Report of the Comptroller And Auditor General of India

For the Year Ended : 31 March, 1998

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 the 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 in spite of Government investment through Government Companies/Corporations, 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 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 audit of their accounts independently of the audit conducted by the Chartered Accountants appointed under the respective Acts. From this year results of audit in respect of Uttar Pradesh Jal Nigam and Uttar Pradesh Housing and Development Board, which were being featured in Audit Report (Civil) of the State have also been included in this report. Further, audit of Uttar Pradesh Forest Corporation (a statutory corporation) and Uttar Pradesh State Employees Welfare Corporation (registered under Registration of Societies Act) have been entrusted to Comptroller and Auditor General by the State Government under Section 19 (3) of C&AG DPC Act, 1971. 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 one review relating to the Government companies viz. Working of Uttar Pradesh Scheduled Castes Finance and Development Corporation Limited.

Chapter-III deals with four reviews relating to the Statutory corporations viz. working of Uttar Pradesh Financial Corporation, Working of Chibro and Khodri Hydro Power Projects, Working of Distribution Zone Lucknow and Inventory Management in Distribution Wing.

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 1997-98 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 1997-98 have also been included wherever necessary.

Overview

Overview

The State had 97 Government companies (including 37 subsidiaries), 5 companies under the purview of section 619 B of the Companies Act, 1956 and 8 Statutory corporations as on 31 March 1998. 15 companies (including twelve subsidiaries) were under the process of liquidation.

(Paragraphs 1.2.1, 1.2.12 and 1.3.1)

The aggregate paid-up capital of 82 Government companies (excluding 15 companies under liquidation) was Rs. 1845.46 crore, out of which Rs. 1487.80 crore were invested by the State Government, Rs. 58.29 crore by Central Government, Rs. 271.71 crore by holding companies and Rs. 27.66 crore by others. The aggregate long term loans outstanding as on 31 March 1998 against 46 companies was Rs. 1818.37 crore.

The State Government guaranteed the repayment of loans and interest thereon. The outstanding amount of guarantees aggregated Rs. 383.58 crore at the close of March 1998.

(Paragraphs 1.2.1, 1.2.4, and Annexure-1)

Of the 82 Government companies, only one company had finalised its accounts for the year 1997-98 and accounts of remaining 81 companies were in arrear for periods ranging from 1 year to 23 years.

(Paragraph 1.2.6)

According to the latest available accounts, 27 companies had eroded their paid-up capital as the accumulated loss amounting to Rs. 1832.90 crore of these companies exceeded their paid-up capital of Rs. 1000.87 crore. Of the 48 loss making companies, 16 companies suffered loss during five consecutive years up to March 1998.

(Paragraph 1.2.7.2)

Out of 8 Statutory corporations, Uttar Pradesh State Electricity Board, Uttar Pradesh State Warehousing Corporation and Uttar Pradesh Forest Corporation have finalised their accounts up to 1997-98. Uttar Pradesh Jal Nigam, Uttar Pradesh State Road Transport Corporation and Uttar Pradesh Financial Corporation have finalised *their accounts up to 1996-97. Uttar Pradesh Avas Evam Vikas Parishad has finalised its accounts only up to 1994-95.*

(Paragraph 1.3.1)

While the Uttar Pradesh State Road Transport Corporation, Uttar Pradesh Financial Corporation and Uttar Pradesh Jal Nigam incurred loss of Rs. 48.14 crore, Rs. 14.26 and Rs. 52.36 crore respectively, the Uttar Pradesh State Warehousing Corporation, Uttar Pradesh State Electricity Board and Uttar Pradesh Avas Evam Vikas Parishad showed surplus of Rs. 3.74 crore, Rs. 291.64 crore and Rs. 0.84 crore respectively as per their latest finalised accounts. Audit of Uttar Pradesh Forest Corporation and Uttar Pradesh State Employees Welfare Corporation was entrusted to the Comptroller and Auditor General of India during the current year, therefore, financial position and working results of these corporations could not be incorporated in this report.

(Paragraph 1.3.4)

UTTAR PRADESH SCHEDULED CASTES FINANCE AND DEVELOPMENT CORPORATION LIMITED

The company was established in March 1975 for uplifting the socio-economic conditions of the weaker sections of scheduled castes families living below the poverty line. The Company failed to evolve a system to monitor and evaluate their impact in improving the socio economic status of the target groups.

(Paragraphs 2.1 and 2.5)

The Company remitted Rs. 95.40 crore to the banks under self employment programme (SEP) and schemes for liberation and rehabilitation of scavengers (SLRS) during 1992-93 to 1996-97, of which the banks could not disburse Rs. 73.75 crore in 10 district offices. Further, the Company inflated its achievements by reporting to the Government the amount remitted to banks instead of the amount actually disbursed to the beneficiaries under the SEP and SLRS.

(Paragraphs 2.5.1 and 2.5.2)

4 district offices made payment of Rs. 0.44 crore to 702 beneficiaries under SLRS leading to possible misappropriation of fund in the absence of sufficient documentary evidence.

(Paragraph 2.5.2.1 (iv))

Contrary to the RBI directives to charge concessional rate of interest of 4 per cent up to a bank loan of Rs. 6500 and at commercial rate thereafter under SLRS, the banks charged interest at commercial rate of interest of 12.5 per cent on the entire bank loan, which resulted in excess levy of interest of Rs. 23.87 crore during 6 years upto 1997-98 causing financial harassment to the beneficiaries.

(Paragraph 2.5.2.1 (iii))

Due to non-observance of prescribed procedures, eleven district offices made fraudulent and irregular utilisation of fund aggregating Rs. 3.47 crore in implementation of Pump set Yojna under Anuvini scheme.

(Paragraph 2.5.5 (i))

UTTAR PRADESH FINANCIAL CORPORATION

The Corporation was established on 1 November 1954 with a view to providing loan assistance to the small and medium scale industrial units in the State. The paid up capital of the Corporation as on 31 March 1998 was Rs. 100 crore which has been completely eroded by its accumulated loss aggregating Rs. 234.97 crore.

(Paragraphs 3A.1 and 3A.5)

The Corporation could not recover its dues amounting to Rs. 2.39 crore as it sanctioned loan to a unit by working out profitability on selling prices of cement much higher than the market price and without ensuring timely availability of electric power.

(Paragraph 3A.7.2.1)

Sanction of working capital term loan (WCTL) to a rice mill on the basis of future projections; its resanction in violation of Corporation's policy and delay in taking over possession of the defaulting unit led to a loss of Rs. 2.42 crore to the Corporation.

(Paragraph 3A.7.2.2)

Sanction of WCTL on the basis of inflated turnover to a unit, even after knowing that it had kept the Corporation in dark about changes in its name and status from private to public limited company, resulted in loss of Rs. 1.51 crore.

(Paragraph 3A.7.2.4)

Corporation disbursed loan to a re-rolling mill without ensuring compliance of many pre-disbursement conditions which led to a loss of Rs. 2.82 crore as the unit could *not run profitably mainly because of non-availability of an industrial feeder, necessary for regular supply of power.*

(Paragraph 3A.8.2.1)

The Corporation could not recover its dues amounting to Rs. 2.65 crore as it could not take effective recovery action due to promoter's influence with the State Government and interference of the then Chief Minister.

(Paragraph 3A.9.3.1)

WORKING OF CHIBRO AND KHODRI HYDRO POWER PROJECTS

Board commissioned (1975) four generating units of 60 MW each at Chibro to utilise the drop of water available in the river Tons. It further commissioned (1984-85) four other units of 30 MW capacity each at Khodri to utilise the discharged water from Chibro.

(Paragraph 3B.1)

Under utilisation of available water potential due to lower intake of water discharge in the tunnel, spillage of water and low turbine efficiency resulted in shortfall in generation of 1177.630 MU of energy valued at Rs. 164.87 crore during 5 years up to 1997-98.

(Paragraph 3B.4)

The management took excessive time in annual maintenance and capital repairs of the plants resulting in loss of generation of 79.731 MU valued at Rs. 11.16 crore and 43.491 MU valued at Rs. 5.74 crore respectively during 5 years up to 1997-98.

(Paragraphs 3B.5.1 and 3B.5.3)

Belated fixation of pooled cost of generation for export of power to Himanchal Pradesh resulted in interest loss of Rs. 9.60 crore due to delay in issue of bills.

(Paragraph 3B.11)

WORKING OF DISTRIBUTION ZONE, LUCKNOW

Lucknow Distribution Zone is one of the thirteen zones of Uttar Pradesh State Electricity Board (Board) established with a view to exercising effective control over planning, monitoring, power distribution and billing of energy and is headed by a Chief Zonal Engineer.

(Paragraph 3C.1)

The revenue deficit of the Zone during the 5 years up to March 1998 aggregated Rs. 586.81 crore mainly due to excessive line losses, heavy commercial losses and excessive damage to distribution transformers.

(Paragraph 3C.4)

Against the norms of 11.5 per cent distribution losses prescribed by CEA the actual losses ranged between 16.89 and 20.95 per cent. The quantum of energy loss in excess of norm worked out to 906.362 MU valued at Rs. 133.69 crore during the period of five years up to 1997-98.

(Paragraph 3C.6.1.1)

Incorrect assessment of energy consumption due to unmetered supply/defective meters etc. resulted in undercharge of revenue to the extent of Rs. 10.84 crore.

(Paragraph 3C.7)

Arrears of revenue increased from Rs.120.55 crore in 1993-94 to Rs.315.75 crore in 1997-98. The Zonal management failed to monitor plan and administer the process of realisation vigorously and did not even issue recovery certificates amounting to Rs.15.65 crore for recovery as arrears of land revenue.

(Paragraphs 3C.10 and 3C.10.3)

Excess payment was made for Rs.3.50 crore in respect of energy less received at receiving end in a power purchase agreement.

(Paragraph 3C.15.2)

INVENTORY MANAGEMENT IN DISTRIBUTION WING

Uttar Pradesh State Electricity Board (Board) formed Inventory Management and Control Organisation (IMCO), in April 1975, for exercising control over receipt, storage, issues and inventory holding of the Board as a whole. However, IMCO confined its activities to Distribution wing only.

(Paragraph 3D.1)

The Board did not prescribe any procedure to assess requirement of materials to be procured. Tentative and haphazard assessment of requirement resulted in extra expenditure of Rs. 0.95 crore in procurement of switchgear, 11 KV TPMO and 33 KV Pin Insulator during 1995-96 and 1996-97.

(Paragraph 3D.4.1)

Failure to place orders on technically suitable lower offers resulted in extra expenditure of Rs. 2.42 crore.

(Paragraph 3D.4.2)

Extension of delivery period on unsustainable grounds not covered by the terms of the agreement resulted in price variation of Rs. 106.14 lakh and non-imposition of penalty of Rs. 28.36 lakh.

(Paragraph 3D.4.7)

Material valued at Rs. 2.50 crore remained un-utilised for period ranging from 2 to 18 years. Similarly unserviceable and scrap material valued at Rs. 3.70 crore remained un-disposed of.

(Paragraphs 3D.6.2 and 3D6.4)

Delayed/non closure of stock accounts resulted in shortage of material not being detected in most of the cases. Where these accounts were closed and physical verification carried out, misappropriation of Rs. 1.28 crore was detected for which responsibility has not been fixed.

(Paragraph 3D.7.2)

MISCELLANEOUS TOPICS OF INTEREST

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

Uttar Pradesh State Textile Corporation Limited had to make avoidable payment of carrying charges amounting to Rs. 3.29 crore due to delayed cancellation of cotton purchase orders.

(Paragraph 4A.1)

Uttar Pradesh State Agro Industrial Corporation Limited failed to follow the prescribed accounting procedures and further posted a class IV employee as centre incharge which led to misappropriation of stores (Rs. 16.52 lakh) and embezzlement of cash (Rs. 2.68 lakh).

(Paragraph 4A.15)

Uttar Pradesh State Road Transport Corporation incurred an expenditure of Rs. 0.50 crore on software development without evaluating its requirement and carrying out cost benefit analysis which was rendered nugatory.

(Paragraph 4B.1)

Undue favour to a consumer by way of releasing connection by direct tapping of grid, exemption from payment of system loading charges, minimum consumption guarantee, relaxation in payment of initial security and technical loopholes leading to theft of energy etc. resulted in loss of Rs. 73.24 crore to the Board.

(Paragraph 4C.1)

Uttar Pradesh State Electricity Board had to incur avoidable expenditure of Rs. 10.59 crore on demurrage and interest on customs duty due to lack of timely arrangement of funds.

(Paragraph 4C.2)

Non-levy of late payment surcharge by Kanpur Electric Supply Administration resulted in non-recovery of Rs. 7.98 crore.

(Paragraph 4C.3)

Delay in raising the demand of security deposit by the Board resulted in locking up of fund to the extent of Rs. 2.65 crore.

(Paragraph 4C.5)

Failure to carry out negotiations to bring down the rates deprived the Board of the benefit of lower rates to the extent of Rs. 2.28 crore.

(Paragraph 4C.6)

Incorrect assessment of energy consumption by the Board resulted in under assessment of revenue to the extent of Rs. 1.44 crore.

(Paragraph 4C.8)

Board's failure to raise assessment due to non-detection of theft resulted in loss of revenue to the extent of Rs. 8.54 crore.

(Paragraph 4C.22)

Irregular reduction of existing load of a consumer resulted in loss of Rs. 5.16 crore.

(Paragraph 4C.23)

Award of contract by the Board without carrying out negotiations to bring down the rates to reasonable level resulted in extra expenditure of Rs. 2.98 crore.

(Paragraph 4C.24)

The Board suffered a loss of Rs. 27.56 lakh due to non-realisation of cost of service line and bay. Besides, an amount of Rs. 1.30 crore became irrecoverable as the Company went into liquidation.

(Paragraph 4C.25)

Irregular reduction of load by the Board without reducing the capacity of existing equipments to match reduced load and non-assessment of pilferage of energy resulted in loss of Rs. 1.29 crore.

(Paragraph 4C.26)

The Board extended undue favour to a consumer to the extent of Rs. 1.10 crore due to irregular reduction of load.

(Paragraph 4C.27)

Deficiencies in Power Purchase Agreement with Rosa Power Supply Company would result in extra expenditure/locking of funds/loss of interest aggregating Rs. 198.82 crore per annum.

(Paragraph 4D.1)

Chapter I

General

Chapter I : General

Section-1

General view of Government companies and Statutory corporations

CHAPTER 1

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 seven Statutory corporations and one corporation registered under Societies Registration Act, 1860 the accounts of Uttar Pradesh State Electricity Board, Uttar Pradesh Avas Evam Vikas Parishad, Uttar Prdadesh Jal Nigam and Uttar Pradesh State Road Transport Corporation are audited solely by CAG under their respective Acts. The accounts of Uttar Pradesh Financial Corporation, Uttar Pradesh Forest Corporation, Uttar Pradesh State Employees Welfare 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 organisations/State Government.

1.2 General view

1.2.1 Government companies

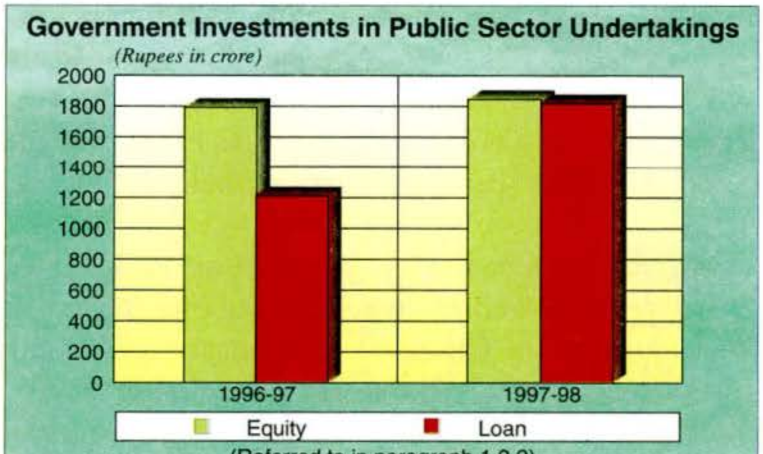
As on 31 March 1998, there were 97 Government companies (including 37 subsidiaries) out of which 15 companies (including 12 subsidiaries) having paid-up capital of Rs. 16.17 crore were under liquidation. Total investment in remaining 82 companies (including 25 subsidiaries) was Rs 3663.83 crore (Equity : Rs. 1845.46 crore and long term loans : Rs. 1818.37 crore) as against total investment of Rs. 3003.44 crore as on 31 March 1997 (Equity : Rs. 1792.34 crore and long term loans : Rs. 1211.10 crore) in 82 companies.

The classification of the companies is as under:

	Number of companies	Paid-up capital (Rupees in crore)
(a) Working companies	59	1814.63
(b) Non working companies:		
(i) Defunct companies	23*	30.83
(ii) Companies under liquidation	15	16.17

Out of 23 defunct companies, none has been referred to BIFR. As these companies are defunct/under liquidation for 6 to 23 years and substantial investment of Rs. 47 crore is involved in these companies, effective steps need to be taken for their expeditious liquidation or revival.

1.2.2 The break-up of investment by way of equity and loan in respect of all the Government companies except companies under liquidation are given in Annexure-1.



(Referred to in paragraph 1.2.2)

The sector wise investment in all 82 companies is given below:

(Rupees in crore)

Sector	As on 31 March 1997			As on 31 March 1998			Debt equity ratio
Type of company	**Number**	**Equity**	**Long term loan**	**Number**	**Equity**	**Long term loan**	**As on 31 March, 1998**
Agriculture							
Government companies	3	35.87	1.22	3	48.55	6.67	0.13:1

* Serial number: 3,6,7,8,9,10,11,12,13,14,15,16,23,27,37,38,40,42,49,51,52,55 and 60 of Annexure - 2.

(Rupees in crore)

Sector	As on 31 March 1997			As on 31 March 1998			Debt equity ratio
Type of company	**Number**	**Equity**	**Long term loan**	**Number**	**Equity**	**Long term loan**	**As on 31 March, 1998**
Animal Husbandry							
Government companies	2	5.65	1.71	2	5.66	0.61	0.10:1
Area Development							
Government companies	10	9.36	1.34	10	9.38	1.38	0.15:1
Subsidiary company	1	0.02	--	1	0.01	--	--
Cement							
Government company	1	68.28	121.79	1	68.28	57.24	0.84:1
Electronics							
Government company	1	70.30	26.46	1	71.11	28.46	0.40:1
Subsidiary companies	4	57.13	12.71	4	57.13	12.76	0.22:1
Export Promotion							
Government companies	3	18.11	3.54	3	18.16	5.37	0.30:1
Finance							
Government companies	3	148.88	525.49	3	156.18	578.97	3.53:1
Fisheries Development							
Government company	1	1.00	--	1	1.07	--	--
Food and Civil Supplies							
Government company	1	5.50	15.17	1	5.50	15.16	2.76:1
Harijan and Social Welfare							
Government companies	6	68.44	39.32	6	94.34	10.40	0.11:1
Hill Development							
Government companies	3	27.48	16.48	3	28.49	16.48	0.58:1
Subsidiary companies	7	1.86	1.68	7	1.86	2.67	1.44:1
Home							
Government company	1	3.00	--	1	3.00	--	--

(Rupees in crore)

Sector	As on 31 March 1997			As on 31 March 1998			Debt equity ratio
Type of company	**Number**	**Equity**	**Long term loan**	**Number**	**Equity**	**Long term loan**	**As on 31 March, 1998**
Industries and Industrial Development							
Government companies	3	67.16	16.98	3	67.15	12.65	0.19:1
Subsidiary companies	5	48.60	206.49	5	48.62	154.05	3.17:1
Institutional Finance							
Government company	1	8.18	--	1	8.18	0.13	0.02:1
Irrigation							
Government company	1	10.87	--	1	10.87	--	--
Panchayati Raj							
Government company	1	1.46	--	1	1.46	--	--
Planning Department							
Government companies	2	1.06	--	2	1.06	--	--
Power							
Government companies	2	253.51	19.00	2	253.51	24.00	0.09:1
Public Works							
Government companies	2	11.00	--	2	11.00	--	--
Rural and Small Industry							
Government companies	2	31.25	21.96	2	31.25	20.09	0.64:1
Subsidiary companies	2	0.79	0.76	2	0.79	1.25	1.58:1
Sugar and Cane							
Government companies	5	477.60	102.22	5	481.87	816.38	1.69:1
Subsidiary companies	4	72.23	12.17	4	72.23	21.99	0.30:1
Textile							
Government company	1	160.79	24.38	1	160.79	24.38	1.5:1
Subsidiary companies	2	110.33	39.76	2	110.33	6.80	0.06:1
Tourism							
Government company	1	15.13	0.48	1	15.13	0.48	0.03:1
Waqf							
Government company	1	1.50	--	1	2.50	--	--
Total	**82**	**1792.34**	**1211.10**	**82**	**1845.46**	**1818.37**	**0.96:1**

1.2.3 Analysis of Investment

The increase in investment during the year 1997-98 was mainly due to additional loan provided in Sugar and Finance Sector.

In the context of the Industrial Policy of the Central Government to disinvest shareholdings in PSUs, the State Government has referred the cases of 50 PSUs to the 'Empowered Committee' constituted (December 1995) by it for consideration on their reconstruction/reorganisation/amalgamation/privatisation and their reports with recommendation of Government are still awaited (September 1998).

1.2.4 Guarantees

The guarantees given by the State Government against loans and credits given by banks etc., to the PSUs for the preceding three years up to 1997-98 and outstanding as on 31 March 1998 are shown in the table below:

(Rupees in crore)

Sl. No.	Guarantees	Amount Guaranteed during			Guaranteed amount outstanding as on 31 March 1998
		1995-96	1996-97	1997-98	
1.	Cash credit from State Bank of India and other nationalised banks	142.93	560.20	194.17	175.80
2.	Loans from other sources	182.78	84.17	83.26	207.78
	Total	**325.71**	**644.37**	**277.43**	**383.58**

1.2.5 Budgetary outgo

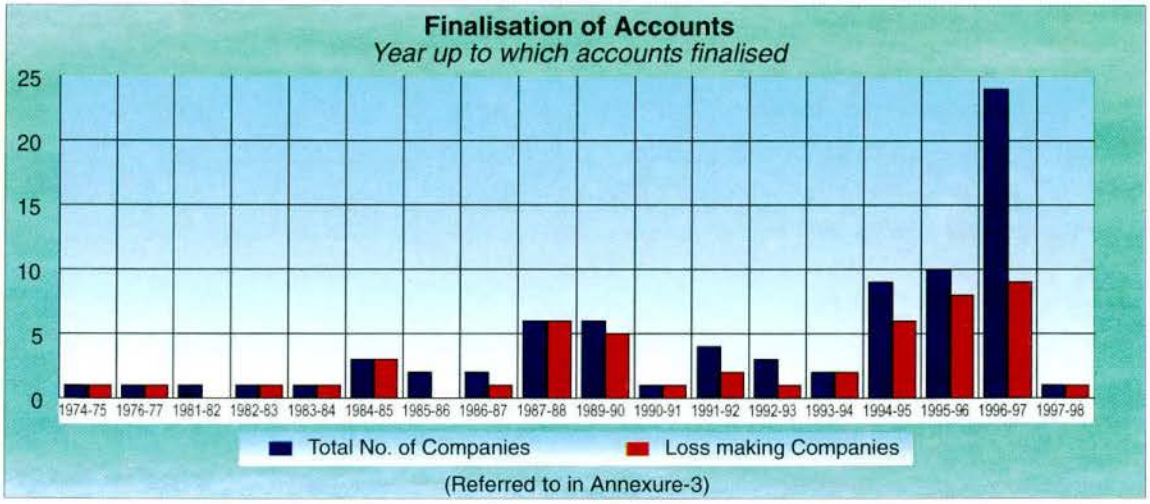
The outgo from the State Government to 26 companies out of 82 companies for the preceding three years upto 1997-98 in the form of equity capital, loans and subsidy is given on the next page :

(Rupees in crore)

	1995-96 Amount	No. of companies	1996-97 Amount	No. of companies	1997-98 Amount	No. of companies
1. Equity capital outgo from budget	34.45	15	33.63	11	48.94	11
2. Loans given from budget	87.36	17	117.25	14	109.95	12
3. Subsidy	164.68	9	221.20	11	197.77	13
Total outgo	**286.49**		**372.08**		**356.66**	

1.2.6 Finalisation of accounts

Under Section 166, 210, 230 and 619 0f the Companies Act, 1956 read with Section 19 of Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971 the accounts of the companies for every financial year are to be submitted for audit within six months from the end of the relevant financial year. They are also to be laid before the Legislature within nine months from the end of financial year. Of 82 Government companies, accounts of only one Company was finalised for the year 1997-98 by September 1998 and the accounts of remaining 81 companies were in arrears for periods ranging from 1 year to 23 years as indicated in Annexure-3 (as on 30 September 1998). Based on the latest available accounts, summarised financial results of all the Government companies are given in Annexure – 2.



According to the latest finalised accounts of these companies*, 48 companies had

* The project of the company at serial number 45 of Annexure-2 was under construction and three companies at serial number 40, 42 and 49 had not furnished any account since inception.

incurred losses amounting to Rs. 187.48 crore and the remaining 30 companies earned profit of Rs. 107.87 crore as indicated below:

(Rupees in lakh)

Sl. No.	Number of Companies	Year upto which accounts were finalised	Profit		Loss		Reference to serial no. of Companies as per Annexure 2	
			No. of companies	Amount	No. of companies	Amount	Profit making	Loss making
1.	1	1974-75	--	--	1	0.81	--	60
2.	1	1976-77	--	--	1	0.01	--	55
3.	1	1981-82	1	0.44	--	--	11	--
4.	1	1982-83	--	--	1	4.00	--	27
5.	1	1983-84	--	--	1	11.42	--	7
6.	3	1984-85	--	--	3	137.05	--	3,8,35
7.	2	1985-86	2	37.07	--	--	10,26	--
8.	2	1986-87	1	11.24	1	0.01	6	9
9.	6	1987-88	--	--	6	98.41	--	13,14,16, 33,51,62
10.	6	1989-90	1	7.20	5	59.77	75	25,37,38 54,59,
11.	1	1990-91	1	--	1	16.10	--	4
12.	4	1991-92	2	11.28	2	54.01	44,73	15,23
13.	3	1992-93	2	259.83	1	340.82	28,34	61
14.	2	1993-94	--	--	2	31.89	--	12,41
15.	9	1994-95	3	179.67	6	4921.82	30,36, 52	5,29,39 50,66,71
16.	10	1995-96	2	1.08	8	9371.01	56,69	1,18,22, 31,47,63, 64,80
17.	24	1996-97	15	10272.47	9	3701.32	21,24, 43,53, 57,58, 67,68, 70,72, 76,78, 79,81, 82	2,19,20 32,46,48, 65,74,77
18.	1	1997-98	1	6.96	--	--	17	
Total	**78**		**30**	**10787.24**	**48**	**18748.45**		

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the companies in the annual general meeting within the 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 and number of accounts in arrears was increasing every year as would be seen from the position of accounts finalised during last three years (October to September) as detailed below:

Year	Accounts due for finalisation	Number of accounts finalised	Accounts in arrear
1995-96	583	76	507
1996-97	593	64	529
1997-98	622	63	559

Thus, the Government and the Legislature were deprived of any conclusive information about the results of investment by the Government in these companies. Further, due to prolonged delay and apathy in pulling up arrears in accounts, the possibility of serious irregularities, fraud, non-detection of material errors in these companies can not be ruled out.

1.2.7 Working Results

1.2.7.1 Profit making companies

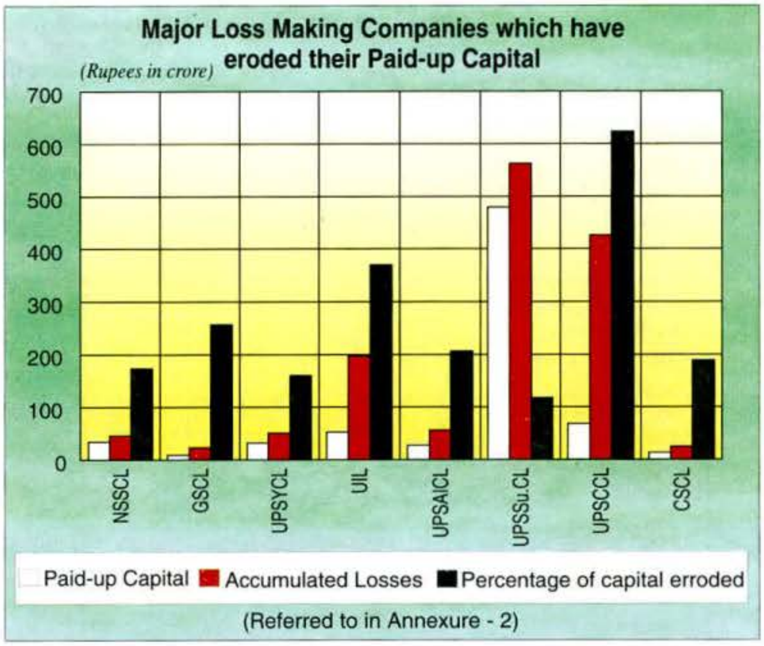
Out of 44 Government companies (excluding Government companies under liquidation) which finalised accounts for the year 1997-98 or previous years, 21 companies* earned profit of Rs. 104.31 crore against paid-up-capital of Rs. 677.01 crore which represents 15.41 per cent return on equity capital. Of these, 14** companies earned profit for two successive years or more. Free reserves and surplus amounting to Rs. 35.13 crore were built up in 18 companies.

Only one company finalised its accounts for 1997-98 by September 1998 (serial number 17 of Annexure-2) and earned profit of Rs. 0.07 crore on total share capital of Rs. 1.75 crore but did not declare dividend.

* Serial number : 17, 21, 24, 28, 36, 43, 52, 53, 56, 57, 58, 67, 68, 69, 70, 73, 76, 78, 79,81 and 82 of Annexure2.

** Serial number: 17, 21, 24, 28, 43, 52,58, 67, 68, 69, 70, 73, 76 and 81 of Annexure 2.

1.2.7.2 Loss making companies



According to the latest available accounts of 48 loss making companies, 27* companies had eroded their paid-up capital amounting to Rs. 1000.87 crore as the accumulated losses amounting to Rs. 1832.90 crore of these companies far exceeded their paid-up capital. Details in respect of 16 companies which suffered loss for five consecutive years and had eroded their paid-up capital are given below:

(Rupees in crore)

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	Reference Sl.No. of Annexure -2
1.	Chhata Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	1995-96	12.73	24.03	188.77	Heavy depreciation burden and teething trouble	63
2.	Nandganj Sihori Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	1994-95	34.05	59.00	173.27	Low recovery of sugar and levy sale to Government	66
3.	Ghatampur Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	1995-96	8.95	23.01	257.09	Due to non-viability of plant capacity	64

* Serial number of Annexure 2: 2, 3, 4, 10, 15,17, 18, 22, 23, 24, 25, 38, 39, 44, 46, 47, 48, 52, 59, 63, 64, 66, 71, 77, 78, 79 and 80.

(Rupees in crore)

Sl. No.	Name of Company	Year upto which account received	Paid-up capital	Accumulated loss	Percentage of capital eroded	Loss suffered due to	Reference Sl.No. of Annexure -2
4.	The Indian Turpentine and Rosin Company Limited	1996-97	0.22	12.33	5604.55	Shortage of raw material and paucity of funds	46
5.	The Uttar Pradesh State Brassware Corporation Limited	1991-92	5.38	6.49	120.63	Implementation of unviable schemes	23
6.	Trans Cables Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	1994-95	0.63	2.71	430.16	Lack of funds	39
7.	UPSIC Potteries Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	1989-90	0.76	2.26	297.37	Lack of working capital, problem of marketing and increased salary and wages	59
8.	Uptron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	1995-96	53.16	196.93	370.45	N.A.	18
9.	Uttar Pradesh Instruments Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	1995-96	2.02	22.32	1104.95	Excess manpower, product range limited to only one	47
10.	Uttar Pradesh Digitals Limited (Subsidiary of Uttar Pradesh Industrial Development Corporation Limited)	1996-97	0.35	6.95	1985.71	Inadequate supply of components by H.M.T. and labour problem	48
11.	Uttar Pradesh State Yarn Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited)	1996-97	31.91	50.91	159.54	Adverse market condition	77
12.	Uttar Pradesh State Agro Industrial Corporation Limited	1996-97	27.32	56.38	206.37	Low turnover, heavy overheads, shortage of working capital and surplus staff.	2

(Rupees in crore)

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	Reference Sl.No. of Annexure -2
13.	Uttar Pradesh State Sugar Corporation Limited	1994-95	479.15	562.66	117.43	Due to taking-over old and out lived mills having small capacity for crushing.	71
14.	Uttar Pradesh State Cement Corporation Limited	1995-96	68.28	425.99	623.89	Under-utilisation of capacity and high cost of production.	80
15.	Uttar Pradesh State Horticultural produce Marketing and Processing Corporation Limited	1984-85	1.91	2.55	133.51	Lower capacity utilisation, paucity of funds.	3
16.	Uttar Pradesh Matsya Vikas Nigam Limited	1989-90	1.00	1.20	120.00	Interest on term loan and depreciation on fixed assets.	25
	Total		**727.82**	**1455.72**			

Out of 82 companies, 21* companies were either sick or in the process of being referred to BIFR. Of the 23 non working companies, 11** companies have ceased their activities as per Government order of November 1992. However, in spite of lapse of over five years, State Government has neither approved any revival plan for these companies nor had decided to liquidate them.

The financial results of all the 82 companies based on the latest available accounts are given in Annexure-2.

1.2.8 Return on capital employed

Capital employed has been taken as net fixed assets (including capital work-in-progress) plus working capital. Interest on borrowed funds is added to net profit/substracted from the loss as disclosed in the profit and loss account. Thus, during 1997-98 the total

* Serial number: 3, 7, 10, 14, 15, 16, 17, 18, 27, 40, 46, 51, 59, 64, 65, 66, 71, 77, 78, 79 & 80 of Annexure 2.

** Serial number: 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, & 16 of Annexure 2.

capital employed worked out to Rs. 1930.60 crore in 82 companies on which there was return of Rs. 174.50 crore as against negative return of Rs. 48.70 crore on total capital employed of Rs. 1956.20 crore in 1996-97.

Sectorwise details of the net return on capital employed during 1996-97 and 1997-98 as per latest finalised accounts are given below:

(Rupees in crore)

Sector	Capital employed		Return on capital employed		Percentage of return on capital employed	
	1996-97	1997-98	1996-97	1997-98	1996-97	1997-98
Agriculture	51.68	47.11	-0.52	- 2.68	--	--
Animal Husbandry	3.70	4.17	-0.08	- 0.12	--	--
Area Development	10.27	9.63	-0.86	-0.86	--	--
Cement	-239.80	- 239.80	-22.91	- 22.91	--	--
Electronics	5.69	101.46	-10.07	- 3.08	--	--
Export Promotion	23.78	- 26.00	-0.22	- 0.54	--	--
Financing	672.28	673.24	3.74	66.82	0.56	9.93
Fisheries	5.93	6.00	-0.11	0.06	--	1.00
Food and Civil Supplies	5.24	5.24	1.21	1.21	23.09	23.09
Harijan and Social Welfare	118.83	81.15	3.45	4.74	2.90	5.84
Hill Development	43.48	40.54	0.35	1.69	0.81	4.16
Home	5.38	6.15	1.25	1.49	23.23	24.23
Industries and Industrial Development	244.55	237.78	- 4.39	- 5.05	--	--
Institutional Finance	6.11	5.94	0.78	1.28	12.77	21.55
Irrigation	6.12	6.01	-1.16	0.16	--	2.66
Panchayati Raj	1.43	1.43	-0.03	- 0.03	--	--
Planning	0.88	0.85	-0.14	0.01	--	1.18
Power	192.20	218.32	-0.78	1.82	--	0.83
Public Works	26.16	30.86	2.15	5.66	8.22	18.34
Rural and Small Industry	50.64	54.38	-3.81	- 0.77	--	--
Sugar and Cane Development	520.18	553.96	1.67	12.43	0.32	2.24
Textile	96.27	96.96	-19.25	112.11	--	115.63
Tourism	14.01	14.01	1.05	1.05	7.49	7.49
Waqf	1.19	1.21	0.00	0.01	0.00	0.83
Total	**1956.20**	**1930.60**	**- 48.70**	**174.50**		

The return on capital employed has improved substantially during the year 1997-98 mainly due to write back of provisions relating to earlier years amounting to Rs. 112.41 crore by 3* companies and not because of improved working of the companies.

1.2.9 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 provide for the buy back of the shares from the Government companies by the co-promoter after the promoted unit starts commercial production. However, during the year no disinvestment was made.

1.2.10 Important observations made by Statutory Auditors and CAG

1.2.10.1 Section 619 (3) (a) of the Companies Act 1956 empowers the CAG of India to issue directives to the Statutory Auditors of Government companies in regard to the performance of their functions. In pursuance of the directives so issued, special reports of the Statutory Auditors on the accounts of five companies were received during October 1997 to September 1998. 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 2
1.	Absence of accounting manual	1	78
2.	Absence of adequate budgetary control system	2	36,50
3.	Internal audit system not commensurate with nature and size of business or needed to be strengthened	2	50,52
4.	Defective maintenance/non-maintenance of fixed assets register	3	36,50,52,

* Serial number: 76, 78 & 79 of Annexure-2.

Sl. No.	Nature of defects	Number of companies where defects were noticed	Reference to serial number of Annexure 2
5.	Non-fixation/non-observance of maximum/minimum level of stores and spares	2	50,78
6.	Absence of standard costing system	1	78
7.	Non-reconciliation of bank accounts	2	52,70
8.	Non-fixation of norms for consumption of raw material/energy	3	36,50,78
9.	Absence of system of getting the balance of parties confirmed/ reviewing receivables	2	36,78
10.	Non-maintenance of proforma accounts for service units	1	78
11.	Defective maintenance of control accounts	1	50
12.	Non-adherence of accrual basis of accounting	2	50,52
13.	Absence of proper system for physical verification of inventory	1	50
14.	Non-maintenance of adequate production records	1	50

1.2.10.2 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 a selective basis. Out of 63 accounts of 51* companies received during the year, 38 accounts relating to 36 companies were selected for such review during the period from October 1997 to September 1998. The net effect of the important comments as a result of such review is given below:

(Rupees in lakh)

Details	Number of accounts	Monetary effect
Decrease in profit	1	262.50
Increase in loss	9	555.35
Total		817.85

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 below:

Uttar Pradesh Samaj Kalyan Nirman Nigam Limited (1996-97)

Employees remuneration and benefits and the loss was understated by Rs. 8.40 lakh due to non-provision of enhanced gratuity for the year 1994-95 and 1995-96 as demanded by General Insurance Company in January 1997 and paid for by the Company in April 1997.

Uttar Pradesh Jal Vidyut Nigam Limited (1996-97)

Interest on Government loans (Rs. 269.25 lakh) was understated by Rs. 262.50 lakh on account of provision of interest at lower rate resulting in understatement of current liabilities and provisions by Rs. 262.50 lakh.

Uttar Pradesh State Yarn Company Limited (1996-97)

Interest on loan (Rs. 239.91 lakh) did not include Rs. 105.38 lakh payable on Government loan (Rs. 500 lakh) for the year resulting in understatement of current liabilities and loss for the year by Rs. 105.38 lakh each.

* 44 Government companies, 4 Government companies under liquidation and 3 Deemed Government companies.

Uttar Pradesh State Agro Industrial Corporation Limited (1995-96)

Non-provision of penalty of Rs. 15.62 lakh imposed by the Regional Provident Fund Commissioner for non/delayed deposit of Employees Provident Fund dues resulted in understatement of loss and current liabilities by Rs. 15.62 lakh.

Uttar Pradesh Rajkiya Nirman Nigam Limited (1995-96)

(a) Investment Allowance Reserve (Rs. 188.63 lakh) was overstated by Rs. 83.01 lakh as the Company had not written back in its Profit and Loss Account, Investment Allowance Reserve amounting to Rs. 83.01 lakh (Rs. 77.38 lakh created upto 1984-85 and Rs. 5.63 lakh created in 1985-86) on expiry of statutory period of its retention resulting in overstatement of the accumulated loss (Rs. 820.26 lakh) and the loss for the year (Rs. 195.90 lakh) by Rs. 83.01 lakh and Rs. 5.63 lakh respectively.

(b) General Reserve (Rs. 1550 lakh) was overstated by Rs. 820.26 lakh representing accumulated losses which had incorrectly been shown under Application of Funds instead of deduction from the General Reserve as required in Part I of Schedule VI to the Companies Act, 1956.

(c) Other receipts - Profit on sale of fixed assets (Rs. 59.65 lakh) was overstated by Rs. 3.64 lakh as the Company had included capital profit under this head arising out of disposal of fixed assets in excess of the acquisition cost.

Uttar Pradesh Rajkiya Nirman Nigam Limited (1996-97)

Advances from clients - Advance Payment for which value is still to be given (Rs. 235.21 lakh) included an amount of Rs. 67.01 lakh received as an advance from the client which was not adjusted to the extent work was completed, certified and accepted resulting in overstatement of Advances from clients by Rs. 67.01 lakh.

The Indian Turpentine and Rosin Company Limited (1996-97)

Gratuity payable to employees amounting to Rs. 94.19 lakh had been treated as contingent liability instead of creating specific liability in the accounts resulting in understatement of loss by Rs. 94.19 lakh.

1.2.11 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. The percentage of utilisation ranged between 0.08 and 99.44 in 14 companies. Main reasons for shortfall in capacity utilisation in case of three sugar companies was non-availability of sugar cane and mechanical breakdown in old machineries whereas in case of others, lack of demand, shortage of raw material and labour trouble were the main contributory factors for low capacity utilisation.

1.2.12 619-B Companies

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

(Rupees in crore)

Name of Company	Year of accounts	Paid up capital	Investment by			Profit(+)/ Loss(-)	Accumu-lated loss
			State Government	Government companies	Others		
Almora Magnesite Limited	1997-98	2.00	0.82	--	1.18	(+) 1.34	3.98
Command Area Poultry Deve-lopment Cor-poration Limited	1994-95	0.24	--	--	0.24	(+) 0.00003*	0.47
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	--
Uttar Pradesh Seeds and Tarai Deve-lopment Cor-poration Limited	1996-97	2.69	0.81	0.56	1.32	(+) 6.09	--

* Rs. 346 only.

1.2.13 Other investments

The State Government has not made investment directly in any other company. However, the Government companies and corporations have invested Rs. 10 lakh and above in 68 other companies which are not subject to audit by the Comptroller and Auditor General of India as the aggregate amount of investment made by the Government companies and Corporations was less than 51 per cent of the equity of the respective companies. The summary of such investment made by the Government companies and corporations are given below:

Name of the company/corporation	Number of companies in which investment made	Total amount invested (Rupees in crore)
The Pradeshiya Industrial and Development Corporation Limited	22	65.24
Uttar Pradesh State Industrial Development Corporation Limited	33	9.39
Uttar Pradesh Financial Corporaion	7	2.04
Uttar Pradesh Mineral Development Corporation Limited	1	0.71
Uttar Pradesh Hill Electronics Corporation Limited	5	1.82
Total	**68**	**79.20**

1.3 Statutory corporations

1.3.1 General aspects

There were seven Statutory corporations and one corporation registered under Societies Registration Act, 1860 in the State as on 31 March 1998. Audit arrangements of these corporations are given on the next page :

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	1997-98	--	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 -	1996-97	1993-94	Section 33(2) of the Road Transport Corporation Act, 1950.
Uttar Pradesh Financial Corporation	Section 3 of the State Financial Corporations Act, 1951	November 1954	Audited by Chartered Accountants, on the advice of Comptroller and Auditor General of India and Supplementary audit by C & AG.	1996-97	1992-93	Section 37(6) of the State Financial Corporations Act, 1951.
Uttar Pradesh State Warehousing Corporation	Section 18(1) of the Warehousing Corporations Act, 1962	March 1958	- do -	1997-98	1996-97	Section 31(8) of the Warehousing Corporations Act, 1962.
Uttar Pradesh Avas Evam Vikas Parishad	Uttar Pradesh Avas Evam Vikas Parishad Adhiniyam, 1965	1966	Sole audit by Comptroller and Auditor General of India	1994-95	-----	Section 19(3) of the Comptroller and Auditors General's (Duties, Powers & Condition of Service) Act, 1971
Uttar Pradesh Jal Nigam	Section 43 of Uttar pradesh Water Supply & Sewerage Act, 1975	June 1975	-----do-----	1996-97	----	Section 20 (i) of the Comptroller and Auditor General's (Duties, Powers and Condition of Service) Act, 1971
Uttar Pradesh* Forest Corporation	Uttar Pradesh Forest Corporation Act, 1974	November 1974	Audited by Chartered Accountants appointed on the advice of Comptroller and Auditor General of India and Supplementary audit by C & AG	1997-98	-----	Section 19(3) of the Comptroller and Auditor General's (Duties, Powers & Condition of Service) Act, 1971
Uttar Pradesh State Employees Welfare Corporation	Societies Registration Act, 1860	1965	-------------do------	--	--	----do-----

* Audit of Uttar Pradesh Forest Corporation and Uttar Pradesh State Employees Welfare Corporation was entrusted to the Comptroller and Auditor General of India during the current year, therefore, financial position and working results of these corporations could not be incorporated in this report.

1.3.2 Investment

The investment in the five Statutory corporations as on 31 March 1998 (whose financial position and working results were available) was Rs. 15515.65 crore (Equity: Rs. 427.20 crore; long term loans: Rs. 15088.45 crore) as against the total investment of Rs. 14946.93 crore (Equity: Rs. 425.86 crore; long term loans : Rs. 14521.07 crore) in six Corporations as on 31 March 1997.

The sector wise investment in these corporations is given below:

(Rupees in crore)

Name of the Corporation	Equity and loans as at the end of				Debt equity ratio in 1997-98
	1996-97		1997-98		
	Equity	Loans	Equity	Loans	
1. Power Department Uttar Pradesh State Electricity Board	--	13027.12	--	13598.31	--
2. Transport Department Uttar Pradesh State Road Transport Corporation	314.69	59.82	315.83	97.10	0.31:1
3. Industries Department Uttar Pradesh Financial Corporation	100.00	1153.51	100.00	1391.22	14:1
4. Co-operative Department Uttar Pradesh State Warehousing Corporation	11.17	2.57	11.37	1.82	0.16:1
5. Housing Department Uttar Pradesh Avas Evam Vikas Parishad	--	4.81	--	--	--
6. Urban Development Department Uttar Pradesh Jal Nigam	--	273.24	--	NA	--
Total	**425.86**	**14521.07**	**427.20**	**15088.45**	

1.3.3 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 1997-98 and outstanding as on 31 March 1998 is given on the next page:

(Rupees in crore)

Serial number	Guarantees	Guarantees given by State Government 1995-96	1996-97	1997-98	Guaranteed amount outstanding as on 31 March 1998
1.	Cash credits from State Bank of India and other nationalised banks	18.00	9.00	6.00	6.00
2.	Loans from other sources	249.99	4101.77	4458.67	3102.51
3.	Letter of credit opened by State Bank of India and other nationalised banks for purchase of power	109.00	89.00	--	

1.3.4 Finalisation of accounts

Uttar Pradesh State Electricity Board, Uttar Pradesh State Warehousing Corporation and Uttar Pradesh Forest Corporation have finalised their accounts up to 1997-98. Uttar Pradesh Jal Nigam, Uttar Pradesh State Road Transport Corporation and Uttar Pradesh Financial Corporation have finalised their accounts up to 1996-97. Uttar Pradesh Avas Evam Vikas Parishad has finalised its accounts only up to 1994-95. While the Uttar Pradesh State Road Transport Corporation, Uttar Pradesh Financial Corporation and Uttar Pradesh Jal Nigam incurred loss of Rs. 48.14 crore, Rs. 14.26 crore and Rs. 52.36 crore respectively, the Uttar Pradesh State Warehousing Corporation, Uttar Pradesh State Electricity Board and Uttar Pradesh Avas Evam Vikas Parishad showed surplus of Rs. 3.74 crore, Rs. 291.64 crore and Rs. 0.84 crore respectively as per their latest finalised accounts.

1.3.5 Budgetary outgo

The outgo from the State Government to the Statutory corporations during the years 1995-96 to 1997-98 in the form of equity capital, loans and subsidy is as detailed on the next page :

(Rupees in crore)

Particulars	1995-96	1996-97	1997-98
1. Equity capital outgo from budget	0.50	--	1.16
2. Loans given out from budget	538.90	974.81	829.50
3. Subsidy	--	---	638.03

1.3.6 Subsidy

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

Though the State Government had directed UPSEB (September and November 1993) not to show the Rural Electrification subsidy in their annual accounts in view of cross subsidisation of the same in tariff structure of the Board, Rs. 1517.20 crore, Rs. 1556.77 crore and Rs. 1838.90 crore have been shown as subsidy recoverable from the Government for the years 1995-96, 1996-97 and 1997-98 respectively. The total subsidy receivable as on 31 March 1998 was shown as Rs. 9243.30 crore in the accounts for the year 1997-98.

In view of Government direction, this subsidy is not receivable. This adversely affects the position of revenue receipts reflected in annual accounts of the Board by not only wiping out the surplus shown by the Board but converts it into a net deficit.

1.3.7 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 1.9.

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 as on 31 March 1998 was Rs. 13598.31 crore and represented an increase of Rs. 571.19 crore (4.38 per cent) on long term loans of Rs. 13027.12 crore outstanding at the end of the previous year.

1.4.2 The Government had guaranteed the repayment of loans raised by the Board to the extent of Rs. 3550.87 crore and payment of interest thereon. The amount outstanding there against as on 31 March 1998 was Rs. 2337.97 crore.

1.4.3 The financial position of the Board at the end of the three years up to 31 March 1998 is given below :

(Rupees in crore)

	Particulars	1995-96	1996-97	1997-98
A	**Liabilities**			
	Long term loans from:			
	(a) Government	9499.77	10447.56	11268.49
	(b) Other sources	2474.14	2579.56	2329.82
	Subvention and grants from:			
	(a) Government	128.66	168.55	227.42
	(b) Others	15.58	32.57	53.75
	Reserve and surplus	1209.09	1526.26	1992.77
	Current liabilities and provisions	8800.21	10541.92	13287.18
	Total A	**22127.45**	**25296.42**	**29159.43**
B	**Assets**			
	Gross fixed assets	12925.28	14032.16	14784.42
	Less- Depreciation	2815.91	3533.56	4231.56
	Less- Consumers contribution	693.41	781.24	867.67
	Net fixed assets	9415.96	9717.36	9685.19
	Capital works-in-progress	1559.39	1939.14	2543.42
	Current assets	5132.24	5965.81	7474.16
	Subsidies receivable from Government	5848.10	7404.40	9243.30
	Investments	171.29	269.23	212.00
	(a) Intangible assets	0.47	0.48	1.36
	(b)Accumulated deficit	—	—	—
	Total B	**22127.45**	**25296.42**	**29159.43**
C	**Capital employed***	7307.38	7080.39	6415.59

* Capital employed represents net fixed assets (including work-in-progress) plus working capital.

1.4.4 The working results of the Board for the three years up to 1997-98 are summarised below:

(Rupees in crore)

Particulars	1995-96	1996-97	1997-98
1.(a) Revenue Receipts	4134.52	4250.96	5087.98
(b) Subsidy from the State Government	1517.20	1556.77	1839.61
(c) Total	5651.72	5807.73	6927.59
2. Revenue Expenditure (Net of expenses capitalised) including write-off of intangible assets but excluding depreciation and interest	3730.34	3785.17	4467.70
3. Gross surplus/(-) deficit for the year (1-2)	1921.38	2022.56	2459.89
4. Adjustment relating to previous year	0.94	346.56	191.63
5. Final gross surplus/(-) deficit for the year (3+4)	1922.32	2369.12	2651.52
6. Appropriation			
(a) Depreciation (less capitalised)	522.77	736.67	758.33
(b) Interest on Government loans	966.73	1036.16	1166.01
(c) Interest on other loans, bonds, advances etc.	585.12	624.84	722.50
(d) Total interest on loans (b+c)	1551.85	1661.00	1888.51
(e) Less interest capitalised	174.50	199.34	286.96
(f) Net interest charged to revenue (d-e)	1377.35	1461.66	1601.55
7. Surplus/(-) deficit before accounting for subsidy from State Government 5-(6a)-(6f) -1(b)	(-)1495.00	(-)1385.98	(-)1547.97
8. Net surplus/(-) deficit 5-(6a)-(6f)	22.20	170.79	291.64
9. Total return on : Capital employed*	1399.55	1632.45	1893.19
10. Percentage of return on : Capital employed	19.15	23.06	29.51

1.4.5 Audit assessment of the working results of the Board

The accounts for the year ended 31 March 1998 disclosed a surplus of Rs. 291.64 crore as compared to surplus of Rs. 170.79 crore during the year 1996-97. The surplus of Rs. 291.64 crore had been arrived at after taking credit of Rs. 1838.90 crore on account of subsidy recoverable from the State Government which has not been accepted by the latter.

According to Section 59 of Electricity (Supply) Act, 1948, Uttar Pradesh State Electricity Board after taking credit of subvention from the State Government under

* Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).

Section 63, is required to leave a surplus which is not less than 3 per cent of the value of fixed assets of Uttar Pradesh State Electricity Board in service at the beginning of the year. Based on this, Uttar Pradesh State Electricity Board was required to achieve a minimum surplus of Rs. 291.52 crore (3 per cent of the value of fixed assets in its service at the beginning of the year) for the year 1997-98. As against this, there was a net surplus of Rs. 291.64 crore.

Major irregularities/omissions as mentioned in the following table were pointed out in the Separate Audit Report on the revised accounts of the Board for the year 1997-98 issued in November 1998.

(Rupees in crore)

Sl. No.	Irregularities/omissions	Amount
1	Understatement of value of power purchased	(+) 101.64
2	Understatement of other expenses	(+) 67.04
3	Subsidy not admitted by State Government	(+) 1838.90
4	Interest recoverable on sale proceeds from M/s J.P. Industries (Not yet claimed)	(-) 4.50
5	Short billing (sale of power)	(-) 47.79
6	Net effect (decrease in surplus)	1955.29

Based on the audit assessment of the working results of the Board for three years upto 1997-98 and taking into consideration the major irregularities and omissions pointed out in the separate audit reports on the annual accounts of the Board and not taking into account the subsidy/subventions receivable from the State Government, the net surplus/deficit and the percentage of return on capital employed and capital invested of the Board will be as given on the next page:

(Rupees in crore)

Sl. No.	Particulars	1995-96	1996-97	1997-98
1.	Net surplus/(-) deficit as per books of accounts	22.20	170.79	291.64
2.	Subsidy from the State Government	1517.20	1556.77	1839.61
3.	Net surplus/(-) deficit before subsidy from the State Government (1-2)	(-)1495.00	(-)1385.98	(-)1547.97
4.	Net increase/decrease in net surplus/(-) deficit on account of audit comments on the annual accounts of the Board	(-)128.73	(-)120.33	(-)116.39
5.	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-)1623.73	(-)1506.31	(-)1664.36
6.	Total return on : Capital employed	(-)246.38	(-)44.65	(-) 62.81
7.	Percentage of return on : Capital employed	--	--	--

1.4.6 The table below indicates the operational performance of the Board for three years up to 1997-98:

	Particulars	1995-96	1996-97	1997-98
1.	**Installed capacity (MW)**			
	(a) Thermal	4544.00	4544.00	4544.00
	(b) Hydel	1504.75	1504.75	1504.75
	Total	**6048.75**	**6048.75**	**6048.75**
2.	**Power generated (Mkwh)**			
	(a) Thermal	17813.00	18423.00	18379.82
	(b) Hydel	5014.00	5232.00	5427.78
	Total	**22827.00**	**23655.00**	**23807.60**
	(c) Less: Auxiliary consumption	1732.00	1812.00	1897.00
	(d) Net power generated	21095.00	21843.00	21910.60

	Particulars	1995-96	1996-97	1997-98
	(e) Power purchased	14014.00	14009.00	14540.00
	(f) Total power available for sale (d+e)	35109.00	35852.00	36450.60
3.	Power sold **(Mkwh)**	26771.00	27041.00	27130.00
4.	Transmission and distribution losses **(Mkwh)**	8338.00	8811.00	9320.60
5.	Percentage of transmission and distribution losses	23.75	24.58	25.57
6.	Units generated per KW of installed capacity **(Kwh)**	3774.84	3911.00	3935.95
7.	Percentage of generation to installed capacity	42.96	44.64	44.93
8.	Percentage of Plant Load factor	47.48	49.24	49.13
9.	Villages/towns electrified at the end of year **(Number)**	85657	87079	87930
10.	Pump sets/tubewells energised at the end of year **(Number)**			
	(a) Private Tubewells	729356	746596	757911
	(b) State Tubewells	32304	32093	NA
11.	Connected load **(MW)**	13385	13954	14499
12.	Number of consumers **(In lakh)**	61.40	64.53	67.09
13.	Number of employees*	96153	96053	92732
14.	Consumer employee ratio	64:1	64:1	72:1
15.	Employees cost per Mkwh (Rs. In lakh)	2.18	2.62	2.97
16.	Break-up of units sold according to categories of consumers **(Mkwh)**			
	(a) Agricultural	9507	9800	9420
	(b) Industrial	6674	6290	6056
	(c) Commercial	2134	1902	1926
	(d) Domestic	6148	6555	7238
	(e) Others	2300	2494	2490
	Total	**26771**	**27041**	**27130**
17.	(a) Revenue per Kwh **(Paise)**	143	148	177
	(b) Expenditure per Kwh **(Paise)**	210	221	245
	(c) Profit(+)/Loss(-) per Kwh **(Paise)**	(-) 67	(-)73	(-)68

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

1.5 Uttar Pradesh State Road Transport Corporation

1.5.1 In terms of section 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 31 March 1998 was Rs. 315.83* crore (State Government: Rs. 246.58 crore and Central Government: Rs. 69.25 crore) as against Rs. 314.69 crore as on 31 March 1997 (State Government: Rs. 245.44 crore and Central Government: Rs. 69.25 crore). Further, loans amounting to Rs. 97.10 crore (State Government: Rs. 17.61 crore and Life Insurance Corporation of India: Rs. 44.27 crore, Industrial Development Bank of India : Rs. 35.11 crore and others: Rs. 0.11 crore) were outstanding as on 31 March 1998. The State Government had also given guarantees for repayment of loans raised by the Corporation from other sources and payment of interest thereon.

1.5.2. The Corporation has not finalised accounts for the year 1997-98 so far (October 1998). The financial position of the Corporation at the end of each of the three years up to 1996-97 is given below:

(Rupees in crore)

Particulars	1994-95	1995-96	1996-97
(A) Liabilities			
Capital	313.51	314.01	314.69
Reserves and surplus	0.95	0.29	0.30
Borrowings	127.34	147.62	123.37
Trade dues and other current liabilities	122.25	163.42	241.66
Total- A	**564.05**	**625.34**	**680.02**
(B)Assets			
Gross Block	483.44	498.95	510.74
Less: Depreciation	318.01	329.64	347.91
Net fixed assets	165.43	169.31	162.83
Capital work-in-progress	4.88	3.29	2.57
Investments	0.80	1.30	0.74
Current assets, loans and advances	52.71	63.14	76.55
Accumulated losses	340.23	388.30	437.30
Total- B	**564.05**	**625.34**	**680.02**
(C) Capital employed**	101.57	73.62	0.29

* Figures supplied by the management.

** Capital employed represents net fixed assets (including capital work in progress) plus working capital.

1.5.3. The working results of the Corporation for the three years up to 1996-97 are summarised below:

(Rupees in crore)

Particulars	1994-95	1995-96	1996-97
Total revenue	457.91	505.91	540.62
Total expenditure:			
(a) Other than interest	473.36	525.14	564.86
(b) Interest	20.17	22.64	23.90
Total	**493.53**	**547.78**	**588.76**
Net Loss	35.62	41.87	48.14
Total return on:			
Capital employed*	- 15.45	-19.23	-24.24
Percentage of return on Capital employed	--	--	--

The Corporation suffered a loss of Rs. 48.14 crore during the year 1996-97 as compared to loss of Rs. 41.87 crore suffered during the year 1995-96. The loss of the Corporation increased by 14.97 per cent during the year 1996-97 as compared to the year 1995-96. The loss during 1996-97 was attributable mainly to increase in cost of operating expenses, fuel and oil, repairs and maintenance, welfare and general administrative expenses.

The Corporation has completely eroded its capital (Rs. 314.69 crore) as the accumulated loss at the end of 1996-97 amounted to Rs. 437.30 crore.

1.5.4 The table given below indicates the physical performance of the Corporation during the three years up to 1997-98:

(Rupees in crore)

Particulars	1995-96	1996-97	1997-98
Average number of vehicles held (effective fleet)	7753	7570	7352
Average number of vehicles on road**	6552	6432	6432

* Capital employed represents net fixed assets (including capital work in progress) plus working capital.

** Vehicles include buses, taxis and trucks.

(Rupees in crore)

Particulars	1995-96	1996-97	1997-98
Percentage of utilisation	85	85	87
Number of employees	54668	53539	52537
Vehicle staff ratio	8.34:1	8.32:1	8.17:1
Kilometres covered (In lakh)			
- Gross	6538	6224	6726
- Effective	6377	6072	6560
- Dead	161	152	166
Percentage of dead kilometres to gross kilometres	2.46	2.44	2.47
Average kilometres covered per bus per day	211	206	218
Average revenue per kilometre (Paise)	793	883	914
Average expenditure per kilometre (Paise)	859	947	983
Loss per kilometre (Paise)	66	64	69
Total route kilometres (In lakh)	5.94	5.62	5.03
Number of operating Depots	110	110	113
Average number of break-downs per lakh kilometres	4.83	5.70	5.50
Average number of accidents per lakh kilometres	0.21	0.20	0.20
Passenger kilometres			
- Scheduled (in lakh)	343235	327009	352496
- Operated (in lakh)	236832	219096	225597
Occupancy ratio (*Per cent*)	69	67	64

1.6 Uttar Pradesh Financial Corporation

1.6.1 The paid-up capital of the Corporation as on 31 March 1997 as well as on 31 March 1998 was Rs. 100 crore (State Government: Rs. 63.45 crore; Industrial Development Bank of India: Rs. 34.55 crore and others: Rs. 2.00 crore).

1.6.2 Financial position and working results of the Corporation for five years ended 31 March 1998 has been discussed in detail in paragraphs 3A.5(a) and (b) of this report.

1.7 Uttar Pradesh State Warehousing Corporation

1.7.1 The paid-up capital of the Corporation as on 31 March 1998 was Rs. 11.37 crore (State Government: Rs. 6.19 crore and Central Warehousing Corporation: Rs. 5.18 crore) as against paid up capital of Rs. 11.17 crore (State Government: Rs. 5.99 crore and Central Warehousing Corporation: Rs: 5.18 crore) as on 31 March 1997.

1.7.2 The financial position of the Corporation at the end of each of the three years up to 31 March, 1998 is given in the following table:

(Rupees in crore)

Particulars	1995-96	1996-97	1997-98
(A) Liabilities			
Paid-up capital	10.27	11.17	11.37
Reserves and surplus	11.94	12.44	21.67
Borrowings	2.67	2.57	1.82
Trade dues and other current liabilities	12.91	12.04	14.16
Total-A	**37.79**	**38.22**	**49.02**
(B) Assets			
Gross block	38.53	39.39	39.56
Less depreciation	14.15	14.72	9.76
Net fixed assets	24.38	24.67	29.80
Capital work-in-progress	0.49	0.77	1.38
Current assets, loans and advances	12.92	12.78	17.84
Total-B	**37.79**	**38.22**	**49.02**
(C) Capital employed*	24.88	26.18	34.86

1.7.3 The working results of the Corporation for the three years up to 1997-98 are summarised on the next page:

* Capital employed represents net fixed assets (including capital work in progress) plus working capital.

(Rupees in crore)

Particulars	1995-96	1996-97	1997-98
Income			
(a) Warehousing charges	19.55	15.51	17.65
(b) Other income	0.54	5.04	6.51
Total	**20.09**	**20.55**	**24.16**
Expenses			
(a) Establishment charges	10.57	10.83	12.17
(b) Interest	0.42	0.27	0.28
(c) Other expenses	3.63	7.39	9.46
Total	**14.62**	**18.49**	**21.91**
Net profit (+)/loss (-)	(+)5.47	(+)2.06	(+)2.25
Prior period adjustments	(-)1.23	(-)1.35	(+)1.49
Profit before tax	(+)4.24	(+)0.71	(+)3.74
Amount available for dividend	4.24	0.71	3.74
Transfer from/to general reserve	3.75	0.50	9.21
Proposed dividend	0.47	0.21	0.21
(a) Total return on Capital employed	4.66	0.98	4.02
(b) Percentage of return on Capital employed	18.73	3.74	11.53

1.7.4 The physical performance of the Corporation for the three years up to 1997-98 is summarised below:

Particulars	1995-96	1996-97	1997-98
Number of stations covered	100	100	101
Storage capacity created up to the end of the year :-		(Tonnes in lakh)	
(a) Owned-	11.72	11.78	11.80
(b) Hired-	1.33	1.17	1.09
Total	**13.05**	**12.95**	**12.89**
Average capacity utilised	11.72	10.40	10.58
Percentage of utilisation	89.80	80.25	82.08
		(Rupees per tonne)	
Average revenue	166.81	195.50	227.06
Average expenses	124.74	177.78	207.09
Average net earning	(+)42.07	(+)17.72	(+)19.97

1.8 Uttar Pradesh Avas Evam Vikas Parishad

1.8.1 The capital requirement of Uttar Pradesh Avas Evam Vikas Parishad are met by way of loans from Government, banks and other financial institutions.

The aggregate of long term loans including loans from the Government obtained by the Parishad and outstanding as on 31 March, 1998 was Rs. 51.82 crore.

1.8.2 The Parishad has finalised accounts for the year 1994-95 (October 1998). The financial position of the Parishad based on its books of accounts at the end of the three years up to 31 March, 1995 is given below:

(Rupees in crore)

	Particulars	1992-93	1993-94	1994-95
(A)	**Liabilities**			
(i)	Surplus	25.85	26.45	27.29
(ii)	Borrowings	289.54	248.32	249.78
(iii)	Deposits	29.36	32.35	38.90
(iv)	Current liabilities including Registration Fee	186.41	221.19	218.13
	Total (A)	**531.16**	**528.31**	**534.10**
(B)	**Assets**			
(i)	Net fixed assets	1.08	1.04	1.06
(ii)	Investments	12.17	7.66	29.78
(iii)	Currents assets, loans and advances	517.91	519.61	503.26
	Total (B)	**531.16**	**528.31**	**534.10**
	Capital Employed*	332.58	229.46	286.19

1.8.3 The working results of the Parishad for the three years up to 1994-95 are summarised in the following table:

(Rupees in crore)

	Particulars	1992-93	1993-94	1994-95
(A)	**Income**			
(a)	Income from property	48.09	59.03	47.71
(b)	Other Income	11.16	12.38	10.57
	Total (A)	**59.25**	**71.41**	**58.28**

* Capital employed represents net fixed assets (including capital work in progress) plus working capital.

(Rupees in crore)

Particulars		1992-93	1993-94	1994-95
(B)	**Expenditure**			
(a)	Establishment	15.42	16.95	19.14
(b)	Financial charges	32.16	28.47	24.65
(c)	Other expenditure	10.80	25.39	13.65
	Total (B)	**53.38**	**70.81**	**57.44**
(C)	Excess of Income over expenditure	0.87	0.60	0.84
(D)	Total return on capital employed	32.36	28.88	25.12
(E)	Percentage of return on capital employed	9.73	12.59	8.78

1.9 Uttar Pradesh Jal Nigam

1.9.1 Uttar Pradesh Jal Nigam has no paid-up-capital. Loan amounting to Rs. 273.24 crore (State Government : Rs. 252.07 crore and Life Insurance Corporation of India: Rs. 21.17 crore) were outstanding as on 31 March 1997 as against Rs. 255.52 crore (State Government : Rs. 232.43 crore and Life Insurance Corporation of India : Rs. 23.09 crore) as on 31 March 1996. The State Government has also given guarantee for repayment of loans raised by the Nigam.

1.9.2 The Nigam has not finalised its accounts for the year 1997-98 so far (October 1998). The financial position of Nigam at the end of three years up to 31 March 1997 is given below:

(Rupees in crore)

Particulars	1994-95	1995-96	1996-97
(A) Liabilities			
Borrowings	229.89	255.52	273.24
Grants from Government	1713.18	1807.42	2127.72
Deposit	536.13	755.48	808.55
Current liabilities	109.60	125.80	148.53
Centage on Material consumed	18.91	21.42	23.88

(Rupees in crore)

Particulars	1994-95	1995-96	1996-97
Pension and Gratuity	5.00	6.00	6.00
Unclassified Reserve	20.51	20.51	20.51
Total (A)	**2633.22**	**2992.15**	**3408.43**
(B) Assets			
Gross Block	305.23	370.16	450.17
Less-Depreciation	3.93	4.32	4.67
Net Fixed Assets	301.30	365.84	445.50
Investment	106.14	172.30	166.06
Current assets Divisional Surplus	1958.28 238.63	2146.36 267.51	2436.87 307.64
Deficits	28.87	40.14	52.36
Total (B)	**2633.22**	**2992.15**	**3408.43**
(C) Capital Employed*	2149.98	2386.40	2733.84

1.9.3 The working results of the Nigam on the basis of its books of accounts for the three years up to 1996-97 are summarised below:

(Rupees in crore)

Particulars	1994-95	1995-96	1996-97
(A) Income			
Centage	24.70	37.75	38.31
Survey & Project Fee	--	7.60	11.38
Interest	26.29	20.80	16.43
Grant	30.73	20.02	42.10
Others	17.53	9.76	10.89
Total (A)	**99.25**	**95.93**	**119.11**

* Capital employed represents net fixed assets (including capital work in progress) plus working capital.

(Rupees in crore)

Particulars	1994-95	1995-96	1996-97
(B) Expenses			
Establishment charges	54.04	62.00	68.50
Expenditure on maintenance	40.24	39.48	62.16
Interest	20.10	20.91	26.15
Other expenses	13.38	13.28	14.30
Depreciation	0.36	0.39	0.36
Total (B)	**128.12**	**136.06**	**171.47**
(C) Deficit	28.87	40.13	52.36
(D) Return on capital employed	(-) 8.77	(-) 19.22	(-) 26.21

Chapter II

Review on Government Company

Chapter II

Uttar Pradesh Scheduled Castes Finance and Development Corporation Limited

Uplifting the socio-economic status of weaker sections of society

CHAPTER 2

Uplifting the socio-economic status of weaker sections of society

HIGHLIGHTS

Uttar Pradesh Scheduled Castes Finance and Development Corporation Limited (UPSFDC) was established in March 1975 for uplifting the socio-economic conditions of the weaker sections of scheduled castes families living below the poverty line. The Company failed to evolve a system to monitor and evaluate their impact in improving the socio economic status of the target groups.

(Paragraphs 2.1 and 2.5)

The Company remitted Rs. 95.40 crore to the banks under self employment programme (SEP) and schemes for liberation and rehabilitation of scavengers (SLRS) during 1992-93 to 1996-97, of which the banks could not disburse Rs. 73.75 crore in 10 district offices. Further, the Company inflated its achievements by reporting to the Government the amount remitted to banks instead of the amount actually disbursed to the beneficiaries under the SEP and SLRS.

(Paragraphs 2.5.1 and 2.5.2)

Four district offices made payment of Rs. 0.44 crore to 702 beneficiaries under SLRS leading to possible misappropriation of fund in the absence of sufficient documentary evidence.

(Paragraph 2.5.2.1 (iv))

Contrary to the RBI directives to charge concessional rate of interest of 4 per cent up to a bank loan of Rs. 6500 and at commercial rate thereafter under SLRS, the banks charged interest at commercial rate of interest of 12.5 per cent on the entire bank loan. This resulted in excess levy of interest of Rs. 23.87 crore during six years upto 1997-98 causing financial harassment to the beneficiaries.

(Paragraph 2.5.2.1 (iii))

Eleven district offices made fraudulent and irregular utilisation of fund aggregating Rs. 3.47 crore in implementation of Pump set Yojna under Anuvini scheme, due to non-observance of prescribed procedures.

(Paragraph 2.5.5 (i))

The Company purchased 100 defective HCL photo copiers at a cost of Rs. 0.97 crore under Anuvini scheme which resulted in mis-utilisation of fund to that extent.

(Paragraph 2.5.5 (ii))

2.1 Introduction

Uttar Pradesh Scheduled Castes Finance and Development Corporation Limited (UPSFDC), a wholly owned Government Company was incorporated on 25 March 1975, to implement State and Central Government sponsored schemes for the welfare of the scheduled caste families in the state by improving their socio-economic status.

2.2 Objectives and activities

The main objectives of the company are:

(i) to promote, aid, assist, organise, finance and develop the task of socio-economic and educational upliftment of the scheduled castes (SC) families in the state;

(ii) to provide financial, technical, managerial, marketing, development or any other assistance and guidance to any establishment, undertaking or enterprises which, in the opinion of the Company, are likely to facilitate or accelerate the development of the scheduled castes;

(iii) to advance loans in cash or kind, stand guarantee or surety or to provide assistance in getting on hire purchase/instalments on easy terms and conditions to the members of the scheduled castes who want to start the business or profession;

(iv) to advance loans (interest free or otherwise) on easy terms, sanction subsidy and meet high rate of interest or other loans.

During the period of review (1992-93 to 1997-98), the company had implemented various schemes, viz. self employment programme (SEP), national scheme for liberation and rehabilitation of scavengers (SLRS), schemes for construction of shops in urban areas, training schemes and schemes financed by National Scheduled Castes Finance and Development Corporation Limited (NSFDC) under ANUVINI term loan scheme.

2.3 Organisational set up

The management of the Company is vested in a Board of Directors with a Chairman, a whole time Managing Director and 6 other Directors appointed by the State Government (including 2 nominees of Central Government).

MD is assisted by 4 General Managers (GM) for establishment, schemes, finance, and monitoring functions respectively. The Additional District Development Officer (ADDO), Samaj Kalyan is the ex-officio designated District Manager of the Company at district level. At block level, the ADDO is assisted by Assistant Development Officer (ADO) for three blocks and a Village Development Officer (VDO) in each block.

2.4 Scope of Audit

Working of the Company for a period of five years up to 1984-85 was reviewed in the Report of Comptroller and Auditor General of India for the year ended 31 March 1986 (Commercial), Government of Uttar Pradesh. The report has not been discussed by the Committee on Public Undertakings as of September 1998.

Activities of the Company having objective of socio-economic upliftment of weaker sections of SC families as contemplated in various schemes for a period of six years up to March 1998 were reviewed in audit.

2.5 Implementation of schemes

It was noticed that the Company did not establish a system to monitor and evaluate the results of the schemes with the result that impact of welfare schemes even after investment of huge fund was not known as discussed in the succeeding paragraphs.

2.5.1 Self employment programme (SEP)

Rs. 19.80 crore excluding bank's share out of Rs. 25.29 crore were not disbursed as of March 1998 by banks during two years upto 1996-97 in 10 districts.

With a view to facilitate setting up of income generating projects by SC families living below the poverty line, the Company undertook (October 1980) the activity of providing financial assistance in the shape of margin money (MM) loans and subsidy under special central assistance (SCA) scheme. Accordingly, every year one lakh SC families (with a mix of 85 : 15 in rural and urban area including 30 per cent women and project mix of 55 : 45 in farm and non-farm sectors) were to be identified and benefited. All SC families with annual income of less than Rs. 11000 for rural areas and Rs. 11850 for urban/city areas, who had not been benefited earlier from any other welfare schemes, were eligible to establish projects costing upto Rupees seven lakh and avail benefits under SEP. The project cost per beneficiary was to be funded to the extent of 50 per cent by way of subsidy with a ceiling of Rs. 6000 (Rs. 5000 up to 1993-94), 25 per cent as MM loans (with annual interest of 4 per cent) from the Company and balance mobilised by way of bank loans. The Company was also to ensure existence of sufficient inputs for survival of the projects undertaken by adopting "cluster-cum-saturation approach".

To meet the avowed objectives of upliftment of the SC families by providing them sustainable gainful employment, the Company was required to develop a powerful mechanism to constantly monitor disbursement of project cost to the eligible beneficiaries and implementation of projects by them. An analysis by Audit of the remittances to banks and refund made by them in respect of 10 district offices alone during two years* upto 1996-97, indicated that out of Rs. 25.29 crore (subsidy and MM loan) remitted to the banks for 33921 beneficiaries, Rs. 19.80 crore for 25900 beneficiaries representing 76 per cent were not disbursed (as no statement of accounts prepared by the banks were available with the district offices) as of March 1998 as detailed in Annexure-6. The age wise position of undisbursed amount of subsidy and M.M. loan with banks was as given on the next page:

* Position of other districts and years not available with the Company.

(Rupees in lakh)

	Number of beneficiaries	Amount		Total
		Subsidy	M.M. loan	
Upto one year	9707	579.02	197.04	776.06
More than one year and upto two years	16193	994.97	208.61	1203.58
Total	**25900**	**1573.99**	**405.65**	**1979.64**

The Company incorrectly reported to the Government the amount remitted to banks treating it as disbursed to the beneficiaries.

Further, it was observed that in reporting their financial achievements, the Company instead of intimating the amount actually disbursed to the beneficiaries, incorrectly reported to the Government the amount remitted to the banks treating it as disbursed to the beneficiaries. The physical and financial targets and achievements (based on remittances to banks) with average cost of the projects during six years up to 1997-98 are detailed in Annexure-7.

(i) **Selection process of eligible beneficiaries flawed**

The selection criteria of beneficiaries from rural areas (85 per cent) provided for selection in the open meetings of Gram Sabha to be held in April/May each year on the basis of Arthik Register (AR) after wide publicity through VDOs/ADOs. This list was to be verified from Integrated Rural Development Programme (IRDP) master register maintained at block level to ensure eligible beneficiaries. For urban areas, the selection criteria provided for selection through District Selection Committee on the basis of applications received in response to the publicity (carried out through pasting of pamphlets in the offices of Nagar Palika/Nigam/Tehsils) followed by an interview.

Audit could not verify the eligibility of beneficiaries of rural areas as the district offices did not furnish list of beneficiaries selected in the open meetings, AR, IRDP master register, physical verification reports etc. It was also noticed that these records were never requisitioned by district offices and the VDOs/ADOs neither attended open meetings of Gram Sabha where selection of beneficiaries is made, nor got the list duly approved and signed by Gram Pradhans and therefore were not able to verify the genuineness of eligible beneficiaries. Similarly, in case of selection of beneficiaries from urban areas, evidence in support of advertisement of the scheme, register of applications received, minutes of meeting of Committee, interviews held (the basic procedure) etc. were not produced to Audit. Thus, the entire selection process of eligible beneficiaries was flawed.

(ii) Selection of unviable projects

The average cost of projects undertaken during 1992-93 to 1995-96 ranged between Rs. 0.12 lakh and Rs. 0.14 lakh. Distressed over such abnormally low cost projects being undertaken, the Company issued instructions to the district offices to undertake projects with an average cost of Rs. 0.25 lakh for 1996-97 and Rs. 0.30 lakh for 1997-98. However, the average cost of projects during 1996-97 and 1997-98 was only Rs. 0.17 lakh and Rs. 0.18 lakh respectively limited to the powers of ADDO who was authorised to sanction projects up to Rs. 0.20 lakh.

In this connection, the following points were noticed by Audit:

Out of 560346 projects undertaken for financing during six years upto 1997-98 under SEP, 341459 projects valued at Rs. 502.32 crore were economically unviable.

- An analysis by audit of the economically unviable projects undertaken during six years up to 1997-98 revealed that 341459 projects (value: Rs. 502.32 crore) representing 61 per cent of the projects provided, were economically unviable as per details given in Annexure-8;

- While prescribing the mode of publicity, the Company did not consider the illiteracy percentage (58.4 per cent)* of the population of state leading to lack of awareness amongst the weaker sections of the society about viability of the projects sufficient to generate sustainable income. Test check of 20 district offices (out of 80) revealed that mode of publicity adopted through newspapers, pamphlets and notices pasted in the offices of Nagar Palika/Nigam/Tehsils etc. instead of door to door publicity and organising awareness camps in the rural areas was inadequate in view of low literacy percentage.

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* As per IRDP directory 1996 published by Government of Uttar Pradesh (Page 305).

(iii) Failure of bank's participation in implementation of SEP

For successful implementation of schemes, banks were required to play a vital role by effective participation and monitoring at all levels right from approval to disbursement and utilisation of loans under the schemes. This also involved participation of the Company to see that the money being remitted to banks for the benefit of weaker sections is being gainfully employed by them. The Company remits the MM loans and subsidy to banks for disbursement of total project cost (including bank share) to the beneficiaries. The ADDOs (Samaj Kalyan) are required to prepare bank/city/block wise schemes and submit them to the lead banks for inclusion in their annual district plan and approval by District Institutional Co-ordination Committee. The following irregularities were noticed by Audit in disbursement of loans/subsidy:

- The banks compelled the beneficiaries either to obtain the quotations from the private firms identified irregularly by the banks themselves or to purchase assets from the firms to whom payments for purchase of assets had been made by the banks directly through cheques. In this process, substantial part of loans are being siphoned away through these firms/brokers and the beneficiaries are not being allowed to derive full benefits of the scheme. It would not be out of place to mention here that even directives of the Government issued (August 1995) to all the district authorities including the Company to credit entire amount of loans direct to the beneficiaries' accounts and not to make payment to the identified firms in future were not complied with by the banks so far (May 1998).

- The banks, after disbursement of loans to the beneficiaries are required to furnish 'statement of accounts' to the district offices. However, the statement of accounts in most of the cases were neither furnished by the banks nor ADDO/AM made efforts to obtain it. Thus, details of disbursement of remittances of Rs. 356.45 crore made by the district offices of the Company to the banks during six years up to 1997-98 were not available with the Company.

At the close of 1996-97, 10470 cases of loan aggregating Rs. 17.80 crore had not been disbursed upto April 1998 even after lapse of more than a year.

- Out of 808135 loan applications sent to the banks under SEP, approval was accorded on 560346 applications and 56737 applications were rejected. As many as 191052 (24 per cent) applications were pending with the banks at the close of 1997-98. These rejected and pending applications (31 per cent) have not been returned to the units for the further vetting and removing the shortcomings.

- The Reserve Bank of India (RBI) issued (March 1993) directives for disbursement of loans within 15 days. However, some of the banks took 5 months to one year and more for disbursement of loans. At the close of 1996-97, 10470 cases of loan aggregating Rs. 17.80 crore (calculated at the rate of average cost of project of Rs. 0.17 lakh) had not been disbursed (April 1998) even after lapse of more than a year. Further, Rs. 19.50 crore on account of undisbursed subsidy (Rs. 17.36 crore) and MM loans (Rs. 2.14 crore) was refunded by the banks during 1992-93 to 1996-97 after a lapse of six months to three years without assigning any specific reasons depriving the Company the opportunity to earn interest even at saving bank's rate of interest.

(iv) Prescribed physical verification of projects not conducted

> ***Results of physical verification in 3 districts indicated suspected mis-appropriation of fund to the extent of Rs. 79.99 lakh.***

It was noticed by Audit that the physical verification of assets as per norms prescribed by the Government in December 1990 was not carried out. However, results of physical verification carried out in respect of Mathura, Agra and Shahjahanpur by the district offices and headquarter were as under:

- For 1996-97, CDO, Mathura arranged (January 1998) physical verification of 10 blocks in respect of 570 beneficiaries. It was noticed by him that 24 to 87 per cent projects representing 297 beneficiaries valued at Rs.50.49 lakh were not physically available;

- In case of Shahjahanpur, physical verification of 626 projects of 1996-97 indicated that 3 to 80 per cent projects representing 150 beneficiaries valued at Rs. 25.50 lakh were not available at site; and

- In Agra unit subsidy amounting to Rs. 0.79 lakh to 17 beneficiaries remitted to Indian Overseas Bank, RBS College Branch, Agra during 1992-93 was not disbursed to them as of June 1998. On random checking of 25 projects, 20 projects valued at Rs. 4.00 lakh (80 per cent) financed during 1992-93 to 1995-96 were not found available at the site.

This indicated suspected misappropriation of fund to the extent of Rs. 79.99 lakh in respect of three districts alone besides non-achievement of objectives of the scheme.

(v) **Poor recovery performance of loans**

Out of Rs. 55.52 crore due for recovery at the close of 1997-98, the Company could recover only Rs. 2.10 crore.

The district and block level officers were responsible for making recovery of MM loans disbursed to the beneficiaries from the month following the disbursement along with interest at the rate of 4 per cent per annum. It was noticed by Audit that out of Rs. 55.52 crore (including interest of Rs. 11.80 crore) due for recovery at the close of 1997-98, the Company could recover only Rs. 2.10 crore (including interest of Rs. 0.45 crore) which was 3.8 per cent of the amount due for recovery at the close of 1997-98. In more than 60 per cent cases test checked, recovery has not been started (March 1998) even after lapse of a period from 1 to 5 years.

The reasons mainly attributable to non-recovery of loans as analysed by Audit were:

- Large fund were not disbursed by the banks to the beneficiaries and refunded after considerable time gap; specific cases could not be identified for want of details. The district/block level officers, however, treated such amounts as recoverable without reconciling the loan accounts of beneficiaries with that of details of refund from the banks;
- Absence of physical verification of projects financed at prescribed intervals; and
- Non issue of notices and recovery certificates.

2.5.2 National scheme for liberation and rehabilitation of scavengers (SLRS)

In order to liberate and rehabilitate the scavengers and their dependents, engaged in the obnoxious and inhuman occupation of removing night soil and filth with a view to providing alternative dignified occupation, the GOI launched (March 1992) a national scheme under Eighth Five Year Plan (1992-97). As all the scavengers could not be benefited under the scheme within this plan period, the GOI extended the scheme further upto Ninth Five Year Plan (1997-2002).

The scheme revised in May 1996 contemplated (i) time bound programme for identification of scavengers and their dependants engaged in servicing dry latrines, (ii) training with a cluster approach, on TRYSEM pattern, and (iii) rehabilitation of trained scavengers in various trades and occupations by providing subsidy, MM and bank loans for economically viable projects costing upto Rs. 50000.

Out of Rs. 70.11 crore (subsidy and MM loan) remitted to banks during five years upto 1996-97, Rs. 53.95 crore representing 77 per cent were not disbursed to beneficiaries.

During five years upto 1997-98, an analysis by Audit of the remittances made to the banks, refund made and the disbursements of loan as per statement of accounts* in case of 10 district offices (out of 80) indicated that out of Rs. 70.11 crore (subsidy and MM Loan) remitted to the banks during five years upto 1996-97 for 53560 beneficiaries, Rs. 53.95 crore for 41000 beneficiaries representing 77 per cent were not disbursed as of March 1998 as detailed in Annexure-9.

2.5.2.1 It was noticed by Audit that the Company and the banks failed to implement the scheme effectively as discussed below:

(i) Pending applications not reconsidered leading to non-availment of benefits of the scheme

Out of 234583 loan applications sent to the banks during 1992-93 to 1997-98, 81093 (35 per cent) applications were still pending for approval with the banks which were neither included in subsequent year's progress nor returned to the district offices as of March 1998 due to which benefits of the scheme could not be passed on.

(ii) Selection of unviable projects

Out of 143975 projects undertaken for financing under SLRS since inception to 1997-98, 119684 projects valuing Rs. 239.37 crore representing 83 per cent were economically not viable.

In order to make the scheme successful, the GOI allowed funding for group projects and issued instructions to finance only economically viable projects costing upto Rs. 50000 so as to provide sustainable income to the eligible scavengers as they have very limited exposure to business and trade.

* Position of other years and other districts not available with the Company.

In contravention of these instructions, the district offices continued to sanction routine type, low cost, short term and economically unviable projects at the average cost of Rs. 0.20 lakh since inception (1992-93) to 1997-98. The projects included small garments/ready-made cloth shops, small kirana/parchoon stores, animal husbandry, piggery, goat rearing, poultry, basket weaving, wood stalls, pan/biri shops etc. The GOI observed (May 1996) that these projects were not only unviable but also incapable of providing sustainable income. Based on this an analysis by Audit indicated that 119684 projects (83 per cent) out of 143975 valued at Rs. 239.37 crore (calculated at the average cost of budget Rs. 0.20 lakh) undertaken during above period were economically unviable.

(iii) Failure of bank's participation in implementation of SLRS

As per the RBI directives of March 1993, loans upto Rs. 6500 are to be treated under differential rate of interest (DRI) scheme at concessional rate of interest of 4 per cent and the balance amount at commercial rates. Contrary to this, the banks charged interest at the rate of 12.5 per cent per annum on the entire amount of loan. However, the Company never raised this issue with the banks in the State Level Bankers Committee meetings held from time to time. This resulted in excess levy of interest to the extent of Rs. 23.87 crore causing financial harassment to the beneficiaries. Further, it was observed that the banks made refund of undisbursed subsidy and MM loans (Rs. 4.90 crore during 1993-94 to 1996-97) in respect of 3820 beneficiaries after lapse of one to three years and that too without interest.

Charging of interest at commercial rates (12.5 per cent) instead of at concessional rate of interest of 4 per cent contrary to directives of RBI resulted in excess levy of interest to the extent of Rs. 23.87 crore causing financial harassment to the beneficiaries.

(iv) Misappropriation of fund

The cases narrated on the next page indicate mis-utilisation and irregular payment of subsidy and loans by the district offices in implementation of scheme:

Unjustified payment of Rs. 0.44 crore to 702 beneficiaries by 3 district offices led to suspected mis-appropriation.

Name of the unit	Loan or subsidy	Period	Amount (Rs. in lakh)	Nature of irregularity
Ghaziabad	Subsidy	1992-94	28.00 (579)*	Documentary evidences viz. SCP-5 register, individual loan files of the beneficiaries, statement of accounts, utilisation certificate from the beneficiaries were also not available with the unit which raises the suspicion that the subsidy of Rs. 28.00 lakh in case of 280 beneficiaries was misappropriated.
Mathura	MM loan and subsidy	1993-96	15.60 (120)*	The details/documentary evidences were not available to indicate persons to whom the amount was disbursed.
Mathura	Subsidy	1997-98	0.39 (3)*	Names and particulars did not tally with those mentioned in the survey forms for the year 1996-97, which indicated that the beneficiaries to whom subsidy was paid were fake.
Total			**43.99**	

(v) Lack of physical verification of projects

Physical verification of Mathura and Agra district offices alone indicated non-availability of 474 projects valued at Rs. 0.64 crore at the sites and suspected mis-appropriation of funds to that extent.

Physical verification of projects in all the cases was not carried out by the AMs/VDOs as was required. However, physical verification of projects undertaken during 1996-97 and 1997-98 in eleven blocks at the instance of CDO, Mathura in January 1998 and of Agra unit carried out by headquarters in September 1997 for the period 1994-97 indicated that 464 projects (Mathura-435,

* Figures in brackets indicate no. of beneficiaries.

Agra-29 valued at Rs. 62.35 lakh) were not available and 10 projects valued at Rs. 2.00 lakh in Agra city area were found to have been fraudulently sanctioned/financed to the same persons under different names during 1993-94 to 1996-97.

This indicated that subsidy and MM loans aggregating Rs. 64.35 lakh might have been misappropriated.

(vi) Lack of adequate approach in selection, inadequate selection process, monitoring and follow-up

In implementation of the scheme by 20 district units, it was noticed by Audit that instead of adopting an objective approach, the units implemented projects in a haphazard manner resulting in non-achievement of avowed objectives as detailed below:

- Simultaneous to the selection of beneficiaries for training and rehabilitation, the district offices were to intimate Municipal Corporations, Municipal Councils/local bodies and the Collector, the details of colonies serviced by them to enable prompt action for conversion of dry latrines to flush system. This was, however, not done, with the result dry latrines of such areas were not converted into water borne flush system;

- Cluster approach in training and rehabilitation programme was to be adopted by the Company to all the eligible Safai Karamcharis in a basti together. However, the district offices selected the beneficiaries on 'pick and choose' basis only;

- The survey registers for the survey conducted during 1992-93 and 1996-97 were not maintained in the district offices which was a mandatory provision. Only survey forms were available in a haphazard way. A scrutiny of these forms for 1996-97 revealed that most of them did not contain the basic details.

- Mode of publicity adopted by the Company to make the scavengers conversant with the benefits of the scheme was not adequate.

- No specific women oriented programmes were implemented by the Company in spite of the fact that bulk of women workforce are engaged in manual scavenging.

- Out of Rs. 19.61 crore due for recovery (including interest of Rs. 2.17 crore) at the close of 1997-98, the Company could recover only Rs. 1.64 crore representing 8.36 per cent. Reasons for poor recovery of loans were the same as discussed in para 2.5.1 (v) supra under SEP; and

- The Company was required to monitor and evaluate the effect of the schemes on monthly basis so as to ensure that the beneficiaries of the scheme were positively rehabilitated. The Company, however, failed to monitor and evaluate the impact of the scheme.

2.5.3 Training scheme for scavengers

The SLR scheme as revised in May 1996 contemplated the training in identified trades for scavengers and their dependants in the age group of 15 to 50 years at the nearest local training centres of Government bodies and non-Government Organisations* (NGOs) as per provisions of TRYSEM Yojna. The salient features of training scheme were (i)Training was to be imparted to such identified scavengers selected for the purpose whose names appear in the survey forms; (ii) the training programme would have to cover about 3.5 lakh scavengers and their dependents in first four years of Eight Five Year Plan; and (iii) all trained scavengers were to be rehabilitated by financing the projects in which training was imparted.

The achievements of targets during six years upto 1997-98 ranged between 5.32 and 57.78 per cent.

In this connection, the following audit observations are made:

- During six years upto 1997-98, GOI had released a sum of Rs. 12.89 crore against which the Company could utilise only Rs. 5.36 crore leaving unutilised balance of Rs. 7.53 crore at the end of March 1998. Due to non-utilisation of earmarked fund, the scavengers could not be trained and rehabilitated to that extent; and

- Against the target to train 106000 scavengers during last six years upto 1997-98, the Company could provide training to only 35204 scavengers which was 33 per cent of the target fixed. Reasons for non-achievement of target in spite of availability of fund were not analysed by the management. Shortfall in achievement as analysed by Audit were mainly attributable to non-selection of training institutes and trainees by the district offices.

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* Only those NGOs who had at least 3 years' experience for conducting training programmes and 75 per cent of whose trained persons had been settled in self-employment were to be selected.

A test check of records of 13 district offices revealed that :

- NGOs were selected in contravention of the provisions of the scheme;

- Against 14421 trained scavengers, only 3178 (22 per cent only) were financed in 13 units. Thus, expenditure incurred on the training of 11243 scavengers amounting to Rs. 3.37 crore became unfruitful;

- Against stipulated payment of 75 per cent stipend during training and balance at the time of financing, 100 per cent stipend was paid during training in 8 district offices. Due to this, an amount of Rs. 11.03 lakh was paid in excess of prescribed norms; and

- In 13 district offices, undue benefit to training institutes was extended by allowing them to retain even the shares of trainees. Thus, the trainees were deprived of the benefits meant for them.

In addition to above, the cases of mis-utilisation/non-utilisation of earmarked fund to the extent of Rs. 1.68 crore were noticed in test check of 6 units as detailed in Annexure - 9A.

Mis-utilisation/non-utilisation of earmarked funds to the extent of Rs. 1.68 crore were noticed in test check of six units.

2.5.4 Scheme for construction of shops in urban areas

Construction cost of Rs. 10000 (including cost of land : Rs. 2000) was modified from 1992-93 to Rs. 14000, Rs. 16500 and Rs. 22500 for shops at common soil of plain areas, black soil areas and hilly areas respectively on the plots of the beneficiaries. Of this, Rs. 5000 was to be provided as subsidy and the balance as interest free loan. After completion of construction, the beneficiaries in cent per cent cases were to be provided working capital under self-employment scheme for running the business.

The table on the next page indicates achievements of targets during six years up to 1997-98:

(Rs. in lakh)

Year	Physical		Financial	
	Targets	Achievement	Targets	Achievement
1992-93	2000	1440	254.52	168.05
1993-94	2500	1486	401.59	207.49
1994-95	2000	1096	370.42	224.10
1995-96	2000	1254	453.52	180.42
1996-97	Nil	1656	Nil	175.51
1997-98	Nil	242	Nil	12.99
Total	**8500**	**7174**	**1480.05**	**968.56**

As would be seen from the above, the Company could not achieve the targets despite availability of fund and an amount of Rs. 70.42 lakh lying unutilised for over six years depriving the benefit of the scheme to 600 beneficiaries. The Company had not analysed reasons for shortfall.

Test check of records of 16 District offices revealed the following irregularities/ lapses:

- Out of 2084 shops constructed during 1992-93 to 1996-97, financial assistance in 82 cases only was provided to the beneficiaries under self-employment scheme. Failure to extend the financial assistance to remaining 2002 beneficiaries violation of mandatory provision resulted in inability of beneficiaries to run the shops. Thus, the expenditure of Rs. 2.80 crore (calculated at the rate of Rs. 14000 per shop) incurred on construction of these shops became unfruitful;

- As per the guidelines, site survey and inspection of the site of proposed shop was to be carried out by ADDO/AM before selection of beneficiaries. It was noticed that the procedure was not being followed by the units. In Varanasi District, out of 110 sites, 106 sites were selected wrongly as title of sites was disputed and location was not commercially viable. As a result third and final instalment could not be released and Rs. 8.85 lakh released for these shops could not be utilised for the purpose for which they were meant;

- An enquiry of Shahjahanpur shops conducted in 96 cases where recovery was NIL revealed that in 48 cases though the shops were not constructed at all three instalments were released on the basis of certificates given by ADDO/AM/JC that "Construction Work is in Progress". Thus, subsidy and MM loans amounting to Rs. 6.21 lakh released were mis-utilised. No action against erring AM/ADO/JC has been taken so far;

- In Kanpur (city), Allahabad and Barabanki district offices, the first and/or second instalments released aggregating Rs. 3.29 lakh were mis-utilised by the beneficiaries and subsequent instalments were not released. However, steps to recover the same from erring beneficiaries were not taken so far.

2.5.5 ANUVINI Schemes financed by NSFDC

The Company has been working as channelising agency of the NSFDC for implementing the ANUVINI schemes launched in 1992-93. According to the scheme, the Company was to borrow fund from ANUVINI against the guarantee of State Government for the viable schemes of minor irrigation, transport and industries, service and business (ISB) sector and to provide loans at low rate of interest to the members of scheduled castes living below the poverty line.

The scheme wise position of fund received, utilised and repaid to the NSFDC as of 31 March 1998 is detailed in Annexure-10.

The Company during five years upto March 1997, (scheme abandoned thereafter) received Rs. 36.82 crore from ANUVINI as term loan to finance the projects. Against this, it had disbursed Rs. 33.23 crore to 24060 beneficiaries only and could not utilise ANUVINI term loans of Rs. 3.58 crore, reasons for which were not analysed by the management. Further, against repayment of principal of Rs. 12.76 crore and Rs. 4.21 crore of interest accrued thereon to ANUVINI, the Company could recover only Rs. 6.04 crore as principal and Rs. 1.89 crore as interest from the beneficiaries as of March 1998. This indicated that the payment to ANUVINI was made by diversion of fund from other schemes.

Schemes under minor irrigation, transport and ISB sector were test checked in audit result of which are discussed below:

(i) Pump set yojna

The scheme launched from 1986-87 by Samaj Kalyan Department envisaged providing loans to SC families to arrange pump set facilities for irrigation purposes. As all the eligible beneficiaries (15000 nos.) could not get loan upto 31 March 1990, a scheme for supplying diesel pump sets (instead of providing cash for procurement) with financial assistance from NSFDC was launched from March 1992. The maximum cost of pump set was Rs. 13000 and was to be funded by way of subsidy of Rs. 6000 (Rs. 5000 upto 1993-94) and term loan assistance at the rate of 6 per cent. The rates of ISI pump sets within the unit cost of Rs. 12625 from 1992-93 to December 1994 and Rs. 12600 thereafter was approved. As the pump sets were not found of good quality, a committee decided in December 1995 to enhance the unit rate to Rs. 16360 for specified makes, in respect of targets on 1995-96 alone, applicable up to March 1996. The rates applicable thereafter were Rs. 12600 per pump set only. The units were prohibited to use any unspent balance of 1995-96 under the revised scheme which was to be refunded to the Company.

Non observance of prescribed procedures resulted in fraudulent and irregular utilistaion of fund aggregating Rs. 3.47 crore by 11 district offices in pump set yojna.

In implementation of the scheme, the district offices did not observe the prescribed procedures. This resulted in fraudulent and irregular utilisation of fund aggregating Rs.3.47 crore by 11 district units as per details given in the following table:

Name of the units	Period	Amount (Rs. in lakh)	Nature of irregularity
Sitapur, Shahjahanpur, Bulandshahr and Rampur	1982-86 and 1993-94	12.75	Forged boring certificates of Samaj Kalyan Department were enclosed with loans applications when such a scheme did not exist. This resulted in fraudulent payment of Rs. 12.75 lakh in respect of 101 pump sets.
Ghaziabad	1994-96	21.67	The certificates were not issued by the VDOS in the prescribed proforma and without indicating year and place of boring resulting in misutilisation of Rs. 21.67 lakh in respect of 172 pump sets.
Pratapgarh	1995-96	32.72	Boring certificates issued for 200 pump sets by Jila Vikas Evam Sahayata Samiti under free boring scheme during April 1993 to July 1996, when the scheme itself was suspended. This resulted in fraudulent payment of Rs. 32.72 lakh.

Name of the units	Period	Amount (Rs. in lakh)	Nature of irregularity
Bareilly	1995-96	4.25	Against the admissible rate of Rs. 12600, 196 pump sets (out of 511) were installed at higher rate of Rs. 14000 – 15690 per pump set resulting in inadmissible payment of Rs. 4.25 lakh.
Pratapgarh, Barabanki, Hardoi, Mathura and Shahjahanpur unit	April to September 1996	104.70	Unspent funds for 1995-96 were utilised in respect of installation of 640 pump sets during 1996-97 at the rate of Rs. 16360 per set resulting in unauthorised payment of loan of Rs. 104.70 lakh.
Pratapgarh, Barabanki, Hardoi, Mathura, Shahjahanpur, Agra, Rampur and Bareilly	1995-96	55.84	Substandard pump sets numbering 1485 were procured at the higher rate of Rs. 16360 (instead of Rs. 12600 per pump set) from unregistered firms without test certificates resulting in inadmissible payment of Rs. 55.84 lakh.
Bareilly	1995-96	30.59	In procurement of 187 pump sets installed during 1995-96, the invoices of 30 March 1996 against test certificates issued during 7 to 26 April 1996 were enclosed. This was indicative of the fact that the funds amounting to Rs. 30.59 lakh are suspected to be misutilised.
Shahjahanpur	1997-98	3.50	During 1996-97, the scheme was closed. However, Rs. 3.50 lakh for 27 pump sets was utilised from unspent balance of 1996-97, during 1997-98 without any target for the same. The transaction was, therefore, unauthorised and irregular.
Total		**347.00**	

The Company had so far not fixed any responsibility for the above lapses (October 1998).

(ii) Office service centre schemes - misutilisation of fund

Procurement of defective photo copiers under office service centre schemes resulted in misutilisation of fund to the extent of Rs. 0.97 crore.

To provide infrastructural facilities to the members of SC for generating self employment, the Company decided to provide photo copiers to 100 SC beneficiaries.

Accordingly, it obtained ANUVINI share of term loan of Rs. 59.40 lakh (Rs. 26.40 lakh in May 1994 and Rs. 33 lakh in February 1995) for 90 MODI XEROX photo copier machines at the rate of 4.5 per cent per annum, repayable in 20 equal quarterly instalments. Contrary to the terms of agreement with ANUVINI, the Company executed agreement in January 1995 with M/s HCL Limited, New Delhi for supply of 100 HCL photocopiers at the rate of Rs. 96658 each (total value: Rs. 96.66 lakh) by 31 March 1995. The photocopiers were to be delivered direct to the beneficiaries as per list and authority letters provided by the Company. Out of 100 photo copiers, the supplier could deliver 55 photocopiers (value: Rs. 53.16 lakh) direct to the beneficiaries and balance 45 photocopiers (value: Rs. 43.50 lakh) were delivered to the Company (not beneficiaries) in April 1995. The machines directly delivered to the Company were defective and could not be delivered to the beneficiaries. These were lying in corporate office and the district offices as of June 1998.

Further, 55 photocopiers supplied direct to the beneficiaries were also found defective and of poor quality with the result that the beneficiaries stopped making repayment of loans. Against repayment of term loan and interest of Rs. 40.19 lakh to ANUVINI as of March 1998, the Company could recover Rs. 0.98 lakh only from beneficiaries.

Reasons for placement of orders of HCL make photocopiers instead of "Modi Xerox" and accepting defective supply were not available on records. This has resulted in mis-utilisation of fund to the extent of Rs. 96.65 lakh. No responsibility has been fixed by the Company against the erring officers/officials so far (September 1998). However, an FIR was lodged by the Company in March 1997 with the Police, Lucknow.

CONCLUSION

The State Government established UPSFDC with the objective of accelerating socio-economic upliftment of persons living below the poverty line belonging to scheduled castes of the State. In implementation of the schemes, an analysis by Audit revealed non-fulfilment of Company's objectives, losses, fraudulent payments, and other irregularities having a financial impact of Rs.112.06 crore.

The Government needs to arrest the deficiencies in implementation of the schemes by providing a rational administrative setup to ensure direct control of the Company over the field staff besides providing for a more reliable management information system with proper monitoring and analysis at corporate office coupled with proper internal control mechanisms. The performance of the implementing agencies including banks should be reviewed periodically to ensure disbursement of funds (including bank's share) to the beneficiaries. Prescribed physical checks should be carried out meticulously at every level and the results monitored at Government/Company level to ensure availability of assets created out of funds and its operation at site.

The matter was reported to the Management in June 1998, and to the Government in July 1998; their replies were awaited (October 1998).

Chapter III

Reviews on Statutory Corporations

Chapter III

Section 3A

Uttar Pradesh Financial Corporation

Working of Uttar Pradesh Financial Corporation

SECTION **3A**

Working of Uttar Pradesh Financial Corporation

HIGHLIGHTS

The Corporation was established on 1 November 1954 with a view to providing loan assistance to the small and medium scale industrial units in the State. The paid up capital of the Corporation as on 31 March 1998 was Rs. 100 crore which has been completely eroded by its accumulated loss aggregating Rs. 234.97 crore.

(Paragraphs 3A.1 and 3A.5)

The Corporation could not recover its dues amounting to Rs. 2.39 crore as it sanctioned loan to a unit by working out profitability on selling prices of cement much higher than the market price and without ensuring timely availability of electric power.

(Paragraph 3A.7.2.1)

Sanction of working capital term loan (WCTL) to a rice mill on the basis of future projections; its re-sanction in violation of Corporation's policy and delay in taking over possession of the defaulting unit led to a loss of Rs. 2.42 crore.

(Paragraph 3A.7.2.2)

Appraisal of a TV picture tube reconditioning unit without independently verifying plant capacity/capability, market demand and applicability of excise duty led to sanction of loan to an ab initio non-viable unit resulting in loss of Rs. 1.66 crore.

(Paragraph 3A.7.2.3)

Sanction of WCTL on the basis of inflated turnover to a unit, even after knowing that it had kept the Corporation in dark about changes in its name and status from private to public limited company, resulted in loss of Rs. 1.51 crore.

(Paragraph 3A.7.2.4)

Disbursement of loan to a re-rolling mill without ensuring compliance of many pre-disbursement conditions led to a loss of Rs. 2.82 crore as the unit could not run profitably mainly because of non-availability of an industrial feeder, necessary for regular supply of power.

(Paragraph 3A.8.2.1)

The Corporation could not recover its dues amounting to Rs. 2.65 crore as it could not take effective recovery action due to promoters' influence with the State Government and interference of the then Chief Minister.

(Paragraph 3A.9.3.1)

Due to delayed realisation of cheques, the Corporation suffered a loss of interest of Rs. 1.81 crore during the years 1996-97 and 1997-98 and due to change in its accounting policy it extended undue benefit to its clients besides depicting inflated income during these two years.

(Paragraph 3A.11.2)

3A.1 Introduction

The Uttar Pradesh Financial Corporation was established on 1 November 1954 under Section 3 (1) of the State Financial Corporations (SFCs) Act,1951 for providing loan assistance to small and medium scale industrial units in the State.

3A.2 Activities

The Corporation is mainly engaged in the following activities:

- Sanction and disbursement of term loans for setting up projects;
- Merchant banking services to entrepreneurs and clients under which it undertakes management of public issues and project certification and also extends leasing assistance to industrial concerns; and
- Working capital term loan (WCTL) assistance.

3A.3 Organisational set-up

The management of the Corporation is vested in a Board of Directors consisting of 12 directors including one part-time Chairman and one Managing Director. The Managing Director is the chief executive of the Corporation and is assisted in day-to-day management by a General Manager. The Corporation has 19 Regional Offices each headed by a Regional/Assistant General Manager and two branch offices, headed by Branch Managers.

3A.4 Scope of audit

A sectorial review on the recovery performance of the Corporation was featured in the Report of the Comptroller and Auditor General of India for the year 1988-89. Discussion on this review by the State Public Undertakings Committee has not been completed so far (October 1998).

The present review covers the overall performance of the Corporation during five years up to March 1998. The important observations as noticed during audit conducted from July 1997 to March 1998 are discussed in the succeeding paragraphs.

3A.5 Financial position and working results

3A.5 (a) Financial position

In violation of Section 37 (5) of SFCs Act, 1951 the Corporation does not provide its accounts along with the Auditor's reports one month before its Annual General Meetings.

The Corporation has finalised its accounts up to the year 1996-97. The provisional accounts for the year 1997-98 have not been approved by the Board of Directors so far (October 1998). The following table indicates the financial position of the Corporation for the five years up to 1997-98:

(Rupees in crore)

Particulars	1993-94	1994-95	1995-96	1996-97	1997-98 (Provisional)
Liabilities					
a) Paid-up capital	100.00	100.00	100.00	100.00	100.00
b) Quasi-equity loan	18.60	18.60	18.60	18.60	18.60
c) Reserve and Surplus	15.87	9.64	23.95	20.85	20.72
d) Borrowings including bonds	822.74	869.66	1045.10	1267.37	1372.62
e) Other liabilities and provisions	76.62	86.43	22.10	157.50	221.91
Total	**1033.83**	**1084.33**	**1209.75**	**1564.32**	**1733.85**
Assets					
a) Net fixed assets	2.90	11.33	21.86	41.05	52.49
b) Investments	0.37	0.86	2.36	2.73	24.24
c) Current assets, loan and advances					
1) Loans and advances	864.60	921.65	1105.78	1254.38	1287.23
2) Cash & bank balances	47.62	32.98	38.20	73.67	106.00
3) Others	27.11	930.30	41.56	39.18	28.92
Total (c)	939.33	984.93	1185.53	1367.23	1422.15
d) Accumulated loss	91.23	87.21	-----	153.31	234.97
Total	**1033.83**	**1084.33**	**1209.75**	**1564.32**	**1733.85**
Capital employed*	941.06	977.56	1092.78	1297.24	1459.38
Net worth**	24.64	22.44	123.49	(-)32.46	(-)114.25

* Represents the mean of the aggregate of opening and closing balances of paid-up capital, reserve and surplus, borrowings and quasi-equity loan.

** Represents paid-up capital plus free reserves less accumulated losses.

3A.5(b) Working results

The working results of the Corporation for five years up to 1997-98 were as under:

(Rupees in crore)

Particulars	1993-94	1994-95	1995-96	1996-97	1997-98 (Provisional)
A. Income					
a). Interest	82.93	104.97	149.61	162.63	172.35
b). Lease rent income	–	–	2.43	6.98	16.33
c). Other income	4.09	4.98	10.43	10.24	7.29
Total	**87.02**	**109.95**	**162.47**	**179.85**	**195.97**
B. Expenditure					
a). Finance cost	95.28	72.40	111.97	151.21	178.72
b). Administrative and other costs					
1 Salaries and wages	6.79	7.31	8.29	11.09	10.69
2 Administrative costs	6.53	6.69	10.95	18.01	19.67
Total	**108.60**	**86.40**	**131.21**	**180.31**	**209.08**
C: Profit (+)/Loss(-) before tax	(-)21.58	(+)23.55	(+)31.26	(-)0.46	(-)13.11
D. Bad debts written off	0.12	0.23	0.33	13.80	---
E. Other Adjustments	(-)36.85	(-)19.30	(+) 59.26	(-)142.03	(-)68.55
F. Net Profit (+)/Loss(-) for the year	(-)58.55	(+)4.02	(+)90.19	(-)156.29	(-)81.66
G. Accumulated loss (-)/Profit(+) as per last balance sheet	(-)32.68	(-)91.23	(-)87.21	(+) 2.98	(-)153.31
H. Accumulated loss (-)/Profit(+) at the end of the year	(-)91.23	(-)87.21	(+) 2.98	(-)153.31	(-)234.97

In this connection, the following observations are made:

(i) The accumulated loss of the Corporation increased to Rs. 23497.44 lakh at the end of March 1998 as compared to Rs. 9123.09 lakh at the end of March 1994 which has completely eroded the paid-up capital of the Corporation. The net profit reflected in accounts during 1995-96 was due to write-back of provision (Rs. 7069.71 lakh) and non-provision (Rs. 3021 lakh) for non-performing assets (NPA) and higher cost of borrowings.

(ii) The losses were caused mainly due to poor recovery performance of the Corporation as discussed in paragraph 3A.9 infra.

3A.5 (c) Resource-mix for disbursal of loan

The following table depicts the resource-mix used by the Corporation for disbursement of term loans during five years up to March 1998:

(Rupees in crore)

Particulars		1993-94	1994-95	1995-96	1996-97	1997-98 (Provisional)
(A) Amount of term loan disbursed		**75.25**	**175.89**	**389.39**	**423.14**	**268.89**
(B) Resources						
(i)	Share Capital	7.00	---	---	---	---
(ii)	Refinance	79.99	73.04	171.19	101.56	142.85
(iii)	Bonds (Net)	50.00	50.00	63.17	203.26	82.85
(iv)	New Debt instruments (Net)	(-) 6.75	3.51	17.75	4.63	(-)9.75
(v)	Plough back*	(-)63.37	26.78	128.85	126.19	362.65
(vi)	Others	8.38	22.56	8.43	(-)12.50	(-)309.71
Total		**75.25**	**175.89**	**389.39**	**423.14**	**268.89**

In this connection it was observed that:

- the Corporation parked the fund, received by issue of bonds, in fixed deposits with banks at rates lower than the rates of the bonds by 1 to 5.85 *per cent* and

* Represents recovery of principal from assisted units less repayment of principal to IDBI/SIDBI plus revenue surplus.

thereby incurred an additional burden of interest of Rs. 18.50 lakh and Rs. 6.35 lakh during 1992-93 and 1996-97, respectively.

- the plough back by the Corporation during the period under review had been inconsistent and it decreased from 33.1 *per cent* of the term loan disbursed during 1995-96 to 29.8 *per cent* during 1996-97. The lesser contribution from plough back not only resulted in greater dependence on outside resources and non-achievement of targets fixed initially for disbursement but also reflected adversely on the financial health of the Corporation.

- the position during 1997-98 has deteriorated alarmingly as the Corporation in spite of a plough back of Rs. 362.65 crore could disburse term loans amounting to Rs. 268.89 crore only although at the end of the financial year it was having undisbursed sanctions amounting to Rs. 586.92 crore (Paragraph 3A.6).

3A.6 Business operations

On the basis of their performance, the Industrial Development Bank Of India (IDBI) categorises the State Financial Corporations in category 'A', 'B' or 'C'. The Corporation up to March 1998 was engaged in doing business as a category 'A' corporation. However, in view of its poor performance, IDBI has downgraded (August 1998) the Corporation as a category 'C' corporation.

Sanction and disbursement of loan

The position for five years up to March 1998 regarding receipt and disposal of loan applications and disbursement of loan thereagainst, vis-à-vis targets fixed is depicted below:

(Rupees in lakh)

Particulars	1993-94	1994-95	1995-96	1996-97	1997-98 (Provisional)
Pending at the beginning of the year	1526.29	767.07	5894.70	11046.17	6842.75
	(107)*	(72)	(145)	(261)	(9175)
Received during the year	7642.23	44197.79	86022.01	99411.19	58187.33
	(458)*	(1193)	(1939)	(2982)	(2077)
Targets for sanction	12000.00	17500.00	60000.00	60000.00	50000.00

* Figures in brackets depict number of applications.

(Rupees in lakh)

Particulars	1993-94	1994-95	1995-96	1996-97	1997-98 (Provisional)
Sanctioned during the year	4639.87 (273)*	33314.25 (974)	62033.72 (1593)	70745.06 (2687)	36026.06 (1741)
Un-disbursed sanction at the beginning of year	19907.71	8761.24	19516.58	35109.46	49555.12
Total disburseable amount	24547.58	42075.49	81550.30	105854.52	85581.18
Loans disbursed during the year	7524.74	17588.82	38939.44	42314.41	26888.78
Targets for disbursement	16000.00	12000.00	40000.00	40000.00	40000.00
Loans cancelled/ lapsed during the year	8261.60	4970.09	7501.40	13984.99	27126.58
Un-disbursed loans at the end of year	8761.24	19516.58	35109.46	49555.12	58692.40
Un-disbursed loans equivalent to months' disbursement	14	13	11	14	26

From above, the following points emerged:

- The targets fixed by the Corporation for sanction of loan were not realistic as these were neither based on past performance nor had a relevance to other related targets fixed for disbursement, availing of refinance from IDBI/SIDBI and recovery of dues.

- One of the main reasons for substantial undisbursed sanction at the end of each financial year, was that the Corporation, in its endeavour to achieve the targets, was sanctioning most of the applications in the month of March which ranged between 25 to 35 *per cent* of the total sanction during each of the four years upto March 1997 as compared to 7.8 *per cent* during 1992-93. The Management replied (October 1998) that it would endeavour to spread the sanction evenly throughout the year.

The performance of the Corporation in conduct of its business and the inadequacies and lapses of the systems in vogue for appraisal, sanction and disbursement of loan and follow up of units alongwith instances of non-adherence thereto have been discussed in the succeeding paragraphs.

* Figures in brackets depict number of applications.

3A.7 Appraisal and sanction of loan

3A.7.1 Non-existence of adequate appraisal system

The Corporation, in spite of 44 years of its existence, has not been able to evolve an effective appraisal system and develop a data bank of its own so as to facilitate an independent and effective techno-economic appraisal of the varied loan proposals. The Corporation was also not carrying out any sensitivity analysis on the basis of variation in prices of raw material, finished goods and other critical inputs. In the absence of such a system and data bank the Corporation while appraising the projects failed to ascertain:

- actual availability and market price of raw material;
- actual sale-potential and plausible sale price of the product;
- actual capacity of the plant and machinery purchased and possible capacity utilisation vis-à-vis projected capacity;
- actual requirement and availability of power from the State Electricity Board (SEB);
- actual requirement and possibility of getting working capital assistance from banks.

3A.7.2 A few cases test checked in audit where the Corporation could not recover its dues, mainly due to incorrect appraisal are given in the table below:

Corporation could not recover Rs. 16.82 crore from 10 units mainly due to incorrect appraisal.

(Rupees in lakh)

Sl. No.	Name of the unit	Amount sanctioned	Unrecovered Amount			Reasons
			Principal	Interest & others	Total	
1.	Krishna Fertilisers	60.00	59.13	179.54	238.67	Discussed in detail in paragraph 3A.7.2.1
2.	Deepak Rice Mills	233.15	169.57	72.38	241.95	Discussed in detail in paragraph 3A.7.2.2
3.	Suraj Electronics	73.20	47.25	118.93	166.18	Discussed in detail in paragraph 3A.7.2.3

(Rupees in lakh)

Sl. No.	Name of the unit	Amount sanctioned	Unrecovered Amount			Reasons
			Principal	Interest & others	Total	
4.	Competent Metalisers	140.00	104.67	46.67	151.34	Discussed in detail in paragraph 3A.7.2.4
5.	Anjali Menthol	85.00	80.98	71.22	152.20	Sanction of additional loan without ascertaining actual capacity of the equipment and condition of plant and machinery earlier found submerged in water. Disbursement of loan without obtaining complete papers of supply of equipment and compliance of many predisbursement conditions.
6.	J.N.Woven Packs	54.50	18.42	158.26	176.68	Sanction of loan without ascertaining availability and the cost of raw material, lack of monitoring of the unit and delay in its take over even after its closure.
7.	Kanpur Spun Pipe	30.50	23.68	89.50	113.18	Failure to ascertain the marketability of the product and ascertaining the actual demand from the main consumer and in action for recovering the dues.
8.	Anand Forgings	35.70	31.52	103.39	134.91	Viability was not compared with results of Promoters' existing unit (Sushila Forging). Loan was disbursed without verifying promoters bonafides and ascertaining availability of power. Incorrect inspection report regarding purchase & installation of equipment.
9.	Krishna Conduit Pipe	17.00	10.88	94.98	105.86	Sanction of loan to a remotely located unit and without ascertaining availability of infrastructural facilities and the unit had to run on a D.G.set.
10.	Tamo Plastics	43.48	28.12	172.70	200.82	Failure in assessing supply position vis-a-vis demand and marketability of the products. Inaction on the part of the Corporation in effecting recovery of its dues.
	Total		**574.22**	**1107.57**	**1681.79**	

Some of these cases are discussed in detail in succeeding paragraphs:

3A.7.2.1 Krishna Fertilizers (P) Limited

The Corporation could not recover its dues amounting to Rs. 2.39 crore as it sanctioned loan to a unit by working out profitability on selling prices of cement much higher than the market price and without ensuring timely availability of electric power.

The Corporation sanctioned (June 1986) a term loan of Rs. 60 lakh to the company for setting up a 30 tonnes per day (TPD) mini-cement plant at Ghatampur, Kanpur (Dehat). Except one, all other three promoter/directors of the company were undergraduates and their professional expertise was limited to trading in '*Kirana*' (grocery) and running a hotel. The Corporation after disbursing a sum of Rs. 39.85 lakh up to July 1988, stopped further disbursement on the basis of a complaint about the ownership of the land. Further disbursement of balance loan (Rs. 19.28 lakh) was commenced in September 1989, after mutation of the land was obtained in the name of the company. However, a complaint made earlier in February 1988 by the Managing Director of the company himself about misutilisation and diversion of fund, was not enquired into by the Corporation before disbursement of balance loan.

Audit observed that the project was *ab initio* non-viable and the loan was sanctioned because of incorrect appraisal as:

- techno-economic background and capabilities of the promoters were not properly examined;

- the ex-factory selling price was taken at Rs. 1200 per MT (including excise duty) whereas the actual ex-dump sale price of the Uttar Pradesh Cement Corporation was Rs. 852 and Rs. 937 per MT during February and April 1986;

- the requirement for power was under assessed and demand charges leviable by SEB were not taken into account and assumption was made that power would be easily available, whereas the power in rural area where the unit was being set up was not easily available. In fact, even the connection could be provided only in May 1992 by SEB as the feeder line had to cross Kanpur-Banda railway line;

- the loan was sanctioned without ascertaining title of the land;

- the project was not compared with any running unit. In fact a similar unit, namely Shakhumbari Cement, Saharanpur was proving to be non-viable when loan disbursement was made in the instant case.

On continuous default, the physical possession of the unit which was not viable even at 100 *per cent* capacity utilisation, was taken over by the Corporation in October 1994. In view of the fact that the Corporation has not been able to sell the unit during the last four years, chances of recovery of its dues amounting to Rs. 238.67 lakh (including interest and other recoverable expenses amounting to Rs. 179.54 lakh) were remote.

3A.7.2.2 Deepak Rice Mills (P) Limited

The Corporation during May 1992 and December 1994 sanctioned four term loans aggregating Rs. 67 lakh to the company for setting up a rice mill, expansion of its capacity and setting up a Poha manufacturing unit at Mathura.

Sanction of working capital term loan to a rice mill on the basis of future projections; its resanction in violation of Corporation's policy and delay in taking over possession of the defaulting unit led to a loss of Rs. 2.42 crore.

Further, the Corporation also sanctioned four Working Capital Term Loans (WCTLs) to the company: Rs. 50 lakh in February 1995 (besides working capital limit of Rs. 20 lakh from bank); Rs. 30 lakh in October 1995 (besides Rs. 40 lakh from banks); Rs. 40 lakh in December 1995; and Rs. 46.15 lakh in January 1997. The promoters of the Company who were regular in making payments upto disbursement of last WCTL, did not make any payment thereafter. Although, in August 1997, it was found that the above loan had been misappropriated by the promoters, the possession of the mill was taken over belatedly in January 1998 when the plant and machinery valued at Rs. 10 lakh and raw material, goods in process, and finished goods, hypothecated against WCTL of Rs. 120 lakh, were found missing. The total recoverable amount from the Company as of October 1998 aggregated Rs. 241.95 lakh (including interest and other recoverable expenses amounting to Rs. 72.38 lakh).

In this connection, the following observations are made:

- WCTL of Rs. 50 lakh (February 1995) was sanctioned on the basis of projections (Rs. 107.66 lakh) applicable for 70 *per cent* capacity utilisation of both rice and Poha units whereas the rice unit was then working at only 22.7 *per cent* capacity.

- WCTL of Rs. 30 lakh (October 1995) was sanctioned on the ground that the company, during 1994-95, had earned a profit of Rs. 6.54 lakh and the working capital requirement would be Rs. 197.48 lakh. But the profit was shown by inflating the cost of the closing stock by Rs. 47.52 lakh.

- WCTL of Rs. 46.15 lakh (January 1997) was sanctioned when the rice milling season was half-way through and by overruling the Corporation's policy that WCTL would not be re-sanctioned unless more than half of the existing loan has been repaid and without obtaining balance sheet of previous year, utilisation certificate for working capital and renewed copy of license from the Regional Food Controller.

The Corporation, so far (October 1998), has neither fixed any responsibility for the above loss of Rs. 241.95 lakh nor taken possession of the collateral security.

3A.7.2.3 Suraj Electronics (P) Limited

Appraisal of a TV picture tube reconditioning unit without independently verifying plant capacity/capability, market demand and applicability of excise duty led to sanction of loan to an ab initio non-viable unit resulting in loss of Rs. 1.66 crore.

The Corporation sanctioned (August 1988) a term loan of Rs. 45 lakh to the company for setting up a unit for reconditioning defective/damaged television picture tubes at Ghaziabad. The appraisal note envisaged the import of plant and machinery, substantial demand for reconditioned Black and White (B&W) but not much for colour tubes. The company had firm orders for 10000 colour and 3000 B&W tubes from a foreign firm; and the installed capacity of the unit was 12500 each of colour and B&W tubes. The company, intimated (June 1991) that, the back-end process, being used by them, was able to recondition only 30 to 50 *per cent* of the tubes. As such, the Corporation sanctioned (November 1991) an additional loan of Rs. 28.20 lakh.

The company even then could not run as the sale price of its reconditioned tubes was found to be non-competitive and non-economical as compared to the sale price of new tubes. In spite of continued default by the company, the Corporation took over its possession only in February 1997. The land and building of the company was sold (March 1997) by the Corporation to a private firm for Rs. 24 lakh. Till date (October 1998), the purchaser has paid only Rs. 9.60 lakh.

In this connection Audit observed that:

- the loan was sanctioned on the basis of the data furnished by the promoters without verification of their claim as regards process, demand for reconditioned tubes and applicability of excise duty;
- profitability for additional loan was worked out by including the profit margin from conditioning of 12,500 colour tubes although the unit could not recondition even a single colour tube and there was no market for it;
- the additional loan was sanctioned and disbursed without verifying the company's statement that existing capacity of back-end process was capable of reconditioning only 30 to 50 *per cent* tubes. In fact only 3.8 and 10.9 *per cent* of the capacity could be utilised by the Company during first two years.

Thus, due to incorrect appraisal and laxity in enforcing recovery action, the Corporation could not recover its dues of Rs. 166.18 lakh (including interest and other recoverable expenses amounting to Rs. 118.93 lakh up to August 1998). The balance assets were dismantled and shifted to some other premises and chances of any further recovery, except the junk value of the dismantled plant and machinery, were remote.

The Corporation, so far (October 1998), has neither issued any RC/PRC either against the company/promoters or the purchaser nor fixed any responsibility for incorrect appraisal and laxity in enforcing recovery action which led to the above loss.

3A.7.2.4 Competent Metalisers (P) Limited

The Corporation sanctioned a term loan of Rs. 16 lakh (April 1991) to the company for setting up a unit for metalising glass bangles and an additional loan of Rs. 10 lakh (November 1992) for doubling the capacity. The appraisal note (November 1992) envisaged that at full capacity the turnover of the unit would be Rs. 68.04 lakh only and at 70 *per cent* capacity, during second year of operation, working capital requirement would be Rs. 6.35 lakh for which no financing would be required.

In spite of above, the Corporation sanctioned (July/November 1995) a WCTL of Rs. 50 lakh on the ground that the company by procuring bangles from outside and metalising them had increased its turnover to Rs. 503 lakh in 1994-95. The Corporation further sanctioned (June 1996) a WCTL of Rs. 50 lakh and an additional loan of Rs. 14 lakh for setting up a unit for cutting and decoration of glass wares. After disbursal of the above loan, the company started defaulting on its payment and none of the cheques tendered by them since November 1996 was honoured by their bankers. The Corporation took over the physical possession of the unit in January 1998.

Audit observed that the above fraud was facilitated as:

- the WCTL of Rs. 50 lakh was sanctioned without critically examining as to how the turnover could increase to Rs. 503 lakh without any increase in the capacity or prices. At the time of sanction of second WCTL the turnover for 1994-95 was reported to be only Rs. 223 lakh as against Rs. 503 lakh reported earlier but without taking any notice of such manipulations, the Corporation sanctioned an additional term loan of Rs. 14 lakh and an additional WCTL of Rs. 50 lakh;

- the Corporation did not take proper notice of the fact that the company had not informed it about the very significant changes in its name, Board and status (from private to public limited company);

- in spite of continuous bouncing of cheques from November 1996, the Corporation issued notice under Section-29* in August 1997 and took over possession of the unit after a considerable delay when the entire hypothecated material and plant and machinery (value Rs. 29.07 lakh) were found missing.

The Corporation has neither taken physical possession of the collateral securities offered, lodged a formal FIR with the police and issued a PRC nor had fixed any responsibility for incorrect appraisal of loan proposals and ineffective monitoring of the unit which led to loss of Rs. 151.34 lakh (including interest and other recoverable expenses amounting to Rs. 46.67 lakh upto August 1998). The chances of any recovery of the above are remote as all the assets except land and building had been removed from the site.

3A.8 Disbursement of loan and follow up of the units

After necessary legal documentation and mandatory pre-disbursement site inspections by the officers of the Corporation the loan is sanctioned and then disbursed in phases. The pre-disbursement inspecting officer is required to ensure utilisation of earlier disbursed loan amount, proper creation of security, adherence/deviation from project implementation schedule by the assisted unit etc.

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* Denotes notice issued under Section 29 of the SFCs Act, 1951 as discussed under paragraph 8.

3A.8.1 Inadequate and ineffective follow up system

It was noticed in audit that the follow up system in vogue was neither effective nor commensurate with the number and variety of units being financed by the Corporation. Compliance of number of important pre-disbursement conditions such as sanction of power from SEB, working capital tie-up with banks, minimum initial investment by promoters, maintenance of minimum security margin etc. were relaxed, as a general rule. Further, pre-disbursement inspection notes failed to take notice of change in name, title, status, capacity, product mix. There was also no system of any mid-term appraisal of the project especially in cases of significant time/cost overruns. Compliance of important conditions viz. insurance of the mortgaged assets during currency of loan, submission of audited annual accounts regularly and provision for nomination of Directors on the Board of assisted units was also not being ensured by the Corporation after disbursal of loan.

In reply the Management *inter alia* stated (October 1998) that they were in the process of finalising guidelines for periodical and timely inspection of units in a systematic manner rather than on selective basis.

The reply is a clear admission by the Corporation that during last 44 years of its existence the system of follow up was ineffective and the Management remained indifferent to this.

3A.8.2 A few cases test checked in audit where the Corporation could not recover its dues, mainly due to inadequate follow up of the assisted units are given in the table below:

Corporation could not recover Rs. 13.52 crore from 10 units due to inadequate follow up of assisted units.

(Rupees in lakh)

Sl. No	Name of the unit	Amount sanctioned	Unrecovered Amount			Reasons
			Principal	Interest & Others	Total	
1.	Jaguar Steel	55.37	69.77	212.51	282.28	Discussed in detail in paragraph 3A.8.2.1
2.	Vimla Oil Mill	55.85	52.42	123.04	175.46	Discussed in detail in paragraph 3A.8.2.2
3.	Prateek Cement and Lime	60.00	38.40	97.79	136.19	Discussed in detail in paragraph 3A.8.2.3

(Rupees in lakh)

Sl. No	Name of the unit	Amount sanctioned	Unrecovered Amount			Reasons
			Principal	Interest & Others	Total	
4.	Haider Steel Rolling Mills	52.00	46.78	167.31	214.09	Discussed in detail in paragraph 3A.8.2.4
5.	Subhash Oil Mill	66.75	49.63	28.92	78.55	Discussed in detail in paragraph 3A.8.2.5
6.	Elson Cables	40.50	35.34	45.89	81.23	Discussed in detail in paragraph 3A.8.2.6
7.	Laxmi Enterprises	4.14	3.85	14.44	18.29	Disbursement of loan against fake documents and incorrect reporting and inordinate delay in taking recovery action.
8.	Rania Chemicals	30.00	25.13	159.89	185.02	Disbursal of loan without ensuring compliance of many pre-disbursement conditions and the performance of the plant and machinery supplier. No effective action for recovery of its dues has been taken for last ten years.
9.	Adarsh Clay & Craft	44.40	35.26	64.97	100.23	Disbursal of loan without ensuring availability of electric power. The unit had to run on DG set and became unviable. Delayed recovery action facilitated removal of plant and machinery.
10.	Sujna Cements	60.00	29.88	50.50	80.38	Disbursal of loan without reappraisal of the project in spite of considerable delay in compliance of many pre-disbursement conditions, no assistance to the unit in obtaining working capital and delayed recovery action leading to removal of assets.
	Total		**386.46**	**965.26**	**1351.72**	

Some of these cases are discussed in detail in succeeding paragraphs:

3A.8.2.1 Jaguar Steels (P) Limited

For setting up a re-rolling mill at Bilhaur, Kanpur (Dehat), and for enhancement of capacity from 9000 to 18000 MT, the Corporation, up to November 1989, disbursed a total sum of Rs. 55.37 lakh without ensuring compliance of pre-disbursement conditions as regards sanction of power connection and arrangement of working capital.

Disbursement of loan to a re-rolling mill without ensuring compliance of many pre-disbursement conditions led to a loss of Rs. 2.82 crore as the unit could not run profitably mainly because an industrial feeder, necessary for regular supply of power, was not available.

The promoters, to keep any recovery action at bay, frequently submitted (March 1993 to March 1997) proposals for One Time Settlement (OTS) but subsequently never responded and the cheques submitted (March 1997) with the OTS proposal were dishonoured by the bank. The Corporation, instead of taking any strict recovery action, belatedly issued an RC for Rs. 282.28 lakh (including interest and other recoverable expenses amounting to Rs. 212.51 lakh) in September 1997.

In this connection, Audit observed that:

- the approval for establishing the unit at Bilhaur for an activity like re-rolling had no rationale, especially in view of the fact that even an industrial feeder was not available there and such units were on the negative list of IDBI.

- disbursement against the main and additional loans was made without ensuring availability of power and working capital by the time of erection of plant and machinery.

- The Corporation did not initiate any action under Section-138 of the Negotiable Instrument Act for dishonour of cheques tendered by the company.

The Management stated (October 1998) that against the above dues, the OTS has been done (March 1998) for Rs. 118 lakh but the promoters so far (October 1998) have not paid any amount except a sum of Rs. 4 lakh. However, reasons for not fixing any responsibility for ineffective follow up and consequential loss were not stated.

3A.8.2.2 Vimla Oil Mills (P) Limited

The Corporation sanctioned (July 1988) a term loan of Rs. 55.85 lakh to the company for setting up an oil processing unit at Runakta, Agra. On continuous default by the company on the ground of non-availability of working capital and low capacity utilisation, the Corporation issued (October 1992) notice under section-29 which could not be served by the postal authorities as borrowers were not available at the given address. Even then, the Corporation, took over the possession of the unit belatedly in March 1993 and sold its plant and machinery for Rs. 5 lakh (December 1993) and Rs. 4 lakh (January 1996) without any publicity. When in March 1996, the Corporation advertised the land and building of the unit for public auction, the State Bank of India, Agra intimated (March 1996) that the land in question had already been mortgaged with them in the year 1982 by Vimla Oil Mills (a firm).

Audit observed that the fraud was facilitated as the Corporation at the time of legal documentation did not obtain the mutation certificate in the name of the company, i.e., Vimla Oil Mills (P) Limited.

The Corporation, has so far (October 1998), not conducted any enquiry for fixing responsibility for disbursement of loan against fake documents, leading to loss of Rs. 175.46 lakh (including interest and other recoverable expenses amounting to Rs.123.04 lakh up to August 1998).

3A.8.2.3 Prateek Cement and Lime (P) Limited

The Corporation sanctioned (January 1990) a term loan of Rs. 60 lakh to the company for setting-up a mini-cement plant of 30 TPD capacity at Rudrapur, Nainital. In October 1991, when the Corporation had disbursed only Rs. 20.65 lakh, one of the promoters (Shri Vijendra Tyagi) intimated about his resignation from the Board and the malpractice being adopted by the main promoter (Shri Dushyant Kumar). But the Corporation disbursed a further amount of Rs. 29.68 lakh up to June 1992, without looking into the complaint and ensuring compliance of pre-disbursement conditions.

During an inspection (May 1994) the plant and machinery valued at Rs. 6.13 lakh were found missing, but the FIR was lodged belatedly in February 1995. During a subsequent inspection in August 1995, plant and machinery valued at Rs. 18.88 lakh in addition to the D.G. set and the transformer were found missing. The value of remaining assets was assessed to be only Rs. 34.78 lakh which were sold for Rs. 12 lakh in September 1996.

In this connection, the following observations were made:

- the loan was disbursed without compliance of important pre-disbursement conditions;
- further loan of Rs. 29.68 lakh was disbursed without looking into the complaint (October 1991) of the promoter;
- the Corporation did not initiate timely and appropriate action to safeguard its interests. Even after noticing the first removal of the plant and machinery in May 1994, the inaction on the part of the Corporation facilitated the promoters to remove further plant and machinery valued at Rs. 18.88 lakh which could have easily been avoided.

Since all the letters and notices sent to the promoters have returned undelivered, chances of recovery of balance dues of Rs. 136.19 lakh (including interest and other expenses of Rs.97.79 lakh up to August 1998) are remote.

3A.8.2.4 Haider Steel Rolling Mills (P) Limited

The Corporation sanctioned (December 1985) a term loan of Rs. 43 lakh to the company for setting up a unit for manufacturing M.S. rounds, angles and plates etc. at Rudrapur, Nainital. The company was also sanctioned (January 1990) an additional loan of Rs. 9 lakh for purchase of D.G. set. The Corporation, during the period April 1986 to April 1990, disbursed a sum of Rs. 46.78 lakh in spite of the fact that the promoters had not complied with important pre-disbursement conditions of obtaining sanction of power from SEB and working capital assistance from bank. While disbursing the above loan, the Corporation also did not take proper notice of various complaints received (June/July 1988) about the shady background and malafide intentions of the main promoter.

When the company even after issue (January 1991) of notice under section-29 did not clear dues aggregating Rs.74.89 lakh, the Corporation took over (January 1991) physical possession of the unit when plant and machinery valued at Rs. 10.17 lakh were found missing. The remaining plant and machinery were sold by the Corporation in May 1995 for Rs. 8.10 lakh and land & building for Rs. 9 lakh in March 1996. When the PRC issued (May 1996) for recovery of balance dues of Rs. 182.99 lakh could not fetch any result, the Corporation waived (March 1997) Rs. 167.31 lakh and wrote off Rs. 46.78 lakh.

It was observed by Audit that the Corporation had to suffer the above loss mainly because:

- in spite of re-rolling activity being on the negative list of IDBI, the loan was sanctioned to the company without examining the techno-economic background and credit worthiness of the promoters;

- the disbursement of the loan was continued despite receiving serious complaints about the main promoter and without keeping a watch over the company's efforts for obtaining power connection from SEB and working capital from bank.

The Corporation has not fixed any responsibility for irregular disbursal of loan so far (October 1998).

3A.8.2.5 Subhash Oil Mill (P) Limited

The Corporation sanctioned a term loan of Rs. 57.75 lakh (September 1989) and an additional loan of Rs. 9 lakh (February 1992) to the company for setting up an oil mill at Chhata, Mathura. Since the company was not regular in payment of its dues from beginning, the Corporation (when overdue accumulated to Rs. 12.68 lakh) issued (February 1995) notice under section-29. On a request (May 1995) by two directors of the company to allow six other directors to retire and on their assurance to clear the dues and to invest sufficient fund in the unit for its smooth running by selling their cold storage, the Corporation allowed (July 1995) the six directors to retire and relinquished them from their personal guarantee for repayment of the loan and also rescinded the notice under section-29, issued earlier.

The company, though it cleared the dues as promised, did not invest any fund for smooth running of the unit. Instead it applied (July 1995) for a working capital loan of Rs. 20 lakh. The Corporation, without properly analysing reasons for which the mill could not earlier run smoothly and non-induction of fund by the promoters as promised earlier and without ensuring whether the mill was in running condition, sanctioned (July 1995) a WCTL of Rs. 20 lakh. The company, even after disbursal of WCTL, did not make any payment to the Corporation since December 1995.

The company intimated (May 1996) that it was not possible for them to restart the production, especially in view of the fact that the sales tax exemption was no more available to them. Notice under section-29 was issued in June 1996 but for reasons not available on record, the possession of the unit has not been taken so far (March 1998). In this connection, it was noticed that on investigation by the Corporation, the unit was found (November 1996) lying closed since last two years (i.e. from December 1994).

In this connection it was observed that:

- the WCTL was sanctioned despite a clear commitment by the remaining directors to invest sufficient fund themselves without ensuring whether without sales tax exemption the unit would be able to run profitably and whether the unit was running or not at the time of sanction of WCTL;

- though the hypothecated material was found (February 1996) missing, the Corporation even after lapse of two years period has not taken possession of the unit to ascertain the value of remaining assets and ensure security thereof.

In view of the fact that the personal guarantee of six retired directors for repayment of loan and hypothecated material was not available and that the promoters could not be located (upto October 1998), chances of recovery of Corporation's dues amounting to Rs. 78.55 lakh (including interest and other recoverable expenses of Rs. 28.92 lakh), are remote.

3A.8.2.6 Elson Cables (P) Limited

The Corporation sanctioned (October 1990) term loan of Rs. 40.50 lakh to the company for setting up a cable manufacturing unit. On continuous default in repayment of loan, the Corporation took over possession of the unit in January 1993 and found the plant and machinery valued at Rs. 42.92 lakh missing. The police could recover only the D.G. set from the promoters and other plant and machinery could not be recovered even after the arrest of the promoters. The bank and supplier subsequently informed (April 1993) the Corporation that they had never issued payment certificate or made the supplies. The Corporation has sold (November 1996) the land and building of the unit for Rs. 9.15 lakh and issued (March 1997) PRC for balance dues of Rs. 81.23 lakh (including interest and other recoverable expenses amounting to Rs. 45.89 lakh).

The Audit observed that the fraud was facilitated as:

- the Corporation directly released a sum of Rs. 30.83 lakh to the promoters on the basis of bank certificates furnished by them in support of their claim about the advance payments purportedly already made to the plant and machinery suppliers, without verifying the facts either from the bank or the suppliers;

- the Corporation overlooked the fact that bills/invoices of the supplier, submitted by the promoters, were not supported by Form 31 and did not carry any adjustment for the advances, purported to have been made to the suppliers;

- the Corporation did not take any note of the intimation (October 1991) of the bank that the letter submitted (June 1991) by the promoters in support of working capital tie-up was never issued by them. Timely action would have not only saved the Corporation from subsequently disbursing a sum of Rs. 7.39 lakh but possibly could have also enabled it to take the possession of the plants, subsequently removed by the promoters.

The contention of the Management (October 1998) that the disbursal was as per norms was contradicted by their own reply (October 1998) that the inspecting officer has been suspended (May 1998). However, chances of recovery of any amount from the promoters are remote as no property in their name had been shown in the PRC.

3A.9 Recovery of dues

In case of default in repayment or violation of terms and conditions, the State Financial Corporations are empowered to take recourse to the following provisions of the SFCs Act:

- To take over the management or possession or both as well as sell the property pledged/mortgaged.

- To recall its entire loan before the agreed period, if there is a reasonable apprehension that the assisted concern is unable to pay its dues.

- To recover its dues, without prejudice to any other mode of recovery, as arrears of land revenue by issuing recovery certificate to the revenue authorities.

Besides, the Corporation can also invoke the personal guarantees of the promoters in case of non-realisation of its dues by issuing personal recovery certificates.

3A.9.1 Recoveries and overdues

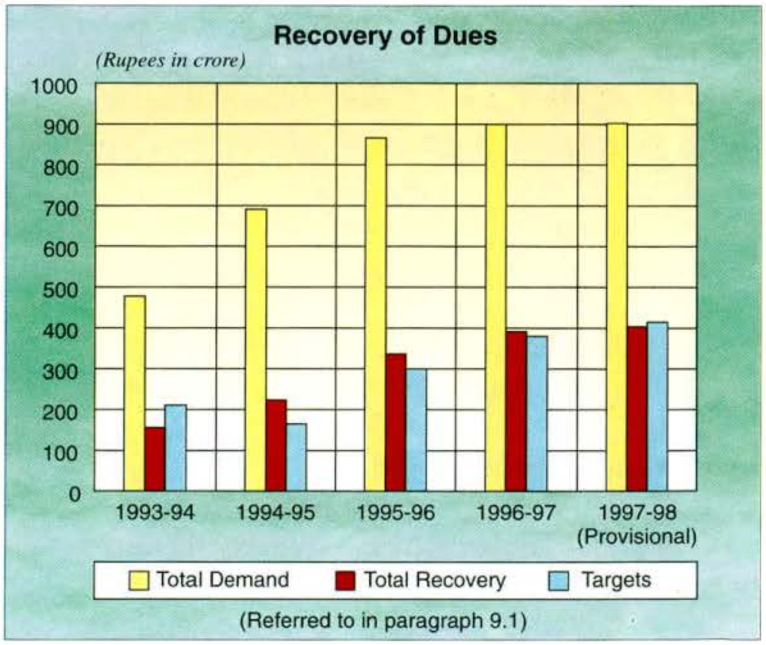
The position of dues and recovery thereagainst during five years up to March 1998 is given on the next page:

(Rupees in lakh)

Particulars	1993-94	1994-95	1995-96	1996-97	1997-98 (Provisional)
A. Dues					
1. Arrears at the beginning of the year	25036.41	32200.74	46725.70	52942.00	50817.23
2. Current dues	22702.90	36905.64	39837.12	37025.69	39400.59
Total	**47739.31**	**69106.38**	**86562.82**	**89967.69**	**90217.82**
Targets for recovery	**21070.00**	**16500.00**	**30000.00**	**38000.00**	**41500.00**
B. Recovery					
1. Out of arrears	5229.068	7577.33	13150.34	15780.41	12918.71
2. Out of current dues	10308.89	14803.35	20470.48	23370.05	27423.28
Total	**15538.57**	**22380.68**	**33620.82**	**39150.46**	**40341.99**
Percentage of B(1) to A(1)	20.9	23.5	28.1	29.8	25.4
Percentage of B(2) to A(2)	45.4	40.1	51.4	63.1	69.6
Percentage of B to A	32.6	32.4	38.8	43.5	44.7

In this connection it was observed that:

- The recovery of arrears of dues was abnormally low and ranged between 20.9 and 29.8 *per cent* during the five years ending March 1998 despite operation of OTS scheme (Paragraph 3A.9.4).



(Referred to in paragraph 9.1)

- As on 31 March 1998, out of total outstanding principal amounting to Rs. 128722.90 lakh, a sum of Rs. 11542.21 lakh was outstanding against 604 units which were taken under its possession by the Corporation due to non-payment of dues by these units.

3A.9.2 Ineffective recovery of dues

Corporation could not recover Rs. 13.24 crore from 12 units mainly due to ineffective recovery action.

A few cases test checked in audit where the Corporation could not recover its dues, mainly due to ineffective recovery action are given in the table below:

(Rupees in lakh)

Sl. No.	Name of the unit	Amount sanc-tioned	Unrecovered Amount			Reasons
			Principal	Interest & others	Total	
1.	Knight Tanners	74.19	59.05	205.88	264.93	As discussed in Para 9.3.1 below.
2.	Bhagwan Oil Industries	65.40	00.00	13.24	13.24	As discussed in Para 3A.9.3.2 below.
3.	Bhagwan Food Industries	78.93	00.00	84.38	84.38	As discussed in Para 3A.9.3.3 below.
4.	Kashipur Fuel and Chemicals	54.64	38.31	141.96	180.27	As discussed in Para 3A.9.3.4 below.
5.	Shri Nathji Zinc	84.80	75.01	69.30	144.31	As discussed in Para 3A.9.3.5 below.
6.	Nath Tubes	45.00	37.26	122.38	159.64	No recovery action from the promoters except sale of unit that too by incurring loss due to acceptance of offer at lower rates.
7.	Hotel Anne	19.90	17.07	90.43	107.50	No recovery action under instructions from Headquarters of the Corporation
8.	Nagendra Paper and Board Mill	10.00	8.64	38.81	47.45	Settlement of dues under OTS without making efforts to recover it from the property of the promoters.
9.	Paras Ceramics	28.95	18.03	148.86	166.89	Belated settlement of dues under OTS without taking any recovery action, taking advantage of which the promoters sold the assets.

(Rupees in lakh)

Sl. No.	Name of the unit	Amount sanctioned	Unrecovered Amount			Reasons
			Principal	Interest & others	Total	
10.	Manglik Steels	49.78	24.66	12.85	37.51	Delayed recovery action even after knowing the fraudulent behaviour of the promoters; inadequate security arrangement resulting in removal of building material and delayed sale of remaining assets.
11.	Poshak Industries	21.60	15.41	60.98	76.39	Delayed recovery action resulting in removal of plant and machinery
12.	Monarch Fibers	17.50	13.69	27.56	41.25	Delayed recovery action resulting in removal of plant and machinery.
	Total		**307.13**	**1016.63**	**1323.76**	

3A.9.3 Some of these cases are discussed in detail in the succeeding paragraphs:

3A.9.3.1 Knight Tanners (P) Limited

The Corporation sanctioned (March 1987) a term loan of Rs. 54.90 lakh to the company for setting up a unit for manufacturing finished leather at Rania, Kanpur (Dehat). The Corporation also sanctioned a bridge loan of Rs. 14.19 lakh in May 1987 and additional loan of Rs. 5.10 lakh in March 1989 against the expenditure already incurred by the promoters.

The Corporation could not recover its dues amounting to Rs. 2.65 crore as it could not take effective recovery action due to promoters' influence with the State Government and interference of the then Chief Minister.

Although the unit started commercial production from March 1989, it did not clear its dues right from the beginning deliberately despite earning profit of about Rs. 20 lakh per annum. They also defaulted in clearing dues against their other unit, (Kanpur Spun Pipe (P) Limited), set up with financial assistance from the Corporation. But the Corporation did not take any effective action to recover its dues for three and half years mainly because of promoters' influence in the State Government. When the total dues aggregated Rs. 88.45 lakh, the Corporation issued (September 1992) notice under section-29 for clearance of above dues.

The Corporation however did not take effective recovery action for next 28 months and took over physical possession of the unit in January 1995. Using their influence, the promoters approached the then Chief Minister who directed (January 1995) the Corporation to restore the possession to the promoters. Consequently the Corporation restored the possession immediately on a paltry payment of Rs. 2 lakh as against the total outstanding of Rs. 119.19 lakh. The Corporation on further default by the promoters again took over the possession of the unit in June 1995 but could not sell the unit as the promoters obtained (July 1995) stay against the sale of the unit. The stay order was granted *ex-parte* and without taking note of a caveat already filed by the Corporation. The Corporation, in spite of a clear legal advice (July 1995) did not apply for vacation on the ground that it was granted *ex-parte,* without considering the caveat filed by the Corporation.

Thus, the Corporation did not pursue its case properly and not even issued PRC against the directors for recovery of its dues which have aggregated (October 1998) Rs. 264.93 lakh (including interest of Rs. 205.88 lakh).

3A.9.3.2 Bhagwan Oil Industries (P) Limited

The Corporation had to suffer a loss of Rs. 1.01 crore as unauthorised acceptance of one time settlement of dues against one unit of the promoters led to per force settlement of dues against their other unit also instead of recovery of dues from their properties.

The Corporation sanctioned a term loan of Rs. 59.40 lakh in March 1987 and an additional loan of Rs. 6 lakh in March 1990 to the company for setting up an oil mill at Mathura. On continuous default since mid-1992, the Corporation asked (March 1994) the promoters to settle their dues for Rs. 41 lakh under OTS scheme but the same was not honoured by them. Instead of initiating any action under Section 29 or 32 of the SFCs Act, the Negotiation Committee of the Corporation, after one year, accepted (March 1995) a proposal of the promoters for settlement of outstanding dues of Rs. 48.74 lakh for Rs. 35.50 lakh only under OTS scheme. However, before the approval of the Bad Debt Recovery Committee (BDRC) could be obtained, the Regional Manager conveyed (March 1995) the decision of OTS to the promoters who immediately paid the above amount. The BDRC, however, did not approve the proposal and ordered initiation of strict recovery action against the promoters. The possession of the unit, taken over by the Corporation in July 1995, had to be restored next day under interim orders of the High Court. Without waiting for the final verdict the Corporation accepted (December 1996) a condition of the promoters, put forth by them while negotiating OTS proposal in respect of their other unit also financed by the Corporation (Paragraph 3A.9.3.3), to exonerate them from their liabilities towards Oil Mill against OTS amount already paid by them in March 1995.

The Corporation has, so far (October 1998), not taken any action against the Regional Manager for conveying the decision of the OTS to the promoters and accepting deposit without approval of the competent authority, thereby causing the Corporation to suffer an avoidable loss of Rs. 13.24 lakh, besides loss of differential interest (Rs. 3.46 lakh) from December 1994 to December 1996 on the amount due and amount deposited.

3A.9.3.3 Bhagwan Foods (P) Limited

The Corporation sanctioned a term loan of Rs. 50.23 lakh in August 1989 and an additional loan of Rs. 28.70 lakh in September 1990 to the company for setting up a roller flour mill at Mathura. The promoters who were also sanctioned loan aggregating Rs. 65.40 lakh during March 1987 to March 1990 for setting up an oil mill at the same site (Paragraph 3A.9.3.2), did not clear their dues. On accumulation of dues (Rs. 160.20 lakh), the Corporation took over (July 1995) the possession of the unit and sold (April 1996) it for Rs. 50.01 lakh only. For recovery of the balance dues amounting to Rs. 110.19 lakh, the Corporation issued (June 1996) a PRC against the personal guarantors/directors who filed a civil suit challenging the sale of the unit under Section-29 and for stay of execution of PRC.

The Corporation instead of contesting its case in the court of law asked the promoters to settle their account under OTS scheme. The promoters agreed (November 1996) to withdraw the court case provided the Corporation agreed to settle their dues (Rs. 110.19 lakh) for a sum of Rs. 25.81 lakh and also exonerated them of their total liabilities in respect of Bhagwan Oil Mill account against the amount already deposited by them. The conditions put forth by the promoters were accepted by the Bad Debt Recovery Committee (BDRC) in December 1996 which wrote off Rs. 1.13 lakh and waived Rs. 83.25 lakh.

Audit observed that to give legitimacy to the above OTS deal, it was brought on record that the houses, shown in the appraisal note in the name of the directors, were actually in the name of their wives/family members and the promoters had no other property from which the dues of the Corporation could be recovered. But a scrutiny of the PRC issued revealed that the promoters had considerable share in number of properties other than above houses viz. R.K. Solvent, Bhagwan Talkies, Heera Talkies, Shree Talkies, Julie Talkies, Bhagwan Oil Mill etc.

Thus, the Corporation by settling the dues of the promoters under OTS scheme, instead of initiating recovery process under SFCs Act had not only put itself to a loss of Rs. 84.38 lakh but also shielded the officer (Manager, Technical) who at the time of sanction of loan verified the house properties in the name of directors.

3A.9.3.4 Kashipur Fuel and Chemicals (P) Limited

The Corporation sanctioned a term loan of Rs. 43 lakh in March 1986 and a bridge loan of Rs. 11.64 lakh against Central Investment Subsidy (CIS) in November 1987 to the company for setting up a steel re-rolling unit at Kashipur, Nainital, although such units were on the negative list of IDBI and the Corporation.

On failure of the company to make any payment of dues which was to commence from August 1988, the Corporation issued (March 1989) a notice under section-29. In response, the unit requested (March 1989) to allow it to induct five new directors, whose financial worth was stated to be about Rs. 57.69 lakh, in place of two deceased directors. The Corporation accepted (January 1990) the request and withdrew the notice under section-29. On further default by the unit, the Corporation again issued (November 1990) notice under section-29 for clearance of dues aggregating Rs. 62.38 lakh and advertisement for sale of the unit.

The offer for purchase of the above unit at Rs. 39 lakh, made (March 1991) jointly by three persons, was rejected (March 1991) by the Corporation on the ground that one of the purchasers was the son of one of the deceased directors, although the offer was covering both the 75 *per cent* value of the assets (as required under the approved policy of the Corporation) and the principal amount of term loan and rules of the Corporation did not prohibit sale of such units to relatives of a deceased director.

The Corporation after incurring an expenditure of about Rs. 4.45 lakh on watch and ward of the unit, sold its plant and machinery for Rs. 9 lakh in May 1995 and the land and building for Rs.10.75 lakh (40 *per cent* down payment and balance in six monthly instalments) in March 1996. The PRC, issued (July 1996) against the directors of the unit for recovery of the balance amount of Rs. 145.45 lakh was returned by the revenue authorities with the remark that no property was available in the name of the directors. The Corporation, as such, wrote off principal of Rs. 38.31 lakh and waived interest of Rs. 141.96 lakh in March 1997 without fixing any responsibility for the loss.

In this connection, the following observations are made:

- The induction of new directors was allowed without obtaining documents in support of their financial worth.

- There was no justification for not accepting the sale offer of Rs. 39 lakh, made in March/May 1991 although the offer was within the laid down policy/norms of the Corporation.

The Corporation has not fixed any responsibility for the above so far (October 1998).

3A.9.3.5 Shri Nathjee Zinc (P) Limited

The Corporation sanctioned (September 1989) a term loan of Rs. 59.35 lakh to the company for setting up a zinc unit at Shikhohabad. The commercial production was delayed due to delay in obtaining power sanction from SEB, minimum initial investments etc. The Corporation without reappraising the effect of time overrun of about two years and viability of the project, started disbursement of loan from June 1991.

The Corporation further sanctioned an additional loan of Rs. 25.45 lakh in March 1992 without ensuring compliance of essential pre-disbursement conditions of obtaining power sanction and working capital tie-up. The company up to November 1994 could avail a loan of Rs. 75.01 lakh and the balance loan (Rs. 9.79 lakh) was then cancelled by the Corporation. The project was thereafter lying closed due to non-availability of power and working capital.

Although the Corporation was aware that the unit was closed, it withdrew (September 1995) the notice under section-29, issued in August 1995 for clearance of dues amounting to Rs. 95.56 lakh, on payment of a paltry sum of Rs. 1.50 lakh. Without taking any action, thereafter, the Corporation, as against total dues of Rs. 143.42 lakh, accepted (March 1997) OTS proposal for Rs. 85 lakh only on the pretext that the plant and machinery being used for chemical process had undergone serious damages. However, this contention of the Corporation was totally baseless as the unit had never gone into production.

The promoters, except making an initial payment of Rs. 12 lakh had not made any payment although the entire OTS amount was payable by February 1998. The Corporation has not even initiated action under Negotiable Instruments Act as the cheques deposited by promoters, after making the initial payment of OTS, were not honoured by the bank.

The Corporation has not taken any action against the unit for recovery of balance dues amounting to Rs. 144.31 lakh (including interest of Rs. 69.30 lakh up to October 1998).

3A.9.4 One time settlement scheme

The Corporation has been operating a One Time Settlement (OTS) scheme. It was noticed by Audit that the OTS proposals were generally not honoured by these units and the Corporation, instead of taking any strict action for recovery of full dues, accepted request for OTS of dues whenever such request was made by these units subsequently. The Corporation during the year 1996-97 had written off debts amounting to Rs. 1380.08 lakh under the scheme. The observation would be substantiated from the table given below which shows that only 53.7 *per cent* of total OTS cases settled have been fully honoured.

(Rupees in lakh)

Year	Fully honoured			Paying as per terms			Partially honoured			OTS cancelled		
	A*	B	C	A	B	C	A	B	C	A	B	C
Upto 31.03.94	757	36.81	36.81	0	0	0	38	4.67	2.97	162	10.62	1.26
1994-95	485	41.23	41.23	0	0	0	105	15.26	8.06	163	24.01	3.07
1995-96	269	17.91	17.91	0	0	0	176	19.07	8.06	163	24.01	3.07
1996-97	242	7.55	7.55	159	13.01	4.73	533	44.87	7.94	50	5.45	0.18
Total	**1753**	**103.50**	**103.50**	**159**	**13.01**	**4.73**	**852**	**83.87**	**27.61**	**498**	**53.89**	**5.62**

3A.10 Internal Audit

The Internal Audit Department (IAD) is presently being headed by one Chief Manager and assisted by one Senior Manager, one Deputy Senior Manager and three Managers. The IAD is required to complete audit of all the field units every year and results thereof are submitted to the Deputy General Manager. Besides, IAD also undertakes pre-audit of certain expenses at Head Office. The activities of IAD are supplemented by special auditors (independent Chartered Accountants), appointed by the Head Office. The scope of work for special auditors mainly includes checking of interest, realisation of cheques etc.

* 'A' denotes number of cases settled, 'B' denotes amount of OTS and 'C' denotes amount paid.

It was observed that contrary to the suggestion made by IDBI in 1994, the reports of IAD are also not being placed before the Board twice a year.

The Management informed (October 1998) that it would take steps to strengthen its internal audit.

The reply reinforces Audit's stand that the Corporation was not having an effective internal audit system.

3A.11 Other topics of interest

3A.11.1 Bill discounting scheme

The corporation, in contravention of provisions of the Section 25 (i) (ga) of State Financial Corporations Act, 1951 introduced (November 1995) a 'Bill Discounting Scheme' under which it offered to discount the bills of exchange raised for supply of raw material, inventories for production and sale of goods. The scheme was rechristened (November 1996) as 'Factoring Limit Scheme' but without any change in the old scheme.

The test check revealed that the Corporation under the above schemes which were in violation of SFCs Act, 1951 provided assistance to only two firms (Rs 25 lakh and Rs 100 lakh). In case of Shamkeen Cotsyn Limited, New Delhi it was noticed that the assistance of Rs. 100 lakh was provided (November 1995) which was not only ultra vires of the scheme but it was also renewed in February 1997. Since the paid up capital of the company was more than Rs. 12 crore, the above renewal was also violative of Section 28 (1) (d) of SFCs Act which prohibits any assistance to any concern whose net worth exceeds Rs. 10 crore. Although, the bills discounted were required to be realised within 90 days, the Corporation has not taken any action to recover its dues amounting Rs. 59.28 lakh so far (September 1998).

The Management informed (October 1998) that the Corporation will discontinue the scheme.

3A.11.2 Change in accounting policy

The Corporation prepared its accounts on cash basis up to the year ended March 1995 and used to recognise income by way of interest, penalties and other charges after realisation of cheques as credited by banks. However, from the year 1995-96, the Corporation changed its accounting policy and recognised income on the basis of cheques/

Due to delayed realisation of cheques, the Corporation suffered a loss of interest of Rs. 1.81 crore during the years 1996-97 and 1997-98 and due to change in its accounting policy it extended undue benefit to its clients besides depicting inflated income during these two years.

drafts received before the year end irrespective of their subsequent realisation. Out of the cheques under collection as on 31 March of 1996, 1997 and 1998 cheques amounting to Rs. 1.90 crore, Rs. 13.72 crore and Rs. 26.64 crore respectively were dishonoured by banks subsequently. The change in accounting policy which was dissonant with the Accounting Standards has, thus, resulted in adoption of a hybrid system of accounting leading to inflation of income in the accounts and liability to pay interest tax on unrealised interest income. This further resulted in loss of interest of Rs. 0.98 crore and Rs. 0.83 crore during the year 1996-97 and 1997-98 on cheques amounting to Rs. 80.04 crore and Rs. 84.37 crore respectively credited belatedly into bank account.

The Corporation has so far (October 1998) neither taken up the matter with the banks for reimbursement of interest lost nor has investigated reasons and fixed any responsibility for such delayed credit of cheques.

CONCLUSION

The Corporation has incurred heavy losses which as of 31 March 1998 have aggregated to Rs. 234.97 crore and IDBI has downgraded it from category 'A' to category 'C' corporation. It has inflated its income as well as recovery of loan by adopting an accounting policy which is dissonant with the Accounting Standards. The poor performance of the Corporation was mainly attributable to :

- inadequacy of its appraisal system and data bank in identification of viable and non-viable projects, resulting in sanction of loan to *ab initio* non-viable units;
- ineffective follow-up of the assisted units and permitting frequent relaxation in observance of pre-disbursement conditions;
- failure of its recovery system in identification of revivable/non-revivable units and wilful defaulters and initiation of strict, effective and timely recovery action coupled with liberal settlement of dues under OTS scheme; and
- Undue interference by the State Government in the functioning of the Corporation.

The Corporation should strengthen its appraisal system and enrich its data bank which would help to make a critical evaluation of the varied projects under review; make concerted, continuous and effective monitoring of assisted units so as to detect timely the incipient sickness and rehabilitate the revivable units; initiate timely and strict recovery action against wilful defaulters; and accept OTS proposals only as an extreme measure.

These matters were reported to the Government in June 1998; replies were awaited (October 1998).

Chapter III

Section 3B

Uttar Pradesh State Electricity Board

Working of Chibro and Khodri Hydro Power Projects

SECTION **3B**

Working of Chibro and Khodri Hydro Power Projects

HIGHLIGHTS

Board commissioned (1975) four generating units of 60 MW each at Chibro to utilise the water available in the river Tons. It further commissioned (1984-85) four other units of 30 MW capacity each at Khodri to utilise the discharged water from Chibro.

(Paragraph 3B.1)

Under utilisation of available water potential due to lower intake of water discharge in the tunnel, spillage of water and low turbine efficiency resulted in shortfall in generation of 1177.630 MU of energy valued at Rs. 164.87 crore during 5 years upto 1997-98.

(Paragraph 3B.4)

The management took excessive time in annual maintenance and capital repairs of the plants resulting in loss of generation of 79.731 MU valued at Rs. 11.16 crore and 43.491 MU valued at Rs. 5.74 crore respectively during 5 years up to 1997-98.

(Paragraphs 3B.5.1 and 3B.5.3)

Non-operation of trash rack equipment since inception (1975) of the project, caused closure of power house for 1702 hours resulting in loss of generation of 62.481 MU valued at Rs. 8.75 crore during five years up to 1997-98.

(Paragraph 3B.5.2)

Belated fixation of pooled cost of generation for export of power to Himachal Pradesh resulted in interest loss of Rs. 9.60 crore due to delay in issue of bills.

(Paragraph 3B.11)

3B.1 Introduction

With a view to utilise the water available in the river Tons emanating from the hills of Himachal Pradesh, Chibro Power House (CPH) with four generating units of 60 MW (total capacity 240 MW) each installed under the ground was constructed (1975) under Yamuna Hydel Scheme, Stage II, Part I - Project (First Phase). This comprised a diversion dam across the river Tons at Ichari having small ponding capacity to regulate the water discharge according to varying load demand during the day.

In the second phase of the scheme, Khodri Power Station (KPS) at Dakpather with four generating units of 30 MW capacity (total: 120 MW) envisaging use of discharged water from CPH through 5.6 Km tunnel was commissioned during 1984-85. Thus, KPS runs in tandem with CPH.

3B.2 Organisational set-up

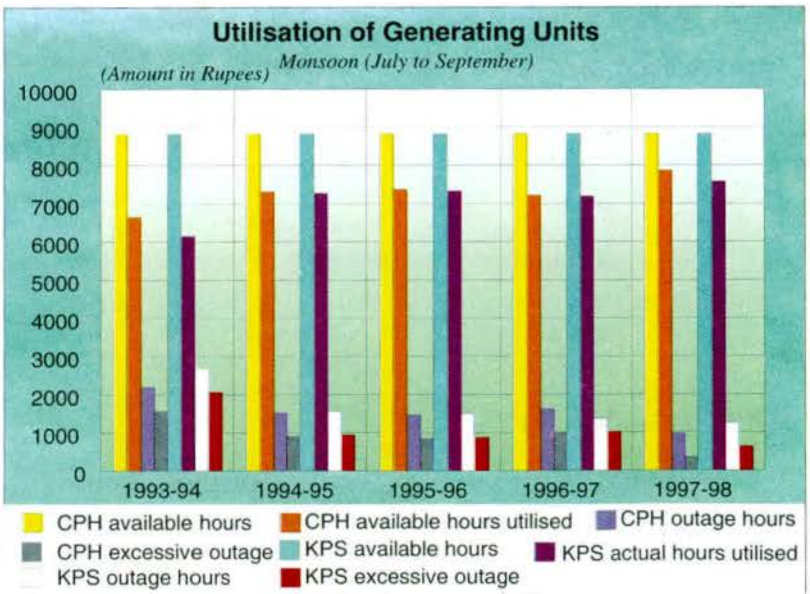
The overall Management of the two power stations is vested in the General Manager, Hydro Electric Project, Dehradun, who is assisted by a Chief Engineer (O&M). The local Management of both the power stations is vested in a Superintending Engineer, Hydel Generation Circle, Dakpather assisted by two Executive Engineers posted at each power stations. The accounting functions are carried out under the supervision of a Deputy Chief Accounts Officer, Hydro Electric Projects, Dehradun.

3B. 3 Scope of Audit

The activities of the two power stations for five years up to 1997-98 were reviewed during the period from July to September 1997 and in September 1998, results of which are discussed in succeeding paragraphs.

3B.4 Performance of generating units

Both the power stations (CPH & KPH) are based on maximum quantity of water of 255 cumsecs (cubic meter seconds) in the river to run all the generating units. This quantity is available only during monsoon season (July to September), as such analysis has been made for monsoon and non-

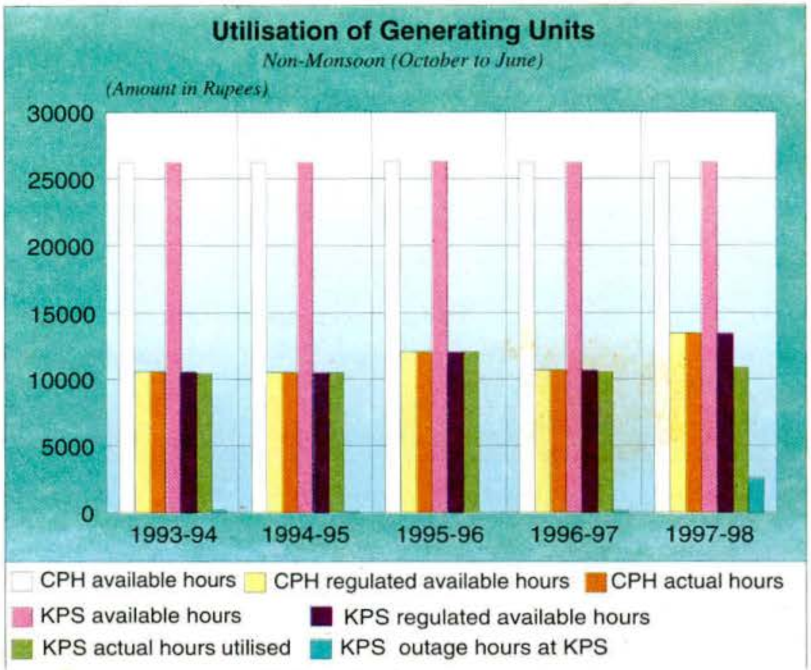


(Referred to in paragraph 4)

monsoon periods separately which is discussed in the subsequent paragraphs:

The two power stations are designed to generate 240 MW (CPH) and 120 MW (KPS) at the maximum discharge of 225 cumsecs of water through head race tunnel of CPH at penstock, generator and turbine efficiencies of 1.00, 0.93 and 0.96 respectively.

Water discharge in river Tons varies between 30 cumsecs (non-monsoon) to maximum 2830 cumsecs (monsoon) and above during the year. The power output of the two power stations thus solely depends on the actual discharge of water to the intake tunnel. The CPH has to be closed down in the case of discharge of river water above 2830 cumsecs consequently leading to the closure of KPS also.



(Referred to in paragraph 4)

Based on the availability of water of 225 cumsecs during monsoon and between 79 to 97 cumsecs during non-monsoon and available hours for utilisation of generating units, the possible generation and actual generation for five years up to 1997-98 is detailed in the following table :

Monsoon (July to September)

Particulars	1993-94		1994-95		1995-96		1996-97		1997-98		Total
	CPH	KPS	CPH	KPS	CPH	KPS	CPH	KPS	CPH	KPS	
1a Available hours	8832	8832	8832	8832	8832	8832	8832	8832	8832	8832	88320
b. Actual hours utilised	6642	6150	7312	7267	7366	7337	7216	7196	7864	7575	71138
c. Outage hours	2190	2682	1520	1565	1466	1495	1616	1636	968	1257	17182

Particulars	1993-94		1994-95		1995-96		1996-97		1997-98		Total
	CPH	KPS	CPH	KPS	CPH	KPS	CPH	KPS	CPH	KPS	
d. Permissible outage (7%)	618	618	618	618	618	618	618	618	618	618	6180
e. Excessive outage	1572	2064	902	947	848	877	998	1018	350	639	11002
2a Possible Generation at available hours (MU)	498.859	221.307	498.859	221.307	498.859	221.307	498.859	221.307	498.859	221.307	3600.830
b Actual Generation (MU)	337.058	150.712	370.821	165.419	369.944	163.800	377.156	167.603	379.856	168.179	2650.548
c Loss of Generation (In MU)	161.801	70.595	128.038	55.888	128.915	57.507	121.703	53.704	119.003	53.128	950.282

Non-monsoon (October to June)

Particulars	1993-94		1994-95		1995-96		1996-97		1997-98		Total
	CPH	KPS	CPH	KPS	CPH	KPS	CPH	KPS	CPH	KPS	
1a Available hours	26208	26208	26208	26208	26304	26304	26208	26208	26208	26208	262272
b. Regulated Available hours	10575	10575	10516	10516	12053	12053	10639	10639	13445	13445	110366
c. Actual hours utilised	10575	10383	10516	10467	12053	12053	10639	10518	13445	10824	108344
d. Outage hours at KPS	--	192	--	49	--	--	--	121	--	2621	2022
2a. Possible Generation at regulated avail – able hours (MU)	521.942	267.792	516.550	265.261	604.853	310.621	533.894	274.180	548.108	283.825	4127.026
b. Actual Generation (MU)	503.250	236.959	507.821	241.260	579.972	279.845	523.401	248.333	523.799	255.038	3899.678
c. Loss of Generation (MU)	18.692	30.833	8.729	24.001	24.881	30.776	10.493	25.847	24.309	28.787	227.348

Under utilisation of available water potential resulted in shortfall in generation valued at Rs. 164.87 crore.

From the above table, it is evident that against available water potential capable of generating net 7727.856 MU, both the power houses could actually generate only 6550.226 MU resulting in shortfall of generation of 1177.630 MU valued at Rs. 164.87 crore at the average sale rate of Rs. 1.40 per KWH during five years up to 1997-98. Further, the Board had to arrange energy to the same extent at its thermal power stations consuming on an average of 0.81 kg per unit of coal and 7.47 ml per unit of oil. Thus, the objective of hydro-power stations to conserve these costly inputs was not fulfilled up to their optimum potential. Non-conservation of these inputs was to the extent of 95348 MT of coal and 8793 kl of oil valued at Rs. 10.23 crore and Rs. 4.70 crore respectively during five years up to 1997-98.

The management had not analysed the reasons for shortfall in generation. However, as analysed in audit, the shortfall in generation was mainly due to (i) lower intake of water in tunnel during monsoon period, (ii) spillage of water on account of closure of machines and (iii) failure to achieve projected turbine efficiency which accounted for loss of generation of Rs. 155.56 crore out of Rs. 164.87 crore. These points are discussed in subsequent paragraphs.

The management stated (June 1998) that audit had not considered operational constraints and actual head losses in the water conductor system while reviewing the performance as the power houses are to be closed down during monsoon when river discharge is more than 900 cumsecs and head loss is practically on higher side.

The reply is not tenable as the shortfall in generation was evaluated on the basis of the project report which envisaged closure of power houses only when river discharge is above 2830 cumsecs. Moreover, head losses at different discharge have been taken into account as per project report.

3B.4.1 Loss due to lower intake of water discharged in tunnel during monsoon

Against 225 cumsecs discharge, the Board availed discharge between 166 and 185 cumsecs during monsoon causing loss of generation of 208.842 MU valued at Rs. 29.24 crore.

An analysis by Audit, revealed that against the permissible water discharge of 225 cumsecs during monsoon, the actual discharge utilised for energy generation ranged between 166 and 185 cumsecs which was lower by 20 to 26 per cent than permissible discharge worked out to loss of generation of 208.842 MU valued at Rs. 29.24 crore during five years up to 1997-98.

The management had not analysed reasons for its failure in utilising the available discharge of river water with a view to avoid loss of generation.

However, it was observed in audit that full discharge of 225 cumsecs was not availed of due to failure of the management to get one of the flush conduits, which was choked since long, cleaned by the Irrigation department which was responsible for the maintenance of the same.

3B.4.2 Spillage of water

Board suffered a loss of generation of 462.575 MU valued at Rs. 64.76 crore on account of spillage of water.

Generation of power from available water discharge can be optimised by keeping the generating units installed at power houses available for operation at all times. Due to non-availability of generating units, the available water for generation is to be passed into the river which is termed as spillage resulting in loss of generation. This can be avoided by scheduling the units in such a way that they are available for generation. It was observed that there was non-availability of units for 4676 hours at CPH and 8528 hours at KPS resulting in shortfall in generation of 263.759 MU (valued at Rs. 36.93 crore) and of 198.816 MU (valued at Rs. 27.83 crore) respectively during five years up to 1997-98.

The management stated (June 1998) that spillage of water in river is only in monsoon season when river discharges are more than the required discharge for generation.

The reply is not convincing as (i) there was spillage at KPS during non-monsoon period also and (ii) due to non-availability of generating units for 49 to 2621 hours as detailed in the table at paragraph 3B.4 both power stations utilised discharge below 225 cumsecs and resorted to spillage even when there was sufficient water to avail full discharge of 225 cumsecs during monsoon.

3B.4.3 Failure to achieve the desired turbine efficiency

Due to failure to achieve designed turbine efficiency, Board suffered generation loss of 439.693 MU valued at Rs. 61.56 crore.

Technical Committee on Power set up by the Government of Uttar Pradesh had recommended (1972) that the turbine efficiency should be assessed from time to time and in case of changes in turbine performance, necessary steps be taken for repairs or modification to eliminate the defect. It was, however, noticed that as against projected turbine efficiency of 0.93 for both the power houses, the actual efficiency achieved ranged between 0.80 and 0.91 in CPH and between 0.84 and 0.90 in KPS during five years upto March 1998. This resulted in generation loss of 439.693 MU valued at Rs. 61.56 crore during this period.

Reasons for shortfall in turbine efficiency as ascertained in audit were (i) running of machines on low load and (ii) lower discharge of water from tunnels.

The management stated (June 1998) that efficiency of the turbine is not constant but it varies according to load.

The reply is evasive and not to the point as it fails to indicate whether Management has analysed the reasons for shortfall in turbine efficiency from time to time and taken corrective measures to rectify defects, if any, so as to maintain the designed efficiency as recommended by the Technical Committee on Power.

3B.5 Outages

The project envisages 7 per cent outages during monsoon. The two power projects receive scanty discharge of water during non-monsoon period sufficient only to run one or two machines leaving two to three machines in stand by position. Keeping this fact in view, the outages during monsoon period are required to be minimised to avoid loss of generation. The table below indicates outages during non-monsoon and monsoon for the last five years up to 1997-98:

Particulars	1993-94		1994-95		1995-96		1996-97		1997-98	
	CPH	KPS	CPH	KPS	CPH	KPS	CPH	KPS	CPH	KPS
Hours available during the year	35040	35040	35040	35040	35136	35136	35040	35040	35040	35040
Available hours during Monsoon	8832	8832	8832	8832	8832	8832	8832	8832	8832	8832
Available hours during non-Monsoon	26208	26208	26208	26208	26304	26304	26208	26208	26208	26208
Actual operation hours										
-Monsoon	6642	6150	7312	7267	7366	7337	7216	7196	7864	7575
-non-Monsoon	10575	10383	10516	10467	12053	12053	10639	10518	13445	10824
Outages (hours)										
-Monsoon	2190	2682	1520	1565	1466	1435	1616	1636	968	1257
-non-Monsoon	15633	15825	15692	15741	14251	14251	15569	15690	12763	15384
Percentage of outages to available hours										
-Monsoon	24.8	30.4	17.2	17.7	16.6	16.2	18.3	18.5	10.9	14.0
-non-Monsoon	59.6	56.6	52.4	60.1	54.2	54.2	59.4	59.9	48.7	58.7

Particulars	1993-94		1994-95		1995-96		1996-97		1997-98	
	CPH	KPS	CPH	KPS	CPH	KPS	CPH	KPS	CPH	KPS
Nature of outages during monsoon (hours)										
-Reserved *	1810	2459	1153	1262	964	1103	932	1425	754	776
-Choking	144	144	248	248	245	245	100	100	114	114
-Machine break-down	236	79	119	55	257	87	584	111	100	367
Total	**2190**	**2682**	**1520**	**1565**	**1466**	**1435**	**1616**	**1636**	**968**	**1259**
Permissible outage 7 per cent	618	618	618	618	618	618	618	618	618	618
Outages beyond limit (hours)	1572	2064	902	947	848	817	998	1018	350	636
Loss of Generation (MU)	69.307	46.833	45.744	21.556	42.589	18.239	52.162	23.710	16.906	14.120

The reasons for excessive outages accounting for 351.166 MU of energy loss (value : Rs. 49.16 crore) had not been analysed by the Management. The reasons as analysed in audit are discussed in subsequent paragraphs.

3B.5.1 Excessive time taken in annual maintenance

Due to excessive time taken in annual maintenance, Board suffered a loss of generation of 79.731 MU valued at Rs. 11.16 crore.

The Technical Committee on Power set up by the Government of Uttar Pradesh had recommended (1972) that the annual overhauling should be so scheduled as to ensure its completion within minimum possible time i.e. not more than two weeks (336 hours for each machine). However, it was observed that both the power stations took excessive time ranging between 1296 to 3528 hours in case of CPH and 2184 to 5026 hours in case of KPS during five years upto 1997-98 resulting in generation loss of 79.731 MU valued at Rs. 11.16 crore at the average sale rate of Rs. 1.40 per KWH as detailed below:

Particulars	1993-94		1994-95		1995-96		1996-97		1997-98	
	CPH	KPS	CPH	KPS	CPH	KPS	CPH	KPS	CPH	KPS
Actual hours taken	4536	3755	3904	3949	4008	5220	2328	6034	2304	3528
Number of machines overhauled	3	3	3	4	4	4	2	3	3	4
Hours as per norm	1008	1008	1008	1344	1344	1344	672	1008	1008	1344
Excess time taken	3528	2747	2086	2605	2664	3876	1656	5026	1296	2184
Generation loss in MU	29.130	6.635	(-) 7.109	12.088	(-)5.219	(-)2.519	35.591	15.151	(-) 6.513	12.496

* A period during which the generating units though available, are not run due to system compulsions.

The management stated (June 1998) that complete overhauling in two weeks (336 hours) was not possible as thorough overhauling would take above 40 days (960 hours) for which they had ample time during non-monsoon period as water discharge is sufficient only to run one or two machines during that period.

The reply is not convincing as period of two weeks for overhauling of each machine was provided in the report of Technical Committee on Power. Even after considering management norms of 960 hours for each unit, there was excessive time taken from 109 to 3154 hours resulting in loss of generation of 29.862 MU valuing Rs. 4.18 crore.

3B.5.2 In-operative trash rack equipment

With a view to avoiding closure of power house due to choking caused by moving vegetables and logs in the river water, electrically operated trash rack equipment was provided at the intake tunnel of CPH at a cost of Rs. 3.33 lakh. This equipment removes the vegetables and the logs without closure of power houses. However, the equipment proved in-operative since inception (1975) of the project. No action has been initiated by the Management either to get it repaired or replaced. In absence of such arrangement, choking is got cleared manually during which power houses were required to be closed down. This has caused closure of power houses for 1702 hours resulting in loss of generation of 62.481 MU valued at Rs. 8.75 crore during five years up to 1997-98.

Accepting the audit observation, the management stated in reply (June 1998) that while operation and maintenance of trash rack equipment is done by Irrigation department, it has been found unsuitable to clear and remove the trash deposited on the mouth of trash rack on account of heavy suction force. At present trashes are removed manually by closing the power house. However, cost involved in manual clearance done by the Irrigation department was not available on record.

3B.5.3 Delay in completion of capital repair

Due to delay in capital repairs, Board suffered a loss of generation of 12.006 MU valued at Rs. 5.74 crore.

Keeping in view contingencies to be faced during capital repair of machines and completing the work before monsoon, advance planning was required to be done from the beginning of October. For undertaking the work of capital repair of unit no. 4 of CPH, Management took 2 months in taking administrative approval of technical specification and finalising tenders. The work of repair of the unit was assigned to Safe Engineering Company Private Limited, Dehradun in January 1993 who were to complete the job by 10 July 1993. During audit, it was observed that steel liner plate of turbine which was required to be repaired by 14 March 1993 could be repaired on 6 August 1993 delaying the work by more than three months. The unit could be synchronised on 12 August 1993 after a delay of 33 days from the date of scheduled completion of the job as per agreement. Due to this, the project could not avail full water discharge of 225 cumsecs from 11 July to 12 August 1993 resulting in loss of generation of 31.485 MU at CPH and 12.006 MU at KPS valued at Rs. 5.74 crore.

The management stated (June 1998) that no one was responsible for the delay. The reply is not convincing as there was delay in initiating capital repair which called for fixation of responsibility for the lapse.

3B.6 Consumption of turbine oil

Consumption of turbine oil in hydro generating units at two power houses ranged between 0.32 (1995-96) and 0.80 litre (1993-94) at CPH and between 0.31 (1993-94) and 0.37 litre (1995-96) per hour at KPS. As the management had not fixed any norm for consumption of turbine oil nor analysed the reasons for variation with a view to minimise its consumption, excess consumption of turbine oil could not be got assessed in audit.

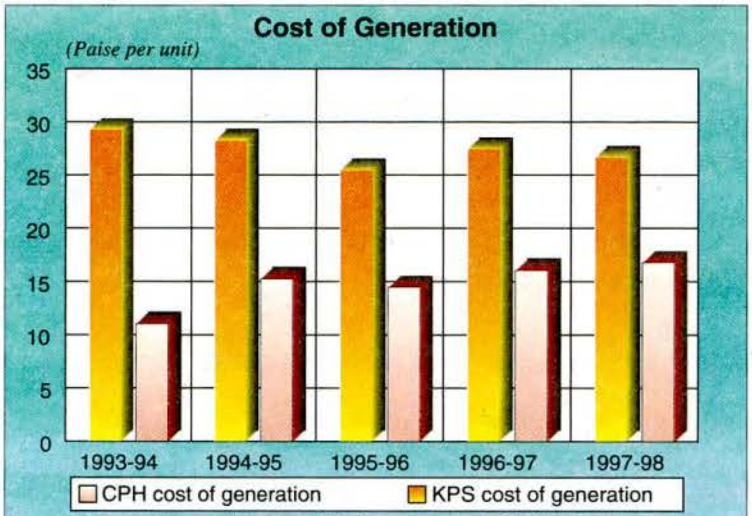
3B.7 Payment of overtime during non-monsoon season

Though the staff engaged in two power houses are not having full work load during non-monsoon season i.e. October to June, the power houses were regularly making payment of overtime to the entire work force. The quantum of overtime paid was much more in non-monsoon period as compared to monsoon period in spite of the fact that only two units were in operation in non-monsoon period as compared to 3 and 4 units during monsoon period. This resulted in avoidable expenditure of Rs. 0.45 crore during five years up to 1997-98.

The Management stated (June 1998) that payment of overtime to staff during non-monsoon is made for carrying out annual maintenance work. However, the reply is not tenable because as already mentioned during non-monsoon period, there were idle units and staff of these units could have been gainfully utilised for maintenance work.

3B.8 Cost of generation

The project report of the two power houses stipulated the cost of generation at 8.73 paise for CPH and 15.22 paise for KPS. The table below indicates the cost of generation per unit for the last five years upto 1997-98:



(Referred to in paragraph 8)

Particulars	1993-94		1994-95		1995-96		1996-97		1997-98	
	CPH	KPS	CPH	KPS	CPH	KPS	CPH	KPS	CPH	KPS
(1) Net generation* (in MU)	837.295	386.855	875.605	405.822	946.947	442.766	895.981	465.198	899.136	422.538
(2) Total cost of generation (Rs. in lakh)	923.89	1131.25	1335.95	1145.13	1369.28	1124.89	1437.18	1137.54	1508.430	1124.969
(3) Cost of generation (Paise per unit)	11.03	29.24	15.26	28.22	14.46	25.41	16.04	27.40	16.78	26.62
(4) Percentage increase in cost over projected cost	26.3	92.1	74.8	85.4	65.6	66.9	83.7	80.0	92.2	74.9

It may be observed from the above table that cost of generation ranged between 11.03 paise and 16.78 paise per unit for CPH and between 25.41 paise and 29.24 paise

* Net generation is equal to gross generation less consumption in auxiliaries.

per unit for KPS during five years upto 1997-98. It was 26.3 to 92.2 per cent and 66.9 to 92.1 per cent higher than the projected cost of generation in respect of CPH and KPS respectively.

As analysed by Audit, the following reasons could be attributed to higher cost of generation:

i. Shortfall in generation due to under-utilisation of available power potential of water (Ref. Para 3B.4)

ii. Loss due to lower intake of water discharge in tunnel during monsoon (Ref. Para 3B.4.1)

iii. Payment of overtime during non-monsoon season (Ref. Para 3B.7)

The Management attributed inflation for high cost of generation. But the reasons are not acceptable in audit as the cost of generation could have been reduced by increasing generation and reducing expenditure on manpower etc. as mentioned above.

3B.9 Bus bar losses

Bus bar losses denote difference of energy generated and that sent out for transmission. With a view to keep these losses at minimum level, the Central Electricity Authority fixed the norms (July 1991) between 0.5 and 1 per cent of energy available. Chief Engineer, Thermal Operation Monitoring (TOM) while reviewing the quantum of losses from time to time directed (January 1995) that all efforts viz. re-calibrating meters, checking of un-metered supply etc. should be made to contain the bus bar losses within the limit of 0.8 per cent.

Board suffered a loss of Rs. 22.35 crore due to loss of 127.568 MU at bus bar over and above the norms.

It was noticed that against the permissible limit of 0.8 per cent, the bus bar losses ranged between 1.16 to 3.08 per cent (CPH) and 0.16 to 4.73 per cent (KPS) during five years up to 1997-98 as detailed in the table given on the next page:

Particulars	1993-94		1994-95		1995-96		1996-97		1997-98	
	CPH	KPS	CPH	KPS	CPH	KPS	CPH	KPS	CPH	KPS
Energy available (in MU)	839.679	1397.232	877.620	1475.375	948.694	1556.016	899.498	1543.999	899.991	1503.148
Energy sent out (in MU)	825.000	1331.170	885.856	1455.954	937.674	1553.526	871.756	1497.957	901.040	1542.130
Bus bar loss (in MU)	14.674	66.062	(-)8.236	19.421	11.020	2.49	27.742	46.042	(-)1.049	38.982
Percentage of loss	1.75	4.73	(-)0.94	1.32	1.16	0.16	3.08	2.98	(-) 0.12	(-) 2.59
Loss over the norm of 0.8 per cent in MU	7.975	54.884	--	7.618	2.941	--	20.509	33.659	--	--

Thus, there was a loss of energy at bus bar of 31.407 MU valued at Rs. 4.40 crore at CPH and 96.161 MU valued at Rs. 17.95 crore at KPS during the five years up to 1997-98. From the table it would also be observed that in some cases bus bar loss is in negative which implies excess transmission of energy through bus bar which is not possible and this minus figure was only due to incorrect/defective metering.

In reply it was stated that induction type energy meters of $\pm$ 3 per cent accuracy have been installed and as such it is not possible to calculate correct bus bar losses.

The reply is not convincing as meters of same accuracy have been installed at import and export points compensating the error and leaving the actual bus bar loses unchanged.

3B.10 Inventory control

The purchases at the both power stations for procurement of stores material is made through the purchase committee at Hydel Generation Circle and GM level. The details of the inventory for operation and maintenance of the plant held by the power stations at the close of each of the five years up to 1997-98 are indicated in the table given on the next page:

(Rupees in lakh)

Particulars	1993-94		1994-95		1995-96		1996-97		1997-98	
	CPH	KPS	CPH	KPS	CPH	KPS	CPH	KPS	CPH	KPS
(i) Opening balance	51	46	41	40	57	39	105	43	56	37
(ii) Purchase/receipt	62	21	57	22	97	20	134	16	172	23
(a) Total (i+ii)	113	67	98	62	154	59	239	59	228	60
(iii) Issue/Transfer	81	16	31	23	49	17	183	22	140	18
(b) Closing balance (a-iii)	32	51	67	39	105	42	56	37	88	42
(iv) Closing balance in terms of months consumption	4.6	38.2	25.9	21.0	25.8	29.9	3.6	20.0	7.3	28
(v) Cost of inventory holding at the rate of 18 per cent per annum	5.76	9.18	12.06	7.02	18.90	7.56	10.08	3.60	15.84	5.04

It would be observed from the above table that stock holding ranged between 3.6 months to 25.9 months consumption at CPH and 20 months to 38.2 months consumption at KPS. This resulted in holding cost of Rs. 0.63 crore at CPH and Rs. 0.32 crore at KPS during five years up to 1997-98. Analysis of inventory revealed the following:

- Maximum, minimum and re-ordering levels were not fixed;
- Material have not been classified into critical, non-critical, fast and slow moving items; and
- Stock registers are required to be closed half yearly/yearly, however, their closings were in arrears since September 1986, with the result shortages, surplus/ unserviceable/obsolete stores if any, remained undetected.

The Management stated (June 1998) that 80 per cent of inventory were critical items in view of which stock was not on higher side.

The reply is not tenable in view of the fact that Management had not maintained records which segregates critical inventory from non-critical.

Other topics of interest

3B.11 Loss due to belated fixation of pooled cost of generation

Board suffered a loss of Rs. 9.60 crore for delayed issue of bills to HPSEB.

With a view to have exclusive right for utilising the water of river Tons for generation purpose, the Government of Uttar Pradesh agreed (November 1972) to export 25 per cent of net energy generated at CPH and KPS to the Government of Himachal Pradesh at a pooled cost of generation of Yamuna Hydel Scheme, Stage II. However, till construction of transmission line, the State Government agreed to pay royalty at the rate of 2 paise per KWH of generation for use of water of river Tons. The transmission line was constructed in January 1990 after which royalty was not payable and 25 per cent of energy generated was exported at pooled cost to be determined from time to time.

In audit, the following points were noticed:

(a) As per test report of export meter (February 1994) installed at Khodri Power Station, the meter was running slow by 20 per cent in February 1994. In view of this, under recording of exported energy of 6.933 MU valued at Rs. 0.92 crore was left to be adjusted. On being pointed out by Audit, the bill was raised for above energy in October 1997 whose adjustment was awaited.

(b) Pooled cost of generation as decided in November 1990 was provisionally fixed at 10.1 paise per unit. The same was required to be calculated on the basis of actual pooled cost of generation.

During audit, it was observed that the UPSEB finalised the cost of generation for the years 1984-85 to 1993-94 which ranged between 10.28 paise to 29.3 paise per unit in December 1996 and cost for the years 1994-95 and 1995-96 in June 1997 at 30.73 paise and 29.21 paise per unit. Thus, due to belated finalisation of pooled cost of generation, the HPSEB was continued to be billed on lower rate of 10.1 paise per unit. This resulted in short billing for Rs. 25.26 crore during five years up to 1996-97.

In addition to locking up of fund, there was loss of interest of Rs. 9.60 crore on the short billed amount which can not be recovered from HPSEB as there was no such provision in the agreement.

On being pointed out by Audit, the project Management raised (February 1998) a supplementary bill for the period from April 1989 to September 1997, recovery of which was awaited as of date (September 1998).

CONCLUSION

The performance of both the power houses was marked by substantial shortfall/ loss in generation due to under utilisation of available water potential, excessive time taken in annual maintenance and capital repairs, bus bar losses etc. Further, it suffered losses due to belated fixation of pooled cost of energy for billing the power exported to Himachal Pradesh.

The Board and the power house management need to improve the working to arrest losses due to technical snags. Avoidable losses due to delayed working out of pooled cost and other factors need to be remedied through proper monitoring, control and prompt action.

These matters were reported to the Board in February 1998 and to the Government in June 1998; the replies were awaited (October 1998).

Chapter III

Section 3C

Uttar Pradesh State Electricity Board

Working of Distribution Zone, Lucknow

SECTION 3C

Working of Distribution Zone, Lucknow

HIGHLIGHTS

Lucknow Distribution Zone is one of the thirteen zones of Uttar Pradesh State Electricity Board (Board) established with a view to exercising effective control over planning, monitoring power distribution and billing of energy and is headed by a Chief Zonal Engineer.

(Paragraph 3C.1)

The revenue deficit of the Zone during the five years up to March 1998 aggregated Rs. 586.81 crore mainly due to excessive line losses, non/short assessment of energy charges and excessive damage to distribution transformers.

(Paragraph 3C.4)

Against the norm of 11.5 percent distribution losses prescribed by CEA the actual losses ranged between 16.89 and 20.95 percent. The quantum of energy loss in excess of norm worked out to 906.362 MU valued at Rs. 133.69 crore during the period of five years up to 1997-98.

(Paragraph 3C.6.1.1)

Non-installation of capacitor banks to the required extent resulted in loss of saving of system losses of 15.107 MU valued at Rs.267.39 crore per annum.

(Paragraph 3C.6.2)

Incorrect assessment of energy consumption due to unmetered supply/defective meters etc. resulted in undercharge of revenue to the extent of Rs. 10.84 crore.

(Paragraph 3C.7)

Arrears of revenue increased from Rs.120.55 crore in 1993-94 to Rs.315.75 crore in 1997-98. The Zonal management failed to monitor, plan and administer the process of realisation vigorously and did not even issue recovery certificates amounting to Rs.15.65 crore for recovery as arrears of land revenue.

(Paragraphs 3C.10 and 3C.10.3)

Failure to take immediate action for dismantling of redundant lines resulted in theft of line materials valued at Rs.0.33 crore.

(Paragraph 3C.11.2)

Damage of distribution transformers was far in excess of the norm of 2 percent in a year fixed by the Board. The value of this worked out to Rs. 61.39 crore during the period from 1993-94 to 1997-98.

(Paragraph 3C.12.1)

Excess payment was made for Rs.3.50 crore in respect of energy less recorded at receiving end against power purchase agreement.

(Paragraph 3C.15.2)

3C.1 Introduction

Under the reorganisation plan of 1987, U.P. State Electricity Board (Board) divided its Distribution wing into three areas (East, West and Central) and then in 13 zones each headed by a Chief Zonal Engineer. The overall management of Distribution wing of the Board is under the control of Member (Distribution). Distribution Zone, Lucknow, is one of the 13 zones vested with the responsibility for operating the power distribution network of Board. For bringing economy and efficiency in working of zones, the Chief Zonal Engineer was vested with the responsibility of direction, planning, monitoring and control over pilferage of energy and Board's assets, assessment and realisation of revenue, distribution losses, upkeep and maintenance of plant and equipments, improving performance/service indicators and preparation and execution of system upgradation schemes.

3C.2 Organisational set up

The Lucknow zone is divided into five distribution and one works circle each headed by a Superintending Engineer. These are further divided into 16 Electricity

Distribution Divisions (EDD), 5 Electricity Test Divisions, 1 Electricity Secondary Works Division and 1 Electricity Workshop Division. The Chief Zonal Engineer is assisted by two Superintending Engineers at Headquarters, one for commercial and the other for technical matters and by one Deputy Chief Accounts Officer at Lucknow.

3C.3 Scope of Audit

Out of 23 divisions of the Zone, records of 16 divisions covering a period of five years from 1993-94 to 1997-98 were test checked between January 1998 to June 1998. The results of test checks are set out in the succeeding paragraphs.

3C.4 Working results of the Zone

Working results of the zone for the last five years upto 31 March 1998 are as under:

Sl.No	Particulars	1993-94	1994-95	1995-96	1996-97	1997-98 (Provisional)
i	Energy received (in million units)	2214.853	2417.398	2470.878	2497.508	2452.758
ii	Energy sold (in million units)	1840.575	1992.156	1984.000	1974.214	1969.949
iii	Loss of energy in distribution (in million units)	374.278	425.242	486.878	523.294	482.809
iv	Total cost of energy* sold (Rupees in crore)	307.37	342.65	416.64	430.38	470.82
v	Revenue assessed (Rupees in crore)	203.84	247.23	278.31	284.20	367.47
vi	Total deficit (Rupees in crore)	103.53	95.42	138.33	146.18	103.35
vii	Cost of energy per Kwh (in Rupees)	1.67	1.72	2.10	2.18	2.39
viii	Revenue per Kwh (in Rupees)	1.11	1.24	1.40	1.44	1.87
ix	Deficit per Kwh (in Rupees)	0.56	0.48	0.70	0.74	0.52

* Includes cost of generation, purchase, transmission and distribution of energy.

It would be seen from the above that the Zone could not recover even the cost of energy from consumers and the deficit ranged between Rs. 95.42 crore and Rs. 146.18 crore during these five years and the total deficit during the five years was Rs. 586.81 crore.

The main reasons for deficit as analysed in audit and discussed in subsequent paragraphs were:

(i) Excessive distribution losses resulting in lower availability of energy for sale;

(Para 3C.6.1)

(ii) Heavy commercial losses and

(Para 3C.7)

(iii) Excessive damage of distribution transformers resulting in high cost of distribution.

(Para 3C.12.1)

3C.5.1 Erratic consumption pattern

Taking hours of supply as 16 and considering load usage factor as 0.50 and 0.75 in respect of small and medium and large and heavy power consumers as applicable for assessment in case of unmetered supply, per day/kw consumption for these categories of consumers should be at least 8 kwh and 12 kwh respectively. An analysis in audit revealed that (i) per day/kwh consumption which ranged between 1.9 and 2.2 kwh in case of small and medium industrial consumers and 4.8 and 6.4 kwh in case of large and heavy consumers during 1994-95* to 1997-98 was low; (ii) consumption in case of non-Government consumers was in lower range of 1.9 and 6.4 kwh as compared to Government category ranging between 3.5 and 13.7 kwh and (iii) the average consumption of energy, per day per KW of connected load declined in small industries and large and heavy industries from 2.0 to 1.9 and 6.4 to 5.1 respectively during the period from 1993-94 to 1997-98.

* Figures for 1993-94 were not available.

Cases of steep fall in consumption by large and heavy power consumers noticed in test check were, however, not investigated by divisional officers as detailed below:

(i) In EDD Barabanki consumption went down from 57.30 lakh units in 1995-96 to 33.06 lakh units in 1997-98 in respect of M/s Somaya Organics Limited. The decline in consumption started from November 1996 when the existing meter, installed 15 months back as check meter, was replaced on the pretext of being defective. No action was taken to ascertain the reasons for fall in consumption or to check the accuracy of the replaced meter.

(ii) In EDD-II Faizabad the consumption of M/s J.R. Agro which ranged between 13.19 lakh and 14.7 lakh units during 1993-94 to 1996-97 fell to 9.55 lakh units during 1997-98. During the checking of the premises of the consumer, Chief Engineer (Central Area) found a hole on the back side of the panel on which meter was mounted. Despite, no investigation was carried out to ascertain the theft of energy.

(iii) In case of Jagdishpur Cement Industries in EDD Jagdishpur there was gradual fall in consumption from 9.68 lakh units in 1990-91 to 1.17 lakh units in 1995-96. Reasons for fall in consumption were not ascertained.

In view of fall in consumption without any apparent reason, possibility of theft of energy by consumers could not be ruled out.

3C.5.2 Variation in consumption pattern of cold storages

According to the norm prescribed by the Board (February 1997) the consumption of electricity in cold storages during the 15 February to 30 November should be 12 Kwh per quintal or 9.6 Kwh per bag per season.

The table on the next page depicts the consumption by the cold storages in EDD Sitapur, EDD-I Lakhimpur, EDD Gonda and EDD-II Faizabad and shortfall in consumption of electricity during the period indicated against each:

(In lakh Kwh)

Sl. No	Division	No. of cold storages	Capacity of storages	Period of consumption	Consumption as per norm	Actual consumption	Shortfall in consumption
1.	EDD Sitapur	4	134000 bags	February 1997 to November 1997 (1 season)	12.86	4.80	8.06
2.	EDD-I Lakhimpur	1	40000 Qtls.	February 1996 to November 1997 (2 seasons)	9.60	2.86	6.74
3.	EDD Gonda	3	55000 Qtls.	February 1996 to November 1997 (1 Cold storage 2 seasons and 2 cold storages 1 season)	9.00	4.87	4.13
4.	EDD-II Faizabad	4	261000 bags	February 1995 to November 1997 (3 season)	75.17	40.93	34.24
	Total				**106.63**	**53.46**	**53.17**

Reasons for shortfall in consumption of 53.17 lakh Kwh valued at Rs. 138.24 lakh in respect of four divisions were not investigated.

3C.6 System deficiencies

Distribution Zone, Lucknow, has connected load of 1531.74 MVA to feed 690758 consumers and supply is made through 42973 distribution transformers having capacity of 1729.78 MVA. The energy is transmitted from 22 nos. of 132/220 KV sub-stations (capacity 762.50 MVA) to 173 nos. of 33 KV sub-station (capacity 782.55 MVA). Thus, against demand of 1531.74 MVA of the zone, transmission capacity of 132/220 KV sub-stations was 762.50 MVA only which is indicative of overloading of the system. This resulted in higher rate of damage of transformers and higher line losses. Effective steps were, however, not taken to get the load of 132 KV sub-stations increased to meet the demand of the consumers and to insist on heavy power consumers to take supply on 132 KV and 220 KV voltage to avoid/reduce the burden on 33 KV and 11 KV sub-stations.

3C.6.1.1 Excessive distribution losses

Failure to keep the distribution losses within norm resulted in excess loss of 906.362 MU of energy valued at Rs. 133.69 crore during five years ending March 1998.

Distribution losses being difference between energy available for sale and the actual sale of energy comprises technical losses dissipated in the system and commercial losses due to theft, unauthorised extraction and defective metering system etc. The management did not prepare feeder wise energy account to identify the high loss areas for corrective action as recommended by Technical Committee on Power (1972).

In July 1991, Central Electricity Authority (CEA) recommended that sub-transmission and distribution losses should not be more than 11.5 per cent. As against these norms, the Zonal distribution losses ranged between 16.89 and 20.95 per cent during the five years period upto March 1998. The quantum of energy lost in excess of norms worked out to 906.362 MU valued at Rs. 133.69 crore during the period of five years ending 1997-98.

An analysis conducted by audit revealed that out of 16 divisions in the zone, in 4 Divisions alone viz. EDD Ambedkar Nagar, EDD Barabanki, EDD-I Rae Bareli and EDD Sitapur, distribution losses during five years upto March 1998 which ranged from 13.48 to 45.27 per cent aggregated to 452.595 MU valued at Rs. 67.27 crore and represented about 50 per cent of the total excess loss.

In spite of high incidence of distribution losses, no steps were taken by the zonal authorities to identify feeders where losses were exorbitant in order to take remedial action.

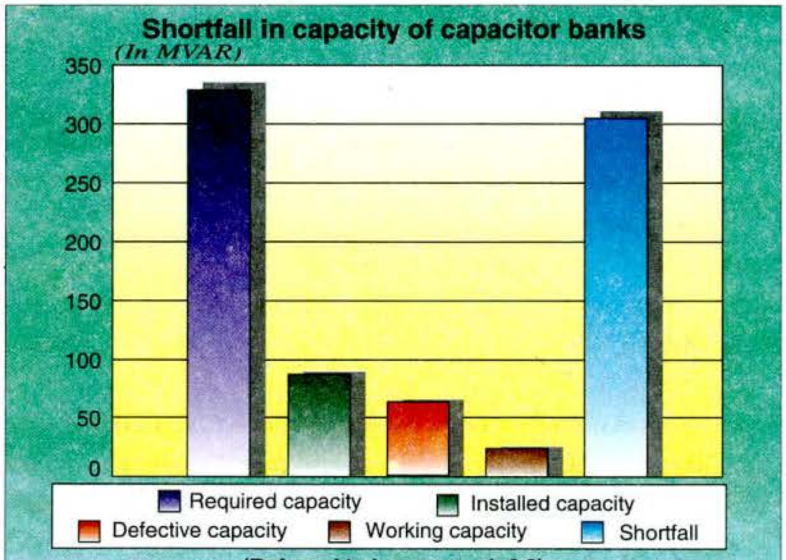
3C.6.1.2 Short accounting of energy

Eggro Pulp Papers Limited having contracted load of 825 KVA with effect from 6 June 1996 on 11 KV supply voltage was fed through independent feeder emanating from 33 KV sub-station Industrial Area, Jagdishpur. The Kwh meter installed at the start of the feeder was lying defective. However, on the basis of ampere hour load fed to the feeder of the consumer, the energy consumption on the basis of entries in log sheet of 33 KV sub-station during October 1997 to February 1998 worked out to 665149 Kwh against which only 382561 Kwh were recorded at consumer's end. This resulted in short accountal of 282588 Kwh and consequent loss of revenue of Rs. 10.68 lakh.

3C.6.2 Inadequate installation of capacitor banks

Non-installation of capacitor banks to the required extent resulted in system losses of 15.107 MU valued at Rs. 2.67 crore per annum.

Capacitor banks are installed both at load despatch as well as at consumer's installation to improve power factor, increase load carrying capacity of the system and reduce technical losses. To ensure the installation as well as proper maintenance of capacitor banks, the Board in May 1991 issued detailed instructions to all the Chief Zonal Engineers wherein necessity of installation of capacitor banks of correct rating was emphasised as it would improve power factor from 0.7 to 0.9, increase load bearing capacity of transformers by 28 percent, reduce line losses by 40 per cent and would also improve the voltage of the system. The Board, further, assessed (July 1993) that installation of 10 sets of capacitor banks of 2.4 MVAR capacity each would result in saving of 1.19 MU of energy.



(Referred to in paragraph 6.2)

It was noticed (March 1998) in audit that the capacitor banks were either not installed or wherever installed were lying damaged thereby resulting in shortfall in required capacity as detailed in the table below:

Name of circle	Transformation capacity	Required	Installed	Defective	Working	Shortfall
	(In MVA)	Capacity of capacitor banks (in MVAR)				
EDC Rae Bareli	209.100	87.822	27.600	25.500	2.100	85.722
EDC Sitapur	187.250	78.645	26.790	15.990	10.800	67.845
EDC Faizabad	139.000	58.380	12.600	9.300	3.300	55.080
EDC Sultanpur	143.500	60.270	13.789	8.000	5.789	54.481
EDC Gonda	103.700	43.554	6.638	4.635	2.003	41.551
Total	**782.550**	**328.671**	**87.417**	**63.425**	**23.992**	**304.679**

Thus, against required capacity of 328.671 MVAR, installed capacity was 87.417 MVAR which worked out to 26.60 per cent. Defective capacity of capacitor banks was 63.425 MVAR i.e. 72.55 per cent of installed capacity. Thus, the working capacity of 23.992 MVAR was 7.30 per cent of required capacity. The shortfall in system compensation worked out to 304.679 MVAR which resulted in loss of saving of system losses of 15.107 MU valued at Rs. 2.67 crore.

3C.7 Commercial losses

Zone failed to reduce commercial losses aggregating Rs. 10.84 crore during the period January 1992 to May 1998.

Due to defective metering, theft or pilferage of energy etc., a significant part of assessable energy remains unaccounted for and results in loss to Board. Installation of high accuracy meters, its periodical testing and checking, raising correct assessment bills and raising of bills in all cases can to a large extent minimize commercial losses.

However, the zone was not able to reduce the commercial losses. The quantum of such losses in cases test checked alone aggregated Rs. 10.84 crore as discussed in the succeeding paragraphs.

3C.7.1 Non billing for pilferage of energy

Board in December 1993 instructed the field officers that in cases of theft of energy detected during raids, besides lodging F.I.R. with the police, assessment for the theft of energy may be done and in case of default in payment, amount may be realised under U.P. Government Electrical Undertaking (Dues Recovery) Act, 1958.

Test check of the records of EDD Hardoi, Jagdishpur and Gonda revealed that in 129 nos. of theft detected during raids a sum of Rs. 10.94 lakh was not assessed.

3C.7.2 Under charge from consumers

(a) Malvika Steel, Jagdishpur was drawing load of 1500 KVA since December 1993 against sanction of temporary load for construction power. Pattern of consumption from October 1994 onwards which ranged from 2.97 lakh (November 1994) to 4.98 lakh Kwh (April 1995) per month as compared to earlier period (December 1993 to July 1994 where it ranged from 0.09 to 0.27 lakh Kwh per month) indicated that commercial production had started with effect from October 1994. As such billing of consumer under appropriate rate schedule (HV-1) as temporary connection should have commenced with effect from October 1994. However, billing of the consumer at appropriate tariff was started with effect from June 1995 when the consumer converted his temporary connection into permanent after executing revised agreement in the same month.

Thus, failure of divisional officer to bill the consumer at correct tariff resulted in under charge of Rs. 15.45 lakh during October 1994 to May 1995.

(b) In addition to load of 1500 KVA, Malvika Steel, Jagdishpur was also released a load of 5000 KVA in October 1995 against Board's sanction of January 1994 from the same feeder although rules of the Board do not permit two connections to same consumer in the same premises and from the same feeder. Further, although entire load of 6500 KVA released to the consumer was sanctioned as protective load* in April 1995 by the Board, yet divisional officer executed (June 1995) agreement for protective load only for 1500 KVA. In view of this, while the consumer enjoyed the facility of protective load for the entire load (as both the connection of 1500 and 5000 KVA were from the same feeder), consumer was billed for charges applicable to protective load only for 1500 KVA. This resulted in under charge of Rs. 1.84 crore during November 1995 to December 1997 (when connection of consumer was disconnected).

(c) Despite mention of rate schedule HV-1 as the applicable tariff for both the load of 1500 KVA and 5000 KVA intimated by the Board in the sanction of loads, the division continued to raise the bills under rate schedule HV-2 without any basis. Thus, application of wrong tariff resulted in under charge of revenue of Rs. 2.16 crore during June 1995 to April 1998.

3C.7.3 Short billing

Scrutiny of records of divisions test checked in audit revealed short/under billing of Rs. 133.87 lakh in case of 86 consumers in 10 EDDs during March 1994 to May 1998 as detailed in Annexure "11":

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* The protective load is a facility extended to continuous process consumers in exceptional circumstances getting supply through independent feeder with additional charge at the rate of 100 per cent demand charges per month. The protective load is not subject to emergency rostering and could be utilised for light & fan and drinking water purposes.

On being pointed out by Audit, (January to June 1998) bills for Rs. 98.67 lakh of consumers (referred in 17 cases at Sl.1, 2, 4, 5, 6, 7, 8,11,12, 14, 15,16, 18, 19, 20, 24 and 26 of Annexure "11") were raised by respective divisional officers, recovery of which was however, awaited (October 1998).

3C.7.4 Undercharge due to non-application of revised tariff

3C.7.4.1 State Tubewells

With the amendment of tariff with effect from 3 January 1997, rate of charge of State Tubewells under rate schedule LMV-8 was enhanced from Rs. 192 per BHP to Rs. 230 per BHP.

Scrutiny of records relating to billing of State Tubewells in two Electricity Distribution Divisions viz. EDD Jagdishpur and EDD-II Faizabad revealed (May/June 1998) that bills for January, February and March 1997 were raised at provisional rates. This resulted in under charge of Rs. 11.05 lakh (EDD Jagdishpur Rs. 4.16 lakh and EDD-II Faizabad Rs. 6.89 lakh) as per table given below:

(Rupees in lakh)

Sl. No.	Division	Connected load (BHP)	Electricity charge		Under charged
			Chargeable	Charged	
1.	EDD Jagdishpur	3727.5	25.63	21.47	4.16
2.	EDD II Faizabad	5752.5	41.68	34.79	6.89
	Total				**11.05**

On being pointed out (April 1998) by Audit, EDD-II, Faizabad raised the bills in May 1998, recovery of which was awaited (October 1998).

3C.7.4.2 World Bank Tubewells

Consequent upon amendment of tariff with effect from January 1997, World Bank Tubewells hitherto billed under rate schedule HV-4 on consumption and demand basis were brought under rate schedule LMV-8 on fixed charges at Rs. 440 per BHP.

EDD Jagdishpur, however, continued billing of World Bank Tubewells under rate schedule HV-4 upto July 1997. Further, the bills for the months of August 1997 to

May 1998 were not raised at all. This resulted in undercharge and non-billing aggregating Rs. 65.62 lakh as shown in the following table:

(Rupees in lakh)

Sl No	Cluster	Period	Electricity charges		
			Chargeable	Charged	Under charged/not charged
1.	Amethi	January 1997 to July 1997	40.03	22.52	17.51
		April-May 1998	11.44	-	11.44
2.	Ramganj	January to July 1997	19.66	11.08	8.58
		August 1997 to May 1998	28.09	-	28.09
		Total	**99.22**	**33.60**	**65.62**

3C.7.4.3 Pumping sets and cold storages

(i) Rate schedule LMV-6 is applicable from 16 July 1994 to pumping sets getting supply other than under rural supply schedule. Scrutiny of records of EDD-I Faizabad revealed that 279 pumping set consumers getting supply from urban feeders were billed under rate schedule LMV-5 instead of under rate schedule LMV-6 with the result that consumers were undercharged to the extent of Rs. 19.84 lakh during August 1994 to March 1998.

(ii) Cold storage consumers are billed under the tariff applicable to continuous process as they are exempted from peak hour restriction. However, such consumers are to be billed at rates applicable to non-continuous process if these are connected on rural feeders as provided in note (b) (iv) of rate schedule LMV-6 and corresponding note in rate schedule HV-2. Scrutiny of records of EDD Gonda revealed that three cold storages though getting supply from urban feeders were billed at rates applicable to non-continuous process instead of continuous process which resulted in under charge of Rs. 3.79 lakh during April 1995 to January 1998.

3C.7.5 Harijan Basties

Bills in respect of electrified villages and Harijan Basties were raised centrally against the Director, Panchayat Raj, Lucknow by the Chief Engineer (Commercial), Lucknow on the basis of 10 street light points of 40 watt for each village and 2 light points for each Harijan Basti. The system was decentralised in March 1990 when it was decided that all the dues in respect of electrified villages and Harijan Basties should be realised from respective Gram Pradhans at divisional level. Electricity facility was not to be provided to the defaulting villages and Basties.

Test check of records of Electricity Distribution Division-I Rae Bareli revealed that the revised procedure had not been implemented with the result that the billing to the extent of Rs. 186.05 lakh (including Electricity duty of Rs. 19.97 lakh) for the period April 1990 to December 1997 had not been done (October 1998).

3C.7.6 Non assessment in case of temporarily disconnected consumers

Clause 17 (iii) of the Electricity Supply (Consumers) Regulations, 1984 provides that if the connection of any consumer is disconnected for default in making payment of electricity dues and the consumer fails to get his connection reconnected within six months, the supplier should serve one month's notice to the consumer to get his connection reconnected failing which the service could stand permanently disconnected.

Test check of records in audit revealed (June 1998) that the connection of M/s Amethi Textiles Limited, Jagdishpur having load of 1700 KVA was disconnected on 5 July 1997 due to default in payments. Consumer did not get the connection connected within six months. As such consumer should have been declared permanently disconnected and should have been billed upto January 1998 (viz. six months) which was not done. This resulted in non billing of Rs. 28.05 lakh.

3C.7.7 Non levy of late payment surcharge

Rate schedule HV-2 read with Board's order of April 1981 stated that in case of permanently disconnected consumers late payment surcharge is leviable till the date of actual payment at the rate of 7 paisa per hundred rupees per day on the amount of bill for the period payment is delayed by the consumer.

Test check of records in audit revealed (March 1998) that late payment surcharge of Rs.32.69 lakh was not levied in the case of one consumer of EDD Rae Bareli (Rajendra Paper Mill) and two consumers of EDD Hardoi (Sahkari Vanaspati Mill and U.P. Metal Industries) for the delay in payment for the period ranging from 19 to 23 months.

3C.7.8 Loss of revenue due to defective meters

Non/delayed declaration of meter as defective in spite of erratic consumption leading to incorrect assessment and consequent undercharge was noticed in the following cases:

3C.7.8.1 Undercharge in case of large and heavy power consumers

(i) As per remark recorded on 3 November 1992 on the meter reading statement, Kwh meter appeared slow in case of M/s Indian Telephone Industries, Strouser unit, Rae Bareli and meter was recommended to be checked. As average power factor was 0.55, the consumer also recorded his views that the meter seemed to be defective. EDD-I Rae Bareli neither arranged checking of meter nor its replacement and continued to raise the bill up to February 1993 on the basis of Kwh reading. The meter was, however, replaced in September 1993.

An examination of pattern of consumption recorded prior to October 1992 revealed that consumption which was in the range of 654720 Kwh (July 1992) and 497280 Kwh (September 1992) fell to 220640 Kwh in October 1992 and further reduced to 190160 Kwh in November 1992 and 187200 Kwh in December 1992. This indicated that the meter became defective from October 1992 requiring the consumer to be assessed on the basis of average consumption preceding the month when the meter was all right. This resulted in under charge of Rs. 77.71 lakh during October 1992 to August 1993.

(ii) Old trivector meter (CT ratio 25/5A) installed at the premises of SAF Yeast Limited was replaced by electronic meter (CT ratio 50/5A) on 24-12-96. However, the new meter recorded very low consumption. The power factor on the basis of consumption recorded by this meter was abnormally low being 0.66 whereas in the past the same was 0.90. The low power factor was on account of defect in recording of Kwh portion. On the checking of meter on 28 February 1997 old current transformer was restored with the result that both the consumption and power factor improved. Thus, during 24 December 1996 to 28 February 1997 meter remained defective. The assessment for this period ought to have been made on the basis of the average consumption of preceding three months i.e. from 24 December 1996. Instead, the divisional officer billed the consumer on the basis of recorded consumption of the meter. This resulted in undercharge of revenue to the extent of Rs. 7.37 lakh.

(iii) Few other cases of non declaration/delayed declaration of meter as defective resulting in incorrect assessment and undercharge of Rs. 21.98 lakh are summarised in Annexure "12": Bills for Rs. 16.39 lakh were raised in May 1998 and September 1998 on being pointed out by audit.

3C.7.8.2 Undercharge of World Bank/Indo-Dutch Tubewells

Rate schedule HV-4 applicable to World Bank Tubewells upto 2 January 1997 provided that pending installation of suitable trivector meter/two part tariff meter at the start of the independent feeder feeding World Bank Tubewells, rate of charge shall be at Rs. 70 per BHP as demand charge on all connected load and at Rs. 1.77 per Kwh for Kwh consumed in the month. Cases of under charge on account of incorrect load and revision of assessment due to incorrect assessment in case of defective meter are discussed below:

(i) Meter installed at the start of the feeders of Salon group of World Bank Tubewells under EDD-II Rae Bareli became defective in October 1995. The division raised the bills for the period from October 1995 to December 1996 on the basis of average consumption of preceding three months. However, the preceding three months being July, August and September 1995 fell mostly in rainy season with low irrigation demand. Since conditions during the period the meter remained defective did not remain the same, the assessment of energy attracted provision of clause 21 (iii) (b) of the Electricity Supply (Consumers) Regulations, 1984 requiring billing of unmetered supply on the basis of connected load and hours of usage. Incorrect assessment, thus, resulted in under charge of Rs. 45.87 lakh during October 1995 to December 1996.

(ii) Meter installed on the feeder of Indo-Dutch Tubewells Harington Ganj feeder under EDD-II Faizabad had been lying defective for indefinite period (actual date not available on record). The division was raising the bill on the basis of assessment based on LFHD* formula for the period the meter remained defective. However, the bill for the month of December 1996 was raised for 93000 units on the pretext of replacement of defective meter though sealing certificate in respect of installation/replacement of meter was not available. The Division modified the bill with effect from June 1996 to November 1996 on the basis of consumption of December 1996 which contravened the provisions of The Electricity Supply (Consumers) Regulations, 1984. Modification and raising the bills in respect of June 1996 to November 1996 on the basis of consumption of December 1996 resulted in under charge of Rs. 25.22 lakh.

* Denotes load x factor x hours x days used to assess the consumption in case of unmetered supply.

3C.8 Suspected manipulations in finalisation of check meters

Clause 21 (ii) of Electricity Supply (Consumers) Regulations, 1984 provides inter alia, that if the consumer disputes the accuracy of any meter, he may upon giving notice together with payment of prescribed fee have the meter tested by the supplier. In the event of the meter being found on such test to be inaccurate beyond the limit of error allowed under the Act or Rules, bill for the last three months shall be modified in accordance with the test results.

The cases as noticed during test check where consumers were allowed adjustment of energy charges on the basis of doubtful results of check meters are discussed as under:

(i) Consequent upon release of additional load of 200 KVA over existing 250 KVA load and change of supply voltage from 400 volt to 11 KV, LT Trivector meter installed in the premises of M/s J.R. Agro Barabanki was replaced by HT meter on 4 November 1995. Although the consumption recorded by the new meter was satisfactory, yet divisional officer without any justification on record suggested installation of a check meter on the ground that on checking the CT ratio was found erratic. A check meter was installed on 11 January 1996 in series with old meter and on the basis of check meter result, the old meter was considered extraordinarily fast by 40.15 per cent in Kwh section and 41.47 per cent in KVA section. The divisional officer, however, without ascertaining the accuracy of test result by installing another check meter allowed the adjustment of Rs. 4.66 lakh after modifying the consumption recorded from 4 November 1995 to 28 December 1995. Continuing of check meter after removal of existing meter on 24 January 1996 further resulted in loss of Rs. 68.64 lakh till April 1998.

Installation of check meter was irregular and unwarranted in view of the following:

- There was no record to suggest that the HT meter installed only two months back was defective and consumption recorded during this period was incorrect.

- Installation of a check meter was not justified in view of defect in CT. Instead the CT should have been replaced.

(ii) Meter installed since inception (12 January 1989) in the premises of M/s Jagdishpur Cement Industries, Jagdishpur was checked by Assistant Engineer (Test) on 13 November 1992 and found running slow by 25.4 per cent. The Assistant Engineer instead of replacing the defective meter, suggested installation of a check meter. A check meter was installed on 29 December 1992 for one hour against usual period of 15 days to one month, where percentage of error was found to be 0.54 per cent only. The old meter is still continuing (June 1998) causing persistent loss of revenue to the Board. The decision of divisional officer to accept results based on installation of test meter only for one hour was not justified in view of the following:

- No irregularity/discrepancy in the meter was recorded on the sealing certificate dated 13 November 1992.
- Checking of meter was done on 13 November 1992 and check meter was installed after 46 days and that too only for one hour leaving ample scope of manipulation by the consumer.

The loss of revenue due to billing based on a meter which was found slow by 25.4 per cent worked out to Rs. 8.58 lakh from January 1993 to March 1998.

3C.9 Non/short realisation of initial security

In supersession of all previous orders, the Board issued a circular on 7 March 1994 prescribing the rates of initial security to be charged from various categories of consumers.

It was noticed that initial security aggregating Rs. 97.09 lakh was not/short demanded in 5 divisions as per details given in the table below :

(Rupees in lakh)

Sl No.	Division	No. of consumers	Category	Load	Security to be realised	Security demanded	Security short demanded
1	EDD Jagdishpur	12	H V-2	11290 KVA	59.36	38.62	20.74
2	EDD Hardoi	1	HV-2	400 KVA	2.20	1.20	1.00
3	EDD-1 Rae Bareli	2	LMV-3	90 KW	0.90	-----	0.90
4	EDD Sitapur	13	LMV-2 (Railway)	597 KW	1.79	-----	1.79

(Rupees in lakh)

Sl No.	Division	No. of consumers	Category	Load	Security to be realised	Security demanded	Security short demanded
5	EDD Unnao	---	Pump Canal	11654 HP	34.96	------	34.96
		---	World Bank Tubewells	4643 HP	13.93	----	13.93
			State Tubewells	2326 HP	6.98	---	6.98
			Lift Irrigation	830 HP	2.49	---	2.49
			Railways	574 KW	1.72	----	1.72
			Water Works	650 KW	6.50	---	6.50
			Public Lighting	608 KW	6.08	-----	6.08
	Total						**97.09**

Thus, non-issue of demands for initial security aggregating Rs. 97.07 lakh not only deprived the Board of funds to this extent, but also resulted in loss of interest of Rs. 14.56 lakh per annum @ 15 per cent being the difference of interest rate of cash credit and interest to be provided on security deposit.

3C.10 Accumulation of arrears

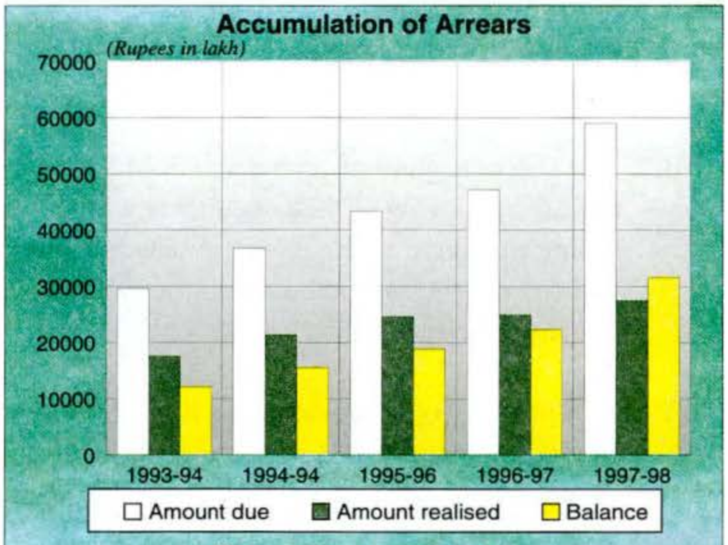
The detail regarding assessment and realisation of revenue for the last five years up to 1997-98 are as follows:

(Rupees in lakh)

Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
Balance outstanding at the beginning of the year	9190.10	12054.56	15473.68	18749.21	22278.01
Revenue assessed during the year	20384.37	24722.86	27830.51	28419.59	36747.31
Total amount due for realisation	29574.47	36777.42	43304.19	47168.80	59025.32
Amount realised during the year	17519.91	21303.74	24554.98	24890.79	27449.95

(Rupees in lakh)

Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
Balance outstanding at the end of the year	12054.56	15473.68	18749.21	22278.01	31575.37
Percentage of realisation to total dues.	59.24	57.93	56.70	52.77	46.51
Outstanding dues in terms of months realisation	7	7.5	4.3	9.4	10.3



(Referred to in paragraph 10)

It may be seen from the above table that the percentage of realisation to total dues came down from 59.24 per cent in 1993-94 to 46.51 per cent in 1997-98. Consequently the outstanding balances increased significantly from Rs. 120.55 crore at the end of March 1994 to Rs. 315.75 crore at the end of March 1998. Outstanding dues in terms of month's realisation at the close of five years upto March 1998 ranged between 4.3 and 10.3 months.

3C.10.1 Rapid growth of arrears

The category-wise arrears of energy charges of Rs. 120.55 crore at the close of March, 1994 increased almost by two and half times to Rs. 315.75 crore at the close of March, 1998 as given in Annexure "13".

It would be seen from the Annexure that maximum increase in the amount of arrears was in the case of large and heavy power consumers which increased by 792.09 per cent upto 1997-98 over the arrears at the end of 1993-94 in case of non-Government category consumers and in case of Government category consumers maximum increase in the amount of arrears was in case of World Bank Tubewells which increased by 223.99 per cent upto 1997-98 over the arrears at the end of 1993-94. Major defaulters contributing to the arrears were industrial including large and heavy power consumers (27.71 per cent), state irrigation (24.20 per cent) and local bodies (18.23 per cent).

An analysis done by audit revealed the reasons for increase in arrears as under:-

(i) Non-payment of Rs. 63.54 crore (outstanding at the end of March 1998) by M/s Somani Iron & Steel in respect of bills of MCG and late payment surcharge (Rs. 24.08 crore) and theft of energy (Rs. 38.46 crore) raised during the year. The connection (45 MVA) is lying disconnected since 6 October 1997 (discussed in para 4C.1 infra).

(ii) Non-payment of Rs. 4.92 crore by M/s Om Steel Faizabad in respect of assessment for theft of energy during 1995-96. The connection was disconnected on 5 October 1995.

(iii) Non-disconnection of connection of M/s Rawal Paper Mill, Rae Bareli in spite of repeated bouncing of their cheques and fixation/refixation of instalments on their failure to adhere to the payment schedule. The connection was disconnected in November 1997 when the dues mounted to Rs. 2.37 crore upto October 1997 as discussed in para 3C.10.2(a).

(iv) Non-payment of dues amounting Rs. 1.55 crore by M/s Amethi Textile, Jagdishpur (Rs. 0.28 crore) and M/s Rajendra Paper Mill, Rae Bareli (Rs. 0.33 crore) and consequent disconnection in July 1997 and February 1994 respectively (para 3C.7.6 and 3C.7.7).

(v) Non-payment of dues by local bodies in respect of consumption in Public Lighting and Water Works connections.

3C.10.2 Bouncing of cheques and incorrect application of tariff

(a) Board's circular dated 29 September 1977 read with clause 8 (i) (b) of the Electricity Supply (Consumers) Regulations, 1984 and Board's order dated 21 April 1982 provide that payment of electricity bills by cheque is not to be accepted from such consumers whose earlier cheques had bounced even once, reconnection of the service connections lying disconnected shall be allowed on payment of all outstanding dues and in case of non-payment of any instalment by the consumer, his supply shall be disconnected and facility of making payment in instalment shall be treated as cancelled automatically. Scrutiny of records of EDD-I, Rae Bareli revealed that Rawal Paper Mill having contracted demand of 1000 KVA was making payment of electricity bills regularly till November 1992. The premises of the consumer was checked in December 1992 as a result of which an assessment of Rs. 68.49 lakh was raised for the irregularities found in checking. Though the two earlier cheques deposited by the consumer in January and July 1993 had been dishonoured, the division accepted 12 cheques for Rs. 63.64 lakh during February 1994 to June 1996 from time to time which were also dishonoured by banks.

In spite of accumulation of arrears to Rs. 87.17 lakh at the end of May 1994, Rs. 115.15 lakh at the end of October 1994 and Rs. 148.51 lakh upto July 1996 as a result of bouncing of cheques, supply of the consumer was not disconnected upto July 1996. The supply of the consumer, disconnected on 1 August 1996 was restored on 13 October 1996 after a part payment of Rs. 10 lakh by the consumer and fixation and re-fixation of instalments for the remaining sum. The consumer again could not adhere to the payment schedule of due instalments which was refixed in June 1997. The connection is lying disconnected since 5 November 1997 and arrears accumulated to Rs. 237.04 lakh mainly due to (i) non-disconnection of supply of the consumer from April/May 1994 when cheques of Rs. 39.64 lakh bounced, (ii) fixation and refixation of instalments, and (iii) instructions of Member (Distribution) not to disconnect the connection.

(b) As per tariff amended with effect from January 1997, World Bank Tubewells are to be billed at the rate of Rs. 440 per BHP per month under rate schedule LMV-8. Scrutiny of records of EDD-II, Lakhimpur, revealed that World Bank Tubewells of Mohammadi cluster (load : 527.5 BHP) and Barwar cluster (load : 680 BHP) continued to be billed at higher rates under rate schedule HV-4 which was irregular resulting in accumulation of arrears by Rs. 39.10 lakh.

3C.10.3 Non-issue of recovery certificates

(i) Unpaid electricity dues are recoverable as arrears of land revenue under the Uttar Pradesh Government Electrical Undertakings (Dues Recovery) Act, 1958, provided a demand notice under section 3 of the Act is issued to consumer asking him to pay the dues. In case of default even after issue of notice under section 3, a recovery certificate under section 5 is to be issued to the District Collector for recovery of arrears. It was noticed in audit that against demand notices for Rs. 27.12 crore issued under section 3 recovery was effected for only Rs. 3.33 crore and the recovery certificates were issued for Rs. 8.14 crore at the end of March 1998. Reasons for non issue of recovery certificates for balance dues amounting to Rs. 15.65 crore were not intimated to Audit.

(ii) 522 recovery certificates involving an amount of Rs. 311 lakh in eight divisions test checked were returned by the District Authorities on the ground of incomplete and incorrect address and absence of whereabouts of the consumers (Rs. 35.46 lakh), death and no heirs (Rs. 20.44 lakh), and other reasons (Rs. 255.10 lakh). The divisions failed to return these certificates as they were unable to provide correct addresses, trace the whereabouts of the consumers and property and fulfill the other requirements, rendering the chances of recovery doubtful.

3C.11.1 Theft of Board's assets

According to the orders of the Board issued in December 1975, the cases of individual theft involving losses upto Rs. 6000 were required to be investigated by sub-divisional officers and those exceeding Rs. 6000/- by Executive Engineers in-charge of the divisions. The Executive Engineers were also required to investigate independently 10 per cent of the cases falling under the purview of sub-divisional officers including some cases of repeated thefts at the same locations.

It was noticed in audit of nine divisions that while theft of transformers (value Rs. 33.27 lakh) and conductors (value Rs. 159.68 lakh) during the period from April 1993 to March 1998 had taken place but neither any preventive measures like intensive patrolling of lines and sub-stations, keeping the lines prone to theft energised, to avoid thefts were taken nor necessary investigation conducted by respective officers. Even progress of action taken by Police on FIR lodged for thefts was not properly watched and monitored.

3C.11.2 Theft of line material due to non dismantling of redundant lines

(i) 33 KV Gonda-Itiathok 21.34 km line being a portion of Gonda-Itiathok-Balrampur line became redundant after commissioning of 132 KV sub-station at Balrampur in March 1979. On physical verification of the line by EDD Gonda in October 1992, 49.33 km ACSR Dog conductor and 8 rail poles valuing Rs.13.35 lakh were found missing. The division again carried out physical verification of the line in September 1994 and found further materials worth Rs. 3.79 lakh (43 rail pole Rs. 2.70 lakh and 2.09 km ACSR conductor Rs. 1.09 lakh) missing.

In spite of these thefts, balance line material valued at Rs. 14.09 lakh were not removed from the redundant line.

(ii) Zonal Technical Committee consisting of Superintending Engineer and Chief Engineer, Lucknow Distribution Zone and SE Transmission and Chief Engineer, Transmission (Central) approved in January 1995, dismantling of 33 KV Jagdishpur-Jais line (5.7 Km). This line was lying idle and de-energised from more than 10 years and Board was suffering losses due to theft of material from time to time which aggregated Rs. 10.65 lakh.

(iii) Risia-Nanpara line was lying in incomplete condition with line material worth Rs. 12.15 lakh erected on it. The line was ordered to be dismantled in July 1989. The line was however not dismantled as of date (October 1998) without any reason on record. In the mean time line material worth Rs. 5.29 lakh was found missing from the line. Thus, non dismantling of line in time resulted in loss of material on one hand and blockade of funds on unretrieved material on the other hand.

3C.12.1 Excessive damage of distribution transformers

Distribution transformers (25 KVA to 1000 KVA) play a vital role for stepping down the voltage for supply to the consumers. The life of distribution transformers is estimated to be 25 years provided maintenance schedule is observed and protective devices are installed.

During the period of five years up to 1997-98, 17941 tranformers valued at Rs. 61.39 crore were damaged in excess of norms.

The Board laid down in May 1982 that the damage of transformers should be about 2 per cent of installed transformers. For reducing the damage rate to 2 per cent it was considered necessary to:

(i) Carry out detailed monitoring including ascertaining reasons for damage;

(ii) Maintain history cards in respect of each transformer;

(iii) Use of dropout fuses on 11 KVA rating ;

(iv) Joint LT terminals with crimping tools and copper lugs; and

(v) Avoid pressure or weight over LT terminals etc.

However, divisions did not follow preventive measures recommended by the Board due to which the damage rate always exceeded the norm and ranged between 2.9 and 36.41 per cent.

The number of transformers damaged in excess of norms aggregated 17941, value of which during the period from 1993-94 to 1997-98 worked out to Rs. 61.39 crore.

Repair of transformers is considered by the Board as economical up to 60 per cent of their existing value. Thus, considering the expenditure on repair upto 50 per cent of their value, cost of repair of damaged transformers during five years worked out to Rs. 30.70 crore.

3C.12.2 Non return of power transformer

EDD-I Faizabad issued a 7.5 MVA transformer to U.P. Rajya Vidyut Utpadan Nigam Limited (UPRVUN), Unchahar in January 1987 and raised the bill for Rs. 7.21 lakh. UPRVUN instead of making payment, requested (October 1988) Board to take back the same. In the mean time Unchahar Power House was transferred to National Thermal Power Corporation (NTPC) in February 1992 by UPRVUN. The transformer has not been taken back from NTPC as of date (October 1998) although NTPC had agreed to hand over the same in October 1996. This resulted in locking up of Rs. 7.21 lakh.

3C.13 Incomplete lines and sub-stations causing blockade of funds

A scrutiny of records revealed (May 1998) that the under mentioned lines and sub-stations remained incomplete after incurring expenditure of Rs. 9.08 lakh as indicated below:

(i) A 33/11 KV sub-station of 3 MVA capacity at Baragoan (Sultanpur) was sanctioned in October 1989 with the estimated cost of Rs. 24.94 lakh. The proposed sub-station was lying incomplete after incurring an expenditure of Rs. 4.44 lakh. No action plan to revive the work was taken up (October 1998).

(ii) A 33 KV line from 33 KV Bhetua sub-station to 33 KV Bhadar sub-station was sanctioned in 1989-90 at an estimated cost of Rs. 19.97 lakh. The proposed line has not been completed. The expenditure of Rs. 4.64 lakh incurred up to June 1995 may go waste as there was no proposal to complete the work so far (October 1998).

3C.14 Remittance to local branches of Banks by division not brought to Board's Branch Receipt Account

Offices of Uttar Pradesh State Electricity Board collecting revenue by way of sale of energy to the consumers and remitting it in respective Banks in Board's Branch receipt accounts are required to prepare Bank reconciliation to ensure that all money remitted to Bank had been credited to Branch receipt account of the Board.

It was noticed that in case of EDD Jagdishpur, Bank reconciliation was not done during the period from March 1993 to December 1996. In EDD-I Rae Bareli a sum of Rs. 33.50 lakh debited to Branch receipt account by the bank during August 1996 to February 1997 could not be located (October 1998).

Other topics of interest

3C.15 Excess payment on power purchased

Excess payment of Rs. 3.50 crore was made for energy less received at receiving end against power purchase agreement.

The Board executed (15 November 1995) Power Purchase Agreement with M/s Dhampur Sugar Mill Limited, Rauzagoan (Barabanki) for purchase of power to the extent of 15 Mega Volt Ampere (MVA). The rate applicable for purchase of power by the Board during the financial year 1995-96 was Rs. 2.25 per Kwh which was to be revised for the subsequent year in the ratio of increase in tariff (applicable to large and heavy power consumers HV-1 in previous year) and accordingly, worked out to Rs. 2.475 per Kwh during 1997-98. The Board paid for 212.57 lakh units (after deducting 5 per cent line loss) valued at Rs. 5.26 crore at Rs. 2.475 per Kwh in respect of purchase of power made from 4 June 1997 to April 1998 against 71.27 lakh units received at receiving end during the period. In this connection it would be pertinent to mention that even after Executive Engineer EDD Barabanki pointed out (December 1997) that electricity recorded at receiving end (132 KV sub-station Chandauli, Barabanki) was 40 to 50 per cent less than energy transmitted, steps to investigate reasons for vide variations in meters of dispatch and receiving were not taken as of date (July 1998). Payment on the basis of meter readings at dispatch end resulted in excess payment (after adjusting line loss of 5 per cent) for 141.31 lakh units amounting to Rs. 3.50 crore against the electricity purchased during June 1997 to April 1998.

CONCLUSION

Distribution Zone was established with a view to exercise control over planning, monitoring, power distribution and billing of energy in effective manner, however, from the foregoing review it could be observed that due to ineffective monitoring and control, the arrears of revenue of gone increased considerably, the distribution losses could not be checked due to non/short billing, incorrect and erratic metering which resulted in short assessment of energy charges. Further, incidence of loss/pilferage of cash and assets could not be controlled due to management failure. In view of such position the revenue wings in the division are required to be strengthened so that correct assessment of energy is made and the commercial losses minimised. Close monitoring is also required to prevent frequent damage of distribution transformers. Effective action by way of disconnection of defaulting consumers and issuing recovery certificates would also have to be taken up so as to reduce the arrears of revenue.

The above matters were reported to the Board and to Government in July 1998; replies have not been received (October 1998).

Chapter III

Section 3D

Uttar Pradesh State Electricity Board

Inventory Management in Distribution Wing

SECTION 3D

Inventory Management in Distribution Wing

HIGHLIGHTS

Uttar Pradesh State Electricity Board (Board) formed Inventory Management and Control Organisation (IMCO) in April 1975 for exercising control over receipt, storage, issues and inventory holding of the Board as a whole. However, IMCO confined its activities to Distribution wing only.

(Paragraph 3D.1)

The Board did not prescribe any procedure to assess requirement of materials to be procured. Tentative and haphazard assessment of requirement resulted in extra expenditure of Rs. 0.95 crore in procurement of switchgear, 11 KV TPMO and 33 KV Pin Insulator during 1995-96 and 1996-97.

(Paragraph 3D.4.1)

Failure to place orders on technically suitable lower offers resulted in extra expenditure of Rs. 2.42 crore.

(Paragraph 3D.4.2)

Due to non-inclusion of a suitable clause in tender specification to enforce recovery for low weight of inputs, the Board could not recover Rs. 65.61 lakh. Further, procurement of transformers at higher rates on the unsustainable ground of higher performance guarantee period resulted in loss of Rs. 47.99 lakh.

(Paragraph 3D.4.3)

Extension of delivery period on unsustainable grounds not covered by the terms of the agreement resulted in price variation of Rs. 106.14 lakh and non-imposition of penalty of Rs. 28.36 lakh.

(Paragraph 3D.4.7)

Despite quality of material approved by the regular inspection unit of Board's headquarters and the respective consignees, the Director General of Electricity Quality Assurance and Technical Research Organisation observed material worth Rs. 48.71 lakh not in accordance with the stipulated specifications.

(Paragraph 3D.5)

Material valued at Rs. 2.50 crore remained unutilised for period ranging from 2 to 18 years. Similarly, unserviceable and scrap material valued at Rs. 3.70 crore remained undisposed of.

(Paragraphs 3D.6.2 and 3D.6.4)

Unusable power transformers having scrap value of Rs. 2.71 crore remained undisposed of for 1 to 20 years resulting in inventory carrying cost of Rs. 48.68 lakh. Retrieval of transformer oil less than the norms resulted in loss of Rs. 24.19 lakh.

(Paragraphs 3D.6.3 and 3D.6.4.2)

Placement of order for repair of transformers to a sick industrial unit resulted in frequent extension of delivery period entailing price variation payment of Rs. 3.44 lakh besides locking up of transformers valued at Rs. 20.45 lakh.

(Paragraph 3D.6.4.4)

Delayed/non closure of stock accounts resulted in shortage of material not being detected in most of the cases. When these accounts were closed and physical verification carried out, misappropriation of Rs. 1.28 crore was detected for which responsibility has not been fixed.

(Paragraph 3D.7.2)

3D.1 Introduction

Inventory management involves meticulous forecasting of requirements for planning, procurement and utilisation of material with a view to exercising control over their receipt, storage, transfer to user units and inventory holding so as to minimise procurement and inventory holding costs. With this end, the Board formed Inventory Management and Control Organisation (IMCO) with effect from 1 April 1975. However, activities of IMCO are confined to procurement and management of material required for Board's distribution wing only. The value of opening balance, purchases, issues and closing balance of inventories at the close of five years up to 1997-98 were as under:

(Rupees in lakh)

Year	Opening balance	Purchase	Total	Issue	Closing balance
1993-94	2995.58	45287.79	48283.37	46347.79	1935.58
1994-95	1935.58	50076.50	52012.08	48478.68	3533.40
1995-96	3533.40	55328.96	58862.36	52712.03	6150.33
1996-97	6150.33	59825.43	65975.76	61169.82	4805.94
1997-98	4805.94	72800.73	77606.67	72238.04	5368.63

3D.2 Organisational set up

The Inventory Management and Control Organisation is headed by the Chief Engineer, Material Management (CEMM) under the overall charge of Member (Distribution) of the Board. Procurement of material and inspection thereof is entrusted to three Electricity Stores Procurement Circles (ESPCs) and a Stores Inspection Circle, each headed by a Superintending Engineer. The receipt of the material procured by the ESPCs and their issue to the user divisions is controlled by the Chief Engineer and Controller of Stores (CECOS), CEMM and four Electricity Stores Circles (ESCs), each headed by a Superintending Engineer with thirteen Electricity Stores Divisions (ESDs), each headed by an Executive Engineer falling under the charge of CECOS.

3D.3 Scope of Audit

The review conducted between November 1997 to May 1998 covers material management functions including system of assessment of requirement, procurement of material, inventory holdings, utilisation, and accounting of centrally* procured stores of distribution wing of the Board for a period of five years upto March 1998.

The points noticed during checking of records maintained in stores divisions, procurement circle, stores inspection circles, CEMM and CECOS are discussed in the succeeding paragraphs.

* Procurement of material by the units based on urgent requirements have not been covered in the review.

3D.4 Procedure for procurement of material

Though the Board formed IMCO as far back as in April 1975, it did not crystallise (April 1998) the procedure for assessment of requirements, invitation, evaluation and finalisation of tenders, inspection, receipt, issue and accountal of material. The purchases of the Board are finalised by three committees viz. Chief Engineers Committee (CEC) (for orders upto Rs. 50 lakh), Members Committee (above Rs. 50 lakh and upto Rs. 150 lakh) and Central Stores Purchase Committee (CSPC) headed by Chairman (exceeding Rs.150 lakh), on the basis of recommendations of respective SE/ESPCs on specific tenders.

3D.4.1 Deficient system for assessment of requirements

The Board has not prescribed any procedure to assess requirement of materials to be procured. The requirements are assessed tentatively by CECOS on the basis of targets to be achieved during the year and on the basis of past consumption for non-plan works. The requirements so assessed are further revised on the basis of revised targets for the year. However, this system of assessment of requirement is deficient in as much as it fails to :

(i) assess correct requirements based on estimates of approved/identified schemes;

(ii) link availability of funds to meet the financial requirement of procurement due to absence of a system of preparation of purchase budgets; and

(iii) account for material available with distribution divisions in the absence of a system for obtaining feed back from user divisions.

The system deficiencies resulted in incorrect assessment of requirements, consequently leading to revision of quantities and frequent extension of delivery period of purchase orders causing extra expenditure of Rs. 95.21 lakh as discussed below:

Failure to evolve a system to assess requirement of material resulted in extra expenditure of Rs. 95.21 lakh.

3D.4.1.1 On the basis of assessed quantity of switchgear (11 KV, 350 MVA, 800 A) for the year 1996-97, intimated (November 1995) by CECOS, tenders were invited by ESPC-I, Lucknow for 30 nos. incomer and 90 nos. feeder switchgears in February 1996. This quantity was, however, enhanced to 100 nos. incomer and 300 nos. feeder switchgears in May 1996. As per terms and conditions of the tender, the

Board could enhance the quantity to the extent of 50 per cent. Accordingly, the Board placed order for enhanced quantity of 45 nos. of incomer and 135 nos. feeder switchgears, at computed rate of Rs. 228476.57 and Rs. 158720.05 each respectively. For remaining quantity of 55 nos. and 165 nos. the Board invited fresh tender in November 1996 and placed order at computed rate of Rs. 271348 and Rs. 191307.20 each respectively. Thus, due to incorrect assessment of requirement in the first instance, extra expenditure of Rs. 57.80 lakh was incurred on procurement of 55 nos. incomer and 165 nos feeder switchgears.

3D.4.1.2 On the basis of the requirement of 11 KV Triple Pole Manually Operated Switch (TPMO) intimated by the CECOS (November 1994) for the year 1995-96, the ESPC I, Lucknow invited tenders for procurement of 5000 nos 11 KV TPMO against specification no. ESPC I/248/95. As per decision of CSPC (August 1995), orders were placed for supply of 7500 nos TPMO, at lowest computed FOR destination price of Rs. 2827.75 each. In the meantime, in July 1995, the assessed requirement of TPMO was revised to 15200 nos. To meet the enhanced requirement, the circle invited fresh tenders under specification no. 254/95 for 5000 nos TPMO, which were opened in October 1995. The CSPC, however, decided (August 1996) to procure 7500 nos TPMO at lowest computed FOR destination price of Rs. 3192.35 each. Thus, due to incorrect assessment of the requirement, extra expenditure of Rs. 27.35 lakh was incurred by the Board for procurement of 7500 nos. TPMO.

3D.4.1.3 The ESPC III, Lucknow invited (April 1996) tenders under specification no. 13/96 for procurement of 6000 nos 33 KV pin insulators as per requirement for year 1996-97 intimated by CECOs in February 1996. The lowest evaluated rate was Rs. 263.36 each and orders were placed (February 1997) for 12000 nos as per decision of Purchase Committee in August 1996. The assessed requirement was revised to 60000 nos., consequently fresh tenders were invited (September 1996) for procurement of 48000 nos. to meet the increased demand under specification no. 17/96. The lowest computed rate against this tender was Rs. 284.32 each on the basis of which orders were placed for 48000 nos. in February 1997. Thus, due to incorrect assessment of the requirement in February 1996, an extra expenditure of Rs. 10.06 lakh was incurred by the Board.

3D.4.2 Irregularities in procurement of material

Efficient and successful system of material management calls for (i) limiting the purchases to items actually required for use within a reasonable period of time, and (ii) ensuring that these purchases are made at the most competitive prices. Cases as noticed in test check where purchases were made at higher rates, are discussed in the succeeding paragraphs :

Failure to place orders on technically suitable lower offers resulted in extra expenditure of Rs. 2.42 crore.

3D.4.2.1 Tenders for purchase of 60 nos. of 5 MVA transformers against specification no. ESPC-I /223/93 were opened in August 1993. While sending the proposal to CSPC, the CEMM specifically recommended that the technical and financial competence of the firms of Uttar Pradesh including Technical Associates, Lucknow (with lowest computed rate of Rs. 12.60 lakh per transformer) may be ascertained by a committee. He further recommended for placement of a trial order of 2 transformers to be able to avail the lower rates in future, if the supplies made against trial order meet the technical parameters. CSPC, however, did not consider the recommendation and ignored the lowest technically suitable offer on the ground of lack of required experience. Consequently, orders were placed at rate of second lowest tenderer (M/s Marson's, Calcutta, Rs. 14.86 lakh), for the entire quantity. Thus, placement of orders for 65 nos. transformers at second lowest rates without making counter offer to supply at lowest quoted rate resulted in extra expenditure of Rs. 146.90 lakh. It would not be out of place to mention that Board had a policy to prefer manufacturers of the State for procurement of material even by relaxing the condition regarding past experience.

3D.4.2.2 Tenders for purchase of 750 nos. transformers of 250 KVA capacity (specification no. ESPC-I/178/90) were opened in July 1990. The lowest offer of Rs. 69002 quoted by Rajasthan Transformers and Switchgear (RTS), Jaipur was rejected on the ground that the transformers offered had not been fully tested. The other four lower offers were also rejected on the ground that the firms were not having three years operational experience and manufacturing capacity equal to 20 per cent of specified quantity of transformers. Consequently, the CSPC accepted (November 1990) the sixth lowest rate of Rs. 79487 quoted by Marson's, Calcutta. However, it was noticed that RTS, Jaipur had submitted past performance certificate alongwith tender documents, according to which the firm was continuously supplying 250 KVA/500 KVA transformers to Rajasthan State Electricity Board (RSEB) since April 1976 and their satisfactory performance was also confirmed by RSEB in September 1990. It was further noticed that in case of successful tenderers, the condition of type test* was waived. Thus, rejection of lowest offer on the ground of not being fully tested resulted in extra expenditure of Rs. 95.20 lakh on purchase of 908 transformers of 250 KVA capacity during the period from March 1991 to August 1994.

* Tests to ascertain the specified capacity of the transformer.

3D.4.3 Incorrect evaluation

3D.4.3.1 Extra expenditure due to incorrect calculation of ex-works price

Due to non-inclusion of a suitable clause in tender specification to enforce recovery for low weight of inputs, the Board could not recover Rs. 65.61 lakh.

A transformer comprises raw materials like core laminations, HV and LV leg coils, transformer oil, mild steel, insulation and fittings. Cost of a transformer accordingly depends upon the quantity of these materials used in production. While evaluating the comparative cost thereof, the tendering unit has to chalk out the cost components including comparative input requirements, prevailing unit rates thereof, wastage, labour overheads and profit elements. However, without indicating in the tender specification of the weights of inputs to be quoted to facilitate comparative evaluation of cost, Board invited tenders against specification no. 223/93 for purchase of 50 nos of 5 MVA (33/11 KV) transformers which were opened in August 1993. The lowest F.O.R. destination rate quoted by Marson's, Calcutta was Rs. 14.66 lakh, on the basis of which orders were placed for supply of 65 nos. transformers on three firms, viz. Marson's, Calcutta, Marson's, Agra and MEI, Mirzapur.

Scrutiny of tenders submitted by Calcutta and Mirzapur firms revealed that M/s MEI, Mirzapur was allowed the rate of Marson's, Calcutta, though comparative weight of transformers offered by it was less by 2202 kg on account of lesser quantity of core HV/LV leg coils, tank fittings and transformer oil etc. The value of material used less worked out to Rs. 2.43 lakh per transformer. While calculating the ex-works rates to be allowed to MEI, Mirzapur, corresponding deduction of Rs. 2.43 lakh on account of less quantity of material used, however, could not be made due to non-inclusion of a suitable clause in tender specification in this regard, resulting in extra expenditure of Rs. 65.61 lakh for supply of 27 nos. 5 MVA transformers.

3D.4.3.2 Injudicious purchase of transformers

Procurement of transformers at higher rates on the unsustainable ground of higher performance guarantee period resulted in loss of Rs. 47.99 lakh.

Tenders for purchase of 18000 nos. 25 KVA transformers with performance guarantee of three years were invited (August 1995) by ESPC-I, Lucknow and out of 38 nos. technically acceptable tenderers, 16 nos. had quoted the rate with performance guarantee of

18 months instead of 3 years as specified in the tender. The lowest computed FOR rate with 18 months and 3 years performance guarantee was Rs. 18880 of Modern, Ghaziabad and Rs. 20035 of Anand, Faizabad respectively.

On the direction of CSPC (September 1995) to evaluate the rates, the CEMM intimated (April 1996) that there was saving of Rs. 621.75 (average cost of repair of each transformer during 18 months) on each transformer purchased with 3 years performance guarantee as compared to 18 months performance guarantee. Audit, however, observed that transformers with guarantee of 18 months were economical as there was overall saving of Rs. 533.25 per transformer*. While in April 1996, the CSPC decided to purchase 300 nos. transformers with 18 months performance guarantee from Modern, Ghaziabad at computed FOR destination rate of Rs. 18880 to be supplied by May 1996, the CSPC, in May 1996 decided to place further orders for 9000 distribution transformers (25 KVA) at the rate of Rs. 20035 to 21 firms with performance guarantee of 3 years. Thus, due to injudicious decision, the Board had to incur avoidable expenditure amounting to Rs. 47.99 lakh at the rate of Rs. 533.25 per transformer on 9000 nos. distribution transformers.

The local management stated (October 1998) that procurement of a slightly costlier transformer with a higher guarantee of 36 months (against 18 months guarantee in case of the former) was justified. The reply is not tenable considering the substantial saving in the procurement of transformers of less guarantee period and the Board has also admitted (October 1998) that the guarantee period was not very relevant since the normal life of a properly designed transformer was 20 years.

3D.4.4 Undue benefit to the suppliers due to extension of delivery period

The ESPC-I, Lucknow placed order (March 1995) on M/s Marson's, Calcutta for supply of 2 nos. 8 MVA (33/11 KV) power transformers against specification no. ESPC-I/233/93 at computed FOR destination price of Rs. 20.85 lakh (excluding sales tax) each. The delivery of the above transformers was to be completed between June 1995 and January 1996. As the firm failed to deliver the transformers up to March 1996, the order was cancelled in April 1996. Despite knowledge that rates obtained in January 1996 against specification no. 258/95 for the same capacity of transformers was Rs. 14.65 lakh, order of the firm (M/s Marson's, Calcutta) was revived at old rates on its request

* Cost of transformer having 3 years guarantee period: Rs. 20035 - (cost of transformer having 18 months guarantee period : Rs. 18880 + cost of repair for remaining 18 months: Rs. 621.75).

with the condition that both the transformers would be supplied by July 1996. However, the transformers were supplied by the firm in August 1996. This resulted in extending benefit to the firm by making extra payment of Rs. 12.40 lakh. Further, the Board did not impose any penalty (Rs. 2.78 lakh) for late delivery and also paid price variation to the extent of Rs. 3.96 lakh.

3D.4.5 Incorrect calculation of price variation

3D.4.5.1 Non-recovery against price variation

Deferment of recovery for reduction in price of inputs from seven firms on the grounds of non-finalisation of case of other 15 firms resulted in non-recovery of Rs. 24.21 lakh.

Orders for supply of 2.16 lakh, 8.5 meters long PCC poles against specification no. Steel Cell -11 were placed (November 1995) on 22 firms by SE, Steel Cell, Lucknow at ex-works rate of Rs. 768.91 per pole subject to price variation on HT wire and cement only. The price variation was to be allowed on the variation of rate of HT wire and cement as per notification of M/s Mukund Limited, Bombay and M/s Uttar Pradesh State Cement Corporation Limited, Lucknow respectively taking into consideration the basic price of raw materials (HT wire and cement) prevailing on 1 August 1995. The price variation was to be allowed only after approval by the concerned ordering authority.

Scrutiny of records revealed (May 1998) that letters for reduction in price ranging between Rs. 0.87 to Rs. 74.53 per PCC pole on account of price variation during February 1996 to May 1997 were issued (July 1997) by the concerning S.E., Steel Cell, Lucknow to seven firms with instructions to concerned Stores Divisions to make recoveries to the extent of Rs. 24.21 lakh. The letters for reduction in price in respect of the remaining 15 firms could not be issued for want of decision by the competent authority. Hence, Chief Engineer (Material Management) deferred (August 1997) the recovery orders in respect of 7 firms also on the basis of representation from these firms and constituted a Committee of three officers (Two SEs and one Dy. Chief Accounts Officer and Finance Adviser) with the instruction to submit their report within one month. The report from the committee was still awaited (May 1998).

Thus, due to deferment of the recovery from 7 firms on the ground of non-finalisation of case in respect of 15 firms, the amount of Rs 24.21 lakh could not be recovered as of October 1998.

3D.4.5.2 Irregular payment of price variation

In November 1996, ESPC-III, Lucknow placed orders on three firms of Calcutta (India Steel Corporation, SA Enterprises and Cee Build Company) for supply of GI wires and GSS wire against specification no. 3/96.

The prices were variable according to price variation clause, under which price was to be fixed on the basis of the rates of wire rods and zinc ingots prevailing on the date 15 days before the date of delivery. The date of delivery was to be the date on which the wires were actually ready for inspection or the contractual delivery date, whichever was earlier.

Scrutiny of records revealed that all the above three firms offered for inspection 750 MT of wires vide letter dated 17 April 1997 but in all the cases the date was overwritten. However, as observed in audit the original dates of offer by India Steel Corporation was 12 April 1997 and by S.A. Enterprises 10 April 1997 and by Cee Build Company Private Limited 14 April 1997. Hence as per original dates the price variation (Rs. 1038.35 per MT) applicable for March 1997 was payable whereas price variation (Rs. 1324.85 per MT) for April 1997 was paid on the basis of overwritten date as 17 April 1997. Thus, extra payment of Rs. 2.23 lakh was made to these firms against supply of 750 MT wires which was irregular and undue favour to the firms.

3D.4.6 Extra expenditure due to enhancement in ordered quantity

In June 1997, the ESPC- III Lucknow issued orders in favour of M/s Bharat Heavy Electricals Limited (BHEL), Lucknow against specification no. 12/96 for supply of 40000 nos 11 KV disc insulator T & C Type (45 KN) and 30000 nos disc insulator B & S Type (70 KN) at the rate of Rs. 205 and Rs. 225 each respectively. The supply was to be completed by February 1998. Tenders for similar items were further invited (September 1997) against specification no. 9/97 and the price part was opened on 28 October 1997. The lowest quoted rate of above insulators was Rs. 194.04 and Rs. 205.13 respectively by the same firm (M/s BHEL, Lucknow) which was approved by CSPC on 2 December 1997. In the meantime, ordered quantity against specification no. 12/96 was enhanced (20 November, 1997) by 15000 nos. and 20000 nos. respectively on the old rates (Rs. 205 and Rs. 225 each) without insisting on the supply at the rates of Rs. 194.04 and Rs. 205.13 quoted by the firm against subsequent tender (9/97). This resulted in extra expenditure of Rs. 5.62 lakh (excluding excise duty and sales tax).

3D.4.7 Extra expenditure due to revision of delivery period

Extension of delivery period to match the month when the firm supplied materials on unsustainable grounds not covered by the terms of the agreement resulted in price variation of Rs. 106.14 lakh and non-imposition of penalty of Rs. 28.36 lakh.

Order was placed (August 1993) on Equipment Conductors and Cables, New Delhi for supply of 3500 Km of AAA weasel conductor against specification no. 266/92 at ex-works price of Rs. 5599 per km, adjustable according to the price variation formula. The delivery schedule of the supply order provided for supply of 1500 km of conductor was upto December 1993 and the remaining 2000 km of conductor by March 1994. However, the quantity of order was enhanced (September 1993) to 5000 km at the same rate and additional quantity was to be supplied by June 1994. It was noticed that the supplier failed to adhere to the delivery schedule of the order which was revised frequently based on the actual date of supply. The extension was sought by the supplier mainly on the grounds of power cut by the Haryana State Electricity Board for nearly 8 hours per day which was already in the notice of the supplier before entering into the contract and scarcity of material which was not covered under the terms of order/agreement. Thus, due to acceptance of time extension at the request of supplier not covered under the provisions of the order, the Board had to make an avoidable payment of price variation amounting to Rs. 106.14 lakh on procurement of 4997.861 km conductor during December 1993 to June 1997. Besides, the Board could also not levy penalty of Rs. 28.36 lakh for delayed supply which it could have otherwise imposed according to the terms and conditions of the supply order.

3D.4.8 Avoidable payment of transportation charges

Transformers, conductors, poles and other line materials are being procured by ESPCs on FOR destination basis any where in the State and the despatch instructions are issued by the CECOS to firms to supply the specified quantity at the specified centres based on the requirement of that material by the divisions under the jurisdiction of the Stores Centre. It was noticed in audit that due to incorrect assessment of requirement of materials at Stores Centre, the materials were re-transported from one Stores Centre to other Stores Centre/Division leading to avoidable expenditure. Test check of 6 ESDs revealed that avoidable expenditure of Rs. 11.45 lakh was incurred on re-transportation of the materials.

3D.5 Quality control

Despite quality of material approved by the regular inspection unit of Board's headquarters and the respective consignees, the Director General of EQUATOR, noticed that material worth Rs. 48.71 lakh did not conform to the stipulated specifications, even then neither responsibility for incorrect inspection was fixed nor recovery was effected.

Board has constituted (1992) a technical wing named as Electricity Quality Assurance and Technical Research Organisation (EQUATOR) headed by a Chief Engineer (designated as Director General) to carry out inspection of material supplied at various stores centre of the stores organisation. It was also required to check material against complaints and ascertain the accuracy of the quality of material in addition to check exercised by the Electricity Stores Inspection Circle (ESIC) and the consignee division. EQUATOR was required to submit its reports to the Chairman for taking remedial action for the material not conforming to the tender specifications.

It was noticed that EQUATOR while carrying out inspection (7 nos.) during the period from July 1993 to November 1997 reported that material worth Rs. 48.71 lakh did not conform to the specifications. However, action either to recover proportionate cost from the supplier or to fix responsibility for carrying out incorrect inspection by ESIC and consignee divisions was not taken so far (June 1998).

3D.5.1 Defective supply of cables and bivector meters

(i) 1200 meter 33 KV cables (3x120 Sq mm) valued at Rs.18 lakh supplied by Central Cables Limited, Nagpur in December 1996 against specification no. 288/94 were laid (May 1997) at Kailashpuri Barrage and was damaged in the same month. As per Chief Engineer (Distribution), Lucknow (July 1997), the cables had manufacturing defects as the conductor inside was found carbonised.

(ii) Similarly, 253 meter XLPE Cable (3x300 Sq mm) valued at Rs.3.80 lakh supplied by the Central Cables Limited, Nagpur, against specification no. 287/94 was issued (February 1997) to Electricity Construction Division-I, LESU for releasing connection to Bapu Bhawan. The cable was found (July 1997) defective as the insulation resistance of the cable was lower.

Neither the cables have been replaced nor the cost of cables recovered from the firm as of June 1998.

(iii) Superintending Engineer, Electricity Stores Procurement Circle - III, Lucknow (SE, ESPC-III) placed orders (April 1991) on M/s Industrial Meters Private Limited, Bombay (I.M.P.) for supply of 1000 nos. (300 nos. HT and 700 nos LT) Bivector meters against specification no ESPC III/8/89 at total ex-works price of Rs. 78 lakh (excluding excise duty and sales tax). The average freight and insurance of Rs. 4 lakh for transportation was also payable at the rate of Rs. 400 per meter. As per delivery schedule 500 nos (150-H.T. and 350-LT) meters were to be supplied upto November 1991 and the delivery schedule for the remaining 500 meters was to be issued on satisfactory completion of supplies and satisfactory performance.

Scrutiny of records of SE, ESPC-III, Lucknow revealed (October 1998) that against the receipt of 500 meters (during June 1991 to April 1992) by three Electricity Stores Divisions 492 meters were issued to concerned Electricity Test Divisions for their installation at consumers' premises. The balance 8 meters valued at Rs. 0.66 lakh (excluding taxes) are still lying unutilised with stores divisions (October 1998). On installation of meters at consumers' premises performance of the meter were not found upto the mark and on receipt of complaints for poor performance of these meters from field officers, the order for balance 500 meters was cancelled (March 1995) by SE, ESPC-III, Lucknow. No amount for defective supply of meters was recovered from the supplier and bank guarantee of Rs. 8.20 lakh of the firm was also released (July 1995).

It was observed that before despatch of these meters by the suppliers, these were inspected and tested by Inspecting Officer of UPSEB as per specifications. However, neither action against officers responsible for improper inspection nor against supplier for defective supply was initiated as of October 1998.

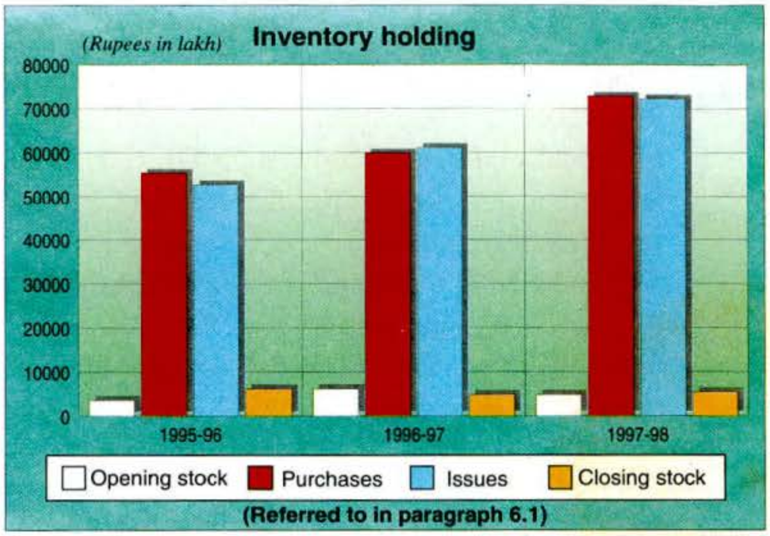
Thus, due to improper inspection, the Board had to suffer a loss which could not be quantified in the absence of details of actual defective supply out of total supply valued at Rs. 41 lakh (excluding taxes).

3D.6 Inventory control

Inventory control is an essential function and involves taking decision as to when to buy and how much to buy with a view to achieve its objective to minimise the inventory holding while maximising the availability of material.

3D.6.1 Inventory holding

The table below indicates the opening stock, purchases, issues, and closing balance of the stores material under Stores Organisation for the last three years up to 1997-98.



(Rupees in lakh)

	1995-96	1996-97	1997-98
Opening Stock	3533.40	6150.33	4805.94
Purchase	55328.96	59825.43	72800.73
Total	58862.36	65975.76	77606.67
Issues	52712.03	61169.82	72238.04
Closing Stock	6150.33	4805.94	5368.63

The following points were noticed during the course of audit:

(i) ABC analysis viz. classification of material into fast moving, slow moving and non-moving category was not done to control inventory holdings and its cost thereof;

(ii) maximum, minimum and economic re-ordering levels even for major stores like transformers, conductors, cables, supports, insulators etc. were not fixed to control receipts and issue of major materials;

(iii) reserve stock limits upto which the material should be stocked in a Store Division had not been fixed;

(iv) half yearly register of stock (4-S) maintained in Division Office was required to be reconciled with stock register (3-S) maintained at Sub-divisional Office and closed every half year after review by divisional officer. It was noticed that in 11 ESDs the registers were neither reconciled nor closed for the last 1 to 12 years;

(v) there was wide variation in value of stock (Rs. 9439.04 lakh) as reported by SEs through MIS in respect of 13 ESDs as on 31 March, 1998 and the figure (Rs. 5738.04 lakh) appearing in the financial accounts of Stores Organisation which has not been reconciled as of June 1998;

(vi) unacknowledged inter-unit transfers worth Rs. 14898.16 lakh were pending clearance from 1 year to over five years in 9 ESDs without any reasons on record; and

(vii) advances paid to suppliers for supply of material worth Rs. 840.58 lakh were not cleared at the end of March 1998 with the result that it could not be ascertained whether materials against which these advances were given, were actually received or not.

3D.6.2 Locking up of funds

Material valued at Rs. 2.50 crore remained unutilised for periods ranging from 2 to 18 years.

Test check of records of 9 stores divisions revealed that materials worth Rs. 2.50 crore were purchased in excess of requirements with the result that these materials were lying unutilised for periods ranging from 2 to 18 years as on 31 March 1998. This, besides locking of Board's funds to the above extent resulted in inventory carrying cost* to the extent of Rs. 19.75 lakh.

3D.6.3 Non-disposal of unusable power transformers

Unusable power transformers having scrap value of Rs. 2.71 crore remained undisposed of for 1 to 20 years resulting in annual inventory carrying cost of Rs. 48.68 lakh.

Chief Zonal Engineers (CZE) are authorised to decide and declare damaged/ un-economical power transformers as "scrap/unusable." After such declaration, these power transformers are disposed of through Metal Scrap Trading Corporation of India.

* represents interest element at the rate of 18 per cent. Other elements not considered for want of details.

140 nos. damaged/unusable power transformers of 1 MVA to 5 MVA capacity and different ratings having scrap value of Rs. 271.44 lakh were lying at different Distribution/Workshop Divisions for last 1 to 20 years, but no action has been taken for their disposal for want of declaration by concerned CZEs as scrap/unusable so far (May 1998). Thus there was locking up of Board's fund to the extent of Rs. 271.44 lakh during the above period resulting in avoidable inventory carrying cost of Rs. 48.86 lakh per annum.

3D.6.4 Unserviceable, obsolete and scrap materials

Unserviceable, obsolete and scrap materials mainly consist of retrieved leg coils, core stamping, MS scrap from damaged transformers, line material retrieved from distribution and workshop divisions. The value of unserviceable and scrap materials and their disposal made during the last three years ending March 1998 was as under :

Unserviceable, obsolete and scrap material valued at Rs. 3.70 crore were lying due to meagre disposal of these materials.

(Rs. in lakh)

Year	Value of unserviceable & scrap materials	Value of materials disposed of	Balance
1995-96	756.63	421.68	334.95
1996-97	771.51	455.70	315.81
1997-98	496.85	127.44	369.41

It would be seen from the above that the disposal of unserviceable and scrap materials was ranged from 25.65 to 59.06 per cent of the total of such materials. Irregularities regarding short/non retrieval of material from damaged transformers including transformer oil and non-disposal of scrap as noticed in test check are discussed below.

3D.6.4.1 Non-dismantling of damaged transformers

As per Board's order issued in June 1986, the dismantling of burnt, damaged and un-economical transformers into various components, was to be carried out by the Stores Organisation for their disposal.

Scrutiny of records, however, revealed (May 1998) that 333 nos. (5 KVA to 5000 KVA) burnt, damaged and un-economical aluminium and copper wound transformers were lying un-dismantled at stores centres at the end of March, 1998 for the last 2 to 15 years. Non-dismantling of these transformers into various components resulted in non-disposal of scraps valued at Rs. 34.96 lakh at the average rate of 20 per cent of actual cost.

Reasons for non-dismantling and disposal thereof were not analysed by the Board so far (May 1998).

3D.6.4.2 Short/non-retrieval of transformer oil

Retrieval of transformer oil less than the norm resulted in loss of Rs. 24.19 lakh.

According to Board's orders (September 1981), transformer oil was to be drained out from the damaged transformers before sending to firms for repairs. Retrieval of transformer oil was to be made at 70 per cent of the capacity indicated in the number plate fixed on the transformer.

A test check of records of 11 ESDs revealed that in most of the cases the transformer oil was retrieved at less than 70 per cent of the capacity of oil tank leading to the short retrieval of transformer oil worth Rs. 24.19 lakh.

The Board had neither fixed any responsibility for short recovery nor any other preventive action was taken (October 1998).

3D.6.4.3 Short recovery of aluminium/copper leg coils

Short recovery of aluminium / copper leg coils scrap from the damaged transformers meant for disposal resulted in loss of Rs. 15.59 lakh.

Board's order of March 1986 provides that uneconomical damaged transformers were to be transferred, without oil, to stores centre of the Stores Organisation, on weight basis alongwith the inventory of each components, for disposal. The dismantling of these transformers for disposal was to be done by the Stores Organisation. Cases of short recovery of Copper/ Aluminium leg coils valued at Rs. 15.59 lakh are discussed below:

(i) Scrutiny of records of Electricity Stores Divisions, Bareilly, Ghaziabad, Moradabad and Dehradun revealed (May 1998) that 1918 nos. burnt, damaged and un-economical transformers (5 KVA to 400 KVA) were received at Stores Centres, Moradabad, Shahjahanpur, Bulandshahar and Rishikesh from distribution/ workshop divisions in number instead of on weight basis. On stripping of above transformers during April 1992 to March 1998 the total quantity of aluminium and copper leg coil scrap received were 22185 kgs and 26005 kgs respectively and the average weight of aluminium and copper leg coil (scrap) received from damaged transformers of various capacities were different at each centre. On the basis of average weight of aluminium and copper leg coil received at stores centre, Bijnore, the short recovery of aluminium and copper scrap worked out to 10707 kgs and 5703 kgs respectively valued at Rs. 12.16 lakh at the four stores centres mentioned above.

(ii) Similarly 337 nos. burnt, damaged and un-economical transformers (15 KVA to 100 KVA) were received in Stores Centre, Barabanki in November/December, 1993 from Workshop Division, Faizabad in numbers without inventory of each component. On stripping of the above transformers during November/December 1993, total quantity of copper leg coils retrieved was 8721 kg at average weight of 22.78 to 59.30 kg per transformer against average weight of 29.18 to 93 kg per transformer of the same capacity received at other stores centres (Faizabad, Gonda, Bahraich and Sultanpur). On the above basis the copper leg coils short received on dismantling at Barabanki centre worked out to 3665 kg. (value Rs.3.43 lakh).

Reasons for short recovery were neither on record nor analysed by the Stores Organisation (May 1998).

3D.6.4.4 Non-return of damaged transformers after repair

Lack of monitoring of receipt of repaired transformers from a firm resulted in loss of Board's assets valued at Rs. 15.35 lakh due to closure of the firm.

(i) During January 1994 to August 1994, 32 nos damaged transformers of different capacities valued at Rs. 7.95 lakh were issued by ESD, Gorakhpur to Noor Transformers (Pvt.) Limited, Basti for repair against orders placed by ESPC-I, Lucknow under specification nos. 201/91 and 154/88. Though the firm was required to return the repaired transformers within three months from the date of delivery (i.e.between April and November 1994), these were not returned as of March 1998. The division had also issued (September 1991 to July 1994) 22 nos of transformers repaired by the same firm but damaged during guarantee period (value

Rs. 7.40 lakh) for re-repairs. The firm was required to return these transformers within two months from the date of delivery (i.e. between November 1991 and October 1994). However, the firm did not return any of the transformers upto March 1998. During the intervening period upto February 1995, when a notice for sale of the factory of the firm was published in newspapers, the division started to locate the firm from September 1995 by which time the firm was found closed. FIR was belatedly lodged with police in October 1997 (i.e. after 2 years).

Thus, lack of monitoring of receipt of Board's assets for a comparatively long period of more than six years resulted in loss of Board's assets to the extent of Rs. 15.35 lakh being the cost of transformers for which responsibility has not been fixed as of October 1998.

Placement of order for repair of transformers to a sick unit resulted in frequent extension of delivery period entailing price variation payment of Rs. 3.44 lakh besides locking up transformers valued at Rs. 20.45 lakh for 4 to 8 years.

(ii) Despite the fact that Phoenix Electricals, Varanasi was declared (1984) a 'sick unit' by the State Government, 68 nos copper wound damaged transformers (25 KVA to 75 KVA) valued at Rs. 20.45 lakh were delivered during February 1988 to January 1989 for repairs against specification no. 30/81/ESD by ESD, Varanasi. The terms and conditions of the agreement (February 1982) provided for repairs to be completed within one month from the date of approval of the estimates failing which the firm was liable for penalty at the prescribed rates. The transformers were, however, returned after repairs during July 1993 and December 1996 (after a delay of more than 4 to 8 years)

It was noticed by Audit that ESPC-I, Lucknow extended delivery period four times up to December 1996 to accomodate the firm indicating that price escalation in material will be payable by the Board. Thus, placement of order to a sick unit resulted in frequent extension of delivery period entailing price variation of Rs. 3.44 lakh besides locking up of transformers valued at Rs. 20.45 lakh for 4 to 8 years.

3D.7 Issue of materials

3D.7.1 Issue of materials without estimates

According to the order issued by the Board (March 1986), Stores Divisions are required to issue materials to the field units only against sanctioned estimates. However, it was seen that Electricity Stores Divisions continued to issue materials without sanctioned estimates. In 7 Divisions materials worth Rs. 446.63 lakh were issued in 310 cases without any estimate during the period from June 1992 to March 1998.

3D.7.2 Shortage of stock materials

As per existing procedure for receipt, issue and accountal of materials, stock records maintained by section holder and sub-divisional officers are required to be closed half yearly viz March and September each year and those maintained at division annually after comparison of ground balance with book balance.

Non-reconciliation, inordinate delay in closure of stock accounts resulted in misappropriation of materials worth Rs. 1.28 crore.

It was noticed that in six divisions (ESD, Agra, Lucknow, Kanpur, Meerut, Dehradun and Varanasi) stock records of sub-divisions and divisions were either not reconciled and closed at all or closed after inordinate delay with the result that misappropriation/shortage of materials worth Rs. 128.27 lakh committed during November 1979 to October 1996 could be detected only at the time of physical verification conducted during the period from August 1989 to March 1997.

Although miscellaneous advance for entire amount was booked against concerned officials action to initiate disciplinary proceeding with a view to fix responsibility for shortages and non closure/comparison of stock records was not taken as of May 1998.

Other topics of interest

3D.8 Locking up of fund on transformers failed within the guarantee period after repairs

On the one hand Board had been facing acute financial crunch while on the other substantial fund is blocked up in such transformers which failed within the guarantee period of 12 months and could not be repaired free of cost within the stipulated period of

Rs. 3.26 crore was locked up in 762 transformers which failed within the guarantee period and were lying with the Board or repairer firms for a period over 1 to 9 years.

2 months. Cost of such transformers were to be recovered from the pending bills of the defaulting firms and allotment of fresh repair work was not to be made to them.

It was, however, noticed by Audit that repaired distribution transformers of 25 to 630 KVA ratings (762 nos) valued at Rs. 3.26 crore pertaining to 5 Electricity Stores Divisions* failed within the guarantee period. While 222 transformers valued at Rs. 1.14 crore were lying unattended with the repairer firms, 540 transformers valued at Rs. 2.12 crore were not lifted by them and were lying unattended at Board's own stores centres. Thus, Rs. 3.26 crore, being cost of these transformers remained locked up for over 1 to 9 years for which no action was taken against the defaulting firms. Instead, fresh allotments for repair work were made in some cases to the same firms.

CONCLUSION

Every year the Board spends huge funds running into crores of rupees on procurement of material for its Distribution Wing. Such expenditure requires efficient material management and inventory control to economise the cost of procurement and inventory holding. However, the Board has not prepared any manual and consequently failed to perform its desired functions resulting in extra payment on account of incorrect assessment of requirement of the materials to be procured, rejection of lowest technically acceptable offers and extension of delivery period without sustainable grounds. Lack of inventory control resulted in locking up of huge funds and avoidable inventory carrying cost on unserviceable scrap material including non-dismantling of damaged and unserviceable power/distribution transformers and misappropriation of stores due to fake issues, delays in submission of accounts and non-accountal etc.

The Board needs to evolve a proper system for assessment of requirements, economise cost of procurement by avoiding unsustainable grounds for rejection of offers or extension of delivery period, besides devising a proper system of inventory control to avoid misappropriation of stores and expediting disposal of unwanted scrap/unserviceable materials.

The matters were reported to the Board and to the Government in July 1998; their replies were awaited (October 1998).

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* Electricity Stores Division, Allahabad/Varanasi/Haldwani/Kanpur/Gorakhpur.

Chapter IV

Miscellaneous Topics of Interest

Chapter IV

Section 4A

Miscellaneous Topics of Interest

Government Companies

SECTION 4A

Government Companies

Uttar Pradesh State Textile Corporation Limited

4A.1 Avoidable loss in purchase of cotton

The Company had to suffer a loss of Rs. 3.29 crore due to delayed cancellation of orders for purchase of cotton.

Company suffered a loss of Rs. 3.29 crore due to delayed cancellation of cotton purchase orders.

The Uttar Pradesh State Textile Corporation Limited (UPSTC) entered into a contract (1994-95) with the Cotton Corporation of India (CCI) and Punjab Markfed for purchase of cotton. According to the provisions of the contract, a free period of 40 days from the date of contract was allowed to the Company for lifting of the cotton. During free time no carrying charges were to be levied by the seller and in case of failure to lift the cotton within free period, carrying charges at the rate of 2 per cent were levied for first 30 days and 2.5 per cent for subsequent period. In case of cancellation of order due to buyer's default, loss caused to the seller in disposing the cotton were to be paid by the buyer to the seller.

It was noticed that during cotton season 1994-95 the Company lifted 53083 bales only (45633 bales from CCI and 7450 bales from Punjab Markfed) at the rate of Rs. 20200 to Rs. 23800 and Rs. 20500 to Rs. 22300 per bale respectively against the contracted quantity of 64751 bales (53950 bales from CCI and 10801 bales from Punjab Markfed). Thereafter, due to financial constraints and decrease in cotton prices, the Company purchased 15559 bales of cotton from private dealers on 35 days credit basis during April 1995 to July 1995 and did not cancel the purchase agreement with CCI and Punjab Markfed in spite of having decided (May 1995) to run its mills on job work basis. The Company could cancel the order for unlifted quantity of 11668 bales of both the sellers in October 1995. The cotton was resold by the CCI in October/November 1995 and by the Markfed in October/November 1996 at the prevailing rates (Rs. 14500 to Rs. 20648 per bale) and raised debits to the Company for Rs. 540.50 lakh on account of carrying charges (Rs. 304.12 lakh) and loss due to resale (Rs. 236.38 lakh) for which the Company provided liability in its accounts. The amount was adjusted by CCI from revolving cash credit limit facilitated by them and liability for payment to Markfed was provided in the Textile Corporation's account.

Thus, the Company while taking the decision for purchase of cotton from private dealers did not consider the financial implications. Had it cancelled the orders in May 1995 due to cash crunch and in view of their decision for running the mills on job work basis (May 1995), it could have avoided payment of carrying charges from June 1995 and loss due to resale by CCI and Punjab Markfed to the extent of Rs. 329.08 lakh.

The Management in its reply (March 1998) admitted that the Cotton Purchase Committee failed to foresee the market price trend correctly and thereby could not take a timely decision for cancellation of the contracted quantities. Management further stated that no action could be initiated against the officers as they had resigned and left the service.

The matter was reported to the Government in June 1998; replies had not been received (October 1998).

4A.2 Unfruitful expenditure on construction of floors beyond requirement

The expenditure of Rs. 1.58 crore incurred on construction of the sixth and seventh floor of its office complex in excess of the actual requirement was rendered unfruitful and the Company had to pay interest amounting to Rs. 2.25 crore to the bank on the loan.

Expenditure of Rs. 1.58 crore on construction of unrequired two floors of office complex was rendered unfruitful.

With a view to accommodating all the four companies of the State Textile Federation (TEXFED) which were running their offices in rented buildings at Kanpur, the Company purchased (February 1988) a plot of land from the Uttar Pradesh Housing Development Board (UPHDB). The other three companies, however, did not agree to share the cost of the proposed office complex, christened as 'Vastra Bhawan' due to financial crunch being faced by them. The Company, with a consideration to sell/let out the accommodation to these companies after completion, started (August 1990) the construction on its own. In spite of the fact that actual requirement of TEXFED group was only five floors (including ground floor), the Company went on to construct seven floors without even obtaining a sale deed from the Housing Board and firm commitment from any prospective buyers/tenants. The above construction was completed in July 1993 at a cost of Rs. 689.72 lakh (excluding interest capitalised : Rs. 126.42 lakh) which was part financed through bank loan of Rs. 250 lakh.

It was noticed in audit that the Company upto May 1998 could let out only three and a half floors to two of its associate companies and other clients besides occupying one floor itself. The Management stated (August 1998) that due to non-registration of sale deed, it could not sell any portion. However, in spite of registration of sale deed in August 1997, the company has so far (August 1998) not been able to sell/let out the portions lying vacant since July 1993.

Thus, the expenditure of Rs. 157.51 lakh incurred on construction of the sixth and seventh floor of its office complex in excess of the actual requirement was rendered unfruitful and the Company had also to pay interest amounting to Rs. 224.79 lakh to the bank on the loan.

The matter was reported to the Government in June 1998; reply had not been received (October 1998).

4A.3 Loss in job work at Jaspur unit

Failure of the Company to define in the agreement the quality of cotton to be supplied by the job party, charging from it job charges on actual capacity utilisation instead of contracted capacity and allowing it the benefit of power saving beyond the scope of the agreement etc., resulted in a loss of Rs. 55.30 lakh.

The Company entered (August 1996) into an agreement with Santaram Spinners Limited, Ahmedabad (firm) for running its Jaspur unit on job work (contract) basis for one year with the condition that it could be terminated by either party by giving one month's notice. The agreement, *inter alia*, provided that:

(i) job charges shall be payable based on 94 per cent capacity utilisation and will be liable for pro rata adjustment with the decrease or increase in capacity utilisation except in case of under utilisation of capacity due to cotton shortage which was to be supplied by the firm;

(ii) in case of termination/completion of contract, the job charges during run out period of (last) 7 days, will be paid at actual capacity utilisation; and

(iii) the average count of the yarn to be produced will be 17 to 30.

However, a statement of count-wise cotton strength product (CSP) of the cotton to be supplied by the firm was not made a part of the agreement as was decided (July 1996) by a committee headed by the Managing Director.

During the execution of the agreement, several disputes arose between the firm and the Company resulting in premature termination (December 1996) of the agreement. In this connection it was noticed that:

(a) since the average count of the yarn produced in October and November 1996 from the cotton supplied by the firm was only 16.1 and 16.5 respectively, the Company had to run the machines on slow speed and to incur an extra expenditure of Rs. 2.56 lakh on additional labour etc.;

(b) due to non-supply of the cotton by the firm of the required CSP, the Company from 1 to 14 November 1996 could not run the machines and charged Rs. 4.34 lakh for under utilisation of capacity;

(c) both the parties agreed (28 November) to accept 13 November as the date of notice and the firm agreed to supply 900 bales of cotton immediately so that the unit could be run upto 12 December 1996 including run out period of 7 days. However, the firm completed the supply of cotton upto 14 December and the unit was run upto 22 December, as such the contractual capacity utilisation of 94 per cent could not be achieved and the Company charged Rs. 36.77 lakh for cotton shortage during the period from 25 November to 15 December 1996 (excluding run out period of 7 days from 16 December 1996).

The Committee headed by the Managing Director recommended (February 1997) that extra expenditure on labour (Rs. 2.56 lakh) and cotton shortage charges (Rs. 4.34 lakh) may not be charged in view of absence of specific provisions in the agreement. It further recommended that job charges (Rs. 36.77 lakh) for the period from 25 November 1996 to 15 December 1996 could be charged on actual capacity utilisation.

The above recommendations were agreed by the firm also but were subject to the approval of the Board of the Company. The Board, however, authorised (March 1997) the Managing Director to decide the matter at his own level who decided to recover all the dues from the firm. Against this, the firm went in arbitration (August 1997). The Arbitrator observed (January 1998) that since the Managing Director was the signatory of the recommendations made in February 1997 and the Board had authorised him to take decision of his own, he should have implemented the agreement reached earlier.

Based on the above, the Arbitrator awarded (January 1998) a relief of Rs. 41.11 lakh to the firm on account of job charges and 50 per cent of power saving benefit on account of lesser power used due to slow speed of the machines amounting to Rs. 11.63 lakh while rejecting the claim of the Company for extra expenditure of Rs. 2.56 lakh on account of deployment of extra labour. Thus, total loss to the Company amounted to Rs. 55.30 lakh (Rs. 41.11 lakh + Rs. 11.63 lakh + Rs. 2.56 lakh).

The Management admitted (September 1998) the fact of making a defective agreement.

The matter was reported to the Government in August 1998; their replies were awaited (October 1998).

4A.4 Non-realisation of sale proceeds and carrying charges

Failure on the part of the Company to reconcile the accounts and obtain requisite bank guarantee from Depot Handling Agent resulted in non-realisation of Rs. 54.91 lakh.

Failure of the Company to reconcile the accounts and obtain requisite bank guarantee resulted in non-realisation of dues of Rs. 54.91 lakh.

The Company on the basis of annual agreement, had appointed (1994) Laxmi Mohan Polytex, Bombay to act as its Depot Handling Agent (DHA) for Bombay Sale Depot. The agreement was revised in May 1995 and in October 1996 (valid up to March 1997). The agreement *inter alia*, provided that DHA shall (i) deposit a security of Rs. 5 lakh in the shape of bank guarantee, (ii) deposit the payment of sale proceeds in the Company's bank account on the next day. Besides, the DHA was also required to charge carrying charges at the rate of 24 per cent per annum on the delayed lifting of yarn by dealer/purchasers.

Although the bank guarantee of Rs. 5 lakh, submitted by the DHA in May 1995 expired in August 1995, the Company did not ensure submission of fresh bank guarantee by the DHA even at the time of entering into revised agreement of October 1996 and despatched yarn valued at Rs. 727.62 lakh during 1994-97 (up to December 1997), out of which sale proceeds of Rs. 711.44 lakh was deposited by DHA from time to time but payments aggregating Rs. 16.18 lakh were withheld. The Company, which did not reconcile accounts with DHA periodically, claimed (February 1998) Rs. 54.91 lakh representing sale proceeds of Rs. 16.18 lakh, carrying charges of Rs. 36.81 lakh and other claims valued at Rs. 7 lakh after adjusting commission of Rs. 5.08 lakh. The DHA had not paid the dues as of October 1998.

It was noticed in Audit that accumulation of such heavy dues was made possible because of failure of the Company to obtain requisite bank guarantee, unabated heavy despatches without ensuring recovery of earlier sale proceeds or obtaining statement of account periodically. Recovery certificate was issued belatedly in August 1998 at the instance of audit. Further progress was awaited as of October 1998.

The Management admitted (September 1998) that it could not obtain bank guarantee and stated further that the firm did not make payment in response to a legal notice of June 1998 and therefore a recovery certificate was issued in August 1998.

The matter was reported to the Government in July 1998; their replies had not been received (October 1998).

4A.5 Extra expenditure on purchase of cotton of lower strength

The Company suffered a loss of Rs. 16.55 lakh due to acceptance of cotton of lower strength.

According to the procedure laid down (August 1996) for decentralisation of the purchase of cotton at unit level, the Purchase committee, consisting of the Chief Executive, Manager (Finance) and Deputy/Assistant Manager (Cotton) is required to obtain Master Sample with the quotation and record its Spin Lab test results in the Master Samples Register. At the time of actual supply, the Committee is required to ensure that the quality of the supply corresponds to the quality of the Master Sample. In case the quality is found to be inferior, the supply is to be rejected forthwith.

During audit of Kashipur unit it was noticed (June 1998) that the count strength product (CSP) of the 1909 bales of cotton, purchased during the period from January to June 1997, was lower than that of the Master Sample. In spite of this, the unit did not reject the supplies which was mandatory as per orders mentioned above. The difference in the price of the cotton of the strength paid for and the cotton of the strength supplied by the suppliers during this period, was Rs. 16.55 lakh. The Company should have taken care while placing orders for cotton of higher CSP as the laid down procedure did not permit acceptance of cotton with lower CSP.

The matter was reported to the Management and Government in July 1998; their replies were awaited (October 1998).

4A.6 Idle expenditure on purchase of turbocharger

The imprudent decision of the Company to place order for purchase of turbocharger with a firm of New Delhi without waiting for the scheduled delivery period against an existing order for its import led to an unwarranted expenditure of Rs. 4.50 lakh besides loss of interest of Rs. 1.51 lakh upto March 1998.

The Company executed (June 1994) an agreement with Appart Diesel Limited, Russia for import of two turbochargers, one for its Meerut unit and the other for Sandila unit. The CIF price of two turbo chargers was US $ 14150 (Rs. 4.95 lakh). The Company, however, opened the LC in February 1995, i.e. after eight months of signing the contract. The delivery was to be made within six months from the date of acceptable letter of credit (LC) i.e. by August 1995.

Meanwhile, the Management without ascertaining the expected time of shipment, placed (July 1995) another order for supply of one imported turbocharger, for its Sandila unit, with a local firm Marinotech Enterprises, New Delhi at a negotiated price of Rs. 4.50 lakh with stipulated delivery period of three weeks. The decision to purchase a turbocharger which was costlier by Rs. 2.02 lakh than the Russian turbochargers, from the New Delhi firm was taken by the Management on the ground that the turbocharger, then installed at Sandila, was leaking and had been stopped (May 1995) to avoid major breakdown of engine/alternator. The turbochargers from Russia reached Meerut and Sandila in January 1996. The turbocharger at Sandila was installed and commissioned in January 1996.

The Company, however, instead of cancelling the order with the New Delhi firm for its failure to supply the turbocharger within the stipulated delivery period, directed Meerut unit to take its delivery from the firm, even though it was aware (September 1995) that the Russian equipment had already been transported by then. The Meerut unit took the delivery from the New Delhi firm and installed the equipment in April 1996. The Russian turbocharger transferred to Sandila, at the direction (February 1996) of the Head Office of the Company, was lying surplus as of March 1998.

The Management in its reply (March 1998) stated that on refusal (January 1996) of the New Delhi firm to refund the advance (Rs. 1.06 lakh), the Company had to take the delivery from them.

The reply is not tenable as the decision to purchase turbocharger from local firm was imprudent in view of impending delivery from Russian firm.

The matter was reported to the Management and Government in December 1997; their replies were awaited (October 1998)

Uttar Pradesh State Spinning Company Limited

4A.7 Avoidable loss of interest

The Company suffered a loss of interest of Rs. 11.82 lakh due to delay in receipt of payment of bid instalments of sale proceeds of its plant and machinery.

Pursuant to approval of 'Rehabilitation Scheme' by the Board of Industrial and Finance Reconstruction (BIFR) (December 1996) which envisaged that outstanding liabilities of financial institutions and others would be paid off by sale of land, building, plant and machinery etc. of its Akbarpur Mill, the Company decided (October 1997) to sell the assets of the Mill to the Co-operative Spinning Mills Federation (CSMF) for a consideration of Rs. 650 lakh. The Board of Directors, while approving the sale (October 1997) directed that payment be ensured strictly in terms of the tender which provided for 10 per cent of bid amount within 10 days of letter of intent (LOI), further 15 per cent within one month of LOI and the balance 75 per cent at the time of removal of machine latest within 6 months of LOI. The LOI or tender conditions, however, did not provide for levy of any penalty or damages in the event of CSMF's failure to adhere to the stipulated dates of payment.

The LOI was issued by the Company on 1 November 1997. Rs. 65 lakh became due for payment by CSMF on 10 November 1997 and Rs. 97.50 lakh became due on 1 December 1997. However, CSMF paid part of overdue amount of Rs. 150 lakh on 22 April 1998 and did not pay the balance amount (July 1998). Meanwhile, before making any payment, CSMF lifted 80 per cent of plant and machinery between November 1997 and April 1998. Delay in payment of bid instalments led to non replenishment of outstanding cash credit balance with banks carrying interest at 16.83 per cent per annum. The loss of interest suffered by the Company till payment of overdue first two instalments upto July 1998 amounted to Rs. 11.82 lakh. The loss had to be borne by the Company due to defective terms and conditions of tender/LOI which failed to secure Company's interest in the event of default by CSMF in making timely payment of purchase consideration.

The matter was reported to the Company and the Government in August 1998; their replies had not been received (October 1998).

Uttar Pradesh State Yarn Company Limited

4A.8 Loss due to import of Viscose Staple Fibre

The Company suffered a loss of Rs. 9.70 lakh as it imported Viscose Staple Fibre (VSF) at higher rates.

The Government of India with a view to meet the domestic requirement of VSF and also to check its increasing price in domestic market had permitted (September 1994) the import of VSF by the Spinning Mills in the country at zero rate of custom duty.

The Company entered (July 1995) into a contract with PT INTI. INDORAYON. UTAMA, Indonesia for supply of 100 MT VSF at the rate of (i) US $ 2.22 CIF Bombay for payment at sight basis, (ii) US $ 2.27 CIF Bombay for payment on 90 days from B/L date, and (iii) US $ 2.32 CIF for payment on 180 days from B/L date. Against a quota for import of 100 MT VSF obtained in June 1995, 96.415 MT VSF was received (September 1995) at Jaunpur Mill of the Company at a landed cost of Rs. 74.67 lakh which could have been procured indigenously for Rs 64.97 lakh only. Thus, the import of VSF at higher cost resulted in loss of Rs. 9.70 lakh which could have been avoided had the purchase been made indigenously.

The Management stated (July 1998) that the plant of Grasim Industries Limited, Nagda which was producing VSF was shut down and there was a strong rumour that they would increase their prices very soon due to higher prices prevailing in the international market. The reply was not convincing in view of the fact that the 'Economic Times' (newspaper) had clearly mentioned (31 July 1995) that the Grasim Industries was under pressure to review its prices in view of global crash in the VSF prices. Further, the Company had purchased VSF from indigenous market including Grasim Industries during finalisation of the import orders.

The matter was reported to the Government in June 1998, their replies had not been received (October 1998).

Uttar Pradesh Alpsankhyak Vitta Evam Vikas Nigam Limited

4A.9 Mis-utilisation of funds

Non-existence of the projects financed by the Company resulted in misutilisation of Rs. 45.58 lakh.

The Company was working as channelising agency of National Minorities Development and Finance Corporation Limited (NMDFC) from March 1995 with the object of effecting economic upliftment of the minorities of Uttar Pradesh. Unemployed youths of minorities, whose family income was below Rs. 22000 were eligible to avail term loan facility for the projects specified by the NMDFC. The projects were to be jointly financed by NMDFC, Uttar Pradesh Minorities Development and Finance Corporation Limited (UPMDFC) and the beneficiary in the ratio of 85 : 7.5 : 7.5.

77 Projects valued at Rs. 45.58 lakh financed during December 1995 to December 1997 were found non-existent during surprise spot verification.

The Company, during 3 years upto 1997-98, disbursed term loans aggregating Rs. 47.88 crore for 8569 projects. To ensure successful and purposeful operation of the projects as per the directives of the Government, District Magistrate, Chief Development Officer and Block Development Officers were required to carry out monthly surprise spot verification of the projects under MM loans and term loan schemes and by the District Manager in at least 25 per cent cases. In contravention of these provisions it was noticed in audit that no spot verifications were carried out during six years upto March 1998 in any of the 20 District Offices (out of 80) test checked except in Shahjahanpur District Office where physical verification of the implemented projects was carried out by the District Manager once in January 1998. As per his report, 77 projects valued at Rs. 45.58 lakh (out of 138 projects physically verified) financed during December 1995 to December 1997 were not available on the spot. Thus, Government fund to the extent of Rs. 45.58 lakh were mis-utilised or embezzled. No action was taken against the defaulting beneficiaries so far (October 1998).

The matter was reported to the Company in June 1998 and the Government in July 1998; their replies have not been received as of October 1998.

Uttar Pradesh Mahila Kalyan Nigam Limited

4A.10 Unproductive expenditure on construction of hostels for working women

Expenditure of Rs. 39.58 lakh remained unproductive as the occupancy of two hostels constructed by the Company was nil since date of their completion.

Out of ten cities of the State selected for construction of hostels for working women, construction of two hostels (Haldwani and Agra) were completed in February 1995 and May 1996 respectively at a cost of Rs. 39.58 lakh and put to use thereafter.

It was noticed in Audit that the expenditure incurred amounting to Rs. 39.58 lakh on construction of two hostels (Haldwani and Agra) remained unproductive as their occupancy up to March 1998 was nil. The nil occupancy was due to unapproachable and distant location of the hostels and lack of proper publicity. Thus, unplanned construction of hostels led to unproductive expenditure with consequential loss of interest amounting to Rs. 17.22 lakh upto October 1998.

The matter was reported to the Company in June 1998 and the Government in July 1998; their replies have not been received as of October 1998.

Uttar Pradesh State Sugar Corporation Limited

4A.11 Infructuous expenditure due to non-commissioning of combustion optimisation system

An expenditure of Rs. 46.15 lakh incurred by the Company on automation of boilers was rendered nugatory due to its failure in providing necessary facilities to the plant supplier.

Expenditure of Rs. 46.15 lakh incurred on automation of boilers proved wasteful, as the Company failed to provide necessary facilities to the plant supplier.

For automation of boilers in its Amroha and Bijnore factories, the Company placed (August 1989) an order for Rs. 56 lakh with Uptron India Limited, Lucknow for supply and installation of Combustion Optimisation System alongwith their spares. According to the terms and conditions of the order, the work was to be completed by October 1989 for which the Company was required to provide the supplier necessary working facilities viz. civil works including cable trenches, air conditioned control room, AC power supply, dry air at certain pressure and pipes and additional valves etc.

Although the supplier installed the system at Bijnore (during October 1989) and Amroha (during February 1990 and March 1992) for which they were paid (1989-92) a sum of Rs. 40.35 lakh but the system could not be commissioned as of date (October 1998), due to failure of the Company in providing necessary working facilities in spite of incurring an expenditure of Rs. 5.80 lakh. The surveyors of the Company in their report of January 1996 observed that due to prolonged storage and rusting of major items the working of the system was doubtful.

The Management has not investigated the reasons for delay/non-providing of working fronts for which the entire expenditure of Rs. 46.15 lakh has been rendered wasteful.

The matter was reported to the Company in February 1998 and to the Government in June 1998; their replies had not been received as of October 1998.

4A.12 Locking of funds

Failure to arrange power load required to operate fly ash arrestor, installed at a cost of Rs. 15.34 lakh resulted in locking of funds and consequent loss of interest besides negating the objective of pollution control for over two years.

In order to regulate the emissions coming out from the chimney of the boilers at permissible limits fixed by Uttar Pradesh Pollution Control Board, the corporate office placed (October 1995) an order on MMS Sugar and Power Engineers (Private) Limited, Lucknow for design, supply, execution and commissioning of multi-cyclone type fly ash arrestor for its mill at Ramkola at a firm price of Rs. 20.45 lakh. The equipment was commissioned by the supplier during February 1996 for which it was paid Rs. 15.34 lakh during January to February 1997 and Rs. 5.11 lakh was retained to watch successful commissioning. Before installation and commissioning of the equipment, the mill did not ensure that the existing contracted load was sufficient to cater to the power requirement of fly ash arrestor or whether to be increased.

Despite successful commissioning of the arrestor, the same could not be put to use due to non-availability of matching power load which could not be arranged as of date (September 1998). Thus, the purpose for which the arrestor was installed could not be fulfilled since January 1996 till May 1998 and besides unfruitful expenditure of Rs. 15.34 lakh, the Company also incurred loss of interest of Rs 6.33 lakh at the rate of 18 per cent per annum.

The matter was reported to the Company in January 1998 and to Government in July 1998; their replies have not been received. (October 1998).

Uttar Pradesh Export Corporation Limited

4A.13 Failure of Ambedkar Special Employment Scheme for Carpet Weaving

The Company incurred excess expenditure of Rs. 2.52 lakh in the implementation of the carpet weaving scheme and further utilised the undisbursed subsidy of

Rs. 180 lakh for its working capital instead of investing in fixed deposits resulting in loss of interest to the Government.

With a view to generate continuous employment in the rural areas of the State, the Government sanctioned (March 1995) a carpet weaving scheme under Ambedkar Vishesh Rojgar Yojna for Ballia, Ghazipur and Mau districts. The scheme which was operative for three years, *inter alia,* envisaged imparting training to 4500 trainees at the rate of 1500 candidates per year at an annual expenditure of Rs. 150 lakh to be borne by the Government. The total cost of the scheme was Rs. 15.30 crore (banks share: Rs. 7.20 crore and company's share through Government grant: Rs. 8.10 crore) and was to be implemented only after obtaining written undertaking from the banks to provide loans for 50 per cent trainees at the rate of Rs. 18000 per trainee. A subsidy of Rs. 6000, in the shape of the raw material, was also admissible to the trainees after completion of their training and sanction of loan from banks.

It was noticed in audit that the scheme was undertaken without obtaining required written undertaking from the banks and therefore implementation of the scheme was not sustainable. The Company received Rs. 4.92 crore (Rs. 3.12 crore for training and Rs. 1.80 crore for subsidy) and incurred an expenditure of Rs. 2.77 crore on stipend (Rs. 66.22 lakh), trainers remuneration (Rs. 59.03 lakh), looms (Rs. 60.10 lakh), raw material (Rs. 60.72 lakh), building rent (Rs. 9.66 lakh) and others (Rs. 21.39 lakh) during three years upto February 1998. Further, the Company could train 2470 candidates of the age of 14 to 18 years despite Government directives to the contrary and arrange sanction of bank loan to 76 trainees only as against the target of 3000 and 653 trainees respectively. As a result of training to underage trainees, bank loan (Rs. 0.33 lakh) could be disbursed only to two candidates. Thus, the Company, failed to achieve the objectives of the scheme and deliver the benefits intended therein. It was also noticed in audit that:

(a) Despite the fact that only two candidates to whom loan was disbursed qualified for subsidy of Rs. 0.12 lakh, the Company had upto February 1998, disbursed subsidy of Rs. 2.64 lakh to 44 trainees resulting into irregular disbursement of subsidy to the extent of Rs. 2.52 lakh.

(b) The Government also suffered avoidable loss of interest amounting to Rs. 33.75 lakh as the amount of the undisbursed subsidy aggregating Rs. 180 lakh, which was payable to the candidates only after completion of one year training and sanction of bank loan, was utilised by the Company for its working capital instead of investing it in fixed deposit.

The Management stated (September 1998) that banks and trainees were reluctant to actively participate in the scheme. Thus, as per company's own admission, absence of written commitments from the banks was responsible for non-fulfillment of objectives of the scheme.

The matter was reported to the Government in July 1998; their replies were awaited (October 1998).

4A.14 Injudicious acquisition of show room at Rotterdam

Acquisition of a showroom at Rotterdam without evaluating the profitability of investment, led to unfruitful expenditure of Rs. 14.50 lakh..

On an invitation (September 1994) from the Agricultural and Processed Food Products Export Development Authority (APFDA), Ministry of Commerce, the Company, without defining the intended benefits and viability, decided (October 1994) to acquire an office-cum-showroom on lease in Trading-cum-Distribution Centre, Rotterdam. To ensure allotment on preferential basis, the Company invested (January 1995) Rs.10 lakh in the equity of India International Marketing Centre (IIMC), established in private sector with the backing of the Governments of India and Netherland. After incurring an expenditure of Rs. 4.50 lakh on rental and other charges, the Company found that only few units could be allotted by IIMC at the centre and to operate the above showroom it would have to spend about Rs.20 lakh per annum. Without evaluating returns on the above expenditure, the Company appointed (December 1996) Shri Guru Gems Exporters (P) Limited as their authorised distributor for distribution and sale of goods specified (handicrafts, handlooms carpets and other products manufactured or procured by the Company) by operating the show room on payment of Rs.3.50 lakh per annum. The distributor took possession of the showroom in May 1997 but closed operation from 15 August 1997 due to financial constraints and lack of business and also terminated the agreement with the Company.

Thus, due to failure of the Management in evaluating the economics of acquiring the above show room, the entire expenditure of Rs. 3.75 lakh incurred on acquisition and rent of the showroom (excluding Rs. 0.75 lakh being rent received from distributor) and investment of Rs. 10 lakh in shares of IIMC has been rendered unfruitful.

The Management in its reply (September 1998) blamed the unpredictability of international business and recessionary trends in it for the whole fiasco. However, the contention of the Management was not correct as according to its own findings the centre was not properly developed, lacked proper export-import environment and only a very few units could venture to operate therefrom.

The matter was reported to Government in July 1998, their replies were awaited (October 1998).

Uttar Pradesh State Agro Industrial Corporation Limited

4A.15 Misappropriation of stores and cash

The Company even after four years of detection of misappropriation of stores (Rs. 16.52 lakh) and cash (Rs. 2.68 lakh) did not take any action for recovery of loss.

Failure to follow prescribed procedure and time schedule for checking and submission of accounts and various returns and posting of a class IV employee as centre incharge resulted in misappropriation of stores (Rs. 16.52 lakh) and cash (Rs. 2.68 lakh).

(a) The procedure and time schedule prescribed by the company in June 1973 for checking and submission of the accounts and various returns were not followed in as much as prescribed returns/accounts were either not prepared at all or were inordinately delayed which led to various irregularities and mis-appropriation of stores and stock at the service station, Aligarh under Agra Division. During finalisation of the accounts for the year 1990-91 to 1993-94 it came to notice that the storekeeper and other staff of the Aligarh Service Station had misappropriated stores worth Rs. 16.52 lakh and committed various irregularities.

A storekeeper, Tractor Operator, Assistant Tractor Operator and Service Engineers were suspended in July 1994. The Managing Director appointed (July 1994) the Divisional Engineer, NOIDA as an enquiry officer of the case for submitting his report within a month. The report was submitted in March 1998 after being pointed out by Audit. However, neither any action has been taken to recover the loss from the defaulting officers/officials nor F.I.R was lodged with the police till September 1998.

The Management in their reply (May 1998) failed to give any reason for not taking any recovery action or lodging an FIR with the police.

(b) According to the 'Sale Procedure' of the Company, sale is effected through its sales centres under the charge of a class III employee. Further according to the accounting procedure of the Company, the centre incharge is required to reconcile bank balances with cash book, submit to Headquarters monthly, trial balance and copy of cash book alongwith receipt and payment vouchers weekly by 10th, 17th, 24th and 31st of each month.

In contravention of the established procedures, Managing Director in August 1991 posted a class IV employee to work as centre incharge at Laharpur (Sitapur) Sales Centre. Although Regional Manager, Lucknow in view of suspicious activities of the said class IV employee, posted a Sales Assistant there, the charge of the centre was not handed over to him for reasons not on record.

It was observed that the accounting procedure was not followed by the centre incharge in as much as bank reconciliation was not carried out from 1990-91 to September 1995. When bank reconciliation was eventually carried out (October 1995) it was detected that an amount of Rs. 2.68 lakh was embezzled by making false/incorrect entries of cash remittances into bank during 1990-91 to 1995-96.

An FIR was lodged in December 1995 and the official was suspended in April 1996. An Accounts Officer was appointed (October 1996) as the Enquiry Officer for finalisation of departmental proceedings within a month but departmental proceedings could not be finalised so far (April 1998). Thus posting of an unqualified person as centre incharge and failure on the part of the management to transfer the charge to Sales Assistant. posted by Regional Manager, Lucknow, resulted in loss of Rs. 2.68 lakh.

These matters were reported to the Management in December 1997 and to Government in June 1998; replies were awaited (October 1998).

Uttar Pradesh Police Avas Nigam Limited

4A.16 Irregular continuation of office accommodation in residential building despite purchase of land

The Company despite purchasing land in excess of its estimated requirement continued to run its offices in residential buildings which was in contravention of the Urban Planning and Development Act.

Pursuant to the decision of the Board (September 1993) for the purchase of 2500 sq.mt. land for office building of its own, the company, on the basis of an offer of

LDA (July 1994), purchased (December 1995) 3000 sq.mt. of land in Gomti Nagar at the rate of Rs. 3500 per sq.mt. The land purchased at a total cost of Rs. 105 lakh including 500 sq.mt. surplus land valued at Rs. 17.50 lakh was lying unused since the date of its purchase.

While the land acquired remained unutilised, the Company not only continued to retain irregularly office accommodation owned by three IPS officers in residential areas in contravention of the provisions of section 27 of Urban Planning and Development Act despite Principal Secretary, Home's directive (September 1994) for immediate vacation of such buildings, but also further renewed the tenancy agreements of such buildings without bringing it to the notice of the Board and the Government. The Company did not make efforts to shift its offices either by constructing its own office building or by hiring office accommodation in any commercial area.

Thus, failure of the Company to initially construct an office building on its land even after 3 years of its purchase rendered Company's investment of Rs. 105 lakh unfruitful (including unrequired expenditure of Rs. 17.50 lakh being cost of additional 500 sq.mt. land) thus incurring a loss of interest of Rs. 18.90 lakh per annum on blocked funds at an average borrowing rate of 18 per cent. Besides, the company failed to comply with the instructions of the Government and irregularly continued to retain the office premises in residential building in contravention of Urban Planning and Development Act.

The matter was reported to the Company in June 1998 and the Government in July 1998; their replies had not been received (October 1998).

Uttar Pradesh Samaj Kalyan Nirman Nigam Limited

4A.17 Avoidable expenditure

Delay of three weeks in taking decision about mode of execution of work, further delay of one week in approving the lowest rate and acceptance of offer against limited quotations and extension of completion period beyond target date without exploring completion of work with assigned target date through some other local agency of repute, resulted in avoidable expenditure of Rs. 7.50 lakh.

The Company started (1995-96) construction of CSM Training and Research Institute at Lucknow as deposit work of State Government at sanctioned cost of Rs. 554.14 lakh. The work, inter alia, included construction of hostel, residences, classrooms and auditorium. The work of construction, suspended in September 1996 for want of fund amounting to Rs. 255.14 lakh from the Government, was restarted after release of fund between December 1996 and March 1997.

On 31 March 1997, the Chief Minister (CM) directed the Company to complete the building by 15 June 1997. As such the Company on 22 April 1997 decided to award the remaining work of auditorium above plinth level on tender basis. Accordingly, lump sum offers on turn key basis were personally collected by members of Purchase Committee on 23 April 1997 from two contractors of Rae Bareli and one contractor of Lucknow. The Committee, after negotiation on 24 April 1997 with the lowest tenderer M/s Bhargava Engineering Corporation, Rae Bareli (the other two contractors did not participate), who had originally quoted Rs. 65 lakh for the job, recommended for award of contract to them at the negotiated rate of Rs. 55 lakh. The proposal was approved by the Managing Director on 30 April 1997 and an agreement with the firm was executed on 1 May 1997 stipulating completion of job by 31 July 1997 without exploring the possibility of completion of work within assigned target (15 June 1997) through some other agencies of repute. When in June 1997 the CM fixed 26 July 1997 for inauguration of the building, the contractor sought extension of time of 54 days beyond 31 July 1997 for hindrances to work on various counts but accepted to make the building ready for inauguration on additional payment of Rs. 15 lakh towards increased cost of labour, material and shuttering. The Company, which had earlier dispensed with the requirement of inviting open tender on grounds of resourcefulness and competence of the firms (considered for limited inquiry) to complete the work within compressed time schedule, had to accept in July 1997 price increase of Rs. 7.50 lakh after negotiation. The construction of building was completed by the contractor in September 1997.

The matter was reported to the Management in June 1998 and to the Government in August 1998; replies were awaited (October 1998).

Chapter IV

Section 4B

Miscellaneous Topics of Interest

Other Statutory Corporations

SECTION 4B

Other Statutory Corporations

Uttar Pradesh State Road Transport Corporation

4B.1 Nugatory expenditure on software development

An expenditure of Rs. 50.06 lakh, incurred on software development was rendered nugatory as the Corporation did not properly evaluate its requirements and prepare cost benefit analysis before incurring the above expenditure.

Expenditure of Rs. 50.06 lakh incurred on software development without evaluating its requirement and carrying out cost benefit analysis was rendered nugatory.

With a view to computerising its depots, regions and Headquarters, the Corporation awarded (July 1992) the work of software development for Lucknow Region and its associated depots, as a pilot project, to CMC Limited at a service charge of Rs. 30 lakh. In terms of the agreement, the Corporation got the site prepared for the software development centre at the Headquarters and also provided hardware valued at Rs. 33.96 lakh (including system software: Rs. 6.48 lakh) for exclusive use by CMC. The Corporation, however, did not prepare any cost benefit analysis before award of the work or subsequent expenditure on the pilot project. The Corporation asked the CMC only in December 1994 to make a presentation of cost estimates vis-à-vis the benefits. When it came to the notice of the Corporation that the cost of the project for entire Corporation would be around Rs. 33 crore and that for the Lucknow Region alone it would be Rs. 2.25 crore, the then Minister of Transport, in the State Government directed (December 1994) the Corporation to:

1. Implement and test the projected benefits from whatever software (only two out of 14 modules ordered) had been developed by CMC till then (for which the Corporation had paid Rs. 16.10 lakh).

2. Shift the hardware to Lucknow Regional Office (RO) for implementation of these modules.

On testing of the module, the Corporation detected some defects in the performance of the software. In response to a request by the Corporation, CMC intimated (May 1997) that the changes required by the Corporation to the existing software would require additional expenditure of about Rs. 3 lakh and they were not prepared to absorb that. Moreover, the software had become technically obsolete and would have to be redesigned. The Corporation also observed that the hardware made available to CMC for software development, would also require changes and even after that it could only be used as PCs (personal computer).

The Management stated (September 1998) that decision was taken to utilise the same hardware and system design and develop application software inhouse to reduce the cost of the project. However, the management did not intimate about the date of decision, additional expenditure involved and reasons for non-implementation of the above decision. It also failed to intimate as to how and when these hardware and software were proposed to be utilised. Even if the management could ever utilise the above equipment, it would not be for the purpose for which the expenditure was incurred.

The matter was reported to the Government in July 1998; their replies were awaited (October 1998).

4B.2 Avoidable payment of damages on account of delay in deposit of EPF

The Corporation had to pay damages amounting to Rs.31.81 lakh due to failure in timely deposit of employees provident fund contribution.

Under the provisions of Employees Provident Fund and Miscellaneous Provisions Act, 1972, Regional Managers of UPSRTC were required to deposit employees contribution of EPF alongwith employer's share by 15th of each month.

In violation of the above provision, Dehradun and Meerut regions of the Corporation deposited the EPF contribution for the period from October 1972 to February 1996 with delays ranging from 6 to 613 days. The Regional Provident Fund Commissioner (RPFC), therefore, issued show-cause notices in November/December 1996 and April 1997 to the Corporation for presenting the reasons for delay. The plea that delay was due to financial difficulties was rejected by the RPFC who imposed damages of Rs. 58.43 lakh (Dehradun Region: Rs.19.12 lakh and Meerut Region : Rs.39.31 lakh) in November 1996 and July/September 1997 and directed the Corporation to deposit the damages within 15 days. Due to failure of the Corporation in depositing the damages, the RPFC seized the cash credit account in November 1997 and adjusted damages of Rs. 31.81 lakh (Dehradun: Rs. 19.12 lakh and Meerut: Rs.12.69 lakh) in January 1998. Action to remit the balance amount of Rs. 26.62 lakh was not taken by the Corporation as of October 1998.

Thus, failure on the part of the Corporation to deposit timely the employees provident fund contribution resulted in levy of damages of Rs. 31.81 lakh.

The matter was reported to the Corporation in December 1997 and April 1998 and to the Government in June 1998; replies were awaited (October 1998).

4B.3 Loss due to procurement of diesel filter elements at higher rates

The Corporation had to suffer a loss of Rs. 8.24 lakh as inspite of satisfactory past performance and lower rates of a firm it procured fuel filter elements from another firm whose rates were not only higher but also whose past performance was not properly evaluated.

For meeting the requirement of 54358 fuel filter elements of various types for 1996-97, the Purchase Committee (PC) of the Corporation considered and recommended (October 1996) to place orders to the extent of 80 per cent requirement on MICO, Lucknow. The recommendations in favour of MICO were made in view of the critical nature of the item having vital impact on life of the fleet assembly. It, however, did not take cognisance of unsatisfactory past performance in majority of cases and technical suitability not established in favour of MICO due to non-availability of test reports. Orders valued at Rs. 26.09 lakh (excluding excise duty and taxes) were, accordingly, placed in October 1996 on MICO (80 per cent of the requirement) and Ashoka Leyland and TELCO (balance) at their rate contract rates.

It was noticed by Audit that the PC while recommending the procurement from MICO, ignored the rates offered by another firm viz. Kirloskar Filters (P) Limited, Pune (KFL) which not only had ISO 9001 certificate in its favour but its rates were lower between Rs. 11.02 and Rs. 21.39 per item. According to firm-wise Vendor Reports, the quality of supplies made by MICO during 1990, 1993 and 1994 were unsatisfactory compared to the quality of KFL whose supplies during 1995 were satisfactory. During post-supply scenario, the quality of filters supplied by MICO were found (February 1997) unsatisfactory by all the depots of Jhansi region on account of choking of filter leading to failure of engines after covering just around 5000 kms. Post performance reports in case of other regions were not available in the file.

Thus, the Corporation was put to loss of Rs. 8.24 lakh in procurement of diesel filter elements from MICO at higher rates ignoring the offer of another reputed firm whose rates were not only lower but also had a satisfactory past performance record.

The Management stated (May 1998) that the filter elements from KFL procured three years back were not meeting the critical parameters to the extent of six per cent and that test report in case of MICO was not published by ASRTU. On this basis, the loss on account of failure of filters affecting the life of engines and the assembly would have been much more. The reply was not sustainable as the Corporation had the option to obtain free replacement for manufacturing defect (if any). Moreover, these facts were not placed before PC and in case of MICO even test reports were not available to decide the order in its favour. Subsequent unsatisfactory performance of filter elements supplied by MICO is sufficiently indicative of the injudicious decision taken by PC which was not in the best financial interest of the Corporation.

The matter was reported to the Government in July 1998; their reply had not been received (October 1998).

4B.4 Loss due to surrender of land

The Corporation suffered loss of interest of Rs. 8.14 lakh as it surrendered a plot of land after six years of its purchase at the procurement cost which was much less than the prevailing fair price.

For construction of a workshop for Kotdwar depot of its Dehradun region, the Corporation purchased 25 bighas of land for Rs. 7.50 lakh at Sitabpur, Kotdwar from the Nagar Palika, Kotdwar. Agreement for the above purchase was registered in November 1988 by paying stamp duty of Rs. 3.08 lakh. The Nagar Palika, on its reconstitution, did not approve the same and represented (April 1989) to the Government against the above sale on the ground that they had a long standing programme for construction of a parking area there and that the then administrator of the Palika had made the sale at a rate lower than the prevailing market rate.

The Managing Director, in a meeting held in May 1995 with the District Magistrate, Pauri, agreed to forego the land and take back the cost of the land (Rs. 10.58 lakh) with the condition that the Nagar Palika would allow the Corporation to operate their buses from the bus station proposed to be constructed by the Palika.

In this connection it was further observed that while agreeing to surrender the land, the Corporation neither insisted for refund of money at the then prevailing fair price (Rs. 75.50 lakh), notified by the District Magistrate, Pauri nor claimed interest of Rs. 8.14 lakh for the intervening period.

The matter was reported to the Management and to the Government in July 1998; their replies were awaited (October 1998).

4B.5 Avoidable payment of bank charges due to delay in monitoring of transfer of internal remittances

The Corporation lost claim for refund of bank charges amounting to Rs. 6.73 lakh due to not carrying out the periodical reconciliation.

Pursuant to the banking arrangements by the Corporation, the Central Bank of India (CBI) issued instructions in February 1986 to its regional branches for not charging bank commission on internal remittance of fund by the depots to region and region to the Head Office.

However, some of the branches did not comply with the instructions of the zonal office and charged commission on remittances from depots to regional office and from regional office to Head Office of the Corporation. This irregularity could not be detected as the regional office at Meerut was not carrying out periodical reconciliation of fund transfers and monitoring it on daily basis as per instructions issued by the Corporation. The total bank commission debited by the branch offices of CBI aggregated Rs. 6.73 lakh during April 1995 to March 1997. A claim for refund or credit of such charges lodged belatedly in December 1997 was not accepted by the bank, reasons for which were not made available to audit. To obviate such difficulties, the Corporation switched over (February 1997) its transactions to Punjab National Bank which allowed such facility.

Thus, because of non monitoring of the transfer of funds on daily basis or carrying out regular periodical reconciliation thereof on monthly basis, the Corporation lost claims for bank commission debited by CBI (October 1998).

The matter was reported to the Corporation in January 1998 and to the Government in July 1998; their replies had not been received (October 1998).

4B.6 Loss due to non-availing of concessional rate of trade tax

The Corporation could not claim refund amounting to Rs. 2.85 lakh of concessional rate of trade tax due to non-submission of Form III-D.

Under Section 3 of Uttar Pradesh Trade Tax Act, 1948, the UPSRTC is entitled to avail concessional rate of 5 per cent of Trade Tax (TT) on purchase of lubricants from Indian Oil Corporation (IOC) on submission of Form III D for each consignment.

It was noticed (June 1996) in audit that Etawah region of UPSRTC procured lubricants worth Rs. 57 lakh from IOC during the period from November 1994 to August 1995 against 25 consignments and paid Trade Tax of Rs. 5.70 lakh at the higher rate of 10 per cent. For availing the concession to the extent of 5 per cent of trade tax, Etawah region of UPSRTC furnished only one Form III-D for 1995-96, instead of furnishing the same for each consignment separately to avail refund thereof from IOC. This resulted in non refund of a claim of 5 per cent of trade tax amounting to Rs. 2.85 lakh leading to loss to that extent.

The matter was reported to the Corporation (February 1998) and Government (June 1998), replies had not been received (October 1998).

4B.7 Loss in letting out a canteen

The Corporation suffered a loss of Rs. 5.08 lakh due to rejection of highest bid for auction of canteen without any valid reason.

Meerut region of the Corporation invited tender-cum-auction bids on 11 November 1994 for letting out the canteen of Meerut Depot from January 1995. The highest offer of a bidder was for Rs. 0.37 lakh per month. Although the monthly rent in the offer was 23.6 per cent higher than the rent of Rs. 0.30 lakh per month already being realised from the canteen at that time, the Divisional Manager (Western Zone) rejected (December 1994) the offer on the ground that the offer was unsatisfactory, however, no reasons for taking the above stand were available on records.

Subsequently tender-cum-auction bids were invited five times during January 1995 to May 1995 in which highest offer decreased every time from Rs. 0.37 lakh to Rs. 0.23 lakh per month. Ultimately, the highest bid of Rs. 0.23 lakh per month obtained in auction held in June 1995 was accepted and the contractor was allowed to run the canteen from August 1995 to December 1996. The Corporation, thus, lost revenue of Rs. 5.08 lakh (Rs. 2.60 lakh for the period canteen remained vacant and Rs. 2.48 lakh being the difference between highest and lowest bids).

The Managing Director while communicating the approval of rates conveyed (July 1995) his displeasure for the lapse but did not initiate any action for fixing responsibility for the loss of Rs. 5.08 lakh suffered due to imprudent rejection of the highest bid (received in November 1994) by the Divisional Manager in December 1994.

The matter was reported to the Corporation in December 1997 and to Government in June 1998; replies were awaited (October 1998).

Uttar Pradesh Jal Nigam

4B.8 Infructuous expenditure

Expenditure amounting to Rs. 92.04 lakh incurred on construction of four tube wells (Rs. 74.78 lakh) and laying of 3.5 km of distribution system (Rs. 17.25 lakh) was rendered infructuous due to failure of two tube wells and diminishing trend of discharge from third one and construction of distribution system in a disjointed manner.

Due to failure of two tube wells, diminishing trend in discharge from third one and construction of disjointed distribution system, expenditure of Rs. 92.04 lakh was rendered infructuous.

New Sitapur Second Re-organisation Drinking Water Scheme was framed in 1986-87 at an estimated cost of Rs. 84.48 lakh. It could not take off for want of funds. In 1991-92 the estimate was revised to Rs. 299.21 lakh (354 per cent escalation) by splitting the entire work under the scheme as under:

1.	Construction of 4 tube wells, their rising mains and an overhead tank (1500 KL capacity) (OHT)	Rs. 73.74 lakh
2.	Laying of distribution system in zones 3, 4 and 5 of capacity of OHT in zone 3 from 1500 KL to 2500 KL and construction of a 2500 KL OHT for zone 4 and 5 in phases:	
	Phase I	Rs. 112.26 lakh
	Phase II	Rs. 113.21 lakh
	Total	**Rs. 299.21 lakh**

Funds provided for the scheme amounted to Rs. 115 lakh (Rs. 61 lakh in 1991-92 and Rs. 54 lakh in 1992-93).

Test check (August 1997) of the records of the Construction Division, Uttar Pradesh Jal Nigam, Sitapur revealed that Rs. 74.78 lakh had been spent upto December 1993 on construction of four tube wells, rising mains and over-head tank (work-in-progress). Two of these tube wells had failed and discharge from third one had diminishing trend. For reconstruction of the two failed tube-wells the division requires additional funds to the extent of Rs. 37.14 lakh. Further, a sum of Rs. 17.25 lakh had been spent up to December 1993 on laying of 3.5 kms of distribution system (against the total length of 14.5 kms) in a disjointed manner, rendering the entire exercise ineffective till the gaps in between are linked.

The entire expenditure of Rs. 92.04 lakh (plus liability of Rs. 3.65 lakh for completing work-in-progress on construction of OHT) had been rendered infructuous. The Chief Engineer had ordered to close the project after adjusting up to date expenditure on executed works and submit fresh proposal and estimate for the remaining works.

The matter was reported to the Government in June 1998; the reply is awaited (November 1998).

4B.9 Unfruitful expenditure

Due to lack of co-ordination between Town Area Committees (TAC) and Jal Nigam (JN), three drinking water projects had been lying idle for 5 to 11 years rendering entire expenditure of Rs. 78.84 lakh unfruitful.

Lack of co-ordination between Town Area Committees and Jal Nigam for over 5 to 11 years rendered expenditure of Rs. 78.84 lakh unfruitful.

For supply of drinking water, three schemes were formulated and executed by two divisions (viz. Construction Division Electrical and VI division) of Bareilly as detailed below:

Town Area Committee (TAC)	Month/Year of preparation of estimate	Estimated cost (Rupees in lakh)	Completed in	Total expenditure to date of audit (Rupees in lakh)
Dhaura Tanda	1979-80	15.97 (Original)		
	3/87	27.75 (Revised)	3/87	32.98
Sainthal	3/79	19.98	5/89	27.39
Richcha	6/89	7.89	10/92	7.84
Total				**68.21**

Test check of records (March 1998) showed that none of these schemes could be made operational so far (May 1998) and the proposed beneficiaries continued to be deprived of the water supply. The TACs alleged that the projects remained non-functional due to defects in supply line and tube well and declined to take over the projects. JN, however, put the blame on TACs stating that the latter refused to take over the projects because they had no funds to run and maintain them.

The schemes envisaged that the JN would maintain the projects for first six months. Records showed that a total expenditure of Rs. 1.93 lakh was incurred during the first six months for maintenance but there was nothing on record to substantiate the operation of the projects and supply of water to the beneficiaries.

Due to non-payment of dues of Rs. 8.70 lakh (Dhaura - Tanda: Rs. 3.35 lakh; Sainthal: Rs. 5 lakh and Richcha: Rs. 0.35 lakh), the Uttar Pradesh State Electricity Board disconnected (between February 1990 and March 1993) their power supply. The liability on this account had been a point of dispute between TACs and JN.

Due to lack of co-ordination between TACs and JN, the projects had been lying idle for over 5 to 11 years rendering the entire expenditure of Rs. 78.84 lakh (Rs. 68.21 lakh + Rs. 1.93 lakh + liability of Rs. 8.70 lakh) unfruitful. The institutions had not brought the matter to the notice of higher authorities. The Government had also not enquired regarding the proper utilisation of the funds made available to TACs.

The matter was reported to Government in June 1998; reply had not been received (November 1998).

4B.10 Unfruitful expenditure of Rs. 17.48 lakh

Due to failure of the department in ensuring clear possession and availability of source of water for supply of potable water to the scarcity prone villages under Nagendra Nagar Block, Narendra Nagar resulting in abandonment of work, the entire expenditure of Rs. 17.48 lakh was rendered unfruitful.

Timali Water Supply Scheme, for supply of potable water to the scarcity prone villages under Nagendra Nagar, Block Development Area, Narendra Nagar was sanctioned by the Government of India under Accelerated Rural Water Supply Programme (ARWSP) in December 1993 with the stipulation that adequacy of source and quality of water was to be ascertained before taking up the scheme. This scheme, which was estimated to cost Rs. 58.94 lakh, was due to be completed by September 1994 and was to be financed out of funds provided by the Government of India. It envisaged, among other things, complete work at source, construction of ruffling filter and laying of supply mains.

The Executive Engineer (EE), Construction Division, Uttar Pradesh Jal Nigam, Muni-Ki-Reti in district Tehri allotted the above works to a contractor and entered into an agreement with him in January 1994 without ensuring the availability of source of water. The division had spent (March 1996) Rs. 15.98 lakh out of Government of India funds on procurement of material and Rs. 1.50 lakh on other items, including an unobligatory expenditure of Rs. 0.14 lakh, on construction of 4 km long bridle path to facilitate the contractor in carrying material upto the source. The scheme had been abandoned (July 1996) by the Superintending Engineer and the agreement was cancelled due to stiff opposition by the villagers for use of the proposed source of water. Material worth Rs. 10.30 lakh purchased out of Government of India funds (ARWSP) was transferred irregularly to other schemes and material worth Rs. 5.68 lakh remained unutilised, the wear and tear/pilferage of which could not be ruled out.

Thus, due to failure of the department in ensuring clear possession and availability of source of water resulting in abandonment of the work, the entire expenditure of Rs. 17.48 lakh was rendered unfruitful. Further, out of this amount, department had irregularly transferred material worth Rs. 10.30 lakh to other schemes and Rs. 5.68 lakh remained blocked as idle stores.

The matter was reported to Government in June 1998; reply had not been received (November 1998).

4B.11 Blockade of funds

Funds amounting to Rs. 75.58 lakh and Rs. 7.25 lakh spent on Gola Gokarannath sewage scheme and providing potable water to Kalanua group of villages respectively was blocked due to defective planning, execution and stoppage of the scheme mid-way.

Funds amounting to Rs. 75.58 lakh spent on a sewage scheme were blocked due to defective planning, execution and non-use of facility for a long period.

(a) With a view of improving the sanitary condition of the town Gola Gokarannath as well as to increase agricultural production, Gola Gokarannath (Lakhimpur-Kheri) Sewage Scheme Part I and Part II costing Rs. 5.87 lakh and Rs. 10.20 lakh respectively were sanctioned in 1967-68. The scheme envisaged sewer, sewage pumping station, pumping plants, rising main and sewage channels etc.

Test check (July 1997) of the records of the Executive Engineer (EE), Construction Division, Uttar Pradesh Jal Nigam, Lakhimpur-Kheri revealed that construction work was taken up in April 1972. In 1974-75 erstwhile Part I and II of the scheme was combined and the estimated cost was revised to Rs. 25.64 lakh as Phase I by curtailing original length of sewers, rising main and sewage channels. The work could not be completed despite an expenditure of Rs. 33.54 lakh. This necessitated further revision of the estimate to Rs. 48.97 lakh in 1984-85.

Phase I of the scheme was completed at a cost of Rs. 48.97 lakh and became operational in March 1985. The sewage pumping plant could be run for 465 hours only from March 1985 to January 1986. In January 1986 the sewer in between man hole numbers 3 and 4 was found damaged due to defective laying of sewer in adverse sub-soil condition on the bank of a pond, which should have been foreseen at the planning stage. During repairs, several damages were found in 330 metre which were repaired during May 1986 to March 1996 at a cost of Rs. 26.61 lakh against sanctioned estimate of Rs. 17.23 lakh. But the scheme could not be made functional during 1986 to 1996 as the sewer was choked at many places on account of non-disposal of sullage. Besides, siphon and irrigation farm channel as well as pumping plants had also got damaged over the period.

In order to make the project functional another estimate for Rs. 15.38 lakh was again prepared in June 1996 for the repair of Civil, Electrical/Mechanical works and works of sewer. Though the estimate was approved the scheme could not be made operational as of August 1998 due to non-release of funds by the Jal Nigam.

Thus, due to defective planning and execution and damage owing to non-use of facility for a long period, the scheme could not be made functional and intended benefits could not be delivered to the people over a period of 26 years though Rs. 75.58 lakh (Rs. 48.97 lakh + Rs. 26.61 lakh) were spent for the same.

The matter was reported to Government in June 1998; reply had not been received (November 1998).

(b) According to provisions of existing financial rules, provision of funds is prerequisite for commencement of work. Contrary to these provisions Kalanua Group of Villages Water Supply Scheme was taken up (October 1986) departmentally, (estimated cost: Rs. 24.31 lakh) under Minimum Need Programme by IInd Construction Division, Uttar Pradesh Jal Nigam, Varanasi (Division) for providing potable water to Kalanua groups of villages without ensuring adequate provision of funds. The scheme was scheduled for completion in May 1987.

Test check (November 1995) of the records of Division and further information collected therefrom (September 1997) revealed that mechanical works in respect of tube well, pumping plant and electrical works were executed out of departmental budget upto March 1995 at a cost of Rs. 7.25 lakh and further execution of works had to be stopped for want of funds. The work did not resume as of September 1998.

Thus, taking up the work without ensuring availability of further funds resulted into stoppage of the scheme midway resulting in blockade of Rs. 7.25 lakh.

The matter was reported to Government in June 1998; reply had not been received (November 1998).

Chapter IV

Section 4C

Miscellaneous Topics of Interest

Uttar Pradesh State Electricity Board

SECTION 4C

Uttar Pradesh State Electricity Board

4C.1 Undue favour to a consumer

Undue favour involving Rs. 73.24 crore were given to a consumer by way of direct tapping of grid, non-realisation of system loading charges, relaxation in deposit of initial security, exemption from payment of minimum consumption guarantee and technical loopholes leading to theft of energy.

The Board sanctioned (September 1992) 45000 KVA load to M/s Somani Iron and Steel (SISL), Kanpur at 220 KV voltage to be released by making loop in loop out (LILO) arrangement through independent line emanating from sub-station (220 KV) which was to be constructed for this purpose by tapping the same with 220 KV Sarojini Nagar-Panki double circuit line. The entire cost of this arrangement (line and sub-station) was to be borne by the consumer. The sanction further envisaged that in future the said sub-station would be connected to the proposed 400 KV substation at Unnao. However, subsequently it was decided (November 1993) to release supply by T* tapping of 220 KV line passing through the premises of the consumer and as permanent arrangement, supply would be given from the proposed substation at Unnao. As a result of T tapping arrangement, line isolator had to be positioned before CT although it violated provisions of the circular of June 1994, wherein it has clearly been laid down that isolator should be established after CT. However, the sub-station at Unnao was not constructed and the supply continued up to 6 October 1997 through T tapping. A scrutiny of records relating to the release of this supply revealed that undue favour involving financial loss to the extent of Rs. 73.24 crore to the Board, was given to SISL by way of release of load by T tapping (Rs. 4.24 crore), non-realisation of system loading charges (Rs. 2.93 crore), relaxation in deposit of initial security (Rs. 3.53 crore), exemption from payment of minimum consumption guarantee (Rs. 24.08 crore), theft of energy (Rs. 38.46 crore) as discussed on the next page:

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* Providing direct connection from the grid through a tower instead of giving connection through a sub-station bay and feeder.

(a) Release of load by T tapping

(i) As mentioned above by way of T tapping the SISL got direct supply from the grid, with the result that SISL was ensured uninterrupted supply without payment of protective load charges which is an exceptional facility available to heavy power industrial consumers on payment only. Thus, the consumer was extended the benefit of protective load without payment of protective load charges amounting to Rs. 4.05 crore during March 1997 to September 1997.

(ii) For arranging permanent connection from proposed 400 KV substation Unnao, fifty per cent of the cost was to be deposited by the consumer in a Bank account before release of load through T tapping and remaining amount in instalments alongwith 14 per cent interest. For this purpose an estimate for Rs. 1.26 crore was prepared/sanctioned in February 1995 but the amount was not got deposited before release of the load. Loss of interest due to non-realising the amount worked out to Rs. 18.52 lakh from April 1997 to September 1998.

(iii) According to clause 7 of Electricity Supply (Consumers) Regulation, 1984, service line is the property of the Board irrespective of the payment made by the consumer. In this case an estimate of Rs. 52.31 lakh for service line was prepared in February 1995 but instead of getting the cost deposited the consumer was allowed to construct the service line himself and to deposit only Rs. 6.98 lakh (being 15.5 percent as supervision charges) which he deposited in February 1995. The above installation was not brought to Board's account as possession thereof was not taken which facilitated theft of power as brought in subsequent paragraph (c).

(b) Non-realisation of system loading charges

The Board prescribed vide order dated 3 December 1993 payment of system loading charges by all categories of consumers seeking new connections. Accordingly a demand of Rs. 292.50 lakh alongwith terms and conditions was raised on 23 February 1995 against SISL. Subsequently on 22 September 1995 the Chief Engineer (RESPO) issued an order according to which system loading charges would be exempted if the estimated cost (including system loading charges) could not be deposited by the consumer due to non-issue of terms and conditions of release of supply. On the basis of this letter the deposit of system loading charges amounting to Rs. 292.50 lakh was not insisted upon. However, as the terms and conditions had already been issued to the consumer on 23 February 1995; the exemption of system loading charges was irregular. This resulted in non-realisation of system loading charges of Rs. 292.50 lakh.

(c) Relaxation in deposit of initial security

The consumer was also required to deposit Rs. 3.60 crore towards initial security before release of the load. As per decision taken in the meeting held on 26 February 1996 under the Chairmanship of Principal Secretary (Energy), Government of Uttar Pradesh, the consumer was allowed to deposit it in 48 instalments at Rs. 7.50 lakh per instalment. The consumer deposited only one instalment of Rs. 7.50 lakh (May 1996) till date (October 1998).

Non-deposit of entire security before release of load resulted in non-realisation of Rs. 352.50 lakh and consequent loss of interest of Rs. 79.31 lakh upto September 1998.

(d) Exemption from payment of minimum consumption guarantee

Rate schedule HV-1 of the Tariff of the Board applicable to arc/induction furnaces, rolling and re-rolling mills and mini steel plants stipulates payment of minimum consumption guarantee (MCG) by the consumers at the different rates depending on the type of furnace. The then Chairman UPSEB without obtaining the approval of the Board issued (18 November 1996) an order exempting high power arc electric furnaces having the load of 15 MVA or above (on 132 KV or above) from payment of minimum consumption guarantee for six months. However, the order of the Chairman was withdrawn on 25 September 1997 as the proposal in this regard was not approved by the Board. Accordingly the division raised the bills of MCG from March 1997 to August 1997 aggregating Rs. 8.77 crore on 30 September 1997. Delayed issue of MCG bill resulted in non-recovery of Rs. 8.77 crore MCG and loss of interest of Rs. 35.48 lakh. The recovery proceeding of the amount of MCG has, however, stayed (6 November 1997) by the court due to writ filed by M/s Somani Iron & Steel Ltd.

Dues of the Board towards MCG stood at Rs. 24.08 crore at the end of September 1998.

(e) Theft of energy

(i) Though the load to SISL was released on 30 March 1997 no consumption was recorded up to 31 May 1997. Consumption during June representing consumption from 12 June 1997 to 27 June 1997 (no consumption recorded up to 11 June) was very low being 13500 units. A committee consisting of Member (Distribution), Member (Transmission) and others for examining the assessment case of theft of energy observed (July 1998) various irregularities such as (a) non taking of possession of the installation for connecting the connection of the consumer, (b) non supervision of work of sub-station operators (SSO) properly which was very important as the consumer could consume energy in unauthorised manner by opening the isolator with the help of Board's employees and by passing the CT, and (c) unauthorised cutting, removing and replacement of lock of the isolator by a Junior Engineer of EDD Unnao. The Committee also observed more than normal flow of energy on feeder number 1 of Sarojini Nagar-Panki 220 KV line during 12 June to 27 June indicating the abnormal flow of energy as the consumption by the consumer. Though the committee doubted metering arrangement which recorded only 13500 units during June 1997, no penal assessment was made for theft of energy in this regard which as per LFHD* formula and at penal rate worked out to Rs. 12.57 crore.

(ii) During checking of premises of the consumer in July and August 1997 by Superintending Engineer attached to Area Chief Engineer, the metering system was found disturbed as the pipe carrying secondary wire of R phase of CT was found dislocated. Accordingly, based on assessed consumption of 172.12 lakh KWH on LHFD formula, a bill of Rs. 19.66 crore was raised by EDD, Unnao on 27 February 1998, which was not paid by the consumer so far (October 1998) on which late payment surcharge upto September 1998 worked out to Rs. 2.95 crore, while checking the assessment it was observed in audit that rule for assessment in case of theft and malpractice, does not provide exclusion of holidays while computing the period of theft. However, the division excluded five days for weekly holidays. Thus, the division made short assessment of Rs. 3.28 crore by excluding five days as weekly holidays.

4C.2 Avoidable payment of demurrage and interest on custom duty

Due to lack of timely arrangement of funds, the Board had to incur avoidable expenditure of Rs. 10.59 crore on demurrage and interest on custom duty.

Board had to incur avoidable expenditure of Rs. 10.59 crore on demurrage and interest on customs duty due to its inability to arrange funds timely.

For the construction of 2 x 500 M.W. Anpara 'B' Thermal Power Station, Board executed a contract (March 1989) with Mitsui & Co., Japan for design,

* Indicates assessment on the basis of load x factor x hours x days.

manufacture, despatch, erection, testing and commissioning on turnkey basis to be completed within a time schedule of 46 months. The contract inter alia stipulated that custom duty as levied shall be paid at actual by UPSEB against documentary proof on the imported plants, equipments and spare parts etc..

Scrutiny of records of Anpara 'B' Thermal Power Project, revealed (March 1996) that 30 consignments despatched during 1991 to 1993 by the contractor were released from the port on payment of custom duty after delays ranging from one month to 13 months. Consequently, the Board had to make extra payment of demurrage of Rs. 481.68 lakh and interest of Rs. 577.64 lakh on custom duty.

The Board attributed (June 1998) the reason for delay in clearance of consignments to paucity of funds as the Government delayed the release of funds.

The reply of the Board is not tenable in view of the fact that the liability of payment as well as time schedule of arrival of the consignment was already known to the Board and accordingly suitable arrangements for funds or reschedulement of the consignment should have been made. Failure to take timely action resulted in avoidable expenditure of Rs. 1059.32 lakh.

The matter was brought to notice of the Government in August 1998; replies have not been received so far (October 1998).

4C.3 Non-levy of surcharge for delayed payment

Non-levy of late payment surcharge resulted in non-recovery of Rs. 7.98 crore.

Non-levy of late payment surcharge by Kanpur Electric Supply Administration resulted in non-recovery of Rs. 7.98 crore.

According to the provisions contained in Rate Schedule LMV-3 applicable to Public lamps and street lights a surcharge at the rate of 1.5 per cent per month or part thereof shall be levied on the unpaid amount of bill applicable after one month from the due date besides disconnection of supply of the consumer.

A test check (October 1998) of records of Bulk Supply Division of Kanpur Electric Supply Administration (KESA) revealed that late payment surcharge amounting to Rs. 7.98 crore were neither levied nor supply of the consumer was disconnected inspite of non payment of bills by Nagar Mahapalika Kanpur for connection no. SL-1 and Kanpur

Development Authority for connection no. SL-1B during the period from May 1996 to August 1998.

On being pointed out by Audit (March 1998), the Divisional Officer raised the bills for surcharge. Recovery of the same was awaited (October 1998).

The matter was brought to the notice of Board in May 1998 and to Government in July 1998; their replies have not been received (October 1998).

4C.4 Belated assessment of revenue

Delay in raising assessment in nine divisions of the Board resulted in non/delayed realisation of revenue of Rs. 374.01 lakh with consequent loss of interest of Rs 29.37 lakh.

Board has been working on borrowed funds including withdrawal of funds from cash credit account from banks at rates of interest varying from 18 to 20 per cent per annum. Delay in raising of assessment results in delayed realisation with consequent effect on ways and means position of the Board.

Belated raising of assessment in nine divisions resulted in non/delayed realisation of revenue of Rs. 3.74 crore with consequent loss of interest of Rs. 29.37 lakh.

Nine Electricity Distribution Divisions of the Board did not raise assessment of Rs. 374.01 lakh as per the prescribed billing schedule which were raised subsequently at the instance of audit as detailed below:

(Rupees in lakh)

Sl. No	Name of the Division	Amount of under-charge	Nature and period involved	Month of assessment and amount	Amount recovered and month of recovery	Loss of interest	Period of interest
1.	EDD Khalilabad	6.47	Under charge due to non-levy of capacitor surcharge (July 1995 to August 1997)	January 1998 6.47	Nil	0.49	August 1997 to January 1998

(Rupees in lakh)

Sl. No	Name of the Division	Amount of under-charge	Nature and period involved	Month of assessment and amount	Amount recovered and month of recovery	Loss of interest	Period of interest
2.	EDD Bareilly	22.48	Under assessment of revenue in cases of World Bank Tubewells (August 1994 to December 1996)	September 1997 22.48	20.32 (September 1997)	3.03	December 1996 to September 1997
3.	EUDD-II Varanasi	5.57	Undercharge of revenue due to non- levy of extra charges for supply at low voltage (April 1992 to August 1996)	September 1996 5.57	Nil	2.65	April 1992 to August 1998
4.	EUDD-I Muzaffarnagar	14.87	Undercharge due to non-application of revised tariff (January 1997, March 1997 to October 1997)	November 1997 14.87	Nil	0.22	October 1997 to November 1997
5.	EDD-I Bulandshahar	4.81	Non-assessment of defective meter (January 1996 to September 1996)	November 1997 4.81	4.81 (November 1997)	0.94	September 1996 to October 1997
6.	EDD Robertsganj	263.92	Undercharge of fuel surcharge (May 1995 to November 1997)	January 1998 to March 1998 237.64	Nil	15.84	November 1997 to March 98
	- do -	24.10	Undercharge of establishment surcharge (April 1996 to May 1996 and April 1997)	June 1996 to February 1998 22.12	Nil	3.62	April 1997 to February 1998
	- do -	5.92	Non-levy of low power factor surcharge (September 1995 to August 1997)	February 1998 5.92	Nil	0.53	August 1997 to February 1998
7.	EDD-II Mau	8.13	Undercharge of fuel surcharge (April 1997 to June 1997)	September 1997 8.13	Nil	0.37	June 1997 to September 1997

(Rupees in lakh)

Sl. No	Name of the Division	Amount of under-charge	Nature and period involved	Month of assessment and amount	Amount recovered and month of recovery	Loss of interest	Period of interest
8.	EDD-I Gorakhpur	11.68	Non-billing of electricity charge (i) Rs. 6.02 (January 1996 to December 1996) (ii) Rs.5.66 (January 1997 to July 1997)	January 1998 11.68	0.10	1.17 0.51	December 1996 to January 1998 and July 1997 to January 1998
9.	EDD Etah	6.06	Loss by way of late payment surcharge due to non issue of monthly bills (April 1992 to December 1996)	June 1997 6.06	Nil	Nil	December 1996 to June 1997
	Total	**374.01**		**345.75**	**25.23**	**29.37**	

Against short assessment of Rs. 374.01 lakh as pointed out by audit, the divisions raised bills for Rs. 345.75 lakh and recovered only Rs. 25.23 lakh so for (August 1998). The assessment for Rs 28.26 lakh has not been made so far (October 1998). On account of belated assessment, Board had incurred loss of interest of Rs. 29.37 lakh for the period based on the average rate of interest of 18 per cent per annum.

The matter was brought to the notice of the Board from August 1997 to December 1997 and to the Government in August 1998; their replies were awaited (October 1998).

4C.5 Non realisation of initial security deposit

Delay in raising the bills for security deposit resulted in locking up of funds to the extent of Rs. 2.65 crore.

Belated raising of demand in respect of security deposit resulted in locking up of fund to the extent of Rs. 2.65 crore.

Board's circular of March 1994 provides for levy of initial security deposit on Government, semi-Government and other consumers, who were earlier exempted from such deposit. The rate of initial security deposit was Rs. 1000/- per KW for street light, public water works and sewage pumping station consumer and Rs. 400/- per KW for other Government (including World Bank) and semi-Government consumers. The amount was to be recovered within 30 days from the date of issue of demand notice. In case of default, the supply was liable to be disconnected. However, no compliance of the circular was made and only on being pointed out by the Audit during inspections of the divisions, bills for security deposit amounting to Rs. 264.97 lakh were raised by Electricity Distribution Divisons (EDDs) during August 1997 to May 1998.

In respect of other divisions the position could not be ascertained in audit.

However, none of the above divisions could recover the amount assessed till date (October 1998).

The matter was brought to the notice of the Board in August 1997 to January 1998 and to the Government in July 1998; their replies were awaited (October 1998).

4C.6 Undue benefit to a contractor

Failure to carry out negotiations to bring down the rates in respect of items where other tenderer had quoted lower rates deprived the Board of the benefit of lower rates to the extent of Rs. 2.28 crore.

Global tenders were invited (October 1994) against specification no. OECF/UPSEB/15 for design, manufacture, shop testing, supply of towers, erection testing and commissioning of 800 KV Anpara - Jhansi single circuit transmission line. The cost of line was to be financed by the Overseas Economic Cooperation Fund (OCEF), Japan.

Failure to carry out negotiations to bring down the rates deprived the Board of the benefit of lower rates to the extent of Rs. 2.28 crore.

The two tenderers M/s SAE India Ltd. and M/s Hyundai Engineering and Construction Company Limited, Seoul, Korea (M/s Hyundai) who were technically suitable quoted their rates as given on the next page:

(Rupees in crore)

		M/s SAE		M/s Hyundai	
Sl.No.		**Quoted price after rebate**	**Computed price**	**Quoted price after rebate**	**Computed price**
1.	Supply of towers and accessories	32.79	34.26	39.46	41.08
2.	Type testing of towers up to destruction	0.81	0.81	1.10	1.10
3.	Erection of transmission line	23.87	23.87	25.16	25.16
4.	Erection of special works	7.05	7.05	4.77	4.77
	Total	**64.52**	**65.99**	**70.49**	**72.11**

Though the rates quoted by M/s SAE were lower than that of M/s Hyundai, yet the contract was awarded (December 1995) to M/s Hyundai considering that one similar work (Jhansi - Unnao line) had already been allotted to M/s SAE and as per consultant (M/s TEPSCO) advice the capacity of both the contractors was limited for one work only. However, M/s Hyundai was asked to bring down the overall rates equivalent to that of M/s SAE.

From the schedule of components mentioned above, it would be observed that the rate quoted by M/s Hyundai in respect of item no. 1 to 3 were higher as compared to that of M/s SAE, whereas rates of item no. 4 were lower. Accordingly, the Board should have negotiated to bring down the cost for these items (1 to 3) only, as was done in the case of M/s KEC (against specification No. OECF/UPSEB/4), where item-wise negotiations were made on the recommendations of Central Electricity Authority and the Board was benefited to the extent of Rs. 5.15 crore. Not adopting the procedure which had already been followed in the earlier case resulted in loss of Rs. 2.28 crore.

In reply it was stated (September 1998) by Chief Engineer, Anpara Power Transmission Project that it was normally accepted procedure to bring down the cost to the level of lowest bidder by giving a lump sum rebate equal to the difference in total cost between the highest and lowest bid.

Reply is not tenable in view of the fact as already mentioned that the Board had adopted the procedure for item-wise negotiation in earlier cases. In this connection it is also pertinent to mention that the Board did not prepare any schedule of rates to serve as guidelines for ascertaining the reasonability of the rates as required under paragraph 523 of the Financial Hand Book, Vol VI.

The matter was reported to the Board in May 1998 and to the Government in July 1998; their replies were awaited (October 1998).

4C.7 Non-billing of electrified villages and Harijan basties

Electricity bills aggregating Rs. 1.92 crore (including electricity duty of Rs. 19.05 lakh) were not raised in respect of villages and Harijan Basties in Electricity Distribution Divisions at Lalitpur and Etah.

Despite Board's decision to realise dues in respect of electrified villages and Harijan basties from Gram Pradhan, bills aggregating Rs. 1.92 crore were not raised.

Billing and realisation of revenue in respect of street lights of electrified villages and Harijan Basties was being done centrally by the Chief Engineer (Commercial), Lucknow on the basis of 10 light points of 40 watt each (400 watt) for each electrified village and two light points of 40 watt each (80 watt) for each Harijan Basties. The system was decentralised by the Board in March 1990 and it was decided that all the dues in respect of electrified villages and Harijan basties may be realised from the respective Gram Pradhans at the Divisional level and no electricity should be supplied to the defaulting villages/Harijan Basties.

During audit of Electricity Distribution Division (EDD), Lalitpur and Etah, it was observed (July/August 1997) that bills amounting to Rs. 191.57 lakh (including electricity duty to Rs. 19.05 lakh) for periods ranging between 86 to 87 months were not raised on respective Gram Pradhan as detailed below:

(Rupees in lakh)

Name of Division	No of electrified		Period	Months	Amount
	Villages	Harijan Basties			
Lalitpur	339	400	4/90 to 4/97	87	93.78
Etah	375	353	4/90 to 5/97	86	97.79
Total					**191.57**

On being pointed out in audit, EDD, Etah stated (July 1997) that necessary action shall be taken after getting survey of the electrified villages/Harijan Basties. Divisional Officer, Lalitpur stated (August 1997) that bills were not raised as Gram Pradhans were not using electricity. The reply was not tenable as billing and realisation was done centrally up to March 1990 and there was nothing on record to show that the light points became inefficient after March 1990.

The matter was reported to the Board in December 1997 and to the Government in May and July 1998; replies had not been received (October 1998).

4C.8 Under assessment of revenue

Incorrect calculation of energy consumption resulted in under assessment of revenue to the extent of Rs. 1.44 crore.

Incorrect assessment of energy consumption resulted in under assessment of revenue to the extent of Rs. 1.44 crore.

Clause 21(III) (a) and (b) of the Electricity Supply (Consumers) Regulation 1984 provides that if a meter becomes defective or stops recording consumption and theft or malpractices are not suspected, the consumption during such period of defects shall be worked out on the basis of average consumption of three preceding consequent months when the meter was not defective. If, however, the conditions in regard to use of electricity during the preceding months were not the same, the consumption will be worked out on the basis of connected load and hours of use.

Scrutiny of records (December 1997) of Electricity Distribution Division, Robertsganj revealed that in case of Sone Pump Stage IV (contracted load 5882 KVA) energy consumption was computed on the basis of running hours as meter was not installed since inception. However, while calculating the energy consumption a factor of 0.80 was incorrectly applied as energy consumption was calculated on the basis of actual running hours.

This resulted in under assessment of revenue to the extent of Rs. 1.44 crore during the period of July 1992 to November 1997. The Board, however, started billing correctly from December 1997 but the bill for earlier period amounting to Rs. 1.44 crore has not been raised so far (October 1998).

The matter was reported to the Board in January 1998 and to the Government in July 1998; their replies were awaited (October 1998).

4C.9 Inadmissible rebate

Allowance of inadmissible rebate to Jal Sansthan and Sone Pump Canal consumers resulted in under recovery of Rs. 1.44 crore.

(a) Jal Sansthan

The rate schedule applicable to Jal Sansthan was revised from 3 January 1997 and classified under LMV-7 (previously under LMV-1). The revised rate schedule did not provide any rebate for high voltage supply.

Test check of records (March 1998) of Kanpur Electric Supply Administration (KESA), however, revealed that two service connections of Jal Sansthan having load of 1250 and 1755 KVA at above 400 volts were allowed rebate of 5 per cent during January 1997 to August 1998 which was not admissible. The inadmissible rebate worked out to Rs. 27.05 lakh.

On being pointed out by audit, KESA withdrew the rebate and issued (October 1998) revised bill, recovery of which was awaited as of October 1998.

(b) Sone Pump Canal

Rate schedule HV-4 applicable to lift irrigation works having load of more than 75 KW (100 BHP) provides that if supply is taken at voltage more than 11 KV and upto 66 KV, rebate at 5 per cent will be admissible on the amount calculated under the rate of charge.

Scrutiny of records (January 1998) of Electricity Distribution Division, Robertsganj (Sonebhadra) revealed that Sone Pump Canals Stage I, II, III and IV were getting electricity supply at the voltage 3.3 KV and 6.6 KV being below 11 KV. The division, however, allowed the rebate aggregating Rs. 116.52 lakh at 5 per cent on the billed amount during December 1993 to October 1997 as per details given on the next page:

(Rupees in lakh)

Sl. No.	Name of Pump Canal	Connected Load (KVA)	Voltage of supply	Period	Rebate allowed
1.	Sone Pump Canal Stage I	3065	3.3 KV	January 1994 to October 1997	28.15
2.	Sone Pump Canal Stage II	3359	3.3 KV	January 1994 to October 1997	21.64
3.	Sone Pump Canal Stage III	9412	6.6 KV	December 1993 to October 1997	39.29
4.	Sone Pump Canal Stage IV	5882	6.6 KV	December 1993 to October 1997	27.44
	Total				**116.52**

The rebate of Rs. 116.52 lakh allowed to the consumer was not admissible as electricity supply was given at voltage less than 11 KV.

The Divisional Officer stated (September 1998) that the bills amounting to Rs. 116.52 lakh have been issued in July 1998; recovery thereof was still awaited (October 1998).

The matters were reported to the Board in May/January 1998 and to the Government in July 1998; their replies were awaited (October 1998).

4C.10 Under charge of revenue due to application of incorrect tariff

Raising of bills in respect of World Bank tubewells incorrectly at rates applicable to State tubewells instead of as per rate schedule HV-4, resulted in under charge of revenue amounting to Rs. 109.84 lakh.

Incorrect application of tariff in respect of World Bank Tubewells in two divisions resulted in under charge of revenue of Rs. 1.10 crore.

Note (1) below para 4 of rate schedule (HV-4) applicable up to December 1996, to World Bank tubewells with effect from 16th July 1994 provides that demand charges are to be billed at Rs. 70 per BHP for all connected load and Rs. 1.77 per unit for all kwh consumed during the month in case of non-installation of suitable trivector/bivector/ two part tariff meters at the start of the 11 KV independent feeders. Besides fuel surcharge at the rates notified by the Board from time to time, capacitor surcharge at 5 per cent of demand and energy charges for non-installation of capacitors at these tubewells and additional surcharge at 7.5 per cent of demand and energy charges for supply of energy at 400 volts are also to be billed.

(a) Scrutiny of records (July 1997) of Electricity Distribution Division, Moradabad revealed that due to non-installation of suitable meters at the start of the 11 KV feeders meant for 33 World Bank tubewells having total connected load of 547.5 BHP, the division raised bills of these tubewells at the flat rate of Rs. 192 per BHP applicable to State tubewells under rate schedule LMV-8 instead of user rate schedule HV-4. This resulted in under charge of revenue amounting to Rs. 43.93 lakh based on daily supply of energy for 10 hours and load factor 0.75 in absence of meters to record actual consumption of energy during the period from 16 July 1994 to December 1996.

The divisional officer stated (August 1997) that due to defective OCB of these feeders the independent status could not be maintained and the feeder was converted as mixed load feeder.

The reply is not convincing as the Board had to suffer loss of revenue to the above extent due to non-replacement/repair of defective OCB by the division.

(b) In a similar case of Electricity Distribution Division, Shikohabad revealed (February 1998) that due to non-installation of suitable meters at the start on the 11 KV feeders meant for Aron cluster of 33 World Bank Tubewells having total connected load of 445 BHP, the division raised bills of these tubewells at the flat rate of Rs. 192 per BHP applicable to State tubewells under rate schedule LMV-8 instead of under rate schedule HV-4. This resulted in under charge of revenue amounting to Rs. 65.91 lakh (including surcharge at the rate of 7.5 per cent) based on 16 hours supply of energy daily (as certified by the division) and load factor 0.75 in absence of meters to record actual consumption of energy during the period from July 1994 to December 1996.

The divisional officer stated (February 1998) that action will be taken after scrutiny of the cases. However, no action had reportedly been taken so for (May 1998).

The matter was reported to the Board in September 1997 and March 1998 and to the Government in May 1998 and July 1998 respectively; their replies had not been received so far (October 1998).

4C.11 Avoidable expenditure due to award of contract at higher rate

Finalisation of rates without analysis of rates to assess its reasonability resulted in avoidable expenditure to the extent of Rs. 1.10 crore.

Board incurred avoidable expenditure of Rs. 1.10 crore due to finalisation of rates without preparation of analysis of rates to assess its reasonability.

Against tender specification No. OECF/UPSEB/5 an agreement was executed in March 1994 with M/s SAE India Limited, New Delhi for design and fabrication of towers, erection and commissioning of 400 KV Unnao-Bareilly double circuit transmission line. The ex-works cost of finished galvanised parts quoted and rates allowed to supplier worked out to Rs. 26600 per tonne for supply of 9675 tonne being the guaranteed weight of towers.

It was observed that in subsequent tender (specification No. OECF/UPSEB/16) for design fabrication and galvanising of towers and accessories for 800 KV single circuit Jhansi-Unnao transmission line, the same firm M/s SAE India Limited, New Delhi quoted (December1994) ex-works of finished galvanised structure at Rs. 25463 per tonne for supply of 13862 tonne being the total weight of galvanised towers which was finalised in its favour. The above rates were finalised without preparing analysis of rates to assess its reasonability.

Though the galvanised tower structures were for two different types of line, but they conformed to the same specification consisting of steel and zinc. While the market price of steel, zinc and labour cost showed an increasing trend over this period (in June 1993 the prices of steel and zinc was Rs. 11773 and Rs. 47500 per M.T. whereas in December 1994 these were Rs. 13196 and Rs. 55500 per M.T. respectively), the rates quoted by the firm in subsequent tender OECF/UPSEB/16 in December 1994 were low. Thus the rates allowed earlier in March 1994 against tender specification No. OECF/UPSEB/5 were higher by Rs. 1137 per tonne resulting in avoidable expenditure of Rs. 1.10 crore.

Member (Transmission) and Design Organisation stated (September 1998) that the tenders were finalised within the provision of Overseas Economic Corporation Fund (OECF) guidelines which evaluates the bids on the basis of lowest technically suitable offer and that in case of OECF/UPSEB/16 the quoted rate was slightly lower only due to cut throat competition.

The reply is not tenable in view of the fact that OECF guidelines do not prohibit maintaining schedule of rates or analysis of rates offered by the tenderers. Moreover, there was nothing on record to substantiate that rates were subsequently lowered by firms due to cut throat competition.

The matter was reported to the Board in May 1998, and to the Government in July 1998; the reply of the Government has not been received (October 1998).

4C.12 Under billing due to incorrect application of tariff

Application of incorrect tariff to two non-government hospitals resulted in under billing of Rs. 41.89 lakh.

As per provision of Rate Schedule, non-Government hospitals and commercial institutions/societies are required to be billed under rate schedule LMV-2 applicable to commercial light and power consumers.

Application of incorrect tariff in case of of non-Government hospitals resulted in under billing of Rs. 41.89 lakh.

Scrutiny of records (October 1997) revealed that in the following two cases the billing was done under LMV-I instead of under LMV-2 though these were non-Government hospitals. This resulted in under billing to the extent of Rs. 41.89 lakh, as detailed below:

Name of Institution	Name of Division	Contracted load	Amount of short billing (Rs. in lakh)	Period
1. Vivekanand Polyclinic, Lucknow.	EUDD Aliganj	170 KW	21.89	April 1995 to September 1997
2. Gandhi Eye Hospital, Aligarh	EUDD-II Aligarh	120 KW	20.00	May 1995 to June 1997
Total			**41.89**	

On being pointed out by audit, E.U.D.D., Aliganj, Lucknow raised (June 1998) supplementary bill for the period April 1995 to May 1998 for Rs. 21.89 lakh on Vivekanand Polyclinic, Lucknow under rate schedule LMV-2 which remained unpaid till date (August 1998). However, in respect of Gandhi Eye Hospital, Aligarh no supplementary bill was raised.

The matter was reported to the Board in January 1998 and to Government in May 1998; their replies have not been received so far (October 1998).

4C.13 Non-recovery of system loading charges

Failure to recover system loading charges resulted in non-recovery of revenue amounting to Rs. 39 lakh.

Non-recovery of system loading charges resulted in non-recovery of revenue amounting to Rs. 39 lakh.

Rural Electrification and Secondary System Planning Organisation (RESSPO) of Board ordered (December 1993) that system loading charges shall be recovered from new connections for improvement of existing system and increasing capacity of lines/sub-station. It was further clarified by the Board (May 1994) that it shall also be charged on additional load of the existing consumers.

Test check of records of Electricity Distribution Division, Hardwar revealed that M/s BHEL, Ranipur, Hardwar having a load of 39 MVA (34 MVA for Factory and 5 MVA for Town ship) at 132 KV was released additional load of 6 MVA in January 1995 without recovery of system loading charges amounting to Rs. 39.00 lakh. Failure to recover the same system loading charges thus resulted in non recovery of revenue to the extent of Rs. 39 lakh.

It was stated (May 1997) that system loading charges were not recovered as in the opinion of the then Member (Distribution) it was not chargeable on release of load on voltage in excess of 33 KV. The reply is not tenable as the Board's orders of December 1993 and May 1994 did not exempt connection on 132 KV. Moreover the Board's order of May 1996 further confirmed levy of system loading charges in respect of connections on 132 KV and above.

The matter was reported to the Board in September 1997 and to the Government in May 1998; replies have not been received (October 1998).

4C.14 Under charge of lower power factor surcharge

Incorrect calculation of power factor for each circuit separately on a pump canal connection resulted in under charge of revenue to the extent of Rs. 28.40 lakh.

Incorrect calculation of power factor resulted in under charge of revenue to the extent of Rs. 28.40 lakh.

According to rate schedule HV-4 applicable to large and medium Pump Canal having a load of more than 75 KW (100 BHP) in respect of the consumers for whose premises trivector meter/bivector meter/two part tariff is installed, if the monthly average power factor falls below 0.85, the consumer shall pay, on the billed amount, the low power factor surcharge of one per cent for each 0.01 fall in the power factor below 0.85 upto 0.80 and at the rate of 2 per cent for each 0.01 fall in the power factor below 0.80 but this charge shall be limited to 0.70 only.

Scrutiny of records of Electricity Distribution Division-II, Mau revealed (September 1997) that connection of Dohrighat Pump Canal Stage I having connected load 3089 KVA (2626 KW) was bifurcated (February 1997) into two circuits through separate trivector meters and as stated by Divisional Officers (February 1998) two sets of Maximum Demand Indicator (M.D.I.) and metering equipment were installed only for balancing of load of power as well as saving the transformer and other electrical equipment from damage and for accounting and billing purpose two readings were obtained separately in each month. Hence for calculating power factor, aggregate of KWH & KVAH of both the circuits should have been considered.

The Divisional Officer, however, calculated power factor for each circuit separately and averaged the two power factors in each month for the purpose of billing. This resulted in under charge to the extent of Rs. 28.40 lakh during May 1997 to July 1998. On being pointed out in audit, the divisional officer raised (September 1998) bill for Rs. 28.40 lakh, recovery of which was awaited (October 1998).

The matter was reported to the Board in January 1998 and to Government in May 1998; replies were awaited (October 1998).

4C.15 Non-levy/non-recovery of electricity duty

Non/short levy of electricity duty by divisional officer, UDD Husainganj, Lucknow and UDD-I Aligarh on public lamp consumers during April 1996 to December 1996 and January 1997 to November 1997 respectively resulted in short recovery of electricity duty of Rs. 27.24 lakh.

The rate of electricity duty chargeable from unmetered consumers of public lamps was fixed (December 1986) at the rate of 10 per cent which was revised to 20 per cent of the electricity charges in January 1997.

Scrutiny of records relating to billing of consumer of public lamps of Electricity Urban Distribution Division, (UDD) Husainganj, Lucknow and UDD-I Aligarh revealed that while the electricity duty was not being levied on the public lamp consumers by UDD Husainganj, Lucknow, UDD-I Aligarh was levying electricity duty at the rate of 10 per cent. On being pointed out in audit, UDD Husainganj, Lucknow and Aligarh division raised (December 1997) differential bills for electricity duty for Rs. 18.24 lakh and Rs. 2.43 lakh for the period from January 1997 to October 1997 and January 1997 to November 1997 respectively. The amount, however, remained unrealised so far (July 1998). Further, UDD Husainganj did not even levy electricity duty amounting to Rs. 6.57 lakh so far (July 1998) at the rate of 10 per cent on electricity charge for the months of April 1996 to December 1996 which resulted in under recovery of revenue to that extent.

Non/short levy of electricity duty on public lamp consumers in two divisions resulted in short recovery of electricity duty of Rs. 27.24 lakh.

The Board has not fixed responsibility against any officers for the lapses.

The matter was brought to the notice of the Board in October 1997/January 1998 and to the Government in August 1998; their replies were awaited (August 1998).

4C.16 Under billing

Incorrect computation of energy consumed by a consumer during March 1987 to December 1995 resulted in under billing of Rs. 23.33 lakh.

Due to non availability of current transformer and potential transformer of appropriate ratings, metering of some of the bulk consumers receiving supply at voltage above 11 KV was being done on 11 KV. In these cases transformers were provided by the consumers at their own cost. Such consumers were, however, denied H.T. rebate by field officers on the ground that the tariff does not envisage any rebate for readings recorded at 11 KV. The consumers pleaded that since supply was being given to them at higher voltage and transforming equipment had been installed by them, they were entitled for rebate for supply at high voltage.

Incorrect computation of energy consumed resulted in under billing of Rs. 23.33 lakh.

For mitigating the grouse of such consumers, Board in February 1987 decided that in cases where the load had been released on high voltage viz. 33 KV and above, and the consumers had installed their own transformers, the H.T. rebate as per provisions of appropriate tariff should be allowed with effect from November 1982 after computing the readings on H.T. by adding 2 per cent to the demand reading and 3 per cent to the Kwh reading recorded at low voltage side of the transformer. Based on the reading so computed, the H.T. rebate as provided in the appropriate tariff, was to be worked out and adjusted through future electricity consumption bills.

Scrutiny of records of Electricity Distribution Division-I, Varanasi, (June 1998) in respect of billing of Diesel Locomotive Works, Varanasi having contracted load of 1000 KVA (enhanced to 2000 KVA in December 1995) revealed that while the consumer was released supply on H.T. and they had installed their own transformer, energy consumed (Kwh) for the purpose of allowing H.T. rebate was not computed by adding 3 per cent of the reading on LT side, from November 1982 to November 1995. The short billing (after adjustment of rebate) due to incorrect computation of energy consumed aggregated 20,63,016 Kwh valued at Rs. 23.33 lakh for the period from during March 1987 to December 1995. The quantum of under billed energy and value thereof for the period from November 1982 to February 1987 could not be worked out as the details of energy consumption for above period were not readily available with the division.

Divisional Officer in reply stated (June 1998) that regular bill in accordance with provisions of Board's order had been raised with effect from January 1996 onwards. However, the reply was silent about the recovery of Rs. 23.33 lakh.

The matter was reported to the Board and to the Government in July 1998; their replies were awaited (October 1998).

4C.17 Loss due to incorrect application of tariff

(i) Billing of private tubewell consumers under rate schedule LMV-5 instead of LMV-6 resulted in under charge of Rs. 21.75 lakh.

Application of incorrect tariff in respect of private tubewell consumers resulted in under charge of revenue of Rs. 21.75 lakh.

Rate schedule LMV-5 of the Board's tariff is applicable to all power consumers getting supply as per rural schedule for private tubewells/pumping sets for irrigation purpose with effect from 16 July 1994. The private tubewell and pumping set consumers getting supply at other than rural schedule were to be billed under rate schedule LMV-6 which was applicable to small and medium power consumers having contracted load upto 100 BHP including tubewells and pumping sets.

Test check of the billing of private tubewells under Kanpur Electric Supply Administration (KESA) revealed that 34 (connected load 227 BHP upto November 1994) and 29 (connected load 199.5 BHP thereafter) consumers getting supply at other than rural schedule were billed under rate schedule LMV-5 instead of under rate schedule LMV-6. The Division Officer, KESA stated (March 1998) that from May 1997 private tubewell consumers were being billed under Rate Schedule LMV-6. However, the revised bill for Rs. 21.75 lakh for the period from August 1994 to April 1997 has not been raised so far (October 1998). The application of incorrect schedule resulted in under charge of Rs. 21.75 lakh during August 1994 to April 1997.

The matter was brought to the notice of the Board in April 1998 and to the Government in August 1998; their replies were awaited (October 1998).

(ii) *Raising of bills by Electricity Urban Distribution Division-I Ghaziabad under rate schedule LMV-2 instead of under HV-2 in respect of the two connections of Railway workshops, resulted in under recovery of Rs. 18.05 lakh during the period from August 1994 to January 1998.*

Rate schedule LMV-2 applies to all consumers using electrical energy for light, fan and power loads for commercial purposes like shops, non-Government Hospitals, Railways (excluding traction and industrial premises), cinema and theatre etc. whereas rate schedule HV-2 is applicable to all consumers who have a contracted load of more than 75 KW (100 BHP) for industrial and/or processing purpose.

Scrutiny of records of Electricity Urban Distribution Division-I Ghaziabad revealed (December 1996) that two Railway connections in the name of Divisional Electrical Engineer, Northern Railway for (i) workshop of Electrical Multiple Unit (EMU), Ghaziabad car shed having contracted load of 300 KVA and (ii) workshop of Electrical Loco shed, Ghaziabad having contracted load of 615 KVA, though using electricity for industrial purpose were being billed under rate schedule LMV-2 instead of under rate schedule HV-2, whereas Diesel Locomotive Works, Varanasi, Railway workshop, Mughalsarai, and Railway workshop at Lucknow are being billed under rate schedule HV-2. Due to application of wrong rate schedule there was under recovery of revenue to the extent of Rs. 18.05 lakh during the period from August 1994 to January 1998.

The matter was reported to the Board in January 1997 and to the Government in June 1998; replies have not been received (October 1998).

4C.18 Loss of revenue due to non-observance of periodical and routine checking of meters

Non-observance of provisions regarding periodical checking, testing and regulating meters and maximum demand indicator resulted in avoidable loss of revenue to the extent of Rs. 13.31 lakh to the Board.

In accordance to paragraph 7.1 (C) of Commercial Manual the Board is required to examine, test and regulate all meters, maximum demand indicator for ascertaining the energy supplied before their first installation at the consumers premises and also to conduct periodical and routine test of all installations, meters equipments etc. at least once in a year for every large and heavy power consumer to ensure its accuracy.

Scrutiny of records of Electricity Distribution Division-I, Bulandshahar revealed that during checking of installation of M/S D.S.M. Paper Mill, Sikandarabad by raid party of Meerut Zone in March 1994 it was found that both the phase 'R' and 'B' of 11 KV metering C.T. of 100/5 Amp. were giving different ratios and overall multiplying factor (M.F.) was 0.532 instead of 0.5. Prior to this, the routine checking of the meter equipment of the consumer was got done on 14 April 1990.

The check meter was installed on 9 July 1994 on the request of the consumer indicated that KWH section and KVA sections of the old meter was found slow by 2.42 and 3.9 per cent respectively. Accordingly, revised assessment was made and bill raised (July 1995) for Rs. 16.28 lakh for the period from April 1990 to July 1994.

The consumer, however, paid (August 1995) a sum of Rs. 2.97 lakh only pertaining to six month period and for the balance amount of Rs. 13.31 lakh represented to the Chairman of the Board. Considering that installation of correct meter at consumer premises is the responsibility of the Board, the Member (Distribution) and Chairman of the Board restricted the raising of bill for six months as per rules and directed to take action against the defaulting officers who were responsible for not conducting regular periodical checking during the period from April 1990 to July 1994. No action was taken in this regard as of date (October 1998).

The matter was brought to the notice of Board (January 1998), and to Government (May 1998); their replies were still awaited (October 1998).

4C.19 Under billing due to application of incorrect multiplying factor

Application of incorrect multiplying factor (MF) resulted in under billing of Rs. 8.60 lakh.

Board's circular of September 1975 provides that metering diagrams of all CT/PT connected meters and subsequent changes, if any, have to be prepared by Executive Engineer (Test) and sent to the concerned Maintenance (Distribution) Division for proper billing on correct multiplying factor (MF).

Scrutiny of records (June 1998) of Electricity Distribution Division, Uttarkashi revealed that a meter connected with CT/PT was installed (July 1992) by the Test Division at the premises of the consumer (Commandant, Indo-Tibetan Border Police, Uttarkashi) on release of increased load from 10 KW to 97 KW. The Division, however, without obtaining sealing certificate/metering diagram from Test division and also without ensuring correct multiplying factor started billing by taking MF as one. Later on, the MF was revised to 10 w.e.f. April 1995 on a report by Junior Engineer concerned on 8th November 1993. Subsequently, Asstt. Engineer (Test) and EQUATOR* team of the Board checked the above meter on 23rd April 1997 and 16th May 1997 respectively and found that MF was 200 instead of 10. Thus, due to application of incorrect MF the consumer was under billed for Rs. 8.60 lakh during the period from July 1992 to May 1997.

The Divisional Officer stated (June 1997) that on receipt of metering diagram and checking report from Executive Engineer (Test), the assessment would be made.

No action to fix the responsibility for the lapse in reporting incorrect MF was taken by Board authorities till date (October 1998).

The matter was reported to the Board in November 1997 and to the Government in May 1998; replies had not been received (May 1998).

4C.20 Loss due to undue favour to a consumer

Injudicious decision of the Board's authorities to charge the estimated cost of shifting the line to the Board instead of recovering the same from landlord resulted in loss to the extent of Rs. 6.33 lakh.

* Electricity Quality Control and Technical Research Organisation

A land owner at Nazibabad started construction of building under existing 33 KV overhead line passing over the plot and completed the same inspite of notice issued by the Board authorities for stoppage of work. Subsequently, at the request of the land owner for shifting the overhead line, the Divisional Officer sanctioned (March 1994) an estimate of Rs. 0.46 lakh to cover the cost of shifting of 33 KV overhead line which was deposited by the land owner in the same month. However the work on over head line could not be started due to stay order of Hon'ble court obtained by owner of adjoining plot in August 1994. Consequently, the Board considered to shift the line through under ground cable and sanctioned (November 1995) a revised estimate amounting to Rs. 5.29 lakh. However, instead of asking the land owner to deposit the required cost which was necessitated due to court order the Board decided to absorb the cost at its own. The work was completed in March 1997 at a cost of Rs. 6.79 lakh for which revised (executed) estimate was awaiting sanction of Board authorities.

The decision of the Board's authorities to charge the estimated cost of shifting the line to the Board instead to recover the same from landlord was injudicious as the shifting work of line was on the request of the landlord and the landlord constructed the building under already existing 33 KV line. This resulted in loss to the Board to the extent of Rs. 6.33 lakh after adjusting Rs. 0.46 lakh already deposited by the consumer in March 1994.

The matter was reported to the Board in January 1998 and to Government in June 1998, their replies were still awaited (October 1998).

4C.21 Loss of revenue due to irregular waiver of electricity dues

Irregular waiver of electricity dues against Board's orders resulted in loss of revenue to the extent of Rs. 5.67 lakh.

Board's order of 15th May 1997 requires recovery of minimum charges towards electricity dues from the date of disconnection to the date of permanent disconnection.

Scrutiny (December 1997) of finalised permanent disconnection cases (27 nos.) of Electricity Urban Distribution Division-I, Aligarh revealed that arrears of electricity dues from the date of disconnection to the date of permanent disconnection amounting to Rs. 5.67 lakh were irregularly waived off by the Divisional Officer during October and December 1997 in contravention of orders of the Board referred to above. This resulted in loss of revenue to the extent of Rs. 5.67 lakh to the Board.

The matter was reported to the Board in January 1998 and to the Government in May 1998; replies have not been received (October 1998).

4C.22 Loss of revenue due to theft of energy

Due to non-detection of theft, the Board could not raise assessment for the period from December 1992 to May 1993 resulting in loss of revenue to the extent of Rs. 8.54 crore. Facts of the case are discussed below:

Failure to raise assessment due to non-detection of theft resulted in loss of revenue to the extent of Rs. 8.54 crore.

As per clause 22(b) of the Electricity Supply (Consumers) Regulations 1984, the assessment of the energy abstracted/consumed should be made on the basis of LFHD* formula and bills for the units assessed shall be raised at thrice the rate per unit of the tariff applicable to consumer, where there is evidence that the consumer had dishonestly abstracted or consumed energy. Regarding period of assessment it was clarified that assessment will be made for the number of days for which the pilferage took place which can be established from production of satisfactory evidence by the consumer. In case there is no possible evidence to establish the period, it will be for 180 days or the number of days elapsed from the date of connection/installation of meter till the date of detection of pilferage whichever is less.

Scrutiny of records of Executive Engineer, Electricity Urban Distribution Division-I, Ghaziabad revealed (April 1998) that M/s Maharashtra Steels Limited, Ghaziabad, having contracted load of 10,000 KVA was found engaged in theft of energy by a team of officers under the Chief Zonal Engineer, Meerut in November, 1993. This theft was done by means of inserting a small nail in the cable which caused short circuiting of the two wires inside the cable resulting in no current at the meter end. An F.I.R. was lodged (28.11.1993) for theft of energy, the supply was disconnected and an assessment of Rs. 8.66 crore was raised against which the consumer made a representation. Chairman, UPSEB constituted (November 1993) a committee headed by Shri Mahendra Pal, Additional Secretary and Chief Engineer to enquire into the theft case. The Committee in its report of 1993 observed that theft of energy to the extent of 30 to 45 per cent was involved in an organised manner since December 1992. The consumer filed a writ in Hon'ble High Court and on the direction of Hon'ble High Court at Allahabad, the

* LFHD represents load x factor x days x hours used to assess the consumption in case of unmetered supply.

Executive Engineer, Noida was nominated (January, 1994) by C.E. (Distribution), Western Area to decide upon the representation.

After detailed examination the Executive Engineer, in his report (March 1994) concluded that there was irrefutable evidence to establish that the consumer had been indulging in pilferage of electrical energy from November/December, 1992 to November 1993. However, the theft could not be detected as Executive Engineer responsible for checking, reading the meters and billing the consumer failed to compare consumption with production and excise data and the meters installed both on 132 KV sub-station end and consumer's end were manipulated by hatching planned conspiracy with insiders of UPSEB so as to avoid detection of theft.

Board could however, assess for 180 days only (30 May to 25 November 1993) at Rs. 8.54 crore, as per provision of the Electricity Supply (Consumers) Regulations, 1984. This amount also could not be realised as property of the consumer could not be auctioned due to stay order obtained (November 1997) by his bankers (United Bank of India) under Debt Recovery Tribunal.

Despite the conclusion of Enquiry Officer that insiders of the Board were involved in conspiracy resulting in theft of energy by consumer, the Board failed to institute an inquiry to identify the defaulting officials. As such no action could be taken against them till date (October 1998).

The matter was brought to the notice of the Board in May 1998 and to Government in July 1998; their replies have not been received (October 1998).

4C.23 Loss of revenue due to irregular reduction of load

Irregular reduction of existing load of 4350 KVA of consumer instead of increasing the same up to 5400 KVA resulted in loss of Rs. 5.16 crore.

In terms of para 10 (b) of the Electricity Supply (Consumers) Regulations, 1984, read with Board's order of March 1992, reduction of load shall be allowed only after intensive checking of installation of consumer.

Irregular reduction of load resulted in loss of Rs. 5.16 crore.

In case of reduction of load of induction furnaces, the Chairman, UPSEB in his circular dated 10 June 1998 while pointing out irregularities in reduction of load fixed a norm of load of 600 KVA for each one tonne capacity of furnace and instructed that for revising the load of induction arc furnaces according to their capacity, each Area Chief Engineer would constitute a team to check the installed capacity of each furnace consumer of the area.

Scrutiny of records of Electricity Distribution Division, Roorkee (October 1998) revealed that M/s Mool Chand Steel Limited, Chutmalpur, was having contracted load of 4350 KVA, since October 1989. The consumer applied (20 January 1993) for reduction of load to 3000 KVA and submitted revised load in B&L form for 3000 KVA indicating installed load 3000 KVA of existing furnaces (two furnaces with load of 1400 KVA each, 25 KVA light & fan and 175 KVA for motors) wherein existence of one more furnace of 3 tonnes capacity was not disclosed.

The Executive Engineer, without checking the installation of consumer's premises, capacity of furnaces etc. and also without replacing the existing equipment (transformers, switchgear etc) to match capacity for reduced load, recommended to Superintending Engineer, Electricity Distribution Circle, Roorkee for approval of reduction of load.

However, a team constituted in compliance of Chairman's instructions of 10 June 1998 mentioned above, found 3 furnaces having capacity of 3 tonnes each with two electrical panels, during inspection conducted on 4 September 1998. In view of the inspection report, the consumer was liable for increasing contracted load upto 5400 KVA instead of reduction of load to 3000 KVA from existing contracted load of 4350 KVA.

Thus, action of Board's authorities to reduce the load without proper verification resulted in loss of Rs. 516.40 lakh (being the difference of MCG on 5400 KVA and actual billed amount) between February 1993 and June 1998.

The matter was reported to Board and to the Government in October 1998, their replies were awaited (October 1998).

4C.24 Award of contract at higher rate

Awarding of contract without exploring possibilities to bring down the rates to reasonable level through negotiation resulted in avoidable extra expenditure of Rs. 2.98 crore.

Scrutiny of records of 400 KV sub-station Design Circle, Lucknow revealed that the Board invited (January 1993) global tender, against specification No. OECF /UPSEB/

10 for erection, commissioning and supply of sub-station equipments (clamps fitting structures), DG sets etc and civil works package for 400 KV sub-station at Agra, Bareilly and Unnao. This work was financed by the Overseas Economic Cooperation Fund (OFCF), Japan.

Award of contract by the Board without carrying out negotiations to bring down the rates to reasonable level resulted in extra expenditure of Rs. 2.98 crore.

Against the above tender three parties viz. M/s Crompton Greaves Limited (CGL), M/s Larsen and Toubro (L&T) and M/s Western India Enterprises (WIE), quoted their rates FOR destination as under:

(Rupees in crore)

Name of firm	Sub-station equipments	Civil works	Total
CGL	27.21	28	55.21
WIE	27.44	38	65.44
L&T	32.35	35	67.35

The rate quoted by CGL, being the lowest, the contract was awarded (February 1994) to it for a total value of Rs. 55.21 crore. Scrutiny of some of the items of the work revealed that the Board awarded the contract without exploring the possibilities to bring down the rates to further reasonable level through negotiation which resulted in avoidable extra expenditure of Rs. 297.86 lakh in respect of following three items test checked in audit.

(i) The rates for construction of RCC overhead tanks (6 nos) of 150 kilo litres capacity each (two at Unnao, Bareilly and Agra 400 KV sub-stations) awarded to CGL was abnormally high at Rs. 344.54 lakh as against the rate of Rs. 80.60 lakh quoted by L&T. In the work, the Board incurred an avoidable extra expenditure of Rs. 131.97 lakh on construction of 3 number overhead tanks (the construction of overhead tanks being reduced from 6 to 3 number only).

(ii) In case of carriage of transformer (7 nos.) and reactors (13 nos) of different capacities for Agra, Bareilly and Unnao 400 KV sub-station, the rates awarded to CGL ranged between Rs. 1,41,240 and Rs. 7,43,650 per piece which were abnormally high as compared to the rates offered by WIE which ranged between

Rs. 27,888 and Rs. 44,073 per piece. Thus, the Board incurred avoidable extra expenditure of Rs. 59.91 lakh on carriage of transformer and reactors also.

(iii) For electrification work in residence/office buildings/store shed/pump house at 400 KV sub-station, Unnao, the rates awarded to CGL was Rs. 151.61 lakh as against the quoted rate of WIE for Rs. 45.62 lakh. In test check, it was noticed that the rates quoted by WIE for ceiling fans and call bells was Rs. 1076 and Rs. 39 per piece against which the rates awarded to CGL were Rs. 3080 and Rs. 604 per piece respectively which was 286.24 and 1548.7 per cent of the lowest rates quoted by WIE. This resulted in further avoidable extra expenditure of Rs. 105.99 lakh on electrification work.

The Board in its reply (April 1998) stated that in the instant case the guidelines of loaning agency i.e. OECF were followed which stated that no stipulation would be allowed requiring disqualification of any bid above or below a pre-determined value. The reply is not tenable in view of the fact that OECF had never prevented the Board to go in for negotiation to bring down the rates as was done in case of KEC against tender specification No. OECF/UPSEB/4.

The matters were brought to the notice of the Board in April 1998 and to the Government in August 1998; replies were awaited (October 1998).

4C.25 Loss in supply of power to M/s Neeru Ispat

Release of service connection without realising cost of service line and bay resulted in loss of Rs. 27.56 lakh. Besides an amount of Rs. 1.30 crore became irrecoverable as the consumer went into liquidation. Facts of the case are discussed below:

(a) Undue favour in release of mixed feeder supply by violation of rules

Provisions of Board's order of March 1995 inter-alia provided that release of load to an induction/arc furnace consumer shall be made from an independent feeder after deposit/payment of cost of service line and bay.

Board suffered a loss of Rs. 27.56 lakh due to non-realisation of cost of service line and bay. Besides, an amount of Rs. 1.30 crore became irrecoverable as the Company went into liquidation.

M/s Neeru Ispat, an induction/arc furnace consumer of Bulandshahar, was sanctioned (October 1992) a load of 2350 KVA from an independent 33 KV feeder which was later on revised to 2000 KVA in January 1994. The consumer was asked (February 1994) to deposit service line cost (Rs. 20.97 lakh) only without asking him to deposit the cost of bay charges (Rs. 17.13 lakh).

The consumer, however, showing his inability to deposit the estimated amount, requested the Board to release supply from 33/11 KV mixed feeder. Consequently, the supply was released (July 1995) from 33 KV mixed feeder no. 7, meant for Fibre Glass Industry after payment (May 1995) of Rs. 10.54 lakh being the cost of service line only. The supply to consumer was shifted to feeder no. 6 from 19 May 1996 and again shifted to feeder no. 7 from 17.1.1997 (both mixed feeders). It was noticed from energy account of M/s Neeru Ispat for the period October 1996 submitted by Executive Engineer, Test Division, Bulandshahr, that line losses on feeder no. 6 were to the extent of 37.5 per cent. Reasons for this loss were, however, not investigated.

Board sanctioned additional load of 4500 KVA in February 1996 against which load of 2000 KVA was released by the Board in May 1996 from feeder no. 6. However, Board had not insisted on for deposit of cost of service line and bay for independent feeder even at the time of releasing additional load extending undue favour to the consumer amounting to Rs. 27.56 lakh (cost of service line: Rs. 10.43 lakh and bay charges: Rs. 17.13 lakh).

(b) Irrecoverable dues of Rs. 129.66 lakh

The consumer made the payments of revenue bills up to December 1996 but failed to pay Rs. 23.92 lakh against the bill of January 1997. The consumer requested the Board on 6 February 1997 for disconnection of the supply. Although the compulsory period of supply from the date of agreement (i.e. 13.7.95 but subsequently revised to 19.5.96 due to release of additional load of 2500 KVA from the later date) was to expire on 18 May 1998, supply of consumer was disconnected from 20 February 1997. In the meantime the bill for the month of February 1997 for Rs. 23.45 lakh was also raised on the consumer which too was not paid.

On filing of a writ by the consumer (February 1997), Hon'ble High Court at Allahabad directed the Chairman to decide the case. The Chairman, UPSEB in his findings (March 1997) concluded as under:

"The consumer shall be liable for payment of minimum charges for remaining compulsory period of supply by which it falls short of 2 years or for the period of six months from the date of disconnection whichever is less".

Accordingly the total dues outstanding against the consumer worked out to Rs. 1.66 crore against which bills for Rs. 1.41 crore were issued by divisional authorities during January to July 1997. As per intimation received from District Magistrate, Bulandshahar the Company (M/s Neeru Ispat) went into liquidation as per order of High Court (July 1997) and an official liquidator was appointed to whom all the claims against the consumer were to be filed.

Accordingly, a claim for Rs. 1.30 crore (after adjusting the available security of Rs. 0.37 crore) was lodged (February 1998) by the division with the Official Liquidator of the Company (under writ petition no. 48 of 1996) which was awaiting settlement as of date (October 1998).

These matters were reported to Board and the Government in October 1998, their replies were awaited (October 1998).

4C.26 Loss due to irregular reduction of load and pilferage of energy

Irregular reduction of load without reducing the capacity of existing equipments to match reduced load and non-assessment of pilferage of energy resulted in loss of Rs. 1.29 crore.

(a) Loss due to irregular reduction of load

Irregular reduction of load without reducing the capacity of existing equipments to match reduced load and non-assessment of pilferage of energy resulted in loss of Rs. 1.29 crore.

In terms of para 10(b) of the Electricity Supply (Consumers) Regulations 1984, before reduction of load of the consumer (large and heavy power consumers), the existing Board's equipments (line, transformers and switch gear etc.) installed for feeding the existing load are required to be replaced by the equipment adequate for giving power conforming to the reduced contracted load at the cost of consumer. Further, as per Board's order of March 1992 reduction of load shall be allowed only after extensive checking of the installation of the consumer by the Executive Engineer duly monitored by the Superintending Engineer.

Scrutiny of records of Electricity Distribution Division, Roorkee revealed that M/s Durrung Steel, having contracted load 3000 KVA for their induction/arc furnaces applied (13 November 1992) for reduction of contracted load to 2000 KVA (105 Amp).

The Executive Engineer after obtaining fresh B&L form for 2000 KVA, executed (30 November 1992) fresh agreement for reduced load without having carrying out extensive checking of installation of consumer and also without having replaced the existing equipments (line, transformers and switch gear etc.).

It was observed (30 November 1992) by the Sub-divisional Officer while certifying the reduced load that the induction furnaces were as before but load was reduced/regulated by adjustment of electronic system "Potentio Meter" setting in electronic control panel of each furnace. The reduction of load by above noted means was irregular because by installation of "Potentio Meter" the consumer managed to indicate reduction in load though the load remained the same as the furnaces were not replaced. After reducing the load to 2000 KVA in November 1992 the actual load recorded by the trivector meter at consumer's premises was 2195 KVA, 2010 KVA and 2500 KVA during December 1992, January 1993 and October 1993 respectively which also confirmed the fact that the consumer's load had not actually reduced. The Executive Engineer, Electricity Transmission Division, Roorkee also confirmed (February 1995) that the consumer actually drew load ranging between 135 Amp to 160 Amp, during December 1993 to October 1994 against the contracted load of 105 Amp as per energy meter of 132 KV sub-station, Ramnagar, Roorkee with the connivance of sub-station staff.

Despite the above information regarding excess load, the switch gear of metering installed at premises of consumer and also at 132 KV sub-station was replaced only in April 1995 for matching the reduced load and the consumer continued to avail irregular excess load up to March 1995. On the request of consumer the supply was disconnected permanently on 30 November 1995.

Thus, failure of the Board to replace the existing equipments to match the reduced load and extensive checking/monitoring of installations of the consumer resulted in extending undue benefit to the consumer and consequent loss to the Board to the extent of Rs. 74.18 lakh against Minimum Consumption Guarantee (MCG) during the period from December 1992 to March 1995.

(b) Non-billing of pilferage of energy

As mentioned above the consumer was drawing load more than its contracted load of 105 amp. In this connection the Superintending Engineer, Electricity Transmission Circle, Roorkee observed on 30 October 1994 that the sub-station staff on duty were recording the load less than the actual load drawn in the sub-station's log sheet. It was further observed by the Superintending Engineer that generally zero readings were recorded in the log sheets at least 2-3 times daily during zero hours to 17.00 hours. The energy consumption calculated on average load actually drawn by M/s Durrung Steel during the above period was found to be more than twice of that recorded by the energy meter of the independent feeder of the consumer.

Based on the above study, the Chief Engineer, Transmission (West) Meerut, constituted a committee in January 1995 to check and examine the theft of energy and to take necessary steps to set right the energy meters, CTs, PTs etc.

The committee headed by the Superintending Engineer, Electricity Test and Commissioning Circle, Meerut checked and examined the energy meters, CT and PT connections etc. of 66 KV and 11 KV metering system of 5 MVA 66/11 KV transformer-III at 132 KV substation Ramnagar during 29 to 31 March 1995 and concluded that there was deliberate tampering of CT/PT connections of metering system and that the energy meters installed at 11 KV independent feeder of M/s Durrung Steel, Roorkee had been recording almost half of its actual consumption prior to 31 March 1995 (the exact period of discrepancies were, however, not mentioned by the committee).

Thus, due to change of phase sequence at sub-station end and non-matching of energy consumption at consumer's end, the consumption recorded at the consumer's end was half of actual consumption, which could not be detected on account of connivance of staff posted at 132 KV sub-station, Ramnagar, Roorkee. Accordingly, the consumer was liable to be billed for consumption of energy recorded at meter installed at 11 KV independent feeder at 132 KV sub-station at least for six months prior to 31 March 1995 (the date of checking) which worked out to 18,11,907 Kwh and accordingly the consumer should have been billed for Rs. 54.50 lakh which was not done resulting in loss to Board to that extent. Further, inspite of the reports that manipulation was done with the connivance of the staff, no action was taken to investigate the matter to fix responsibility.

These matters were reported to Board and to the Government in October 1998; their replies were awaited (October 1998).

4C.27 Undue favour to consumer by sanctioning irregular reduction of load

Irregular reduction of load without matching reduction in existing equipments (line, transformer and switchgear) and without adhering to the terms and conditions of the agreement executed with the consumer resulted in undue favour to the consumer and consequent loss to the Board to the extent of Rs. 1.10 crore.

Board extended undue favour to a consumer to the extent of Rs. 1.10 crore due to irregular reduction of load.

M/s Hindon River Mills, Ghaziabad (Consumer), having contracted load of 6010 KVA since 1991, applied (August 1993) for reduction of load to 3000 KVA as it intended to operate some of its equipments by installing diesel generating (D.G.) sets. The Superintending Engineer, Electricity Distribution Circle, Ghaziabad sanctioned (September 1993) reduction of load by allowing running of D.G. sets in parallel to Board's systems. However, the Executive Engineer, Electricity Distribution Division-II, Ghaziabad without reducing the Board's existing equipment (line transformer and switchgear) to match with the reduced load as required under clause 10 (b) (iii) of the Electricity Supply (Consumers) Regulations, 1984 and without ensuring that load of D.G. set is drawn on a separate circuit as distinct from that of Board, executed a fresh agreement (September 1993) with the consumer. In the agreement a special clause was incorporated according to which the load intended to be operated on his own generation, shall under no circumstances be drawn from the supply of UPSEB and the actual demand shall not be allowed to exceed the reduced contracted demand of 3000 KVA. In case the actual demand was found to have exceeded the reduced demand within two years of the agreement i.e. upto 18 September 1995, the agreement would become null and void and the agreement of 6010 KVA of 1991 would be deemed to be operating as if it had not been superseded at all.

In April 1995, however, the demand of the consumer exceeded the contracted load of 3000 KVA as load connected on D.G. sets was drawn from the UPSEB supply. This attracted provisions of the special conditions rendering the revised agreement null and void and making the original agreement of April 1991 effective. Hence the division raised bills for Rs. 110.14 lakh for demand charges at 6010 KVA for the period from September 1993 to June 1996. Despite the consumer having failed to make payment of the bills, no action for disconnection of the supply was taken. However, on representation of the consumer, Chief Engineer (Commercial) without obtaining any legal opinion expunged (July 1996) the special clause of agreement on the plea that it was not as per standard proforma approved by the Board. Accordingly, the amount of Rs. 110.14 lakh was waived; as a result of which the Board suffered loss to this extent.

The matter was reported to the Board in May 1998 and to the Government in July 1998; their replies were awaited (October 1998).

4C.28 Undue favour to consumers

Discrimination in application of tariff for providing the same nature of facility to different consumers and delay in application of Board's orders resulted in undue favour *to consumers to the extent of Rs. 63.18 lakh and loss of interest of Rs. 14.19 lakh.*

Due to discrimination in application of tariff the Board was deprived of revenue of Rs. 63.18 lakh and also suffered loss of interest of Rs. 14.19 lakh due to delay in application of its orders.

(a) The facility of protective load is sanctioned to continuous industrial consumers, if they so apply to avoid power cut to their units in peak hours in case of emergency rostering. Since the Board has to purchase additional energy at higher rates so as to maintain supply at peak hours, it levies additional charges for protective load sanctioned to industrial consumers.

The Board (June 1987) sanctioned protective load of 500 KVA to M/s Premier Vinyl Flooring Limited, Sikanderabad at an additional charge of Rs. 15.50 per KVA per month. A supplementary agreement to this effect with the consumer was got executed by Electricity Distribution Division, Bulandshahar in July 1987. The Board had also sanctioned protective load to three other consumers, but no protective load charge was levied on them as was done in the case of M/s Premier Vinyl Flooring Limited. Due to discrimination in application of tariff for providing similar nature of facility without levy of additional charge, the Board was deprived of revenue of Rs. 63.18 lakh during the period from July 1987 to March 1990 as given below:

(Rupees in lakh)

Sl. No.	Name of consumer	Name of Division	Protective load	Date of sanction of protective load	Amount un-recovered
1.	M/s Modipon, Modi Nagar, Meerut	EDD Modi Nagar	4706 KVA	October 1979	24.07
2.	M/s Modi Rubber Limited, Modi Nagar, Meerut	EDD-II Meerut	4706 KVA	March 1987	24.07
3.	M/s Star Paper Mills, Saharanpur	EUDD-II Saharanpur	2941.17 KVA	July 1986	15.04
	Total				**63.18**

(b) The Board decided (April 1990) to levy an additional charge of 100 per cent demand charge for protective load. However, the order incorporating the decision was received in Electricity Distribution Divisions, Meerut/Saharanpur/Modinagar only on 3.4.91. The reasons for this abnormal delay of one year were not available on record. The delay resulted not only in delay in raising the bills to the consumers aggregating Rs. 143.17 lakh (Rs. 53.65 lakh from M/s Modi Rubber Limited, Modinagar, Rs. 36.32 lakh from M/s Star Paper Mills, Saharanpur and Rs. 53.20 lakh from M/s Modipon, Modinagar) but also loss of interest to the extent of Rs. 14.19 lakh.

These matters were brought to notice of the Board in May 1998 and to the Government in July 1998; their replies were awaited (October 1998).

4C.29 Loss of revenue due to delay in regular checking of metering equipments

Due to failure in carrying out periodical checking of meters and limiting the assessment of consumer for theft of energy upto six months an amount of Rs. 39.44 lakh could not be billed, resulting in loss of revenue to that extent for which no responsibility has been fixed.

Board suffered a loss of revenue of Rs. 39.44 lakh due to failure in carrying out periodical checking of the meters and limiting the assessment of a consumer for theft of energy upto six months.

Scrutiny of records of Electricity Urban Distribution Division III, Ghaziabad, revealed that metering equipments installed at the premises of U.P. Ceramics & Potteries, Ghaziabad, (contracted load 1300 KVA) was checked in October, 1992 and it was found that TTB of R phase of meter was burnt due to which meter was recording only 2/3rd consumption. Prior to this, checking was done in December 1990 when the meter was found to be alright.

As per finding of the Divisional Officer, the phase of the meter was burnt in the month of March 1991 as consumption from March 1991 was considerably low. This defect could not be detected and continued upto October 1992 because of failure in carrying out periodical testing and checking of the meters due in December 1991.

Based on the checking report of October 1992, the Divisional Officer raised assessment amounting to Rs. 64.23 lakh for the period from March 1991 to October 1992 taking 1/3rd consumption which remained unrecorded.

The consumer being dissatisfied with the above assessment, represented to the Chairman of the Board who ordered (January 1996) to revise the assessment on the basis of average consumption of preceding six months from 12/91 in order to end the dispute. But this order was not given effect as it entitled the consumer to a refund for 158639 units valued at Rs. 3.39 lakh as per Superintending Engineer, Ghaziabad's letter dated 8.2.96. The case was finally decided (November 1996) by Chief Engineer (Commercial) and the consumer was accordingly assessed (March 1997) for Rs. 24.79 lakh for the period from April 1992 to October 1992 which was paid by the consumer during September 1993 to June 1997.

Thus, due to failure in carrying out periodical checking of meters and limiting the assessment period upto six months only, despite theft of power for about one and half years, Board suffered a loss of revenue to the extent of Rs. 39.44 lakh.

The matter was reported to the Board (May 1998) and to the Government in July 1998; their replies were awaited (October 1998).

4C.30 Under assessment of revenue

Board did not assess a large and heavy power consumer for Rs. 35.38 lakh, being the value of 13.61 lakh units of energy, from the date of last reading to the date of checking, when it was noticed that the meter was registering only 2/3 of the actual consumption.

Short assessment of 13.61 lakh units resulted in non-recovery of Rs. 35.38 lakh.

While checking the meter at the time of release of additional load of 4000 KVA to M/s Bhushan Steel and Strips Limited, Ghaziabad on 01.10.1997 (sealing certificate not made available to audit), 'R' phase of the C.T. of the meter was found to be loose and recording only 2/3 of the consumption. The total electricity consumption recorded by the meter during the period from 30.08.1997 (date of last reading) to 01.10.1997 (date of detection of defect on checking of the meter) was 49,64,500 units. As against one third consumption short assessed (2482225 KWH), the Division raised bill for assessment of 1121500 units only for part of the period from 15.09.1997 to 01.10.1997, resulting in short assessment of 1360750 units, valued at Rs. 35.38 lakh (at the rate of Rs. 2.60 per unit). Reason for non-raising of assessment from the date of last reading to the date of checking were neither on record nor intimated to audit.

The matter was brought to the notice of the Board in May 1998, and to the Government in July 1998; replies were awaited (October 1998).

4C.31 Undercharge of revenue

Use of power load in excess of contracted load and belated sanction and release of additional load resulted in undercharge of Rs. 29.67 lakh as discussed below.

Use of power in excess of contracted load and belated sanction and release of additional load resulted in under charge of Rs. 29.67 lakh.

According to para 22(a) (iii) read with Annexure I of Conditions of Supply of the Board if a consumer with connection upto 75 KW (100 BHP) is found at any time exceeding contracted load without specific permission of the Board, he shall be liable to pay assessment charges for the excess load for the past six months at thrice the applicable rate of minimum consumption guarantee (MCG) per BHP per month. In addition to this the consumer is liable to be charged for the electrical energy dishonestly abstracted at thrice the rate (per unit) of the tariff applicable excluding the consumption recorded by the meter. Further, if any time, the energy supplied under one rate schedule is used for a purpose for which a higher tariff is applicable, the whole of the energy registered as consumed during the past six months from the date of detection is chargeable at the rate schedule as applicable for such energy in terms of Para 22(a) (i) ibid.

Scrutiny of records of Electricity Distribution Division, Hapur revealed that Gulshan Dairy Farm, Simbhouli (Ghaziabad) having a contracted load of 100 BHP since October 1988 under rate schedule LMV-6 applied (March 1990) for additional load of 100 BHP. The additional load of 100 BHP was sanctioned in May 1994 for which an agreement with the consumer was entered into in January 1997 for the total contracted load of 200 BHP bringing the consumer into the category of large and heavy industry billable under rate schedule HV-2.

However, the actual maximum demand registered on Maximum Demand Indicator (MDI) installed in September 1990 at his premises varied from 80 KW (107 BHP) to 137 KW (183 BHP) during March 1991 to December 1996. This indicated that the consumer started taking the additional load of 100 BHP long before its sanction. Calculated at thrice the rate of MCG the amount payable by the consumer for the period from April 1990 to January 1997 worked out to Rs. 21.68 lakh. Further, since the consumer used the energy with actual load of 200 BHP for which the higher rate schedule HV-2 was applicable he became liable to pay additional energy charges of Rs. 10.34 lakh during the same period. As against this the consumer was billed for Rs. 2.35 lakh which was realised. The division further, raised a bill only in June 1998 for Rs. 8.93 lakh which was yet to be realised. Thus, the sum of Rs. 29.67 lakh was undercharged from the consumer. There were no reasons on record either for inordinate delay in sanction and release of increased load or for the belated short billing.

It was also observed that the then Executive Engineer had prepared a notice addressed to the consumer on the date of his handing over charge of the division on 27 November 1995 which included assessment for theft of 350111 units of energy (excluding 127926 units already billed) valued at Rs. 26.74 lakh at thrice the tariff rates on the ground that low tension side of the Board's transformer inside the consumer's premises found not sealed during his checking on 17 October 1995. The notice was, however, not issued by him to the consumer for which no reasons were on record. Even the successor Executive Engineer did not take any action on this notice on the grounds that the assessment was not found correct on the basis of checking report dated 17 October 1995.

The matter was reported to the Board in August 1998 and to the Government in September 1998; their replies were awaited (October 1998).

4C.32 Undue favour in releasing the connection to a consumer

Release of connection by tapping of 33 KV line instead of releasing the same from independent feeder by constructing a bay resulted in non-realisation of Rs. 26.20 lakh.

Irregular release of connection by tapping of 33 KV line instead of releasing from independent feeder by constructing a bay resulted in non-realisation of Rs. 26.20 lakh.

The UPSEB sanctioned (December 1995) the release of 1176 KVA load to M/s Sunshine Pulp and Papers Limited, Pilkhuwa at 11 KVA independent feeder to be connected with 132 KV sub-station Dasna through 33/11 KV substation Pilkhuwa after increasing the capacity of transformers from 13 MVA to 15 MVA. However, Superintending Engineer, EDC, persuaded the consumer to take the load on 33 KV voltage instead of 11 KV voltage on the plea that release of load through 33/11 KV sub-station was likely to cause delay.

Accordingly an estimate of Rs. 42,76,852 (Rs. 41,12,673 and Rs. 1,64,179 chargeable to consumer and Board respectively) was sanctioned by the Superintending

Engineer. Though the estimate included the cost of 33 KV Bay and one no. OCB being Rs. 17.50 lakh and Rs. 1.70 lakh respectively it excluded Rs. 11.67 lakh towards system loading (Rs. 7.67 lakh) and security charges (Rs. 4.00 lakh). Subsequently with a view to release the connection by tapping of 33 KV line of RMI (Road Master Industries) a revised estimate of Rs. 16,56,533 (Rs. 14,92,354 and Rs. 1,64,179 chargeable to consumer and to Board respectively) was sanctioned on 10.5.96. The consumer deposited Rs. 14.92 lakh and Rs. 11.67 lakh towards estimates alongwith system loading charges etc), on 4.6.96 and the connection was released on 4.2.97 by tapping the RMI 33 KV line instead of through independent bay. Thus, due to release of connection by tapping, the consumer was given an undue favour to the extent of Rs. 26.20 lakh as per the difference in original and revised estimates.

The matter was reported to Board and to the Government in October 1998; their replies were awaited (October 1998).

4C.33 Non recovery of bay charges

Irregular release of load after amalgamation of four connections of a consumer at 11 KV instead of at 33 KV resulted in non-recovery of Rs. 19.36 lakh.

As per note below para 2 of rate schedule HV-2 applicable to large and heavy industry consumers, the supply to the consumer with loads above 3000 KVA and upto 10000 KVA was to be given at supply voltage of 33 KV.

A scrutiny of records of Electricity Distribution Division, Ghaziabad revealed that three electric connections of 2890 KVA loads running in the names of Jindal Polyester Ltd., and Jindal Pipe Ltd., at Jindal Nagar, Ghaziabad were amalgamated into the existing load of 1639 KVA load of Jindal Pipe Ltd., on 7 March 1995 at 11 KV voltage supply on independent feeder. Accordingly, metering arrangement was made and the load was released at 11 KV voltage supply on the same day. This was in contravention of the Board's order referred to above because supply to the consumer with 4529 KVA load was to be released only at 33 KV voltage supply. Thus, irregular release of electric connection at lower voltage tantamounted to undue benefit to the consumer to the extent of Rs. 19.36 lakh being the cost of 33 KV bay (Rs. 17.80 lakh) and difference of cost of 33 KV and 11 KV lines (Rs. 1.56 lakh).

In reply it was stated (April 1998) by Divisional Officer that existing connections were on 11 KV voltage supply and construction of 33 KV equipment would have taken longer time and therefore, higher authorities had sanctioned the amalgamation at 11 KV supply voltage. The reply is not convincing as it was in contravention of the Board's orders and amounted to undue favour being shown to the consumer and consequent loss to the Board of Rs. 19.36 lakh.

The matter was reported to the Board in August 1998 and to the Government in September 1998, their replies were awaited (October 1998).

4C.34 Loss of revenue due to irregular revision of assessment

Irregular revision of an assessment for theft of energy resulted in loss of revenue to the Board to the extent of Rs. 16.64 lakh.

During surprise checking on 3 January 1996 by a team of Board's engineers, of the metering equipments of M/s Gopal Paper and Board Mill, Ghaziabad, having contracted load of 154 KVA, it was found that the body seal of the meter was broken and the consumer was found to have been involved in theft of energy. The supply of the consumer was disconnected, an F.I.R was lodged and the meter was deposited in the Police Station on the same day.

Further, on a comparison of the energy consumption from August 1994 to December 1995 by the team it was found that the consumption during the period from 2 August 1995 to December 1995 was on much lower side and therefore recommended for assessment for the period from 2 August 1995 to 3 January 1996 on the basis of LFHD* formulae, applicable in theft cases. Accordingly an assessment of Rs. 21 lakh was made to the consumer in February 1996.

In the meantime, on a reference (8 March 1996) of the Superintending Engineer, Electricity Urban Distribution Circle, Ghaziabad, the Chief Engineer (Commercial) vide his letter dated 27 March 1996 directed that the supply of the consumer be reconnected after getting deposit of Rs. 2 lakh against assessment bill and the case of assessment be referred to appellate authority viz. the Chief Engineer of Western Area, Meerut. Reason for this were not on record.

As per the recommendation of Area Chief Committee (January 1997) the consumer was involved in tampering with the meter for theft of energy between 29 November 1995 to 3 January 1996. Therefore, the committee recommended for assessment for the period from 29 November 1995 to 3 January 1996 only. However, the Committee did not consider

* LFHD represents load in KW, factor denoting type of supply, hour and days.

the earlier record of the consumer regarding energy consumption on lower side and also did not inspect the meter deposited with the Police Station to find out the modus operandi through which the consumer pilfered energy. Based on the recommendation of the Committee, the assessment of the consumer was revised to Rs. 4.36 lakh in May 1997 against which Rs. 2 lakh already deposited by the consumer in April 1996 was adjusted and balance amount of Rs. 2.36 lakh recovered in October 1997.

Thus, irregular revision of bills without verifying the actual facts mentioned above resulted in loss of Rs. 16.64 lakh to the Board.

The matter was brought to the notice of the Board in May 1998 and to the Government in August 1998; their replies were awaited (October 1998).

4C.35 Under charge due to non-revision of estimate

Non-revision of estimate at current cost schedule resulted in short charge of Rs. 15.93 lakh from a large and heavy power consumer.

An estimate amounting to Rs. 246.15 lakh (including Rs. 65.00 lakh system loading charges) was sanctioned (December 1995) by the Superintending Engineer, Electricity Transmission Circle, Ghaziabad for construction of 220 KV feeder at 220 KV sub-station, Sahibabad and 220 KV single circuit line from 220 KV sub-station, Sahibabad for providing connection to M/s Bhushan Steel and Strips Limited, Sahibabad to whom an additional load of 14000 KVA (existing load 9084 KVA) was sanctioned by the Board in May 1995 to be released on 220 KV voltage. The above estimate sanctioned on 8.12.1995, was subject to revision on 1.1.1996 as per provision made in the rate schedule depending upon actual cost of execution of work. The consumer deposited a sum of Rs. 181.15 lakh towards the cost of line and bay with Electricity Transmission Division, Ghaziabad, in instalments upto May 1996 and the load was released to him on 1.10.1997 without revising the estimate on the basis of rates prevailing in the year 1996. As per provision made in the cost schedule, circulated by the Superintending Engineer, Electricity Sub-Station Design Circle, Lucknow in January 1994, the cost of equipments should have been increased by 10 per cent each year. Thus, due to non-revision of estimate in the year 1996, the consumer was under charged to the extent of Rs. 15.93 lakh.

The Divisional Officer stated (April 1998) that executed estimate/completion report was awaited from the Executive Engineer, Electricity Transmission Division, who had been reminded to expedite the same. The reply is not tenable as a period of two years had already elapsed and the delay in preparation of executed estimate resulted not only in non-recovery of under charge of Rs. 15.93 lakh towards cost of construction but also loss of interest to the extent of Rs. 2.87 lakh per annum (at the rate of 18 per cent per annum).

These matters were reported to Board in September 1998, and to the Government in September 1998; replies were awaited (October 1998).

4C.36 Loss due to incorrect assessment

Theft of energy and waiver of assessment resulted in loss of Rs. 2.99 lakh.

According to para 22(a) (iii) read with Annexure I of Conditions of Supply enforced by the Board in case of all categories of consumers from July 1984, if a consumer with connection upto 75 KW (100 BHP) is found at any time exceeding the contracted load without specific permission of the Board, he shall be liable to pay assessment charges for the excess load for the past six months at thrice the applicable rate of minimum consumption guarantee (MCG) per BHP per month besides charges for the electrical energy dishonestly abstracted at thrice the rate (per unit) of the tariff applicable to the consumer.

Scrutiny of records of Electricity Distribution Division, Hapur (March 1998) revealed that on checking of the premises of Pure Milk Products Corporation, Sarawani, Ghaziabad (having a contracted load of 80 BHP since July 1991 under rate schedule LMV-6) by the Executive Engineer on 4 October 1995, the actual load was found to be 95 BHP and seals of the meters etc. were found broken. Thus the consumer was found to have indulged in theft of energy.

Accordingly in terms of para 22(a) (iii) referred to above the consumer was liable for assessment of Rs. 2.99 lakh (Energy charges Rs. 2.18 lakh, E.D. Rs. 0.05 lakh, fuel surcharge Rs. 0.28 lakh, establishment surcharge Rs. 0.03 lakh fixed charge Rs. 0.10 lakh and penal charges for excess load Rs. 0.35 lakh). However, the Division inadvertently assessed (October 1995) and raised a bill against the consumer for Rs. 5.40 lakh on the basis of assessed consumption of 89296 Kwh without deducting consumption already billed. This amount was, however, waived by Zonal Appeal Committee headed by Chief Zonal Engineer, Meerut on 4 November 1996 on the ground that subsequent checking of the premises of the consumer on 2 November 1995 and 14 December 1995 did not confirm theft of energy. The waival of the amount by the committee was not justified in view of the fact that checking reports dated 2 November 1995 and 14 December 1995 did not give the equipment-wise load whereas the report dated 4 October 1995 had given equipment-wise load. Further consumer had ample time to remove excess load found on

4 October 1995 and set the things right during the intervening period between the initial and subsequent checking of 2 November and 14 December 1995. Moreover, the meter installed at the premises of the consumer was not tested at interval of 24 months in terms of Para 5.1 of the Board's Commercial and Revenue Manual and therefore, chances of further loss of revenue on account of excess load and theft of energy for more than 6 months cannot be ruled out.

Thus due to irregular waival the consumer was given undue benefit of Rs. 2.99 lakh.

The matter was reported to the Board in August 1998 and to the Government in September 1998; their replies were awaited (October 1998).

4C.37 Suspected theft of energy

Failure to link energy consumption with production data and investigate reasons for variation in consumption per unit of commodity produced, resulted in suspected theft of energy (value indeterminate).

During routine checking by Electricity Test Division, Meerut a check meter was installed at the premises of M/s Modi Rubber Ltd., Modipuram, Meerut on 16.10.86 which remained installed alongwith the normal billing meter upto 13.01.87. Result of the check meter finalised on 13.01.87 by Asstt. Engineer (Meter) Electricity Test Division, Meerut, showed that the old meter was slow by 3.95 per cent in respect of KWH consumption and 9 percent in respect of demand in KVA.

The accuracy of the check meter installed was disputed by the consumer at the time of checking (13.1.87) on the ground that the check meter was not installed after proper testing and calibration. The consumer, therefore, requested for installation of a fresh check meter after proper testing and calibration before their representatives.

Due to disputes relating to installing of previous check meter, the Superintending Engineer, Electricity Distribution Circle, Meerut directed (August 1987) the Executive Engineer, Electricity Test Division, Meerut to install another check meter after proper testing and calibration.

Accordingly the EE, Test Division, Meerut installed another check meter on 07.09.87 which remained installed in series with existing meter upto 21.09.87. Results of check meter were finalised on 21.09.87 which indicated that the existing meter was slow by 1.186 percent in respect of KWH section and 2.26 percent in respect of KVA demand section. As the error was within permissible limit of 3 percent, no assessment was made by the division against the consumer. However, while finalising test results, the Divisional Officer did not link power consumption with production data of the consumer.

Scrutiny of production figures of tyres, tubes and flaps vis-a-vis consumption of energy during the period from 1986-87 to 1997-98, however, revealed that average consumption of electricity for production of one unit of tyres, tubes and flaps varied from 20.48 KWH (1986-87) to 26.49 KWH (1993-94) and the consumption went up to 31.63 KWH during 1996-97 and 31.55 KWH per unit in 1997-98.

It would be seen that the average consumption of electricity with reference to each unit of tyres, tubes and flaps produced had been lower during 1986-87 to 1995-96 compared to average consumption of electricity during 1996-97 and 1997-98 which called for detailed investigation to ascertain reasons for wide variation in consumption per unit during 1986-87 to 1995-96. However, the Board never made any effort to compare the consumption with production of the consumer. In absence of details the actual loss to the Board on this account could not be worked out in audit.

The matter was reported to Board and to Government in November 1998; their replies were awaited (November 1998).

4C.38 Non-recovery of penal rent

For unauthorised occupation of quarter by its Executive Engineer, Board did not recover penal rent (actual amount unascertainable).

The Board had taken some quarters from Ghaziabad Development Authority, Ghaziabad out of which quarter No. A-1 at Gandhi Nagar, Ghaziabad was allotted (date of allotment not made available) to an Executive Engineer, Electricity Transmission Division Ghaziabad who was transferred (May 1998) to Electricity Commercial Division, Allahabad. He was relieved from Electricity Transmission Division, Ghaziabad on 16-05-80 but he did not join the new place of posting and continued to occupy the said residence. Efforts made, if any, to get the quarter vacated were not found on records made available to audit. On account of his continuous unauthorised absence from duty w.e.f. 15-08-80, his services were terminated (31-07-86) by the Chairman. However, the punishment of removal from service was withdrawn by the Board and he was censored (05-06-89) and was taken back in service and he joined (08-06-89) at Ghaziabad. No fresh allotment was made and the residence at Ghaziabad is still under his unauthorised possession but no penal rent for the period from 17-08-80 to date (October 1998) was recovered. On the basis of standard rent at penal rate the amount of recovery comes to Rs. 1.04 lakh. However this cannot be treated as final because the actual amount of penal rent/interest could not be worked out in the audit in absence of details e.g. date of allotment, market rent of the area, carpet area etc.which were asked for but not furnished by the Board.

It is relevant to mention here that Board in its meeting held on 12-07-94 decided to recover penal rent from him for his unauthorised possession of the quarter but no action was taken to implement the said decision and after a lapse of 4 years. The Chief Engineer (Civil) Lucknow was appointed (04-07-98) to work out the amount of penal rent recoverable and recover the same but no reply was received from him as yet (October 1998).

Neither the reasons for delay in taking action for assessment and recovery of penal rent could be intimated to audit nor any responsibility was fixed in this regard (October 1998).

The matter was reported to the Board and Government in October 1998; their replies were awaited (October 1998).

Chapter IV

Section 4D

Miscellaneous Topics of Interest

Uttar Pradesh State Electricity Board Power Purchase Agreement

SECTION 4D

Power Purchase Agreement

4D.1 Power purchase agreement with private party (Rosa Power Supply Company)

Deficiencies in Power Purchase Agreement with Rosa Power Supply Company would result in extra expenditure/locking of funds/loss of interest aggregating Rs. 198.82 crore per annum.

With a view to meeting the increased demand of power in the State through private sector participation in power generation, the State Government signed a Memorandum of Understanding (MOU) with Indo Gulf Fertilizers and Chemicals Corporation Limited in November 1993 for setting up a thermal power station with an installed capacity of 750 MW (3 units of 250 MW each) at Rosa (Shahjahanpur). The capacity was revised to 567 MW (2 units of 283.5 MW each) in October 1996. The project report for capital cost of Rs. 2584.31 crore for 750 MW capacity was submitted by the firm to the Central Electricity Authority (CEA) in August 1994 for techno-economic clearance which was revised to Rs.2458.76 crore in October 1996 for 567 MW capacity. Techno-economic clearance of the project was given by CEA in September 1997 at a capital cost of Rs 2432.11 crore. MOU provided execution of a power purchase agreement (PPA) entered into between the Board and the firm's subsidiary namely, Rosa Power Supply Company Private Limited, according to which the energy generated at the power station would be purchased by the Board. The PPA initially signed in December 1996 was revised in September 1998 due to techno-economic clearance by CEA in September 1997 and ratification by Government in June 1998. The revised PPA of September 1998 envisaged commercial operation of unit 1 and 2 of the power station by the end of 37 and 40 months respectively from the date of financial closing*. The agreement was to remain effective for a period of 30 years from the date of commercial operation of unit no. II which could be extended for a mutually agreed period. However, it was observed that no work has been commenced on the project so far (September 1998).

The PPA envisaged achievable plant load factor of 68.49 per cent and two part tariff for payment of fixed charge comprising interest on debt and working capital, depreciation, operation and maintenance (O&M) expenses, 16 per cent post tax return on equity together with income tax payable thereon by Rosa Power Supply Company and variable charge comprising cost of primary (coal) and secondary (oil) fuels.

The deficiencies in the original agreement of December 1996 noticed during audit scrutiny (April 1997) and reported to the Board (August 1997) inter alia included:

- Provision for excessive stock of primary fuel (coal) for working out interest on working capital with resultant extra cost of energy to be paid by the Board at Rs. 3.27 crore per annum worked out at average borrowing rate of 18 per cent;

- Excessive norm of consumption of secondary fuel (oil) with resultant increase in extra variable charge payable by the Board at Rs. 2.72 crore per annum; and

- Non-provision for any limit of auxiliary consumption of power by the licencee.

Deficiencies in the PPA would result in extra expenditure/locking of funds/loss of interest aggregating Rs. 198.82 crore p.a.

These deficiencies stand removed in the revised agreement of September 1998. However, in spite of being pointed out by Audit, deficiencies attracting extra expenditure/locking of fund/loss of interest etc. aggregating Rs. 198.82 crore per

* According to the Agreement, date of Financial Closing shall mean the date upon which the Financing Documents relating to the Station have been executed and delivered by all the Parties thereto and the conditions precedent provided thereunder shall have been fulfilled or waived to such an extent as may be necessary to permit ROSA to have immediate access, subject only to giving notices of draw-down required thereby, to fund adequately to the construction of the Station upon terms and subject to conditions satisfactory to ROSA and Financing Parties.

annum still persist as discussed below:

(i) PPA without competitive bids

No energy policy for private sector participation in power generation was laid down by the Government before signing the MOU in November 1993. Such a policy was, however, laid down by the Government subsequently in 1994, which envisaged private sector participation in power projects on minimum tariff basis by inviting competitive bids through national and international publicity so as to attract reputed industrial houses. The firm was selected (May 1993) by a committee headed by the Principal Secretary (Energy) to the Government on the basis of offers (April 1993) showing merely willingness and technical, financial and managerial capabilities. Thus, the Board was deprived of the benefits of competitive rates in entrusting the work requiring huge investment.

(ii) Locking of the Board's fund in Escrow Account

Payment of energy bills to be made by the Board through letters of credit were ensured through Government guarantee under the provisions of PPA. The PPA, however, further required the Board to establish a separate Escrow account in a scheduled bank and to maintain therein funds equivalent to 1.25 times of one month's billing at all relevant times at 85 per cent Plant load factor. Thus, maintenance of such an account without its requirement in any guideline of Government/CEA would result in locking up of the Board's fund to the extent of Rs. 116.10 crore and consequent loss of interest of Rs. 20.90 crore per annum (at 18 per cent).

(iii) Provision for excessive interest on working capital

In terms of the PPA, the receivable equivalent to twice the average monthly amount of the tariff bill at 68.49 per cent Plant Load Factor would form part of the working capital, the interest (18 per cent) on which would be considered for fixing tariff. This was excessive as the Board would be liable to pay penalty in case of payment of energy bills after 35 days from the end of each month. Hence the total period of locking up of working capital comes to 35 days instead of 60 days. Consequently, provision of working capital was excessive by 25 days and would result in interest burden of Rs. 11.23 crore per annum.

(iv) Provision for excessive operation and maintenance (O&M) expenses

The PPA provided for O&M expenses at 2.5 per cent (subject to revision with reference to whole sale price index after first tariff year) of the capital cost to be considered for purpose of fixing the tariff rates irrespective of the actual expenses. This would result in consideration of Rs. 60.80 crore as O&M expenses being 2.5 per cent of the capital cost of Rs. 2432.11 crore approved by the CEA in September 1997. On the other hand, the actual O&M expenses (including salaries and allowances of staff) in case of the Board's Anpara Thermal Power Station, Stage (B) comprising 2 units of 500 MW each amounted only to Rs. 19.16 crore in 1995-96. This worked out to 0.42 per cent of its capital cost of Rs. 4534.02 crore. Thus, the provision of 2.5 per cent O&M expenses of its capital cost would result in excess payment by the Board to the extent of Rs. 50.59 crore per annum (2.08 per cent of Rs. 2432.11 crore).

(v) Non-provision of wheeling charges for sale of energy to third party

Sale of energy by the company to a third party was allowed under the provisions of the PPA. However, no provision was made in the PPA for payment of wheeling charges to the Board in case of such sale by the company for wheeling of power through the Board's transmission system (during agreement period) in terms of the Government's energy policy of 1994. The energy policy provided the rates of wheeling charges at 12.5 per cent and 10 per cent in case of transmission through 132 KV and 220 KV lines respectively.

(vi) Non-implementation of the project leading to delay in availability of power

In addition to the above deficiencies in the PPA involving huge extra financial burden to the Board, the project which was conceived in November 1993 could not be taken up even after lapse of five years. Consequently, the state which is facing acute shortage of power is not only being deprived of the power but also would have to bear increased cost of generation due to cost escalation.

These matters were reported to the Board in August 1997 and to the Government in July 1998; their replies had not been received (October 1998).

Lucknow,
The 21-3-99

(P. MUKHERJEE)
Accountant General (Audit)-II
Uttar Pradesh

Countersigned

V. K. Shunglu

New Delhi,
The 22-3-99

(V.K. SHUNGLU)
Comptroller and Auditor General
of India

Annexures

ANNEXURE 1

Statement showing the particulars of up-to-date paid-up capital , budgetary outgoing, loans given out from budget and outstanding loans as on 31 March 1998

(Referred to in Paragraph 1.2.2 & 1.2.5)

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up capital at the end of the year 1997-98 State Government	Central Government	Holding Company	Others	Total	Loans given out of budget during the year	Loans outstanding at the close of 1997-98
	Agriculture								
1		Uttar Pradesh Bhumi Sudhar Nigam Limited	150.00	—	—	—	150.00	—	—
2		Uttar Pradesh State Agro Industrial Corporation Limited	3667.17 (1268.00)	332.83	—	—	4000.00 (1268.00)	500.00	692.28
3		Uttar Pradesh State Horticultural Produce Marketing and Processing Corporation Limited	640.68	—	—	64.25	704.93	—	269.36
			4457.85 (1268.00)	**332.83**	—	**64.25**	**4854.93 (1268.00)**	**500.00**	**961.64**

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up capital at the end of the year 1997-98 State Government	Central Government	Holding Company	Others	Total	Loans given out of budget during the year	Loans outstanding at the close of 1997-98
	Animal Husbandry								
4		Uttar Pradesh Pashudhan Udyog Nigam Limited	209.84 (0.76)	63.00	——	——	272.84 (0.76)	——	165.11
5		Uttar Pradesh State Poultry And Livestock Specialities Limited	165.75	127.75	——	——	293.50	——	109.75
			375.59 (0.76)	**190.75**	**0.00**	**0.00**	**566.34 (0.76)**	——	**274.86**
	Area Development								
6		Agra Mandal Vikas Nigam Limited	100.00	——	——	——	100.00	——	5.00
7		Allahabad Mandal Vikas Nigam Limited	67.00	——	——	——	67.00	——	65.93
8		Bareilly Mandal Vikas Nigam Limited (Formerly Uttar Pradesh Paschimi Kshetriya Vikas Nigam Limited)	125.00	——	——	——	125.00	——	21.95

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up capital at the end of the year 1997-98					Loans given out of budget during the year	Loans out-standing at the close of 1997-98
			State Government	Central Government	Holding Company	Others	Total		
9		Bundelkhand Concrete Structurals Limited (Subsidiary of Uttar Pradesh Bundelkhand Vikas Nigam Limited)	——	——	1.22	1.18	2.40	——	——
10		Gorakhpur Mandal Vikas Nigam Limited	93.56	——	——	32.47	126.03	——	91.60
11		Lucknow Mandaliya Vikas Nigam Limited	70.00	——	——	——	70.00	——	85.79
12		Meerut Mandal Vikas Nigam Limited	100.00	——	——	——	100.00	——	——
13		Moradabad Mandal Vikas Nigam Limited	25.00	——	——	——	25.00	——	64.60
14		Uttar Pradesh Poorvanchal Vikas Nigam Limited	129.80	——	——	——	129.80	——	35.00
15		Uttar Pradesh Bundelkhand Vikas Nigam Limited	123.30	——	——	——	123.30	——	——
16		Varanasi Mandal Vikas Nigam Limited	70.00	——	——	——	70.00	——	30.00
			903.66	**0.00**	**1.22**	**33.65**	**938.53**	**0.00**	**399.87**

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up capital at the end of the year 1997-98 State Government	Central Government	Holding Company	Others	Total	Loans given out of budget during the year	Loans outstanding at the close of 1997-98
	Electronics								
17		Shreetron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	—	—	124.08	50.63	174.71	—	535.43
18		Uptron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	—	—	5315.59	—	5315.59	—	8507.96
19		UPLEASE Financial Services Limited (Formerly Uptron Leasing Limited) (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	—	—	100.00	5.67	105.67	—	415.50
20		Uptron Powertronics Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	—	—	117.00	—	117.00	—	3.62

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up capital at the end of the year 1997-98 State Government	Central Government	Holding Company	Others	Total	Loans given out of budget during the year	Loans outstanding at the close of 1997-98
21		Uttar Pradesh Electronics Corporation Limited	7111.44 (81.37)	——	——	——	7111.44 (81.37)	200.00	2846.00
			7111.44 (81.37)	**0.00**	**5656.67**	**56.30**	**12824.41 (81.37)**	**200.00**	**12308.51**
	Export Promotion								
22		The Uttar Pradesh Export Corporation Limited	634.27	70.00 (5.00)	——	——	704.27 (5.00)	——	15188
23		The Uttar Pradesh State Brassware Corporation Limited	527.86	10.00	——	——	537.86	——	194.23
24		Uttar Pradesh State Leather Development and Marketing Corporation Limited	573.94	——	——	——	573.94	——	191.40
			1736.07 (5.00)	**80.00**	**0.00**	**0.00 (5.00)**	**1816.07**	**0.00**	**537.51**
	Fisheries								
25		Uttar Pradesh Matsya Vikas Nigam Limited	107.00 (7.00)	——	——	——	107.00 (7.00)	——	——
			107.00 (7.00)	**0.00**	**0.00**	**0.00**	**107.00 (7.00)**	**0.00**	**0.00**

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up capital at the end of the year 1997-98 State Government	Central Government	Holding Company	Others	Total	Loans given out of budget during the year	Loans outstanding at the close of 1997-98
	Food And Civil Supplies								
26		Uttar Pradesh Food and Essential Commodities Corporation Limited	550.39	——	——	——	550.39	——	1516.50
			550.39	**0.00**	**0.00**	**0.00**	**550.39**	**0.00**	**1516.50**
	Harijan And Social Welfare								
27		Tarai Anusuchit Janjati Vikas Nigam Limited	45.00	—-	——	——	45.00	——	125.00
28		Uttar Pradesh Scheduled Castes Finance And Development Corporation Limited	4489.31 (1270.39)	3924.28 (1220.58)	——	——	8413.59 (2490.97)	——	2049.50
29		Uttar Pradesh Pichhari Jati Vitta Evam Vikas Nigam	810.00 (100.00)	——	——	——	810.00 (100.00)	——	670.16
30		Uttar Pradesh Bhutpurwa Sainik Kalyan Nigam Limited	42.54	——	——	——	42.54	——	——

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up capital at the end of the year 1997-98 State Government	Central Government	Holding Company	Others	Total	Loans given out of budget during the year	Loans outstanding at the close of 1997-98
31		Uttar Pradesh Mahila Kalyan Nigam Limited	61.00	48.03	——	——	109.03	——	——
32		Uttar Pradesh Samaj Kalyan Nirman Nigam Limited (Formerly Harijan Evam Nirbal Varg Avas Nigam Limited)	15.00	——	——	——	15.00	——	345.21
			5462.85 (1370.39)	**3972.31**	**0.00**	**0.00**	**9435.16 (2590.97)**	**0.00**	**3189.87**
	Hill Development								
33		Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Garhwal Mandal Vikas Nigam Limited)	20.00	——	30.00	——	50.00	——	17.48
34		Garhwal Mandal Vikas Nigam Limited	612.15 (100.65)	——	——	——	612.15 (100.65)	——	1279.24
35		Kumaon Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	22.00	——	28.00	——	50.00	18.00	——

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up capital at the end of the year 1997-98					Loans given out of budget during the year	Loans outstanding at the close of 1997-98
			State Government	Central Government	Holding Company	Others	Total		
36		Kumaon Mandal Vikas Nigam Limited	1341.88	—	—	—	1341.88		690.88
37		Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporaiton Limited)	—	—	9.34	8.97	18.31	—	—
38		Northern Electricial Equipment Industries Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	—	—	0.05	0.02	0.07	—	—
39		Trans Cables Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	—	—	62.80	0.44	63.24	100.00	429.77
40		Uttar Pradesh Hillphones Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	—	—	1.67	1.60	3.27	—	—
41		Uttar Pradesh Hill Electronics Corporation Limited	894.53	—	—	—	894.53	—	—

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up capital at the end of the year 1997-98: State Government	Central Government	Holding Company	Others	Total	Loans given out of budget during the year	Loans outstanding at the close of 1997-98
42		Uttar Pradesh Hill Quartz Limited (Subsidiary of Uttar Pradesh Hill Electronics Limited)	——	——	0.79	——	0.79	——	——
			2890.56 (100.65)	**0.00**	**132.65**	**11.03**	**3034.24 (100.65)**	**118.00**	**2417.37**
	Home								
43		Uttar Pradesh Police Avas Nigam Limited	300.00	——	——	——	300.00	——	——
			300.00	**0.00**	**0.00**	**0.00**	**300.00**	**0.00**	**0.00**
	Industries and Industrial Development								
44		Auto Tractors Limited	562.59	——	——	187.41	750.00	——	37.50
45		Continental Float Glass Limited	——	——	2922.00	1702.00	4624.00	326.79	14113.00
46		The Indian Turpentine and Rosin Company Limited	18.73	——	——	3.29	22.02	——	85.31

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up capital at the end of the year 1997-98 State Government	Central Government	Holding Company	Others	Total	Loans given out of budget during the year	Loans outstanding at the close of 1997-98
47		Uttar Pradesh Instruments Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	——	——	177.72	15.50	193.22	161.39	1073.40
48		Uttar Pradesh Digitals Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	——	——	35.20	——	35.20	——	435.16
49		Uttar Pradesh Carbon And Chemical Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	——	——	1.27	——	1.27	——	——
50		Uttar Pradesh State Mineral Development Corporation Limited	5943.48	——	——	——	5943.48	24.06	1828.86

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up capital at the end of the year 1997-98: State Government	Central Government	Holding Company	Others	Total	Loans given out of budget during the year	Loans outstanding at the close of 1997-98
51		Vindhyachal Abrasives Limited (Subsidiary of Uttar Pradesh Mineral Development Corporation Limited)	——	——	3.73	3.87	7.60	——	77.67
			6524.80	**0.00**	**3139.92**	**1912.07**	**11576.79**	**512.24**	**17650.90**
	Institutional Finance								
52		Uttar Pradesh Chalchitra Nigam Limited	818.20	——	——	0.22	818.42	——	——
			818.20	**0.00**	**0.00**	**0.22**	**818.42**	**0.00**	**0.00**
	Irrigation								
53		Uttar Pradesh Projects & Tubewell Corporation Limited (Formerly Uttar Pradesh Nalkoop Nigam Limited)	490.00	100.00	——	497.00	1087.00	——	——
			490.00	**100.00**	**0.00**	**497.00**	**1087.00**	**0.00**	**0.00**

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up capital at the end of the year 1997-98 State Government	Central Government	Holding Company	Others	Total	Loans given out of budget during the year	Loans outstanding at the close of 1997-98
	Panchayati Raj								
54		Uttar Pradesh Panchayati Raj Vitta Evam Vikas Nigam Limited	77.77	—	—	68.11	145.88	—	—
			77.77	**0.00**	**0.00**	**68.11**	**145.88**	**0.00**	**0.00**
	Planning								
55		Mohammadabad Peoples Tannery Limited	3.06	—	—	2.55	5.61	—	—
56		Uttar Pradesh Development Systems Corporation Limited	100.00	—	—	—	100.00	—	—
			103.06	**0.00**	**0.00**	**2.55**	**105.61**	**0.00**	**0.00**
	Public Works								
57		Uttar Pradesh Rajkiya Nirman Nigam Limited	100.00	—	—	—	100.00	—	—
58		Uttar Pradesh State Bridge Corporation Limited	1000.00	—	—	—	1000.00	—	—
			1100.00	**0.00**	**0.00**	**0.00**	**1100.00**	**0.00**	**0.00**

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up capital at the end of the year 1997-98 State Government	Central Government	Holding Company	Others	Total	Loans given out of budget during the year	Loans outstanding at the close of 1997-98
	Rural and Small Industries								
59		UPSIC Potteries Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	—	—	76.25	—	76.25	—	122.50
60		Uttar Pradesh Plant Protection Appliances (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	—	—	1.63	1.57	3.20	—	3.00
61		Uttar Pradesh Small Industries Corporation Limited	596.05	—	—	—	596.05	—	400.13
62		Uttar Pradesh State Handloom Corporation Limited	1375.49	1152.95	—	—	2528.44	—	1886.78
			1971.54	**1152.95**	**77.88**	**1.57**	**3203.94**	**0.00**	**2412.41**

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up capital at the end of the year 1997-98: State Government	Central Government	Holding Company	Others	Total	Loans given out of budget during the year	Loans outstanding at the close of 1997-98
	Sugar and Cane Development								
63		Chhata Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	——	——	1224.52	——	1224.52	——	1968.15
64		Ghatampur Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	——	——	879.86	15.00	894.86	225.00	1832.41
65		Kichha Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited	32.59	——	1620.99	45.46	1699.04	——	——
66		Nandganj Sihori Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	——	——	3404.50	——	3404.50	——	1863.76

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up capital at the end of the year 1997-98 State Government	Central Government	Holding Company	Others	Total	Loans given out of budget during the year	Loans out-standing at the close of 1997-98
67		Uttar Pradesh (Rohelkhand Tarai) Ganna Beej Evam Vikas Nigam Limited	38.25	—	—	32.50	70.75	—	—
68		Uttar Pradesh (Paschim) Ganna Beej Evam Vikas Nigam Limited	50.50	—	—	11.09	61.59	—	886.35
69		Uttar Pradesh (Poorva) Ganna Beej Evam Vikas Nigam Limited	22.73	—	—	7.32	30.05	—	322.49
70		Uttar Pradesh (Madhya) Ganna Beej Evam Vikas Nigam Limited	15.30	—	—	7.59	22.89	—	631.43
71		Uttar Pradesh State Sugar Corporation Limited	48001.92 (426.00)	—	—	—	48001.92 (426.00)	8450.00	117638.36
			48161.29 (426.00)	**0.00**	**7129.87**	**118.96**	**55410.11 (426.00)**	**8675.00**	**125142.95**

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up capital at the end of the year 1997-98: State Government	Central Government	Holding Company	Others	Total	Loans given out of budget during the year	Loans outstanding at the close of 1997-98
	Tourism								
72		Uttar Pradesh State Tourism Development Corporation Limited	1512.53 (810.00)	—	—	—	1512.53 (810.00)	—	48.33
			1512.53 (810.00)	**0.00**	**0.00**	**0.00**	**1512.53 (810.00)**	**0.00**	**48.33**
	Waqf								
73		Uttar Pradesh Waqf Vikas Nigam Limited	250.00 (100.00)	—	—	—	250.00 (100.00)	—	—
			250.00 (100.00)	**0.00**	**0.00**	**0.00**	**250.00 (100.00)**	**0.00**	**0.00**
	Financing								
74		The Pradeshiya Industrial And Investment Corporation of Uttar Pradesh Limited	11057.50	—	—	—	11057.50	—	51009.03
75		Uttar Pradesh Alp Sankhyak Vittiya Evam Vikas Nigam Limited	2152.50 (730.00)	—	—	—	2152.50 (730.00)	90.00	4738.59

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up capital at the end of the year 1997-98 State Government	Central Government	Holding Company	Others	Total	Loans given out of budget during the year	Loans out-standing at the close of 1997-98
76		Uttar Pradesh State Industrial Development Corporation Limited	2407.51	——	——	——	2407.51	——	5899.39
			15617.51 (730.00)	**0.00**	**0.00**	**0.00**	**15617.51 (730.00)**	**90.00**	**61647.01**
	Textile								
77		Uttar Pradesh State Yarn Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited) (Successors of Uttar Pradesh State Spinning Mills Company (No. II) Limited	——	——	3190.52	——	3190.52	400.00	1975.00
78		Uttar Pradesh State Textile Corporation Limited	16079.37	——	——	——	16079.37	——	6713.13

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up capital at the end of the year 1997-98 State Government	Central Government	Holding Company	Others	Total	Loans given out of budget during the year	Loans outstanding at the close of 1997-98
79		Uttar Pradesh State Spinning Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited) Successors of Uttar Pradesh State Spinning Mills Co. (No. I) Limited	——	——	7842.83	0.01	7842.84	——	3038.96
			16079.37	**0.00**	**11033.35**	**0.01**	**27112.73**	**400.00**	**11727.09**
	Cement								
80		Uttar Pradesh State Cement Corporation Limited	6828.00	——	——	——	6828.00	——	12476.52
			6828.00	**0.00**	**0.00**	**0.00**	**6828.00**	**0.00**	**12476.52**
	Power								
81		Uttar Pradesh Laghu Jal Vidyut Nigam Limited (Successors of Uttar Pradesh Alparthak Evam Laghu Jal Vidyut Nigam Limited)	70.00	——	——	——	70.00	500.00	2400.00

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up capital at the end of the year 1997-98 State Government	Central Government	Holding Company	Others	Total	Loans given out of budget during the year	Loans out-standing at the close of 1997-98
82		Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited	25280.50	——	——	——	25280.50	——	——
			25350.50	**0.00**	**0.00**	**0.00**	**25350.50**	**500.00**	**2400.00**
Grand Total :			**148779.98** (4894.17)	**5828.84** (1225.58)	**27171.56**	**2765.72**	**184546.10** (6119.75)	**10995.24**	**255111.34***

Note: Figures given in bracket indicate budgetary outgo during the year on account of equity.

* This includes Rs. 732.74 crore being short term loan outstanding at the close of 1997-98.

ANNEXURE 2

Summarised financial results for all Government Companies for the latest year for which accounts were finalised

(Except in columns 4,5,6 and 12 figures are in Rupees in lakh)

(Referred to in para 1.2.2)

S. No.	Department/ Sector	Name of the Company	Date of In-corporation	Period of Accounts	Year in which finalised	Profit(+)/ Loss(-) Loss	Paidup Capital employed	Accumulated Profit & Loss	Capital employed	Return on Capital	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Agriculture										
1.		Uttar Pradesh Bhumi Sudhar Nigam Limited	30 March 1978	1995-96	1996-97	-9.28	150.00	- 59.99	4688.23	-9.28	—
2.		Uttar Pradesh State Agro Industrial Corporation Limited	29 March 1967	1996-97	1997-98	-387.85	2732.00	- 5638.35	- 57.64	- 206.97	—
3.		Uttar Pradesh State Horticultural Produce Marketing and Processing Corporation Limited	6 April 1977	1984-85	1994-95	-66.57	190.76	- 255.33	80.72	-51.97	—

S. No.	Department/ Sector	Name of the Company	Date of In-corporation	Period of Accounts	Year in which finalised	Profit(+)/ Loss(-) Loss	Paidup Capital employed	Accumulated Profit & Loss	Capital employed	Return on Capital	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Animal Husbandry										
4.		Uttar Pradesh Pashudhan Udyog Nigam Limited	5 March 1975	1990-91	1996-97	-16.10	146.85	- 168.72	220.44	-6.63	—
5.		Uttar Pradesh State Poultry and Livestock Specialities Limited	7 December 1974	1994-95	1997-98	- 4.91	163.50	- 11.26	196.71	-4.91	—
	Area Development										
6.		Agra Mandal Vikas Nigam Limited	31 March 1976	1986-87	1989-90	+11.24	100.00	-33.13	132.02	12.48	9.45
7.		Allahabad Mandal Vikas Nigam Limited	31 January 1976	1983-84	1992-93	-11.42	67.00	-11.42	39.52	-3.97	—
8.		Bareilly Mandal Vikas Nigam Limited (Formerly Uttar Pradesh Paschim Kshetrya Vikas Nigam Limited)	31 January 1976	1984-85	1994-95	-69.26	125.00	- 90.00	449.13	-56.84	—

S. No.	Department/ Sector	Name of the Company	Date of Incorporation	Period of Accounts	Year in which finalised	Profit(+)/ Loss(-) Loss	Paidup Capital employed	Accumulated Profit & Loss	Capital employed	Return on Capital	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
9.		Bundelkhand Concrete Structurals Limited (Subsidiary of Uttar Pradesh Bundelkhand Vikas Nigam Limited)	2 March 1974	1986-87	1993-94	-0.01	2.40	-0.65	4.45	-0.01	—
10.		Gorakhpur Mandal Vikas Nigam Limited 1976	31 March	1985-86	1995-96	+2.36	122.03	-158.16	61.31	2.36	3.85
11.		Lucknow Mandaliya Vikas Nigam Limited 1976	31 January	1981-82	1992-93	+0.44	50.00	+1.49	60.57	0.52	0.86
12.		Meerut Mandal Vikas Nigam Limited 1976	31 March	1993-94	1996-97	-10.48	100.00	-76.95	29.25	-10.48	—
13.		Moradabad Mandal Vikas Nigam Limited	30 March 1978	1987-88	1996-97	-15.30	25.00	-10.57	80.51	-4.64	—
14.		Uttar Pradesh Poorvanchal Vikas Nigam Limited	30 March 1971	1987-88	1994-95	-13.64	114.80	-107.90	19.02	-13.64	—
15.		Uttar Pradesh Bundelkhand Vikas Nigam Limited	30 March 1971	1991-92	1997-98	-8.72	123.30	- 134.50	- 0.98	-8.71	- 890.80

S. No.	Department/ Sector	Name of the Company	Date of In-corporation	Period of Accounts	Year in which finalised	Profit(+)/ Loss(-) Loss	Paidup Capital employed	Accumulated Profit & Loss	Capital employed	Return on Capital	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
16.		Varanasi Mandal Vikas Nigam Limited	31 March 1976	1987-88	1993-94	-2.71	70.00	-26.38	88.29	-2.71	—
	Electronics										
17.		Shreetron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	1 February 1979	1997-98	1997-98	+ 6.96	174.71	-270.87	890.93	50.89	5.71
18.		Uptron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	18 October 1979	1995-96	1997-98	-3212.23	5315.59	-19693.43	4547.72	- 406.07	—
19.		UPLEASE Financial Services Limited (Formerly Uptron Leasing Limited Subsidiary of Uttar Pradesh Electronics Corporation Limited)	5 January 1988	1996-97	1996-97	-15.96	105.67	+0.02	369.85	10.89	2.94
20.		Uptron Powertronics Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	10 April 1977	1996-97	1997-98	-34.04	117.00	-44.10	576.48	36.28	6.29

S. No.	Department/ Sector	Name of the Company	Date of In-corporation	Period of Accounts	Year in which finalised	Profit(+)/ Loss(-) Loss	Paidup Capital employed	Accumulated Profit & Loss	Capital employed	Return on Capital	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
21.		Uttar Pradesh Electronics Corporation Limited	20 March 1974	1996-97	1997-98	+0.38	7030.07	+38.51	3760.84	0.38	0.01
	Export Promotion										
22.		The Uttar Pradesh Export Corporation Limited	20 January 1966	1995-96	1997-98	- 68.69	674.27	- 687.35	- 3854.79	-43.17	—
23.		The Uttar Pradesh State Brassware Corporation Limited	12 February 1974	1991-92	1995-96	-45.29	537.86	- 648.86	793.04	-34.96	—
24.		Uttar Pradesh State Leather Development and Marketing Corporation Limited	12 February 1974	1996-97	1997-98	+13.99	573.94	-667.11	461.94	23.75	5.14
	Fisheries										
25.		Uttar Pradesh Matsya Vikas Nigam Limited	27 October 1979	1989-90	1997-98	-18.07	100.00	-120.35	599.62	5.51	0.92
	Food and Civil Supplies										
26.		Uttar Pradesh Food and Essential Commodities Corporation Limited	22 October 1974	1985-86	1995-96	+34.71	50.00	+ 95.11	524.11	120.97	23.08

S. No.	Department/ Sector	Name of the Company	Date of In-corporation	Period of Accounts	Year in which finalised	Profit(+)/ Loss(-) Loss	Paidup Capital employed	Accumulated Profit & Loss	Capital employed	Return on Capital	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Harijan and Social Welfare										
27.		Tarai Anusuchit Janjati Vikas Nigam Limited	2 August 1975	1982-83	1990-91	-4.00	45.00	+0.45	70.44	-4.00	—
28.		Uttar Pradesh Scheduled Castes Finance and Development Corporation Limited	25 March 1975	1992-93	1997-98	+171.33	3663.88	+605.78	4687.26	379.89	8.10
29.		Uttar Pradesh Pichhari Jati Vitta Evam Vikas Nigam	26 April 1991	1994-95	1996-97	-10.54	600.00	-20.89	1786.42	-7.79	—
30.		Uttar Pradesh Bhutpurwa Sainik Kalyan Nigam Limited	23 May 1989	1994-95	1996-97	+97.90	42.54	+100.69	142.44	97.90	68.73
31.		Uttar Pradesh Mahila Kalyan Nigam Limited 1988	17 March	1995-96	1997-98	- 19.56	109.03	- 18.46	195.08	19.56	—
32.		Uttar Pradesh Samaj Kalyan Nirman Nigam Limited (Formerly Harijan Evam Nirbal Varg Avas Nigam Limited)	25 June 1976	1996-97	1997-98	-11.62	15.00	+133.60	1233.32	-11.62	—

S. No.	Department/ Sector	Name of the Company	Date of In-corporation	Period of Accounts	Year in which finalised	Profit(+)/ Loss(-) Loss	Paidup Capital employed	Accumulated Profit & Loss	Capital employed	Return on Capital	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Hill Development										
33.		Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Garhwal Mandal Vikas Nigam Limited)	30 June 1975	1987-88	1992-93	-9.19	50.00	-41.94	20.48	-8.93	—
34.		Garhwal Mandal Vikas Nigam Limited	31 March 1976	1992-93	1996-97	+88.50	451.50	+90.30	2769.60	110.62	3.99
35.		Kumaon Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Kumaon Manadal Vikas Nigam Limited)	30 June 1975	1984-85	1997-98	- 1.22	36.00	- 0.83	37.56	- 1.22	—
36.		Kumaon Mandal Vikas Nigam Limited	30 March 1971	1994-95	1997-98	+ 4.08	836.61	-242.88	662.67	115.25	17.39
37.		Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	27 April 1987	1989-90	1990-91	-1.61	18.31	-1.61	12.35	-1.61	—

S. No.	Department/ Sector	Name of the Company	Date of Incorporation	Period of Accounts	Year in which finalised	Profit(+)/ Loss(-) Loss	Paidup Capital employed	Accumulated Profit & Loss	Capital employed	Return on Capital	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
38.		Northern Electricial Equipment Industries Limited (Subsidiary of Kumaun Mandal Vikas Nigam Limited)	29 January 1974	1989-90	1997-98	-0.01	0.07	- 0.55	0.07	-0.01	—
39.		Trans Cables Limited (Subsidiary of Kumaun Mandal Vikas Nigam Limited)	29 November 1973	1994-95	1997-98	-46.38	63.24	-270.66	104.00	- 23.80	—
40.		Uttar Pradesh Hillphones Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	10 August 1987	—	—	—	—	—	—	—	—
41.		Uttar Pradesh Hill Electronics Corporation Limited	26 June 1985	1993-94	1997-98	-21.41	794.03	-.68.10	447.27	-21.41	—
42.		Uttar Pradesh Hill Quartz Limited (Subsidiary of Uttar Pradesh Hill Electronics Limited)	18 July 1989	—	—	—	—	—	—	—	—

S. No.	Department/ Sector	Name of the Company	Date of In-corporation	Period of Accounts	Year in which finalised	Profit(+)/ Loss(-) Loss	Paidup Capital employed	Accumulated Profit & Loss	Capital employed	Return on Capital	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Home										
43.		Uttar Pradesh Police Avas Nigam Limited	27 March 1987	1996-97	1997-98	+149.24	300.00	+314.61	614.60	149.24	24.28
	Industries and Industrial										
44.		Auto Tractors Limited	28 December 1972	1991-92	1995-96	+10.71	750.00	-6482.96	1114.18	36.32	3.26
45.		Continental Float Glass Limited (Sunsidiary of Uttar Pradesh State Mineral Development Corporation Limited)	12 April 1985	1995-96	1996-97	—	4599.95	—	20930.43	—	—
46.		The Indian Turpentine and Rosin Company Limited	22 February 1924	1996-97	1997-98	-193.19	22.02	-1232.65	-1027.93	-167.34	—
47.		Uttar Pradesh Instruments Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	1 January 1975	1995-96	1996-97	-336.23	202.22	- 2232.19	-293.63	-162.91	—

S. No.	Department/ Sector	Name of the Company	Date of Incorporation	Period of Accounts	Year in which finalised	Profit(+)/ Loss(-) Loss	Paidup Capital employed	Accumulated Profit & Loss	Capital employed	Return on Capital	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
48.		Uttar Pradesh Digitals Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	8 March 1978	1996-97	1997-98	-118.66	35.20	-694.54	35.26	-57.60	—
49.		Uttar Pradesh Carbon and Chemical Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	12 January 1982	—	—	—	—	—	—	—	—
50.		Uttar Pradesh State Mineral Development Corporation Limited	23 March 1974	1994-95	1997-98	- 108.44	5640.48	-209.27	3018.69	- 106.60	—
51.		Vindhyachal Abrasives Limited (Subsidiary of Uttar Pradesh Mineral Development Corporation Limited)	5 December 1985	1987-88	1995-96	-11.78	270.00	- 76.93	0.79	-10.86	—
	Institutional Finance										
52.		Uttar Pradesh Chalchitra Nigam Limited	10 September 1975	1994-95	1997-98	+77.69	818.42	-908.54	594.32	128.14	21.56

S. No.	Department/ Sector	Name of the Company	Date of In-corporation	Period of Accounts	Year in which finalised	Profit(+)/ Loss(-) Loss	Paidup Capital employed	Accumulated Profit & Loss	Capital employed	Return on Capital	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Irrigation										
53.		Uttar Pradesh Projects & Tubewell Corporation Limited (Formerly Uttar Pradesh Nalkoop Nigam Limited)	26 May 1976	1996-97	1997-98	+16.23	1087.00	-438.18	601.18	16.23	2.70
	Panchayati Raj										
54.		Uttar Pradesh Panchayati Raj Vitta Evam Vikas Nigam Limited	24 April 1973	1989-90	1996-97	-3.42	137.18	+3.06	143.07	-3.42	—
	Planning										
55.		Mohammadabad Peoples Tannery Limited	21 December 1964	1976-77	1992-93	-0.01	5.61	-4.26	1.35	-0.01	—
56.		Uttar Pradesh Development Systems Corporation Limited	15 March 1977	1995-96	1997-98	+0.63	100.00	-16.85	83.15	0.63	0.76
	Public Works										
57.		Uttar Pradesh Rajkiya Nirman Nigam Limited	1 May 1975	1996-97	1997-98	+149.01	100.00	+1067.38	1167.38	149.01	12.76

S. No.	Department/ Sector	Name of the Company	Date of In-corporation	Period of Accounts	Year in which finalised	Profit(+)/ Loss(-) Loss	Paidup Capital employed	Accumulated Profit & Loss	Capital employed	Return on Capital	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
58.		Uttar Pradesh State Bridge Corporation Limited	18 October 1972	1996-97	1997-98	+315.75	1000.00	-658.28	1919.00	416.75	51.90
	Rural and Small Industries										
59.		UPSIC Potteries Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	27 April 1976	1989-90	1996-97	-36.66	76.26	-225.66	62.46	-24.37	—
60.		Uttar Pradesh Plant Protection Appliances (Private) Limited (Subsidiary fo Uttar Pradesh Small Industries Corporation Limited)	28 June 1972	1974-75	1984-85	-0.81	0.92	-0.81	6.79	-0.81	—
61.		Uttar Pradesh Small Industries Corporation Limited	1 June 1958	1992-93	1996-97	-340.82	596.05	- 448.52	1737.51	-98.06	—
62.		Uttar Pradesh State Handloom Corporation Limited	9 January 1973	1987-88	1997-98	-45.79	1193.49	-1161.39	3631.21	46.35	1.28

S. No.	Department/ Sector	Name of the Company	Date of Incorporation	Period of Accounts	Year in which finalised	Profit(+)/ Loss(-) Loss	Paidup Capital employed	Accumulated Profit & Loss	Capital employed	Return on Capital	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Sugar and Cane Development										
63.		Chhata Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	18 April 1975	1995-96	1997-98	- 416.99	1273.09	-2403.44	2355.11	- 10.74	—
64.		Ghatampur Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	30 May 1986	1995-96	1997-98	-532.51	894.85	-2301.48	606.25	-327.25	—
65.		Kichha Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	17 February 1972	1996-97	1997-98	-576.55	1699.04	-757.05	4663.33	-181.71	—
66.		Nandganj Sihori Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	18 April 1975	1994-95	1997-98	-562.09	3404.50	-5899.85	641.58	-353.05	—

S. No.	Department/ Sector	Name of the Company	Date of In-corporation	Period of Accounts	Year in which finalised	Profit(+)/ Loss(-) Loss	Paidup Capital employed	Accumulated Profit & Loss	Capital employed	Return on Capital	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
67.		Uttar Pradesh (Rohelkhand Tarai) Ganna Beej Evam Vikas Nigam Limited	27 August 1975	1996-97	1997-98	+9.22	70.64	+38.17	1866.69	249.11	13.35
68.		Uttar Pradesh (Paschim) Ganna Beej Evam Vikas Nigam Limited	27 August 1975	1996-97	1997-98	+17.34	61.45	+25.31	1442.36	257.14	17.83
69.		Uttar Pradesh (Poorva) Ganna Beej Evam Vikas Nigam Limited	27 August 1975	1995-96	1997-98	+0.45	29.51	+10.40	326.84	41.62	12.73
70.		Uttar Pradesh (Madhya) Ganna Beej Evam Vikas Nigam Limited	27 August 1975	1996-97	1997-98	+11.10	24.69	-7.18	461.42	56.65	12.28
71.		Uttar Pradesh State Sugar Corporation Limited	26 March 1971	1994-95	1997-98	-4189.46	47915.12	-56265.94	43032.69	1511.52	3.51
	Tourism										
72.		Uttar Pradesh State Tourism Development Corporation Limited	5 August 1974	1996-97	1996-97	+103.59	1512.53	-186.12	1401.37	105.28	7.51

S. No.	Department/ Sector	Name of the Company	Date of Incorporation	Period of Accounts	Year in which finalised	Profit(+)/ Loss(-) Loss	Paidup Capital employed	Accumulated Profit & Loss	Capital employed	Return on Capital	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Waqf										
73.		Uttar Pradesh Waqf Vikas Nigam Limited	27 April 1987	1991-92	1997-98	+0.57	150.00	+0.55	121.03	0.57	0.47
	Finance										
74.		The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited	29 March 1972	1996-97	1997-98	- 2142.63	11057.50	- 2136.95	58642.30	5119.92	8.73
75.		Uttar Pradesh Alp Sankhyak Vittiya Evam Vikas Nigam Limited	17 November 1984	1989-90	1995-96	+7.20	327.50	-4.32	521.48	7.20	1.38
76.		Uttar Pradesh State Industrial Development Corporation Limited	29 March 1961	1996-97	1997-98	+1175.47	2407.51	+731.70	8160.61	1555.16	19.18

S. No.	Department/ Sector	Name of the Company	Date of In-corporation	Period of Accounts	Year in which finalised	Profit(+)/ Loss(-) Loss	Paidup Capital employed	Accumulated Profit & Loss	Capital employed	Return on Capital	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Textile										
77.		Uttar Pradesh State Yarn Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited) (Successor of Uttar Pradesh State Spinning Mills Company (No. II) Limited)	20 August 1974	1996-97	1996-97	-220.82	3190.52	- 5090.56	2055.63	19.09	0.93
78.		Uttar Pradesh State Textile Corporation Limited	2 December 1969	1996-97	1997-98	+6504.87	16079.37	-18336.70	2941.04	8673.70	294.92
79.		Uttar Pradesh State Spinning Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited) (Successor of Uttar Pradesh State Spinning Mills Company (No. .I) Limited)	20 August 1976	1996-97	1997-98	+1623.56	7842.84	-9901.63	4699.04	2518.51	55.72

S. No.	Department/ Sector	Name of the Company	Date of In-corporation	Period of Accounts	Year in which finalised	Profit(+)/ Loss(-) Loss	Paidup Capital employed	Accumulated Profit & Loss	Capital employed	Return on Capital	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Cement										
80.		Uttar Pradesh State Cement Corporation Limited	29 March 1972	1995-96	1996-97	-4775.52	6828.00	-42599.38	-23980.30	-2291.33	—
	Power										
81.		Uttar Pradesh Jal Vidyut Nigam Limited (Successors of Uttar Pradesh Alparthak Evam Laghu Jal Vidyut Nigam Limited)	15 April 1985	1996-97	1997-98	+146.23	70.00	+256.04	7445.88	146.23	1.96
82.		Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited	22 August 1980	1996-97	1997-98	+36.49	25280.50	-10894.85	14385.61	36.49	0.25
Total						**+10787.24 -(18748.45)**	**172740.92 -(201157.78)**	**+3513.17**	**193060.02**	**17465.04**	

ANNEXURE 3

Statement showing the name of the Companies with year of accounts finalised and arrears in terms of years

(Referred to in paragraph 1.2.6)

Sl. No	Department/ sector	Name of the Company	Period of accounts finalised	Arrears of accounts in terms of years
(1)	(2)	(3)	(4)	(5)
	Agriculture			
1.		Uttar Pradesh Bhumi Sudhar Nigam Limited	1995-96	2
2.		Uttar Pradesh State Agro Industrial Corporation Limited	1996-97	1
3.		Uttar Pradesh State Horticultural Produce Marketing and Processing Corporation Limited	1984-85	13
	Animal Husbandry			
4.		Uttar Pradesh Pashudhan Udyog Nigam Limited	1990-91	7
5.		Uttar Pradesh State Poultry and Livestock Specialities Limited	1994-95	3
	Area Development			
6.		Agra Mandal Vikas Nigam Limited	1986-87	11

Sl. No	Department/ sector	Name of the Company	Period of accounts finalised	Arrears of accounts in terms of years
(1)	(2)	(3)	(4)	(5)
7.		Allahabad Mandal Vikas Nigam Limited	1983-84	14
8.		Bareilly MandalVikas Nigam Limited (Formerly Uttar Pradesh Paschim Kshetrya Vikas Nigam Limited)	1984-85	13
9.		Bundelkhand Concrete Structurals Limited (Subsidiary of Uttar Pradesh Bundelkhand Vikas Nigam Limited)	1986-87	11
10.		Gorakhpur Mandal Vikas Nigam Limited	1985-86	12
11.		Lucknow Mandaliya Vikas Nigam Limited	1981-82	16
12.		Meerut Mandal Vikas Nigam Limited	1993-94	4
13.		Moradabad Mandal Vikas Nigam Limited	1987-88	10
14.		Uttar Pradesh Poorvanchal Vikas Nigam Limited	1987-88	10
15.		Uttar Pradesh Bundelkhand Vikas Nigam Limited	1991-92	6
16.		Varanasi Mandal Vikas Nigam Limited	1987-88	10

Sl. No	Department/ sector	Name of the Company	Period of accounts finalised	Arrears of accounts in terms of years
(1)	(2)	(3)	(4)	(5)
	Electronics			
17.		Shreetron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	1997-98	—
18.		Uptron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	1995-96	2
19.		UPLEASE Financial Services Limited (Formerly Uptron Leasing Limited - Subsidiary of Uttar Pradesh Electronics Corporation Limited)	1996-97	1
20.		Uptron Powertronics Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	1996-97	1
21.		Uttar Pradesh Electronics Corporation Limited	1996-97	1
	Export Promotion			
22.		The Uttar Pradesh Export Corporation Limited	1995-96	2
23.		The Uttar Pradesh State Brassware Corporation Limited	1991-92	6
24.		Uttar Pradesh State Leather Development and Marketing Corporation Limited	1996-97	1

Sl. No	Department/ sector	Name of the Company	Period of accounts finalised	Arrears of accounts in terms of years
(1)	(2)	(3)	(4)	(5)
	Fisheries			
25.		Uttar Pradesh Matsya Vikas Nigam Limited	1989-90	8
	Food and Civil Supplies			
26.		Uttar Pradesh Food and Essential Commodities Corporation Limited	1985-86	12
	Harijan and Social Welfare			
27.		Tarai Anusuchit Janjati Vikas Nigam Limited	1982-83	15
28.		Uttar Pradesh Scheduled Castes Finance and Development Corporation Limited	1992-93	5
29.		Uttar Pradesh Pichhari Jati Vitta Evam Vikas Nigam	1994-95	3
30.		Uttar Pradesh Bhutpurwa Sainik Kalyan Nigam Limited	1994-95	3
31.		Uttar Pradesh Mahila Kalyan Nigam Limited	1995-96	2
32.		Uttar Pradesh Samaj Kalyan Nirman Nigam Limited (Formerly Harijan Evam Nirbal Varg Avas Nigam Limited)	1996-97	1

Sl. No	Department/ sector	Name of the Company	Period of accounts finalised	Arrears of accounts in terms of years
(1)	(2)	(3)	(4)	(5)
	Hill Development			
33.		Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Garhwal Mandal Vikas Nigam Limited)	1987-88	10
34.		Garhwal Mandal Vikas Nigam Limited	1992-93	5
35.		Kumaon Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Kumon Manadal Vikas Nigam Limited)	1984-85	13
36.		Kumaon Mandal Vikas Nigam Limited	1994-95	3
37.		Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	1989-90	8
38.		Northern Electricial Equipment Industries Limited (Subsidiary of Kumon Mandal Vikas Nigam Limited	1989-90	8
39.		Trans Cables Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	1994-95	3
40.		Uttar Pradesh Hillphones Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	Accounts not finalised since inception (10 August 1987)	11

Sl. No	Department/ sector	Name of the Company	Period of accounts finalised	Arrears of accounts in terms of years
(1)	(2)	(3)	(4)	(5)
41.		Uttar Pradesh Hill Electronics Corporation Limited	1993-94	4
42.		Uttar Pradesh Hill Quartz Limited (Subsidiary of Uttar Pradesh Hill Electronics Limited)	Accounts not finalised since inception (18 July 1989)	9
	Home			
43.		Uttar Pradesh Police Avas Nigam Limited	1996-97	1
	Industries and Industrial Development			
44.		Auto Tractors Limited	1991-92	6
45.		Continental Float Glass Limited (Subsidiary of Uttar Pradesh State Industrial Corporation Limited)	1995-96	2
46.		The Indian Turpentine and Rosin Company Limited	1996-97	1
47.		Uttar Pradesh Instruments Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	1995-96	2
48.		Uttar Pradesh Digitals Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	1996-97	1

Sl. No	Department/ sector	Name of the Company	Period of accounts finalised	Arrears of accounts in terms of years
(1)	(2)	(3)	(4)	(5)
49.		Uttar Pradesh Carbon and Chemicals Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	Accounts not finalised since becoming a Government Company (23 Feb 1989)	9
50.		Uttar Pradesh State Mineral Development Corporation Limited	1994-95	3
51.		Vindhyachal Abrasives Limited (Subsidiary of Uttar Pradesh Mineral Development Corporation Limited)	1987-88	10
	Institutional Finance			
52.		Uttar Pradesh Chalchitra Nigam Limited	1994-95	3
	Irrigation			
53.		Uttar Pradesh Projects & Tubewell Corporation Limited (Formerly Uttar Pradesh Nalkoop Nigam Limited)	1996-97	1
	Panchayati Raj			
54.		Uttar Pradesh Panchayati Raj Vitta Evam Vikas Nigam Limited	1989-90	8
	Planning			
55.		Mohammadabad Peoples Tannery Limited	1976-77	21

Sl. No	Department/ sector	Name of the Company	Period of accounts finalised	Arrears of accounts in terms of years
(1)	(2)	(3)	(4)	(5)
56.		Uttar Pradesh Development Systems Corporation Limited	1995-96	2
	Public Works			
57.		Uttar Pradesh Rajkiya Nirman Nigam Limited	1996-97	1
58.		Uttar Pradesh State Bridge Corporation Limited	1996-97	1
	Rural and Small Industries			
59.		UPSIC Potteries Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	1989-90	8
60.		Uttar Pradesh Plant Protection Appliances (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	1974-75	23
61.		Uttar Pradesh Small Industries Corporation Limited	1992-93	6
62.		Uttar Pradesh State Handloom Corporation Limited	1987-88	10
	Sugar and Cane Development			
63.		Chhata Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	1995-96	2

Sl. No	Department/ sector	Name of the Company	Period of accounts finalised	Arrears of accounts in terms of years
(1)	(2)	(3)	(4)	(5)
64.		Ghatampur Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	1995-96	2
65.		Kichha Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited	1996-97	1
66.		Nandganj Sihori Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	1994-95	3
67.		Uttar Pradesh (Rohelkhand Tarai) Ganna Beej Evam Vikas Nigam Limited	1996-97	1
68.		Uttar Pradesh (Paschim) Ganna Beej Evam Vikas Nigam Limited	1996-97	1
69.		Uttar Pradesh (Poorva) Ganna Beej Evam Vikas Nigam Limited	1995-96	2
70.		Uttar Pradesh (Madhya) Ganna Beej Evam Vikas Nigam Limited	1996-97	1
71.		Uttar Pradesh State Sugar Corporation Limited	1994-95	3

Sl. No	Department/ sector	Name of the Company	Period of accounts finalised	Arrears of accounts in terms of years
(1)	(2)	(3)	(4)	(5)
	Tourism			
72.		Uttar Pradesh State Tourism Development Corporation Limited	1996-97	1
	Waqf			
73.		Uttar Pradesh Waqf Vikas Nigam Limited	1991-92	6
	Finance			
74.		The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited	1996-97	1
75.		Uttar Pradesh Alp Sankhyak Vittiya Evam Vikas Nigam Limited	1989-90	8
76.		Uttar Pradesh State Industrial Development Corporation Limited	1996-97	1
	Textile			
77.		Uttar Pradesh State Yarn Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited) (Successor's of Uttar Pradesh State Spinning Mills Company No. II Limited)	1996-97	1

Sl. No	Department/ sector	Name of the Company	Period of accounts finalised	Arrears of accounts in terms of years
(1)	(2)	(3)	(4)	(5)
78.		Uttar Pradesh State Textile Corporation Limited	1996-97	1
79.		Uttar Pradesh State Spinning Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited) Successor of Uttar Pradesh State Spinning Mills Company (No. .I) Limited	1996-97	1
	Cement			
80.		Uttar Pradesh State Cement Corporation Limited	1995-96	2
	Power			
81.		Uttar Pradesh Laghu Jal Vidyut Nigam Limited (Successor's of Uttar Pradesh Alparthak Evam Laghu Jal Vidyut Nigam Limited)	1996-97	1
82.		Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited	1996-97	1

ANNEXURE 3A

Summarised financial results of the Government Companies under liquidation for the latest year for which accounts were finalised

(Except in columns 4, 5 6 and 12 figures are in Rupees in lakh)

(Referred to in para 1.2.1)

Sl. No.	Department/ Sector	Name of the Company	Date of In-corporation/ Date of going into liquidation	Period of Accounts Arrears in terms of years	Year in which finalised	Profit(+)/ (Loss-)	Paid-up Capital	Accumulated Profit & Loss	Capital employed	Return on Capital	Percentage of total return on employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1.	Agriculture	UPAI Limited	20.4.1977 31.3.1991	1985-86 5	—	-0.35	17.01	3.17	12.39	-0.35	—
2.	Area Development	Gandak Samadesh Kshetriya Vikas Nigam	15.3.1975 07.6.1997	—	—	—	46.00	—	—	—	—
3.	Industries	Uttar Pradesh Abscott Private Limited (Subsidiary Small Industries Corporation Limited)	28.6.1972 19.4.1986	1975-76 10	—	—	4.85	—	—	—	—
4.	Textiles	Indian Bobbin Company Limited	22.2.1964 10.9.1973	—	—	—	2.74	—	—	—	—
5.	Industry	The Turpentine Subsidiary Industries Limited (Subsidiary of the Indian Turpentine & Rosin Company Limited)	11.7.1939 01.4.1978	—	—	—	15.56	—	—	—	—

Sl. No.	Department/ Sector	Name of the Company	Date of In-corporation/ Date of going into liquidation	Period of Accounts Arrears in terms of years	Year in which finalised	Profit(+)/ (Loss-)	Paid-up Capital	Accumulated Profit & Loss	Capital employed	Return on Capital	Percentage of total return on employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
6.	Handlooms	Handlooms Intesive Development Corporation (Gorakhpur-Basti) Limited (Subsidiary of Uttar Pradesh State Handloom Development Corporation Limited)	26.5.1976 01.4.1991	1987-88 3	—	-9.09	3.00	27.01	131.50	-3.80	—
7.	Handlooms	Handloom Intesive Development Project (Dhampur-Bijnaur) Limited (Subsidiary of Uttar Pradesh State Handloom Development Corporation Limited)	13.9.1976 01.4.1991	1984-85 6	—	4.35	2.00	40.29	329.18	24.58	7.47
8.	Textiles	Uttar Pradesh Textile Printing Corporation Limited (Subsidiary of Uttar Pradesh State Handloom Development Corporation Limited)	05.12.1975 01.04.1991	1987-88 3	—	-4.05	26.00	1.95	49.38	-4.05	—
9.	Industries and Industrial Development	Uttar Pradesh Carbide and Chemical Limited (Subsidiary of Uttar Pradesh State Mineral Development Corporation Limited)	23.4.1979 19.2.1994	1992-93 1	—	-617.54	658.73	-3531.51	-1844.86	-50.57	-176.21
10.	Industries and Industrial Development	Uttar Pradesh Tyre and Tubes (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	14.1.1976 09.1.1996	1992-93 3	—	-217.08	183.16	-996.09	-405.96	209.53	-143.19

Sl. No.	Department/ Sector	Name of the Company	Date of Incorporation/ Date of going into liquidation	Period of Accounts Arrears in terms of years	Year in which finalised	Profit(+)/ (Loss-)	Paid-up Capital	Accumulated Profit & Loss	Capital employed	Return on Capital	Percentage of total return on employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
11.	Textiles	Bhadohi Woollen Mills Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited)	14.6.1976 20.2.1996	1994-95 1	—	-165.77	375.54	-1195.91	-49.09	85.35	-28.54
12.	Electronics	Kanpur Components Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	31.3.1978 10.6.1996	— 18	—	—	5.43	—	—	—	—
13.	Electronics	Uptron Sempack Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	23.5.1977 10.6.1996	1979-80 16	—	—	2.25	—	—	—	—
14.	Hill Development	Teletronix Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	27.1.1973 30.11.1996	1991-92 5	—	-62.25	174.71	-151.02	102.26	119.44	-61.16
15.	Hill Development	Kumaun Television Limited (Subsidiary of Kumaun Mandal Vikas Nigam Limited)	24.8.1977 30.11.1996	1992-93 4	—	-40.49	99.75	-193.44	-29.31	-33.12	—
Total							**1616.83**				

ANNEXURE 3B

Statement showing subsidies and guarantees received during the year and guarantees outstanding at the end of the year 1997-98

(Referred to in Paragraphs 1.2.4 & 1.2.5)

(Rupees in crore)

Sl. No.	Name of the Company	Subsidies received during the year		Guarantees received during the year			Guarantee outstanding	Guarantee commission outstanding
		State	Total	Cash credit from SBI and other Nationalised banks	Loan from other sources	Total		
1.	Uttar Pradesh Poorvanchal Vikas Nigam Limited	0.49	0.49	—	—	—	—	—
2.	Uttar Pradesh State Industrial Development Corporation Limited	5.79	5.79	0.00	0.00	0.00	25.59	—
3.	Uttar Pradesh State Agro Industrial Corporation	7.60	7.60	—	—	—	—	—

(Rupees in crore)

Sl. No.	Name of the Company	Subsidies received during the year		Guarantees received during the year			Guarantee outstanding	Guarantee commission outstanding
		State	Total	Cash credit from SBI and other Nationalised banks	Loan from other sources	Total		
4.	Uttar Pradesh Scheduled Castes Finance and Development Corporation Limited	90.34	90.34	—	—	—	—	—
5.	Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Garhwal Mandal Vikas Nigam Limited)	0.29	0.29	—	—	—	—	—
6.	Allahabad Mandal Vikas Nigam Limited	0.65	0.65	0.00	0.00	0.00	0.08	—
7.	Gorakhpur Mandal Vikas Nigam Limited	0.24	0.24	—	—	—	—	—
8.	Uttar Pradesh Matsya Vikas Nigam Limited	4.05	4.05	—	—	—	—	—
9.	Uttar Pradesh Alp Sankhyak Vittiya Evam Vikas Nigam Limited	2.25	2.25	0.00	0.00	0.00	38.18	—

(Rupees in crore)

Sl. No.	Name of the Company	Subsidies received during the year		Guarantees received during the year			Guarantee outstanding	Guarantee commission outstanding
		State	Total	Cash credit from SBI and other Nationalised banks	Loan from other sources	Total		
10.	Uttar Pradesh Jal Vidyut Nigam Limited (Successors of Uttar Pradesh Alparthk Evam Laghu Jal Vidyut Nigam Limited)	15.50	15.50	0.00	0.00	0.00	0.00	—
11.	Uttar Pradesh Mahila Kalyan Nigam Limited	0.60	0.60	—	—	—	—	—
12.	Uttar Pradesh Bhumi Sudhar Nigam Limited	69.71	69.71	—	—	—	—	—
13.	Varanasi Mandal Vikas Nigam Limited	0.26	0.26	—	—	—	—	—
14.	Uttar Pradesh State Textile Corporation Limited	—	—	25.00	0.00	25.00	62.29	—

(Rupees in crore)

Sl. No.	Name of the Company	Subsidies received during the year		Guarantees received during the year			Guarantee outstanding	Guarantee commission outstanding
		State	Total	Cash credit from SBI and other Nationalised banks	Loan from other sources	Total		
15.	Uttar Pradesh State Spinning Company Limited	—	—	18.20	0.00	18.20	46.99	—
16.	Tarai Anusuchit Janjati Vikas Nigam Limited	—	—	0.00	0.00	0.00	0.71	—
17.	The Indian Turpentine and Rosin Company Limited	—	—	0.00	1.25	1.25	3.13	—
18.	Uttar Pradesh Small Industries Corporation Limited	—	—	8.00	3.00	11.00	9.22	—
19.	Uttar Pradesh State Sugar Corporation Limited	—	—	61.24	72.36	133.60	120.01	—
20.	Uttar Pradesh State Cement Corporation Limited	—	—	0.00	0.00	0.00	10.00	—

(Rupees in crore)

Sl. No.	Name of the Company	Subsidies received during the year		Guarantees received during the year			Guarantee outstanding	Guarantee commission outstanding
		State	Total	Cash credit from SBI and other Nationalised banks	Loan from other sources	Total		
21.	Uttar Pradesh State Leather Development and Marketing Corporation Limited	—	—	0.75	0.00	0.75	0.75	—
22.	Uttar Pradesh Food and Essential Commodities Corporation Limited	—	—	8.00	2.50	10.50	0.00	—
23.	Nandganj Sihori Sugar Company Limited	—	—	16.00	0.00	16.00	16.00	—
24.	Chhata Sugar Company Limited	—	—	0.00	0.00	0.00	17.60	—
25.	Uttar Pradesh (Rohailkhand Tarai) Ganna Beej Evam Vikas Nigam Limited	—	—	20.00	0.00	20.00	0.00	—

(Rupees in crore)

Sl. No.	Name of the Company	Subsidies received during the year		Guarantees received during the year			Guarantee outstanding	Guarantee commission outstanding
		State	Total	Cash credit from SBI and other Nationalised banks	Loan from other sources	Total		
26.	Uttar Pradesh (Paschim) Ganna Beej Evam Vikas Nigam Limited	—	—	18.00	0.00	18.00	8.86	—
27.	Uttar Pradesh (Poorva) Ganna Beej Evam Vikas Nigam	—	—	2.98	0.00	2.98	3.22	—
28.	Lucknow Mandaliya Vikas Nigam Limited	—	—	0.00	0.00	0.00	0.88	—
29.	Uttar Pradesh Samaj Kalyan Nirman Nigam Limited	—	—	0.00	0.00	0.00	1.77	—
30.	Bareilly Mandal Vikas Nigam Limited	—	—	0.00	0.00	0.00	0.25	—
31.	Uttar Pradesh State Horticultural Produce Marketing and Processing Corporation Limited	—	—	0.00	0.00	0.00	0.56	—

(Rupees in crore)

Sl. No.	Name of the Company	Subsidies received during the year		Guarantees received during the year			Guarantee outstanding	Guarantee commission outstanding
		State	Total	Cash credit from SBI and other Nationalised banks	Loan from other sources	Total		
32.	Ghatampur Sugar Company Limited	—	—	10.00	4.15	14.15	10.00	—
33.	Uttar Pradesh Pichhari Jati Vitta Evam Vikas Nigam Limited	—	—	0.00	0.00	0.00	1.48	—
34.	Uttar Pradesh (Madhya) Ganna Beej Evam Vikas Nigam Limited	—	—	6.00	0.00	6.00	6.01	—
	Total	**197.77**	**197.77**	**194.17**	**83.26**	**277.43**	**383.58**	—

ANNEXURE 4

Statement showing utilisation of capacity during 1997-98

(Referred to in paragraph 1.2.11)

Sl No.	Name of the company	Unit	Installed capacity	Utilisation	Percentage utilisation
1	Uttar Pradesh State Yarn Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited) (Successors of Uttar Pradesh State Spinning Mills Company (No. II) Limited	Spindles/Kg.	99680 spindles	112.82 lakh Kg.	88.90
2	Uttar Pradesh State Spinning Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited) Successors of Uttar Pradesh State Spinning Mills Co. (No. I) Limited	Spindles/Kg	150000 spindles	159.63 lakh Kg.	91.28
3	Kichha Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited	TCD/Qtls	4000 TCD	4.71 lakh quintal	73.68
4	The Indian Turpentine and Rosin Company Limited	M.T./K.L	11046 MT 18770 KL	4701 MT 1115 KL	42.56 5.94

Sl No.	Name of the company	Unit	Installed capacity	Utilisation	Percentage utilisation
5	Uttar Pradesh State Sugar Corporation Limited	TCD/Qtls	57564.50 TCD	5372689 quintal	83.64
6	Uttar Pradesh State Cement Corporation Limited	MT per annum	2560000 MT	229000	8.95
7	Trans Cables Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	Km. Per annum	7200	1780	24.72
8	Uttar Pradesh State Leather Development and Marketing Corporation Limited	Pairs per annum	160000	112688	70.00
9	Uttar Pradesh Instruments Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	Number	72000	17914	24.88
10	Uttar Pradesh Matsya Vikas Nigam Limited	No. in lakh	2700	2685	99.44
11	Uttar Pradesh Jal Vidyut Nigam Limited (Successors of Uttar Pradesh Alparthak Evam Laghu Jal Vidyut Nigam Limited)	Lakh unit per annum	306	181	59.15
12	Uttar Pradesh Hill Electronics Corporation Limited	Number	12000	10	0.08

Sl No.	Name of the company	Unit	Installed capacity	Utilisation	Percentage utilisation
13	Ghatampur Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	TCD/Qtls	1250 TCD	80870 quintals	88.00
14	Nandganj Sihori Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	TCD/Qtsl TCD	1500 quintals	163025	84.00

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 1.3.7)

(Rupees in crore)

Sl No.	Name of the Corporation	Name of administrative department	Year of incorporation	Year of accounts	Profit(+)/ Loss(-)	Interest on long term loans	Total return on capital employed	Capital employed	Percentage of total return on capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1.	U.P. State Electricity Board	Power	1959	1997-98	291.64	1601.55	1893.19	6415.59	29.51
2.	U.P. Financial Corporation	Industries	1954	1996-97	(-)14.26	151.21	136.95	1286.81	10.64
3.	U.P. State Warehousing Corporation	Co-operative	1958	1997-98	(+)3.74	0.28	4.02	34.86	11.53
4.	U.P. State Road Transport Corporation	Transport	1972	1996-97	(-)48.14	23.90	(-)24.24	0.29	—
5.	U.P. Avas Evam Vikas Parishad	Housing	1996	1994-95	(+)0.84	24.28	25.12	286.19	8.78
6.	U.P. Jal Nigam	Urban Development	1975	1996-97	(-)52.36	26.15	(-)26.21	2733.84	—

ANNEXURE 6

Statement indicating details of funds not disbursed in respect of 10 districts during two years up to 1996-97

(Referred to in paragraph 2.5.1)

(Rupees in lakh)

Name of the District offices	Amount remitted to banks (as per SCP-5)			Amount refunded by banks			Amount disbursed (as per statement of A/c)			Amount lying undisbursed with banks		
	No. of beneficiaries	Subsidy	MM loan	No. of beneficiaries	Subsidy	MM loan	No. of beneficiaries	Subsidy	MM loan	No. of beneficiaries	Subsidy	MM loan
Bulandshahr	4077	246.21	109.94	68	2.68	0.85	2536	126.01	41.12	1473	117.52	67.97
Mathura	2517	150.87	34.95	124	8.23	2.10	693	41.29	8.78	1700	101.35	24.07
Meerut	4308	255.17	64.09	65	3.20	1.12	323	17.04	3.40	3920	234.93	59.57
Shahjahanpur	2101	122.50	6.96	13	0.78	0.03	878	50.02	2.51	1210	71.70	4.42
Hardoi	5692	313.14	71.78	133	6.35	1.68	578	25.80	5.86	4981	280.99	64.24
Rampur	1337	74.94	24.17	49	2.32	1.32	310	17.23	3.88	978	55.39	18.97
Bareilly	2741	184.32	32.05	--	1.27	0.45	927	50.76	9.13	1814	132.29	22.47
Pratapgarh	3917	256.81	16.05	--	16.71	1.08	--	--	--	3917	240.10	14.97
Lucknow	3324	186.13	119.58	457	27.38	9.27	--	--	--	2867	158.75	110.31
Faizabad	3907	231.05	28.11	242	13.94	2.85	625	36.14	6.60	3040	180.97	18.66
Total	**33921**	**2021.14**	**507.68**	**1151**	**82.86**	**20.75**	**6870**	**364.29**	**81.28**	**25900**	**1573.99**	**405.65**

ANNEXURE 7

Statement showing targets and achievement (financial and physical) of SEP during six years up to 1997-98

(Referred to in paragraph 2.5.1)

Years	Physical (Nos. of beneficieries)		Financial (Rupees in lakh)						
			Targets			Achievements based on amount remitted to banks			Average Project cost
	Targets	Achievements	Subsidy	MM loan	Bank loan	Subsidy	MM loan	Bank loan	
1992-93	1,10,000	95,257	4840	986	9401	4532.84	364.92	6554.75	0.12
1993-94	90,000	94943	4500	1001	8369	4536.13	548.89	6861.45	0.13
1994-95	1,00,000	88862	6000	1067	9341	5163.04	454.51	6983.89	0.14
1995-96	1,00,000	98,532	6000	1067	0341	5708.01	803.66	7688.60	0.14
1996-97	1,00,000	94,265	6000	3437	15562	5625.87	1115.51	9587.56	0.17
1997-98	1,00,000	88,487	6,000	7500	16500	5373.03	1418.49	9339.58	0.18
Total	**6,00,000**	**5,60,346**				**30938.92**	**4705.98**		

ANNEXURE 8

Statement indicating sectors identified as uneconomical by the Government of India during six years up to 1997-98

(Referred to in paragraph 2.5.1(ii))

	Sectors identified as uneconomical	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	Total
					(Number of projects)			
(1)	Small Garments/ready made cloth shops	6146	10466	9970	8532	8112	12990	56216
(ii)	Small kirana/parchoon stores	7101	9878	10727	9021	8113	15700	60540
(iii)	Mini dairy/buffalo keeping	7291	6249	4219	7720	7208	4413	37100
(iv)	Piggery	8255	5618	3687	9016	8195	4140	38911
(v)	Goat rearing	4810	3934	3941	5225	4909	4814	27633
(vi)	Donkey/mule	1997	2031	1276	2040	2024	1370	10738
(vii)	Poultry	2054	3157	1530	2455	2065	1611	12872
(viii)	Soop/dallia/sirki	2581	3182	2203	3878	2500	2175	16519
(ix)	Fire wood stall	1022	2091	164	1122	1019	150	5568
(x)	Vegetable/fruit hawkers	13062	12792	11297	12710	12996	12505	75362
(A)	Total	54319	59398	49014	61719	57141	59868	341459
(B)	Total No. of projects	95257	94943	88862	98532	94265	88487	560346
(C)	Percentage of (A) to (B)	57	63	55	63	61	68	60.9

ANNEXURE 9

Statement showing amount lying undisbursed with the banks as of March 1998.

(Referred to in paragraph 2.5.2)

(Rupees in Lakh)

Sl. No	Name of the District Units	Amount remitted to bank (as per SCP-5)			Amount refunded by banks			Amount disbursed (as per statement of A/c)			Balance amount lying undisbursed with banks as of March 1998 due to non-availability of statement of accounts from the banks		
		Nos. of beneficiaries	Subsidy	MM loan	Nos. of beneficiaries	Subsidy	MM loan	Nos. of beneficiaries	Subsidy	MM loan	Nos. of beneficiaries	Subsidy	MM loan
1.	Moradabad	12521	1292.16	398.73	157	58.13	16.65	1300	130.00	40.55	11064	1104.03	341.53
2.	Ghaziabad	1535	153.16	45.60	11	1.10	0.33	118	11.80	3.54	1406	140.26	41.73
3.	Bulandshahr	8162	813.87	245.45	196	13.34	4.30	3897	303.36	95.87	4069	497.17	145.28
4.	Mathura	6446	644.58	194.74	148	14.49	4.40	1000	99.00	31.07	5298	531.09	159.27
5.	Meerut	4572	453.24	150.63	81	6.96	2.21	133	12.80	3.69	4358	433.48	144.72
6.	Shajahanpur	1219	120.69	36.22	26	3.13	0.77	548	54.16	15.72	645	63.40	19.73
7.	Bareilly	6778	674.82	199.60	—	43.65	45.83	961	93.54	27.89	5817	537.63	125.88
8.	Rampur	1917	191.70	57.04	49	4.63	1.60	612	56.28	17.07	1256	130.79	38.37
9.	Hardoi	2826	267.95	84.07	103	10.09	3.04	850	67.99	19.95	1873	189.87	61.08
10.	Agra	7584	758.26	228.67	136	13.60	3.97	2234	214.71	64.63	15214	529.95	160.07
	Total	**53560**	**5370.43**	**1640.75**	**907**	**169.12**	**83.11**	**11653**	**1043.64**	**319.98**	**41000**	**4157.67**	**1237.66**

ANNEXURE 9A

Details of misutilisation or non-utilisation of funds

(Referred to in paragraph 2.5.3)

Name of the district office	Period of training	Details of mis-utilisation or non-utilisation of fund
Bulandshahr	1993-94 and 1994-95	H.O. had released Rs. 36.48 lakh for meeting expenditure on training and stipend. The district offices, however, incurred Rs. 122.88 lakh by diverting fund for other schemes/refund from banks. Against release of Rs. 36.48 lakh 1216 scavengers were to be trained. But only 429 scavengers were trained justifying an expenditure of Rs. 12.87 lakh only. Thus, expenditure of Rs. 1.10 crore was not justified. No action for recovery of irregular expenditure was initiated so far (July 1998).
Shahjahanpur	1996-97	Against target of 170 scavengers, the training to 586 scavengers whose names were not available in revised survey forms was given at a cost of Rs. 6.24 lakh. No responsibility was fixed for mis-utilisation of fund on training to unidentified scavengers.
Shahjahanpur	1997-98	Although the Implementation and Monitoring Committee had selected two NGOs in June 1997 for imparting training, no orders were issued by the District offices. Consequently, Rs. 12.43 lakh were lying unutilised. Due to this, benefit of training could not be passed on to 700 scavengers.
Rampur	1997-98	Against target of 1370, the unit office placed orders for training to 800 scavengers through 5 NGOs. Upto January 1998, Rs. 10.48 lakh was paid to the 5 NGOs towards training expenses but the stipend to 800 scavengers (Rs. 4.80 lakh) was not released so far (May 1998). On the basis of inquiry report of Project Director/ADDO (Samaj Kalyan), the District Magistrate, Rampur black listed the above 5 NGOs in February 1998. Due to this, Government fund to the tune of Rs. 10.48 lakh were mis-utilised for which no responsibility has been fixed so far (May 1998).

Name of the district office	Period of training	Details of mis-utilisation or non-utilisation of fund
Hardoi	1996-97	The H.O. had released a sum of Rs. 8.80 lakh in November 1996 to train 440 scavengers but training was not organised by the unit. Hence, Rs. 8.80 lakh is lying unutilised since last 20 months (June 1998).
Barabanki	April to September 1997	Training to 30 female scavengers was given through Nehru Yuva Kendra, Barabanki whose names were not available in the revised survey forms. Thus, expenditure of Rs. 0.90 lakh was irregular and unjustified. No responsibility was fixed against the concerned ADDO (Samaj Kalyan)/AM.
Agra	1995-96	Against target of 160 scavengers during 1995-96, the District office had arranged training for 1578 scavengers by incurring expenditure of Rs. 47.91 lakh. The expenditure of Rs. 40.48 lakh was incurred by diversion of fund from other schemes without sanction of H.O. which was irregular and unjustified.
Agra	1996-97 and 1997-98	The H.O. had fixed target of 1155 scavengers and 500 scavengers for 1996-97 and 1997-98 and released Rs. 23.10 lakh and Rs. 10.00 lakh respectively. No training was organised by the District office and in violation of H.O. instructions the total fund of Rs. 33.10 lakh was irregularly adjusted against previous year's excess expenditure of Rs. 40.48 lakh.

ANNEXURE 10

Statement showing the position of payment to NSFDC in excess of recovery as of March 1998

(Referred to in paragraph 2.5.5)

(Rupees in Lakh)

Sl No	Name of Scheme	Physical		Total amount received from NSFDC	Achievment (funds utilised)	Repayment demanded by the NSFDC and payment by the Company		Amount recovered from the beneficiaries		Payment to NSFDC in excess of recovery	
		Targets	Achieve-ment			Principal	Int.	Principal	Int.	Principal	Int.
1.	Pumpset Yojana (I to VI)	21360	22290	1744.06	1658.89	560.36	224.11	305.46	80.92	(-) 254.90	(-) 143.19
2.	Vikram Tempo (I to IV)	1240	935	657.35	608.29	386.51	90.46	169.78	59.50	(-) 216.73	(-) 30.96
3.	Copper Ware scheme	40	40	15.48	15.48	5.81	2.52	Nil	Nil	(-) 5.81	(-) 2.52
4.	Office Service centre	90	100	59.40	59.40	32.67	7.52	0.66	0.32	(-) 32.01	(-) 7.20
5.	Tractor Trolley	100	100	96.00	96.00	33.00	10.71	19.94	7.10	(-) 13.06	(-) 3.61
6.	Jeep Taxi (I to III)	215	213	382.50	379.50	132.24	36.77	62.95	22.94	(-) 69.29	(-) 13.83
7.	Mini Bus	23	22	85.00	78.33	27.42	14.45	3.71	2.99	(-) 23.71	(-) 11.46
8.	Mini Dairy	80	55	20.80	14.30	7.80	2.73	0.71	0.39	(-) 7.09	(-) 2.34
9.	Leather Footwear	10	9	6.21	5.53	2.77	0.92	0.34	0.13	(-) 2.43	(-) 0.79
10.	Tailoring shop	78	69	25.00	22.08	7.84	1.72	0.91	0.34	(-) 6.93	(-) 1.38
11.	Bajaj Tempo	93	24	70.00	17.88	6.25	3.57	4.95	2.63	(-) 1.30	(-) 0.94
12.	Ambassador Car	72	59	145.00	118.00	23.6	7.88	10.62	3.57	(-) 12.98	(-) 4.31
13.	TATA-407	98	63	230.00	148.05	29.61	10.67	21.10	6.77	(-) 8.51	(-) 3.90
14.	Maruti Van	111	81	145.00	101.70	20.34	6.80	3.31	1.67	(-) 17.03	(-) 5.13
	Total	**23610**	**24060**	**3681.80**	**3323.43**	**1276.22**	**420.83**	**604.44**	**189.27**	**(-) 671.78**	**(-) 231.56**

ANNEXURE 11

Statement showing details of short/under billing during March 1994 to May 1998.

(Referred to in paragraph 3C.7.3)

Sl. No	Division	Consumer	Under charge			Remarks	Status of billing
			On account of	Period	Amount (Rs. in lakh)		
1.	EDD Unnao	HV-1 (Arc/ induction/ rolling mill consumer) HV-2 (Large and heavy consumer) and HV-4 (pump canal)	Fuel surcharge	July 1997 to October 1997	54.46	Fuel surcharge charged as 68.106 paise in place of 87.925 paise per Kwh.	Bill since raised
2.	Do	HV-1 and HV-2 consumer	Electricity duty	January 1997 to October 1997	15.86	The State Government enhanced the rate of electricity duty to 9 paisa per Kwh with effect from 3 January 1997. The division however, continued to charge it at old rate of 6 paisa per Kwh.	Bill since raised
3.	Do	HV-1 consumer	Late payment surcharge	August 1995 to March 1996	8.57	-	
4.	EDDII Rae Bareli	M/s Khwaja Cold Storages	MCG	1997-98	0.33	Due to wrong calculation of MCG	Bill raised in January 1998 and payment realised.

Sl. No	Division	Consumer	Under charge			Remarks	Status of billing
			On account of	Period	Amount (Rs. in lakh)		
5.	EDD Sitapur	M/s J.B. Flour Mill	L.T. Extra charge	March 1996 to January 1997	1.57	LT surcharge due to LT supply not levied.	Bill raised in September 1998
6.	EDD II Faizabad	M/s K.M. Sugar Mills Distillery unit	Demand charge	May 1996	0.36	Demand charge for May1996 was wrongly charged for Rs. 0.15 lakh instead of Rs. 0.51 lakh	Bill raised in May 1998.
7.	EDD II Faizabad	Raunahi Pump Canal	Fuel Surcharge	April 1997 to January 1998	1.77	Application of lower rate of Fuel surcharge than prescribed rate for the respective month.	-Do-
8.	EDD II, Faizabad	Shanti Flour Mill	Demand Charge	April 1996 to May 1996	0.26	KVA reading for April 1996 was not available due to non availability of power. Consumer was not billed on the basis of average demand of previous three months.	-Do-
9.	EDD II Faizabad	Rajput Flour Mill	Demand and excess demand charge	July 1995	0.71	Demand and excess demand charge on excess demand of 235 KVA avoided by the division by mentioning the meter as defective.	
10.	EDD Sitapur	M/s M.B. Flour Mill	Fuel surcharge	January 1997 to May 1997	0.47	Excess adjustment of fuel surcharge	
11.	EDD-I Lakhimpur	M/s Sarjoo Sahkari Chini Mill	Demand and excess demand charge	December 1995 to May 1997	0.76	In case of excess demand availed by the consumer though excess demand charge was levied demand charges except in January 1997 over contracted demand was not charged.	Bill raised in September 1998

Sl. No	Division	Consumer	Under charge			Remarks	Status of billing
			On account of	Period	Amount (Rs. in lakh)		
12.	EDD I Lakhimpur	M/s Dafti Udyog	Non-finalisation of check meter	October 1997	0.30	------	Bill raised in August 1998 and payment received
13.	EDD Hardoi	M/s Bee Kay Cement	Continuous/non -continuous process	July 1997 to January 1998	1.80	Though cement industry is continuous process the consumer was billed under non-continuous process.	
14.	EDD Sultanpur	M/s Kisan Cooperative Sugar Mill	Establishment surcharge	April 1997 to May 1998	0.94	Establishment surcharge either not charged or charged at 7 paisa in place of 21.166 paisa per unit.	Bill raised in June 1998.
	Do	M/s SDO Telephone	Do	Do	0.53		-Do-
15.	EDD Sultanpur	M/s Kisan Cooperative Sugar Mill	Demand charge	May 1997 February 1998 March 1998	0.50	Demand billed for 221 KVA as 75 per cent of contracted demand instead of actual demand which was 361 KVA, 269 KVA and 286 KVA during May 1997 February 1998 and March 1998 respectively against contracted demand of 294 KVA.	-Do-
16.	Do	Municipal Board Sultanpur and Town Area Kadipur	Electricity Duty	January 1997 to May 1998	1.39	Electricity duty charged at the rate of 10 per cent instead of 20 per cent.	Bill raised in June 1998

Sl. No	Division	Consumer	Under charge			Remarks	Status of billing
			On account of	Period	Amount (Rs. in lakh)		
17.	EDD Barabanki	M/s India Poly Fibres	Late payment surcharge	April 1995 to November 1996	1.03	The division did not levy late payment surcharge on Rs. 12.72 lakh from 5 April to 30 June 1995, on Rs. 7.63 lakh from 1 July 1995 to 9 August 1995 and on Rs. 4.37 lakh from 29 October 1996 to 13 November 1996 though the consumer delayed the payment.	
18.	EDD Gonda	M/s Hindustan Petroleum Corporation Limited	LT extra charge	February 1996 to May 1998	1.98	Bill raised for Rs. 1.40 lakh, rest to be raised.	Bill raised in June 1998.
19.	Do	Nawabganj Sugar Mill	Calculation mistake	August 1996 to January 1997	0.41	Bill raised.	Bill raised in May 1998.
20.	EDD Sitapur	World Bank Tubewells	Incorrect rate	April 1997 to March 1998	3.15	In respect of 31 World Bank Tubewells having load of 465 BHP billable at Rs. 440 per BHP, bill was raised for 408.10 KVA at Rs. 440 per KVA resulting in undercharge of Rs. 3.14 lakh during April 1997 to March 1998.	Bill raised
21.	EDD Barabanki	M/s CP Cold Storages	LT extra charge	July 1995 to March 1998	2.97	According to rate schedule HV-2 applicable to large and heavy power consumer in case of supply given at 400 volts the consumer shall be required to pay extra 10 per cent on the amount calculated at rate of charge.	

Sl. No	Division	Consumer	Under charge			Remarks	Status of billing
			On account of	Period	Amount (Rs. in lakh)		
22.	EDD Barabanki	M/s Kurauli Cold Storages	Do	March 1995 to April 1998	2.19	Since supply was released through LT meters 10 per cent extra charge became leviable.	
23.	EDD-I Faizabad	Executive Engineer, Flood Works Division I & II	Fuel Surcharge	April 1996 to June 1997	0.37	The division charged at lesser rate of fuel surcharge instead of at the applicable rate of the month.	
24.	EDD-II Faizabad	Executive Engineer Indo-Dutch Tubewells	Demand and Energy Consumption	March 1994 to August 1994 and November 1994	2.81	The Division wrongly charged demand charge on 715 KVA instead of 953 KVA during March 1994 to August 1994 and wrongly computed the energy consumption during November 1994 taking 638 KW load in place of 810 KW.	Bill since raised in May 1998.
25	EDD, Hardoi	State Tubewells and World Bank Tubewells	Shunt Capacitor Charge	January 1997 to December 1997	16.99	Shunt capacitor surcharge of 5 per cent of the amount of the bill required to be levied under rate schedule LMV-8 where shunt capacitors of appropriate ratings have not been provided/or capacitors were not in good conditions was not charged.	
26	EDD, Sultanpur	---------do--------	------do-------	January 1997 to May 1998	11.29	------------------do--------------	Bills raised in June 1998
		Total			**133.87**		

ANNEXURE 12

Statement showing details of under charge due to non/delayed declaration of metres as defective

(Referred to in paragraph 3C.7.8.1 (iii))

Sl. No.	Division	Consumer/ load	Period	Under charge (Rs. in lakh)	Remarks
1.	EDD-II Faizabad	M/s Shanti Flour Mill	August 1996	3.60	Low consumption recorded during August 1996 being 18975, Kwh was attributed to breaking of PT by a trolley and accordingly consumption was assessed three times for 56925 units and billed accordingly. Though PT is part of metering system, meter was not declared as defective as a result of which assessment was made for 56,925 units instead of average consumption of 177422 units recorded during preceding three months.
2.	Do	M/s J.R. Agro Faizabad	June 1994	1.04	Though very low consumption of 62945 Kwh was recorded during June 1994 due to some jerk against average 110594 units recorded during preceding three months, electronics register of meter seemed to be disturbed and hence behaviour of other parameters differed from previous reading. Since Kwh and KVAH consumption both determine the power factor, considering one part defective and other part as not defective was not justified.
3.	EDD-II Lakhim-pur	NE Railway	September 1997 to January 1998	0.95	Average consumption worked out on the basis of 84 days only instead of 92 days.

Sl. No.	Division	Consumer/ load	Period	Under charge (Rs. in lakh)	Remarks
4.	EDD Barabanki	Kurouli cold storages	7 March, 1995 to 12 April, 1995	1.45	The division raised (April 1998) the bills for this period on supply hours basis on LFHD formula for 32 days for 97920 units. However, the division revised the assessment in May 1998 on the basis of average daily consumption of another consumer recorded during 5 March 1995 to 25 March 1995 and consequently allowed the adjustment of 45120 units to the consumer in May 1998. The basis adopted for revision of assessment was not supported by Rules. The consumer should have been billed on the basis of usage hour/supply hours. This resulted in short assessment of Rs. 1.45 lakh.
5	EDD Sitapur	M/s J.B. Flour Mill	March 1997 to February 1998	11.07	The supply of the consumer was changed from LT to HT with effect from 5th February 1997. Though consumption recorded in different vectors i.e. KWH, KVAH and KVARH sections in different months were erratic and inconsistant from March 1997, billing was continued to be done arbitrarily treating the KWH reading as correct. Instead the consumer should have been billed on the basis of average consumption during 3 months when the meter was correct. Thus, billing of the consumer on the basis of incorrect reading resulted in under charge of Rs. 11.07 lakh.

Sl. No.	Division	Consumer/ load	Period	Under charge (Rs. in lakh)	Remarks
6	EDD-II Faizabad	Executive Engineer Tubewells Division	April 1995 to July 1996	5.32	Due to incorrect application of factor of 0.75 for assessing consumption when actual running hours was available there was under charge of Rs. 5.32 lakh.
		Total		**21.98**	

Note : On being pointed out by audit bills for Rs. 16.39 lakh were raised in September 1998 and May 1988 in respect of Sl. 5 and 6.

ANNEXURE 13

Statement showing category wise arrears of energy charges as of March 1998

(Referred to in paragraph 3C.10.1)

(Rupees in lakh)

Category of consumers	1993-94	1994-95	1995-96	1996-97	1997-98
A-Non-Government					
(i) Domestic and commercial	2677.09	3605.70	4679.09	5690.32	7458.48
		(34.69)	(74.78)	(112.56)	(178.60)
(ii) Small and Medium	1431.76	1882.36	2205.04	2528.90	3596.67
		(31.47)	(54.01)	(76.63)	(151.21)
(iii) Large and heavy	577.58	917.66	1107.78	1387.42	5152.55
		(58.88)	(91.80)	(140.21)	(792.09)
(iv) Private tubewells	1197.59	1367.16	1669.75	1739.11	1716.44
		(14.16)	(39.43)	(45.22)	(43.32)
(v) Others	37.61	2.20	58.51	51.31	48.17
			(55.57)	(36.43)	(28.08)
Sub-Total	**5921.63**	**7775.08**	**9720.17**	**11397.06**	**17972.31**
		(30.47)	**(64.15)**	**(92.46)**	**(201.59)**
B-Government					
(i) Public lighting	611.31	737.11	929.91	1183.65	1487.72
		(20.58)	(52.12)	(93.63)	(143.37)
(ii) Public water works/sewage pumping	2151.36	2803.99	3209.59	3581.89	4268.75
		(30.61)	(49.19)	(66.49)	(98.42)
(iii) State tube wells	1599.17	1679.57	2368.67	2974.09	4103.40
		(5.02)	(48.12)	(85.98)	(156.60)
(iv) Pump canals	757.44	671.95	458.10	615.07	512.36
(v) World Bank tube wells	934.19	1682.83	1916.12	2344.77	3026.64
		()80.14	(105.11)	(150.99)	(223.99)
(vi) Railways	79.46	123.15	146.65	181.48	204.19
		(54.98)	(84.56)	(128.39)	(156.97)
Sub Total	**6132.93**	**7698.60**	**9029.04**	**10880.95**	**13603.06**
		(25.54)	**(47.23)**	**(77.43)**	**(121.81)**
Grand Total	**12054.56**	**15473.68**	**18749.21**	**22278.01**	**31575.37**
		(28.36)	**(55.36)**	**(84.81)**	**(161.94)**