







# **REPORT**

OF THE

# **COMPTROLLER AND AUDITOR GENERAL OF INDIA**

For the year 1980-81

(COMMERCIAL)

GOVERNMENT OF UTTAR PRADESH





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## 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 :

- Government Companies,
- Statutory Corporations, and
- Departmentally-managed commercial and *quasi-commercial* undertakings.

2. This Report deals with the results of audit of the accounts of Government Companies and Statutory Corporations including the Uttar Pradesh State Electricity Board. 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. In the case of Government Companies, audit is conducted by Company 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 audit report, submitted by the Company 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 to the auditors from time to time.

4. In respect of Uttar Pradesh State Road Transport Corporation and Uttar Pradesh State Electricity Board (Statutory Corporations), the Comptroller and Auditor General is the sole auditor while in respect of the other two Statutory Corporations, *viz.* Uttar Pradesh Financial Corporation and Uttar Pradesh State Warehousing Corporation, he has the right to conduct audit (in accordance with the provisions of the relevant Acts) independently of the audit conducted by the Chartered Accountants appointed under the respective Acts.

5. The cases mentioned in the Report are those which came to the notice of Audit during the year 1980-81 as well as those which had come to notice in earlier years but could not be

dealt with in the previous Reports ; developments relating to the period subsequent to 1980-81 have also been included wherever considered necessary.

6. The points brought out in the Report have emerged in the course of test audit of the accounts of the above undertakings. They are not intended to convey or to be understood as conveying, any general reflection on the financial administration of the undertakings concerned.



CHAPTER I  
GOVERNMENT COMPANIES

SECTION I

1.01. *Introduction*

There were 91\* Government Companies (including 38 subsidiaries) as on 31st March 1981 as against 87 Government Companies (including 36 subsidiaries) at the close of the previous year. The under-mentioned Company was incorporated as Government Company during the year :

Name of Company	Date of incorporation	Authorised capital (Rupees in lakhs)
U. P. Rajya Vidyut Utpadan Nigam Limited	25th August 1980	100.00

Bhadohi Woollens Limited earlier covered under Section 619-B of the Companies Act became a subsidiary of U. P. Export Corporation Limited in March 1981.

The following Companies were in the process of liquidation :

Name of Company	Date of incorporation	Date of going into liquidation
Indian Bobbin Co.Ltd.	22nd February 1924	10th September 1973
Sharda Sahayak Samadesh Kshetra Vikas Nigam Ltd.	4th March 1975	9th August 1977
Gandak Samadesh Kshetra Vikas Nigam Ltd.	15th March 1975	7th June 1977
Ramganga Samadesh Kshetra Vikas Nigam Ltd.	15th March 1975	6th May 1977
Turpentine Subsidiary Industries Ltd.	11th July 1939	1st April 1978

\*It includes Uptron Components Limited incorporated on 1st March 1977 and Moradabad Mandal Vikas Nigam Limited incorporated on 30th March 1977 excluded from the list of companies as on 31st March 1980.

1.02. *Compilation of accounts*

37 Companies (including 15 subsidiaries) had finalised their accounts for the year 1980-81. In addition, 23 Companies (including seven subsidiaries) finalised their accounts for the earlier years. A synoptic statement showing the summarised financial results of 60 Companies (based on the latest available accounts) is given in Appendix A. The audited accounts of the following 49 Companies (including 22 subsidiaries) were not received (March 1982) for the periods noted against each :

<i>Name of Company</i>	<i>Extent of arrears</i>
U. P. Roofings Private Ltd.	1973-74 to 1980-81
U. P. Buildware Private Ltd.	1974-75 to 1980-81
U. P. Plant Protection Appliances Private Ltd.	1974-75 to 1980-81
Faizabad Roofings Ltd.	1974-75 to 1980-81
U. P. Abscott Private Ltd.	1975-76 to 1980-81
Northern Electrical Equipment Industries Ltd.	1975-76 to 1980-81
Krishna Fasteners Ltd.	1975-76 to 1980-81
U. P. Potteries Ltd.	1976-77 to 1980-81
U. P. Pashudhan Udyog Nigam Ltd.	1976-77 to 1980-81
U. P. Bundelkhand Vikas Nigam Ltd.	1977-78 to 1980-81
U. P. Paschimi Kshetriya Vikas Nigam Ltd.	1977-78 to 1980-81
UPAI Ltd.	1977-78 to 1980-81
Mohammadabad People's Tannery Ltd.	1977-78 to 1980-81
U. P. Prestressed Products Ltd.	1977-78 to 1980-81
Uptron Sempack Ltd.	1977-78 to 1980-81
U. P. State Handloom Corporation Ltd.	1978-79 to 1980-81
U. P. Poorvanchal Vikas Nigam Ltd.	1978-79 to 1980-81
Garhwal Mandal Vikas Nigam Ltd.	1978-79 to 1980-81
U. P. State Bridge Corporation Ltd.	1978-79 to 1980-81
U. P. State Tourism Development Corporation Ltd.	1978-79 to 1980-81
Moradabad Mandal Vikas Nigam Ltd.	1978-79 to 1980-81
U. P. Small Industries Corporation Potteries Ltd.	1978-79 to 1980-81
Handloom Intensive Development Project (Bijnor) Ltd.	1978-79 to 1980-81
Handloom Intensive Development Project (Gorakhpur and Basti) Ltd.	1978-79 to 1980-81
U. P. State Horticulture Produce Marketing and Processing Corporation Ltd.	1978-79 to 1980-81
Gorakhpur Mandal Vikas Nigam Ltd.	1979-80 and 1980-81
Allahabad Mandal Vikas Nigam Ltd.	1979-80 and 1980-81
Tarai Anusuchit Janjati Vikas Nigam Ltd.	1979-80 and 1980-81
U. P. Rajkiya Nirman Nigam Ltd.	1979-80 and 1980-81
U. P. State Agro Industrial Corporation Ltd.	1979-80 and 1980-81
U. P. Textile Printing Corporation Ltd.	1979-80 and 1980-81
U. P. State Food and Essential Commodities Corporation Ltd.	1979-80 and 1980-81
Kumaon Anusuchit Janjati Vikas Nigam Ltd.	1979-80 and 1980-81
Garhwal Anusuchit Janjati Vikas Nigam Ltd.	1979-80 and 1980-81
Bundelkhand Concrete Structurals Ltd.	1979-80 and 1980-81
Uptron Components Ltd.	1979-80 and 1980-81

<i>Name of Company</i>	<i>Extent of arrears</i>
U. P. State Mineral Development Corporation Ltd.	1980-81
Lucknow Mandaliya Vikas Nigam Ltd.	1980-81
Kumaon Mandal Vikas Nigam Ltd.	1980-81
U. P. Bhumi Sudhar Nigam Ltd.	1980-81
U. P. Panchayati Raj Vitta Nigam Ltd.	1980-81
U. P. State Brassware Corporation Ltd.	1980-81
U. P. Scheduled Caste Finance and Development Corporation Ltd.	1980-81
U. P. Nalkoop Nigam Ltd.	1980-81
U. P. Development Systems Corporation Ltd.	1980-81
U. P. Tyres and Tubes Ltd.	1980-81
Transcables Ltd.	1980-81
U. P. (Madhya) Ganna Beej Evam Vikas Nigam Ltd.	1980-81
Teletronics Ltd.	1980-81

The position was last brought to the notice of Government in May 1982.

### 1.03. *Paid-up capital*

The aggregate paid-up capital of Rs.15701.52 lakhs in 47 Government Companies excluding four Companies under liquidation and 36 subsidiaries as on 31st March 1980 increased to Rs.18313.24 lakhs in 49 Government Companies, excluding four Companies under liquidation and 38 subsidiaries (one under liquidation) as on 31st March 1981 as detailed below :

Particulars of Companies	Number of Companies	Invested by			Total
		State Government	Central Government	Others	
(Rupees in lakhs)					
Companies wholly owned by the State Government	38	16291.45	..	..	16291.45
Companies jointly owned with the Central Government/others	11	1615.68	338.83	67.28	2021.79
Total	49	17907.13*	338.83	67.28	18313.24

\*The amount as per Finance Account is Rs.178.39 crores. The difference is under reconciliation.



1.04. *Loans*

The balance of long-term loans outstanding in respect of 24 Companies (excluding 33 subsidiaries) as on 31st March 1981 was Rs.13080.99 lakhs (State Government : Rs.5254.37 lakhs; other parties : Rs.7807.37 lakhs; deferred payment credit : Rs.19.25 lakhs) as against Rs.10480.55 lakhs as on 31st March 1980 (11 Companies excluding 23 subsidiaries).

1.05. *Guarantees*

The State Government had guaranteed the repayment of loans (and payment of interest thereon) raised by 16 Companies (including four subsidiaries). Total amount guaranteed and the amount outstanding thereagainst in respect of these Companies as on 31st March 1981 was Rs.5699.55 lakhs and Rs.4094.04 lakhs respectively, as detailed below :

Name of Company	Amount guaranteed	Amount outstanding as on 31st March 1981
	(Rupees in lakhs)	
U. P. (Rohilkhand Tarai) Ganna Beej Evam Vikas Nigam Ltd.*	150.00	150.00
Harijan Evam Nirbal Varg Avas Nigam Ltd.	33.19	21.60
U. P. (Paschim) Ganna Beej Evam Vikas Nigam Ltd.*	295.00	281.59
Chandpur Sugar Co. Ltd.†	387.00	319.18
U. P. Food and Essential Commodities Corporation Ltd.*	25.00	9.54
U. P. Pashudhan Udyog Nigam Ltd.*	15.00	21.06
Chhata Sugar Co. Ltd.†	377.00	347.00
The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Ltd.	770.00	770.00
U. P. State Agro Industrial Corporation Ltd.*	750.00	413.63
U. P. State Spinning Mills Co. (No. I) Ltd.†	946.50	736.70
U. P. State Bridge Corporation Ltd.	142.20	90.47

\*Represents where short-term loans have been guaranteed.

†Represents subsidiary companies.



Name of Company	Amount guaranteed	Amount outstanding as on 31st March 1981
	(Rupees in lakhs)	
U. P. State Sugar Corporation Ltd.	559.65	87.32
U. P. (Poorva) Ganna Beej Evam Vikas Nigam Ltd.*	104.00	102.70
U. P. State Textile Corporation Ltd.	845.00	650.70
U. P. State Industrial Development Corporation Ltd.	89.01	—
Kichha Sugar Company Ltd.†	211.00	92.55
Total	5699.55\$	4094.04\$

### 1.06. Performance of the Companies

1.06.01. The following table gives the details of 15 Companies (including six subsidiaries) which earned profits during 1980-81 and the comparative figures for the previous year :

Name of Company	Paid-up capital 1979-80	capital 1980-81	Profit (+)/ Loss(-) 1979-80	1980-81
	(Rupees in lakhs)			
U. P. State Textile Corporation Ltd.	2414.19	3146.87	357.31	321.64
U. P. State Industrial Development Corporation Ltd.	1432.73	1540.73	119.63	137.29
Auto Tractors Ltd.	406.51	831.51	0.17	1.98
U. P. Electronics Corporation Ltd.	275.00	340.00	11.55	27.97
Meerut Mandal Vikas Nigam Ltd.	100.00	100.00	3.15	3.97
U. P. Small Industries Corporation Ltd.	85.00	100.00	24.96	46.98
U. P. (Rohilkhand Tarai) Ganna Beej Evam Vikas Nigam Ltd.	22.81	23.57	5.73	6.94

\*Represents where short-term loans have been guaranteed.

†Represents Subsidiary Companies

\$Figures as per Finance Account are Rs. 8232.87 lakhs and Rs. 6439 lakhs (12 Companies) respectively. The difference is under reconciliation.

**6**

Name of Company	Paid-up capital 1979-80	1980-81	Profit (+)/Loss(-) 1979-80	1980-81
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(Rupees in lakhs)

U. P. (Paschim) Ganna Beej Evam Vikas Nigam Ltd.	15.29	16.35	1.42	1.57
U. P. (Poorva) Ganna Beej Evam Vikas Nigam Ltd.	13.65	14.03	1.57	0.64

*Subsidiaries*

U.P. State Spinning Mills Co.(No. I) Ltd.	1150.00	1400.00	60.41	181.25
Chandpur Sugar Co. Ltd.	258.00	258.00	(-)70.60	111.44
Chhata Sugar Co. Ltd.	253.00	253.00	(-)89.81	29.27
U. P. Digitals Ltd.	9.20	10.20	(-)1.55	0.06
Uptron Digital Systems Ltd.	27.50	38.50	..	0.20
Uptron Powertronics Ltd.	12.95	22.00	..	0.82

1.06.02. During the year four Companies declared dividend as indicated below :

Name of Company	Distribu- table surplus	Amount retained in business	Dividend declared	Percentage of dividend to paid-up capital
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(Rupees in lakhs)

U. P. (Rohilkhand Tarai) Ganna Beej Evam Vikas Nigam Ltd.	6.44	5.03	1.41	6.0
U. P. State Industrial Development Corporation Ltd.	205.99	141.52	64.47	4.5
U. P. (Madhya) Ganna Beej Evam Vikas Nigam Ltd.	2.45	1.80	0.65	5.0
U. P. Small Industries Corporation Ltd.	64.03	58.03	6.00	6.0

1.06.03. The following table gives details of 16 Companies (including five subsidiaries) which incurred losses during the

year 1980-81 and the comparative figures for the previous year :

Name of Company	Paid-up capital		Profit(+)/Loss (-)	
	1979-80	1980-81	1979-80	1980-81
	(Rupees in lakhs)			
The Indian Turpentine and Rosin Co. Ltd.	21.89	21.93	(+)11.50	(-)92.86
U. P. Export Corporation Ltd.]	134.00	183.18	(+)2.80	(-)4.54
U. P. State Leather Development and Marketing Corporation Ltd.	67.00	67.00	(+)9.16	(-)3.71
The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Ltd.	665.75	720.75	(+)73.57	(-)2.80
Varanasi Mandal vikas Nigam Ltd.]	45.00	45.00	(-)1.67	(-)0.56
Harijan Evam Nirbal Varg Avas Nigam Ltd.	15.00	15.00	(-)2.14	(-)1.98
Prayag Chitrakoot Krishi Evam Godhan Vikas Nigam Ltd.	50.00	50.00	(-)1.14	(-)0.57
Agra Mandal Vikas Nigam Ltd.]	100.00	100.00	(+)0.38	(-)0.59
U. P. Chalchitra Nigam Ltd.	158.07	258.06	(-)8.15	(-)7.09
U. P. State Cement Corporation Ltd.	3707.00	3707.00	(-)248.50	(-)245.65
U. P. State Sugar Corporation Ltd.	1998.00	2420.00	(-)237.67	(-)568.08
<i>Subsidiaries</i>				
U. P. Instruments Ltd.	27.51	41.00	(-)28.43	(-)49.12
Uptron Instruments Ltd.	..	8.00	..	(-)1.79
Bhadohi Woollens Ltd.	40.89	40.90	(-)31.92	(-)26.80
Nandganj-Sihori Sugar Co. Ltd.	503.00	503.00	(-)232.35	(-)221.35
Kichha Sugar Co. Ltd.	187.79	244.69	(+)15.85	(-)33.01

1.06.04. The accumulated loss in respect of 28 Companies (paid-up capital : Rs. 12346.09 lakhs) amounted to Rs. 7876.46 lakhs. Particulars of seven Companies (including six subsidiaries) the accumulated losses of which had exceeded the



paid-up capital are given below :

Name of Company	Paid-up capital	Accumulated loss	Percentage of accumulated loss to paid-up capital
(Rupees in lakhs)			
U. P. State Sugar Corporation Ltd.	2420.00	3246.21	134.1
Kichha Sugar Co. Ltd.	244.69	626.28	256.0
U. P. Instruments Ltd.	41.00	154.07	375.8
Chandpur Sugar Co. Ltd.	258.00	291.63	113.0
Chhata Sugar Co. Ltd.	253.00	351.31	138.9
Bhadohi Woollens Ltd.	40.90	98.04	239.7
Nandganj-Sihori Sugar Co. Ltd.	503.00	911.78	181.3
Total	<u>3760.59</u>	<u>5679.32</u>	

1.06.05. The following table gives details of Companies (including subsidiaries) which were under construction and the expenditure incurred during 1979-80 and 1980-81 :

Name of Company	Paid-up capital		Expenditure during	
	1979-80	1980-81	1979-80	1980-81
<i>Companies</i>				
(Rupees in lakhs)				
U. P. Rajya Vidyut Utpadan Nigam Ltd.	..	100.00	..	0.04
U. P. Matsya Vikas Nigam Ltd.	20.00	40.37	0.04	3.53
<i>Subsidiaries</i>				
U. P. State Spinning Mills Co. (No. II) Ltd.	0.01	0.01	0.01	0.01
U. P. Carbide and Chemicals Ltd.	206.13	269.17	6.86	1.72
Uptron India Ltd.	..	0.25	..	0.13
Uptron Capacitors Ltd.	26.65	41.34	48.40	28.00

1.07. In addition, there were four Companies covered under Section 619-B of the Companies Act, 1956 as per details given below :

Name of Company	Latest year of accounts	Paid-up capital	Investment by			Profit(+)/ Loss(-) during the year
			State Government	Government Companies	Corporations	
(Rupees in lakhs)						
Almora Magnesite Ltd.	1980-81	140.00	..	85.40	..	(+)57.67
Synthetic Foams Ltd.	1979-80	35.65	..	11.32	12.68	(-)24.92
Steel and Fasteners Ltd.	1979	89.84	..	36.88	17.95	(-)44.96
Electronics and Computers (India) Ltd.	The audited accounts for the years 1978 to 1981 were not received.					

In the case of Steel and Fasteners Ltd. the accumulated loss of Rs. 147.09 lakhs as on 31st December 1979 exceeded the paid-up capital (Rs. 89.84 lakhs).

1.08. The Companies Act, 1956 empowers the Comptroller and Auditor General to issue directions to the auditors of Government Companies in regard to the performance of their functions. In pursuance of the directives so issued, the special reports of the Company auditors were received in respect of seven Companies during the year. The important points noticed in these reports are summarised below :

<i>Nature of defects</i>	<i>Number of companies where defects were noticed</i>
Absence of accounting manual	7
Non-maintenance of proper accounts of stores and stocks	3
Non-maintenance of property registers	1
Standard costing not introduced	6
Absence of regular costing system	2
Absence of internal audit manual	3
Absence of internal audit system	4
Absence of a system for purchase	1
Non-preparation of capital and revenue budgets	3
Non-preparation of purchase/sale budgets	7
Non-fixation of maximum/minimum limits of stores/spares	7
Non-maintenance of accounts of social overheads	6
Non-fixation of norms for manpower	7
Non-fixation of norms for consumption and wastage of raw materials	6



1.09. Under Section 619(4) of the Companies Act, 1956, the Comptroller and Auditor General has the right to comment upon or supplement the audit reports of the Company auditors. Under this provision, the audited annual accounts of the Government Companies are reviewed on a selective basis. Some of the errors, omissions, etc. noticed in the course of such review are detailed below :

*Balance Sheet*

(i) Non-disclosure of share application money received, as a separate item.

(ii) Non-provision of liabilities of interest, penal interest, accrued expenses, etc. resulting in understatement of liabilities, non-provision of doubtful debts with consequent overstatement/understatement of profit/loss.

(iii) Non-disclosure of mode of valuation of stocks.

(iv) Non-disclosure of hypothecation of assets against over-drafts.

(v) Incorrect classification of capital and revenue expenditure.

(vi) Non-creation of statutory reserve.

(vii) Adjustment of expenditure/income out of grants received from the State Government instead of charging it to the Profit and Loss Account.

(viii) Exclusion of transactions met out of Government loans, grants from the accounts.

*Profit and Loss Account*

(i) Incorrect calculation, non-accountal of interest/income and overstatement of income.

(ii) Non-provision/under provision of expenses, interest, depreciation and commission.

(iii) Non-disclosure of the effect of change in accounting policy.

(iv) Overstatement of closing stock.

(v) Non-disclosure of expenditure on rent, electricity charges, depreciation, managerial remuneration, auditors' remuneration and shortage in stock.

*General*

(i) Certification of accounts by the Company Auditors before their adoption by the Board of Directors.

(ii) Incorrect disclosure of the value of perquisites allowed to the officers of the Company.

(iii) Non-disclosure of particulars of the subsidiary company.

(iv) Non-disclosure of particulars required under Manufacturing and Other Companies (Auditors' Report) Order 1975 and other details pursuant to the Companies Act, 1956.

(v) Incorrect disclosure of information in Notes attached to and forming part of accounts.



## SECTION II

### UTTAR PRADESH ELECTRONICS CORPORATION LIMITED

#### 2.01. *Introduction*

The Company was incorporated (30th March 1974) as a subsidiary of the Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited (PICUP) with the main objects of promoting and developing electronics industry including supply of raw material and other inputs, creation of infra-structure for such industry by setting up public sector and joint sector units for manufacture, research, development, pilot production, etc. of electronics items. In July 1976, it became an independent Government Company.

#### 2.02. *Activities*

The main commercial activities of the Company had been manufacture and sale of television sets. With the transfer of its factories at Lucknow and Allahabad and the marketing division to its wholly-owned subsidiary (Uptron India Limited) from 1st April 1981, the Company is now engaged in promotional activity only.

#### 2.03. *Organisational set-up*

The Company is managed by a Board of Directors, nominated by Government, consisting of a part-time Chairman, a whole-time Managing Director, an Executive Director and nine other Directors. As on 31st March 1981 there were 12 Directors including the Managing Director who is the Chief Executive and is assisted in the day-to-day working of the Company by the Executive Director and one General Manager.

#### 2.04. *Capital structure*

The Company was registered with an authorised capital of Rs.5 crores consisting of 5 lakh equity shares of Rs.100 each and the paid-up capital of the Company (wholly contributed by the State Government) was Rs.3.40 crores as on 31st March 1981.

(a) The Company has a cash credit arrangement for meeting its working capital requirements up to a limit of Rs.20 lakhs and Rs.9 lakhs, with two nationalised banks



for its two factories at Allahabad and Lucknow respectively which are secured against the hypothecation of stocks and book debts of the factories.

The table below indicates the amounts outstanding against cash credit, the funds available with the Company as at the end of the four years up to 1980-81 and the interest paid on cash credit during the four years :

Year ending 31st March	Out- standing overdraft against cash credit	Funds available			Interest paid on over- draft against cash credit
		Cash in hand/ current account	Fixed deposit/ Saving Bank and personal ledger account	Total	
(Rupees in lakhs)					
1978	8.06	1.13	60.35	61.48	0.93
1979	1.46	5.72	39.56	45.28	1.29
1980	25.52	21.91	26.72	48.63	3.01
1981	44.24	44.36	49.59	93.95	6.36
					11.59

In spite of availability of sufficient funds throughout the year the Company availed of cash credit facility and paid interest of Rs.11.59 lakhs including penal interest (Rs.0.46 lakh) for availing of the facility in excess of the sanctioned limit during January to December 1980 at Allahabad.

The Management stated (September 1981) that the cash credit account was to be operated by the factories, which had their independent working including financial management and, therefore, they were to operate with the initial capital provided to them by the Head Office.

The Management further stated (January 1982) that major portion of the funds was released by Government at the fag end of the financial year and as these funds were meant for investment in joint sector companies or

subsidiaries of the Company, these could not be equated with bank overdraft, which were for working capital needs of the factories.

As the monthly balance of cash was never below Rs.10,35,472 excepting in January 1981 (Rs.2,86,125) and as the average monthly balance was ranging from Rs.27,21,590 to Rs.56,99,560 during the 4 years 1977-78 to 1980-81, the overdrafts could have been avoided or minimised by suitable financial planning.

(b) According to instructions of the Reserve Bank of India, units having capital investment up to Rs.20 lakhs (earlier Rs.10 lakhs) are classified as small scale units and are entitled to concessional rate of interest on loans given by banks. The capital investment in each of the factories at Allahabad and Lucknow was below the limit. However, while the factory at Lucknow was allowed cash credit facility at lower rate of interest *viz.*, 14 *per cent* per annum (raised to 15.5 *per cent* from 2nd March 1981) the factory at Allahabad had paid interest at rates varying from 15 to 19.5 *per cent* during 1st April 1979 to 31st March 1981.

The Management stated (September 1981) that the bank at Lucknow had treated the Lucknow factory as a small scale unit whereas the bank at Allahabad had not treated the Allahabad factory as such. However, on being pointed out (September 1981) in audit, the Management took up the matter with the bank at Allahabad and that bank had revised the rate to 15.5 *per cent* from 26th October 1981.

#### 2.05. Working results

The cumulative loss at the end of March 1978 was Rs.13.64 lakhs, which was, however, wiped out by the profits in the subsequent years from 1978-79 to 1980-81.

The cumulative profit at the end of March 1981 was Rs.31.17 lakhs. This was mainly contributed by (i) interest on funds invested in fixed deposits (Rs.12 lakhs), (ii) non-inclusion of expenditure (net : Rs.14.99 lakhs) on Centrally Sponsored Employment Promotion Programme in the accounts, and (iii) overvaluation of closing stock (Rs.3.97 lakhs). If these were excluded, the cumulative profit would be Rs.0.21 lakh only.



2.06. *Electronics factories*(a) *Performance of factories*

A letter of intent (May 1973), originally held by Uttar Pradesh State Industrial Development Corporation Limited (UPSIDC) for the manufacture of 5000 television (TV) sets per annum, was transferred to the Company in December 1974 and against the industrial licence (July 1975) the electronics factory at Allahabad started manufacture of TV sets in July 1975 under the brand name of 'EC Televisions'. In addition to the manufacture of EC TV sets for the Electronics Corporation of India Limited (ECIL), the factory started manufacture of 51 cm hybrid UPTRON TV sets, designed by the Company, from August 1976. On the introduction of UPTRON solid state TV sets, the manufacture of hybrid TV sets was discontinued from February 1979 and due to its discontinuation, components worth Rs.0.50 lakh were rendered obsolete and were awaiting disposal (March 1982). The factory increased its manufacturing capacity from 5,000 to 10,000 TV sets per annum from 1979-80.

The Company set up a second electronic factory at Lucknow against the industrial licence (July 1978) for the manufacture of 5,000 TV sets per annum which commenced production of UPTRON TV sets from September 1979.

The progress relating to the manufacture of TV sets since commencement to 1980-81 is tabulated below :

Year	Manufacture of TV Sets		Percentage of achievement to target
	Target	Achievement	
	(In number)		
1975-76	1700	302	17.7
1976-77	1723	1531	88.8
1977-78	4500	3112	69.2
1978-79	5300	6389*	120.6
1979-80	16000	13815* @	86.3
1980-81	18400	20603* @	111.9

\*Excluding 148, 61 and 186 community receiver sets during the three years 1978-79, 1979-80 and 1980-81 respectively.

@Includes 165 and 596 sets purchased from Teletronics Limited in 1979-80 and 1980-81.

## (b) Costing

The company does not have any records to ascertain the cost of its products. In a meeting held on 2nd January 1980, under the Chairmanship of the Chief Secretary to the Government of Uttar Pradesh, for reviewing the working of the Company it was stated by the Managing Director that adoption of standard costing would be considered, but no progress had been made so far (March 1982).

The Project Report (1975-76) for the Allahabad factory envisaged production of sets at an average cost of Rs.2,043 during 1975-76 and Rs.2,010 during 1976-77, against which the actual cost of production amounted to Rs.4,194 and Rs.2,554 respectively. In subsequent years (1977-78 to 1980-81) it ranged from Rs.2,024 to Rs.2,228 for different types of sets. The Project Report (1979-80) for the Lucknow factory envisaged the production of sets at an average cost of Rs.1,513 against which the actual cost of production during the years 1979-80 and 1980-81 ranged from Rs.1,679 to Rs.1,935 for different types of sets.

A test check (September 1981) indicated that the actual cost of production was higher than the cost envisaged due to the following :

(i) Raw materials to the extent of Rs.4.31 lakhs were consumed in excess of the requirement in the production of sets at Allahabad factory in 1975-76 (Rs.0.90 lakh), 1976-77 (Rs.1.52 lakhs) and 1977-78 (Rs.1.89 lakhs).

(ii) The expenditure on wages varied from Rs.64 in 1977-78 to Rs.37 in 1979-80 as against the provision of Rs.45 and Rs.32 per set in the project reports of the two factories at Allahabad and Lucknow respectively.

## (c) Consumption of raw material

The project reports for manufacture of TV sets envisaged process loss of raw materials at 2 per cent of the requirements. The Company had, however, not maintained any record to indicate the consumption *vis-a-vis* requirements of the different items of raw materials for the manufactured sets. In a test check (September 1981) of consumption of raw material for Rs.94.51 lakhs, excess consumption of raw materials to the extent of Rs.2.53 lakhs (2.7 per cent) was noticed.



(d) *Stores purchase*

(i) Orders were placed by the Allahabad and Lucknow factories for supply of wooden cabinets at Rs.140/143 per cabinet in March 1980 but the rates were revised to Rs.151/154 in July 1980, to Rs.159/162 in September 1980 and to Rs.165/166 in November 1980 on account of increase in the market price of plywood (from Rs.2.70 per sft in March 1980 to Rs.6 per sft in November 1980) and labour charges though the rates in the order were firm. The orders stipulated the use of plywood in the cabinet, but in 14 orders placed (October 1980 to January 1981) by the Allahabad factory for supply of 5383 cabinets at the revised rates, use of Novopan was allowed, which was available in the market at Rs.3.65 per sft only as against the rate of Rs.6 per sft allowed for the plywood. This had, thus, resulted in an undue benefit to the suppliers to the extent of Rs.0.90 lakh.

(ii) Though the orders placed by the Lucknow factory with a firm of Bombay (18th September and 23rd November 1980), for the supply of 5,000 capacitors and 3,000 speakers at Rs.14.85 and Rs.22.50 each respectively less 20 *per cent* discount, did not contain any escalation clause; the rates were increased on demand (25th September and 29th November 1980) to Rs.17.10 and Rs.25.50 each respectively less 20 *per cent* discount in October and December 1980. The firm, however, continued to supply the above items to the Allahabad factory during the same period at the old rates. This resulted in an extra payment of Rs.0.16 lakh to the firm by the Lucknow factory. The Management had taken up the matter (September 1981) for refund of the amount with the firm which was still awaited (March 1982).

(iii) Prior to July 1980 the factories had been receiving picture tubes from a firm of Ghaziabad at Rs.405 less quantity discount of Rs.15 per tube for quantity exceeding 500 tubes. With the tariff reduction of Rs.20 per tube from July 1980 the firm started (July 1980) supplying picture tubes at Rs.385 with 1 *per cent* discount, thereby reducing unilaterally the amount of quantity discount by Rs.11.15 per tube resulting in an extra expenditure of Rs.1.73 lakhs on the purchase of 15,558 tubes during July 1980 to March 1981 from the firm. The matter relating to the unilateral reduction of the discount was not taken up by the Company with the firm (March 1982).

(iv) Two purchase orders, for supply of 5,000 and 6,800 silicon controlled rectifiers type BO 264 (3A-700 PIV) at Rs.22 each *plus* excise duty and Central sales tax as applicable, were

placed on 2nd February and 16th April 1979 on a firm of Bombay. The Company received 7,500 silicon controlled rectifiers on making full payment of Rs.1.85 lakhs through bank during the period from 5th February to 14th July 1979. Further supply was telegraphically stopped (29th July 1979) as the firm started supplying silicon controlled rectifiers type KT 3/07 for which no order was placed. The use of these rectifiers resulted in frequent failures. Some replacements were received on 29th September 1979 but their use also resulted in frequent failures. Finally on 11th October 1979 the firm was asked either to refund the payment already made or to replace the defective supply. 5,000 of the rectifiers valuing Rs.1.24 lakhs were returned (December 1979 : 3050 and April 1980 : 1950) to the firm. The firm, confirmed telegraphically (6th April 1980) that part payment of the returned rectifiers would follow but no payment had been received so far (November 1982), resulting in blocking up of Rs.1.24 lakhs besides the loss of interest of Rs.0.67 lakh (at 16 per cent for the period from 15th July 1979 to 30th November 1982).

#### 2:07. *Marketing division*

(a) The Marketing division started functioning in September 1977 with the object of promoting sale of 16 electronic products of 4 subsidiary and 7 joint sector companies. The work of developing the market for small scale electronic entrepreneurs of the State was also taken up (September 1978) by the division. In addition, certain products (calculators, gas lighters, AC adapters, tape recorders, cassetts, broadcasting system for schools, intercom, etc.) of ten parties outside the State (New Delhi, Bombay, Coimbatore, Cochin, Bangalore) were also taken up for marketing by the division.

The Management stated (January 1982) that since a complete product range was not available from local entrepreneurs, the Company had taken up sale of the products from parties outside the State also.

#### (b) *Credit sales*

Though there exists no provision for credit sales, in a number of cases sales on credit basis were made with the result that debts amounting to Rs.28.12 lakhs were outstanding as on 31st March 1981 out of which a sum of Rs.1.30 lakhs was outstanding for more than a year.



(c) *Uneconomic purchases*

While the prices as per purchase orders were firm, price increase and payment of other charges like freight and excise duty were allowed by joint/assistant marketing managers (February 1980 to March 1981) without approval of the competent authority in 17 cases involving an additional payment of Rs.0.38 lakh. In a test check in audit (August 1981) it was seen that though the electronic calculators were offered by a firm at lower rates, purchases were made by the joint/deputy marketing managers without obtaining open and competitive rates, during December 1978 to March 1981 at higher rates from other sources resulting in an avoidable extra cost (30 cases) of Rs.1.50 lakhs.

(d) *Pricing structure*

The division deals in the marketing of 16 products but neither the products to be dealt in nor the pricing policy relating thereto had the approval of the Board. It was, however, seen that the margin between the selling prices and the purchase prices of the products ranged between 5.2 and 194.2 per cent of the purchase price.

The Management stated (January 1982) that the pricing of various products had to be guided by forces of market supply and demand and, therefore, in dynamic and highly competitive markets, it was not possible to follow rigid and fully centralised pricing policy.

2.08. *Implementation of projects*

(a) The projects taken up and investments by the Company therein up to 1980-81 were as detailed below :

	Number	Investment up to 31st March 1981 (Rupees in lakhs)
Projects for which subsidiary companies were incorporated		
In production	4	88.09
Projects for which companies in joint sector were incorporated		
In production	4	46.00
Under construction	1	34.00
		(as on 31st July 1981)

	Number	Investment up to 31st March 1981  (Rupees. in lakhs)
Under winding up	2	3.38
Projects under implementation	1	0.13
Projects dormant	14	1.60
Projects given up	3	0.04
Total	29	173.24

(b) The position of investment of the Company in the equity and loan in the wholly owned subsidiaries as on 31st March 1981 is indicated in the table below :

Name of subsidiary company	Date of incorporation	Authorised capital (Rupees in lakhs)	Year of accounts	Paid-up capital	Loan from the holding company	Products
(Rupees in lakhs)						
Uptron Capacitors Limited, Lucknow	13th March 1979	100.00	Ended 31st December 1980	41.34	8.00	Aluminium electrolytic capacitors
Uptron Digital Systems Limited, Lucknow	18th May 1979	100.00	Ended 31st December 1980	38.50	6.00	Temperature scanners, air lines reservation system etc.
Uptron Video Limited, (renamed as Uptron India Limited), Lucknow	18th October 1979	50.00	Ended 31st December 1980	0.25	..	Television sets
Uptron Instruments Limited, Lucknow	15th November 1979	10.00	Ended 31st December 1980	8.00	..	Electronics
Total				88.09	14.00	



## 2.09. Joint sector projects

2.09.01. In furtherance of its object of promoting and developing electronic industry in the State, the Company floated during August 1976 to March 1981 seven joint sector companies. The equity participation was to be in the ratio of 26 : 25 : 49 among the Company, the co-promoters and the public respectively. However, in the case of two joint sector companies, equity participation of the Company had to be increased to more than 51 *per cent* of the paid-up capital, and in the case of one company, Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited (PICUP) had to subscribe 49 *per cent* of the paid-up capital on account of non-issue of shares to the public.

2.09.02. An agreement was executed on 14th December 1976 to float a joint sector project at Ghaziabad in collaboration with an individual 'A' of New Delhi for manufacture of metal seals and transistor heaters at a total project cost of Rs.16.50 lakhs. The unit was incorporated on 23rd May 1977 with an authorised capital of Rs.25 lakhs. The Company contributed Rs.2 lakhs towards its equity capital and also incurred an expenditure of Rs.0.28 lakh on behalf of the unit. The co-promoter contributed Rs.0.55 lakh.

The unit took over the co-promoter's plant and machinery, raw materials and finished goods and advances (Rs.2.16 lakhs) and also assumed his liabilities (Rs.1.94 lakhs) in December 1977. The co-promoter was paid Rs.0.45 lakh by the unit towards interest (Rs.0.25 lakh) on the cost of machinery and loans transferred to the unit for the period from December 1976 to December 1977 and rent (Rs.0.20 lakh) of the hired factory building for the period December 1976 to May 1977. The Board of Directors in their report to share holders stated that due to poor entrepreneurship of the joint sector partner and due to his inability to bring his full share of the equity, the factory was lying closed since April 1979. Out of the sample sales for Rs.3,720 made during 1977-78 and 1978-79, 50 *per cent* was rejected and the balance was partly classified as of doubtful quality by the Electronics Corporation of India Limited. The accumulated deficit as on 31st March 1979 amounted to Rs.2.85 lakhs, (against the paid-up capital of Rs.2.55 lakhs) which was carried over as developmental expenditure in the accounts of the unit.

The Board of Directors of the Company decided (October 1980) to take the unit into creditors' voluntary winding up. No

action for winding up the unit had been taken so far (March 1982).

2.09.03. A unit B at Kanpur was incorporated on 1st March 1977 with an authorised capital of Rs.10 lakhs for setting up a project for the manufacture of ceramic capacitors and resistor bodies at a total project cost of Rs.20.52 lakhs in collaboration with three individual co-promoters who had been directors in a private company of Pune which had been manufacturing the same product and which was under liquidation. The cost of the project was to be financed by equity contribution of Rs.4 lakhs by the Company, co-promoters and the public (in the ratio of 26 : 25 : 49) and loan of Rs.16.52 lakhs from banks and financial institutions.

The actual investment towards share capital of the unit as on 31st May 1979 was, however, as follows :

	Amount (Rupees)
Company	1,37,800
Co-promoters	1,32,500
PICUP	2,57,200
Total	<u>5,27,500</u>

In addition to the equity investment of Rs.1,37,800, the Company paid Rs.1 lakh as loan in October 1978 to the unit carrying interest at 12 *per cent* per annum.

The unit purchased by negotiations (April 1977) machinery and raw material for Rs.3.26 lakhs from the aforesaid private company of Pune, which included an electric furnace worth Rs.0.60 lakh, shifted to Kanpur (April 1977) and commenced production in August 1977. The furnace did not work satisfactorily. The unit also suffered (March 1978) a loss of Rs.0.36 lakh (replacement cost of 36 heating elements) on account of damage to its machinery due to vibrations from a near-by defence installation.

The unit stopped production in June 1979 on account of uneconomic production cost and availability of imported ceramic capacitors at lower rates. The accumulated loss of the unit as on 31st May 1979 amounted to Rs.6.70 lakhs, which exceeded the paid-up capital (Rs.5.28 lakhs) of the unit. The Company's investment of Rs.1.38 lakhs has so far (June 1982) remained



unfruitful. Further a sum of Rs.2.67 lakhs was recoverable from the unit on account of loan, interest, rent of sheds and other expenditure incurred on behalf of the unit.

The Board of Directors of the Company decided (September 1980) to wind up the unit. No action for winding up of the unit had, however, been taken so far (June 1982).

2.09.04. In accordance with the agreement executed in November 1976 and revised in July 1978 by the Company with a co-promoter of Bombay, unit C at Sahibabad (Ghaziabad) was incorporated on 30th April 1977, for the manufacture of power electronics equipment with an authorised capital of Rs.25 lakhs as a joint venture. The Company contributed (December 1980) Rs.16.50 lakhs towards the share capital of the unit as against the co-promoter's contribution of Rs.5.50 lakhs as on 31st March 1981. In this connection the following points were noticed :

Out of Rs.5.50 lakhs subscribed (April 1977 to July 1978) by the co-promoter, a sum of Rs.4.50 lakhs was in the shape of know-how. The joint valuer, appointed (May 1978) by the co-promoter and the Company for valuation of the former's plant and machinery to be taken over by the unit, however, observed (March 1979) that "most of the know-how really rests in the design engineering team and not in the drawings and 75 per cent of these drawings will have to be changed". Instead of deputing technicians for training the Company's personnel as required under the terms of the agreement, the design engineering team of the co-promoter joined (April 1977 to January 1981) the unit on pay ranging from Rs.2,500 to Rs.7,949 per month without the approval of the State Government as required under the State Government's directive of December 1974 and February 1981.

Though the agreement did not contemplate the transfer of the co-promoters plant and machinery, these were transferred to the unit for Rs.3.50 lakhs in 1979-80 (original value : Rs.4.71 lakhs) against the written down value of Rs.1.02 lakhs which included 97 cabinets requiring repairs at an estimated cost of Rs.0.88 lakh.

Under the terms of the revised agreement (July 1978) transfer of existing orders pending with the co-promoter to the unit was optional. The unit, however, accepted (December 1979) the pending orders for Rs.36.10 lakhs, which were received during December 1978 to August 1979 and pending with

the co-promoter at rates which were lower than the rates prevalent in December 1979 by 30 per cent. During the period from December 1979 to September 1980 supplies for Rs.8.88 lakhs against the pending orders accepted were effected which resulted in reduction of profit to the extent of Rs.3.88 lakhs.

#### 2.09.05. Other joint sector projects

Besides the investment in the above joint sector projects, the Company invested Rs.63.50 lakhs in the following other joint sector projects :

Name of the unit	Date of incorporation	Paid-up capital	Company's investment	Products
		(Rupees in lakhs)		
D	11th August 1976	20.00 (30th June 1980)	5.20 (31st March 1981)	Electronic data products
E	30th May 1977	24.89 (31st March 1981)	9.30 (31st March 1981)	TV picture tubes
F	1st February 1979	30.00 (30th June 1981)	15.00 (30th June 1981)	Industrial electronics equipment and component
G	30th October 1979	59.00 (31st July 1981)	34.00 (31st July 1981)	High reliability capacitors

Some of the points noticed are indicated below :

(i) The co-promoter's investment (Rs.9.02 lakhs) as against the Company's investment (Rs.9.30 lakhs) in unit 'E' included Rs.4.97 lakhs, which was subscribed by them in the shape of cost of land (Rs.3 lakhs) and expenditure incurred on structures raised thereon (Rs.1.97 lakhs). The project originally scheduled to commence production in 1977-78 started production in September 1981. The delay was stated (September 1981) to be due to delay in receipt of loans from the financial institutions and plant and machinery from suppliers.

(ii) Unit 'F' at Ghaziabad was set up for the manufacture of industrial electronic equipment and components at a total project cost of Rs.108 lakhs, which was revised (November 1980) to Rs.270 lakhs to include the cost of another project of metal film resistors, thus, resulting in an increase in the proposed equity participation of the



Company from Rs.10.40 lakhs to Rs.27.56 lakhs and of the co-promoter's from Rs.10 lakhs to Rs.26.50 lakhs against which the Company and the co-promoter had invested up to March 1981 Rs.15 lakhs each. No public issue had been made (June 1981).

The unit started commercial production of power electronics equipment in January 1981 against the scheduled date of December 1979 and the project of metal film resistors was still in process (December 1981).

(iii) The unit 'G' at Ghaziabad was incorporated for manufacture of high reliability capacitors at a total project cost of Rs.150 lakhs in collaboration with a firm of New Delhi and their associates in Sweden with whose subsidiary the Company had executed (June 1978) two agreements for supply of (a) technical know-how for manufacture of high reliability capacitors for Rs.25.20 lakhs alongwith a provision for payment of royalty at 4 and 5 *per cent* of ex-factory price in respect of domestic sales and exports respectively and (b) second-hand plant and machinery (to be shifted from Australia) for Rs.51.30 lakhs.

The project cost was revised to Rs.185 lakhs (December 1978), Rs.227 lakhs (January 1980) and again to Rs.254 lakhs (September 1980), due mainly to the delays in completion of the project. Another project (cost : Rs.30 lakhs) for production of different series of capacitors was taken up in September 1980 for which plant and machinery was originally planned to be indigenously fabricated. But on the advice of the foreign collaborators and the foreign directors present at the Board meeting (November 1980) of the unit, it was decided to import the plant and machinery (Rs.30 lakhs) and the orders were accordingly placed on a foreign firm (September and December 1980). The revised project cost (Rs.254 lakhs) was decided to be financed by equity (Rs.100 lakhs) to be contributed by the Company, co-promoter and the public in the ratio of 26 : 25 : 49 and by loans from financial institutions (Rs.154 lakhs).

Besides the investment of Rs.34 lakhs in the equity of the unit, the Company had incurred an expenditure of Rs.0.54 lakh on foreign tours in connection with the project, which had not been paid by the unit on the ground that no benefit had accrued to it.

The unit scheduled to start production in June 1980 was still (June 1982) under construction.

#### 2.10. *Avoidable expenditure on technical know-how*

The agreement executed by the Company (June 1978) for Unit 'G' (a joint sector project) with a firm of Sweden, for supply of plant and machinery (Rs.51.30 lakhs) and technical know-how (Rs.25.20 lakhs) for manufacture of high reliability electronic components, also included the transfer of technical know-how relating to all details and specifications of raw materials (which included anodic forming of etched aluminium foil), other chemicals and components. In spite of this, the Company executed yet another agreement (November 1980) for Uptron Capacitors Limited (a subsidiary company) with a firm of Italy for process documentation and drawings for manufacture of anodic forming of etched aluminium foil resulting in an avoidable expenditure of German Marks 1.40 lakhs (Rs.5.70 lakhs).

As the agreement with the Swedish firm included payment towards transfer of technical know-how/information, non-utilisation of that firm for training the personnel in anodic forming process resulted in unintended benefit to the firm and avoidable expenditure to the unit.

#### 2.11. *Development of industrial estates*

The Company provided technical assistance to all entrepreneurs dealing with electronic and allied items who were allotted sheds constructed out of fund received from Government, Company's own funds and also to such entrepreneurs who were allotted/sold plots directly by UPSIDC.

##### (a) *Employment promotion programme*

The Government of India (Planning Commission) approved (January 1975) various self employment schemes with a capital outlay of Rs.330.80 lakhs and training of technical personnel at a cost of Rs.9.20 lakhs under Employment Promotion Programme 1974-75. The fund for the schemes was to be provided in the form of loan and grant in the ratio of 50 : 50 to the State Government. The funds for the training were to be provided in the form of grant. The schemes were to be implemented by 31st March 1976 subsequently extended up to 31st March 1979.

Under the above scheme, the Company received in 1975-76 and 1976-77 Rs.45.31 lakhs (Rs.22.66 lakhs as on loan and Rs.22.65 lakhs as grant) for setting up 40 units for manufacturing



electronic and allied items (generating employment for 1,120 persons) and Rs.2.16 lakhs for administrative expenses. The Company also received a grant of Rs.1.01 lakhs (1975-76) from the State Government for training 80 engineering degree/diploma holders for 4 months. The loan was repayable by the Company in 10 equal annual instalments from the date of its drawal along with interest of 11.25 *per cent* per annum subject to a rebate of 3.5 *per cent* for timely repayments. The entire funds were required to be disbursed to the units as margin/seed money loans carrying interest at 8 *per cent* per annum subject to a rebate of 3.5 *per cent* for timely repayments. The Company, however, disbursed (up to March 1981) a sum of Rs.5.33 lakhs towards margin money loans to 24 units (generating employment for 314 persons). In addition the Company had spent Rs.44.24 lakhs on cost of land and construction of 29 sheds (Rs.28.41 lakhs), administrative charges (Rs.8.47 lakhs) and interest on the aforesaid loan charged to the grant (Rs.7.36 lakhs). The expenditure incurred against the grant of Rs.1.01 lakhs for training was Rs.0.30 lakh for training 25 persons. The development charges (Rs.6.71 lakhs) claimed by the Director of Industries in March 1980 were not yet paid (March 1982). Thus the major amount had been spent for purposes other than those for which funds were received.

The sheds were allotted at monthly rents of Rs.500 and Rs.650 without any regard to the area of the land, which ranged from 5,519 sft to 10,862 sft and were occupied after a period of 2 to 26 months from the date of their completion. This resulted in a loss of rent of Rs.1.23 lakhs on account of delay in allotment (Rs.0.88 lakh) and delay in occupation by the allottees (Rs.0.35 lakh). Out of the total rent due (Rs.7.20 lakhs) up to 30th June 1981, a sum of Rs.5.36 lakhs (excluding interest at 12 *per cent* per annum on delayed payments) was outstanding against 22 allottees (September 1981).

(b) *Ancillary Estate, Rae Bareli*

The Company took up (November 1976) construction of 8 sheds out of its own funds on the land purchased (September 1974) by PICUP from Uttar Pradesh State Industrial Development Corporation Limited. The construction of sheds was completed in November 1978 at a cost of Rs.90,000 to Rs.91,350 each and these were sold (June 1978 — January 1979) to 5 ancillary and 3 non-ancillary units at cost price in respect of which a sum of Rs.0.80 lakh was still due from one unit (March 1982).

(c) *Progress of Industrial Estates*

The Company rendered technical and other assistance to entrepreneurs in the establishment of electronic industrial estates at Noida (Ghaziabad), Sahibabad (Ghaziabad) and Agra on payment of administrative charges (subject to a maximum of 2 per cent of the project cost) by the State Government. Against the claim of Rs.16.14 lakhs for the period from 1976-77 to December 1980, the Company received only Rs.12.51 lakhs from the State Government. A sum of Rs.3.63 lakhs was disallowed by Government on the ground that the reimbursement of pay and allowances of Company's staff was not admissible to the Company.

(d) The progress of the industrial estates as on 31st August 1981 is indicated in the table below :

Particulars	Noida	Sahiba- bad	Agra	Kanpur	Rae Bareli	Total
	(In number)					
Unit to be set up	300	40	16	40	24	420
Employment to be generated	7500	1300	340	1120	544	10804
Applications received	1230	76	24	81	313	1724
Units selected	128	48	9	32	18	235
Sheds/plots allotted	107	31	3	34	13	188
Units to whom loan was sanctioned	26	15	..	25	7	73
Total loans sanctioned by financial institutions (Rupees in lakhs)	211.88	328.15	..	120.68	13.24	673.95
Units which had installed machinery	20	5	..	21	9	55
Units under commercial production	15	3	..	19	9	46
Units under trial production	4	2	..	2	..	8
Employment generated	394	227	15	314	142	1092
Percentage of units which had installed machinery to—						
Number of sheds/plots allotted	18.7	16.1	..	61.8	69.2	29.2
Units selected	15.6	10.4	..	65.6	50.0	23.4
Percentage of employment generated to employment to be generated	5.3	17.5	4.4	28.0	26.1	10.1



It will thus be seen that only 55 units (23.4 per cent) out of 235 selected, had installed the machinery so far (March 1982).

### 2.12. *Electronics Testing and Development Centre, Kanpur* *Utilisation of grant*

An Electronics Testing and Development Centre was set up at Kanpur (1974-75) by the Company as an agent of the State Government with the object of rendering service to small and medium scale electronic units in testing, calibration *etc.*, at nominal charges fixed by the Electronics Department of the Government of India. The capital expenditure of the centre was to be met out of the grant from the Central Government, which would be subject to a maximum of Rs.25 lakhs, and a matching grant from the State Government. The recurring revenue expenditure was to be met from the grant to be separately provided for the purpose by the State Government. Up to 1980-81 capital grant amounting to Rs.48.83 lakhs was received (Central Government : Rs.24.97 lakhs ; State Government : Rs.23.86 lakhs) against which a sum of Rs.40.94 lakhs was utilised on the construction of building (Rs.9.20 lakhs), purchase of plant and machinery (Rs.26.09 lakhs) and other assets (Rs.5.65 lakhs). The expenditure incurred on plant and machinery included expenditure on plant and machinery (Rs.5.98 lakhs) installed at the premises of Uptron Digital Systems Limited and Uptron Capacitors Limited and a vehicle (Rs.0.52 lakh) being utilised at the headquarters of the Company (July 1975 to March 1981).

The Management stated (September 1981) that since the centre did not have enough manpower and also as there was not enough work from the entrepreneurs, a part of the equipment (Rs.6.50 lakhs) was given to subsidiaries with the understanding that the equipment would be maintained at their cost and no rent would be paid by them.

Though the entire recurring revenue expenditure was to be met from the State Government grants, the recurring expenditure was not reimbursed in full. Against the total revenue expenditure of Rs.25.54 lakhs and income earned (for testing and calibration of entrepreneurs' equipment) of Rs.2.34 lakhs up to March 1981 the Company had received Rs.17.43 lakhs as revenue grant from the State Government. The shortfall of Rs.5.77 lakhs had been met from the capital grant without the sanction of Government.

The Management stated (September 1981) that the matter relating to the reimbursement of the expenditure had been taken

up with the State Government (February 1981) and was under active consideration.

### 2.13. *Accounts and internal audit*

The Company has its own internal audit organisation consisting of one assistant manager, (internal audit) and two assistants. It, however, engaged (30th June 1978) a firm of Chartered Accountants for three months (July to September 1978) for conducting internal audit and for preparing the accounting manual. The firm had neither prepared the accounting manual nor conducted any internal audit.

In the absence of a manual, accounting work was being done in terms of various orders, circulars and instructions issued from time to time. The Statutory Auditors in their reports on the accounts of the Company for the years ended 31st March 1979 and 1980 had advised strengthening of internal audit arrangements commensurate with the size and nature of the Company's business.

### 2.14. *Other topics of interest*

#### (a) *Accommodation for the registered office*

The Company hired (November 1979) a building at Lucknow (area 6,000 sft) at a monthly rent of Rs.9,000 and paid (June 1980) an advance of Rs.76,500 to the landlord towards rent. The building was, however, not occupied on the ground that the landlord could not produce certificate from municipal authorities for its construction.

The amount paid as advance was recovered in six equal instalments of Rs.12,750 each during December 1980 to July 1981. This had, thus, resulted in loss of interest of Rs.9,000 to the Company at 16 *per cent* on the balances outstanding.

#### (b) *Avoidable payment of bank charges*

Collection of bills, issue of demand drafts, telegraphic transfer and payment for clearance of documents of the factory at Allahabad were being carried out by a bank, (with whom the factory had cash credit arrangements) on payment of bank charges. On receipt of an intimation (August 1979) from the bank that the charges for these services were being enhanced, the factory enquired (August 1979) from two other banks as to



whether they could render the services free of charge. Though one of the banks agreed (August 1979) to render the services free of charge, the factory continued to avail of the services from the existing bank, and that bank agreed (August 1979) to render the services at the rates charged earlier. The unit had approached the head office (August 1979) for the opening of bank accounts in other banks which was approved by the Board in April 1981, the accounts had not yet been opened (September 1981). The bank charges paid during the period from August 1979 to March 1981 amounted to Rs.0.86 lakh.

#### 2.15. *Summing-up*

(i) The Company was incorporated in March 1974 with the main objects of promoting and developing electronics industry; the main activities consist of manufacture and sale of Television sets and promotion of like industries.

(ii) The Company does not have any records to ascertain the cost of its products in electronics factories, though standard costing system was required to be adopted as decided by the Board.

(iii) The actual cost of production of TV sets was higher than the cost envisaged in the project report due to excessive consumption of material.

(iv) A cabinet supplier was allowed to use Novopan in place of plywood without corresponding reduction in rate for supply of cabinets, resulting in undue benefit to the supplier (Rs.0.90 lakh).

(v) Defective material (Rs.1.24 lakhs) was returned to the supplier for replacement but neither the replacement was received nor was refund of payment already made obtained.

(vi) The Company had invested up to 31st March 1981 in equity and loans Rs.88.09 lakhs and Rs.14 lakhs respectively in four wholly-owned subsidiaries.

(vii) Seven joint sector companies with an investment of Rs.83.38 lakhs in equity and Rs.1 lakh as loan were floated by the Company till March 1981.

(viii) The accumulated deficit in two of its joint sector companies as on 31st March 1979 and 31st May 1979 amounted to Rs.9.55 lakhs as against their paid-up capital of Rs.7.83



lakhs. The Board decided (September and October 1980) to take both units in creditors' voluntary winding up but no action for winding up had been taken (June 1982).

(ix) Against the funds received (Rs.45.31 lakhs) under centrally sponsored selfemployment schemes for providing assistance to the entrepreneurs in the form of margin money loan, the Company had spent Rs.49.57 lakhs on construction of 29 sheds (Rs.28.41 lakhs), providing margin money loan (Rs.5.33 lakhs) and administrative charges (Rs.8.47 lakhs) and interest on loans (Rs.7.36 lakhs). The target as envisaged in the scheme was not achieved.

(x) The entire recurring expenditure of the Electronics Testing and Development Centre was to be met from Government grants. Government did not reimburse the recurring expenditure in full. The shortfall (Rs.5.77 lakhs) was met from the capital grant without obtaining sanction from Government.

(xi) Though the Company had sufficient funds throughout the period of four years up to 1980-81 it availed of cash credit facility and paid interest (Rs.11.59 lakhs) including penal interest (Rs.0.46 lakh).

The matter was reported to Government in December 1981; reply was awaited (June 1982).

## SECTION III

### THE PRADESHIYA INDUSTRIAL AND INVESTMENT CORPORATION OF UTTAR PRADESH LIMITED 1991

#### 3.01. *Introduction*

The Pradeshia Industrial and Investment Corporation of Uttar Pradesh Limited (PICUP) was incorporated on 29th March, 1972 as a wholly owned Government Company with the main object of promoting and developing industries in the State by providing financial assistance to medium and large scale industries already set up or proposed to be set up.

#### 3.02. *Activities*

The Company, as per its objectives, is to provide term loans to medium and large scale industries in the State for acquisition of block assets and renovation, modernisation, expansion, *etc.* of the existing units.

The Company is currently engaged in the following activities :

- sanction and disbursement of term loans ;
- underwriting of shares and debentures ;
- participation in capital contribution ;
- preparation of techno-economic feasibility reports and establishments of industrial complexes and projects.

In addition, the Company is also acting as agents of (i) the State Government for disbursement of sales tax loan and implementation of credit guarantee scheme ; (ii) the Central Government for capital subsidy schemes and (iii) Industrial Development Bank of India (IDBI) for seed capital scheme.

#### 3.03. *Management*

The management of the Company is vested in a Board of Directors consisting of 15 directors, 5 directors including Chairman and the Managing Director nominated by the State Government, one by IDBI and the rest are appointed to represent industrialists, financial and other institutions and are liable to retire by rotation.

#### 3.04. *Capital structure*

The authorised capital of the Company as on 31st March 1981 was Rs.10 crores consisting of 10 lakh shares of Rs.100 each.

The entire paid-up capital of Rs.7.21 crores (as on 31st March 1981), was contributed by the State Government.

### 3.05. Borrowings

(a) The Company had obtained up to 1980-81 loans aggregating Rs.1789.44 lakhs from the State Government for the schemes/purposes indicated below :

Scheme/Purpose	Amount (Rupees in lakhs)
Sales tax loan (Interest free)	1115.00
Capital participation loan (interest at 13 per cent)	50.00
Loans for establishment of projects and complexes (Interest free)	187.94
Margin money loan (interest at 10.25 per cent)	11.50
Other loans (interest at 13.5 per cent)	425.00
	1789.44

(b) The Company also obtained loans from the banks, raised funds by issue of bonds and debentures and the amounts outstanding as on 31st March 1981 were as indicated below :

Source	Amount obtained	Amount outstand- ing as on 31st March 1981
	(Rupees in lakhs)	
Bonds (6.25 to 7.00 per cent)	770.00	770.00
Debentures (10.25 per cent)	255.01	255.01
IDBI— (backward area : 6 per cent ordinary area : 9 per cent)	819.66	773.45
Bank overdrafts	25.07	Nil
Total	1869.74	1798.46



### 3.06. Working results

The working of the Company for the three years up to 1980-81 showed a profit (before provision for tax and reserves) of Rs.63.85 lakhs and Rs.72.94 lakhs in 1978-79 and 1979-80 respectively and loss of Rs.2.80 lakhs during 1980-81. Since inception, the Company maintained accounts on accrual basis. As per Board's decision (October 1981) the accounts for 1980-81 were prepared on cash basis to avail of relief in Income Tax on unrealised interest income. According to the Company's estimation the profit for 1980-81 would be Rs.97.04 lakhs, had the accounts been maintained on accrual basis.

The compilation of accounts on cash basis instead of on accrual basis, is not only contrary to the accepted principles of commercial accounting but also to the mandatory provisions of the Companies Act, 1956.

### 3.07. Loan operations

#### (a) Procedure for sanction of loans

The Company sanctions loans to entrepreneurs in the range of Rs.30 lakhs and Rs.45 lakhs in each case; loans below this limit are provided by the Uttar Pradesh Financial Corporation (UPFC) and where the requirement of a unit for funds exceeds Rs.45 lakhs, term loans are sanctioned jointly with other financial institutions.

On receipt of applications for loan in the prescribed form, the Company considers the technical and economic viability of the project so as to ascertain the benefits such as stimulus to ancillary industries, generation of employment and income, contribution to State revenue, *etc.* flowing from the projects.

In case of joint financing, appraisal is done either by the Company or other financial institution acting as the lead institution. The note as finalised by the lead institution forms the basis for obtaining Board's sanction for term loans. After approval, acceptance is communicated in the form of a letter of intent indicating, *inter alia*, rate of interest, terms and period of repayment, security *etc.* In addition to equitable mortgage of property, personal guarantee from the director holding maximum number of shares in the unit is also obtained for repayment of principal and payment of interest. The extent of security to be offered in the form of assets has not been specified.

The Company had been, however, sanctioning term loans at a margin of 25 *per cent* of the security offered in the case of units set up in backward districts and 30 *per cent* in other cases.

(b) *Sanction of loans*

The table below indicates the details of loan applications received, sanctioned, withdrawn and pending at the close of the three years up to 1980-81 :

	1978-79		1979-80		1980-81	
	Num-ber	Amo-unt	Num-ber	Amo-unt	Num-ber	Amo-unt
(Amount in lakhs of Rupees)						
Applications pending at the beginning of the year	7	181.93	21	682.76	39	1180.40
Applications received during the year	44	1362.64	65	1763.70	66	1697.78
Total	51	1544.57	86	2446.46	105	2878.18
Applications sanctioned	27	786.92	38	995.01	49	1253.60
Applications cancelled/withdrawn	3	74.89	9	271.05	29	754.74
Applications pending at the close of the year	21	682.76	39	1180.40	27	869.84

Time for processing of applications was not prescribed by the Company. In cases where appraisal is done by the Company it takes 2 to 3 months to process the application provided the required information is furnished by the unit all at a time. In joint financing cases action is initiated after a decision is taken by the financial institutions.

Up to 31st March 1981, term loans aggregating Rs.4,972.75 lakhs were sanctioned to 141 units. The total turnover of these units at normal level of production and their employment potential were estimated by the Company at Rs.49,517.70 lakhs and 27,205 persons respectively. The Company was, however, having no information about the actual turnover and the employment generated.

(c) *Disbursement of loans*

The borrower has to draw 25 *per cent* of the sanctioned loan within 6 months, and an additional 50 *per cent* within 12 months



and the balance within 18 months from the date of sanction, failing which the Company is at liberty to revoke the entire amount of loan or such unavailed portion thereof as may be decided.

First instalment of loan is payable only after the unit has, *inter alia*, furnished proof of acquisition of land, clearance from the controller of capital issues, details of expenditure to be incurred out of loan, *etc.* Further, the unit has also to indicate arrangements for financing, underwriting of public issue and equity participation by other institutions and the promoters have to contribute 50 *per cent* of their portion of the share capital.

The table below indicates the cumulative effective commitments of loans (sanctions including carry forward cases less cancellations) and disbursements thereagainst during the three years up to 1980-81 :

	1978-79	1979-80	1980-81
	(Rupees in lakhs)		
Effective commitments	1462.28	1928.25	2631.16
Disbursements	359.12	451.69	755.39
Percentage of disbursements to effective commitments	24.6	23.4	28.7

The Management stated (June 1981) that the pace of disbursement did not match with the pace of sanctions because of delays by borrowers in complying with various formalities. To accelerate the pace of disbursement in cases where completion of legal formalities was likely to be delayed, the Company decided (February 1980) to sanction bridging loans against loans already sanctioned. These loans are sanctioned for a period of six months extendable up to two years at an interest rate of 1 *per cent* above the gross rate of interest on term loans.

Up to January 1982 bridging loans aggregating Rs.398 lakhs were disbursed to 24 units out of which Rs.259 lakhs disbursed to 18 units were converted into term loans up to January 1982.

In addition, bridging loan of Rs.21 lakhs was disbursed during 1980-81 to a unit of Bulandshahr against the term loans sanctioned by IDBI, Industrial Finance Corporation of India (IFCI) and Industrial Credit and Investment Corporation of India (ICICI). All the units, excepting Bulandshahr unit, have



cleared interest dues ; interest amounting to Rs.1.62 lakhs was outstanding (January 1982) from Bulandshahr unit.

The Management stated (February 1982) that with the cancellation of infructuous sanctions and acceleration of the pace of disbursement by sanction of bridging loans, the percentage of disbursement to total effective sanctions would pick up.

(d) *Agreement*

As per stipulations in the letter of intent communicating sanction of term loan to the units, agreement is required to be executed within 4 months from the date of the letter of intent or such further time as may be allowed by the Company at its discretion. A test check (June 1981) revealed that :

- in 7 cases (amount sanctioned : Rs.230.50 lakhs) though letters of intent communicating the terms of loan were issued between October 1978 and February 1980, agreement had neither been executed (June 1981) nor sanctions for loans cancelled ;
- there was delay ranging between 12 and 37 months in the execution of agreements in 5 cases ; and
- in 17 cases loans (amount sanctioned : Rs.395 lakhs) were cancelled 12 to 56 months after the expiry of initial period of 4 months.

The Company had not recovered the commitment charges in 17 cases (amount sanctioned : Rs.395 lakhs) when the loans were not availed of and subsequently cancelled though it was reported to the Board (July 1981) that suggestion of IDBI to levy commitment charges had already been implemented.

(e) *Rate of interest on term loan*

(i) Initially (April 1972) the rate of interest on term loans was prescribed as 9.5 *per cent* per annum with a rebate of 0.5 *per cent* for prompt payment. This was revised subsequently on several occasions on account of increase in cost of raising funds, to take care of the uncertainty of return on underwriting operations and to meet the gap in earnings from surplus funds, which under directives from the Reserve Bank of India, were being kept in term deposits (at interest ranging from 5 to 5.5 *per cent*) carrying lower rates of interest. The rates of interest as revised

by the Company from time to time are given below :

Date from which rate of interest revised	Backward area				Other areas			
	Gross rate		Net rate after excluding rebate for timely payment of dues		Gross rate		Net rate after excluding rebate for timely payment of dues	
	Loans from Company's funds	Loans out of refinance	Loans from Company's funds	Loans out of refinance	Loans from Company's funds	Loans out of refinance	Loans from Company's funds	Loans out of refinance
	(Per cent)							
12th August 1977	12.0	12.0	10.5	9.5	14.0	14.0	12.5	12.0
28th October 1980	14.25	13.25	11.25	10.25	17.0	16.5	14.0	13.5
24th March 1981	16.0	15.0	13.0	12.0	17.5	17.0	14.5	14.0

(ii) In some cases the terms and conditions regarding the rate of interest to be charged as mentioned in the letter of intent were different from those approved by the Board.

(iii) In 4 cases (amount disbursed : Rs.102 lakhs) as per letters of intent the rate of interest was 9.5 *per cent* with a rebate of 0.5 *per cent* for timely re-payment. This rate was subject to such variations as may be decided by the Board from time to time. Although upward revision in the interest rates (12 to 16 *per cent*) was approved (September 1974, May 1975, August 1977, October 1980 and March 1981) by the Board, the rate mentioned in the letter of intent only was charged.

The Management stated (February 1982) that due to operational difficulties the Company did not consider it proper to charge varying rates of interest from the same party.

(iv) In one case (amount disbursed : Rs.15 lakhs) according to letter of intent the rate chargeable from the unit was that prevailing on the date of agreement. The agreement was entered into on 4th January 1975 on which date prevailing rate of interest was 12.5 *per cent* with a rebate of 1.25 *per cent*. Against this,

rate of interest provided and actually charged was 9.5 per cent with a rebate of 0.5 per cent.

The Management stated (February 1982) that though it was mentioned in the letter of intent that the unit would make the payment of interest at the rate prevailing on the date on which the loan agreement was executed, yet in view of the decision of the Board (September 1974) the rate of interest originally contemplated was provided in the agreement and charged.

However, in two other similar cases the rate of interest prevailing on the date of agreement, as provided in the letters of intent, was charged.

Reasons for adopting different policies in charging of interest in these cases were not on record.

(f) *Defaults in repayment*

The table below indicates outstanding term loans, amount overdue on account of principal and interest at the end of the three years up to 1980-81 :

Year ended 31st March	Term-loan out- standing	Overdues			Percentage of over- dues to term loans out- standing
		Principal	Interest	Total	
(Rupees in lakhs)					
1979	1180.40	85.65	61.70	147.35	12.5
1980	1567.21	146.53	105.45	251.98	16.1
1981	2252.77	180.00	170.89	350.89	15.6

The amount of overdues did not include Rs.237.74 lakhs (principal : Rs.159.70 lakhs and interest : Rs.78.04 lakhs) due from 26 units, payments of which were deferred by the Company. Even after deferment of instalments of principal and interest in several cases, the overdues were showing an upward trend.



The following table shows the overdues on account of principal and recovery thereagainst for the three years up to 1980-81 :

	1978-79	1979-80	1980-81
	(Rupees in lakhs)		
Overdue at the beginning of the year	42.70	85.65	146.53
Add : Amount which became due for payment during the year	136.93	156.51	205.35
Total	179.63	242.16	351.88
Less : Amount recovered during the year	73.38	64.88	91.83
Balance due	106.25	177.28	260.05
Amount, the recovery of which was deferred	20.60	30.75	80.0
Amount overdue for recovery	85.65	146.53	180.00
Percentage of recovery to the amount due for payment	40.9	26.8	26.1

Default in repayment of principal was attributed (October 1980) by the Management to uneconomic level of operations of assisted units due to power cuts, shortage of inputs and difficulty in obtaining working capital.

Age-wise analysis of outstanding loans and interest as on 31st March 1981 was as follows :

	Principal		Interest		Total	
	Number of units	Amount	Number of units	Amount	Number of units	Amount
(Amount in lakhs of Rupees)						
Outstanding for one year and less	21	73.60	40	115.66	43	189.26
Outstanding for more than one year but up to two years	13	46.90	17	32.06	17	78.96
Outstanding for more than two years but up to three years	9	36.00	7	18.59	10	54.59
Outstanding for more than three years	5	23.50	3	4.58	5	28.08
Total		180.00		170.89		350.89

Of the above, 23 units where loans for Rs. 514.47 lakhs (including 10 units to whom additional loans aggregating Rs. 109.15 lakhs) were disbursed had not paid even a single instalment of principal. The amount overdue was Rs. 139.15 lakhs. Out of Rs. 303.53 lakhs recoverable towards interest from these units a sum of Rs. 127.04 lakhs had been recovered and recovery of Rs. 70.21 lakhs had been deferred and balance amount of Rs. 106.28 lakhs was overdue for recovery.

The Management stated (February 1982) that defaults were mainly due to power shortages, imbalanced equipment, market constraints, etc. It was further stated that for improving recovery position a separate Recovery Cell had been created by the Company.

### 3.08. *Monitoring and follow-up*

In order to exercise effective watch on the operations of the units assisted by the Company, the Board decided (October 1977) to fill up the post of Chief Finance Officer (Iving vacant since May 1975) and to create a monitoring and follow up cell consisting of a Mechanical Engineer, a Chemical Engineer and a Finance Officer under the overall charge of the Chief Finance Officer in addition to his charge of Finance and Appraisal divisions.

The post of Chief Finance Officer was filled in January 1978. However, reports on the progress of projects based on the quarterly reports from units had not been submitted to the Board though the Board's decision envisaged submission of such reports. Inspections had not been arranged as per directions of the Board and the number of units to be inspected every year had not been determined. In this connection a team from IDBI had observed (October 1980) "..... normally no inspection is carried out until disbursement has been made to the extent of 60 per cent of the loan amount..... the Corporation carried out follow up inspections of only 31 companies and as on 31st March 1980, 8 companies had not been inspected for more than 2 years".

IDBI also stressed the need for inspection of all the units at least once a year and of defaulting units at more frequent intervals so as to detect, at the earliest, symptoms of incipient sickness and initiate remedial measures but the Company did not lay the guidelines for determination of financially non-viable/sick units until May 1981 when on the basis of guidelines received from the

IDBI (May 1980) the Board approved adoption of any one or more of the following criteria for identification of sick units :

- continuous cash losses for a period of two years or continued erosion in the net worth ;
- continuous defaults in meeting four consecutive half-yearly instalments of interest or principal ;
- shortfall in the margin for bank advances and persistent irregularities in operation of the units' credit limits with banks ; and
- mounting arrears on account of statutory or other liabilities, say for a period of one or two years.

On the basis of these guidelines the Sick Unit Cell (created in June 1980) identified (May 1981) 26 sick units (loans disbursed : Rs.711.43 lakhs during the period March 1974 to September 1981). This position had, however, not been placed before the Board so far (June 1982) and a sum of Rs.503.22 lakhs (including interest of Rs.145.25 lakhs) was due on 30th September 1981 from the units.

The Management stated (February 1982) that the Company was taking adequate steps to strengthen the monitoring and follow-up cell by recruiting additional number of officers to do the job of monitoring in a better way.

### 3.09. *Capital participation schemes*

#### (a) *Underwriting*

In September 1973 the Company started underwriting operations but the extent of assistance to be sanctioned was determined only in June 1976 as under :

	Extent of underwriting assistance
Units coming up in other than backward districts	15 per cent of the public issue
Units coming up in backward districts	20 per cent of the public issue
Units coming up in notified backward areas (capital subsidy districts)	25 per cent of the public issue



Up to 31st March 1981 underwriting of shares of the face value of Rs. 245.56 lakhs was sanctioned in favour of 36 units. The Company had to accept as per underwriting obligations shares in 17 units for Rs. 123.07 lakhs (equity : Rs. 88.93 lakhs and preference shares : Rs. 34.14 lakhs).

Though all the 17 units had gone into production before 31st March 1981, the Company was getting regular dividend from two units only (one unit 8 to 10 *per cent* and the other 11 *per cent*); no dividend was received from the other 15 units (Company's investment : Rs. 101.70 lakhs). The dividend received during 1980-81 was Rs. 2.31 lakhs.

Eight units in which funds amounting to Rs. 42.29 lakhs (equity : Rs. 35.91 lakhs and preference : Rs. 6.38 lakhs) had been invested did not declare any dividend either because of insufficient profits or continued losses : seven units involving an investment of Rs. 59.41 lakhs (equity : Rs. 48.65 lakhs and preference : Rs. 10.76 lakhs) had become sick in the light of the norms adopted by the Company.

The shares subscribed by the Company as a result of underwriting obligations were listed but very few of these were quoted. The Company ascertained the quoted value of shares only at the year end. The value of the shares, as ascertained at the end of 1980-81 was as follows :

Name of unit	Face value per share	Market value per share as on 31st March 1981	Total face value	Total market value
(In Rupees)				
A	10.00	3.24	13,20,250	4,27,761
B	10.00	10.00	9,75,000	9,75,000
C	10.00	10.00	4,37,530	4,37,530
D	10.00	18.50	9,90,450	18,32,332
E	10.00	10.00	10,17,500	10,17,500
F	0.00	2.50	5,00,000	1,25,000
			52,40,730	48,15,123

*(b) Private participation*

The IDBI directed (November 1976) financial institutions to subscribe directly to the public issues, up to Rs.25 lakhs, instead of underwriting them. Under this scheme, the Company invested Rs.198.50 lakhs in the shares of 23 of its assisted units (Rs.88.73 lakhs) and two joint sector projects (Rs.109.77 lakhs) up to 31st March 1981. Of these 25 units, 16 units (including one unit identified as sick-investment : Rs.10 lakhs) were in the construction stage (March 1981); 8 units (including two units identified as sick-investment : Rs.6.75 lakhs) had gone into production but no dividends had been declared (March 1982); and one unit is lying closed (June 1979) and mention about it has been made in paragraph 2.09.03 of this Report. The Company's investment (Rs.2.57 lakhs) in the share capital of the unit was expected to be a loss as the unit was closed on account of uneconomic production cost and availability of imported ceramic capacitors at lower rates.

*(c) Capital participation scheme*

In March 1974 the Company introduced capital participation scheme for providing assistance jointly with banks, by way of soft loans to companies, partnership and sole proprietary concerns for setting up medium scale industries in industrial estates developed by Uttar Pradesh Small Industries Corporation Limited at 11 selected growth centres and backward districts. The scheme provided for arranging loans up to 75 per cent (80 per cent in the case of technical entrepreneurs) of the capital cost (at least 50 per cent to be provided by commercial banks and rest by the Company) carrying interest at not more than 3 per cent above the prevailing bank rate (11 per cent). The repayment period was fixed at 9 years with a gestation period of 5 years in the case of loans to be advanced by the Company and 5—7 years with gestation period of 1-2 years in respect of loans to be advanced by banks. Six nationalised banks and Uttar Pradesh Financial Corporation (UPFC) agreed to participate in the scheme.

The Company received only one application under the scheme from UPFC for sanction of a loan of Rs.6.85 lakhs against which a loan of Rs.5.85 lakhs was sanctioned (August 1975). No other case was forwarded by any other financial institution reportedly due to high interest rates. The Company had



obtained (20th March 1975) from the State Government a loan of Rs. 50 lakhs carrying interest at 13 *per cent* (subject to review after one year) with rebate of 3.5 *per cent* for timely repayment of principal and payment of interest. As there was no further requirement of funds under the scheme the State Government, at the instance of the Company, converted. (April 1976) Rs. 44 lakhs into share capital, and the balance of Rs. 6 lakhs was refunded to Government in April 1979.

Due to poor response the scheme was given up in May 1978 after incurring an expenditure of Rs. 6.27 lakhs by way of interest on borrowed funds.

### 3.10. *Feasibility reports*

The State Government formulated a scheme (January 1974) under which an entrepreneur desirous of setting up medium and large scale industries or an expansion thereof was entitled to a subsidy equal to 50 *per cent* (increased to 75 *per cent* from December 1976) of the cost of feasibility reports. The Company was directed (January 1974) to prepare a list of consultants in various fields through whom the reports could be got prepared. The cost of the feasibility report was to be borne by the Company and the entrepreneur initially and the Company's share of the cost was to be reimbursed by Government later. The entrepreneur was to implement the project within 6 months of the handing over of the report failing which the feasibility report would be the sole property of the Company and Government.

Although initially the Company was to bear the expenditure on the preparation of reports, Government advanced funds from time to time totalling Rs. 32.10 lakhs for this purpose (1973-74 to 1980-81). Of this, the consultants were paid Rs. 26.52 lakhs (211 projects) and Rs. 5.58 lakhs were lying unutilised.

During the period 1974-75 to 1980-81 orders for preparation of 211 feasibility reports (Rs. 52.05 lakhs) were placed by the Company on the basis of quotations obtained by it from various firms of consultants. Though a period of 2 to 4 months was allowed to the consultants for submission of the reports, only 145 reports (Rs. 33.77 lakhs) were submitted by them till 31st March 1981. The delay in submission of reports ranged from 2 to 18 months. The remaining 66 reports (Rs. 18.28 lakhs) for which a sum of Rs. 9.14 lakhs had been advanced during the period 1977-78 to 1980-81 were still (June 1981) awaited.



Details of utilisation of 145 reports received by the Company up to 31st March 1981 are as under :

	Number	Fees paid/ payable (Rupees in lakhs)
Reports in respect of which projects had been established	16	2.06
Reports in respect of which projects were under implementation	29	6.42
Reports under consideration of entrepreneurs	23	6.87
Reports in respect of which projects had not been set up	77	18.42
Total	145	33.77

The reports in respect of which projects had not been set up (77) include:

- twenty-nine reports got prepared on behalf of eight State Public Sector Undertakings at a cost of Rs.9.56 lakhs ;
- seven reports prepared at a cost of Rs.1.78 lakhs which were not found feasible and the Company had to bear the entire cost (including the share of the entrepreneurs : Rs.0.50 lakh) and 20 reports got prepared by the Company at a cost of Rs.5.24 lakhs without any request from the entrepreneurs ; and
- twenty-one reports involving expenditure of Rs.1.84 lakhs (including entrepreneur's share of Rs.0.46 lakh) got prepared on behalf of private entrepreneurs.

### 3.11. Establishment of complexes and projects

#### (a) Electrical complex

In May 1976, the Company, in consultation with Uttar Pradesh State Electricity Board, decided to set up a complex of 10 electrical industries at Jagdishpur (Sultanpur) on industrial plots developed by Uttar Pradesh State Industrial Development Corporation Limited (UPSIDC). The location of the complex was shifted (August 1977) to Rae Bareli. The Company incurred an expenditure of Rs.2.07 lakhs (reimbursable by Government) on the establishment of the complex during 1976-77 to

1979-80, Government released a grant of Rs.1.24 lakhs and payment of remaining amount (Rs.0.83 lakh) was awaited (June 1982).

Four units engaged in the manufacture of HT insulators transformers and transmission/communication structures to whom loans aggregating Rs.157.85 lakhs were disbursed by the Company during 1979-80 and 1980-81 faced problem of marketing their products. As at the end of September 1981 an amount of Rs.43.08 lakhs (principal : Rs.20.10 lakhs and interest : Rs.22.98 lakhs) was overdue for recovery. Three units were completing formalities for obtaining finance (June 1982) and the remaining three dropped their projects.

*(b) Low Temperature Carbonisation Plant*

The Company placed an order in January 1975 with a firm of New Delhi for a techno-economic feasibility report for establishment of a Low Temperature Carbonisation plant and paid Rs.0.60 lakh for it. The report was received in September 1975. In May 1977 the Company placed another order for a report on gas distribution at a cost of Rs.0.66 lakh and the report was received in September 1978. The Company placed an order on a Ranchi firm in August 1980 for revising the report according to technology developed by a U. K. firm at a cost of Rs.2.96 lakhs. The report was awaited (January 1982).

Out of Rs.7.76 lakhs obtained from the State Government (from February 1978 to March 1979) the Company had spent Rs.6.94 lakhs (Rs.4.22 lakhs on feasibility reports referred to above, and Rs.2.72 lakhs on testing of coal samples and other expenses).

The Government of India (Department of Coal) observed (July 1980) that in case the project was to be set up in the Central Sector, the State Government would have to give an undertaking for full off-take of gas and semi-coke at a price which would make the project viable.

The State Government expressed doubts (September 1980) about the ultimate off-take of gas from the proposed plant by the consumer industry because industries presently using coal or oil would have to invest in furnaces of different design to switch over to gas for their fuel requirements.

The Management stated (June 1981) that the question of guaranteed off-take of gas and semi-coke at a price which would make the project viable would be taken up after the final report was received.



(c) *Electrical testing and development centre*

With a view to providing testing facilities to electrical units, the Company decided (August 1978) to set up an electrical testing and development centre in the State. The Company got the feasibility report prepared (March 1979) by a consultant (Rs.0.49 lakh). The project was estimated to cost Rs.522 lakhs and equipment was to be imported. A plot was allotted (February 1981) by UPSIDC but Uttar Pradesh Electronics Corporation Limited, a State Government Undertaking, protested against the allotment of the plot on the apprehension that testing operations at proposed site would adversely affect testing of electronics operations in other units located in the adjacent plots. In view of this the Company did not pay the reservation cost (Rs.0.72 lakh) due on 12th March 1981, the allotment was cancelled and earnest money (Rs.0.08 lakh) forfeited. The Management stated (February 1982) that the project was pending approval of Government (January 1982) and an alternative plot was being looked for.

3.12. *Sales tax loan scheme*

(i) Government introduced (November 1972) a scheme for grant of interest-free unsecured loans to new industrial units equivalent to sales tax paid and payable on the sales during the first three years (five years in backward areas) after commencement of production, subject to certain limits.

Government directed (November 1972) the Company to implement the scheme as its agent and funds required for disbursement of loans under the scheme were to be provided by Government in the shape of revolving fund and the expenditure incurred in the implementation of the scheme was to be reimbursed to it.

(ii) The loan is repayable in three equal annual instalments commencing from the 12th/10th year after the disbursement of first instalment of the loan depending upon the unit being in the backward or other district provided that the loan sanctioned to a technical entrepreneur or to a non-resident Indian shall be repayable in six or five equal annual instalments respectively commencing from the 12th year of disbursement of the first instalment of the loan.

In the event of default or change in the ownership of the fixed assets, closing or stopping of production continuously for a



period exceeding six months or shifting to a new location *etc.* without prior permission from the Company, the loan shall be refundable immediately alongwith interest at a rate of 18 *per cent* from the date of disbursement.

The Company obtained funds from Government on the basis of anticipated requirements. The table below indicates the details of funds obtained by the Company from Government, loans sanctioned and disbursed to the units and the unutilised balance lying with the Company at the end of the three years up to 1980-81 :

Year	Opening balance	Funds obtained from Government	Loans sanctioned	Loans disbursed	Unutilised balance (cumulative)	Percentage of funds available	Percentage of funds available
(Rupees in lakhs)							
Upto 1978-79		7,25.00	5,25.46	5,01.14	2,23.86	72.5	69.1
1979-80	2,23.86	1,90.00	3,72.66	3,10.06	1,03.80	90.0	74.9
1980-81	1,03.80	2,00.00	2,03.27	2,04.43	99.37	66.9	67.3
		<u>11,15.00</u>	<u>11,01.39</u>	<u>10,15.63</u>			

The Management stated (February 1982) that the amount could not be utilised during the year because the funds were received at the fag end of the year.

Up to March 1981, 39 units defaulted and were liable to refund the loan with interest (Rs.21.78 lakhs) against which only 29 units refunded Rs.10.38 lakhs. The State Government directed (November 1978) the Company to deposit the amount recovered against the instalments due from the defaulters into the Government account. Details of amounts recovered from defaulting units and that deposited in the Government account are indicated below :

Year	Opening balance	Recoveries Number of units	made Amount	Amount refunded	Balance
(Rupees in lakhs)					
Up to 1978-79		16	8.02	2.74	5.28
1979-80	5.28	8	1.45	2.28	4.45
1980-81	4.45	5	0.91	..	5.36

Thus even after receipt of Government directive in November 1978, the Company did not deposit in full the amount recovered from the defaulters. It was reported to Government (May 1980) that the Company did not earn any interest on the funds retained by it as the money was kept in current account.

(iii) A test check (May 1981) in audit of the Company's operations revealed the following :

(a) Out of the total disbursement of Rs.1015.63 lakhs to 236 units up to March 1981 loans amounting to Rs.282.13 lakhs were disbursed during the period July 1975 to June 1980 to one single unit of Ghaziabad. In this case a loan of Rs.61.27 lakhs was sanctioned in July 1975 in favour of the unit. A further loan of Rs.80.86 lakhs was sanctioned in July 1976 out of which Rs.49.81 lakhs were paid in September 1976. From 4th December 1976 Government prescribed a ceiling (Rs.40 lakhs) on the amount of loan to be disbursed under the scheme. Although the Law Department opined that orders will have retrospective effect, the Company released the balance amount (Rs.31.05 lakh) on 18th December 1976. In July 1977 Government clarified that limit prescribed was applicable in respect of loans sanctioned on or after 4th December 1976, irrespective of the fact whether the unit started production before that date. The application of the unit submitted in May 1977 for a loan of Rs.93.85 lakhs was, therefore, rejected by the Company. Government enquired (19th December 1977) of the impact in respect of other units in case the limit prescribed was relaxed in favour of this unit. On clarification (19th January 1978) by the Company that it was not possible to work out precisely the impact of relaxation in case of other units Government finally relaxed (September 1978) the limit in cases where units had gone into production before 4th December 1976. The Company thereupon considered the applications for loan of Rs.93.85 lakhs (submitted in May 1977) and Rs.67.02 lakhs (submitted in September 1978) and sanctioned loan in December 1979, disbursement of Rs.140 lakhs was made between February and June 1980. A further loan of Rs.10 lakhs was given in April 1981.

As a result of the relaxation granted by Government in September 1978 one more unit could avail of the benefit



(loan disbursed in the case of this unit was Rs.47.55 lakhs).

The Management stated (July 1981) that loans were sanctioned and disbursed as per instructions from Government.

(b) The Company is maintaining a register to indicate the details of disbursements to units, recoveries made thereagainst and the follow-up action taken. After 1975-76, entries relating to submission of periodical returns due from loanees, District Industries Officers and Sales Tax Offices were not recorded in the register. As a result the default committed by the loanee units could not be detected in some cases in time. A test check revealed the following cases :

(i) Two firms of Aligarh and Kanpur were disbursed loans of Rs.0.30 lakh and Rs.1.42 lakhs in July 1976 and August 1977 respectively. Kanpur firm stopped production (July 1977) even before the disbursement of loan whereas Aligarh firm stopped production in October 1977. The defaults committed by the firms remained unnoticed and the Company noticed them only on receipt of complaints in November 1979 and July 1978 from outside sources. On issue of a recovery certificate (February 1979) the Kanpur firm refunded the loan amount in March 1979 which was accepted by the Company without interest. Interest dues amounting to Rs.0.39 lakh were adjusted by the Company subsequently (October 1979) out of the proceeds of fresh loan of Rs.4,89,953 disbursed to the firm : part payment (Rs.0.15 lakh) was received (May 1981) from the firm of Aligarh after it was served with a notice in January 1980.

(ii) A loan of Rs.0.57 lakh (Rs.0.17 lakh in November 1974 and Rs.0.40 lakh in November 1975) was disbursed to a firm of Lucknow. The unit stopped production after 18th May 1977 but the fact of closure came to the notice of the Company only in February 1978 when the General Manager, District Industries Centre, Lucknow reported it. The Company issued a certificate (March 1979) to



Collector, Lucknow for recovery of dues as arrears of land revenue alongwith interest at 18 *per cent* from the date of payment. The recovery certificate was withdrawn by the Company in January 1982 on the ground that stoppage of production was beyond the control of the unit. No further steps were taken for recovery of the dues.

### 3.13. *Credit guarantee scheme*

In February 1973, Government introduced a scheme to provide protection to the financial institutions against losses in respect of loans given for acquisition of fixed assets or guarantees given under deferred payment terms on behalf of certain medium scale industries in the State. The implementation of the scheme was entrusted (February 1973) to the Company. The administrative expenses in the operation of the scheme were to be reimbursed by Government. The scheme provides that the financial institutions shall pay at the time of submission of application for guarantee to the Company, a fee calculated at 0.5 *per cent*, per annum initially on the amount of advance or guarantee for deferred payment and subsequently on the amount outstanding at the commencement of each year and in the event of default in repayment of advance or the amount of guarantee they shall be entitled to recover from the guaranteeing organisation a sum equivalent to 67 *per cent* of the amount in default subject to a ceiling of Rs.7 lakhs in respect of any one advance or guarantee. Funds amounting to Rs.9 lakhs (Rs.3 lakhs in October 1974, Rs.3 lakhs in April 1976 and Rs.3 lakhs in August 1978) were obtained from Government as share capital to meet the liability on this account.

No guarantees were given under the scheme so far (June 1982). The Management stated (July 1981/February 1982) that the scheme did not make any headway as :

- (i) the fee payable under the scheme was more than that payable (0.25 *per cent*) under the credit guarantee scheme administered by the Reserve Bank of India ;
- (ii) liability under the scheme was limited to 67 *per cent* subject to a ceiling of Rs.7 lakhs ;
- (iii) it did not cover working capital finance.

### 3.14. *Accounting system and internal audit*

#### (a) *Accounting system*

In October 1973 it was decided to have an accounting manual laying down the method of maintenance and compilation of accounts but it had not been prepared (March 1982).

#### (b) *Internal audit*

Companies having paid-up capital of more than Rs.25 lakhs are required under the Companies Act to have, from 1st January 1976, an internal audit system commensurate with the size and nature of its business. Decision to introduce the system with one internal auditor was taken by the Company in February 1978. The internal auditor was appointed in April 1978.

However, the post of internal auditor remained vacant during the period June 1978 to September 1980 and was filled up in October 1980. As the system did not work well, the incumbent appointed as internal auditor was reverted (June 1981) to his original post of Assistant Accounts Officer. The Management decided (June 1981) to engage an outside agency to work as internal auditor but no action had been taken (March 1982).

The Management stated (July 1981) that the internal auditor had submitted a few reports which were under scrutiny.

### 3.15. *Other points of interest*

(a) The Company sanctioned (August 1976) to a firm of New Delhi a term loan of Rs.30 lakhs for establishing a paper mill at Sikandrabad (Bulandshahr) having an installed capacity of 23 tonnes per day and disbursed the amount in December 1977 (Rs.12.40 lakhs) and February 1978 (Rs.17.60 lakhs). The Company also invested Rs.7.98 lakhs in equity shares of the firm in view of its underwriting obligation. The Company further sanctioned (September 1979) term loan of Rs.28 lakhs for import of two diesel sets ; disbursement of Rs.27 lakhs was made in March and September 1980. There was delay of 22 months in the implementation of the project (as against April 1978, commercial production started in January/February 1980) leading to increase in project cost. Requirement of additional funds for meeting increase in capital cost, interest charges and cash losses *etc.* was estimated (September 1980) at Rs.142.78 lakhs and as per decision of lead institution (IFCI) the Company funded interest charges of Rs.4.53 lakhs for the period up



to November 1980 (made payable from 1st July 1982 in 10 equal monthly instalments with 13 *per cent* interest) and deferred payment of four half-yearly instalments of principal of Rs.2 lakhs each which fell due up to 31st March 1981 so that repayment of first instalment would start from 30th September 1981 and subsequent instalments every six months thereafter subject to the condition that no rebate in interest would be allowed in respect of four deferred instalments.

It was noticed that according to Board's decision (October 1977) rebate in interest was admissible only in the event the unit cleared the interest dues. However, the Company allowed rebate in interest on the portion of the loan of Rs.57 lakhs (*i.e.* excluding Rs.8 lakhs in respect of four deferred instalments).

Further, while communicating the terms of deferment of instalments of principal the Company did not stipulate the condition put forth by the lead institution regarding appointment of qualified and experienced personnel in place of existing managerial and technical officers in the unit.

(b) The Company sanctioned (February 1974) a term loan of Rs.25 lakhs (disbursed during March 1975 to April 1976) to a unit of Calcutta for establishing a factory at Ghaziabad for the manufacture of high tensile fasteners (nuts, bolts screws *etc.*). In addition, in pursuance of the underwriting obligations the Company also subscribed to shares to the extent of Rs.14.30 lakhs (equity : Rs.11.32 lakhs and preference shares : Rs.2.98 lakhs). In order to meet part cost of four generating sets, additional loan of Rs.7 lakhs was sanctioned (February 1975) and disbursement of Rs.3.50 lakhs was made (June 1975) as the unit purchased only two generating sets.

The unit which was to commence commercial production in July 1975, commenced production in October 1976 and incurred a cash loss of Rs.6.10 lakhs during the first year of its operation and, therefore, proposed rights issue of additional share capital of Rs.20 lakhs (equity : Rs.10 lakhs and preference shares : Rs.10 lakhs).

At the instance of the lead institution the Company subscribed (June 1977) a further amount of Rs.4.88 lakhs (Rs.1.89 lakhs in equity shares and Rs.2.99 lakhs in preference shares). As the promoters did not subscribe their share of capital in full the Company further subscribed Rs.2 lakhs in preference shares.



The unit did not pay any of the due instalments of principal; part payment (Rs.0.50 lakh) of interest due (Rs.1.50 lakhs) for the half year ending December 1976 was made in January 1977. No payment was made thereafter.

Because of the unsatisfactory operations of the unit, a firm of consultants was appointed (December 1978) by the Company on a fee of Rs.0.30 lakh for examining the viability of the unit. The consultants suggested (October 1979) a scheme of reorganisation of the unit with a further investment of Rs.70 lakhs.

The unit had become sick and as stated by the Management the matter regarding reorganisation of the unit was pending (February 1982). Meanwhile for want of funds the unit stopped operations in March 1980. The cumulative loss incurred by the unit up to December 1979 was Rs.147.09 lakhs against the paid-up capital of Rs.89.84 lakhs.

At the end of September 1981 a sum of Rs.39.34 lakhs (Rs.22.50 lakhs out of Rs.28.50 lakhs towards principal and Rs.16.84 lakhs towards interest) was overdue for recovery.

In this connection the following points were noticed :

(i) As per general policy of the Company disbursement beyond 60 *per cent* of the sanctioned loan amount is to be made only after inspection of the unit; but in this case the inspection of the unit was done after disbursement of 90 *per cent* of the loan;

(ii) as the unit was permitted to raise a loan of Rs.30 lakhs from a bank on the security of the assets (on the strength of which loan was given by the Company), the security margin was reduced to 19.91 *per cent* against 30 *per cent* provided in the agreement;

(iii) in the case of deferment of principal, rebate in interest is to be allowed only when all interest dues at the time of deferment of principal are cleared. In this case rebate was allowed even when the unit did not clear the interest outstanding at the time of deferment;

(iv) the working of the nut plant (cost Rs.50 lakhs) was found uneconomical and it had to be closed down;

(v) on account of high cost of production the products of the unit could not compete in the market with the

result the unit had to allow discount up to 40 *per cent* as against 10 *per cent* estimated in the project report ; and

(vi) part of the surplus imported material (value : Rs.23.47 lakhs) was sold during 1976-77 and 1977-78 at a loss of Rs.4.31 lakhs.

(c) The Company sanctioned (November 1976) a term loan of Rs.14 lakhs to a unit 'G' of Lucknow for setting up a drug formulation unit at Lucknow at an estimated cost of Rs.23.94 lakhs. The loan was disbursed between January 1977 and April 1978. The loan was to be repaid in 13 annual instalments commencing from 31st March 1979.

Up to March 1978, the unit paid interest regularly and thereafter only in part and did not pay any instalment of the principal.

As the unit was incurring losses, it requested (October 1979) for deferment of recovery of principal and interest for 6 months but the request was not accepted by the Company. A show cause notice for recalling the amounts due from the unit was issued (June 1980). The unit 'G' intimated (June 1980) that a large amount was due from Government for supplies made by it and that it would clear the dues after the payments were received. The Company, therefore, asked the unit 'G' (September 1980) to authorise it to obtain payments from Government ; but the unit neither authorised the payments to be received by the Company nor did it pay the outstanding dues.

A recovery certificate was, therefore, issued (November 1980) for Rs.18.44 lakhs (principal : Rs.14 lakhs and interest : Rs.4.44 lakhs up to September 1980). On a request by the unit, the Managing Director decided to withdraw the recovery certificate subject to deposit by the unit of Rs.3 lakhs immediately and Rs.1.50 lakhs by first week of February 1981.

The recovery certificate was, however, withdrawn (January 1981) on receiving Rs.1 lakh only. The unit further paid Rs.4.55 lakhs till date (June 1982).

No further action was taken for recovering the dues. The Management stated (February 1982) that the Company was reviewing the position closely for issue of a recovery certificate.

(d) The Company sanctioned (March 1973) a loan of Rs.15 lakhs carrying interest at 9.5 *per cent* to each of the two



units 'M' at Unnao and 'S' at Sonik and Rs.8 lakhs to a unit 'D' of Dehradun for setting up of re-rolling mills. Full amounts of the loans were disbursed to these units during February 1974 to April 1979.

In August 1975 it was brought to the notice of the Board that these units had not cleared the interest due to the Company. At the request of the loanee companies, the Company approved (August 1975) rescheduling of repayment subject to their agreeing to pay interest at current rates. Subsequently the Board decided (October 1977) as under ;

- deferment till 31st March 1981 of recovery of principal (Rs.12.70 lakhs) from each of the two units at Unnao and Sonik and Rs.7.20 lakhs due from the unit 'D' at Dehradun ;
- funding of outstanding interest (unit 'M' : Rs.6.71 lakhs; unit 'S' : Rs.7.02 lakhs and unit 'D' : Rs.1.85 lakhs) up to 31st March 1979 as interest free loans ;
- waiver of interest on interest (unit 'M' : Rs.0.98 lakh due up to October 1978, unit 'S' : Rs.0.87 lakh; and unit 'D' : Rs.0.22 lakh both due up to December 1977); and
- sanction of additional loan up to Rs.5 lakhs to each of the units (additional loan of Rs.3 lakhs was disbursed to unit 'M' in January 1980).

It was also noticed that against the general policy approved by the Company (October 1977) interest at net rate of nine *per cent* (after rebate of half *per cent* for prompt repayment) was charged though the units did not clear the outstanding amount of interest when deferment of principal was made and funding of interest was allowed interest-free.

(e) For manufacture of writing and printing paper, a unit of New Delhi acquired from a firm in Norway a second-hand plant (manufactured in 1915 in West Germany) life of which was estimated by the consultants (NIDC) as 15—18 years. The Company on the basis of approval note of the lead institution (Industrial Finance Corporation of India) sanctioned (August 1976) a term loan of Rs.25 lakhs and private placement in equity (Rs.5.50 lakhs) for establishing the project at Gajraula (Moradabad). The promoters' contribution was only 12.47 *per cent* as against the prescribed percentage of 16.



The commercial production estimated to start in June 1978 was actually started in January 1979 from bought out pulp as the pulp plant had not been installed (March 1982).

As the project cost increased from Rs.312.59 lakhs to Rs.598.97 lakhs the Board resolved (February 1980) that :

- interest due up to December 1979 amounting to Rs.6.80 lakhs would be funded at 12 *per cent* interest ;
- two instalments of principal of Rs.1 lakh each which fell due on 31st March and 30th September 1979 would be deferred in such a way that the first instalment would fall due on 31st March 1980 and subsequent instalment 6 months thereafter.

The unit had not paid the instalments of principal (Rs.3 lakhs) and interest and commitment charges (Rs.11.71 lakhs) due till 31st March 1981.

Following reliefs were given (April 1980) to the unit :

- according to the terms of agreement the rate of compound interest was 15 *per cent* but the Board approved charging of interest at the rate of 12 *per cent* on funded interest ; and
- while calculating interest charges recoverable from the unit on deferred principal the Company allowed rebate in interest at three *per cent*. As per general policy, this rebate should have been allowed only after the unit had cleared the outstanding interest dues at the time of deferment.

The viability of the project became doubtful reportedly (April 1981) due to high capital cost. The Management stated (February 1982) that funding of interest at 12 *per cent* and deferment of instalments had been done by the Company as well as the financial institutions because without these reliefs the operations of the unit would be seriously jeopardised.

(f) The Company sanctioned (March 1976) a term loan of Rs.25 lakhs and underwriting assistance of Rs.2.50 lakhs to a unit 'P' of Calcutta for meeting part of the cost of a distillery (Rs.88 lakhs) to be set up at Hakimpur Sirohi (Ghazipur) for manufacture of rectified spirit/industrial alcohol and indigenous foreign type liquors. The amounts were disbursed between November 1977 and November 1979. To meet the over-run of

Rs.10.50 lakhs in the project cost the Company sanctioned (October 1978) an additional loan of Rs.7 lakhs.

Due to delay in the implementation of the project, the first instalment (Rs.1 lakh) of principal which fell due for repayment on 30th September 1978 was deferred for one year and was paid in September 1979. Thereafter, no repayment of principal was made (February 1982).

With a view to saving public issue expenses of Rs.1.50 lakhs, the unit 'P' came out (June 1979) with a proposal of converting underwriting assistance of Rs.13.35 lakhs (Company : Rs.2.50 lakhs and private parties : Rs.10.85 lakhs) into private placement. The Company paid its share (Rs.2.50 lakhs) of private placement (September 1979) but all the six private parties backed out of their commitment with the result the Company had to subscribe (March 1980) further Rs.2.50 lakhs in the equity of the unit. The remaining gap was to be met by the promoters (Rs.4.35 lakhs) and UPSIDC (Rs.4 lakhs).

The project cost further increased to Rs.140 lakhs and the unit 'P' requested (August/September 1980) for sanction of additional loan of Rs.28 lakhs and private placement in preference shares of Rs.5 lakhs. The Company sanctioned (October 1980) a third loan of Rs.28 lakhs and assistance by way of subscription to preference shares of Rs.5 lakhs. The Company also approved revision of repayment schedule so that first instalment against the first loan would fall due on 31st March 1981 and against the second loan on 31st March 1982 and subsequent instalments every six months thereafter.

Following points were noticed :

(i) As per the terms of the agreement any over-run in the cost of the project was to be met by the promoters, but substantial part (Rs.45 lakhs *i.e.* 86.5 per cent of Rs.52 lakhs) of it was met by the Company :

(ii) while revising the cost of the project, interest due to the Company during the period of delay in implementation of the project was also included and the additional loan was sanctioned to cover the amount of interest.

(g) The Company sanctioned (December 1975) a term loan of Rs.20 lakhs to a unit 'B' of Varanasi to meet part cost of a project for the manufacture of kraft paper. The loan was disbursed in full in May 1976 (Rs.18.50 lakhs) and May 1977 (Rs.1.50



lakhs). The recovery of the loan was to commence from March 1978.

The cost of the project, originally envisaged at Rs. 300 lakhs, was revised to Rs. 340 lakhs in 1977. The project was completed in November 1977 at a cost of Rs. 364 lakhs. As against the paid-up capital of Rs. 119.67 lakhs (equity : Rs. 104.67 lakhs and preference shares : Rs. 15 lakhs) the total accumulated loss up to March 1980 was Rs. 88.16 lakhs (excluding depreciation of Rs. 43.89 lakhs not provided for).

The unit had not repaid any instalment of principal and arrears in respect of principal and interest due for recovery at the end of March 1981 stood at Rs. 10.50 lakhs and Rs. 13.28 lakhs respectively.

The Management stated (February 1982) that the unit had become sick and a review of the project would be undertaken.

(h) A sales tax loan of Rs. 0.27 lakh was disbursed (Rs. 0.21 lakh in March 1976 and Rs. 0.06 lakh in June 1977) to a firm of Kanpur. The unit changed its constitution without obtaining permission from the Company. On being served with a notice for this default the unit refunded the entire amount of loan in March 1980 (Rs. 0.15 lakh) and in June 1980 (Rs. 0.12 lakh) but did not pay the interest charges. No action to claim interest charges (Rs. 0.18 lakh approximately) had been taken by the Company.

#### *Summing-up*

(i) The Company was incorporated in March 1972 with the main object of promoting and developing industries in the State by providing them with financial assistance ; the main activities consist of investment in share capital/debentures/term-loans in the industries situated in the State in addition to preparation of techno-economic feasibility reports and establishment of industrial complexes and projects.

(ii) Up to 31st March 1981 term loans aggregating Rs. 4972.75 lakhs were sanctioned to 141 units. The amount disbursed up to 31st March 1981 was Rs. 2534.39 lakhs.

(iii) As on 31st March 1981 term loan of Rs. 350.89 lakhs (including Rs. 170.89 lakhs towards interest) was overdue for recovery out of which Rs. 161.63 lakhs (including Rs. 55.23 lakhs towards interest) were over due for more than one year.

(iv) The total turnover of 141 units which had been sanctioned loans at normal level of production and the employment

potential was estimated by the Company at Rs.49,517.70 lakhs and 27,205 persons respectively. The Company was, however, having no data about the actual turnover and the employment generated.

(v) Against the general policy adopted by the Company rebate in interest was allowed in some cases of deferment of principal even though the units had not cleared interest dues outstanding at the time of deferment.

(vi) Up to March 1981 the Company had underwritten shares for Rs.245.56 lakhs in respect of 36 units and had to accept shares for Rs.123.07 lakhs in respect of 17 units. The Company had received dividend from two units and in respect of 6 units when the shares were quoted, the market value of Company's investment (Rs.52.41 lakhs) had declined to Rs.48.15 lakhs.

(vii) Up to 31st March 1981, 49 feasibility reports were got prepared at a cost of Rs.14.80 lakhs for eight State Undertakings (including 20 reports for the Company prepared at a cost of Rs.5.24 lakhs) but projects had not been established.

(viii) Without assessing the marketability the Company had proceeded with the preparation of feasibility report on Low Temperature Carbonisation Plant and had spent Rs.6.94 lakhs.

(ix) Out of Rs.1115 lakhs received up to March 1981 from Government for disbursement of sales tax loan, the Company had disbursed Rs.1015.63 lakhs to 236 units up to March 1981. A sum of Rs.21.78 lakhs was recoverable from 39 units which had defaulted, out of which Rs.10.38 lakhs had been recovered from 29 units. The balance amount was recoverable.

(x) The State Government prescribed (4th December 1976) ceiling of Rs.40 lakhs (in case of units in ordinary districts) on disbursement of interest-free unsecured loan sanctioned under Sales Tax Loan Scheme. Subsequently (September 1978) the State Government relaxed the ceiling in case of two units which had gone into production before the date of Government Order prescribing the ceiling on disbursement. Interest-free loans aggregating Rs.2.92 crores including Rs.1.50 crores sanctioned after 4th December 1976 was disbursed to a unit of Ghaziabad.

The above matters were reported to the Government in November 1981 ; reply was awaited (April 1982).



SECTION IV  
THE UTTAR PRADESH STATE BRASSWARE  
CORPORATION LIMITED

4.01. *Introduction*

The Company was incorporated on 12th February 1974 as a wholly-owned Government Company to develop brassware industry, to protect and encourage small artisans and entrepreneurs engaged in brass and electroplated nickle silver (EPNS) small industries and to assist them with raw materials, loans and marketing facilities.

4.02. *Activities*

The activities of the Company were mainly as under :

(i) Marketing activities

- procurement and marketing of raw materials and finished goods ;
- processing of sale and release orders of leading companies issued in favour of various artisans/manufacturers and import of materials for manufacturers under open general licence ;
- assistance under marketing scheme ;
- supply of machines on hire-purchase ; and
- setting up of projects in the line such as non-ferrous rolling mill, Functional Industrial Estate, Electroplating Plant and Lacquering Plant, *etc.*

(ii) Developmental activities

- design developments with the help of Central Design Centre, Lucknow ;
- providing medical aid to the artisans and their families ;
- providing better working conditions ;
- participation in exhibitions and fairs ;
- opening of branches at such places where brassware production trade is carried on ;
- survey and data collection work ; and
- providing training in production, management and documentation.

#### 4.03. Capital structure

##### Share capital

Against the authorised capital of Rs.150 lakhs, the paid-up capital of the Company as on 31st March 1981 was Rs.144.50 lakhs (wholly contributed by the State Government).

#### 4.04. Working results

The working of the Company resulted in a profit of Rs.1.38 lakhs, Rs.1.34 lakhs and Rs.1.27 lakhs during the three years 1977-78 to 1979-80 (19, 20 and 7 per cent of sales during the three years respectively). Audited accounts for 1980-81 were not received. However, a net loss of Rs.8 lakhs is expected during 1980-81 (as per provisional accounts), due to public disturbances at Moradabad and Aligarh.

#### 4.05. Targets and achievements

The table below indicates the targets and achievements in respect of activities undertaken by the Company during the three years up to 1980-81 :

	1978-79		1979-80		1980-81	
	Target	Achievements	Target	Achievements	Target	Achievements
	(Rupees in lakhs)					
Internal marketing and exports	15.00	7.24	20.00	13.02	50.00	18.00
Financial assistance to artisans and exporters	10.00	0.56	2.00	1.15	3.00	
Procurement and distribution of raw material						
—Own business	20.00	28.18	41.00	30.05	49.00	7.94
—Agency work	200.00	148.09	242.00	234.19	318.00	147.61
Assistance for hire-purchase of machinery	5.00	5.38	6.01	7.94	10.00	9.75
Assistance for electric fittings	0.50	0.08	0.50	0.02	0.40	0.39
	250.50	189.53	311.51	286.37	430.40	183.69
Achievement (percentage)	75.7		91.9		42.7	



The shortfall in achievement during 1980-81 was attributed (January 1982) by the Management to riots at Moradabad and Aligarh and some unscrupulous activities at Mirzapur branch.

#### 4.06. Performance

##### 4.06.01. Procurement and sale of finished goods

(i) The goods manufactured through artisans and *karkhanedars* are sold against domestic and export orders or through showrooms/exhibitions and fairs.

The table below indicates the value of finished goods handled by the Company during the three years up to 1980-81 :

	1978-79		1979-80		1980-81	
	Inland	Export	Inland	Export	Inland	Export
	(Rupees in lakhs)					
Orders brought forward from previous year	0.71	2.27	0.61	1.20	0.18	1.90
Orders received during the year	4.10	6.38	1.21	9.67	1.85	19.66
Orders executed	3.32	3.30	1.11	6.94	1.29	6.50
Orders cancelled	0.88	4.60	0.53	2.03	0.74	11.57
Balance carried over to next year for execution	0.61	1.20	0.18	1.90	..	3.49

Heavy cancellation of orders as stated by the Management (August 1981) was due to—

- time given for supply being very short ;
- items ordered not being manufactured by the local artisans ;
- non-extension of letter of credit by the parties ;
- disturbances in the city during 1980-81 ;
- non-confirmation of orders by Uttar Pradesh Export Corporation Limited (UPEC) ; and
- refusal by the artisans to undertake the works due to the orders being small.

Goods of the value of Rs. 1.48 lakhs purchased by the Company during 1976-77 to 1979-80 for supply against export/domestic orders were still lying in stock (March 1982) due to cancellation of orders by the parties.

(ii) On the export sales made through UPEC the entire export incentive accrues to the Company and a service charge of 5 per cent of the invoice value is paid to UPEC.

The Company started export of goods through UPEC from April 1976 but claimed export incentives only with effect from September 1977. The export incentives prior to September 1977 not claimed amounted to Rs.0.41 lakh although service charges (Rs.0.06 lakh) were paid to them.

Export incentives of Rs.2.82 lakhs for the period from September 1977 to March 1981 were due from the UPEC.

It was stated by the Management (January 1982) that the claims could not be vigorously pursued in the past years as the Company had to depend on UPEC for business.

(iii) *Goods sent on sales/return basis*

The Company commenced (May 1979) sale of goods in the showrooms of UPEC on payment of 12½ per cent commission and fixed charges at Rs.600 per month per showroom. The expenses on octroi and freight, if any, incurred by the UPEC were to be borne by the Company. Discount allowed by the UPEC to consumers for improving sales was to be shared equally by the Company and the UPEC.

The position of goods sent on consignment basis during the two years up to 1980-81 to five showrooms of UPEC are detailed below :

	1979-80	1980-81	Cumulative up to 1980-81
	(Rupees in lakhs)		
Goods sent	7.10	6.84	13.94
Goods sold	4.02	6.50	10.52
Commission, discount and other expenses	0.97	1.45	2.42
Percentage of commission, etc. to sales	24.1	22.3	23.0

(a) In two showrooms at Lucknow, goods worth Rs.1.10 lakhs were sold during 1979-80 and 1980-81. The Company paid Rs.0.43 lakh towards commission, discount and other expenses to UPEC (39.1 per cent of sales as against the average of 23 per cent).

(b) Discount allowed by the UPEC to customers for promoting sales was to be borne equally by the Company and the



UPEC but Rs.0.22 lakh allowed as discount during 1979-80 and 1980-81 was fully borne by the Company.

The Management stated (January 1982) that the excess amount of discount was covered within the margin of profits to the Company.

(c) Book value of the goods lying in the showrooms of UPEC at the end of 1980-81 was Rs.3.42 lakhs.

(d) The book-debts of the Company at the end of 1980-81 stood at Rs.5.05 lakhs. The age-wise break-up was as under :

	Amount (Rupees in lakhs)
Less than six months	2.50
Six months to one year	1.35
One to two years	1.05
Two to three years	0.15
	5.05

The book debts of Rs.5.05 lakhs comprised Rs.2.52 lakhs outstanding against Government departments (including Government Companies) and Rs.2.53 lakhs against private parties.

Up to 1978-79 none of the debts was considered bad or doubtful of recovery by the Management. A provision of Rs.2 lakhs was, however, made for doubtful debts during 1979-80.

(iv) *Waiver of interest and service charges*

The Company entered (June 1975) into an agreement with a firm 'A' of Moradabad for export of goods against the orders procured by 'A' on the terms and conditions that the Company would—

- finance the manufacturing and other expenses ;
- charge  $7\frac{1}{2}$  per cent as its servicing charges on the f.o.r. Moradabad value of the ordered consignment ; and
- charge interest on the invested amount at Reserve Bank of India rates prescribed for export financing.

In respect of supplies for Rs.2.89 lakhs made up to March 1977 the Company was entitled (March 1977) to service charges (Rs.0.21 lakh) and interest charges (Rs.0.53 lakh). At the request (December 1976) of the firm the Company reduced (April 1977) the service charges from  $7\frac{1}{2}$  to 5 per cent and interest charges from  $16\frac{1}{2}$  to  $11\frac{1}{2}$  per cent without any basis for arriving at the rates and had reduced the claim by Rs.0.20 lakh (service charges : Rs.0.07 lakh and interest : Rs.0.13 lakh).

#### 4.06.02. Procurement and sale of raw materials

(i) The Company procures brass/copper scrap, brass boring, zinc scrap, etc., gets it converted into brass silli and arranges its sale to the local workers at competitive rates. The Company as an agent processes the sale notes and release orders of leading companies in the country issued in favour of various artisans/manufacturers. It also imports materials for manufacturers against their entitlements and under open general licence. For agency work the Company recovers service charges at one to two per cent on the ex-factory/dock cost.

(ii) The expenditure incurred on procurement of raw materials is initially borne by the Company and subsequently recovered from the parties in the shape of service and interest charges at the prevailing Bank rate or at the rate mentioned in the agreements entered into by the parties for cash credit.

The value of unlifted raw materials lying in the godowns of the Company at the end of 1980-81 was Rs.75 lakhs (approx.) in respect of 52 parties. It was not physically verified since inception.

(iii) Agreements executed with the parties for procuring materials on their behalf provide that the Company shall not be responsible for any deviation of material, defects, shortage and damage to goods in transit and shall recover the total investment (alongwith interest, service and other charges) from the parties. In case of shortages the claims were to be lodged and pursued by the parties concerned themselves.

However, the Company deviated from these provisions and assumed responsibility for transit shortages in respect of 9 parties and allowed (1980-81) them relief equivalent to the amount of claims (Rs.5.42 lakhs) for shortages lodged with the Customs/Railway authorities. Out of claims of Rs.5.42 lakhs lodged during December 1979 to August 1980 only one claim for



Rs. 0.23 lakh, part of a claim for Rs. 0.46 lakh in respect of one party, had been finalised (January 1981) and balance claims were still under pursuance (June 1982).

Due to deviation from the provisions of the agreement, the Company suffered loss of Rs. 1.02 lakhs in the shape of interest up to September 1981 on Rs. 5.42 lakhs paid to the parties in anticipation of refund from Customs/Railway authorities.

#### 4.06.03. Working of branches

The Company had opened branches at five places (including two branches opened in 1980-81) to extend its activities to other parts of the State. The table below indicates the working results of the three branches (opened during 1977-78 and 1978-79):

	Varanasi		Mirzapur		Almora	
	Sales and services	Profit (+)/ Loss (-) *	Sales and services	Profit (+)/ Loss (-) *	Sales and services	Profit (+)/ Loss (-) *
	(Rupees in lakhs)					
1977-78	6.89	(-)0.41	37.83	(+)0.48	..	..
1978-79	12.14	(-)0.25	106.73	(+)2.30	1.23	(-)0.11
1979-80	13.90	(+)0.79	132.01	(+)1.88	1.50	(-)0.10
1980-81	12.80	(+)0.50	108.50	(-)5.00	2.00	(-)0.15

The Company established (January 1979) a General Manager's office at Varanasi to supervise the branches at Varanasi and Mirzapur. In Mirzapur branch the following financial irregularities occurred between January and November 1980 :

	Amount (Rupees in lakhs)
Short recoveries from the parties	16.54
Non-realisation of counter-vailing duty from the parties	5.36
Shortages (claim not preferred)	4.32
Assistance provided without getting margin money from the parties	2.78
Embezzlement and bogus claims	6.17
Alleged misappropriation of money belonging to a party	1.46
Total	36.63

\*Represents profit/loss as arrived at by the Company.

The Management reported the matter to the Police (April 1981) and to Vigilance Department (May 1981), further developments were awaited (March 1982).

The Branch Manager was reverted (January 1981) and services of a field officer terminated (February 1981) on the basis of departmental findings.

#### 4.06.04. *Assistance under marketing scheme*

This scheme introduced from March 1976 envisages pre and post shipment financial assistance, in collaboration with a nationalised bank to small exporters against specific export orders. Pre-shipment assistance (up to 70 per cent of the value of export order) at manufacturing stage is provided by the bank on the guarantee of the Company. After the goods are despatched and shipping documents received by the bank the entire amount of assistance together with interest and other expenses is transferred to the Company, which treated it as loan to the exporter. The recovery of loan together with interest and service charges is effected by the bank from the sale proceeds received from the foreign purchaser. The Company receives service charge at  $2\frac{1}{2}$  per cent (five per cent up to August 1977) on the *f.o.b.* value of goods.

Under the scheme, the Company provided financial assistance of Rs.11.54 lakhs to five exporters of Moradabad during March 1976 to May 1980. Assistance under the scheme was discontinued (May 1980) as the bank insisted on security (from the beneficiaries) which was not forthcoming.

The Management stated (January 1982) that the Company has served a notice under Section 80 CPC (June 1980) and proposes to file a civil suit against the bank.

In respect of one exporter to whom post-shipment financial assistance (Rs.6.07 lakhs) was given by the Company during March 1976 to July 1977, it was noticed that the bank allowed the exporter to collect sale proceeds directly from the foreign buyer (Rs.0.98 lakh in April 1977) and credited the sale proceeds to his account (Rs.1.39 lakhs between April 1976 to December 1977) without any advice from the Company, though irrevocable authority was given by the exporter to the bank for utilising sale proceeds (realised by the bank on his behalf) for clearance of Company's dues against him and crediting balance



amount to the party's account on the advice of the Company. This resulted in non-recovery of dues amounting to Rs.1.42 lakhs (principal : Rs.0.96 lakh and service charges : Rs.0.46 lakh). Interest amounting to Rs.1.62 lakhs up to 31st March 1981 had also become due. The matter was taken up with the bank in June 1980 (reasons for delay in taking action not on record); recovery was awaited (March 1982).

#### 4.06.05. Assistance for purchase of machinery

The Board of Directors of the Company approved (October 1975), a scheme to provide financial assistance (in collaboration with a Nationalised bank) for purchase of machinery to brassware artisans at Moradabad. Under the scheme, assistance up to Rs.0.10 lakh (limited to 80 per cent of the cost of machinery) was admissible to each artisan. In the first instance the Company was to provide assistance and then approach the bank to sanction the loan in favour of the party and to disburse the amount to the Company.

The Company was to recover in advance a service charge of 2½ per cent of the cost of machines from the artisans. Interest at the prevailing rates (charged by the bank on cash credit accounts) was chargeable from the parties from the date of release of assistance to the date of credit of the amount in Company's account by the bank.

The table below indicates the quantum of assistance given under the scheme and recoveries there against up to 1980-81 :

Year	Amount disbursed by the Company	Amount reimbursed by the bank	Amount recovered directly by the Company	Amount outstanding (cumulative)
(Rupees in lakhs)				
Upto 1978-79	9.38	4.22	1.22	3.94
1979-80	6.35	0.69	0.22	9.38
1980-81	0.14	..	0.76	8.76
Total	15.87	4.91	2.02	

Balance outstanding at the end of March 1982 was Rs.3.10 lakhs in respect of 48 parties to whom assistance was given up to

March 1980. The Management stated (January 1982) that some of these cases might be accepted by the bank although efforts to recover the dues (along with interest) directly from the parties were already in progress.

#### 4.06.06. *Functional industrial estate*

The Company approved (February 1976) the scheme of establishing functional industrial estate of 5,000 working sheds with attached residential accommodation. The State Government released first instalment of loan of Rs. 10 lakhs in June 1976. The Company entrusted preparation of feasibility report to Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited (PICUP) in September 1976, which was received in October 1980. The report was approved in May 1981 and it was decided (May 1981) to construct 250 sheds at a cost of Rs. 150 lakhs. The Company received second instalment of loan of Rs. 5 lakhs from Government in February 1981.

An expenditure of Rs. 7.67 lakhs was incurred till March 1981 on interest on loan (Rs. 1.28 lakhs), feasibility report (Rs. 0.25 lakh), land (Rs. 6 lakhs) and other miscellaneous expenditure (Rs. 0.14 lakh). The project is expected to be completed by the end of 1983.

#### 4.07. *Accounting manual and internal audit*

The Company had not prepared any accounting manual laying down detailed accounting procedures. Separate accounts of activities undertaken by the Company were not maintained to work out the cost-benefit analysis of each activity.

An internal audit cell was formed in June 1977 with an Internal Audit Officer and one assistant. Statutory auditors in their reports have emphasized that the Company's internal audit system was not commensurate with its size and business. The Management stated (September 1981) that the question of strengthening the internal audit wing was under active consideration.

#### 4.08. *Loans and grants for specific purposes*

In November 1980 the Company approached the State Government for allowing financial assistance to the brassware artisans/units affected by the disturbances in the city :

- (a) A loan of Rs. 25 lakhs received for the purpose (January 1981) from the State Government was intended



for disbursement as loan carrying interest at 13.5 *per cent* per annum with three and half *per cent* rebate for timely repayment of loan instalments and payment of interest, at the rate of Rs.2,500 each (two thirds in cash and one third in the form of raw materials, tools and plants) to 1000 units/artisans. The Company had released (up to December 1981) Rs.18.78 lakhs to 751 units/artisans in cash at the rate of Rs.2500 each.

(b) The State Government released (January 1981) a grant of Rs.3 lakhs to be paid as margin money (equivalent to 20 *per cent* of the cost of machinery or Rs.2,000 whichever is less) to the units affected in the disturbances for purchase of machine by 150 units. A further amount of Rs.1.50 lakhs was paid to the Company (as interest subsidy) to compensate 75 *per cent* of the interest receivable from 25 artisans/units on the value of goods which could not be lifted by them and, therefore, blocked in Company's godowns during August to November 1980.

The above grants were utilised by the Company for setting off in full, the amount of outstanding interest of Rs.3.20 lakhs (including Rs.1.46 lakhs for the period prior to August 1980 and Rs.0.24 lakh being excess over 75 *per cent* of the interest amount for the period from August to November 1980, which were not admissible) service charges (Rs.0.49 lakh) and godown rent (Rs.0.16 lakh). The Company did not pay any amount as margin money.

The approval of the State Government for utilising the grants for purposes other than those mentioned in the Government order, sought for during September 1981 was still awaited (March 1982).

#### 4.09. *Summing-up*

(i) The Company was incorporated in February 1974 with the object of developing brassware industry and assisting entrepreneurs engaged in electroplated nickel silver small industries. The main activities consist of procurement and marketing of raw materials and finished goods, assistance to the artisans in the industry, setting up of projects connected with the industry and other developmental activities such as design developments, sur-

vey and data collection, providing training in production management and documentation *etc.*

(ii) Goods valuing Rs.1.48 lakhs purchased by the Company during 1976-77 to 1979-80 against export/domestic orders were lying in stock (March 1982) due to cancellation of orders by the parties.

(iii) The Company had not claimed export incentives amounting to Rs.0.41 lakh on export sales made through the UPEC up to August 1977. Export incentives (Rs.2.82 lakhs) for the period from September 1977 to March 1981 were also outstanding against UPEC.

(iv) The percentage of commission, discount and other expenses on sale of goods in five UPEC showrooms was 24.1 in 1979-80 and 22.3 in 1980-81. Out of the five showrooms such expenses in two showrooms of Lucknow were 39.1 *per cent* during 1979-80 and 1980-81.

(v) The Company waived (April 1977) Rs.0.20 lakh in respect of interest and service charges recoverable from an exporter in expectation of getting more business ; no further business was received from that exporter.

(vi) In contravention of the provisions of the agreements with the parties the Company took responsibility for lodging the claims for shortages in consignment and allowed credit to the parties for full amount of claims for shortages. Out of claims of Rs.5.42 lakhs lodged by the Company only one claim for Rs.0.23 lakh (part of a claim for Rs.0.46 lakh) in respect of one party had been finalised (January 1981) and balance claims were still under pursuance.

(vii) Inadequate supervision over finance in Mirzapur branch resulted in financial irregularities to the extent of Rs.36.63 lakhs (including shortages and embezzlements of Rs.11.95 lakhs).

(viii) The Company's investment (Rs.3.10 lakhs) in hire-purchase of machinery procured for 48 parties was blocked as the cases were yet to be accepted by the bank (March 1982).

(ix) Out of grant of Rs.3 lakhs received from the State Government to be paid to the parties as margin money for purchase of machinery, Rs.2.35 lakhs were utilised towards interest charges (Rs.1.70 lakhs), service charges (Rs.0.49 lakh) and godown rent (Rs.0.16 lakh) payable by the parties to the Company.

The above matters were reported to Government in October 1981 ; reply was awaited (January 1982).



## SECTION V

### OTHER GOVERNMENT COMPANIES UTTAR PRADESH SMALL INDUSTRIES CORPORATION LIMITED

#### 5.01. *Loss due to non-compliance of insurance provisions*

The Company entered into (August 1979) an agreement with a firm of Amritsar for supply of woollen carpet yarn to its Bhadohi Depot. The material duly insured by the firm was despatched (September/October 1979) by road in 66 bales (6581 kgs ; value : Rs. 3.10 lakhs). The terms of insurance policy covered the risk until delivery or expiry of 7 days from the time the goods reached the destination, whichever was earlier.

The goods arrived at Bhadohi on 25th September 1979 (28 bales) and 20th October 1979 (38 bales) and were not removed till 10th December 1979 when fire broke out in the godown of the transporter. Twenty-one bales (2075 kgs ; value : Rs. 0.98 lakh) of the yarn were damaged. On being requested (16th January 1980) by the Company to make good the loss the firm rejected (March 1980) the claim on the ground that the goods were not removed within the stipulated period of 7 days as required under the insurance cover. Thus, the Company had to bear the loss. The Management/Government stated (June 1982) that a civil suit had been filed against the supplier in the Civil Court at Kanpur.

### UTTAR PRADESH STATE SUGAR CORPORATION LIMITED

#### *Jarwal Road Unit*

#### 5.02. *Misappropriation of cash*

While reconciling (March 1981) the bank account as on 28th February 1981 with the statement furnished by the bankers withdrawal of Rs.1,92,525.25 on 20th February 1981 not appearing in the cash book, was noticed. Enquiry made (11th March 1981) by the General Manager revealed that the drawal was made by an assistant accountant of the factory by obtaining a bank draft in favour of firm of Lucknow against 3 fictitious bills for supply of 102 drums of lubricating oil (19,615 litres). The proceeds of the bank draft were realised through a clearing account of a

private bank with a Nationalised bank. On the basis of the report lodged (March 1981) by the Company, the Police seized Rs.1.87 lakhs from the locker of the official (fixed deposit receipts Rs.1 lakh, bank current account Rs.0.79 lakh, savings bank account Rs.2,200 and cash Rs.5,900). The cash/documents seized had been deposited in the Court at Bahraich and the official was under suspension since March 1981.

The reports of the General Manager (15th March 1981) and internal audit (14th March 1981) disclosed that the fraudulent drawal was facilitated by the General Manager signing in advance blank debit advice forms and requisitions for obtaining bank drafts (no cheques were being drawn for obtaining bank drafts). Such pre-signed advice/requisitions were used to be left by the General Manager with the Chief Accountant of the factory.

The Management stated (May 1981) that this practice was adopted in good faith to facilitate withdrawal from the bank during the absence of the General Manager for official work.

It was further stated (November 1981) that in order to exercise control on finances joint signature system had been introduced in all units of the Company.

The matter was reported to the Government in October 1981 ; reply was awaited (May 1982).

#### 5.03. *Extra expenditure on purchase of gunny bags*

Up to 1979-80 the requirement of gunny bags for packing sugar was met by the Company by making direct purchase from manufacturers after inviting tenders in accordance with stores purchase procedure laid down by the Company. During 1980-81 the Company placed three indents (31st January, 7th and 10th February 1981) on Uttar Pradesh Co-operative Federation Limited (UPCF) to arrange for 6.88 lakh gunny bags for different units of the Company ; the conditions, *inter alia*, were that UPCF would invite tenders on behalf of the Company which would be opened in the presence of an authorised officer of the Company and the UPCF would pursue the despatches and charge one *per cent* commission on the amount billed.

By deputing two officers to Calcutta, the UPCF placed orders without inviting tenders (February 1981) for the entire quantity at rates higher than the prevailing rates circulated by the Gunny Trade Association on the dates of coverage. This re-



sulted in an extra expenditure of Rs.0.75 lakh (excluding sales tax, excise duty and commission payable to UPCF).

The Management stated (May 1981) that the switchover from direct purchases of gunny bags to purchases through UPCF was resorted to as it had the expertise to handle purchases of gunny bags.

The matter was reported to Management/Government in October 1981; replies were awaited (May 1982).

#### 5.04. *Non-payment of purchase tax*

Under Section 3-A of Uttar Pradesh Sugarcane (Purchase Tax) Act, 1961, purchase tax on sugarcane is required to be paid by the purchaser to Government before lifting sugar from the factory for sale or consumption, failing which penalty up to 100 per cent is leviable.

During 1979-80 season the Burhwal unit of the Company failed to pay the purchase tax amounting to Rs.2.86 lakhs due on sugarcane before lifting sugar from the factory for which penalty amounting to Rs.2.86 lakhs was imposed by the Assessment Officer and the Collector of Taxes (August 1980).

The Management stated (January 1982) that purchase tax could not be paid in time due to financial difficulties and that an appeal had been filed (May 1981) with the Cane Commissioner for waiver of penalty which had not yet been decided (March 1982).

The matter was reported to Government in October 1981; reply was awaited (May 1982).

#### *Nandganj Sihori Sugar Company Limited*

#### 5.05. *Blocking-up of funds*

In order to utilise the entire cane produced in the vicinity of the factory (during its construction) a cane crusher was installed (March 1978) by the Company (cost : Rs.0.40 lakh) for manufacture of gur. The crusher was used for only two months

and was lying idle since May 1978. In August 1979 the Company decided to auction the crusher but it could not be disposed of (July 1981) in spite of two successive auctions (August and September 1979) due to poor bids.

The Management stated (November 1981) that the motor (value : Rs.0.10 lakh) had been utilised in the factory ; other parts (value : Rs.0.30 lakh) of the crusher which were of no use in the factory had been kept in store and action was being taken for the auction of the crusher parts.

The matter was reported to Government in October 1981 ; reply was awaited (May 1982).

## ALLAHABAD MANDAL VIKAS NIGAM LIMITED

### 5.06. *Marketing of firewood*

To provide firewood to public in *Kumbh Mela* at Allahabad (January and February 1977), the Company decided (October 1976) to open firewood shops in the *Mela* area. Six shops were opened and a Manager (Fuel) was appointed (December 1976) on contract basis on a consolidated salary of Rs.500 per month without obtaining from him any security/fidelity bond.

The Company purchased 9,612 quintals of firewood for Rs.1.90 lakhs and realised Rs.1.36 lakhs from the sale of the entire quantity (up to September 1977) resulting in a loss of Rs.0.54 lakh. The services of Manager (Fuel) were terminated (February 1977) and it was decided (March 1977) not to deal in firewood business in future. An unspent advance of Rs.2,504 was not recovered from him.

The Management stated (June 1981) that efforts were being made to recover the amount of Rs.2,504 from the *ex-Manager* (Fuel). The reasons for the loss as analysed by the Board (March 1977) were (i) hasty decision to carry out the business, (ii) short receipt of fuel [supervised by the Manager (Fuel)] and driage and (iii) engagement of casual and inexperienced staff.

The matter was reported to Government in September 1981 ; reply was awaited (May 1982).



## UTTAR PRADESH PASCHIM KSHETRIYA VIKAS NIGAM LIMITED

### 5.07. *Delay in implementation of a project*

On the basis of a feasibility report submitted (March 1977) by a consultancy firm of Kanpur for the establishment of a spinning mill at Bareilly for manufacture of yarn from cotton waste, the Company decided (December 1977) to implement the project. The project was estimated to cost Rs.12.94 lakhs (including working capital of Rs. 1.80 lakhs), was to commence commercial operation after 8 months from the date of implementation of the project and to yield an operating profit of Rs.0.52 lakh, Rs.1.74 lakhs and Rs.2.87 lakhs during the first, second and third years respectively of commercial operation.

In July 1978, the construction of factory building was entrusted to U. P. Rajkiya Nirman Nigam Limited (UPRNN) at a cost of Rs.5.34 lakhs. A sum of Rs.3.25 lakhs was paid to the UPRNN (April to November 1979) but the work relating to flooring of the production hall, electric wiring and finishing *etc.* still remained to be done (December 1981). The work was held up for want of specification of the foundation and placement position of plant and machinery. Tenders for purchase of plant and machinery (estimated cost : Rs.5.50 lakhs) called for and received on four occasions (December 1978, December 1979, March and June 1980) were rejected on the first 3 occasions for different reasons, while the validity period of tenders expired on the fourth occasion.

The Project Manager was already in position since November 1977 and a sum of Rs.1.25 lakhs (approximately) had been paid as pay and allowances, etc., up to March 1982.

The matter was reported to the Management/Government in September 1981; replies were awaited (May 1982).

CHAPTER II  
STATUTORY CORPORATIONS  
SECTION VI

*Introduction*

6.01. *General*

There were four Statutory Corporations as on 31st March 1981 :

- Uttar Pradesh State Electricity Board,
- Uttar Pradesh Financial Corporation,
- Uttar Pradesh State Warehousing Corporation, and
- Uttar Pradesh State Road Transport Corporation.

The accounts of Uttar Pradesh State Road Transport Corporation for the years 1978-79 to 1980-81 were in arrears (March 1982).

The position of arrears in the finalisation of accounts was last brought to the notice of Government in May 1982. A synoptic statement showing the summarised financial results of the Corporations based on the latest available accounts is given in Appendix 'B'.

6.02. *Uttar Pradesh State Electricity Board*

The working results and operational performance of the Uttar Pradesh State Electricity Board have been reviewed in Section VII of this Report.

6.03. *Uttar Pradesh Financial Corporation*

6.03.01. *Introduction*

The Uttar Pradesh Financial Corporation was established on 1st November 1954 under Section 3(1) of the State Financial Corporations Act, 1951.

6.03.02. *Paid-up capital*

The paid-up capital of the Corporation as on 31st March 1981 was Rs.945.36 lakhs (State Government : Rs.457.86 lakhs ; IDBI : Rs.457.86 lakhs ; Others : Rs.29.64 lakhs) against the paid-up capital of Rs.745.00 lakhs (State Government : Rs.407.86 lakhs ; IDBI : Rs.307.50 lakhs ; Others : Rs.29.64 lakhs) as on 31st March 1980. The State Government has released during 1980-81 a further sum of Rs.27.32 lakhs towards share money. Shares for this amount were allotted in August 1981 on receipt (July 1981) of matching contribution from IDBI.



6.03.03. *Guarantees*

Government have guaranteed repayment of share capital of Rs.910.36 lakhs\* (excluding special share capital of Rs.35 lakhs) under Section 6 (1) of the State Financial Corporations Act, 1951 and payment of minimum dividend thereon at the rate of 3.5 per cent. Subvention paid by Government (up to 1963-64) towards the guaranteed dividend amounted to Rs.13.50 lakhs, whole of which was outstanding for repayment as on 31st March 1981. The table below indicates the details of other guarantees given by Government for repayment of loans raised by the Corporation and payment of interest thereon :

Particulars	Years of guarantee	Amount guaranteed	Amount outstanding as on 31st March 1981		
			Principal	Interest	Total**
Bonds	1968-69 to 1980-81	3425.21	3217.38	..	3217.38
Loan (secured by ad-hoc bonds issued by the Corporation of the face value of Rs. 305 lakhs guaranteed by State Government)	—	50.00	50.00	..	50.00
		3475.21	3267.38	..	3267.38

6.03.04. *Financial position*

The table below summarises the financial position of the Corporation under the broad headings for the three years up to 1980-81 :

	1978-79	1979-80	1980-81
	(Rupees in lakhs)		
Capital and liabilities			
Paid-up capital	6,45.00	7,45.00	9,45.36
Share application money	..	..	27.32
Reserve fund and other reserves and surplus	3,85.84	4,65.13	5,77.38
Borrowings			
Bonds and debentures	23,37.38	27,22.38	32,17.38
Others	21,10.22	32,38.50	45,21.01
Subvention paid by the State Government on account of dividend	13.50	13.50	13.50
Other liabilities and provisions	2,08.62	2,61.98	3,71.27
Total	57,00.56	74,46.49	96,73.22

\*Figure as per Finance Accounts is Rs. 1202.14 lakhs; the difference is under reconciliation.

\*\*Figures as per Finance Accounts are Rs. 2339.98 lakhs in respect of bonds and Rs. 412.50 lakhs in respect of loans. The difference is under reconciliation.

	1978-79	1979-80	1980-81
	(Rupees in lakhs)		
<b>Assets</b>			
Cash and bank balances	3,52.15	4,95.45	4,81.43
Investment	30.10	32.57	32.68
Loans and advances	50,36.19	65,91.50	87,57.88
Net fixed assets	27.53	29.42	37.18
Dividend deficit account	13.50	13.50	13.50
Other assets	2,41.09	2,84.05	3,50.55
<b>Total</b>	<b>57,00.56</b>	<b>74,46.49</b>	<b>96,73.22</b>
Capital employed*	48,44.71	60,86.25	79,09.77
Net worth**	10,17.34	11,56.63	15,36.56
Capital invested@	52,98.00	68,45.83	89,63.90

#### 6.03.05. Working results

The following table gives details of the working results of the Corporation for the three years up to 1980-81 :

	1978-79	1979-80	1980-81
	(Rupees in lakhs)		
<b>Particulars</b>			
<b>Income</b>			
Interest on loans and advances £	4,70.07	5,56.30	7,40.57
Other income	15.20	15.85	25.41
<b>Total</b>	<b>4,85.27</b>	<b>5,72.15</b>	<b>7,65.98</b>
<b>Expenses</b>			
Interest on long-term loans	2,41.77	3,06.82	4,14.92
Other expenses	1,15.88	1,32.52	1,76.92
<b>Total</b>	<b>3,57.65</b>	<b>4,39.34</b>	<b>5,91.84</b>

\*Capital employed represents the mean of the aggregate of opening and closing balances of paid up capital, bonds and debentures, borrowings and deposits.

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

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

£Interest accrued, but not taken into account : Rs. 122.07 lakhs, Rs. 157.21 lakhs, Rs. 233.37 lakhs for 1978-79, 1979-80 and 1980-81 respectively.



Particulars	1978-79	1979-80	1980-81
	(Rupees in lakhs)		
Profit before tax	1,27.62	1,32.81	1,74.14
Provisions for tax	47.08	51.57	67.48
Other appropriations	62.89	59.37	79.91
Amount available for dividend	17.65	21.87	26.75
Dividend paid	17.63	21.93	26.75
Total return on capital employed	3,69.39	4,39.63	5,89.06
Total return on capital invested	3,69.39	4,39.63	5,89.06
Rate of return on :	(Per cent)		
—Capital employed	7.6	7.2	7.4
—Capital invested	7.0	6.4	6.6

#### 6.03.06. Sanctions and disbursements of loans

The table below indicates the loan applications received, loans sanctioned, amounts disbursed *etc.* during the three years up to 1980-81 :

Particulars	1978-79		1979-80		1980-81		Cumulative since inception	
	Num-ber	Amount (Rupees in lakhs)	Num-ber	Amount (Rupees in lakhs)	Num-ber	Amount (Rupees in lakhs)	Num-ber	Amount (Rupees in lakhs)
Applications pending at the beginning of the year	181	721.36	163	730.21	337	947.19	..	..
Applications received	1210	4350.37	4268	6239.00	5779	7286.89	18251*	39252.79
Total	1391	5071.73	4431	6969.21	6116	8234.08	18251	39252.79
Applications sanctioned	728	2484.77	2745	3320.02	4286	4360.83	11854	21216.86
Applications cancelled/withdrawn/rejected	500	1609.30	1349	2349.97	1474	2191.67	6239	14629.33
Applications pending at the close of the year	163	730.21	337	947.19	356	1265.01	356	1265.01
Loans disbursed	427	1088.60	774£	1668.18	2254	2499.37	5381	9710.20
Effective commitments	..	5431.31	..	6124.52	..	7824.52	..	15035.35

\*Difference of 198 applications is under reconciliation.

£Figure as per Corporation's account is 842.





### 6.04.03. Guarantees

The table below indicates the details of guarantees given by Government for repayment of loans raised by the Corporation and payment of interest thereon :

Particulars	Years of guarantee	Amount guaranteed	Amount outstanding as on 31st March 1981		
			Principal	Interest	Total
State Bank of India	1977-78	350.00	350.00	..	350.00

### 6.04.04. Financial position

The table below summarises the financial position of the Corporation under broad headings for the three years up to 1980-81 :

	1978-79	1979-80	1980-81
	(Rupees in lakhs)		
<i>Liabilities :</i>			
Paid-up capital	2,42.50	2,82.50	3,36.50
Reserves and surplus	6,36.28	7,24.50	8,04.90
Borrowings	10,25.75	10,25.00	11,25.30
Trade dues and other current liabilities	1,36.63	2,61.81	2,70.00
Total	<u>20,41.16</u>	<u>22,93.81</u>	<u>25,36.70</u>
<i>Assets</i>			
Gross block	12,22.71	15,54.54	18,39.44
Less : Depreciation	58.55	1,24.37	1,79.49
Net fixed assets	11,64.16	14,30.17	16,59.95
Capital works-in-progress	4,16.41	..	60.41
Current assets, loans and advances	4,60.59	8,57.37	8,09.78
Miscellaneous expenditure	..	6.27	6.56
Total	<u>20,41.16</u>	<u>22,93.81</u>	<u>25,36.70</u>
Capital employed*	14,79.88	20,25.73	21,99.73
Capital invested@	18,96.41	20,23.90	22,58.61

\*Capital employed represents the net fixed assets plus working capital.

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

### 6.04.05. Working results

The following table gives the details of the working results of the Corporation for the three years up to 1980-81 :

Particulars	1978-79	1979-80	1980-81
(Rupees in lakhs)			
<i>Income :</i>			
Warehousing charges	4,81.93	4,89.61	4,88.54
Other income	11.83	12.50	11.56
<b>Total</b>	<b>4,93.76</b>	<b>5,02.11</b>	<b>5,00.10</b>
<i>Expenses :</i>			
Establishment charges	1,10.72	1,33.23	1,57.75
Interest	* 43.88	79.74	81.68
Other expenses	1,90.69	1,76.01	1,57.10
<b>Total</b>	<b>3,45.29</b>	<b>3,88.98</b>	<b>3,96.53</b>
Profit before tax	1,48.47	1,13.13	1,03.57
Provisions for tax	..	..	..
Other appropriations	132.50	90.31	81.10
Amount available for dividend£	16.20	22.84	23.09
Dividend paid	16.20	22.60	23.08
Total return on :			
—Capital employed	192.35	192.87	185.17
—Capital invested	192.35	192.87	185.17
Rate of return on :	(Per cent)		
—Capital employed	13.0	9.5	8.4
—Capital invested	10.1	9.5	8.2

### 6.04.06. Operational performance

The following table gives the details of the storage capacity created, capacity utilised and other information about the performance of the Corporation for the three years up to 1980-81 :

Particulars	1978-79	1979-80	1980-81
Number of stations covered	139	139	142
Storage capacity created up to the end of the year (tonnes in lakhs)			
Owned	6.45	7.74	8.39
Hired	8.04	6.63	3.71
<b>Total</b>	<b>14.49</b>	<b>14.37</b>	<b>12.10</b>
Average capacity utilised during the year (tonnes in lakhs)	14.61	14.43	11.71
Percentage of utilisation	100.8	100.4	96.8
Average revenue per tonne per year (Rupees)	33.80	34.80	42.70
Average expenses per tonne per year (Rupees)	23.63	26.96	33.86

### 6.05. Uttar Pradesh State Road Transport Corporation

The working results and operational performance of the Uttar Pradesh State Road Transport Corporation have been reviewed in Section XIII of this Report.

£Includes surplus from the previous year.



## SECTION VII

### UTTAR PRADESH STATE ELECTRICITY BOARD

#### Introduction

##### 7.01. General

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

##### 7.02. Capital

The capital requirements of the Board are provided in the form of loans from the Government, the public, the banks and other financial institutions.

The aggregate of long-term loans (including loans from Government) obtained by the Board was Rs.2425.28 crores at the end of March 1981 and represented an increase of Rs.286.77 crores *i.e.* 13.4 per cent on the aggregate of long-term loans of Rs.2138.51 crores at the end of the previous year. Details of loans obtained from different sources and outstanding at the close of the two years up to March 1981 were as follows :

Sources	Amount outstanding as on 31st March		Percentage increase
	1980	1981	
	(Rupees in crores)		
State Government	1759.24	1968.06	11.9
Other sources	379.27	457.22	20.6
Total	2138.51	2425.28	13.4

##### 7.03. Guarantees

Government have guaranteed the repayment of loans raised by the Board to the extent of Rs.448.77\* crores and payment of interest thereon. The amount of principal guaranteed and outstanding as on 31st March 1981 was Rs.298.89\* crores.

\*Figures of guarantee and amount outstanding thereagainst as per Finance Accounts are Rs. 461.25 crores and Rs. 299.09 crores respectively; differences are under reconciliation.

7.04. *Financial position*

The financial position of the Board at the close of the three years up to March 1981 is given in the following table :

	1978-79	1979-80	1980-81
	(Rupees in crores)		
<i>Liabilities</i>			
Loans from Government	1600.29	1759.24	1968.06*
Other long-term loans (including bonds)]	303.08	379.27	457.22
Reserves and surplus	80.38	89.49	147.97
Current liabilities	175.40	324.46	444.63
Total	2159.15	2552.46	3017.88
<i>Assets</i>			
Gross fixed assets	1238.65	1281.57	1819.24
Less : Depreciation	198.04	198.29	198.35
Net fixed assets	1040.61	1083.28	1620.89
Capital work-in-progress	666.22	831.77	537.46
Current assets	285.06	487.19	692.75
Miscellaneous expenditure not yet written off	7.80	8.26	7.32
Accumulated losses	159.46	141.96	159.46
Total	2159.15	2552.46	3017.88
Capital employed@	1150.27	1246.01	1868.99
Capital invested£	1983.75	2228.00	2573.25

\*Figure as per Finance Accounts, is Rs. 1936.20 crores. The difference is under reconciliation.

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

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



## 7.05. Working results

The working results of the Board for the three years up to March 1981 are summarised below :

	1978-79	1979-80	1980-81
	(Rupees in crores)		
Revenue receipts	224.82	256.70	284.17
Subsidy from the State Government	..	101.00	144.57
<b>Total</b>	<b>224.82</b>	<b>357.70</b>	<b>428.74</b>
Revenue expenditure	208.38	215.48	262.27
Gross surplus for the year	16.44	142.22	166.47
Appropriations :			
Interest on :			
—Government loans	..	95.91	105.89
—Other loans	21.91	27.71	33.24
Write-off of intangible assets	0.96	1.10	1.27
	22.87	124.72	40.40
Net surplus (+)/deficit(—)	(—)6.43	(+)17.50	(+)26.07*
Total return on capital employed	15.48	141.12	165.20
Total return on capital invested	15.48	141.12	165.20
		(Per cent)	
Rate of return on :			
—Capital employed	1.4	11.3	8.8
—Capital invested	0.8	6.3	6.4

As on 31st March 1981 the Board had a cumulative contingent liability of Rs. 446.26 crores as detailed below :

	For the year 1980-81	Cumulative as on 31st March 1981
	(Rupees in crores)	
Interest on Government loans	37.23**	371.40
Depreciation	38.07	74.86
<b>Total</b>	<b>75.30</b>	<b>446.26</b>

\*The net surplus of Rs. 26.07 crores was utilised in repayment of loans from the State Government.

\*\*Includes a sum of Rs 28.24 crores on account of arrears of interest for the years 1959-60 to 1979-80.

## 7.06. Operational performance

The following table indicates the operational performance of the Board for the three years up to 31st March 1981 :

Particulars	1978-79	1979-80	1980-81
<b>Installed capacity (MW)</b>			
Thermal	1981.10	2173.10	2363.10
Hydel	1068.35	1068.35	1212.35
Others	12.50	12.50	12.50
<b>Total</b>	<b>3061.95</b>	<b>3253.95</b>	<b>3587.95</b>
<b>Normal maximum demand(MW)</b>	<b>2000</b>	<b>2571</b>	<b>2955</b>
		(Mkwh)	
<b>Power generated</b>			
Thermal	6441.701	6854.305	6733.661
Hydel	3682.547	3265.797	3456.510
Others	5.744	3.729	0.318
<b>Total</b>	<b>10129.992</b>	<b>10123.831</b>	<b>10190.489</b>
<b>Less : Auxiliary consumption</b>	<b>760.912</b>	<b>804.752</b>	<b>876.778</b>
<b>Net power generated</b>	<b>9369.080</b>	<b>9319.079</b>	<b>9313.711</b>
<b>Power purchased</b>	<b>482.482</b>	<b>404.385</b>	<b>391.907</b>
<b>Total power available for sale</b>	<b>9851.562</b>	<b>9723.464</b>	<b>9705.618</b>
<b>Power sold—</b>			
Sold and billed	7915.659	7869.089	8119.123
Sold but not yet billed	93.437	13.402	44.850
Power supplied free	18.254	12.868	12.694
<b>Total</b>	<b>8027.350</b>	<b>7895.359</b>	<b>8176.667</b>
<b>Transmission and distribution losses</b>	<b>1824.212</b>	<b>1828.105</b>	<b>1528.951</b>
		(per cent)	
<b>Load factor</b>	<b>29.9</b>	<b>27.6</b>	<b>31.4</b>
<b>Percentage of transmission and distribution losses to total power available for sale</b>	<b>18.5</b>	<b>18.8</b>	<b>15.8</b>
		(Kwh)	
<b>Number of units generated per Kw of installed capacity</b>	<b>3308</b>	<b>3111</b>	<b>2840</b>



7.07. The following table gives other details about the working of the Board as at the end of the three years up to 31st March 1981 :

Particulars	1978-79	1979-80	1980-81
Villages/towns Electrified (numbers)	36621	38902	42697
Pump-sets/wells energised (numbers)	324177	361590	402753
Number of sub-stations	132	142	146
Transmission and distribution lines (kms)			
High voltage	12876	14453	14533
Medium voltage	129182	Not Available	140502
Low voltage	92372	—Do.—	112876
Total	234430	..	267911
Connected load (MW)	4537.155*	4932.856*	5330.960*
Number of consumers	1923947	2081945	2154724
Number of employees	93000	88944	93641
The following table gives the details of power sold, revenue, expenses and profit per KWH sold during the three years up to 1980-81 :			
Units sold (Mkwh)	1978-79	1979-80	1980-81
Agriculture	2401.106	2529.226	2772.616
Industrial	3958.022	3515.119	3428.584
Commercial	75.055	61.274	54.383
Domestic	807.361	963.835	1028.220
Others	692.369	812.503	848.014
Total	7933.913	7881.957	8131.817
Revenue per kwh (paise)	28.33	45.38	52.72
Expenditure per kwh (paise)**	26.26	32.01	36.93
Profit per kwh (paise)	2.07	13.37	15.79

\*Includes 0.25 MW load of Hindalco met through their captive generation.

\*\*Worked out after taking into account the total depreciation but excluding interest on loans.

## SECTION VIII

### CASH MANAGEMENT

#### 8.01. *Introduction*

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

The revenue of the Board is collected in 107 revenue divisions and deposited in local banks in "branch receipt account" of the units for transfer bi-weekly to main receipt account of the Board at Lucknow. The units are not authorised to incur any expenditure out of receipts. For expenditure, the units are operating an expenditure account to which funds are transferred by the Board's Headquarters office from time to time on receipt of requisition of funds from the units. Besides, collection of revenue has also been entrusted to certain banks at Varanasi, Lucknow, Allahabad and Agra which collect revenue against bills issued by the Board and remit the amount weekly to the Board's main receipt account at Lucknow.

Other receipts of the Board like loans raised from the State Government, borrowings from financial institutions *etc.* are credited to Board's main account at Lucknow.

The cash outflow of the Board comprises expenditure incurred on capital works, establishment, fuel, stores and stock, purchase of power and is mainly incurred by divisions/projects. Payments for purchase of coal are made centrally.

#### 8.02. *Accounts with treasuries*

The Board was having its banking operations with Government treasuries but started banking arrangement of one-third of its cash business with scheduled banks from May 1969. From February 1973, it diverted its entire banking operations with scheduled banks.

The cash balance of the Board with treasuries/banks and remittances-in-transit as per the accounts for 1980-81 was Rs. 44,91.05 lakhs.



In September 1973 the units were instructed by the Board to effect transfer of the balances lying with the treasuries to the credit of the Board as per records of the treasury and thereafter reconcile the books of accounts of the Board with those of the treasuries. The transfers had not so far been effected (March 1982).

#### 8.03. *Bank reconciliation*

In October 1976, the units of the Board were instructed to submit a statement of funds remitted from Lucknow to the units and *vice-versa*, bank reconciliation statement (receipts and expenditure account) alongwith copy of bank statement (in duplicate) to the Board by 15th of the succeeding month. On the basis of these statements, the reconciliation cell at the Board's Headquarters office was to carry out bank reconciliation of receipts and expenditure accounts with reference to the bank statements received from the bank at Lucknow operated by the Headquarters office of the Board. It was noticed that reconciliation for the period from January 1980 to July 1981 was in arrears (June 1982). In the absence of timely reconciliation, failure of the Banks in effecting timely transfer of funds remained undetected.

#### 8.04. *Cash budgeting*

Prior to 1980-81, the Board had not prepared any cash budget. A *pro forma* for requisition of funds was prescribed and funds were allotted to the units on the basis of fortnightly requirements intimated by them. Besides, demands were frequently being received from the field offices through telegrams and telex, which were also entertained and releases made.

#### 8.05. (a) *Delay in transfer of funds*

In May 1969, the Board issued instructions to all its units to maintain an account—"Uttar Pradesh State Electricity Board Branch Receipt Account"—where all receipts from consumers on account of power consumption, security deposits and miscellaneous incomes were to be credited and available money to nearest rupee was to be transferred to the Board's Main Receipt Account at Lucknow by telegraphic transfer.

Illustrative cases of abnormal delays noticed in test check by Audit are listed below :

- (i) There was a delay of 10 to 2,085 days in crediting

the funds received from branch receipt accounts of 13 banks to the Board's main receipt account involving Rs.1,081.84 lakhs during June 1969 to December 1976. A claim of Rs.53.43 lakhs towards interest preferred with the respective banks in September 1979 had no response. Earlier the Law Cell of the Board and the State Government were of the view (June 1977) that in the absence of a provision enabling the Board to claim interest on delayed remittances in the draft agreement between the Board and the banks, the case was not sustainable in a Court of Law. It was also felt by them that the claim was time-barred.

(ii) In the case of delay in transfer of funds by 2 banks (10 to 1823 days) during January 1977 to December 1979 involving a sum of Rs.435.68 lakhs, the extent of loss of interest at the rate of 14 *per cent* per annum (paid on cash credit) worked out to Rs.170.45 lakhs for which a claim was lodged by the Board with the banks in August 1981. Further developments were awaited (March 1982).

(iii) Against a sum of Rs.1 lakh remitted (October 1978) by a bank from Lucknow to its Dehradun branch, a sum of Rs.0.10 lakh only was credited to the unit's expenditure account. The balance amount of Rs.0.90 lakh was, however, credited to the unit's account at the end of August 1980. The extent of loss on account of interest at 14 *per cent* (the rate paid for cash credit) worked out to Rs.0.23 lakh. Similarly, a sum of Rs.4.80 lakhs transferred to 3 units by Lucknow branch of the bank in January 1977 was not credited to the units' expenditure accounts (June 1982). In November 1981 it was stated by the Board that the matter was under correspondence with Bank. The loss of interest at the rate of 14 *per cent* per annum up to March 1982 works out to Rs.3.53 lakhs.

(iv) During July 1977 to December 1979, a sum of Rs.13.59 lakhs was short credited by a bank at Lucknow out of the funds transferred by 42 units of the Board. Out of this, a sum of Rs.1.69 lakhs short credited in July 1977 was credited in November 1981 and a sum of Rs.3.01 lakhs short credited in June 1979 was credited in July 1981. It was stated (December 1981) by the



Board that the balance of Rs.8.89 lakhs was under reconciliation. The extent of loss of interest at 14 per cent worked out to Rs.5.27 lakhs (Rs.0.95 lakh on Rs.1.69 lakhs, Rs.0.46 lakh on Rs.3.01 lakhs and Rs.3.86 lakhs on the balance up to March 1982). No claim of interest was, however, lodged by the Board (June 1982).

(b) *Non-crediting of funds in the main receipt account*

A sum of Rs.58.68 lakhs transferred by 66 units of the Board from February 1977 to December 1979 from branch receipt accounts was not credited to the Board's main receipt account at Lucknow (March 1982) by 2 banks. It was stated by the Board (December 1981) that the position was under reconciliation. The interest at 14 per cent per annum on the amount blocked up to March 1982 worked out to Rs.12.23 lakhs.

(c) *Non-crediting of cash/cheques by the banks*

A test check (May 1981) of bank statements of 8 units of the Board revealed that a sum of Rs.18.60 lakhs remitted between October 1975 and September 1980 was not credited by the banks to the units' accounts (March 1982). Besides blocking up of the Board's funds with the banks, the Board also suffered a loss of interest of Rs.1.63 lakhs at 14 per cent paid on cash credit. It was stated (January 1982) by the Board that all the units had been instructed (December 1981) to reconcile the old cases and avoid recurrence of such cases in future.

(d) *Deposits made by revenue authorities*

In 15 units of the Board, a sum of Rs.19.27 lakhs realised during January 1974 to August 1980 as arrears of land revenue by the revenue authorities under Section 5 of Uttar Pradesh Government Electrical Undertakings (Dues Recovery) Act, 1958, was deposited by them in the Government account as electricity duty instead of in the Board's receipt account in spite of clear instructions by the Board. The matter was taken up by the Board with the State Government from time to time but the refund of the amount was still awaited (March 1982).

8.06. *Loan from Life Insurance Corporation of India*

(a) The table below indicates the amount due for payment to Life Insurance Corporation of India (LIC) in respect of loans, due dates of payment, dates on which the Board advised the bank

to credit the amount to the account of the LIC, actual dates of transfer and additional interest claimed by LIC on account of delay in transfer of funds by the bank :

Amount due for repayment (Rupees in lakhs)	Due date of payment	Date on which advice sent for credit	Actual date of transfer	Delay in days	Additional interest claimed by LIC			
					Forfeiture of rebate in interest	Compound interest	Total	
					(Rupees in lakhs)			
15.00	13th March 1973	5th March 1973	27th May 1973	75 days	0.63	0.25	0.88	
33.38	28th July 1980	27th July 1980	8th August 1980	11 days	0.11	0.08	0.19	
12.38	21st August 1980	Not available	23rd August 1980	2 days	0.41	0.01	0.41	
							1.48	

Out of Rs.1.48 lakhs claimed by LIC, the Board paid Rs.0.88 lakh in November 1975 and preferred a counter claim (May 1976) for equivalent amount against the defaulting bank. In July 1981 Rs.0.88 lakh were refunded by the bank. No claim for loss of interest (Rs.0.60 lakh) for delay in refund of Rs.0.88 lakh paid (67 months) was preferred by the Board (March 1982).

As regards the balance amount of Rs.0.60 lakh, the Board approached (November 1980) LIC for waiver of the claim and had also approached (November 1980) the defaulting bank for refund of the amount claimed by LIC which was awaited (June 1982).

(b) The Board obtained (28th January 1974) a loan of Rs.550 lakhs from LIC carrying interest at 9 per cent per annum : interest was payable on 1st June and 1st December every year. Against an interest of Rs.16.82 lakhs (28th January 1974 to 31st May 1974), the Board paid (November 1974) Rs.20.88 lakhs (28th January 1974 to 30th June 1974). The excess payment of Rs.4.06 lakhs was adjusted by the LIC against interest payable on another loan after 527 days (10th November 1975). The loss of interest at the rate of 12½ per cent (paid on cash credit) on the excess amount paid works out to Rs.0.75 lakh. The Board stated (June 1981) that excess payment to LIC was made due to oversight.



### 8.07. *Loan from Agricultural Finance Corporation Limited*

Agreements for two loans of Rs.12 crores and Rs.13.20 crores for energisation of private tubewells and pumpsets entered into by the Board with Agricultural Finance Corporation of India (AFC) in April 1972 and September 1973 respectively provided for a rebate of  $\frac{1}{2}$  a per cent per annum for repayment of principal and payment of interest on or before the due dates. Even though the principal and interest were paid within the due dates, rebate admissible on interest paid was not deducted resulting in excess payment of Rs.56.34 lakhs for the period from April 1972 to April 1981; the claims for refund had not yet been settled (March 1982).

### 8.08. *Loan from banks*

In view of the critical financial position of the Board, the term loans of Rs.1609 lakhs obtained (1970-71) from 4 banks could not be repaid as per repayment schedule. The banks demanded (November 1975) higher rate of interest (6 per cent above the bank rate subject to a minimum of 15 per cent) against the originally agreed rate of interest ( $3\frac{1}{2}$  per cent above bank rate subject to a minimum of  $9\frac{1}{2}$  per cent) which was accepted by the Board (February 1976). The liability of interest (Rs.766.04 lakhs) including additional liability (Rs.134.66 lakhs) on account of increase in the rate of interest was discharged (April 1980) by the Board. As the Board did not pay the interest on the due dates in some cases, as rescheduled, the banks decided to charge compound interest. Further, the banks also applied the enhanced rates of interest from 1st December 1973 (from 10 per cent to 11 per cent) and from 1st June 1974 (from 11 per cent to 13 per cent). The additional liability on these counts amounted to Rs.115.33 lakhs. The claims were not accepted by the Board on the ground that the loan agreements did not contain the condition of payment of compound interest and there was dispute in the dates from which the enhanced rates of interest were to be applied.

The Board stated (August 1981) that some of the banks had referred the claim to their head offices.

### 8.09. *Avoidable expenditure*

(i) In test check of the records of Electricity Stores Divisions, Agra and Lucknow (September 1981) it was noticed that

against the bills of suppliers for Rs. 1371.08 lakhs during 1980-81, the total release of cash was Rs. 1094.72 lakhs only. A sum of Rs. 14.10 lakhs had to be paid as demurrage and wharfage during this period due to delay in retirement of documents, on account of non-availability of funds with the divisions.

(ii) In September 1980 Electricity Transmission Division, Sultanpur paid Rs. 3.77 lakhs (including Rs. 1.08 lakhs recovered from the firm) as demurrage and wharfage on account of delays ranging from 45 to 140 days in retiring the documents (Rs. 20.87 lakhs) of a firm of Bombay for supply of tower parts of 400 KV Sultanpur-Azamgarh line, 220KV Sultanpur-Azamgarh line and 220 KV Sultanpur-Gonda line due to non-availability of funds in the division : but at the same time, the Board had released funds for retiring the documents of another firm for supply of 1000 tonnes of tower members of various 132 KV lines, work on which would be started in 1983-84. The material received in March 1980 to May 1981 was lying in stores (March 1982).

#### 8.10. *Delays in realisation of cash*

8.10.1. An important aspect of cash management is to ensure prompt recovery of amounts due. The position of arrears as per records of Chief Engineer (Commercial) at the close of the three years up to 1980-81 is indicated below :

	1979	As on 31st March	
		1980	1981
(Rupees in lakhs)			
Domestic and commercial	11,54.71	13,84.67	14,26.92
Small and medium industries	9,24.88	11,26.08	12,25.75
Large and heavy power	8,83.85	8,20.44	11,77.23
Public light and water works	2,74.39	4,48.66	6,96.74
State tubewells	2,27.64	1,98.22	1,56.49
Private tubewells	22,45.15	25,29.48	27,95.55
Railway traction	3.50	23.66	24.58
Private licensee	2,98.80	2,82.40	2,38.57
Municipal Board licensees	1,71.17	1,30.10	1,76.46
Extra State consumers	55.61	32.97	49.27
Board employees	32.36	45.06	40.11
Others	42.87	55.79	6.99
	63,14.93	70,77.53	80,14.66

Note : As per annual accounts of the Board the figures were Rs. 6349.56 lakhs, Rs. 7140.50 lakhs and Rs. 8231.71 lakhs as on 31st March 1979, 1980 and 1981 respectively. The differences were under reconciliation.



The Board decided (October 1977) that in view of adverse financial condition, a vigorous drive might be launched for collection of revenue and recovery of arrears. Again in the Annual Financial Statement submitted to the State Government for the year 1980-81 the Board reiterated that arrears would be brought down to one month's sale of energy.

There was, however, increase in arrears during 1979-80 to the extent of Rs.762.60 lakhs as compared to 1978-79 and to the extent of Rs.937.13 lakhs during 1980-81 as compared to 1979-80. The percentage of arrears to sale of energy (Rs.275.24 crores) was 29.1 during 1980-81\* as against 28.5 in 1979-80 and 29.8 in 1978-79.

The age-wise analysis of the arrears was not available with the Board although a mention was made in the Annual Financial Statement for the year 1979-80 that a review of all old outstanding cases would be made.

8.10.2. The number of defaulters in payment of electricity dues in excess of Rs.5 lakhs at the end of March 1981 was 43 of which one consumer each at Mirzapur (Rs.520.38 lakhs), Kanpur (Rs.124.38 lakhs), Gorakhpur (Rs.112.84 lakhs), Lucknow (Rs.52.84 lakhs) and Bihar State Electricity Board (Rs.28.35 lakhs) were heavily in default. Besides 56 local bodies of the State had arrears of Rs.696.74 lakhs for supply of power for street lights and canal and sewage pumping.

#### 8.11. *Assessment and collection of revenue*

Some illustrative cases of default in assessment and collection of revenue are mentioned below :

##### (i) *Delay in billing*

(a) While the Board bills light and fan consumers once in two months, other consumers are billed monthly. In test check (February 1980) of the records of 2 units (Varanasi Electric Supply Undertaking and Agra Electric Supply Undertaking) of the Board, 214 cases (private tubewell consumers : 12, industrial consumers : 3 and light and fan consumers : 199) of non-billing involving recovery of Rs.7.49 lakhs up to January 1980 were noticed. The reason for non-billing of light and fan consumers of Agra Electric Supply Undertaking was non-feeding of "master

\*Figures of 1980-81 are provisional.



information" (*viz.* name and address of the consumers, date of connection, load and initial reading) to the computer.

(b) The meter of Ghaziabad Development Authority (GDA) was burnt in January 1978. As per the Board's existing orders (October 1976) units to be billed in such cases should be worked out on the basis of load, burning hours and multiplying factor. No billing was, however, done up to December 1979. Belated assessment was, however, made (July 1980) for a period of 6 months from January 1980 as the consumer could be assessed only for a maximum period of 6 months as stipulated in the above order. The amount not billed up to December 1979 worked out to Rs.0.91 lakh.

(ii) *Delay in application of revised tariff*

(a) As per standard form of agreements with large and heavy power consumers, the Board can revise its tariff which shall be effective from the date of its publication in the *Gazette*. It was seen in test check (May 1980) that the agreements with 4 consumers of Commercial Division, Ghaziabad had the unusual condition of 3 months' notice for change of rate. Due to this condition the Board had to revise its rates from September 1979 instead of from June 1979 (when there was a general revision of tariffs) in respect of the 4 consumers, resulting in a loss of revenue of Rs.1.25 lakhs.

(b) An agreement entered into (May 1969) with a firm of Ghaziabad for a power load of 1700 KW contained a condition of twelve months' notice (instead of 3 months') due to a typographical error (required to be served after initial period of supply for 5 years). The division, however, served notice before 3 months for increase in the rates with effect from October 1974 which was objected to by the consumer and payments were made under protest. The arbitrator, to whom the matter was referred, gave the award (February 1979) in favour of the consumer arguing that the required notice of 12 months was not given to the consumer and directed the Board to refund Rs.4.72 lakhs being the difference in the rates applicable to the consumer in May 1969 and those charged by the Board after revision of rates. The Board decided (June 1979) not to contest the case and agreed to make refund, which was done in July to September 1980 by making adjustment in the bills of the consumer. A further claim of Rs.19.98 lakhs from May 1976 to September 1979 had also



been referred (October 1979) to arbitration by the firm on the same grounds ; the decision of the arbitrator was awaited (March 1982).

(iii) *Excess adjustment of interest on security deposit in consumers' bills*

The Board instructed (October 1963) all its units to allow interest at 3 *per cent* per annum on the security deposits of the consumers. A unit of the Board at Kanpur (taken over on 16th April 1964) allowed (1970-71 to 1977-78) interest to 53 consumers at the rate of 6 to 8 *per cent* instead of 3 *per cent* per annum resulting in short realisation of revenue to the extent of Rs.1.43 lakhs.

#### 8.12. *Summing-up*

(i) The cash balances lying in the treasuries at the time of complete switch over of its banking operations from treasury to banks had not been reconciled and got transferred to the credit of the Board (March 1982).

(ii) The reconciliation of the transfer of balances from the units to the Board's main account at Lucknow was in arrears from January 1980 to July 1981.

(iii) During June 1969 to December 1976, there was a delay of 10 to 2,085 days in crediting the funds by the main branch of the banks at Lucknow involving a sum of Rs.1081.84 lakhs transferred by the branches of the banks located at different places in the State. A claim of interest of Rs.53.43 lakhs for the delays up to December 1976 lodged with 13 banks in September 1979 was not considered to be sustainable in a Court of Law by the Law Cell of the Board and the State Government. However, a claim of interest of Rs.170.45 lakhs for the delay in the transfer of funds by 2 banks (10—1,823 days) involving Rs.453.68 lakhs was lodged by the Board with the banks in August 1981, but the latest developments were awaited (March 1982).

Rupees 4.80 lakhs transferred by Lucknow Branch of a bank in January 1977 had not been credited to units' accounts. The loss of interest up to March 1982 worked out to Rs.3.53 lakhs.

(iv) During July 1977 to December 1979, Rs.13.59 lakhs transferred by 42 units of the Board were credited short by a bank at Lucknow. Out of this two sums of Rs.3.01 lakhs and Rs.1.69



lakhs were credited in July 1981 and November 1981 respectively and the balance amount was under reconciliation. No claim of interest (Rs.5.27 lakhs) was lodged.

(v) A sum of Rs.58.68 lakhs transferred by the units of the Board during February 1977 to December 1979 was not credited to the main receipt account of the Board (March 1982). The loss of interest up to March 1982 worked out to Rs.12.23 lakhs.

(vi) A sum of Rs.19.27 lakhs realised during January 1974 to August 1980 by the revenue authorities was incorrectly deposited in Government account from time to time, and the transfer of that amount to the Board's account was still awaited (March 1982).

(vii) During March 1973 to August 1980, the bank was advised to pay Rs.60.76 lakhs to Life Insurance Corporation of India (LIC); but the amount was paid late by the bank resulting in avoidable payment of additional interest of Rs.1.48 lakhs to LIC (including Rs.0.60 lakh remaining unpaid). In July 1981, a sum of Rs.0.88 lakh was refunded by the defaulting bank.

(viii) Against the loans of Rs.12 crores and Rs.13.20 crores obtained from AFC in April 1972 and September 1973 respectively, the Board refunded the principal and interest within due dates without claiming the benefit of rebate in the rate of interest admissible (Rs.56.34 lakhs during April 1972 to April 1981). The claim for refund of the rebate had not yet been settled (March 1982).

(ix) Due to critical financial position of the Board, a term loan of Rs.1609 lakhs obtained by the Board from 4 banks during 1970-71 could not be repaid as per repayment schedule. Re-scheduling of the payment of the loans was approved by the Board (February 1976) involving an additional interest liability of Rs.134.66 lakhs (paid in April 1980). The banks had, however, demanded a further sum of Rs.115.33 lakhs from the Board on account of calculation of interest at compound rate *etc.*

(x) The Board had not planned its purchases according to the anticipated availability of cash resources. During 1980-81 due to paucity of funds, two units had to pay Rs.14.10 lakhs towards demurrage/wharfage to the Railways. In another unit, documents of tower parts of transmission lines already in hand were not retired in time resulting in avoidable payment of Rs.2.69 lakhs towards demurrage/wharfage.



(xi) The amount recoverable from sundry debtors increased from Rs.6314.93 lakhs as on 31st March 1978 to Rs.7077.53 lakhs as on 31st March 1979 and to Rs.8014.66 lakhs as on 31st March 1981. The year-wise break-up of debts was not available.

The matter was reported to the Board/Government in November 1981 ; replies were awaited (June 1982).

## SECTION IX

### ALLAHABAD ELECTRIC SUPPLY UNDERTAKING

#### 9.01. *Introduction*

In September 1964 the State Electricity Board took over the business of a licensee firm at Allahabad and Lucknow, which was supplying energy and maintaining distribution lines within the municipal and cantonment limits of these cities and formed Allahabad Electric Supply Undertaking (AESU), Allahabad and Lucknow Electric Supply Undertaking (LESU), Lucknow.

#### 9.02. *Activities*

The main activities of AESU are, distribution and maintenance of electric supply in the town, giving service connections to new consumers, construction/strengthening of lines and substations for regular supply, installation and periodical testing of meters, billing of consumers and realisation of revenue within the municipal and cantonment limits of Allahabad. It had also been generating electricity in its thermal power house at Allahabad (up to May 1979).

#### *Generation*

The Board had been operating three units of 4 MW each taken over from the *ex*-licensee, up to 2nd May 1979 when the Station was closed down as per decision taken by the Board after reviewing the performance of the power station, to retire the plant. The plant (value : Rs.23.06 lakhs) had not been disposed of (June 1982).

The following points were noticed in audit :

(i) Against the installed generating capacity of 70.08 Mkw, the actual generation was 24.99 Mkw in 1976-77, 23.31 Mkw in 1977-78 and 8 Mkw in 1978-79 and the percentage of generation to derated installed capacity (8 MW) declined from 35.7 in 1976-77 to 33.3 in 1977-78 and to 11.4 in 1978-79. The low capacity utilisation of the power station was due to excessive outages which on an average were 3654 hours in 1976-77, 3816 hours in 1977-78 and 5823 hours in 1978-79 against available 8760 hours in each year. Further, actual time taken for overhaul of the machines ranged from 2355 hours (January



to May 1979) to 8242 hours (February 1976 to February 1977) as against 1008 hours for annual overhaul recommended (May 1974) by the Chief Engineer (Generation).

(ii) Major overhauling of the plant was not done during the six years (from 1973-74 to 1978-79) though required once in every three years.

(iii) The difference in the weight of coal as indicated in the railway despatch documents (on the basis of which payments were made to supplier) and the quantity actually received in the power station was charged to consumption without any investigation. The quantity short received (value : Rs.0.80 lakh) during the three years up to 1978-79 was, 23 tonnes, 422 tonnes and 454 tonnes respectively. The percentage of transit shortages varied from 0.1 in 1976-77 to 1.3 in 1977-78 and to 3.21 in 1978-79. The reasons for heavy shortages in 1977-78 and 1978-79 were not investigated (June 1982).

(iv) (a) The Technical Committee\* on Power recommended (December 1972) that in large size power stations there should be around 4 employees per MW of installed capacity. On this basis, the number of persons required for the unit worked out to 32. The actual number of workers ranged from 334 to 348 during the three years up to 1978-79.

(b) Against the statutory provision that overtime put in by a worker should not exceed 50 hours in a quarter, the actual overtime put in by the workers ranged up to 580 hours in a quarter. The unit had paid on an average Rs.3 lakhs per annum towards overtime allowance to workers during the three years up to 1978-79.

### 9.03. Revenue collection

Under the existing arrangement the consumer could, at his option, make payment of a bill by cheque which was treated as cash and posted in the cash book and consumers' ledger. It was, however, noticed that in the cases where cheques were dishonoured by banks, the entries required to be made in the consumers' ledger were not made. The following table indicates year-wise position of such amounts outstanding from consumers as on 31st March 1981 :

\*Appointed by State Government in March 1972 for suggesting ways and means for improvement in the efficiency of the Board.

Year	Number of cheques dishonoured	Amount outstanding (Rupees in lakhs)
1977-78	8	0.15
1978-79	23	0.36
1979-80	46	0.82
1980-81	123	1.27
Total	200	2.60

The Undertaking had not taken effective steps to recover the amount from consumers by disconnecting their supplies and/or re-issue of demand notices (June 1982).

#### 9.04. Revenue arrears

The table below indicates the position of revenue arrears at the close of the three years up to 1980-81 :

Year	Revenue realised during the year	Amount of arrears at the end of the year	Percentage of arrear to revenue realised
	(Rupees in lakhs)		
1978-79	474.62	33.70	7.1
1979-80	542.86	49.82	9.2
1980-81	562.68	92.05	16.2

The large accumulation of arrears was due to :

(i) non-payment of bills by consumers because of incorrect meter reading and furnishing of cumulative bills ;

(ii) difficulties in disconnecting essential services for non-payment in case of Government installations, street lighting and important heavy power consumers ; and

(iii) failure to promptly disconnect the supplies of consumers who failed to pay bills in time.



The category-wise break-up of arrears at the close of the three years up to 1980-81 was as under :

Category	Outstanding arrears as on 31st March		
	1979	1980	1981
	(Rupees in lakhs)		
Domestic, commercial and small power	9.10	20.07	19.76
Medium power	0.72	1.92	0.98
Large and heavy power	10.43	6.99	33.15
Agricultural power	1.21	1.45	1.19
Public lighting	0.96	1.13	35.09
Water works and sewage	11.28	18.26	1.88
Total	33.70	49.82	92.05

Periodical review of old cases was not made for taking timely action before dues became time-barred/irrecoverable. No action had so far been (June 1982) initiated to ascertain the amount that had become time-barred/irrecoverable.

(a) *Disconnection of supply*

With a view to minimising arrears, a notice of disconnection is required to be issued to consumers alongwith the bill requiring payment within seven days of the expiry of due date for payment of bills failing which their supply was liable to be disconnected.

During test check (June 1981) in audit of power consumers, it was noticed that arrears against 137 power consumers who failed to pay 1 to 35 monthly bills but where supplies were not disconnected worked out to Rs.12.46 lakhs as on 31st March 1981. The position of defaulting consumers due for disconnection during 1980-81 and supplies actually disconnected is given below :

Defaulting consumers due for disconnection as on 31st March 1980	11,080
Defaulting consumers due for disconnection during the year 1980-81	14,134
Total	25,214
Supplies disconnected	4,150
Defaulting consumers who paid their dues after 2-10 months but before disconnection	7,773
	11,923
Balance not disconnected	13,291

The cases of defaulting consumers were not reviewed periodically and disconnection notices issued in time.

(b) *Dues against disconnected consumers*

Arrears against the consumers where supplies remained disconnected for more than six months due to default in payment, were withdrawn from consumers' accounts for separate pursuance. The arrears in respect of 672 such cases (Rs.8.22 lakhs) withdrawn and transferred to inoperative accounts were outstanding without any recovery proceedings. The year-wise break-up of amount outstanding against disconnected supplies as on 31st March 1981 is indicated below :

Year	Number of consumers	Dues outstanding (Rupees in lakhs)
1970-71 to 1975-76	60	0.09
1976-77	91	0.40
1977-78	255	3.11
1978-79	160	2.42
1979-80	58	1.11
1980-81	48	1.09
Total	672	8.22

These disconnected consumers were not served with demand notices for recovery of dues after adjusting their security (June 1982).

(c) *Issue of demand notices*

Unpaid electricity dues are recoverable as arrears of land revenue provided a demand notice is issued to the consumer. It was noticed that steps against consumers in default were not taken immediately after the first default. The following table indicates the position of issue of demand notices and recovery of the amount thereagainst for the three years up to March 1981 :

	1978-79	1979-80	1980-81
Number of consumers due for issue of demand notices as at the close of the year	9,600	33,838	31,929
Demand notices actually issued during the year	645	484	1,459
Cases in which recovery was made during the year	77	42	207
Cases in which recovery was awaited at the close of the year	568	442	1,252
	(29.70)*	(31.38)*	(22.35)*

\*Figures in brackets indicate amounts in lakhs of rupees.



The main reasons for slow pace of issue of notices were, delayed disconnection of the services of the consumers in default and delayed determination of the final amount due from such consumers for issue of notices.

(d) *Issue of recovery certificates*

In case of failure to pay the dues against demand notices issued, recovery certificates are to be issued to the Collector for realisation of dues as arrears of land revenue. The following table indicates the position regarding issue of recovery certificates and realisation of amounts thereagainst :

	1978-79		1979-80		1980-81	
	Number of consumers	Amount in lakhs)	Number of consumers	Amount in lakhs)	Number of consumers	Amount in lakhs)
Certificates issued for recovery up to the year including outstandings of earlier years	419	17.90	776	37.10	515	35.36
Recovery made during the year	85	1.74	116	1.05	30	19.00
Recovery certificates returned without realisation	86	2.18	317	12.00	66	1.19
Recovery certificates pending at the close of the year	248	13.98	343	24.05	419	15.17

Dues amounting to Rs.15.37 lakhs were declared (April 1978 to March 1981) irrecoverable by the Revenue authorities who returned 469 certificates to the Undertaking without any recovery. The reasons given by the Revenue authorities for non-recovery were that whereabouts of the consumers were not known or they had no assets from which recoveries could be effected.

9.05. *Inventory control*

(a) (i) Annual purchase estimates were not prepared.

The value of inventory holding had increased during the three years up to 1980-81 as shown below :

	1978-79	1979-80	1980-81
	(Rupees in lakhs)		
Value of opening stock of stores	33.54	27.26	30.07
Purchases during the year	72.17	70.68	97.65
Stores available for consumption	105.71	97.94	127.73
Consumption	78.45	67.87	90.18
Closing stock	27.26	30.07	37.55

(ii) Consumption statements showing the quantitative details of different materials issued from time to time on works *vis-a-vis* the quantity actually required and consumed and the balance returned to stores, if any, were not being prepared for identification of excessive issues.

(iii) Annual physical verification of stores was not carried out since March 1976.

(iv) Maximum, minimum and re-ordering levels of stock were not fixed.

(v) Materials were not categorised into critical and non-critical or fast and slow moving items.

(b) *Surplus and obsolete stores*

Inventory at the end of March 1981 included stores valued at Rs.1.60 lakhs declared unserviceable/surplus. For want of complete stocking, exhaustive list of surplus materials lying with the Undertaking could not be prepared and circulated/notified to other power houses/divisions for utilisation (June 1982).

(c) *Damage of cable drums*

The Undertaking received (January-February 1977) supply of 6.48 km (value : Rs.6.35 lakhs), 3 core 240 sq mm cables against supply order issued (October 1976) by the Stores Procurement Circle, Lucknow. At the time of laying the cables in March 1979, the cable drums were found to have been damaged during prolonged storage in open stores yards and required rewinding in new conductor drums. An expenditure of Rs.0.37 lakh was incurred on fabrication and rewinding in new drums between March 1979-September 1980.

9.06. *Construction activities*

The Undertaking has a construction unit entrusted with new works of construction/extension of lines and sub-stations and providing service connections to consumers. The value of work done during the three years up to 1980-81 was far less than the targets.



The percentage of establishment expenditure to cost of work done exceeded the norm of 15 per cent provided in the budgets, as indicated below :

Year	Budgeted expenditure on works	Actual expenditure on works	Establishment expenditure	Percentage of establishment expenditure to works expenditure
(Rupees in lakhs)				
1978-79	..	39.85	9.35	23.5
1979-80	120.55	46.98	13.60	28.9
1980-81	72.12	60.22	14.89	24.7

The unit undertakes deposit works of the industrial and large power consumers on the basis of cost plus 15 per cent. Due to high cost of establishment charges, the short recovery in respect of deposit works valuing Rs.33.53 lakhs executed during the three years up to 1980-81 worked out to Rs.3.95 lakhs.

#### 9.07. Work orders

Work orders of the value of Rs.6.10 lakhs in respect of 66 works were issued in 1980-81. These were placed on the basis of limited quotations without analysing reasonability of rates.

Some work orders were placed by splitting up the works and open tenders for consolidated annual requirement for work, as required under the orders of the Board, were not floated for items exceeding Rs.10,000 in value as indicated below :

Name of work	Period	Number of work orders placed	Amount (Rupees in lakhs)
Laying of 33 KV cable	June to December 1980	4	0.37
Painting of supports	July to October 1980	6	0.57
Boring of pipes and construction of platform	August to November 1980	5	0.38

In February 1981, the Superintending Engineer banned the issue of work orders without his prior approval.

### 9.08. *Advance payments to firms*

The Undertaking made 100 *per cent* advance payments (Rs.0.45 lakh) to 24 firms during October 1974 to March 1981 for supply of materials on the basis of their *pro forma* bills against which supplies were awaited (June 1982).

### 9.09. *Non-acceptance of debits for transfer of materials*

Fifty-four advices of transfer debits (ATDs) for Rs.0.61 lakh issued by the Undertaking in respect of material transferred to other divisions during 1968-69 to 1980-81 were not accepted by the receiving divisions (June 1982).

Even the supporting receipted challans indicating acceptance of materials by the receiving divisions were not available with the Undertaking in respect of 24 cases in which materials worth Rs.0.43 lakh were issued during 1968-69 to 1972-73. These included two ATDs, for issue of materials to Rihand Hydel Division, Allahabad in August 1968 (Rs.0.12 lakh) and for materials transferred to Hydel Plant Division, Kasimpur (Aligarh) in June 1971 (Rs.0.16 lakh) in respect of which details of materials transferred were not available as no copies of the bills initially issued were on record. The Undertaking had not taken any action (June 1981) to locate the receipts and account for the materials by the receiving divisions or fix responsibility for possible loss.

### 9.10. *Summing-up*

(i) The operation of the generating station was stopped in May 1979; the plant (value: Rs.23.06 lakhs) had not been disposed of (June 1982).

(ii) Against the statutory provision that overtime put in by a worker should not exceed 50 hours in a quarter the actual overtime put in by the workers ranged up to 580 hours in a quarter.

(iii) In 200 cases involving Rs.2.60 lakhs where cheques received from consumers were dishonoured during 1977-78 to 1980-81, no action had been taken to recover the amount by disconnecting their supplies and/or reissue of demand notices.

(iv) The revenue arrears increased from Rs.33.70 lakhs in 1978-79 to Rs.49.82 lakhs in 1979-80 and to Rs.92.05 lakhs in 1980-81. Age-wise break-up of arrears had not been kept and consequently no periodical review of old cases had been done to ensure that dues did not become time-barred and irrecoverable.



(v) A sum of Rs.8.22 lakhs which was recoverable from 672 consumers had been transferred to inoperative account for separate pursuance. No action had been taken for recovery of this amount.

(vi) Against demand notices (2588 cases) issued during the three years up to 1980-81 the Undertaking had recovered dues (326 cases) during that period. As on 31st March 1981 recovery of Rs.22.35 lakhs (1252 cases) was awaited.

(vii) Recovery certificates (469 consumers) for Rs.15.37 lakhs were returned by the Revenue Department (April 1978 to March 1981) because either the consumers were not traceable or they had no assets.

The matter was reported to the Board/Government in October 1981 ; replies were awaited (June 1982).

## SECTION X

### CIVIL WORKS OF OBRA THERMAL PROJECT

#### 10.01. *Introduction*

After the formation of the State Electricity Board in April 1959, the civil works of the Board were executed by the Irrigation Department of the State Government till April 1967 when civil construction works of the thermal power projects were taken over by the Board ; civil works of hydro-electric projects continue to be executed by the Irrigation Department.

#### 10.02. *Organisational set-up*

The civil works organisation is under the overall charge of Member (Generation). The civil works relating to construction of thermal power stations are executed by the Project Superintending Engineers (Civil) under the administrative control of General Manager/Additional Chief Engineers posted at projects while construction of residential colonies, sub-stations and other facilities (hospitals, canteens, hostels, etc. at projects and in the field is undertaken by civil maintenance divisions under the supervision of Superintending Engineers attached to the respective Zonal Chief Engineers. The repairs and maintenance work of power stations (hydel and thermal), colonies, sub-stations etc. is done by the maintenance divisions under the charge of the Superintending Engineers.

Certain aspects of civil construction works of the Obra Thermal Power Station (Stages II and III) are discussed in the following paragraphs :

#### 10.03. *Civil Works of Obra Thermal Power Extension Project (Stages II and III)*

10.03.01. To meet the increasing demand for power in the State, the Board proposed in 1970 to increase the capacity of Obra Thermal Power Station from 550 MW to 1550 MW by adding five units of 200 MW each in two stages (three units in stage II and two units in stage III) . On the basis of prices prevailing in 1969-70, two estimates for Rs.14.31 crores on civil works were approved by the Government of India in June 1972. The estimates were revised (October 1976) to Rs.43.04 crores due to (i) increase in price of construction materials (Rs.836 lakhs),



(ii) increase in wages (Rs.10 lakhs), (iii) inadequate provision in the original estimate (Rs.170 lakhs), and (iv) additional facilities (Rs.1857 lakhs). The revised estimates have not been approved by the Board (March 1982). The following table gives the details of original estimates and the revised estimates under broad sub-heads and the expenditure incurred thereagainst up to March 1981 :

Particulars of civil works	Cost as per		Actual expenditure up to March 1981
	Original estimate (June 1972)	Revised estimate (October 1976)	
	(Rupees in lakhs)		
Survey and land	7.50	46.00	14.35
Power station and auxiliary buildings including steel structures	925.00	1336.00	1830.22
Ash handling and fuel oil system	111.50	280.00	157.70
Cooling water system	100.00	474.00	572.88
400 KV switchyard	60.00	95.00	121.35
Coal handling system	60.00	210.00	377.66
Water treatment plant	20.00	75.00	43.13
Miscellaneous works like temporary sheds, pre-assembly yard, forest clearing, drainage, roads, etc.	147.04	288.00	438.65
Marshalling yard	..	450.00	560.76
Cooling towers	..	900.00	..
Baffle wall	..	150.00	10.64
	1431.04	4304.00	4127.34

The work contracts which were awarded between October 1974 and November 1975 were scheduled to be completed between February 1975 and November 1977. Works like cooling towers (Rs.900 lakhs), pre-assembly yard (Rs.95 lakhs) and other miscellaneous works (Rs.20 lakhs) had not been taken up for execution (March 1982). Against the estimated expenditure of Rs.3289 lakhs for the remaining items of works the actual expenditure incurred amounted to Rs.4127.34 lakhs (March 1981). Besides, the construction divisions of the Obra Thermal Power

Project estimated (October 1980) a further expenditure of about Rs. 900 lakhs on marshalling yard (Rs. 400 lakhs), office building (Rs. 100 lakhs) and other minor works including residual payments on works-in-progress (Rs. 400 lakhs). The increase in cost of various items of works indicates that even the revised estimate proved to be unrealistic.

10.03.02. The civil works could not be completed as scheduled and the delays ranged from one to five years.

Delay in completion of civil works was due to (i) late receipt of working drawings from the consultants, (ii) delay in release of work sites by the other contracting agencies working in the same area to enable other contractors to take up their work in the limited space available, and (iii) addition in the scope of work *etc.* Besides, the delay in completion of civil works led to late starting of electrical and mechanical works (like cable laying, instrumentation works, structural work in switchyard *etc.*) and consequently resulted in delayed commissioning of generating sets of the power stations as under :

Unit number	As per original estimate (June 1972)	As per revised estimate (October 1976)	Actual date of commissioning
I	June 1976	June 1977	December 1977
II	March 1977	March 1978	January 1979
III	December 1977	March 1979	January 1980
IV	..	March 1979	March 1981
V	..	December 1979	March 1982

The delay in completion also resulted in increased payments to contractors executing civil works on account of escalation in wages and cost of materials like steel and cement. The increase in cost due to escalation during the extended period of contract amounted to Rs. 136.96 lakhs as indicated below :

Description	Period of completion		Escalation payments for wages (Rupees)	Increase in cost of materials (in lakhs)	Total
	Scheduled	Actual			
Civil works for foundation and super-structure of boilers and generators, bunkers <i>etc.</i>	February 1975	July 1980	7.72	25.82	33.54



Description	Period of completion		Escalation payments for wages (Rupees in lakhs)	Increase in cost of materials	Total
	Scheduled	Actual			
Structural work in miscellaneous buildings, roads, trenches etc.	April 1975 and June 1977	March 1980 and June 1980	49.69	12.00	61.69
Coal handling system including chimney	December 1975 and August 1976	July 1978 and January 1980	9.12	19.71	28.83
Cooling water system	May 1979	February 1980	4.14	Not available	4.14
Pressure conduit and seal well	March 1977	March 1980	5.43	3.33	8.76
			76.10	60.86	136.96

#### 10.03.03. *Planning and co-ordination*

The Board appointed a firm of consultants (November 1973) at a fee of Rs. 322 lakhs for preparation of tender documents and draft specifications for works, procurement of materials, tender evaluation etc., technical guidance at site to contractors, furnishing the basic and detailed design and engineering in respect of inter-communication system and overall co-ordination of project for timely completion of the works etc.

#### 10.03.04. *Award of contracts of civil works*

##### 10.03.04.01. *Buildings and foundations*

Tenders for civil works divided into eight groups for Obra Thermal Power Project Stages II and III were invited by the Board in August 1974. On grounds of urgency, before the tenders could be finalised, the work relating to coal handling system (Group B) was awarded in February 1975 to Bridge and Roof Company Limited (BRC), the lowest tenderer, for Rs. 144.21 lakhs (February 1975). Fresh tenders were invited in February 1975 (reasons not on record) for other civil works (seven groups). Three groups of works were awarded to parties other than the

lowest tenderers as detailed below :

Description of work group	Evaluated value of works	Value at which work was awarded	Name of the firm which quoted lowest rate	Name of the firm to whom work was awarded	Additional payment allowed in awarding the work at higher rate (Rupees in lakhs)
(Rupees in lakhs)					
Civil works in pressure conduit of cooling water system (C)	153.49	163.54	A	Uttar Pradesh Rajkiya Nirman Nigam Limited	10.05
Power channels and other allied works connected with cooling water system but not connected with (C) above—(D)	219.21	227.13	Z	Ditto	7.92
Water treatment plant (E)	47.35	47.91	Z	Ditto	0.56
Switchyard area (F)	47.06	47.06	M	M	..
Fuel oil area (G)	47.87	47.87	A	Uttar Pradesh Rajkiya Nirman Nigam Limited	..
Miscellaneous works (H)	40.92	40.92	A	Ditto	..

*Withdrawal of work*

As the progress of works awarded to UPRNN (Group C, E) was not satisfactory and in order to ensure commissioning of the generating sets by the stipulated dates, the balance of the works was withdrawn from the existing contractors (including contractor 'M') on the recommendations of the Site Engineers and awarded to BRC at higher rates on the basis of negotiations without inviting tenders. The details of the works withdrawn and



awarded to BRC, additional payment allowed, stipulated dates of completion and actual dates of completion were as under :

Name of work	Name of contractor doing the work	Date of withdrawal	Amount payable to the existing contractor for work withdrawn	Amount paid to BRC	Additional Amount paid	Stipulated date of completion	Actual date of completion
(Rupees in lakhs)							
pressure conduit (east west direction)	UPRNN	6th August 1976	67.66	86.14	18.48	March 1977	March 1980
Switch yard area (cable tunnels, bus ducts and column foundations of generating unit No. II)		23rd June 1977	2.92	3.34	0.42	December 1977	December 1979
Water treatment plant, turbine house main building, ash handling system, fuel oil system and other miscellaneous works relating to units no. 10 and 9	UPRNN	11th September 1978	47.03	60.63	13.60	March 1979	work is in progress (March 1982)
			117.61	150.11	32.50		

(i) The purpose of withdrawal of works from UPRNN and another contractor 'M' could not be achieved as the works were not completed by BRC in time and had only resulted in an additional expenditure of Rs.32.50 lakhs.

(ii) The minimum wage of an unskilled worker was increased by the State Government from Rs.4.038 per day to Rs.6 per day with effect from 20th January 1978. For the works executed thereafter the additional amount paid due to the revision of the minimum wages worked out to Rs.5.43 lakhs in case of pressure conduit and Rs.13.60 lakhs in respect of work of water treatment plant, turbine *etc.* up to March 1982. The additional amount paid in respect of water treatment plant, turbine *etc.* would further increase as the work was still in progress (March 1982).

(iii) BRC had stipulated (July 1978) that shuttering materials for ash silos were to be provided by the Board free of cost. The materials were accordingly supplied at a cost of Rs.4.80 lakhs up to December 1980 which was also consequent upon the withdrawal of the work from the scope of UPRNN.

#### 10.03.04.02. *Construction of chimney*

After inviting tenders for the design and construction of 170 metre high reinforced concrete emulsifier of the chimney (November 1973), the contract was awarded by the Board (August 1974) to firm B for Rs.59.68 lakhs for which agreement was executed on 3rd June 1976. While forwarding (July 1974) the recommendations to the Board certain conditions and stipulations imposed by the firm B (after submission of the tender documents) were not specifically brought to the notice of the Board (or taken into consideration while evaluating the quotations) by the Design Directorate. The following were some of the conditions :

(i) Payment for variations in quantities beyond 10 *per cent* at enhanced rates, instead of beyond 25 *per cent* as per tender notice.

(ii) Change in technical specification of lean concrete work and measurement thereof on volumetric basis instead of adherence to minimum cement content and weightment on batch material basis.

(iii) Escalation in the cost of refractory material.

(iv) Recovery of cost of material supplied by the Board as per the terms of the contract on consumption basis, payment of installation charges, reduction in security from 10 to 5 *per cent* of the contract value, levy of liquidated damages to the extent of one *per cent* only (against five *per cent* in other contracts) of the value of unfinished work *etc.*

(v) Overall increase of three *per cent* in the tendered value of work.

The extra expenditure in award of the contract to firm B was estimated at Rs.8.94 lakhs.



10.03.05. *Execution of contracts*(a) *Concrete and allied foundations*

In the execution of the work relating to concrete and allied foundations, awarded to BRC by the Board in May 1973, the following points were noticed (May 1980) :

(i) The finished level of earth excavated by a site grading contractor (July 1975) was 193.77 metres in electro static precipitator (ESP) area. While commencing the initial level adopted for payment to BRC was higher (193.82 to 195.08 metres) than the finished level executed by the site grading contractor. This resulted in an excess payment for excavation of 1725.52 cu m of earth and its disposal involving an extra payment of Rs.0.53 lakh.

(ii) Agreement provided that the excavations would be made to such depth, length and width as were shown in the drawings ; the contractor might for facility of work or similar other reasons excavate and also backfill at his own cost outside the lines shown on the drawings ; and the contractor was required to fill up the excavation below the specified elevation with concrete up to the required elevation and no extra payment was to be made to the contractor. In spite of this stipulation clearly indicating that the Board was not required to pay for excavation beyond the lines shown on the drawings carried out by the contractor for facility of work or similar other reasons and the contractor's rate covered such excess excavations required at site, the division released payment amounting to Rs.1.72 lakhs for the excess excavation and its back-filling done by the contractor for facility of his work.

(iii) The depth, excess excavated was required to be filled with lean concrete (1 : 3 : 6). The contractor was paid Rs.1.87 lakhs for lean concrete filling which was inadmissible.

(iv) The agreement provided that for the measurement of lead, the area excavated shall be divided into suitable blocks and for each block the distance from the centre of the block to the centre of the stock pile and/or filled area pertaining to the block shall be taken as lead which shall be

measured by the shortest straight line route on the plan and not the route actually taken. However, the Civil Construction Division made payment for excess lead based on actual route used by the contractor and not on the basis of straight line method which resulted in an extra expenditure of Rs.1.67 lakhs.

(v) Conditions of the contract relating to blasting of rocks provided that "in dry weather and normal dry excavation, ordinary low explosive gun powder may be used. In damp rock high explosives like gelatine with detonators and fuse wire may be used. In under-water excavation with substantial seepage causing accumulation, electric detonator shall be necessary". Further the special conditions of the contract stipulated that the contractor would preferably fire the explosives electrically. However, the Civil Construction Division in July 1975 requested BRC to use electric detonators instead of ordinary detonators in blasting hard rocks and sanctioned extra item rate of Rs.1.20 per cu m of area blasted though the contractor had not asked for it. By treating the use of electric detonators as extra item in contravention of the terms of the contract, BRC was paid Rs.0.42 lakh.

(vi) The contract provided that rates offered by BRC would remain firm for variation in quantities up to 25 per cent but at the instance of BRC, the Project Manager accepted that BRC would reserve the right to revise the rates suitably for working beyond a further period of 12 months from the scheduled date of completion *viz.* February 1975 and incorporated in the agreement that in the event of such a contingency arising, the rates would be negotiated up to 15 per cent above the tendered rates for remaining quantity of work only. During the execution of the contract the quantities of work exceeded the variation allowable and the period was also extended beyond 12 months (extension granted up to December 1979 against due date of completion fixed for February 1975) as indicated below :

Description	Value of work	
	Stage II	Stage III
	(Rupees in lakhs)	
Value of work estimated	127.70	85.08
Executed value of work	238.80	147.91
Percentage of variation over estimated value	87.0	73.9



The BRC had desired (September 1977) upward revision of rates by 15 *per cent* for the work executed beyond 25 *per cent* of the tendered value on the grounds that the work could not be completed in time (January 1975) due to reasons not attributable to BRC. The BRC was advised (September 1977) by the project management to continue the work. The project management also initiated (December 1977) an examination as to why the quantities of work could not be assessed correctly at the time of inviting tenders in October 1972. Neither the consultants to the project nor the Site Engineers had explained the reasons for the excessive variations between the quantities actually executed and those included in the estimates and the case had not been submitted to the Board for approval (March 1982). In the meantime the claim for enhancement of rates for stages II and III (Rs.30 lakhs approximately) was being pressed by BRC for acceptance and the final decision of the Board was still awaited (March 1982).

(b) *Cooling water system*

Civil works of circulating water system were awarded to UPRNN in November 1975 with the date of completion as May 1977. The work was in progress (March 1982) and till then the value of work done amounted to Rs.244.56 lakhs. During scrutiny of the records pertaining to execution of the works in audit (May 1980) it was noticed as under :

(i) Initial levels adopted for earthwork cutting by the contractor were taken at a higher level than the finished level of the site grading contractor. This resulted in computing excess excavation of 75073 cu m of earth involving payment of Rs.6.42 lakhs.

(ii) Finished level of earth in chainage 1038 E—1058 E was recorded as 187.09 metres in the measurement book. This was, however, carried forward as 186.09 metres in the measurement book subsequently, resulting in excess payment of Rs. 0.36 lakh on earthwork (1683.62 cu m at Rs.21.50 per cu m).

(iii) Similarly the length of chainage numbers 1238 to 1378 worked out to 140 metres only while this was measured and recorded in measurement book as 162.825 metres involving an excess payment of Rs.1.34 lakhs to UPRNN (6215.170 cu m at Rs.21.50 per cu m).

(iv) According to specifications the excavation in hard rock only was to be done by blasting for which higher rate was admissible. The agreement further provided that in case the blasting was done by the contractor on his own the excavation would not be classified as hard rock area and boulders up to one metre in length and 50 cm on one side were to be classified as soft rock. It was noticed that UPRNN was not issued any gelatine (explosive material for blasting hard rock) by the division and the boulders excavated were also not found beyond one metre in length indicating that the boulders fell under the category of soft rock. However, 11434.025 cu m of work was classified by UPRNN as excavation in hard rock area and paid for at the higher rates. The classification of 11434.025 cu m of excavation as hard rock instead of soft rock, resulted in an excess payment of Rs.0.88 lakh (February 1976 to July 1979).

(v) Initially the agreement provided for the supply and laying of RCC hume pipe (NP 2 Class) at Rs.302 per running metre (RM). This clause was subsequently deleted by the consultants (May 1976) and later the work was got executed as an extra item payable at Rs.490 per RM : in similar other contracts the rate allowed to UPRNN remained at Rs.302 per RM. This resulted in an extra expenditure of Rs.0.82 lakh in laying of 438 RM of pipe.

(vi) Construction of cooling water channel awarded to UPRNN in November 1975 and still in progress (March 1982) involved cutting of earth in slope down to bed level of channel and development of *bunds* at both sides along the channel. The top level of *bund* was 195 metres and ground level of the area before cutting of earth ranged between 191 and 194 metres. While executing the work, the entire area including *bund* portion was initially excavated down to bed level of 187 metres in the case of intake channel and to 189 metres in the case of discharge channel instead of cutting the bed in slope. The extent of avoidable excavation worked out to 1,61,713 cu m for which payment of Rs.12.94 lakhs was made to UPRNN. Subsequently, area of *bund* portion was backfilled to the required level with already excavated earth which included avoidable backfilling to the extent of 1,61,713 cu m of earth for



which payment to the contractors amounted to Rs.34.77 lakhs.

(vii) The excavation in bed of the channel was carried out to levels lower than the levels prescribed in the drawing. The payment made to UPRNN for extra excavation beyond drawing limits worked out to Rs.4.34 lakhs (54276 cu m of earth). The excess excavation was subsequently refilled with optimum moisture content (OMC) earth filling at a cost of Rs.11.67 lakhs.

(viii) For 2,49,659 cu m OMC filling in channel, UPRNN was paid at the rate applicable for earth carted from burrow areas. The normal soil available during the same period at channel site out of excavated earth was 1,58,868 cu m of which 1,23,632 cu m normal soil was removed by the contractor for which payment of Rs.8.15 lakhs was made by the Board. If the available normal soil had been utilised for OMC earth-filling, instead of soil from burrow pits, the extra expenditure due to application of higher rate for earth-filling with burrow area earth amounting to Rs.23.04 lakhs and disposal charges of Rs.8.15 lakhs could have been avoided.

(ix) In the area up to bridge portion of the channel, after the excavation of earth under site grading contract had been completed (July 1975) by the site grading contractor, UPRNN engaged in construction channel requested that excavation in various depths should be paid with reference to the original ground level of the site and not from the finished level. The claim of UPRNN was accepted (February 1976) and excavation under various depths paid accordingly resulting in extra payment of Rs.1.35 lakhs to UPRNN.

(c) *Structural work*

The work for fabrication and erection of structural steel for stage II was awarded by the Thermal Design Directorate of the Board without inviting tenders (November 1972) for Rs.477.08 lakhs (approval of the Board not kept on record) to Triveni Structurals Limited (TSL), Naini (Allahabad) on the grounds that (i) it was a public sector undertaking, (ii) it would facilitate procurement of steel as the undertaking was under the administrative control of the Steel Ministry and (iii) facilities in

the workshop at Naini could be utilised for the project and chasing of the progress of the work would be quicker. In April 1973 on clarifications sought for by the Board, TSL agreed to reduce the price by 11.09 *per cent*. The following points were noticed :

(i) The conditions of the contract provided that TSL shall fabricate approximately 50 *per cent* of the quantity involved in their Naini workshop and 50 *per cent* at Obra site. However, TSL fabricated excess quantity of steel in its workshop at Naini as indicated below :

Description	Fabrication at	
	Naini workshop (In tonnes)	Site (Obra)
Structurals	7984.043	4486.841
Nuts and bolts	192.444	79.601
	<u>8176.487</u>	<u>4566.442</u>

As the site fabrication did not involve transportation of structurals while fabrication at TSL's workshop (Naini) involved transportation of structurals up to Obra site on Board's account, the excess fabrication of steel in the Naini workshop (1805 tonnes) resulted in an additional expenditure of Rs.1.44 lakhs to the Board (Rs.80 per tonne).

Similarly transportation charges of cut pieces (391 tonnes) from TSL's workshop at Naini to Obra site was arranged by the Board though these were to be transported by STL at its own cost. The recovery of Rs.0.25 lakh on this account was not enforced (March 1982).

(ii) In accordance with the terms of the contract, TSL was to supplement steel supplies with quantities required for various fabrication works so that fabrication and erection schedule remained undisturbed ; the contract provided for release of 90 *per cent* payment on receipt of despatch advice by the steel suppliers or declaration by TSL about reservation of steel for the works subject to final adjustment. However, in a meeting (November 1974) TSL insisted upon the Board for reimbursement of actual landed cost of 2250 tonnes (Rs.5359.14 per tonne) in respect of imported steel against Rs.1890 per tonne for the indige-



nous steel. This was agreed (November 1974) to by the Board and the Civil Construction Division, Obra released Rs.75.80 lakhs (April 1975) to TSL for the steel (1472.774 tonnes as against 2250 tonnes advised earlier) imported for the fabrication work. However, TSL supplied to the Board 358.536 tonnes of imported steel valued at Rs.19.21 lakhs. The balance quantity was arranged by the Board and supplemented by TSL from indigenous sources. The decision of the Board to use imported steel instead of indigenous resulted in extra expenditure of Rs.12.43 lakhs on 358.536 tonnes of imported steel actually used by the TSL (at Rs.3469.14 per tonne representing difference between Rs.5359.14 per tonne paid for imported steel and Rs.1890 per tonne at which rate recovery of indigenous steel issued was made). The residual advance payment (Rs.56.58 lakhs) made by the Board was adjusted against other claims of TSL in April 1980 (after five years approximately). The loss of interest on the advance retained by TSL for five years (April 1975 to April 1980) amounted to Rs.27.35 lakhs.

A test check revealed that consumption of 32 mm thick plates actually used by TSL was less than the quantity (107.391 tonnes) stated to have been imported by TSL for the work as detailed below :

	Quantity (In tonnes)
Total quantity of 32 mm plates used	228.43
Quantity of 32 mm plates already arranged through indigenous source	155.035
Residual quantity that was actually met out of imported steel	73.395
Quantity of imported steel paid for	107.391
Excess quantity of imported steel paid for	33.996

This resulted in overpayment of Rs.1.18 lakhs.

(d) *High and low pressure pipes*

(i) The work relating to erection, testing and commissioning of high pressure piping for 5×200 MW sets was awarded to a firm of Pune for a lumpsum price of Rs.89.84 lakhs in August 1975.

The scope of contract, *inter alia*, included (a) complete installation, test and commissioning of all pressure pipings and auxiliary services, (b) supply and erection of temporary pipings required for hydrotest, picklings, flushing and cleaning, (c) any items of work which were not specifically mentioned in the contract but were essential for complete erection of high pressure pipings and auxiliary equipments. Accordingly, the work relating to laying of temporary pipeline and additional pipeline for hydrotest and flushing of the system fell within the scope of the contract for which additional payment was not to be made to the firm. During test check in audit (January 1980) it was noticed that a sum of Rs.0.72 lakh was paid (February 1977 to November 1979) to the firm for laying the temporary (Rs.0.56 lakh) and additional pipeline (Rs.0.16 lakh) for hydrotest and flushing of the system prior to its commissioning which was inadmissible.

(ii) The Site Engineer paid a sum of Rs.0.50 lakh to the firm in addition to contract value for cutting and re-erection of piping already erected due to fouling of line with other structures. Though the work of erection of the lines was carried out by the firm on the advice and supervision of the consultants, no responsibility was fixed by the Board for that extra payment.

*(e) Extra item rate*

(i) The rate for supply and laying 1200 mm dia RCC pipe by UPRNN was fixed at Rs.1436 per running metre (RM) in April 1976. This rate was revised to Rs.1684.80 per RM in March 1978 with effect from February 1977 by (a) inclusion of element of sales tax at eight *per cent* instead of five *per cent* applicable for Government undertakings, (b) inclusion of transit loss at 10 *per cent* which was inadmissible and (c) inclusion of water charge at one *per cent* which was inadmissible as water was supplied free of cost by the Board. On the executed quantity (242.50 RM) of 1200 mm dia pipe the extra payment made to UPRNN worked out to Rs.0.60 lakh.

Similar upward revision was allowed to BRC in respect of 1200 mm, 900 mm and 600 mm dia pipes in May 1977. The additional amount paid to BRC worked out to Rs.2.78 lakhs.

(ii) As against the extra item rate of Rs.55.30 per cu m recommended by the Divisional Officer and approved by the



Superintending Engineer (October 1976) for mixing and placing mortar in basement in 1 : 15 ratio for executing civil works at the project, the Superintending Engineer at the instance of BRC revised the item rate upwards to Rs.79.20 per cu m (October 1977). The scrutiny in audit (May 1980) of the rate actually sanctioned revealed that (a) cement component was fixed at 7.3 bags instead of 6.5 bags per cu m (b) labour component was taken at Rs.31.50 per 100 cft instead of Rs.11 awarded to UPRNN doing similar work at the same site during the same period and (c) contractor's profit at 15 per cent was also included on cement component issued by the Board. On eliminating these extras the cost per cu m worked out to Rs.68.30. The BRC executed 5553.08 cu m of work and was paid Rs.0.61 lakh in excess. While accepting the fact that extra payment had been made, the Obra Thermal Power Construction Division stated (May 1980) that it proposed to recover the amount from the contractor but the recovery was still awaited (March 1982).

(iii) The rates for extra items provided in the agreements in respect of various works executed by different contractors at Obra Thermal Power Project were to be derived from tendered rates for similar items of work where such rates existed otherwise joint calculations of the cost were to be made on the basis of quotation or actual cost *plus 20 per cent* whichever was less. Payment for random rubble masonry in 1 : 4 mix ratio (or similar item) which was not provided in three contracts, was made at the rate applicable to other running contracts with the same or different contractors without considering the actual cost of execution as required by the contract agreements. Consequently there was an overpayment of Rs.1.84 lakhs in respect of three contracts.

(f) *Roads, drains and development of site*

(i) A contract was awarded to a firm 'C' of Obra by the Civil Construction Division in May 1978 for Rs.4.68 lakhs for development of main power house road from Gammon gate to 33 MV sub-station, Jharianala and the work was required to be completed by November 1978 (later extended to March 1979). The contract envisaged providing and laying of 50 mm thick penetration macadam (full grout) wet process road surface complete as per specification at Rs.17 per sqm. The firm 'C' did not complete the work as scheduled and requested (March 1979) for extension of time up to June 1979. The division did not

accede to the request of the firm 'C'. The residual work of laying 50 mm thick penetration macadam (8414 sqm) was awarded to another firm 'D' of Obra in May 1979 at a higher rate (Rs.19.40 per sqm). On the basis of executed quantities the withdrawal of work from the scope of previous contractor and its award to firm 'D' at higher rates resulted in an extra expenditure of Rs.0.20 lakh and the work was completed in July 1979. The provisions in the agreement with the firm 'C' for recovering the extra expenditure in completion of the residual work were not invoked by the division (June 1982).

(ii) Tenders were invited by the Obra Project Construction Division in March 1978 for pre-mix carpeting and widening of road from Khairantia market to Obra dam railway station. The lowest offer of a local contractor (Rs.1.97 lakhs) was not accepted by the division on the ground that the tenderer did not possess a road roller even though the tenderer had offered to pay the hire charges of the road roller if supplied by the division. The work was awarded to the second lowest tenderer for Rs.2.38 lakhs on the ground that the firm possessed the road roller. During the period the work was executed by the successful tenderer (June to December 1978) the division kept idle its one road roller (eight tonnes capacity) in a fit condition. Had the offer of the lowest tenderer to hire the road roller lying idle in the division been accepted, the Board could have saved Rs.0.46 lakh on the basis of executed quantities of work in addition to earning hire charges of the road roller that remained idle with the division.

(g) *Infructuous expenditure*

The work of levelling of site for laying of railway track between Obra end and wagon tippler was started by the Obra Thermal Civil Stores Procurement Division in January 1976 without receipt of final drawings from the Railways. The final drawings supplied by the Railways in April 1976 indicated lower formation level than that under execution by the division. In order to maintain lower grade level, earthfilling (17569 cubic metres) already done (cost : Rs.2.11 lakhs) during the period January to March 1976 had to be re-excavated and dumped (cost : Rs.1.67 lakhs) during the period May to June 1976. The infructuous expenditure, thus, worked out to Rs.3.78 lakhs.

(h) *Ash handling system*

(i) The contract for supply and erection of ash handling plant for Obra Thermal Power Station—stage II was awarded to



a firm of Bombay (Rs. 314.05 lakhs revised to Rs. 315 lakhs) by the Board in November 1974. The contract provided that the prices were inclusive of excise duty. However, the firm was paid Rs. 0.41 lakh on account of excise duty for supplies during April 1978 to March 1979 which was inadmissible. Recovery of the amount inadmissible had not been made (March 1982).

(ii) The contract provided lumpsum price for supply (at site), unloading at site, storage, erection and testing and commissioning of the equipment. However, an additional sum of Rs. 2.21 lakhs was paid to the firm for loading and unloading the materials supplied by it during June to August 1977. Recovery of this inadmissible payment (Rs. 2.21 lakhs) had not been made from the firm (March 1982).

(i) *Inter-communication system*

The agreement with the consultants for the Obra Thermal Power Station stages II and III (November 1973) covered (a) furnishing of basic and detailed design and engineering in respect of inter-communication system, (b) preparation of tender documents, and (c) preparation of draft specifications for procurement and erection of electrical equipment. Accordingly, the task of furnishing of basic and detailed design and engineering in respect of inter-communication system, scrutiny of tender documents *etc.* relating thereto fell within the scope of the main agreement entered into with the consultants for Rs. 322 lakhs (paragraph 10.03.3 *infra*). It could not, therefore, be treated as an item outside the scope requiring additional payment. However, the Thermal Design Directorate of the Board treated the items (a) study of the public address system 3×100 MW and 5×50 MW sets and its inter-communication with 5×200 MW units, (b) preparation of basic drawings/sketches for the system and (c) preparation of tender documents and tender recommendations for the inter-communication system, as extra items (January 1976) for which a sum of Rs. 0.62 lakh was paid (June to September 1975).

10.06. *Summing-up*

(i) Cost of civil works of Obra Thermal Power Extension Project Stages II and III (5×200 MW) was estimated at Rs. 1431 lakhs in June 1972 and revised to Rs. 4304 lakhs in October 1976, out of which works estimated to cost Rs. 3289 lakhs were undertaken and the actual expenditure was Rs. 4127 lakhs (March

1981). Increase in actual cost over estimated cost had not been approved by the Board.

(ii) Contracts for major civil works awarded by the Board (October 1974—November 1975) scheduled for completion between February 1975 and November 1977, were actually delayed and delay ranged from one to five years. This delayed the commissioning of the units and increased the cost due to payment of wage escalation (Rs.76.10 lakhs) and cost of material (Rs.60.86 lakhs).

(iii) Part of the works were withdrawn from two contractors for early completion and awarded to another contractor at higher rates involving extra payment of Rs.32.50 lakhs. The works could not be completed by the second contractor in time.

(iv) Excess payment was made to a contractor in concrete and allied foundation work for (a) excess excavation of earth (Rs.2.25 lakhs) and filling the same with lean concrete (Rs.1.87 lakhs), and (b) excess lead payment (Rs.1.67 lakhs). A claim for inadmissible enhancement of rates involving payment of Rs.30 lakhs (approximately) to the contractor was under consideration of the Board.

(v) Excess payment was made to a contractor executing works in cooling water system for (a) adoption of incorrect initial levels for earth work (Rs.6.42 lakhs), (b) incorrect recording of levels in the measurement books (Rs.1.70 lakhs), (c) blasting hard rock (Rs.0.88 lakh) and (d) excess excavation in earth work (Rs.39.11 lakhs) and backfilling of the area excavated in excess (Rs.19.82 lakhs).

(vi) Fabrication of excessive quantity of steel at the works of the company executing structural works involved an additional payment of Rs.1.69 lakhs on transportation of material. The Board suffered a loss of interest (Rs.27.35 lakhs) on finance provided to the company in excess of admissible amount and use of imported steel (Rs.12.43 lakhs).

(vii) Excess payment was made to a contractor for (a) laying high and low pressure pipes for temporary and hydrotest pipelines (Rs.0.72 lakh), (b) executing work at higher rates for pipes (Rs.3.39 lakhs) and (c) mixing and placing mortar at higher rates (Rs.0.61 lakh) and for random rubble masonry (Rs.1.84 lakhs).



(viii) Excess payment was made to a contractor for development of site and road construction (Rs.0.66 lakh).

(ix) Excess payment was made to a contractor for levelling the site for laying railway track on account of re-excavation of excess earthfilling already done (Rs.3.78 lakhs).

(x) Inadmissible payment of excise duty was made to a contractor executing ash handling work (Rs.0.41 lakh) and loading and unloading charges (Rs.2.21 lakhs).

The matter was reported to the Board/Government in December 1980 ; replies were awaited (March 1982).

## SECTION XI

### LOSS OF REVENUE

#### 11.01. *Power cut*

Under the Uttar Pradesh Electricity (Regulation of Supply, Distribution, Consumption and Use) (Amendment) Order, 1979 the State Government imposed a power cut during 1979-80 and 1980-81 due to power shortage in the State. The order envisaged a power cut varying from 33.33 to 66.66 *per cent* on highest demand recorded in any month during the previous 12 months from August to July or the contracted demand, whichever was less, in respect of heavy, medium and continuous process industries. Any excess over the permissible demand was liable to a penalty of Rs.100/200/300 per KVA for first, second and subsequent defaults respectively apart from disconnection.

A test check in audit (August 1980 to February 1982) disclosed that 25 consumers (12 divisions) had rendered themselves liable to penalties aggregating Rs.38.63 lakhs during the period from October 1979 to January 1981 which had not been levied ; the reasons for non-levy were also not on record.

The matter was reported to the Board/Government in June/September 1981 ; replies were awaited (June 1982).

#### 11.02. *Under billing*

On testing and installing the transformer (October 1972) at the premises of a heavy power consumer of Churk (Mirzapur) the multiplying factor was found to be 2.2. During the period from October 1972 to December 1975 the bills of the consumer were raised with the multiplying factor as 2. In January 1976 retesting was done and the multiplying factor was confirmed as 2.2. Accordingly from January 1976, the Electricity Distribution Division II, Mirzapur billed the consumer on the basis of the revised multiplying factor. The consumer protested against this and a joint testing was carried out (March 1976) which also confirmed the multiplying factor of 2.2.

The bills for the period from October 1972 to December 1975 also were revised by the Division in August 1976 claiming Rs.176.44 lakhs for units underassessed earlier out of which Rs.155.46 lakhs were paid by the consumer. Similarly, bills for the period from January to March 1976 raised on the basis of 2.2 multiplying factor were short paid by the consumer to the



extent of Rs.1.71 lakhs without assigning any reason though the bills from April 1976 onwards were paid in full under protest. The amount of Rs.22.69 lakhs has not been paid and at the instance of the consumer the matter was referred (January 1981) for arbitration. Further report was awaited (February 1982).

The matter was reported to Board/Government in June/September 1981 ; replies were awaited (June 1982).

### 11.03. *Under/non-assessment*

(a) In order to regularise the unauthorised use of energy by small and medium power consumers, the Board gave an option (August 1979) to consumers to voluntarily declare their unauthorised load in excess of the contracted load. Accordingly 445 consumers under the jurisdiction of Divisional Officer, Electricity Distribution Division IV, Moradabad tendered in December 1979 and January 1980 their voluntary declaration of unauthorised connected load and the Divisional Officer regularised the unauthorised load up to 25 HP per connection and sanctioned (January 1980) the excess load in respect of 377 consumers after verification of the connected load on the basis of fresh basic load forms (indicating the connected load) obtained from the consumers followed by the execution of fresh agreements. Subsequently (June to August 1980), the unauthorised load so regularised was cancelled by the Divisional Officer on the ground that other consumers were already waiting for their new loads. However, 137 consumers who filed law suits and obtained stay orders to retain their declared unauthorised load were billed by the Board on the basis of enhanced loads. Remaining consumers using unauthorised load aggregating 1,010 HP were billed at their original contracted load, resulting in short assessment of Rs.3.64 lakhs, being the minimum charges at Rs.22.50 per BHP per month for the period from February 1980 to May 1981. This was not recoverable now, following cancellation of their unauthorised load. The Divisional Officer stated (June 1981) that disconnection notices were served for removal of additional load though raids were stopped to avert law and order problems. It was further stated that the matter was referred to Law Cell of the Board and on receipt of a decision, the consumers would be billed at enhanced load.

The matter was reported to the Board/Government in September/November 1981 ; replies were awaited (June 1982).



(b) In Lucknow Electric Supply Undertaking, the billing of all light and fan consumers and power consumers up to 100 HP was computerised from October 1979. According to computer feeding programme, in the event of the meter being declared/ advised defective, the billing was to be made at minimum rate till further intimation.

In test check of records (August 1980), it was noticed that out of 13 areas the meters of 880 consumers of eight areas were declared defective during the period from November 1977 to March 1980, though as per meter cards the meters were in working condition and regular monthly readings were being recorded. In the absence of replacement advice of defective meters, the computer continued to bill (till July 1980) minimum charges only instead of actual energy charges. This resulted in short recovery of Rs.3.61 lakhs. Out of these, 69 consumers of one area were billed for Rs.0.30 lakh in July 1980 and a sum of Rs.0.10 lakh was yet to be recovered (June 1982). The billing of remaining 811 consumers (Rs.3.31 lakhs) was not done.

On being pointed out (August 1980) in audit the unit stated (September 1982) that due to programming mistake in the computer billing of actual consumption could not be done and that the amount of Rs.3.61 lakhs had since been assessed and realised.

The matter was reported to the Board/Government in November 1981; replies were awaited (June 1982).

(c) During verification conducted by a team of sub-divisional officers of the sites of the private tubewells/pumping sets in August and September 1979, it was found that 47 consumers of Electricity Distribution Division I, Varanasi were using the energy for industrial purposes also like flour mill, carpet cleaning *etc.* though the load was sanctioned to them for agricultural purposes only. Under existing orders of the Board (14th October 1976) supplies to such consumers should have been disconnected and the consumption billed at higher rate schedule (LMV-6). The division, however, continued to bill the consumers on the basis of the lower rate schedule (LMV-5) applicable to agricultural consumers only. This resulted in short recovery of Rs.0.51 lakh during August 1979 to December 1980.

On being pointed out by Audit, it was stated by the Divisional Officer (February 1981) that steps were being taken to finalise fresh agreements and assessments would be made shortly.

The matter was reported to the Board/Government in October 1981; replies were awaited (June 1982).



(d) An extra charge of seven and half *per cent* of the bill is leviable if the supply is given to the consumer at 400 volts.

In Electricity Distribution Division, Gonda, the extra charge of seven and half *per cent* (Rs.0.53 lakh) was not levied on six consumers from July 1979 to October 1980.

On being pointed out in audit (November 1980) the division stated (February 1982) that Rs.0.29 lakh had since been recovered from five consumers.

The matter was reported to the Board/Government in February/September 1981; replies were awaited (June 1982).

(e) From February 1979 to November 1980, the Divisional Officer, Electricity Distribution Division, Unnao, sanctioned additional load to 12 industrial power consumers having a connected load up to 100 HP. Agreements for the increased load were also executed. A test check in audit (January 1981) revealed that the additional load was not noted in the consumers' ledger and the billing continued on the basis of the previously sanctioned load.

The amount short-billed in these cases amounted to Rs.0.45 lakh (minimum charges up to January 1981).

The Divisional Officer stated (January 1981) that assessment would be done after scrutiny of these cases.

The matter was reported to the Board/Government in November 1981; replies were awaited (June 1982).

#### 11.04. *Irregular supply*

The Diesel Locomotive Workshop (DLW), Varanasi is being supplied electricity since September 1965 from two separate 11 KV feeders. It has a connected load of 4000 KVA for industrial purpose and 705 KVA for residential purposes. In 1965 DLW allotted land alongwith water and electricity facilities to a firm of Calcutta for establishing an industrial gas production factory within its premises. The arrangement for supply of electricity to the firm was made by DLW without the approval of the Board. Later a dispute arose between DLW and the Calcutta firm regarding supply of gas and as a result, the DLW stopped supply of electricity (July 1978) to the Calcutta firm. On 23rd

August 1978 the Calcutta firm applied to the Board for supply of electricity (200 KW) which was sanctioned in December 1978 and released on 17th February 1979.

In test audit (June 1980) of Electricity Distribution Division I, Manduadih, Varanasi following irregularities were noticed :

(a) DLW, the bulk consumer of the Board, was selling electricity to the firm out of its own supply during April 1965 to July 1978. Based on consumption during February 1979 to January 1980 the average consumption of power by the firm worked out to 61,000 units. On this basis, due to supply of power to the firm at a concessional rate, the Board was put to a loss of Rs.9.51 lakhs as the firm's consumption was liable to be billed under the tariff which was higher (by 10 paise per unit) than the rate charged to DLW. The Divisional Officer stated (July 1980) that the unlawful supply could not be detected during local reading of meters.

(b) After giving connection in February 1979 the firm was allowed a development rebate of Rs.0.58 lakh up to November 1980 (15 per cent up to 31st May 1979 and 10 per cent thereafter up to May 1980) by treating the industry as new to which the firm was not entitled as it was 13 years old industry at the same venue. On being pointed out by Audit the Divisional Officer stated (February 1982) that the rebate allowed was withdrawn from December 1980 and Rs.0.58 lakh were realised in October 1981.

(c) When the energy supplied to a large and heavy power consumer for a factory is also utilised for domestic purposes, such consumption is required to be charged at higher rate applicable to mixed load. The firm was having contracted load of 200 KW (190 KW for factory and 10 KW for residential colony) since 17th February 1979, but was not billed at the higher rates for mixed loads, although no separate arrangement for metering the consumption in residential colony was made. This had resulted in undercharge of Rs.2.64 lakhs during the period from February 1979 to August 1980 (separate meter installed in September 1980).



(d) According to the agreement with DLW, the supply of energy was made at 11 KV. DLW was billed from June 1979 to June 1980 under heavy power (HV-2B) and a rebate of five and seven and half *per cent* was allowed on the amount of demand and energy charges respectively. The rebate, so allowed (Rs.1.61 lakhs), was not admissible as it was admissible for supply taken at AC voltage above 11 KV. On this being pointed out in audit (June 1980) a supplementary bill was issued on 8th July 1980 for Rs.1.61 lakhs which was paid by the consumer on 30th July 1980.

The matter was reported to the Board/Government in September 1981; replies were awaited (June 1982).

11.05. *Non-levy of additional charge*

(a) According to the tariff applicable to licensees, heavy, large and mixed load (above 100 KW) consumers whose monthly bill is not paid by the due date specified therein, are liable to pay additional charge of seven paise per Rs.100 or part thereof per day of delay on the unpaid amount of the bill.

During test audit (November 1979 to March 1981) it was noticed that in six distribution divisions, the additional charges aggregating Rs.5.19 lakhs (18 consumers) for delayed payments during different periods from December 1975 to February 1981, were not claimed except in the case of five consumers in two divisions where bills (Rs.1.93 lakhs) were raised but amounts were not recovered (June 1982).

The matter was reported to the Board/Government in September 1981; replies were awaited (June 1982).

(b) On takeover (September 1975) of the business of an ex-licensee of Mirzapur town in September 1975 a large power consumer having a connected load of 96 KW was billed (May 1976) by Electricity Distribution Division I, Mirzapur as per Board's tariff. The consumer obtained (4th June 1976) a stay order from the High Court against the application of the Board's tariff and was consequently billed from May 1976 at ex-licensee's tariff which was lower than the Board's tariff. Although the case filed by the consumer was dismissed (May 1979) by the High Court, the division continued to bill the consumer as per ex-licensee's tariff till November 1979 and from December 1979 it was done as per Board's tariff. A bill for the difference (Rs.0.66 lakh) between the amounts chargeable as per Board's tariff and ex-licensee's tariff for the period from May 1976 to November



1979, raised on 29th November 1980 for making payment on or before 13th December 1980, was not paid by the consumer (February 1981). Had the bill been issued in June 1979 (soon after the court decision), the defaulting consumer would have also rendered himself liable for payment of additional charge of Rs.0.26 lakh on the unpaid amount of Rs.0.66 lakh at the rate of seven paise per day per 100 rupees or part thereof for 561 days (from 1st June 1979 to 12th December 1980, the due date of the present bill being 13th December 1980). The Divisional Officer stated (February 1981) that the bill could not be issued due to rush of work.

The matter was reported to the Board/Government in December 1981; replies were awaited (June 1982).

#### 11.06. *Non-levy of surcharge*

As per tariff applicable to consumers of small power for private tubewells/pumping sets for irrigation purpose and small and medium power (effective from 1st November 1974), a consumer is liable to pay surcharge of 12 *per cent* on the amount of the bill, (excluding arrears, if any) in the event of monthly bills not being paid by the due dates specified therein. In case the payment is delayed beyond six months (reckoned from the first day of the month following the due date for payment), the consumer is also liable to pay a further surcharge of two *per cent* of the amount of the bill per month of delay or part thereof. With effect from 1st June 1979 surcharge has been modified as two *per cent* of the amount of the bill per month for the entire period of delay.

In test audit (December 1980 and January 1981), it was noticed that in three Electricity Commercial/Distribution Divisions a sum of Rs.5.53 lakhs towards surcharge for delayed payments was not levied and realised from 187 consumers during the period from April 1977 to December 1980.

On being pointed out by Audit, the Board stated (August 1982) that in respect of Electricity Distribution Division, Kannauj Rs.0.13 lakh had been recovered from three consumers and that installation of seven consumers had been disconnected and notices under U. P. Government Electrical Undertaking (Dues Recovery) Act, 1958 had been issued for recovery of Rs.0.34 lakh.

The matter was reported to the Board during February and March 1981 and to Government in September 1981; replies of the Board in respect of two divisions and the Government in respect of three divisions were awaited (June 1982).



11.07. *Non-recovery of instalments*(a) *Private tubewells*

The Board introduced (July 1972) a scheme for supplying electricity for private tubewells and pumping sets on priority basis, subject to recovery of Rs.700 (where expenditure to be incurred by the Board was up to Rs.4,000) and Rs.1,050 (where expenditure to be incurred by the Board was above Rs.4,000 but did not exceed Rs.6,000) as 'priority charges' (non-refundable) in 10 annual instalments, recoverable each year in April. The first instalment was recoverable before energising the tubewells and pumping sets. The divisions concerned were required to issue bills by 15th March each year indicating the number of instalments and amount payable by the consumer.

During test check (August 1980 to April 1981) it was noticed that in 11 Distribution Divisions, only first instalment was recovered from 2,443 consumers, and subsequent demand for recovery of instalments of priority charges (Rs.12.02 lakhs), which had fallen due between April 1973 to April 1980 were not raised.

Executive Engineer, Electricity Distribution Division, Fatehpur informed (October 1982) that out of Rs.1.38 lakhs, Rs.0.98 lakh had been recovered. Kanpur Division stated (January 1983) that bills had been raised but recovery there-against was awaited.

The matter was reported to the Board during October 1980 to February 1981 and to Government in September 1981; replies were awaited (June 1982).

(b) In 1976-77, the Board introduced a Janata service connection scheme for supplying electricity to weaker sections of the society under which service line charges were payable by the consumer in lumpsum of Rs.60, Rs.80 and Rs.100 or in 10 equal monthly instalments for one, two and three points respectively.

During test audit (August/December 1980 and January 1981) it was noticed that in three Electricity Distribution Divisions, the second and subsequent instalments (Rs.1.35 lakhs), falling due from 1976-77 onwards were not realised from 1,392 consumers.

In Electricity Distribution Division, Unnao even energy charges (Rs.1.15 lakhs) were not recovered from 458 consumers up to December 1980.

The matter was reported to the Board during December 1980 to March 1981 and to Government in September 1981; replies were awaited (June 1982).



11.08. *Inadmissible rebate*

(a) As an incentive to new industries, the tariff applicable to large and heavy power consumers provides for a development rebate (15 *per cent* with effect from 1st July 1976 and 10 *per cent* with effect from 1st June 1979) on the amount of the bill relating to demand and energy charges for the initial period of three years. This rebate is, however, not admissible to State tubewells/pumped canals, lift irrigation schemes and drinking water supply schemes, Railways and departments/corporations/undertakings of the State, the Central Government and local bodies. Cold storage units also are not treated as industry for this purpose.

During test audit (August 1980 to February 1981) it was noticed that in seven Electricity distribution/Commercial divisions 25 consumers were allowed inadmissible rebate aggregating Rs.6.64 lakhs for the period from July 1976 to December 1980. Six of these seven divisions had stated (in reply to audit observations) that development rebate wrongly allowed by them would be recovered.

The matter was reported to the Board during October 1980 to May 1981 and to Government in September 1981 ; replies were awaited (June 1982).

(b) Under the tariff applicable to large and heavy power consumers using power for a new industry, concession in levy of demand charges on actual basis for one year and development rebate for three years from the date of commencement of supply are admissible. Four large power consumers using power for cold storage (not classified as industry) were, however, allowed these concessions (during October 1979 to March 1981) by Electricity Distribution Division II, Rae Bareli (three consumers) and Electricity Distribution Division, Rampur (one consumer) resulting in an undercharge of Rs.0.53 lakh (demand charges : Rs.0.06 lakh, development rebate : Rs.0.47 lakh).

The matter was reported to the Board/Government in July/October 1981 ; replies were awaited (June 1982).

(c) A consumer of Hastinapur (Meerut) having a contracted load of 1500 KVA since March 1967 was taking power from an independent feeder from Hastinapur sub-station. While raising the bill, Electricity Distribution Division II, Meerut allowed to the consumer a rebate of 25 *per cent* of demand charges which was admissible only to a consumer taking energy



on rural feeder. The inadmissible rebate allowed to the consumer during the period from January to May 1980 amounted to Rs.0.27 lakh. The Divisional Officer stated (January 1981) that bill for inadmissible rebate allowed to the consumer would be issued after obtaining concurrence from the Superintending Engineer which was awaited (March 1982).

The matter was reported to the Board/Government in September 1981; replies were awaited (June 1982).

#### 11.09. *Non-recovery of revenue arrears*

In July 1976, the accounts of certain consumers were transferred from Electricity Distribution Division, Lucknow to a newly created division at Unnao. At the time of transfer dues amounting to Rs.3.08 lakhs for 1973-74 to 1975-76 were outstanding against the consumers including those whose supplies had already been disconnected. Detailed list and consumers' ledger were not transferred (June 1982) by Lucknow Division to Unnao Division and the latter division could not take action (February 1981) to recover the outstanding dues, although four years had elapsed.

The matter was reported to the Board/Government in September 1981; replies were awaited (June 1982).

#### 11.10. *Non-billing*

There were 631 Janata Service connections in the defunct Electricity Commercial Division I, Moradabad (defunct since February 1979). But only 277 consumers were being billed by the two successor divisions [Electricity Distribution Division I, Moradabad : 196 consumers and Electricity Distribution Division, Amroha (Moradabad) : 81 consumers]. Accordingly, 354 consumers were not being billed since March 1979. On the basis of minimum charge of Rs.5 per month per consumer, the unbilled amount aggregated Rs.0.42 lakh (March 1979 to February 1981). Electricity Distribution Division I, Moradabad stated (April 1981) that the matter was being investigated. It was further stated (January 1982) that as a result of physical verification, 42 more consumers had been added to the billing list.

The matter was reported to the Board/Government in September 1981; replies were awaited (June 1982).

### 11.11. *Delay in accountal of revenue*

Against recovery certificates issued prior to May 1976 by Electricity Distribution Division I, Jaunpur, Rs.5.26 lakhs were realised by the Revenue authorities and were stated to have been deposited in the Treasury up to May 1976 under Electricity Duty. Neither consumer-wise details and particulars of recovery certificates against which these realisations were made by the Revenue authorities were available in the division nor could the payment be obtained by the Board from the treasury (March 1982).

The matter was reported to the Board/Government in September 1981; replies were awaited (June 1982).

### 11.12. *Omission to credit revenue realisations*

A temporary clerk of Electricity Distribution Division, Sultanpur entrusted with the collection of revenue from consumers, did not deposit Rs.0.19 lakh out of realisations made by him during July 1980 to March 1981. The clerk concerned excluded the entry of certain receipts in the realisation sheets and deposited money as per realisation sheets. This was facilitated due to non-comparison of realisation as per receipt books and improper accounting of used receipt books. The clerk absconded (April 1981) without handing over the account of receipt books. Report was lodged with Police on 19th April 1981. The Divisional Officer stated (April 1981) that entire case was under departmental investigation.

The matter was reported to the Board/Government in July (September 1981 ; replies were awaited (June 1982).



## SECTION XII

### OTHER TOPICS OF INTEREST

#### 12.01. *Theft/pilferage of material*

(a) Consignments of coal for Steam Power House, Balrampur (situated on metre gauge railway lines) are despatched from the coal fields through broad gauge railway wagons, contents of which are transhipped into metre gauge wagons at Barabanki. During the three years up to 1979-80 out of 45,746 tonnes of coal received by the Power House, 9,967 tonnes of coal was received short (value : Rs.16.39 lakhs) due to pilferage en-route and/or in transhipment of coal from broad gauge to metre gauge wagons.

No claims were preferred for the losses (9,000 tonnes approximately) up to December 1979. The claims lodged (February to July 1980) with the Railways for shortages from January 1980 onwards were rejected (September/October 1980) on the ground that the consignee had taken delivery of the consignments under clear receipts.

Board stated (November 1982) that the coal was despatched by Railways in open wagons at 'owner's risk' and was not covered under transit insurance as per Railway rules. Railways do not entertain claims for shortages of coal in transit and where claims were preferred, they were rejected. Necessary action to get the loss written off was under process.

The matter was reported to Government in September 1981; reply was awaited (June 1982).

(b) With a view to improving voltage and avoid overloading of 33 KV Bulandshahr — Khurja transmission line emanating from 132 KV Bhoor sub-station, the existing line was tapped (1976) from a newly constructed 220 KV Dharpa sub-station at a point beyond 13 kms from Bhoor sub-station rendering the line (13 kms) from Bhoor sub-station idle. Pending dismantling of the line, idle portion of the line also was kept energised. The Electricity Distribution Division II, Bulandshahr, however, took over four years to dismantle the idle portion of the line (dismantling commenced in January 1981 and completed in October 1981) and till then repeated thefts/pilferages (value : Rs.1.55 lakhs including cost of 19,345 metres of ACSR conductor and other line materials) on ten different occasions (between October 1980

and January 1981) had occurred. The Divisional Officer stated (June 1981) that the area in which the line was laid, was susceptible to conductor thefts for which none could be held responsible.

The matter was reported to the Board/Government in October 1981; replies were awaited (June 1982).

(c) One 12.5 MVA transformer meant for installation at 132 KV sub-station, Bina (Mirzapur) was kept (April 1978) at site pending its installation. On 11th/12th July 1978 the drain valve of the oil tank was found to have been removed as a result of which entire quantity of 17,000 litres of transformer oil (value: Rs.1.36 lakhs) had drained out though round the clock arrangements for watch and ward were made. The Divisional Officer, Electricity Transmission Division, Mirzapur in his report submitted (October 1978) to Superintending Engineer opined that an ordinary outsider could not have removed the drain valve easily and that collusion of departmental employees could not be ruled out. Report was lodged with Police on 12th July 1978; results of investigation were awaited (March 1982).

The Board stated (July 1982) that in departmental enquiry no departmental person was found responsible and that the Police had closed the case as no clue was found by them. It was further stated that instructions had been issued to fix responsibility for supervisory lapses, if any, and to take precautionary measures to avoid recurrence of such cases in future.

The matter was reported to Government in September 1981; reply was awaited (June 1982).

(d) In July 1979 a Junior Engineer of Electricity Distribution Division II, Basti, got transported five drums (20,800 metres) of ACSR 'Rabbit' conductors (value : Rs.0.58 lakh) to Uska (Basti) for construction work on seven km long 11 KV main line from Bardaha to Bahara. The material was left at site without any arrangement for watch and ward. On 5th August 1980, on being informed by the *Gram Pradhan* of the area, the concerned Junior Engineer lodged a report with the Police about the theft of the material.

It was stated by the Divisional Officer (February 1981) that the matter was being investigated departmentally as well as by Police. No responsibility for the loss has been fixed (June 1982).

The matter was reported to the Board/Government in February/September 1981; replies were awaited (June 1982).



12.02. *Misappropriation of stores*

(a) An Assistant Store Keeper (Who had not deposited any security) of Electricity Distribution Division II, Basti, received 34.4 tonnes of copper scrap from another sub-division during January to October 1975. A sale order for 29.5 tonnes of scrap was issued (July 1979) in favour of a firm of Lucknow and the Assistant Store Keeper was directed to deliver the scrap to the firm.

On 21st August 1979 the Assistant Store Keeper absconded from duty. On suspecting foul play, the locks of the stores were broken (27th August 1979) in the presence of the members of a Committee and 19.6 tonnes of copper scrap (value : Rs.5.10 lakhs) was found short. Report was lodged (30th August 1979) with the Police and the Assistant Store Keeper was suspended (September 1979) in absentia.

The misappropriation remained unnoticed due to non-verification of stores physically since 1975, though required to be done annually as per orders of the Board.

The matter was reported to the Board/Government in April/September 1981; replies were awaited (June 1982).

(b) As a result of physical verification of stores conducted in September 1977 a shortage of 958 energy meters was noticed. The Assistant Store Keeper of Electricity Test Division, Allahabad who was relieved in August 1975 without handing over-charge of stores was held responsible for the shortage and the amount recoverable (Rs.1.13 lakhs) was booked as 'Miscellaneous Advance' against him. On further reconciliation (February 1980), by the Assistant Store Keeper-in-charge, the actual shortage worked out to be of 476 meters (value : Rs.0.64 lakh).

The division decided (July 1980) to make good the shortage by recovery (commenced with effect from July 1980) of a monthly instalment of Rs.100 from the Assistant Store Keeper it would take more than 53 years to recover the entire amount.

The Divisional Officer stated (July 1981) that the Assistant Store Keeper was relieved without handing over charge as he was likely to tamper with the records and that delay in physical verification occurred due to paucity of staff.

The matter was reported to the Board in September 1980 and to Government in November 1981; replies were awaited (June 1982).

(c) Under instructions of the Sub-divisional Officer III, Electricity Distribution Division I, Bulandshahr a Junior Engineer received distribution transformers and earthwire valuing

Rs.0.42 lakh from the defunct Hydel Division, Bareilly on 17th June 1959. These materials were neither recorded in the measurement book nor accounted for in stock accounts (April 1981). An advice of transfer debit (ATD) raised (September 1962) by the division which supplied the materials was accepted by the transferee division (April 1965) by treating the value of material as 'miscellaneous advance' against the two defaulting officials (Junior Engineer and Assistant Store Keeper) both since retired. Neither the recovery had been made, nor was the matter investigated and reported to the higher authorities.

On this being pointed out in audit (April 1981), it was stated by the Divisional Officer that the matter would be reported to the Chief Engineer (Hydel).

The matter was reported to the Board/Government in October 1981; replies were awaited (June 1982).

#### 12.03. *Excess payment*

The Electricity Transmission Design Circle, Lucknow placed (November 1978) an order on a firm of Madras for supply of 2,000 kms of ACSR 'Moose' conductor at a rate of Rs.32.291 per km. *f-o-r* destination (including Rs.400 per km for freight and insurance charges). The price (based on prices ruling in July 1978) was subject to variation based on the price of aluminium ingots. One hundred kms of conductor was allotted (January 1979) to Electricity Transmission Division I, Allahabad.

The aluminium prices decreased with effect from 18th October 1978. The Circle, therefore, revised the rate to Rs.31,026.26 per km effective from 1st December 1978, which was communicated (February 1979) to the Madras firm and also to the division.

The firm supplied (January/February 1979) 99.444 km conductor to the division and charged the original rate of Rs.32,291 per km which was paid (February/March 1979) by the division, resulting in an excess payment of Rs.1.26 lakhs.

The Divisional Officer stated (January 1981) that 100 *per cent* payment was to be made against railway receipt as such no deduction was possible. Information about overpayment in respect of balance quantity (1900 kms) to be supplied to other units was awaited (June 1982).



The matter was reported to the Board/Government in September 1981 ; replies were awaited (June 1982).

#### 12.04. *Rejected claims*

The Agra Electric Supply Undertaking lodged 13 claims (value : Rs.3.01 lakhs) with the Railways for non-receipt of coal wagons during August 1974 to September 1980 which were rejected by the Railways on the ground that they were time-barred. The Superintending Engineer stated (December 1980) that the matter was being pursued with the Railways to settle these claims.

The matter was reported to the Board/Government in February/September 1981 ; replies were awaited (June 1982).

#### 12.05. *Claims not preferred*

(a) In terms of the orders (September 1978) of the Government of India, suppliers of cement are liable to pay interest at the rate of 14 *per cent* per annum on the amount of advances received from the indentors in case of failure to make supplies within 15 days of the receipt of advance.

In test audit (August 1980) it was noticed that Electricity Civil Division I, Parichha (Jhansi) did not recover interest charges amounting to Rs.0.52 lakh (in 13 cases) from suppliers of cement in respect of advances (Rs.59.94 lakhs) made to them during the period August 1979 to June 1980 against which supplies were not received within 15 days and the delay ranged from 35 to 81 days.

The matter was reported to the Board/Government in September 1981 ; replies were awaited (June 1982).

(b) Electricity Transmission Division, Nainital purchased 253.30 tonnes of cement from a firm at Satna. While settling the account, the following amounts aggregating Rs.0.30 lakh were not claimed from the firm :

(i) interest at 14 *per cent* on the amount of advance which remained with the firm for more than 15 days and against which cement was not supplied/supplied late (Rs.1,330) ;

(ii) sales tax paid in excess Rs.5,853 ; and

(iii) railway freight adjustable on supplies lifted by truck (due to non-availability of wagons) by the division, the price of cement being *f o r* destination (Rs.22,579).

The Divisional Officer stated (May 1981) that the firm would be asked to refund the amount as pointed out by Audit.

The matter was reported to the Board/Government in September 1981; replies were awaited (June 1982).

#### 12.06. *Re-rolling of steel*

The Thermal Design Directorate, Lucknow placed an order (October 1979) on a firm of Kanpur for re-rolling of 1,000 tonnes mild steel from tested billets to be supplied by the Board against bank guarantee of Rs.5 lakhs. The re-rolling charges were payable at Rs.235 and Rs.445 per tonne. The supply of re-rolled materials was to start after 15 days of issue of billets at the rate of 20 tonnes per day subject to availability of power and wastage was to be allowed at 10 *per cent*. The firm furnished (October 1979) the bank guarantee for Rs.4.95 lakhs (valid up to 14th October 1980) and 390.170 tonnes billets were supplied to it during October to December 1979. The firm supplied 182.715 tonnes re-rolled mild steel rounds during December 1979 to February 1980. After giving allowance for 10 *per cent* wastage, 187.153 tonnes of billets (value : Rs.6.55 lakhs) were still with the firm. In May 1980 when a representative of the Board visited the firm's factory, balance quantity of billets was not physically available in the factory.

Parichha Thermal Power Project, Parichha (Jhansi) intimated (February 1982) that the bank guarantee was invoked and payment of Rs.4.95 lakhs was received in May 1981.

The matter was reported to the Board/Government in September 1981; replies were awaited (June 1982).

#### 12.07. *Avoidable expenditure*

A consignment of tower parts supplied by a firm of Calcutta to the Electricity Transmission Construction Division, Aligarh, arrived at Aligarh on 11th September 1980. On 17th September 1980 the bank requested the Division to retire the documents on payment of Rs.1.40 lakhs. The documents were, however, retired by the Division after three months (15th December 1980) and delivery of material was taken on 19th December 1980 by



making payment of Rs.0.20 lakh by way of wharfage. The delayed retirement of documents was attributed by the division (February 1981) to non-availability of funds for the purpose, though a minimum balance of Rs.1.60 lakhs was held by the division, during 10th September to 16th October 1980.

It may be mentioned that on 16th August 1980 the division retired another document by paying Rs.0.69 lakh without ascertaining the actual arrival of wagon which arrived only on 10th April 1981.

The matter was reported to the Board/Government in September 1981 ; replies were awaited (June 1982).

## SECTION XIII

### UTTAR PRADESH STATE ROAD TRANSPORT CORPORATION

#### 13.01. *Introduction*

The Uttar Pradesh State Road Transport Corporation was established on 1st June 1972 under the Road Transport Corporations Act, 1950.

13.02. The particulars regarding capital, financial position and working results of the Corporation for the three years up to 1977-78 have been mentioned in section XII of the Report of the Comptroller and Auditor General for the year 1979-80 (Commercial). Thereafter the accounts of the Corporation were not finalised and made available to audit.

#### 13.03. *Guarantees*

The table below indicates the details of guarantees given by Government for the repayment of loans raised by the Corporation and payment of interest thereon :

Particulars	Year in which guaranteed	Amount* guaranteed	Amount outstanding as on 31st March 1981		
			Principal	Interest	Total**
(Rupees in lakhs)					
Banks	1972-73 1973-74 and 1975-76	1325.00	490.00	..	490.00
IDBI (bill discounting scheme)	1975-76 to 1977-78	1300.00	46.35	48.02	94.37
Total		2625.00	536.35	48.02	584.37

\*Figure as per Finance Accounts is Rs. 2325 lakhs; difference is under reconciliation.

\*\*Figure as per Finance Accounts is Rs. 99.27 lakhs; difference is under reconciliation.



13.04. *Operational performance*

The table below indicates the operational performance of the Corporation for the three years up to 1980-81 :

	1978-79	1979-80	1980-81*
Route kilometres	217806	263178	287748
Number of operating depots	72	75	75
Average number of vehicles held**	5524	5713	5769
Average number of vehicles on road	4269	4484	4526
Percentage utilisation	77	78	78
Kilometres covered (in lakhs)			
— Gross	3541.29	4063.21	4327.11
— Effective	3445.30	3972.00	4227.85
— Dead (including departmental)	95.99	91.21	99.26
Percentage of dead kms to gross kms	2.9	2.7	3.0
Average kms per vehicle per day	229	217	219
Passenger kms scheduled (in lakhs)	3772.16	4209.45	4559.35
Passenger kms operated (in lakhs)	3378.67	3653.59	3731.14
Occupancy ratio	89.6	86.8	81.8
Average number of breakdowns per lakh kms	0.086	0.101	0.112
Average number of accidents per lakh kms	0.28	0.28	0.18
Average revenue per effective km (paise)	204	209	218
Average expenditure per effective km (paise)	201	206	241
Profit (+)/Loss (—) per km (paise)	(+)3	(+)3	(—)23

\*Figures for 1980-81 are provisional.

\*\*Vehicles include buses, taxis and trucks.

## 13.05. Meerut Region

## 13.05.01. Introduction

The Uttar Pradesh State Road Transport Corporation has 18 regions with 97 depots as on 31st March 1981.

The Meerut Region of the Corporation has 5 depots at Roorkee, Muzaffarnagar, Meerut, Sohrabgate (Meerut) and Garh. The following paragraphs contain a review on the working of Meerut Region.

## 13.05.02. Organisational set-up

The day-to-day management of the operations in the Region is vested with the Regional Manager, who is assisted by 3 Assistant Regional Managers, a Depot Manager, a Service Manager and a Regional Accounts Officer at Regional headquarters. Depot is managed by the Depot Manager/Assistant Regional Manager.

The Region has a workshop at Meerut for undertaking major repairs and maintenance of buses which had run one lakh kilometres, receiving new/renovated buses from the Corporation's Central Workshop, Kanpur and maintaining regional stores. In addition, there are workshops at each depot for undertaking minor/petty repairs and day-to-day maintenance. There is a Stores Purchase Committee and a Vehicle Condemnation Committee at regional level.

## 13.05.03. Working results

Annual accounts of the Corporation are in arrears since 1978-79. The working results of the Region for the three years up to 1980-81 based on provisional annual accounts are indicated below :

	1978-79		1979-80		1980-81	
	Private vehicles	Corporation's vehicles	Private vehicles	Corporation's vehicles	Private vehicles	Corporation's vehicles
	(Rupees in lakhs)					
Operating						
Revenue	39.15	460.75	115.72	457.54	226.87	498.73
Expenditure	21.73	427.62	78.77	437.73	162.50	520.16
Deficit(-)/ Excess(+)	(+)17.42	(+)33.13	(+)36.95	(+)19.81	(+)64.37	(-)21.43



	1978-79		1979-80		1980-81	
	Private vehicles	Corpora- tion's vehicles	Private vehicles	Corpora- tion's vehicles	Private vehicles	Corpora- tion's vehicles
(Rupees in lakhs)						
Non-operating						
Revenue	..	19.86	..	23.79	..	19.87
Expenditure	..	28.38	..	26.31	..	33.72
Deficit(—)/ Excess (+)	..	(—)8.52	..	(—)2.52	..	(—)13.85
Total						
Revenue	39.15	480.61	115.72	481.33	226.87	518.60
Expenditure	21.73	456.00	78.77	464.04	162.50	553.88
Deficit(—)/ Excess(+)	(+)17.42	(+)24.61	(+)36.95	(+)17.29	(+)64.37	(—)35.28
Total revenue kms (in lakhs)	19.03	229.74	54.32	227.92	105.71	228.73
Operating re- venue per revenue km (in paise)	206	200	213	201	215	218
Operating ex- penditure per revenue km (in paise)	114	186	145	192	154	227
Operating loss (—)/gain(+) per revenue km (in paise)	(+)92	(+)14	(+)68	(+)9	(+)61	(—)9

The number of private vehicles operated increased from 32 in 1978-79 to 71 in 1979-80 and to 95 in 1980-81 but the revenue kms operated by private vehicles increased from 19.63 lakhs in 1978-79 to 105.71 lakhs in 1980-81 (increase of 455.5 per cent). During the same period the Corporation operated 264 buses in 1978-79 and 1979-80 and 282 buses in 1980-81.

It was also observed that the revenue earned from the operation of private vehicles was increasing from year to year, whereas the revenue earned from the operation of the buses of the Corporation remained more or less constant.

The fall in profit from Rs. 24.61 lakhs in 1978-79 to Rs. 17.29 lakhs in 1979-80 and the loss of Rs. 35.28 lakhs in 1980-81 in the case of the Corporation's buses was attributed (June 1981) by the Management to—

- frequent rise in the cost of diesel ;
- increase in the maintenance cost of buses during 1979-80 and 1980-81 ; and
- increase in expenditure on salaries and allowances of the staff during 1979-80 and 1980-81.

It is to be noted that during 1980-81, operation of private buses yielded a profit of Rs. 64.37 lakhs.

#### 13.05.04. *Financial results*

Following are the depot-wise financial results of operation (both private and Corporation buses) of the Region for the three



years up to 1980-81 :

Depots†	1978-79				1979-80				1980-81			
	Revenue kms (in lakhs)	Income	Expen- diture (Rupees in lakhs)	Profit(+)/ Loss(-)	Revenue kms (in lakhs)	Income (Rupees in lakhs)	Expen- diture (Rupees in lakhs)	Profit(+)/ Loss(-)	Revenue kms (in lakhs)	Income (Rupees in lakhs)	Expen- diture (Rupees in lakhs)	Profit(+)/ Loss(-)
Meerut	90.53	197.46	173.64	(+)23.82	97.67	211.65	186.53	(+)25.12	108.35	251.68	233.41	(+)18.27
		(2.18)	(1.92)			(2.17)	(1.91)			(2.32)	(2.15)	
Muzaffar- nagar	80.64	163.80	150.73	(+)13.07	91.04	192.91	169.26	(+)23.65	108.53	239.96	226.02	(+)13.94
		(2.03)	(1.87)			(2.12)	(1.86)			(2.21)	(2.08)	
Roorkee	17.40	39.29	34.91	(+)4.38	19.64	42.72	39.58	(+)3.14	24.88	56.62	53.73	(+)2.89
		(2.26)	(2.01)			(2.18)	(2.02)			(2.28)	(2.16)	
Sohrabgate	22.52	45.52	46.09	(-)0.57	39.81	81.65	78.68	(+)2.97	53.60	114.31	114.41	(-)0.10
		(2.02)	(2.05)			(2.05)	(1.98)			(2.13)	(2.13)	
Garh	30.80	58.45	59.58	(-)1.13	34.08	68.12	68.76	(-)0.64	39.08	82.90	88.81	(-)5.91
		(1.90)	(1.93)			(2.00)	(2.02)			(2.12)	(2.27)	
	<b>241.89</b>	<b>504.52</b>	<b>464.95</b>	<b>(+)39.57</b>	<b>282.24</b>	<b>597.05</b>	<b>542.81</b>	<b>(+)54.24</b>	<b>334.44</b>	<b>745.47</b>	<b>716.38</b>	<b>(+)29.09</b>

NOTE:—Figures in brackets denote income/expenditure in rupees per km.

†Excludes Hapur depot transferred to Ghaziabad region with effect from July 1973.

The recurring losses in Garh depot were stated (June 1981) by the Management to be due to unauthorised operation of smaller vehicles by private operators.

### 13.05.05. Fleet position

(i) The position of vehicles (excluding trucks) held by the Region during the three years up to 1980-81 was as under :

	On road	Spare	Off-road	Total	Percentage of off-road and spare buses to total number of buses
As on 31st March					
1979	253	11	74	338	25.1
1980	234	30	57	321	27.1
1981	266	16	55	337	21.1

(ii) The age-wise analysis of buses and in terms of kilometres run (normal life being 4.8 lakh kilometres) is indicated below :

	As on 31st March		
	1979	1980	1981
	(Number of buses)		
<b>In terms of years of operation</b>			
Over 10 years	15	2	17
5 to 10 years	119	123	161
Less than 5 years	204	196	159
	<u>338</u>	<u>321</u>	<u>337</u>
<b>In terms of kilometres run</b>			
Over 4.8 lakh kms	16	30	64
3 to 4.8 lakh kms	136	184	185
2 to 3 lakh kms	106	51	43
Below 2 lakh kms	80	56	45
	<u>338</u>	<u>321</u>	<u>337</u>



13.05.06. *Operation*(a) *Rural services*

Depot-wise operational results of Corporation's buses deployed on rural services in 1980-81 are given below :

Particulars	Meerut	Muzaffar-nagar	Roorkee	Sohrab-gate	Garh
Scheduled Kms (in lakhs)	78.30	76.65	24.45	41.11	37.36
Operated kms (in lakhs)	73.21	62.96	20.06	39.46	35.66
Revenue kms (in lakhs)	72.26	62.73	19.99	38.32	35.43
Dead and departmental kms (in lakhs)	0.95	0.23	0.07	1.17	0.23
Scheduled trips (in lakhs)	1.05	0.92	0.25	0.85	0.50
Trips operated (in lakhs)	0.98	0.69	0.20	0.75	0.45
Load factor (percentage)	83.7	78.9	84.0	74.5	75.9
Regularity in service (percentage of trips operated to scheduled trips)	93.3	75.0	80.0	88.2	90.0
Percentage of dead and departmental km to km operated	1.3	0.4	0.3	3.0	0.6

The high percentage of dead and departmental kilometres to kilometres operated in the case of Sohrabgate and Meerut depots was attributed (June 1981) by the Management to—

- worn-out condition of most of the vehicles which had out-lived their useful life (Meerut depot);
- engagement of one vehicle exclusively for the offices of the Regional Manager and Station Superintendents, Meerut depot for carrying cash to and from the bank (Meerut depot); and

— parking of all the buses of Shorabgate depot at the depot workshop 4 kms away from the depot.

(b) *City bus service*

The table below indicates the position of private mini-buses (MB) allowed to ply on city bus service (CBS) routes within Municipal/Cantonment limits of Meerut city on payment of administrative, operational and control charges *vis-a-vis* Corporation buses (CB) deployed on these routes during the three years up to 1980-81 :

Year	Number of buses operated	
	Mini-buses	Corporation buses
1978-79	41	4
1979-80	36	4
1980-81	26	4

The two CBS routes, viz. Medical College to City Railway Station and Medical College to Cantonment Railway Station operated exclusively by the mini-buses were stated to have vast traffic potential in comparison to the other two routes viz. Medical College to City Station and City Station to Cantonment Station operated exclusively by the Corporation buses. No steps were, however, taken by the Region to increase the Corporation buses on remunerative routes. It was stated (June 1981) by the Management that increase or extension of city bus operation was not permissible without sanction of the Municipal Corporation. The matter was, however, not taken up by the Region with the headquarters office for adding more Corporation buses for operation on city routes (March 1982).

(c) *Uneconomic routes*

Depot-wise position of the uneconomic routes\* operated by the Corporation buses in the Region and the loss suffered on account of income being continuously less than the cost of

\*Routes where the cost of operation per km is more than revenue per km.



operations during the three years up to 1980-81 are given below :

	1978-79			1979-80			1980-81		
	Muzaffar-nagar	Sohrab-gate	Garh	Muzaffar-nagar	Sohrab-gate	Garh	Muzaffar-nagar	Sohrab-gate	Garh
Number of routes operated	35	21	23	45	28	24	46	31	26
Number of uneconomic routes	16	6	1	12	7	1	6	7	1
Total revenue kms operated during the year (in lakhs)	80.64	22.52	30.80	91.04	39.81	34.08	108.53	53.60	39.08
Kms operated during the year on uneconomic routes (in lakhs)	56.20	2.92	9.30	35.65	4.69	9.65	7.14	4.94	5.04
Average income per km of these routes (Rupees)	1.87	1.28	1.37	1.77	1.55	1.60	1.87	1.71	1.73
Cost of operation per km of the depot (Rupees)	1.87	2.05	1.93	1.86	1.98	2.02	2.08	2.13	2.27
Loss per km (Rupees)	..	0.77	0.56	0.09	0.43	0.42	0.21	0.42	0.54
Loss on kms operated (Rupees in lakhs)	..	2.25	5.21	3.21	2.02	4.05	1.50	2.07	2.72
Percentage of uneconomic routes to total routes	45.7	28.6	4.3	26.7	25.0	4.2	13.0	22.6	3.8
Percentage of kms operated on uneconomic routes to total kms operated	69.7	13.0	30.2	39.2	11.8	28.3	6.6	9.2	12.9

In Sohrabgate and Garh depots, the number of uneconomic routes had been continuing which was stated by the Management (June 1981) to be due to—

- entire fleet of 12 buses deployed on all the seven uneconomic routes of city bus services (Sohrabgate depot) being very old ;
- scarcity of buses affecting normal frequency of the service on these routes (Sohrabgate depot); and
- unauthorised operation of matadors and private mini buses on Meerut-Garh route (Garh depot).

(d) *Curtailments*

Depot-wise position of the scheduled kilometres, kilometres curtailed due to non-availability of buses, shortage of crew *etc.* and the percentage of kilometres curtailed to the scheduled



kilometers for the three years up to 1980-81 is indicated below :

Depot	Year	Scheduled kms	Kms curtailed due to				Total	Percentage of kms cur- tailed to scheduled kms
			Buses not being made available by workshop and failures of buses en- route (In lakhs)	Crew not reporting or reporting late	Road accidents	Dull traffic, road brea- ches, strike, law and order conditions etc.		
Meerut	1978-79	87.86	2.66	..	0.10	4.71	7.47	8.5
	1979-80	77.79	2.05	..	0.06	1.78	3.89	5.0
	1980-81	78.30	3.58	0.01	0.04	2.41	6.04	7.7
MuZaffarnagar	1978-79	80.73	7.17	0.06	0.04	1.41	8.68	10.8
	1979-80	77.28	12.37	..	0.04	0.19	12.60	16.3
	1980-81	76.65	12.15	0.14	0.05	1.58	13.92	18.2
Roorkee	1978-79	19.96	1.93	0.18	0.01	0.44	2.56	12.8
	1979-80	21.92	2.02	0.09	0.01	0.16	2.28	10.4
	1980-81	24.45	3.75	0.44	0.02	0.25	4.46	18.2
Sohrabgate	1978-79	25.67	1.10	0.10	..	1.95	3.15	12.3
	1979-80	39.06	1.97	0.06	0.02	0.59	3.04	7.8
	1980-81	41.11	1.06	0.04	0.02	1.67	2.79	6.8
Garh	1978-79	32.25	0.87	0.06	0.03	0.59	1.55	5.4
	1979-80	34.57	0.18	0.14	0.01	0.55	0.89	2.6
	1980-81	37.36	1.30	0.09	0.02	0.52	1.93	5.2
Total	1978-79	246.47	13.73	0.40	0.18	9.30	23.61	9.6
	1979-80	250.62	18.59	0.29	0.15	3.67	22.70	9.1
	1980-81	257.87	21.84	0.72	15.0	6.43	29.14	11.3

The decayed and worn-out condition of the buses was stated by the Regional Manager (June 1981) to be the main factor responsible for curtailment.

(e) *Taxi services*

(i) The table below gives year-wise details of total kilometres operated by taxis held during the three years up to 1980-

	1978-79	1979-80	1980-81
Number of taxis held	4	4	4
Total kilometres operated (in lakhs)	1.17	1.11	0.08
Revenue kms (in lakhs)	0.81	0.84	0.06
Departmental and dead kms	0.36	0.27	0.02
Income per revenue km (Rupees)	0.80	0.80	1.17
Expenditure per revenue km (Rupees)	1.64	1.63	3.67
Loss per km (Rupees)	0.84	0.83	2.50
Total loss during the year (Rupees in lakhs)	0.68	0.70	0.15
Percentage of departmental and dead kms to total kms operated	30.8	24.4	25.0

The operation of taxis resulted in a loss of Rs.1.53 lakhs during the period April 1978 to June 1980 and the Corporation had stopped operation of taxis from July 1980 and the taxis were converted into staff cars.

It was stated (June 1981) by the Management that taxis were hired against payment for VIPs and senior officials of the State Government. The kilometres covered by some VIPs were treated as departmental. The taxi is also required to be perfectly checked and tested on every occasion before it is sent out for use by the VIPs and the distance covered on these tests was treated as dead kms. The operation of taxis was, as such, according to Management, a compulsion and the question of profitability did not arise.

(f) *Excess consumption of engine oil*

On the basis of the norms (fixed in November 1970) half-a-litre of engine oil is to be consumed by a bus for operation of every 200 kms run. On the basis of that norm the oil consumed



in excess worked out to 1.55 lakh litres during the three years up to 1980-81 involving an extra expenditure of Rs.13.46 lakhs.

It was stated (June 1981) by the Management that the norm fixed in 1970 for lighter buses of old TATA models was outdated as buses of the latest models presently in use, were heavier and required more engine oil. However, no study was made with reference to the types of vehicles, to determine the excess consumption and the norm had not been revised by the Corporation (March 1982).

### 13.05.07. *Administration and Management*

#### (a) *Non-forfeiture of earnest money*

As per standard terms and conditions of auction laid down by the Corporation in 1979 earnest money deposited by the highest bidder is liable to be forfeited by the Regional Manager, in case the bidder fails to deposit the balance amount of the bid money within ten days of receipt of letter of approval of the bid. There were delays in depositing the balance amount ranging between 4 to 34 days in the case of six lots each of the two auctions in 1979-80 and five lots of an auction in 1980-81 but the earnest money aggregating Rs.1.22 lakhs was not forfeited.

The Management stated (June 1981) that the terms and conditions of the auction had not been received in the Region.

#### (b) *Canteen contract*

As the old contract was to expire on 27th October 1977 tenders for running the canteen for three years at the bus station, Roorkee were invited (5th August 1977) by the Regional Manager. The tenders were opened on 20th August 1977 and the highest offer of Rs.13,000 per month was accepted (27th August 1977) but the tenderer failed to turn up. The next highest bid was at Rs.12,151 per month. It was observed in audit (June 1981) that there were interpolations in the tender documents and the bid of a person who had quoted Rs.12,151 per month was changed to Rs.10,151 per month and tender of a person who quoted Rs.10,500 was changed to Rs.10,580 per month thereby making it the second highest which was accepted (December 1978). That party also failed to execute the agreement and deposit the security money but started running the canteen in July 1979. The earlier contractor continued to run the canteen at the old rate of Rs.7,700 per month from 27th October 1977 to 6th July 1979. After finalising another tender on 29th April 1981 at Rs.14,015 per month, the Zonal Manager terminated the

earlier contract of Rs.10,580 due to breach of contractual obligations but the new contractor could not start the canteen as the earlier contractor whose contract was accepted in December 1978 did not vacate the premises up to June 1982. It was vacated under the orders of the court and is lying vacant since July 1982. This resulted in a loss of Rs.1.46 lakhs (June 1982). The Management stated (June 1981) that the whole case was under investigation by Vigilance Cell of the Corporation ; further developments were awaited (July 1982).

(c) *Non-preferment of claims*

Four buses of the Region which met with major accidents due to collisions with private trucks during December 1973 to July 1974 are detailed below :

Bus number	Date of accident	Whether case decided by the court	Date of auction	Depreciated value at the time of accident	Amount for which auctioned
(Rupees in lakhs)					
UTG 9489	12th April 1974	Decided in June 1978 in favour of Corporation	11th September 1977	0.94	0.19
UTG 1662	22nd December 1973	Decided in January 1978 in favour of Corporation	11th September 1977	0.98	0.20
UTG 2866	26th July 1974	Not yet decided	11th September 1977	1.26	0.15
UTG 2940	20th June 1974	Not yet decided	Not auctioned but renovated at a cost of Rs.0.30 lakh in October 1977	1.26	..

The amount of compensation had not been worked out and claimed from the owners of private trucks (March 1982) as details of the actual loss sustained were awaited from the sub-offices (March 1982).



*(d) Delay in obtaining refund of road tax*

Road Tax for a vehicle paid in advance for a period of three months is refundable for the unexpired complete months, if its token is surrendered to the Regional Transport Authority in the month in which it becomes off-road. The refund of the road tax aggregating Rs.2.28 lakhs in respect of 368 buses (where token had been surrendered in time during 1971 to 1980) was not obtained (March 1982).

13.05.08. *Workshop**(A) Delay in maintenance of buses**(i) Regional workshop*

Buses sent to the regional workshop for routine maintenance (one lakh kilometres run) are to be put on the road for operation after a period of 30 days (as per Roadways Manual). Against this, the time taken in the case of 99 buses sent to the regional workshop during the three years up to 1980-81 ranged between 43 to 324 days. These abnormal delays resulted in curtailment of trips with consequential loss to the Corporation. This was attributed (June 1981) by the Management to :

- non-receipt of parts and assemblies from the Corporation's Central Workshop and Central Stores at Kanpur and
- long and tedious procedure for making local purchase of parts.

*(ii) Depot workshops*

Against the norm of 7 days for maintenance of buses after 32000 kms in a depot workshop, the time taken per bus ranged from 11 to 265 days in the case of depot workshop, Meerut, 11 to 210 days in the case of depot workshop, Muzaffarnagar, 11 to 56 days in the case of depot workshop, Sohrabgate and 18 to 138 days in the case of depot workshop, Roorkee during the period 1978-79 to 1980-81.

The main reason for these delays was stated (June 1981) to be non-availability of spare parts and accessories.

*(B) Premature failures**(i) Engines*

Against the prescribed norm of 2.5 lakh kilometres and 1 lakh kilometres by a new engine and a reconditioned engine res-

pectively, the kilometres actually covered had been very low in the following cases during the three years up to 1980-81 :

Year	Type	Number of engines removed after covering				
		Below 0.5 lakh kms	0.5-1 lakh kms	1-1.5 lakh kms	1.5-2 lakh kms	2-2.5 lakh kms
1978-79	New	..	..	1	14	43
	Reconditioned	43	65	18	7	..
1979-80	New	..	..	10	3	7
	Reconditioned	119	95	40	6	..
1980-81	New	..	..	1	2	3
	Reconditioned	45	49	33	3	..

The causes for the premature failures had been investigated by the Management (March 1982). New engines were replaced or repaired free of cost by the firm. Reconditioned engines were, however, sent to Corporation's Central Workshop at Kanpur.

(ii) *Tyres and batteries*

*Tyres*

The position of premature failures of tyres as against their prescribed life (new tyre : 0.80 lakh kms ; retreaded tyre : 0.30 lakh kms) was as under :

Year		Number of tyres removed after covering			
		Below 0.20 lakh kms	0.20-0.40 lakh kms	0.40-0.60 Lakh kms	0.60-0.80 lakh kms
1978-79	New	64	181	260	1061
	Retreaded	636	161	50	12
1979-80	New	53	243	275	965
	Retreaded	426	528	22	15
1980-81	New	60	268	276	975
	Retreaded	1204	248	45	6

It was stated that responsibility was fixed on the driver for recovery, if premature failure was due to his fault. However, no driver was found at fault.



*Batteries*

As against the prescribed life of 12 months, the batteries which were removed before rendering the prescribed life during the three years up to 1980-81 are detailed below :

Year	Number of batteries removed after rendering service			
	Below 3 months	3-6 months	6-9 months	9-12 months
1978-79	12	20	25	14
1979-80	10	14	9	24
1980-81	3	9	9	11

In regard to premature failure of batteries, it was stated that these were got replaced by the firms. Out of 160 such batteries, only two batteries had been got replaced so far (March 1982).

*(C) Delay in auction of condemned vehicles*

Three jeeps (fully depreciated) condemned (March/September 1978) by the vehicles condemnation committee of the Region for auction were still (March 1982) lying in the regional workshop, as approval for their auction sought (April and October 1978) for by the Management had not been received from the headquarters office, Lucknow (March 1982).

**13.05.09. Stores***(a) Shortages*

At the time of handing over charge of Regional Stores in May 1966, shortages aggregating Rs.0.78 lakh (Rs.0.58 lakh Mercedes parts and Rs.0.20 lakh car spare parts) were found against the Assistant Store Keeper, Regional Stores, Meerut. He was suspended in June 1967, chargesheeted after a period of about 3 years in February 1970 and was reinstated provisionally in October 1971. He was found guilty (February 1980) for the shortages (Rs.0.78 lakh); action taken by the Management for recovery was awaited (March 1982).

*(b) Shortage of engine oil*

After taking delivery of 44294 litres of engine oil from Indian Oil Corporation at Delhi on 26th April 1974, the Stores Superintendent, Regional Workshop brought it to Meerut in four

hired tankers and got it transferred into 200 barrels in his presence. When the transfer was completed, only 41390 litres of oil was found. The official was suspended by the General Manager of the Corporation (June 1974) for the shortage of 2904 litres of oil (value : Rs.0.21 lakh). As per report (July 1976) of the Enquiry Officer (Regional Manager, Dehradun Region), the Stores Superintendent was found guilty of the charge which he also confessed. He was, however, reinstated on 2nd July 1977 and was transferred to the Corporation's Central Workshop, Kanpur on 16th August 1977 under orders of the Headquarters office. No action to recover the cost of engine oil found short had been taken (March 1982).

It was stated (June 1981) by the Management that the question of fixing responsibility to make good the loss was pending with the Headquarters Office.

### 13.05.10. *Accounts*

#### (a) *General*

(i) Summaries of the tickets sold at booking windows and en-route by the conductors were not being prepared and reconciled with main cash book and daily vehicle returns.

(ii) Bills for contract carriages were not being checked before issue.

(iii) No record of old but serviceable parts and assemblies sent to regional stores by region/depot workshops was being maintained.

(iv) Separate folios of the stores ledgers were not assigned to a stores article of different specifications and sizes but of the same nomenclature.

#### (b) *Workshop*

(i) No record of job-wise utilisation of labour was compiled daily or weekly.

(ii) No record showing the vehicle-wise details of value of spare parts used was kept.

(iii) Job cards of repairs and maintenance of vehicles were closed without costing.

(iv) Diaries of the work done daily by each worker in the workshops were not maintained.



(c) *Internal audit*

Periodicity and quantum of check to be exercised in internal audit had not been prescribed. There was no record of the period covered by the internal audit. Sohrabgate depot, regional workshop, regional stores, depot workshops, offices of the Regional Manager, Regional Accounts Officer, Assistant Regional Managers had not been inspected even once during the period of the 3 years up to March 1981.

Important items of work relating to contracts, hiring of private vehicles *etc.* had not been subjected to any scrutiny in internal audit.

13.05.11. *Miscellaneous**Manpower analysis*(i) *Staff position*

The staff (including daily paid workers) position of the Region at the end of the three years up to 1980-81 was as under :

Particulars	As on 31st March		
	1979	1980	1981
Traffic staff	320	317	312
Drivers and conductors (excluding drivers for trucks, taxis and staff cars)	1078	1160	1225
Maintenance staff	425	430	427
Administrative staff and others	325	355	364
Total number of buses on road			
Corporation	264	264	282
Private]	32	71	95
	296	335	377

Particulars	As on 31st March		
	1979	1980	1981
Bus-staff ratio :			
(i) Traffic staff (Corporation and private buses)	1.08	0.95	0.83
Drivers (Corporation buses only)	2.00	2.01	1.88
Conductors (Corporation and private buses)	1.85	1.88	1.85
(ii) Maintenance staff (Corporation buses only)	1.61	1.63	1.51
(iii) Administrative staff and others (Corporation and private buses)	1.10	1.06	0.97

(ii) *Productivity of operating staff*

The productivity of the direct operating staff during the three years up to 1980-81 was as shown below :

Years	Total km operated* (in lakhs)	Number of direct operating employees	Km operated per employee
1978-79	233.04@	1398	16670
1979-80	230.55	1477	15609
1980-81	231.38	1537	15054

The road breaches on Meerut—Delhi route during 1979-80 and public disturbances in Moradabad and Aligarh during 1980-81 were, according to the Management, responsible for comparatively low coverage and consequently low productivity per employee during these years.

13.05.12. *Other points of interest*

*Non-utilisation of buildings and structures*

Two overhead tanks with tubewells and pipeline fittings of

\*Includes dead and departmental kms also.

@Includes km of Hapur Depot up to 30th June, 1978.



25 kilolitre capacity each constructed by the Building Division of the Corporation at depot workshop, Muzaffarnagar (cost : Rs.0.63 lakh) and Khatauli (cost : Rs.0.65 lakh) during the year 1978-79 and 1979-80 could not be utilised (March 1982) for want of installation of an electric motor by the Building Division and electric connection from the Uttar Pradesh State Electricity Board respectively.

### 13.06. *Summing-up*

(i) The fall in profit from Rs.24.61 lakhs in 1978-79 to Rs.17.29 lakhs in 1979-80 and loss of Rs.35.28 lakhs in 1980-81 in the operation of Corporation buses in Meerut was stated to be due to heavy rise in the cost of diesel, maintenance cost of buses and increase in expenditure on salary and allowances of the staff.

(ii) The over all loss in respect of Garh depot increased from Rs.1.13 lakhs in 1978-79 to Rs.5.91 lakhs in 1980-81.

(iii) Loss sustained on uneconomic routes in three depots (Muzaffarnagar, Sohrabgate and Garh) aggregated Rs.23.03 lakhs during the three years up to 1980-81.

(iv) Extra expenditure due to excess consumption of engine oil by buses during 1978-79 to 1980-81 worked out to Rs.13.46 lakhs.

(v) Earnest money amounting to Rs.1.22 lakhs deposited by the highest bidders at the auctions was not forfeited for their failure to deposit the balance amount of the bid moneys within the prescribed time limit of 10 days.

(vi) Instead of accepting the second highest offer at Rs.12151 per month received for running the canteen at bus station, Roorkee the offer at Rs.10580 per month (2nd highest offer after over writings and cuttings) was accepted but even then there was delay in the occupation of the canteen by the contractor which was continued to be run by old contractor up to 6th July 1979 at the old rate of Rs.7,700 per month. After accepting the fresh bid in April 1981 at Rs.14,015 per month the earlier contract was cancelled but the old contractor had not vacated the

premises up to June 1982. The total loss sustained worked out to Rs.1.46 lakhs up to June 1982.

(vii) There was delay in the repair of vehicles in the regional and depot workshops.

(viii) Action was not taken by the Management against the Assistant Store Keeper responsible for the shortage of stores (Rs.0.78 lakh) in 1966.

(ix) Responsibility for the loss of engine oil (Rs.0.21 lakh) in April 1974 had not been fixed.

(x) Tubewells at depot workshops Muzaffarnagar (Rs.0.63 lakh) and Khatauli (Rs.0.65 lakh) had not been utilised for want of installation of an electric motor/electric connection.

### 13.07. *Loss on sale of aluminium scrap*

In an auction held (11th June 1979) at Allen Forest Workshop, Kanpur, 60 tonnes of aluminium scrap was sold to firm A of Bareilly at Rs.12225 per tonne. As per terms and conditions of sale, the material was required to be lifted by the firm within forty days of the acceptance of the bid and 60.89 tonnes of aluminium scrap was allowed to be lifted in six lots (July to October 1979).

Next auction for the sale of 30 tonnes aluminium scrap, notified in August 1979 was held on 29th October 1979 in which the rate of Rs.15255 per tonne was accepted.

On 19th October 1979 (i.e. 10 days before the date of next auction) firm A requested for release of further 20 tonnes at old rates against which release order for 10 tonnes was issued on 24th October 1979 even though the Deputy General Manager was not competent to release the additional quantities without conducting auctions. The firm, however, deposited money for 15 tonnes (24th October 1979) and was allowed (27th October 1979) to lift another 5 tonnes by issue of a separate release order. The material was actually lifted on 27th October 1979. The release of additional quantity of 15.89 tonnes at old rates when the next auction was already notified had resulted in a loss of Rs.0.48 lakh.



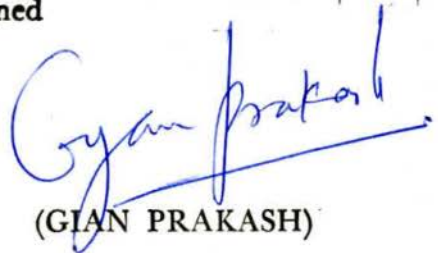
The matter was reported to the Corporation/Government in September 1981 ; replies were awaited (June 1982).

(S. BALACHANDRAN)

ALLAHABAD : *Accountant General, Uttar Pradesh-II.*

THE 11<sup>0</sup> MAY 1983

Countersigned



(GIAN PRAKASH)

NEW DELHI : *Comptroller and Auditor General of India.*

THE 18<sup>th</sup> MAY 1983

1983 MAY 8

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1983 MAY 10

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# APPENDICES

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(REFERENCE : PARAGRAPH 1.02)

*Statement showing summarised financial results of the working of Government*

Serial number	Name of the Company	Name of the administrative department	Date of incorporation	Period of accounts	Total capital invested
1	2	3	4	5	6
1	The Indian Turpentine and Rosin Co. Ltd.	Industries	22nd February 1924	1980-81	92.81
2	U. P. State Industrial Development Corporation Ltd.	Industries	29th March 1961	1980-81	2103.96
3	*U. P. Digitals Ltd.	Industries	8th March 1978	1980-81	19.32
4	*U. P. Instruments Ltd.	Industries	1st January 1975	1980-81	146.24
5	U. P. Export Corporation Ltd.	Industries	20th January 1966	1980-81	281.91
6	*Bhadohi Woollens Ltd.	Industries	14th June 1976	1980-81	132.70
7	U.P. State Textile Corporation Ltd.	Industries	22nd December 1969	1980-81	4338.23
8	*U.P. State Spinning Mills Co. (No. I) Ltd.	Industries	20th August 1974	1980-81	2352.77
9	*U. P. State Spinning Mills Co. (No. II) Ltd.	Industries	26th August 1974	1980-81	0.01
10	U. P. State Cement Corporation Ltd.	Industries	29th March 1972	1980-81	10073.30
11	The Pradeshiya Industrial and Investment Corporation of U. P. Ltd.	Industries	29th March 1972	1980-81	4173.91
12	U. P. State Leather Development and Marketing Corporation Ltd.	Industries	12th February 1974	1980-81	80.58
13	Auto Tractors Ltd.	Industries	28th December 1972	1980-81	838.61
14	Varanasi Mandal Vikas Nigam Ltd.	Kshetriya Vikas	31st March 1976	1980-81	45.00
15	Agra Mandal Vikas Nigam Ltd.	Area Development	31st March 1976	1980-81	108.40
16	Meerut Mandal Vikas Nigam Ltd.	Area Development	31st March 1976	1980-81	108.49



A

PAGE 2)

*Companies*

(Figures in columns 6 to 10, 12 and 13 are in lakhs of Rupees)

Profit (+)/ Loss (-)	Total interest charged to profit and loss account	Interest on long- term loan	Total return on capital invested (7+9)	Percen- tage of total return on capital invested	Capital employed	Total return on capital employed (7+8)	Percen- tage of total return on capital employed
7	8	9	10	11	12	13	14
(-)92.86	2.96	..	(-)92.86	..	87.26	(-)89.90	..
(+)137.29	28.73	28.47	165.76	7.9	2094.30	166.02	7.9
(+)0.06	1.00	1.00	1.06	5.5	15.94	1.06	6.6
(-)49.12	10.93	7.44	(-)41.68	..	10.90	(-)38.19	..
(-)4.54	16.89	9.32	4.78	1.7	289.02	12.35	4.3
(-)26.80	18.42	12.45	(-)14.35	..	64.55	(-)8.38	..
(+)321.64	73.27	71.98	393.62	9.1	2568.68	394.91	15.4
(+)181.25	77.71	77.00	258.25	11.0	1551.26	258.96	16.7
..	..	..	..	..	(-)0.80	..	..
(-)245.65	21.27	0.82	(-)244.83	..	2274.10	(-)224.38	..
(-)2.80	96.63	96.63	93.83	2.2	3839.26	93.83	2.4
(-)3.71	0.04	0.04	(-)3.67	..	149.73	(-)3.67	..
(+)1.98	..	..	1.98	0.2	514.57	1.98	0.4
(-)0.56	0.11	..	(-)0.56	..	49.83	(-)0.45	..
(-)0.59	0.14	0.14	(-)0.45	..	107.47	(-)0.45	..
(+)3.97	..	..	3.97	3.7	108.39	3.97	3.7

## APPENDIX

Serial number	Name of the Company	Name of the administrative department	Date of incorporation	Period of accounts	Total capital invested
1	2	3	4	5	6
17	Harijan Evam Nirbhol Varg Avas Nigam Ltd.	Hrijan Evam Samaj Kalyan	25th June 1976	1980-81	36.60
18	U. P. Rajya Vidyut Utpadan Nigam Ltd.	Power	25th August 1980	1980-81	215.00
19	U. P. (Poorva) Ganna Beej Evam Vikas Nigam Ltd.	Co-operative	27th August 1975	1980-81	14.89
20	U. P. (Rohilkhand Tarai) Ganna Beej Evam Vikas Nigam Ltd.	Co-operative	27th August 1975	1980-81	29.60
21	U. P. (Paschim) Ganna Beej Evam Vikas Nigam Ltd.	Co-operative	27th August 1975	1980-81	24.64
22	Prayag Chitrakoot Krishi Evam Godhan Vikas Nigam Ltd.	Animal Husbandry	7th December 1974	1980-81	50.00
23	U. P. Matsya Vikas Nigam Ltd.	Animal Husbandry	27th October 1979	1980-81	40.37
24	U. P. Chalchitra Nigam Ltd.	Information	10th September 1975	1980-81	310.30
25	U. P. Electronics Corporation Ltd.	Industries	30th March 1974	1980-81	56.26
26	*Uptron Capacitors Ltd.	Industries	13th March 1978	1980	9.34
27	*Uptron Video Ltd.	Industries	18th October 1979	1980	0.25
28	*Uptron Digital Systems Ltd.	Industries	18th May 1979	1980	78.70
29	*Uptron Instruments Ltd.	Industries	15th November 1979	1980	8.00
30	*Uptron Powertronics Ltd.	Industries	30th April 1977	1980	44.56
31	U. P. State Sugar Corporation Ltd.	Sugar Industries	26th March 1971	1980-81	4156.80
32	*Chhata Sugar Co. Ltd.	Sugar Industries	18th April 1975	1980-81	685.26
33	*Chandpur Sugar Co. Ltd.	Sugar Industries	18th April 1975	1980-81	656.60
34	*Kichha Sugar Co. Ltd.	Sugar Industries	17th February 1972	1980-81	564.39



## A (Continued)

(Figures in columns 6 to 10, 12 and 13 are in lakhs of Rupees)

Profit(+)/ Loss (-)	Total interest charged to profit and loss account	Interest on long- term loan	Total return on capital invested (7+9)	Percent- age of total return on capital invested	Capital employed	Total return on capital employed (7+8)	Percent- age of total return on capital employed
7	8	9	10	11	12	13	14
(- )1.98	..	..	(- )1.98	..	₹ 33.80	(- )1.98	..
..	..	..	..	..	₹ 14.71	..	..
(+ )0.64	₹ 15.27	..	₹ 0.64	4.3	223.26	₹ 15.91	₹ 7.1
(+ )6.94	₹ 12.34	..	₹ 6.94	23.4	₹ 224.65	19.28	8.6
(+ )1.57	₹ 28.30	..	₹ 1.57	₹ 6.4	344.44	₹ 29.87	₹ 8.7
(- )0.57	..	..	(- )0.57	..	₹ 45.23	(- )0.57	..
..	..	..	..	..	39.00	..	..
(- )7.09	₹ 3.96	₹ 3.96	(- )3.13	..	246.01	(- )3.13	..
(+ )27.97	..	..	27.97	5.5	358.60	₹ 27.97	₹ 7.8
..	..	..	..	..	82.23	..	..
..	..	..	..	..	0.01	..	..
(+ )0.20	3.28	₹ 3.20	3.40	4.3	134.64	₹ 3.48	2.6
(- )1.79	₹ 0.05	..	(- )1.79	..	₹ 9.82	(- )1.74	..
(+ )0.82	₹ 4.58	₹ 2.15	2.97	₹ 6.7	₹ 65.85	₹ 5.40	8.2
(- )568.08	563.58	₹ 303.48	(- )264.60	..	₹ 890.42	(- )4.50	..
(+ )29.27	63.86	₹ 50.20	79.47	₹ 11.6	453.74	93.13	₹ 20.5
(+ )111.44	70.16	49.11	160.55	24.5	₹ 475.99	181.60	₹ 38.2
(- )33.01	109.66	57.51	₹ 24.50	₹ 4.3	₹ 71.19	76.65	107.7

## APPENDIX

Serial number	Name of the Company	Name of the administrative department	Date of incorporation	Period of accounts	Total capital invested
1	2	3	4	5	6
35	*Nandganj Sihori Sugar Co. Ltd.	Sugar Industries	18th April 1975	1980-81	1451.60
36	U. P. Small Industries Corporation Ltd.	Industries	13th June 1958	1980-81	526.90
37	*U. P. Potteries (Private) Ltd.	Industries	28th June 1972	1975-76	16.48
38	*Krishna Fasteners Ltd.	Industries	14th December 1973	Since inception to March 1975	4.82
39	U. P. State Mineral Development Corporation Ltd.	Industries	23rd March 1974	1979-80	542.44
40	*U. P. Carbide and Chemicals Ltd.	Industries	23rd April 1979	1980-81	269.17
41	U. P. State Brassware Corporation Ltd.	Industries	12th February 1974	1979-80	151.92
42	U. P. Scheduled Caste Finance and Development Corporation Ltd.	Harijan Evam Samaj Kalyan	25th March 1975	1979-80	335.47
43	U. P. (Madhya) Ganna Beej Evam Vikas Nigam Ltd.	Co-operative	27th August 1975	1979-80	16.45
44	U. P. Bhoomi Sudhar Nigam Ltd.	Agriculture	30th March 1978	1979-80	117.54
45	U. P. Panchayati Raj Vitta Nigam Ltd.	Panchayati Raj	24th April 1973	1979-80	101.45
46	Lucknow Mandaliya Vikas Nigam Ltd.	Kshetriya Vikas	31st January 1976	1979-80	54.26
47	Kumaon Mandal Vikas Nigam Ltd.	Hill Development	30th March 1971	1979-80	229.82
48	*Transcables Ltd.	Hill Development	29th November 1973	1979-80	69.47
49	*Northern Electrical Equipment Industries Ltd.	Hill Development	29th January 1974	1974-75	0.05
50	*Teletronics Ltd.	Hill Development	24th November 1973	1979-80	7.79
51	Tarai Anusuchit Janjati Vikas Nigam Ltd.	Harijan Evam Samaj Kalyan	2nd August 1975	1978-79	30.00



## A (Continued)

(Figures in columns 6 to 10, 12 and 13 are in lakhs of Rupees)

Profit(+)/ Loss(-)	Total Interest charged to profit and loss account	Interest on long- term loan	Total return on capital invested (7+9)	Percent- age of total return on capital invested	Capital employed	Total return on capital employed (7+8)	Percent- age of total return on capital employed
7	8	9	10	11	12	13	14
(-)221.35	127.56	115.23	(-)106.12	..	672.70	(-)93.79	..
(+)46.98	60.04	33.63	80.61	15.3	1076.71	107.02	9.9
..	..	..	..	..	2.89	..	..
..	..	..	..	..	4.50	..	..
(+)2.82	..	..	2.82	0.5	314.19	2.82	0.9
..	..	..	..	..	119.43	..	..
(+)3.11	3.69	0.90	4.01	2.6	181.11	6.80	3.8
(-)22.24	1.59	..	(-)22.24	..	344.56	(-)20.65	..
(+)3.17	13.57	..	3.17	19.3	159.69	16.74	10.5
(+)2.30	..	..	2.30	2.0	117.33	2.30	2.0
(+)3.40	0.17	0.17	3.57	3.5	101.45	3.57	3.5
(-)0.28	..	..	(-)0.28	..	53.71	(-)0.28	..
(+)6.21	6.56	5.57	11.78	5.1	203.63	12.77	6.3
(-)1.67	7.87	7.23	5.56	8.0	67.64	6.20	9.2
..	..	..	..	..	(-)0.92	..	..
(-)3.30	0.30	..	(-)3.30	..	18.45	(-)3.00	..
(-)0.77	1.50	1.50	0.73	2.4	27.44	0.73	2.7

## APPENDIX

Serial number	Name of the Company	Name of the administrative department	Date of incorporation	Period of accounts	Total capital invested
1	2	3	4	5	6
52	U. P. Rajkiya Nirman Nigam Ltd.	Public Works	1st May 1975	1978-79	121.96
53	U. P. State Agro Industrial Corporation Ltd.	Agriculture	29th March 1967	1978-79	795.13
54	U. P. State Food and Essential Commodities Corporation Ltd.	Food and Civil Supplies	22nd October 1974	1978-79	56.11
55	Meerabad Mandal Vikas Nigam Ltd.	Kshetriya Vikas	30th March 1977	1977-78	20.42
56	U. P. State Bridge Corporation	Public works	18th October 1972	1977-78	354.93
57	U. P. State Tourism Development Corporation Ltd.	Tourism	5th August 1974	1977-78	82.32
58	U. P. Bundelkhand Vikas Nigam Ltd.	Kshetriya Vikas	30th March 1971	1976-77	86.34
59	*Bundelkhand Concrete Structurals Ltd.	Kshetriya Vikas	2nd March 1974	1978-79	2.54
60	*U. P. Textile Printing Corporation Ltd.	Industries	5th December 1975	1978-79	17.51

## NOTES :-

(i) Capital invested represents paid-up capital *plus* long-term loan and free reserves.

(ii) Capital employed (except in case of Companies at serial numbers 2, 11 and 46) re-

(iii) In case of Companies at serial numbers 2, 11 and 46 capital employed represents mean (iii) reserves, (iv) borrowings including refinance and (v) deposits.

(iv) Companies at serial numbers 9, 18, 23, 26, 27 and 40 have not gone into production.

\*Indicates Subsidiary Companies.



## A (Concluded)

(Figures in columns 6 to 10, 12 and 13 are in lakhs of Rupees)

Profit(+)/ Loss(-)	Total interest charged to profit and loss account	Interest on long- term loan	Total return on capital invested (7+9)	Perce- tage of total return on capital invested	Capital employed	Total return on capital employed (7+8)	Perce- tage of total return on capital employed
7	8	9	10	11	12	13	14
(-)161.43	2.23	..	(-)161.43	..	(-)3.80	(-)159.20	..
(-)130.65	..	..	(-)130.65	..	1075.36	(-)130.65	..
9.31	1.57	..	9.31	16.6	56.01	10.88	19.4
0.79	..	..	0.79	3.9	20.22	0.79	3.9
(+)12.43	3.49	3.49	15.92	4.5	326.51	15.92	4.9
(+) 0.31	0.18	..	0.31	0.4	82.27	0.49	0.6
(-)7.36	0.07	..	(-)7.36	..	68.00	(-)7.29	..
(-)0.01	..	..	(-)0.01	..	1.75	(-)0.01	..
(+)3.12	..	..	3.12	17.8	17.24	3.12	18.1

presents net fixed assets (excluding capital work-in-progress) plus working capital.  
of aggregate of opening and closing balances of (i) paid-up capital, (ii) bonds and debentures,

(REFERENCE : PARAGRAPH 6.01)

*Statement showing summarised financial results of working of statutory*

Serial number	Name of the Corporation	Name of administrative department	Date of incorporation	Period of accounts	Total capital invested
1	2	3	4	5	6
				(a) <i>Uttar Pradesh State</i>	
1	Uttar Pradesh State Electricity Board	Power	1st April 1959	1980-81	257325.31
				(b) <i>Other Statutory</i>	
2	Uttar Pradesh Financial Corporation Industries		1st November 1954	1980-81	8963.90
3	Uttar Pradesh State Warehousing Co-operative Corporation		19th March 1958	1980-81	2258.61
4	Uttar Pradesh State Road Transport Corporation	Transport	1st June 1972	1977-78	4990.97

**NOTES :**

- (i) Capital invested represents paid-up capital *plus* long-term loans *plus* free reserves.  
(ii) Capital employed (other than Uttar Pradesh Financial Corporation) represents net fixed  
(iii) In the case of Uttar Pradesh Financial Corporation, capital employed represents mean debentures (iii) reserves, (iv) borrowings including refinance, (v) deposits and (vi) funds



B

PAGE 80)

*Corporations*

(Figures in columns 6 to 10, 12 and 13 are in lakhs of Rupees)

Profit(+)/ Loss (-)	Total interest charged to profit and loss account	Interest on long-term loan	Total return on capital invested (7+9)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (7+8)	Percentage of total return on capital employed
7	8	9	10	11	12	13	14
<i>Electricity Board</i>							
(+)2607.29	13912.55	13912.55	16519.84	6.4	186899.16	16519.84	8.8
<i>Corporations</i>							
(+)174.14	414.92	414.92	589.06	6.6	7909.77	589.06	7.4
(+)103.49	81.68	81.68	185.17	8.2	2199.73	185.17	8.4
(-)36.01	418.52	383.64	347.63	7.0	4917.69	382.51	7.8

assets plus working capital.

of the aggregate of opening and closing balances of (i) paid-up capital, (ii) bonds and for special schemes advanced by the State Government.











ERRATA

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL  
OF INDIA FOR THE YEAR 1980-81 (COMMERCIAL)—  
GOVERNMENT OF UTTAR PRADESH

Page no.	Para No./Line of the page etc.	For	Read
(1)	(2)	(3)	(4)
2	Table, 24th item	Project (Go-rakhpur and Basti)	Corporation (Gorakhpur and Basti)
5	First table, 4th item	Development	Development
12	Para 2.01, 5th line	material	materials
13	Table-Heading, Fourth column	Saving	Savings
14	2nd line	overdraft	overdrafts
15	2 sub-para, 1st line	electronic	electronics
16	3rd line from bottom	material	materials
17	8th line	order	orders
18	14th line from bottom	cassetts	cassettes
23	1st line	Further	Further,
23	10th line from bottom	Co-promoters	Co-promoter's
24	Table-Third column-2nd item	24.89	24.98
24	Table-last column 3rd item	component	components
26	2nd line from bottom	as on loan	as loan
27	7th line from top	interest of	interest at
27	14th line from top	In addition	In addition,
28	Table-1st column 1st item	Unit	Units
29	1st line	thus	, thus,
31	4th line from top	and	as
35	14th line from top	commercial	commercial
38	14th line from bottom	when	where
41	First table-last column	60.05	260.05
41	first table-last column	80.0	80.05
44	Table 2nd Column last line	0.00	10.00
48	18th line from bottom	(from	as grant (from
51	20th line from top	lakh	lakhs
55	sub-para (b), 3rd line	unit	Company
55	Sub-para (b), 4th line	bolts	bolts,
62	3rd line from bottom	was	were
63	8th line from top	nickle	nickel
65	Table-third column, 1st item	2.27	2.72

1	2	3	4
65	Table- 1st column, last but one line	carrie over	carried over
70	2nd line from top	, further	; further
71	6th line from top	action not	action were not
71	Table-4th Column-last line	2.02	2.20
73	Sub-para (b), 5th line	machine	machines
74	Sub-para (vi), 3rd line	consignment	consignments
81	2nd line from bottom	2339.98	2339.88
82	2nd line from bottom	157.21 lakhs,	157.21 lakhs, and
83	First Table-first column, 2nd item	Provisions	Provision
85	Table Heading, 2nd column	Years	year
89	1st table-last column-9th line	40.40	140.40
91	1st line	Th	The
91	Table-1st column, 1st line	Electrified	electrified
94	9th line from top	draft agree- ment	agreement
96	First para below Table, 6th line	lakh paid	lakh
97	4th line from top	Corporation of India	Corporation
97	6th line from top	$\frac{1}{2}$ a per cent	$\frac{1}{2}$ per cent
98	Table-1st column, 8th line	licensee	licensees
101	17th line from bottom	branch	branches
102	11th line from bottom	interestt	interest
103	2nd line from top	1978	1979
103	3rd line from top	1979	1980
106	2nd Table-Heading, last column	arrear	arrears
109	sub-para (d), 5th line	thereagainst	thereagainst
110	Sub-para (b), 3rd line	stocking	stock taking
112	5th line from bottom	revenuee	revenue
114	para 10.02, 7th line	etc. at	etc.) at
117	Table Heading, last column	Total	Total
117	Table-4th column-Heading	wag s	wages
117	Table-1st column, 2nd item	han ling	handling
117	Para 10.03.03, 5th line	detained	detailed
118	Table-Heading, 1st column	work	work/ Pressure
119	Table-1st column, 1st line	pressure	Pressure
119	Table-2nd column, 2nd item	..	M
119	Table-1st column, 3rd item	ash hand-	ash handl-
119	Sub-para (i), 4th line	lakhs.	lakhs up to March 1982.



1	2	3	4
121	8th line from top	the	work the
126	13th line from bottom	STL	TSL
128	3rd line from bottom	Rs. 2.78 lakhs	Rs. 2.79 lakhs
134	Para 11.02, 1st line	transformer	check meter
136	13th line from top	computer	computer
139	20th line from bottom	1981,	1981
141	18th line	between April 1973 to	between April 1973 and
141	3rd sub-para, 1st line	Executivt	Executive
142	2nd sub-para, 2nd line	distribution	Distribution
143	4th line from bottom	billing	billing
146	Sub-para (d) 1st line	distribu-	Distribution
147	2nd line from top	(Who	(who
147	Sub-para (b), 7th line	'Advance'	'Advance'
147	12th line from bottom	it	; it
164	6th line from top	1980-	1980-81 :
168	2nd table, column 0.40-0.60	Lakh	lakh
180	Table item 31, sixth column	4156.80	4156.60
184	Table Heading, fourth column	Data	Date
186	3rd line from top	statutory	Statutory
186	last line	debentures	debentures,
186	last line	depoits	deposits

Dear Sir,

I have the honor to acknowledge the receipt of your letter of the 10th inst. in relation to the above mentioned matter. I am sorry that I cannot give you a more definite answer at this time, but I am sure that you will understand my position.

I have discussed this matter with the proper authorities and they have decided that it is not possible to grant your request at this time. I am sure that you will understand my position.

I am, Sir, very respectfully,  
Yours truly,  
[Signature]

[Faint, illegible text, possibly bleed-through from the reverse side of the page]

Very respectfully,  
[Signature]