REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR 1974-75

GOVERNMENT
OF
UTTAR PRADESH

(COMMERCIAL)

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TABLE OF CONTENTS

PREFATORY REMARKS

Government commercial concerns, the accounts of which are subject to audit by the Comptroller and Auditor General of India, fall under the following categories :—

(i) Statutory Corporations,

(ii) Government Companies, and

(iii) Departmentally managed Commercial and *quasi*-Commercial Undertakings.

2. This Report deals with the results of audit of accounts of Statutory Corporations including the Uttar Pradesh State Electricity Board and Government Companies. The Report of the Comptroller and Auditor General of India (Civil) contains the results of audit relating to departmentally managed commercial and *quasi*-commercial undertakings.

3. The cases mentioned in the Report are those which came to notice during the year 1974-75 as well as those which had come to notice in earlier years but could not be dealt with in the previous Reports; matters relating to the period subsequent to 1974-75 have also been included, wherever considered necessary.

4. In respect of U. P. State Road Transport Corporation (incorporated on 1st June 1972) and the U. P. State Electricity Board (incorporated on 1st April 1959) which are Statutory Corporatoins, the Comptroller and Auditor General is the sole auditor, while in respect of the other two Statutory Corporations, *viz.* U. P. State Financial Corporation and the U. P. State Warehousing Corporation, he has the right to conduct audit in accordance with the provisions of the relevant Acts independent of the audit conducted by the professional auditors appointed under the respective Acts.

5. In the case of Government Companies, audit is conducted by professional auditors appointed on the advice of the Comptroller and Auditor General but the latter is authorised under Section 619 (3) (*b*) of the Companies Act, 1956 to conduct a supplementary or test audit. He is also empowered to comment upon or supplement the report submitted by the professional auditors. The Companies Act, 1956 further empowers the Comptroller and Auditor General to issue directives to the auditors in regard to the performance of their functions.

Such directives were issued in November 1962 to the auditors for looking into certain specific aspects of the working of Government Companies. These instructions were revised in December 1965 and again in February 1969.

6. The points brought out in this Report are those which have come to notice during the course of test audit of accounts of the above undertakings. They are not intended to convey or to be understood as conveying any general reflections on the financial administration by the undertakings concerned.

CHAPTER I

Government Companies

SECTION I

Introduction

1. There were 46 Companies (including 19 subsidiaries) of the State Government as on 31st March 1975, as against 25 Companies (including 8 subsidiaries) as on 31st March 1974. Out of the 46 Companies, 42 (including 17 subsidiaries) close their accounts on 31st March and two Companies (including one subsidiary) on 30th September each year. The remaining two Companies, *viz.* Almora Magnesite Limited and U. P. Panchayati Raj Vitta Nigam Limited close their accounts on 31st October and 31st December respectively.

2. A synoptic statement showing the summarised financial results of 18 Companies whose accounts for the year 1974-75 have been received (March 1976) is given in Appendix I.

3. The accounts of the following 16 Companies are in arrears :—

	Year for which accounts are in arrears
1. U. P. State Bridge Corporation Limited	1973-74 and 1974-75
2. U. P. Small Industries Corporation Limited ..	1974-75
3. U. P. Export Corporation Limited	1974-75
4. Bundelkhand Vikas Nigam Limited	1974-75
5. U. P. Panchayati Raj Vitta Nigam Limited ..	1974-75
6. U. P. State Leather Development and Marketing Corporation Limited	1974-75
7. Teletronix Limited	1974-75
8. Northern Electrical Equipment Industries Limited ..	1974-75
9. U. P. Abscott Private Limited	1974-75
10. U. P. Prestressed Products Limited	1974-75
11. U. P. Plant Protection Appliances Limited ..	1974-75
12. U. P. Potteries Private Limited	1974-75
13. U. P. Buildwares Private Limited	1974-75
14. Faizabad Roofings Limited	1974-75
15. U. P. Roofings Limited	1974-75
16. Krishna Fastners Limited	1973-74 and 1974-75

The accounts of 10 other Companies, which were incorporated during year 1974-75, were not due and two Companies, *viz.* Mohamoodabad People's Tannery Limited and Indian Bobbin Company Limited were in the process of liquidation.

Paid-up capital

4. The aggregate of paid-up capitals of the 18 Companies at the end of 1974-75 was Rs.5369.33 lakhs. The particulars of investments as on 31st March 1975 made by the State and Central Governments, Holding Company and private parties in the paid-up capital of the 18 Companies are as follows :—

(Rupees in lakhs)

Category of Companies	Number	State Govern-ment	Central Govern-ment	Holding Com-panies	Private parties	Total
Companies fully owned by State Government ..	10	4181.28	..	..	..	4181.28
Companies jointly owned by the State Government and the Central Government	1	285.00	285.00	..	..	570.00
Wholly owned subsidiary companies ..	4	..	..	318.67	..	318.67
Companies jointly owned by Holding Company and by private parties ..	2	..	..	161.00	116.59	277.59
Companies jointly owned by the State Government and private parties ..	1	13.43	..	..	8.36	21.79
Total ..	18	4479.71	285.00	479.67	124.95	5369.33

Profits and dividends

5. The working results of 18 Companies during 1974-75 showed aggregate net loss of Rs.791.26 lakhs (comprising profit of Rs.49.22 lakhs made by 8 Companies and loss of Rs.840.48 lakhs suffered by 8 Companies) : two other companies, being still at the construction stage, had not prepared any profit and loss account. Against this, there was net loss of Rs.273.35 lakhs in 1973-74 in 16 Companies. There was considerable increase in the profits made by two Companies, *viz.* Pradeshiya Industrial Investment Corporation of Uttar Pradesh Limited and Turpentine Subsidiary Industries Limited. A third Company, *viz.* Indian Turpentine and Rosin Company Limited made a small profit as against a substantial loss in 1973-74. There was substantial decrease in the profits earned by U. P. State Industrial Development Corporation Limited. Three Companies, *viz.* U .P. State Sugar Corporation

Limited, its subsidiary Kichha Sugar Company Limited and U. P. State Cement Corporation Limited sustained heavy losses during 1974-75. One Company, i.e. U. P. State Agro-Industrial Corporation Limited which had made substantial profits in 1973-74 incurred a heavy loss during 1974-75.

Two Companies declared dividends aggregating Rs.10.40 lakhs during 1974-75 which worked out to 1.3 per cent of the total paid-up capital of Rs.798.91 lakhs of the Companies. The names of the two Companies together with the surplus, dividend declared, etc. are indicated below:—

(Rupees in lakhs)

Name of the Company	Amount of surplus	Amount retained in business	Amount of dividend
U. P. State Industrial Development Corporation Limited	34.16	23.78	10.38
Turpentine Subsidiary Industries Limited ..	2.44	2.42	0.02
Total ..	36.60	26.20	10.40

Eight Companies with paid-up capital of Rs.3768.44 lakhs sustained losses totalling Rs.840.48 lakhs of which 726.65 lakhs pertained to three Companies, *viz.* U. P. State Sugar Corporation Limited (Rs.302.54 lakhs), Kichha Sugar Company Limited (Rs.146.12 lakhs) and U. P. State Cement Corporation Limited (Rs.277.99 lakhs).

SECTION II

Uttar Pradesh State Cement Corporation Limited

Introduction

6. There are two cement factories in the State owned by the Uttar Pradesh State Cement Corporation Limited, a Government Company. A survey conducted by the State Geological Department in 1948 had established the availability of large quantities of limestone (36 million tonnes) in Mirzapur district. The State Government decided in 1949 to establish a cement factory in that district. The first factory at Churk was established in 1954 and the second at Dalla in 1972. Both the units were run as departmentally managed undertakings upto March 1972, after which the Government Company was formed to run the two factories.

On 29th March 1972, the U. P. State Cement Corporation Limited was incorporated as a fully owned Government Company. On 1st April 1972, the cement factories at Churk and Dalla were transferred by Government to the newly formed company.

Objects and functions

7. The main objects of the Company, as set out in its Memorandum of Association, are as follows :—

(*a*) Survey, prospecting and proving of cement grade limestone deposits ;

(*b*) manufacture of cement ; and

(*c*) all ancillary and supporting activities connected with growth of cement industry in the State and development of expertise.

Organisational set-up

8. The business of the Company is managed by a Board of Directors comprising 12 directors including the Chairman and the Managing Director, who is the Chief Executive of the Company.

In July 1972, the Board of Directors delegated certain financial powers to the Managing Director.

Capital structure

9. The Company was registered with an authorised share capital of Rs.20 crores. The requirement of share capital was considered afresh by the Board of Directors of the Company on

10th December 1974. It was decided that owing to projected increase in the activities of the Company, resulting from a decision to set up a new unit at Kajarhat-Chunar, the authorised share capital should be increased to Rs.50 crores, divided into 50 lakh equity shares of Rs.100 each. As on 31st March 1975, the paid-up capital was Rs.12.25 crores wholly contributed by Government.

Government have also granted loans to the Company. The amounts of loans outstanding on 31st March 1975 aggregated Rs.13.41 crores, excluding the interest payable and capitalised. Out of the loan advanced upto 31st March 1975, a sum of Rs.13.27 crores was treated as loan representing a part of the purchase consideration of assets transferred by Government to the Company. Besides, cash loans aggregating Rs.13.79 lakhs were granted by Government during March 1973 to March 1975 under the Subsidised Industrial Housing Scheme against the security of land on which tenements were to be constructed. This loan is repayable in 25 instalments. No instalment has fallen due (March 1976).

The terms and conditions of the initial loan, including the rate of interest payable by the Company, have not been settled (March 1976) ; in the meantime, the Company has been providing interest at 7½ per cent in its accounts. The total amount of interest charged provisionally upto 31st March 1975 amounted to Rs.299.60 lakhs. Owing to non-settlement of the terms and conditions of the loans and non-payment of interest, the Company has treated the accumulated arrears of interest as fresh loans.

The loan obtained by the Company for constructing tenements under the Subsidised Industrial Housing Scheme carries interest at 12 per cent. On the amount of loan outstanding upto 31st March 1975 (Rs.13.79 lakhs), the interest accrued amounted to Rs.1.11 lakhs.

The Company has also availed of cash credit facilities upto a limit of Rs.1.60 crores (Rs.80 lakhs each in respect of Churk and Dalla factories), against hypothecation of finished and semi-finished goods, raw materials, stores, etc., from the State Bank of India. The total amount of cash credit outstanding as on 31st March 1975 was Rs.111.97 lakhs (Rs.77.92 lakhs in respect of Dalla factory and Rs.34.05 lakhs in respect of Churk factory). Interest paid at 14½ per cent during 1974-75 on this account was Rs. 4.51 lakhs.

Transfer of assets by Government

10. On 31st March 1972, the investment by Government in the two cement factories was assessed at Rs.2479.76 lakhs (Rs.1162.85 lakhs

for Churk and Rs.1316.91 lakhs for Dalla). This valuation was accepted by the Company and shares for Rs.1100.00 lakhs were issued in favour of the State Government. The balance amount of Rs.1379.76 lakhs was treated as loan from Government. This amount was reduced to Rs.13.54 crores on 31st March 1973 and to Rs.13.27 crores on 31st March 1974 by making certain adjustments.

Installation of Dalla Plant

11. A project report for the Dalla Plant was approved by the State Government (January 1964) at an estimated cost of Rs.890 lakhs, including the cost of a quarry crushing plant and other spare parts but exclusive of interest charges. Orders for supply of plant and machinery were placed (on the basis of global tenders) in anticipation of approval of the project by Government, in December 1963 on a French firm. Subsequently, the work of erection and commissioning of the plant was also entrusted to the same firm. On the basis of the tenders already finalised and including the cost of financing the project assessed at Rs.20.44 lakhs but excluding the cost of spares (Rs.40 lakhs), the capital cost of the project was revised upwards in April 1967 to Rs.11.40 crores which was again enhanced to Rs.11.65 crores in June 1971. On 1st April 1972 (the date on which the unit was taken over by the Company from Government), the capital cost was finally fixed at Rs.1316.91 lakhs. The increase in capital cost over the original estimate was attributed by the Management to increase in (i) the cost of quarry, crusher and ropeway machines (Rs.23 lakhs), (ii) freight and insurance (Rs.28.61 lakhs), (iii) civil works (Rs.105.27 lakhs), (iv) cement plant (Rs.22.10 lakhs) and (v) other expenses (Rs.247.93 lakhs), which included establishment expenses, consultancy expenses and cost of indigenous equipment.

The following table shows the scheduled, the extended and the actual time of commissioning of the two kilns of the plant :—

	Scheduled time	Extended time	Actual time of commissioning
Kiln I ..	March—June 1968	March—June 1969	December 1970
Kiln II ..	May—August 1968	May—August 1969	April 1971

In this connection the following may be mentioned :—

(*a*) *Civil Engineering Works*

A contract for civil works was awarded to National Projects Construction Company Limited (a Central Government undertaking) on 1st February 1967. In accordance with the schedule of works appended with the agreement, the work was to be completed by 15th June 1968. As the work could not be completed in time, extension of one year was granted to the contractors. The work was actually completed on 1st November 1969 (4 months after the extended date). Delay in completion of the work resulted in increase in expenditure on civil works from Rs.135.59 lakhs provided in the estimates to Rs.152 lakhs (increase of Rs.16.41 lakhs). While the Company did not claim any liquidated damages from the contractors, compensation of Rs.37 lakhs for delayed supply of drawings and interruptions in power and water supply was claimed by them against the Company. A committee was appointed by Government in March 1970 for (i) determining the causes leading to delay in execution of the project, and (ii) fixing responsibility for the delay. The committee recommended on 16th April 1971 that the delay in construction of civil works might be condoned, especially when the contractors were prepared to withdraw their claim for compensation. The delay was accordingly condoned ; the contractor's claim was also withdrawn.

(b) Crane gantry structure

(i) A crane gantry structure at Dalla was erected by the National Projects Construction Company Limited (the structure was designed by the French firm and construction work was supervised by the engineering staff of the factory). The work was completed in September 1969 at an approximate cost of Rs.57.62 lakhs. On completion, it was noticed that the widths of the base plate and vertical face of the reinforced cement concrete (R. C. C.) column were not identical. The latter was shorter by 100 mm. with the result that the base plate of the runway girder could not be grouted. It was considered necessary to chop the columns, which was done in October 1969 and the fixing of trusses and roofing was completed in March 1970. However, EOT cranes continued to work with the existing deficiency and in January 1972, the deflection increased to 110 mm. The girders and cranes were adjusted again to avoid total break-down of operations. By June 1972, the deflection widened to 210 mm. A consultant appointed to advise remedial action, suggested (i) reinforcement and strengthening of the R. C. C. columns and (ii) modifications in the gantry girders. The estimated amount required for this work (Rs.15 lakhs) was sanctioned by the Board of Directors on 9th April 1974 The work is in progress (March 1976). The amount spent on this account upto March 1976 was Rs.1.61 lakhs.

Owing to inherent defects in the R. C. C. columns of the gantry structure, EOT cranes could not be operated to their full capacity and there were frequent break-downs ; the hours lost were 1307, 1236 and 1706 in 1972-73, 1973-74 and 1974-75 respectively, after allowing for the hours required for normal maintenance and repairs. Besides, two EOT cranes of 80 tonnes capacity purchased in 1972 could not be operated due to inadequate strength of the columns and the deflection between its base plate and vertical face.

(ii) During discussions with the civil works contractor by the committee appointed (March 1970) by Government to investigate the defects in and delayed commissioning of the plant, this particular defect was not brought to the contractor's notice on the ground that the rectification work had already been completed. Therefore, responsibility for the defective work could not be fixed on the contractor.

(iii) In April 1975, the Board of Directors decided to obtain the services of the Central Building Research Institute, Roorkee for suggesting modification in the R. C. C. structure.

(c) Erection of plant and machinery

A contract for supply, erection and commissioning of the main plant was executed on 30th April 1965 with the French firm for 13,239,800 F.F. According to the schedule appended to the agreement for execution of the work, the broad items of work to be completed were as indicated below :

Description		*Due Date*
Civil engineerng drawings	..	31st August 1965
Structural drawings ..	..	31st March 1966
Other drawings ..	..	Between 30th September 1965 and 29th February 1968
Commissioning of		
Kiln—I ..	..	March to June 1968
Kiln—II ..	..	May to August 1968

Supply of all the drawings was delayed ; the last drawing was despatched in April 1969, i.e. after a delay of 27 months. Extension of 9 months' time for supply of the drawings (March 1967) and one year for commissioning of the plant was granted (August 1969) on the grounds of (i) delay in finalisation of drawings, (ii) delay in manufacture of equipment, (iii) shipping delay, etc.

(d) Supply of crusher

Orders for supply, erection and commissioning of the crushing plant was awarded on 11th January 1967 to an Orissa firm for Rs.42.38 lakhs. In accordance with the terms of the contract, the supply was to be completed and the crushing plant was to be commissioned by 11th September 1968. However, the supply was actually completed on 10th February 1970. During trial run in June 1970, the plant was found to crush 150 tonnes per hour against the rated capacity of 400 tonnes per hour. During another trial run in September 1970, the conveyor belt of the plant was damaged and the trial run had to be abandoned. Under a supplementary agreement executed in November 1970, the firm was required to remove the defects by May 1971. Final trial run was conducted in January 1972, when the plant was able to crush 423 tonnes per hour. Subsequently, however, it was found that the plant could not crush to its full capacity and the firm guaranteed the plant output at 200 tonnes per hour against 400 tonnes per hour originally guaranteed. The crusher was put on commercial load on 1st April 1972. The gear box of the equipment is being replaced once in 13 days compared to its expected life of 4 months. As liquidated damages, Rs.1.23 lakhs, reckoning the contract value as Rs.41.24 lakhs, was levied on the supplier firm.

(*e*) *Defects in the main plant*

The main plant was commissioned in April 1971 and during the trial run, defects were pointed out to the French suppliers. The suppliers removed, from time to time, these defects but the plant could not take full load. The State Government intimated the French bankers of the suppliers (9th April 1971) its decision to forfeit a bank guarantee of Rs.15 lakhs furnished by the suppliers. The forfeiture was effected by Government in September 1972. In view of the constant trouble in the plant, in September 1971, Government issued a notice to the French suppliers demanding a compensation of Rs.50 lakhs for rectification works needed to run the plant properly. For settlement of the claim, a negotiation committee was formed under the chairmanship of the Special Secretary to Government, Industries Department. Negotiations were conducted from November 1971 and finalised in April 1972. Government's claim for Rs.46.81 lakhs was accepted by the suppliers to the extent of Rs.31.34 lakhs as indicated below :—

(In lakhs of Rupees)

Item	Amount claimed by Government	Accepted by supplier
For rectification cost of the main plant	18.73	9.03
For repair works to the plant	3.49	..
Recovery of extra amount paid on machinery whch was required to be supplied from France but supplied actually from Indian manufacturers	5.00	..
Claim on account of equipment required to remove the defects.	4.59	12.31
Liquidated damages due to delayed commissioning	15.00	10.00
Total ..	46.81	31.34

Against the accepted claim for Rs.31.34 lakhs, orders for supply of spares and other necessary equipment for running the plant were placed for Rs.16.34 lakhs and the balance (Rs.15.00 lakhs) was adjusted against the forfeiture of bank guarantee. Spares were received by the end of July 1975. The matter was accordingly closed.

The actual performance of the plant since its commissioning on 1st April 1972 is indicated below with reference to the guaranteed output of different mills :—

(In tonnes)

Description	Guaranteed output	Actual output in		
		1972-73	1973-74	1974-75
Raw mills (per hour) ..	100	38	46	40
Kilns (per day) ..	1200	554	600	654
Cement mills (per hour) ..	74	32	34	36

Performance analysis

(*a*) *Process of manufacture*

12. The process of manufacture of Portland cement consists in incorporation of raw materials, one of which is composed mainly of calcarious materials, such as limestone and argillaceous materials, such as clay or shale to form a homogeneous mixture, burning of the mix in a kiln to form clinker and grinding of clinker with the addition of a small proportion of gypsum (for hardening) to a fine powder. Two processes, known as dry and wet processes, according as to whether the raw materials are ground and mixed in a dry or wet condition, are used.

Amongst all the factors to be considered in selecting either of the two processes, the decisive factors are the fuel and power consumption, which taken together account for as much as 40 per cent of the prime cost in the wet process. Owing to lower consumption of coal and power the dry process is generally preferred. The two factories of the Company are, however, wet process units. The new project of the Company (Kajarhat-Chunar) is, however, being planned for dry process cement.

(*b*) *Quarry operations*

The Company has acquired the limestone quarries of Ghurma and Kajarhat from Government on 100 years lease to meet the limestone requirements of both the plants ; detailed terms of the lease have not been settled (March 1976).

Raising of limestone is done by (i) labour obtained from Gorakhpur labour depot from time to time, (ii) long term convicts obtained from jails kept in camps at site (known as jail labour), (iii) contractors, and (iv) mechanical means by the Company. All these agencies combined together raise the limestone required for the Churk factory while departmental raising through mechanical process has been resorted to for the Dalla factory.

(c) Operational efficiency

A. Churk

(i) *Quarrying operations*

The table below indicates the labour engaged in raising of limestone and the actual raising per worker per day during the three years up to 1974-75 :—

Description	1972-73	1973-74	1974-75
Quantity raised during the year (including wassages) in lakh tonnes by :			
(*a*) Jail labour	2.63	2.87	3.36
(*b*) Gorakhpur labour ..	1.74	2.16	1.83
Total mandays of :			
(*a*) Jail labour	1,31,720	1,12,996	1,34,317
(*b*) Gorakhpur labour ..	90,632	1,42,119	1,27,082
Quantity raised per day per labour (in tonnes)			
(*a*) Jail labour	1.999	2.543	2.504
(*b*) Gorakhpur labour	1.921	1.519	1.438

The expenditure on raising per tonne has been increasing in respect of all the processes, except through jail labour, during the three years upto 1974-75 as tabulated below :—

Description	1972-73	1973-74	1974-75
Quantity raised during the year (in lakh tonnes) by :			
(*a*) Jail labour	2.63	2.87	3.36
(*b*) Gorakhpur labour	1.74	2.16	1.83
(*c*) Mechanical process	1.01	0.23	0.14
(*d*) Contractor	3.32	3.76	3.91
Total direct expenditure per tonne, including depreciation on machinery (in Rupees)			
(*a*) Jail labour	3.27	3.01	2.97
(*b*) Gorakhpur labour	5.64	8.16	11.08
(*c*) Mechanical process	15.47	59.81	155.24
(*d*) Contractor	3.79	5.44	5.44

The above would indicate the following :—

(*a*) The efficiency of Gorakhpur labour has been declining every year and the expenditure per tonne of limestone raised by Gorakhpur labour increased by about 100 per cent in 1974-75 as compared to that in 1972-73.

(*b*) Raising by mechanical process has been declining. It came down to a negligible quantity (13,500 tonnes) in 1974-75, compared to the total production of 9.24 lakhs tonnes in that year. The expenditure per tonne raised under the mechanical process rose abnormally in 1973-74 and 1974-75. This expenditure is exclusive of the cost of facilities enjoyed by the Company's employees, like free electricity, water, education, etc. which are not provided to the jail/Gorakhpur labour or to the contractor. Out of the total expenditure of Rs.52.21 lakhs incurred in 1974-75 on raising of limestone by jail/Gorakhpur labour and the departmental mechanical process, Rs.22.09 lakhs were spent on salary and wages of departmental labour engaged excluding cost of explosives, spares, power and fuel, etc. Against this the raising by the mechanical process was 13,500 tonnes only.

The Management has not initiated any study to identify the reasons for (i) fall in the efficiency of Gorakhpur labour, (ii) increase in the cost of raising of limestone by Gorakhpur labour, and (iii) abnormal decrease in raising by the departmental mechanical process.

Steps for effective utilisation of departmental labour elsewhere have also not been taken (March 1976).

(ii) *Raising of limestone by contractors*

The work of raising of limestone from Ghurma quarry (3 lakh tonnes) was awarded in December 1971 by the Churk factory to five contractors at Rs.3.38 per tonne of limestone (including waste), for one year from January 1972. Owing to release of 600 prisoners on the occasion of silver jubilee of Independence, raising of limestone through jail labour declined in September 1972. Hence, the Company requested three contractors to raise more limestone (45,000 tonnes) during the next six months. This was agreed to by the contractors.

In the meantime, fresh tenders for raising of limestone for the year 1973 were invited (November 1972) and opened on 4th December 1972. The work, in terms of new tenders, was awarded (January 1973) to four contractors (including the three who had agreed to raise additional quantity by March 1973 at old rates) at higher rates ranging between Rs.5.20 and Rs.5.25 per tonne in case tub-line facility for transportation was provided by the Company or between Rs.5.60 and Rs.5.75 per tonne in case the facility was not provided to them. Upto December 1972, the three contractors had raised 1.76 lakh tonnes of limestone against the total agreed quantity of 2.40 lakh tonnes under the old contract (including the additional quantity agreed to be raised by them). However, the Company did not insist upon raising of the remaining 0.64 lakh tonnes against the old contract and allowed them to raise limestone at the higher rates with effect from January 1973. Due to non-enforcement of the terms of the earlier agreement in respect of the remaining 0.64 lakh tonnes, the Company incurred extra expenditure of Rs.1.14 lakhs (on 9853 tonnes) at Rs.1.36 per tonne and on 53858 tonnes at Rs.1.86 per tonne. The Management stated (January 1976) that penalty of Rs.0.20 lakh had been recovered from two contractors.

(iii) *Removal of overburden*

Mention was made in paragraph 89 of the Report of the Comptroller and Auditor General of India for the year 1971-72 about removal of overburden from the Ghaghar quarry. Out of the limestone assessed to be available in that area (13.95 lakh tonnes), 7.28 lakh tonnes were raised upto June 1974 and the remaining quantity (6.67 lakh tonnes) was due to be raised during the next four years, i.e. upto June 1978. In September 1973, the Quarry Manager suggested to the Managing Director that removal of overburden in the western sector of Ghaghar quarry may be made through mechanical process on the ground that easy faces were nearing extinction and the manual process was expected to take more time due to high lead and lift involved and the overburden being 5 metres deep. This proposal was examined by the State Director of Geology and Mining (one of the Directors of the Company) in February 1974, and he suggested for consideration by the Board of Directors (i) deepening of operations in the existing quarries as this would be cheaper (recovery of limestone would be in 1 : 2 ratio against 1 : 3 ratio in new quarry) and (ii) working out the economics of manual and mechanical processes for removal of overburden. In spite of this, the Quarry Manager again pressed (March 1974) the Managing Director for removal of overburden through mechanical process only. In the meantime, the Company had invited tenders (December 1973) for the work through mechanical process and the rates received ranged upto Rs.14.91 per cubic metre. The rate was brought down to Rs.12.50 per cubic metre through negotiation with the tenderers. The work was awarded to two firms (one of Jabalpur and another of Robertsganj) in June 1974 for removal of overburden of 1.25 lakh cubic metres each. The work was completed in December 1974 and Rs.24.95 lakhs were paid upto September 1975, leaving a balance of Rs.8.30 lakhs to be paid. Earlier in March 1974, the Chief Engineer, who was a member of the negotiating committee appointed to reduce the rates of the tenderers, had intimated the Managing Director that the schedule of rates of the State Public Works Department for this work in that area was Rs. 8.80 per cubic metre for removal of overburden and its disposal, and that the Department was actually getting the work done at this rate. The Chief Engineer accordingly considered the tendered rates to be on the high side. However, the contract was awarded at the higher negotiated rates mentioned above. Compared to the schedule of rates of the Public Works Department, the extra expenditure worked out to Rs. 10.25 lakhs.

(iv) *Screening losses*

Screening loss in crushing of limestone has been increasing from year to year. In paragraph 75 (*b*) (iii) of the Audit Report 1969. mention was made of the increasing screening losses. In reply to the paragraph the Management had stated that deep quarrying was being introduced to obtain good quality limestone. Since then deep quarrying was introduced and bulk of the limestone is now being raised through this process, yet the screening losses have not come down to the average obtaining prior to 1970-71.

The table below indicates the limestone crushed, screening losses and its percentage during the five years upto 1974-75 :—

(In lakh tonnes)

Year		Limestone crushed	Limestone lost in screening	Percentage of loss
1970-71	..	5.93	0.43	7
1971-72	..	5.82	0.37	6
1972-73	..	6.65	0.39	6
1973-74	..	5.77	0.56	10
1974-75	..	4.89	0.46	9

Compared to the other cement manufacturing units in the country, where the screening loss ranged between 5 and 8 per cent, the screening loss of the factory during 1973-74 and 1974-75 was on the high side; it was also on the high side against the all India average of 7 per cent (as per statistics compiled by the Cement Manufacturers Association of India).

The extra expenditure due to excessive screening loss, taking 1970-71 as base year, amounted to Rs.3.53 lakhs in 1973-74 and Rs.3.50 lakhs in 1974-75.

The company has not fixed any norms of screening loss of limt stone (March 1976).

B. *Dalla*

(i) *Quarrying operations*

Quarrying in Dalla is done departmentally by mechanical process. During the three years upto 1974-75, the raising of limestone per day per worker has been declining as indicated in the table below :

Description	1972-73	1973-74	1974-75
Average number of workers engaged on raising limestone	223	223	223
Limestone raised (in lakh tonnes) ..	3.19	2.53	1.14
Number of worker days available in the year (300 × 223)	66,900	66,900	66,900
Raising per head per day (in tonnes) ..	4.87	3.8	1.7

The company has not carried out any analysis for ascertaining the reasons for decline in the efficiency or taken any steps to improve it.

(ii) *Screening loss*

The table below shows the screening losses of limestone during the three years upto 1974-75 :—

(In lakh tonnes)

Year	Limestone transported	Limestone crushed	Limestone lost	Percentage lost
1972-73	3.62	3.57	0.05	1.4
1973-74	4.17	4.11	0.06	1.4
1974-75	3.46	3.14	0.31	9.1

The Management stated that in the initial two years the losses were less because in the upper layers clay deposits were much less and that the screening loss in 1974-75 conformed more to the normal pattern.

Capacity utilisation

13. The capacity of cement production in the country was assessed by the Government of India on 30th September 1973 at 19.76 million tonnes. Against this, the demand and the actual production of cement in the country and in the State is detailed below :—

(In lakh tonnes)

Year	Demand in		Production in		Capacity utilisation in	
	the country	U.P.	the country	U.P.	the country	U.P.
					(per cent)	
1972	167.43	18.05	157.13	6.64	80	73
1973	188.74	18.67	145.23	6.65	74	73
1974	212.68	21.41	142.74	4.80	73	53

The capacity utilisation of some other cement factories in the private as well as public sector during these three years is indicated in the following table :—

Name of the factory	Year of establishment	Capacity utilisation (per cent) 1972	1973	1974
(*a*) Private sector :				
Chaibasa	1947	60	67	78
Bhupendra ..	1939	97	110	78
Shahabad ..	1925	85	84	78
Chanda ..	1970	71	66	78
(*b*) Public sector :				
Cherapunji ..	1966	57	75	84
Mandhar ..	1970	82	84	72

NB:—Based on the publication "Cement Despatches" produced yearly by tne Government of India.

Against the actual production by the Company as indicated above the targets of production fixed by the Government of India for this Company are 8.39 lakh tonnes in 1975 and 1976 at 93 per cent capacity utilisation.

The Churk factory has two cement plants (Vickers—installed in 1954 and Skoda commissioned in 1963). Each plant consists of two units of raw mills, kilns, cement mills and packing plant. There is only one crusher at its quarry. The rated capacity of the factory is 4.80 lakh tonnes of cement per annum. The table below incorporates the figures of actual production of cement and the percentage of actual production to the rated capacity during the five years upto 1974-75 :—

Year	Capacity	Actual production	Percentage of actual production to capacity
	(In lakh tonnes)		
1970-71	4.80	3.44	72
1971-72	4.80	3.63	76
1972-73	4.80	4.39	91
1973-74	4.80	3.15	66
1974-75	4.80	3.02	63

The higher capacity utilisation (91 per cent) during 1972-73 resulted partly from utilisation of 27,000 tonnes of clinker received from Dalla. Allowing for this, the capacity utilisation comes down to 85 per cent.

According to the Management major production constraints were supply of limestone and clinker production capacity, apart from stoppages on account of power cut, coal shortage, strikes, etc. ; it was also stated *inter alia* that during the plants' working for over 20 years, due attention had not been paid to routine maintenance and major repairs and replacements.

The performance of individual sections of the plant compared to the guaranteed output is indicated below for the three years upto 1974-75 :—

(In tonnes)

Sections of the plant	Guaranteed output	Actual average output 1972-73	1973-74	1974-75
Crusher (per hour) ..	200	168	161	164
Raw mills (per hour) ..	124	100	108	107
Kilns (per day) ..	1388	1342	1399	1338
Cement mills (per hour) ..	91	82	81	76

An analysis of performance of the various sections with reference to the total available time, actual operating time and the time lost due to different factors for the three years is indicated in

Appendix II. From the data given the following points emerge :—

(i) Shortfalls in the working hours were mainly due to mechanical/electrical defects, labour trouble and power cuts.

(ii) The rated capacity of the factory, except crusher, is based on 330 working days in a year, leaving 35 days for repairs and maintenance, including break-downs. The uncontrollable stoppages (power cuts, labour trouble, wagon shortage) were classified by the Management as "unavoidable", the other stoppages (i. e. controllable stoppages) were required to be adjusted within 35 days allowed for normal maintenance. However, the period actually taken for maintenance was in excess of the limit of 35 days (52 days for crusher) as indicated below :—

(All figures in days)

Sections of the plant	Stoppages allowed for normal repair and maintenance	Average stoppages on account of normal repair and maintenance, breakdown and reasons other than power cuts, labour trouble, wagon shortage, etc.		
		1972-73	1973-74	1974-75
Crusher	52	156	173	150
Raw mills	35	107	154	178
Kilns	35	76	130	126
Cement mills	35	100	142	133

Based on 330 days in a year for operation, the guaranteed output of the various sections of the plant and that actually required to produce 4.80 lakh tonnes of cement would work out as follows :—

Section of the plant	Capacity for 330 days in respect of other sections and 313 days for crusher on the basis of guarantee given	Quantity required to produce 4.80 lakhs tonnes of cement
	(In lakh tonnes)	
Crusher (for limestone on the basis of 2 shift operation)	10.01	7.68
Raw mills (for slurry on the basis of 3 shift operation)	9.82	7.68
Kiln (for clinker on the basis of 3 shift operation)	4.58	4.57
Cement mills (for cement on the basis of 3 shift operation)	7.21	4.80

It is seen from the above that except for kilns, the other sections have sufficient in-built capacity to achieve a rate of production of cement higher than 4.80 lakh tonnes per year, the highest in-built capacity being that of the crusher. In spite of this, during the three years up to 1974-75, stoppages of raw mills for want of limestone from crusher were 5339 hours, while the kilns could not function for want of slurry from raw mills for 5305 hours as detailed below :—

Year			(In hours) Stoppage of	
			Raw mills for want of limestone	Kilns for want of slurry
1972-73	..	..	1247	553
1973-74	..	..	3366	3170
1974-75	..	..	726	1582
	Total	..	5339	5305

The table below indicates the production in the various sections of the plant during the three years upto 1974-75 :—

				Production (in lakh tonnes)		
				1972-73	1973-74	1974-75
Crushed limestone		..	..	6.22	5.32	4.89
Slurry	..	..	..	5.82	4.58	4.67
Clinker	..	..	..	3.74	2.91	3.01
Cement	..	..	..	4.39	3.15	3.02

It would appear from the above that the production in each section of the factory has been going down.

The low production during these years has been attributed by the Management to (i) old age of the plant, (ii) non- availability of spares of correct specifications, (iii) longer time taken in mechanical and electrical repairs, and (iv) labour trouble, wagon shortage, shortage of power, etc.

The table below indicates the actual production of clinker an cement and the percentage of production to capacity during th three years upto 1974-75 in the Dalla Plant :

(In lakh tonnes)

Year	Rated capacity		Actual production		Percentage of production to capacity	
	Clinker	Cement	Clinker	Cement	Clinker	Cemen
1972-73	3.96	4.32	2.42	2.73	61	63
1973-74	3.96	4.32	2.67	2.45	67	57
1974-75	3.96	4.32	2.01	2.29	51	53

The capacity utilisation has been declining. In this connexio the Management stated in March 1976, that the plant had suffered fro teething troubles, the more important areas being failure of the cr sher to give the rated output, weakness in the material handling syste and poor output in the raw mills.

The table below indicates the output as per the plant specificatio and the actual production thereagainst during the three years up 1974-75 :—

(In lakh tonnes)

	Designed output	Actual output		
		1972-73	1973-74	1974-7
Crusher (per hour)	400	360	318	326
Raw grinding mill (per hour) ..	100	38	46	40
Kiln (per day)	1200	554	600	654
Cement mills (per hour) ..	74	32	34	36

An analysis of the performance of the various sections of th plant with reference to the available time, actual operating time an the time lost due to various factors is indicated in Appendix II. Th data given indicates the following position :—

(i) Apart from the weekly off days available for norm repairs and maintenance of the crusher, the percentage o stoppages (other than those due to labour trouble and powe cut) to actual operating hours ranged between 57 and 6 This resulted in low production of crushed limestone and nece sitated operation of overtime hours by the crusher to the exte of 1782 hours during the years 1972-73 to 1974-75.

(ii) The stoppages in the various sections of the plant were attributed to mechanical and electrical defects, power cut and other miscellaneous constraints.

(iii) As per the plant specifications (raw mills, kilns, cement mills and packing plants), the main plant is capable of running for 330 days in a year leaving 35 days for normal repairs and maintenance. Stoppages due to power cut, shut down and labour trouble being unavoidable, the other stoppages were to be kept within 35 days, i. e. the normal maintenance period allowed. The total number of days lost with reference to maintenance schedule is indicated below :—

	Stoppages allowed for normal repairs and maintenance (in days)	Average stoppages on account of normal maintenance and repairs, break-down and other than unavoidable causes (in days)		
		1972-73	1973-74	1974-75
Raw mills	35	120	143	114
Kilns	35	144	140	74
Cement mills	35	150	142	154

Based on 330 days in a year for operation, the capacity of the various sections of the plant and that actually required for producing 4.32 lakh tonnes of cement (rated capacity) per year is indicated below:—

(In lakh tonnes)

Section	Capacity for 330 days on the basis of plant specification	Quantity required to produce 4·32 lakh tonnes of cement per year
Crusher (on the basis of one shift operation with 52 weekly days off)	10·02	6·91
Raw mills (on three shift basis)	7·92	6·91
Kilns (on three shift basis) ..	3·96	3·96
Cement mills (on three shift operation)	5·86	4·32
Packing Plant (with two shift operation)	6·34	4·32

Except for kilns, other sections of the plant have sufficient in-built capacity of production of cement higher than the rated capacity of 4.32 lakh tonnes per year. The cushion in case of crusher was as high as 45 per cent. In spite of this, the raw mill could not be operated for 254 hours in 1973-74 and 185 in 1974-75, owing to non-availability of crushed limestone from the crusher and the kilns could not be operated for 976, 771 and 1586 hours in 1972-73, 1973-74 and 1974-75 respectively, owing to non-availability of slurry from the raw mills.

Reasons for the excessive stoppages during these years in each section of the plant are awaited (March 1976).

Profitability analysis

14. The table below summarises the financial position of the Company under the broad headings for the three years upto 1974-75 :—

(Rupees in lakhs)

Particulars	1972-73	1973-74	1974-75
Liabilities			
(*a*) Paid-up capital	1200.00	1225.00	1225.00
(*b*) Reserve and Surplus including development rebate reserve	257.93	265.46	270.71
(*c*) Borrowing from			
(i) The State Government	1361.10	1338.15	1341.14
(ii) Other agencies ..	..	16.84	111.97
(*d*) Current liabilities including provisions ..	510.07	689.42	859.78
Total ..	3329.10	3534·87	3808.60
Assets			
(*e*) Gross block	1269.88	1343.34	1423.69
(*f*) *Less* Depreciation	222.13	414.36	574·97
(*g*) Net fixed assets	1047.75	928.98	848.72
(*h*) Capital work—in-progress	14.72	52.82	159.21
(*i*) Investments	773.00	783.40	635.50
(*j*) Current assets including loans and advances	1144.09	1195.35	1282.42
(*k*) Intangible assets	1.38	4.90	30.09
(*l*) Accumulated loss	348.16	569.42	852.66
Total ..	3329.10	3534.87	3808.60
Capital employed	1752.08	1511.92	1356.94
Net worth	1108.39	916.14	612·95

NOTES:—(1) Capital employed represents net fixed assets *plus* working capital.
(2) Net worth represents paid-up capital *plus* reserves *less* intangible assets.

Working results

The table below indicates the working results of the two factories as well as the Company as a whole for the years 1972-73 to 1974-75 :—

(Rupees in lakhs)

Year	Profit (+)/Loss (—)			
	Churk	Dalla	Head Office	Company as a whole
1972-73	(+)62·73	(—)414·73	(+)3.84	(—)348·16
1973-74	(—)61·80	(—)161·35	(+)1.89	(—)221·26
1974-75	(—)30·44	(—)252·80	—	(—)283·24

In the Churk factory the loss in 1973-74 stood reduced by Rs.3.06 lakhs on account of savings accruing from use of old gunny bags in excess of the permissible limits. Similarly, during 1972-73, the profits stood increased by Rs.3.87 lakhs on account of use of old gunny bags in excess of the permissible proportion, while during 1974-75 the factory incurred excess expenditure of Rs.1.10 lakhs on use of new gunny bags in more than the permissible proportion.

Similarly, in Dalla unit the losses during the years 1972-73 and 1973-74, stood reduced by Rs.3.73 lakhs and Rs.4.20 lakhs respectively on account of excess use of old gunny bags while during the year 1974-75 the Company spent Rs.2.80 lakhs more on use of new gunny bags in excess of the permissible limits.

The Dalla plant has been incurring losses since it went into commercial production from April 1972. The table below indicates in brief, the working results of the Dalla unit for the three years upto 1974-75 :—

(Rupees in lakh)

	1972-73	1973-74	1974-75
Income	453·87	414·11	410·61
Expenditure	868·60	575·46	663.41
Loss during the year	414·73	161·35	252·80
A ccumulated loss	—	576·08	828·88

Accounts, audit and cost control

Accounting procedure

15. The Company has not compiled any Accounting Manual, nor has it framed rules regulating the financial procedures, and financial delegations to be observed by the various departments.

There is no system of obtaining advice of the Finance Branch, prior to execution of contracts, purchase orders, etc. (March 1976). Accounts organisation at each of the plants was headed by a Senior Accounts Officer upto May 1975 and thereafter by a Finance Manager at the headquarters level. No guidelines have been issued defining the main functions, responsibilities and powers of the Finance Manager, particularly in regard to matters which should be reserved (i) for concurrence of the Finance Manager and (ii) for consultation with the Finance Manager, and other matters on which the Finance Manager need not be consulted. The Management stated (September 1975) that the matter was under consideration.

The system of co-relation of actual expenditure with reference to budget allotments and analysis of variations, has not been introduced (March 1976).

The Company has not introduced preparation of a separate "Purchase budget" even though it has been spending about Rs.250 lakhs annually on purchase of raw materials and stores, and the necessity of preparing purchase budgets had been stressed (December 1973) by a study team of the Administrative Staff College, Hyderabad.

Cash management

For meeting its day to day expenses at Churk and Dalla, the Company entered into a cash credit arrangement in August 1974 with the State Bank of India upto a limit of R.160 lakhs (80 lakhs for Dalla and Rs.80 lakhs for Churk) against hypothecation of finished and semi-finished goods, raw material, etc. Both the units regularly operated on this arrangement owing to paucity of working capital. The amount outstanding against the cash credit as on 31st March 1975 was Rs.112 lakhs. During the year 1974-75 alone, interest charges amounting to Rs.4.5 lakhs were paid by the Company on this account.

The Company also borrowed Rs.20 lakhs from the U. P. State Mineral Development Corporation Limited on 7th May 1975. The loan carried interest of 10 per cent per annum, payable monthly. Owing to difficult liquidity position the Company could not pay the monthly interest due on 31st March, 30th June and 31st July 1975. The loan alongwith the interest accrued thereon at compound rates of 10 per cent was paid back by the Company on 18th August 1975.

The Company did not constitute a depreciation reserve fund to meet the capital expenditure on repairs to the plant and machinery and/or to meet the replacement cost of the plant. This was being done when the Churk factory was managed by Government but the procedure was discontinued with the transfer of the factories to the Company. Upto the end of March 1975, Rs.574.97 lakhs have been provided as depreciation on the assets of the Company.

Upto 1974-75, Rs.204.63 lakhs have been provided as development rebate reserve (Rs.191.86 lakhs, Rs.7.53 lakhs and Rs.5.24 lakhs in 1972-73, 1973-74 and 1974-75 respectively) in the accounts. This amount was also utilised as working capital to meet the day to day requirements.

Rupees 0.40 lakh taken as security from stockists have also not been kept separately.

During the period from 1972-73 to 1974-75, Rs.16.54 lakhs have been provided to meet old age benefits of employees. This amount has also not been separately funded and the Company has utilised this amount to meet its working expenses.

Non-reconciliation of books of accounts

The Company has not arranged for monthly or even quarterly reconciliation of the inter-branch transactions. Bank reconciliations are also not done regularly. A remittance of Rs.10 lakhs sent from Dalla to Churk through a demand draft in October 1974 was not deposited in the bank upto August 1975. This resulted in loss of interest of Rs.0.96 lakh.

Cost control

The Company follows a system of process costing under which cost is determined separately at each process, *viz.* slurry, clinker, unpacked cement and packing. The following deficiencies were noticed in the system :—

(*a*) Costing records were not maintained properly, with the result that the cost of production could not be worked out periodically or within a reasonable time after the close of each year ; for example, the cost of production for the year 1974-75 has not been finalised in respect of both the plants (September 1975).

(*b*) Reconciliation of cost records with financial books/ records was not done at either of the plants.

(*c*) The system of standard costing to exercise better budgetary and managerial control has not been introduced and break-even point has not been worked out (March 1976).

(*d*) Coal, gypsum and other materials are not being weighed physically in the factory for want of a weigh-bridge. The difference between the weight as per despatch documents and physical balance computed on the basis of volumetric measurement at the end of the year, is taken as the consumption for that year. As a result, pilferages and losses in transit remained undetected and were treated as consumption. For example, transhipment documents in regard to gypsum for the years 1973-74 and 1974-75 were not received ; the quantities received had not, therefore, been entered in the stores ledger though consumed. The actual consumption of gypsum during these years was, therefore, not susceptible of verification.

The table below indicates the main components of cost per tonne (ex works), the standard cost as fixed (March 1973) by the Tariff Commission and the actual cost of production in each plant during the two years after implementation of the Tariff Commission's recommendations :—

Components of the cost	As fixed by the Tariff Commission (per tonne of production)		Actual per tonne of production							
			Quantity				Value (In Rupees)			
			Dalla		Churk		Dalla		Churk	
	Quantity	Value (in Rupees)	1973-74	1974-75	1973-74	1974-75	1973-74	1974-75	1973-74	1974-75
Lime stone (in tonne)	1.55	..	1.80	1.57	1.60	1.50	..	..	..	..
Gypsum (per cent of production)	3 to 5	3.75	5	7	8	7	4.00	4.75	6.95	7.32
Power (Kwh)	120	12.00	170	154	120	123	19.10	24.49	13.61	18.91
Wages, salaries, bonus, gratuity, and other over heads	..	36.95	..	..	..	..	45.30	66.60	65.37	57.18
Overall cost	..	117.00	..	..	..		154.90	199.61	124.73	152.48

It would appear from the above that the cost of production has been on the high side.

The table below incorporates the overall cost (excluding interest on loans) from the clinker stage onwards in both the plants for the three years ending 1974-75 :—

(In Rupees per tonne)

Particulars	Churk			Dalla		
	1972-73	1973-74	1974-75	1972-73	1973-74	1974-75
Raw material						
Limestone ..	16.29	22.64	29.72	18.62	23.14	31.54
Slurry	36.10	37.41	49.44	..	..	65.00
Clinker	73.64	101.61	123.73	119.82	137.04	173.92
Other processing expenses in the cement mill	17.76	23.12	28.75	22.78	17.86	25.69
Cost of un-packed cement ex-works ..	91.40	124.73	152.48	142.60	154.90	199.61
Packing cost including cost of containers	31.54	29.82	39.93	45.59	50.97	50.19
Selling and distribution expenses ..	3.28	5.33	1.23			
Total cost ..	126.22	159.88	193.64	188.19	205.87	249.80

The increase in the cost in the Churk factory was attributed (March 1976) by the Management to shortfall in production and substantial increase in wages.

The cost of production of cement in the Dalla factory was higher by Rs.62 in 1972-73, by Rs.46 in 1973-74 and by Rs.56 in 1974-75 than the cost of production in the Churk factory. According to the Management the higher cost of production at Dalla was predominantly due to higher incidence of depreciation.

Average sales realisation/retention price

In addition to the ex works price fixed by the Government of India which is exclusive of excise duty and taxes, the producer is entitled to packing cost in the case of packed cement, at the rates fixed by the Government of India. The following table indicates the comparative position of average sales realisation per tonne (excluding central excise duty and sales tax) *vis-a-vis* the cost of production in both the plants during the years from 1972-73 to 1974-75 :—

(Figures in Rupees)

	1972-73		1973-74		1974-75	
	Churk	Dalla	Churk	Dalla	Churk	Dalla
Cost of unpacked cement ex works	91.40	142.60	124.73	154.90	152.48	199.61
Packing cost (including cost of containers) ..	31.54	45.59*	29.82	50.97*	39.93	50.19*
Selling and distribution expenses	3.28	..	5.33	..	1.23	..
Actual cost per tonne ..	126.22	188.19	159.88	205.87	193.64	249.80
Average Sales realisation per tonne	140.58	138.73	145.50	145.10	156.60	153.32

*Includes selling and distribution expences.

Retention price is calculated on the basis of ex factory cost of Rs.117 per tonne as per the Tariff Commission formula, *plus* packing and forwarding charges as approved by the Government of India *plus* Rs.15 per tonne being the return on capital allowed by the Tariff Commission. As this is inclusive of return on capital, it would be appropriate to include interest on loans to the cost of production for making a realistic comparison between the expenditure incurred and the realisation per tonne. On this basis, the comparative position would be as follows after adding Rs.10 to Rs.15 in respect of Churk and Rs.23 to Rs.26 in respect of Dalla factory, per tonne as the interest charges allowable :—

(Figures in Rupees)

Year	Cost per tonne including interest on loans		Average sales realisation per tonne	
	Churk	Dalla	Churk	Dalla
1972-73	136.66	211.81	140.58	138.73
1973-74	173.08	231.00	145·50	145.10
1974-75	204.62	275.92	156.60	153.32

The gap between the cost of production per tonne and the average sales realisation has been increasing every year.

Internal audit

The Company has not introduced a system of internal audit (March 1976).

Marketing and sales

16. Each factory has a Sales Division headed by a Sales Officer, who is assisted by Sales Inspectors and other ministerial staff. At the headquarters level a Chief Sales Officer, who also acts as Secretary to the Company, co-ordinates the working of the sales organisations of the factories.

Marketing arrangements

Cement, being a controlled commodity, has to be distributed as per the instructions issued from time to time by the Cement Controller, who allots the quota for rate contract, outside rate contract and free sale. Sale to rate contract and outside rate contract allottees is made by the Company directly. Free sales are made through stockists appointed by the Company on the recommendations of the district authorities.

The stockists are paid Rs.3 as commission on sale per tonne of cement. Before appointment, each stockist is required to deposit a security (Rs.3,000 at present). The sale price is recovered in advance from the stockists prior to release of cement.

The total number of stockists was 2600 (1276 for Churk and 1324 for Dalla) at the end of 1974-75. Sums aggregating Rs.60 lakhs have been taken from them as security, in the shape of Defence Savings Certificates, bank pass books, National Savings Certificates, etc.

Containers

For packing cement, new as well as old gunny bags are used. The permissible percentage for use of old gunny bags during a calendar year is fixed by the Cement Controller. This percentage is taken into account in fixing the packing cost which forms part of the price recoverable. The percentage so fixed was 27½ upto June 1973 and thereafter it was enhanced to 33⅓ per cent.

A review of the utilisation of old and new gunny bags during 1972-73 to 1974-75 brought out the following shortages/excesses in the use of old gunny bags compared to the permissible limits :

Year		Shortages (—)/Excesses (+)	
		Churk	Dalla
1972-73	..	..(+)7,96,373	(+)3,55,132
1973-74		(+)3,84,420	(+)4,88,608
1974-75		(—)98,614	(—)3,73,779

There was less utilisation of old bags in 1974-75 in both the plants, which was made good by use of corresponding number of new bags. There was, however, excess utilization of old bags during 1972-73 and 1973-74 in both the plants.

At the rate differential between the prices of new and old bags, the excess utilisation of new bags during 1974-75 resulted in extra expenditure of Rs.3.90 lakhs (Rs.1.10 lakhs in Churk and Rs.2.80 lakhs in Dalla). On the other hand, less utilisation of new gunny bags during 1972-73 and 1973-74 resulted in savings of Rs.7.60 lakhs and Rs.7.26 lakhs respectively.

The Company had not obtained the permission of the Cement Controller for use of old gunny bags in excess of the permissible limits during 1972-73 and 1973-74.

Shortage of gunny bags

On receipt of complaints by the Director of Churk Factory on 5th May 1971 about shortage of gunny bags, physical verification of gunny bags was conducted on 11th May 1971 ; the following shortages came to notice :

(In lakh bags)

Particulars	New bags	Old bags
Opening balance on April 1 1968	5.80	2.47
Receipts during April 1968 to 11th May 1971 ..	183.24	58.91
Issues during the same period	163.48	58.58
Closing book balance	25.56	2.80
Actual physical balance found on verification ..	24.12	2.04
Shortage	1.44	0.76
Less Stock in packing plant	0.03	0.49
Net shortage	1.41	0.27
Value of shortages (Rupees in lakhs)	1.97	0.20

A preliminary report about the shortage of gunny bags was sent to Government on 28th May 1971. The Management has stated that the matter is under the investigation of the State Criminal Investigation Department (March 1976).

Payment of excise duty

On 19th December 1972, 1165.60 tonnes of cement were cleared by the Dalla plant and Central excise duty amounting to Rs.0.41 lakh became payable. Against this, Rs.0.67 lakh were deposited by the Company on the same day in the treasury. Of the excess amount paid, Rs.0.17 lakh were written off during the year 1972-73 on the ground that the amount had become irrecoverable from the Excise Department, while the balance of the excess was kept included under sundry debtors. Claim for refund of the excess duty has not been accepted by the Excise Department (March 1976).

Sundry debtors

The details of the sundry debtors (unsecured) at the end of 1972-73, 1973-74 and 1974-75 are given below:—

(In lakhs of rupees)

Category		1972-73	1973-74	1974-75
Debts outstanding for over six months	..	6.20	34.15	72.49
Other debts ..	..	135.72	51.03	97.85
Total	..	141.92	85.18	170.34
Less—provision for bad and doubtful debts	..	0.48	0.48	0.48
Net debtors ..	..	141.44	84.70	169.86

The balance of debtors has not been analysed categorywise and yearwise nor has a system of continuous clearance of dues by the customers been introduced.

In addition, Rs.66.84 lakhs, on account of dues other than for sale of cement, were recoverable from Government departments (Rs.65.15 lakhs) and other contractors at the end of 1972-73. While this balance decreased to Rs.66.53 lakhs on 31st March 1974, it again increased to Rs.69.15 lakhs on 31st March 1975.

Stores control

17. Procurement of stores is under the charge of a Chief Purchase Officer in each plant, who is responsible to the General Manager, while inventory control is looked after by an Officer Incharge, Stores, reporting to the Production Manager in each plant. These two sub-functions are coordinated at the level of the Managing Director to whom the General Manager/Production Manager reports directly. The Civil Engineer in each plant works additionally as the Officer-in-charge, Stores while the Chief Purchase Officer also acts as the Administrative Officer of the plant.

Procurement procedure

The indenting cycle begins in January each year. Annual indents, based on the average of the past three years' consumption, are sent to the Purchase Department from where enquiries are sent to selected parties for each item, upto the value of Rs.5,000 in each case. For items above this value, public tendering is resorted to. The tenders received are analysed in a comparative statement which is finally sent to the Indenting Officer for his recommendations. On receipt of the recommendations, purchase orders are placed on suppliers considered suitable.

Administrative lead time in procurement

The administrative lead time varied in many cases between 6 and 18 months. A representative analysis of the administrative lead time where tenders were not finalised within the validity periods, during the five years upto 1974-75 is given below :—

(Rupees in lakhs)

Years	Administrative lead time					
	Upto 6 months		6 months to 1½ years		Over 1½ year	
	Number	Value of purchases	Number	Value of purchases	Number	Value of purchase
1970-71	6	2.39	4	4.07	5	1.22
1971-72	20	8.27	1	1.45	2	1.49
1972-73	7	1.52	9	3.55	9	..
1973-74	6	3.11	2	0.61	2	0.56
1974-75	10	1.05	..	..	..	..

The lead time being long, the tenderers often increased their prices during the period tenders remained under consideration resulting in extra expenditure.

Delay in inspection

Inspection of materials was not being conducted by the Indenting Officers promptly. There have been delays in inspection ranging between three months and over three years from the date of receipt. In some cases, materials received three years back were awaiting inspection by the Indenting Officers.

The table below indicates the cases of delay in inspection :—

Inspection lead time	Number of cases in		Amount of purchases (In lakhs of Rupees)		
	Quarry	Main plant	Quarry	Main plant	Total
Between 4 to 6 months ..	5	1	2.30	0.42	2.72
Between 6 months to one year ..	13	2	2.74	0.21	2.95
More than one year ..	6	1	0.38	0.60	0·98

The following table gives an analysis of the cases in which inspection of materials had not been conducted (September 1975), although these items had been received in the Churk factory long time back :—

Period of receipts	Number of cases at		Amount (in lakh of Rupees)		
	Quarry	Main plant	Quarry	Main plant	Total
More than three years back ..	..	1*	..	1.88	1.88
Between two and three years back	..	1*	..	0.05	0.05
Between one and two years back	..	5	..	0.04	0.04
Between six months and one year back	..	3	..	0.38	0.38
Between four and six months back	2	9	3.32	1.49	4.81

Purchase of A. C. C. sheets

In response to an enquiry for supply of 7860 "All Cement Corrugated Sheets" of 3 m. length (5760) and 2 m. length (2100) of "Everest" make, urgently required for replacement of roof of mill house, etc. in the Churk factory, quotations were received from five firms, which were opened on 25th January 1974. The lowest rates were quoted by a firm of Varanasi. In view of the urgency, the Chief Engineer recommended purchase from any firm which could effect supply at the earliest. However, it was only in March 1974, that it was decided to place orders on three of the five firms. As the validity period offered by two of these three firms, *viz.* of Varanasi and Dalmianagar, had expired and they had increased their rate by 10 per cent with effect from April 1974, order was placed on the third firm of Jabalpur in April 1974, for part supply only. The supply order was, however, cancelled in August 1974 because the terms and conditions of supply were considered unrealistic by the Management. Ultimately, another order was placed in May 1974 on the firm of Varanasi for supply of the entire requirements (7860 sheets) at its increased rate. This entailed an extra expenditure of Rs.0.27 lakhs. The Management stated (October 1975), that as the purchase "involved over three lakhs rupees the matter had to be considered in all implications before finalising the tender".

*In these cases the values assigned are on the basis of purchase orders as actual payments have not been made (September 1975)

Purchase of grinding media

In response to a tender (opened on 4th May 1973), offers were received from four parties (one each of Bihar and Vijaywada and two of Calcutta) for supply of grinding media balls of different sizes to the Company at its Churk factory, the validity period of all the tenders being six weeks from the date of opening, i.e. upto 15th June 1973. Inspite of the stock of grinding media balls with the factory being inadequate, the tenders were not finalised within the validity period. Orders were placed on 4th September 1973, i.e. ten weeks after the expiry of validity period, on three of the parties for supply of 315 tonnes of grinding media balls of various sizes. The three firms demanded increased rates, which were accepted in January 1974 Accordingly, 315 tonnes of grinding media balls were purchased at increased rates which entailed an extra expenditure of Rs.0.70 lakh.

Extra payment for coal

During the period from May 1974 to October 1974, 7,220 tonnes of grade I coal was supplied by National Coal Development Corporation Limited to the Dalla factory. On analysis in the laboratory of the Company the coal was, however, found to be of inferior quality (grades II and III) but payment to the supplier was made at the rate applicable for grade I coal ; deductions for the inferior quality supplied were not made by the Company on the ground that any deduction might have resulted in stoppage of supplies. This resulted in extra payment of Rs.0.42 lakh (at Rs.5.80 per tonne being the difference in the price of grades I and II) to the suppliers.

Inventory control

18. The inventory control measures adopted by the Company have remained inadequate to the following extent :—

(i) Conscious planning towards obtaining the optimum inventory levels has not been introduced, with the result that orders continued to be placed on subjective assessment of future requirements leading to excessive holdings of stores and spares ;

(ii) distinction was not made between critical, non-critical, fast and slow moving items ;

(iii) variety reduction and standardisation of items have not been considered, with the result that the inventory includes nearly 20,000 items ; and

(iv) the concept of insurance spares has been over-used while the concept of safety stock has been ignored.

Trend of consumption

At the end of 1974-75, the value of the inventory held was more than Rs.5 crores. Based on the consumption of stores in both the factories the inventory held was excessive as indicated below :—

(In lakhs of Rupees)

	Dalla Years 1972-73	1973-74	1974-75	Churk Years 1972-73	1973-74	1974-75
Stores available for consumption (including opening stock and purchases) ..	202.31	225.13	274.30	315.45	360.48	357.79
Consumption	49.30	37.36	56.65	60.62	76.43	70.95
Closing stock	153.01	187.77	217.65	254.83	284.05	286.84
Inventory in terms of months' consumption	36	53	56	54	49	47

Certain categories of stores held on 31st March 1975 by the Churk factory, like factory spares, quarry spares, factory stores, etc. were equivalent to 65 months', 92 months' and 52 months' consumption respectively.

Gypsum and grinding media (Dalla factory)

In the absence of a system of periodic review to determine the standard ordering level and fixation of maximum and minimum stock limits, the stock of gypsum and grinding media were generally excessive as indicated below :—

(In lakhs of rupees)

Year	Gypsum 1973-74	1974-75	Grinding media 1973-74	1974-75
Consumption during the year ..	10.00	10.96	3.12	4.85
Stock held at the close of the year ..	8.94	18.31	5.30	10.38
Stock holding in terms of months' consumption	11	20	20	26

Although the stocks of gypsum and grinding media at the end of 1974-75 was sufficient for more than two years, the Company has placed orders for fresh supplies during 1975-76, which is likely to increase the closing stock further.

Consumable and general stores

Similarly, in the case of consumable and general stores the closing stocks have been excessive and increasing as detailed below :—

(In lakhs of Rupees)

	Factory spares and stores			Quarry spares and stores		
Year	1972-73	1973-74	1974-75	1972-73	1973-74	1974-75
Consumption	26.11	44.28	27.28	7.90	21.02	18.00
Closing stock	80.39	96.89	145.14	18.01	26.35	44.95
Stock holding in terms of months' consumption (excluding transfers) ..	36	26	64	27	14	28

The above table indicates that even though the stock held at the close of each of the three years was sufficient for periods ranging upto five years, heavy purchases of stores were made during these years, amounting to Rs.225.13 lakhs during 1973-74 and Rs.274 lakhs in 1974-75.

Surplus and obsolete quarry equipment

Churk

19. The following table indicates the number of heavy earth-moving equipment, *viz.* shovels, dumpers, dozers, compressors, and locomotives held by the factory on 31st March 1975 and the actual number in use or condemned, along with the value of spares held for each of these categories of condemned equipments :—

Description	Total number	Number in use	Number scrapped	When scrapped	Depreciated value of equipment scrapped	Value of spares in respect of scrapped equipment
					(Rupees in	lakhs)
Shovels	7	5	2	1972	3.60	5.46
Dumpers	30	16*	14	1972-75	20.96	16.97
Compressors	28	16	12	1970-73	1.78	10.90
Locomotives	8	3	5	1975	3.21	3.39

It would appear that spares valued at Rs.36.72 lakhs were held in stock in respect of equipment which had already been scrapped and were no longer in use. A brief description of working of these equipments is narrated below:—

*Of these, three have been transferred to the Dalla plant in March 1974.

Shovels

Out of seven shovels owned by the Company, two (Diesel Lima and Tata P & H) were condemned in 1972, but the Company continued to hold their spares valued at Rs.5.46 lakhs.

Dumpers

These consisted of Euclid (13), Athey (11), Holpack (3) and Perlini (3) dumpers. All the Euclid dumpers and one Athey dumper have already been scrapped, but spares valued at Rs.16.97 lakhs were held by the Company on 31st March 1975. In addition, spares valued at Rs.4.88 lakhs in respect of the three Perlini dumpers transferred to the Dalla plant in March 1974 were also held in stock at Churk as these spares were not accepted by the Dalla plant, being unusable. Even in respect of the 13 dumpers actually in use in the factory, spares valuing Rs.16.72 lakhs were held, which were considered excessive by the Board of Directors in February 1975.

Of the 13 dumpers actually in use by the factory, seven (three Holpack and four Athey Caterpillers) were on road and the remaining six had been in-sheded in January and February 1975, being beyond economic repairs. Two more dumpers (Holpack) were withdrawn after these rendered 2603 hours service, owing to manufacturing defects, against the prescribed life of 12,000 hours each. Two of the Athey Caterpiller dumpers rendered 2,782 and 1,450 hours service only against the prescribed life of 12,000 and 15,000 hours respectively.

In addition, one Euclid dumper acquired in 1965 (depreciated value : Rs.44,600) could render service for 25 hours only and is lying in the workshop since 1965. Another Euclid dumper purchased in 1965 could not run for a single hour as it was found defective on its arrival in the factory (depreciated value : Rs.37,400). These dumpers were rendered defective within the guarantee period of one year, but the manufacturers were not approached for rectification/replacement of the defective parts.

Compressors

The total capacity of all the 16 compressors in use by the factory was 6625 cfm. against the actual requirement of 3500 cfm. at 80 lbs. per square inch. Thus the factory was holding excess compressor capacity of 3125 cfm.

One set of Khosla compressor acquired in 1973 was found defective after running for 1450 hours only (against the norm of 12,000 hours). Two C. P. T. compressors were also lying defective since

April 1972. The Management stated (September 1975) that orders for supply of necessary parts were being placed.

Against the 12 scrapped compressors of book value Rs.1.78 lakhs, spares worth Rs.10.90 lakhs were held in stock ; out of this spares valued at Rs.4.08 lakhs had (February 1975) been declared surplus to requirements.

Locomotives

Out of eight locomotives, four were considered obsolete and unfit for use and these were scrapped in February 1975. In addition, one Mercedez locomotive purchased in 1965 (depreciated value on 31st March 1975 Rs.49,000) was withdrawn from rail after it rendered 4,981 hours' service (against the guaranteed life of 12,000 hours) owing to manufacturing defects. The Company did not take up the matter with the manufacturer for removal of the manufacturing defects and instead decided to scrap it in February 1975.

Dalla

In Dalla plant, shovels, dumpers and compressors were lying in store for want of repairs for two to three years as per the details given below :—

Description	Year of purchase	Purchase price (in lakh rupees)	Number of hours worked	Period since when lying in store	Remarks
Dumper ..	October 1969	5.69	2,642	November 1973	Completely burnt
Shovel ..	November 1973	12.61	5,130	October 1974	Major break-down
Compressor ..	July 1972	0.41	4,435	May 1973	Major break-down

These equipment could not render the prescribed service of 12,000 hours and became unfit for use owing to major break-downs. The company has not, however, taken up the matter with the suppliers.

The Management stated (September 1975) that investigation of the causes of fire to the burnt dumper was being conducted by the C. I. D. and that for repair of the shovel and the compressors, matter was being taken up with the suppliers.

Surplus and obsolete stores

20. The Board of Directors decided in February 1975 to appoint a committee, consisting of the General Manager, Production Manager, Quarry Manager, and the Assistant Engineer (Diesel) of the Churk Plant for classification and categorisation of stores, spares and other items which had become obsolete and unfit for use or surplus to the requirements in the plant. Further, the Managing Director directed (15th May 1975) the Quarry Manager and the Assistant Engineer (Diesel) to complete collection of data regarding the surplus items. The committee, in its meeting held on 9th June 1975 examined a list of surplus and obsolete items, but decided that a fresh exercise had to be conducted for completing the list with reference to the physical existence of assets, as it was felt that the list contained items which did not form part of the ground balances. Accordingly, an Executive Engineer was detailed for this work in July 1975. The work has been completed and lists of surplus stores have been sent to the suppliers for their disposal (March 1976).

Various items of stores and spare parts including general stores valued at Rs.10.22 lakhs were held in stock which had been declared surplus to requirements. An analysis of these items indicated that the stores of the Vickers plant, electric spares, power house spares and general consumption items purchased prior to 1965, moved very slowly during all these years. These were declared surplus in February 1975 as per the details given below :—

Category	Items purchased	Items issued	Items declared surplus
Vickers plant stores	931	32	899
Electric spares	44	..	44
Diesel power house spares	85	8	77
General stores and spares	516	43	473

Similarly, for some items purchased in 1968-69, there was very little movement during the succeeding years and in January 1975 these were declared surplus. A synopsis of these items is indicated below :—

Description	Total category of stores	Category of items issued	Items declared surplus
Main plant items	352	83	269
Electric spares	36	14	22
General stores	274	62	212

In the absence of unitwise categorisation of stores into slow moving and non-moving items and fixation of norms of consumption, the

Company continued to make purchases of these items without reference to the actual requirements, resulting in increased inventory every year.

The Board of Directors decided in May 1972 to entrust the Administrative Staff College, Hyderabad with the work of study and introduction of a suitable system of inventory control in the Churk Factory at a cost Rs.30,000, exclusive of incidental expenses. Rupees 28,000 were paid upto September 1975. The study was completed by the Staff College and its report was received by the Company in December 1973. The main points in its recommendations were as follows :—

(i) Preparation of material budget every year with five year rolling plan period ;

(ii) Procurement planning ;

(iii) Introduction of a scientific system of inventory control ;

(iv) Introduction of a system of stores management ;

(v) Setting up of a material accounting and control information centre ; and

(vi) Change in organisational set-up of the Purchase Department under a Material Manager and appointment of other necessary staff.

The recommendations made in the Report regarding (i) Changes in the organisational set-up, (ii) introduction of material budgeting, (iii) procedure for purchase planning, (iv) introduction of a system of inventory control, and (v) appointment of Material Manager were accepted by the Management in November 1974. However, these recommendations are yet to be implemented (December 1975).

Manpower analysis
Churk

21. The table below indicates the manpower employed for operating the plant during the five years up to 1974-75 and the productivity per employee in terms of cement produced :—

Description	1970-71	1971-72	1972-73	1973-74	1974-75
Manpower employed (all categories)	1921	1975	2070	2081	2094
Working hours available during the year (8 hours for 300 days in a year) (in lakh hours) ..	46.10	47.40	49.68	49.94	50.26
Overtime hours worked (in lakh hours)	2.02	2.06	2.52	2.24	1.81
Total hours available (in lakh hours)	48.12	49.46	52.20	52.18	52.07
Cement produced (in lakh tonnes)	3.44	3.63	4.38	3.15	3.02
Manhours per tonne of cement produced	14	13.6	15	16.6	17

(*a*) Manpower employed has been increasing every year while production has showed a declining trend after the transfer of the factory to the Company.

(*b*) Labour efficiency has been going down except during 1971-72. The decline was by 20 per cent in 1974-75 as compared to that in 1970-71.

During the three years up to 1974-75, overtime paid to the workers directly engaged in production compared to the wages paid are indicated below :

(In lakhs of Rupees)

Year	Wages	Overtime allowance paid
1972-73	30.65	7.52
1973-74	40.22	7.82
1974-75	57.32	9.33

Incidence of overtime per tonne on production of cement works out to Rs.1.70 in 1972-73, Rs.2.50 in 1973-74 and Rs.3.00 in 1974-75.

Dalla

The table below indicates the productivity (manhour per tonne) in respect of the Dalla unit during the three years up to 1974-75 :—

Description	1972-73	1973-74	1974-75
Total manhours worked during the year (in lakhs)	44.72	49.26	55.72
Total overtime hours worked (in lakhs)	1.02	3.08	1.97
Total available manhours (in lakhs)	45.74	52.34	57.69
Cement produced (in lakh tonnes)	2.73	2.45	2.29
Productivity (manhour/tonne)	16.7	21.4	25.2
Average wages per hour (in Rupees)	1.40	2.12	2.71

While productivity at the Dalla plant showed a declining trend (declined by 25 per cent in 1973-74 and 50 per cent in 1974-75) the wage rate per hour increased by 50 and 98 per cent during 1973-74 and 1974-75 respectively.

The Company has not introduced any system to compare the productivity (man hour/tonne) and salaries and wages per tonne in the Company's factories with those in other cement factories in the country and to work out norms after taking into consideration all the relevant factors.

Overtime allowance

22. The overtime hours worked in the following departments of the Churk factory have been increasing :—

Name of the Department	1970-71	1971-72	1972-73	1973-74	1974-75
				(in thousand hours)	
Electrical ..	8.9	7.7	10.9	13.01	14.3
Stores ..	1.6	1.7	1.9	2.09	4.7
Time Office	2.9	3.1	4.4	4.9	4.2
Drawing Office	0.6	0.7	0.8	0.9	0.2
Transport Division ..	..	..	18.9	22.5	41.9

Similarly, in the Dalla factory, the overtime payments increased from Rs.4.90 lakhs in 1972-73 to Rs.7.88 and Rs.6.36 lakhs in 1973-74 and 1974-75 respectively.

In the Dalla unit, the limestone crusher worked four hours overtime each day for 10 months during 1973-74. The wage rate for overtime work is twice the normal rate. Had the crusher worked for an extra shift of eight hours on normal wages the production could be more without any addition in the wages. Based on the quantity of production obtained in the one shift working of the unit, the quantity of limestone crushed could have been increased by approximately 2.42 lakh tonnes instead of the 1.21 lakh tonnes actually achieved.

Social overheads

23. The Company has been providing amenities like unfurnished rent-free residences complete with electrical and sanitary fittings, including electric fans in each room, free water, free electricity for light and fan (which has been extended to meeting cooking requirements, heating/cooling the premises during winter/summer seasons), free education to employee's children, besides maintaining hospitals and recreational facilities like clubs, canteens, etc.

Free unfurnished residences

It was decided by Government in 1953 to provide rent-free unfurnished accommodation to employees of the Churk factory. On commissioning of the Dalla factory in 1972, this facility was extended to the persons employed in that factory. As on 30th June 1975, the number of residences available/allotted was as under :—

Unit	Residential buildings for officers	Other staff	Allotted to officers	Other staff
Churk	50	1,540	50	1,490
Dalla	38	1,551	37	1,478

The Capital cost (depreciated) of the buildings amounted to Rs.80.99 lakhs as on 31st March 1975 (Rs.69.99 lakhs for residences at Dalla and Rs.11.00 lakhs in respect of Churk). The expenditure on repairs and maintenance of these buildings amounted to about Rs.2 lakhs per annum for each plant.

Free electricity

In December 1956, the State Government had decided to provide electricity to the employees of the Churk factory, including the officers, free of cost. With the passage of time, free supply of electricity was extended to cooking range, use of electrical appliances like room heaters, coolers, etc. without any specific authorisation in that behalf. In August 1970, the Management decided, at the instance of Government, to restrict the benefit of free power supply. This decision has not been implented (March 1976). No reason was available on record for non-implementation of the decision nor was Government informed about the action taken on its directive. During the three years up to 1974-75, the consumption of electricity in the residential premises on light and fan and domestic power and the payments made by the Company to the State Electricity Board for both the units were as shown below :—

Year	Consumption		Amount paid	
	Dalla	Churk	Dalla	Churk
	(In Mkwh)		(In lakhs of Rupees)	
1972-73	1.371	1.823	3.46	4.51
1973-74	1.431	1.885	2.96	4.49
1974-75	1.672	1.720	4.48	5.05
			10.90	14.05

After the formation of the Company electricity duty on energy consumed became payable to Government. Without obtaining the approval of the Board of Directors the Managing Director decided in October 1972, that the Company would pay electricity duty on consumption of energy by the employees. This amounted to Rs.0.37 lakh, Rs.0.38 lakh and Rs.0.35 lakh during the years 1972-73, 1973-74 and 1974-75, in respect of the Churk plant while the same in respect of the Dalla plant was Rs.0.19 lakh, Rs.0.17 lakh and Rs.0.40 lakh during 1972-73, 1973-74 and 1974-75 respectively.

Payment of bonus

The Board of Directors decided in July 1973, to pay bonus to the workers who were entitled to get bonus under the Payment of Bonus Act, at the rate of 18.5 per cent of their wages during the year 1972-73. The officers of the Company were also paid bonus at the same rate. For the year 1973-74, the Board of Directors approved payment of bonus to the employees at rates ranging between 17 and 18 per cent (17 per cent for Churk, 18 per cent for Dalla and 17.5 per cent for the headquarters staff).

During these two years, Rs.12.23 lakhs and Rs.43.49 lakhs respectively were paid as bonus to the employees. The increase in the amount of bonus in 1973-74 was due to increase in the wages of employees on account of Cement Wage Board award.

In March 1973, the Tariff Commission had discussed in depth about payment of bonus to workers engaged in cement industry while working out the ex works cost of production per tonne. The Commission, decided (1973) that the rate of bonus which should form part of the cost of production, should be fixed at the statutory minimum of 8.33 per cent. Taking this into consideration the ex-works cost of unpacked cement was fixed by the Tariff Commission at Rs.117.00 per tonne.

For both the years 1972-73 and 1973-74, the Management decided to pay bonus to its employees at rates higher than the rates fixed as norm by the Tariff Commission. Payment of bonus over and above the statutory minimum of 8.33 per cent amounted to Rs.1.50 and Rs.7.00 per tonne in 1972-73 and 1973-74 respectively. For 1974-75, however, the Company has provided payment of bonus at the statutory minimum rate of 8.33 per cent.

Modernisation of the Churk Unit

24. In view of the persistently low production (ranging between 72 and 76 per cent of the rated capacity), it was decided by the Management on 5th October 1971, when the factory was under the control of the State Government, to hire the services of a consultant of Patna for a scheme of rehabilitation and modernisation of the plant. Accordingly, in December 1971, the consultant was appointed to—

(*a*) study the condition and operating performance of the plant and equipment ; and

(*b*) recommend necessary rehabilitation/modernisation measures.

The consultant carried out a study in March 1972, and submitted its report to the Company. To remedy the inherent problems in the plant operation and maintenance, the consultant recommended a three phased programme of rehabilitation and modernisation. The causes of the low production, as assessed by the consultant, were :—

(*a*) poor mechanical condition of the plant in general and the kilns in particular, due mainly to paucity of spares of correct specifications ;

(*b*) inherent weakness in the equipment as supplied, viz. desiccator type kilns and mill drawing gear boxes ; and

(*c*) absence of planned plant rehabilitation programme.

The consultant, who was paid Rs.0.58 lakh recommended (August 1972), the following action in the first two phases :—

First phase

(*a*) Modernisation of Skoda kilns installation comprising the chain system, renewal of cooler tubes, improved slurry feed ;

(*b*) modification to Vickers kilns installation comprising improved coal feed to the kilns, clinker drag chain, conveyor extensions ;

(*c*) improvement in coal supply ;

(*d*) modification to cement mills comprising new dust collectors for Vickers mill II, vibrating screen for Skoda mills and improved rapping system for dust collectors ; and

(*e*) modification to cement storage and packing plant comprising addition of a compressed air filter for Skoda silo agitation air supply, relocation of packed bags belt conveyors for Vickers plant and provision of automatic bags divertors with chutes for wagon loading for both the plants, provision of shuttle belts for truck loading and improved rapping system for dust collectors.

The recommendations were expected to increase the clinker production from the Skoda mills by about 1.1 lakh tonnes per year, i.e. to 95 per cent of the overall rated capacity. The first phase was estimated to cost Rs.42 lakhs with expected increase of annual earnings of Rs.36 lakhs, if 90 per cent of the rated capacity could be achieved.

Second phase

For the second phase, the consultant recommended (action to commence immediately after the first phase) (i) removal of desiccator portion of Vickers kilns with improved chain system, (ii) provision of improved dust collection and refused system, (iii) provision of new kilns drive with auxiliary units, (iv) improved air supply, instrumentation and venting system complete with deducting unit for the fuller collers, and (v) provision of a new cooler drive.

The implementation of second phase was expected to :—

(*a*) increase clinker production by about 1.24 lakh tonnes leading to increase in total production to 5.67 lakh tonnes clinker per year or 125 per cent of the rated capacity, and

(*b*) increase the annual earnings assessed at Rs.24 lakhs even on 90 per cent rated capacity utilisation.

For Phase III, the consultant recommended cost reduction by introduction of improved coal unloading, crushing and drying equipment at an estimated cost of Rs.82 lakhs.

The report of the consultant was considered by the Board of Directors on 28th September 1972 and it constituted a sub-committee to consider the same further. The sub-committee submitted its recommendations in December 1972.

The Board of Directors considered the recommendations of the sub-committee and approved a modified scheme for implementation, as indicated below :—

	(Rupees in lakhs)
Complete rehabilitation and modernisation of factory ..	54.20
Complete rehabilitation and modernisation of the quarries, limestone crushing plant and aerial ropeway based on the Chief Engineer's recommendations	43.00
Consultancy charges	5.25
Contingency and other unforeseen expenditure ..	10.00
	112.45
Say ..	112.50

Accordingly, on 7th December 1972, the consultant was again engaged for detailed engineering, including intensive study of the various sections of the Skoda and Vickers plants, for Rs.5.68 lakhs with a rebate of 7½ per cent provided the consultancy for the entire work was awarded to it. This fee was reduced during negotiations with the Chairman to Rs.4.50 lakhs *plus* reimbursement of the actual out of pocket expenses limited to Rs.0.35 lakh.

The estimated cost (Rs.54.20 lakhs) of complete rehabilitation and modernisation of the factory (as approved by the Board of Directors on 5th January 1973) was subsequently reduced (17th January 1973) to Rs.38.08 lakhs with the following break-up :

	Amount (Rupees in lakhs)
Modifications in the chain system planetory cooler installation slurry system of Skoda kiln	18.48
Modifications in the Vickers plant	7.55
Dust collector's cost	2.05
Modification in crusher	10.00
Total ..	38.08

Progress

It was estimated by the consultant that with the implementation of the first stage by the end of 1973-74, production would reach 100 per cent of the rated capacity against the expenditure of Rs.60 lakhs upto that year. Even though the decision to modernise the plant was taken in 1971 and the scope of work was determined in January 1973 the amount spent upto March 1975 was Rs.5.94 lakhs out of which Rs.3.8 lakhs were paid to the consultant. No increase in production has been achieved. On the other hand, the capacity utilisation was 63 per cent during 1974-75 and 66 per cent in 1973-74.

The Management stated (April 1976) that the period of implementation of the scheme had been prolonged as most of the suppliers had backed out on account of rise in costs and prices. A fresh appraisal was made in respect of each item taking into account the higher cost element and its utility. Some of the items were, however, stated to have been completed and the unit was reported to be well set to maintain sustained production at about 83 per cent of capacity.

The consultant had also recommended constitution of a separate cell under the Chief Engineer to look after the modernisation work and recruitment of Development Engineers and other technical staff. Appointment of technical staff and opening of the cell was not agreed to by the Management. The work is being undertaken along with the normal repair and maintenance work of the plant.

Delay in commissioning of a crane

25. In order to ensure constant regular supply of limestone (to Raw mills) and clinker (to Cement mills), and to reduce the work load of two existing overhead cranes (purchased in the year 1954),

which had been used for more than their prescribed lives and which suffered frequent break-downs, Government decided in 1970 to purchase one electric overhead travelling crane for the Churk factory. The lowest offer of a Government of India Undertaking in Calcutta was accepted (March 1970) and a firm order for supply of a crane at Rs.4.50 lakhs (f. o. r. works and exclusive of sales tax, etc.) was placed in January 1971. An advance payment of Rs.1.12 lakhs (25 per cent of the tendered cost) was made in the same month. The crane was to be supplied by the end of January 1972 as stipulated in the supply order ; this was not adhered to by the firm.

The factory released full payment of Rs.4.71 lakhs (inclusive of Rs.0.21 lakh towards sales tax, insurance, and bank charges) in instalments for taking delivery of four consignments of the equipment received during July 1973 to September 1973. However, certain essential components were withheld by the firm pending payment of Rs.0.80 lakh more claimed on account of price escalation. This amount was paid to the firm in April 1975, though there was no provision for price escalation in the purchase order. Erection and commissioning of the crane is in progress (March 1976).

The supplier firm did not agree to a guarantee clause (embodied in the supply order) for free replacement of parts found to be defective in material or design, within 12 months of despatch from the works or 6 months from the date of installation, whichever was later.

The Management has stated in reply (October 1975) that "escalation was accepted in view of advance already paid". The delay in commissioning was attributed to late supply of important components, electrical items and electrical erection drawings received only in August 1975.

Dalla expansion programme
(Kajarhat-Chunar Cement Project)

26. The Company obtained an industrial licence in November 1971 for expansion of the capacity of Dalla factory from 4 million tonnes to 8 million tonnes per annum, and for setting up a cement plant partly at Dalla and partly at Chunar. A clinkerisation plant with capacity of 8 lakh tonnes per annum was proposed to be established at Dalla alongside the existing cement factory by utilising certain meterial handling system and other facilities of the existing plant, but otherwise functioning as an independent and self-contained installation.

The cement grinding mill of the new plant was proposed to be located at Chunar (Mirzapur) alongwith a packing plant. The capacity of the new plant has been estimated at 16.80 lakh tonnes of dry "Portland" cement using blast furnace slag to the extent of 50 per cent.

Limestone mining investigation at Kajarhat area was done by the Director of Geology and Mining, Uttar Pradesh, once in January 1968 and again in July 1973. A deposit of about 70 million tonnes of cement grade limestone has been established. This deposit is considered sufficient to support the new as well as the existing Dalla plant for about 30 years.

Capital outlay

According to a project report approved by the Board of Directors in April 1974, the capital outlay of the plant was estimated at Rs.54.24 crores. However, in a detailed project report prepared in February 1975 by a consultant appointed for the project the capital outlay was assessed at Rs.63.99 crores. In July 1975, the capital cost of the project was assessed at Rs.72 crores by the Industrial Development Bank of India which had agreed to finance a part of the project cost.

The table below incorporates the original estimates and the revision made in July 1975, alongwith the reasons in brief :—

Description	Cost as per estimates of April 1974	Revised estimates of July 1975	Increase in the cost due to Price rise	Other reasons
			(In lakhs of Rupees)	
Quarry equipment ..	144	237	93	..
Electrical and mechanical equipment	2974	3467	380	123
Freight insurance and erection charges	335	468	133	..
Civil engineering works	866	896	30	..
Spare parts	196	237	41	..
Margin money, interest, financing charges and contingencies ..	759	1734	250	725
Consultancy charges ..	150	150	..	..
Total	5424	7189	927	848

The increase in the estimates of expenditure in February 1975 was because of under-estimation of expenditure on certain items (Rs.349 lakhs) and increase in the cost of equipment (Rs.627 lakhs).

In July 1975, this estimate was revised upwards on the grounds of (i) inadequate provision of contingencies by Rs.300 lakhs, and (ii) inadequate provision or non-provision of interest and financing charges by Rs.500 lakhs.

The project is proposed to be financed by raising (i) further equity share capital of Rs.17 crores, (ii) loans from the Industrial Development Bank of India (Rs.23 crores) and other financial institutions (Rs.23 crores) like the Life Insurance Corporation of India, Unit Trust of India, etc. and (iii) Rs.9 crores from internal resources. Expenditure aggregating Rs.230.35 lakhs had been incurred by the Company upto July 1975 on the following items :—

Items of the Project	Provision in estimates (July 1975)	Actual expenditure upto July 1975
	(Rupees in lakhs)	
Land and building	896.00	22.39
Plant and machinery	3477.00	172.12
Stores and spares	237.00	8.81
Preparatory expenses (including consultancy charges) ..	150.00	27.03
		230.35

The project is scheduled to be completed by October 1979.

Economic viability

Economic viability of the project, as worked out by the consultant, is based on the following assumptions :—

(*a*) The plant efficiency would be 70 per cent in the second year of its commissioning and 80 per cent thereafter ;

(*b*) the retention price of cement would increase to Rs.205 or Rs.185 per tonne by the period the plant went into commercial production.

On the basis of these presumptions and assuming that the capital expenditure on the project would not exceed Rs.72 crores, the cost of production of cement would be Rs.164.50 (inclusive of the depreciation and interest charges) per tonne. The consultant has assessed that the plant, after commissioning in October 1979, would be able to achieve 70 per cent of its rated capacity in 1980 and would be running on losses upto 1984 if the retention price was fixed at Rs.205 per tonne and upto 1985 if the retention price was fixed at Rs.185 per tonne.

On the basis of the estimated project cost and on the expected production to full capacity (16.80 lakh tonnes) the capital investment per tonne of cement is expected to be Rs.428. Basing the production at 80 per cent of the rated capacity as assessed by the consultant, the capital cost is expected to be around Rs.600 per tonne.

Joint sector projects

(i) *Asbestos factory*

27. The Company decided in April 1972 to set up an asbestos project in the joint sector at Mohanlalganj (Lucknow) and obtained an industrial licence from the Government of India in November 1972. The proposal of a firm of Delhi for setting up the project at a capital cost of Rs.42.20 lakhs was considered reasonable. The State Government accorded approval in June 1973 for setting up the asbestos plant in collaboration with the firm. In September 1973 an agreement was executed with the collaborators and a new company, *viz.* U. P. Asbestos Limited was incorporated in July 1973. In accordance with the agreement

(*a*) the collaborators were made responsible for setting up the plant with capacity of 36,000 tonnes of asbestos sheets per year and the work was to be completed by May 1974 ; in the event of delay the collaborators were to compensate the loss of development rebate to the Company ; and

(*b*) the capital (Rs. 50 lakhs) was to be contributed by the Company (26 per cent), collaborators (25 per cent) and by the public 49 per cent.

During August 1973 – April 1974 the Company invested Rs.12.50 lakhs towards paid-up capital and advanced in April 1974 a loan of Rs.10 lakhs (carrying interest of 12 per cent) and also supplied cement valued at Rs.3 lakhs. Rupees 11.39 lakhs were awaiting recovery on 31st March 1975. The Management stated (April 1976) that U. P. Asbestos Limited had promised to clear off these dues shortly.

The Marketing Research Institute of India, to whom Rs.10,000 were piad for preparing a feasibility report, assessed (January 1973) that (i) production at 36,000 tonnes per year would be marginally viable and suggested expansion of capacity to make the project more viable (ii) the level of plant efficiency would be 50, 67, 83 and 91 per cent of the rated capacity in the first, second, third and fourth year of operation respectively, and (iii) the project cost would be Rs.168.00 lakhs. The Institute suggested manufacture of asbestos pressure pipes also to make the project viable. The Company, however, decided (March 1974) not to take up expansion or manufacture of asbestos pressure pipes. The Asbestos factory has commenced commercial production in August 1975.

(ii) *Oxygen gas plant at Unnao*

The Company decided in October 1974 to set up an oxygen gas plant to meet its requirements of gas. Approval of the Government of India under the Companies Act, 1956 to invest Rs.13 lakhs in equity shares on this account was obtained in August 1975. A collaboration agreement with a firm was entered into in September 1975. The agreement provided for investment of capital at 26 per cent by the Company, 25 per cent by the Collaborator firm and the remaining 49 per cent by the public. The Company has invested Rs.8.80 lakhs in equity capital of the new company. A loan of Rs.4.20 lakhs was also advanced which is to be converted into equity capital.

The Factory went into production in February 1976.

(iii) *Exploitation of marble deposits*

In September 1972, the Company decided to exploit marble deposits at Ningha (in Mirzapur) in collaboration with a firm of Patna. It was decided to incorporate a new company in the joint sector with capital participation of 26 per cent by the Company, 25 per cent by the collaborator and 49 per cent by the public. Experimental excavations conducted by the Company's Engineers in December 1972 disclosed that the marble was not of commercial quality as it contained cracks. In January 1973, the Board of Directors approved an expenditure of Rs.2.03 lakhs for further excavation, and on test the marble was again found to be of no commercial value. The scheme was dropped in August 1974. Rupees 3.24 lakhs were spent by the Company.

(iv) *Refractory and china clay project*

The Company decided in May 1973 to set up a refractory plant and a china clay project at Bansi (Mirzapur). A Patna firm was willing to participate in the project. However, the firm withdrew its offer in February 1975. The scheme was dropped after incurring an expenditure of Rs.14,500 on survey as coal deposits having been located in the area the mining rights were acquired by the N. C. D. C.

Experimental cement plant at Mohanlalganj

28. In April 1972, the Managing Director decided to take over a sick experimental cement plant at Mohanlalganj (Lucknow) owned by the State Government. This plant was designed for producing

cement by vertical kiln method which proved unsuccessful. The assets of the plant valued at Rs.15.20 lakhs (land and buildings—Rs.3.18 lakhs, plant and machinery—Rs.11.66 lakhs and consumable stores—Rs.0.36 lakh), were transferred by the State Government to the Company on 28th May 1973. The possession of the plant was taken over on 2nd June 1973. The Company assessed (February 1974) the value of the assets at Rs.10.21 lakhs, as the plant and machinery were found unfit for use. The final price payable by the Company is yet to be decided (March 1976). In the meantime, the Regional Research Laboratory, Jorhat explored (in June 1973) the possibility of producing cement by vertical kiln process and concluded that it would not be a viable proposition. Rupees 10,000 were paid to the Laboratory for its services. The Company is considering disposal of the plant (March 1976).

Survey of road to Basuhari (Mirzapur)

29. For setting up a new cement factory at Basuhari (Mirzapur), the Company decided in November 1973 to conduct a survey for construction of a road to Basuhari. The survey was completed by the Company's engineers in March 1975 at a cost of Rs.21,000. In September 1975, the Board of Directors decided to abandon the project as some other party had acquired the prospecting license.

Manufacture of cement concrete hollow blocks

30. The Company decided in February 1973 to set up a plant for manufacture of cement concrete hollow blocks at Dalla without obtaining prior approval of the Government of India though it involved grant of industrial licence. Cost of the plant was assessed at Rs.3.60 lakhs. Rupees 90,000 were spent upto March 1975 on preliminary works, acquisition of blocks, equipment, etc. The Government of India rejected this scheme in February 1974. Disposal of the equipment to private parties is under consideration (March 1976).

Other schemes

31. Other schemes of the Company, *viz.* setting up small cement plants in the hill region at Rishikesh, Almora, Pithoragarh and Dehradun, are in the exploratory stages. Not much expenditure has been incurred (March 1976) on these schemes.

Other topics of interest

Boring of a well in the bed of Sone river

32. (i) To meet the acute shortage of drinking water in the residential colony at Dalla and also to meet the requirements of the plant for slurry, the Chief Engineer of the Dalla plant initiated action

for trial boring of a well at the water intake of the factory in river Sone in September 1973 and contacted the Local Self Government Engineering Department for undertaking the job. An estimate for Rs.1.46 lakhs was also received from the Department in October 1973. Approval of the Chief Engineer for undertaking the job was communicated on 6th December 1973. The work, which commenced in January 1974, was abandoned in May 1975, after boring 90/100 feet, as water discharge (1500 gallons per hour) was considered inadequate. Rupees 50,000 were paid to the Department in May 1974. The remaining amount (Rs.0.96 lakh) is still to be paid.

The Chief Engineer took up the work without obtaining the opinion of the Central Ground and Water Board or conducting proper survey about availability of adequate water in the river bed. Approval of the Board of Directors was not obtained.

Fire in explosive magazines

(ii) On 22nd October 1974, a fire broke out in the explosive magazines of Ghurma quarry and gelatine valued at Rs.0.25 lakh (2693 kgs) was burnt. The cause of the fire as intimated by the Quarry Manager in October 1974 was either (i) sabotage or (ii) throwing of *bidi*/cigarette ends by workers while depositing unused explosives at the end of the day. However, the exact cause of fire is under investigation (March 1976) by the Explosives Inspector of the Government of India, Nagpur. The Management has completed the survey report and has proposed write off of the loss (August 1975).

Transit losses of gypsum

(iii) Transit losses in gypsum had increased from 6 per cent in 1968-69 to 12 per cent in 1972-73 onwards.

The value of the shortage in excess of 6 per cent amounted to Rs.2.50 lakhs, Rs.2.46 lakhs and 1.20 lakhs in 1972-73, 1973-74 and 1974-75 respectively. During the period when Churk factory was run by Government as a departmentally managed undertaking, the permissible limit of transit loss was fixed at 6 per cent.

Construction of quarters

(iv) In March 1972, tenders were invited by the Company for construction of workers' quarters (50 single storey units) at an estimated cost of Rs.3.34 lakhs. Out of three tenders received the first and the second lowest tenders (for Rs.2.25 lakhs and Rs.2.28 lakhs) were rejected by the Company (28th April 1972) on the grounds that the offers were not accompanied with earnest money (Rs.5,000). The work was awarded (May 1972) to the third lowest tenderer (who had not executed any work for the Company earlier) at the negotiated value of Rs.2.34 lakhs against the tendered value of Rs.2.66 lakhs. The first and the second lowest tenderers, who were executing different civil works of the Company satisfactorily, had requested (April 1972) for adjustment of the earnest money against the security deposit which was awaiting release by the Company. This was also in accordance with the practice then in vogue in the Company. Rejection of the lowest tender and award of the work to the highest tenderer resulted in extra expenditure of Rs.0.09 lakh.

In May 1972, the Company decided to construct double storey quarters instead of single storey and the contractor demanded five per cent extra over the tendered rate. The Civil Engineer of the Company recommended (September 1972) payment of one per cent extra only which was in accordance with the public works schedule of rates for similar work. However, the Company decided (January 1973) to pay five per cent extra as demanded by the contractor. This resulted in extra expenditure of Rs.0.11 lakh as compared to rate schedule of the Public Works Department.

The Management stated (January 1976) that the 5 per cent increase was allowed on the insistence of the contractor.

Manual extraction of cement from silos

(v) On 27th November 1972, it was noticed that the flow of cement from six silos in Dalla factory had stopped owing to chocking of air slides reportedly due to long storage of cement in the silos and seepage of moisture through silo roof and walls, resulting in the formation of lumps of cement near the silo gates. Extraction of cement from the silos by mechanical process had, therefore, become impossible. It was accordingly decided by the Management to get extraction of the cement done manually. During the period November 1972 to April 1975, 26859 tonnes of cement were extracted manually from the silos for which Rs.1.87 lakhs was spent, as detailed below :—

Period	Number of bags	Cement (in tonnes)	Amount spent (in lakhs of Rupees)	Remarks
Decemher 1972 to May 1973	120718	6035.9	0.49	Through work orders
July 1973 to October 1973	177009	8850.0	0.38	Through contract
November 1974 to April 1975	238471	11973.5	1.00	Departmental labour
Total ..	536198	26859.4	1.87	

SECTION III

OTHER GOVERNMENT COMPANIES

U. P. State Sugar Corporation Limited

33. (i) The Company was incorporated on 26th March 1971 with the object, *inter alia,* of carrying on the business of sugar mills and to manage any such business or undertaking as is entrusted to it by the Central or the State Government.

The State Government acquired 12 sick sugar mills in July 1971 under the U. P. Sugar Undertakings (Acquisition) Act, 1971 and transferred the same to the Company. The owners of these mills, however, filed writ petitions in the Allahabad High Court and seven of them obtained (July 1971) stay orders. The Company could, therefore, actually take over only five undertakings. The sugar mill at Kichha (Nainital) under construction by Bist Industrial Corporation Limited, which had already been acquired by the State Government in November 1970, was transferred to a subsidiary of the Company in February 1972. Besides, a sugar mill at Pipraich (Gorakhpur) was purchased by the Company in an open auction.

(ii) *Capital structure*

The Company was registered with an authorised share capital of Rs.5 crores which was increased to Rs.10 crores in 1972-73, mainly to accommodate the increased requirement of funds for purchasing the sugar factory at Pipraich and advancing money to suppliers of plant and machinery for new projects. The paid-up share capital was also increased from Rs.0·70 crore on 30th September 1971 to Rs.7.35 crores on 30th September 1974 and to Rs.9.55 crores on 30th September 1975. The entire share capital has been contributed by the State Government. The Company has also obtained loans from the State Government. The outstanding loan as on 30th September 1975 was Rs.2.95 crores including Rs.0.80 lakh provided in the U. P. Sugar Undertakings (Acquisition) Act, 1971 as compensation payable to the owners of the five sugar undertakings taken over by the Company under the Act *ibid.*

(iii) *Financial position*

The financial position of the Company for the three years ending

September 1974, is summarised below :—

(In lakhs of Rupees)

	1971-72	1972-73	1973-74
I. Liabilities			
(*a*) Paid-up capital	270.00	300.00	735.00
(*b*) Reserves and surplus ..	0.84	7.75	17.33
(*c*) Borrowings (including cash credit) ..	82.54	221.29	316.67
(*d*) Trade dues and other current liabilities (including provisions) ..	65.78	100.97	165.80
Total ..	419.16	630.01	1234.80
II. Assets			
(*e*) Gross block	75.83	118.54	243.36
Less depreciation	2.17	11.99	31.30
Net fixed assets ..	73.66	106.55	212.06
(*f*) Capital works-in-progress ..	8.98	29.39	272.26
(*g*) Investments	75.00	110.00	110.00
(*h*) Current assets, loans and advances ..	232.62	302.57	381.27
(*i*) Miscellaneous expenses and losses ..	28.90	81.50	259.21
Total ..	419.16	630.01	1234.80
Capital employed ..	240.50	308.15	427.53
Net worth ..	241.94	226.25	493.12

NOTE —(i) Capital employed represents net fixed assets *plus* working capital.
(ii) Net worth represents paid-up capital *plus* reserves *less* intangible assets.

(iv) *Working results*

The Company sustained losses since inception as detailed below :—

(In lakhs of Rupees)

	1971-72	1972-73	1973-74
Turnover	392.21	712.37	735.83
Manufacturing trading and selling expenses (including provision for depreciation and development rebate reserves)	414.25	765.01	913.58
Working loss	22.04	52.64	177.75

Kichha Sugar Company Limited

34. Bist Industrial Corporation Limited (a public limited Company) was incorporated on 20th March 1957 for establishing a sugar mill at Kichha (Nainital). Although the Unit obtained certificate of commencement of business on 23rd November 1957 and acquired land (157 acres), purchased some plant and machinery and constructed a few residential quarters, it could not go into production. With a view to bringing into use the surplus sugarcane grown in and around the *tarai* area and thereby helping the cane growers of that area, utilising the plant for production of sugar and providing employment to a number of people and to subserve the common good, the factory was acquired by Government on 12th September 1970 for Rs.131.59 lakhs. The undertaking was managed departmentally by Government upto 25th November 1971 when it was transferred to U. P. State Sugar Corporation Limited. A subsidiary, *viz.* Kichha Sugar Company Limited was incorporated on 17th February 1972 to manage its affairs.

(*a*) *Purchase of machinery*

Tenders were invited on 16th December 1970 by Government for supply, erection and commissioning of additional plant on turn-key basis (the last date of receipt of tenders was 30th January 1971 extended upto 20th February 1971). A commtitee was constitu ed by Government to finalise the tenders. The committee, in consultation with the National Sugar Institute, classified the equipment into four categories and requested the tenderers in May 1971 to quote afresh for each category separately. No decision on the revised offers, which included the lowest offer of a Calcutta firm (Rs.135.72 lakhs reduced by Rs.5.75 lakhs representing value of existing stores in hand at site), was taken by Government upto 25th November 1971 when the undertaking was transferred to the U. P. State Sugar Corporation Limited. On 26th November 1971 the Company in a meeting with the tenderers called for their revised offers. Out of six revised offers received, the lowest offer of a Yamunanagar firm for Rs.134.00 lakhs was considered acceptable for the following reasons :—

> The price was the lowest and delivery schedule was timely (within 18 months from the date of order). (ii) the supplier was on the approved list of the Government of India for supply of plant and equipment to sugar mills, and (iii) the supplier had experience and technical know-how for designing, fabrication and erection of sugar mills. No decision was, however, taken by the Company and the suppliers were again requested on

134.20
97
135.17

14th December 1971 to quote revised rates by 21st December 1971. Again, the lowest offer was from the Yamunanagar firm for Rs.134.00 lakhs. The Company, however, decided on 15th January ~~1972~~ to place the order on the Calcutta firm (second lowest) for Rs.134.20 lakhs. Before the order was placed by the Company the Calcutta firm increased its rate by Rs.0.97 lakh. This was accepted by the Company and a contract was finalised on 3rd February 1972. Delay of about nine months in acceptance of the offer of the Calcutta firm resulted in extra expenditure of Rs.5.20 lakhs (representing difference between its original offer of Rs.129.97 lakhs and value of the order for Rs.135.17 lakhs).

In accordance with the agreement, supply, erection and commissioning of the plant and equipment were to be completed by 15th October 1973. The plant was commissioned on 20th March 1974. The delay in commissioning was attributed to delayed supply of machines (filter presses, centrifugal machines, steam pipes, etc.) by the suppliers. Liquidated damages for the delay, amounting to 5 per cent of the contract value (Rs. 7.90 lakhs), which could have been levied under the contract, have not been levied (February 1976). Besides, in accordance with the agreement, performance guarantee cannot be deemed to have been fulfilled, until within one full crushing season available after commissioning of the machinery and equipment, 2000 tonnes of sugar cane are handled per day and processed for seven consecutive days. However, the plant could not achieve even 50 per cent of the rated and agreed capacity in the first crushing season and the Chief Engineer of the factory refused (5th May 1974) to take over the plant and informed the erectors accordingly. As the erectors had disbanded their site staff, the Kichha Sugar Company Limited decided (25th March 1974) to carry out the rectification work departmentally at the cost of the erectors. The rectification work was carried out departmentally for Rs.13.00 lakhs, out of which the erectors accepted a liability of Rs.3.93 lakhs only (May 1975). During the first full crushing season (1974-75) also the rated capacity was not achieved.

The Management stated in February 1976 that the question of recovery of cost of departmental rectification work was being pursued with the suppliers.

(*b*) *Overpayment*

In a meeting with the District Magistrate, Nainital and the proprietor of a firm of Bareilly, the General Manager, Kichha Sugar Factory agreed to purchase bagasse from the Co-operative Sugar Factory, Manjhola through the firm. Pending fixation of the rate of supply by the District Magistrate, Nainital as Administrator of the Manjbola Factory, the General Manager placed three orders on the firm during January and March 1974 for 8,000 tonnes of bagasse from the Manjhola factory. The firm, however, supplied only 4180 tonnes upto March 1974 as per the weight recorded in supply invoices and on that basis the supply was recorded in the books of the Company without weighment of each consignment on receipt at the Kichha Sugar factory. Further supplies of 905 tonnes were made in July 1974 and 718 tonnes in December 1974 (in the following season).

In June 1975, the General Manager informed the firm that the rate of supply had been fixed by the District Magistrate, Nainital at Rs.99 per tonne (Rs.70 as cost price *plus* Rs.29 for transport and handling charges). Accordingly, the firm preferred bills for supplies which were paid in full despite the fact that when the invoiced supply of 905 tonnes (July 1974) was weighed in the factory, the actual weight was found to be only 646 tonnes. The value of the shortage of 259 tonnes was Rs.0.26 lakh.

(c) Excessive driage loss

During March to June 1974, the Kichha Sugar Factory purchased 3.72 lakh quintals of sugarcane at its cane collecting centres. The sugarcane was transported from the centres to the factory through transport contractors who delivered only 3.59 lakh quintals sugarcane at the factory. The shortage of 12962 quintals (3.5 per cent of the quantity purchased) was treated as loss due to driage whereas according to the norm (one per cent) laid down by the Holding Company the loss should not have been more than 3722 quintals. The excess loss of 9240 quintals valuing Rs.1.18 lakhs was not investigated by the Management although the proportion of the loss in respect of 9 (out of 12) centres ranged between 2.29 and 7.05 per cent of the quantity of sugarcane despatched ; in the remaining three centres, it ranged between 0.5 and 1.9 per cent.

The Factory Management attributed (September 1974) the excesssive driage loss to :

(i) late start of cane crushing ;

(ii) erratic behaviour of the machinery in the first crushing season, due to which the sugarcane collected at the centres remained unlifted for some time ; and

(iii) pilferage of sugarcane *en route.*

(d) Excess consumption of lubricants

On a proposal of the General Manager, Kichha Sugar Factory submitted to the Holding Company in August 1974 for purchase of lubricants, the Engineer Adviser of that Company observed (August 1974) that generally, consumption of lubricants in the factory should be about 0.8 to 0.9 litre per 100 quintals of sugarcane crushed, but in view of the early stages of the plant operation the consumption could go upto 1.25 litres. The actual consumption of lubricants during 1973-74 in crushing 7.02 lakh quintals of sugarcane was, however, 31005 litres, i.e., 4.4 litres per 100 quintals. During 1974-75, it was 47,210 litres in crushing 27.17 lakh quintals, i.e, 1.7 litres per 100 quintals. Compared with the upper limit of consumption of 1.25 litres per 100 quintals, there was excess consumption of 22,230 litres (Value : Rs.1.00 lakh) in 1973-74 and 13,247 litres (Value : Rs.1.12 lakhs) in 1974-75.

The excess consumption of lubricants in 1973-74 was attributed by the Management to *(a)* initial filling of machines and use of 20 barrels (4,100 litres) for trial run of a centrifugal machine, *(b)* evaporation losses and *(c)* inexperienced staff.

In this connection the folowing points came to notice :—

(i) Quantity of lubricants received from suppliers was not verified at the time of taking delivery,

(ii) Issues were recorded periodically on the basis of the consumption reported by the factory,

(iii) There was lack of proper storage facility in the factory.

(e) Extra expenditure

Kichha Sugar Company Limited executed 15 agreements during December 1972 to January 1974 with a contractor of Bareilly for construction of residential and non-residential buildings at a total cost of Rs.26.46 lakhs, including cost of materials. In all the cases the tenderers were required to quote two different rates ; one with stipulation for departmental supply of materials (cement, bricks and steel) and the other with no such stipulation but with the contractor's liability for arranging these materials. The tendered rates with stipulation for departmental supply of materials were lower. The agreements were, however, executed with the contractor at the higher rates with the contractor's liability for arranging the materials.

In the course of execution of the works, the contractor was given materials (cement, bricks and steel) valuing Rs.3.79 lakhs from the Company's stock on the ground that with the arrival of one rake of slack coal it was possible to procure bricks at cheaper rates and that the contractor was facing difficulty in procurement of cement due to total control on distribution of cement.

As the coal supply had already been planned and the control over cement distribution was already there, this situation was well within the Company's knowledge at the time of entering into the agreements. In the absence of stipulation in the agreements executed with the contractor for payment at the lower rates for the items of work for which materials might be supplied by it, the factory had to incur extra expenditure of Rs.0.61 lakh.

(f) Installation of hot water plant

A proposal of the General Manager, Kichha Sugar Factory for installation of a hot water process sugarcane seed treatment plant at a total cost of Rs.18,000 was sanctioned by the Holding Company in October 1974. Before any action in the matter was taken, advice of the Main Sugarcane Research Station, Shahjahanpur and Indian Institute of Sugarcane Lucknow was sought by the Factory Management. According to the advice received in November 1974, hot air treatment was more effective, easy to handle and considerably cheaper than hot water treatment. On the basis of the cost of a hot air treatment plant departmentally fabricated in the Co-operative Sugar Factory, Manjhola, it was proposed to instal departmentally a hot air treatment plant at an estimated cost of Rs.11,000. On the grounds of non-availability of materials and requisite man-power it was, however, decided (January 1975) to purchase a hot water treatment plant.

Without inviting tenders, the offer of a firm of Lucknow for supply of a hot water treatment plant for Rs.42,000 was accepted by the Factory Management and advance payment of Rs.37,800 (90 per cent of the price) was made to the firm in February 1975. The plant was installed and commissioned in March 1975 at a total cost of Rs.48,372. On the first day of its operation the coils of the plant were burnt and its water tank started leaking. After repairs, the plant was utilised for treatment of only 251 quintals of sugarcane seed in that season (upto April 1975). The Management stated (March 1976) that the teething troubles of the plant were over and it was working satisfactorily.

Demurrage and detention charges

35. During December 1974 to February 1975, Bhatni unit of the U. P. State Sugar Corporation Limited incurred liability of Rs.80,509

on demurrage (Rs.40,946) and detention charges (Rs.39,563) on sugar-cane transported to the factory by rail. The Management requested the Railways for waiver of the charge as it was incurred due to:

(*a*) break-down of machinery in the factory ;

(*b*) late, irregular and accumulated arrival of loaded wagons, resulting in delay in unloading them ;

(*c*) placement of empty wagons at cane collection points in excess of requirements ; and

(*d*) shortage of storage space in the factory.

The Railways waived Rs.29,501 against the demurrage charges (November 1975) and Rs.19,782 against the detention charges (September 1975).

Extra expenditure in departmental manufacture of lime

36. During the crushing season of 1974-75 the Barabanki unit of the U. P. State Sugar Corporation Limited used 200 tonnes of lime for purification process of sugar. Out of this, 90 tonnes of lime were procured from the open market at Rs.241 per tonne and the remaining 110 tonnes were manufactured by the Company, without working out of the economics of manufacture of lime in the factory. The cost of manufacture of lime worked out to Rs.400 per tonne This resulted in extra expenditure of Rs.0.17 lakh approximately, being the differential cost of 110 tonnes at Rs.159 per tonne.

The Management stated (November 1975) that the high cost of departmental manufacture was due to non-availability of coal at controlled rates.

Purchase of firewood

37. (*a*) On 22nd August 1974, the U. P. State Sugar Corporation Limited invited tenders (last date of submission being 6th September 1974) for purchase of 2.3 lakh quintals dry firewood to be delivered in its sugar factories at Sakhoti Tanda (60,000 quintals) and Mohiuddinpur (40,000 quintals) and three private sugar factories under the management of the Company at Rohanna Kalan (50,000 quintals), Saharanpur (50,000 quintals) and Doiwala (30,000 quintals). The tenderers were required to quote separate rates for three different delivery periods from 1st October 1974 to 15th November 1974, 1st December 1974 to 7th January 1975 and 1st February to 31st March 1975. Thirteen tenders were received out of which four tenders were rejected on the ground of shortfall in the earnest money deposited by them. The remaining nine tenderers were called for negotiation and discussions were held with their representatives individually on 18th September 1974.

After negotiations purchase orders for supply of 1.91 lakh quintals firewood for Rs.42.46 lakhs (sales tax extra) were placed in October 1974 with eight firms of Meerut, Delhi, Dehradun and Haldwani at different rates for different delivery periods and different factories. The price per quintal ranged from Rs.21.00 to Rs.22.10, Rs.21.45 to Rs.23.50 and Rs.22.10 to Rs.23.00 for the first, second and third delivery periods respectively. During the same period purchases of firewood (in small quantities) were made by the General Managers of the various sugar factories owned by the company as well as those of the factories under its management at rates ranging between Rs.14.50 and Rs.16.50 per quintal. Compared with the higher rate of Rs.16.50 per quintal, there was extra expenditure of Rs.11.02 lakhs in the purchase of 1,90,500 quintals of firewood (at rates ranging between Rs.21.00 and Rs.23.50 per quintal).

The Management stated (February 1976) that there was an unforeseen fall in the price of firewood during the second half of the crushing season of 1974-75 due to :—

(i) reduction in transport charges by Rs.2.50 per quintal on account of improvement in supply position of diesel oil ;

(ii) fall in demand for firewood consequent on easier availability of electric power and coal ;

(iii) reduction in holding power of dealers in firewood due to credit squeeze.

It was also stated that the firewood ordered by the Company was for more than one year old stock while the General Managers had purchased six months old semi-dry firewood.

(*b*) (i) Under the rules of the Company, the General Manager of a sugar factory is authorised to purchase firewood if the cost of the total requirement for a whole year does not exceed Rs.1 lakh. During the year ending September 1974, the sugar factory at Khadda consumed 15,000 quintals of firewood. Without any appreciable change in the condition of the plant and machinery and as per the targets of sugar production, the requirement of firewood for the year ending September 1975 should have been assessed at about 15,000 quintals. In anticipation of rehabilitation of the factory plant and machinery which were expected to result in economy in fuel consumption, demand for purchase of 7,000 quintals firewood was worked out. On that basis the General Manager executed an agreement, on 19th September 1974 with a contractor of Lucknow for purchase of 6,000 quintals of firewood at Rs.16.40 per quintal (sales tax extra). Shortly thereafter, another agreement was executed (22nd October 1974) by the General Manager with the same contractor for supply of 6,000 quintals of firewood at the same rate on the ground that the rehabilitation programme has been dropped on account of financial stringency. It was followed by another order on 8th November 1974 for 2,000 quintals on the same party at the same rate. Thus, piecemeal purchase of 14,000 quintal firewood valuing Rs.2.30 lakhs (sales tax extra) was made by the General Manager without obtaining the approval of the Board of Directors.

The Management stated (February 1976) that owing to delay in installation of steam economy equipment more firewood was required than anticipated and to ensure timely supply the arrangement made prior to commencement of the season was continued.

(ii) Against the first two contracts mentioned above the contractor and his agents consigned 12,175 quintals of firewood, as per weight recorded in the railway receipts of North Eastern Railways. Payment was, however, made for 15,345 quintals, resulting in overpayment of Rs.0.52 lakh. The Management stated (February 1976) that the weight recorded in the railway receipts was not accepted as the basis of payment since pilferages in transit take place and that the weight was determined with reference to the square metre of wagon area after random sample weighment of the firewood.

U.P. State Agro Industrial Corporation Limited Lucknow
(a) Infructous expenditure

38. Owing to power cuts and since the labour strength employed in the Company's workshop at Aishbagh, Lucknow was considered in excess of requirements, the Management retrenched 82 workmen with effect from 13th July 1973. The retrenched workmen (49 out of 82) filed a complaint with the Industrial Tribunal which decided (December 1973) the issue *ex parte* (as neither any adjournment was sought nor did the Management contest the case on two consecutive hearings) and held the Company's action illegal since the prescribed conditions envisaged under the Industrial Disputes Act, 1947 were not observed. The surplus workmen had compulsorily to be taken back. This resulted in payment of Rs.1.24 lakh (including liability for Rs.0.61 lakh) on wages to the workmen for the period when they remained out of employment.

The Management has stated (December 1975) that an enquiry in this case is being conducted and suitable action will be taken against the officers at fault.

(b) Double payment of duty

With effect from the midnight of 28th/29th May 1971, the Government of India levied customs, routine and countervailing duties on import of certain goods, including tractors which were till then free from such duties. Countervailing duty was leviable at 10 per cent on all excisable goods and an equivalent credit was to be allowed by the Excise authorities, subject to certain conditions laid down in the Central Excise Rules, 1944.

The Company imported 750 Zetor tractors in semi-knocked-down condition during July-August 1971, on which Rs.12.15 lakhs were paid as countervailing duty (at 10 per cent of the c.i.f. value) to the port authorities in Bombay. These tractors were again subjected to excise duty (Rs.13.82 lakhs including duty of Rs.1.21 lakhs on the countervailing duty of Rs.12.15 lakhs already charged) after assembly at Lucknow without allowing credit for the countervailing duty paid at the time of port clearance, on the ground that prior intimation regarding the receipt of the countervailing duty paid materials had not been given to the Excise Department to enable its officers to be present at the time of opening of consignments (brought in original packings) as required under the Central Excise Rules, 1944. The Superintendent, Central Excise, Lucknow, to whom an appeal was made by the Company in March 1972 to afford *pro forma* credit for the countervailing duty, rejected the appeal stating that the conditions laid down in the Central Excise Rules could not be relaxed with retrospective effect. The tractors, which were sold (during the period from September 1971 to April 1973) to the cultivators in the State, thus cost Rs.12.15 lakhs more. The Management stated (October 1975) that since the entire amount paid as countervailing and excise duties (Rs.25.97 lakhs) was included in the cost of the tractors, and was recovered from the purchasers, no loss was sustained. Thus, the burden of double payment of excise duty was borne by the cultivators.

The Management further stated (January 1976) that an appeal had been filed before the Central Board of Excise and Customs.

(*c*) *Loss in fertilizer trading*

Bulk procurement and distribution of fertilizers in the State is done by the Company, besides three other agencies, *viz*. U. P. Prantiya Co-operative Federation Limited, U. P. Co-operative Cane Union Limited and the Agriculture Department.

The table below shows the procurement, distribution and closing balance of fertilizers handled by the Company during the three years ending 1974-75 :—

(in tonnes)

Year	Opening stock	Purchases	Sales	Closing stock
1972-73	35,793	1,55,944	1,72,343	19,394
1973-74	19,394	1,94,029	1,97,290	16,133
1974-75	16,133	94,307	74,921	35,519

The Management stated (January 1976) that the lower off-take of fertilizers during 1974-75 was due to :—

(i) increase in prices ;

(ii) sales through retail sales depots instead of bulk sales to dealers ;

(iii) linking of fertilizer sales to the farmers with the procurement of wheat from them (April to July 1974) and sales against permits, input cards and *jot bahis* (July to November 1974); and

(iv) sales by the Company being in cash while credit facilities were available to the farmers in respect of purchases from Government stock and from stocks held by the Co-operative Federation and the Cane Union.

The working results of the Company's trading in fertilizers for the three years upto 1974-75 are given below :—

(Rupees in crores)

Year	Sales	Profit (+)/ Loss (—)
1972-73	14.34	(+)0.15
1973-74	18.42	(+)0.55
1974-75	11.64	(—)0.52

The increase in profit in 1973-74 was attributed by the Management (January 1976) mainly to :

(i) up-ward revision of prices of fertilizers in October 1973 resulting in higher selling prices and higher valuation of unsold closing stock ;

(ii) lower interest charges paid to banks ; and

(iii) less payments for hiring of godowns.

The loss in 1974-75 was attributed (January 1976) by the Management mainly to the following :

(i) extra expenditure of Rs.11.30 lakhs as establishment charges and depot rent owing to change in the distribution arrangements as per the instructions of the State Government. (Upto 1973-74 sale was mostly done in bulk through dealers appointed by the Company). During 1974-75, the Company had to set up 200 more retail shop in addition to the 100 existing shops ;

(ii) increase in interest rates and bank borrowings involving additional financial burden of Rs.21 lakhs ;

(iii) reduction of Rs.20 lakhs in valuation of the closing stock as on 31st March 1975, due to reduction in sale price of indigenous fertilizers ; and

(iv) turnover (0.75 lakh tonnes) as compared to the previous years (1.72 and 1.97 lakh tonnes in 1972-73 and 1973-74 respectively) which accounted for a fall in the net income of Rs. 28 lakhs.

(d) Oishii open-air restaurant

In March 1972, the Company established an open air restaurant at Lucknow at a capital investment of about Rs.2 lakhs on buildings, furniture, crockery, utensils, etc. with the object of pupularising the products of its processed fruits division. The restaurant incurred losses of Rs.0.61 lakh, 0.28 lakh and 0.16 lakh during 1972-73, 1973-74 and 1974-75 (April to July 1974) respectively and was closed down in July 1974. The reasons for the closure of the restaurant were stated by the Management (January 1976) to be :—

(*a*) unfavourable public opinion ;

(*b*) the main purpose, viz. popularising the Company's products had been substantially achieved ;

(*c*) the space was required by the Company for a larger sales counter, a storage godown and for a staff canteen.

The losses were attributed by the Management (January 1976) to the following :

(i) it took some time to develop the clientele ;

(ii) engagement of more staff, keeping in view the extensive area of the open air restaurant as compared to a closed door compact restaurant ;

(iii) sale prices were kept relatively low to attract more customers.

U. P. State Textile Corporation Limited, Kanpur

(a) Payment of interest for default under Income Tax Act

39. The Company filed (13th March 1974) wtih the Income Tax Department an estimate of current income for the accounting year 1973-74, showing a profit of Rs.30 lakhs, based on the annual budget estimates of the Company adopted by the Board of Directors on 6th December 1973. The due date for filing of the income tax return

to the Income Tax Department was 31st July 1974. However, the return could not be filed as the accounts for the year 1973-74 were finalised only on 21st October 1974. Presuming that the accounts would not be finalised within the due date (31st July 1974) the Income Tax Adviser to the Company advised it to file a provisional return, within the due date. This was not done and the return was filed on 23rd October 1974 after the accounts were finalised showing a taxable income of Rs.80.91 lakhs. The Income Tax authorities assessed (December 1974) a tax of Rs.47.90 lakhs on the basis of taxable income shown in the return and as the variation between the actual taxable income and the estimated income (shown in the estimate of current income) was more than 25 per cent and as the income tax return had not been filed within the due date (31st July 1974) a penalty by way of interest (at the rate of 12 per cent) amounting to Rs.3.03 lakhs was also imposed on the Company. This was paid on 4th March 1975.

The Management stated (January 1976) that on appeal, income tax liability had been reduced to the extent of Rs.99,723 with a corresponding reduction in interest liability by Rs.12,000.

(b) Non-receipt of consignments

A spinning mill of Kanpur despatched (6th June 1973) 40 bales of cotton yarn (value : Rs.0.39 lakh) to the Varanasi Depot of the Company through a goods carrier. The consignment was not delivered and according to the Management it was "fraudulently lifted by some miscreants, probably by the Depot Manager himself, under fake signatures". The fact came to the knowledge of the Company in August 1974 and it was subsequently reported to the Police ; investigation report is awaited (March 1976).

In another case, 49 bales of staple yarn (value : Rs.1.24 lakhs) were despatched to Varanasi Depot by a firm. Although goods receipt issued by the carrier on 7th March 1974 was duly acknowledged by the Depot Manager on 29th March 1974, the consignment remained unlifted pending settlement of the carrier's claim for Rs.4,000 as demurrage. In the meantime, the material was alleged to have been lifted by an unknown person under forged signature from the godown of the carriers. This came to the knowledge of the Company in August 1974. The matter was reported by the Company to the police who have registered a case against the Depot Manager.

In a third case, a yarn dealer of Sitapur lifted 18 bales of yarn (value : Rs.0.24 lakh) on presentation of fake proof of payments into bank and the goods were delivered without verifying the actual deposits. The matter was under police investigation.

Bundelkhand Vikas Nigam Limited

Setting up a pole factory

40. As a part of the development programme of the backward area of Bundelkhand, the Company decided (March 1972) to set up in collaboration with the U. P. Small Industries Corporation Limited a prestressed cement concrete pole factory at Kalpi, to be owned and managed by a subsidiary company, with an authorised capital of Rs.10 lakhs. The Company entered into an agreement with a consultancy firm of Madras in November 1973 for preparation of a detailed project report and supply of detailed designs and engineering documentation necessary for commissioning of the project for which a consolidated remuneration of Rs.0.58 lakh was to be paid (Rs.0.17 lakh were paid in April 1974). In February 1974, possession of 3 acres of land at Kalpi was taken over but Government directed the Company (July 1974) not to utilise it pending a final decision. In the meantime, the Company had purchased machinery and other equipment (0.44 lakh) and one 163 K.V.A. diesel generating set at a cost of Rs.1.10 lakhs and had also spent Rs.0.21 lakh on salaries, allowances and other miscellaneous expenditure upto 31st March 1975. The Company decided to abandon the project in June 1975 as it was informed by the State Electricity Board that it would not require poles proposed to be manufactured by the project. The machinery and other equipment purchased have not been put to any use so far (March 1976).

The Indian Turpentine and Rosin Company Limited, Bareilly

Payment of commission to agents

41. As per agreements executed with five selling agents, commission at 4 per cent is payable to the agents on sales made by them out of the stock of the Company's product held by them. No agency commission is payable on sales made by the Company directly to the purchasers in the areas covered by the agents. Commission, at rates to be agreed upon can, however, be paid to the agents on direct sales resulting from enquiries/orders received through the agents. During the period from April 1972 to December 1974, commission at 4 per cent, aggregating Rs.0.84 lakh, was paid to these agents on sales made by the Company directly to the purchasers in their areas with or without receiving any enquiries/orders from them.

Government stated (December 1975) that this point would be kept in view at the time of renewal of the selling agency agreement.

U. P. State Bridge Corporation Limited

Construction of a bridge over river Karamanasa

42. In January 1974, the Company undertook sinking of four wells for construction of a Bridge over river Karamanasa in Ghazipur district for the State Government. Detailed estimates for construction of the bridge were not prepared nor was administrative approval and technical sanction accorded by Government prior to taking up the work. Funds for the purpose were also not allotted. The work was, however, taken up by the Company in anticipation of sanction and provision of funds. As per drawings, the depth of the wells required to be sunk was 22 metres ; however, the depth of the wells sunk till stoppage of the work ranged between 3.20 metres to 4.28 metres against the required safe depth of 14.70 metres (2/3rd of the total depth of the wells).

In August 1974, the Managing Director ordered stoppage of the work on the project. Cement, other building materials and heavy tools and plants were withdrawn from the site of the work. An investment of Rs.2.54 lakhs made on the project upto December 1975, has therefore, remained idle and is likely to prove unfruitful due to the wells not being sunk up to the safe depth.

The Management stated (January 1976) that the administrative sanction of the State Government for the work had been accorded in October 1975.

U. P. Small Industries Corporation Limited

(a) Demurrage and wharfage

43. During the period from April 1974 to October 1974, the Company paid Rs.0.48 lakh towards demurrage and wharfage for release of railway consignments at the three raw materials depots at Bareilly, Ghaziabad and Meerut. This was attributed to delay in obtaining the railway receipts on account of defects in the procedure. Under the procedure followed by the Company, railway receipts are initially received in the headquarters office from the officers of local producers of raw materials and then despatched to the various depots. The expenditure could have been avoided had the railway receipts been sent to the raw materials depots direct by the producers.

The matter was reported to Government in August 1975 ; reply is awaited (January 1976).

(b) Import of machinery

Under the scheme of import and financial assistance to small scale industrial units in the State, a "Double Turn Press", along with accessories, costing Rs.2.31 lakhs was imported in September, 1972 from

West Germany on behalf of an unit of Ghaziabad, without obtaining any security from the latter. On arrival of the machine in February 1973, the Ghaziabad firm did not take its delivery for want of funds and insisted on its allotment on hire-purchase basis, to which the Company agreed. The machine was allotted to the firm in December 1973 at a consolidated cost of Rs.2.78 lakhs, on hire-purchase basis. The machine could not, however, be lifted by the unit (January 1976) because the Controller, Imports and Exports, had not accorded formal permission for transfer of title. The machine with accessories is lying duly packed at the Company's depot (February 1976).

The matter was reported to the Company in (July 1975 ; reply is awaited (March 1976).

(c) *Import of steel sheets*

Under the scheme of import and financial assistance to small scale industrial units in the State, hot rolled mild steel sheets of the c.i.f. value of £15,534 (equivalent to Rs.2.82 lakhs) were imported in May 1971 from U. K. on behalf of an unit of Ghaziabad, for which import licence had been procured by the Company in June 1970. Although the consignment arrived in Bombay port in May 1971, it was not lifted by the Ghaziabad unit as requisite formalities were not completed by it. The consignment was, however, released in favour of the Company in August 1971 on the undertaking that it would be ultimately released to the unit after the formalities were completed. The consignment (consolidated cost : Rs.5.99 lakhs) is lying (March 1976) at the Ghaziabad depot of the Company. The Management stated (March 1976) that efforts to sell the material to other actual users had also not been successful due to general slump in the market.

(d) Dyes and chemicals

To assist the handloom weavers in the State, dyes and chemicals (c.i.f. value : Rs.3.34 lakhs) were imported by the Company during 1970-71 against an import licence sponsored by the Director of Industries, at a total cost of Rs.6.49 lakhs including clearing, transportation and other charges. As the Company could not arrange for sale of the materials to the weavers, efforts were made (August 1973) to dispose of the same by bulk sales to the U. P. Industries Co-operative Association Limited, the apex body of the handloom co-operative societies, but no agreemnt in regard to the price to be charged could be arrived at and in February 1974 the Company obtained permission of the Director of Industries to dispose of the materials in any manner deemed fit. The Company invited tenders in July 1974 for sale of ten items valuing Rs.5.03 lakhs ; for one item (Formosul Rengolites) valuing Rs.0.48 lakh no offer was received and for the remaining nine items (value : Rs.4.54 lakhs) the highest offer of Rs.3.36 lakhs was accepted, entailing a loss of Rs.1.18 lakhs. The purchaser has lifted materials valuing Rs.3.05 lakhs at its tendered rate and the remaining materials valuing Rs.0.31 lakh are still to be lifted (February 1976).

The Management has not stated why in the absence of any firm demand from intending buyers among the handloom units, dyes and chemicals were imported.

The matter was reported to the Company in July 1975 ; reply is awaited (January 1976).

CHAPTER II

STATUTORY CORPORATIONS

SECTION IV

Introduction

44. There were four Statutory Corporations in the State as on 31st March 1975, *viz.*, Uttar Pradesh State Electricity Board, Uttar Pradesh State Road Transport Corporation, Uttar Pradesh State Warehousing Corporation and Uttar Pradesh Financial Corporation.

(*a*) *Uttar Pradesh State Electricity Board*

Uttar Pradesh State Electricity Board was established on 1st April 1959 under section 5 of the Electricity (Supply) Act, 1948.

(i) *Loan capital*

The aggregate of long term loans, including loans from Government, bonds, debentures and deposits obtained by the Board was Rs.1127.35 crores at the end of 1974-75 and represented an increase of Rs.156.75 crores over the total long term loans of Rs.970.60 crores at the end of the previous year.

(ii) *Guarantees*

Government guaranteed repayment of loans of Rs.149.33 crores obtained by the Board, against which Rs.133.01 crores were outstanding as on 31st March 1975.

(iii) A synoptic statement showing the summarised results of the working of the Board is given in Appendix III. The billing and collection procedure of the Board has been dealt with in Section V.

(*b*) *Other Statutory Corporations*

Uttar Pradesh State Road Transport Corporation was established on 1st June 1972. Government have not prescribed the form of accounts including profit and loss account and balance sheet (March 1976). The Corporation has not prepared its accounts for any year since its inception.

A review on the working of Uttar Pradesh State Road Transport Corporation has been included in Section VI.

The accounts of the Uttar Pradesh State Warehousing Corporation for the year 1974-75 have not been received so far (April 1976).

Uttar Pradesh State Financial Corporation

(i) *Capital*

The paid-up capital of the Corporation as on 31st March 1975 was Rs.265 lakhs, representing an increase of Rs.40 lakhs as compared to the capital of Rs.225 lakhs at the end of the previous year. The investment of the State Government in the paid-up share capital was to the extent of 68.06 per cent. The remaining 31.94 per cent was contributed by the Reserve Bank of India and the I .D. B. I. (20.75 per cent), banks and financial institutions (10.23 per cent) and others (0.96 per cent).

(ii) *Long-term loans*

The balance of long-term loans obtained by the Corporation was Rs.1840.04 lakhs on 31st March 1975 and represented net increase of Rs.393.22 lakhs over the balance of Rs.1446.82 lakhs at the end of the previous year. The break-up of the long-term loans, according to the sources of finance, was as under :—

(In lakhs of Rupees)

Invested by Government of Uttar Pradesh	Government of India	Others	Total
76.86	..	1763.18	1840.04

(iii) The Corporation earned a net profit of Rs.87.10 lakhs in 1974-75. A synoptic statement showing the summarised results of the working of the Corporation is given in Appendix III.

SECTION V

UTTAR PRADESH STATE ELECTRICITY BOARD

Billing and collection procedure

45. The Board has not (March 1976) prepared any Manual prescribing the procedure for billing and collection of electricity charges from the various categories of consumers. The procedure, prescribed through orders issued from time to time, varies from unit to unit and depends upon the nature of the connected load of the consumers. The procedure is different in rural areas as compared to that in the urban areas.

Upto October 1974, all consumers were billed on the basis of actual consumption of power as recorded in meters. Under the tariff schedule introduced from 12th October 1974, energised State tubewells as well as private tubewells are charged a fixed monthly amount and consumption of energy by these consumers is not metered. All the other categories of consumers continue to be billed on the basis of recorded consumption, subject to certain minimum charges.

In prescribing the periodicity of meter readings and the time limit within which bills are to be issued thereafter, consumers (excepting State tubewells and private tubewells) are grouped under three categories, *viz.* :—

(i) bulk consumers, including large and heavy power consumers, railway traction and licensees.

(ii) small and medium power consumers, and

(iii) domestic and commercial consumers.

In the case of bulk consumers, where the connected load does not exceed 500 KVA, meter reading is to be taken on the last day of each month by the Sub-Divisional Officer or by a Junior Engineer, but if the connected load exceeds 500 KVA the reading is to be taken by the Executive Engineer personally. For bulk consumers with 500 KVA or less connected load, bills are required to be issued within 10 days of the following month and in other cases by the third day of the following month. In the case of small and medium power consumers the meter readings are to be taken during the twentieth and twenty-fifth of each month and bills are to be issued by the tenth of the following month. In the case of domestic and commercial connections, meter reading as well as issue of bills is done once in two months, the dates being the same as in the case of small and medium power consumers. Generally, the consumers are required to make payment of a bill within 15 days of its issue. In the event of delay, bulk consumers are required to pay a surcharge of 5 paise per day for every 100 rupees or part thereof (increased to 7 paise per day from October 1974). Other categories of consumers forfeit the rebate which is allowed for payment within the due date.

The first meter reading and issue of the first bill takes place only after a connection has been recorded in the consumers ledger of the division in the name of the consumer.

46. Under the standing orders of the Board, a connection given to a new consumer is required to be entered in the consumers ledger within one month and the first bill is to be issued thereafter as soon as the meter reading has been taken. A test check carried out (September-October 1975) in 31 divisions indicated that there had been considerable delay in recording new connections in the consumers ledger, resulting in corresponding delays in issue of the first bills. Against 7727 new connections given in these 31 divisions, there were delays in issue of first bills for periods over one year in 1070 cases. In 1546 other cases, the delays were for periods ranging from six months to one year.

The test check also showed that in a number of cases, entry in consumers ledger had not been made upto 31st March 1975. For example, in the case of private tubewells/pumping sets, the total number of connections given in the State as on 31st March 1975 was 2.31 lakhs, whereas the number of consumers of this category entered in consumers ledger on that date was 2.28 lakhs only. In one unit, the monthly meter installation reports for 152 consumers, received from the concerned Test Division during April to September 1974, had not been attended to upto July 1975.

Delay in meter reading and issue of first bill

47. In order to ensure prompt realization of charges for electricity supplied, it is essential that meters are read correctly and in time. It was noticed that the full time Meter Readers appointed by the Board did not take the readings regularly, paricularly in the rural areas. In two units, 10 consumers who were given connections between July 1972 and December 1973, were not billed either for the minimum charges or for energy actually consumed upto July 1975, because the meters had not been read, even though the particulars of the consu-

mers had been recorded in the consumers ledger between January 1975 and May 1975. In 5 other units, 110 consumers entered in the consumers ledger were billed only for the fixed B. H. P. charges during January 1972 to October 1974 and bills in respect of power actually consumed could not be issued as meter readings had not been recorded. In another unit, 124 consumers of different categories had not been billed (June 1975) for periods ranging between 7 months and 3 years as meter readings had not been taken.

Even in respect of heavy power consumers, where bills are usually for large amounts and where reading of meter is the personal responsibility of the Sub-Divisional Officer or the Executive Engineer, a number of cases of delay in meter reading were noticed as indicated in the statement below :—

Name of the Electricity Maintenance Division	Delay		
	Upto one month	One to six months	More than six months
Faizabad	47	4	..
Akbarpur	41	4	11
Hardoi	89	..	..
Basti	156	..	..
Pratapgarh	33	..	..
Gonda-II	23	8	..
Raebareli	32	..	..
Gonda-I	91	..	..
Bahraich	40	..	..
Rampur	115	..	..
Total ..	667	16	11

The table below lists out the cases of delay in issue of bills after particulars of the consumers had been recorded in the consumers ledger in respect of 27 divisions :—

Name of the Electricity Maintenance Division	Delay: More than one but less than three months	Three to six months	Six to twelve months	More than twelve months
1	2	3	4	5
Faizabad	68	26	6	..
Akbarpur	72	7	..	2
Hardoi	57	53	5	..
Pratapgarh	56	..	..	..
Deoria	..	5	..	..
Ballia	426	69	..	..
Mau	678	7	..	..
Gonda-II	23	..	..	..
Fatehpur	461	..	..	..
Shahjahanpur	15	12	17	33
Raebareli	11	2	4	1
Gonda-I	215	65	..	..
Bahraich	612	197	31	10
Garhwal Division Uttarkashi ..	9	..	..	..
Meerut	71	..	23	..
Baraut	1255	39	..	..
Jaunpur	403	..	..	..
Srinagar	23	..	..	..
Mainpuri	9	..	..	..
Jhansi	13	..	..	..
Bareilly	2	2	1	1
Roorkee	109	186	..	..
Ba abanki	92	15	..	..
Haldwani	14	3	..	..
Almora	102	61	11	..
Kanpur Electricity Supply Administration ..	17	32	13	..
Rampur	418	22	5	..
Total	5,231	803	116	47

Note :—The above cases of delay were detected on test checking of only 5 per cent of the bills.

Delay in issue of bills

48. The Board has prescribed the period within which bills are required to be prepared and issued after meter readings have been taken. It was noticed that there had been considerable delay in preparation and issue of bills in almost all the units of the Board. The table below indicates the cases of delay in issue of bills after meter reading, in some of the units :—

(Number of bills)

Name of the unit	Delay			
	Less than 15 days	15 days to one month	One month to two months	Over two months
Mechanical billing				
(*a*) Kanpur Electricity Supply Administration	..	..	2,23,326	..
(*b*) Lucknow Electric Supply Undertaking	80,299	..	..	..
(*c*) Electricity Maintenance Division I, Meerut ..	..	..	19,259	11,347
Manual billing				
(i) Light and fan, Private tubewell and Power				
(*a*) Electricity Maintenance and Rural Electrification Circle, Lucknow ..	1,77,271	61,896	19,037	..
(*b*) Electricity Maintenance Division, Basti	4,525	2,254	39,854	..
(*c*) Electricity Maintenance Division, Faizabad ..	..	..	..	21,334
(*d*) Electricity Maintenance Division, Rampur ..	..	..	769	344
(*e*) Electricity Maintenance Division, Pratapgarh ..	..	..	..	2,436
ii) Large and heavy power				
(*a*) Electricity Maintenance Division, Faizabad ..	29	6	6	2
(*b*) Electricity Maintenance Division, Akbarpur ..	38	11	8	11
(*c*) Electricity Maintenance Division, Hardoi	37	..	..	..
(*d*) Electricity Maintenance Division, Deoria	114	68	17	..

Name of the Unit	Delay: Less than 15 days	15 days to one month	One month to two months	Over two months
(e) Electricity Maintenance Division, Pratapgarh	42	..	..	..
(f) Electricity Maintenance Division, Basti	104	39	..	..
(g) Electricity Maintenance Division II, Gonda	21	9	1	..
(h) Electricity Maintenance Division, Raebareli	32	..	..	..
(i) Electricity Maintenance Division I, Gonda	83	..	..	..
(j) Electricity Maintenance Division, Bahraich	37	..	..	..

Computerised billing

49. Preparation of bills is manually done in most of the units through billing clerks. In Kanpur Electricity Supply Administration (KESA), mechanical billing through ICL system was being done at the time it was taken over and the same system is continuing. In 1965-66, however, first steps towards mechanical billing through I.B.M. Hollarith system were taken in the Lucknow Electricity Supply Undertaking (LESU). The facilities available/set up at Lucknow were utilised from April 1965 to extend mechanical billing to eight other divisions. In 1968, seven of these divisions reverted to manual billing on the ground of delay involved in feeding data due to lack of co-ordination, irregular meter readings and shortage of staff. Mechanical billing continued to be done only in KESA, LESU and AESU. The Board has considerable unutilized machine capacity. The existing capacity in Lucknow on single shift basis is 1.5 lakh bills per month and the utilization of this capacity, at present, is only up to 40,000 bills.

In November 1974, the Board examined afresh the desirability of extending the scope of mechanical billing, considering the large increase in the number of consumers over the years and ineffectiveness of control over the billing work in its revenue divisions. The Chef Engineer of the Board felt that delay in billing and wrong billing had caused considerable loss to the Board; however, no study to assess the extent of such loss had been undertaken.

Instead of examining the possibility of extending the scope of mechanical billing through optimum utilization of surplus mechine capacity already available, the Board entered into an agreement with a firm of Delhi on 30th December 1974 for computerised billing of consumers in 12 divisions, in seven of which mechanical billing had at one stage been done but discontinued in 1968. The agreement was entered into on the basis of an offer made by the Delhi firm, without inviting competitive tenders, on the ground that the Board was not aware of any other organisation which could render similar service. Howevere, on 18th September 1975 another agreement (again on the basis of a single offer was entered into with another firm of Delhi for similar services for five divisions in the first phase.

It was assessed by the Board that the cost per bill as per the first agreement would come to Rs. 1.06 and in the second agreement the flat recurring charge per consumer would be Rs. 1.50 in the first phase for five units and Rs. 1.02 in the second phase on extension of services to other units. The actual cost to the Board per bill in its own systems at Lucknow and Kanpur was Re. 0.84 and Re. 0.88 respectively. It was also noticed that in the Varanasi Electricity Supply Undertaking, taken over by the Board in February 1975 I. B. M. data processing machine hired at a rental of Rs. 0.24 lakh per month was being utilised only to the extent of fifty per cent of the capacity.

Printing of bills in terms of the two agreements referred to above commenced in April 1975 and August 1975 respectively; the Board had not (March 1976) analysed the actual cost per bill, including overheads. An analysis made in Audit of some bill submitted by the first firm indicated that the service charges per bill was Rs.1.92 (Rs.1.51 plus Re.0.34 towards cost of stationery plus Re.0.07 as interest charges, per bill against the original estimate of Rs. 1.06 per bill on the basis of which the Board's approval was accorded. For mechanical billing work the Board has set up an office at Lucknow, three service centres at Meerut, Agra and Lucknow and one clearance office in Delhi. For these newly created offices one Officer On Special Duty, four Executive Engineers, nine Assistant Engineers and 38 other staff were employed in August 1975. Subsequently, two more posts of Executive Engineer and four posts of Assistant Engineer have been created. The present monthly expenditure on salaries alone is Rs. 0.80 lakh. The incidence of this expenditure per bill comes to Re. 0.81.

While deciding on computerised billing through the first firm, it was contemplated that there would be saving in expenditure of Re. 1 per bill on account of the then existing staff engaged on manual billing being spared for other duties. This anticipated saving has not, however, materialised. In all the divisions concerned, the entire strength of staff has been retained and most of the divisions have asked for additional hands. The staff has been utilized for collection and processing of data for feeding the computer. The entire expenditure on mechanical billing is, therefore, additional expenditure for the Board and the incidence of this over a full year would be Rs. 0.37 crore for the 12 divisions.

A study made (November 1975) in some of the divisions indicated that the work relating to issue of bills has not been expedited. On the other hand there has been a further delay of one month on an average. It was also noticed that the Board had not devised any method of checking the accuracy of the firms' bills for services rendered by them and that payments were being made without any check.

Despatch of bills and collection

50. The Board uses different methods for despatch and delivery of bills to the consumers. In Lucknow and Kanpur city areas, bills are distributed through a contractor who charges 12 paise and 8 paise respectively for each bill to be delivered. In other cities, bills are sent by post and in smaller towns these are distributed through full time Bill Peons. For rural areas, bills prepared in the divisional offices are sent to the sub-divisional offices for distribution through Line Men or other staff available. Though the Board treats the date of preparation of bill as the date of despatch and computes the time of 15 days allowed to the consumers to pay the bill on that basis, in practice the bills are despatched and received by the consumers much later, resulting in delay in getting payments. Cases of receipt of bills by consumers after expiry of the scheduled date of payment are not infrequent. For power sold during January-March 1975 by the Lucknow Electricity Supply Undertaking, the prescribed last date of payment could not be enforced and extension of time ranging between 3 and 15 days had to be given to 80,292 consumers for bill amounts totalling Rs.38.88 lakhs, involving extra clerical work in rectification of the due dates of payment. The Board does not maintain any record about the actual date of despatch of bills.

From consumers located in the city/town where the divisional office is situated, payment of bills is accepted by the Divisional Cashier in cash, by cheques or money orders. From rural consumers, payments are received in the divisional office by money orders or cheques on a bank having a branch in the city/town. Cash payments are also accepted from rural consumers at collection centres by authorised officers of the Board. Cash so collected is required to be paid over to the Divisional Cashier along with a complete list of the consumers and copies of receipts issued to them by the collector. It was noticed during test audit that proper accounts of receipt books issued for realization of dues at collection centres was not maintained and return of such books is often delayed. There was also no systematic check to ensure that the amounts collected were promptly deposited.

Meter testing and replacement

51. Periodical test of meters and timely repair/replacement of defective meters is essential not only for correct billing of energy sold but also to provide a reliable basis for determining the quantum of line losses. Upto 1968-69, this function was assigned to the respective maintenance divisions. The Board has now gradually built up a separate organisation by creation of Electricity Test Divisions. On 31st March 1975, there were 16 such divisions in existence whose primary function was to procure and supply meters to new consumers, test periodically the meters installed and to replace defective meters. It was, however, noticed that the divisions were not keeping detailed records of meters found defective and meters replaced. It was also noticed that in regard to domestic connections the test divisions took up testing only when a defect report was received from the concerned maintenance division and that there was considerable delay in replacement of defective meters. For example, in Badaun division, eight meters found defective during March 1971 to November 1973 had not been replaced upto July 1975 : in Raebareli division, seven defective meters detected during September 1973 to April 1974 had not been replaced upto March 1975. In Gonda Division, thirteen defective meters had not been replaced for periods ranging between 5 and 28 months.

A test meter installed in the premises of a consumer and operated during the period from 2nd March 1973 to 13th June 1973 indicated that the KWH old meter was running slow by 24.9 per cent and maximum demand indicator was reading less by about 47 per cent. The old meter was, however, not replaced and billing continued to be made on the readings recorded by it. In January 1974, the Division raised a bill for Rs. 2.45 lakhs on account of under-charge resulting from defects in the meter, covering the period from 3rd February to 6th June 1973, which has not been paid by the consumer (February 1976). Moreover, under-charge amounting to Rs. 3.52 lakhs (15.24 lakh units and 36, 440 KVA) for the period from 7th June 1973 to 4th September 1974 has not been billed by the Division (February 1976).

The matter was reported to the Board in January 1975, reply is awaited (January 1976).

In the Electricity Maintenance Division, Moradabad meters in respect of 26 consumers having connections for private tubewells were defective, burnt or jammed. The Division had billed the consumers only for the fixed charges and meter rent and not on the basis of 80 units per BHP per month, as was required to be done under the rules. During the period from March 1971 to June 1973, there was under-assessment of Rs. 0.29 lakh.

In the same Division, 10 small and medium power consumers, whose meters were defective, were billed on the basis of nominal or nil consumption recorded by the defective meters instead of on the basis of 110 units per BHP per month or average consumption of three months preceding the month in which the meters became defective, as required under the rules. This resulted in under-assessment of Rs.0.26 lakhs during the period from January 1972 to July 1973.

Test check of accounts of four light and fan consumers indicated short billing aggregating Rs. 0.22 lakh on account of defective meters. Bills had been raised only for the minimum charges instead of on the basis of average consumption recorded during the preceding three months before the meters became defective.

The matter was reported to the Board in March 1974 ; reply is awaited (March 1976).

Ledger posting and reconciliation

52. Realisations made from consumers are required to be posted in the consumers ledger with a view to watching recoveries against assessment and taking necessary action against defaulters. It was, however, noticed that in no division the work of ledger posting was up to date. In three units, *viz*. KESA, LESU and AESU, where billing is done mechanically, no consumers ledger has been maintained and the outstanding dues have not been reconciled with the unpaid cards since the time these units were taken over by the Board. The total monthly postings in the consumers ledger account are required to be reconciled with the amount of collection entered in the cash book. In no division, this work is up to date and in seven units the reconciliation work had not been taken up (30th June 1975).

According to the procedure prescribed by the Board, realisations made from consumers, which cannot be posted to the relevant ledger account in the absence of required details such as name of the consumer, service connection number, etc., should be entered initially in a separate register, called "Register of un-posted recoveries". The amounts so posted are required to be adjusted by entries in the relevant ledger account within two months. It was noticed that in 18 units, Rs. 6.76 lakhs realised from consumers during 1970-71 to 1974-75 had not been posted (June 1975) to the relevant ledger accounts. The year-wise break-up is given below :—

Year of realization	Amount (in lakhs of Rupees)
1970-71	0.05
1971-72	0.09
1972-73	0.78
1973-74	0.75
1974-75	5.09
Total ..	6.76

Under the existing arrangement the consumer may, at his option, make payment of a bill by cheque, which is treated as cash and posted in the cash book and the consumers ledger. In the event of the cheque being dishonoured, the fact is to be reported to the consumer immediately along with a demand for payment of the amount plus rebate, if any, that might have been allowed. Simultaneously, suitable entries are required to be made in the cash book and the ledger account, and the Divisional Officer is required to ensure that there is no undue delay in realisation of the dues. It was, however, seen during test check of the accounts of 9 divisions that though entries in regard to dishonoured cheques had been made in the cash book, the concerned ledger accounts had not been debited again with the energy charges, electricity duty and the forfeited rebate, if any. In respect of 49 such consumers, the aggregate amount involved was Rs.6.18 lakhs.

Increase in arrears

53. The energy charges billed by the Board and included in its accounts as revenue, but not collected increased from Rs.5.76 crores at the end of 1969-70 to Rs.54.22 crores by the end of 1974-75. The amount due for collection during 1974-75 was Rs.104.48 crores : the arrears at the end of the year was, therefore, 51.9 per cent of the assessed revenue for the year. The Planning Commission had indicated in 1973 that arrears in collection of revenue should generally be about 6 per cent of the annual assessment. The Board had also set (February 1974) a target to reduce the arrears to Rs.30.76 crores by March 1975. The arrears had, however, gone upto Rs.54.22 crores by the end of March 1975. These have gone up further to

Rs.64.25 crores by the end of June 1975. The table below gives the break-up of the arrears along with energy charges assessed during the year 1974-75 :

Category of consumer	Number of consumers	Revenue assessed during 1974-75	Arrears at the end of 1974-75 (including duty)
		(Rupees in crores)	
1	2	3	4
Domestic and commercial	11,13,637	14.92	8.15
Small and medium industries including mixed loads	67,780	15.60	5.48
Large and heavy industries ..	1,235	27.96	9.78
Public lighting and sewage pumping ..	3,300	1.75	0.54
State tubewells	13,225	9.17	7.12
Private tubewells and other agricultural loads	2,28,182	20.83	13.75
Railway traction	2	3.24	1.29
Licensees	26	8.17	4.60
Supplies outside the State ..	12	2.26	3.00
Employees of the Board ..	18,899	0.11	0.14
Others	84	0.44	0.37

NOTE :—The figures of revenue assessed during 1974-75 and arrears at the end of 1974-75, mentioned above, are as per the records maintained by the Chief Engineer. The corresponding figures as per the accounts are Rs.102.18 crores and Rs.52.12 crores respectively. The arrears at the end of 1974-75, as per schedules received with divisional accounts, however, worked out to Rs.52.68 crores. Reasons for the variations between the different sets of figures have neither been investigated nor figures have been reconciled by the Board (January 1976).

The increase in the arrears in collection of revenue has been attributed by the Board (November 1975) to the following :

(*a*) Upward revision of tariff in October 1974,

(*b*) Issue of accumulated deficit bills (difference between minimum charge and charge on the basis of energy consumed) for the period from April to October 1974, consequent upon revision of tariff with effect from 12th October 1974, (*c*) Stay order granted by Courts in favour of large and heavy power consumers and private tubewell connections against recovery of minimum/fixed charges as per revised tariff of October 1974. Payments are, therefore, being made by the consumers on the basis of recorded consumption,

(*d*) Undertakings of certain licensees have been taken over by the Board and the arrears due from such licensees are to be adjusted against purchase consideration which are to be determined,

(*e*) Stoppage of payment for energy consumed for railway traction on account of accumulation of freight, demurrage and wharfage charges payable by the Board to the Railways,

(*f*) Non-adjustment of cost of electricity supplied to the Bihar State Electricity Board from Rihand, which is to be set off against supply by Bihar to the Board at Karamnasa.

The Board stated (November 1975) that the following action had been taken to reduce the arrears :

(*a*) Three revenue realisation units had been set up to monitor the work of revenue realisation with headquarters at Roorkee, Bareilly and Aligarh. Each unit was headed by a Superintending Engineer who was assisted by four Executive Engineers;

(*b*) Concerned field officers had been instructed to issue demand notices/recovery certificates under the Electrical Undertakings (Dues Recovery) Act, 1958 to all defaulting consumers ;

(*c*) The Board of Revenue had been persuaded to take up the matter of recovery of dues with the district revenue authorities ; and

(*d*) Receivers had been appointed for the Municipal Board, Khurja, and City Board, Mussoorie.

Security deposit

54. The Board usually collects energy charges much later than the time when the energy is sold and consumed. In the case of large and heavy power consumers, where the time gap is the least, the interval between sale and consumption, and payment ranges from 17 to 38 days, and in the case of domestic and commercial connections, where billing is bi-monthly, the gap is between 25 and 85 days. The loss of interest to the Board on this account is partially made good by consumers' security deposits which the Board holds ; total amount on 31st March 1975 was Rs.14.12 crores. The Board is required to pay interest on these deposits at 3 per cent per annum. The quantum of

security deposit which was last revised in 1973 calculated at approximately two months consumption of energy, has ceased to be adequate after the revision of the tariff from October 1974. It was, however, noticed in test audit that in a large number of cases the full amount of security had not been realised. In 14 divisions security deposits had not been realised from 16 consumers, the aggregate of unrealised amounts being Rs.26.94 lakhs. In these divisions, security had also been short realised from 197 consumers, the total amount of such short recovery being Rs.50.63 lakhs.

Under the Board's orders issued in March 1975, where connections for energisation of private tubewells are also used for other purposes, an additional security deposit, calculated at Rs.10 per B.H.P., is payable. In 3 divisions, amounts totalling Rs.0.80 lakh had been short realised on this account from 880 consumers. In terms of another order issued in August 1970, as consumers of power, the employees of the Board were also required to pay security deposit of Rs.20 per consumer. It was, however, noticed that in none of the divisions security from employee consumers had been recovered. The aggregate of security deposits realisable was Rs.3.77 lakhs as on 31st March 1975.

As on 30th November 1975, there were 11 private licensees and 12 Municipal Board licensees drawing bulk supplies of power from the Board for resale to individual consumers in their respective areas of operation. The amount of electricity dues in arrears from them on 31st March 1975 was Rs.2.93 crores and Rs.1.67 crores and the short-fall in realisation of security deposits aggregated Rs.43.20 lakhs and Rs.29.39 lakhs respectively. The undertakings of all the 11 private licensees vested in the Board from 1st December 1975 by virtue of an ordinance of 27th November 1975 issued by Government. The arrears of electricity charges recoverable from the licensees cannot be recovered in cash. The amounts can be realised only by adjustment against purchase considerations as and when the same are determined. Upto the end of March 1974, 18 private licensee undertakings had been taken over by the Board and in 16 of these cases, the purchase price had not been finalised upto November 1975.

Amount shown as realisable arrears but are irrecoverable or not creditable to the Board's account

55. The amount of Rs.52.12 crores shown in the Board's accounts for 1974-75 as due for recovery includes Rs.1.59 crores which relate to periods prior to 1st April 1959 when the Board was set up. Recoveries from these consumers are creditable to Government. The Board has not maintained any records to show the amount, if any,

out of these dues which have actually been realised. No payment has been made to Government on this account (March 1976).

The balance of sundry debtors for electricity supplied, as shown in the Board's accounts, also included amounts against which payment had been received from the consumers but not credited to the Board's account. It was mentioned in paragraph 15(8) of the Report of the Comptroller and Auditor General for the year 1973-74 (Commercial) that such unaccounted for receipts detected during 1965-66 to 1973-74 amounted to Rs.9.63 lakhs. Another case of short deposit of revenue collected was noticed in September 1975. This related to rural consumers of a sub-division in Electricity Maintenance Division, Badaun, where collections were made through a Junior Engineer. The Division did not keep proper records of the receipt books issued to the Junior Engineer and their timely return was not watched. The official did not deposit with the Divisional Cashier the amounts realised by him on several occassions during 1971 to 1974. The total collections not deposited in respect of 77 receipt books retained in the custody of the Junior Engineer amounted to Rs.2.06 lakhs. The official is reported to have been placed under suspension in December 1974.

Old cases of default in payment

56. Neither in the Board's office nor in the field units, records showing age wise break-up of arrears have been kept. Consequently, there is no uniform procedure for periodical review of the old cases and for taking timely action before recovery becomes barred by limitation. The Board has not taken effective action to determine the amounts which have become time-barred or to fix responsibility for it. The irrecoverable dues have also not been written off. Provision for bad and doubtful debts has been made in the accounts from year to year on an *ad hoc* basis without reference to the age of the debts and prospects of recovery. Against the arrears of Rs.54.22 crores as on 31st March 1975 the total provision for bad and doubtful debts was only Rs.97.04 lakhs.

On default in payment by a consumer, the Board is authorised to disconnect supply, the bill itself serving as a notice therefor, and to adjust the security deposit against the dues. Where the amount of security is not adequate to cover the unpaid dues, the balance can be recovered through the Revenue Department as arrears of land revenue under the Electrical Undertakings (Dues Recovery) Act, 1958, provided demand notices and recovery certificates had been duly issued

It was, however, noticed that in a large number of cases, steps against the consumers in default were not taken immediately after the first default, resulting in the arrears exceeding appreciably the amounts of security deposit. A test check of records in 16 divisions showed that in no case, action was initiated after first payment of a bill fell in arrears. In these divisions, 8,363 consumers with energised private tubewells were disconnected during October 1974 to March 1975. In these cases, the accumulated arrears amounted to Rs.79.56 lakhs against the security deposits of Rs.7.6 lakhs.

The salient features of a few such cases are enumerated below :

(i) A consumer of Aligarh was having a connection from the Electricity Maintenance Division, Aligarh for a total load of 550 H.P. from 4th June 1962, for which a formal agreement was executed on 1st January 1963. Although the Division raised bills as per the conditions of the agreement, the consumer refused to accept the bills in full and made payments after making arbitrary deductions according to its own calculations. The unpaid dues accumulated to Rs.30,840 upto 31st January 1967. In February 1967, the Division served a disconnection notice on the consumer indicating the last date of payment of the dues as 10th March 1967. The consumer obtained (14th March 1967) an interim injunction from the Court against the disconnection and filed a suit which was not contested. The suit was decided ex parte on 23rd August 1967 in favour of the consumer. No appeal was filed. From Ist July 1968, the consumer honoured the bills for the amount claimed by the Division, but the disputed claims amounting to Rs.44,239 (excluding surcharge for late payment) have remained unpaid (January 1976) and have become time-barred.

(ii) A connection for supply at 140 KVA was given to a consumer of Dehradun on 19th September 1972. The consumer defaulted in making payment of bills (for September 1972 and October 1972 amounting to Rs.1562 and Rs.2651 respectively) for the energy supplied, on the plea that owing to power cuts it had not been able to operate its electric furnace. In June 1973, a disconnection notice was served on the consumer demanding payment of the pending bills for the period from September 1972 to February 1973 amounting to Rs.15,459 by 3rd July 1973, whereupon the consumer filed a civil suit. This was not defended by the Board and on 15th June 1974 an ex parte decree permanently restrained the Board from disconnecting the supply and debarred it from recovering the disputed dues. The consumer stopped all payments from July 1973. The accumulated dues upto May 1975 amounted to Rs.0.41 lakh. The Board has stated in January 1976 that the case has since been reopened in the Court.

(iii) Electricity Maintenance Division, Gorakhpur entered into an agreement with a firm of Gorakhpur on 21st January 1969 for supply of power at 300 H.P., for an initial period of five years. On the request of the consumer, the supply was disconnected on 29th May 1971, but was restored on 5th October 1971 after a sum of Rs.6,700, being 50 per cent of the arrears of electricity charges had been deposited by the party. The balance amount which was to be paid in instalments was not, however, paid and current bills of electricity charges also remained unpaid. The supply was again disconnected on 9th February 1972, but restored on 11th September 1973 after 50 per cent of the accumulated dues were paid. On further defaults by the consumer, the supply was disconnected on 7th December 1974, which was treated as permanent with effect from 14th April 1975. A sum of Rs.1.01 lakhs was in arrears at the time of final disconnection which the consumer declined to pay on the grounds of power cuts imposed by the Board and erroneous billing on average basis for the periods the meter remained defective. As against the arrears of Rs.1.01 lakhs, the Board has the security deposit of only Rs.0.12 lakh.

It was noticed that even after the supply to the consumer had been disconnected, steps to recover the remaining dues after adjustment of security deposits. were not taken expeditiously. One of the contributing factors for the delay was large scale transfer of consumers from one division to another. usually on creation of new divisions. In many of these cases, relevant details regarding transferred consumers were not furnished to the successsor division. resulting in the cases being lost sight of. In 5 such divisions, the records of which were test checked, it was noticd that detailed particulars of arrears aggregating Rs. 29.82 lakhs relating to transferred consumers had not been made available to the newly created successor divisions and no action had been taken for recovery of the dues. The Electricity Maintenance Division, Hardoi set up in April 1969, received the ledger accounts of 6747 consumers from the Sitapur Division in April 1972 and the arrears (total : Rs. 9.28 lakhs) due against these consumers were transferred by book adjustment at the same time. The Hardoi Division had not, upto August 1975, either accepted the transfer credit or posted the arrears in the current ledger accounts of the consumers. Consequently recovery of these arrears has not been attended to by either division for over six years. In a similar case of delay in transfer of records of consumers, the Electricity Maintenance Division, Lucknow proposed (February 1975) to the Board for write off of claims totalling Rs.2.02 lakhs stated to be irrecoverable.

In 1967, the accounts of certain consumers were transferred from Maintenance Divisions at Aligarh and Mainpuri to a newly created division at Etah. At the time of the transfer, all the consumers had dues outstanding against them and in some of these cases supplies had already been discontinued. The Etah Division did not, however, take any action to recover the outstanding dues upto March 1972 when demand notices were issued. In January 1973, the District Magistrate, Etah was requested to effect the recoveries as arrears of land revenue. In the majority of the cases the District Magistrate reported that whereabouts of the consumers were not known and no recovery could be made. In May 1973, the Superintending Engineer informed the Board headquarters that claims aggregating Rs.1.26 lakhs should be written off and other claims totalling Rs.0.32 lakh be treated as doubtful debts.

The matter was reported to the Board in April 1974 ; reply is awaited (January 1976).

In recovery of dues through Revenue authorities, there has been considerable delay in issuing demand notices and recovery certificates, resulting in large amounts being declared as irrecoverable. The grounds generally adduced by the Revenue authorities for non-recovery were that the consumers' whereabouts were not known or they had no assets from which recoveries could be effected. Upto 31st March 1975, recovery cases for amounts aggregating Rs.4.15 crores had been referred to District Magistrates, against which Rs.25.50 lakhs only had been recovered. In 688 cases in 14 divisions, the records of which were test checked, the District Magistrates had intimated that the dues were irrecoverable. The amount involved in 211 of these cases was Rs.2.09 lakhs. The irrecoverable amounts have not been written off (December 1975).

Two other cases of delay in recovery of dues are mentioned below :—

(i) A licensee's business (on its going into voluntary liquidation) was taken over by the Board on 18th December 1973 when electricity dues amounting to Rs.1.45 lakhs were outstanding against it. The concerned unit of the Board requested the Superintending Engineer (Electricity Valuation Circle, Agra) on 15th January 1975 to recover the outstanding dues from the purchase consideration, but by that time the initial payment (Rs.25 lakhs) had already been made to the ex-licensee. It was estimated by the Superintending Engineer that nothing was left to be paid and, therefore, the dues could not be expected to be recovered. The unrecovered dues including additional charge for non-payment in time, which was Rs.3.13 lakhs at the end of December 1975, remain unrealised (January 1976).

The matter was reported to the Board in August 1975 ; reply is awaited (January 1976).

(ii) In a meeting held in February 1974, between the representatives of different departments of Government and the Board, it was decided that the Board would undertake certain works for providing continuous supply of electricity during Kumbh Mela at Hardwar and Rishikesh. Accordingly, various works were carried out in 1974 by different divisions of the Board under the Electricity Maintenance and Rural Electrification Circle, Roorkee, at an estimated aggregate cost of Rs.5 lakhs (details of actual expenditure were not available) as deposit work. Against this, Rs.2.83 lakhs only were received from the Public Works Department. The Circle has no assurance from the District or the Mela authorities about payment of the balance amount. In addition, bills for electricity consumption amounting to Rs.1.58 lakhs (including Rs.0.20 lakh on account of arrears of electricity dues of Ardh Kumbh Mela of 1968) had not been paid by the District authorities. The Board stated (March 1976) that the question of recovery of the dues was being taken up with the Government.

Electricity duty

57. The Board, like other licensees, is required to realise electricity duty on energy sold by it and credit it to Government account.

In terms of the Electricity Duty (Amendment) Act, 1970 and the rules framed thereunder, the duty realised has to be deposited with Government within two calendar months following the close of the month in which meter readings were recorded. Government issued administrative orders on 23rd March 1974 providing for deposit of the duty in Government account within two calendar months following the close of the month in which realisations are made. The Act also provides for levy of interest at 18 per cent per annum on the amount of duty which is not paid to Government within the prescribed time.

During test check of accounts of various units, the following points were noticed :

(i) *Short payment of electricity duty*

During 1970-71 to 1973-74, when the Board was required to deposit the duty on assessment basis, a total amount of Rs.1.65 crores (the year-wise details given below) was short deposited by the Board.

Year		Electricity duty			
		Assessed	Paid to Government	Short deposited	Excess deposited
		(Amounts in crores of Rupees)			
1970-71	.. ..	2.23	1.49	0.74	..
1971-72	.. ..	3.28	3.18	0.10	..
1972-73	.. ..	3.55	3.59	..	0.04
1973-74	.. ..	3.25	2.40	0.85	..
	Total ..	12.31	10.66	1.69	0.04

(ii) *Non-payment of electricity duty*

Electricity duty aggregating Rs.2.33 crores realised by the various units of the Board during April 1974 to June 1975 had not been deposited with Government upto the end of August 1975.

The Kanpur Electricity Supply Administration did not deposit into the treasury electricity duty of Rs.101.67 lakhs realised during 1974-75, reportedly due to paucity of funds. Electricity Maintenance Division, Dehradun deposited the electricity duty of Rs.9.80 lakhs realised during the period from March 1974 to January 1975 (excepting April 1974) on 18th April 1975. In view of the delay in payment of the duty, Government has imposed penal interest of Rs.76,813.

The matter was reported to the Board in August 1976 ; reply is awaited (March 1976).

(iii) *Misclassification of electricity duty*

In 10 units of the Board, electricity duty totalling Rs.2.77 lakhs realised from consumers was mis-classified as electricity charges and credited to the Board's revenue, resulting in non-payment of the duty.

(iv) *Non-levy of electricity duty on free supply*

As per orders of the Board, 15 to 22 units of power each month are supplied free to its employees engaged in generation, transmission and distribution of power. The Electricity Duty Act, 1952, as amended, provides for levy of duty on energy supplied free. However, it was noticed that the duty was not levied on such supply. The Board has also not accepted the liability for payment of such duty to Government. During 1969-70 to 1974-75, 80.49 MKWh of energy were supplied free by the Board, on which electricity duty of Rs.16.1 lakh was leviable.

Under-realisation of revenue

58. It has been noticed that in a number of cases there was under-realisation of revenue due to delay in execution of agreement, defective meter reading, non-realization of additional charges, wrong application of tariff, etc. A few such cases are indicated below :—

Under-charge of revenue from Railways

(i) Electricity Maintenance Division, Allahabad gave power connection to the Railways in 1968. No agreement has, however, been executed (January 1976). In the absence of an agreement, the Board has not been able to obtain regular payment on account of fuel cost variation effective from 12th October 1974. A sum of Rs.52.41 lakhs payable on account of fuel cost variation for the period from April 1975 to November 1975 was due for recovery in January 1976.

(ii) At Tundla the Railways, with a contracted load of 90 KW (combined load for light and fan, and power), were charged at mixed load tariff upto December 1971. From January 1972, large power tariff (HV—2A) rates were applied. HV—2A tariff is applicable for industrial and/or processing purposes and for State Irrigation and does not cover supplies to the Railways for which mixed load tariff (except for Railway traction for which separate tariff exists) is applicable. Incorrect application of the tariff resulted in under-charge of revenue amounting to Rs.0.71 lakh during the period from January 1972 to December 1975.

The matter was reported to the Board in May 1974 ; reply is awaited (March 1976).

Wrong application of rate schedule

(iii) A consumer was sanctioned a load of 400 KVA from 1st May 1971. The residential load of the consumer remained connected with the bulk supply meter upto 8th March 1972, when a separate sub-meter to record consumption for light and fan of the residential portion was installed. Under the revised tariff enforced from 1st July 1971, the entire consumption of energy was liable to be billed under rate schedule HV-1 (mixed load tariff), but the consumer was billed under rate schedule HV—2 (large power tariff). The wrong application of the rate schedule and delay in serving of a notice of segregation of line/installation of sub-meter on the consumer resulted in loss of revenue of Rs.0.37 lakh.

The matter was reported to the Board in April 1973 ; reply is awaited (March 1976).

Under-billing of electricity charges

(iv) A test meter, installed on 11th May 1973 and removed on 13th June 1973, indicated that the KWH portion of an old meter installed in the premises of a consumer was running slow by about 9 per cent and the maximum demand indicator was reading less by 11.5 per cent. The meter was set right on 21st November 1973. Billing, however, continued to be made during the intervening period on the basis of the readings recorded by the defective meter.

The under-charge worked out to Rs.0.68 lakh for the period from June 1973 to 21st November 1973 (Rs.39,204 for slow running of KWH meter and Rs.28,355 for maximum demand indicator).

The matter was reported to the Board in January 1975 ; reply is awaited (March 1976).

Non-levy of additional charges

(v) (*a*) Power is being supplied to an Irrigation Division on contracted load of 1223 KVA on 400 volts. According to the relevant rate schedule, if the supply is given at 400 volts, an additional charge of 7.5 per cent of the demand and energy charges, is leviable. The unit of the Board supplying the power, however, did not levy the additional charge of 7.5 per cent during the period from March 1972 to October 1974, resulting in under realization of revenue to the extent of Rs.0.21 lakh.

The matter was reported to the Board in January 1975 ; reply is still awaited (March 1976).

(*b*) According to a clause of rate schedule (HV—2A) applicable to large consumers, if the monthly bill is not paid by the due date specified in the bill, the consumer is liable to pay an additional charge of 5 paise per Rs.100 or part thereof per day, on the unpaid amount of the bill for the period by which the payment is delayed beyond the due date.

In the case of two consumers of the Board, payments of the bills for the period from June 1971 to June 1973, were accepted without levy of additional charge for delay in deposit. This resulted in under-realisation of revenue amounting to Rs.0.31 lakh.

The matter was reported to the Board in January 1974 ; reply is awaited (March 1976).

(vi) A consumer of Bulandshahr is being supplied electricity at a contracted load of 670 BHP from 17th August 1970. No trivector meter could be installed by the Board in the consumer's premises due to defect in power terminal in the panel. A KWH (unit) meter installed (17th August 1970) for recording consumption was also found defective since the date of installation. The connections were set right in August 1971. In a meeting of the representatives of the consumer and the Board held on 27th November 1971, a formula for billing the consumer for the period from 17th August 1970 to August 1971, was evolved. Accordingly the consumer was requested (23rd December 1971), to pay the arrear charges amounting to Rs.0.63 lakh by 7th January 1972 (subsequently revised to Rs.0.61 lakh in October 1973), out of which a sum of Rs.0.40 lakh was paid by the end of December 1973. The amount of Rs.0.21 lakh has not been recovered. Owing to non-installation of trivector meter the fixed demand charges also continued to be billed at 60 per cent of the contracted demand, instead of on the basis of actual demand or 60 per cent of the contracted demand, whichever was higher.

The Board's reply in the matter is awaited (March 1976).

Other topics of interest

Excess issue of steel

59. (i) The Board entered into an agreement (February 1969) with a firm of Bareilly for fabrication of steel at a cost of Rs.7.69 lakhs, for installation of 132 KV lines. The firm was to fabricate steel at the rate of 250 tonnes per month. The entire fabrication work was to be completed within four months. The work was, however, completed in November 1973. No penalty was levied for the delayed completion of the work.

In all, 1218.477 tonnes of steel were issued to the fabricator against the actual requirement of 974.129 tonnes worked out on the basis of fabrication work done, resulting in an excess issue of 244.348 tonnes costing Rs.2.92 lakhs. Recovery of the cost of the excess steel has not been made by the Board (January 1976).

The matter was reported to the Board in July 1975 ; reply is still awaited (March 1976).

Purchase of steel

(ii) A unit of the Board procured 112.80 tonnes steel from various suppliers between November 1970 and April 1971, at a cost of Rs.1.77 lakhs at rates higher than the J. P. C. rates, through piecemeal orders, thereby obviating the necessity of obtaining approval of higher authorities.

The cost of 112.80 tonnes of steel at J. P. C. rates (Rs.1,200 per tonne) worked out to Rs.1.35 lakhs ; thus an extra expenditure of Rs.0.42 lakh was incurred.

The matter was referred to the Board in August 1973 ; reply is still awaited (March 1976).

Fabrication of towers

(iii) An agreement (April 1972) with a firm of Bombay for fabrication, galvanising and delivery of towers (complete) for 132 KV single circuit transmission lines provided, *inter alia*, that the fabricator would be paid for the steel, if any, supplied and utilised for the work at the J. P. C. rate. The fabricator utilised 66 tonnes of steel for which payment was made at the Billet Re-rollers Committee rate of Rs.1,760 per tonne, instead of the J. P. C., rate of Rs.1,120 per tonne, resulting in an extra expenditure of Rs.0.42 lakh.

The matter was reported to the Board in March 1974, reply is awaited (March 1976).

Payment of handling charges

(iv) A firm of Bombay, which was appointed (April 1972) for erection of 132 KV, DC transmission line from Obra to Robertsganj was to be supplied steel required for the work free of cost. In case any steel was used by the erector firm from its own stock, it was entitled to payment at the J. P. C. rates (column I) plus section extra and Central Sales Tax. No other charges were payable. The erector firm used 682 tonnes of steel from its own stock and it preferred a claim of for Rs.68,200 as handling charges at the rate of Rs.100 per tonne in addition to the cost of steel (including section extra), as stipulated.

The Board accepted the claim for handling charges and made the payment in May 1973.

The matter was referred to the Board in May 1974, reply is awaited (January 1976).

Non-return of special tools and plants

(v) An agreement was executed (December 1972) by the Civil Construction Division Stage IV, Kasimpur with a firm of Aligarh for repairs of special tools and plants at a cost of Rs.0.42 lakh. As stipulated, the work was to commence on 12th December 1972 and completed by 26th March 1973. The firm was also required to carry out the repairs in the premises of the Division. However, in order to avail of a discount of 5 per cent (Rs.2,090) offered by the firm, it was allowed to carry out the repairs at its workshop. The firm did not complete the work and out of the special tools and plants (valuing Rs.1.56 lakhs) given to it for repairing, tools etc. valued at Rs.0.74 lakh were returned. The remaining tools and plants valuing Rs.0.82 lakh have not been returned (January 1976). In addition, spare parts costing Rs.0.06 lakh were also issued for use in the repair work; out of this, parts valued at Rs.0.03 lakh have not been returned. Penalty upto 10 per cent of the contracted value (Rs.4,179) leviable for failure to execute the work within the stipulated date has not been recovered from the firm (January 1976).

The matter was reported to the Board in March 1975, reply is awaited (March 1976).

Erection of transmission line

(vi) A contract for supply of towers (to be completed by 30th April 1969) and erection of 160 kms. long 220 KV, single circuit Chhibro-Shamli transmission line (to be completed by February 1971), was awarded to a firm of Bombay on 4th September 1970 for Rs.29.58 lakhs. As the firm could not complete revetment work upto March 1975, mainly due to delay in providing drawings (revised drawings were furnished in December 1974), it demanded a higher rate of Rs.150 per cubic metre for this item against Rs.50 per cubic metre provided in the contract. Ultimately, the rate of Rs.140 per cubic metre was approved (August 1974). This resulted in an extra expenditure of Rs.1.96 lakhs on 2181.4 cubic metres of revetment work (January 1976).

The Board stated (January 1976), that revetment work remained suspended for about one year (work was resumed on 8th February

1972), on account of inter-State dispute regarding sharing of Yamuna power between Uttar Pradesh and Himachal Pradesh, and that the increase in rate was allowed owing to steep rise in rates during 1971-72.

Loss due to delay in finalisation of specifications

(vii) Orders for supply, erection, testing and commissioning of controls and instrumentations for stages V and VI of Harduaganj Thermal Power Project were placed on a public sector firm of Kota in August 1970 and September 1970 at a cost of Rs.59.41 lakhs and Rs.69.84 lakhs respectively. In spite of heavy consultancy charges (Rs.28.35 lakhs) paid to a firm of Calcutta, the specifications could not be determined and contract could not be finalised upto June 1974 and October 1974, respectively, when the firm increased the prices from Rs.59.41 lakhs to Rs.88.13 lakhs and from Rs.69.84 lakhs to Rs.123.84 lakhs. The Superintending Engineer, Thermal Design Circle, Lucknow stated (January 1976) that the consultancy contracts were finalised in February 1971, and November 1972 for stages V and VI respectively, much after the issue of letters of intent to the Kota firm and that the offer of the Kota firm was only of general nature and was dependent on finalisation of the design and determination of list of equipment in consultation with the manufacturers. The delay in preparation of specifications, determination of design and list of equipment and finalisation of the contracts resulted in an extra liability of Rs.82.72 lakhs. The works are in progress (January 1976).

The matter was reported to the Board in September 1975 ; reply is awaited (March 1976).

Piecemeal execution of a major work

(viii) Tenders were invited by the Superintending Engineer, Electricity Thermal Design Circle II, Lucknow on 29th January 1972 for earthwork in connection with macadamised roads, area drainage, ash disposal, area embankments and associated works of the Obra Thermal Plant. The tenders were opened on 5th May 1972. The rates tendered by a firm of Obra were the lowest. The tenders could not, however, be finalised in the absence of technical drawings which could not be submitted by the project consultant due to delay in receipt of the relevant survey data. Thereafter, on grounds of urgency, the work was split up. While a part of the work (valuing Rs.5.45 lakhs) was awarded (August 1972) to the Obra firm at its quoted rates, the remaining work was apportioned on 18th December 1972 between the same firm and another firm at higher rates tendered on 25th September 1972, as indicated below :—

(In Rupees per cubic metre)

Nature of earthwork		Rates originally tendered by the firm	Revised rates of the firm	Rates of the second firm
(i) All types of soil	.. ..	6.55	7.20	7.20
(ii) Soft and decomposed rocks	..	10.25	11.00	10.80
(iii) Hard rock	.. ..	18.00	19.80	19.80

An extra expenditure of Rs.1.15 lakhs was incurred compared to the original rates of the Obra firm.

The matter was reported to the Board in March 1974 ; reply is awaited (March 1976).

Execution of works at higher rates

(ix) In November 1969, an agreement was entered into by the Obra Hydel Civil Division, Mirzapur with a firm for concrete and allied works in sub-structures and super-structures and manufacture and erection of pre-cast re-inforced concrete members for use as trench covers in the Obra Thermal Power House Extension Project Stage I, at an estimated cost of Rs.36.58 lakhs (stipulated period for completion of the work being July 1972). The firm did not complete the work within the stipulated period, but penalty of Rs.3.66 lakhs (maximum at the rate of 10 per cent of estimated cost as provided in the agreement) was not levied. The Division entered into two other agreements with the firm in August 1972, for the uncompleted items of work at rates which were 10 per cent higher than those provided in the original agreement, even though the original agreement did not include any provision for price escalation. This resulted in an extra expenditure of Rs.0.61 lakhs.

The matter was reported to the Board in March 1974 : reply is awaited (March 1976).

Carriage contract

(x) On the basis of two tenders obtained in April 1971, the work of carriage, loading, unloading and stacking of stock materials, including R. C. C./P. C. C., poles, was entrusted to a contractor by the Electricty Maintenance Division, Lucknow in July 1971. The rate for carriage (including loading, unloading and stacking) of R. C. C./

P.C.C. poles from the Hydel Training Institute, Lucknow, to the various sites was Re.0.80 per pole per km. However, the rates obtained and finalised by the Electricity Civil Construction Divison (II) Lucknow (manufacturing R. C. C./P. C. C. poles) during the same period (August 1971) for the same type of work were as under :—

Distance	Rate (in paise per pole per km.)
Up to 8 kms	49
From 9 to 16 kms	40
From 17 to 240 kms	9.75

In March 1972, the rates were revised to 12 paise per pole per km. upto a distance of 100 kms. and 5 paise per pole per km. beyond 100 kms. and upto 250 kms.

Compared to the rates obtained in August 1971 by the latter Division, finalisation of the agreement at higher rates resulted in an extra expenditure of Rs.2.42 lakhs on transportation of poles during the period from January to July 1972.

The matter was reported to the Board in September 1972 ; reply is awaited (March 1976).

Local purchases of stores

(xi) As per the prescribed procedure, work orders should not be issued for purchase of materials or stores, and purchase of materials valuing Rs.2,500 or more should be made on the basis of open tenders.

During the calendar years 1972 and 1973, stores valuing Rs.34.62 lakhs were purchased locally in the Electricity Maintenance Division, Barabanki on the basis of limited quotations from a set of firms, without inviting open tenders, through work orders and supply orders (work orders and supply orders for Rs.14.69 lakhs and Rs.0.87 lakh respectively in 1972 and Rs.16.69 lakhs and Rs.2.37 lakhs respectively in 1973). Out of the purchases, stores valuing Rs.24.53 lakhs were purchased from 10 firms only (Rs.15.91 lakhs from 5 firms of Lucknow, Rs.1.24 lakhs from a firm of Meerut, Rs.2.38 lakhs from a firm of Rampur, Rs.3.04 lakhs from a firm of Sitapur, Rs.0.93 lakh from a firm of Bulandshahr and Rs.1.03 lakhs from a firm of Barabanki). Moreover, the purchases were made without taking into consideration the requirement of the Division. Out of the local purchases in 1973 (Rs.16.69 lakhs), stores valued at Rs.2.95 lakhs were declared surplus in January 1974, inspite of transfer of materials valued at Rs.10.78 lakhs to other divisions.

The matter was reported to the Board in May 1974, reply is awaited (March 1976).

Purchase of additional spares

(xii) Quotation for supply of spares for two boilers of 260 tonnes capacity for Harduaganj Power Extension-Stage IV was submitted by a public sector firm of Tiruchirapalli for Rs.41.57 lakhs on 14th July 1973 with validity period upto 12th September 1973. The validity was subsequently extended upto 30th November 1973.

Before finalisation of the purchase, site Engineers of the Board suggested (October 1973) an increase in the quantities of some of the spares based on estimated requirements. This was not accepted and orders for the orignally estimated quantities were issued in January 1974.

Additional spares were, however, obtained in October 1974 from the same supplier at an extra cost of Rs.0.67 lakh, calculated with reference to the original rates.

The Board stated (January 1976) that the supplier did not agree to supply super heater spares at the original rates.

Purchase of coal

(xiii) Tenders for supply of 'A' and 'B' grade coal (1.20 lakh and 2.40 lakh tonnes respectively) were invited on 24th September 1970 by the Stores Procurement Circle, Lucknow to meet the annual requirement of coal of a power house of the Kanpur Electricity Supply Administration. The tenders, opened on 21st November 1970, indicated the rates (loaded) in the range of Rs.70.46 to Rs.74.18 per tonne for 'A' grade and Rs.67.09 to Rs.70.77 per tonne, for 'B' grade coal. The Board, however, decided (13th October 1971) to place orders for 30,000 tonnes of 'A' grade and 60,000 tonnes of 'B' grade coal to meet the requirement of three months only; the remaining quantity was decided to be obtained from N. C. D. C. or by inviting fresh tenders. Orders were placed on various firms as follows:

	Quantity ordered (in tonnes)	Loaded rate (per tonne) (Rupees)
'A' grade coal		
Firm 'W'	12,000	74.18
Firm 'X'	12,000	74.18
Firm 'Y'	6,000	72.76
'B' grade coal		
Firm 'Y'	6,000	69.48
Firm 'W'	42,000	67.09
Firm 'Z'	12,000	70.43

Although the rates of firm 'Y' for 'A' grade and of firm 'W' for 'B' grade coal were the lowest and they had also offered to supply coal in excess of the quantities ordered, orders for part of the quantity were placed on other firms at higher rates as indicated above. This resulted in extra expenditure of Rs.0.88 lakh.

The matter was reported to the Board in April 1972; reply is awaited (January 1976).

Purchase of transformer

(xiv) Tenders for purchase of 100 KVA, 63 KVA and 25 KVA distribution transformers, which were valid for 4 months, were opened on 16th January 1974. A firm of Bombay offered the lowest rate for 100 KVA and 25 KVA transformers at Rs.7,800 and Rs.3,850 each respectively, with the stipulation to start supply within two months of receipt of the order and to complete it at the rate of 100/150 transformers per month. For 63 KVA transformers, a firm of Puri offered the lowest rate of Rs.6,120 each and the firm of Bombay was the second lowest at Rs.6,250 each. Orders were, however, placed on a firm of Bangalore (eighth lowest) on 21st March 1974 for supply of 300 transformers of 100 KVA at the rate of Rs.9,700 each and on a firm of Calcutta (eighth lowest) on 11th April 1974 for 100 transformers each of 63 KVA and 25 KVA at the rates of Rs.7,450 and Rs.4,450 each respectively, pending approval by the purchase committee (approved on 29th March 1974). The offer of the Bombay firm was rejected on the grounds that (i) the Board had not purchased any transformer from it in the past and (ii) the supply from the Bangalore firm would be made ex stock. It, however, transpired that the Bombay firm had supplied transformers of various capacities to the Electricity Boards of Madhya Pradesh, Andhra Pradesh and Tamil Nadu and to the Railways. The need to effect ex stock purchases at much higher rates could also have been avoided, had the orders been placed on the Bombay firm in January 1974. As the Puri firm had also not supplied transformers to the Board in the past, its offer was not considered.

Non-acceptance of offers of the lowest firms resulted in extra expenditure of Rs.7.63 lakhs.

The matter was reported to the Board in August 1974 ; reply is awaited (March 1976).

Purchase of circuit breakers

(xv) The Sub-Station Design Circle of the Board invited tenders for supply of 416 circuit breakers (33 KV) on 8th July 1970. The tenders were opened on 6th September 1970. The lowest rate offered by a firm of Bombay was Rs.27,131 and the computed price including freight, insurance and fittings was Rs.35,281. One public sector firm of Hyderabad quoted (computed) Rs.40,258 and a public sector firm of Bhopal quoted Rs.49,879 (400/200 IA) or Rs.49,556 (200/100 IA). The offers were valid for three months.

Though the material was required urgently, the Board took about a year to decide the matter and orders were placed as follows :—

Date		*Firm of*	*Number*	
28th August 1971	..	Bhopal	50 150	of 400/200 IA of 200/100 IA
13th December 1971	..	Bombay	50	
14th March 1972	..	Hyderabad	250	

But before the orders were placed, the firms had increased their prices as follows (computed price) :—

Bhopal firm	..	Rs. 50,375 (400/200 IA) and Rs.49,945 (200/100 IA)
Bombay firm	..	Rs. 39,707
Hyderabad firm	..	Rs. 43,955

If, keeping in view the required schedule of deliveries, had the Board found it advisable to place orders for all the 216 sets on the Bombay firm it could have saved Rs.7.05 lakhs. It may be mentioned that the terms of delivery of the Bombay firm appeared suitable and its capacity to supply had been certified by an officer of the Board.

As a result of the delay in placing the orders, the Board suffered a further loss of Rs.9.18 lakhs.

The matter was reported to the Board in August 1974 ; reply is awaited (March 1976).

Purchase of water pumps

(xvi) Tenders for supply, supervision of erection, testing and commissioning of low head and high head vertical circulating water pumps (four each) were invited in August 1972 and the following offers (technically suitable) from two firms were received :—

Firm	Evaluated Price	
	Low head pumps	High head pumps
		(in Rupees)
'A'	17,14,900	37,35,200
'B'	20,39,079	43,10,700

Although the Board's consultant recommended for acceptance of the offer of firm 'A', the purchase committee asked for negotiations with firm 'B' for reduction of prices to those offered by firm 'A' and for ascertaining the operating experience about pumps supplied by firm 'A' to other parties. This took about five months. When the firms were asked to extend the period of validity of the rates upto May 1973, they increased their rates by the amounts shown below :—

	Low head pumps	High head pumps
	(In Rupees)	
Firm 'A'	3,02,852	4,83,280
Firm 'B'	..	3,88,336

In May 1973, order was placed at the increased price on firm 'B' which resulted in an extra expenditure of Rs.12.88 lakhs as compared to the original offer of firm 'A'.

The matter was reported to the Board in August 1975 ; reply is awaited (March 1976).

Purchase of cast steel balls

(xvii) In response to a tender enquiry for supply of 100 tonnes and 60 tonnes of cast steel balls of 40 mm. and 60 mm. (first part of the tender was opened on 8th May 1973, and the second part was opened on 19th June 1973), the lowest offer of a Calcutta firm at Rs.2,290 per tonne (ex works) and Rs.2,138 per tonne (ex works) plus excise duty (Rs.87.50 per tonne) and packing charges (Rs.58 per tonne) for 40 mm. and 60 mm. sizes respectively, was found technically suitable. The rates were valid for 6 months from the date of opening of the tender. No order was, however, placed with the firm within the validity date, *viz.* 7th November 1973. On placing of telegraphic orders on 9th November, 1973, (formal order was placed on 14th November 1973) the firm refused to supply the material at the originally quoted rates. Purchases were ultimately made (supply orders of 5th April 1974) at the negotiated rates of Rs.2,800 and Rs.2,632 per tonne *plus* excise duty (Rs.175 per tonne) and packing charges (Rs.75 per tonne) for 40 mm. and 60 mm. balls respectively, thus resulting in extra expenditure of Rs.0.97 lakh.

The matter was brought to notice of the Board in August 1975 ; reply is awaited (March 1976).

Purchase of hydrochloric acid

(xviii) Tenders for purchase of 250 tonnes hydrochloric acid were invited by the Central Payment and Account Division, Obra and opened on 15th January 1972. On the date of opening the tenders, the lowest tenderer, a firm of Renukoot, increased its originally tendered rate (December 1971) of Rs.300 per tonne (Rs.150 per tonne for material and Rs.150 per tonne towards road transportation charges) by Rs.50 per tonne on the plea of a calculation mistake in the rate of material. In February 1972, orders were placed on this firm at the increased rate, though the base price of the material quoted by other tenderers was less than the base price originally quoted by the firm and ranged between Rs.80 and Rs.130 per tonne. Another order for 250 tonnes was placed on the firm on the same rates in November 1972.

It is not clear if the transportation charges of the acid at Rs.150 per tonne (Rs.100 for transportation *plus* Rs.50 for hire of tanker) from Renukoot to Obra (64 km.) were not excessive. For supply of another chemical (caustic soda lye) the same party had quoted Rs.40 per tonne for transportation, which was subsequently raised to Rs.90 per tonne (Rs.70 per tonne for transportation and Rs.20 for hire of tanker).

Acceptance of the revised higher rate of Rs.200 in the price of material involved an extra expenditure of Rs.0.25 lakh.

The matter was reported to the Board in August 1973, reply is awaited (March 1976).

Delay in finalising tenders

(xix) (*a*) In July 1973, sealed tenders were received for supply supervision of erection, testing and commissioning of two outdoor and ten indoor 6600/415 volts transformers for two 110 M. W. units of Panki Thermal Station. First part of the tenders was opened on 5th July 1973, and the second part on 31st August 1973. The evaluated offer of Rs.9,95,895 of the lowest tenderer was not accepted within the validity period (5th November 1973). The tenderers were, therefore, requested to extend the validity period. While agreeing to extend the validity period, the lowest tenderer increased the tendered amount by 40 per cent to Rs.13,99,320 (evaluated price). Another tenderer, however, extended the validity period without any increase in its original offer (Rs.11,27,551 evaluated). The order was placed with the latter firm whose offer was not originally considered.

The delay in finalising the tenders resulted in an extra expenditure of Rs.1.32 lakhs to the Board.

The matter was reported to the Board in August 1975 ; reply is awaited (March 1976).

(*b*) The Kanpur Electricity Supply Administration invited tenders for supply of 3 core 11 KV grade cables. Part I of the tenders was opened on 18th May 1973, and Part II on 17th July 1973. But due to delay in finalising the purchase, the lowest offer (valid upto 15th September 1973) of firm 'A' of Delhi for Rs.1,07,880 per km. could not be accepted within the validity period. All the tenderers were requested to submit their revised offers by 16th January 1974. An order was placed in March 1974 on the same firm of Delhi, which was the lowest among the revised offers also, at Rs.1,39,460 per km. for supply of 4 kms. of the cable. Non-finalisation of the tenders within the validity period resulted in an extra expenditure of Rs.1.26 lakhs.

The matter was reported to the Board in August 1975 ; reply is awaited (March 1976).

(*c*) Tenders were invited by the Kanpur Electricity Supply Administration for supply of 33 KV cables. Part I of the tenders was opened on 28th June 1973 and Part II on 10th August 1973. The lowest offer of Rs.2,53,240 per km. of a firm of Satna was not accepted within the validity period (upto 27th October 1973). All the tenderers were requested (19th December 1973) to submit their revised offers. An order was placed (March 1974) on the same firm of Satna, which quoted the lowest among the revised offers, at Rs.3,13,000 per km. for supply of 6.25 kms. of the cable. Non-finalisation of tenders within the validity period resulted in an extra expendtiure of Rs.3.73 lakhs.

The Board stated (December 1975) that owing to Engineers' strike, the tenders could not be decided within the validity period and that even if the order had been placed within the validity period, there was no certainty about the completion of supply by the suppliers due to sudden rise in prices of raw materials and cost of labour since September 1973.

Non-accountal of stores

(xx) In July 1972 Rural Electrification Division, Allahabad paid Rs.0.52 lakh in retiring despatch documents in respect of a supply of 63.897 kms. of ACSR conductor. The material (stated to have been received by the Assistant Store Keeper in a Sub-division on 2nd August 1972) was neither measured nor accounted for. On 31st August 1972, the Sub-divison was put under the control of another division of Fatehpur. On the presumption that the materials might have been receeivd and acounted for by the Assistant Store Keeper after transfer of the sub-division, an advice of debit was raised by the Allahabad Division, which was returned (July 1974) unaccepted by the Fatehpur Division, as the material was not received there. Value of the material has not been recovered from the Assistant Store Keeper ; the material has not been traced out (January 1976).

Shortage of materials

(xxi) Shortage of materials valued at Rs.1.51 lakhs was noticed at the time of handing over charge prior to his retirement by a Junior Engineer in November/December 1974. The Board stated (January 1976) that a charge-sheet had been framed against the Junior Engineer and all his pending claims including pension and gratuity had been withheld and, if necessary, legal proceedings would be initiated.

Short retrieval of copper conductor

(xxii) During the period from April 1972 to January 1973, copper conductors of certain H. T. lines were replaced by A. C. S. R. conductors by the Electricity Maintenance Division, Muzaffarnagar. For this work, 3.63 lakh metres of A. C. S. R. conductors were issued and approximately the same length of copper conductors weighing 42,094 kgs. (taking one metre=0.116 kg. as per the Engineering table) should have been retrieved. But only 38,034 kgs. of copper conductors were received back, resulting in short retrieval of 4,060 kgs. valuing Rs. 6.61 lakh (at the rate of Rs. 15 per kg.).

The matter was reported to the Board in May 1973 ; reply is awaited (March 1976).

Shortages in stores

(xxiii) (*a*) Physical verification of stores is required to be done at least once in a year. The Technical Committee on Power observed in December 1972, that the physical verification procedures were observed only perfunctorily. The present system does not provide for physical verification of stores by an independent agency and also for reporting to the top management on selected basis, the position of important items of stores having large money value. In Electricity Maintenance Division, Barabanki, stock registers were not closed since inception in 1966 and no physical verification of stock/stores was conducted prior to February 1973. During test check (February 1974) of the stock registers of the Central Stores for the period from 1st October 1971 to March 1973, it was noticed that in the case of 126 items of stock, the balances carried forward to the next half-yearly registers were less than those shown in the stock register for the period ending March 1972. The Store Keeper handed over charge on

1st October 1972, to a new incumbent on the basis of these incorrect balances. At the instance of Audit, the Board's internal audit team conducted (during June to September 1974) a further check of the stock and tools and plant registers of the Store Keeper from 1st April 1971 to the date of handing over charge and found shortages to the extent of Rs.24.64 lakhs. Although the shortages related to periods more than three years back, the Division has not taken any action to investigated and adjust/recover the amount of shortages.

The matter was reported to the Board in May 1974; reply is awaited (March 1976).

(*b*) On 21st November 1971, an indent was placed by the Rural Electrification Division, Varanasi on the timber treatment plant of Electricity Maintenance Division, Gorakhpur for supply of 500 treated sal ballies. The ballies were to be transported by road through a private road transport agency. The Store Keeper of the Varanasi Division acknowledged receipt of the sal ballies on the invoice (January 1972) pending their transportation. The transport agency, however, delivered only 50 ballies at Varanasi. The debit for 500 ballies raised by the Gorakhpur Division was accepted in full in February 1972. In March 1972, during physical vertification, 450 ballies were found short. Thereafter, the matter was taken up by the Varanasi Division with the Gorakhpur Division for supply of the remaining ballies, but the ballies could not be located at Gorakhpur also. This has resulted in a loss of Rs.0.43 lakh to the Board. On the complaints of various divisions regarding short delivery of sal ballies by the timber treatment plant of Electricity Maintenance Division, Gorakhpur a special audit of the unit was conducted by the internal audit wing of the Board and misappropriations of stores of aggregate value Rs.3.90 lakhs were detected (May-June 1973).

The Board stated (December 1975) that the value of shortage had been accounted for as miscellaneous advance for recovery from the Store Keeper.

Electronic clock system

(xxiv) For implementation of a proposal for installation of an electric clock system at the Board's headquarters building at Lucknow, 25 digital clocks were procured in October 1972 at a cost of Rs.0.88 lakh, besides purchase of cables therefor (Rs.0.29 lakh) in September 1973. Fifteen clocks were installed during July to October 1974. The remaining ten clocks (Rs.0.28 lakh) and cables (Rs.0.16 lakh) have not been installed so far (January 1976) and are lying unused since their receipt.

The matter was reported to the Borad in April 1973; reply is awaited (December 1975).

Damage to equipment

(xxv) Six condenser banks of 11 KV and 540 KVAR capacity, received in December 1968, by the Board from a Satna firm (agreement executed in March 1969) at a cost of Rs.1,44,186, did not work satisfactorily from the time of their installation during December 1970 to May 1971. The supplier firm did not agree (April 1971) to replace the condenser banks on the grounds that these were mishandled and energised at 132 KV instead of 11 KV for which these were designed. The damaged equipment are lying unutilised (December 1975).

The matter was reported to the Board in May 1974; reply is awaited (March 1976).

Purchase of 11 KV sanded top insulators

(xxvi) Between February 1968 and August 1968, the Board procured 33,720 sanded top insulators of 11 KV for "triple pole manually operated" switches from a firm of Madras at a total cost of Rs.1.37 lakhs, f.o.r. Madras. On receipt of the consignments, it was found that the diameter of the sanded holes of the insulators was less than that of the insulators purchased in earlier years, which necessitated minor change in the dimensions of the pin of the triple manually operated switches. In 1973-74 (i.e. 6 years after procurement of the insulators), the changes in dimension were carried out, after which only 15,220 insulators could be utilised by the Board. The remaining 18,500 insulators valued at Rs.0.75 lakh were lying unutilised (July 1975) since 1968.

The Board stated (August 1975) that the insulators were being utilised.

Idle capacitor banks

(xxvii) The Stores Procurement Circle, Lucknow allotted (April 1973) one 11 KV capacitor bank with reactor and accessories costing Rs.1.47 lakhs to the Electricity Maintenance Division, Mirzapur against the requirement of a 3.3 KV capacitor bank. Although the Division requested (July 1973) for cancellation of the allotment order, this was not done and the supplying firm despatched the materials in December 1973 and July 1974. The consignment sent in July 1974 could not be got released in time and was lying at the railway station due to paucity of funds, resulting in payment (February 1975) of demurrage and wharfage charges amounting to Rs.0.24 lakh for the period from 25th July 1974 to 14th February 1975. The main equipment (received in January 1974) and the accessories are lying idle (January 1976).

The matter was reported to the Board in May 1975 ; reply is awaited (March 1976).

Payment of Octroi charges

(xxviii) In terms of a Government order of July 1970, the Board is exempt from payment of octroi, terminal taxes, etc levied by local bodies. The Allahabad Electric Supply Undertaking, however, paid Rs.1.15 lakhs during 1974-75 as octroi charges.

The matter was reported to the Board in July 1975 ; reply is awaited (January 1976).

Payment of sales tax

(xxix) Under the Central and U. P. Sales Tax Acts, no tax is payable on the cost of freight, delivery and insurance of goods, provided such costs are charged separately. The Stores and Procurement Circle, Lucknow of the Board generally solicited tenders and finalised purchase agreements on "f.o.r. destination" basis. The suppliers' bills did not show the freight and insurance charges separately. This resulted in payment of sales tax on these elements, which could have been avoided by showing the freight and insurance charges separately in each bill. A test check in audit disclosed that in 39 orders issued in 1970 and 1971, the incidence of Central and State sales tax on the freight and insurance element of the cost was Rs.2.30 lakhs and Rs.0.64 lakh respectively.

Non-availing of exemption from payment of Central excise duty

(xxx) Light diesel oil and furnace oil are exempt from Central excise duty if these are intended to be used as fuel for generation of electricity by the State Electricity Boards. Electricity Kumaun Division, Pithoragarh did not obtain the required exemption from the Central Excise authorities about payment of Central excise duty for purchase of diesel oil for generation of electricity. During the period from April 1972 to September 1974, the division purchased 852.7 kls. of diesel oil and paid Central excise duty of Rs.0.63 lakh.

The matter was reported to the Board in January 1975; reply is awaited (March 1976).

Carriage of coal

(xxxi) Kanpur Electricity Supply Administration made payment of cost of coal and railway freight charges thereon on the basis of the weight recorded on railway receipts, which was found to be in excess of the carrying capacity of the wagons *plus* maximum limit of 2 tonnes per wagon, as permissible under the Railway Rules. Excess payment of 453 tonnes of coal, over and above the limit, carried in 243 wagons (including freight, etc.) during the period from April 1972 to January 1973, amounted to Rs.0.33 lakh calculated at Rs.72 per tonne.

The matter was reported to the Board in March 1973 ; reply is awaited (March 1976).

Payment of demurrage and wharfage charges

(xxxii) (*a*) The Rural Electrification Division, Varanasi paid in July 1974 a sum of Rs. 1.5 lakhs to the Railways as wharfage charges in respect of P.C.C. poles valuing Rs. 0.48 lakh. The poles despatched in February 1974 were released late in July 1974, as the division could not retire the railway receipt in time owing to non-availability of funds.

In the same Division, delivery of goods valuing Rs.5.36 lakhs, which arrived during the period from February 1974 to September 1974, was taken in June 1975 after payment of demurrage/wharfage charges to the extent of Rs.2.53 lakhs, even after waiver by the Railway authorities of 90 per cent of the accrued wharfage charges. Out of the price of Rs. 5.36 lakhs, payments to the suppliers to the extent of Rs. 3.95 lakhs had been made, but even these goods for which payment was made could not be got released in time as the Division was unable to pay the railway freight of Rs. 0.64 lakh and the demurrage and wharfage charges already accrued.

The matter was reported to the Board in July 1975 ; reply is awaited (March 1976).

(*b*) Against an order (15th December 1973) of the Superintending Engineer, Design Circle, Lucknow a firm of Bangalore despatched a 20 MVA-132/33 KV transformer costing Rs. 9.68 lakhs to a unit of the Board at Mirzapur. The transformer reached Mirzapur on 17th February 1975, but could not be unloaded due to non-availability of a suitable crane. It was diverted to Jaunpur (29th April 1975) as replacement for a damaged transformer. As a road bridge at Jaunpur was not fit to bear the load of the transformer, it was again booked (26th May 1975) for Zafarabad where the same was lying undelivered till 23rd September 1975 as open delivery was to be taken due to certain damages during transit. Owing to the detention at Mirzapur, Jaunpur and Zafarabad, the Board had to pay demurrage and wharfage charges of Rs. 0.96 lakh.

(*c*) Three minimum oil circuit breakers of 132 KV along with accessories meant for Pratapgarh Sub-station, were despatched to Pratapgarh by a public sector firm at Hyderabad on 12/13th March 1974, but the despatch documents were sent to a unit of the Board at Sultanpur having administrative control over the Pratapgarh Sub-station. The control of the sub-station was, however, vested in an Azamgarh unit in August 1974. Ultimately, delivery of the equipment was taken by the Azamgarh unit in March 1975 after payment of Rs. 0.23 lakh as demurrage and wharfage. Owing to the delay in retirement of the documents, the firm charged Rs. 0.32 lakh as interest and obtained payment of the same along with the price of the materials by adjustment against advances received from the Board.

(*d*) Sub-station Design Circle, Lucknow paid port rent amounting to Rs. 5.93 lakhs to Calcutta port authorities in February 1975 for delayed clearance of various consignments received from abroad. Late receipt of funds from the headquarters was stated (June 1975) by the circle authorities to be the main reason for the delay in clearance of the consignments. The Board stated (December 1975) that delay in supply of wagons by the Railways had also partly contributed to the payment of port rent.

(*e*) A contract for loading, unloading, carriage and stacking of stores materials and equipment was awarded (April 1972) to a transport contractor of Varanasi by a Division of the Board. According to the terms and conditions of the contract, unloading from railway wagons was to be completed within the stipulated period allowed by the Railways, and in the event of failure to do so, payment of demurrage and wharfage charges, if any, was to be borne by the contractor. The contractor was also liable to arrange for cranes for unloading the electrical equipment which could not otherwise have been unloaded. In that case, the Board was to bear the hire charges of cranes in addition to unloading charges. Demurrage and wharfage charges amounting to Rs. 0.39 lakh were paid by the Division in April 1972 for delay in unloading R. S. joists, but no recovery was made from the transport contractor on the plea that there was delay in getting a crane. In this connection it may be mentioned that R. S. joists are normally unloaded through manual labour and the contractor was also asked (April 1972) to unload them by manual labour. As such, the wharfage/demurrage charges were to be recovered from the contractor.

The Board's reply in the matter is awaited (March 1976).

Penalty under Employees Provident Fund Act

(xxxiii) It was noticed that eight units of the Board did not deposit the amounts of employees' and employer's contributions and administration charges thereon for the periods ranging from March 1967 to December 1972 towards Employees' Provident Fund, within the prescribed time. The Regional Provident Fund Commissioner, therefore, imposed penalties aggregating Rs. 3.21 lakhs.

The Board stated (December 1975) that the responsibility for the default was being fixed in respect of one unit.

Payment of premium

(xxxiv) As per provision of an insurance policy of 30th March 1968 (originally valid upto 30th April 1970), taken to cover the risk during transit, storing, erection and testing of main equipment and material for Stage IV—Extension of Harduaganj Project—for Rs. 18.76 crores (covering two units of Rs. 9.38 crores each), the insurance could be extended for further periods at the request of the assured subject to payment of additional premium. The policy could also be cancelled by either party at 30 days' notice at any time by refunding a part of the premium *pro rata* for the unexpired portion of the insurance. Although the first unit of Stage IV was commissioned and handed over for operation and maintenance on 30th January 1972, the policy was extended for the full value up to 30th June 1972. This resulted in payment of premium amounting to Rs.0.86 lakh on the first unit from 1st March 1972 to 30th June 1972 (after allowing 30 days for notice).

The matter was reported to the Board in October 1974 ; reply is awaited (March 1976).

SECTION VI

UTTAR PRADESH STATE ROAD TRANSPORT CORPORATION

Introduction

60. U. P. State Road Transport Corporation was established on 1st June 1972. Prior to the establishment of the Corporation, the State road transport services, *viz.* U. P. Government Roadways, were being operated by the Transport Department.

In May 1947, the operation of these services was taken up by Government in order to provide a comfortable, economical and efficient road transport service and to speed up an organised and alround development of road transport services in the State, with seven regions at Agra, Allahabad, Bareilly, Dehradun, Gorkhpur, Kanpur and Lucknow, each region having a regional workshop, besides one additional semi-regional workshop at Kathgodam (district Nainital) for the hill areas. There were a number of depots under each region and many depot workshops spread over the State. A Roadways Central Workshop was also established at Kanpur in October 1947 for making bus bodies, reconditioning of engines, retreading of tyres, maintenance and major repairs of vehicles, renovation of vehicles, and repairing vehicles of other Government Departments.

The following table shows the growth of the U. P. Government Roadways upto the time of formation of the Corporation :

As on	Capital invested (Rs. in lakhs)	Fleet position			Routes operated	Road km. operated	Available road km.
		Buses	Trucks	Taxis			
31st March 1948 (end of first year of operation) ..	92.55	511	336	N. A.	31	N. A.	N. A.
1st April 1951 (commencement of First Five Year Plan)	312.34	1307	520	50	242	7,465	16,18 2
31st March 1956 (end of First Five Year Plan) ..	460.93	1668	140	52	342	N. A.	N. A.
31st March 1966 (end of Third Five Year Plan) ..	2104.71	3604	443	71	841	17,828	27,198
1st April 1969 (commencement of Fourth Five Year Plan) ..	2336.77	3821	525	111	853	19,396	29,213
31st May 1972 (before take over by the Corporation) ..	3282.38	4536	343	82	1123	20,004	N. A.

In the Fourth Five Year Plan, it was planned to develop goods transport in the private sector and passenger transport in the public sector for bringing cent per cent passenger traffic within the purview of the State road transport. The State Government, in exercise of the powers under Section 3 of the State Road Transport Corporations Act, 1950, established the Corporation with effect from 1st June 1972.

On the formation of the Corporation, all the vehicles, together with the operational facilities built up, were taken over by it, though the State Government formally ordered the transfer of assets and properties of the U. P. Government Roadways, as existing on 31st May 1972, to the Corporation on 14th September 1972.

An Evaluation Committee set up by the State Government on 25th November 1972 for valuation of the assets and liabilities of the former U. P. Government Roadways as on 31st May 1972, was required to submit its report within six months. The report was, however, submitted in December 1975. The report is yet to be accepted by Government (March 1976). Consequently, neither an inventory of assets and liabilities has been drawn up, nor have these been valued on a realistic basis. No agreement regarding the transfer of the assets and liabilities has been drawn up so far (March 1976).

The table below indicates the working results of the former U. P. Government Roadways in respect of the regions and the headquarters office only, i.e. excluding the Roadways Central Workshop, Kanpur for the period April 1969 to May 1972 during which it was under the management of Government :

Year	Capital invested	Income	Expenditure	Net profit	Passengers carried (in lakhs)
		(Rupees in lakhs)			
1969-70	2180.85	2,191.29	1,994.43	196.86	2,171.62
1970-71	2247.99	2,443.56	2,203.18	240.38	2,339.09
1971-72	2390.46	2,767.03	2,518.91	248.12	2,513.25
1972-73 (Upto May 1972) ..	2444.05	519.04	453.75	65-29	441.95

The working results of Roadways Central Workshop, Kanpur, a separate unit meant for running on "no profit no loss" basis, are tabulated below, covering the period from April 1969 to May 1972 :

Year	Capital invested	Stores in stock	Work-in-progress	Unadjusted balances	Profit (+) Loss (—)
	(Rupees in lakhs)				
1969-70	531.98	175.96	80.34	179.87	(+)18.65
1970-71	670.28	224.13	191.11	75.38	(+)16.85
1971-72	782.28	223.22	146.91	132.02	(—)4.63
1972-73 (up to May 1972	838.35	224.99	10.22	265,73	(—)10.66

Objects

61. Section 68C of the Motor Vehicles Act, 1939 read with Section 18 of the Road Transport Corporations Act, 1950, prescribes the general duty of the Corporation to exercise its powers progressively to provide an efficient, adequate, economical and properly co-ordinated system of road transport services in the State.

The annual accounts of the Corportaion have not been finalised since inception, as per Section 33 (1) of the Road Transport Corporations Act, 1950. For the Management's evaluation of its performance, maintenance of proper books of accounts, compilation of necessary statistical data and timely finalisation of accounts, seem called for.

Organisational set-up

62. The management of the Corporation is vested in a Board. Under Section 5 of the Act, the members of the Board including the Chairman are appointed by the State Government. The term of office of the Chairman and the members of the Board is one year at a time.

As on 31st March 1975, there were nine members of the Board. Seven members, including the Chairman, were Government officials and the remaining two were non-official members. Three of the official members were nominted by the Government of India and the remaining official and non-official members, including the Chairman, were nominated by the State Government. The General Manager of the Corporation has also held the office of the Chairman since the date of establishment of the Corporation.

A Chief Accounts Officer has been appointed under Section 14 (1) of the Act by the State Government. In terms of Section 15 (2) *ibid*, he has a right to record his views on every proposal involving expenditure from the Corporation's fund prior to its consideration by the Board.

Under Section 12 of the Act the Corporation is empowered to constitue committees of its members and to delegate powers. Accordingly, powers have been delegated to various officials.

The Corporation has also formed the following standing committees to whom administrative and financial powers have been delegated from time to time ;

(*a*) Stores Purchase Committee, one in each region and also in the Central Workshop, Kanpur.

(*b*) Vehicles Condemnation Committee, one in each region.

(*c*) Central Stores Purchase Committees 'A' and 'B' at the head office of the Corporation.

Capital structure

Sources of capital

63. The Act provides for the following sources of capital :—

(i) Contributions by the Central and State Governments in terms of Section 23 (1) thereof or issue of shares to the State Government, the Central Government and other parties in terms of Section 23 (2) *ibid*, and

(ii) Borrowings in the open market or otherwise for working capital and for capital expenditure as per Section 26 (1) *ibid*.

Capital contributions

As on 31st May 1972, the capital investment of the State Government in the former undertaking was Rs.32.82 crores as per the accounts finalised later. At the time of transfer of the undertaking to the Corporation, the investment was provisionally assessed at Rs.30.00 crores. The State Government declared (24th July 1972) that against the transfer of the assets of this value, Rs.12.00 crores would be treated as the initial capital contribution in the form of a fixed loan, carrying interest (determined later at $6\frac{1}{4}$ per cent) and the balance Rs.18.00 crores would be treated as a repayable term loan to the Corporation. The State Government has not contributed anything further towards the Corporation's capital.

The Central Government had agreed (9th March 1972) to contribute 20 per cent of the total capital contribution to the Corporation. The Central Government, however, contributed its share of Rs.3.00 crores in three instalments of Rs.97.84 lakhs, Rs.10.36 lakhs and Rs.191.80 lakhs in February, April and May 1975 respectively. A sum of Rs.93,208 was, however, deducted from the third instalment towards interest at $6\frac{1}{4}$ per cent on its contribution upto March 1975.

The Fifth Five Year Plan contemplated that the State Government's contribution towards the capital of the Corporation during the plan period would be Rs.15.00 crores and on the basis of the Central Government's pattern of contribution to other State Road Transport Corporations in the ratio of 1 : 2, its contribution would be Rs.7.50 crores. The State Government has, however, expressed its inability to contribute anything towards the capital of the Corporation during 1974-75 and 1975-76.

Borrowings

The maximum limit of borrowings by the Corporation prescribed by the State Government has been raised from Rs 5.00 crores to Rs.8.00 crores (January 1975). The table below gives the particulars of borrowings by the Corporation since its inception to 31st March 1975 from various sources :

(Rupees in crores)

Source of borrowing	1972-73	1973-74	1974-75
(i) State Government	19.00	..	..
(ii) State Bank of India ..	0.50	0.495	..
(iii) Industrial Development Bank of India (Rediscounting of bills on purchase of chassis) ..		1.66	..
(iv) A scheduled bank		..	1.64

Borrowings from Government include Rs.18.00 crores as part of the provisional value of assets transferred to the Corporation mentioned earlier. The book value of the assets as per the accounts compiled later was, however, Rs.32.82 crores excluding the value of the building in which the headquarters office of the Corporation is located. No orders have been issued (January 1976) by the State Government regarding treatment of the difference of Rs. 2.82 crores between the book value and the provisionally assessed value of the assets. The amount of loan is provisional subject to valuation of assets and liabilities transferred by Government. The loan carries interest at 7½ per cent, but the period over which it is repayable has not been determined. The remaining loans (Rs.1 crore) were drawn in 1972-73, repayable with interest within six months of drawal, the interest rate being 9½ per cent subject to a rebate of 2½ per cent for timely repayment. Rebate of Rs.8.67 lakhs upto 31st December 1975 has been forfeited due to default in repayment of principal (Rs.1.00 crore) and payment of interest (Rs.32.95 lakhs upto December 1975).

The loans from the State Bank of India and the scheduled bank carry interest at 15 per cent. No instalment towards repayment of the principal was due upto 31st March 1975. No interest thereon has been paid (January 1976). The amount of interest due on 31st March 1975 was Rs.19.50 lakhs.

Internal resources

On the date of formation of the Corporation, the balance in the Depreciation Reserve Fund and Insurance Fund were Rs.18.42 crores and Rs.0.12 crore, out of which investments amounted to Rs.4.29 crores and Rs.0.12 crore respectively. Subsequently, the Corporation provided depreciation of Rs.3.00 crores in 1972-73 (June 1972 to March 1973) and Rs.4.22 crores in 1973-74 on its capital assets and these provisions were added to the Depreciation Reserve Fund. After deducting the value of condemned vehicles sold during 1972-73 (Rs.1.46 crores) and 1973-74 (Rs.2.44 crores), the balance in Depreciation Reserve Fund was Rs.19.96 crores and Rs.21.74 crores at the close of 1972-73 and 1973-74 respectively. Withdrawals from the Depreciation Reserve Fund Investment Account during 1972-73 and 1973-74 were Rs.0.50 crore and Rs.2.99 crores respectively, leaving a balance of Rs.3.79 crores and Rs.0.80 crore only at the close of 1972-73 and 1973-74 respectively.

The Depreciation Reserve Fund is meant for replacement of of capital assets, but sums of Rs.0.50 crore in 1972-73 and Rs.2.99 crores in 1973-74 were withdrawn from the Depreciation Fund Investment Account and utilised for other purposes, i.e. Rs.0.50 crore were utilised for general augmentation of liquid resources and Rs.2.99 crores were adjusted against the arrears of passenger tax payable to the State Government. The sums so spent for other purposes were not recouped.

The position of internal resources and their utilisation during 1974-75 was not available due to non-finalisation of the accounts for the year.

Budgetary control

Estimates

64. Section 32 of the Act provides that every Corporation shall prepare and submit to the State Government for approval, a budget for the next financial year in such form and by such date in each year as may be prescribed and that no sum shall be expended by or on behalf of a Corporation unless the expenditure is covered by a current budget grant approved by the State Government. The form of budget has been prescribed by the State Government in May 1972. It has also been laid down that the budget estimates for the next financial year should be forwarded to the State Government for approval by 15th December of each year.

The budget of the Corporation for the year 1973-74 was sent to Government on 11th January 1973 without the revised estimates of the previous year (1972-73). The actuals for 1972-73 have also not been compared with the budget estimates for that year (January 1976). In the budget for 1974-75 sent to Government on 16th February 1974, the actuals for 1972-73 were not shown.

Compilation of accounts is not done from the monthly statements received from the regions and the Central Workshop from month to month. Compilation work in respect of accounts for 1974-75 has not been taken up (November 1975).

Expenditure

Though under the provision of the Act the Corporation is not empowered to incur expenditure in excess of the amounts provided in the sanctioned budget estimates, the Corporation has not, as stated above, made any arrangements for watching the progress of actual expenditure from month to month to ensure that the budget grants are not exceeded.

Cash management

65. From the formation of the Corporation and upto 1st July 1975, its funds were kept in deposit accounts in Government treasuries, and withdrawls were made from such deposit accounts. The Corporation did not take proper steps to manage its cash collection and holdings, keeping in view the requirements of funds in the various regions. For example, in Kanpur region funds were overdrawn to the extent of Rs.120 lakhs at the end of 1974-75. The Corporation was not able, at times, to draw funds for meeting its urgent commitments. Orders were placed for 450 TMB and 210 Leyland buses in 1972-73, but owing to shortage of funds and consequent inability to make timely payments the Corporation had to request the firm in November 1974 to divert supply of 85 chassis to other purchasers. Demurrage and wharfage to the extent of Rs.1.44 lakhs were incurred during 1972-73 to 1974-75 in the Central Workshop, Kanpur alone as delivery of materials received by rail could not be taken in time. Direct appropriation of receipts to the extent of Rs.52.34 lakhs during 1974-75 (upto 24th December 1974) was resorted to as the Kanpur Treasury refused to permit withdrawals due to the Corporation's inability to liquidate overdrafts. Payments were arranged from Lucknow Treasury for clearing arrears of road tax, for the quarter October 1974 to December 1974, of the Kanpur region.

In this connection it was noticed that though the liquidity position of the Corporation was not satisfactory, large amounts were advanced to dealers of T. M. B. and Leyland chassis, free of interest, much in advance of actual dates of delivery of the chassis. In terms of agreement, 98 per cent advance payment or 100 per cent payment at the time of delivery could be made. The Corporation chose the first alternative of payment. During 1973-74, an advance for supply of 724 chassis (Rs.5.18 crores) was made, out of which only 543 chassis were received during the year and an amount of Rs.1.27 crores remained unadjusted.

The Corporation has been importing motor vehicle spare parts against actual user's import licences through U. P. Small Industries Corporation Limited. According to the terms and conditions, the Corporation is required to make 95 per cent payment immediately on receipt of railway receipt. However, funds for payment of 95 per cent of Rs.12.39 lakhs and Rs.17.50 lakhs for import of tyres and tubes, and cylinder heads respectively could not be arranged in November 1974. The Company got these consignments cleared and stored in a rented godown duly insured. As claimed by the Company, Rs.1.50 lakhs and 0.29 lakh were paid by the Corporation (January 1975) as bank interest charges and godown rent respectively for the period from November 1974 to January 1975.

Orders for supply of Tata piston assembly, piston rings and cylinder liners (value : Rs.17.17 lakhs) were placed on a Madras firm in January 1974. The supplier despatched the materials in October 1974, but owing to paucity of funds, the railway receipt could not be retired. Consequently, the materials were got diverted to a distributor of the supplying firm. As the materials were urgently required for repairs and overhauling of Mercedes engines, the same were purchased by the Corporation in May 1975 at higher rates from the distributor to whom the materials were diverted, resulting in extra expenditure of Rs.0.23 lakh.

Plan implementation

Fourth Five Year Plan

66. Development of State transport services was excluded from the plan purview during the 11 years from 1956-57 to 1968-69. Thereafter road transport development in the State was included in the Fourth Five Year Plan. The U. P. State Road Transport Corporation was established in the fourth year of the Plan (1972-73) with effect from 1st June 1972. On that date the Corporation was having a fleet of 4536 buses, 343 trucks and 82 taxis being operated on 1123 routes covering 1.22 lakh route kilometres. The number of routes was reduced to 1111 at the close of 1972-73. At the close of 1973-74, the operation was on 1208 routes covering 1.43 lakh route kilometres.

The total capital outlay for development of road transport in the State, in accordance with the Plan was Rs.7.25 crores for purchase of 773 buses (Rs.592.87 lakhs) and acquisition of land, construction of buildings, purchase of tools and plant, and furniture and fixtures (Rs.132.13 lakhs). The actual expenditure upto 31st March 1972, against this allocation was Rs.323.20 lakhs. After the formation of the Corporation 1972-73, the State Government was moved to release Rs.200 lakhs as provided in the Plan for the year 1972-73, in order to meet capital expenditure, but no funds were received from Government. However, a loan of Rs.1.00 crore was sanctioned in June 1972 (Rupees 75 lakhs) and August 1972 (Rupees 25 lakhs) by the State Government (repayable with interest within six months) and Rs.50 lakhs were taken as loan from the State Bank of India for meeting capital expenditure during 1972-73.

Capital funds to the extent of Rs. 401.80 lakhs were required by the Corporation during 1973-74 in order to meet the cost of vehicles land and buildings, tools and plants, furniture and fixtures, etc. The State Government was, therefore, moved (May 1973) to pay Rs.4.00 crores to the Corporation which was earmarked in the Fourth

Five Year Plan of the State for development of transport during 1972-73 (Rs.2 crores) and 1973-74 (Rs.2 crores. As no amount was received from Government, the Corporation, in order to meet part of its capital requirement during 1973-74, raised a further loan of Rs.49.50 lakhs from the State Bank of India and availed of the facility under the bills rediscounting scheme of the Industrial Development Bank of India to the extent of Rs. 1.66 crores at a higher rate of interest (15 per cent).

In accordance with the Plan, 1,000 additional road kilometres were to be covered by the State road transport services, out of which 612 additional road kilometres had already been covered upto the formation of the Corporation. Towards the end of 1972-73 and 1973-74, the Corporation had covered 1008 and 1242 additional road kilometres respectively. The new routes taken over during 1973-74 were Almora-Basuli and Almora-Pithoragarh in hill districts and Jaunpur-Kerakat and Saidpur-Mehnajpur in the plains.

According to the Plan, 773 new buses were to be purchased for expansion and augmentation of new routes. The buses purchased upto 31st May 1972 were 432 only. As per the annual plan for 1972-73, the Corporation was to purchase 209 new buses for expansion and augmentation of new routes but due to non-availability of funds, no buses could be purchased under the Plan programme. However, the Corporation purchased 50 buses for the expansion and augmentation of new routes out of the loans raised during the year. As no new routes were taken over during 1972-73, these buses were utilized for extending the routes already existing. For the year 1973-74, it was proposed to purchase 409 buses in order to achieve the Fourth Plan target, against which the Corporation purchased 291 buses from out of the loans raised during the year.

The financial and physical targets and the actuals during the years 1972-73 and 1973-74 are indicated below :

(Rupees in lakhs)

	Targets		Actuals	
	1972-73	1973-74	1972-73	1973-74
(i) Direct investment by State Government ..	200.00	201.80	Nil	Nil
(ii) Capital contribution from Central Government ..	Nil	300.00	Nil	Nil
(iii) Short term loans from State Government ..	Nil	Nil	100.00	Nil
(iv) Loans from financial institutions	Nil	Nil	50.00	150.16
(v) Additional distance covered (in km.)	200	200	396	234
(vi) Purchase of vehicles for operation on new routes (number) ..	209	132	50	291

Fifth Five Year Plan

The Fifth Five Year Plan provided for a total outlay of Rs. 61.25 crores for development of road transport services through the Corporation. The required funds were expected to be made available from the following sources :—

	(Rupees in crores)
(i) State Government's contribution towards capital	15.00
(ii) Central Government's contribution towards capital	7.50
(iii) Withdrawals from Depreciation Reserve Fund	24.50
(iv) Ter.n loans from financial institutions	14.25
Total ..	61.25

The State Government has not, however, been able to provide any funds during 1974-75 and has expressed its inability to make any contribution during 1975-76 also. Consequently, the proportionate contribution from the Central Government has also not materialised. The Corporation has not revised the Plan keeping in view the resources likely to be available (January 1976).

For financing the Plan outlay during 1974-75, a loan of Rs.1.64 crores was obtained from a scheduled bank and the provision towards Depreciation Reserve Fund (Rs.5.01 crores) was partly utilised for the plan outlay.

The table below indicates the targets and the actual purchase of buses during 1974-75 :

Purchase of buses for	Target	Actual purchase
(*a*) Replacement of condemned vehicles (Non-Plan) ..	376	110
(*b*) Augmentation of fleet (Plan)	124	168

The total cost of 278 buses purchased during the year comes to only Rs. 3.34 crores against the total availability of resources of Rs.6.65 crores (Rs.1.64 crores loan *plus* Rs.5.01 crores from Depreciation Reserve Fund).

Financial position

67. Provisional accounts (excluding the transactions of the Central Workshop) have been compiled for 1972-73 and 1973-74 in the form in which the accounts of the erstwhile U. P. Government

Roadway were prepared. The table below shows the financial position of the Corporation for the two years based on these provisional accounts :—

(Rupees in lakhs)

	1972-73*	1973-74
Liabilities		
(*a*) Capital†	788.56	838.58
(*b*) *Loans*		
(i) State Government**	1,544.05	1,544.05
(ii) Industrial Development Bank of India (Rediscounting of bills on purchase of chassis)	..	131.88
(iii) State Bank of India ..	50.00	99.50
(*c*) Depreciation fund and Insurance fund ..	2,007.69	2,185.77
(*d*) Current liabilities	937.30	1,600.73
(*e*) Undischarged liabilities	31.42	42.99
	5,359.02	6,443.50
Assets		
(*a*) Fixed assets	4,274.22	4,810.81
(*b*) Investments	390.62	92.08
(*c*) Current assets, loans and advances	694.18	1,540.61
	5,359.02	6,443.50

Working results

An analysis of the working results of the Corporation based on the provisional accounts for the years 1972-73 and 1973-74, is given below :—

(Rupee in lakhs)

Particulars	1972-73 (June 1972 to March 1973)	1973-74
Revenue		
(*a*) *Operating revenue*		
(i) Passenger services	2,133.71	3,215.42
(ii) Contract services	38.13	66.13
(iii) Passengers' luggage	19.64	34.06
(iv) Parcel services	0.99	1.14
(v) Postal mail services	3.03	1.99
(vi) Out agency receipts	4.86	4.94
Total ..	2,200.36	3,323.68

*The figures relate to the period from 1st June 1972 to 31st March 1973.

†It should be Rs. 12.00 crores, being the amount contributed by the State Government as capital.

**It should be Rs. 18.00 crores as per Government notification and Rs. 20.82 crores as per the book value of investments by the State Government on the date of taking over plus Rs. 1 crore lent during 1972.

(Rupees in lakhs)

Particulars	1972-73 (June 1972 to March 1973)	1973-74
(b) Non-operating revenue		
(i) Income from advertisements	0.71	1.38
(ii) Canteen rents	6.07	11.25
(iii) Miscellaneous receipts	71.13	108.77
Total ..	77.91	121.40
(*c*) Total revenue	2,278.27	3,445.08
Expenditure		
(a) Operating expenses		
(i) Traffic	568.97	908.74
(ii) Repairs and maintenance	633.02	926.89
(iii) Power	397.25	526.06
(iv) Licences and taxes	123.15	151.99
(v) Welfare and superannuation	107.79	176.89
(vi) General charges	24.49	41.59
(vii) Administrative expenses	87.39	134.22
(viii) Contribution to depreciation fund ..	299.44	421.83
Total ..	2,241.50	3,288.21
(b) Non-operating expenses		
Interest on capital and loans	147.52	193.44
(*c*) Total expenditure	2,389.02	3,481.65
(*d*) Operating profit (+)/loss (—)	(—)41.14	(+)35.47
(*e*) Net profit (+)/loss (—)	(—)110.75	(—)36.57
(*f*) Percentage of operating expenses to operating revenue	100.19	98.96
Other particulars		
(i) Total operating expenses per vehicle km. (paise) ..	92.38	127.57
(ii) Total operating revenue per vehicle km. (paise) ..	90.69	128.94

The table below shows the financial results of operation of the regions for the year 1974-75 :—

Name of region	Fleet position at the end of the year	Effective km. (in lakhs)	Total income (in lakhs of Rs.)	Total expenditure (in lakhs of Rs.)	Income per km. (in Rs.)	Profit (+) Loss(—) (in lakhs of Rs.)
Agra	550	297.86	461.28	459.96	1.55	(+)1.32
Aligarh	367	222.88	365.46	345.06	1.64	(+)20.40
Allahabad	534	284.78	399.29	435.27	1.40	(—)35.98
Bareilly	399	204.97	327.60	332.16	1.60	(—)4.56
Dehradun	431	216.20	328.52	317.52	1.52	(+)11.00
Gorakhpur	399	246.78	394.29	345.49	1.60	(+)48.80
Kanpur	537	241.43	339.03	417.01	1.40	(—)77.98
Lucknow	516	291.65	448.32	491.68	1.54	(—)43.36
Meerut	361	217.87	358.19	298.17	1.65	(+)60.02
Nainital	315	138.39	194.08	244.08	1.40	(—)50.00
Tanakpur	125	43.81	61.36	98.58	1.40	(—)37.22
Varanasi	441	220.36	314.74	376.40	1.43	(—)61.66
Total ..	4,975	2,626.98	3,992.16	4,161.38	..	(—)169.22.

The regional monthly accounts indicated that some of the regions, e.g. Tanakpur, Kanpur, Varanasi and Lucknow, had been incurring losses in almost all the months of each year. The yearwise position of losses in these regions for the years 1972-73, 1973-74 and 1974-75 is given below :

(Rupees in lakhs)

Name of region	1972-73	1973-74	1974-75
Allahabad	19.36	19.17	35.98
Bareilly	9.18	2.10	4.56
Kanpur	38.69	34.14	77.98
Lucknow	23.95	3.24	43.36
Nainital	14.72	15.69	50.00
Tanakpur	16.33	25.37	37.22
Varanasi	8.04	18.66	61.66

Disposal of net profits

Section 30 of the Act lays down that payment of interest/dividend and provision for depreciation, reserve and other funds is the first charge on the annual net profits of the Corporation. The balance, after making the above provisions, is to be utilised towards amenities to passengers, welfare of labour, expansion programmes or for other purpose as specified by Government, and the balance, if any, is to be handed over to Government for road development. Payment of interest on capital/loans was deferred in all the three years since inception.

Fleet utilisation

68. The number of vehicles held by the Corporation on the date of its formation and in subsequent years had been as under :—

As on	Buses	Trucks	Taxis	Staff cars*
1st June 1972 ..	4,536	343	82	N.A.
31st March 1973 ..	4,582	351	65	77
31st March 1974 ..	4,745	336	53	94
31st March 1975 ..	4,975	257	54	102

The age of buses and trucks (except those held in Lucknow and Gorakhpur regions and the Central Workshop at Kanpur) separately in terms of years of operation and kilometres run is given below :

	As on 31st March 1973		As on 31st March 1974		As on 31st March 1975	
	Buses	Trucks	Buses	Trucks	Buses	Trucks
(*a*) In terms of years of operation						
Over 8 years ..	810	185	741	272	729	198
5 to 8 years	595	123	854	9	727	7
Less than 5 years ..	2234	20	2235	17	2627	18
(*b*) In terms of km. run						
Over 6 lakhs ..	77	33	68	35	46	36
5 to 6 lakhs ..	155	2	157	6	232	9
Less than 5 lakhs	3407	293	3605	257	3805	178

*Excluding Central Workshop, Gorakhpur region and Head Office of the Corporation.

The table below shows the number of off-road and on-road vehicles as at the end of each of the three years upto 1974-75 :—

	1972-73	1973-74	1974-75
Vehicles on-road			
Buses	3,272	3,417	3,539
Trucks	195	190	160
Taxis	44	46	43
Vehicles off -road			
Buses			
Reserve	179	210	260
For repairs/disposal	1,131	1,118	1,176
Trucks	156	146	97
Taxis	21	7	11

The off-road buses awaiting repair/disposal, as shown above, during the years 1972-73, 1973-74 and 1974-75 included 69, 65 and 52 buses respectively proposed for disposal. Similarly, the off-road trucks during the years 1972-73, 1973-74 and 1974-75 as shown above, included 14, 31 and 4 vehicles respectively proposed for disposal by auction.

The percentage of off-road buses, trucks and taxis to the total fleet at the end of each of the three years upto 1974-75 is indicated below :—

	1972-73	1973-74	1974-75
(i) Off-road buses to total fleet	28.6	28.0	28.9
(ii) Off-road trucks to total fleet	44.4	43.4	37.7
(iii) Off-road taxis to total fleet	23.3	13.2	20.4

Traffic analysis

Rural services

69. The Corporation operates the majority of its buses in the rural areas, including suburban areas. These services include inter-State services, deluxe services, air-conditoned services and night

services. The operational results of these rural services for the three years upto 1974-75 are given below :—

Particulars	1972-73	1973-74	1974-75
(i) Number of routes operated ..	1,006	1,098	1,109*
(ii) Scheduled km. (in lakhs) ..	2,323.80	2,461.06	2,718.49
(iii) Km. operated (in lakhs) ..	2,131.93	2,237.33	2,449.09
(iv) Operational efficiency (percentage of km. scheduled to km. operated) ..	91.31	90.99	90.90
(v) Scheduled trips (in lakhs) ..	36.80	38.27	32.68†
(vi) Trips operated (in lakhs) ..	33.88	35.75	28.78†
(vii) Regularity in service (percentage of trips operated to the trips scheduled) ..	92.07	93.40	88.00
(viii) Passengers carried (in lakhs) ..	1785.33	2,127.73	2,340.51
(ix) Km. operated (in lakhs)			
(a) Earned	2,105.07	2,207.42	2,415.70
(b) Dead (including departmental) ..	26.86	29.91	33.39
Total ..	2,131.93	2,237.33	2,449.09
(x) Percentage of dead km. to total km. ..	1.26	1.34	1.36
(xi) Average seating capacity ..	48.17	48.34	48.42
(xii) Average load factor (percentage) ..	62.70	68.73	78.35
(xiii) Cost per km. (in paise) ..	107	119	152
(xiv) Income per km. (in paise) ..	117	132	151
(xv) Profit (+)/Loss (—) per km. (in paise)	(+)10	(+)13	(—) 1

Urban/City bus service

The Corporation has undertaken operation of city bus services only in six cities *viz.* Lucknow, Kanpur, Varanasi, Bareilly, Agra and Allahabad. An analysis of the operation of city bus services for the three years upto 1974-75 is given below :—

Particulars	1972-73	1973-74	1974-75
(i) Number of routes operated ..	105	110	130**
(ii) Scheduled trips (in lakhs) ..	10.59	10.56	10.75
(iii) Trips operated (in lakhs) ..	8.59	8.31	8.04
(iv) Percentage of trips curtailed to trips operated	23.28	27.08	33.70
(v) Km. operated (in lakhs)			
(a) Earned	183.32	199.38	190.50
(b) Dead (including departmental) ..	7.37	8.08	6.70
Total ..	190.69	207.46	197.20

*This relates to the period upto 31st December 1974.

†Excluding figures of Lucknow region.

**This relates to the period upto 31st December 1974.

Particulars		1972-73	1973-74	1974-75
(vi) Average seating capacity ..	..	50.75	50.75	50.75
(vii) Passengers carried (in lakhs)	..	596.72	660.23	714.71
(viii) Average load factor ..	..	45	59	72·4
(ix) Average income per km. (in Rupees)	..	1.07	1.18	1.32
(x) Average cost per km. (in Rupees)	..	1.13	1.25	1.65
(xi) Total loss (Rupees in lakhs)	..	13.35	14.52	65.08
(xii) Average buses operated per day	..	351	407	415

The city bus operations resulted in a total loss of Rs. 92.95 lakhs during the period from June 1972 to March 1975.

The Corporation issued concessional tickets/passes to students, blind persons, press correspondents, etc. The total number of passes issued to students during the three years ending March 1975 was 0.35 lakh in 1972-73 and 1973-74 each and 0.46 lakh in 1974-75. The Corporation has not worked out the revenue forgone owing to these concessions.

Dead kilometres

The position of revenue kilometres and the dead kilometres in the rural and city bus operations during the three years ending 31st March 1975 had been as under :—

(Figures in lakh kilometres)

			Rural bus operation		City bus operation	
			Revenue	Dead	Revenue	Dead
1972-73	..	..	2105.07	26.86	183.32	7.37
1973-74	..	..	2207.42	29.91	199.38	8.08
1974-75	..	..	2415.70	33.39	190.50	6.70

The percentage of dead kilometres to revenue kilometres during these years in case of rural operation had been 1.28, 1.35 and 1.38 respectively whereas in the case of city bus operation it had been 4.02, 4.05, and 3.52 respectively.

Dead kilometers in the trucks and taxis during the three years 1972-73 to 1974-75 had been 15.27 lakhs, 17.09 lakhs, and 17.19 lakhs as against earned kilometres of 28.11 lakhs, 22.76 lakhs and 20.22 lakhs. The percentage of revenue kilometres to total kilometres in case of trucks and taxis had been 64.9, 57.1 and 54.0 respectively.

Passenger buses plying from three depots of a region upto Delhi after conclusion of the scheduled operation to Delhi, were parked at Ghaziabad (instead of at the Delhi outstation) after covering 29 dead kilometres per bus, on the ground of paucity of parking space in Delhi. Again, for commencement of daily operation from Delhi these passenger buses plied empty to Delhi. During the period from July 1969 to April 1973, 5.24 lakh dead kilometres were covered by passenger buses in these journeys from Ghaziabad to Delhi and back. Based on the approximate cost of operation (at 94 paise per km. from July 1969 to May 1971 and at Rs. 1.20 per km. from June 1971 onwards) the Corporation incurred unremunerative expenditure of Rs. 5.40 lakhs. After April 1973, these buses are being parked at inter-State bus station in Delhi.

Sale of tickets to passengers

The Corporation has a number of bus stations from where tickets are sold to passengers for the intended destination, besides sale *en route* by the conductors. The following deficiencies were noticed during test checks in the various depots :—

(i) way bills and blank ticket books issued for *en route* sale of tickets did neither indicate the name of the region to which they pertained nor was there any indication whether the particular way bill form was the original, duplicate or triplicate.

(ii) way bills issued to the conductors did not bear the full signatures of the issuing authority and a proper account was not kept by the depots to show the issue and return of the way bills and the blank ticket books to/from the conductors.

(iii) The checking staff were required to return the checked way bill and the summary to the conductor who was required to deposit these along with the cash with the cashier. In most cases the checking staff gave only a chit indicating the amount to be deposited.

(iv) Summaries were not being prepared and reconciled with the main cash book and the daily vehicle returns.

(v) No reconciliation of the check register, collection register, daily vehicle return, way bill issue register and route checking reports of Assistant Traffic Inspectors/Traffic Superintendents with the summary of tickets sold and income received was being done.

(vi) Check registers and daily cash collection registers were not subjected to any check by the officials, other than the writer.

(vii) The sale ledgers and the cash books of the outstations were not being checked regularly, and

(viii) Tickets were being issued to the booking clerks without ascertaining the exsting stock position with them.

The above lacunae in the system of accounting of realisations, and deposit of fares may be viewed with reference to cases of non-accounting of realised fares, a few instances of which noticed in test audit are indicated below :

(i) In Kanpur region, the amount misappropriated by selling unaccounted for tickets was Rs.16,684 during the period April 1974 to October 1974. Besides, the amount recoverable from conductors on account of short deposits during the period November 1974 to April 1975 was Rs.4,877 in respect of one depot (Juhi) only.

(ii) Booking clerks had made false entries in the way bills by indicating ticket numbers which were not in stock. Such sales were not entered in their window sale ledger. The loss on this account in Gorakhpur region amounted to Rs.6,763 during 1974-75.

(iii) In Agra region, a ticket book containing 50 tickets issued to a conductor on 6th September 1974 was declared lost. He recorded the numbers from the lost blank tickets in the way bill without actually issuing any ticket to the passengers in 35 cases. The loss of income was stated to be Rs.395.

(iv) Tickets issued but not sold, and reported lost and shown outstanding in the books of Mathura and Agra depots (Agra region) during the period October 1971 to October 1974, recoverable from the booking clerks and conductors was intimated to be Rs.5,990 and Rs.6,398 respectively.

(v) In Allahabad region, cases of loss of blank ticket books were pending investigation against four conductors during the period June 1974 to January 1975. The amount involved was Rs.796.

(vi) In Aligarh region, 300 tickets of face value Rs.1,395 were found short in August 1974. The matter was brought to the notice of the Regional Manager on 25th January 1975. Neither the matter has been reported to the Police nor a departmental inquiry has been conducted (March 1976).

(vii) In Gorakhpur Region, many cases of way bills being changed, destroyed or amounts being misappropriated had been noticed. Route income in Gonda depot had been deposited after 4 to 10 days. At Deoria depot, the earning on account of conductors' bookings in the way bills in 17 cases amounting to Rs.4,376 during 1974-75 were not deposited and in 17 other cases, a sum of Rs.411 was short deposited. A sum of Rs.3,091 was outstanding for recovery from one conductor of Deoria depot for loss of tickets and in another case of 287 tickets lost, Rs.1,002 were pending recovery against another.

Inter-State services

The Corporation operates inter-State services between Uttar Pradesh and Madhya Pradesh, Delhi, Rajasthan, Bihar and Haryana. The operational results of these inter-State services in respect of the various regions other than Gorakhpur, Tanakpur and Nainital regions, are indicated below :—

	1972-73	1973-74	1974-75
(i) Number of routes operated ..	60	64	63
(ii) Kms. operated (in lakhs)	193.41	214.25	224.60
(iii) Income earned (Rupees in lakhs) ..	173.95	308.30	357.01
(iv) Passengers carried (in lakhs) ..	111.89	127.65	137.32
(v) Average load factor	58	65	79
(vi) Income per km. (in paise) ..	90	144	159
(vii) Expenditure per km. (in paise) ..	107	119	152
(viii) Profit /Loss per km. (in paise) ..	(—)17	(+)25	(+)7
(ix) Total profit (+)/Loss (—) (Rupees in lakhs)	(—)33.88	(+)53.56	(+)15.72

Air conditioned services

In March 1962, the former U. P. Government Roadways purchased an air-conditioned coach at a cost of Rs.1.08 lakhs and started its operation on Agra—Delhi route, as suggested by the Tourism Department of the Government of India. In order to have more operation of air-conditioned services on this route, the Government of India released foreign exchange in favour of U. P. Government Roadways for import of six air-conditioning plants for buses, out of which four plants were imported and the first air-conditioned bus was constructed by May 1968. In June 1968, it was agreed between the Indian Tourism Development Corporation Limited (a Government of India Undertaking) and the U. P. Government Roadways that each will operate two buses, on a joint venture basis on the Agra—Delhi route. The other two buses, in accordance with the Corporation Board's decision (22nd April 1969), were operated on Delhi—Dehradun route with effect from 12th May 1969 and discontinued in December 1971.

The particulars of operation of air-conditioned coaches on Agra—Delhi route upto 1972-73 were not available. The results of operation for the years 1973-74 and 1974-75, are indicated below :—

	1973-74	1974-75
Total km. operated	72,315	63,724
Passengers carried	1,989	6,069
Income earned (Rupees)	33,594	88,119
Income per km. (Rupees)	0.46	1.38
Total expenditure including Rs. 10 per passenger for lunch (Rupees)	1,22,541	1,57,578
Expenditure per km. (Rupees)	1.69	2.47
Total loss on operation (Rupees)	88,947	69,459

Four air-conditioned buses are lying in the Central Workshop, Kanpur for the last three years for conversion into deluxe buses and the air-conditioning plants are awaiting disposal (March 1976).

Deluxe services

The Corporation is running number of deluxe buses in almost all the regions. The cost of operation of such buses is higher due to provision of luxury seats. The fares charged in these buses are higher than that for the ordinary buses. The operational results of these services in respect of Agra, Aligarh, Bareilly, Dehradun and Meerut regions are given below :

	1972-73	1973-74	1974-75
Number of vehicles operated ..	21	24	17
Number of routes operated ..	10	10	10
Passengers carried (in lakhs) ..	1.22	1.95	2.65
Average load factor	74.3	79	88.04
Total income (Rupees in lakhs) ..	11.11	18.77	26.04
Total expenditure (Rupees in lakhs) ..	11.21	16.64	27.72
Km. operated (in lakhs)	9.99	13.34	16.77
Income per km. (in paise) ..	112	141	155
Expenditure per km. (in paise) ..	113	125	165
Profit/loss per km. (in paise) ..	(—)1	(+)16	(—)10
Profit/loss (Rupees in lakhs)	(—)0.10	(+)2.13	(—)1.68

In accordance with an order issued (5th November 1971) by the Transport Commissioner, fares in deluxe buses should be charged at $1\frac{1}{2}$ times the ordinary rate. Accordingly, the fare per passenger per kilometre works out to 4.95 paise upto 31st December 1971 and 5.70 paise thereafter. But the fare for deluxe bus on Aligarh—Delhi route continued to be charged at 3.80 paise per passenger per kilometre upto 12th September 1972 and 4.42 paise per passenger per kilometre thereafter. Thus, the Corporation suffered a loss of revenue of Rs.1.29 lakhs during the period 5th November 1971 to 3rd June 1974.

The information in respect of other regions is not available (March 1976).

Mela Specials

In the revised fare structure notified by the State Government to be effective from 13th January 1972, a rate of 5.06 paise per passenger kilometre for specially run stage carriages during *melas* and other special occasions was prescribed. All regions of the Corporation run special services each year for various *melas* within the region and also to important *melas* of other regions.

A test check conducted by Audit (1975) revealed that the Corporation did not charge the higher *mela* rates as authorised by the State Government and in the Allahabad and Gorakhpur regions alone, the loss on that account amounted to Rs.0.57 lakh as per the details given below :—

Name of Mela	Name of region	Period	Prescribed rate (paise per passenger km.)	Rate actually charged (paise per passenger km.)	Loss (Rupees)
Magh Mela, Allahabad	Allahabad	8th to 10th and 12th to 17th February 1975	5.06	3.80 and 4.42	20,085*
	Gorakhpur	7th to 10th and 12th to 14th February 1975	5.06	4.42	26,024
Daragah Sharif, Bahraich	Gorakhpur	9th to 10th and 12th to 14th May 1974	5.06	3.80	10,592**

Contract carriages

The Corporation has hired out a number of buses and trucks on long term contracts to Government Departments/Companies/Corporations. A fixed amount is paid by the hirers per month without reference to the kilometres run by the vehicles. Services of drivers and conductors or cleaners are also provided with each such bus or truck. The cost of petrol, oil, lubricants, maintenance cost,

*Excluding operation from Zero Road sector.

**In respect of Balrampur and Gonda depots only.

cost of repairs and depreciation of the vehicles, along with the pay and allowances of the drivers, etc., are met by the Corporation. However, the economics of such operations have not been studied (January 1976).

As compared to the chartering rates of buses, the Corporation suffered considerable loss, a few instances of which are given in the following table :—

Name of the party	Number of buses hired	Chartering rate (Rupees)	Rate charged (Rupees)	Loss per day (Rupees)	Loss per year (Rupees in lakhs)
Indian Telephone Industries Limited, Allahabad	9	2,868* per day	1,900 per day	968	3.02
Bharat Pumps and Compressors Limited, Allahabad ..	5	1,022* per day	500 per day	522	1.63
Tribeni Structurals Limited, Allahabad ..	3	555* per day	300 per day	255	0.80
Hindustan Aeronautics Limited, Kanpur ..	10	2.06 per km.	1.20 per km.	533	1.66
Hindustan Aeronautics Limited, Lucknow ..	3	2.06 per km.	1.20 per km.	187	1.21

Uneconomic routes

The Corporation has been running a number of routes in each region which were not profitable. During the course of audit in various regions a number of such uneconomical routes came to notice, the income from which was continuously less than their cost of operation. No action has been taken to make the routes viable (January 1976).

In Kanpur region, there were 75 routes, other than city buses, which were constantly giving an income of less than Rs.1.50 per kilometre. In Agra region there were five routes of city bus services which were giving an income less than the cost of operation. In addition, there were a number of uneconomic routes in Nainital, Dehradun, Lucknow, Gorakhpur and Varanasi regions which were giving income less than their cost of operation but were still continuing. The loss

Note:—*The chartering rate has been calculated on the basis of average daily kilometerage actually run by these buses multiplied by the chartering rate per km.

to the Corporation on this account during June 1972 to March 1975 amounted to Rs.14.13 lakhs (approximately).

Uneconomic stations

The average daily income of a station to make it viable was estimated (June 1970) by the Corporation to be between Rs.300 and Rs.400. The Transport Commissioner had, therefore, directed in June 1970 that all way-side stations having a sale of less than Rs.50 per day should be closed down in the first phase and then the way-side stations having an income of less than Rs.100 per day should also be closed down in later phases. In Kanpur region alone, there were eight such stations which were giving an income of less than Rs.50 per day, but the same were not closed. In Gorakhpur region, the income from each of the bus stations at Gilaula, Magher, Munderwa and Bhathat was less than Rs.75 per day.

Premature failures

Some cases of premature failure of engines, tyres and batteries during each year since the formation of the Corporation are given below :—

(A) Engines (excluding Agra, Allahabad, Meerut, Tanakpur and Lucknow regions).

	1972-73	1973-74	1974-75
(i) Life prescribed (in lakh km.)			
New	2.5	2.5	2.5
Reconditioned	1.0	1.0	1.0
(ii) Prematurely failed engines (Number)			
New	48	52	45
Reconditioned	201	263	279
(iii) Percentage of failures to those removed			
New	15.0	15.3	14.7
Reconditioned	31	31.7	30.1

The reasons for the premature failure of engines were stated to be (i) manufacturing defects, (ii) knocking of engines, (iii) melting of bearings, and (iv) low oil pressures.

(B) Tyres (Aligarh, Bareilly, Gorakhpur, Dehradun and Varanasi regions only) :

	1972-73	1973-74	1974-75
(i) Life prescribed (in km.)			
New	80,000	80,000	80,000
Retreaded	30,000	30,000	30,000
(ii) Tyres removed (Number)			
New	5,491	8,086	8,949
Retreaded	2,243	3,088	3,641
(iii) Prematurely failed (Number)			
New	1,800	2,245	2,651
Retreaded	924	1,578	1,918
Percentage of failure to those removed			
New	33	30	30
Retreaded	41.2	51.1	52.7

The reasons for the premature failure of tyres were stated to be (i) manufacturing defect, (ii) stone cut, (iii) tyre burst, (iv) rim flat, (v) concussion burnt, and (vi) worn out.

(C) Batteries

	1972-73	1973-74	1974-75
(i) Life prescribed (in months)	12	12	12
(ii) Batteries removed (Number)	4,259	6,016	5,930
(iii) Prematurely failed (Number)	1,191	1,682	1,812
(iv) Percentage of failure to those removed	27.96	27.96	30.60

The premature failure of batteries was attributed to (i) manufacturing defects, and (ii) leakage.

Delay in release of vehicles for operation

In accordance with the norm prescribed (November 1970) by the Transport Commissioner, the vehicles received in the regional workshops from the Central Workshop, Kanpur are required to be put to operation the same day. As against this, it was noticed that there was a delay of 7 to 33 days in delivering the vehicles to the depots for operation, resulting in an estimated loss of average minimum income of Rs.300 per day per vehicle.

Delay in completing maintenance of vehicles

It was noticed that the vehicles sent to regional workshop for repairs and maintenance, after covering one lakh kilometres, were received back after a period ranging from 30 to 198 days during 1974 and 1975, as against the norm of 30 days prescribed (November 1970) by the Transport Commissioner. The delay was attributed to non-availability of men and materials. The delay in repairs and maintenance had, according to the Corporation, been responsible for heavy trip curtailments.

In Dehradun region, vehicles sent to regional workshop for repairs and maintenance during the period January 1973 to October 1973 were received back after a period ranging from 90 to 210 days. Similarly, in Gorakhpur and Aligarh regions the delay in return of vehicles, received during October 1974 to March 1975, ranged between 88 and 228 days.

Registration of vehicles

Temporary registration number is expected to be obtained from the regional transport officer, within a period of two days of receipt of vehicles in the regions before putting them in operation. It was, however, noticed during 1973-74 that in Dehradun region the vehicles were put on road after a period of upto 23 days.

Fitness certificates

Fresh fitness certificate for each vehicle is expected to be obtained within two days of expiry of the existing certificate. Delay in obtaining fresh fitness certificates for the next year results in curtailment of services with loss of income. It was, however, noticed that during 1974-75 in Tanakpur Region, delay in this account ranged from 86 days to 178 days. It was further noticed that even after obtaining the fitness certificates there was delay of one to ten days in putting the vehicles on road for operation.

Refund of road tax

Road tax is required to be paid in advance for each quarter. Tax relating to vehicles lying off-road for a period of at least three months is refundable, provided timely intimation is given to the Regional Transport Officer. Registration certificate tokens issued by the Regional Transport Officer are also required to be surrendered along with the intimation regarding the vehicles being off-road. It was, however, noticed that in most of the cases timely intimation to the Regional Transport Officer was not sent and tokens were either not surrendered or surrendered very late. As a result, the Corporation did not get refund of road tax.

In one region (Dehradun) alone, claims lodged for the period 1969-70 to 1974-75 amounted to Rs.2.47 lakhs, out of which refund vouchers for Rs.1.13 lakhs were received and claims for Rs.1.34 lakhs were still pending scrutiny (January 1976). Some of them had also become time-barred.

In Gorakhpur and Aligarh regions claims for Rs.4.09 lakhs and Rs.3.08 lakhs respectively relating to the period 1957 to March 1975 were pending with the Regional Transport Officer concerned (January 1976).

Truck Operation

The year-wise position of the number of trucks with the Corporation since inception along with total kilometres operated, revenue kilometres, dead kilometres, income earned and operational cost and income per kilometre is indicated below :—

	1972-73	1973-74	1974-75
(i) Number of trucks ..	351	336	257
(ii) Kms. operated (in lakhs) ..	33.84	31.73	30.51
(iii) Revenue km. (in lakhs) ..	20.48	16.06	14.68
(iv) Dead km. (in lakhs) ..	13.36	15.67	15.83
(v) Percentage of dead km. to total km. ..	39.48	49.38	51.88
(vi) Percentage of dead km. to revenue km.	65.23	97.57	107.83
(vii) Income earned (Rupees in lakhs) ..	17.87	22.40	19.26
(viii) Income per revenue km. (in Rupees) ..	0.87	1.39	1.30
(ix) Operational cost per km. (in Rupees) ..	1.07	1.19	1.52
(x) Profit (+)/Loss (—) per km. (in Rupees)	(—)0.20	(+)0.20	(—) 0.22

The operational cost shown above is the pooled cost of all vehicles including buses. The cost of operation of trucks was not assessed separately by the Corporation. It was, however, noticed that during 1973-74, the aggregate receipts from trucks were Rs.17.00 lakhs against the expenditure of Rs.62 lakhs. Freight for goods transport was revised last in June 1974.

The table below shows the age of trucks in years and kilometres and the number of trucks off-road (excluding Lucknow and Gorakhpur regions and Central Workshop) during the three years upto 1974-75 :—

	1972-73	1973-74	1974-75
(*a*) *In terms of years of operation*			
Over 8 years	185	272	198
Between 5 and 8 years ..	123	9	7
Below 5 years	20	17	18
	328	298	223
(*b*) *In terms of kilometres run*			
Over 6 lakhs	33	35	36
Between 5 and 6 lakhs ..	2	6	9
Below 5 lakhs	293	257	178
	328	298	223
Off-road trucks	156	146	98
Percentage of off-road trucks to total trucks ..	47.56	48.99	43.95

The cost of operation in Dehradun region during 1972 was Rs.1.28 per km. whereas the recovery was hardly Re.1.00 per km. Similarly, the income per kilometre during 1973-74 in Nainital region was Rs.1.41 against the cost of operation of Rs.1.98 per km.

One truck of Varanasi region, the records in respect of which were test checked, was hired out (May 1971) to the Northern Railways and income of Rs.6,406, Rs.4,706 and Rs.3,362 were earned during 1972-73, 1973-74 and 1974-75 respectively. As against this the operating expenses amounted to Rs.15,000 (approximately) per year on account of pay and allowances of driver and cleaner (Rs.4,600), fuel and oil consumed (Rs.4,200), maintenance and repairs (Rs.5,600) and depreciation (Rs.600). The local management approached the General Manager in March 1974 for revising the rates ; a decision in this regard is yet to be taken (January 1976).

Taxi operation

The table below shows the year-wise position of the number of taxis in the fleet, kilometres operated, revenue earned and income per kilometre :—

	1972-73	1973-74	1974-75
(i) Number of taxis	65	53	54
(ii) Km. operated (in lakhs)	9.54	8.12	6.90
(iii) Income earned (Rupees in lakhs) ..	4.29	6.01	3.92
(iv) Income per km. (in Rupees) ..	0.45	0.75	0.57
(v) Revenue km. (in lakhs) ..	7.63	6.70	5.54
(vi) Dead km. (in lakhs)	1.91	1.42	1.36
(vii) Percentage of dead km. to total km. ..	20.02	17.49	19.71
(viii) Percentage of dead km. to revenue km.	25.03	21.19	24.55

The operational cost per kilometre has not been analysed in all the regions. In respect of Varanasi and Gorakhpur regions, the details for the three years ending 31st March 1975 are given below :—

Particulars	1972-73		1973-74		1974-75	
	Varanasi	Gorakhpur	Varanasi	Gorakhpur	Varanasi	Gorakhpur
(i) Effective km. operated	70,743	42,650	68,173	35,257	52,873	20,936
(ii) Dead km. operated	33,173	17,926	9,541	15,922	2,362	8,024
(iii) Income (in Rupees) ..	22,910	32,880	25,871	28,632	37,441	16,112
(iv) Income per effective km. (paise)	32	75	42	72	71	76
(v) Expenditure per effective km. (paise)	105	110	118	165	140	143
(vi) Loss per km. (paise)	73	35	76	93	69	67
(vii) Working loss (in lakhs of Rupees) ..	0.52	0.15	0.52	0.33	0.36	0.14

The total loss suffered in these two regions alone during the three years amounted to Rs.1.97 lakhs.

Rates for hire of taxis were last fixed in March 1970, when the cost of petrol was Rs. 1.24 per litre. The fare has not been revised (January 1976) despite increase in the cost of petrol from Rs. 1.47 in June 1971 to Rs.3.35 per litre in November 1974. The off-road taxis as on 31st March 1973, 31st March 1974, and 31st March 1975 had been 21, 7 and 11 respectively representing 33.2, 13.2 and 20.4 per cent of the total fleet during these three years.

The region-wise position of the kilometres covered per taxi and the income during the three years 1972-73, 1973-74 and 1974-75 is indicated below :—

Name of region	Km. covered per taxi			Income per km. (in paise)		
	1972-73	1973-74	1974-75	1972-73	1973-74	1974-75
Agra	4,939	4,334	4,199	65	57	49
Allahabad	10,323	8,070	10,990	33	58	60
Aligarh	26,580	80,834	[6,803	59	10	71
Bareilly	20,811	10,323	17,937	62	57	51
Meerut	22,478	15,294	10,818	35	34	54
Gorakhpur	22,125	17,059	14,480	49	56	56
Nainital	11,245	18,613	14,107	63	58	51
Lucknow	14,678	13,717	21,340	64	45	43
Kanpur	17,031	6,693	9,275	24	28	34
Varanasi	18,355	15,543	18,096	25	40	67
Dehradun	19,872	18,641	18,063	N.A.	N.A.	N.A.

The table below shows the number of days of operation and the number of idle days of the taxis in respect of three regions for the three years ended 1974-75 :

Name of region	Number of days run			Number of idle days		
	1972-73	1973-74	1974-75	1972-73	1973-74	1974-75
Aligarh ..	184	80	51	181	285	314
Bareilly ..	391	422	266	704	673	464
Kanpur ..	284	172	162	446	558	568

The Corporation has two air-conditioned cars which are being operated as taxis by the Meerut region for the last four years. The income on operation of the air-conditioned cars during 1973-74 and 1974-75 (figures for the year 1972-73 not available) is given below :

Particulars	1973-74	1974-75
Number of cars operated	2	2
Number of days run	96	120
Idle days	634	610
Total km. operated	3,211	7,709
Revenue km.	2,938	6,650
Dead km.	273	1,059
Income earned (Rupees)	5,455	15,090
Income per .km (in paise)	170	196

The Corporation has not kept any data regarding the actual cost of operation of these cars. Utilization, if any, of the staff engaged on these cars during the idle days was also not kept on record.

Consumption of diesel oil

According to the norm laid down in June 1970 vehicles should run 5.0 km. and 5.5 km. per litre of H. S. D. oil in the hills and plains respectively. The table below indicates the extra expenditure to the Corporation on account of excessive consumption of H.S.D. oil in respect of eight regions (excluding Kanpur, Tanakpur, Varanasi and Meerut) during the three years upto 1974-75 :

	1972-73	1973-74	1974-75
(i) Total kilometreage (in lakh km.) ..	1677.40	1836.74	1945.03
(ii) Fuel consumption as per norm (in lakh litres)	334.48	367.35	389.00
(iii) Fuel consumed (in lakh litres)* ..	371.15	409.61	444.43
(iv) Excess consumption (in lakh litres) ..	35.67	42.26	55.43
(v) Value of excess consumption (Rupees in lakhs)	32.10	42.26	60.97

The excess consumption of H.S.D. oil was attributed by the Management to (i) fleet of mostly overaged vehicles, (ii) bad roads, (iii) negligence of drivers, (iv) defective self-starters and (v) theft in operation.

Burnt oil/Mobil oil

In accordance with the orders (November 1970) of the Transport Commissioner, mobil oil in the diesel buses should be issued at the rate of ½ litre after every 200 kilometres of journey run by each bus. Recovery of burnt oil from the buses has also been prescribed as 80 per cent. It was, however, noticed that in all the regions the consumption of mobil oil was much more than ½ litre per 200 km. and the actual recovery of burnt oil was less than 80 per cent of the total mobil oil issued on these buses. Some of the cases of excessive consumption of mobil oil are given below :—

Name of region	Period	Kilometres covered (in lakhs)	Mobil oil consumed (in lakh litres)*	Excess oil consumed (in lakh litres)	Value (Rupees in lakhs)
Varanasi ..	July 1973 to February 1974	83.79	0.62	0.42	3.38
Dehradun ..	1972-73	183.94	1.53	0.61	1.66
	1973-74	200.65	1.74	0.74	2.21
	1974-75	223.77	1.66	0.54	4.55

*Does not include oil taken by the vehicles from the depots of other regions.

Some of the cases of short recovery of burnt oil are also indicated below:—

Name of region	Period	Mobil Oil issued (in lakh litres)	Recovered (in lakh litres)	Short recovery (in lakh) litres)	Value (Rupees in lakhs)
Lucknow ..	November to December 1973	0.76	0.14	0.47	1.41
Dehradun ..	April 1973 to February 1975	3.09	0.21	2.26	6.79
Meerut (one depot) ..	April 1974 to April 1975	0.36	0.16	0.12	0.36
Agra (one depot) ..	1972-73	0.56	0.26	0.19	0.58
	1973-74	0.49	0.22	0.17	0.52
	1974-75	0.55	0.16	0.27	0.82

Consumption of petrol

The table given below indicates the excess expenditure on account of excessive consumption of petrol on trucks and taxis during 1972-73 to 1974-75 :—

Particulars	1972-73	1973-74	1974-75
Prescribed run per litre (in km.) ..	8	8	8
Total km. (in lakhs)*	14.72	15.32	15.91
Fuel consumption as per norm (in lakh litres)*	1.84	1.92	1.99
Fuel actually consumed (in lakh litres) ..	2.87	2.84	2.76
Excess consumption (in lakh litres) ..	1.03	0.92	0.77
Value of excess consumption (Rupees in lakhs)	2.06	2.76	2.69

The excess consumption of petrol was attributed to (i) old age of vehicles, (ii) bad roads, (iii) theft, and (iv) negligence of drivers.

Unrecovered charges

Heavy amounts, as detailed below, were outstanding against various Government departments and private parties on account of

*Position of 6 regions only, i. e. Agra, Aligarh, Allahabad, Bareilly, Gorakhpur, Nainital regions.

services rendered, fuel supplied, etc. (January 1976) :—

(Rupees in lakhs)

Petrol charges and repair works	..	12.61	In respect of Lucknow and Gorakhpur regions, against Government departments (Rs.11.75 lakhs) and private parties (Rs. 0.86 lakh)
Petrol and diesel charges	..	7.42	Rs.6.04 lakhs in Kanpur region since 1954-55 and Rs. 1.38 lakhs in Agra region
Advertisement charges	..	0.32	In respect of Kanpur region since 1954-55
Truck hire charges ..	..	4.82	In respect of Nainital, Tanakpur and Dehradun regions for trucks supplied to the Agriculture Department in 1972-73

It was further noticed that six taxis of U. P. Niwas, New Delhi were repaired and maintained by the Meerut region during the period December 1969 to May 1974, but bills therefor were not issued by the region for want of valuation of the services and the materials and spares utilised (January 1976).

Miscellaneous

Fare revision

70. The fare structure was revised upwards by the State Government with effect from 1st January 1972 by 10 per cent with proportionate increase in the passenger tax.

In April and May 1972 when the service was under Government management, the undertaking earned a profit of Rs. 65.29 lakhs, but during the remaining ten months of the financial year the Corporation suffered an estimated loss of Rs. 1.10 crores (excluding the Central Workshop transactions). This was attributed (May 1975) by the Management to (i) higher incidence of interest charges on Government capital and loan and bank loans, (ii) *ex gratia* payment to the staff in the nature of bonus, (iii) increase of dearness allowance, (iv) increase in the cost of materials, particularly oil and lubricants, (v) payment of registration fees and fitness fees on the vehicles, and (vi) payment of sales tax at higher rates. The Corporation pressed for a further upward revision of the fare structure and Government notified the revised fare structure with effect from 15th May 1975 making an upward revision in the fares to the extent of 40 per cent of the fares introduced on 1st January 1972. The revised fare amounted to 5.32 paise per kilometre plus 15 per cent passenger tax thereon.

While revising the fare structure in January 1972, the State Government fixed a ceiling of Rs. 3.80 paise per passenger per km. for 'A' class routes, plus 15 per cent as passenger tax. The undertaking, however, fixed rates lower than the ceiling for routes running parallel to railway routes, to keep the rates competitive. Accordingly, the maximum fare for the 145 kilometre Varanasi-Allahabad route was fixed (19th May 1972) at Rs.4.80 plus Re.0.75 (at the rate of 3.30 paise per kilometre plus 15 per cent passenger tax) against the permissible limit of Rs.5.50 *plus* Re.0.85. In September 1974 the railway fare (second class) was revised upwards from Rs.5.95 to Rs.7.40, but the bus fare continued to remain the same. Only on 14th May 1975, the fare was revised to Rs.8.90 (including Rs. 1.20 as passenger tax). Had the Corporation revised the fare to the ceiling rate soon after the railway fare was increased, an additional revenue of Rs.0.63 lakh (Rs.0.55 lakh on fare and Rs.0.08 lakh on duty) on 0.78 lakh passengers travelling on buses direct from Varanasi to Allahabad and *vice-versa* could have been earned during the period from November 1974 to 13th May 1975. The loss of revenue during September and October 1974 could not be worked out as the records were stated (July 1975) to have been destroyed during students' disturbance in February 1975.

While the bus fares have been increased twice during the last four years, the charges in respect of goods transport have not been revised since June 1974. The goods service rate per quintal kilometre is Rs. 2.65, but the Corporation has not made any analysis of the actual cost of operation including overheads and depreciation. During the year 1973-74, the Corporation suffered a loss of Rs. 45.00 lakhs on its goods transport service (expenditure : Rs.62.00 lakhs and receipts : Rs.17.00 lakhs) excluding depreciation and overheads (such as, interest charges and head office expenses).

Similarly, the current rate of taxi hire charges of 40 paise per kilometre for plains and 50 paise per kilometre for hills is very much less than the cost of operation since, as revealed from the scrutiny of log books of taxis, the earnings per taxi did not cover even the cost of petrol and mobil oil consumed. The Corporation does not maintain separate records of the expenditure on taxi operation and has not (January 1976) carried out any cost analysis. In Varanasi region, it was noticed that the expenditure per kilometre had increased from Rs.1.05 in 1972-73 to Rs.1.18 in 1973-74 and Rs.1.40 in 1974-75.

The Corporation has also not revised the rates of hiring out buses to members of the public which were last fixed on 3rd February 1972.

The Corporation has not made analysis of the cost nor revised the charges for carriage of personal effects of bus passengers since 1964. The freight for out-agency goods, which were last fixed in August 1964 have also not been revised.

Off-road buses

According to the yardstick prescribed by the Corporation, the percentage of off-road buses should be in the range of 16 to 20 of the total fleet. But it was noticed that usually 1200 buses, on an average, remained off the road and the percentage of off-road buses during 1972-73, 1973-74 and 1974-75 was 25.5, 27.0 and 27.7 respectively. The Management stated (September 1975) that owing to non-availability of some vital parts of vehicles the percentage of off-road buses had increased.

The region-wise position of off-road buses for the years 1973-74 and 1974-75 is given below :—

(Percentages)

Region	1973-74			1974-75		
	Minimum	Maximum	Overall	Minimum	Maximum	Overall
Agra	16.2	24.5	20.7	20.7	28.4	24.6
Aligarh	17.4	29.0	25.8	20.1	27.1	24.2
Allahabad	10.0	17.5	13.7	8.55	20.8	15.1
Bareilly	12.8	30.3	19.7	13.8	25.4	20.6
Dehradun	29.2	41.7	33.4	31.0	40.1	36.1
Gorakhpur	13.6	21.3	17.0	10.9	18.5	15.0
Kanpur	29.5	38.0	33.2	28.4	35.7	32.2
Lucknow	22.06	32.3	26.8	18.2	32.2	25.1
Meerut	15.6	31.4	24.5	15.8	28.4	21.5
Nainital	15.1	20.5	18.7	22.9	30.4	27.0
Tanakpur	24.5	45.04	38.8	27.2	42.8	34.7
Varanasi	18.2	25.4	22.4	22.6	27.4	25.0
Average	..	..	24.6	..	..	25.0
Central Workshop	2.1	2.7	2.4	2.47	2.90	2.74
Overall	..	..	27.0	..	..	27.74

Punctuality in service

Punctuality in services of the Corporation has declined from year to year, as would be evident from the data given below :—

Year	Number of trips run	Trips run in time	Percentage of trips run in time to total trips run
1970-71	41,28,567	37,64,964	91.19
1971-72	41,83,162	36,94,226	88.31
1972-73	42,47,558	37,04,700	87.22
1973-74	44,05,505	38,26,266	86.85
1974-75 (upto December 1974) ..	29,52,502	25,11,453	85.06

The decline in punctuality has resulted, apart from the inconvenience to the travelling public, in curtailment of trips and consequent loss of income in the various Regions.

Trip curtailments

The table below gives year-wise, the position of the scheduled kilometres, kilometres operated, scheduled trips and the trips operated since the date of formation of the Corporation up to 1974-75

	1972-73	1973-74	1974-75
(i) Scheduled km. (in lakhs)	*2531.66	*2689.27	*2937.38
(ii) Operated km. (in lakhs)	*2322.62	*2444.79	*2646.29
(iii) Trips scheduled (in lakhs)	47.39	48.83	43.43
(iv) Trips operated (in lakhs)	42.47	44.06	36.82
(v) Trips curtailed (in lakhs)	4.92	4.77	6.61

Curtailments of trips during 1972-73, 1973-74 and 1974-75 resulted in non-operation of 685 lakh kilometres in the rural services and 59.61 lakh kilometres in the city bus services. The loss due to trip curtailments, calculated at the fixed operational cost of vehicles (Re.1 per km.) had been Rs.685 lakhs in the rural operation and Rs. 59.61 lakhs in the city bus operation.

The reasons advanced by the Management for heavy trip curtailments were (i) non-availability of operating staff, (ii) non-availability of buses from workshop, (iii) mechanical break-downs and defects, (iv) accidents, etc.

*Excluding Lucknow region.

Performance of engines

A test check of the performance of engines of buses in the various regions during the years 1973-74 and 1974-75 revealed that the actual performance, both of T.M.B. and Leyland engines, had been much less than their prescribed life of 2.80 lakh kilometres for new and 1 lakh kilometre for reconditioned engines. The region-wise average performance till the date of replacement or reconditioning of the engines of both T.M.B. and Leyland buses, during the years 1973-74 and 1974-75, is tabulated below :—

(Figures in kilometres)

Name of region	New		Reconditioned	
	1973-74	1974-75	1973-74	1974-75
Leyland engines—				
Agra	1,60,800	2,02,000	72,700	70,200
Aligarh	2,22,000	1,66,000	68,100	69,000
Allahabad	2,41,000	2,14,000	84,500	91,600
Bareilly	2,01,700	1,85,000	1,02,700	72,000
Dehradun	1,78,881	2,34,942	72,400	92,220
Gorakhpur	2,02,000	2,45,000	82,400	82,800
Kanpur	..	..	68,100	53,285
Lucknow	..	..	35,731	..
Varanasi	1,55,329	1,19,189	47,550	..
T. M. B. engines—				
Agra	1,56,200	1,70,000	65,000	74,200
Aligarh	1,25,000	1,80,500	67,100	64,300
Allahabad	1,63,000	1,72,000	77,500	81,500
Bareilly	1,64,000	1,90,000	72,400	71,200
Dehradun	1,66,500	1,57,800	87,700	74,400
Gorakhpur	2,05,000	1,85,500	97,100	95,500
Kanpur	1,41,000	1,65,000	70,600	81,000
Nainital	1,36,000	1,54,800	78,000	75,500
Lucknow	1,69,800	1,91,000	77,000	1,04,400
Meerut	1,52,800	1,73,800	63,500	66,200
Varanasi	1,47,000	1,79,400	70,400	75,400
Tanakpur	1,22,478	92,100	40,300	43,100

Accidents

An analysis of accidents in the operation of services during 1973-74 and 1974-75 is given below :—

Particulars	1973-74	1974-75
Total km. operated (in lakhs)	2,577.62	2,708.17
Number of accidents	986	898
Accidents per one lakh effective km.	0.38	0.33
Number of buses on road	3,417	3,539
Number of accidents per bus	0.29	0.25
Percentage of accidents to buses on road	28.86	25.37

The reasons for increase in accidents were stated to be (i) bad roads, (ii) rash driving, (iii) blind curves, and (iv) spread over duties.

The year-wise position of the compensation cases pending since the date of its formation, excluding Varanasi region, had been as indicated below :

	Opening balance	Cases added	Cases settled	Closing balance
1972-73	760	140	55	845
1973-74	845	205	41	1023
1974-75	1023	188	34	1177

Eight hundred forty cases were more than 2 years old, 181 cases were between 1 and 2 years old and 156 cases were less than one year old. The amount involved in compensation cases was not available.

Break-downs

The following table indicates the break-downs of the services during 1973-74 and 1974-75 :—

Particulars	1973-74	1974-75
(i) Total km. operated by vehicles (in lakhs) ..	2,577.62	2,708.17
(ii) Number of break-downs	12,637	14,361
(iii) Break-downs per ten thousand effective km. ..	0.48	0.53
(iv) Number of buses on road	3,417	3,539
(v) Break-downs per vehicle on road ..	3.70	4.06
(vi) Percentage of break-downs to buses on road ..	370	406

The break-downs were stated to be generally due to (i) continuance of old and aged buses, (ii) lack of timely maintenance due to non-availability of spare parts, (iii) tyre puncture, (iv) starting trouble, and (v) brake failure.

Central Workshop Kanpur

71. The Workshop was started in 1947 with about 700 employees which had increased to about 2,000 employees in 1965 and the present (31st March 1975) strength of the Workshop staff is 2,235. The turn-over of the Workshop is about Rs. 6 crores per annum. It was intended to run the Workshop on a "no profit no loss" basis. The capital employed in the Workshop as on 31st May 1972 was Rs. 8.38 crores, out of which Rs. 0.36 crore was invested in its fixed assets and Rs. 2.25 crores in stores and materials.

The Workshop has a training centre for training of fresh Engineering graduates, Engineering diploma holders and other technicians. Refresher courses are also organized for the existing supervisory staff.

A new Central Workshop in Allen Forest, Kanpur having an area of 60 acres, has recently been constructed at a total cost of Rs 1.50 crores. Further, expenditure of Rs. 1 crore is proposed on electrification of buildings and purchase of machinery in stages. The new Workshop was expected to start production in April 1976 and would initially take up the work of renovation of vehicles, with about 500 employees.

Non-standardisation of bus bodies

The Central Workshop, Kanpur entrusted with the work of construction of bus bodies on new chassis and complete renovation of bodies of old vehicles, has not fixed any specific design for bus bodies or any norm for consumption of materials thereon. There is no check over issue or consumption of materials for body building. Job cards are not closed for years together and no costing is done at any level in the Workshop to determine the accuracy of the overall cost or to identify excessive consumption of materials, if any.

Construction of bus bodies

The year-wise construction of bus bodies in the Central Workshop, Kanpur during the years 1972-73 to 1974-75 had been as under :—

(Figures in numbers)

	T.M.B.	Leyland	Bodies renovated	Total
1972-73	376	68	195	639
1973-74	459	75	220	754
1974-75	332	236	187	755

The capacity of the workshop for construction of bus bodies has not been fixed (January 1976).

An analysis of the work orders/job cards opend for construction of the bus bodies (10 bodies in one card) disclosed that for the same quantum of work executed during February 1974 to May 1974, the labour cost varied from Rs.0.67 lakh to Rs.0.81 lakh and the material cost varied from Rs.1.51 lakhs to Rs.1.94 lakhs.

Vehicle renovation

The year-wise position of renovation of vehicles done in the Central Workshop, Kanpur during 1972-73 to 1974-75 had been as under :—

	T.M.B.	Leyland	Total
1972-73	149	46	195
1973-74	185	35	220
1974-75	152	27	179

The capacity of the Workshop for vehicle renovation has also not been fixed (January 1976). However, the Chief Mechanical Engineer of the Workshop estimated the capacity to be 120 buses per year in one shift. The production, as above, was arrived at by resorting to overtime working.

It was also noticed that conversion of hill trucks into city buses took about 11 to 12 months and 28 vehicles received from the regions for renovation of bodies during March 1970 to August 1974 were detained for long periods and were still lying in the Central Workshop, Kanpur for renovation (January 1976). It was also noticed that the parts salvaged from dismantled bus bodies were not accounted for.

Reconditioning of engines

The year-wise position of reconditioning of engines done in the Central Workshop during 1972-73 to 1974-75 had been as under :—

	T.M.B.	Leyland	Others	Total
1972-73	1,399	472	70	1,941
1973-74	1,221	446	73	1,740
1974-75	1,343	432	52	1,827

The capacity of the Workshop for reconditioning of engines has not been fixed (January 1976). The reconditioning work fell short of the targets of 2,400 engines per year (1,800 Tata and 600 Leyland), fixed by the Corporation in 1974 despite resorting to overtime working. The work of reconditioning of engines was, therefore, entrusted to the regions also to be carried out through private parties. The cost of reconditioning in the Central Workshop was Rs. 6,000 per engine during 1974 and 1975 whereas those got reconditioned from private garrages in Gorakhpur and Varanasi regions during October 1974 were at a cost of Rs.6,500 and Rs.5,800 respectively, excluding the cost of fuel injection pumps, connecting rod, self starter, air cleaner, injector nozzles and the cylinder liners (cost : Rs. 1,900).

The reasons for the shortfall in reconditioning of engines and lower output were stated to be (i) non-receipt of spares from manufacturers, (ii) financial crisis in the Corporation from October 1974, and (iii) lack of advance planning for bulk purchase of spares.

Reconditioning of fuel injection pumps

The year-wise position of reconditioning of fuel injection pumps in the Workshop from 1972-73 to 1974-75 had been as under :—

	P—6	T. M. B.	Leyland	Total
1972-73	16	3,237	746	3,999
1973-74	15	3,083	815	3,913
1974-75	..	3,730	755	4,485

The capacity of the Workshop for reconditioning of fuel injection pumps has not been determined (January 1976). However, it was estimated (1974) by the Chief Mechanical Engineer at 3,120 per year in two shifts. The production, as above, was arrived at by resorting to overtime working.

Tyre retreading

The year-wise position of tyre retreading done in the Workshop during 1972-73 to 1974-75 had been as under :—

	Sizes			
	600×16	825×20	900×20	Total
1972-73	31	2,777	7,554	10,360
1973-74	..	2,007	6,878	8,885
1974-75	..	2,581	8,079	10,660
Total ..	31	7,365	22,511	29,907

The Workshop's tyre retreading plant is of the capacity of 750 tyres per month whose four boilers, out of six, were lying defective from 11th May 1971, 6th October 1973, 17th April 1974 and 30th March 1975 respectively. The short fall in achieving the target of 12,000 tyres per year was attributed by the Management (September 1975) to failure of the boilers from time to time and non-availabiliy of steam coal and other materials in time.

Non-closure of job cards

The year-wise position of the job cards/work orders opened in the Central Workshop and the position of those closed upto May 1975 is indicated below :—

Year				Work orders opened	Work orders closed	Balance as on 31st May 1975
1960-71	..	..	..	35,042	31,056	3,986
1972	..	..	..	3,218	3,077	141
1973	..	..	..	3,371	3,147	224
1974	..	..	..	2,304	1,581	723
		Total	..	43,935	38,861	5,074

Till the end of May 1975, 5,074 job cards/work orders pertaining to the years 1960 to 1974 remained open. As such, expenditure on these jobs/work orders had not been transferred to the various regions to which the jobs related. As on 31st May 1972, the unadjusted balance lying in suspense account of the workshop on this account amounted to Rs. 2.66 crores.

Overtime payments

Large amounts of overtime allowance were paid to the regular and work-charged staff of the Workshop for bus body building work, vehicle renovation, reconditioning of engines and fuel injection pumps, tyre retreading, etc. during the years 1972-73, 1973-74 and 1974-75 as detailed below :—

Year			Regular		Work charged	
			Number	Amount (Rupees in lakhs)	Number	Amount (Rnpees. in lakhs)
1972-73	..	..	1761	0.56	1472	4.25
1973-74	..	..	1752	3.63	1449	14.77
1974-75	..	..	1776	12.69	1472	2.69

Inventory Control

Stores inventory

72. The Corporation has not (January 1976) introduced a scientific system of stores control.

The present system does not provide for :

(*a*) proper grouping of stores,

(*b*) maximum and minimum limits for each item of store and the level at which replenishment action should be taken,

(*c*) physical verification of stores by an independent agency,

(*d*) periodical reporting to the top management the position of the ground balance of stores and their money value, and

(*e*) categorisation of stores into fast moving and slow moving items.

The bulk supplies of stores materials are received in the Central Stores which is a part of the Central Workshop at Kanpur. Materials are issued from the Central Stores to the Workshop and to various regional stores on the basis of indents. The materials at the regional stores are issued on demand to the regional workshops and the depot workshops.

Bulk purchase orders are placed without a detailed estimation of the flow of indents from the workshops and the regional stores. This results in over-stocking of certain categories of stores and also in failure to meet the demands for other items. Cases have come to notice of *ad hoc* orders being placed for urgent purchase of items for which bulk orders had already been placed. The Regional Managers also resorted to local purchase. In some cases, items of stores which had been lying surplus to requirement in some regions, were purchased in other regions.

In the Central Workshop, the schedule of demands for the materials required in individual shops is prepared by the Senior Foreman and approved by the Assistant Transport Engineer/Service Manager instead of by the Chief Mechanical Engineer/Deputy Chief Mechanical Engineers. The materials so issued are neither in conformity with the norms nor has any control been exercised over their consumption; likewise, norms for consumption of materials in the regional workshops were also not adhered to. At the time of closing the annual accounts the opening stock *plus* purchases/receipts during the year *minus* the closing stock has been taken as the consumption, without reconciling the consumption figure so arrived at with the actual issues from time to time. Under the procedure, thefts, shortages, misappropriations, etc. are automatically treated as consumption. Even the identified cases of thefts and misappropriations are not separately accounted for.

The book value of the stores taken over by the Corporation on its formation (1st June 1972) was Rs.270.38 lakhs in the regional stores and Rs.224.99 lakhs in the Central Stores. The value of the items in the regional stores increased to Rs.314.01 lakhs, Rs.400.98 lakhs and Rs.417.97 lakhs as on 31st March 1973, 1974 and 1975 respectively. The stores held on 31st March 1975 included obsolete and unserviceable stores of value Rs.9.76 lakhs and surplus stores of value Rs.4.32 lakhs in four regions only. The surplus and unserviceable stores held in the Central Stores amounted to Rs.26.95 lakhs as on 31st March 1975. Another list of surplus and unserviceable stores is awaiting valuation (January 1976), the approximate cost of which is Rs.40.00 lakhs.

Purchases

The procedure for purchase of spare parts, accessories and miscellaneous stores laid down by the Corporation provides for bulk purchases of these items by the Deputy General Manager (Stores) against the annual indents of the regions and the Central Workshop. For this purpose, two purchase committees ('A' and 'B') were set up for finalising purchases upto the value of Rs.50,000 at a time by one committee and for more than Rs.50,000 at a time by the other committee. In cases where supplies against the bulk orders are not received in time, the Deputy General Manager (Stores) is authorised to make *ad hoc* purchases from the approved dealers upto a limit of Rs.50,000 at a time (Rs.5 lakhs in a month) or from other dealers upto a limit of Rs.2 lakhs in a month. There is also one purchase committee for each region and one for the Central Workshop, for emergent purchases locally, not exceeding Rs.30,000 per month.

A few cases of purchases involving extra expenditure are indicated below :—

(i) An order was placed (29th May 1974) by the Deputy General Manager (Stores) on a firm of Madras for purchase of 12,000 rubber seats of specified size at the rate of Rs.51.96 per running metre. The supplies were to be completed within two months ending July 1974, at the rate of 6,000 seats per month. The supplies were not started during this period. Meanwhile, in view of the increase in price announced by the Standing Committee of Road Transport Undertakings, the price was increased to Rs.67.18 per running metre from 18th May 1974 and to Rs.72.22 per running metre from 1st August 1974. Extra payment made to the firm at the increased rate due to delay in supplies amounted to Rs.0.25 lakh.

(ii) The Corporation placed orders (August 1974) on two manufacturers of Kanpur and Delhi for supply of 3,500 and 2,500 batteries respectively of 6 volts-19 plates at the rate of of Rs.282 each, f.o.r. destination. These two manufacturing firms were on rate contract of the Director of Industries, U. P., for the same type of battery, in which the rates were Rs.213 and Rs.226.10 each f.o.r. destination for the Kanpur and Delhi firms respectively. These rates were valid upto 31st March 1975. Non-placing of the orders at the rate contract price of the Director of Industries resulted in an extra expenditure of Rs.3.42 lakhs.

(iii) Though 1,630 tonnes of M. S. angles, flats, sheets and channels were allocated by the J. P. C. for the Corporation, it placed orders for 1,030 tonnes in March 1974 on a firm of Kanpur on the grounds of uncertainty regarding flow of supplies from the main producers and urgency of requirements. The supply order on the Kanpur firm valuing Rs.33.73 lakhs and involving extra payment of Rs.11.49 lakhs over the J. P. C. rates, was placed without fixing any delivery schedule or providing for penalty for late supply. The firm supplied only 253.875 tonnes of steel upto October 1974 on which the extra payment over the J. P. C. rate amounted to Rs.2.81 lakhs. As supplies against allotment by the J. P. C. had also started (April and July 1974), the Corporation stopped further supplies by the Kanpur firm in November 1974 and cancelled that order in March 1975.

(iv) The Deputy General Manager (Stores) placed bulk orders during January 1975 to April 1975 on a firm of Kanpur for supply of washing soap at Rs.5.50 per kg., excluding sales tax. During the same period the Chief Mechanical Engineer, Kanpur also purchased the same brand of washing soap for the workshop employees on the basis of quotations from another firm of Kanpur at a lower rate of Rs.3.25 per kg. After inspection and verification (January 1975) the quality was found satisfactory. The extra expenditure involved on the purchase of 22,400 kg. washing soap at the higher rate was Rs.0.39 lakh.

(v) The Regional Managers are empowered to make local purchases of materials upto Rs.20,000 per month, (the limit was raised to Rs.30,000 per month from May 1974) from approved and authorised dealers and firms, in order to meet urgent requirements of their regions. Prior approval of the General Manager was specifically required in all cases for making purchases in excess of this financial limit.

It was, however, observed that no list of approved and authorised dealers/firms on whom local purchase orders could be placed was circulated to the Regional Managers. The purchases were, therefore, being made from the dealers and stockists as per the convenience of the Regional Managers. The Regional Managers do not have price lists of the manufacturers and do not seem to be in a position to ensure that payments at higher rates are not being made by them on such local purchases. The Regional Managers were also purchasing from the local dealers/stockists without adhering to the financial limit on their powers of purchase and instead of obtaining prior approval of the General Manager for exceeding the limit, they were getting *ex post facto* approval of the Deputy General Manager (Stores) who was not the competent authority to accord approval. In Gorakhpur region, local purchases of value Rs.42.00 lakhs were made during 1974-75. It was noticed that in this region, local purchases of four items alone were made during the period October 1974 to March 1975 at a cost of Rs.56,089. The Deputy General Managre (Stores) had also placed orders for the same items during the same period at lower rates. As per the rates obtained by the Deputy General Manager (Stores), the cost price of the four items works out to Rs.19,903, showing an extra expenditure of Rs.36,186 incurred on these four items.

Unacknowledged material

It has been noticed that acknowledgement for receipt of materials issued by the Workshop is not regularly received from the recipient regional stores. There is no prescribed check to ensure that the materials brought from the Workshop have all been accounted for in the regional stores. In the case of Allahabad and Gorakhpur regions, bills for Rs.35.33 lakhs (for the period 1954-55 to 1974-75) and Rs.56.01 lakhs (for the period 1955-56 to 1973-74) respectively, raised against them by the workshop for the materials supplied, have not been acknowledged (January 1976).

Advance payments on rejected materials

Advance payments were made during 1972 and 1973 to various suppliers for purchase of spare parts to be utilised in the Workshop. The materials received included spares valued at Rs.7.60 lakhs which were either sub-standard or not of the required specifications. These were rejected and intimations were sent to the firms requesting for their replacement. The firms had neither lifted the rejected materials nor had replaced them (January 1976). Advance poyments (95 per cent) made have also not been refunded by the firms. The materials are lying in the Workshop (January 1976).

Disposal of condemned vehicles

As on 31st March 1975, 23 buses, 3 trucks and 2 taxis, which had already been condemned, were awaiting disposal in the Central Workshop at Kanpur and at various regional workshops. The following table indicates the break-up of the periods for which the condemned vehicles had been lying in the workshops for disposal :—

Type of vehicle	More than 5 years	Between three to five years	Less than three years
Buses			
T. M. B. and Leyland	13	2	8
Trucks	..	3	..
Taxis	..	..	2

In addition, 93 buses and 3 trucks were off the road for more than one year, awaiting survey and condemnation (January 1976).

Disposal of obsolete parts

Efforts were made by the former Undertaking during 1970 and 1971 to dispose of obsolete spare parts of petrol driven vehicles, valued at Rs.2.29 lakhs, through the Director General of Supplies and Disposal (D. G. S. and D.). After prolonged correspondence, the D. G. S. & D. informed the Corporation in September 1973 that disposal of the spare parts was not possible In September 1974, disposal of the spare parts was again considered by the Corporation and it was decided to dispose of all the obsolete parts through departmental auction. The spare parts lying in the Central Workshop were put to auction in March 1975. The highest bid for 6,611 items of spare parts valued at Rs.26.95 lakhs was Rs.2.00 lakhs, which was subsequently got raised to Rs.2.05 lakhs in May 1975 through negotiation. Release orders were issued in July 1975. The Corporation incurred a loss of Rs.24.90 lakhs in the disposal. Further obsolete parts lying in the Central Workshop and in various regions of the Corporation are yet to be disposed of (March 1976). The value of such parts in respect of Kanpur, Agra, Nainital and Lucknow regions was estimated to be Rs.9.76 lakhs, as on 31st March 1975.

An auction of obsolete, unserviceable and scrap materials, including vehicles was conducted on 24th November 1974 in Tanakpur region. The materials were to be lifted within 20 days from the date of issue of delivery order or else a ground rent of Rs.40 per day per lot of Rs.10,000 or more or Rs.25 per day per lot of less than Rs.10,000 was to be charged. The rent so recoverable from the bidders during 1975 was Rs.22,375, out of which Rs.326 was recovered upto (January 1976.

Shortages in stores

In a continuous process of stores verification and stocktaking in the various shops and sections of the Central Workshop and the regional stores, Allahabad, shortages valued Rs.1.25 lakhs and Rs.1.35 lakhs respectively, as detailed below, were noticed during 1972-73 and 1973-74.

(Rupees in lakhs)

	Central Workshop	Allahabad Stores
1972-73	0.34	0.36
1973-74	0.91	0.99
Total ..	1.25	1.35

In Nainital region during the period January to August 1974, a short accountal of 59,000 litres mobil oil (value : Rs.4.72 lakhs) was noticed on which no action has been taken (January 1976).

A committee constituted (January 1972) for determining the action on shortages and excesses recommended (November 1972) adjustment of shortages valued Rs.67,553 against the excesses valued

Rs. 69,459 in respect of items of similar nature. No adjustment has been done (January 1976) as the orders of Deputy General Manager (Stores) thereon are awaited. In respect of the remaining shortages also, orders of Deputy General Manager (Stores) are awaited (January 1976).

Theft cases

The year-wise position of the theft cases in respect of six regions and the Central Workshop, since the formation of the Corporation, is indicated below :—

	Opening balance		Additions		Settlements		Closing balance	
	Number	Amount (Rupees)	Number	Amount (Rupees)	Number	Amount (Rupees)	Number	Amount (Rupees)
1972-73 ..	185	164901	99	67138	59	3387	225	228652
1973-74 ..	225	228652	95	72018	26	1908	294	298762
1974-75 ..	294	298762	89	44565	9	282	374	343045

The position of theft cases in respect of Aligarh, Dehradun, Gorakhpur, Lucknow, Nainital and Tanakpur regions was not available (January 1976).

Claims against Railways

The number of claims pending against the Railways in respect of seven regions and the Central Workshop, since the date of formation of the Corporation, is indicated below :—

	Opening balance	Cases added	Cases settled	Closing balance
1972-73 ..	357	103	29	431
1973-74 ..	431	112	97	446
1974-75 ..	446	56	88	414

Out of 414 cases pending for settlement as on 31st March 1975, 289 cases were more than two years old. The value of the pending cases was not available (January 1976).

The position of pending cases in respect of Bareilly, Lucknow, Gorakhpur, Varanasi and Kanpur regions was not available.

Man-power analysis

Staff position

73. The entire strength of officers and staff working under Government in the former Transport Organisation was taken over by the Corporation. They are still working on foreign service terms. Staff engaged after 1st June 1972 are, however, treated as employees of the Corporation, but so far no service rules for such employees have been framed. The Corporation has also not prescribed the terms and conditions on which the Government employees may be permanently absorbed (March 1976).

The staff position of the Corporation at the end of each of the years 1972-73, 1973-74 and 1974-75 had been as under :—

	31st March 1973	31st March 1974	31st March 1975
(i) Administrative	2,630	2,798	2,820
(ii) Traffic	7,008	7,273	8,346
(iii) Drivers and conductors	14,414	15,246	15,917
(iv) Maintenance	10,212	10,653	11,160
(v) Others	1,659	1,707	1,718
Total ..	35,923	37,677	39,961

The Corporation has not fixed any sanctioned strength for the various categories of its staff (January 1976).

Productivity of operating staff

The productivity of direct operating staff during the three years ending 31st March 1975 had been as given below :—

	Total km. operated (in lakhs)	Number of direct operating employees	Kms. operated per employee
1972-73	2,426.42	21,422	11,336
1973-74	2,577.62	22,519	11,442
1974-75	2,708.17	24,263	11,161

Vehicles-staff ratio

The vehicles staff ratio during the three years ending 31st March 1975 had been as under :—

	1972-73	1973-74	1974-75
(i) Total number of buses ..	4,582	4,745	4,975
(ii) Total number of employees* ..	35,430	37,194	39,543
(iii) Bus-staff ratio			
Traffic personnel ..	1.55	1.53	1.68
Drivers and conductors	3.04	3.11	3.11
Workshop and maintenance staff ..	2.23	2.25	2.24
Others, including administrative staff and officers ..	0.93	0.95	0.92
Overall	7.75	7.84	7.95

Income-staff ratio

The income-staff ratio during the three years ending 31st March 1975 had been as under :—

	1972-73†	1973-74	1974-75
Total income (Rupees in lakhs)	2278.27	3445.08	3992.16
Total number of employees	35923	37,677	39,961
Income staff ratio (Rupees)	6,342	9,143	9,990
Operating revenue (Rupees in lakhs) ..	2200.36	3323.68	3900.00
Direct operating staff	21,422	22,519	24,263
Operating revenue staff ratio (Rupees) ..	10,271	14,759	16,074

Expenditure-staff ratio

The expenditure staff ratio during the three years ending 31st March 1975 had been as under :—

	1972-73†	1973-74	1974-75
Total expenditure (Rupees in lakhs) ..	2389.02	3481.65	4161.38
Total number of employees ..	35923	37677	39961
Expenditure staff ratio (Rupees) ..	6650	9241	10414
Operating expenses (Rupees in lakhs) ..	2241.50	3288.21	4000.00
Direct operating staff	21422	22519	24263
Operating expenditure staff ratio (Rupees) ..	10464	14602	16486

Utilisation of conductors and drivers

As estimated (May 1975) by the Corporation, percentage of off-road vehicles should normally be between 16 to 20 only. It was,

*Excluding drivers for taxis, trucks and staff cars.
†For ten months.

however, noticed that the percentage of off-road vehicles had always been higher in all the regions and it went upto 45 in certain regions. Assuming 20 per cent off-road buses on an average, the total requirement of drivers and conductors, including 40 per cent for double crew and leave reserve, works out to 6079 and 5572 respectively. The actual strength of drivers and conductors as on 31st March 1975 was 8212 and 7705 respectively.

The employees of the Corporation went on strike during the period 9th to 21st February 1973. This resulted in a loss of 3,59,769 man days and income of Rs.99.60 lakhs. During the strike period, 1,000 drivers and conductors were appointed who were subsequently absorbed in the service of the Corporation.

Ex-gratia payment

In 1972-73, the State Government declared payment of bonus to the employees of U. P. Government Roadways for the year 1971-72. This was paid at the rate of 8.33 per cent of salaries and wages from the funds of the Corporation and was subsequently recouped by Government. Thereafter, the Corporation has made *ex-gratia* payments to all the employees for the years 1972-73 and 1973-74 at 9 and 9.5 per cent respectively. *Ex-gratia* payment at 9.5 per cent for 1974-75 was also declared (September 1975) by the Management and paid in some of the regions. Subsequently, in accordance with a declaration (September 1975) of the State Government restricting the payment of bonus to 4 per cent for the undertakings incurring losses, grant of *ex-gratia* payment to the Corporation employees was reduced to 4 per cent.

Accounts and internal audit

Accounts

74. Under section 33 (i) of the Act, the Corporation is required to maintain proper accounts and other records. No accounting arrangements were finalised before its formation. As an interim arrangement, the State Government allowed on 25th April 1972 continuance of the existing treasury system of account for the U. P. Government Roadways, with the modification that the Corporation would operate on a deposit account and drawals from each treasury would be restricted to the deposits made therein. Consequently, the cash transactions of the Corporation were to be compiled and accounted for by the Accountant General as heretofore and *pro forma* commercial accounts were to be prepared by the Corporation.

The Chief Accounts Officer and the Secretary of the Corporation visited (November/December 1972) the Rajasthan and Maharashtra State Road Transport Corporations to study their system of accounts but so far (March 1976) commercial system of accounts has not been introduced. With effect from 1st July 1975, the treasury system has been changed and the Corporation has made banking arrangements with a scheduled bank and the State Bank of India but without cancellation, modification or amendment of the orders of 25th April 1972.

Under Section 33 (i) of the Act, the Corporation is required to prepare an annual statement of accounts, including the profit and loss account and the balance sheet in such form as may be prescribed by the State Government in consultation with the Comptroller and Auditor General of India. The State Government has not so far (March 1976) prescribed the forms.

Internal audit

No internal audit cell has been opened in the Corporation (January 1976).

Other topics of interest

Nonutilization of land purchased

75. A piece of land measuring 1,972 acres was acquired in 1957 at Kushinagar (Deoria) for construction of a bus station. The land has not been demarcated and a boundary wall has also not been constructed (January 1976). In 1970, it was reported that the tenants of the adjoining land were making encroachments, but no action was taken thereon. Utilization of this land for construction of a depot workshop was under consideration (January 1976).

Another piece of land measuring 13.56 acres, acquired in August 1972 at a cost of Rs.25,188 for construction of a bus station at Bridge Ghat (Garh Mukhteshwar) has also remained un-utilized (January 1976).

Misappropriation of cash/stores

Cases of misappropriation of cash and stores were reported from time to time. As on 31st May 1972, the aggregate of amounts of cash embezzled, as per the books, was Rs.1.47 lakhs in different regions, excluding the Central Workshop, which were pending final orders of the Management. This had increased to Rs.1.52 lakhs as on 31st March 1973, and reduced to Rs.1.30 lakhs as on 31st March 1974, as per the regional accounts of the Corporation. The position of cash embezzled during 1974-75 was not available (March 1976). A test check of the records, however, disclosed that Rs.16,684 were embezzled in the Kanpur region during the period April to October 1974 and Rs.18,726 were embezzled in the Lucknow region during June—November 1974, by not taking into acount amounts deposited by conductors, entering fictitious payments in cash book and non-accounting of securtiy obtained from employees. The overall position of misappropriation of cash and stores during the three years 1972-73 to 1974-75 along with the number of cases (in respect of eight regions) is indicated below :—

Year	Opening balance		Additions		Settled		Closing Balance	
	Number	Value (Rupees)	Number	Value (Rupees)	Number	Value (Rupees)	Number	Value (Rupees)
1972-73 ..	42	4,06,512	4	5,856	2	6,557	44	4,05,811
1973-74 ..	44	4,05,811	10	53,813	..	..	54	4,59,624
1974-75 ..	54	4,59,624	5	17,009	14	1,647	45	4,74,986

As on 31st March 1975, 30 cases were reported to be more than two years old, 10 cases between one and two years old and five cases were less than one year old. The position in respect of Bareilly, Dehradun, Tanakpur and Varanasi regions was not available. Steps are yet to be taken to investigate the cases, and to fix responsibility (March 1976).

Canteen contracts

Canteens constructed at the various bus stations for the facility of travelling passengers are intended to be rented out by auction, but it was noticed that during the period from 1971 to 1975 a number of canteens were not hired out, resulting in loss of income. As on 31st March 1975, 21 canteens of 8 regions were not being run (information about other regions was not available).

Canteens at Gajraula and Bachhrawan are not being run since 1971. Canteens at Bijnor and Sitapur were not being run since, 1973 due to stay orders of Court obtained by the contractors. Cantonment bus station canteen at Varanasi was auctioned on 25th August 1972 at Rs.80,000 for three years and was vacated on 15th July 1973. In an auction held on 9th July 1973 the highest bid for three years was Rs.70,000 which was not approved by the Corporation. It was again auctioned on 24th August 1973 and the highest bid was Rs.30,000 only. It was decided in October 1973 to invite tenders. The highest tender for Rs.1,10,000 for three years was accepted and the party was intimated accordingly on 24th October 1973, but as the canteen was already occupied by the Roadways Employees Union, Varanasi since 3rd September 1973 it could not be hired out. The Union continues (January 1976) to occupy it without payment of any rent, electricity and water charges for the same.

The contract for hiring out the Kaiserbagh bus station canteen (Lucknow), for Rs.82,000 for a period of three years, expired on 8th June 1974. Fresh auction was held on 16th October 1974 and the highest bid for three years was Rs.1,54,000. New agreement could not be executed due to opening of a separate tea stall, in front of the canteen obstructing entrance to the canteen, by an ex-employee of the Roadways and the existing contractor was allowed to continue at the old rate, resulting in loss of Rs.25,000 upto October 1975.

Canteen at Khurja depot was auctioned and hired out on 25th July 1974 for three years for Rs.3,01,100. The canteen was started from 9th August 1974, but pending approval of the Corporation payment at old rate (Rs.47,000 per annum) was allowed upto 30th November 1974. Approval was received on 15th November 1974. The loss of revenue from 9th August 1974 to 30th November 1974 amounted to Rs.14,361.

Nehtaur bus station (Bareilly region) was occupied on 1st October 1973, but the attached canteen was for the first time auctioned and hired out on 26th May 1975 at Rs.500 per month for a period of three years. At this rate revenue from 1st October 1973 to 25th May 1975 would have been Rs.9,500.

Under-charge of revenue

The "Upper" class in the Roadways buses was abolished with effect from 1st April 1971. It was intended that the higher rate, as prescribed for the upper class might be charged on all buses (other than scheduled buses) operating extra trips/kilometres.

It was, however, noticed as a result of test check that in some cases higher rates were not charged for extra trips, etc. as indicated below :

Name of region	Period	Under-charge (Rupees)	Remarks
Agra ..	December 1974 to May 1975	44,409	Extra trips
Agra ..	November 1974 to May 1975	16,054	Chartered buses
Bareilly ..	July 1971 to June 1974 ..	9,578	Extra trips.
		70,041	

There was also an under-charge of Rs.10,997 in Agra region during 26th August 1974 to 30th April 1975 on account of overlooking the longer route length of Agra-Etawah and Agra-Shikohabad routes consequent on diversion of these routes. Later the longer route lengths were taken into consideration while charging the fares in these routes.

Freight rates for out-agency goods

Carriage of parcel and goods from Dehradun to Mussoorie out-agency and *vice versa* was taken over by the U. P. Government Roadways in 1948. The Roadways had been charging Rs.1.56 per maund for the goods booked, out of which it was paying 31 paise per maund as administrative charges on goods and parcels to the Railways in addition to a commission of $2\frac{1}{2}$ per cent on the balance of the freight. This arrangement continued upto 9th August 1964. Thereafter, the rate of Rs.1.88 per 40 kg. became operative, out of which the Railways were to be paid 44 paise. Since then, there had been no revision of these rates (except for the addition of 20 paise per 40 kg. with effect from September 1970 which was payable to the porters due to enhancement in their rates), although the cost of operation had gone up from Re.0.85 in 1963-64 to Rs.1.30 per km. in 1973-74.

Thus, out of Rs.2.08 per 40 kg. for carriage of parcel and goods from Dehradun to Mussoorie and *vice versa* the Corporation is getting Re.0.94 paise per 40 kg.

Consequent upon the establishment of an out-agency at Pithoragarh, the Corporation entered into an agreement with the North Eastern Railway in August 1973 for carriage of goods between Tanakpur and Pithoragarh at Rs.12.66 per quintal (including *ghat* tax of 60 paise). Although the Corporation's rates for transportation of goods were revised upwards with effect from 1st July 1974, the higher rate of Rs.17.40 per quintal (including *ghat* tax of 60 paise) was made applicable in reltaion to the out-agency agreement from June 1975, as the matter was taken up with the Railways only in March, 1975. A revised agreement was finalised in June 1975, although there was provision in the original agreement for revision of the rates from time to time. The difference in rates on 24,262 quintals of goods transported during the period from July 1974 to May 1975 amounted to Rs.1.15 lakhs. The Corporation's income suffered to this extent due to delayed implementation of the revised rates.

Passenger tax and goods tax

As per the U. P. State Road Transport Corporation Rules, 1972 the Corporation is required to recover passenger tax and goods tax under the provisions of the U. P. Motor Vehicles (Passengers Tax) Act, 1962 and U. P. Motor Vehicles (Goods Tax) Act, 1964 respectively and deposit the amount so recovered into the treasury.

The Corporation recovers the passenger tax and the goods tax from the passengers along with bus fare and generally, at the close of each month, deposits approximately 13 per cent of the total collections in the treasury. It was noticed that there had always been a shortfall in deposits of the passenger tax with Government. As such, arrears of tax amounting to Rs.2.99 crores were adjusted by Government during 1973-74 against the Depreciation Reserve Fund investment held by it.

Allotment of staff cars

According to the U. P. State Road Transport Corporation Rules, 1972, a staff car can be given for use only of the Chairman of the Corporation. At the close of 1973-74, the Corporation had 102 staff cars all over the 12 regions, in addition to a number of staff cars at the disposal of the officers posted at the head office and the Central Workshop, Kanpur.

A committee consisting of three members of the Board was formed (November 1974) by the Corporation to report on withdrawal of staff cars from the officers. The committee, however, recommended (March 1975) that in the interest of the Corporation the staff cars should not be withdrawn. This was put up before the Board but no decision has been taken on the question of withdrawal of staff cars.

The number of staff cars has been steadily on the increase but no records to watch their utilisation and the expenditure incurred, are maintained by the Corporation. The mileage covered by the staff cars during 1972-73, 1973-74 and 1974-75, excluding the vehicles of head office, Central Workshop and Nainital region had been 18.74 lakh kilometres, 20.53 lakh kilometres and 21.43 lakh kilometres respectively. During 1973-74 on a fleet of 102 staff cars in the regions the expenditure incurred was Rs.16.65 lakhs, i.e. Rs.14353 per staff car.

Contribution towards employees' provident fund

As per the Employees' Provident Fund Act, 1952 in addition to the contribution made by the employees at the prescribed rates, the employer is also to contribute in their provident fund account an amount equal to 8 per cent of the basic wages, dearness allowance and retaining allowance, if any. Under the Act the basic wages do not include house rent allowance, overtime allowance and bonus.

It has, however, been noticed that in the Kanpur region the employees' contribution at 8 per cent was being calculated and recovered on the house rent and city compensatory allowance also with the corresponding extra contribution by the Corporation. In five out of the eight depots of that region the excess contribution made by the Corporation on this account, during 1974-75, was found to be Rs.0.72 lakh. In Gorakhpur region, on the other hand, provident fund contribution from employees was not recovered on the amount deducted under the Compulsory Deposit Scheme, although this formed part of the emoluments. This resulted in short recovery of Rs.5,220 from the employees during the period December 1974 to May 1975 and had to be borne by the Corporation.

The Regional Provident Fund Commissioner, U. P. Kanpur imposed a penalty of Rs.8,541 due to late deposit of employer's contribution in Aligarh region. A request made on 18th September 1974 for waiver of the penalty was rejected on 30th January 1975 by the Regional Provident Fund Commissioner.

D. Jerath

(D. JERATH)

ALLAHABAD *Accountant General, Uttar Pradesh-I.*

28 JUN 1976

Countersigned.

A Baksi

(A. BAKSI)

NEW DELHI *Comptroller and Auditor General of India.*

30 JUN 1976

APPENDICES

APPEN

(Reference:

Statement showing summarised financial results

Serial number	Name of the company	Name of the administrative department	Date of incorporation	Total capital invested	Profit (+) Loss (—)
1	2	3	4	5	6
				(Rupees in	lakhs)
1	Indian Turpentine and Rosin Company Limited, Bareilly	Industries	22nd February 1924	271.77	(+) 0.54
2	U. P. State Sugar Corporation Limited, Lucknow (Accounts for the year ending September 1975)	Industries	26th March 1971	14,08.17	(—)3,02.54
3	U.P.State Cement Corporation Limited, Mirzapur	Industries	29th March 1972	28,09.44	(—)2,77,99
4	U. P. State Industrial Development Corporation Limited, Kanpur ..	Industries	29th March 1961	..	(+)34.16
5	U. P. Textile Corporation Limited, Kanpur ..	Industries	2nd December 1969	11,71.22	(—)12.06
6	Pradeshiya Industrial Investment Corporation of U. P. Limited, Lucknow ..	Industries	29th March 1972	..	(+)11.84
7	U. P. State Handloom, Powerloom, Finance and Development Corporation Limited, Kanpur ..	Industries	9th January 1973	47.00	(+)0.04
8	Turpentine Subsidiary Industries Limited, Bareilly ..	Industries	11th July 1939	15.08	(+)2.44
9	Kichha Sugar Company Limited, Kichha (Nainital) (Accounts for the year ending September 1975)	Industries	17th February 1972	4,97.56	(—)1,46.12
10	Almora Magnesite Limited, Almora (Accounts for the year ending October 1974) ..	Industries	27th August 1971	1,00.00	(—)42.85
11	U. P. State Mineral Development Corporation Limited, Lucknow ..	Industries	23rd March 1974	30.16	(+)0.16
12	U. P. State Spinning Mill Company (No. I) Limited, Kanpur	Industries	20th August 1974	2,93.48	..
13	U. P. State Spinning Mill Company (No. II) Limited, Kanpur	Industries	20th August 1974	0.01	..
14	U. P. Electronics Limited, Lucknow ..	Industries	30th March 1974	25.00	(—)2.83
15	U.P. State Agro Industrial Corporation Limited, Lucknow	Agriculture	29th March 1967	6,64.85	(—)55.96
16	U. P. Poorvanchal Vikas Nigam Limited, Faizabad	Agriculture	30th March 1971	77.17	(+)0.02
17	U. P. Parvatiya Vikas Nigam Limited, Dehradun ..	Agriculture	30th March 1971	73.71	(+)0.02
18	U. P. State Tourism Development Corporation Limited, Lucknow	Tourism	5th August 1974	12.63	(—)0.13

NOTES:—(i) Capital invested represents paid-up capital *plus* long term loans *plus* free
(ii) Capital employed (except in case of U. P. State Industrial Development Corporation
fixed (excluding capital works-in-progress) *plus* working capital.
(iii) In case of U.P. State Industrial Development Corporation Limited and Pradeshiya
employed, *i.e.* mean of aggregate of opening and closing balances of (i) paid-up capital, (ii)
(iv) Companies at serial nos. 12 and 13 have not gone into production.

DIX I

Para 2, page 1)

of Government Companies for 1974-75

Total interest charged to Profit and Loss Account	Interest on long term loans	Total return on capital invested (6+8)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (6+7)	Percentage of total return on capital employed
7	8	9	10	11	12	13
5.31	5.31	5.85	2.15	2,73.73	5.85	2.14
97.23	51.41	(—)2,51.13	..	5,24.51	(—)2,05.31	..
1,10.12	100.22	(—)177.77	..	13,56.94	(—)1,67.87	..
21.62	21.62	..	..	12,75.47	55.78	4.39
6.34	..	(—)12.06	..	7,88.46	(—)5.72	..
5.66	5.64	..	..	4,52.65	17.50	3.9
..	..	0.04	0.99	44.14	0.04	0.09
0.92	..	2.44	16.18	12.65	3.36	26.6
61.61	39.75	(—)1,06.37	..	4,09.18	(—)84.51	..
6.99	6.28	(—)36.57	..	1,28.54	(—)35.86	..
..	..	0.16	0.5	29.81	0.16	0.5
..	..	..	..	..	..	..
..	..	..	..	..	..	..
..	..	(—)2.83	..	21.43	(—)2.83	..
38.10	2.05	(—)53.91	..	9,65.29	(—)17.86	..
0.87	..	0.02	0.03	77.15	0.89	1.15
0.07	0.07	0.09	0.1	62.58	0.09	0.1
0.01	0.01	(—)0.12	..	12.32	(—)0.12	..

reserves.
Limited and Pradeshiya Industrial Investment Corporation of U. P. Limited) represents net

Industrial Investment Corporation of U. P. Limited. Capital employed represents mean capital bonds and debentures, (iii) reserves, (iv) borrowings including refinance, and (v) deposits.

APPEN

(Reference : Paragraph

CHURK—UNIT

Statement showing available working time, available operation

Serial no.	Name of the sections of the plant	Number of shifts	Total available working days	Total available working hours	Available operating days	Available operating hours	Actual working hours
1	2	3	4	5	6	7	8
							1972-73
1	Crusher (1 no.) ..	2	365	5840	313	5000	3383.00
2	Raw mills (4 nos.)	3	1460	35040	1460	35040	23165.25
3	Kilns (4 nos.)	3	1460	35040	1460	35040	26819.45
4	Cement mills (4 nos.)	3	1460	35040	1460	35040	21470.37
							1973-74
1	Crusher (1 no.)	2	365	5840	313	5000	2863.05
2	Raw mills (4 nos.)	3	1460	35040	1460	35040	16899.38
3	Kilns (4 nos.)	3	1460	35040	1460	35040	19977.45
4	Cement mills (4 nos.)	3	1460	35040	1460	35040	15480.21
							1974-75
1	Crusher (1 no.)	2	365	5840	313	5000	2800.05
2	Raw mills (4 nos.)	3	1460	35040	1460	35040	17477.06
3	Kilns (4 nos.) ..	3	1460	35040	1460	35040	21607.40
4	Cement mills (4 nos.)	3	1460	35040	1460	35040	15999.47

NOTES:—(1)The figure in respect of packing plant had not been maintained by the

(2) In respect of crusher, available operating time is less than the total available time (column 17) exceeds available operating hours (column 7) owing to overtime operation of

(3) The normal routine repair and maintenance of crusher was carried out on weekly

DIX II

13, pages 18 and 20)

time, actual working time and time lost due to various factors

Stoppage due to (In hours)

Normal routine repair and maintenance	Mechanical and electrical defects	Power shortage/ cut	Labour strike/ trouble	Storage full, succeeding process lacking	No stone, no slurry, no clinker, preceeding process lacking	Wagon shortage	Other constraints including shortage of raw material, air, water, etc.	Total stoppage
9	10	11	12	13	14	15	16	17
..	802.70	..	..	..	1267.25	..	432.25	2503.00
2543.21	3744.17	1592.00	..	2746.47	1247.30	..	..	11874.35
2082.15	2851.20	858.35	..	..	552.40	..	1875.25	8220.15
3404.37	5129.55	2693.50	..	..	219.05	1275.58	845.58	13569.23
..	1014.26	..	..	..	1162.35	..	584.54	2761.55
2629.16	7142.30	3381.56	14.50	1605.50	3366.00	..	..	18140.22
1593.45	2517.50	2548.00	14.35	..	3169.35	..	5218.30	15062.15
3728.08	7306.21	3356.05	17.00	..	953.25	2519.35	1679.05	19559.39
..	826.30	..	..	..	1195.40	..	383.45	2405.55
2008.45	11536.25	465.14	..	2826.40	725.50	..	..	17562.54
1956.10	4430.00	1192.35	159.10	..	1582.10	..	4112.15	13432.20
3032.35	9557.38	1446.37	124.00	..	..	4670.38	208.45	19040.13

Management.

owing to weekly off day and actual working hours (column 8) *plus* total hours of stoppage the crusher during 1972-73 (886 hours), 1973-74 (625 hours) and 1974-75 (206 hours).

off days.

APPENDIX II

DALLA—UNIT

Serial no.	Names of the sections of the plant	Number of shifts	Total available working days	Total available working hours	Available operating days	Available operating hours	Actual working hours	Mechanical defects, and normal repairs and maintenance
1	2	3	4	5	6	7	8	9
								1972-73
1	Crusher (1 no.) ..	2	365	5840	313	5000	1007.39	966.33
2	Raw mills (2 nos.) ..	3	730	17520	730	17520	10123.20	1997.35
3	Kilns (2 nos.)	3	730	17520	730	17520	10281.15	1911.00
4	Cement mills (2 nos.)	3	730	17520	730	17520	8428.15	2782.50
								1973-74
1	Crusher (1 no.) ..	2	365	5840	313	5000	1314.34	539.04
2	Raw mills (2 nos.)	3	730	17520	730	17520	9164.05	2177.15
3	Kilns (2 nos.) ..	3	730	17520	730	17520	10687.35	1449.40
4	Cement mills (2 nos.)	3	730	17520	730	17520	7139.00	2556.30
								1974-75
1	Crusher (1 no.) ..	2	365	5840	313	5000	1060.18	456.41
2	Raw mills (2 nos.) ..	3	730	17520	730	17520	7956.10	2893.20
3	Kilns (2 nos.) ..	3	730	17520	730	17520	7394.10	858.25
4	Cement mills (2 nos.)	3	730	17520	730	17520	6331.15	4405.10

NOTES :—(1) The figures in respect of packing plant had not been maintained by the Management.

(2) In respect of crusher, available operating time is less than the total available time

(3) The crusher had been under one shift and two shifts operations during the period

(4) Apart from the normal shift operations, the crusher had been under overtime

(5) In respect of crusher, the hours of stoppage shown in column 9 represents weekly off days.

(*concluded*)

Stoppage due to (in hours)								
Cranes break-down	Electrical defects	Storage full, succeeding process lacking	No stone, no slurry, no clinker, preceeding process lacking	Labour strike/trouble	Wagon shortage	Power cut/shortage	Other constraints	Total
10	11	12	13	14	15	16	17	18
..	54.50	..	319.21	88.00	..	50.15	2513.22	3992.21
924.00	270.00	897.10	..	..	..	364.10	2943.45	7396.40
59.45	820.30	726.55	975.50	..	..	321.35	2423.10	7238.45
1307.50	558.05	..	..	..	1474.20	419.45	2548.55	9091.45
..	224.36	..	695.20	64.00	..	63.15	2099.11	3685.26
1924.40	668.20	604.45	254.00	49.55	..	1422.20	1254.40	8355.55
128.30	207.55	1318.00	771.20	235.30	..	2272.40	448.50	6832.25
1296.35	1965.05	..	..	240.00	1348.15	1994.00	980.35	10381.00
..	159.18	..	613.22	..	..	34.00	2676.21	3939.42
933.55	1123.35	202.25	185.15	15.05	..	4041.45	168.30	9563.50
10.35	205.15	409.45	1586.10	17.10	..	6557.00	100.30	10125.50
1706.25	1048.55	..	..	19.15	248.00	3530.30	230.30	11188.45

owing to weekly off day.
from 1-4-1972 to 3-2-1975 and 4-2-1975 to 31-3-1975 respectively.
operations for 446, 838 and 498 hours during the years 1972-73, 1973-74 and 1974-75 respectively
stoppage due to mechanical defects only as normal repairs and maintenance was carried out on

APPEN

[Reference : Paragraph 44 (*a*) (*iii*) and

Statement showing summarised financial results of

Serial no.	Name of the Corporation	Name of the administrative department	Date of incorporation	Total Capital invested
1	2	3	4	5
				(a) Uttar Pradesh State
1	U. P. State Electricity Board	Power ..	1st April 1959	1,11.819.16
				(b) Other Statutory
2	U. P. Financial Corporation	Industries	1st November 1954.	..

NOTES :—(1) Capital invested represents paid-up capital *plus* long-term loans *plus* free reserves.

(2) Capital employed (other than U. P. Financial Corporation) represents net fixed asets

(3) Inthecase of U. P. Financial Corporation capital employed represents mean of reserves, (iv) borrowings including refinance, (v) deposits and (vi) funds for special

DIX III

(b) (iii), Pages 74 and 75]

Statutory Corporations for 1974-75

Profit (+)/ Loss (—)	Total interest charged to profit and loss account	Interest on long-term loans	Total return on capital invested (6+8)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (6+7)	Percentage of total return on capital employed
6	7	8	9	10	11	12	13
						(Rupees in lakhs)	
Electricity Board							
(—)924.13	1,442.50	1,442.50	518.37	0.46	1,04,280.56	518.27	0.49
Corporation							
(+)87.10	93.36	93.36	180.46	..	2,092.24	180.46	8.62

plus working capital.

aggregate of opening and closing balances of (i) paid-up capital, (ii) bonds and debentures, (iii) schemes advanced by the State Government.

P.S.U.P.—A.P.—Mahalekhakar—925—1976—600. (E).

ERRATA

Report of the Comptroller and Auditor General of India for the year 1974-75 (Commercial)—Government of Uttar Pradesh.

Page no.	Reference	*For*	*Read*
	Table of contents	Statutory Corpo ation	Statutory Corporations
(iii)	Para 4, line 3	Corporatoins	Corporations
3	Heading table, column 1	Company	Company
3	Table, Total of column no. 2	2620	26.20
6	Para 11(*a*), line 2	Company	Corporation
7	Para 11(*b*) (1), line 2	Company	Corporation
7	Para 11(*b*) (i), line 19	Put full stop at the end of the line	
8	Para 11(*c*), table	Klin—I	Kiln—I
9	Para 11 (*e*), line 9	*Read* 50 *after*	Rs.
11	Para 12(*c*)(*i*), second line under the column "Description".	wassages	wastages
11	Para 12(*c*)(*i*), item (*b*) of the table under quantity raised per day per labour, column 3.	Illegible figures	1.519
12	Sub-para (*b*) last but 2 lines	Agas	Against
12	Sub-para (*b*) last but one line	tonne	tonnes
13	Line 17	*Delete* the sign of bracket closing appearing after the word "tonnes".	
13	Line 18	*Insert* the sign of bracket closing *after* the words "Rs.1.86 per tonne".	
14	Sub-para (iv), line 2	*Substitute* full stop appearing at the end of the line by comma.	
14	Sub-para (iv) last but one line	*Insert* comma *after* the word "process":	
15	Line 10	lim	lime—
23	Second table under the sub-heading "working results".	(Rupees in lakh)	(Rupees in lakhs)
23	Para on "working results" 2nd table, column 1	A ccumulated	Accumulated
24	Para 15, sub-para 3, line one	Co-relation	Correlation

Page no.	Reference	For	Read
24	Para 15, sub-para 3, line 2	*Delete* the comma appearing *after* the word "variations".	
24	Para on "Cash management", line 3	R .160 lakhs (80 lakhs	Rs.160 lakhs (Rs.80 lakhs
26	5th item of table, column 7	Put '. .' in blank space	
27	5th item of second table, column 1	Sales	sales
30	Table, column 1	Put comma *after* the word and figure "April 1".	
32	Para on "Administrative lead time in procurement", table, line 3, last column.	Over 1½ year	Over 1½ years
	Table, line 5, last column	purchase	purchases
33	Fourth line from bottom	lakhs	lakh
33	First line of the note below the page	purchas	purchase
34	Line 12	Put full stop at the end of the line.	
36	Para 19, table	(Rupees in laths)	(Rupees in lakhs)
36	Para 19, second item, third column	16	16+
39	Para 20, line 9	1975.	1975,
40	Line 7	Put the word "of" *after* the word "co t".	
41	Table 1, heading of column 2	Wages	Wages paid
42	Para 23, line 4 under sub-heading "free unfurnished residence"	per ons	persons
43	Line 8 under the sub-heading "free electricity"	implented	implemented
43	Fifth line from bottom	lakh.	lakh,
46	Line 2	refused	refeed
46	Line 4	collers.	coolers
46	Line 17	o	to
46	Table, item 2, line 1.	nuarries	quarries
53	Line 10	*Delete* brackets before and after the words "in June 1973."	
55	Sub-para (v) table, column 1, line 1	Decemher	December
58	Para 34(*a*), 4th line	commtitee	committee
58	Last sub-para, line 1	*Insert* "(i)" *before* the word "The" at the beginning.	
60	Line 2	Manjbola	Manjhola
61	Sub-para (*d*), 3rd sub-para, line 1	folowing	following
62	Sub-para (*f*), line 6	*Insert* a comma *between* the words "Sugarcane" and "Lucknow."	
62	Last line	Rs.80.509	Rs.80,509
63	Para 36, 7th line	Put full stop *after* the word "tonne".	

Page no.	Reference	For	Read
64	18th line	Rs.2,50	Rs.2.50
65	Para 38, heading	*Insert* a comma *between* the words "Limited" and "Lucknow"	
65	Sub-heading (*a*)	Infructous	Infructuous
68	Item (iv)	*Add* the word "less" *before* the word "turnover".	
68	Para (*d*), 3rd line	pupularising	popularising
68	Para 39, heading	default	defaults
68	Para 39, 1st line	wtih	with
69	Last but one line	police	Police
70	Line 6	*Add* the word "of" *after* the word "setting up".	
70	Para 40, line 15	(0.44 lakh)	(Rs.0.44 lakh)
71	Para 43, 7th line	officers	offices
72	Second sub-para, line 1	*Delete* the sign of bracket before the word "July".	
79	Table, 1st column 23rd item	Ba abanki	Barabanki
81	4th line from bottom	Chef	Chief
82	2nd line	mechine	machine
82	11th line	Put a bracket *after* the word "offer".	
82	20th line	Put a comma *after* "1975".	
82	26th line	bill	bills
82	28th line	Replace the comma *after* the word "charges" by a bracket.	
84	Para 51, 12th line from bottom	Put a comma before and after the word "however".	
84	Para 51, 8th line from bottom	Replace fullstop *after* "1973" by a comma.	
84	2nd sub-para of para 51, line 2	March	May
84	Para 51, 5th line from bottom	Put closing bracket in between "1976" and "full stop".	
84	Para 51, 4th line from bottom	1975,	1975;
84	Para 51, 2nd sub-para, 3rd line from bottom.	Moreover	Moreover,
85	12th line	lakhs	lakh
86	Para 53, 2nd line	Collected.	Collected,
86	Para 53, 10th line	had.	had,
88	8th line	consideration	considerations
90	16th line	occassions	occasions

Page no.	Reference	*For*	*Read*
90	Last line	issued	issued.
91	9th line from bottom	supplied	supplied,
92	15th line from bottom	another.	another,
92	13th line from bottom	divsiion.	division,
92	11th line from bottom	checked.	checked,
92	Ditto	noticd	noticed
92	3rd line from bottom	not.	not,
92	Ditto	1975.	1975,
95	6th line from bottom	1976	-1975 .
96	Sub-para (iv), 10th line	lakh	lakhs
99	Sub-para (iiii), 7th line	J.P.C.,	J.P.C.
99	Sub-para (iv), 2nd line from bottom	of for	for
100	3rd line	1974,	1974;
100	Sub-para (v), last but one line	1975,	1975;
100	2nd line from bottom	(January 1976),	(January 1976)
101	Sub-para (vii), 8th line	1974,	1974
101	Sub-para (vii), 12th line	1971,	1971
101	Sub-para (viii), 3rd line	roads.	roads,
101	Sub-para (viii), 7th line	not however,	not, however,
102	2nd line below the table	he	the
102	4th line below the table	waited	awaited
102	9th line from bottom	lakhs	lakh
102	2nd line from bottom	Electricty	Electricity
104	First line of page	May 1974,	May 1974;
107	Para (xvii), 3rd line	May 1973,	May 1973
107	Para (xvii), 11th line	November,1973,	November 1973
108	Para (xviii), 2nd line	Account	Accounts
108	Para (xviii), last but one line	August 1973,	August 1973;
108	Para (xix) (*a*), 1st line	supply	supply,
108	Para (xix) (*a*), 5th line	July 1973,	July 1973
109	Para (xx) 6th line	August 1972.	August 1972,
110	1st line	receeived	received
110	1st line	acounted	accounted
110	Para (xxii), 9th line	Rs6.61	Rs.0.61
111	8th line	investigated	investigate
112	Para (xxvi), 1st line	1908	1968
117	Para 60, 2nd sub-para, 3rd line	alround	allround

Page no.	Reference	For	Read
117	Para 61, 2nd sub-para, line 5	Gorkhpur	Gorakhpur
118	Last line of the second table, column 4 5 column	Read the figure as 40.22. Read the figure as 265.73.	
124	Para 66, 2nd sub-para 7th line	*Insert* the word "in" *after* the word "Corporation".	
128	Table, item (*b*) non-operating revenue—		
	(*b*) (*i*) column 2	Read the figure as 0.71.	
	(*b*) (*ii*) column 2	Read the figure as 6.07.	
128	Table, item (*a*) operating expenses—		
	(*a*) (*i*) Column 2	Read the figure as 568.97.	
	(*a*) (*ii*) Column 2	Read the figure as 633.02.	
	(*a*) (*viii*) Column 3	Read the figure as 421.83.	
	Total of (*a*) operating Expenses Column 2.	Read the figure as 2241.50.	
132	First table, Item no. (vii)	scheiul	scheduled
133	Table at the top, item no. (xi)	Tota	Total
135	7th line from top	exsting	existing
137	1st line under para for Delux Services	*Insert* "a" *between* the words "running" and "number".	
139	Table, heading of Col. 6	Rup es	Rupees.
148	Line 1	ind cated	indicated
148	1st table, heading 5th column.	(in lakh) litres)	(in lakh litres)
150	2nd sub-para, line 2	Rs.3.80 paise	3.80 paise
152	Para on "Trip curtailments" line 3	1974-75	1974-75;
155	Heading of para 71	workshop	workshop,
157	line 9	garrages	garages
157	Table at the bottom of the page Total for 1972-73.	10,360	10,362
158	Table at the bottom, heading of last column	Amount (Rupees. in lakhs)	Amount (Rupees in lakhs).
161	13th line	U.P.,	U.P.
161	6th line from bottom	April 1975	April 1975,
162	13th line from bottom	Managre	Manager
163	11th line	poyments	payments
163	4th line from bottom	Disposal	Disposals
163	2nd line from bottom	possible	possible.

Page no.	Reference	*For*	*Read*
164	18th line	(January	January
168	Para 74, line 1	33 (i)	33 (I)
169	Sub-para 2, line 1	33 (i)	33 (I)
169	Para 75, line 1	1,972	1.972
170	9th line	acount	account
170	last line	since,	since
173	3rd line	*Delete* the word "paise" *after* Re.0.94.	
173	2nd sub-para, line 8	reltaion	relation
175	1st line	*Insert* a comma *before* the word "Kanpur".	
178	Appendix I, sl. no. 3 Column 6	2,77,99	2,77.99
178	Note (II), line 2	*Insert* the word "assets' *after* the word "fixed."	
178	Appendix I, note (iv)	nos.	numbers
180	Appendix II, note (2), 2nd line ..	operatins	operating
181	Appendix II heading of column 14 ..	preceeding	preceding
182	Appendix II concluded 1972-73, sl. no. 2, column 8.	Read the figure as 10123.20	
183	Appendix II concluded heading of column 13	preceeding	preceding
184	Appendix III sl. no. 1, col. no. 5	Read the figure as 1,11,819·16.	
185	Appendix III note (3), 1st line.	(iii	(iii)

PSWP—AP—3 Mahalakhabar—1748—1976—600 (E)