabad (developed in 1964) for carrying out repairs on their behalf, incurred expenditure amounting to Rs. 12.62 lakhs on maintenance and repairs of approach roads during 1990-91 to 1993-94. The major portion of expenditure amounting to Rs. 10.39 lakhs was incurred during 1991-92 in repairs of approach roads to Raymonds Synthetics Limited to whom land was alloted in June 1987 whereas in case of balance expenditure of Rs. 2.23 lakhs, beneficiary units had not been identified.

The entire expenditure of Rs. 12.62 lakhs could not be recovered from the allottees as the expenditure was incurred without any agreement for the reimbursement of the cost.

The Management stated (July 1995) that up to the year 1987, maintenance charges were not added in the lease premium of land but from 1988 onwards maintenance charges are included in the premium of land. Thus, the maintenance charges incurred by the Company, remained unrecovered.

The matter was reported to the Government in May 1995; replies were awaited (October 1995).

Uttar Pradesh Rajkiya Nirman Nigam Limited

4A.4 Loss due to excess consumption of steel and cement

The Company in March 1989 executed an agreement with Department of Biotechnology (DBT) for construction of International Centre for Genetic Engineering and Biotechnology at Jawaharlal Nehru University Campus, Dehli at Delhi schedule of rates (DSR 1985) with updated cost index and 10 per cent centage charges. The work was to be carried out as per Central Public Works Department specification. The cement and steel were to be provided by the client with allowable wastage of 5 per cent in consumption of steel and 2 per cent variation in consumption of cement. For consumption of steel and cement beyond the above limit, a recovery at twice the issue rate was to be effected by the client.

The DBT unit of the Company, which started the work in March 1989 and completed the same in August 1994 consumed 2776 bags of cement and 26.083 tonnes of steel in excess on the work for which the client deducted Rs. 6.36 lakhs.

The Company failed to monitor the actual consumption of material vis-a-vis the requirement as per norms during the progress of work. The Company has also not fixed responsibility for the loss of Rs. 6.36 lakhs so far (October 1995).

The matter was reported to the Management/Government in June 1995: replies were awaited (October 1995).

4A.5 Delayed completion of work resulting in losses

Hindustan Cables Limited awarded four contracts to the Company between April 1988 and June 1989 for construction of buildings and allied structures at Naini, Allahabad at item rates at contracted value of Rs. 375.73 lakhs. The rates were subject to escalation for increase in cost of material and labour over the base rate of respective tenders. The works were required to be completed between April 1989 and June 1990 or by such extended dates as approved by the client.

Delay in completion of buildings and allied structures resulted in payment of liquidated damages (Rs. 13 lakhs) and rejection of price escalation claims (Rs. 9.36 lakhs).

The Cable Factory Unit, Allahabad of the Company could complete only one contract within extended time and failed to complete 3 contracts inspite of extension of 9 to 28 months granted by the client. The actual delay in completion of works beyond extended date ranged between 7 and 26 months for which there were no reasons on the record. The client, in January 1994, levied and recovered liquidated damages of Rs. 13 lakhs and also rejected escalation claims of Rs. 9.36 lakhs for works executed after extended completion dates resulting in avoidable expenditure of Rs. 22.36 lakhs.

The Management did not analyse reasons for delays in completion of works for fixing responsibility for the losses.

The matter was reported to the Government in June 1995: replies were awaited (October 1995).

4A.6 Excess payment

A unit of the Company at New Delhi executed (January 1993) an agreement with a firm of Delhi (Mayank Enterprises), for providing and fixing of deep storage and cupboards at Rs. 45.70 lakhs. The work was to be completed by March 1993.

In terms of the agreement a mobilisation advance amounting to Rs. 6.50 lakhs was paid to the firm in January 1993 against bank guarantee valid upto March 1993. The advance was to be adjusted from first three running bills within 3 months time. Further, an advance of Rs. 1.12 lakhs was made in February 1993 against material worth Rs. 1.49 lakhs brought to site. While making payments against first and second running bills amounting to Rs. 1.78 lakhs and Rs. 5.73 lakhs in March 1993, deduction of the outstanding advance of Rs. 7.62 lakhs was not made from the firm's bills and the gross amount of claim was paid. The firm executed work valued at Rs. 9.65 lakhs against which Rs. 15.13 lakhs was paid till May 1993. The firm left the remaining work of contract which was got done by the unit at the same contracted rate through other suppliers during July 1993 to December 1994. Thus, Rs. 5.48 lakhs paid in excess to the firm remained unrecovered as advance were not deducted from the running bills and the Bank Guarantee had already expired in March 1993.

While accepting the laxity on the part of staff in dealing with the matter, the Government stated (November 1995) that the amount shall be recovered from the firm and if not from the erring staff.

4A.7 Non-accountal of stores

Stores materials received by Sub-Engineers and Store Keepers of the Company are required to be promptly acknowledged through issue of 'Material Transfer Notes' indicating the details of items received and entered in stores ledgers. The book balances of items at the close of the year form the basis of comparison with physical balances for determining value of shortages and excesses which are adjusted in accounts by crediting income for excesses or showing the value of shortages as recoverable from staff.

It was noticed in audit (March 1995) of a unit of the Company at New Delhi that stores valued at Rs. 2.07 lakhs, transferred by two sub-engineers of the unit during 1992-93 and 1993-94 through 12 material transfer notes to the store keeper were not accounted for in the stores ledgers upto March 1995. These unaccounted for materials were also not physically available as the same were not represented by excess during physical verification of 1992-93 and 1993-94 and were, thus, misappropriated.

The Company has not taken any action against the defaulting officials so as to effect the recovery (October 1995).

The matter was reported to the Government in June 1995; replies were awaited (June 1995).

4A.8 Withdrawal of work

The Company was awarded (December 1989) construction of workshop building and compost plant (estimated cost: Rs. 50.85 lakhs) at Okhla, New Delhi by the New Delhi Municipal Corporation (NDMC) on cost plus 14 per cent centage over work expenses and 8 per cent centage on consumption of steel and cement. The Company was required to prefer monthly bills of quantities jointly measured with NDMC alongwith copies of vouchers in support of expenditures claimed. The work was to be completed by August 1991.

The unit of the Company could execute works valued at Rs. 14.81 lakhs only upto completion date due to slow progress of work which remained suspended since April 1991. The client, therefore, did not make payment against bill of May 1991 for Rs. 6.56 lakhs and also withdrew remaining work of Rs. 36.04 lakhs in April 1992 after giving notice in January 1992 involving loss of centage of Rs. 5.05 lakhs to the Company. The claim of the Company for Rs. 6.56 lakhs remained unpaid (March 1995) even after three years as the unit had failed to submit final bills alongwith material consumption statements.

It was further noticed in audit (April 1995) that the Company had to incur loss of Rs. 2.48 lakhs due to non-acceptance of payments by the Company to muster roll staff made without measurement of work done (Rs. 0.79 lakh) and to piece rate workers for excess quantities (Rs. 0.29 lakh) apart from deductions for purchase of building materials at higher rate (Rs. 0.76 lakh) and defective piling work (Rs. 0.64 lakh). The Company had not investigated reasons for poor progress of work resulting in withdrawal of work and had also not fixed any responsibility for losses.

The matter was reported to the Management in May 1995 and to the Government in June 1995; replies were awaited (October 1995).

Uttar Pradesh State Mineral Development Corporation Limited

4A.9 Unrecovered dues

The Company executed (July 1990) an agreement with a contractor for extraction and sale of 2.80 lakhs cubic meter of coarse sand from ghats of the Company in Hamirpur district on payment of Rs. 33 lakhs in 7 instalments during August to December 1990.

The Contractor extracted sand against the authorisation of Manager of the Company and deposited Rs. 8 lakhs only against first and second instalments in December 1990. The dues against the contractor amounted to Rs. 25 lakhs on expiry of contract in December 1990 against the contractor's security of Rs. 2 lakhs only.

The recovery certificate of Rs. 25.36 lakhs comprising overdues of Rs. 23 lakhs (after adjustment of security) and expenditure and collection charges of Rs. 2.36 lakhs issued under rule of Uttar Pradesh Public Moneys (Recovery of Dues) Act, 1952 to the District Magistrate, Hamirpur in April 1991 was returned in June 1991 with the remarks that recovery was not possible in the absence of any property with the contractor. The Company issued a fresh recovery certificate to the collector, Kanpur in June 1991 against which recovery of Rs. 0.15 lakh only could be made in February 1995 from his assets.

In reply, the Management stated (May and December 1995) that the Manager was placed under suspension and efforts were being made to obtain details of moveable properties of the contractor for enforcing recovery against the recovery certificates. Further, the High Court has fixed ten instalments of Rs. 2.50 lakhs each to be recovered from September 1995, which have not yet been honoured by the contractor (November 1995).

Thus, the Company failed to safeguard its financial interest by not ascertaining the financial standing of the contractor before award of the contract and thereafter allowing him to extract the sand though he failed to pay the instalments as per the agreement.

The matter was reported to the Government in May 1995; replies are awaited (December 1995).

4A.10 Loss in leased ghats

With a view to acquire the mining rights of the ghats of Yamuna and Betwa rivers of Hamirpur district for the period October 1992 to September 1993, the Assistant Manager (Marketing) prepared a feasibility report projecting profit of Rs. 29.91 lakhs against bid amount of Rs. 78.51 lakhs for royalty in case of daily extraction of 3000 cum of coarse sand to be sold at Rs. 16 per cum. Accordingly, the Company offered royalty of ghats at Rs. 77 lakhs and acquired the mining rights of the ghats for the period October 1992 to September 1993.

The incharge of the ghats of the Company informed (November 1992) the Headquarters of the Company that the survey of the ghats was not proper as neither the projected quantity of sand was available nor was it possible to sell it at Rs. 16 per cum as the prevailing rates in the region were much lower. Accordingly the sales prices were reduced by Rs. 3 to Rs. 6 per cum between January and July 1993. In spite of reduction in selling rate, the Company could sell only 4.93 lakhs cum of sand during the period of lease against projected quantity of 10.80 lakh cum as the availability of coarse sand in mines was poor. As a result, the sales realisation of Rs. 69.03 lakhs fell short of expenditure of Rs. 94.06 lakhs, royalty (Rs. 77.00 lakhs), sales tax (Rs. 5.18 lakhs) and establishment expenses (Rs.11.88 lakhs) incurred in operation of lease and resulted in a loss of Rs. 25.03 lakhs.

The Company incurred loss of Rs. 25.03 lakhs in trading of coarse sand as the sales realisation fell short of expenditure incurred.

Had the feasibility report been prepared after a proper assessment of the prospecting potential of mines and the prevailing selling rate, the loss so incurred could have been avoided.

The matter was reported to the Company in April 1995 and to the Government in May 1995; replies were awaited (October 1995).

4A.11 Obtaining of lease without assessment of prospecting potential

The Company conducts feasibility study to assess the revenue from operation of ghats proposed to be acquired on lease and accordingly offers it bid in the auction. Based on the projected profit of Rs. 5.67 lakhs on sale of 1.50 lakhs cubic metre of coarse sand at Rs. 16 per cum for Rs. 24 lakhs, the Company acquired in January 1992, 13 ghats in Jalaun district on lease basis by offering highest bid of Rs. 11.65 lakhs for extraction and sale of coarse sand during January to September 1992. The actual sale of sand was 0.11 lakh cum valued at Rs. 0.76 lakh only, that too, after steep reduction in selling rate from Rs. 16 to Rs. 7 per cum during January to April 1992 as the ghats were located in remote areas and failed to attract buyers due to additional cost involved in transportation. As these factors were not taken into consideration while offering the bids, the Company suffered a loss of Rs. 10.89 lakhs.

The Company suffered a loss of Rs. 10.86 lakhs on the extraction and sale of coarse sand due to inadequate feasibility study.

The matter was reported to the Management in March 1995 and to the Government in May 1995; replies were awaited (October 1995).

4A.12 Avoidable payment of interest

In February 1987, the Company was granted lease for 10 years of Jagmau Ghat (area 93 acres) and Bhagwat Das Ghat (area 81 acres) at Kanpur for extraction of sand from the ghats by District Magistrate (D.M.), Kanpur. As per terms and conditions of lease, the Company was liable to pay annual dead rent for the area or the royalty on the quantity of sand extracted, whichever was higher, at rates fixed by the Government from time to time. The State Government increased the rates of dead rent from Rs. 500 to Rs. 1000 per hectare per annum and the rate of royalty from Rs. 3.50 to Rs. 5.00 per cubic metre in August 1989 and the rates of dead rent was further increased to Rs. 2000 per hectare per annum in July 1993.

Inspite of increase in rates, the Company continued to make payment at pre-revised rates of July 1989 up to January 1994. As a result, the DM, Kanpur directed the Company in January 1994 to deposit the outstanding amount at increased rates alongwith interest at the rate of 24 per cent per annum payable under rule 58 of Uttar

Pradesh Minerals Extraction Rules. Accordingly, the Company paid Rs. 5.33 lakhs in February 1994 and August 1994 towards the increased dead rent/royalty alongwith interest of Rs. 2.01 lakhs.

Thus, due to non-payment of dead rent/royalty at the increased rates, the Company had to incur avoidable expenditure on interest payment amounting to Rs. 2.01 lakhs.

The reply of the Management (December 1995) that the remittances of royalty at old rates were made in absence of information about revisions in rate, was not tenable as the revisions in rates were made by the Government through notification in August 1989 and July 1993.

The matter was reported to the Government in April 1995; reply was awaited (October 1995).

4A.13 Avoidable payment of low power factor surcharge

The rate schedule of Uttar Pradesh State Electricity Board applicable to the Company for availing power for its two connections at Lambidhar project (Dehradun) provided for levy of low power factor surcharge if the same falls below the prescribed level of 0.85 lagging limited upto the fall of 0.70 lagging. To improve the power factor, the Company had installed (March 1988) capacitor banks valued at Rs. 1.13 lakhs. The capacitor banks were required to be kept in healthy condition to enable it to compensate the shortfall of matching reactive power to maintain the power factor.

Scrutiny of the energy bills of the Company revealed (August 1994) that it had to pay low power surcharge of Rs. 5.69 lakhs (including Rs. 2.73 lakhs paid in excess for the power factor below 0.70) between March 1993 and April 1994 on the basis of power factor 0.44 to 0.84 recorded in monthly meter reading slips at the time of meter reading. According to the management (May 1995), the power factor was recorded low due to inaccuracy of energy meters.

In this connection, it was noticed that in case of dispute due to inaccuracy of meters, the Conditions of supply provided that the consumers upon giving notice together with prescribed fee can have the meter tested and if the meter is found to be inaccurate beyond the premissible limits of error, the testing fee shall be refunded and the bill for the last three months (preceding the date of payment of testing fee) shall be modified in accordance with the test results. The Company, however, did not follow the prescribed procedure and therefore lost its right to recover the low power factor surcharge (Rs. 2.96 lakhs). The amount of surcharge (Rs. 2.73 lakhs) recovered in excess by the Board has been refunded to the Company in July 1995.

The matter was reported to Government in May 1995; reply has not been received (October 1995).

Uttar Pradesh State Sugar Corporation Limited

4A.14 Undue favour to a contractor

The General Manager of Maholi Unit (Sitapur district) of the Company executed an agreement (October 1991) with M/S Aditya Prakash, Devendra Prakash of Maholi for sale of press mud (waste product after sugar) of 1991-92 crushing season at lump-sum price of Rs. 4.02 lakhs which was payable in two equal instalments during October 1991 and January 1992. In case of failure of the firm to deposit instalments on due dates, the General Manager had the right to stop the firm from further lifting the press mud and dispose off the same at the risk and cost of the firm.

The firm deposited Rs. 2 lakhs in October 1991 (Rs. 1.65 lakhs) and July 1992 (Rs. 0.35 lakh) and did not deposit balance amount of Rs. 2.02 lakhs due in January 1992 till the end of crushing season in July 1992. In spite of default in payment by the firm since October 1991, the General Manager neither stopped the firm from lifting press mud nor cancelled the agreement for disposal at risk and cost of the firm as a result the overdues of Rs. 2.02 lakhs against the firm could not be recovered so far (October 1995).

The matter was reported to the Management/Government in May 1995; replies were awaited (October 1995).

4A.15 Avoidable purchase of accessories

The Company placed (September 1990) an order on M/S Simplex Engineers and Traders, Meerut for supply of Juice Clarifier Plant alongwith accessories at a cost of Rs. 11.50 lakhs for its Belalpur (Deoria) unit. The supply order did not specify sequence of supplies to ensure that supplies of accessories followed supplies of equipment. The firm without supply of main clarifier plant supplied accessories of plant valued at Rs. 3.82 lakhs between March and September 1991 and was paid for accordingly. The Company, however, in October 1991 deferred the supply of main plant due to paucity of funds. The plant had not been purchased so far (May 1995). Thus, the payment for accessories of Rs. 3.82 lakhs without acquiring main plant resulted in locking up of funds during April 1991 to May 1995 resulting in avoidable interest burden of Rs. 2.56 lakhs at borrowing rate of 18 per cent per annum on cash credit account.

Had the Company placed the order keeping in view the availability of funds, the locking up of funds and incidence of interest could have been avoided.

The matter was reported to Company in February 1995 and to the Government in June 1995; replies were awaited (October 1995).

4A.16 Loss due to non-availing of subsidy

To overcome the difficulties faced by Industrial Units due to irregular electric power supply, Government decided in May 1980 to give subsidy of 25 *per cent* on the cost of diesel generating sets purchased by the Industrial Units. The scheme was implemented by Uttar Pradesh Financial Corporation (UPFC) as an agent of Government from May 1982. In May 1985 the rate of subsidy was revised by the Government to Rs. 500 per KVA of diesel generating set installed for large and medium units. The scheme was operative up to September 1990.

It was noticed (September 1994) in audit that one diesel generating set of 300 KVA valued at Rs. 7.85 lakhs was purchased by the Bulandshahar Unit of the Company in December 1988 which was installed in March 1989. The unit, however, did not lodge a claim to avail of the subsidy of Rs. 1.50 lakhs, as a result, the Company was put to a loss of Rs. 1.50 lakhs for which responsibility has not been fixed so far (August 1994).

The matter was reported to the Management in January 1995 and to the Government in April 1995; replies were awaited (October 1995).

Indian Turpentine and Rosin Company Limited

4A.17 Avoidable expenditure on purchase of Pallodium Chloride

The Company entered into an agreement (June 1987) with M/S Hindustan Platinum Limited, Bombay for purchase of 5 Kgs. pallodium chloride (material used for production of tyres) having minimum pallodium content of 59.5 *per cent* at Rs. 67,500 per Kg. (total value: Rs. 3.38 lakhs). The maximum permissible content for other metals was 0.006 *per cent* for iron and 0.005 *per cent* for copper and lead each.

The material supplied by the firm in June 1987, was rejected by the Company in September 1987 on the basis of two contradictory test reports. The test report of the Company's own laboratory indicated (July 1987) lower pallodium content of 59.481 *per cent* with other metal contents within the prescribed limits, the other test report from Sriram Institute of Industrial Research, New Delhi indicated (September 1987) the pallodium content at the required level but presence of other metals beyond the permissible limits. In view of rejection, the Company did not make payment for supplies to the firm. The firm, however, did not accept the rejection and requested for joint sampling for getting the material tested in some laboratory of repute. Accordingly, 3 samples were jointly drawn and despatched to two test houses (Sri Ram Institute of Industrial Research (2 samples) and National Test Laboratory, Calcutta). During tests carried out in March/April 1988, both the laboratories confirmed that the supplies conformed to specifications. The Company, however, still returned the material in February 1989 and proceeded further in making risk purchase against the firm's account at Rs. 1.13 lakh per Kg. (total: Rs. 5.65 lakhs) involving additional expenditure of Rs. 2.28 lakhs. At the request of the firm, the dispute was referred (1991) to an Arbitrator who in his award of May 1994 held the rejection of supplies as unjustified and directed the Company to purchase 5 Kgs. from the party at the average of the ordered rate and the prevailing rates. The Company accordingly placed an order for 5 Kgs. pallodium chloride in July 1994 at the average rate of Rs. 1,08,750 per Kg. which was supplied by the firm in August 1994.

Thus, the Company incurred extra expenditure to the tune of Rs. 2.28 lakhs on procurement against rejected quantity and avoidable extra expenditure of Rs. 2.06 lakhs on procurement at higher rates as per award.

The Management stated (March 1995) that the decision to return the supplies was taken in view of extra safeguard. The contention of the Management was not tenable as rejection of supplies even after confirmation of quality by the reputed laboratories and purchase at higher rates resulted in avoidable loss.

The matter was reported to the Government in April 1995; reply is awaited (October 1995).

Uttar Pradesh State Spinning Company Limited

4A.18 Extra expenditure in procurement of cotton bales

An agreement was entered into by the Company in December 1993 with Naval Kishore Rathi (a firm of Indore) for purchase of 950 bales of cotton. The agreement, entered provided for supply within January 1994 at firm prices (at the rate of Rs. 6115 to Rs. 9000 per bale) failing which late delivery penalty was leviable at Rs. 2 per bale per day upto 7 days and at Rs. 5 thereafter upto 30 days of due date of delivery.. The Company was also entitled to terminate the contract in case of delay and recover penalty and rate difference in subsequent purchase at higher rates.

It was noticed in audit (February 1995) that the supplier failed to supply 611 bales at the offered rates. Instead of insisting for supply thereof or initiating action for cancellation of contract and levy of penalty of Rs. 0.79 lakh as per terms of the agreement, the Company entered into (between December 1993 and February 1994) fresh agreements for purchase of bales of cotton of H-4 and DCH-32 variety with the same supplier at higher rates ranging from Rs. 6965 to Rs. 10049 per bale. The supplies against subsequent agreements at higher rates were executed during the delivery schedule of the contract resulting into extra expenditure of Rs. 6.99 lakhs apart from leviable penalty of Rs. 0.79 lakh which was not imposed.

On being pointed out by the audit the Company negotiated (June 1995) with the firm who agreed to pay Rs. 5.50 lakhs only upto March 1996 against Rs. 7.78 lakhs payable by the firm. Thus, failure of the Company to enforce the provisions of contract regarding adherence of delivery schedule resulted into loss of Rs. 2.28 lakhs.

The matter was reported to the Management in April 1995 and to the Government in May 1995; replies were awaited (October 1995).

Uttar Pradesh State Cement Corporation Limited

4A.19 Avoidable payment of freight surcharge

Indian Railways levy 5 *per cent* surcharge on freight (revised to 10 *per cent* from March 1993) in case freight is not paid at the time of booking of consignment. The Railways in such cases issue 'freight to pay' railway receipt where freight alongwith surcharge is paid at the time of delivery of consignment.

In case the Company was not having sufficient funds it could have made arrangement for payment of freight at despatch point by opening of letter of credit (LC) in favour of railways for the amount of average monthly freight bills. Had the Company opened LC for payment of freight on payment of interest at 18 *per cent* per annum, it could have avoided expenditure of Rs. 40.05 lakhs on freight surcharge during the years 1992-93 and 1993-94 as under:

The Company failed to avail Railways' prepaid scheme of payment and incurred avoidable expenditure of Rs. 40.05 lakhs on surcharge.

(Rupees in lakhs)

Unit	Year	Amount paid to Railways		Cost of LC		Avoidable freight surcharge
		Freight	Freight surcharge	Amount of LC	Interest payable	
Dalla	1992-93	120.64	6.66	12.00	2.16	4.50
	1993-94	295.18	29.52	30.00	5.40	24.12
Churk	1993-94	141.35	14.13	15.00	2.70	11.43
	Total		50.31		10.26	40.05

The matter was reported to the Government in May 1995, replies were awaited (October 1995).

4A.20 Loss in transportation of clinker

Clinker, produced at two cement factories of the Company at Churk and Dalla, is transported by road and rail to Chunar unit of the Company for grinding and conversion into cement. Without evaluating cost benefit of the transportation of clinker by rail or road, the Churk unit of the Company transported 38242 and 60257 tonnes of clinker during 1992-93 and 1993-94 by rail to Chunar unit at an average freight of Rs. 67.85 and Rs. 72.20 per tonne, respectively. While entire clinker was transported by rail during 1992-93, 46770 tonnes of clinker was transported by road also during 1993-94 at the freight charge of Rs. 57 per tonne which was lower than the railway freight. Apart from lower freight, transit loss in case of road transport was also lower at 0.24 *per cent* during 1993-94 against 7.76 *per cent* and 3.67 *per cent* of the consigned weight in case of rail transport during 1992-93 and 1993-94, respectively.

Compared to the road freight charges of 1993-94 at Rs. 57.00 per tonne and transit losses at 0.24 per cent therein, the Churk unit incurred avoidable freight payment of Rs. 4.15 lakhs and excessive transit losses in clinker (2875 tonnes) valued at Rs. 44.01 lakhs, in transportation of 38242 tonnes of clinker by rail during 1992-93.

The Management in reply stated (May 1995) that the transport of clinker by road for the full quantity was not possible due to limited handling facilities for loading and unloading at Churk and Chunar units. The reply was not tenable as the unit had transported 46770 tonnes by road during 1993-94 with the same handling facilities at both ends.

The matter was reported to the Government in April 1995; replies have not been received (October 1995).

Uttar Pradesh State Handloom Corporation Limited

4A.21 Unrecovered embezzled amount

Handloom Intensive Development Project (Gorakhpur District), a unit of the Company procures finished handloom cloth from weavers and makes adjustment of the yarn issued to them and payment of remaining cost of cloth through cash. The store keeper working as incharge of the centre procures finished cloth from weavers, maintains stores ledgers of finished cloth and yarn and also makes payment for cloth procured. The Company did not evolve any system of periodical reconciliation of value of cloth received with payment made in cash and by issue of yarn to safeguard against misuse of cash/stores. During physical verification of cash handled by store keeper (Incharge) of Production Centre I, Gorakhpur, the Manager (Production) of the Project noticed in January 1994, unauthorised cash sale of yarn valuing Rs. 3.26 lakhs by the store keeper between May 1993 and September 1993 to weavers against which the sale proceeds had not been deposited and accounted for in the books. The amount was embezzled by the store keeper. The Company has neither taken any action against the defaulting official to enforce recovery of embezzled amount nor has introduced any internal check system to restrict recurrence of such events in future.

The matter was reported to the Management in February 1995 and to the Government in April 1995; replies were awaited (October 1995).

Shreetron India Limited

4A.22 Avoidable expenditure on electricity

The Company for running its plant has a contracted load of 300 KVA since inception for which Company was liable to pay charges for actual demand drawn or seventy five per cent of sanctioned load which even was higher. In view of lesser actual demand drawn by the Company since March 1989, Holding Company viz. UPLC Lucknow in January 1990 advised the Company to surrender of part of its load to avoid payment of demand charges for minimum of 75 *per cent* of the sanctioned load. The Company did not take action on the above advice. As a result, the Company had to pay minimum demand charges on 225 KVA as against actual registered demand of 135 KVA to 215 KVA. However, from December 1993, onwards the Company paid demand charges on actual basis as the demand registered exceeded minimum billable demand.

Considering the overall position of demand registered in the meter during January 1990 to May 1994, the load requirement works out to 250 KVA and thus, the Company could have surrendered at least a load of 50 KVA. Taking the required demand of 250 KVA, the Company could have saved a sum of Rs. 1.43 lakhs being the demand charges on 50 KVA at the applicable rate of Rs. 60 to Rs. 100 per KVA per month during the period from January 1990 to May 1994 on payment of additional charge of Rs. 0.02 lakh for additional demand drawn over such reduced demand.

In reply, the Management stated (April 1995) that in the event of reduction in load to 250 KVA, the Company would have to run diesel generator to offset deficiency in power and that would have been costlier than the envisaged saving. Reply was not acceptable as the Company could have drawn power in excess of contracted demand by paying nominal additional charge of Rs. 0.02 lakh only and operating of diesel generator was not required. Moreover, it was a sick industrial unit and facing financial problems.

The matter was reported to the Government in March 1995; replies were awaited (October 1995).

Uttar Pradesh Nalkoop Nigam Limited

4A.23 Avoidable extra expenditure

The Company invited (March 1991) tenders for supply of 255 kilometer PVC pipes of 160 mm, and 200 mm dia. Of the six offers received and opened in April 1991, the rates of Bharat Pipes and Fitting Private Limited of Bombay at Rs. 76.29 (160 mm) and Rs. 119.25 per meter (200 mm) were the lowest with its validity period of 90 days i.e. upto 13th July 1991. The Company negotiated in June 1991 with the firm to supply the pipes at (Rs. 73.77 per meter for 160 mm and Rs. 115.32 per meter for 200 mm). Accordingly, supply order was placed on 13th July (last date of validity of rates) with the firm which refused to supply the pipes at negotiated rates as the order was received after validity period and informed the Company on 16th July 1991 that they were ready to supply the pipes at higher rates as originally offered by them. The Company accepted that offer and placed a fresh supply order on 14th August 1991. The firm supplied 214707 meter (160 mm) and 39984 meters (200 mm) PVC pipes valued at Rs. 211.49 lakhs during October 1991 to June 1992.

Thus, due to delay in approval of rates as well as in placing the order by the Company, it had to incur extra expenditure of Rs. 6.99 lakhs on quantity supplied which could have been avoided, had the order been placed within validity period.

The Management stated (February 1995) that the delay in placement of order was due to clarification sought by a member of the Purchase Committee regarding applicability of price preference to State units in case of negotiated rates which was received on 12th July 1991. The reply was not acceptable. as the reference of the issue to the Government was not required at all as all the four valid tenders were from outside the state and the negotiation was done with the lowest tenderer.

The matter was reported to the Government in April 1995; replies were awaited (October 1995).

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Miscellaneous Topics of Interest
Statutory corporations

SECTION - 4B

Statutory corporations

4B Uttar Pradesh State Electricity Board

4B.1 Privatisation of power network of Greater NOIDA area

In view of the new industrial policy of the Government of India (1991-92) as also adopted by the State Government (Government), to invite private participation in the power sector (for boosting up generation/availability of power), the Government decided (August 1991) setting up of captive generating plants by a newly formed company in joint venture with Greater NOIDA Authority (GNA) and to authorise it for generation, transmission and distribution of energy. Till such time the generating plants are set up, the electricity was to be supplied to the new company by the UPSEB through 132/33 KV Surajpur sub-station of the Board for distribution in the Greater NOIDA area.

Accordingly, Noida Power Company Limited (NPCL) (registered in May 1992 under joint venture with GNA) was permitted (September 1992) by the Government to set up generating plants of 90 Megawatt capacity for generation, transmission and distribution of energy. Since setting up of generating plants was likely to take time (projected as 4 1/2 years from the date of signing of the agreement), the Government, as an interim arrangement, issued (August 1993) licence to NPCL for distribution of energy, to be purchased from Board. An agreement was, therefore, executed in November 1993 (effective from December 1993), initially for two years, to be extended on year to year basis (for a total period not exceeding four and half years). As per licence, the area where energy was to be distributed by NPCL included substantial area falling under Electricity Distribution Division (EDD), NOIDA and parts of EDD II, Ghaziabad and EDD I, Bulandshahr. To facilitate the distribution of energy, sub-stations and overhead lines of Board in the demarcated area were to be transfered to NPCL on sale basis from December 1993.

The privatisation of above generation, transmission and distribution system reviewed in audit revealed that the action taken was not advantageous to the Board as it could not (i) assess and realise the value of energy supplied (Rs. 10.08 crores) up to July 1995, (ii) recover instalment of Rs. 2.64 crores (out of Rs. 3.94 crores including interest) of the loan representing value of the assets transferred (Rs. 10.10 crores excluding value of assets added: Rs. 1.27 crores and value not included Rs. 1.15 crores), and (iii) recover arrears of Rs. 1.37 crores of pre-take over period. Further, NPCL did not commence work for setting up of generating plants even after two years of signing the agreement. The above points are discussed in detail in subsequent paragraphs:

The Board could not recover from NPCL (i) value of energy sold (Rs. 10.08 crores), (ii) arrears of pre-take over period (Rs. 1.37 crores) and (iii) first instalment of loan (Rs. 2.64 crores) representing value of assets transferred. Further, the valuation of assets transferred stands understated by Rs. 2.42 crores.

(i) Application of incorrect rates

According to clause 7 of the agreement, the NPCL was to pay for supply of energy at the rates fixed by the Board from time to time. The rate fixed at 166 paise per unit at the time of execution of agreement was tentative, to be revised after six months by an independent authority to be nominated by the Government and mutually acceptable to NPCL and the Board. The rates so revised by the independent authority were to be adjusted in the assessment raised at the rate of 166 paise per unit. The Report of the authority nominated in July 1995 (in place of the one nominated in August 1994) by the Government is awaited as of October 1995.

A tentative rate of 166 paise per unit was fixed for the mix of energy consumption of 77 per cent for industrial and 23 per cent for other consumers for the area to be transferred. The rate so fixed was to be reviewed every year and for every increase or decrease of one per cent in industrial consumption, the rate was to be increased or decreased by 2 paise per unit. The rate was also to be revised as and when the Board's own tariff was revised.

The mix of consumption on the basis of actual supply to the area taken over worked out to 86.5 (industrial) and 13.5 (others) per cent i.e. an increase in industrial consumption by 9.5 per cent. Accordingly, the rate of 166 paise per unit should have been increased to 185 paise (i.e., increase of 19 paise at the rate of 2 paise for every increase of one per cent in industrial consumption) upto 15th July 1994. Similarly, as per tariff revision effective from 16th July 1994, the rate of 166 paise was increased by the Board to 210 paise per unit. Based on this increase, the rate of 185 paise should have been further increased to 234 paise.

The Board, however, billed NPCL at the rate of 166 paise (instead of 185 paise) from 15th December 1993 to 15th July 1994 and at the rate of 210 paise (instead of 234 paise) thereafter (upto July 1995). This resulted in short assessment of Rs. 4.11 crores from 15th December 1993 to July 1995 (including fuel and establishment surcharge of Rs. 0.61 crore).

Besides, NPCL did not make payment to the Board at the revised higher rate, though they were charging the higher rates from the consumers. This resulted in short recovery of Rs. 4.56 crores for the period from 16th July 1994 to July 1995.

Further, in the absence of arrangement for supply of energy through link line, the Board supplied energy to the demarcated area under EDD I, Bulandshahr and EDD II, Ghaziabad through its own network but did not bill the consumer directly. According to the information furnished by the Board in November 1995, assessment bills of Rs. 1.41 crores (up to July 1995) raised has not been paid for by NPCL as of November 1995.

Thus, an amount of Rs. 10.08 crores remained unrecovered on account of short assessment (Rs. 4.11 crores), short recovery (Rs. 4.56 crores) and non-recovery (Rs. 1.41 crores) as of November 1995.

(ii) Non-realisation of cost of assets transferred

According to clause 21 of the agreement, the value of transferred assets to NPCL were assessed (August 1993) at Rs. 10.10 crores (present value less depreciation). The cost of assets created after the above valuation and upto the date of transfer i.e. 15th December 1993 was to be added in the above amount. The sale price was to be treated as a loan to NPCL and its repayment was to be made in four equal yearly interest bearing (14 per cent per annum) instalments commencing after one year from the date of transfer of assets. The agreement did not stipulate provision of security deposit or bank guarantee (except for LC of Rs. 1.20 crores) against such loan.

The first instalment of loan amounting to Rs. 2.64 crores including interest (out of Rs. 3.94 crores including interest) due on 14th December 1994, had not been repaid by NPCL as of November 1995 on the ground that the break-up of valuation of assets should be done on the basis of historical cost less depreciation. The matter still stands unresolved as of November 1995. Further, the break-up value of assets (Rs. 10.10 crores) as furnished by the Board in November 1995 did not include value of assets of Rs. 1.15 crores due to calculation mistake (Rs. 0.14 crore) in respect of underground cable (Item No. 15*) and rail and poles {Item No. 25 (g)*} and non inclusion of value (Rs. 1.01 crores as per Board's own computation for same item) of 33 KV main feeder (Item No. 8*), 33 KV line (Item No. 16*) and low tension lines {Item No. 25 (r)*}.

Besides, cost of assets (valued at Rs. 1.27 crores) viz 33/11 KV Kasana feeder (sub-station and high tension line) constructed at a cost of Rs. 0.98 crore by the GNA and other distribution lines and sub-stations (value: Rs. 0.29 crore) created after the valuation of assets and transferred to NPCL in December 1993, were not added to the value of assets transferred. As a result of this, the Board could not claim the first instalment (representing one fourth of value of assets not added) of Rs. 0.50 crore (Principal: Rs. 0.32 crore, interest: Rs. 0.18 crore) from NPCL.

(iii) Non-recovery of arrears of pre-take over period from NPCL

Clause 19 of the agreement, provided that NPCL was liable to realise the arrears of pre-take over period upto 15th December 1993 from the consumers transferred to NPCL and remit it to the Board. However, the arrears of Rs. 1.37 crores (including 2 cases of decreed amount: Rs. 0.54 crore) pertaining to the consumers of EDD, Noida were not recovered by NPCL and passed on to the Board as of November 1995.

The Board had the option to add these current assets to the value of assets transferred which it did not do. The agreement did not specifically include the modus operandi to be adopted in case NPCL failed to recover the amount and pass it on to the Board. Thus, in the absence of adequate measures included in the agreement, the Board is not able to initiate pursuasive measures to obtain recovery of such arrears.

(iv) Security deposit

(a) Non-transfer of security deposit

For supply of energy, the Board charges security deposit as per specified rates. For supply of energy to NPCL, clause 15 of the agreement stipulated that the Board

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* Item number denotes the items as appearing in the sheet containing valuation of assets intimated by Member (Finance & Accounts) of the Board in November 1995.

will treat security already available with it from consumers as deposited by NPCL. In addition, security deposited by the consumers with NPCL (after transfer of the area) was also to be passed on to the Board every month. The NPCL, however, neither intimated the position of the consumers added after take over nor deposited any amount of security since the date of take over upto November 1995.

In the absence of specific stipulation in the agreement regarding modus operandi to ensure the recovery of security deposits, Board could not enforce its rights to ascertain the position of consumers added and the amount recoverable from NPCL on this account.

(b) Inadequate security deposit

The only security available with the Board was in the shape of letter of credit of Rs. 1.20 crores which was to be enhanced as and when required by the Board.

Due to revision of tariff w.e.f. 16th July 1994, NPCL was asked to enhance the amount of L.C. from Rs. 1.20 crores to Rs. 1.60 crores, which was not honoured by it. Board, however, did not take steps either to take over the management or to move the Government for revocation of licence as provided in the agreement.

(v) Failure to start work for augmentation of power

One of the basic objectives for private participation in power sector was to boost up power generation/availability. For this purpose, the agreement (caluse 7(d)) stipulated that NPCL would take four and half years (i.e. upto May 1997) in setting up of captive generating units from the date of signing of the agreement. As per tentative bar chart, the civil works were to be completed by October 1994 and delivery of gas turbines and alternators (supply to commence from December 1993) was to be completed by June 1995. However, the NPCL has not initiated any work thereon as of January 1995 and the chances of augmentation of power were, therefore, remote.

These matters were reported to the Board in March 1995 and to the Government in June 1995; replies have not been received as of November 1995.

4B.2 Unacknowledged damaged transformers

According to existing procedure of the Board, damaged distribution transformers are sent to repairer firms by the workshop division against the allotment by Superintending Engineer, Electricity Stores Procurement Circle, Lucknow. On the basis of acknowledgement of transformers by the firm, the Workshop Division raises debits against the Stores Division which receives repaired transformers and makes payment to the repairer firms.

A scrutiny of records of Workshop Centre, Deoria revealed (June 1994) that 101 nos. transformers (25 KVA to 250 KVA) were despatched to a firm of Basti in January 1991 (98 nos.) and in March 1991 (3 nos.) for repairs against the allotment made by Electricity Stores Procurement Circle-I, Lucknow. Out of these the receipt of 53 nos. transformers valued at Rs. 13.33 lakhs were not acknowledged by the firm and the Electricity Workshop Division, Gorakhpur had no records to prove their receipt by the firm. This resulted in loss of Rs. 13.33 lakhs to the Board. No action was taken against the officer/officers responsible for the loss as of August 1995.

The matter was reported to the Board in October 1994 and to the Government in April 1995; replies were awaited (October 1995).

4B.3 Undue benefit to a consumer

According to the Board's order (November 1991), cost of construction of 33 KV bay for independent feeder (including bay and system loading charges) was realisable from the prospective consumers even if the same was already existing at a particular sub-station. The orders were reiterated in May 1994.

A consumer of Mathura (under EDD III, Mathura) was sanctioned (April 1994) an additional load of 800 KVA with the condition that the additional load alongwith the present load of 1200 KVA would be released through 33 KV independent feeder emanating from 132 KV Sub-station, Kosikalan. Accordingly, an estimate amounting to Rs. 27.24 lakhs was framed to cover the cost of construction of 33 KV bay and 33 KV independent feeder. It was noticed in audit (November 1994) that the estimate sanctioned by the SE in May 1994 incorrectly indicated cost of bay (Rs. 17.50 lakhs) as chargeable to Board. Accordingly, the consumer paid (May 1994) Rs. 9.74 lakhs only. The consumer was, therefore, allowed undue benefit to the extent of Rs. 17.50 lakhs.

The matter was reported to the Board in February 1995 and to the Government in April 1995; replies were awaited (October 1995).

4B.4 Loss due to incorrect application of tariff

According to the rate schedule HV-2 applicable to world bank tubewells w.e.f 1st February 1986, pending installation of suitable trivector meters at the start of the independent feeders, the bills are to be raised for demand charges at Rs. 53 per BHP of total connected load plus energy charges for all KWH consumed in a month at 60 paise per KWH together with fuel and establishment surcharges and capacitor surcharge as may be leviable. These rates were revised to Rs. 70 per BHP and 127 paise per KWH for demand charges and energy charges respectively with effect from January 1992 under HV-4 of rate schedule introduced exclusively for world bank tubewells etc. In addition, the consumer was also liable to pay a surcharge of 5 per cent of the demand and energy charges per month or part thereof for non-installation of shunt capacitor.

A test check of records of Electricity Distribution Division II, Azamgarh in February 1992 and Electricity Distribution Division, Agra in August 1994 revealed that tariffs in relation to billing of world bank tubewells were incorrectly applied resulting into loss of revenue (Rs. 515.15 lakhs) as detailed below:-

Application of incorrect tariff in case of world bank tubewells by two divisions resulted in loss of revenue of Rs. 515.15 lakhs.

(a) The 11 KV independent feeders for world bank tubewells of Sagori and Maharajganj clusters were energised by Tubewell Electrification Division, Gorakhpur in January 1988 and handed over to Electricity Distribution Division II, Azamgarh in February 1988. The Division, however, raised incorrect bills at the flat rate of Rs. 78 per BHP and Rs. 120 per BHP during February 1988 to December 1991 and January 1992 to August 1993 respectively applicable to State Tubewells under LMV-8 of rate schedule on ground of non-installation of meters which was a wrong notion not supported with specific order of the Board. From September 1993, however, bills were raised correctly as per HV-4 of rate schedule.

Incorrect application of tariff resulted in undercharge of revenue to the extent of Rs. 200.73 lakhs during February 1988 to August 1993 worked out on the basis of assessed consumption of energy for 16 hours per day, as envisaged in project report with load factor of 0.75. On being pointed out by audit, supplementary bill was issued by the division in October 1994, realisation of which was awaited (September 1995).

(b) Tubewell Electrification Division (World Bank) Aligarh energised six world bank tubewells on 11 KV independent feeders from time to time from December 1989 without installation of meters so far (April 1995).

It was noticed that Electricity Distribution Division, Agra incorrectly issued bills for demand charges at Rs. 80 per KVA for 75 per cent of the connected load which differed from month to month and energy charges assessed at 80 KWH per BHP per month on assumption basis at 127 paise per KWH during January 1992 to December 1994 instead of charging the rate seperately provided for unmetered supply under the rate schedule HV-4. However, bills were being raised correctly from January 1995.

The incorrect application of tariff resulted in undercharge of revenue to the extent of Rs. 314.42 lakhs (including fuel surcharge: Rs.82.33 lakhs and capacitor surcharge: Rs. 11.05 lakhs) during January 1992 to December 1994 based on assessed consumption of energy on verification of actual connected load, actual average supply hours per day 12/13 hours with load factor of 0.75. On being pointed out in audit, the bills were raised by the Division (April 1995), realisation of which was, however, awaited (September 1995).

These matters were reported to the Board in November 1994 and to the Government in June 1995; replies were awaited (October 1995).

4B.5 Non-recovery of shunt capacitor surcharge

Clause 12 (iv) of Rate Schedule HV-4 provided for levy of 5 per cent surcharge on account of non-installation of shunt capacitors till trivector meters at the start of 11 KV independent feeders for feeding the world bank tubewells were not installed.

Surcharge of Rs. 48.13 lakhs on account of non installation of shunt capacitors was not levied by two divisions of the Board.

It was noticed (July/August 1994) in Audit that EDD, Hardoi and EDD I, Varanasi did not levy surcharge of Rs. 48.13 lakhs (Rs. 21.29 lakhs during October 1991 to March 1994 by Hardoi Division and Rs. 26.84 lakhs during July 1988 to June 1994 by Varanasi Division) for non-installation of shunt capacitors. On being pointed out in audit, Hardoi Division issued bills in August 1994 (Rs. 21.22 lakhs) and June 1995 (Rs. 0.07 lakh). The Varanasi Division issued bills in August 1994. Realisation of the entire surcharge billed was awaited till October 1995.

Board stated (October 1995) that in case of Hardoi Division, efforts were being made to get the dues recovered. Reply in case of Varanasi Division was awaited (October 1995).

The matter was reported to the Government in April/May 1995; reply has not been received as of October 1995.

4B.6 Non-billing of electricity charges

The billing and realisation of revenue in respect of street lights of each electrified village and Harijan Basti was being done centrally by the Chief Engineer (Commercial), Lucknow on the basis of 10 light points of 40 watt each for each electrified village and two light points of 40 watt each for each Harijan Basti. The system was decentralised by the State Government in March 1990 and it was decided that all the dues in respect of electrified villages and Harijan Basti may be realised from the respective Gram Pradhans at Divisional level and no electricity should be supplied to defaulting units.

A test check of records of three Distribution Divisions revealed (May to August 1994) that bills valued at Rs. 191.97 lakhs (including electricity duty) were not raised on respective Gram Pradhans as detailed below:

(Rupees in lakhs)

Name of Divisions	Number of electrified		Period	Amount not billed
	Villages	Harijan basties		
(i) E.D.D, Uttarkashi	607	519	April 1990 to March 1994	73.04
(ii) E.D.D, Sitapur	729	782	December 1989 to February 1995	117.36
(iii) E.D.D, Kannauj	--	58	July 1987 to March 1994	1.57
			Total	191.97

On being pointed out in audit, EDD, Sitapur raised electricity bilis for Rs. 103.98 lakhs in May 1994 and for Rs. 13.38 lakhs in August 1995. E.D.D., Kannauj also issued bills for Rs. 1.57 lakhs in December 1994. Realisation of the bills were awaited as of October 1995.

In respect of E.D.D. Sitapur, the Board intimated (October 1995) that under Section 3 of Recovery of Dues Act, notices for recovery of Rs. 85.99 lakhs have been issued in December 1994. No reply in respect of remaining two cases was furnished by the Board (October 1995).

The matter was reported to the Government in May 1995; reply has not been received as of (October 1995).

4B.7 Non-levy of surcharge for delayed payment

(a) According to the provisions contained in rate schedule LMV-2 applicable to non-domestic light and fan consumers and LMV-3 applicable to public lamps and lights, if the billing cycle is one month and the bill is paid after one month from due date, a surcharge at the rate of 1.5 per cent per month or part thereof shall be levied from the date after one month from the due date.

A test check of records of two Distribution Divisions and Lucknow Electric Supply Undertaking (LESU) during the period April to July 1994 revealed that late payment surcharge amounting to Rs. 8.83 lakhs was not levied on account of delayed payment of electricity bills made by the consumers as per details given below:

(Rupees in lakhs)

Name of Division	Name of consumer	Period of delay/non-payment	Amount	Present position
(i) LESU	Artificial Limb Centre, Lucknow (LMV-2)	March to December 1993	1.97	Bills not raised as of September 1995
(ii) EDD. Hardoi	Municipal Board Hardoi (LMV-3)	August 1990 to June 1992	4.84	Bills were raised in May 1995 at the instance of Audit, recovery was awaited as of August 1995.

(Rupees in lakhs)

Name of Division	Name of consumer	Period of delay/non-payment	Amount	Present position
(iii) EDD, Unnao	Municipal Board Unnao (LMV-3)	January 1992 to March 1994	2.02	Bills have been raised in August 1994; realisation was awaited as of October 1995
			8.83	

(b) The rate schedule applicable to large and heavy power (HV-2) consumers provided that in the event of the bill not being paid within due date specified therein, the consumer was liable to pay an additional charge per day at the rate of seven paise per hundred rupees or part thereof on the unpaid amount of the bill for the period for which the payment is delayed.

A test check of records of two Distribution Divisions during the period May to July 1994 revealed that additional charge of Rs. 62.41 lakhs for delayed payment of electricity bills was either not levied or levied but not realised from two consumers as detailed below:

(Rupees in lakhs)

Name of the Division	Name of the consumer	Period of delay/non-payment	Amount	Present position
EUDD, Mayo Hall Allahabad (July 1994)	Khushrubagh Pumping Station of Jal Sansthan Allahabad (HV-2)	October 1992 to March 1994	19.91	The bill was raised in March 1995 at the instance of audit, recovery was awaited as of September 1995

(Rupees in lakhs)

Name of the Division	Name of the consumer	Period of delay/non-payment	Amount	Present position
EDD, Almorah (May 1995)	Almorah Magnesite (two connections) and Kumaun Jal Sansthan (two connections) (HV-2)	March 1992 to February 1994	42.50	Bill of Rs. 1.75 lakhs raised to Kumaun Jal Sansthan in June 1994. Recovery was awaited as of August 1995. No bills raised for the balance amount (Rs. 40.82 lakhs) as of August 1995.
			62.41	

The above matters were reported to Board between September 1994 and March 1995 and Government between April 1995 and June 1995; replies have not been received (except for Unnao unit) from Board (October 1995).

4B.8 Delay in raising assessment and its realisation

Board has been working on borrowed funds including drawal of funds from cash credit account at rates of interest varying from 18 to 20 per cent. Delay in raising of assessment results in delayed realisation with consequent effect on ways and means position of the Board.

Seven units of the Board could not raise assessment of Rs. 32.27 lakhs as per the prescribed billing schedule. Such assessments were raised subsequently at the instance of audit. This resulted in delayed realisation thereof as detailed below:

(Rupees in lakhs)

	Name of Division	Amount of undercharge	Nature of undercharge and period involved	Assessed in	Amount recovered/ Month of recovery
i)	EDD I, Varanasi	6.63	Establishment surcharge (April 1993 to March 1994)	August 1994	6.37 (August to November 1994)

(Rupees in lakhs)

	Name of Division	Amount of undercharge	Nature of undercharge and period involved	Assessed in	Amount recovered/ Month of recovery
ii)	EDD III, NOIDA (Ghaziabad)	2.31	Demand charges and additional charges (June 1993 to January 1994)	August 1994	2.31 (October 1994 to May 1995)
iii)	EUDD IV, Agra	3.29	Short billing due to slow metering (April to October 1993)	April 1995	3.29 (May 1995)
iv)	EDD, Robertsganj	5.64	Non-charging of Minimum Consumption Guarantee (April 1992 to March 1993)	February 1995	5.21 (February to April 1995)
v)	EUDD, Mayo Hall, Allahabad	3.78	Fuel surcharge (January 1990 to March 1993)	January 1994	3.78 (March to June 1995)
vi)	EDD II, Badaun	7.37	Establishment surcharge and fuel surcharge (April 1992 to March 1994)	September 1994	7.37 (March 1995)
vii)	EDD, Etah	3.25	System loading charges (January 1994)	December 1994	3.25 (August 1995)
	Total	32.27			31.58

Out of total amount of Rs. 32.27 lakhs raised, one unit of Board could not recover a sum of Rs. 0.69 lakh. Besides, the Board had to forego interest of Rs. 5.55 lakhs for the period of `assessment due' to `assessment raised'.

These matters were reported to the Government between April and July 1995; reply has not been received as of October 1995.

4B.9 Non-charging of system loading charges

According to Board's orders issued on 3rd December 1993, system loading charges at the rate of Rs. 100 per KVA upto 25 KVA or part thereof and at the rate of Rs. 650 per KVA for connection having more than 100 KVA load was to be charged in case of all new connections.

It was noticed (June to November 1994) in audit of two Distribution Divisions that system loading charges amounting to Rs. 3.58 lakhs were not charged in the estimates of new connections (1791 cases) as detailed below:

(Rupees in lakhs)

Name of Division	No. of new connections	Load	Period of release of connections	Amount not charged
EDD, Balarampur	635	upto 25 KVA	December 1993 to March 1994	1.27
EDD II, Allahabad	1156	upto 25 KVA	December 1993 to July 1994	2.31
			Total	3.58

On being pointed out in audit, EDD, Balrampur raised (November 1994 to March 1995) bills for Rs. 1.27 lakhs out of which amount of Rs. 0.11 lakh only was realised as of October 1995. Further, EDD II, Allahabad has not raised bills amounting to Rs. 2.31 lakhs (October 1995).

These matters were reported to the Board between September 1994 and March 1995 and to the Government between May to June 1995; replies have not been received as of October 1995.

4B.10 Under billing

According to para 21 (iii) of Electricity Supply (consumers) Regulation, 1984 if the meter of a consumer becomes defective or ceases to register consumption and theft or malpractice is not suspected, the assessment will be made on the basis of average consumption of the preceding three months. If the conditions in regard to supply of energy are not the same during the period when the meter was defective/stopped then the consumption will be worked out on the basis of connected load and hours of usage of electricity.

During test check of records of E.U.D.D. Mayo Hall, Allahabad, it was noticed (July 1994) that in case of Bhardwaj Pumping Station, having connected load of 250 KVA, the meter remained defective from April 1990. The consumer was billed up to April 1993 on load and factor basis, but from May 1993 bills were raised on the basis of minimum consumption guarantee i.e. at the rate of Rs. 160 per KVA per month.

The monthly average consumption of the consumer for the previous three months i.e. December 1989 to February 1990 (when the meter was in order) worked out to 32733 units. On the basis of average consumption, the bills for the period from May 1993 to March 1994 including fuel and establishment surcharge amounting to Rs. 10.50 lakhs was to be issued to the consumer against which the Division raised bills for Rs. 4.40 lakhs only resulting in under billing of Rs. 6.10 lakhs.

The matter was reported to the Board in March 1995 and to the Government in May 1995; replies were awaited (October 1995).

4B.11 Short assessment of electricity charges

According to para 13 (a) of Rate Schedule HV-2, applicable to large and heavy power consumers, if the monthly average power factor falls below 0.85, the consumer shall pay on the billed amount the low power factor surcharge at the rate of 1 per cent for each 0.01 fall in power factor below 0.85 upto 0.80 and 2 per cent for each 0.01 by which monthly average power factor falls below 0.80. It further provides that in case of defective trivector meter/bivector meter/two part tariff meter, power factor will be assessed on the basis of monthly average power factor recorded during preceding three consecutive months when the meter was in order.

(a) During test check of records of Electricity Urban Distribution Division, Mayo Hall, Allahabad, it was noticed (September 1993) that since 5th November 1990 the KVAH section of meter of a consumer (Mayo Hall Pumping Station) was not recording the KVAH reading. During three consecutive months from 1st August to 5th November 1990, when the meter was in order, the power factor was 0.73, but bill for low power factor surcharge of Rs. 3.57 lakhs worked out at the rate of 19 per cent of energy charges plus demand charges (Rs. 18.80 lakhs) was not raised for the period November 1990 to December 1992 resulting in under charge of revenue to that extent.

(b) Clause 6 of Rate Schedule HV-2 provides that the billable demand for the month shall be actual maximum demand or 75 per cent of the contracted demand whichever is higher. It was noticed in audit that the above consumer was billed for less than 75 per cent of the contracted demand during the period January 1989 to December 1992 which resulted in under charge of revenue to the extent of Rs. 0.59 lakh.

(c) Clause 12 (a) of the Rate Schedule HV-2 provides for levy of fuel surcharge on large and heavy power consumers during each month. The rates are subject to change according to variation in the cost of coal and fuel oil and finally decided by the Board. It was noticed (September 1993) in audit that while during January 1990 to January 1992 the surcharge was levied on incorrect rates, it was not levied at all during February to December 1992. Thus, incorrect/non-levy of fuel surcharge resulted in under charge of revenue to the extent of Rs. 0.88 lakh during January 1990 to December 1992.

On being pointed out in audit, bills for the amount of Rs. 5.04 lakhs were issued in May 1995, but realisation thereof was awaited (September 1995).

The matter was reported to the Board in November 1994 and to the Government in May 1995; replies were awaited (October 1995).

4B.12 Non-levy of extra charge for supply at low voltage

Clause 7 (a) of Rate Schedules HV-4 and HV-2 applicable to world bank tubewells and large and heavy power consumers provides levy of additional charge of 7.5 per cent and 10 per cent respectively on the amount calculated at the rate of charge (demand and energy), if supply is given at 400 volts. The following two cases of non-raising of bills for additional charge of Rs. 4.28 lakhs were noticed (August and December 1994).

(i) The Electricity Distribution Division, Kannauj did not levy additional charge of Rs. 2.77 lakhs at the rate of 7.5 per cent in case of two clusters of world bank tubewells connections (HV-4) having total load of 1000 HP, which were energised at 400 volts during the period from April 1991 to October 1992.

The Chief Engineer, Kanpur Zone stated (March 1995) that the bills for additional charge, as pointed out by audit, were raised in December 1994, realisation was, however, awaited (October 1995).

(ii) The Electricity Urban Distribution Division II, Aligarh did not levy additional charge of Rs. 1.51 lakhs at the rate of 10 per cent in case of two large and heavy power consumers (HV-2), whose loads were released at 400 volts, for the period from January to June 1994.

On being pointed out in audit, the Board stated (October 1995) that recovery notices under Section 3 of Recovery of Dues Act, 1972 have been issued to the consumers.

These matters were reported to the Board in January/February 1995 and to the Government in May/June 1995; replies (except for Aligarh from Board) were awaited (October 1995).

4B.13 Under assessment of revenue

According to the rate schedule HV-4 effective from January 1992 (prior to that rate schedule HV-2) and applicable to Lift Irrigation Works/Pump Canals having connected load of more than 75 KW (100 HP), a consumer was to be billed for billable demand at the rate of Rs. 60 per KVA and Rs. 87 per KVA per month with effect from February 1986 and January 1992 respectively plus energy charges together with extra charge of 7.5 per cent for supply at 400 volts and capacitor surcharge of 5 per cent on the billed amount.

Scrutiny of records of Electricity Distribution Division-I, Raebareilly revealed (January 1994) that the Division did not raise the bill for demand charges for billable demand (75 per cent of connected load), extra charge and capacitor surcharge during the period from April 1989 to September 1993 in case of Dhaiba Pump Canal (connected load: 114 KVA) which resulted in under charge of revenue to the extent of Rs. 3.66 lakhs.

On being pointed out by Audit, a bill for Rs. 3.66 lakhs was, however, raised by the Division in April 1995, realisation of which was awaited (August 1995).

The matter was reported to the Board/Government in May 1995; replies were awaited (October 1995).

4B.14 Under charge due to defective meter

According to Clause 21(iii)(a) of conditions of supply of the Board, "if at any time a meter becomes defective or ceases to record the consumption, the electrical energy consumed by the consumer during the period the meter remained defective or stopped shall be determined on the basis of average consumption of the preceding three consecutive months".

A test check of records (April 1994) of Electricity-cum-Power Construction Division, Chinyalisaur (Uttarkashi) revealed that the meter of a Civil Construction Company (contracted load: 1000 KVA) was found defective at the time of meter reading in September 1991. The energy bills for the period September 1991 to June 1992 were raised taking average energy consumption of 27258 units per month worked out on the basis of actual energy consumption of six months (December 1990 to May 1991) instead of average consumption of preceding three consecutive months (June 1991 to August 1991) which worked out to 45613 units per month. This resulted in under charge of revenue of Rs. 2.78 lakhs.

The Board stated (November 1995) that the bills have been issued to the consumer, realisation of which was awaited.

The matter was reported to the Government in April 1995; replies were awaited (November 1995).

4B.15 Under billing due to non-application of revised tariff

Rate Schedule LMV-3 applicable to public lamps was revised with effect from 1st August 1990. Scrutiny of records of Electricity Distribution Division, Sitapur, revealed (June/July 1994) that the revised rates were not made applicable in the bills raised to town area, Mehmoodabad for 398 nos. and Mandi Samiti, Mehmoodabad for 16 nos. street light points (40 watts to 150 watts) during January 1992 to June 1994 which has resulted in under charge of revenue to the extent of Rs. 1.59 lakhs.

On being pointed out by audit, bills were raised for above amount in June 1994, the realisation of which was awaited (September 1995).

The matter was reported to the Government in June 1995; the reply has not been received (October 1995).

Uttar Pradesh State Road Transport Corporation

4B.16 Repayment of employees loan without ensuring recovery

Regional Manager of Varanasi Region of the Corporation, furnished (January 1989) an undertaking to City Bank, New Delhi to make deductions of equated monthly instalments of principal and interest from salary of staff against loan for consumer durables to be sanctioned by the said bank to them. In case of default in repayment by staff, the Regional Manager was required to make recovery of subsequent instalment at increased amount as may be notified by the Bank. The amount recovered from pay was to be remitted to the Bank through one consolidated bank draft.

Under the scheme, the Bank sanctioned loan of Rs. 32.64 lakhs during the period from February 1989 to May 1991 to 333 employees of the Region which was recoverable in 36 equal monthly instalments alongwith interest. It was noticed in Audit (February 1995) that the Region continued to remit monthly amounts to the Bank according to its monthly advices for recovery from staff without ensuring the full recovery from the employees. As a result, remittance of Rs. 46.20 lakhs was made to the bank during March 1989 to April 1993 against recovery of Rs. 31.04 lakhs only involving excess remittance of Rs. 15.16 lakhs. Against this, recovery of Rs.6.76 lakhs only could subsequently be made during May 1993 to December 1994 involving diversion of Corporation's fund for 13 to 36 months while balance of Rs. 8.39 lakhs was yet to be recovered (April 1995). The loss of interest suffered by the Corporation due to payment of staff's loan from the Corporation revenue worked out to Rs. 6.59 lakhs upto December 1994.

The matter was reported to the Management in May 1995 and to the Government in May 1995; replies were awaited (October 1995).

4B.17 Loss of Revenue

Idgah depot of Agra Region of Corporation operate buses to different cities of Rajasthan. For operating inter-state bus services, the vehicles are required to keep with them the updated documents of registration of vehicle and insurance/road tax payment etc.

The Transport officer of Bharatpur district (Rajasthan) during January 1994 to March 1994, challaned and seized 3 buses of the Corporation for a period ranging from 18 to 25 days as the Rajasthan road tax were not timely paid, permits did not contain countersignature of Rajasthan Transport Authority and documents like fitness and registration certificate and insurance papers were not available with the vehicle at the time of checking. As a result, the Corporation had to forego operating income amounting to Rs. 1.86 lakhs and also suffered loss of Rs. 0.30 lakh paid on account of penalty imposed by Transport Officer in these cases.

The loss of Rs. 2.16 lakhs could have been avoided had the Corporation taken timely action to get the registration documents of vehicles renewed/completed and keep them with the vehicles.

The matter was reported to the Government in May 1995; reply was awaited (October 1995).

Uttar Pradesh Financial Corporation

4B.18 Loss due to delivery of excess plant and machinery to purchaser

The Corporation acquired (February 1991) the assets of a loanee firm of Dehradun under section 29 of State Financial Act 1951 (SFC Act) as the firm could not pay overdues of Rs. 48.15 lakhs (including interest of Rs. 21.15 lakhs). Out of 14 plants and accessories acquired, the Corporation could arrange sale (21st September 1992) of two plants (Tape plant and cheese winder) against sale consideration of Rs. 21.86 lakhs in favour of a firm of Dehradun. As the sale letter issued by the Head Office of the Corporation in favour of the firm did not contain full details of plant and accessories to be handed over to the buyer, the Regional Manager, Dehradun sought (22nd September 1992) a clarification about the accessories to be delivered to the buyer. Without receipt of any clarification from the Head Office, the Regional Manager in addition to two plants agreed to be sold, delivered (28th September 1992) accessories (cheese pipes, compressor and chilling plant) valued at Rs. 2.60 lakhs which were not covered in the scope of sales contract.

The Corporation asked the buyer in March 1993 to return the accessories or pay the cost thereof but neither were the same returned nor was payment made. Notice issued to the buyer by the Corporation in February 1994 also failed to evoke any response.

The matter was reported to the Government in May 1995; reply was awaited (October 1995).

Rekha Gupta

(REKHA GUPTA)
Accountant General (Audit)-II
Uttar Pradesh

Lucknow,
The

25th February 1996

Countersigned

(C.G. SOMIAH)
Comptroller and Auditor General of India

New Delhi,
The

28th February 1996

ANNEXURES

ANNEXURE - I

Statement of Companies in which Government had invested more than Rs. 10 lakhs but which were not subject to audit by the Comptroller and Auditor General of India.

(Refered to in paragraph 1.2.11)

(Rupees in crores)

Sl. No.	Name of the Company	Period of latest accounts	Investment by Government	Profit (+)/ Loss (-)	Accumulated loss	Dividend received	Remarks
(A) Assisted by Pradeshya Industrial and Investment Corporation LImited (PICUP)							
1.	India Poly Fibres Limited	1992-93	8.03	-(24.87)	101.53	NIL	Under BIFR
2.	Indo Gulf Fertilisers and Chemicals Corporation Limited	1994-95	18.15	151.30	--	3.09	
3.	Road Master Steel Strips Limited	1994-95	0.62	1.19	--	NIL	Dividend at the rate of 12 per cent in 1991-92 and 1992-93 only.
4.	Jalpac India Limited	1994-95	0.57	1.68	--	0.07	
5.	National Switchgears Limited	1994-95	0.26	0.01	0.82	--	
6.	Vegepro Food and Feeds Limited	1993-94 (Upto 30th September 1994)	2.23	2.63	9.04	--	
7.	Raunaq Automotive Components Limited	1994-95	1.50	0.74	4.40	--	
8.	Pashupati Acrylon Limited	1994-95	4.98	-(2.29)	10.34	--	
9.	Indian Maize and Chemicals Limited	1994-95 (Unaudited)	2.73	-(3.92)	29.96	--	
10.	Harig Crank Shafts Limited	1994-95	1.86	0.17	3.65	--	
11.	U.P Drugs and Pharmaceuticals Company Limited	1993-94	0.36	-(2.49)	9.68	--	

(Rupees in crores)

Sl. No.	Name of the Company	Period of latest accounts	Investment by Government	Profit (+)/ Loss (-)	Accumulated loss	Dividend received	Remarks
12.	Phonix Lamps India Limited	1994-95	5.34	1.40	--	--	
13.	Solarsum Industries Limited	NA	0.60	--	--	--	
14.	Ratan Vanaspati Limited	1994-95 (Unaudited)	0.89	-(0.40)	--	--	
15.	Maya Agro Products Limited	1994-95	0.71	0.11	--	--	
16.	Hindustan Biotech Limited	NA	0.59	--	--	--	Under implementation stage
17.	Shamkein Spinners Limited	1994-95 (Unaudited)	6.63	-(24.68)	--	--	
18.	Premier Poly Films Limited	1994-95	0.15	--	--	0.02	
19.	Bharat Berg Limited	NA	0.50	--	--	--	BIFR recommended for sale of the unit.
20.	Nicco Batteries Limited	1994-95	0.45	-(4.54)	23.49	--	Under BIFR.
21.	Sri Nivas Fertilisers Limited	1994-95	0.30	NA	5.25	--	Under BIFR.
22.	ARC Cement Limited	NA	0.14	--	NA	--	Under BIFR.
23.	More Water Pipes Limited*	NA	0.14	NA	NA	--	In production
24.	Mayur Syntex Limited	NA	0.20	NA	NA	--	Bifr has ordered for winding up of the unit.
25.	Unversal Insulators and Cermics Private Limited*	1992-93	10.60	-(0.10)	1.78	--	Under BIFR

* Assisted by PICUP and UPSIDC both.

(Rupees in crores)

Sl. No.	Name of the Company	Period of latest accounts	Investment by Government	Profit (+)/ Loss (-)	Accumulated loss	Dividend received	Remarks

(B) Assisted by Uttar Pradesh State Industrial Development Corporation Limited (UPSIDC)

Sl. No.	Name of the Company	Period of latest accounts	Investment by Government	Profit (+)/ Loss (-)	Accumulated loss	Dividend received	Remarks
26.	Triveni Metal Tubes Limited	1994-95	.0.27	NA	NA	--	Company is under liquidation
27.	Hazi Manzoor Alam Industries Limited	1993-94	0.19	0.15	--	--	
28.	Ajanta Textiles Limited	NA	0.20	--	--	--	
29.	Jain Sudh Vanaspati Limited	NA	0.14	--	--	--	
30.	Ganges Fertilisers and Chemical Limited	1994-95	0.20	-(1.02)	12.91	--	
31.	Shree Acids and Chemicals Limited	NA	0.20	NA	NA	--	
32.	Regal Polymers Limited	1993-94	0.15	4.55	4.85	--	
33.	Best Boards Limited	NA	0.40	NA	NA	--	
34.	Mahadev Fertilisers Limited	1994-95	0.30	2.30	13.00	--	
35.	Shamken Multifab Limited	1993-94	0.15	2.72	--	0.02	
36.	Samarat Bicycles Limited	NA	0.19	--	--	--	
37.	Sri Durga Bansal Fertilisers Limited	1994-95	0.28	-(1.40)	10.78	--	
38.	Telemecanique and Controls India Limited	1993-94	0.12	4.11	--	0.02	
39.	Alliance Boards Limited	1993-94	0.20	-(1.21)	2.58	--	
40.	Flow More Polyster Limited	1994-95	0.80	-(8.44)	40.39	--	Under BIFR
41.	Kanha Vanaspati Limited	NA	0.87	NA	NA	--	

(Rupees in crores)

Sl. No.	Name of the Company	Period of latest accounts	Investment by Government	Profit (+)/ Loss (-)	Accumulated loss	Dividend received	Remarks
42.	SIDCO Lethers Limited	1990-91	0.95	--	--	--	under liquidation.
43.	Poysha Industrial Company Limited	NA	0.13	NA	NA	--	
44.	Modipon Limited	1994-95	0.62	16.67	--	0.42 (For 1992-93)	
45.	Sark Synertek Private Limited	1994-95	0.20	-(0.50)	2.19	--	
46.	Tarai Foods Limited	1994-95	0.24	0.22	0.08	--	
47.	Venus Sugar Limited	1994-95	2.28	1.81	--	--	
48.	Classic Rugs Private Limited	1993-94	0.20	-(0.38)	1.00	--	
49.	Welga Foods Limited	NA	0.12	--	--	--	
50.	Vidhya Packaging Private Limited	NA	0.12	--	--	--	
51.	Khateema Fibres Limited	NA	0.18	--	--	--	
52.	Chandra Synthetics Limited	NA	0.40	--	--	--	
53.	Mittal Fertilisers Limited	NA	0.21	--	--	--	
54.	Belwal Spinning Mills Limited	NA	0.15	--	--	--	
55.	Aditya Chemicals Limited	NA	0.15	--	--	--	

(Rupees in crores)

Sl. No.	Name of the Company	Period of latest accounts	Investment by Government	Profit (+)/ Loss (-)	Accumulated loss	Dividend received	Remarks
	(C) Assisted by Uttar Pradesh Financial Corporation (UPFC)						
56.	Moon Beam Industries Limited	NA	0.19	--	--	--	
57.	Sidh Solvents Limited	NA	0.30	--	--	--	
	Total		**79.63**				

ANNEXURE - 2

Statement showing particulars of up-to-date capital, budgetary outgo, loans given out from budget and outstanding loans as on 31.03.1995

(Referred to in paragraph 1.2.2)

(Rupees in lakhs)

Sl No.	Department/ Sector	Name of the Company	Paid - up capital as at the end of 1994-95 State Government	Central Government	Holding companies	Others	Total	Loans given out of budget during the year	Loans outstanding
1.	Industries and Industrial Development	The Indian Turpentine and Rosin Company Limited	18.73	--	--	3.29	22.02	45.00	64.00
2.		Auto Tractors Limited	562.50	--	--	187.50	750.00	--	--
3.		Uttar Pradesh State Mineral Development Corporation Limited	5640.48	--	--	--	5640.48	75.65	389.91
4.		Uttar Pradesh Instruments Limited (Subsidiary of Uttar Pradesh Industrial Development Corporation)	--	--	202.22	--	202.22	--	--
5.		Uttar Pradesh Tyres and Tubes Limited(Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	--	--	183.16	--	183.16	--	765.85
6.		Uttar Pradesh Digitals Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited.)	--	--	35.20	--	35.20	--	291.26
7.		Uttar Pradesh Carbide and Chemicals Limited (Subsidiary of Uttar Pradesh State Mineral Development Corporation Limited)	--	--	658.73	--	658.73	--	1002.92

(Rupees in lakhs)

Sl No.	Department/ Sector	Name of the Company	Paid - up capital as at the end of 1994-95 State Government	Central Government	Holding companies	Others	Total	Loans given out of budget during the year	Loans outstanding
8.		Uttar Pradesh Carbon and Chemical Limited(Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	--	--	1.27	--	1.27	--	--
9.		Continental Float Glass Limited (Subsidiary of Uttar Pradesh State Mineral Development Corporation Limited)	--	--	4521.00	--	4521.00	--	19272.86
10.		Vindhyachal Abrasives Limited (Subsidiary of Uttar Pradesh State Mineral Development Corporation Limited)	--	--	7.60	--	7.60	--	57.41
			6221.71	--	5609.18	190.79	12021.68	120.65	21844.21
11.	Rural and Small Industries	Uttar Pradesh Small Industries Corporation Limited	596.05	--	--	--	596.05	--	748.73
12.		Uttar Pradesh Plant Protection Appliances (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	--	--	3.20	--	3.20	--	1.72
13.		Uttar Pradesh State Handloom Corporation Limited	2274.09	--	--	--	2274.09	603.00	1204.21

(Rupees in lakhs)

Sl No.	Department/ Sector	Name of the Company	Paid - up capital as at the end of 1994-95 State Government	Central Government	Holding companies	Others	Total	Loans given out of budget during the year	Loans outstanding
14.		UPSIC Potteries Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	17.00	--	58.00	--	75.00	--	65.00
			2887.14	--	61.20	--	2948.34	603.00	2019.66
15.	Planning	Mahamodabad Peoples Tannery Limited	3.06	--	--	2.55	5.61	--	--
16.		Uttar Pradesh Development Systems Corporation Limited	100.00	--	--	--	100.00	--	--
			103.06	--	--	2.55	105.61	--	--
17.	Export Promotion	The Uttar Pradesh Export Corporation Limited	484.27	30.00	--	--	514.27	--	161.88
18.		The Uttar Pradesh State Brassware Corporation Limited	527.86	10.00	--	--	537.86	--	147.51
19.		Uttar Pradesh State Leather Development and Marketing Corporation Limited	573.94	--	--	--	573.94	--	234.02
			1586.07	40.00	--	--	1626.07	--	543.41
20.	Agriculture	Uttar Pradesh State Agro Industrial Corporation Limited	1571.22	332.83	--	--	1904.05	375.00	--

(Rupees in lakhs)

Sl No.	Department/ Sector	Name of the Company	Paid - up capital as at the end of 1994-95 State Government	Central Government	Holding companies	Others	Total	Loans given out of budget during the year	Loans outstanding
21.		Uttar Pradesh State Horticulture Produce Marketing and Processing Corporation Limited	668.01	--	--	--	668.01	--	485.88
22.		Uttar Pradesh Bhumi Sudhar Nigam Limited	150.00	--	--	--	150.00	--	--
			2389.23	332.83	--	--	2722.06	375.00	485.88
23.	Textile	Uttar Pradesh State Textile Corporation Limited	15579.37	--	--	--	15579.37	850.00	2625.76
24.		Uttar Pradesh State Spinning Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited)	--	--	7842.84	--	7842.84	--	7055.00
25.		Uttar Pradesh State Yarn Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited)	--	--	3074.52	--	3074.52	--	2032.10
26.		Bhadohi Woollens Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited)	--	--	375.54	--	375.54	--	--
			15579.37	--	11292.90	--	26872.27	850.00	11712.86
27.	Sugar and Cane Development	Uttar Pradesh State Sugar Corporation Limited	47915.12	--	--	--	47915.12	275.00	26909.63

(Rupees in lakhs)

Sl No.	Department/ Sector	Name of the Company	Paid - up capital as at the end of 1994-95 State Government	Central Government	Holding companies	Others	Total	Loans given out of budget during the year	Loans outstanding
28.		Kichha Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	32.59	--	1686.45	--	1719.04	--	183.80
29.		Chhata Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	--	--	973.17	--	973.17	--	1663.06
30.		Nandganj Sihori Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	--	--	3404.05	--	3404.05	--	401.54
31.		Uttar Pradesh (Poorva) Ganna Beej Evam Vikas Nigam Limited	20.18	--	--	6.59	26.77	--	290.95
32.		Uttar Pradesh (Madhya) Ganna Beej Evam Vikas Nigam Limited	10.00	--	--	6.25	16.25	--	--
33.		Uttar Pradesh (Paschim) Ganna Beej Evam Vikas Nigam Limited	12.25	--	--	11.00	23.25	--	1669.49
34.		Uttar Pradesh(Rohilkhand Tarai) Ganna Beej Evam Vikas Nigam Ltd.	12.75	--	--	12.12	24.87	--	1893.10
35.		Ghatampur Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	--	--	891.28	--	891.28	--	413.63
			48002.89	--	6954.95	35.97	54993.80	275.00	33425.20

(Rupees in lakhs)

Sl No.	Department/ Sector	Name of the Company	Paid - up capital as at the end of 1994-95 State Government	Central Government	Holding companies	Others	Total	Loans given out of budget during the year	Loans outstanding
36.	Area Development	Uttar Pradesh Bundelkhand Vikas Nigam Limited	123.30	--	--	--	123.30	--	5.00
37.		Uttar Pradesh Pooravanchal Vikas Nigam Limited	129.80	--	--	--	129.80	--	35.00
38.		Bundelkhand Cncrete Structurals Limited (Subsidiary of Uttar Pradesh Bundelkhand Vikas Nigam Limited)	--	--	2.40	--	2.40	--	--
39.		Allahabad Mandad Vikas Nigam Limited	67.00	--	--	--	67.00	--	36.43
40.		Bareilly Mandal Vikas Nigam Limited	125.00	--	--	--	125.00	--	59.60
41.		Lucknow Mandaliya Vikas Nigam Limited	70.00	--	--	--	70.00	--	155.70
42.		Meerut Mandal Vikas Nigam Limited	100.00	--	--	--	100.00	--	--
43.		Varanasi Mandal Vikas Nigam Limited	70.00	--	--	--	70.00	--	38.05
44.		Gorakhpur Mandal Vikas Nigam Limited	126.03	--	--	--	126.03	--	91.60
45.		Agra Mandal Vikas Nigam Limited	100.00	--	--	--	100.00	--	7.89

(Rupees in lakhs)

Sl No.	Department/ Sector	Name of the Company	Paid - up capital as at the end of 1994-95 State Government	Central Government	Holding companies	Others	Total	Loans given out of budget during the year	Loans outstanding
46.		Moradabad Mandal Vikas Nigam Limited	25.00	--	--	--	25.00	--	64.60
			936.13	--	2.40	--	938.53	--	493.87
47.	Hill Development	Kumaon Mandal Vikas Nigam Limited	931.83	--	--	--	931.83	--	338.51
48.		Teletronic Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	--	--	344.65	--	344.65	--	154.59
49.		Transcables Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	--	--	63.24	--	63.24	--	275.04
50.		Northern Electrical Equipment Industries Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	--	--	0.07	--	0.07	--	--
51.		Kumaon Television Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	--	--	99.75	--	99.75	--	134.81
52.		Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Garhwal Mandal Vikas Nigam Limited	20.00	--	30.00	--	50.00	--	17.48

(Rupees in lakhs)

Sl No.	Department/ Sector	Name of the Company	Paid - up capital as at the end of 1994-95 State Government	Central Government	Holding companies	Others	Total	Loans given out of budget during the year	Loans outstanding
53.		Kumaon Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Kumaon Mandal Vikas Nigam)	22.00	--	28.00	--	50.00	--	--
54.		Garhwal Mandal Vikas Nigam Limited	461.50	--	--	--	461.50	120.00	957.42
55.		Uttar Pradesh Hill Electronics Corporation Limited	794.53	--	--	--	794.53	--	--
56.		Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	--	--	18.31	--	18.31	--	--
57.		Uttar Pradesh Hill Phones Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	--	--	3.27	--	3.27	--	--
58.		Uttar Pradesh Hill Quartz Limited (Subsidiary of Uttar Pradesh Hill Electronics Limited	--	--	0.79	--	0.79	--	--
			2229.86	--	588.08	--	2817.94	120.00	1877.85
59.	Public Works	Uttar Pradesh State Bridge Corporation Limited	1000.00	--	--	--	1000.00	--	890.00

(Rupees in lakhs)

Sl No.	Department/ Sector	Name of the Company	Paid - up capital as at the end of 1994-95 State Government	Central Government	Holding companies	Others	Total	Loans given out of budget during the year	Loans outstanding
60.		Uttar Pradesh Rajkiya Nirman Nigam Limited	100.00	--	--	--	100.00	--	--
			1100.00	--	--	--	1100.00	--	890.00
61.	Panchayati Raj	Uttar Pradesh Panchayati Raj Vitta Evam Vikas Nigam Limited	77.76	--	--	60.94	138.70	--	--
			77.76	--	--	60.94	138.70	--	--
62.	Electronics	Uttar Pradesh Electronics Corporation Limited	7560.07	--	--	--	7560.07	174.52	2509.65
63.		Uptron Powertronics Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	--	--	87.00	--	87.00	26.00	--
64.		Uptron Sempack Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	--	--	2.55	--	2.55	--	--
65.		Kanpur Components Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited	--	--	5.43	--	5.43	--	--

(Rupees in lakhs)

Sl No.	Department/ Sector	Name of the Company	Paid - up capital as at the end of 1994-95 State Government	Central Government	Holding companies	Others	Total	Loans given out of budget during the year	Loans outstanding
66.		Shreeton India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	--	--	174.71	--	174.71	--	282.00
67.		Uptron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	--	--	5249.15	--	5249.15	--	11305.58
68.		Uptron Leasing Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	--	--	100.00	--	100.00	--	--
			7560.07	--	5618.84	--	13178.91	200.52	14097.23
69.	Tourism	Uttar Pradesh Tourism Development Corporation Limited	819.52	--	--	--	819.52	--	803.74
			819.52	--	--	--	819.52	--	803.74
70.	Food and Civil Supplies	Uttar Pradesh Food and Essential Commodities Corporation Limited	550.39	--	--	--	550.39	--	1546.50
			550.39	--	--	--	550.39	--	1546.50

(Rupees in lakhs)

Sl No.	Department/ Sector	Name of the Company	Paid - up capital as at the end of 1994-95: State Government	Central Government	Holding companies	Others	Total	Loans given out of budget during the year	Loans outstanding
71.	Animal Husbandry	Uttar Pradesh State Poultry and Livestock Specialities Limited	95.75	57.75	--	--	153.50	--	--
72.		Uttar Pradesh Pashudhan Udyog Nigam Limited	209.08	63.00	--	--	272.08	--	188.61
			304.83	120.75	--	--	425.58	--	188.61
73.	Harijan and Social Welfare	Uttar Pradesh Scheduled Castes Finance and Development Corporation Limited	2540.14	2444.18	--	--	4984.32	--	1620.79
74.		Tarai Anusuchit Janjati Vikas Nigam	45.00	--	--	--	45.00	--	347.39
75.		Uttar Pradesh Samaj Kalayan Nigam Limited	15.00	--	--	--	15.00	--	842.37
76.		Uttar Paradesh Bhootpurva Sanik Kalyan Nigam	42.54	--	--	--	42.54	--	--
77.		Uttar Pradesh Pichari Jati Vittya Evam Vikas Nigam Limited	600.00	--	--	--	600.00	--	346.60
78.		Uttar Pradesh Mahila Kalayan Nigam Limited	61.00	48.00	--	--	109.00	--	--
			3303.68	2492.18	--	--	5795.86	--	3157.15

(Rupees in lakhs)

Sl No.	Department/ Sector	Name of the Company	Paid - up capital as at the end of 1994-95 State Government	Central Government	Holding companies	Others	Total	Loans given out of budget during the year	Loans outstanding
79.	Finance	Uttar Pradesh State Industrial Development Corporation	2255.29	--	--	--	2255.29	495.00	4185.50
80.		The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited	11057.50	--	--	--	11057.50	4607.22	40349.11
81.		Uttar Pradesh Alp Sankhyak Vittiya Evam Vikas Nigam	427.50	--	--	--	427.50	290.00	360.42
			3740.29	**--**	**--**	**--**	**13740.29**	**5392.**22	44895 03
82.	Institutionl Finance	Uttar Pradesh Chalchitra Nigam Limited	818.21	--	--	0.21	818.42	--	485.40
			818.21	--	--	0.21	818.42	--	485.40
83.	Irrigation	Uttar Pradesh Projects and Tubewells Corporation Limited	440.00	100.00	--	--	540.00	--	--
			440.00	100.00	--	--	540.00	--	--
84.	Fisheries	Uttar Pradesh Matsya Vikas Nigam Limited	100.00	--	--	--	100.00	--	--
			100.00	--	--	--	100.00	--	--
85.	Power	Uttar Pradesh Rajya Vidyut Utpadan Nigam Nigam Limited	100.00	--	--	--	100.00	--	3000.00

(Rupees in lakhs)

Sl No.	Department	Name of the Company	Paid - up - capital as at the end of 1994-95 State Government	Central Government	Holding companies	Others	Total	Loans given out of Budget during the year	Loans outstanding
86.		Uttar Pradesh Laghu Jal Vidyut Nigam Limited	70.00	--	--	--	70.00	--	1400.00
			170.00	--	--	--	170.00	--	4400.00
87.	Home	Uttar Pradesh Police Avas Nigam Limited	300.00	--	--	--	300.00	--	--
			300.00	--	--	--	300.00	--	--
88.	Waqf	Uttar Pradesh Waqf Vikas Nigam Limited	150.00	--	--	--	150.00	--	--
			150.00	--	--	--	150.00	--	--
89.	Cement	Uttar Pradesh State Cement Corporation Limited	6828.16	--	--	--	6828.16	--	23553.45
			6828.16	--	--	--	6828.16	--	23553.45
		Grand Total	**116198.37**	**3085.76**	**30127.55**	**290.45**	**149702.13**	**7936.22**	**166420.05**

ANNEXURE- 3

Summarised financial results of Government Company for the latest year for which accounts were finalised
(Except in Cloumns 4 & 5 figures are in lakhs of rupees)
(Referred to in paragraph 1.2.2 and 1.2.5)

Serial Number	Department	Name of the Company	Date of incorporation	Period of accounts	Year in which finalised	Prcfit (+)/ Loss (-)	Paid-up capital	Accumulated Profit & Loss	Capital Invested	Capital employed	Return on capital invested	Return of capital employed	Percentage of total return on Capital invested	Percentage of total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
1.	Industries	The Indian Turpentine and Rosian Company Limited	22 February 1924	1993-94	1994-95	(-) 0.57	22.02	(-) 391.91	(-) 236.49	(-) 218.30	(-) 0.57	(-) 0.57	--	--
2.		Auto Tractors Limited	28 December 1972	1990-91	1991-92	(-) 786.72	750.00	(-) 6493.67	(-) 4513.03	1432.14	(-) 444.99	(-) 356.50	--	--
3.		Uttar Pradesh State Mineral Development Corporation Limited	23 March 1974	1992-93	1994-95	534.52	5640.48	(-) 42.56	6075.06	2080.27	545.43	534.53	8.98	25.69
4.		Uttar Pradesh Instruments(Subsidiary of Uttar Pradesh Industrial Development Corporation	1 January 1975	1993-94	1994-95	(-) 199.72	202.22	(-) 160.68	45.11	(-) 80.31	(-) 199.72	(-) 65.98	--	--
5.		Uttar Pradesh Tyres and Tubes Limited (Subsidiary of Uttar Pradesh Industrial Development Corporation Limited)	14 January 1976	1992-93	1993-94	(-) 217.09	183.16	(-) 996.09	(-) 503.41	209.53	(-) 172.31	(-) 145.75	--	--

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
6.		Uttar Pradesh Digitals Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	8 March 1978	1993-94	1994-95	(-) 268.78	35 20	(-) 359.81	(-) 26.81	59.76	(-) 232.42	(-) 232.42	--	--
7.		Uttar Pradesh Carbide and Chemicals Ltd. (Subsidiary of Uttar Pradesh State Mineral Development Corpn.)	23 April 1979	1992 93	1993-94	(-) 617.54	658.73	(-) 3531.51	(-) 1844.77	(-) 50.57	(-) 228.52	(-) 176.21	--	--
8.		Uttar Pradesh Carbon & Chemical Ltd. (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	12 January 1982	1988-89	--	--	1.27	--	1.27	--	--	--	--	--
9.		Continental Float Glass Ltd. (Susidiary of U.P. State Mineral Corporation Limited)	12 April 1985	1993-94	1994-95	--	3770.43	(-) 3770.43	21275.35	(-) 5806.46	146.89	--	--	--
10.		Vindhyachal Abrasives Limited (Subsidiary of U.P. State Mineral Development Corporation Limited)	5 December 1965	1986-87	--	(-) 1.63	0.01	(-) 4.50	7.46	2.22	(-) 1.63	(-) 1.63	--	--
11.	Rural and Small Industries	Uttar Pradesh Small Industries Corporation Limited	1 June 1958	1989-90	1994-95	8.59	524.05	(-) 125.40	1175.50	1436.03	89 75	93.00	7.64	6 48

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
12.		Uttar Pradesh Plant Protection Appliances(Private) Ltd. (Subsidiary of U.P. Small Industries Corporation Limited)	28 June 1972	1974-75	..	(-) 0.81	0.92	(-) 0.81	4.68	5.23	(-) 0.53	(-) 0.53	..	..
13.		Uttar Pradesh State Handloom Corporation	9 January 1973	1985-86	1994-95	50.53	943.49	(-) 793.86	1005.20	926.35	110.75	110.75	11.02	11.96
14.		UPSLIC Pottries Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	27 April 1976	1987-88	..	(-) 24.42	58.00	(-) 60.03	37.97	(-) 6.69	(-) 19.95	(-) 19.57	..	..
15.	Planning	Mahamoodabad Peoples Tannery Limited	21 December 1964	1976-77	..	(-) 0.01	5.61	(-) 4.16	1.35	1.35	(-) 0.01	(-) 0.01	..	..
16.		Uttar Pradesh Development Systems Corporation Limited	15 March 1977	1991-92	1992-93	(-) 28.42	87.00	(+) 2.57	102.57	102.57	1.26	1.26	..	1.23
17.	Export Promotion	The Uttar Pradesh Export Corporation Limited	20 January 1966	1992-93	1995-96	140.30	510.27	(-) 361.00	316.65	429.87	158.89	198.44	50.18	46.16
18.		The Uttar Pradesh State Brassware Corporation Limited	12 Feburary 1974	1990-91	1994-95	(-) 80.76	537.80	(-) 603.57	203.95	611.35	(-) 28.29	(-) 26.55	..	..

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
19.		Uttar Pradesh State Leather Development and Marketing Corporation Limited	12 Febrauary 1974	1990 91	1994-95	(-) 73.40	573.94	(-) 624.64	134.95	457.20	(-) 70.90	(-) 62.97	--	--
20.	Agriculture	Uttar Pradesh State Agro Industrial Corporation Limited	29 March 1967	1991 92	1995-96	(-) 523.29	1904.04	(-) 4186.62	(-) 2280.23	(-) 644.95	(-) 523.05	(-) 190.84	--	--
21.		Uttar Pradesh State Horticulture Produce Marketing and Processing Corporation Limited	6 April 1977	1984 85	--	(-) 66.57	190.76	(-) 255.33	(-) 9.31	80.72	(-) 58.96	(-) 55.90	..	..
22.		Uttar Pradesh Bhumi Sudhar Nigam Limited	30 March 1978	1993 94	1994-95	12.97	150.00	(-) 42.41	152.95	422.88	12.97	12.97	8.48	3.07
23.	Textile	Uttar Pradesh State Textile Corporation Limited	2 December 1969	1994-95	1995-96	(-) 1663.97	15579.37	(-) 19655.38	5995.01	4087.08	( ) 1125.23	(-) 81.70	..	..
24		Uttar Pradesh State Spinning Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited)	20 August 1974	1994-95	1995-96	(-) 231..71	7842.84	(-) 10993.85	3938.84	1401.78	512.02	747.55	12.99	53.33
25.		Uttar Pradesh State Yarn Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation)	20 August 1974	1994-95	1995-96	(-) 525.17	3190.52	(-) 5138.14	1429.70	1001.84	(-) 86.58	189.40	18.91	..

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
26.		Bhadhoi Woollens Limited (Subsidiary of U.P. State Textile Corporation Limited)	16 June 1976	1994-95	1995-96	(-) 168.41	375.54	(-) 1198.94	(-) 815.16	85.35	(-) 168.41	(-) 31.18	..	..
27.	Sugar and Cane Development	Uttar Pradesh State Sugar Corporation Limited	26 March 1971	1992-93	1995-96	(-) 9688.56	45201.12	(-) 46047.53	45811.93	26555.60	(-) 7829.13	(-) 3908.78	..	..
28.		Kichha Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	17 February 1972	1992-93	1994-95	(-) 74.37	1691.29	(-) 802.29	3307.38	3280.05	(-) 55.78	(-) 54.58	..	..
29.		Chhata Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	18 April 1975	1990-91	1991-92	(-) 85.62	599.17	(-) 384.47	528.12	969.77	(-) 78.42	(-) 31.77	..	..
30.		Nandganj Sihori Sugar Corporation Ltd. (Subsidiary of Uttar Pradesh State Sugar Corporation Ltd.)	18 April 1975	1991-92	1995-96	(-) 162.07	2809.53	(-) 715.39	3664.20	(-) 156.40	(-) 59.40	60.97	..	..
31.		Uttar Pradesh (Poorva) Ganna Beej Evam Vikas Nigam	27 August 1975	1991-92	1992-93	0.60	26.75	(+) 5.33	32.08	336.30	0.60	58.48	1.87	17.39
32.		Uttar Pradesh (Madhya) Ganna Beej Evam Vikas Nigam	27 August 1975	1991-92	1992-93	(-) 2.80	16.24	(-) 11.30	234.72	234.73	36.61	36.61	15.60	15.60

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
33.		Uttar Pradesh (Paschim) Ganna Beej Evam Vikas Nigam	27 August 1975	1992-93	1993-94	16.28	22.99	(-) 4.89	857.89	857.77	140.85	140.85	16.42	16.42
34.		Uttar Pradesh(Rohilkhand Tarai Ganna Beej Evam Vikas Nigam Limited	27 August 1975	1991-92	1992-93	9.57	24.77	(+) 27.80	1945.67	1262.99	148.28	148.28	7.62	11.74
35.		Ghatampur Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	30 May 1986	1991-92	1994-95	(-) 843.97	794.07	(-) 1304.26	( ) 34.97	639.91	(-) 732.63	(-) 969.38	--	--
36.	Area Development	Uttar Pradesh Bundelkhand Vikas Nigam	30 March 1971	1985-86		(-) 4.60	113.30	(-) 89.27	38.21	34.07	(-) 3.59	(-) 3.59	--	--
37.		Uttar Pradesh Pooravanchal Vikas Nigam	30 March 1971	1987-88	--	(-) 13.64	114.80	( ) 93.33	56.47	22.06	(-) 13.64	(-) 8.14	--	--
38.		Bundelkhand Concrete Structurals Limited (Subsidiary of Uttar Pradesh Bundelkhand Vikas Nigam Ltd.)	2 March 1974	1986-87	--	(-) 0.01	2.40	(-) 0.65	1.75	1.45	(-) 0.01	(-) 0.01	--	--
39.		Allahabad Mandal Vikas Nigam	31 Janaury 1976	1983-94	--	(-)11.42	67.00	( ) 11.42	121.50	39.52	(-) 9.87	(-) 3.97	--	--
40.		Bareilly Mandal Vikas Nigam	31 January 1976	1983-84		( ) 69.46	100.00	(-) 20.74	84.12	420.73	(-) 69.26	(-) 56.84	--	--

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
41		Lucknow Mandaliya Vikas Nigam	31 January 1976	1981-82		1.22	50.00	(+) 9.68	59.68	28.79	1.12	1.20	1.88	4.17
42		Meerut Mandal Vikas Nigam	31 March 1976	1991-92	..	(-) 15.03	100.00	(-) 55.93	47.88	47.33	(-) 15.03	(-) 15.03	..	..
43		Varanasi Mandal Vikas Nigam	31 March 1976	1987-88	..	(-) 2.71	70.00	(-) 23.24	93.97	88.29	(-) 2.71	(-) 1.93	..	..
44.		Gorakhpur Mandal Vikas Nigam	31 March 1976	1984-85	..	(-) 0.67	122.03	(-) 120.53	32.87	28.65	0.53	0.53	1.61	1.85
45		Agra Mandal Vikas Nigam	31 March 1976	1986-87	..	11.24	100.00	(-) 44.37	55.63	82.86	11.24	12.48	17.13	15.06
46		Moradabad Mandal Vikas Nigam	30 March 1978	1986-87	..	(-) 0.59	25.00	(-) 0.09	95.33	95.21	2.92	2.92	3.06	3.07
47	Hill Development	Kumaon Mandal Vikas Nigam	30 March 1971	1989-90		2.51	563.87	(+) 11.88	968.45	665.50	15.79	17.17	1.73	2.58
48		Teletronics Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	27 January 1973	1991-92	1992-93	(-) 62.24	174.71	(-) 156.02	131.85	119.44	(-) 62.24	(-) 62.24	..	..

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
49.		Transcables Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	29 November 1973	1992-93	1993-94	24.41	62.24	(-) 185.64	88.04	88.04	36.04	13.17	40.93	14.96
50		Northern Electrical Equipment Industries Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	29 January 1974	1985-86	--	--	0.07		0.07	(-) 0.42	--	--	--	--
51.		Kumaon Television Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	24 August 1974	1991-92	1992-93	(-) 44.44	99.75	(-) 109.80	31.47	95.83	(-) 40.36	(-) 26.11	--	--
52.		Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Garhwal Mandal Vikas Nigam Limited	30 June 1975	1987-88	1992-93	(-) 9.19	50.00	(-) 50.00	14.86	20.48	(-) 8.34	(-) 6.94	--	--
53.		Kumaon Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Kumaon Mandal Vikas Nigam)	30 June 1975	1982-83	--	(-) 0.78	25.00	(+) 3.78	28.78	27.51	(-) 0.78	(-) 0.78	--	--
54.		Garhwal Mandal Vikas Nigam	31 March 1976	1990-91	1995-96	13.96	431.50	(+) 762.94	2549.19	3173.16	40.60	40.60	1.59	1.28
55.		Uttar Pradesh Hill Electronics Corporation Limited	26 June 1985	1992-93	1995-96	(-) 10.51	1.00	(-) 45.68	599.35	319.61	(-) 10.51	(-) 10.51	--	--

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
56.		Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	27 April 1987	1989-90	1992-93	..	18.31	(-) 1.61	16.70	12.37	..	..	..	..
57.		Uttar Pradesh Hill Phones Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	10 August 1987	1986-87	Accounts not received since inception.									
58.		Uttar Pradesh Hill Quartz Limited (Subsidiary of Uttar Pradesh Hill Electronics Limited	18 July 1989	1988-89	Accounts not received.									
59.	Public Works	Uttar Pradesh State Bridge Corporation Limited	18 October 1972	1992-93	1995-96	(-) 336.00	700.00	(-) 1705.00	4249.00	4248.10	(-) 336.00	(-) 173.00	..	..
60.		Uttar Pradesh Rajkiya Nirman Nigam Limited	1 May 1975	1991-92	1995-96	(-) 85.62	100.00	(+) 1740.65	1840.65	1840.65	96.20	103.04	5.22	5.60
61.	Panchayati Raj	Uttar Pradesh Panchayati Raj Vitta Evam Vikas Nigam	24 April 1973	1988-89	..	0.25	126.68	(+) 14.84	141.52	140.20	0.25	0.25	0.18	0.18
62.	Electronics	Uttar Pradesh Electronics Corporation Limited	30 March 1974	1974-75	1995-96	(-) 10.63	7560.07	(+) 48.02	10109.87	2689.12	(-) 10.63	(-) 10.63	..	..

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
63.		Uptron Powertronics (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	30 April 1977	1994-95	1995-96	(-) 28.42	87.00	..	87.00	352.93	(-) 28.42	16.54	..	4.69
64		Uptron Sempack Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	23 May 1977	1979-80	..	(-) 0.78	2.55	..	2.55	1.86	(-) 0.78	(-) 0.36		..
65.		Kanpur Components Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited	31 March 1978		No accounts furnished since inception.									
66		Shreeton India (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	1 February 1979	1994-95	1995-96	(-) 13.09	174.71	(-) 287.51	268.47	268.47	(-) 13.09	2.18	..	0.81
67		Uptron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	18 October 1979	1993-94	1995-96	(-) 3083.53	5249.15	(-) 13362.06	6086.07	5952.73	(-) 2738.08	(-) 457.97	..	..
68.		Uptron Leasing Limited (Subsitiary of Uttar Pradesh Electronics Corporation Limited)	5 Jaunary 1988	1994-95	1995-96	7.60	100.00	(+) 15.16	115.16	172.79	7.60	19.71	6.60	11.41
69.	Tourism	Uttar Pradesh Tourism Development Corporation Limited	5 August 1974	1992-93	1994-95	(-) 519.67	819.53	(-) 593.26	1218.64	1133.98	(-) 380.46	(-) 379.00	..	

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
70.	Food and Civil Supplies	Uttar Pradesh Food and Essential Commodities Corporation Limited	22 October 1974	1984-85	1994-95	(-) 4.93	50.00	(+) 79.69	546.38	546.37	(-) 4.93	52.62	..	9.63
71.	Animal Husbandry	Uttar Pradesh State Poultry and Livestock Specialities Limited	7 December 1974	1992-93	1994-95	8.65	153.50	(-) 5.24	147.26	141.22	8.65	8.65	5.87	6.13
72.		Uttar Pradesh Pashudhan Udyog Nigam Limited	5 March 1975	1989-90	1994-95	8.06	146.85	(-) 152.62	69.18	159.87	17.53	30.15	11.42	18.86
73.	Harijan and Social Welfare	Uttar Pradesh Schedule Castes Finance and Development Corporation Ltd.	25 March 1975	1990-91	1994-95	46.79	2953.90	(+) 311.70	3265.60	3010.81	46.79	46.79	1.43	[illegible]
74.		Tarai Anusuchit Janjati Vikas Nigam Limited	2 August 1975	1982-83	..	(-) 4.00	45.00	(+) 0.45	70.45	70.45	(-) 4.00	(-) 4.00	..	
75.		Uttar Pradesh Samaj Kalayan Nigam Limited	25 June 1976	1993-94	1994-95	116.71	15.00	(+) 1119.30	2131.97	2131.97	116.71	116.71	5.47	5.47
76.		Uttar Paradesh Bhootpurva Sanik Kalyan Nigam Limited	23 May 1989	1992-93	1994-95	8.97	42.54	--	42.54	26.85	8.97	8.97	21.09	33.41
77.		Uttar Pradesh Pichari Jati Vittya Evam Vikas Nigam Limited	26 April 1991	1992-93	1994-95	3.22	100.00	(-) 3.22	96.78	95.48	3.22		3.32	

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
78.		Uttar Pradesh Mahila Kalayan Nigam Limited	17 March 1988	1990-91	1994-95	1.33	60.00	(-) 2.22	57.04	56.45	1.33	1.33	2.33	2.36
79.	Finance	Uttar Pradesh State Industrial Development Corporation Limited	29 March 1961	1993-94	1994-95	99.50	2255.29	(+) 1260.65	7701.34	7377.75	336.81	412.94	4.37	55.97
80.		Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited	29 March 1972	1994-95	1995-96	553.67	11057.50	(+) 1037.11	52443.72	52421.28	5769.09	5911.28	11.00	11.28
81.		Uttar Pradesh Alp Sankhyak Vittiya Evam Vikas Nigam	17 November 1984	1988-89	1993-94	0.97	305.00	(-) 1.53	303.89	326.46	5.03	5.03	1.59	1.54
82.	Institutional Finance	Uttar Pradesh Chalchitra Nigam	10 September 1975	1991-92	1993-94	4.50	818.00	(-) 1002.98	(-) 126.18	341.17	4.50	4.50	9.51	1.32
83.	Irrigation	Uttar Pradesh Projects and Tubewells Corporation	26 May 1976	1994-95	1995-96	(-) 200.08	540.00	(-) 336.76	203.24	(-) 51.96	(-) 200.08	(-) 200.08	--	--
84.	Fisheries	Uttar Pradesh Matsya Vikas Nigam Limited	22 October 1979	1987-88	--	(-) 34.62	100.00	(-) 72.88	336.03	331.71	(-) 17.96	(-) 17.96	--	--
85.	Power	Uttar Pradesh Rajya Vidyut Utpadan Nigam Nigam	22 August 1980	1993-94	1994-95	(-) 165.34	25280.00	(-) 11042.40	14312.02	14312.21	(-0 36.26	(-) 36.26	--	--

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
86.		Uttar Pradesh Laghu Jal Vidyut Nigam Limited	15 April 1985	1992-93	1993-94	( ) 13.58	70.00	(-) 53.22	4043.78	180.41	(-) 13.58	(-) 13.58	--	--
87.	Home	Uttar Pradesh Police Avas Nigam Limited	27 March 1987	1993-94	1994-95	105.94	100.00	(+) 110.25	210.25	209.76	105.94	105.94	50.39	50.51
88.	Waqf	Uttar Pradesh Waqf Vikas Nigam	27 April 1987	1988-89	1993-94	0.65	150.00	(-) 0.18	149.82	148.76	0.65	0.65	0.65	0.44
89.	Cement	Uttar Pradesh State Cement Corporation Limited	29 March 1992	1994-95	1995-96	(-) 5842.71	6828.16	(-) 37823.86	(-) 22289.58	(-) 21009.71	(-) 3726.17	(-) 3726.17	--	--

ANNEXURE - 4

Statement showing utilisation of capacity during 1994-95

(Referred to in paragraph 1.2.9)

Serial Number	Name of the Company	Unit	Installed capacity	Utilisation	Percentage utilisation
1.	Chatta Sugar Company Limited	Tonne crushing/ day (TCD)	2500	1748.50	69.94
2.	Uttar Pradesh State Sugar Corporation Limited	TCD	44855	36942	82.36
3.	Nandganj Sihori Sugar Company Limited	TCD	1250	1143.75	91.50
4.	Ghatampur Sugar Company Limited	TCD	1250	788.00	63.04
5.	Kichha Sugar Company Limited	TCD	4000	3124.80	78.12
6.	Transcables Limited	Tonne	606	71.48	11.80
7.	Uttar Pradesh Instruments Limited	Number	60000	13780	22.97
8.	Uttar Pradesh Digitals Limited	Number	400000	145000	36.25
9.	Uttar Pradesh State Spinning Mills Company Limited	Spindles	200000	133616	88.95*
10.	Uttar Pradesh State Cement Corporation Limited	Tonne in lakhs	25.60	6.80	26.56
11.	Uttar Pradesh Hill Electronics Limited	Number	12000	352	2.93

* The percentage of capacity utilistion is based on installed capacity of 1.5 lakhs spindles after excluding 0.50 lakh spindles capacity of Akbarpur Mill which remained closed through out the year.

ANNEXURE - 5

Statement showing summarised financial results of Statutory Corporations for the latest year for which Annual Accounts have been finalised

(Referred to in paragraph 1.3.4. page)

(Rupees in crores)

Sl No.	Name of the Corporation	Name of administrative department	Year of incorporation	Years of accounts	Total capital invested	Profit(+)/ Loss(-)	Interest on long term loan	Total return on capital invested	Total return on capital employed	Capital employed	Percentage of total return on capital invested	Percentage of total return on capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1.	U.P. State Electricity Board	Power	April 1959	1993-94	11743.03	(+) 61.93	715.19	772.12	777.12	8492.90	6.62	9.15
2.	U.P. Financial Corporation	Industries	1954	1993-94	957.21	(-) 48.24	95.03	(-) 48.24	(-) 48.24	941.07	NIL	NIL
3.	U.P. State Warehousing Corporation	Co-operative	1958	1994-95	23.06	(+) 2.84	0.76	3.60	3.60	26.35	15.61	13.66
4.	U.P. State Road Transport Corporation	Transport	1972	1993-94	351.55	(-) 8.75	17.60	8.85	8.85	120.90	2.52	7.32

Note: 1. Capital invested represents mean of the aggregate of opening and closing balances of paid-up capital plus long term loans plus free reserves.in respect of U.P. Financial Corporation and for other Statutory Corporations it represents paid-up capital plus long term loan plus free reserves.

2. Capital employed represents net fixed assets plus working capital.