REPORT

OF THE

COMPTROLLER

AND

AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 1988

No. 1

(COMMERCIAL)

GOVERNMENT OF UTTAR PRADESH

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PREFACE

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
- Departmentally managed commercial undertakings

2. This Report deals with the results of audit of Government companies and Statutory corporations including Uttar Pradesh State Electricity Board and has been prepared for submission to the Government of Uttar Pradesh for submission to the Legislature under Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 as amended in March 1984. The results of audit relating to departmentally-managed commercial undertakings are contained in the Report of the Comptroller and Auditor General of India (Civil)- Government of Uttar Pradesh.

3. There are, however, certain companies which, inspite of Government investment, are not subject to audit by the Comptroller and Auditor General of

India as Government or Government owned /controlled companies/ corporations hold less than 51 per cent of the shares. A list of such undertakings in which Government investment was more than Rs. 10 lakhs as on 31st March 1988 is given in Annexure I.

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

5. The cases mentioned in this Report are those which came to notice in the course of audit of accounts during the year 1987-88 as well as those which had come to the notice in earlier years but could not be dealt with in the previous Reports; matters relating to the period subsequent to 1987-88 have also been included, wherever considered necessary.

6. Two reviews on the working of Uptron India Limited and Teletronix

Limited are contained in a separate Report of the Comptroller and Auditor General of India for the year ended 31 March 1988 (No...... of 1990) (Commercial) -Government of Uttar Pradesh.

OVERVIEW

There were 99 Government Companies (including 43 subsidiaries), five Companies under the purview of section 619 B of the Companies Act, 1956 and four statutory Corporations in the State as on 31st March 1988. Besides, there were 180 Companies in which Government had invested funds but were not subject to audit by the Comptroller and Auditor General of India

The aggregate paid-up capital of 93 Government Companies as on 31st March 1988 was Rs 928.67 crores of which the State Government's investment was Rs 766.65 crores, Central Government's investment was Rs 18.55 crores and other investment was Rs 143.47 crores. The State Government loans outstanding as on 31st March 1988 was Rs 334.57 crores in 61 companies. Investment of State Governments in Uttar Pradesh State Electricity Board (UPSEB) by way of loans was Rs 3898.75 crores as on 31st March 1988, while the Central and State Government's participation in the capital of three other statutory Corporations as on that date was Rs 175.06 crores. Government had guaranteed repayment of loans raised by UPSEB, two Corporations and 27 Companies and loans outstanding thereagainst aggregated Rs 955.05 crores.

Accounts of 68 Companies and one statutory Corporation were in arrears ranging from 1 to 14 years. In the absence of finalisation of accounts for a number of years by a large number of Companies, neither the productivity of Rs 642.39 crores invested by the State Governments could be conclusively vouchsafed not their performance and state of affairs could be evaluated. Further, in the absence of material information on various aspects of their functioning, the operation of these companies could not be considered to have the necessary direction and control. Out of 24 companies, which finalised their accounts upto 31st March 1988, 10 companies earned meagre profits aggregating Rs 6.07 crores, while 12 companies sustained huge losses aggregating Rs 90.14 crores. According to the latest available accounts, the losses of Rs 430.07 crores accumulated by 15 companies far exceeded their paid capital of Rs 276.38 crores.

The investment by Government/ Government companies/ Corporations in four of the five companies falling under Section 619 B of the Companies Act, 1956 aggregated Rs 350.74 lakhs. One company had accumulated losses exceeding its paid up capital, while one company had not finalised its accounts since its inception in December 1975

As a result of supplementary audit under Section 619(4) of the Companies Act, 1956, of the accounts of 10 companies, there was increase in profit by Rs 38.73 lakhs in two companies, decrease in profits by Rs 138.76 lakhs in three companies and increase in losses by Rs 88.28 lakhs in five companies. Besides, one company had revised its accounts as a result of observation made by the Comptroller and Auditor General of India. The accumulated losses in respect of the State Electricity Board on 31st March 1988 were Rs 728.13 crores while those of Uttar Pradesh State Transport Corporation were Rs 124.87 crores (provisional) as on that date

(Chapter 1)

2. A review of the working of five Government Companies and of the Uttar Pradesh State Electricity Board revealed the following:

2.1. UTTAR PRADESH NALKOOP NIGAM LIMITED

The Company was incorporated in May 1976 to undertake construction and operation of tubewells in addition to take over whole or any part of existing system of State-owned irrigation tubewells. It did not take over any

State-owned irrigation system. Even the tubewells constructed by it under various schemes upto 1984-85 were transferred to Government. Besides, no work was done by the Company after 1984-85 relating to construction, development or energisation or even maintenance of any tubewells under any scheme (except executing deposit works). The Company, thus, had failed to achieve the main objective for which it was set up.

The Company drilled 799 tubewells under Small Farmers Development Agency from 1978-79 to 1984-85, out of which 388 completed and 395 incomplete wells were transferred to Government in 1984-85, while 16 wells failed. Against the admissible capital subsidy of Rs 292.69 lakhs, the Company received Rs 569.02 lakhs: the excess amount has not so far been repaid. The Company sustained a loss of Rs 285.17 lakhs upto 1984-85 on operation of these tubewells, for which subsidy was not admissible, as the tubewells could not be run for 1,500 hours per year.

Of the 226 tubewells drilled under the Augmentation Scheme of Gandak Canal during 1978-79 to 1984-85, only 50 were energised and transferred to Government in 1984-85, while the remaining 176 were not completed and handed over to Government, despite Government's directives of February 1985 to that effect. Even the 50 tubewells handed over to Government could not be operated due to mechanical/electrical defects. Thus, the scheme taken up in 1978-79 and envisaged to be completed by March 1980 for extending irrigation facilities to about 1.28 lakhs acres was incomplete even after 9 years, resulting in denial of anticipated benefits to the farmers, apart from locking up of funds of about Rs 3.25 crores. Although there was no work done on these incomplete 176 tubewells after 1984-85, the Company incurred an expenditure of Rs 16.89 lakhs upto 1987-88 on watch and ward etc. Further, although no subsidy was admissible due to nonfulfillment of the prescribed conditions, the Government released subsidy of Rs 2.00 crores during 1983-84 and 1984-85.

During 1979-80 to 1983-84, the Company drilled 80 wells under cyclone and storm affected areas at a cost of Rs 91.88 lakhs against the estimated cost of Rs 59.20 lakhs. It had neither got the revised estimates approved by the Government not refunded the excess expenditure.

Most of the 18 rigs the Company had, could drill up to 7,000 feet or less in any year compared to the estimated capacity of 12,500 feet per annum. Although most of the rigs had remained under utilised and the idle time was very high, it purchased two more rigs at a cost of Rs 28.80 lakhs during 1987-89.

The closing stock of stores and spares ranged between 19.4 and 65.8 months' consumption during 1981-82 to 1985-86. During July 1982 to November 1985, the balances in savings bank accounts always exceeded Rupees one crore and had these been kept even in six monthly term deposits, the Company could have earned additional interest of Rs 2.50 lakhs.

The expenditure incurred on establishment ranged between 9.3 and 66,9 per cent of the value of work done during 1981-82 to 1985-86 against the estimated 10 to 12.5 per cent

The Company had been incurring losses continuously from 19981-82 and accumulated loss upto 1985-86 amounted to Rs 138.95 lakhs in addition to losses of Rs 245.94 lakhs incurred on operation of tubewells under the Small Farmers Development Agency Scheme and augmentation scheme in Gandak Command Area upto March 1986.

Despite having surplus funds, the Company did not repay the bridging loan of Rs 30.00 lakhs together with interest by the due date, thus losing the rebates of Rs 6.05 lakhs. The loan was still outstanding.

(Paragraph 2A)

2.2. UTTAR PRADESH STATE SPINNING MILLS (NO II) LIMITED

The Company set up in August 1974 to manage the affairs of four new spinning mills remained dormant upto June 1981 as the holding Company- U.P. State Textile Corporation Limited- decided in October 1974 to manage the affairs of new mills and subsequently in December 1974, to wind up the Company. The Company was revived in June 1981, after the decision of the State Government to install four new mills in public sector.

In order to show the project viable, the achievable capacity of the Meja and Banda mills was taken at 93 and 90 per cent respectively in the project report as against 85 per cent capacity projected in the case of Ballia and Jaunpur mills and also as against 85 per cent indicated by the Company in the annual budgets of all the four mills.

Against the requirement of land of about 24 acres for the mills, the Company acquired land measuring 50 to 175 acres resulting in extra expenditure of Rs 20.09 lakhs.

The civil construction works of all the four mills were awarded to Uttar Pradesh Rajkiya Nirman Nigam Limited (UPRNN) at cost plus 15 per cent centage charges without inviting tenders and preparing estimates. According to the Company, the cost of civil works of each mill had increased by about Rs 50 lakhs because of defective work and delay in completion of works by UPRNN. In the absence of a suitable clause in the agreement, it could not levy any penalty on the contractor for delays.

During 1987-88 the yarn realisation at Meja and Banda mills decreased resulting in loss of Rs 19.58 lakhs. The loss due to invisible waste, exceeded the norm of 0.5 per cent by Rs 34.80 lakhs during 1984-85 to 1987-88.

The sales realisations of the mills were not sufficient in any year to cover the cost of sales and the deficit per kg of yarn sold ranged between Rs 2.15 to Rs 13.70. The accumulated loss at the end of March 1988 was Rs 25.92 crores against the paid-up capital of Rs 23.57 crores on that date.

The Company paid Rs 6.09 lakhs as surcharge for low power factor recorded by a defective meter, which was subsequently replaced by the Electricity Board but no refund was claimed.

(Paragraph 2 B)

2.3. NANDGANJ SIHORI SUGAR COMPANY LIMITED

The Company, incorporated in April 1975, manages two sugar factories at Nandganj and Daryapur with installed capacity of 1250 tonnes of cane crushing per day each.

The capacity utilsation during five years upto 1987-88 ranged between 15 and 42 per cent in the case of Nandganj and between 33 and 63 per cent in the case of Daryapur. The under utilisation of capacity was mainly due to inadequate availability of cane, though a sum of Rs 159.69 lakhs was spent during the period from 1975-76 to 1986-87 on cane development by the Company in the cane areas of the factories. Selection of the site for Nandganj factory, around which land was not suitable for growing cane and permission granted by Cane commissioner for establishment of new factories reducing the allotment of cane area to the existing factories also contributed to the inadequate availability of cane.

Due to poor availability of cane, and consequent under utilisation of the capacities and shortfall in production, the Company had been incurring losses since inception and the accumulated losses as on 30th June 1987, were Rs 28.28 crores which represented 164.42 per cent of the paid-up capital (Rs 17.20 crores). It had been facing severe financial crisis as a result of heavy cash losses being incurred every year.

The cost of production of sugar was higher as compared to average sales realisation per quintal, due to heavy transport charges, excess consumption of power and fuel and high incidence of repairs due to frequent mechanical breakdowns. The actual strength of Daryapur factory was also in excess of the sanctioned strength.

Railway siding constructed for Nandganj factory for Rs 4.77 lakhs in 1976 was never utilised and was declared as closed by Railways in December 1980. The Company had also to pay maintenance charges of Rs 1.88 lakhs for this railway siding till January 1987.

(Paragraph 2 C)

2.4. MORADABAD MANDAL VIKAS NIGAM LIMITED

The Company incorporated in March 1977 with a paid-up capital of Rs 20 lakhs could not utilise its capital upto March 1981. The interest earned on paid-up capital was liable to income tax, for which, the Company failed to file return in time rendering itself liable for penal interest of Rs 1.35 lakhs.

In contravention of the directive issued by the Government in December 1985 (reiterated in April 1988), the Company procured polythene bags from private parties and supplied to Forest Department. For this purpose, it obtained raw material in its name by producing incorrect documentary evidence to the supplier and diverted the same unauthorisedly to private parties for manufacturing bags.

The Company purchased PVC pipes during 1986-87 and 1987-88 from a local supplier instead of from the firms registered under rate contract and thus incurred extra expenditure of Rs 1.74 lakhs.

In the purchase and supply of Pushta Aahar meant for free distribution to under-nourished children, highly ill-fed children, pregnant women and breast feeding mothers, the company not only incurred extra expenditure of Rs 5.07 lakhs on purchases but also made a profit of Rs 1.87 lakhs which ultimately resulted in 29.3 per cent reduction in the quantity of Pushta Aahar distributed to the beneficiaries by 29.3 per cent as the benefit to be passed on to the beneficiaries under the scheme was fixed in terms of money.

For providing irrigational facilities to farmers at cheaper rates, the Company constructed 28 community tubewells at a cost of Rs 1.36 lakhs between April 1982 and March 1985. Since the service was not yielding expected revenue, the Board decided in February 1988 to auction the tubewells. Thus the scheme was a failure and the investment proved mostly infructuous.

(Paragraph 2 D)

2.5 AGRA MANDAL VIKAS NIGAM LIMITED

Incorporated in March 1976 with a paid-up capital of Rs 100 lakhs, the Company could not utilise its funds due to meagre activities upto 1982-83 and therefore kept 73.2 to 100 per cent of the funds in bank deposits during these years

Although the capacity utilisation of Rose complex established in January 1984 at a capital cost of Rs 5.03 lakhs for extraction of rose oil was only 20.2 to 31.0 per cent of the installed capacity upto 1986-87, its installed capacity was doubled in February/March 1988 at a cost of Rs 1.14 lakhs. The losses incurred by the unit due to yield of finished products aggregated Rs 5.63 lakhs. Although envisaged in the project report, the Company did not attempt distillation of citronella etc. during the off-season and thus, recover the fixed overheads partly.

Rice mill established at Kusmera in December 1980 at a capital of Rs 10.77 lakhs was closed in December 985 after incurring accumulative loss of Rs 11.11 lakhs up to 1985-86 which was due to higher cost of production and low yield of rice during 1980-81 to 1983-84. In fact, the establishment of the mill at Kusmera where the specific variety of paddy that could be handled by the mill is not grown, was not well conceived.

The Insecticide Sprayer Unit project was, on reconsideration in December 1983, found not viable, and the building constructed for the purpose at a cost of Rs 7.72 lakhs was lying idle since 1984.

The trading activities taken up by the Company were a failure-petrol pumps were running in losses due to poor sales, automobile workshop was running in losses due to inadequate work, the tractors purchased under custom service were ultimately auctioned.

Though Agra district was not a flood affected area in 1985-86, the Company supplied Pushta aahar valued Rs 12.31 lakhs under Flood Relief Scheme to district administration during March and April 1986 and earned a profit of Rs 1.47 lakhs thereon. It is not clear as to whom the Aahar was suppled when there were not flood victims.

In the purchase and supply of Pushta aahar valued Rs 12.51 lakhs during November 1987 to June 1988, the Company incurred extra expenditure of Rs 4.17 lakhs due to purchase of rice at higher rates, resulting in reduction in the quantitative availability of above items to the beneficiaries by 50 per cent.

With a view to make available irrigational facilities available to small/marginal farmers, the Company awarded the work of construction of 123 tubewells to Minor Irrigation Department during September 1981 to March 1988. Out of 123 tubewells, only 51 tubewells could be completed upto 1987-88 at a cost of Rs 12.54 lakhs. A test check of the performance of these 51 tubewells revealed that the shortfall of revenue aggregated Rs 34.85 lakhs during the period from 1982-83 to 1987-88; the revenue anticipated being at the rate of Rs 12000 per annum per tubewell. Due to uneconomic operation of these tubewells, the Board decided in July 1987 to dispose of all the tubewells. However, no sale could be affected so far (December 1988), rendering the investment of Rs 12.74 lakhs on the construction of these tubewells largely unfruitful.

(Paragraph 2 E)

2.6 LOSSES AND SHORTAGES AND INQUIRIES THEREOF IN UTTAR PRADESH STATE ELECTRICITY BOARD

The value of shortages of materials and discrepancies in accountal of cash and materials was increasing from year to year and stood at Rs 15.05 crores as on 31st March 1988.. Test check of records of 31 divisions, where Rs 2.31 crores were outstanding on this account revealed that proper accounting control was lacking. Amount exceeding Rs 0.10 lakh against individual employees stood at Rs 129.25 lakhs against 230 employees, which included Rs 97.53 lakhs without any action for recovery

As per the Board's instructions, disciplinary proceedings are required to be completed within 4 months. However, out of 21 cases of disciplinary proceedings test checked in Audit only 6 cases involving loss of Rs 13.49 lakhs were actually completed after 2 to 16 years, due to abnormal dely at various stages i.e. delay in issue of charge sheets, delay in submission of enquiry reports, etc. Out of the remaining 15 cases involving Rs 33.06 lakhs which were still pending, 12 cases involving Rs 26.16 lakhs were initiated over 5 years back. On account of these delays, one case involving loss of Rs 1.20 lakhs had to be dropped in 1988 after 17 year of its detection for lack of evidence and another case of shortage of materials valuing Rs 2.03 lakhs became irrecoverable as disciplinary proceedings were not initiated till the death of the employee.

Out of 20 cases where action was recommended by Vigilance Cell, 12 cases remained pending with the Board.

(Chapter III)

3. Besides a review of the activities of the selected Government Companies and the Uttar Pradesh State Electricity Board as mentioned above, a test check of records of Government Companies and Statutory corporations brought out the following major irregularities:

3.1 Uttar Pradesh State Industrial Development Corporation Limited incurred a loss of Rs 13 lakhs due to defective pre-sanction appraisal of the project for the manufacture of thermo print paper, waiver of the provision regarding security of investment, absence of post-sanction monitoring and delay in taking action for recovery dues from the promoter.

(Paragraph No.4A.1)

3.2. The Uttar Pradesh Small Industries corporation Limited incurred a loss of Rs 21.22 lakhs due to:

(a) delay in taking action for taking possession of the property of the Unit defaulting in repayment of loan, delayed inspection of the Unit and non-incorporation of a clause for bank guarantee by the loanee in the agreement (Rs 12.27 lakhs),

(b) irregular issue of yarn beyond the prescribed credit limit (Rs 6.84 lakhs) and

(c) failure to deposit loan amount of Rs 2 crores received from IDBI in cash credit account ab-initio, instead of depositing in current account (Rs 2.11 lakhs).

(Paragraphs No 4A.2.1. to 4A.2.3)

3.3. The delay in installation of shunt Capacitors by Uttar Pradesh State Sugar Corporation limited resulted in avoidable payment of low power factor surcharge of Rs 4.40 lakhs.

(paragraph No.4A.3)

3.4. Uttar Pradesh Matsya Vikas Nigam Limited incurred an avoidable expenditure of Rs 2.75 lakhs on setting up of an office before even acquisition of land for the hatchery project at Pipraich.

(Paragraph No.4A.4)

3.5 Failure to purchase the whole requirement of explosives for 1986-87 from the lowest tenderer without valid justification by Uttar Pradesh State Cement Corporation Limited resulted in an avoidable extra expenditure of Rs 1.24 lakhs, while non-maintanace of customers' ledger at its unit level resulted in an excess refund of Rs 1 lakh to one firm.

(Paragraph Nos 4A.15.1.and 4A.5.2.)

3.6 Under assessment of revenue by Uttar Pradesh State Electricity Board due to non-observance of various provisions of Tariff/rules aggregated Rs 128.70 lakhs, while failure on its part to match the delivery of the indigenous trailor valuing Rs 10.55

lakhs with the delivery of its prime mover imported at a cost Rs 9.06 lakhs resulted in the equipment lying unutilised right from the date of receipt in October 1975/April 1978.

(paragraph No.4B.1.1. to 4B.1.5)

3.7. Failure to give timely intimation to the Regional Transport Officers concerned in respect of vehicles lying off-road for a continuous period of not less than one month and to timely surrender the registration certificates /tokens to the Regional Transport Officers led to rejection of the claims of Uttar Pradesh State Road Transport Corporation for refund of road tax amounting to Rs 10.63 lakhs in five region. Further due to laxity on its part to submit the requisite documents to U.P.Financial corporation, the Road Transport Corporation could not avail subsidy of Rs 2.66 lakhs on Procurement of seven generating sets.

(Paragraph Nos. 4B.1.1 to 4B.2.2)

CHAPTER I

1. GENERAL VIEW OF GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS.

1.1. Introduction

This chapter contains particulars about the investment, state of accounts etc. in respect of Government Companies and Statutory Corporations.

Paragraph 1.2. gives a general view of Government companies, paragraph 1.3. deals with general aspects relating to Statutory corporations and paragraphs 1.4 to 1.7 give more details about each Statutory corporation including its financial and operational performance.

1.2. Government companies- General view

1.2.1. There were 99 Government companies (including 43 subsidiaries) as on 31st March 1988, as against 97 Government companies (including 42 subsidiaries as on 31st March 1987).

According to information received during the year 1987-88, three subsidiaries of Uttar Pradesh Electronic Corporation Limited viz. Uptron communications and Instruments Limited, Uptron Digital Systems Limited and Uptron Capacitors Limited were absorbed by Uptron India Limited, five new Government Companies (including 4 subsidiaries) were incorporated, details of which are given below:

Name of the Company	Date of Incorporation	Authorised Capital (Rupees in Crores
(1) Uttar Pradesh Vikas Nigam Limited	27th April 1987	5.00
(2) Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	27th April 1987	0.25
(3) Uttar Pradesh Hillphones Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	10th August 1987	0.25
(4) Shreetron India Limited$ (subsidiary of Uttar Pradesh Electronics Corporation Limited)	1st February 1979	1.15
(5) Uptron Leasing Limited (Subsidiary of UPTRON India Limited)	5th January 1988	1.00

The following six companies (including 4 subsidiaries) were in the process of liquidation:

$Became a Govt company wef from 15th October 1987.

Name of the Company	Date of Incorporation	Date of going into liquidation
(1) The Indian Bobbin Company Limited	22nd February 1924	10th September 1973
(2) The Turpentine Subsidiary Industries Limited (Subsidiary of the Indian Turpentine and Rosin Company Limited)	11th July 1939	1st April 1978
(3) Uttar Pradesh Potteries (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	28th June 1972	27th April 1985
(4) Uttar Pradesh Roofings (Private) Limited(Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	24th November 1973	8th December 1987
(5) Faizabad Roofings Limiteo (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	16th February 1974	8th September 1987
(6) The Gandak Samadesh Kshetra Vikas Nigam Limited	15th March 1975	7th June 1977

1.2.2. Annexure-2 gives the particulars of up to date paid-up capital, outstanding loans, outstanding guarantees, amounts outstanding thereagainst, working results, etc. in respect of all the government companies. The position is summarised as under:

(a) Against the aggregate paid-up capital of Rs.. 606.94 crores in 93 companies (including 40 subsidiaries but excluding 4 companies under liquidation) as on 31st March 1987, the aggregate paid-up capital as on 31st March 1988 stood at Rs.929.31 crores in 93 companies (including 39 subsidiaries but excluding 6 companies under liquidation) as shown below:

Particulars	Number of Companies	Investment By State Govt	Central Govt	Others	Total
		(Rupees in Crores)			
(1) Companies wholly owned by State Government	35	699.32	-----	-----	699.32
(2) Companies jointly owned with Central Govt/ others	19	63.31	18.55	1.82	83.68
(3) Subsidiary	39	4.02	-----	142.29	146.31**

Companies

Total	93	766.65	18.55	144.11	929.31*

* The figure as per Finance Accounts is Rs. 696.72 crores, the difference was under reconciliation (March 1989)

** Excludes figures in respect of Vindhyachal Abrasives Limited as the data was not available.

(b) The balance of long term loans outstanding in respect of 62 companies (including 26 subsidiaries) as on 31st March 1988 was Rs. 702.98 crores (State Government: Rs. 334.57 crores, others: Rs. 354.38 crores and deferred payment credits: Rs. 14.03 crores) as against Rs.905.66 crores in respect of 65 companies (including 28 subsidiaries) as on 31st March 1987 (State Government: Rs, 542.33 crores, others: Rs. 344.35 crores crores and deferred payment credits: Rs. 18.98 crores).

(c) The State Government had guaranteed repayment of loans raised by 21 companies and payment of interest thereon. The amounts guaranteed and outstanding there against as on 31st March 1988 were Rs. 157.16* crores and Rs.127.45 crores respectively.

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*The figures as per Finance Accounts are Rs 116.01 crores and Rs 85.14 crores respectively in respect of 21

No guarantee commission is required to be paid by the companies to the State Government for availing the guarantee.

1.2.3. A synoptic statement showing the financial results of all the 93 companies(i.e. excluding the six under liquidation) based on the latest available accounts is given in Annexure-3.

Eight companies close their accounts on 31st July/ 30th September, of these 5 (serial numbers 8, 28, 38, 39 and 84 of Annexure-3) had finalised their accounts upto 1986-87 and the accounts of one company viz. Uptron Leasing Limited incorporated on 5th January 1988 were not due. Out of the remaining 84 companied, in respect of which accounts upto 1987-88 were due, only 19 companies had finalised their accounts for the year 1987-88 (including 7 companies which finalised their accounts ending June 1988) vide serial numbers 7, 13 14,18,24,30, 31, 34, 50, 61, 62, 85 and 21, 45, 69, 82, 86, 88, 90 of Annexure-3 In addition, 22 companies had finalised their accounts for some earlier years since the previous Report (Serial numbers 2, 5, 6, 11, 17, 19, 22, 25, 33, 35, 36, 42, 53, 54, 57, 60, 65, 66, 67, 76, 78, 80 of Annexure-3). The remaining 43

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companies, the difference was under reconciliation (March 1989) companies have not finalised accounts for any of the years during the year under report.

It will be observed from Annexures-2 and 3 that the accounts of 68 companies (including 24 subsidiaries) were in arrears ranging from one to 14 years. The position is summarised as under:

Serial Number	Extent ot arrears	Number of years involved	Number of Companies Involved: Companies	Number of Companies Involved: Subsidiary companies	Investment: Government Share Capital	Investment: Government Loans	Investment: Holding Companies Share Capital	Investment: Holding Companies Loans	Reference to Serial number of Annexure 3
					(Rupees in lakhs)				
1.	1974-75 to 1987-88	14	---	1	------	-----	0.10	------	92@
2.	1975-76 to 1987-88	13	---	2	-----	-----	8.53	------	15@,93@
3.	1976-77 to 1987-88	12	---	1	----	-----	5.06	0.05	63@
4.	1977-78 to 1987-88	11	1	1	3.06	-----	3.10	3.31	4,16@
5.	1978-79 to 1987-88	10	2	--	577.15	63.85	--	--	9,29
6.	1979-80 to 1987-88	9	--	2	--	--	7.30	--	64@,74@
7.	1980-81 to 1987-88	8	2	3	723.49	833.14	30.95	--	19,26@,49@,68,70
8.	1981-82 to 1987-88	7	5	3	722.80	528.74	88.00	49.50	10,41@,43,51,55,

@Indicates subsidiary company

Serial Number	Extent of arrears	Number of years involved	Number of Companies Involved: Companies	Number of Companies Involved: Subsidiary companies	Investment: Government: Share Capital	Investment: Government: Loans	Investment: Holding Companies: Share Capital	Investment: Holding Companies: Loans	Reference to Serial number of Annexure 3
					(Rupees in lakhs)				
---									58@,60@,65
9.	1982-83 to 1987-88	6	4	1	1540.68	907.00	0.07	1.06	6,23@,32,52,54
10.	1983-84 to 1987-88	5	4	1	634.16	159.97	28.00	--	35,42@,47,67,72
11.	1984-85 to 1987-88	4	4	--	374.76	--	---	--	20,56,57,73
12.	1985-86 to 1987-88	3	7	3	5789.93	890.26	---	98.00	2,11,22,27,36,48 58,59,71@,77,83@$
13.	1985-86 to 1986-87	2	1	--	150.00	--	--	---	17
14.	1986-87 to 1987-88	2	6	2	1267.33	545.94	2155.08	477.60	5,25,37@,40,53, 75@,79,81

$Date in respect of Company at Serial No 83 is not available

Serial Number	Extent of arrears	Number of years involved	Number of Companies Involved: Companies	Number of Companies Involved: Subsidiary companies	Investment: Government Share Capital	Investment: Government Loans	Investment: Holding Companies Share Capital	Investment: Holding Companies Loans	Reference to Serial number of Annexure 3
					(Rupees in lakhs)				
15.	1986-87	1	--	1	298.75	--	670.78	----	12@
16.	1987-88	1	8	3	25988.02	22239.66	2682.15	----	1,3,33,44,46,66, 76@,78,80@,87,89@
	Total		44	24	38070.13	26168.56	5679.12	629.52	

In the absence of finalisation of accounts for a number of years (ranging from 1 to 14 years) by a large number of Government companies, neither the productivity of the investment of Rs.642.39 crores (capital: Rs. 380.70 crores and loans: Rs. 261.69 crores) by the State Government in these companies could be conclusively vouchsafed nor their performance and state of affairs could be evaluated. Accumulation of heavy arrears in accounts of these Government Companies had also deprived the main share-holder-the State Government-as also other shareholders, of their right to have timely information about the financial position and functional performance as at the end of a period and the profit or loss made on their investment in these companies. In the absence of material information on various aspects of their functioning, the operation of these companies could not be considered to have the necessary direction and control.

The position of arrears in finalisation of accounts was last brought to the notice of Chief Secretary to Government in October 1989.

1.2.4. In regard to working results of the companies, the following further observations are made:

1.2.4.1. In respect of 19 companies which finalised the accounts for 1987-88 and 5 companies (whose accounts for 1987-88 were not due) which finalised their accounts for the year ending July 1987 (3 companies) and September 1987 (2 companies), the position was as follows:

(a) 10 companies (including five subsidiaries) earned profits aggregating Rs. 6.07 crores. The particulars in respect of them giving the comparative position of the previous year are given below:

Sl No	Name of Company	Paid -Up Capital		Profit(+) Loss (-)		Percentage of Profit to paid- up capital	
		1986-87	1987-88	1986-87	1987-88	1986-87	1987-88
1.	Pradeshiya Industrial and Investment Corporation Limited of Uttar Pradesh	6149.75	6869.75	(+)176.61	(+)120.03	2.87	1.75
2.	@@Teletronix Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	121.21	133.21	(+) 3.89	(+) 0.13	3.21	0.10
3.	**Uttar Pradesh Electronics Corporation Limited	2238.35	3107.32	(+)30.22	(+)76.45	1.35	2.46

@@Figures for the years ended 30th June 1987 and 1988

**Figures for the years ended 30th September 1986 and 1987

Sl No	Name of Company	Paid -Up Capital		Profit(+) Loss (-)		Percentage of Profit to paid- up capital	
		1986-87	1987-88	1986-87	1987-88	1986-87	1987-88
4.	@Chandpur Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	390.00	390.00	(+)55.93	(+)161.13	14.32	41.32
5.	@Chhata Sugar Company Limited ((Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	395.71	268.00	(-)5.54	(+)77.38	--	28.87
6.	@@Uttar Pradesh (Paschim) Ganna Beej Evam Vikas Nigam Limited	19.46	21.85	(+)2.75	(+)3.04	14.13	13.91

@ Figures for the years ended 31st July 1986 and 1987

@@ Figures for the years ended on 30th June 1987 and 1988

Sl No	Name of Company	Paid-Up Capital 1986-87	Paid-Up Capital 1987-88	Profit(+) Loss (-) 1986-87	Profit(+) Loss (-) 1987-88	Percentage of Profit to paid-up capital 1986-87	Percentage of Profit to paid-up capital 1987-88
7.	Harijan Evam Nirbal Varg Avas Nigam Limited	15.00	15.00	(+)78.34	(+)153.82	522.27	1025.47
8.	@@Uptron Powertronics Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	22.00	22.00	(+)2.69	(+)4.13	12.22	18.77
9.	Uttar Pradesh Police Avas Nigam Limited	---	10.00	---	(+)1.39	---	13.90
10.	@@Kumaon Television Limited (Subsidiary of Kumaon Mandal Vikas Nigam)	5.03	17.29	(+)15.21	(+)9.79	322.27	56.62

@@ Figures for the years ended 30th June 1987 and 1988

Sl No	Name of Company	Paid -Up Capital		Profit(+) Loss (-)		Percentage of Profit to paid- up capital	
		1986-87	1987-88	1986-87	1987-88	1986-87	1987-88
	Total				607.29		

None of these companies, however, declared dividend during 1987-88.

(b) 12 companies (including seven subsidiaries) incurred losses aggregating Rs. 90.14 crores. The particulars in respect of them, giving comparative position of the previous year, are given below:

Sl No	Name of Company	Paid up capital		Profit(+)/Loss(-)	
		1986-87	1987-88	1986-87	1987-88
		(Rupees		in lakhs)	
1	Uttar Pradesh State Textile Corporation Limited	8863.94	9776.60	(-)971.23	(-)583.99
2 *	Uttar Pradesh State Sugar Corporation Limited	8866.84	10613.84	(-)2349.38	(-)3284.02
3	Uttar Pradesh State Cement Corporation Limited	6153.16	6353.16	(-)1684.20	(-)2579.59
4	Auto Tractor Limited	750.00	750.00	(-)714.20	(-)628.43
5	Uttar Pradesh State Leather Development and Marketing Corporation Limited	334.81	411.98	(-)53.04	(-)34.60
6	Uttar Pradesh State	3205.84	3668.34	(-)941.30	(-)970.75

* Figures for the years ended upto 30th September 1986 and 1987

	Spinning Mills Company (NQ I) Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited)				
7	Uttar Pradesh State Spinning Mills Company (No II) Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited)	2263.85	2356.52	(-)393.24	(-)723.50
8	Uttar Pradesh Instruments Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited).	202.22	202.22	(-)50.51	(-)101.11
9	Uttar Pradesh Tyres & Tubes Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	108.68	111.68	(-)88.58	(-)23.02
10	Bhadohi Wollens Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited)	291.56	291.56	(-)45.20	(-)28.85
11 &	Uttar Pradesh Hill Electronics Corporation	46.26	368.36	(-)4.62	(-)13.66

& Figures for the year ended 30th June 1987 and 1988

Limited(Subsidiary of Uttar Pradesh Electronics Corporation Limited)				
Shreetron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	114.18	114.18	(-)55.12	(-)42.16
Total				9013.59

Reasons for substantial increase in loss during the year in respect of companies at serial numbers 2, 3, 7, and 8 above as analysed by Audit were as under:

- Uttar Pradesh State Sugar Corporation Limited- increase in interest finance charges and depreciation.

- Uttar Pradesh State Cement Corporation Limited increase in cost of production, administrative expenses and marginal increase in depreciation and interest charges.

- Uttar Pradesh State Spinning Mills Company (No. II) Limited- increase in depreciation and interest charges.

- Uttar Pradesh Instruments Limited- decrease in sale, increase in employees expenses and non-receipt of grants-in-aid against losses from the

Government during the year as against Rs. 33 lakhs received in the previous year

(c) Two Companies viz. Ghatampur Sugar Company Limited and Kumtron Limited were under construction stage upto 31st March 1988.

1.2.4.2. As shown in Annexure-2, the accumulated losses in respect of the following 15 companies (including 9 subsidiaries) as reflected in the accounts received upto the period noted against each, had exceeded their paid-up capitals as at the end of that year:

Sl No	Name of the Company	Year upto which accounts were prepared	Paid-up capital at the end of the year	Accumulated loss upto the year	Percentage of accumulated loss to paid-up capital	Serial number of Annexure-2
			Rupees in lakhs			
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Uttar Pradesh State Agro Industrial Corporation Limited	1981-82	728.83	905.38	124.22	6
2	Uttar Pradesh State Sugar Corporation Limited	1986-87	10613.84	15695.74	147.88	8
3	Kichha Sugar Company Limited(Subsidiary	1985-86	703.77	1461.98	207.74	12

(1)	(2)	(3)	(4)	(5)	(6)	(7)
	of Uttar Pradesh State Sugar Corporation Limited					
4	Uttar Pradesh State Cement Corporation Limited	1987-88	6353.16	8261.08	130.03	14
5	Auto Tractors Limited	1987-88	750.00	3551.73	473.56	18
6	Uttar Pradesh State Spinning Mills Company (No I) Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited)	1987-88	3668.34	5881.34	160.33	30
7	Uttar Pradesh State Spinning Mills Company (No II) Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited)	1987-88	2358.52	2591.53	109.97	31
8.	Uttar Pradesh Instruments Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited	1987-88	202.22	563.70	278.76	34
9.	Uttar Pradesh Pashudhan Udyog Limited	1982-83	65.05	.103.28	158.77	35
10.	Nandganj Sihori Sugar	1985-86	1630.76	2834.35	173.81	37

(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Company Limited(subsidiary of Uttar Pradesh State Sugar Corporation Limited)					
11.	Chhata Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	1986-87	268.00	325.99	121.64	39
12.	Uttar Pradesh Tyres and Tubes Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	1987-88	111.68	462.94	414.52	50
13.	Handloom Intensive Development Project (Bijnore) Limited (Subsidiary of Uttar Pradesh State Handloom Corporation Limited)	1978-79	2.00	3.35	167.50	64
14.	Uttar Pradesh State Horticultural Produce Marketing and Processing Corporation Limited.	1982-83	70.76	162.69	229.92	67
15.	Shreetron India Limited (Subsidiary of Uttar Pradesh State Electronics Corporation Limited	1987-88	114.18	196.29	171.91	90

1.2.5. In addition, there were five companies covered under section 619B of the Companies Act, 1956 as detailed below, out of which only 3 companies finalised their accounts (serial numbers 1,2, and 3) for the year 1987-88:

Serial Number	Name of Company	Date of Incorporation	Year of accounts ending	Paid up Capital contributed by State Government	Government companies	Corporations/ autonomous bodies	Others	Total	Profit(+)/ Loss(-) for the year
1.	Almora Magnesite Limited	27th August 1971	31st October 1987	---	40.00	82.00	78.00	200.00	(+) 16.42
2.	Command Area Poultry Development Corporation Limited	5th October 1979	31st December 1987	---	----	21.33	2.92	24.25	(+) 0.16
3.	Uttar Pradesh seeds and Terai Development Corporation Limited	22nd June 1978	30th June 1988	68.75	51.87	31.87	47.14	199.63	(+)25.68

4.	Steel and Fasteners Limited	4th October 1962	31st December 1979	---	36.97	17.95	34.92	89.84	(+)44.96
5.	Electronics and Computers (India) Limited	Not Available	31st December 1975	Accounts notfinalised since inception					

The accumulated losses in respect of Command Area Poultry Development corporation Limited amounting to Rs. 47.55 lakhs had exceeded its paid-up capital of Rs. 24.25 lakhs.

The accounts of Steel and Fasteners Limited for the years 1980 to 1987 and those of Electronics and Commuters (India) Limited from its inception in 1975 to 1987 were in arrears.

1.2.6. Some of the important points made by Statutory Auditors and as a result of audit by the Comptroller and Auditor General of India in respect of the accounts of Government Companies audited during the year are mentioned below:

The Statutory auditors had reported in their reports to the shareholders of the respective companies that in view of the various reasons/ comments/ qualifications mentioned by them, the accounts of the following two companies did not give a true and fair view. Some of the major qualifications made by the auditors in respect of these companies were:

(a) In case of the accounts of Uttar Pradesh Export Corporation

Limited for the year ended 31st March 1986.

The Company sold old slow moving stock valuing approximately Rs. 35 lakhs at a discount of Rs. 8.63 lakhs. While the Company treated the entire sale money as the sales of the year, it deferred 70 per cent of the discount (Rs 6.05 lakhs) affecting the working results by this amount.

The Company deferred advertisement expenditure of Rs. 5.77 lakhs out of Rs. 7.30 lakhs which was not justified as neither any asset was created nor there was any benefit of enduring nature.

Amounts aggregating Rs. 2.22 lakhs shown as deposited with a bank were not so deposited and were said to have been embezzled. The figures of balances with banks could not therefore, be regarded as correct.

(b) In case of the accounts of Uttar Pradesh Scheduled Caste Finance and Development Corporation Limited for the year ended 31st March 1985

- Non-provision of employer's contribution to Employees Provident Fund for staff of the units amounting to Rs. 1,38 lakhs.

- Out of Rs.133.14 lakhs utilised towards establishment grant and shown as recoverable from the Government, only Rs. 97.51 lakhs had been allowed by Government. The balance of Rs. 35.63 lakhs should have been provided, for in the accounts.

- An amount of Rs. 16.74 lakhs was payable on account of employer's and employees' contribution towards Employees Provident Fund which had not been paid.

(ii) The Companies Act, 1956 empowers the Comptroller and Auditor General of India to issue directives to the Auditors of Government Companies in regard to the performance of their functions. In oursuance of the directives so issued. raports of the Company Auditors on the accounts of eight companies (Serial numbers 7, 8, 24, 30, 37, 38, 40 and 76 of Annexure-2 were received during April 1987 to March 1988. Important points noticed in these reports are summarised below:

Sl No	Nature of Defects	Number of companies where defects were noticed	Reference to serial number of Annexure 2 and 3
1	Absence of Accounts manual	4	7,24,37 &38
2	Absence of Internal Audit Manual	2	24 & 38

3 Non-reconciliation /delay in reconciliation of control accounts with general ledger /subsidiary ledgers	2	24 & 40
4 Absence of standard costing system	5	7,8,30,37 & 38
5 Absence of procedure/ system for write off,discounts, refunds etc	1	38
6 Non-fixation of maximum/ minimum limits of stores/spares	6	7,24,37, 38,40 & 76
7 Non-compliance of accounting manual/ instructions	1	40
8 Absence of system for pricing of Stores issued	1	40
9 Non-determination of surplus/ unserviceable stores	2	7 & 40
10 Unreasonable allowances of credits & non-vigorous pursuance of debts	2	24 & 76

11 Non-preparation of capital, revenue production and Sales budgets	3	24,40 & 76
12 Absence of system for ascertaining idletime for labour/machinery	2	30 & 38
13 Absence of system to identify non-moving/ slow moving items of stores/ spares	1	30
14 Substantial accumulation of finished goods	1	30
15 Unsatisfactory follow-up procedure regarding points raised by internal Audit	1	24

(iii) Under Section 619(4) of the Companies Act, 1956, the Comptroller and Auditor General of India has a right to comment upon or supplement the report of the Company Auditors. Under this provision, a review of the annual accounts of Government companies is being conducted in selected cases. 3

accounts relating to 34 companies were selected for such review during the period from January 1988 to December 1988. The net effect of the important comments as a result of such supplementary audit was as follows:

Sl No	Details	Number of accounts	Monetory effect (Rupees in lakhs)
1.	Increase in profit	2	38.73
2.	Decrease in profit	3	139.76
3.	Increase in loss	5	88.28
4.	Decrease in loss	--	--
5.	Non-disclosure of material facts	19	--

As a result of observations made by the Comptroller and Auditor General of India, Auditors' Report on the accounts of Shreetron India Limited for the year ended 30th June 1988 and the account of Uttar Pradesh Police Avas Nigam Limited for the year 1987-88 were revised. In the latter case the Profit was increased by Rs. 1.13 lakhs as a result of revision.

Some of the major errors and omissions noticed in the course of supplementary audit, not pointed out by Statutory auditors, in respect of 10 of these companies selected for review are mentioned below:

(A) UTTAR PRADESH SMALL INDUSTRIES CORPORATION LIMITED IN RESPECT OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH 1985

(1) Interest accrued but not paid stood understated by Rs.4.01 lakhs, being the amount of interest payable to Uttar Pradesh State Industrial Development corporation Limited for the period from October 1972 to April 1984 in respect of outstanding premium of Rs. 7.14 lakhs relating to leasehold land acquired by the Company at Agra in 1972. Consequently the value of land also stood understated by Rs. 4.01 lakhs.

(2) Loans and advances included Rs. 12.37 lakhs due from subsidiaries for winding up of which petitions had been filed in the High Court at Allahabad in June 1984 and were thus, doubtful of recovery.

(3) An expenditure of Rs.31.44 lakhs was incurred by the Company on construction of industrial sheds during 1973-74 to 1984-85 which were sold/let out to private entrepreneurs. Neither the details of assets created were

available duly classified under proper heads of account nor were party-wise details from whom the amount was recoverable were available.

(4) The closing stock of Rs. 486.32 lakhs and profit for the year stood overstated by Rs.8.72 lakhs due to valuation of the closing stock of 990.607 tonnes of pig iron lying at Agra Depot at cost price of Rs. 1912 to Rs. 2291 per tonne instead of at realisable value of Rs. 1259 per tonne fixed by the Company.

(5) The closing stock included Rs.26.60 lakhs being the cost of 1096 tonnes of pig iron found to be of inferior quality on its delivery by Railways in the year 1984-85.

(6) No depreciation was charged in respect of industrial sheds let out to Uttar Pradesh State Warehousing Corporation although hire charges received from them were treated as income of the Company.

(B) UTTAR PREDESH STATE BRIDGE CORPORATION LIMITED IN RESPECT OF ACCOUNTS FOR THE YEAR ENDED 30th SEPTEMBER 1984

(1) Sundry debtors were overstated by Rs, 83.83 lakhs representing deductions made by a customer through bills towards the cost of materials supplied by the customer.

(2) Net profit was overstated by Rs.122.22 lakhs on account of the following:

- Accountal of its claim for Rs.60.80 lakhs in the value of work done, for dewatering and plum concrete work carried on beyond the amount receivable under the provisions of the agreement, in contravention of its declared accounting policy.

- Understatement of material consumed in the Gyanpur Pump Canal by Rs, 30.17 lakhs, as sheet piles received from the Irrigation Department were accounted at no cost, although issue rate was mentioned in the agreement.

- Non-accountal of guarantee commission/bank charges amounting to Rs. 20.65 lakhs payable to State Bank of India for the year 1983-84.

- Overstatement of value of work done by Rs. 4.51 lakhs in the Gyanpur Pump Canal work due to calculation mistake.

- Non-accountal of proportionate rebate of Rs. 3.82 lakhs agreed to be allowed to the customer in the Vijayawada works.

- Under-statement of material consumed by Rs 2.27 lakhs, due to valuation of cement issued by the

Irrigation Department for construction of Kishanpur Pump House at Rs 40· per bag instead of at the revised rates of Rs 45 to Rs. 50.

(3) Tools and equipment worth Rs 11.41 lakhs were written off for Rs 48.67 lakhs. This has also resulted in understatement of profit by Rs. 37.26 lakhs.

(4) Rs. 4.78 lakhs were paid to foreign Auditors for Iraqi units approval of Government of India for their appointment as required under section 619(2) of the Companies Act 1956 was not obtained.

(C) UTTAR PREDESH STATE BRIDGE CORPORATION LIMITED IN RESPECT OF ACCOUNTS FOR THE YEAR ENDED 30th SEPTEMBER 1985.

(1) 'Land' included value of leasehold land (Rs. 3.12 lakhs) at Kanpur, Physical possession of which had not been obtained.

(2) Gross value of work done in respect of construction of Gohani Nala bridge on Orai bye-pass (Rs. 9.81 lakhs) started and completed during 1984-85 was not accounted for during the year, with the result, value of work done and profit for the year were correspondingly understated.

(3) A sum of Rs. 6.21 lakhs was appearing as minus balance in 'Material at Site Account' (3 sites) at the close of the year. Non-adjustment of this balance to 'materials consumed on works' resulted in overstatement of value of work done by Rs. 7.05 lakhs.

(4) The appointment of Auditors for a foreign branch of the company had been made without the approval of the Central Government in contravention of the provisions of the Companies Act, 1956. A remuneration of Rs 4.45 lakhs had been paid to them.

(D) PRADESHIYA INDUSTRIAL AND INVESTMENT CORPORATION OF UTTAR PRADESH LIMITED IN RESPECT OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH 1986

The Company adopted accounting transactions on cash basis instead of accrual basis which is contrary to the provisions of Section 209 of the Companies Act, 1956 and also against principles of commercial accounting.

(E) UTTAR PRADESH STATE CEMENT CORPORATION LIMITED IN RESPECT OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH 1988.

(1) Liability of Rs. 177.45 lakhs in respect of Mini Cement plant to be settled between the suppliers of plant and machinery and the Company were not disclosed.

(2) 'Royalty and Welfare Cess' did not include Rs 81.72 lakhs towards enhanced royalty payable with effect from 5th May 1987. This resulted in understatement of current Liabilities and loss for the year to that extent.

(F) UTTAR PRADESH STATE HANDLOOM CORPORATION LIMITED IN RESPECT OF ACCOUNT FOR THE YEAR ENDED 31st MARCH 1980.

(1) A sum of Rs. 12.79 lakhs shown in 'Sericulture Grant-Fixed assets'under the head 'Current liabilities and provisions' represented the Grant-in -aid received from the Government for purchase of certain fixed assets under seri-culture scheme. Since the grant was meant for purchasing capital items, this should have been treated as capital grant and should have as such been credited to a special reserve account. Further, the reserve account and the fixed assets account should have been debited/credited each year with an amount equal to annual deprecation on the fixed assets. The Company had, however, not provided for depreciation on these fixed assets.

(2) Profit for the year before tax (Rs. 99.05 lakhs) was overstated by Rs. 6.62 lakhs due to not charging the expenditure on publicity and propoganda to Profit and Loss Account, which was wrongly charged to

'Expenditure on DHT Exhibition' intended to be met from the funds provided by the Director of Handloom and Textiles for the purpose.

(G) UTTAR PRADESH STATE LEATHER DEVELOPMENT AND MARKETING CORPORATION LIMITED IN RESPECT OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH 1987.

(1) Net loss was understated by Rs. 22.08 lakhs due to-

- non-charging of expenditure in charging excess of grant received for meeting initial working capital (Rs, 12.43 lakhs),

- non-provision for loss on goods sold to foreign firms (Rs.4.15 lakhs),

- non-provision for bad and doubtful debt in respect of amount recoverable from an insolvent debtor Rs. 3.68 lakhs) and

- overvaluation of old stock decided by the Company for sale at reduced rates(Rs 1.82 lakhs).

(2) Form 'C' in respect of concessional sales tax amounting to Rs. 47.36 lakhs allowed to the parties during 1979-80 to 1985-86 were awaited from the parties concerned. Contingent liability for differential sales tax in respect of

these pending 'C' forms had not been disclosed.

(H) UTTAR PRADESH STATE SUGAR CORPORATION LIMITED IN RESPECT OF ACCOUNTS FOR THE YEAR ENDED 30th SEPTEMBER, 1987.

Subscribed and paid-up capital (Rs. 10613.84 lakhs) included Rs 1347 lakhs for which shares were allotted and issued on 8th October 1987.

(I) UTTAR PRADESH STATE AGRO-INDUSTRIES CORPORATION LIMITED IN RESPECT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 1982.

Accumulated loss of Rs, 905.38 lakhs is understated to the extent of Rs. 33.85 lakhs on account of short provision of interest (Rs. 4.66 lakhs) on unsecured loans payable to the State Government and non-provision for loss (Rs. 29.19 lakhs) sustained due to downward revision of prices of fertilisers by the Government of India.

(J) UPTRON COLOUR PICTURE TUBES LIMITED IN RESPECT OF ACCOUNTS FOR THE YEAR ENDED 30th JUNE 1987.

(1) Share capital includes Rs. 22.61 lakhs as shares application money pending allotment of shares which is not actually so but is a credit balance on various accounts;

1.3. Statutory Corporations-General aspects

1.3.1 There were four statutory corporations in the State as on 31st March 1988, viz.,

- Uttar Pradesh State Electricity Board

- Uttar Pradesh State Road Transport corporation

- Uttar Pradesh Financial corporation and

- Uttar Pradesh state Warehousing corporation.

1.3.2. The Uttar Pradesh State Electricity Board was constituted on Ist April 1959 under Sectin 5(i) of the Electricity (Supply) Act, 1948 and the Uttar Pradesh State Road Transport Corporaton was constituted on Ist June 1972 under Section 3 of the Road Transport corporations Act, 1950.

Under the respective Acts, the audit of these crganisations vests solely with the Comptroller and Auditor General of India. Separate Audit Reports, mainly incorporating the comments on the annual accounts of each year are issued separately to these Organisations and to Government.

The preparation of accounts of the Board for the year 1988-89 was in arrears, while the accounts for the year 1987-88 finalised and submitted to Audit in January 1989 were in process of Audit (September 1989). While the separate Audit Report on the accounts for the year 1986-87 issued to the Board and Government on 8th May 1989 as yet to be presented to the egislature, separate Audit Reports on he accounts for the years 1982-83 to 985-86 were presented to the egislature together with the accounts n March/October 1988 and March 1989.

3.3. The Uttar Pradesh State Road ransport Corporation submitted to udit its revised accounts for the ears 1982-83 to 1984-85 on 17th ovember 1987 and its accounts for the ears 1985-86 to 1987-88 on 27th April 8. All these accounts were in the cess of Audit (March 1989). The ounts for the years 1980-81 and 1-82 together with separate Reports eon issued to Government on 13th uary 1989 were yet to be presented the state Legislature while the accounts for the year 1978-79 together with separate Audit Report thereon issued on 21st April 1984 were placed before the Legislature on 25th February 1986.

1.3.4. The Uttar Pradesh Financial corporation was constituted on 1st November 1954 under Section 3 (i) of the State Financial corporations' Act, 1951.

Under Section 37 of the Act, the accounts of the Corporation are audited by Chartered Accountants appointed by the State Government in consultation with the Comptroller and Auditor General of India and the latter may also undertake audit of the accounts o the Corporation. Separate Audit Report of the Comptroller and Auditor Genera of India on the accounts of th Corporaion for 1984-85 and 1985-86 wer issued to the Government (Novembe 1988) while the separate Audit Repor on the accounts for the year 1986-87 under issue. The accounts for the yea 1983-84 together with separate Audi Report thereon issued on May, 1985 wer placed before the Legislature on 25t February 1986.

1.3.5. The Uttar Pradesh St Warehousing Corporation was constitu on 19th March 1958 under Section 2 of the Warehousing Corporations A 1962.

Under Section 31 of the Act, the accounts of the Corporation are audited by Chartered Accountants appointed by the State Government in consultation with the Comptroller and Auditor General of India and the latter may also undertake audit of the accounts of the Corporation.

The accounts of the Corporation for the year 1984-85 had been finalised and the Audit Report thereon was issued on 23rd September 1988. The accounts for 1985-86 were received in July 1989; audit was in progress. The accounts of the Corporation for the years 1986-87 and 1987-88 were in arrears. The accounts for the year 1980-81 together with separate Audit Report thereon issued in May 1982 were placed before the Legislature on 12th September 1983. Information regarding placing the accounts for the years 1981-82 to 1983-84 before the Legislature was awaited (September 1989)

1.3.6. The working results of these four Statutory corporations for the latest year for which accounts have been prepared are summarised in Annexure. 4.

Salient points about the accounts and physical performance of these Corporations are given in paragraphs 1.4. to 1.7.

1.4. Uttar Pradesh State Electricity Board

1.4.1. The capital requirements of the Board are provided in the form of loans from Government, public, banks and other financial institutions. As per the accounts for 1986-87, the aggregate long term loans (including loans from Government) obtained by the Board were

Rs. 4753.27 crores at the end of 1987-88 and represented an increase of 341.08 crores at the end of the previous year. Particulars of loans obtained from the State Government and other sources and outstanding as on 31st March 1987 and of 1988 are as follows:

Source	Amount outstanding as on 31st March 1987	1988	Percentage of increase
(1)	(2)	(3)	(4)
1. State Government	3703.96#	3898.75	5.26
2. Other sources	1049.31	1195.60	13.94
Total	4753.27	5094.35	7.18

1.4.2. Government had guaranteed the repayment of lonas raised by the Board and payment of interest thereon to the extent of Rs. 1380.02 crores. The amount of principal guaranteed and outstanding as on 31st March 1988 was Rs. 643.96 crores.

The figure as per Finance Accounts is Rs. 3736.49 crores; the difference is under reconciliation. (March 1989)

1.4.3. The financial position of the Board at the end of the three years upto 31st March 1988 is given below:

Particulars	1985-86	1986-87	1987-88 (Provisional)
	(Rupees	in	Crores)
A. Liabilities			
Long term loans from:			
(a) Government	3472.37	3703.96	3898.75
(b) Other Sources	922.39	1049.31	1195.79
Reserves and Surplus	247.00	319.00	354.75
Current liabilities and Provisions	1845.71	2119.41	748.79
Total (A)	6487.47	7191.68	6198.08
B. Assets			
Gross Fixed Assets	2603.99	3134.02	3643.51
Less:Depreciation	587.36	737.68	845.72
Less:Consumers Contribution	172.02	204.35	230.15
Net Fixed Assets	1843.61	2191.99	2567.64
Capital Works-in-Progress	1903.41	1958.93	2010.10

Current Assets including investments	1858.68	2207.25	827.62
Miscellaneous Expenditure not written off	33.05	38.73	38.77
Accumulated losses	848.72	794.78	753.95
Total (B)	6487.47	7191.68	6198.08
<u>C. Capital Employed</u>	1911.30	2279.83	2646.47
<u>D.Capital invested</u>	4641.77	5072.27	5449.29

Notes: 1. Capital employed represents net fixed assets <u>plus</u> working capital.

2. Capital invested represents long term loans <u>plus</u> free reserves.

1.4.4. Upto 1984-85, the order of allocation of gross surplus was prescribed according to the then existing Section 67 of Electricity (Supply) Act, 1948. The provisions of the Act have been revised to provide for showing working results on commercial accounting system, applicable for accounts from 1985-86 onwards. The Board, however, adopted the revised accounting procedure from the year 1985-86.

The working results of the Board for the three years upto 1987-88 on comparative commercial basis are summarised below:

Particulars	1985-86	1986-87	1987-88 (Provisional)
	(Rupees in Crores)		
(1)(a) Revenue Receipts	674.11	891.10	977.52
(b) Subsidy receivables from Government	254.90	283.90	424.70
Total	929.01	1175.00	1402.22
(2) Revenue Expenditure	629.78	787.70	820.67
(3)Gross Surplus(1-2)	(+)299.23	(+)387.50	(+)581.55
(4) Appropriations			
(a) Depreciation	71.64	85.78	95.20
(b) Interest on (i)Government Loans	226.46	265.80	279.81
(ii)Other loans and Bonds	103.58	131.74	156.72
(c)Write off of Intangible Assets	2.13	0.71	1.01

Particulars	1985-86	1986-87	1987-88 (Provisional)
	(Rupees in Crores)		
Total	403.81	484.00	532.74
(5) Net Surplus(+) /Deficit(-)(3-4)	(-)104.58	(-)96.70	(-)48.81
(6) Total Return on Capital employed/invested	(+)225.46	(+)300.81	(+)485.34
(7) Percentage of Return on -			
(a) Capital employed	11.80	13.19	18.32
(b) Capital invested	4.86	5.93	8.91

For subsidising the losses due to rural electrification operations undertaken by the Board, the State Government gave an undertaking to Government of India in March 1979 to reimburse the loss to the Board from 1979-80 onwards. the Board, without maintaining any separate account for rural electrical operations, accounted for Rs. 1546.19 crores on ad-hoc basis as subsidy receiveable from Government. The accumulated loss of Rs. 728.13 crores is after adjusting Rs. 1546.19 crores to the revenue of the Board.

1.4.5. The following major observations were made in the Audit

Report on the annual accounts of the Board for the year 1986-87.

(i) The income of the Board was overstated by Rs. 111.04 lakhs by four divisions due to non-adjustment of assessment made during the year 1986-87 and withdrawn in the subsequent year.:-

(ii) The expenditure on the repair of damaged transformers amounting to Rs. 273.45 lakhs has been capitalised instead of charging the same to revenue expenditure by five dievisons of the Board.

(iii) The freight/carriage charges of stock materials amouting to Rs. 73.12 lakhs were included in cost of materials and capitalised by five divisions instead of charging the same as revenue expenditure.

(iv) The materials valuing Rs. 198.78 lakhs purchased during the year 1986-87 have not been accounted for in the receipt by Kanpur Electric Supply Administration (KESA), Kanpur.

(v) Cash and bank balance was overstated by Rs.45 lakhs by one unit of the Board (KESA).

(vi) The cash and bank balance included dishonoured cheque worth Rs. 17.46 lakhs.

(vii) In none of the units test checked in audit fixed assets register was maintanied.

(viii) The Register of works was not posted upto date in most of the units test checked in Audit.

(ix) Assets and liabilities included minus balances amounting to Rs, 25.46 lskhs and Rs,336.78 lakhs respectively.

1.4.6 The following table indicates the operational performance of the Board for the three years upto 1987-88:

	1985-86	1986-87	1987-88
(1) Installed Capacity (in MW)			
(a) Thermal	2908.50	3118.50	3438.50
(b) Hydel	1422.35	1422.35	1422.35
Total	4330.85	4540.85	4860.85
(2) Power Generated (in MKWH)			
(a) Thermal	7629.40	9516.443	11884.000
(b) Hydel	4596.60	5213.068	4707.000
Total	12226.00	14729.511	16591.000
(3) Less: Auxiliary Consumption	1051.000	1097.957	1320.000
(4) Net Power Generated	11175.000	13631.554	15271.000
(5) Power purchased	3791.000	3591.000	4516.000

	1985-86	1986-87	1987-88
(6) Total Power available for Sale	14966.000	17222.554	19787.000
(7) Power Sold	11887.000	13655.000	14480.000
(8) Transmission & Distribution loss	3079.000	3567.554	5307.000
(9) Units generated per KW of installed capacity	2823.000	3243.778	3413.189
(10)Load Factor(Per-Cent)	34.70	40.70	43.20
(11)Percentage of Generation to installed capacity	32.23	37.03	38.96
(12)Percentage of Transmission and Distribution Losses	20.50	20.71	26.82
(13)Villages/Towns Electrified at the end of the year(Number)	67561	71564	75749
(14)Pump Sets/Wells energised at the end of the year (Number)	512413	542495	564412
(15)Connected load (in MW)	6977.338	7408.729	7948.393
(16)Number of	27.38	29.28	31.56

	1985-86	1986-87	1987-88
Consumers(in lakhs)			
(17)Number of employees	107818	113684	117416
(18)Break-up of sale of energy according to categories of Consumers(MKWH)			
(a) Agricultural	3723	4937.8	5868.7
(b) Industrial	4475	4776.2	4776.1
(c) Commercial	672	759.5	813.4
(d) Domestic	1848	1933.2	1813.2
(e) Others	1169	1248.3	1208.6
Total(B)	11887	13655	14480.00
(19) (a) Revenue per KWH (in paise) (excluding subsidy)	55.11	64.27	66.33
(b) Expenditure per KWH(In paise)	59.19	64.02	67.57
(c) Profit(+)/ Loss(-)(In paise)	(-)4.08	(+) 0.25	(+) 1.18

1.5. Uttar Pradesh State Road Transport Corporation

1.5.1. As on 31st March 1988 the capital of the Corporation was Rs.160.26 crores (Rs 123.70 crores contributed by the State Government and Rs. 36.56 crores by the Central Government), as against Rs. 144.71 crores as on 31st March 1987 (Rs. 108.70 crores contributed by the State Government and Rs. 36.01 crores by the Central Government). Interest is payable on capital contributions at 6,25 per cent. As on 31st March 1988 interest amounting to Rs. 32.09 crores on capital and loans was payable to Central. Government (Rs.5.22 crores) and State Government (Rs. 26.87 crores) at 6.25 and 12 per-cent, respectively per annum.

In addition, the Corporation owed loans amounting to Rs, 2, crores to State government as on 31st March 1988. The State Government had also given guarantees for repayment of loans raised by the Corporation from other sources and payment of interest thereon, and as on 31st March 1988 the amounts of such guarantees and loans outstanding thereaginst were Rs. 92.00 crores and Rs. 40.35 crores respectivley.

1.5.2 The financial position of the corporation at the end of the three years upto 31st March 1988 is given below:

	@1985-86	1986-87	1987-88
	(Rupees in crores)		
(A) Liabilities			
Capital	103.16	144.71	160.26
Reserve and surplus	1.99	2.19	2.36
Borrowings	71.05	68.66	80.97
Trade dues and other current liabilities	101.56	116.86	119.12
Total(A)	277.76	332.42	362.71
(B) Assets			
Gross block	180.81	220.72	259.95
Less: Depreciation	111.59	120.19	137.08
Net fixed assets	69.22	100.53	122.87
Capital work-in-progress	0.93	1.18	2.32
Investments	0.80	0.80	0.80

@ The figures for all the three years are provisional as the accounts were in the process of audit

	1985-86	1986-87	1987-88
	(Rupees in crores)		
Current assets, loans and advances	90.01	104.75	111.85
Accumulated losses	116.80	125.16	124.87
Total (B)	277.76	332.42	362.71
(C) Capital invested *	139.49	161.82	177.68
(D) Capital employed**	57.67	88.42	115.60

1.5.3 The working results of the Corporation for the three years upto 1987-88 are summarised below:

Particulars	1985-86	1986-87	1987-88
		(Rs in crores)	
Total revenue	160.80	181.69	223.47
Total expenditure- (a) Other plan interest	163.65	177.95	209.20

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

**Capital employed represents net fixed assets plus working capital

Particulars	1985-86	1986-87	1987-88
		(Rs in	crores)
(b Interest	14.67	11.97	14.23
Total	178.32	189.92	223.43
Net profit (+)/Loss (-)	(-) 17.52	(-)8.23	(+)0.04
(a) Capital employed	57.67	88.42	115.60
(b) Capital invested	139.49	161.82	177.68
Total return on-			
(a) Capital employed	--	4.23	12.30
(b) Capital invested	--	2.31	7.10

1.5.4 Table below indicates the operational performance of the Corporation during the three years upto 1987-88

		1985-86	1986-87	1987-88
1.	Average number of vehicles held (effective fleet)	6167	6452	6968
2.	Average number* of vehicles on road	4681	5436	6098
3.	Percentage of utilisation	76	84	88

* Vehicles include buses, taxis and trucks

		1985-86	1986-87	1987-88
4.	Kilometres covered(In lakhs)			
	GROSS	4521	4857	5616
	EFFECTIVE	4435	4760	5496
	DEAD	86	97	120
5.	Percentage of dead Kms to Gross Kms	1.9	2.0	2.14
6.	Average Kms covered per bus per day	213	222	238
7.	Average rev-nue per Km (Paise)	363	382	407
8.	Average exp-enditure per Km(Paise)	402	399	407
9.	Profit(+)/ Loss(-) per Km(Paise)	(-)39	(-)17	---
10.	Total route Kms (in lakhs)	2.63	3.17	3.84
11.	Number of operating depots	93	92	94
12.	Average Number of breakdowns per lakh Kms	0.073	0.050	0.030

		1985-86	1986-87	1987-88
13.	Average Number of accidents per lakh Kms	0.16	0.17	0.15
14.	Passenger Kms scheduled(In lakhs)	229947	246824	296028
15.	Passenger Kms Operated(in lakhs)	167861	182650	189458
16.	Occupancy ratio (per cent)	73	74	64

1.6 Uttar Pradesh Financial Corporation

1.6.1. Audit of accounts of the Corporation for the year 1987-88 was yet to be taken up. Hence the figures for 1987-88 given in this para are provisional.

1.6.2. The paid-up capital of the Corporation as on 31st March 1988 was Rs. 16.47 crores (State Government : Rs. 11.32 crores, Industrial Developemtn Bank of India: Rs.4.85 crores and others: Rs. 0.30 crore) as against Rs. 10 crores as on 31st March 1987 (State Government: Rs. 4.85 crores, Industrial Development Bank of India Rs. 4.85 crores and others: Rs.0.30 crores).

1.6.3. Government has guaranteed the repayment of share capital of Rs.

9.65 crores (excluding special share capital of Rs. 0.35 crores)under Section 6(1) of the State Fianacial Corporation Act, 1951 and payment of minimum dividend thereon at the rate of 3.5 per-cent. During the year 1987-88 the Corporation's total income Was Rs.43.78 crores and revenue expenditure was Rs.42.08 crores. Thus, there was a profit of Rs.1.70 crores before tax and Rs, 1.16 crores after provision for tax. After making provision of Rs.0.68 crores for various reserves, the surplus avilable was Rs. 0.48 crores.

Government had also guaranteed repayment of market loans (through bonds and debentures) of Rs. 137.76 crores raised by the Corporation; amount of principal outstanding thereagainst as on 31st March 1988 was Rs, 137.76 crores.

1.6.4. The table below summarises the financial position of the ccrporation under broad headings at the end of the three years upto 31st March 1988:

	1985-86	1986-87	1987-88
		(Rupees in Crores)	
(A) Liabilities			
Paid Up Capital	10.00	10.00	16.47
Reserves and Surplus	9.30	11.30	12.12

	1985-86	1986-87	1987-88
	(Rupees in Crores)		
Borrowings:			
Bonds & Debentures	87.95	109.67	137.76
Others$	185.24	248.13	312.18
Other liabilities	7.82	6.61	10.23
Total(A)	300.40	385.71	488.76
(B) Assets			
Cash and Bank balance	9.24	10.70	15.68
Investments	0.35	0.35	0.35
Loans & Advances	277.42	355.19	448.02@
Net Fixed Assets	1.07	1.19	2.04
Dividend deficit	---	---	----
Other Assets	12.32	18.28	22.67
Total(B)	300.40	385.71	488.76

$ Includes loan in lieu of share capital of Rs 34.00 crores in 1985-86 and Rs 49.50 crores in 1986-87 and Rs 50.03 crores in 1987-88
@ Excluding bridging loan against capital subsidy to the extent of Rs 13.05 crores in 1987-88 and Rs 0.51 crore in 1986-87 included in other assets

	1985-86	1986-87	1987-88
	(Rupees in Crores)		
(C) Capital* Employed	261.43	335.79	428.81
(D) Capital** invested	292.52	379.05	478.53

1.6.5 The Corporation switched over to cash system of accounting from marcantile system of accounting with effect from 1st April 1981

The following table gives details of the working results of the Corporation for the three years upto 1987-88:

Particulars	1985-86	1986-87	1987-88
	(Rupees in lakhs)		
(1) Income			
(a) Interest on loans and advances	2430.35	3087.09	4265.75
(b) Other income	65.02	105.75	112.60

---

* Capital Employed represents the mean of the aggregate of opening and closing balances of paid-up capital, bonds and debentures, reserves, borrowings(including refinance) and deposits

** Capital invested represents paid-up capital plus long term loans plus free reserves at the close of the year

Particulars	1985-86	1986-87	1987-88
	(Rupees in lakhs)		
Total (1)	2495.37	3192.84	4378.35
(2) Expenditure			
(a) Interest on long term loans	1838.75	2437.86	3597.43
(b) Other Expenses	517.11	474.86	610.84
Total(2)	2355.86	2912.72	4208.27
(3) Profit before Tax	139.51	278.52	170.08
(4) Provision for tax	19.36	62.95	62.55
(5) Profit after Tax	120.15	215.57	107.53
(6) Other appropriations	106.50	192.71	68.04
(7) Amount available for dividend	13.65	22.86	39.49
(8) Dividend payable	33.78	33.77	48.48
(9) (a) Capital Employed	26143.00	33579.00	42881.00
(b) Capital Invested	29252.00	37905.00	47853.00

Particulars	1985-86	1986-87	1987-88
	(Rupees in lakhs)		
(10)Total Return on			
(a) Capital Employed	1978.26	2716.38	3767.51
(b) Capital Invested	1978.26	2716.38	3767.51
(11) Percentage of return on	(Per Cent)		
(a) Capital Employed	7.6	8.1	8.8
(b) Capital Invested	6.9	7.2	7.9

1.6.6 The following table indicates the postion regarding receipts and disposal of applications for loans during three years upto 1987-88:

Particulars	1985-86		1986-87		1987-88		Cumulative since inception as on 31st March 1988	
	Number	Amount (Rupees in crores)	Number	Amount (Rupees in crores)	Number	Amount (Rupees in crores)	Number	Amount (Rupees in crores)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1. Appplications pending at the beginning of the year	533	42.54	602	60.69	292	38.33	--	--
2. Applications received	4082	275.33	2975	268.21	2341	229.11	51796	1639.36
3. Total (1+2)	4615	317.87	3577	328.90	2633	267.44	51796	1639.37
4. Applications sanctioned	2776	156.22	2440	192.86	1815	177.44	28507	786.24

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
5. Applications cancelled/withdrawn/ rejected/reduced	1237	92.80	845	79.10	534	58.40	23005	825.37
6. Applications pending at the close of the year	602	60.69	292	38.33	284	27.76	284	27.76
7. Loans disbursed	2458	78.03	1842	98.47	1668	120.78	25964	56424.13
8. Amount outstanding at the close of the year	---	277.42	---	355.19	----	448.03	----	-----
9. (i) Amount over-due for recovery at the close of the year:								
(a) Principal	---	26.48	----	31.14	----	42.05	----	----

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(b) Interest	---	30.60	---	37.16	----	57.75	----	----
		57.08		68.30		99.80		
(ii) Amount involved in RC/ suit filed cases		28.78		40.22		43.42		
Total		85.86		108.52		143.22		
10. Percentage of default to total loans outstanding		30.94		30.55		31.97		
11. Employment generated by the assisted units		Not Available		Not Available		Not Available		

As may be seen from the table above, out of outstanding loans of Rs. 448.03 croresfrom 22098 loanees as on 31st March 1988, an amount of Rs, 99.80 crores (including interest of Rs. 57.75 crores) was overdue for recovery. The percentage of overdue amount to the total outstanding had varied from 30.9 in 1985-86 to 30.55 in 1986-87 and to 31.97 in 1987-88.

Age-wise analysis of the overdue loans was as under:

Age of Overdues	Number of Units	Amount (Rupees in lakhs)
Less than 1 year	5615	4677.17
1 to 2 years	3658	2389.27
More than 2 years	4386	2913.95
Total	13659	9980.39

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

1.6.7 The Corporation had made cumulative provision of Rs. 2.33 crores towards doubtful debts upto 31st March 1988. Besides, the corporation had written off Rs.3.41 crores as bad debt during 1985-86 (Rs.1.63 crores), 1986-87 (Rs.0.70 crores) and 1987-88 (Rs.1.08 crores).

1.7 Uttar Pradesh State Warehousing Corporation

1.7.1 The paid-up capital of the Corporation as on 31st March 1988 was Rs. 5.96 crores (State Government: Rs. 3.48 crores and Central Warehousing Corporation: Rs.2.48 crores) as against Rs. 4.96 crores as on 31st March 1987 (State Government: Rs. 2.48 crores and Central Warehousing Corporation: 2.48 crores.

1.7.2 The financial position of the corporation at the end of the three years upto 31st March 1986 is given below:

	1983-84	1984-85	1985-86
		(Rupees in lakhs)	
A. Liabilities			
1. Paid Up Capital	454.50	472.50	496.50
2. Reserves and Surplus	858.66	855.34	994.96
3. Borrowings	966.05	891.65	832.25
4. Trade Dues and Other current liabilities	533.88	512.99	456.98

	1983-84	1984-85	1985-86
		(Rupees in lakhs)	
Total(A)	2813.09	2732.48	2780.69
B. Assets			
1. (a) Gross Block	2145.88	2150.09	2179.82
(b) Less: Depreciation	350.80	404.96	489.43
(c) Net Fixed Assets	1795.08	1745.93	1690.39
2. Capital Works in Progress	9.09	9.48	11.64
3. Current Assets, loans and advances	991.32	961.97	1066.07
4. Miscellaneous expenditure	17.60	15.10	12.59
Total (B)	2813.09	2732.48	2780.69
C. Capital Employed	2252.52	2194.91	2299.48
D. Capital invested	2279.21	2219.49	2323.71

1.7.3 The working results of the Corporation for the three years upto 1985-86 are summarised below:

	1983-84	1984-85	1985-86
1. Income			
(a) Warehousing charges	544.48	574.02	756.44
(b) Other income	11.13	15.42	24.08
Total	555.61	589.44	780.52
2. Expenses			
(a) Establishment charges	220.39	269.46	279.64
(b) Interest	109.50	101.74	93.72
(c) Other Expenses	196.20	178.49	249.71
Total	526.09	549.69	623.07
Net Profit of the Year	29.52	39.75	157.45

	1983-84	1984-85	1985-86
Add(+)/Reduce(-) prior period adjustment	(-)82.77	(-)20.65	(-)7.88
3. Profit before Tax	(-)53.25	19.10	149.57
4. Provision for Tax	--	--	--
5. Other appropriations	--	--	--
6. Amount available for dividend	--	19.10	149.57
7. Transfer from General Reserve	68.64	3.46	--
8. Proposed Dividend	15.44	22.43	25.69
9. Total Return On			
(a) Capital Employed	56.25	120.84	243.29
(b) Capital Invested	56.25	120.84	243.29

10. Rate of Return on-			
(a) Capital Employed	2.50	5.50	10.58
(b) Capital Invested	2.47	5.44	10.47

1.7.4 The physical performance of the Corporation for the three years upto 1987-88 is summarised below:

Particulars	1985-86	1986-87	1987-88
Number of Stations Covered	144	145	156
Storage capacity created upto the end of the year		(Tonnes in lakhs)	
(a) Owned	9.16	9.16	9.22
(b) Hired	3.37	3.57	3.54
Total	12.53	12.73	12.76
Average capacity utilised	12.46	12.42	12.54

		(Per Cent)	
Percentage of utilisation	99.5	98.3	98.28
		(Rupees per tonnes)	
Average Revenue	64.67	69.11	75.13
Average Expenses	43.14	47.19	57.83
Average net earning	21.53	21.92	17.30

CHAPTER-II

RELATING TO GOVERNMENT COMPANIES

This Chapter contains reviews on the working of the following Companies:

2A Uttar Pradesh Nalkoop Nigam Limited

2B Uttar Pradesh State Spinning Mills (No.II)

2C Nandganj Sihori Sugar Company LImited

2D Moradabad Mandal Vikas Nigam Limited

2E Agra andal Vikas Nigam Limited

CHAPTER-II

SECTION 2A

IRRIGATION DEPARTMENT
UTTAR PRADESH NALKOOP NIGAM LIMITED

HIGHLIGHTS

The Company was incorporated in May 1976 with a view to undertake construction of tubewells and other minor irrrigation projects and to take over from Government the whole or any part of existing system of State-owned irrigation and augmentation tubewells. However, no State-owned irrigation and augmentation tubewells were taken over by the Company from Government. Instead, the tubewells constructed by the Company under various schemes upto 1984-85 were transfered to Government. After 1984-85, the Company had not done any work relating to construction or development or energisation or even maintenance of any tubewells under any scheme, but had been executing only deposit works. The Company, thus, failed to achieve the main objectives for which it was set up.

Imp.

As against the authorised capital of Rs 6 crores, the paid-up capital of the Company as on 31st March 1988 was Rs. 4.90 crores. The Company lost the benefit of rebate of Rs. 6.04 lakhs due to not repaying the amount of principal of Rs. 30 lakhs obtained from State Government in March 1983 and payment of interest thereon in time, despite having surplus funds.

Under Small Farmers Development agency Scheme, the Company was to construct 801 tubewells. Although the Company received a subsidy of Rs. 569.02 lakhs for construction of these tubewells as against admissible amount of Rs. 292.69 lakhs, onlu 799 tubewells were drilled, of which only 388 could be completed and energised and 16 had failed. All these tubewells (388 completed and 395 incomplete) were transferred to Government in October/November 1984. The Company incurred a loss of Rs. 285.47 lakhs on operation of these tubewells during the period from 1980-81 to 1984-85.

During the years 1978-79 to 1984-85, the Company drilled 226 tubewells under Gandak augmentation Scheme of which only 50 could be energised and transferred to Government in 1984-85. These could not be operated due to mechanical/electrical defects. The remaining 176 tubewells have neither been completed nor transferred to Government so far (December 1988). Thus a scheme taken up in 1978-79 and envisaged to be completed by March 1980 for extending irrigation facilities to 1.28 lakh acres was incomplete even upto December 1988, resulting in denial of irrigation facilities to the farmers, apart from locking up of funds of Rs. 325.27 lakhs. Although no work was done on these tubewells after 1984-85, an expenditure of Rs. 16.89 lakhs was incurred upto December 1988 on pay and allowances of employees, maintenance and repairs of vehicles and rent of building. Since one of the conditions for subsidy, viz.,operation of the tubewells for a minimum period of 4000 hours in a year, was not fulfilled, the expenditure of Rs. 143.42 lakhs (including interest of Rs. 141.01 lakhs) was not reimbursable by the Government in the form of subsidy. However, the Government had paid a subsidy of Rs. 200.00 lakhs.

The Company had constructed 35 tubewells in 1977 in Agra and Mathura districts under Agra Augmentation Scheme at a cost of Rs. 28.56 lakhs. Of these, 23 had been abandoned as the water was saline. Against Government directive for development of remaining 12 tubewells, the Company decided to develop only five tubewells. No action to develop the incomplete wells or to extract pipes from them has been taken so far. During 1981-82 to 1985-86 , the Company incurred an expenditure of Rs. 4.70 lakhs on the operation and maintenance of these tubewells, against which it earned only Rs. 0.16 lakh from sale of water.

During the years 1979-80 to 1983-84, the Company drilled 80 tubewells under cyclone and storm affected areas of which 79 were developed at a cost of Rs 91.88 lakhs as against estimated cost of Rs 59.20 lakhs. It had neither prepared the revised estimates for the excess expenditure and got them approved by the Government, nor refunded the amount to the Government.

The Company did not have a system of ground water survey and soil testing before drilling of tubewells. As a result, 51 tubewells (cost: Rs. 30.14 lakhs) had failed up to 1985-86.

The Company had 18 rigs most of which could drill only 7,500 feet or less each in any year against the estimated capacity of 12,500 feet per drill per annum. Although most of the rigs were thus underutilized and the idle time was very high, the Company had purchased during 1987-88 and 1988-89 two more rigs at a cost of Rs. 28.80 lakhs.

The closing stock of the stores and spares ranged between 19.4 and 65.8 months' consumption during 1981-82 to 1985-86. There was no proper cash management, in that during July 1982 to November 1985, the balances in savings bank accounts always exceeded Rs. one crore and had this been kept even in six monthly term deposits, the Company could have earned additional interest of Rs. 2.50 lakhs, while short-term deposits kept with the banks instead of with HDFC, as suggested by Government, also resulted in a loss of interest of Rs. 3.29 lakhs.

The expenditure incurred on establishment ranged between 9.3 and 66.9 per cent of the value of work done during 1981-82 to 1985-86 against estimated expenditure of 10 to 12.5 per cent resulting in excess expenditure of Rs. 112.65 lakhs, which was mainly due to excessive deployment of technical staff. On the other hand, the posts of Accounts Officers and Accountant remained vacant for a long time resulting in arrears in accounts which were finalised only upto 1984-85.

The Company had been incurring losses continuously from 1981-82 and the accumulated loss upto 1985-86 amounted to Rs. 138.95 lakhs. In addition there were losses of Rs. 245.94 lakhs incurred on construction and operation of tubewells under various schemes, shown as recoverable from Government, though they were not recoverable due to nonfulfilment of the conditions for reimbursement.

2A.1. Introduction

The Uttar Pradesh Nalkoop Nigam was incorporated as a wholly-owned State Government Company in May 1976 , with a view to construct tubewells and other minor irrigation projects and also to take over from the State Government the whole or any part of the existing system of State-owned irrigation and augmentation tubewells.

2A.2 Objectives and Activities

The main objectives of the Company are-

(i) to investigate, promote, improve, establish, execute, install, manage and administer tubewells and minor irrigation projects which in the opinion of the company are likely to promote or advance the development of minor irrigation in the state of Uttar Pradesh, (ii) to take over from Government the whole or any part of the existing system of State-owned irrigation and augmentation tubewells, (iii) to install new tubewells and construct their water distribution system and approach roads for direct irrigation and augmentation of water supplies in the existing or future canal system, and (iv) to undertake the installation and construction of tubewells and other connected works on behalf of private individuals, statutory bodies, institutions, etc.

The Company did not however, take over from Government the existing system of state-owned irrigation and tubewells. It had taken up the activities relating to (i) construction and operation of Small Farmers Development Agency tubewells upto 1984-85 and then handed over to Government, (ii)construction and operation of augmentation tubewells along Gandak and Yamuna canals upto 1984-85, which were partly handed over to Government later, (iii) drilling and development of tubewells in cyclone and storm affected districts upto 1983-84 for handing over to Government and (iv) deposit works of Government companies, autonomous bodies and other State Governments after 1984-85.

After 1984-85, the Company had not done any work relating to construction or development or energisation or even maintenance of any tubewells under any scheme, but had been executing only deposit works. It did not have any new schemes on hand and it also did not have any proposal to complete and hand over to the Irrigation Department, the tubewells lying incomplete from 1984-85. Thus one of the very objectives of the Company of construction and operation of tubewells and take over of the existing system of state-owned irrigation and augmentation of tubewells had been defeated.

2.3 Scope of Audit

The review covers construction of tubewells under various schemes like Small Farmers Development Agencies (SFDA), Augmentation scheme of Gandak canal, Drought Prone Area Programme etc. In addition inventory control, idle machines, cash management, personal management etc. were also covered, The points noticed during test check, conducted during July to October 1988 of the transactions relating to the period from 1980-81 to 1985-86 (accounts for 1985-86 are provisional and were not prepared for subsequent years) are set out in succeeding paragraphs.

2A.4. Organisational Set-up

The affairs of the Company are managed by a board of Directors comprising 14 directors, including the Chairman and the managing Director. There were twelve directors on the Board as on 31st March 1988, four of whom including the managing Director were nominated by the state Government. The Company had a full time Chairman till July 1987, after which the Secretary to the Government of Uttar Pradesh, Irrigation Department was functioning as ex-officio Chairman of the Company. The managing Director is the Chief Executive of the Company who is assisted in the field by two Superintending Engineers and 7 Executive Engineers located at Agra, Bareilly, Sitapur, Lucknow, Allahabad, Kanpur and Gonda. At the head office the Managing Director is assisted by the Secretary, the Financial Advisor and Chief Accounts Officer and three Executive Engineers.

2A.5. Funding

2A.5.1. Capital structure

As against the authorised capital of Rs. 6 crores divided into 6,00,000 shares of Rs. 100 each, the paid-up capital of the company, as on 31st March 1988 was Rs. 4.90 crores contributed by State Government (Rs. 3.90 crores and by central Government (Rs. 1 crore).

2A.5.2 Borrowings

The Company obtained loans of Rs. 996.11 lakhs during 1980-81 to 1982-83 from the National Bank for Agriculture and Rural Development (NABARD) at an interest of Rs. 10.25 <u>per cent</u> per annum through State Bank of India for financing Small Farmers Development Agency and augmentation schemes, The loan was to be repaid in 8 equal annual instalments with a moratorium of two years . As on 31st March 1988, an amount of Rs. 361.08 lakhs was outstanding against these loans. The Company also obtained a bridging loan of Rs. 30 lakhs from the State Government in March 1983 at an interest of 13.5 _per cent_ per annum with a rebate of 3.5 percent for timely repayment. The Company had not repaid the principal and interest thereon so far (December 1988) despite having huge funds surplus to its requirements. The rebate lost due to non-payment of loan in time amounted to Rs. 6.04 lakhs upto December 1988.

The Company, however, approached Government in August 1987 for conversion of the loan of Rs 30 lakhs together with interest into the paid-up capital; approval of Government has not been received (December 1988).

2A.6. Construction of tubewells

The Company undertook construction of tubewells under various schemes. The details of tubewells constructed under the various schemes during the period 1981-82 to 1985-86 and the expenditure incurred upto 31st March 1986 are as detailed below:

Name of Scheme (Period of Operation	Number of Tubewells Drilled	Developed	Energised	Expenditure incurred upto 31st March 1986 (Rupees in lakhs) (Provisional)
Augmentation scheme in Agra Canal Command Area (1976-77 and 1977-78)	35	35	16	26.58
Augmentation scheme of Eastern Yamuna Canal (1977-78 to 1979-80)	10	6	4	6.03
Deposit Works (1977-78 to 1985-86)	953	1037	Not required to be done by the Company	1035.34

Small farmers develop- ment agency tubewells (1978-79 to 1984-85	799	780	388	1170.77
Augment- ation scheme in Gandak Canal Command Area(1978-79 to 1984-85)	226	226	50	334.95

The position of tubewells constructed under some of the schemes and the results of operation are discussed below:

2A.6.1. Small Farmers Development Agency tubewells

In order to provide intensive irrigation to the unirrigated areas and convert the land occupied by small/ marginal farmers into a rich and productive land, small Farmers Development Agencies (SFDA) were set up in 26 districts of the State by Central Government in the Fifth Five Year Plan.

The State Government, accordingly, anctioned three schemes in November 978, January 1979 and March 1979 for onstruction of 1320 tubewells in 24 istricts of the State. The salient eatures of the Scheme were as under:

(i) Estimated cost of the tubewells at Rs. 1.54 lakh each was to be met out of grants (25 per cent) and loans obtained from NABARD (75 per cent)

(ii) The scheme were to be implemented only in those areas where the holding of small and marginal farmers exceeded 50 to 60 percent of the total command area.

(iii) In a year, each tubewell was to run for 2500 hours.

(iv) In case the tubewells were to be run for less than 2500 hours and tubewells were unable to meet the demand of the command area, requirements of the small and marginal farmers were to be met first.

(v) As water was to be made available to small farmers at 50 per cent of the rates applicable to other farmers and the company had to pay interest on loans, the scheme was expected to run at a loss in the first 20 years which was to be subsidised by the State Government for each year. The scheme was subsequently revised in December 1982 by the State Government for construction of only 801 tubewells (instead of 1320) at a cost of Rs. 2.08 lakhs each. The number of hours to be run during a year was also reduced to 1500 (against 2500), but in case tubewells did not run for 1500 hours in a year Government was not to accept the liability for the losses on running the tubewells.

Under the revised scheme, the tubewells were to be transferred to the Irrigation Department, after their construction and energisation for their operation and maintenance.

The Company obtained loan of Rs. 666.67 lakhs from NABARD and received capital subsidy of Rs. 569.02 lakhs from the State Government during the period 1978-79 to 1982-83. Construction of tubewells commenced in 1978-79 and 799 tubewells were drilled upto 1984-85 at a cost of Rs. 1170.77 lakhs. Out of these, 388 tubewells were completed and energised and 16 tubewells had failed during development.

In this connection, the following points were noticed:

(i) As per provisions of the Government Orders sanctioning the schemes, 25 per cent of the cost of tubewells was to be given by Government as capital subsidy. Accordingly, subsidy of Rs. 292.69 lakhs was admissible to the Company on the total expenditure of Rs. 1170.77 lakhs incurred by the Company on construction of tubewells. The Company had, however, already received a subsidy of Rs. 569.02 lakhs upto 1981-82 and neither the Company refunded to Government the subsidy of Rs. 276.33 lakhs received in excess nor did Government ask the Company for a refund.

(ii) The State Government decide in July 1984 that 388 completed and 395 incomplete tubewells may be transferred to the Irrigation Department and that the liabilities incurred by the Company by way of loans and interest thereon would be paid by the Irrigation Department. Accordingly these tubewells were transferred to Government in October/November 1984. During 1985-86 to 1987-88, the Irrigation Department had paid to the Company Rs. 622.86 lakhs towards payment of principal and interest on loans.

Prior to handing over of completed tubewells to Government in October/November 1984, these were operated by the Company for supply of water to the farmers on payment basis. The Irrigation department was collecting the water charges from the beneficiaries and passing on the revenue to the Company. However, in the absence of details of the revenue so collected, the correctness of the same could not be verified.

The details of hours operated per tubewell were not available. The table below indicates the details of expenditure incurred on the operation of tubewells and income from sale of water during the years from 1980-81 to 1984-85:

	1980-81	1981-82	1982-83	1983-84	1984-85	Total
		(Rupees	in		lakhs)	
Salaries & Wages	0.18	1.07	3.98	5.09	2.77	13.09
Interest on loans	--	41.84	45.35	64.24	68.80	220.23
Power consumption	0.54	4.99	15.24	29.71	13.61	63.64
Other expenses	0.08	0.38	5.04	6.44	2.94	14.88
Total expenses	0.80	48.28	69.61	105.48	87.67	311.84
Income from sale	0.26	1.45	8.91	13.10	2.65	26.37

of water						
Loss	0.54	46.38	60.70	92.83	85.02	285.47
Interest on loans repayable by Government	---	41.84	45.35	64.24	68.80	220.23
Net loss	0.54	4.99	15.35	28.14	16.22	65.24

It would appear from the above table that the Company was not in a position to recover even the cost of power consumed from sale of water in any year. The losses incurred in the operation of tubewells are being shown by the Company in its accounts as recoverable from Government although the Company failed to run the tubewells for 1500 hours in a year (except in two districts in 1982-83) and the Scheme as revised in December 1982 did not provide for reimbursement of losses in such cases by the State Government. The losses where recoverable, have not been reimbursed by Government so far (December 1988).

2A.6.2 Augmentation Scheme in Gandak Canal Command area

Since the Western Gandak Canal was able to irrigate only 2.25 lakh acres of land in Rabi and 2.05 lakh acres in Kharif crops during 1975-76 as against cultivable command area of 8.21 lakh acres, the task force appointed by the State Government under the Chairmanship of Irrigation Minister recommended construction of 2000 augmentation tubewells in Gåndak Command Area. These tubewells,each of 3 cusecs capacity, were to be constructed in a group of 250 each by the Company. As a follow-up action, the Company prepared in May 1977 two project reports for construction of 250 tubewells each in two stages-stage I and stage-II, which were approved by Government in March 1980. The salient features of the project for Stage-I and terms and conditions of Government sanction were under:

(i) Estimated cost of the project was Rs. 450 lakhs and accordingly cost of each tubewell worked out to Rs. 1.80 lakhs.

(ii) Project was to be financed out of loans obtained from nationalised banks (Rs. 360 lakhs) and by way of share capital to be released by Government (Rs.90 lakhs).

(iii) The tubewells were to be operated and maintained by the Company.

(iv) Water drawn from the tubewells was to be fed into the canals for which irrigation department was to pay 36 paise per unit of electricity consumed upto 12 years and at 26 paise per unit for the next 8 years. The estimated loss of Rs.256.72 lakhs to be incurred during the 12 years period was to be reimbursed by the State Government by way of grant.

(v) Each tubewell was to run approximately 4000 hours in a year.

(vi) Net area proposed for irrigation per tubewell of an average capacity of 3 cusecs was estimated at 550 acres and accordingly the capacity of 250 tubewells was for irrigation of 1.38 lakh acres.

The project was subsequently revised in February 1983 by the Government and the number of tubewells to be constructed was reduced to 232 at a cost of Rs. 632.44 lakhs (at a cost of Rs. 2.73 lakhs each) to be financed out of loans (Rs.506.44 lakhs) and from share capital (Rs. 126 lakhs) to irrigate 1.28 lakh acres. The expected loss of Rs.282.08 lakhs to be incurred upto 1989-90 was to be reimbursed by Government.

During 1978-79 to 1984-85 the Company drilled 226 tubewells, of these 50 tubewells were energised from independent feeders during 1984-85. The actual expenditure upto 1985-86 amounted to Rs. 334.95 lakhs which was financed out of share capital of Rs. 90 lakhs released by Government and from loans of Rs. 329.44 lakhs obtained from the State Bank of India and Rs. 30 lakhs from the State Government.

In this connection the following points were noticed:-

(a) The State Government ordered in July 1984 transfer of 50 energised tubewells after testing and 176 unenrgised tubewells at their existing stages of completion to the Irrigation Department. The reasons for transfer of these tubewells to Government, although these were required to be operated by the Company as per scheme formulated by Government, were not on record. The incomplete tubewells were, however. not transferred, Government subsequently ordered in February 1985 that these 176 incomplete tubewells may be transferred to Irrigation Department only after completion and energisation. These have not been completed/energised and transferred to Irrigation Department so far (December 1988). The Company had developed all the 226 tubewells drilled, but energised only 50 wells. Although the company had procured (upto April 1988)necessary materials like pumps, motors etc. for energising 131 wells, the wells were not completed and handed over for reasons not on record.

Thus, a scheme taken up in 1978-79 (envisaged to be completed by March 1980 as per project report), for extending benefit of irrigation facilities to 1.28 lakh acres was incomplete even upto December 1988, resulting in denial of irrigation facilities to the farmers, apart from locking up of funds of Rs.325.27 lakhs.

(b) Even the 50 energised tubewells, handed over to Irrigation Department in 1984-85, could, however, not be operated as these were having mechanical/ electrical defects. According to the Chief Engineer, Gandak Project of the Irrigation Department (July 1988), the department did not have either equipments or technical staff to rectify the defects and to operate and maintain these tubewells.

(c) For eligibility of subsidy from Government, each tubewell was required to be operated for 4000 hours per year as per orders of March 1980 of the Government. Since the tubewells were not at all operated, the expenditure of Rs. 143.42 lakhs incurred by the Company during 1981-82 to 1985-86 towards interest on loans (Rs.141.02 lakhs) and on maintenance of these tubewells (Rs.2.41 lakhs) was not reimbursable by the Government by way of subsidy. However, the State Government released a subsidy of Rs. 200 lakhs during 1983-84

(Rs. 85 lakhs)and 1984-85 (Rs. 115 lakhs).

(d) Although no work was done under this scheme after 1984-85, 33 employees during 1985-86, 31 employees during 1986-87, 26 employees during 1987-88 and 24 employees during 1988-89 (upto December 1988) were engaged under the scheme involving an expenditure of Rs. 16.89 lakhs on their pay and allowances (Rs.14.90 lakhs), on maintenance and repairs of vehicles (Rs. 1.44 lakhs) and on rent of building (Rs.0.55 lakh) upto December 1988.

(e) As on 31st March 1988, stores and spares valuing Rs. 73.02 lakhs earmarked for the works, including stores for Rs. 45.02 lakhs purchased during 1986-87, were also lying unutilised.

2A.6.3 Augmentation scheme in Agra Canal Command area

A mention was made in paragraph 11.11 of the Report of the Comptroller and Auditor General of India for the year 1982-83 (Commercial) regarding infructuous expenditure on construction of 35 augmentation tubewells in Agra and Mathura districts at a cost of Rs. 28.56 lakhs. As the water in 23 tubewells constructed in Mathura district was found to be saline which was harmful for agriculture, these were abandoned by Government in March, 1982. As the water of 12 tubewells in Agra district was either good or moderate, Government ordered in March 1982 for their development. The Company, however, decided in March 1986 to develop only five tubewells and to retrieve the pipes from the remaining seven tubewells. No action had, however, been taken either to develop the tubewells or for retrieving the pipes so far (December 1988) for reason not on record. The table below indicates the expenditure incurred on the operation and maintenance of these tubewells and income earned from sale of water during 1981-82 to 1985-86:

Year	Expenditure	Income	Loss
	(Rupees in lakhs)		
1981-82	1.33	0.04	1.29
1982-83	1.15	0.12	1.03
1983-84	0.88	----	0.88
1984-85	0.69	----	0.69
1985-86	0.65	----	0.65
Total	4.70	0.16	4.54

2A.6.4 Deposit Works

2A.6.4 Construction of 80 tubewells in cyclone and storm affected areas

The State Government sanctioned in January 1979 construction of eight tubewells each in 14 cyclone and storm affected districts at a cost of Rs. 2 crores to be met out of assistance received from the Government of India. Subsequently (June 1979), the number of districts was reduced to ten with eight tubewells to be constructed in each district. Government further desired in June 1979 that the work would be done by the Company as deposit work and that the Company would give the account of expenditure to the Chief Engineer, Irrigation who had provided Rs. 2 crores for the purpose in March 1979. It was subsequently decided by Government in November 1981 that the work of drilling and development of tubewells would be done by the Company and thereafter the tubewells would be transferred to Irrigation Department. The cost of each tubewell to be incurred by the Company and by the Irrigation Department were to be as under:-

	Cost of Work per tube-well to be done by		Total
	Company	Irrigation Department	
	(Rupees in lakhs)		
Works Expenditure	0.65	1.56	2.21
Indirect Expenditure	0.09	0.20	0.29
Total	0.74	1.76	2.50

During 1979-80 to 1983-84, 80 tubewells were drilled by the Company, of which 79 were developed and handed over to the Irrigation Department. The cost of drilling and development amounted to Rs.91.88 lakhs as against the estimated cost of Rs. 59.20 lakhs (at Rs. 0.74 lakh per tubewell) resulting in excess expenditure of Rs. 32.68 lakhs, reasons for which were not analysed.

Further, the Company had neither prepared the revised estimates for the excess expenditure of Rs. 32.68 lakhs and got them approved by the Government nor refunded the amount to the Government.

Out of Rs. 200 lakhs paid by the Irrigation Department, Rs. 61.90 lakhs were refunded to them during 1981-82 to 1985-86 leaving a balance of Rs. 46.22 lakhs yet to be refunded (December 1988).

2A.6.5. Failed tubewells

Soil testing is required to be done, before selection of site in order to assess whether a tubewell would succeed or not. It was, however, noticed in Audit that the Company did not have any system of ground water survey and soil testing before drilling tubewells nor did it make any arrangement for getting the work done through any other agency resulting in failure of 51 tubewells (upto 1985-86) on which an expenditure of Rs. 30.14 lakhs was incurred. No efforts were also made by the Company to retrieve 1900 meters of pipe (Value: Rs. 6.27 lakhs) from the failed/ abandoned tubewells.

In this connection it was also noticed that four tubewells were drilled successfully during 1980-81 and 1982-83 by the Varanasi unit of the Company in Allahabad and Ballia districts (3 at Allahabad and one at Ballia) at a cost of Rs. 4.03 lakhs. In all the cases pipes were broken during lowering of the assembly pipes at reducer or at joints of slotted pipes.

All these tubewells were drilled by the same staff. These tubewells were, therefore, abandoned rendering the expenditure of Rs.4.03 lakhs incurred on them as infructuous.

The Management stated (October 1988) that during a preliminary enquiry, the driller was found responsible for failure of tubewells and his services were terminated in October 1983.

The enquiry report was not made available to Audit. It was, however, noticed that the services of the employee were terminated due to his long absence from duty and his involvement in a murder case. The employee was subsequently reinstated in November 1988 after acquittal by the court.

2A.7. Operation of rig machines

In October 1977, the Chief Engineer of the Company approved the life of a rig machine as 6 to 8 years with 35 to 25 tubewells to be constructed in a year and that a rig could drill 200 tubewells of average depth of 500 feet during its life i.e.drilling of one lakh feet on average was to be done by one machine.At this rate, one rig machine was to drill 12500 to 16500 feet per year

The table below indicates the details of drilling done by the 18 rigs held by the Company during 1981-82 to 1985-86:

Drilling done (in feet) by each rig	1981-82	1982-83	1983-84	1984-85	1985-86
	(Number of rig machines)				
Nil	---	---	3	----	----
Less than 1000	---	---	5	1	1
1001 to 3000	---	2	5	9	3
3001 to 5000	8	9	4	5	10
5001 to 7000	6	5	1	3	3
7001 to 9000	---	1	---	---	---
9001 to 12000	4	1	---	---	---

It would appear from the above that none of the machines could achieve the minimum targeted capacity of drilling of 12500 feet in any year. There was no system of analysing the reasons for poor performance/ under-utilisation of machines.

For the purpose of charging depreciation on these machines, the life of the machines is taken as 18 years i.e. 5,555 feet of drilling by each rig in a year. This also could not be achieved by a number of machines resulting in idle time expenditure of Rs. 195.56 lakhs (as booked by the Company in its accounts for the years 1982-83 to 1985-86). Although the existing 18 machines were not being fully utilised and the idle time was very high, the Company purchased two more rig machines-one ordered in July 1986 and received in April 1987 at a cost of Rs. 13.91 lakhs and another ordered in October 1988 for Rs. 14.89 lakhs, which was yet to be received (October 1988).

It was also noticed in audit that the rates charged to the work by the Company for drilling were much on higher side as compared to the rates of the Irrigation Department as indicated below:

	1986-87		1987-88	
	Direct	Reverse	Direct	Reverse
	(Rates per metre in Rupees)			
Irrigation department	157.49	195.22	215.89	208.67
Nalkoop Nigam	310.00	310.00	310.00	310.00

The Company has not analysed the reasons for the higher rates adopted by it.

The Company had not been ascertaining the actual cost of operation of rigs per meter and compare with that provided for in the estimates. A review of the details of the drilling rate furnished by the Company in December 1988, when called for by Audit, indicated that the cost of operation worked out to Rs. 298 per meter even at the rates of pay and allowances of the operators , etc, applicable to 1988-89. Thus, due to incorporation of higher cost of operation of the rigs in the estimates, the estimated cost of constructing tubewells was much higher and this had partially contributed to the reduction in the number of tubewells entrusted to the Company.

2.A.8 Inventory Control

The table below indicates the details of closing stock of stores and spares at the close of five years upto 1985-86 and consumption of stores and spares during these years:

Year	Closing Stock (Including balances at site	consumption during the year	Closing Stock in terms of number of months' consumption
1981-82	526.92	327.66	19.4
1982-83	400.34	178.36	26.9
1983-84	312.32	98.49	38.1
1984-85	261.98	47.77	65.8
1985-86	288.87	172.99	20.0

It would appear from the above details that the inventory ranged between 19.4 and 65.8 months' consumption during these years. The Company, had not prescribed any norms for the stock holding. The minimum, maximum or re-ordering levels have also not been fixed. The following other points were noticed:

(i) Annual physical verification was being done by the custodian of stores himself instead of by some other officer.

(ii) The priced store ledgers maintained at the unit level, are not being posted timely, In the absence of itemized prices, the estimates were being prepared adopting varying rates, resulting in preparation of incorrect estimates.

2A.9 Purchase procedure

According to the purchase procedure prescribed by the Company, all the items of raw materials, stores, stocks, tools and plants required for use in the units are to be procured centrally by the head office of the Company. Small items of Rs. 1000 or less are to be procured by the Executive Engineers incharge of the units. In case of urgency the Executive Engineers are authorised to make purchases upto Rs. 5000 in each case with the approval of Superintending Engineers. All purchases exceeding Rs. 10000 are to be made through open tenders except proprietary items. Superintending Engineers of the Company are empowered to purchase building material upto Rs.1.50 lakhs for fabricated and for Rs. 15000 in case of other stores. They are also empowered to accord approval for purchase by Executive Engineers upto Rs. 5000. These powers are to be exercised on the recommendations of purchase committee consisting of Executive Engineers headed by Superintending Engineer.

In this connection following points were noticed:

(i) Stores exceeding Rs. 10000 were being procured normally on short-term tender basis and open tenders were not invited, thereby the benefit of competitive rates was not derived.

(ii) The tenders were published in only one insertion of the news papers instead of two.

(iii) Enquiries were not sent either under certificate of posting or by registered post and quotations were collected by hand. Almost all quotations were received from firms/ persons without sales tax registration numbers.

2A.10 Cash Management

The table below indicates the details of cash in hand and with banks in current savings bank accounts and fixed deposits at the close of five years upto 1985-86:

Year	Cash in hand	In fixed deposits	In savings bank accounts	In current accounts	In Post Office savings bank accounts	Total
	(Rupees in lakhs)					
1981-82	1.82	---	25.46	0.38	0.01	27.67
1982-83	2.38	---	183.19	4.02	0.01	189.60
1983-84	4.82	---	174.84	2.72	0.01	182.39
1984-85	3.81	15.00	537.28	116.43	----	672.52
1985-86	1.83	206.95	98.52	0.18	47.28	354.76

In this connection, the following points were noticed

(i) Heavy balances were kept in savings bank accounts with banks during these years as indicated below:

Year	Range of monthly balances in savings bank accounts (Rupees in lakhs)
1981-82	26.70 to 411.90
1982-83	22.06 to 270.14
1983-84	130.55 to 329.26
1984-85	114.99 to 392.65
1985-86	62.15 to 205.52

There were no reasons on record as to why the Company did not keep money in fixed deposits instead of keeping such heavy balances in savings bank accounts. During July 1982 to November 1985, the balances in Savings Bank Accounts always exceeded Rs.1 crore and had even Rupees one crore been invested in six monthly term deposits, the Company could have earned additional interest of Rs. 2.50 lakhs during August 1982 to November 1985.

(ii) Six term deposits with a private bank for Rs. 122.05 lakhs for period of 91 days to 6 months, due for maturity during May 1986 to August 1986, could not be encashed due to moratorium enforced by the Reserve Bank of India on the bank during May 1986 to December 1986 and the company continued earning interest at the same rate instead of the rate applicable for the extended period from 91 days to six months and form six months to one year resulting in loss of interest of Rs. 0.83 lakh. The bank was liquidated and merged in Punjab National Bank.

(iii) The State Government pointed out in March 1985 that the rates of interest allowed by Housing Development and Finance Corporation Limited (HDFC) were more profitable and advised all the undertakings in the State to consider investment of surplus funds with HDFC. The Company, however, did not consider investment of funds in short term deposits with HDFC. A test check in Audit indicated that had the Company made short term deposits with HDFC instead of other banks, it could have earned additional interest of Rs. 3.29 lakhs during June 1985 to September 1988.

2A.11. Manpower analysis

The table below indicates the details of value of work done by the Company and expenditure on establishment during five years upto 1985-86:

Year	Value of work done (excluding	Establis- hment expendi-	Percent age of establis-

	establis- hment exp- enditure	ture	hment expendi- ture to value of work done
	(Rupees in lakhs)		
1981-82	545.43	50.65	9.3
1982-83	317.39	81.42	25.7
1983-84	215.57	96.41	44.7
1984-85	155.39	104.00	66.9
1985-86	318.97	105.10	33.0

It would appear from the above that the expenditure on establishment ranged between 9.3 and 66.9 per cent of the value of work done. In this connection it may be mentioned that the estimates for Gandak Augmentation Scheme and SFDA projects sanctioned during March 1977 to February 1981 provided an expenditure of only 10 to 12.5 per cent on establishment. In respect of deposit works also, the Company recovers centage charges at 15 per cent which includes only 12.5 per cent towards establishment charge. As compared to the highest permissible limit of 12,5 per cent, the Company incurred an excess establishment expenditure of Rs. 112.65 lakhs during 1982-83 to 1985-86, reasons for which were not analysed.

The company had not prescribed any norm for deployment of manpower per tubewell. In a meeting held in July 1984 under the Chairmanship of Irrigation and Power Secretary to consider the working of the Company, it was observed that for construction of 250 tubewells, five divisions (including one division at head quarters and one division for procurement of materials) were sufficient. Accordingly, the Company was directed in July 1984 to transfer five out of 10 divisions to the Irrigation Department immediately. None of the divisions has, however, been transferred so far (December 1988). The details of tubewells constructed by the Company during 1981-82 to 1985-86 are indicated below:

Year	Drilling of tubewells	Construction of pump houses	Energisation of tubewells
1981-82	385	386	191
1982-83	259	104	83
1983-84	97	109	90
1984-85	204	56	52
1985-86	306	70	32
Total	1251	725	448

The details of manpower requirement of divisions (each consisting of one Executive Engineer, four Assistant Engineers and eight Junior Engineers) as per norms prescribed by the Committee and that actually deployed during 1981-82 to 1985-86 are indicated below:

Year	Name of Post	Requirement as per norms	Actual engagement	Excess
1981-82	Executive Engineer	8	18	10
	Assistant Engineer	32	47	15
	Junior Engineer	64	96	32
1982-83	Executive Engineer	6	18	12
	Assistant Engineer	24	47	23
	Junior Engineer	48	96	48

1983-84	Executive Engineer	4	13	9
	Assistant Engineer	16	25	9
	Junior Engineer	32	89	57
1984-85	Executive Engineer	5	13	8
	Assistant Engineer	20	25	5
	Junior Engineer	40	89	49
1985-86	Executive Engineer	6	12	6
	Assistant Engineer	24	25	1
	Junior Engineer	48	59	11

Employment of excess engineering staff was thus the main reason for excessive expenditure on establishment.

2A.12 Finalisation of accounts

While the engineering staff deployed was much in excess of the requirement as indicated in the foregoing paragraph, the Accounts Wing was under staffed-The posts of Senior Accounts Officer and Accounts Officer were lying vacant since June 1983 and May 1983 respectively, while three to nine posts of Accountants and one to two posts of Assistant Accountants were also lying vacant from 1981-82. Consequently the Company has been able to finalise its accounts only upto 1984-85 so far (August 1989) whereas it should have finalised accounts upto 1988-89.

2A.13 Financial position

The table below summarises the financial position of the Company at the end of the five years upto 1985-86:

	1981-82	1982-83	1983-84	1984-85	1985-86 (Provisional)
	(Rupees in lakhs)				

A. Liabilities.

Paid-up capital (including share application money)	440.00	440.00	490.00	490.00	490.00
Reserve and Surplus	8.60	4.32	4.32	4.32	4.32
Borrowings	548.00	1008.36	957.61	957.61	741.17
Trade dues current liabilities and provisions	965.16	970.99	1294.40	2124.83	2224.60
Total	1961.76	2423.67	2746.33	3576.76	3460.09

B. Assets.

Gross Block	685.74	909.84	1106.01	1124.40	1129.50
Less: depreciation	103.18	125.73	148.19	170.56	196.01
Net Fixed Assets	582.56	784.11	957.82	953.84	933.49

Capital Works-in-progress	560.02	639.36	678.29	705.86	747.9[illegible]
Current assets, loans and advances	818.86	992.88	1041.97	1805.42	1637.57
Misclleneous expenses	0.32	2.01	3.49	3.05	2.15
Accumulated loss	--	5.31	64.76	108.59	138.9[illegible]
Total	**1981.76**	**2423.67**	**2746.33**	**3576.76**	**3460.0[illegible]**
Capital employed	436.26	806.00	605.39	634.43	346.4[illegible]
Net Worth	448.28	437.00	426.07	382.68	353.2[illegible]

Note:-(1)Capital employed represents net fixed assets excluding capital works- in- progress plus working capital.

(2) Net worth represents paid up capital plus reserves less intangible assets.

2A.14 Working results

The working results of the company for the five years upto 1985-86 are indicted below:

Year	Profit(+)/Loss(-) (Rupees in lakhs)
1981-82	(+) 2.39
1982-83	(-) 9.60
1983-84	(-) 59.45
1984-85	(-) 43.83
1985-86	(-) 30.36(Provisional)

Subsequent years

The accumulated loss as on 31st March 1986 amounted to Rs 138.95 lakhs, which represented 28.4 per cent of the paid up capital).

The losses do not include losses(Rs. 245.94 lakhs) incurred by the Company on construction and operation of tubewells under various schemes(as mentioned in Paragraph 2A.6.1 and 6.2) which were shown as recoverable from the State Government. As on 31st March, 1986, the amount recoverable from Government on this account amounted to Rs. 245.94 lakhs. In respect of the losses incurred by the Company upto November 1982, it has not preferred the claims with the Government for want of necessary documentation, while in respect of losses incurred between December 1982 and March 1985, it was not entitled for reimbursement since the tubewells were not operated for the minimum prescribed hours per annum. However, from 1985-86 the Company has been obtaining reimbursement of the interest on loans, which is the major portion of expenditure incurred on the schemes.

Present status

Why

Why couldn't the tubewells run?

What about earlier period.

2A.15 Internal Audit

The Board of Directors sanctioned the post of an Audit Officer and a Senior Auditor in February 1979. An Audit Officer was appointed in 1982-83 who worked upto January 1984. The Senior Auditor worked from 1981-82 to April 1987. There was also a cost Accountant who worked in the company from August 1980 to June 1984. All these posts have been lying vacant since then. Although a firm of Chartered Accountants was appointed to carry out the internal audit for 1983-84 of the units at a remuneration of Rs. 8,000, they did not complete the work as the remuneration was insufficient. It would thus appear that there was no system of internal audit in the Company.

It was further noticed that the Board of Directors has decided in October 1982 and again in June 1988 that all final bills should be got pre-audited by the accounts department at head office before making payment. These instructions were also not followed and final bills were being paid by the units without pre-audit.

Present system & results?

2A.16 Other topics of interest

2A.16. Avoidable payment of Sales Tax.

Under the provisions of Central Sales Tax Act, sales tax at 4 percent(as against 8 per cent) is payable by Government department including Government Undertakings on submission of form 'C'

It was, however, noticed during test check that against two orders placed in July 1984 and April 1985 for purchase of mild steel pipes valuing Rs. 27.59 lakhs, form 'C' was not issued. The company had, therefore, to pay sales tax at 8 percent resulting in extra expenditure of Rs. 1.08 lakhs towards sales tax.

Similarly, on purchase of mild steel pipes from Steel Authority of Indian Limited for Rs. 87.79 lakhs against orders placed in January and March 1981, concessional rate of sales tax was not availed by providing form 'C' resulting in extra expenditure of Rs. 3.51 lakhs.

No responsibility has been fixed for extra expenditure of Rs. 4.59 lakhs towards sales tax. why this [illegible]

The above matters were reported to Management and Government in February 1989; theif replies have not been received(August 1989).

SECTION 2B

UP STATE SPINNING MILLS COMPANY(NO II)LIMITED

HIGHLIGHTS

The Company was incorporated as a subsidiary of U.P. State Textile Corporation Limited in August, 1974 to manage the affairs of four new spinning Mills to be sent up in public sector. However, the holding company decided in October 1974 to manage these mills and further decided in December 1974 to wind up the company. Thus the Company was decided to be wound up in just four months of its incorporation and the decision for winding up having not been implemented for over six years, it was allowed to remain dormant and non-functional upto June 1981. The Company was revived in June 1981 and was entrusted with setting up and operation of four new Mills of 25000 spindles each.

In order to show the project viable, the achievable capacity of the Meja and Banda Mills was taken at 93 and 90 percent respectively in project reports as against 85 per cent capacity utilisation projected in the case of Ballia and Jaunpur Mills and also as against 85 percent indicated by the Company in the annual budgets of all the four mills.

For the mill at Meja, the site selection committee selected a site, where adequate water was not available and an estimated an amount of Rs. 20 lakhs was to be spent bringing water from a distant place, in preference to another site which was costlier by Rs. 7.25 lakhs, but was otherwise suitable in all other aspects. The committee did not work out the comparative economic of purchasing these two sites before taking a decision. The company, however, spent about Rs. 8.00 lakhs only in brining water from a distance of 1 km. , but the water was not adequate to meet the requirements of the mills and loss of production due to low utilisation of humidification plant for want of water was estimated at 20 per cent.

On the contrary, for the mill at Jaunpur, a very costly site was selected, which was usar and not very fertile despite having a pond of 5 acres in the site. This site was in preference to another site, having gram samaj land which was suitable in all respects, except involvement of cost of converting the existing km. length kacha road into motorable road, cost of which was not assessed.

For the mill at Banda also, the site selected was not having adequate water and an expenditure of Rs. 15.13

lakhs had to be incurred on bringing water required by the mill from a distance of 5 Kms.

As against the requirement of about 24 acres for a mill, the company acquired land measuring 50 to 175 acres for its mills resulting in an extra expenditure of Rs. 20.09 lakhs.

The civil works of the four mills were awarded in September 1981 to U.P. Rajkiya Nirman Nigam Limited(UPRNN) at cost plus 15 per cent centage charges without inviting tenders and preparing estimates. Estimates were required to be prepared by UPRNN and were to be got approved from the Company before start of work but the estimates were submitted mostly after completion of the works. According to the Company, the cost of civil works of each mill had increased by about Rs. 50 lakhs because of defective works and delays in completion of work by UPRNN. The Company could not levy any penalty for the delays, in the absence of a suitable clause in the agreement. An extra expenditure of Rs. 2.04 lakhs was incurred by UPRNN on procurement of non-levy cement at Jaunpur mill.

Funds to the extent of Rs. 88.53 lakhs obtained for capital expenditure were utilised for working capital. The Company had been reporting figures of capital expenditure higher than the als to the State Government and the ncial institutions.

The machinery for the mills was plied through trucks. Extra enditure of Rs. 1.32 lakhs was curred on deployment of more trucks than actually required.

There were delays in commissioning of humidification plants in all the mills, mainly due to delayed completion of civil works by UPRNN . the losses on operation of mills without humidification plants were, however, not assessed by the Company.

There was decrease in yarn realisation during 1987-88 in Band and Meja mills resulting in loss of Rs. 19.58 lakhs. The loss due to invisible waste over the norms of 0.5 per cent fixed by SITRA amounted to Rs. 34.80 lakhs during 1984-85 to 1987-88.

The sales realisations of the mills were not sufficient in any year to cover the cost of sales and the loss per kg. of yarn sold ranged between Rs. 2.15 and Rs. 13.70. the accumulated losses as on 31st March 1988 amounted to Rs. 25.92 crores against the paid-up capital of Rs. 23.57 crores.

The Company paid Rs. 6.09 lakhs as surcharge for low power factor recorded by a defective meter which was replaced by the Board subsequently. The

Company had, however, not cla
refund of the amount.

2B.1 Introduction

Uttar Pradesh State Text Corporation Limited (holding Compan decided in November 1973 to float two subsidiary companies for owning and managing the affairs of the eight new spinning mills(four mills each) to be set up in the State. Accordingly, the Uttar Pradesh State spinning mills Company (No.1) Limited (UPSSM-I) and the Uttar Pradesh State Spinning Mills Company (No. II) Limited (the Company) were incorporated on 20th August 1974. Although the Company was incorporated with the object of managing the affairs of the four spinning mills to be set up at Jhansi, Jashipur, Sandila and Meerut, the holding Company decided in October 1974, with the approval of the State Government, to manage the affairs of the four mills allotted to the Company by holding Company itself. It was further decided in December 1974 that any new scheme which may come up in future would be implemented by the holding Company or by UPSSM-I and therefore, the Company be taken up for winding up.

Accordingly, the Company resolved in its Annual General Meeting held in September 1977 to go into voluntary liquidation, which was approved by the holding Company in October 1977 and by the State Government in January 1978.

However, no initiative was taken by the Company to implement its voluntary liquidation.

Thus the Company formed in August 1974 was decided to be wound up in just 4 months time i.e. in December 1974. The decision for winding up having not been implemented for over 6 years, the Company was allowed to remain dormant and non-functional upto June 1981.

In June 1981, it was decided, with the approval of the State Government, to revive the Company for setting up and operation of four spinning mills at Meja (Allahabad). Banda, Ballia and Jaunpur. The Company took up the establishment of these four mills and commenced commercial production in February 1984, April 1984, July 1986 and April 1987 respectively.

2B.2 Objectives

The main objects of the Company are (i) to carry on business of cotton spinners and doublers, tent makers, yarn merchants, bleachers and dyers, (ii) to purchase, comb, spin, dye and deal in cotton and other fibrous substances (iii) to manage, control and run any textile mill in the State which may be taken over by the Government of India, (iv) to establish cotton mills and (v) to manufacture and/ or deal in all kinds of threads.

The Company, however, confined its activities mainly to production and sale of cotton yarn and staple yarn.

2B.3 Scope of Audit

The review of the Company covers the establishment and other connected activities as also the production performance of the four mills entrusted to the Company during the period from 1981-82 to 1987-88.

Important points noticed during the audit conducted during July 1988 to October 1988 are set out in the succeeding paragraphs.

2B.4 Organisational set-up

The management of the Company is vested in a Board of Directors consisting of Managing Director appointed by the State Government, a Joint Managing Director and eight other directors-four appointed by the holding Company and two each by The State Government and the Financial Institutions. The Chairman of the holding Company is also the chairman of this Company.

The Managing Director is assisted by the Joint Managing Director, the Controller (Finance) and four Chief Executives looking after each of the four mills.

2B.5 Funding

2B.5.1 Capital structure

Against the initial authorized capital of Rs. 3 crores, which was increased from time to time to Rs.24 crores by 31st March 1988, the paid-up capital of the Company was Rs. 23.57 crores, wholly subscribed by the holding Company.

2B.5.2 Borrowings

For establishment of the four mills with a capacity of 25,000 spindles each, the Company obtained loans of Rs. 1892 lakhs during 1983-84 to 1987-88 from Industrial Finance Corporation of India(IFCI) and Industrial Development Bank of India (IDBI) at interest rates ranging from 12.5 to 14 per cent per annum with penal interest at 2 per cent per annum in case of defaults in payments.

As on 31st March 1988, Rs. 1698.48 lakhs were outstanding for payments to IFCI and IDBI.

2B.5.3 Cash credit etc.

To meet the working capital requirements of the four mills, the Company obtained cash credit facility and bills purchase facility from banks at 17.5 per cent interest per annum.. The cash credit facility and bills purchase facility availed by the Company during 1983-84 to 1987-88 ranged from Rs. 120.40 lakhs to Rs. 180 lakhs for each mill.

As on 31st March 1988, a sum of Rs.368.79 lakhs was outstanding for payments to banks under the above facilities.

2B.6 Establishment of new mills

2B.6.1 Background

The State Government constituted in June 1980 a working group for heavy and medium industries for sixth Five Year Plan which in turn formed a sub-working group on textiles, consisting of the Chairman of the Company as Chairman of the Group, the Managing Director of UPSSM I as Convenor and five other members from private and public sector textile industries. On the recommendations of the sub-working group to install five lakh additional spindles during the sixth five year plan to cater to the requirement of yarn of the decentralised sector (handlooms and powerlooms), the State Government decided in October 1980 to install five new mills in the public sector at Jashpur (Nainital), Meja (Allahabad, Banda, Saharanpur and Basti and 7 mills in the cooperative sector, each with 50000 spindles, alongwith expansion of the capacities of eight existing mills of the holding Company and PSSM-I form 25000 spindles to 50000 spindles each. However, the capacity of 12 new mills was restricted by Government in January 1981 to 25000 spindles only. The management of the five new mills in public sector was entrusted by the State Government to the holding Company. The holding Company, with the approval of the State Government obtained in May 1981, entrusted to the Company the establishment and management of only four mills (excluding Jashpur). Before entrusting the management of the mills, the holding Company had completed most of the works regarding setting up of the mills like site selection at Meja and Banda, preparation of project reports, orders for machinery supply (cost:Rs.1323 lakhs) and award of civil works to Uttar Pradesh Rajkiya Nirman Nigam Limited (UPRNN) as deposit works etc. In August 1981 the State Government decided to set up the mills at Ballia and Jaunpur in place of Basti and Saharanpur.

2B.6.2 Clearance of the projects by Public Investment Board

The project reports for setting up of spinning mills of 50000 spindles each at Banda and Meja costing Rs.17.07 crores and Rs. 16.84 crores respectively, were approved by the Public Investment Board (PIB) of the State Government in March 1981, while those of Ballia and Jaunpur mills of 50000 spindles each with a capital outlay of Rs. 20.50 crores each were approved by PIB in October 1981.

As per decision taken in January 1981 by the State Government to install the mills of 25000 spindles in first phase and on the directives of the Financial Institutions, the Company revised (1982-83 to 1985-86) the project reports of the mills with 25000 spindles as under:

	Meja	Banda	Ballia	Jaunpur
	(Rupees in lakhs)			
Land and site Development	22.25	31.00	30.20	35.00
Buildings	203.47	188.00	211.00	240.00
Plant and Machinery	491.54	513.07	529.86	647.00
Misc. Fixed assets	144.70	129.29	121.00	128.00
Prospective expenses	38.75	39.74	45.00	48.00
Contingencies	74.70	22.78	64.11	24.00
Margin money for working	52.59	56.12	58.83	68.00

capital				
Total	1028.00	980.00	1060.00	1190.00
		(Per Cent)		
Expected rate of return	7.67	7.31	8.16	11.31

2B.6.3 Project profitability

The project reports for Meja and Banda Mills (25,000 spindles) were prepared by the Company towards the end of the year 1982-83 and in the beginning of the year 1983-84 respectively and those for Ballia and Jaunpur mills (25,000 spindles) were prepared towards the end of the year 1984-85 and in the beginning of the year 1985-86 respectively. To work out the profitability of the mills, the per centage of achievable capacity of the plant and machinery for different mills (on attaining optimum production in the third year of working) taken in the project reports was as under:-

Place of Mill	Percentage of achievable capacity	Third year of working
Meja	93	1986-87
Banda	90	1986-87

Ballia	85	1988-89
Jaunpur	85	1989-90

The machinery for all the mills being mostly of the same specification, the reasons for assessing different achievable capacities were not on record. However, in the projected performance budgets for the years 1986-87 and 1987-88 submitted to the Board of Directors and State Government from time to time, the Capacity utilisation of Meja and Banda Mills was projected as 85 per cent. Reasons for pitching the targets lower than that anticipated achievable capacity were not on record.

The table below indicates the details of net contribution in respect of Meja and Banda mills at 93 and 90 per cent capacity utilisation respectively and at 85 per cent as per projected performance budgets:

	Meja Mill At 93 Per cent capacity as per Project Report	Meja Mill At 85 per cent capacity	Banda Mill At 90 per cent capacity as per Project Report	Banda Mill At 85 per cent capacity
Production of yarn (in lakh Kgs)	41.00	37.47	41.04	38.76
	(Rupees		per	Kilogram)
Cost of Production:				
Cost of cotton	12.46	12.46	12.83	12.83
Conversion cost excluding interest and depreciation	4.10	4.49	4.45	4.71
Interest and depreciation	3.36	3.67	3.42	3.62
Total	19.92	20.62	20.70	21.16

Revenue from Yarn sales including waste	20.54	20.54	20.91	20.91
Net contribution	0.62	(-) 0.08	0.21	(-)0.25

It would appear from the above details that running of the mills was not viable at 85 per cent capacity utilisation and thus in order to show the projects viable, the achievable capacities were taken in the project reports at 93 and 90 per cent respectively. Further the average count to be manufactured was taken in the project report as 19.56 to make the project viable and for that purpose additional machines were purchased. However, in projected performance budgets the average count proposed to be manufactured during 1984-85 to 1987-88 was indicated as 19.56 to 23.20, while the actual average count manufactured ranged from 20.80 to 24.20 during the above period to meet the demand for higher counts of yarn. No market survey was, however, conducted by the Company either before deciding the product mix in the Project Report or before procuring the additional machines.

2B.6.4 Selection of site for setting up of mills

The State Government constituted (October 1980/April 1981) a Site Selection Committee consisting of the Chairman of the holding Company, the Managing Director of UPSSM-I and U.P. Handloom Corporation Limited, District Magistrate of the concerned district, Joint Director (Industries) of the area and two technical members nominated by the holding Company, for selection of sites for setting up the new spinning mills in the State.

2B.6.4.1. Meja mill

The site Selection Committee visited in November 1980 the sites suggested by the district administration and recommended a site at Meja Khas (Site A) provided sufficient water was available at the site (as per geological survey, water was not available in that area) and in case of non-availability of water at that site, it recommended the acquisition of land within 2 to 3 kms. of Meja road town

In March 1981, site inspection was again done by the officers of the Company alongwith the sub-divisional Magistrate, Meja and Hydrologist of Ground Water Investigation Organisation and the site at Meja Khas (site A) was recommended. The availability of water at site A was got tested by the

Organisation and it was found that adequate water was not available at the site but was available at Tendua Kalan (8 kms away from the site). Accordingly the Committee recommended in July 1981 site A, but pointed out that about Rs. 20 lakhs had to be incurred for bringing water from Tendua Kalan. The Board of Directors approved site A in July 1981 and the State Government in August 1981. An expenditure of Rs. 8 lakhs was incurred by the Company on development of tubewell and laying of pipelines etc., from some other tubewell about one km. from site A constructed near Meja-Manda road. Even after incurring this expenditure for making water available to the mill, the water supply position at Meja was worst and production loss was around 20 <u>per cent</u> as the humidification plant was not working with full capacity due to shortage of water even for drinking purpose as reported by the Joint Managing Director in May 1985. It was however, noticed that the site Selection Committee had not recommended a site on Meja Road - Meja Tehsil road(site B) on the grounds of high cost of land (Rs. 15,000 per acre), although the site was suitable in all other aspects. The actual requirement of land is about 24 acres. However, even taking requirement as 50 acres, as was done in the case of Jaunpur(discussed in paragraph 2B6.4.3. supra) and considering the rate of about Rs. 500 per acre paid by the Company for site A.

the extra cost of land at Site B would have been only Rs. 7.25 lakhs. As against this the Company had to incur extra capital expenditure of Rs. 8.00 lakhs, apart from maintenance expenditure being incurred.

Thus selection of a site where no water was available and incurring extra capital expenditure of Rs. 8.00 lakhs apart from facing continued shortage of water in preference to a site with availability of water at an extra cost of Rs. 7.25 lakhs was not a prudent decision.

2B.6.4.2 Banda mill

In December 1980, the site Selection Committee visited Banda and examined the suitability of various sites (nine in number) proposed by the district administration. The Committee recommended the site on Banda-Chilla road, where enough water was available and the site was on metal road. The site was approved by the State Government in March 1981 and the Board of Directors of the Company(April 1981). In August 1981, the work of boring a tubewell at site was awarded to U.P. Nalkoop Nigam Limited (Nalkoop Nigam). In September 1981, before start of the work the junior engineer of the nalkoop Nigam informed the Company that as per local enquiry, the borings in the area were mostly abandoned due to hard rocks in the ground. However, after drilling 155 feet at a cost of Rs. 0.25 lakh, the Nalkoop Nigam intimated (September 1981) that further boring was not possible due to stone strata at the site and the chance of availability of water in the area was remote. The work of geophysical survey of the area was, therefore, entrusted in October 1981 to the Ground Water Investigation Organisation, Lucknow at a cost of Rs. 0.10 lakh and the availability of water at a distance of 5 kms. from site was intimated by them. A tubewell was bored at a distance of 5.15 kms. from the site at a cost of Rs. 0.76 lakhs and expenditure of Rs. 5.03 lakhs was incurred on laying pipe lines from tubewell site to mill site. Besides, expenditure of Rs. 10.10 lakhs was incurred on construction of a clear water reservoir and higher capacity overhead tank at site , lifting arrangement of water from reservoir, procurement of a diesel generator set for tubewell site electric connection for tubewell, construction of civil works at tubewell site, etc. The Company is also incurring recurring expenditure on watch and ward for safety of the tubewell and pipeline.

It was, however, noticed that proceedings for acquisition of the land from private parties were commenced only in October 1981 and payments were made much later after obtaining the final sanction of the Board for acquisition in December 1981. Thus, having got an adverse report from the Junior Engineer of Nalkoop Nigam in September 1981, the Company should have reconsidered the purchase of this site and obtained a geophysical survey report from a competent agency, before proceeding further. Incidentally, the Site Selection Committee had arrived at the conclusion and reported in December 1980 that enough water was available in the site, with-out quoting any source or author ity.

Thus due to selection of the site,despite knowing that water was not available, the Company had to incur an avoidable expenditure of Rs. 15.13 lakhs.

2B.6.4.3 Jaunpur mill

The inspection of four sites suggested by the district administration was carried out by the technical officers of the Company in November 1981 and one site (site X) 7 Kms. away from Jaunpur was recommended for setting up the mill. The Site Selection Committee approved the above site in November 1981 while the State Government approved the same in April 1982. A Site situated in village Belwa in Madhiaun tehsil (Site Y) having 69 acres of land belonging to Gram Samaj was also found suitable but was not recommended by the Committee on the ground that an approach road of one

Km. although Kacha road exists, was to be constructed before the start of the project and the cost of construction of road itself will off set the advantage of having less costly land. However, the cost of land payable for the site selected (site X) and the expenditure to be incurred on construction of road for site Y were not worked out.

Although the land selected (site X) was mostly 'Usar' and not very fertile, according to the District Magistrate, the Company paid very high cost of Rs. 28,300 per acre due to which the Company reduced the area of land to be acquired to 46.12 acres from 70.36 acres but had not preferred to select the other site (Site Y) found suitable by the committee except construction of approach road which could have been got constructed as was done in case of Ballia mill where about 2 Kms. of road was constructed. The State Government also directed in August 1982 to select some other suitable site but it was replied that no other suitable site was available .

Thus in case of Meja, the Company preferred to acquire gram SAmaj land without water due to higher cost of other land, while in this case it preferred to purchase costlier land to Gram Samaj land with all facilities except motorable road.

2B.6.5 Acquisition of land.

The land acquired for different mills and the expenditure incurred on the acquisition of the land was as under.

Name of the Mills	Land acquired Gram Samaj	Pri-vate	Amount Paid Gram samaj	Pri-vate	Aver-age cost per acre
	(in acres)		(Rupees in lakhs)		(Rup-ees)
Meja	175	--	0.86	---	490
Banda	3.82	85.79	NA	9.03	10081
Ballia	38.13	45.53	NA	5.17	6180
Jaunpur	3.92	46.12	0.76	13.05	2770

According to the Chairman, UPRNN and Secretary to Government in Public Works department (June 1983), the requirement of land for each mill was only 24 acres against which the Company acquired land ranging from 50.04 to 175 acres. The extra land acquired was 302.31 acres valuing Rs. 20.09 lákhs.

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2B.6.6 Water Supply

2B.6.6.1 Meja

As already mentioned in paragraph 2B.6.4.1 infra, despite the adverse report of the geological survey, the Company had selected the site and incurred an expenditure of Rs. 8 lakhs on development of tubewells and laying of pipelines etc. The work of exploration of water was awarded in March 1981 to the Ground Water Investigation Organisation without approval of the Board. The Organisation drilled five bore holes around mill site at a cost of Rs.1.13 lakhs. Of these, water was available at 6000 to 7000 gallons per hour from two bore holes (Meja-Manda Road and Block compound) against the water requirement of 5000 gallons per hour for the mill. Instead of developing these bored holes, the organisation drilled a tubewell at a distance of 8 Kms. (Tendua Kalan) at a cost of Rs.0.73 lakh and suggested in June 1981 for development of that tubewell as a main source of water supply to the mill. The Company also got in July 1982 a project report prepared by U.P.Jal Nigam Limited at a cost of Rs. 0.32 lakh for laying pipe line etc. As per project report prepared by Jal Nigam in July 1982, the work was to cost Rs. 16.55 lakhs. The Company, however, did not use the tubewell and thus the expenditure of Rs. 1.05 lakhs (excluding cost of land of Rs. 0.15 lakh) proved infructuous. Subsequently, the bore hole at Meja-Manda road was developed at a cost of Rs. 0.55 lakh. In September 1982, the Company requested the Organisation to advise whether the above tubewell could be used as permanent source of water and paid Rs. 0.36 lakh for pump test. The Organisation suggested in April 1983 that since the tubewell was working very well,no test was necessary. The details of refund of Rs, 0.36 lakh by the Organisation were, however, not available with the Company, Management stated in May 1989 that the expenditure incurred on Tubewell at Tendua Kalan was not infrustuous as the same is saleable and may even be transferred to Jal Nigam or can be used on failure of existing tubewell.

2B.6.6.2 Ballia.

The Project report of the mill provided four shallow tubewells at a total cost of Rs. 0.40 lakhs. In August 1986, the Ground Water Investigation Organisation, on the request (August 1986) of the Company submitted an estimate for Rs. 2.03 lakhs for drilling a 500 feet deep tubewell which was approved by the Company. The Organisation was requested in August 1986 to bore the tubewell and an advance of Rs. 2.03 lakhs was paid. The 590 feet deep tubewell was completed in March 1987 but the final bill has not so far (March 1989) been received from the Organisation. The reasons for preferring deep boring tubewell at extra cost to shallow tubewells as provided in the project report were not on record. In this connection it maybe stated that Ground Water Investigation Organisation had also recommended in January 1983 drilling of shallow type tubewell as water with 10000 to 12000 gallons per hour was available at 25 to 30 meter depth which was also approved by the Board of Directors in February 1983.

2B.6.7 Execution of Civil works

In September 1981, the Board of directors approved the award of all the civil works of all the four mills to U.P. Rajkiya Nirman Nigam Limited (UPRNN) at cost plus 15 per cent centage charges and a letter of intent was issued in September 1981 to UPRNN. An agreement was executed on Ist October 1981 in respect of Meja and Banda mills. The main terms and conditions of the agreement, inter-alia, were:

(i) a preliminary estimate was to be prepared by UPRNN and was to be got approved by the Company before execution of works,

(ii) the production hall and non factory buildings,excluding the annexe block of production hall, were to be completed within a period of 18 months and the other buildings (residential buildings, annexe block of production hall boundry wall etc.) within a period of 24 months from the date of start. In case of dely in completion of buildings due to non-availability of cement or steel or funds or non-finalisation of drawings, etc.,extension of time was to be granted and escalation in price for such extended period was payable. In case of dispute about reasons for delay in execution of works, a grace period of 3 months was to be allowed to UPRNN and during that period only escalation in cost of materials was to be allowed. No escalation was payable after grace period.

(iii) 25 per cent of total Project cost was payable as advance alongwith letter of intent, and

(iv) the advance payments made to UPRNN, when not required for work, was to be invested in savings bank account and interest received was to be credited to the Company.

As per Government directives of October 1975, preference in awarding civil works was to be given to UPRNN, but to obtain competitives rates, tenders were to be invited and in case of lower rates of private contractors, the matter was to be negotiated with UPRNN, but in this case the Company had neither prepared the estimates for the works nor tenders were invited to obtain competitive rates and the works were awarded to UPRNN as deposit work with 15 per cent centage charges. As per conditions of the agreement, a preliminary estimate of the work was to be prepared by UPRNN and only after its approval by the Company. the work was to be started but the estimates were submitted by UPRNN either after completion of the work or after completion of a major portion of work. Thus the very purpose for which the clause was included by the Company in the agreement Viz. to have a financial control over the expenditure on works incurred by UPRNN was defeated. In this connection it may be pointed out that in the Board meeting held on 13th July 1987, the Company admitted that because of defective works and delays in completion of works by UPRNN in all the cases, cost of civil works increased by about Rs. 50 lakhs in each project. Further in the absence of a clause in the agreement regarding penalty, the Company could not impose penalty for delay in completion of works by UPRNN.

The other points notices during execution of works at different mill sites were as under:

(a) Meja

The Company paid an advance of Rs. 47.23 lakhs to UPRNN in September and

October 1981. However, the civil works were started in March 1982 and completed only by March 1986 with a time over run of 24 months. Penalty for the delay in completion of the works attributable to UPRNN could not be recovered in the absence of a suitable provision in the agreement.

As per project report, the cost of civil works entrusted to UPRNN was Rs. 203.47 lakhs including 15 per cent centage charge and Rs. 21.35 lakhs for site development. The preliminary estimate of Rs. 241.52 lakhs was submitted by UPRNN in November 1985 i.e. after completion of major works adding escalations (Rs. 14.50 lakhs) and centage charges which was approved for Rs. 239.64 lakhs by the Company. The total value of work done as per 'compiled contract account' (statement showing expenditure under various sub-heads) submitted by UPRNN Upto March 1986 was Rs. 241.31 lakhs, against which the Company had already paid Rs. 232.34 lakhs upto July 1984. The compiled contract account was not checked and accepted by the Company so far (May 1989) The final bill as required in the agreement has not yet been (May 1989) submitted by UPRNN. The detailed measurements of each work were not furnished by UPRNN and the actual consumption of materials and the consumption as per norms were also not worked out.

(b) Banda

As per project report, the total cost of civil works to be executed by UPRNN was Rs. 178.18 lakhs including Rs. 20.47 lakhs towards centage charges at 15 per cent and site development. The work was completed during the year 1985-86 and as per final accounts submitted (May 1986) by UPRNN, total value of work done was Rs. 226.40 lakhs, including Rs. 23.34 lakhs towards additional items, against which the Company had already paid Rs. 222.56 lakhs to UPRNN. The final account was neither checked nor accepted by the Company so far. (May 1989).

(c) Ballia

As per project report, the cost of buildings was Rs. 211 lakhs including Rs. 23.20 lakhs towards centage charges and site development. The site was handed over in January 1983 and during 1983 only some work valuing Rs. 8.95 lakhs was done and after that the work was stopped, due to paucity of funds. The work was started again in January 1985 but was stopped again in March 1985 for want of funds and was restarted from July 1985. In September 1986, UPRNN submitted an estimate for Rs. 284.40 lakhs which was approved by the Company for Rs. 281.55 lakhs including Rs. 31.90 lakhs towards escalation provided for the years 1983-

84 to 1986-87. UPRNN completed works valuing Rs. 274.71 lakhs, against which payments made to them amounted to Rs. 274.78 lakhs. The Company had to e cute works valuing Rs. 13.60 lakhs artmentally which were not done by IN upto October 1988, though provided in the contract.

(d) Jaunpur

The Site was handed over to UPRNN in February 1985 but civil works were started in October 1985 due to delay in finalisation of drawings by the Company. UPRNN submitted an estimate for Rs. 298 lakhs for building and Rs. 21.65 lakhs for site development in December 1986 which was approved for Rs. 293.92 lakhs and Rs. 18.17 lakhs respectively. UPRNN had not completed the total work allotted to them and works like quarters (Officers and labourers), guest house, canteen administrative block, roads, compound wall, drains and site development were left incomplete. UPRNN had not submitted upto March 1989 any expenditure account of the work done by them against payments of Rs. 307.36 lakhs made to them upto March 1988.

As per terms of agreement the Company was to arrange the authorization of cement for the works. It was, however, seen that upto July 1986, 600 tonnes of cement was purchased by UPRNN from open market at an extra cost of Rs. 2.04 lakhs. The details of non-levy cement purchased after July 1986 and purchase of non-levy cement at other mills was not intimated by the Company. Reasons for purchasing cement from open market were also not ascertained by the Company.

2B.7 Financing of projects

2B.7.1. The public investment Board had cleared the projects for 50000 spindles each on the basis of debt equity ratio of 1.5:1 which was subsequently changed in December 1982 to 1:1 by the State Government at the instance of the financial institutions. The means of financing the mills as provided in the project report for 25,000 spindles and the actual finances availed upto 31st March 1988 were as below:

Name of the project	Share Capital		Term Loans		Subsidy		Total Finances	
	As per Project Report	Actual	As per project Report	Actual	As per project Report	Actual	As per project Report	Actual
			(Rupees		in		lakhs)	
Meja	510.00	554.00	514.00	459.00	4.00	17.75	1028.00	1030.75
Banda	525.00	525.00	425.00	420.00	30.00	27.65	980.00	972.65
Ballia	555.00	564.72	485.00	484.00	20.00	15.00	1060.00	1067.72
Jaunpur	630.00	712.80	530.00	527.00	30.00	25.00	1190.00	1266.90

Total	2220.00	2356.52	1954.00	1592.00	84.00	85.40	4258.00	4333.92

Against the above finances, the details of actual expenditure incurred upto 31st March 1988 were as follows:

	Actual expenditure upto 31st March 1988 (Rupees in lakhs)
Meja	884.97
Banda	881.81
Ballia	1029.48
Jaunpur	1183.04
Margin money for working capital forming part of capital base	253.77
Security deposit with UPSEB	6.85
Head office Fixed Assets	5.47
Total	4245.39

After deducting the amount of subsidy of Rs. 85.40 lakhs, the total capital expenditure on the projects was

Rs. 4159.99 lakhs and on the basis of approved equity participation, the amount of equity and the term loan should have been Rs. 2079.99 lakhs each. But the Company had raised equity to the extent of Rs. 2356.52 lakhs and the term loan of Rs. 1892.00 lakhs changing the pattern of debt equity ratio to 0.80:1 as against 1:1 , for which no approval was obtained from the State Government Against the requirement of Rs. 4159.99 lakhs, the Company availed fiances to the extent of Rs. 4248.52 lakhs and thus funds to the extent of Rs. 88.53 lakhs obtained for capital expenditure, were utilised towards working capital.

The main reasons for availing the excess equity contributed by the State Government through the holding Company were as detailed below:

(i) According to IFCI (January 1983) the project cost of Meja was higher by Rs, 90.80 lakhs as compared to similar other projects cleared by them. Therefore, IFCI decided in January 1983 that the excess provision in the projected cost should be financed by the State Government in the shape of equity. Similarly excess provisions in the project estimates of other mills were pointed out by IFCI , details of which were not made available to Audit

(ii) According to IDBI (January 1987) , there was a cost over run of Rs. 100 lakhs in Jaunpur unit including cost of Dyeing plant(Rs. 35 lakhs) which was not provided in the project report, which should be met out of equity from the State Government.

2B.7.2 Excessive drawal of funds

Against a total capital expenditure of Rs. 4245.39 lakhs upto 31st March 1988, the Company had obtained Rs. 4333.92 lakhs, in the shape of equity (Rs. 2356.52 lakhs) term loans(Rs. 1892.00 lakhs) and subsidy (Rs. 85.40 lakhs).

In this connection, following points were noticed:

(i) The Company was sanctioned excessive loan of Rs. 11 lakhs for Meja and Rs. 5 lakhs for Banda units which were surrendered in November 1985. The financial institutions charges commitment charges of one per cent on these amounts which amounted to Rs. 0.43 lakh.

(ii) During 1984-85 equity received for Jaunpur unit was utilised to the extent of Rs. 83 lakhs for purchase of cotton for Meja unit.

(iii) The expenditure reported by the Company to the financial institution was more than the actual as shown below:

	Actual Expenditure upto March 1987	Capital Expenditure reported to IFCI in March 1987	Actual Expenditure upto March 1988	Capital Expenditure reported to IFCI in March 1987
	(Rupees	in	Lakhs)	
Meja	875.82	1018.50	884.97	1018.50
Banda	871.34	975.30	881.81	975.30
Ballia	994.84	1044.17	1029.44	1069.72
Jaunpur	1092.39	1253.82	1183.04	1292.94
Margin money for working capital	253.77	---	253.77	---
Total	4088.16	4291.79	4233.03	4356.46

Similarly while requesting the State Government in February 1987 for release of equity for Ballia and Jaunpur projects, the Company indicated that capital expenditure of Rs. 1042.12 lakhs and Rs. 1169.30 lakhs on these projects had already been incurred upto January 1987 as against the actual expenditure of Rs. 994.84 lakhs and Rs. 1092.39 lakhs incurred upto the end of March 1987.

Thus, by reporting higher expenditure, the Company succeeded in obtaining loans from the financial institutions and equity from the holding Company far in advance of requirement.

28.8 Purchase of machinery

28.8.1. Placement of orders.

Even before the clearance of the project reports by the State Government (PIB) the holding Company contacted in March 1981 some of the machinery suppliers instead of inviting open tenders and held negotiation in March 1981 with them. Based on the requirements of the mills, purchase of machinery was finalised in July 1981 by the Coordination committee of the holding Company and orders were placed in August 1981 for machinery for setting up 25000 spindles for each mill upto spindle point of Rs. 1323.02 lakhs plus taxes and duties for all the four mills on four firms. F.O.R. works. On the consideration of prolonged delivery period and future rise in prices, an advance of Rs. 127.70 lakhs was also paid to two firms alongwith the order. It was, however, noticed that the orders were for prices ruling on the date of delivery or for prices as per escalation clause whichever was lower In respect of supplies to Ballia and Jaunpur, the actual delivery commenced in June 1985 and April 1986 i.e. about 46 months and 54 months after placing the order as against 18 months stipulated in the order and were completed by September 1986 and March 1987. It was seen that apart from the prolonged deliveries incorporated in the orders, in consideration of which advance was paid to the suppliers, the Company had requested the suppliers to defer the deliveries, This request was made mainly because necessary infrastructure for installing the machines was not ready.

Thus placing orders about 46 to 54 months in advance of requirement and selection of site etc, resulted in locking up of funds to the extent of Rs.70.74 lakhs representing the advance payment to the suppliers for about 30 months, on which Company lost Rs. 24.76 lakhs towards interest at 14 per cent.

2B.8.2 Transportation of machinery

The Managing Director appointed in February 1986 a committee to finalise the transport contract for lifting of machinery for Jaunpur unit from the suppliers' works and also to prescribe norms for payment viz. the quantum of truck load of machinery involved in the transportation. The standards set forth in February 1986 by the committee were as follows:

(i) 11 truck loads of 10 MT capacity for one blow room line,

(ii) 1 truck load for one ring frame of 476 spindles each,

(iii) 5 truck loads for 4 H.P. cards,

(iv) 1 truck load for 2 draw frames,

(v) 3 truck loads for each speed frame.

The table below details the trucks required for transporting the machinery as per standards fixed as above and the actual number of trucks for which payment was actually made for transporting machines for other mills resulting in excess payment of Rs. 1.32 lakhs:

Machinery	Number of machines transported	Transportation From	To	Number of Trucks Required	Paid for	Excess truck loads paid	Rate per truck (Rupees)	Amount of excess payment (Rupees)
Blow Room	2	Bombay	Naja	22	34	12	3771	45252
Line	2	Bombay	Banda	22	36	14	3675	51450
Ring frame	52	Bombay	Ballia	52	54	2	6043	12086

H.P.Cards	38	Calcutta	Banda	48	50	2	3214	6428
	39	Calcutta	Ballia	49	54	5	3400	17000
							Total	1,32,216

The Management stated in November 1988 that it was not considered whether the trucks were fully loaded or not and that the payment were made as per details of trucks intimated by the suppliers and that the norms were checked up with UPSTC and UPSSM-I. It was further stated in May 1989 that more number of trucks were engaged because of bigger package size and slightly staggered delivery as the machines were not readily available in packed condition.

The norms of UPSTC and UPSSM-I were not made available to verify the same. The reply that more number of trucks were engaged because of bigger package size and staggered delivery was not borne out by records.

2B.8.3 Waiver of penalty

As per terms and conditions of the order placed in August 1985, Mafatlal Engineering Industries, New Delhi was to supply eleven ring doubling machines to Jaunpur mill by March 1986 failing which penalty at 1/2 per cent per week subject to a maximum of 10 per cent of the value of order was leviable. Although the supplies were effected between August 1986 and April 1987, penalty of Rs. 2.45 lakhs was not recovered. Approval of the Board of Directors, which had approved the terms and conditions of the order, was also not obtained for extension of delivery schedule. Similarly, Machinery Manufacturing Corporation Limited, Calcutta was required to supply three speed frames against an order of February 1986 by the end of March 1986. Although the frames were delivered in August 1986 and December 1986, the penalty of Rs. 1.83 lakhs was not levied.

Management stated in May 1989 that since the Company had not suffered any production or other loss on account of late delivery of machines, it was decided not to impose penalty and the matter would be put up before appropriate authorities for ratification.

The Company's reply is not relevant to the point, since penalty is levied for delayed deliveries, while liquidated damages are levied for consequential losses caused by delayed supplies.

2B.8.4 Humidification plant.

Humidification plants were commissioned in all the mills much after the start of ommercial production in the mills as would appear from the details given below;

Mill	Month in which commercial production started	Month in which humidification plant was commissioned	Remarks
Meja	February 1984	March 1985	The work awarded in December 1982 was to be completed by September 1983
Banda	April 1984	January 1985	do
Ballia	July 1986	July 1987	The work awarded in August 1985 was to be completed by July 1987
Jaunpur	April 1987	August 1989	The work awarded in March 1985 was to be completed by December 1987

Although there was all-round deterioration in the quality of yarn produced as observed by the Company in October 1988, neither the reasons for delay in completion of works were analysed nor were the losses in operation of mills without humidification plant assessed. Management stated in May 1989 that the delay in installation of humidification system was due to delayed completion of civil works by UPRNN.

2B.9 Capacity utilisation

The commercial production at the mills was started from the dates given below:

Name of the Mills	Date of start of commercial production
Meja	1st February 1984
Banda	1st April 1984
Ballia	31st July 1986
Jaunpur	1st April 1987

Mill-wise details of number of spindles installed, spindle shifts available and worked and capacity utilisation during 4 years upto 1987-88 and also reasons for under utilisation of capacity as analyged by the management are shown below:

	1984-85	1985-86	1986-87	1987-88
<u>Meja Mill</u>				
Spindles installed (in lakhs)	0.24	0.25	0.25	0.25
Spindles shifts available (in lakhs)	251.38	268.69	267.94	269.45
Spindle shifts worked (in lakhs)	189.57	249.31	247.03	242.50
Spindle utilisation (percentage)	74.8	92.8	92.2	90
<u>Banda Mill</u>				
Spindles installed (in lakhs)	0.22	0.25	0.25	0.25
Spindles shifts available (in lakhs)	238.32	267.94	268.69	269.45
Spindle shifts worked				

(in lakhs)	195.22	235.92	212.93	240.89
Spindle utili-sation(per centage)	81.9	88	79.2	89.4
<u>Ballia Mill</u>				
Spindles installed (in lakhs)	--	--	0.23	0.25
Spindles shifts available (in lakhs)	--	--	169.19	263.22
Spindle shifts worked (in lakhs)	--	--	122.26	219.93
Spindle utili-sation(per centage)	--	--	76.3	83.1
<u>Jaunpur Mill</u>				
Spindles installed (in lakhs)	--	--	--	0.24
Spindles shifts available (in lakhs)	--	--	--	247.70

Spindle shifts worked (in lakhs)	--	--	--	173.13
Spindle utilisation(percentage)	--	--	--	69.9

Reasons for shortfall in capacity utilisation:

	1984-85	1985-86	1986-87	1987-88
	(Percentage)			
<u>Meja</u>				
Maintenance	4.08	4.50	4.68	5.50
Labour trouble	--	0.02	--	--
Shortage of workers	8.70	0.68	0.51	0.69
Power shortage	4.03	0.86	1.27	1.84
Other reasons	8.38	1.06	1.35	1.97

<u>Banda</u>

Mainten-ance	4.32	3.54	4.14	5.02
Labour trouble	--	4.15	4.81	--
Shortage of work-ers	2.57	1.71	6.23	0.18
Power shortage	3.21	1.75	4.05	2.79
Other reasons	7.99	0.80	1.52	2.61
<u>Ballia</u>				
Mainten-ance	--	--	4.42	4.95
Labour trouble	--	--	--	7.39
Shortage of work-ers	--	--	2.87	1.39
Power shortage	--	--	11.67	1.80
Other reasons	--	--	4.72	0.92
<u>Jaunpur</u>				
Mainten-	--	--	--	3.91

ance				
Labour trouble	--	--	--	0.14
Shortage of workers	--	--	--	12.17
Power shortage	--	--	--	9.00
Other reasons	--	--	--	4.89

In this connection the following points were noticed:-

(i) The capacity utilisation of 93 and 90 per cent in respect of Meja and Banda mills respectively as envisaged in the project report was never achieved by the mills.

(ii) the deterioration in capacity utilisation at Meja during 1986-87 and 1987-88 and at Banda during 1986-87 was attributed mainly to power shortage. Although diesel generators were provided to both the mills, the under utilisation due to power shortage ranged from 0.86 to 4.03 per cent in case of Meja and 1.75 to 4.05 per cent in case of Banda.

2B.9.2 Production performahce

Cotton yarn of various counts is the only product of the mills, except Jaunpur mill where synthetic yarn was also produced. The table given below indicates the mill-wise projected and actual production during the four years upto 1987-88:

	Meja	Banda	Ballia	Jaunpur
	(in lakh Kgs with percentage in brackets)			
1984-85				
Projected	27.25	26.11	--	--
Actual	24.17	22.82	--	--
Percentage of achievement	(89-0)	(87-4)	--	--
1985-86				
Projected	35.27	36.40	--	--
Actual	35.95	32.00	--	--
Percentage of achievement	(102.0)	(88.0)	--	--

<u>1986-87</u>				
Projected	41.00	41.04	16.89	--
Actual	41.52	33.97	17.92	--
Percentage of achievement	(101.3)	(82.8)	(106.1)	--
<u>1987-88</u>				
Projected	41.00	41.04	35.25	26.90
Actual	35.66	33.38	31.59	22.22
Percentage of achievement	(87.0)	(81.3)	(89.6)	(82.6)

Failure to achieve production target in any of the years in Banda mill and fall in production during 1984-85 and 1987-88 in Meja Mill was attributed in October 1988 by the Management to spinning of more fine counts than projected. It was also stated that more fine counts were produced in Banda during 1986-87 and 1987-88 because their profitability during these years was found to be more than that of lower counts. However, on verification it was noticed that the reply of the Company was not factually correct in that in case of all the counts (except three lower counts out of 38 counts produced) the cost of production was more than the sales price.

2B.9.3. Yarn realisation

The details of mill-wise cotton consumption, yarn realisation and wastages (visible and invisible)during the four years upto 1987-88 are detailed below:-

	1984-85	1985-86	1986-87	1987-88
	(in lakh Kgs with percentages in brackets)			
Meja				
Net Cotton consumed	29.21	41.86	48.38	42.01
Yarn realised	24.17	35.95	41.52	35.66
Average count spun	21.90s	22.43s	20.80s	22.70s
Wastes:				
(a) Visible	4.71	5.60	6.41	6.08
(b) Invisible	0.33	0.31	0.45	0.27
Percentage to net cotton				

consumed				
(a) yarn realised	(82.77)	(85.89)	(85.82)	(84.88)
(b) Visible waste	(16.12)	(13.38)	(13.25)	(14.47)
(c) Invisible waste	(1.11)	(0.73)	(0.93)	(0.65)
Banda				
Net Cotton consumed	27.77	37.49	39.73	39.42
Yarn realised	22.82	32.00	33.97	33.38
Average count spun	22.38s	23.05s	21.39s	24.20s
Wastes:				
(a) Visible	4.04	5.08	5.23	5.77
(b) Invisible	0.91	0.41	0.53	0.27
Percentage to net cotton consumed				
(a) yarn realised	(82.18)	(85.34)	(85.50)	(84.69)
(b) Visible waste	(14.55)	(13.56)	(13.16)	(14.63)
(c) Invisible waste	(3.27)	(1.10)	(1.34)	(0.68)

Ballia				
Net Cotton consumed	--	--	20.92	36.98
Yarn realised	--	--	17.92	31.59
Average count spun	--	--	20.95s	23.43s
Wastes:				
(a) Visible	--	--	2.83	5.14
(b) Invisible	--	--	0.17	0.24
Percentage to net cotton consumed				
(a) yarn realised	--	--	(85.66)	(85.85)
(b) Visible waste	--	--	(13.53)	(13.88)
(c) Invisible waste	--	--	(0.81)	(0.67)
Jaunpur				
Net Cotton consumed	--	--	--	25.58
Yarn realised	--	--	--	22.22
Average count spun	--	--	--	26.96s

Wastes:

(a) Visible	--	--	--	3.17
(b) Invisible	--	--	--	0.19
Percentage to net cotton consumed				
(a) yarn realised	--	--	--	(86.88)
(b) Visible waste	--	--	--	(12.39)
(c) Invisible waste	--	--	--	(0.73)

The following points deserve mention in this regard:

(i) The percentage of yarn realised during 1987-88 had decreased at Banda and Meja mills although the average count spun was higher during that year. Taking the average yarn yield of 1985-86 and 1986-87, the loss of production during 1987-88 amounted to Rs. 11.47 lakhs at Meja (0.41 lakh kgs) and Rs. 8.11 lakhs at Banda (0.29 lakh kgs). The Management stated in October 1988 that yarn realisation was poor due to poor cotton quality. However, the matter regarding procurement of poor quality of cotton had not been investigated.

(ii) The percentage of yarn realisa ion in the mills ranged between 82.18 (Banda 1983-84) and 86.88 (Jau 1987-88). Although same type of n was purchased by the Company r for all mills and was ted as per their requirements, ons for wide variation in yarn re ation were not analysed.

(iii) The Company had not prescribed any norm for invisible waste. As against the invisible waste of 0.5 per cent prescribed by South India textile Research Association (SITRA), the actual percentage of invisible waste ranged between 0.65 (Meja 1987-88) and 3.27 (Banda 1983-84). The loss due to invisible waste over and above 0.5 per cent amounted to Rs. 34.80 lakhs (approximately) during the four years upto 1987-88.

2B.9.4. Cost of sales and sales realisation

The details of mill-wise and year-wise quantity of yarn sold, sales realisation, cost of sales and the margin on cost of sales during the four years upto 1987-88 are indicated below:

	1984-85	1985-86	1986-87	1987-88

	1984-85	1985-86	1986-87	1987-88
Meja				
Yarn sold (in lakh Kgs)	23.23	34.78	41.32	35.95
Cost of sales (Rupees in lakhs)	784.65	899.89	846.77	1088.73
Sales realisations (Rupees in lakhs)	578.96	781.23	758.03	945.67
Loss(Rupees in lakhs)	205.69	118.66	88.74	143.06
Loss per Kg of Yarn sold(Rupees)	8.85	3.41	2.15	3.98
Banda				
Yarn sold (in lakh Kgs)	20.62	31.92	32.58	34.54
Cost of sales (Rupees in lakhs)	732.83	864.12	738.95	1042.65
Sales realisations (Rupees in lakhs)	516.04	734.78	606.66	896.27

Loss(Rupees in lakhs)	216.79	129.34	132.29	146.38
Loss per Kg of Yarn sold(Rupees)	10.51	4.05	4.06	4.24
Ballia				
Yarn sold (in lakh Kgs)	--	--	14.26	32.77
Cost of sales (Rupees in lakhs)	--	--	407.19	1215.88
Sales realisations (Rupees in lakhs)	--	--	267.64	825.60
Loss(Rupees in lakhs)	--	--	139.55	390.28
Loss per Kg of Yarn sold(Rupees)	--	--	9.79	11.91
Jaunpur				
Yarn sold (in lakh Kgs)	--	--	--	21.11
Cost of sales (Rupees in lakhs)	--	--	--	977.30

in lakhs)				
Loss per Kg of Yarn sold(Rupees)	10.51	4.05	4.08	4.24

Ballia

Yarn sold (in lakh Kgs)	--	--	14.26	32.77
Cost of sales (Rupees in lakhs)	--	--	407.19	1215.88
Sales realisations (Rupees in lakhs)	--	--	267.64	825.60
Loss(Rupees in lakhs)	--	--	139.55	390.26
Loss per Kg of Yarn sold(Rupees)	--	--	9.79	11.91

Jaunpur

Yarn sold (in lakh Kgs)	--	--	--	21.11
Cost of sales (Rupees in lakhs)	--	--	--	977.30

Sales realisations (Rupees in lakhs)	--	--	--	688.16
Loss(Rupees in lakhs)	--	--	--	289.14
Loss per Kg of Yarn sold(Rupees)	--	--	--	13.70

It would appear from the above details that sales realizations were not sufficient to cover the cost of sales in any mill during any year and the loss per kg of yarn sold ranged between Rs. 2.15 (Meja in 1986-87) and Rs. 13.70 (Jaunpur in 1987-88).

2B.10 Financial position and working results

2B.10.1. The financial position of the Company at the end of five years upto 1987-88 is detailed below:-

	1983-84	1984-85	1985-86	1986-87	1987-88
	(Rupees in crores)				
(A) Liabilities					
Paid-up capital (including	10.18	13.88	19.88	22.64	23.57

advances against share capial					
Reserves andSurplus					
Capital reserve	--	0.21	0.30	0.43	0.85
Investment allowance reserve	0.85	2.27	2.28	3.56	4.53
Additional depreciation reserve	0.34	0.91	0.91	0.91	0.91
Borrowings- from financial institutions	7.45	8.74	14.29	18.25	17.06
From banks	0.04	0.65	1.13	2.98	3.69
Current liabilities and provisions	1.18	3.38	2.07	3.82	7.67
Total	20.04	30.04	40.86	52.59	58.28
(B) Assets					
Gross block	6.11	17.38	17.52	26.96	39.61
Less Depreciation	0.96	4.44	6.99	10.97	18.27
Net fixed assets	5.15	12.94	10.53	15.99	21.34
Capital works in progress	10.05	2.06	11.36	11.45	0.30

Current assets, loans and advances					
Inventories	1.59	5.29	3.40	5.97	9.32
Sundry debtors	0.10	0.60	0.43	1.39	0.65
Cash and Bank balance	0.66	0.19	3.19	0.37	0.07
Loans and advances	0.30	0.29	0.49	0.67	0.67
Preliminary expences	0.02	0.02	0.01	0.01	0.01
Accumulated loss	2.17	8.65	11.45	16.74	25.92
Total (B)	**20.04**	**30.04**	**40.86**	**52.59**	**58.28**
(C) Capital employed	6.62	15.93	15.97	20.57	24.38
(D) Net worth	9.18	8.60	11.91	10.79	3.93

2B.10.2. The working results for the

five years upto 1987-88 are shown below:-

	1983-84	1984-85	1985-86	1986-87	1987-88
	(Rupees in lakhs)				
(A) Expenses					
Consumption of materials	110.71	1044.61	1216.06	1291.70	2787.06
Personnel expenses	9.87	124.09	180.39	250.39	418.23
Administrative expenses and other expenses	1.32	24.18	26.91	34.99	69.35
Selling Expenses	0.56	14.28	15.10	19.69	44.61
Contribution during trial period transferred to pre-operative expenditure	13.10	--	--	--	--
Interest and commitment charges	8.13	122.28	127.75	170.52	311.23
Depreciation	94.16	344.96	255.03	397.32	722.16

Provision and write off	0.23	0.23	0.23	0.23	0.23
Total(A)	**238.08**	**1674.63**	**1821.47**	**2164.84**	**4352.87**
(B) Income					
Sales	93.07	1106.89	1534.55	1650.38	3375.36
Add:Closing stock	45.90	146.80	141.86	256.66	423.12
Total	**138.97**	**1253.69**	**1676.41**	**1907.04**	**3798.48**
Less: Opening stock	--	45.90	146.80	155.12	288.72
Value of production	138.97	120.79	1529.1	1751.92	3509.76
Other income	1.56	20.77	12.04	19.42	32.19
Total(B)	**140.53**	**1228.06**	**1541.65**	**1771.34**	**3541.95**
(C) Working loss	97.55	446.57	279.82	393.50	810.92
(D) Investment allowance reserve	118.66	199.28	0.26	128.32	97.00
(E) Prior period adjustment	0.04	1.97	(-)0.03	7.63	9.56
(F) Net loss	216.25	647.82	280.05	529.45	917.50

The Company had been incurring losses since inception and the accumulated loss as on 31st March 1988 amounted to Rs. 25.92 Crores against the paid-up capital of Rs. 23.57 Crores as on that date. The value of production was not sufficient in any year to cover the manufacturing, trading and other expenses.

On an analysis of the reasons for such heavy losses, it was noticed that the per unit (kg) cost of production was higher than per unit sales price of yarn as shown below:-

	1983-84	1984-85	1985-86	1986-87	1987-88
			(Rupess per Kg.)		
(A) Income					
Yarn price	22.31	24.97	22.74	18.64	27.98
Other income	0.29	0.43	0.18	0.19	0.29
Total (A)	**22.60**	**25.40**	**22.92**	**18.83**	**28.27**
(B) Cost					
Clean cotton cost	15.59	19.14	15.28	11.45	19.01
Other costs:					
Wages and salaries	1.85	2.64	2.65	2.51	3.40
Power	1.85	1.81	1.73	1.86	1.99

Interest	1.52	2.60	1.88	1.71	2.53
Depreciation	17.63	7.34	3.75	3.99	5.87
Other Expenditure	3.25	2.48	1.35	1.15	2.06
Total(B)	**41.69**	**36.01**	**26.64**	**22.67**	**34.86**
(C) Margin	(-) 19.09	(-) 10.61	(-) 3.72	(-) 3.84	(-) 6.59

The higher cost of production was mainly due to:

(a) increase in cost of cotton,

(b) increase in wages and salary of staff,

(c) abnormal increase in head office expenditure shared by the mills,

(d) increase in selling expenses and

(e) increase in interest due to increased costs of project.

Management stated in May 1989 that the cost of cotton depends on production of cotton and the increase in wages and salary depends on the price index declared by Government on which the Company had no control. The increase in head office expenditure was attributed to increase in salary and wages of staff and the increase in selling expenses was attributed to introduction of cash discount scheme to liquidate the stocks.

2B.11 Other points of interest

2B.11.1 Payment of low power factor surcharge

According to electricity tariff effective from 1st November 1982, every large and heavy power consumer having a load above 75 KW was required to install capacitors and maintain power factor at 0.85. In case power factor was found below 0.85 in any month a surcharge of one per cent of the billed amount for each 0,01 fall in power factor below 0.85 upto 0.80 and two per cent for every 0.01 fall below 0.80 was leviable by the Board.

A review of the energy bills raised by the Board in respect of Meja mill (1700 KVA load) revealed that the Company had paid low power factor surcharge of Rs.6.09 lakhs during the period from November 1983 to October 1984 as the power factor ranged from 0.50 to 0.83 Although the power factor meter installed by the Company in the mill showed the power factor around 0.90 during the above period and according to the management (October 1988) the meter installed by the Board was defective and was got changed subsequently , the Company had not claimed so far (May 1989) refund of the low power factor surcharge paid to the Board.

2B.11.2 Electrical installations

Sealed tenders for design, supply, installation and commissioning of H.T. installation system at Meja and Banda mills were invited and opened in October 1982. The Company had not prepared any estimates to ascertain the reasonability of rates quoted by the firms. Seven firms had quoted their rates and after negotiations (10th to 12th January 1983) with six firms (one firm did not participate in negotiations), the lowest rate of Rs.16.48 lakhs for each mill quoted by Translet Limited, New Delhi was not accepted on the ground that the firm had offered transformer of their own make instead of those specified in the tender specification and that they had not manufactured transformer of 1000 KVA rating so far. The second lowest offer of Rs. 18.34 lakhs of Genlec Limited, New Delhi was, therefore, accepted and accordingly an order was placed in January 1983 on the firm although the firm had offered to supply ITL make transformer which was also not specified in the tender documents.

In this connection it may be mentioned that the lowest tenderer, during negotiations (11th January 1983) had intimated that they had supplied 1000 KVA transformers to various departments including Kanpur Electric Supply Administration. There was nothing on record to show whether the claim of the tenderer was verified. Thus without verification of facts ignoring the lowest offer on the ground that they had not manufactured 1000 KVA transformers was not justified. This resulted in an extra expenditure of Rs. 3.72 lakhs.

2B.11.3 Fire Hydrant system

(i) The work of designing, supply, installation and commissioning of fire hydrant system at Banda was awarded in November 1982 to Industrial Fire Engineers, New Delhi at Rs.4.30 lakhs. The work was to be completed by October 1983. The contract was terminated by the Company in June 1984 with the condition of levying the liquidated damages as no work was done by the firm. The firm supplied materials worth Rs. 0.79 lakh against payment of Rs.0.81 lakh.

The work was subsequently awarded in June 1985 to S.D. & Co. Kanpur for Rs. 4.45 lakhs on the basis of tenders and the material valuing Rs. 0.79 lakh lying with the Company was also given free of cost. Thus the total value of work worked out to Rs. 5.24 lakhs. The due date for completion of the work was fixed as December 1985 against which the work was completed in September

1986. The loss suffered by the Company due to non-completion of work by first party worked out to Rs.0.94 lakh. The Company filed a suit in the court of Civil Judge, Kanpur (1986)for recovery of the amount of Rs. 1.19 lakhs from Industrial Fire Engineers, New Delhi on account of liquidated damages including Rs. 0.68 lakh towards discount on insurance premium for the period from May 1983 to January 1986 which could not be availed from the Insurance Company due to delay in completion of work, which was pending decision(May 1989).

(ii) At Ballia and Jaunpur mills the work was awarded in June 1985 to S.D. & Co,Kanpur at Rs. 5.25 lakhs each. The work was to be completed by January 1986 against which the work was completed in March 1988. The discount in insurance premium which could not be availed by the Company due to delay in completion of fire hydrant system was not intimated by the Management. Even after completion of work in March 1988, the discount in insurance premium was not being obtained by mills as the work was not inspected by Delhi Region council, so far (March 1989).

The above matters were reported to the Government in February 1989; their replies had not been received. (March 1990.).

SECTION 2C

SUGAR INDUSTRIES DEPARTMENT

NANDGANJ-SIHORI SUGAR COMPANY LIMITED.

HIGHLIGHTS

Nandganj-sihori Sugar Company Limited, incorporated in April 1975, manages two sugar factories at Nandganj (Ghazipur District) and Daryapur Raebareli district). In respect of Nandganj Factory, the supply of plant and machinery could not be started in time because of delay in arranging finances. The Company had, therefore, to pay Rs.21 lakhs to the supplier towards increase in prices. The plant was installed in November 1978 after a delay of about 10 months from the scheduled date of commissioning. Although the suppliers failed to give performance guarantee as per terms of contract and left numerous defects in the plant and machinery, the bank guarantee of Rs. 16.40 lakh, was allowed to lapse.

Each sugar factory with installed capacity of 1250 tonnes of cane per day could crush 18.75 lakh quintals of cane each year with 150 days working. The capacity utilisation, however, ranged between 15 and 42 per cent in the case of Nandganj and between 33 and 63 per cent in the case of Daryapur during the five years upto 1987-88. The failure to achieve even 85 per cent of capacity utilisation (expected by holding Company) resulted in production loss of sugar valuing Rs. 34.36 crores during five years upto 1987-88. The underutilization of capacities was mainly due to inadequate availability of cane though a sum of Rs. 159.69 lakhs was spent by the Company during the period from 1975-76 to 1986-87 on cane development. Further, the site selected for the factory at Nandganj, having been surrounded by usar land within a radius of 10 Kms. which was unfit for cane cultivations, and not having transport facilities, cannot be considered as ideal one. The cane Commissioner/ Government also had been permitting establishment of new sugar factories without adequately considering the availability of cane for full utilisation of the capacities of the existing factories. As a result, two new factories were established in 1984-85 and the Cane Commissioner reduced the Cane area allotted to factories of the Company. These two factors had largely contributed to non-availability of cane to the required extent.

While loss of sugar in by-products was within limits in the case of Daryapur factory, sugar valuing Rs. 55.91 lakhs was lost in Nandganj factory due to excessive losses, during 1983-84 to 1987-88.

The cost of sales of sugar was more than the sales during 1982-83 to 1987-88 due to transportation charges (Rs. 389.80 lakhs) being much more than that recovered from cane growers (Rs. 36.06 lakhs).

As per Sugar Industry Enquiry Commission Report (1974), the fuel requirement in terms of bagasse should be 26 to 28 per cent of cane crushed. While the consumption of bagasse ranged between 31.75 and 45.21 per cent of the cane crushed, additional fuel valuing Rs. 26.94 lakhs was used by the factories during 1982-83 to 1987-88.

During the period from September 1982 to December 1984, the Sugar Companies were asked by the Government of India to maintain a buffer stock of sugar and expenditure incurred in maintaining this stock was to be reimbursed to them as subsidy. The delay of about two years by Nandganj factory in preferring the quarterly buffer stock subsidy claims aggregating Rs. 3.30 lakhs resulted in loss of Rs. 1.20 lakhs by way of interest paid on cash credit.

The buffer stock subsidy claim of Daryapur factory amounting to Rs. 1.15 lakhs was rejected by the Government of India on the ground that the factory did not maintain the required grade of sugar.

The Company had been incurring losses since inception and the accumulated losses as on 30th June 1987 were Rs. 28.28 crores which represented 164.42 per cent of the paid-up capital (Rs.17.20 crores). It had been facing severe financial crisis having incurred huge cash losses every year.

Railway siding constructed for Nandganj factory for Rs. 4.77 lakhs in 1976 was never utilised and was declared as closed by Railways in December 1980. The Company had also to pay maintenance charges of Rs. 1.88 lakhs for this siding.

The work of construction of sugar godown awarded to Uttar Pradesh Rajkiya Nirman Nigam Limited in 1976 was suspended in January 1979 as the Company failed to advance Rs. 3.50 lakhs. The remaining work had, therefore, to be completed at an extra cost of Rs 5.07 lakhs.

2C.1 Introduction

Nandganj-Sihori Sugar Company Limited was incorporated as a subsidiary of Uttar Pradesh State Sugar Corporation Limited on 18th April 1975. The Company has two factories with a capacity of 1250 tonnes per day (TPD) each under its control-one at Nandganj (District Ghazipur) and the other at Daryapur (District Raebareli, which were transferred at the construction stage by the holding Company. The Registered office of the Company, which was at Nandganj was shifted to Daryapur on 20th September 1979 for administrative convenience.

2C.2 Objective

The main objects of the Company are to :-

(a) carry on the business of sugar mills including dealings in sugar and by products of sugar cane, sugar treats, molasses, jaggery, alcohol and all products and by products thereof,

(b) plant, cultivate, produce and raise sugar cane, sugar beets and other crops and to transact such other work or business as may be proper or necessary in connection with the above objects,

(c) search for and to purchase or otherwise acquire from any Government, State or authority, any licences, concessions grants, rights, powers and privileges which may seem beneficial to the Company for its purposes and

(d) develop the resources of any land rights over or connected with lands belonging to or in which Company is interested, particularly for the purpose of development of sugar cane and sugar cane areas.

However, the Company is presently engaged in production of white sugar through double sulphitation process and developing its own cane nursery farms.

2C.3 Scope of Audit

The review on the working of the Company covers establishment and operation of factories, capital structure, borrowings, capacity utilisation and production in the factories. In addition, sales performance, manpower analysis, cane development activities and performance of cane nursery farms covering the period from 1981-82 to 1987-88 were also studied. Important points noticed during the audit conducted from April to July 1988 are set out in the succeeding paragraphs

2C.4. Organisational set-up

The management of the Company vests in a Board of Directors. As on 31st March 1988, there were 12 Directors; five nominated by the holding Company, six by State Government and one by Industrial Finance Corporation of India, The Chairman and the Managing Director of the holding Company respectively are also chairman and Vice-Chairman of the Company.

Each factory is headed by a whole time Executive Director who has been delegated powers by the Board of

Directors for day to day management and is assisted by a Chief Engineer, a Chief Accountant, a Chief Cane Manager and a Chief Chemist.

2C.5. Funding

2C.5.1. Capital

The Company was registered with an authorised capital of Rs, 2.5 crores divided into 2000 (9 per cent) redeemable cumulative preference shares of Rs. 1,000 each and 2,30,000 equity shares of Rs. 100 each, which was increased from time to time and as on 30th June 1988 the authorised capital was Rs.25 crores consisting of 24,80,000 equity shares of Rs. 100 each and 2000 (9 per cent)redeemable cumulative preference shares of Rs. 1000 each.

The entire paid-up capital of Rs. 18.58 crores as on 30th June 1988 consisting of 18,57,721 equity shares of Rs. 100 each was held by the holding Company

2C.5.2. Borrowings

The Company obtained loans from various sources from time to time. The details of loans obtained, purpose and amounts outstanding as on 30th June 1987 (up to which accounts have been finalised by the Company)are given below:

Agency from which loans were taken	Year of Receipt	Amount received (Rupees in lakhs)	Purpose	Rate of Interest (per cent per annum)	Amo - unt out standing as on 30th June 1987 Principal	Interest (Rupees in lakhs)	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Uttar Pradesh Special Fund Committee	1982-83 to 1983-84	138.50	For payment of cane dues	12 to 14.5	138.50	66.26	
State Government	1983-84 to 1984-85	145.66	For payment of cane dues	18 to 19.5	145.66	95.14	
Holding Company	1977-78	25.00	For establishment of Nandganj Factory	10	273.14	204.45	No payment of principal and interest was made. The Holding Company converted loan to the extent of Rs. 33.50 lakhs and Rs. 5 lakhs into equity during 1982-83 and 1985-86 respectively
	1979-80 to 1986-87	286.64	For working capital	10.5 to 20.5			

Life Insurance Corporation of India	1978-79 to 1982-83	45.00	To meet capital expenditure of Daryapur factory	12	1.04	0.27
Industrial Development Bank of India (IDBI)	1977-78 to 1979-80	470.00	-do-	9.5 to 14	212.56	29.78
Industrial Finance Corporation of India (IFCI)	1976-77 to 1981-82	220.00	-do-	9.5 to 14.5	Nil	41.35

The Company had not been able to pay the instalments of loans and interest thereon in respect of loans obtained from Uttar Pradesh Special Fund committee and State Government and therefore lost 3.5 per cent rebate in interest allowed for timely repayment.

The Company had been facing severe financial crisis, having incurred huge cash losses every year ranging from Rs. 175.77 lakhs in 1986-87 to Rs.338 34 lakhs in 1984-85 and therefore, it had not been able to repay the loans/ pay interest regularly.

5.3. Cash credit facility

The Company also availed cash credit facility from Uttar Pradesh cooperative Bank Limited (maximum limit: Rs. 475 lakhs) for meeting its working capital requirements against pledge of stock of sugar and hypothecation of stores and spares. The balance outstanding as on 30th June 1987 in the cash credit was Rs. 389.23 lakhs.

2C.5.4. Concession in payment of purchase tax

State Government decided in December 1976 that purchase tax on cane due from the Sugar factories during the first five years of their going into production would be recovered from ninth year of their working in five equal annual instalments. Both factories started production in the year 1978-79. Tax for the first four years payable from the ninth year i.e. 1987-88, amounted to Rs. 41.81 lakhs out of which one fifth i.e. Rs. 8.36 lakhs due to be paid in 1987-88 was not paid. In addition to this concession, the Company was also exempted in October 1983 by the State Government from the payment of cane purchase tax for the Sugar season 1982-83. The financial benefit enjoyed by the Company on account of this exemption worked out to Rs. 30.09 lakhs for the period from 1982-83 to 1987-88.

The Company was also allowed in May 1982 by the State Government remission from payment of cane purchase tax at Rs. 0.74 per quintal and at Rs. 1.25 per quintal in respect of cane purchased during the period from 16th April 1982 to 30th April 1982 and from

Ist May 1982 till the closure of the factories during 1981-82 season respectively. The financial benefit to the Company on this account amounted to s.- 5.50 lakhs.

2C.5.5. Incentive to new sugar factories

The Government of India introduced in November 1980 a scheme to give incentives to new sugar factories for a period of five years in the case of high and medium sugar recovery areas and eight years in case of low sugar recovery areas.

These incentives were by way of higher quota of levy-free sugar and payment of excise duty on this additional free quota at the rates applicable to levy sugar. Under this scheme the surplus funds available by way of incentives were to be utilised only for the repayment of outstanding term loans, if any, from the central financial institutions.

Although the Company availed of the benefits under the scheme, it failed to utilise the surplus funds for repayment of term loans due to the central financial institutions as shown below:

Year	Nandganj: Benefits received	Nandganj: Amount due to Central Financial Institutions as at the end of the year	Nandganj: Amount paid	Daryapur: Benefit received	Daryapur: Amount due to Central Financial Institutions as at the end of the year	Daryapur: Amount paid
	(Rupees		in		lakhs)	
1980-81	9.22	522.38	7.57	14.26	161.26	Nil
1981-82	9.22	597.91	4.00	38.18	257.24	60.91
1982-83	15.29	670.75	1.50	38.23	322.54	47.18
1983-84	24.33	748.71	11.17	60.99	377.64	30.20
1984-85	21.87	843.27	Nil	54.16	442.77	17.00
Total	79.93		24.24	205.82		155.29

As may be seen from the table above, out of the total benefit of Rs. 285.75 lakhs derived by the Company during the admissible period of five years from 1980-81 , only Rs. 179.53 lakhs were utilised for repayment of loans to central Financial Institutions, the balance amount having been diverted as working capital, in violation of the intentions behind the introduction of the scheme.

2C.6 Commissioning of factories

2C.6.1 Nandganj

On the demand of local population and with the object of economic development of a backward district of Uttar Pradesh, the State Government decided in April 1972 to set up a new sugar factory with a capacity of 1250 tonnes cane crushing per day(TCD) at Nandganj (District Ghazipur) under the management of Uttar Pradesh State Sugar Corporation Limited (holding Company). The project was taken up by the holding Company on receipt of the letter of intent issued in January 1973 (revalidated upto November 1977).

The project was estimated in December 1976 to cost Rs. 650 lakhs by the financial institutions, but the Board of Directors estimated in December 1978 the overrun in the cost of the project at Rs. 30 lakhs making the revised estimated cost of the project to Rs. 680 lakhs. Land for setting up the factory was acquired by May 1975.

An order was placed in April 1974 on Taxmaco Limited of Calcutta for supply of plant and machinery valuing Rs. 324 lakhs(including erection and commissioning charges). The plant was expected to be commissioned in April 1976, but because of delay in arrangements for finance from the financial institutions, the supply of plant and machinery could not be started in time. In the meantime cost of plant and machinery went up and at the request of the suppliers, negotiations for increase in cost of plant were held in July 1976 and an increase of Rs. 21 lakhs was allowed to the suppliers. A fresh agreement was executed in November 1976 with the suppliers at the revised cost of Rs. 345 lakhs indicating revised date of commissioning as January 1978.

The agreement provided that the supplier was to furnish a bank guarantee for Rs. 16.40 lakhs(five per cent of the value of contract) towards performance guarantee to be valid until expiry of two crushing seasons after commissioning of the plant. The firm was liable to repair/replace or reimburse the cost of any plant and machinery or part thereof as may be found to be defective under provision of the agreement. The agreement further provided that the firm's responsibility to repair/replace the defective plant and machinery or parts thereof would extend to the actual cost and would not be limited to the amount of performance guarantee of Rs. 16.40 lakhs.

As against the scheduled date of commissioning of January 1978, the plant was actually commissioned in November 1978 after a delay of about 10 months. The firm left numerous defects in the plant and machinery involving repairs/replacement of costly items. The senior executives of the Company and the suppliers had several joint meetings and discussed details of defects remaining unremoved (value not assessed). Although the defects in the plant were not rectified by the suppliers and they failed to give performance trial as per terms of agreement, the Company allowed the bank guarantee of Rs. 16.40 lakhs , valid upto May 1980 to expire without invoking the same. However, a sum of Rs. 4.72 lakhs was withheld by the Company from the payments to be made to the firm.

The suppliers filed in May 1981 a writ petition for recovery of Rs. 5.10 lakhs plus interest which was pending (April 1989)

2C.6.2. Daryapur

The holding Company obtained in November 1973 a letter of intent for setting up a new sugar factory of 1250 TCD capacity with provision for expansion upto 2000 TCD at Rae-bareli as a unit of the holding Company. The industrial licence was granted by the Government of India in April 1974 (revalidated upto April 1977) to establish the factory within two years. A site selection committee of the holding Company selected in January 1975 a site for the new factory at Daryapur at a distance of about seven kms. from Rae-bareli town near Daryapur railway station. The Board of Directors of the holding Company in their meeting held on 2nd March 1977, decided to merge the factory with the Company. Accordingly, the project was formally merged with the Company on 8th March 1978. The net expenditure of Rs. 238.97 lakhs incurred on the project upto 7th March 1978 by the holding Company was passed on to this Company. The plant was commissioned on 15th February 1979 at a total capital cost of Rs. 545.04 lakhs.

2C.7 Cane development activities and availability of cane

The role of the Company in cane development in the areas of the factories included:-

-distribution of newly developed varieties of cane-seed among farmers by purchasing it from different research stations/outside areas,

-to give subsidy for purchase of fertilisers/pesticides agricultural implements,

-reclamation of usar land,

-educating the farmers in developed techniques of cane farming etc.

The details of expenditure incurred by the Company on cane development during the last six years upto 1986-87 are given below:

Particulars	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
	(Rupees		in		lakhs)	
Salaries & wages	10.17	10.71	12.86	16.02	16.57	17.71
Other Expenses	6.82	2.46	7.91	5.92	4.38	4.65
Total	16.99	13.17	20.71	21.94	20.95	22.46
Less:						
Subsidy received from State	12.65	11.89	18.99	19.18	17.98	19.53

Government towards cane Development expenses						
Net expenditure incurred by the Company	4.34	1.28	1.72	2.76	2.97	2.93
Percentage of expenditure on salaries and wages to total expenditure	60	81	62	73	79	79

It would appear from the above that the expenditure on cane development was mainly salaries and wages of staff employed for cane development purposes which ranged between 60 and 81 per cent of total expenditure. The details of cane area, cane production and cane availability to the sugar factories of the Company during the five years from 1983-84 to 1987-88 were as below:

	1983-84	1984 85	1985-86	1986-87	1987-88
(i) Nandganj					
Cane area (in hectares)	12596	11872	11153	11340	12209
Cane area within 16 kms radius (in hectares)	5440	4998	4788	4859	5127
Cane production (in lakh quintals)	46.26	42.33	43.66	35.44	38.10
Cane availability to sugar factory (in lakh quintals)	6.29	2.75	4.35	7.90	7.44
Average yield per hectare (in quintals)	367.22	356.55	375.00	312.50	312.00

It would appear from the above details that cane production had been falling every year (46.26 lakhs quintals in 1983-84 to 38.10 lakh quintals in 1987-88) and the average yield per hectare also came down 367.22 quintals in 1983-84 to 312 quintals in

1987-88 which shows that the cane development activities under taken by the Company were not effective. Reasons for the continued fall in cane production were not analysed by the Company.

	1983-84	1984-85	1985-86	1986-87	1987-88
(ii) Daryapur					
Cane area (in hectares)	11436	11157	11466	13541	7601
Cane area within 16 kms radius (in hectares)	6427	4134	4316	5169	5940
Cane production (in lakh quintals)	19.93	19.23	18.98	22.30	17.79
Cane availibility to sugar factory (in lakh quintals)	8.63	4.64	5.52	7.40	9.70
Average yield per hectare (in quintals)	319	450	452	461	321

The cane availability to both the factories had been so inadequate that the capacity of the factory was under utilised as discussed in para 2C.B

2C.B.Production performance

2C.B.1. Capacity utilisation

The project reports, if any, prepared for establishment of these factories were not available either with the Company or with the holding Company, with the result the aspects like capacity utilisation, loss of sugar in crushing, costs of operation, profits etc. envisaged in the project reports vis-a-vis actuals could not be scrutinised in Audit.

The installed capacity of Nandganj and Daryapur factories of the Company is 1250 tonnes of cane crushing per day (TCD) each. Keeping in view the normal season of 150 days by working in three shifts, each factory could crush 18.75 lakh quintals per year.

The capacity utilised by the Company during 5 years upto 1987-88, however, ranged between 15 and 42 per cent in case of Nandganj and 33 and 63 per cent in case of Daryapur sugar factories as shown below:

	1983-84	1984-85	1985-86	1986-87	1987-88
(i) Nandganj					
Gross season(days)	111	63	78	104	117
Cane crushed (in lakh quintals)	6.23	2.74	4.34	7.87	7.41
Capacity utilisation (per cent)	33.2	14.6	23.2	42.0	39.5
(ii) Daryapur					
Gross season(days)	103	68	73	111	109
Cane crushed (in lakh quintals)	10.65	6.16	6.79	11.22	11.86
Capacity utilisation (per cent)	56.80	32.85	36.21	59.84	63.25

The lowest capacity utilisation in both the factories had been in the years 1984-85 and 1985-86.

According to the holding Company (February 1976) the normal capacity utilisation in the sugar factories should be around 85 to 90 per cent of the ihstalled capacity. Had the Company worked to the extent of even the minimum of 85 per cent capacity, there would have been more production of 7.58 lakh quintals of sugar valued Rs. 34.36 crores during the period 1983-84 to 1987-88.

It was noticed that inadequate supply of sugar cane was the main factor responsible for underutilization of cane crushing capacity of both the factories.

Further, the site selected for the project at Nandganj was surrounded by Usar land within a radius of 10 kms, which was unfit for cane cultivation. The transport facilities were also poor as the roads were not properly connected. As such there was little possibility of getting regular supply of cane. Thus, the site selected for the project at Nandganj can not be said to be ideal one.

The frequent stoppages of cane crushing operation due to mechanical break-down was another factor responsible for under utilisation of installed capacity of Nandganj factory.

Less number of crushing days in 1984-85 and 1985-86 than the 150 were due to-

- late rains, floods and inclement weather during 1985-86 and

- start of two new factories at Sultanpur and Mahmoodabad in 1984-85 due to which cane area was further reduced by the Cane Commissioner. This clearly indicates that the Government/Cane Commissioner had been permitting establishment of sugar factories without adequately considering the fact that cane available in the area is not adequate to meet the demands of the factories already established in that area.

The Management attributed, in the annual reports, the non-utilisation of installed capacities to inadequate supply of cane which was due to the following reasons:

(a) Delay in payment of cane price to growers leading to reduced supply of sugar cane to the factories.

(b) Cane growers having marginal land divert their cane to Gur manufacturing.

(c) 10 Kms radius of land at Nandganj factory is Usar land which was not fit for cane growing.

(d) Quality of cane cultivated is of low yield variety.

(e) Poor irrigation facilities, lack of transportation facilities and link roads.

Usar land around the factories and cultivating low yield variety of cane should be viewed in the light of the fact that the Company had incurred a sum of Rs. 159.69 lakhs during the period from 1975-76 to 1986-87 on cane development activities, like reclamation of usar land and treatment and distribution of cane seed.

2C.8.2. Loss of sugar

The table below indicates the details of cane crushed, sugar produced and sugar lost in molasses, bagasse, etc. by the factories during five years upto 1987-88:-

	1983-84	1984-85	1985-86	1986-87	1987-88
	(in lakh quintals)				
(i) Nandganj					
Cane crushed	6.23	2.74	4.34	7.87	7.41
Sugar produced	0.53	0.22	0.37	0.69	0.63

		(Per	Cent)		
Sugar content in cane	11.42	11.09	11.85	11.58	11.39
Sugar recovery from cane	8.52	8.16	8.55	8.70	8.41
Sugar lost in:					
Molasses	1.39	1.44	1.79	1.53	1.55
Bagasse	1.34	1.33	1.27	1.17	1.17
Filtre Cake (Press mud)	0.05	0.05	0.07	0.07	0.05
Undetermined	0.12	0.11	0.17	0.11	0.21
Total	2.90	2.93	3.30	2.88	2.98

(ii) Daryapur

Cane crushed	10.65	6.16	6.79	11.22	11.86

Sugar produced	1.07	0.62	0.66	1.13	1.17
		(Per		Cent)	
Sugar content in cane	12.33	12.33	12.08	12.48	12.55
Sugar recovery from cane	9.98	9.97	9.70	10.06	9.81
Sugar lost in:					
Molasses	1.32	1.31	1.34	1.30	1.45
Bagasse	0.96	0.97	0.98	0.98	0.92
Filtre Cake (Press mud)	0.03	0.03	0.03	0.03	0.03
Undetermined	0.04	0.05	0.03	0.03	0.04
Total	2.35	2.36	2.38	2.42	2.44

The Sugar Industry Enquiry Commission in its report of 1974 observed that loss of sugar should not exceed 1.4 per cent in molasses, 1 per cent in bagasse and 0.1 per cent each in press mud and undetermined. The loss of sugar in Daryapur factory was generally within the maximum limits. In Nandganj factory, however, the sugar loss exceeded the norms. The value of loss of sugar in excess of norms in molasses, bagasse and undetermined was Rs. 55.91 lakhs during the above period at the average sales price of the respective years. The reasons for excessive loss of sugar were not initiated (April 1989)

2C.8.3. Loss of working time

The table below summarises the position of total hours available and total hours lost during the last five years upto 1987-88:-

It would be seen from the table above that shortage of cane was the main factor responsible for idle time in both the factories in spite of the fact that the Company had spent a sum of Rs. 159.69 lakhs including Rs. 131.47 lakhs received as subsidy from State Government from 1975-76 to 1986-87 on cane development in the cane areas of the factories. In the case of

Nandganj factory, mechanical break down was another main factor for idle time although the plant was installed only in 1978 and the Company had spent a sum of Rs. 52.58 lakhs during the period from 1983-84 to 1986-87 on repairs to plant and machinery.

2C 8.4. Performance of cane nursery farms.

Both the factories of the Company established a cane seed farm in an area of 6.41 hectares each to provide to cane growers high sugar content varieties of cane seed. These farms were also meant for demonstration and seed multiplication purposes. The details of area cultivated, expenditure incurred and revenue received from farms, during the six years upto 1986-87 were as given below:-

Particulars	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
(i) Nandganj						
Expenses (Rs. in lakhs)	0.89	0.35	0.41	0.44	0.31	0.32
Revenue (Rs. in lakhs)	0.24	0.22	0.34	0.28	0.56	0.53
Loss (-)/ Profit (+)	(-) 0.65	(-) 0.13	(-) 0.07	(-) 0.16	(+) 0.25	(+) 0.21

	Nandganj					Daryapur				
	1983-84	1984-85	1985-86	1986-87	1987-88	1983-84	1984-85	1985-86	1986-87	1987-88
Hours available for crushing	2656	1500	1854	2476	2794	2467	1615	1732	2648	2594
Hours lost due to:										
No cane	785	618	447	290	537	214	288	310	238	150
Mechanical breakdown	78	63	236	147	401	14	2	24	56	50
Miscellaneous	176	81	66	280	198	234	162	15	240	179
Total hours lost	1039	762	749	717	1136	462	452	449	534	379
Actual crushing hours	1617	738	1105	1759	1658	2005	1163	1283	2114	2215
Percentage of hours lost to available hours	39.1	50.0	40.4	29.0	40.7	18.7	28.0	25.9	20.2	14.6

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Rs in lakhs)						
rea under ane culti- ation (in ectares)	2.20	[illegible]	3.00	1.84	3.20	3.75
ii) Daryapur						
xpenses (Rs. n lakhs)	1.43	1.81	0.54	0.64	0.72	0.53
evenue (Rs. n lakhs)	0.31	0.39	0.52	0.18	0.97	0.45
oss (-)/ rofit (+) Rs in lakhs)	(-) 1.12	(-) 1.42	(-) 0.02	(-) 0.46	(+) 0.25	(+) 0.08
Area under cane culti- vation (in hectares)	5	5.15	6.35	6.35	6.41	5.26

It would appear from these details that during 1981-82 to 1986-87 the Company incurred an aggregate loss of Rs. 0.55 lakhs in respect of farms of Nandganj and Rs. 2.85 lakhs in respect of Daryapur factories. Of the 6.41 hectares of land earmarked for farm in Nandganj factory, the area used for cane farming ranged between 1.84 and 3.75 hectares only and the balance land remained unutilised, for which no reasons were on records

2C.8.5. Performance of individual shops

(a) WORKSHOP

Both the factories of the Company established workshop alongwith the main plant for undertaking day to day repairs of plant during season and special repairs during off season.

The following machines were installed in the workshop

Discription of machine	Nandganj	Daryapur
Lathe Machine	2	3
Planner	1	1
Drilling	1	1
Shaper	1	1
Grinder	1	1
Power Hexe	-	1

Twenty four operating personnel were engaged in each workshop but the installed capacities of these machines as well as of workshop as a whole were not worked out. The job cards/job registers and log books of these machines were also not maintained, in the absence of which it was not clear how the Company ensured that the machines and the personnel were being utilised proper'y

(b)Diesel Gene .or shop

Both the actories are having two diesel genera r sets each of 125 KW capacity as a standby arrangement in case of power failure. One generator set at Nandganj valuing Rs. 2.95 lakhs was lying idle since July 1985 for want of repairs. The diesel consumed , unit generated and diesel consumed per unit of electricity generated in each factory for the last three years upto 1987088 were as under:-

Year	Daryapur: Diesel consumed (In litres)	Daryapur: Units generated	Daryapur: Oil consumed per unit of generation (In litres)	Nandganj: Diesel consumed (In litres)	Nandganj: Units generated	Nandganj: Oil consumed per unit of generation (In litres)
1985-86	23460	82664	0.28	29788	37620	0.79
1986-87	24870	40924	0.61	35780	36528	0.98
1987-88	19422	38796	0.50	34026	25140	0.74

No norms for the consumption of diesel were fixed by the Management. Reasons for wide variation in consumption of diesel between the two factories called for from the Company were not furnished. However, as compared to consumption of 0.28 litre of diesel per unit of electricity generated by Daryapur factory in 1985-86 there was excess consumption of 21970 litres of diesel valuing Rs. 0.84 lakhs in that factory during 1986-87 and 87-88. Similarly, the excess consumption in Nandganj factory with reference to the optimum consumption of 0.28 litre in Daryapur, worked out to 71793 litres of diesel valuing Rs. 2.68 lakhs during 1985-86 to 1987-88.

(c)Lime kiln

The Nandganj factory installed a lime kiln at a cost of Rs. 0.96 lakh in 1978-79 for manufacture of lime out of lime stone to be used for processing of sugar cane juice. It was, however, noticed that since 1982-83 the Company has been purchasing lime for use by the factory and the kiln was lying idle (April 1989) . The reasons for not using the lime kiln were neither on record nor were intimated.

(d) Cane seed treatment plant

NANDGANJ

The Board of Directors approved in January 1976 the purchase of a Hot Water Can Seed Treatment Plant for Nandganj Factory with a view to provide the cane growers good and high yield varieties of cane seed, duly treated in hot water. The plant was purchased and installed at a cost of Rs. 0.50 lakh in 1976-77 . The factory did not maintain any record to show the utilisation of the plant. However, it was noticed that the plant was lying idle after its use in the first year of the commissioning of the factory in 1978-79. The plant has neither been used nor disposed of since then.

DARYAPUR

During 1975-76 the factory installed a "Hot Water Seed Treatment Plant" at a cost of Rs. 0.85 lakh with a capacity of treating 15000 quintals of cane seed during a season with a view to provide cane growers high yield varieties of cane seed duly treatment in hot water.

The following table indicates the quantity of seeds treated, capacity of the plant utilised and the expenditure incurred thereon per year during the five years upto 1987-88

Year	Quantity of seeds (in Quintals)	Capacity utilised (per cent	Expenditure incurred (in Rupees)
1983-84	869	5.8	2400
1984-85	1353	9.0	6128
1985-86	783	5.2	10954
1986-87	346	2.3	10957
1987-88	432	2.9	280

It would be seen from the above table that annual expenditure went on increasing whereas quantity of seeds treated declined steadily.

It was envisaged at the time of installation of the plant that cane growers of nearby areas of the factory would bring their cane seeds for treatment in the factory's plant before sowing. However, no cane grower turned up to get their seeds treated due to heavy transport cost involved. The only seed treated in the plant was of the factory which was sold from the factory's nursery farm

It is worth while to mention that the Company purchased about 4 lakh quintals of cane seeds during 1975-76 to 1080-81 from other districts to be distributed to growers which was also not treated.

It was stated (October 1988) that due to decline in cane growing area near the factory, hot water treatment plant could not be utilised.

(e) Iron foundry shop

An Iron foundry shop was established at Nandganj factory during 1978-79 at a cost of Rs. 2.51 lakhs. The foundry shop was never operated since its establishment, for which no reasons were on record. The foundry work for a value of Rs. 0.46 lakh was got done by the factory through outside agencies during 1985-86 to 1987-88.

Thus expenditure of Rs. 2.51 lakhs incurred on establishment of the shop remained unfruitful ever since it was established.

(f) Bagasse baling machine

Daryapur unit purchased a bagasse baling machine in 1982-83 at a cost of Rs. 1.28 lakhs for baling surplus bagasse for sale. However, no bagasse was found surplus for sale by the factory till June 1988. The machine was utilised only for few days during February and March 1988 when 7481 bales of bagasse were sent out for storage purposes. The Management stated(October 1988) that since the entire bagasse produced was consumed, the machine could not be utilised fully

2C.9. Cost of Production

2C.9.1. The table below summerises the cost of production, cost of sales and average sales price realised per quintal as per the accounts during the six years upto 1986-87:

Parti-culars	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
		(in Rupees)				
Nandganj						
Raw mat	312.78	286.78	30C.68	314.09	329.71	352.76

erial cost						
Conversion cost	445.18	490.21	569.40	1334.73	793.41	439.54
cost of production	757.96	776.99	870.08	1648.82	1123.12	792.30
Packing and Selling Expenses	9.20	10.16	12.69	21.71	13.02	7.05
Cost of Sales	767.16	787.15	882.77	1670.53	1136.14	799.35
Average Sales realisation	388.94	367.85	375.72	413.39	483.80	485.90
<u>Daryapur</u>						
Raw material cost	306.75	255.46	251.72	263.61	289.30	297.10
Conversion cost	156.62	213.69	282.64	448.35	387.56	215.96
cost of production	463.37	469.15	534.36	711.96	676.86	513.06

Packing and Selling Expenses	7.53	9.79	12.92	20.49	13.09	10.95
Cost of Sales	470.90	478.94	547.28	732.45	689.95	524.01
Average Sales realisation	399.93	366.00	375.09	428.57	501.08	488.59

The main reasons for higher cost of production as compared to average sales realisation per quintal were heavy transport charges, heavy expenditure on power and fuel and high incidence of repairs and maintenance as discussed below:

2C.9.2 Cane transportation charges

The cane price payable for cane purchased at procurement centers, as fixed by the Government from time to time is less by 50 paise per quintal than the price payable for cane at factory gate. It was observed in Audit that the reduction in the purchase price gained by the Company at the rate of 50 paise per quintal during the six years upto 1987-88 was far less than the actual expenditure incurred by the Company on transportation of cane from the procurement centres to the factory as detailed below:

	Tranportation charges incurred		Amount reduced from the Cane Price	
	Nand ganj	Darya pur	Nand ganj	Darya pur
	(Rupees in lakhs)			
1982-83	25.82	63.47	1.13	6.20
1983-84	24.43	36.99	2.25	4.45
1984-85	9.66	25.23	0.95	2.58
1985-86	17.14	24.26	1.58	2.65
1986-87	41.14	47.61	2.90	4.24
1987-88	37.12	36.93	2.70	4.43
Total	155.31	234.49	11.51	24.55

On an average, more than two thirds of the total supply of cane is made at the procurement centres, which indicates that the growers prefer to deliver the cane at precurement centres even at the low rate. The reduction of just 50 paise per quintal the in the cane price was not adequate to deter the growers from delivering the cane at the procurement centres. As a result, more than two third of the total procurement which was delivered at the centres had to be transported by the Company to the factory at its cost.

There is apparently a need to review whether the difference of 50 paise per quintal in the prices of cane to be delivered at factory gate and outstation may be increased to induce the farmers to supply cane at factory gate.

2C.9.3. Consumption of power and fuel

As per Sugar Industry Enquiry Commission Report of 1974 , in a well operated and maintained factory the fuel requirement in terms of bagasse should be 26 to 28 per cent of cane crushed. It was, however, observed that the factories of the Company used fuel in addition to the bagasse produced during 1982-83 to 1987-88 as per details given below:

Year	Consumption of bagasse as percentage of cane crushed	Expenditure on coal and firewood (Rupees in lakhs)
<u>Nandgani</u>		
1982-83	44.45	0.29
1983-84	43.85	2.04

1984-85	43.84	2.35
1985-86	43.53	2.72
1986-87	44.93	2.22
1987-88	45.21	4.82
<u>Daryapur</u>		
1982-83	32.45	0.69
1983-84	31.75	4.33
1984-85	32.03	2.08
1985-86	32.10	1.93
1986-87	32.52	0.89
1987-88	30.25	2.58
		26.94

It would be seen from the above that while the consumption of bagasse was higher than the norms prescribed in all the years in case of both the factories, fire wood and coal valuing Rs. 26.94 lakhs was used as additional fuel, the reasons for which were not ascertained by the Company. The reasons for higher consumption of bagasse in Nandganj as compared to Daryapur factory were also not analysed.

2C.10. Cost analysis

The Company had not maintained proper cost records relating to utilisation of materials, labour and other elements of cost as required under Rule 3 (Scheduled 1 and 2) of cost Accounting Records (Sugar)Rules 1974. Standard norms for consumption of raw materials, labour, power and fuel, etc. have not been fixed and variations were not being analysed. The consumption of following items per quintal of sugar produced varied widely between the factories during 1984-85 , but reasons thereof were not analysed.

Particulars of items	Nandganj	Daryapur
(i) Electricity consumed (In units)	45.40	26.36
(ii) Sulphur (in kilograms)	3.30	1.61
(iii) Lime (In Rupees)	5.82	1.98
(iv) Chemical and laboratory stores (in Rupees)	3.02	1.46
(v) Stores and spares (In Rupees)	48.43	23.47
(vi) Direct labour (in Rupees)	49.13	51.90

Cost of audit of both units of the Company was ordered by the Government of India in February 1985 and March 1987 relating to the years 1984-85 and 1986-87 respectively.

Cost audit report for the year 1984-85 had been submitted by the cost Auditors in January 1987, whereas report for the year 1986-87 was awaited (April 1989). The cost auditors in their report of January 1987 for 1984-85 pointed out the following deficiencies in the costing system adopted by the Company.

(a) Technical data provided for cost statements was not actual but a guess work.

(b) In the absence of proper cost records, figures from financial accounts were taken for costing purposes.

The Company was yet(April 1989) to take measures to remedy the situation reported by the cost auditors.

2C.11 Sales performance

2C.11.1 The quota of the levy sugar fixed by the Government of India is released to the State Government through Uttar Pradesh Cooperative Federation. In respect of free sugar, the Company has no sale organisation of its own. the sale of free sugar is carried out by the holding Company through the selling agents appointed throughout the state, at Patna and Calcutta. The holding Company issues sales advices to the selling agents indicating date of sale, quantity, rate, quality and grade of sugar sold, amount to be realised and the period within which sugar is to be lifted. The terms stipulated levy of penalty at specified rates in case of non-lifting of sugar by the agents.

2C.11.2 Lapse of free sale quota

Out of free sale sugar available with the Company, the Directorate of sugar and Vanaspati, Ministry of Agriculture, Government of India releases quotas of sugar from time to time for sale during the same month and the quantity remaining unsold at the close of the month lapses. The table below indicates factory-wise quantities of free sale sugar available, quantities released for sale, quantity sold and quantities lapsed during 1985-86 to 1987-88:

Year	Quantity of free sale sugar available for sale	Quantity released for sale	Quantity sold	Quantity lapsed

(In Quintals)

Nandganj

1985-86	22100	18994	10652	8342
1986-87	46929	44918	36126	8792
1987-88	64778	55880	40167	15713

Daryapur

1985-86	40662	39202	33515	5687
1986-87	67496	54444	48871	5573
1987-88	78095	64965	64052	913

Since the working capital requirements of the Company are met out of cash credit from banks, the lapse of quota has direct bearing on interest liability, there was however, nothing on records to show whether any action was taken by the Company to sell all the free sale sugar released by the Government of India.

2C.11.3 Non levy of penalty

The terms and conditions of the agreements entered into by the holding Company with the selling agents provide, levy of penalty at Rs. 5 to 10 per quintal in case of non-lifting of sugar by the agents, in addition to damages calculated on the basis of difference between contracted rate and the rate at which sugar was actually sold.

During the course of audit it was noticed that penalty amounting to Rs. 0.36 lakh and Rs. 0.20 lakh was not levied by Nandganj unit in 63 cases and by Daryapur unit in 21 cases due to non-lifting of 7285 and 3974 quintals of sugar respectively against sales advices issued between July 1985 and April 1988. Reasons for non levy of penalty were not on record.

2C.11.4. Buffer stock subsidy

The Government of India introduced in September 1982 a buffer stock scheme, from the crushing season of 1981-82. Under this scheme, a specified stock of sugar was to be maintained on behalf of Government of India by the factories. Additional buffer stock quota to be maintained was also allotted to factories from crushing season 1982-83. The expenditure incurred by the factories on maintenance of such stock by way of interest on cash credit, storage and insurance charges was to be reimbursed by Government of India as subsidy on presentation of quarterly bills subject to the conditions that:

(i) the buffer stock should be stored in separate lots and separate godowns.

(ii) the buffer stock of sugar to be maintained should be of Indian Sugar

Standard (ISS) of C-30 or D-30 grades preferably a single grade and

(iii) the buffer stock should be kept intact and it should not be despatched or replaced without prior permission of Directorate of Sugar, Government of India.

The scheme of buffer stock continued upto December 1984. During test check it was noticed that the quarterly bills amounting to Rs. 3.33 lakhs relating to the buffer stock for the period October 1983 to December 1984 preferred during February 1984 to April 1985 by Nandganj factory were returned by the Government of India in May 1986 with the objection that quarterly bills for buffer stocks should be submitted for each quarter separately. The revised bills were required to be submitted in May 1986. The claims, after attending to the objections, were however, submitted to Government of India only in April 1988 i.e. after a lapse of about two years thereby incurring further liability of payment of interest on cash credit amounting to Rs. 1.20 lakhs (calculated on Rs. 3.33 lakhs for two years at 18 per cent per annum). The amount of subsidy was yet to be received (May 1989).

Daryapur factory held a buffer stock of 9363 bags of sugar upto 31st October 1983, which included 2240 bags of sugar of lower grade i.e. E-30 grade. The factory's claims of subsidy for Rs. 9.74 lakhs submitted to Government of India during April 1984 to October 1986 were finally accepted in February 1987 for Rs8.59 lakhs only. The claim for buffer stock subsidy of Rs. 1.15 lakhs for 2240 bags of degraded sugar was disallowed by the Government of India in February 1987 on the ground that subsidy was not admissible on this quality of sugar. Thus due to non-maintenance of required grade of sugar for buffer stock, factory's claim of subsidy to the extent of Rs. 1.15 lakhs was rejected.

2C.12. Inventory control

2C.12.1 Inventory holding

The value of stores and spare parts of both the factories consumed during the year and balance at the close of each of the six years upto 1986-87 were as follows:

Year	Consumption of stores and spares during the year	Closing stock of stores and spares at the close of the year	Closing stock in terms of number of months' consumption
	(Rupees in lakhs)		
1981-82	27.38	24.29	10.65

1982-83	30.59	44.02	17.27
1983-84	24.60	49.52	24.16
1984-85	19.06	46.79	29.46
1985-86	19.69	43.51	26.53
1986-87	30.40	45.36	17.93

The following points were noticed:

(i) Maximum, minimum and re-ordering levels for items of stores had not been fixed.

(ii) ABC analysis of stores had not been made to ascertain non-moving, slow moving and fast moving items of stores.

(iii) There was no system to ascertain obsolete and surplus items of stores at regular intervals.

(iv) No account of scrap received was being maintained.

(v) The closing stock of stores and spares in terms of number of months' consumption which was 10.65 months in 1981-82 increased in subsequent years and ranged between 17.27 and 29.46 months during 1982-83 to 1986-87.

2C.13. Manpower analysis

2C.13.1. Holding Company fixed in June 1978 the standard man power strength of 749 and 801 for Nandganj and Daryapur factories respectively. The standard strength of Daryapur factory was revised by the holding Company as 816 in July 1985. While the actual strength of Nandganj was within sanctioned strength, the actual strength of Daryapur factory was in excess of the sanctioned strength, resulting in extra expenditure of Rs. 25.75 lakhs during 1982-83 to 1987-88 as shown below:

Particulars	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88
	(Number		of Personnel)			
Sanctioned strength	801	801	801	816	816	816
Actual strength	949	840	835	856	851	820
Excess strength	148	39	34	40	35	4
	(Rupees		in		lakhs)	
Payment made to staff excess employed calculated at minimum	10.91	3.35	3.16	3.93	3.95	0.45

wage rate

The Company had requested (March 1988) the holding Company to refix the standard strength so as to streamline the existing staff strength. The decision of the holding Company was awaited (April 1989).

2C.13.2 Employment of Casual Labour

Both the factories employ casual labourers in addition to regular staff. The expenditure incurred on employment of casual labour by both the factories during the six years upto 1987-88 was as follows

	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88
	(Rupees	in		lakhs)		
Daryapur	8.34	3.51	3.59	4.05	5.78	5.47
Nandganj	5.52	6.56	5.84	1.34	1.29	2.42

It would be seen from the above details that expenditure incurred on employment of casual labour by Nandganj unit during 1983-84 and 1984-85 was more than that in Daryapur unit in spite of the fact that cane crushed by

Nandganj unit was less than that crushed by Daryapur unit.

The employment of labour on casual basis by Nandganj unit needs to be viewed in the light of the fact that iron foundry, hot water seed treatment plant, lime kiln and diesel generator were lying idle and factory was getting jobs done by outside parties.

2C.13.3. Employment of staff on consolidated salary basis.

Nandganj unit, in addition to regular and casual staff, had employed staff on consolidated salary basis which was beyond the powers of the Executive Director. The expenditure incurred by the unit during 1985-86 to 1987-88 on employment of staff on consolidated salary basis was as follows:-

Year	Amount (Rupees in lakhs)
1985-86	3.24
1986-87	3.10
1987-88	4.17

The justification for employment of such staff was not on record. The expenditure incurred had not been regularised so far (June 1988).

2C.13.4. Overtime payments

Despite under utilisation of capacities, both the units made overtime payments of Rs. 33.07 lakhs during the years 1982-83 to 1987-88 (Nandganj: Rs. 19.90 lakhs and Daryapur: Rs. 13.17 lakhs) as shown in the following table:"-

Particulars	1982 -83	1983 84	1984 85	1985 86	1986 87	1987 88
Nandganj						
Overtime hours (in thousands)	51	36	48	13	33	51
Overtime wages (Rupees in lakhs)	3.51	2.85	3.72	1.18	3.26	5.38
Daryapur						
Overtime hours (in thousands)	39	21	18	15	24	13
Overtime	3.13	1.92	1.67	1.63	2.75	2.07

wages
(Rupees
in
lakhs)

Reasons for payment of overtime were not on record. In this connection the following points deserve mention:

(i) Overtime payments by Nandganj unit were more than those in Daryapur unit, despite the fact that cane crushed by Nandganj unit was less than that crushed by Daryapur unit.

(ii) As per Rule 86(iii) of Uttar Pradesh Factory Rules, 1950 the total daily hours of work by a worker shall not exceed 10 with a spread over of 12 hours. It also provides that in no case a worker be employed for more than 16 hours in a period of 24 hours from the commencement of work and the number of hours of overtime shall also not exceed 50 hours in any quarter.

A test check in Audit of the monthly bills of overtime payments for December 1985 to March 1987 disclosed that 112 workers were engaged on overtime for 51 to 248 hours per month for which no justification was on record

2C 14. Internal Audit and budgetary control

2C.14.1. Internal Audit.

Internal audit of the Company is conducted by the holding Company through its internal auditor with headquarters at Daryapur (Rae-Bareli) who is under the direct control of the managing Director of the holding Company.

According to the guidelines prescribed (December 1982) by the holding Company, the scope of internal audit covers broadly all activities of the Company. The duties assigned to the internal Auditors are:

(i)reporting to the Management cases of non observance of orders issued and procedures laid down,

(ii) checking accuracy of the accounting records,

(iii) ensuring accuracy of weighments of cane at the gate and out-centres,

(iv) pre-check of purchases and post-check of emergency purchases and all payments.

(v) physical verification of stores and spares and finished goods and

(vi) conducting specific investigations entrusted by the Managing Director.

Internal Auditor has to submit monthly reports to the Managing Director of the holding Company by 10th of the following month with copies to the Executive Directors of the units, who are required to send their replies directly to the Managing Director with a copy to the internal auditor. The points which remains unsettled are to be incorporated by the Internal Auditor in his next monthly report. The internal audit procedure of the Company was deficient to the following extent

(a) the percentage of checks to be exercised by the Internal Auditor had not been specified.

(b) As there are two units of the Company, one Internal Auditor was not able to cover all activities of both the factories.

(c) The points remaining unsettled were not incorporated by the Internal Auditor in his next monthly reports. Thus there was no record to watch the follow-up action on observations made by him.

2C.14.2 Budgetary control

A budget is prepared in advance to attain an estimated physical and financial target during a specified period. It is an instrument of managerial control by means of which the Management can measure performance of each wing of the concern and take corrective action for deviations.

However production, sales and financial budgets were not prepared by the Company. Due to non preparation of these budgets, the Managment/Board of the Company is denied of deriving the benefits of the budgets.

2C.15. Financial position and working results

2C.15.1 Financial position

The accounting year adopted by the Company is from Ist July to 30th June each year. The table below summarises the financial position of the Company at the end of the last six years upto 30th June, 1987

Liabi-lities	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
	(Rupees in lakhs)					
Paid-up	503.00	539.97	539.97	539.97	1630.73	1719.62

capital (including advance share appilication money)						
Reserves and surplus	225.23	229.75	232.12	233.29	233.46	233,79
Borrowings	1280.67	1597.47	1635.25	1325.62	1025.25	1160.13
Trade dues and other Current liabilities (in cluding provisions)	595.11	721.72	605.18	1054.03	750.72	655.70
Total	2604.01	3068.91	3212.52	3152.91	3640.16	3769.24
Net fixed assets	676.05	553.63	481.75	416.28	357.95	307.55
Capital works-in progress	5.82	16.58	7.71	10.56	10.45	11.04
Investments	0.01	0.01	0.01	--	--	--
Current assets, loans and	699.77	868.45	671.52	267.27	437.32	622.46

advances						
Miscell-aneous expenses	0.27	0.22	0.18	0.13	0.09	0.04
Accumu-lated loss	1222.09	1630.02	2051.35	2458.67	2834.35	2828.15
Total	2604.01	3088.91	3212.52	3152.91	3640.16	3769.24

The Company had been incurring losses continuously since inception and the accumulated losses as on 30th June 1987 amounted to Rs. 28.28 crores thereby completely wiping out not only the paid up capital including share capital advance of Rs. 17.19 crores but also loans to the extent of Rs. 11.09 crores.

The accumulated losses as on 30th June 1987 represented 164.42 per cent of the paid- up capital.

2C.15.2. Working results

The working results of the Company for the six years upto 1986-87 are tabulated below:

	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
	(Rupes in lakhs)					
Expenses						

Raw material consumed	642.13	581.75	428.32	232.77	314.39	577.99
Stores and spare parts	27.38	30.59	24.60	19.06	19.70	30.40
Salaries and wages	94.46	136.48	130.06	134.35	147.00	191.98
Repairs and maintenance	22.68	49.59	38.65	31.18	27.71	48.85
Power and fuel	19.36	15.64	19.18	17.62	20.27	21.16
Other expenses	17.36	19.09	18.18	19.36	18.65	24.16
Depreciation	114.18	143.86	100.31	72.17	60.04	53.71
Interest	191.60	248.48	286.93	293.41	271.43	162.74
Selling expenses	1.40	3.92	4.68	4.10	1.23	2.29
Total	1130.55	1229.40	1050.91	824.52	880.42	1113.28
Value of production and other income						
Sales	322.76	656.95	829.90	799.69	349.77	662.50

Add: closing stock in trade	615.51	775.79	550.33	151.88	291.20	500.75
Total:	938.17	1432.74	1380.23	951.57	840.97	1163.25
Less: Opening stock in trade	129.98	615.51	775.79	550.34	151.88	219.20
Value of Production	808.29	817.23	604.44	401.23	489.09	872.05
Other income	10.41	8.75	12.05	12.78	15.37	11.75
Total:	818.70	825.98	616.49	414.01	504.46	883.80
Working loss	311.85	403.42	434.42	401.51	375.96	230.11
Transfer to investment allowance, initial depreciation and molasses fund	0.27	4.65	2.37	1.25	0.20	0.30
Recovery of earlier years provisions not written back	1.80	0.14	15.47	4.43	0.48	236.00
Net loss (-)/Profit+)	(-) 310.32	(-) 407.93	(-) 421.32	(-) 407.33	(-) 375.68	(+) 6.19

The nominal profit during 1986-87 was due to the fact that Company reversed interest provision made in earlier years during the year which were waived by financial institution.

The losses were attributed by management in Annual Reports mainly to high percentage of driage, high cost of transportation and under utilisation of plant capacity due to non-availability of cane.

It was, however, noticed in Audit that employment of staff in excess of sanctioned strength, heavy payment of overtime wages and excess loss of sugar in bagasse, molasses and press mud were other factors responsible for losses incurred by the Company.

2C.15.3. The working results of the individual factories for the last six years upto 1986-87 are tabulated below:

Factory	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
	(Rupees	in	lakhs)			
Nandgani						
Value of production	189.14	210.88	195.90	109.30	172.27	327.00
Other	3.11	3.24	18,18	7.60	2.51	223.28

income						
Total	192.25	214.12	214.08	116.90	174.78	550.28
Expenses	387.80	452.34	470.41	374.70	424.77	520.77
Net loss (-)/Profit (+)	195.55	238.22	256.33	257.80	249.99	(+) 29.51
Daryapur						
Value of production	615.15	606.36	408.53	291.94	316.80	545.04
Other income	9.08	5.64	9.35	9.60	13.32	24.52
Total	628.23	612.00	417.88	301.54	330.12	569.56
Expenses	743.00	781.71	582.87	451.07	455.81	592.87
Net loss	114.77	169.71	164.99	149.53	125.69	23.31

It would be seen from these details that the value of production (sales plus closing stock minus opening stock) was not sufficient in any year, in case of both factories, to cover the manufacturing, trading and other expenses.

2C.16. Other topics of interest

2C.16.1. Unproductive expenditure on railway siding

A reference is invited to paragraph 2.38 of the Report of the Comptroller and Auditor General of India (Commercial)for 1975-76, wherein mention was made about completion of railway siding in March 1976 but not put to use.

The railway siding was declared open in May 1976, when the first engine and the wagons that entered the siding, sank along with the land and the crane which came for rescue work also met the same fate. The siding was not repaired by the Railways and at the instance of the Railways the Company got a culvert constructed in 1979 but the siding was never restored for the traffic and was finally declared as closed in December 1980.

In addition, Railways also claimed from time to time maintenance charges and interest of Rs. 1.88 lakhs which was paid during the period from December 1985 to January 1987.

In April 1988, the Company approached the Railways with the following three options, requesting the latter to act on one of them:

(i) Restoration of the railway siding.

(ii) Refund of all amounts paid by the Company.

(iii) Appointment of an Arbitrator in case the Railways eel that the matter is to be disputed.

A reply from the railway was awaited till April 1989.

Thus the expenditure of Rs. 6.87 lakhs incurred by the Company on railway siding by way of payments made to Railways towards cost (Rs. 4.77 lakhs), maintenance charges and interest (Rs. 1.88 lakhs), supply of sleepers (Rs,0.17 lakh) and cost of culvert (Rs.0.05 lakh) remained unfruitful.

2C.16.2. Avoidable loss due to payment of cane dues direct to growers

Rule 45 of Uttar Pradesh Sugar Cane (Regulation of Supply and Purchase) Rules, 1954 provides that if the cane dues are paid directly by the sugar factory to the cane growers, the remuneration payable by the cane union to sugar factory towards the expenditure on disbursement of cane price will be decided by the Cane Commissioner, Uttar Pradesh.

Nandganj factory made payment of cane dues directly to growers from 1978-79 to 1987-88, but instead of getting the rate of remuneration decided by the Cane Commissioner, an agreement effective from 1978-79 was entered into in February 1981 with one Cane union (out of seven cane unions), according to which remuneration payable by the union was Rs. 60 per Rs. 1.00 lakh paid directly by the Company to the cane growers. The expenditure incurred by the factory in the engagement of staff for disbursement work amounted to Rs. 1.96 lakhs during these years against which remuneration received from cane union was Rs. 0.49 lakh only. The matter of fixation of remuneration was taken up by the factory with the Cane Commissioner only in July 1987 but the same was rejected in August 1987 on the ground that the remuneration fixed on mutual agreement between the cane society and the factory can not be revised. Factory again approached Cane Commissioner in October 1987 to revise his order. Further progress was awaited (April 1989).

2C.16.3 Loss due to fire

A fire took place on 17th December 1987 in side the factory building in which ACB 3200 Ampere 440 volt L & T make 1500 KW Turbine set panels were damaged. The damaged panels were replaced/repaired between 17th and 27th

December 1987, during which period the factory remained closed. The total loss due to fire on repairs/replacement of the machinery and others was worked out by the Company in May 1988 at Rs.9.02 lakhs as per details given below:

	(Rupees in lakhs)
Repairs and Replacement of machinery (including salary and wages and overtime payments)	4.50
Cost of juice-in-process losing its properties) Driage of cane during closure of the factory)	4.52
Total	9.02

The Company lodged in March 1988 a claim with the insurance Company for Rs.4.34 lakhs being expenditure on repairs and replacement of machinery including salaries and wages (Rs. 2.78 lakhs) but excluding overtime payment (Rs. 0.16 lakh). The claim has been settled (April 1989) for Rs. 0.43 lakh only. However, no claim has been lodged in respect of cost of juice-in-process and driage of cane (Rs. 4.52 lakhs), for reasons not on record.

2C.16.4. Construction of sugar godown

Construction of 'Sugar godown No 2' was awarded to U.P. Rajkiya Nirman Nigam (UPRNN) Limited in the year 1976 along with other civil works of the Company on actual cost plus centage charges (15 per cent) basis without preparing an estimate therefor .After the progress of the work had reached third beam level in January 1979 at a cost of Rs. 5.00 lakhs, the work was suspended for want of an additional amount of Rs. 3.5 lakhs demanded by UPRNN for completion of the remaining work, which the Company failed to provide, due to shortage of funds.

The work remained suspended upto December 1983 when on the basis of tenders, the remaining work was awarded to a contractor of Lucknow for Rs. 4.87 lakhs (excluding cost of steel and GCI sheets) to be completed within 5 months. The contractor, however, could not complete the work within the stipulated time owing to slow progress on his part and also failure on the part of the factory in providing construction material as per provisions of the contract. After completing a part of the work valuing Rs. 4.28 lakhs, the contractor died(June 1986). The Company estimated in November 1986 the cost of the remaining work at Rs. 0.88 lakh(excluding cost of steel and GCI sheets) Fresh tenders were invited in January 1987 and an agreement was entered into in September 1987 for the remaining work with a contractor of Gorakhpur for Rs. 1.85 lakh(including extra items of Rs. 0.80 lakh). Against this agreement , a sum of Rs. 1.57 lakhs had already been paid and a sum of Rs. 0.35 lakh had fallen due in the final bill which had not been paid upto September 1988. Besides, the Company issued steel and G.C.I. sheets valuing Rs. 3.17 lakhs in the above two agreements.

The godowns had now reached the stage of completion after 12 years after incurring an expenditure of Rs. 13.57 lakhs excluding value of the extra item of insproofing(Rs. 0.80 lakh), resulting in avoidable extra expenditure of Rs. 5.07 lakhs which could have been avoided if UPRNN were provided Rs. 3.50 lakhs demanded by them for completion of work. The expenditure of Rs. 13.57 lakhs included a sum of Rs. 0.46 lakh spent on dismantling and relaying of perlines and bricks in the floor which was necessitated because the brick work previously executed was not fit for insproofing .

The Company stated (September 1988) that the amount of Rs. 3.5 lakhs could not be provided to UPRNN and work remained suspended for about 4 years due to paucity of funds. It may, however, be stated that a sum of Rs. 2.21 lakhs was due till September 1988 from UPRNN out of advances given to them upto 1980.

2C.16.5 Irregular payment of ex-gratia

Daryapur unit of the Company was not covered by the Bonus Act during the year 1981-82. A proposal for payment of ex-gratia to workers of Daryapur unit equal to two month's pay to boost their morale and efficiency was put up before Board of Directors on 10th May 1982. It was decided in the meeting that the matter may be referred to the State Government for their approval as payment of ex-gratia had been banned (February 1982) by the State Government. However, the factory without waiting for the approval of the State Government, paid ex-gratia during September/ October 1982 amounting to Rs. 6.33 lakhs.

While according (December 1985) ex-post-facto approval for the payment, the Board directed the Chairman of the Company to look into the irresponsible act of the Executive Director of Daryapur unit regarding payment of Ex-gratia for 45 days. The details of approval obtained from State Government and of the action taken against the Executive Director was not made available to audit.

It was stated (October 1988) by the local Management that ex-gratia was paid due to forced demand of workers and extempore production of sugar during 1981-82.

2C.16.6 Delay in payment of cane dues

Cane price is required to be remitted by a factory to the societies within 15 days of purchase of cane, failing which interest at 15 per cent per annum is payable.

It was noticed that there were delays in payment of cane dues by both the factories from time to time making the Company liable for payment of interest. The interest liability on this account worked out to Rs. 7.85 lakhs and Rs. 12.17 lakhs in case of Nandganj and Daryapur factories respectively as on 30th June 1987

The above matters were reported to the Government in February 1989 their replies had not been received (May 1990).

SECTION 2D

KSHETRIYA VIKAS DEPARTMENT

MORADABAD MANDAL VIKAS NIGAM LIMITED

HIGHLIGHTS

The Company was incorporated in March 1977 for the economic development of the three districts of Moradabad Mandal (Moradabad, Rampur and Bijnore). Out of the paid-up capital of Rs. 25 lakhs, Rs. 20 lakhs were kept with Banks upto March 1981. Although interest earned was liable to income tax, the Company failed to file income tax returns and to pay advance tax and asa result it had to pay a penalty of Rs. 1.35 lakhs imposed by the Income tax department.

The Company obtained term loan of Rs. 64.60 lakhs from Government exclusively for purchase and distribution of agricultural inputs. While the loan amount was utilised for procurement of wheat, the amount of principal and interest amounting to Rs. 16.61 lakhs, due for payment upto August 1988, was not paid. The Company also lost the benefit of rebate of Rs. 1.13 lakhs admissible for timely repayment.

A review of the manufacturing and trading activities and Government sponsored social welfare schemes undertaken by the Company revealed the following:

(a) Manufacturing activities

(i) For meeting the requirements of Forest Department of low density polythene bags, the Company, having not established industrial unit of its own for manufacturing the same, procured the bags from private parties, in contravention of the Government Orders issued in December 1985, reiterated in April 1988. Further, by producing incorrect documentary evidence to Forest Department, to Government, and to the suppliers of raw material, of owning and managing industrial units under its supervision, obtained allotment of raw material and diverted the same to private parties unauthorisedly. Further, the Company paid avoidable dealers' commission amounting to Rs. 0.54 lakh on the purchase of the raw material.

(ii) In the operation of 4 brick kilns during the years 1983-84 to 1987-88 the Company sustained a loss of production of Rs. 12.55 lakhs due to underutilisation of capacities besides closure of activity, leaving behind unsold stock worth Rs. 2.24 lakhs as on 31st March 1989.

(iii) The efforts made by the Company to manufacture and popularise the use of solar cookers between 1984-

85 and 1987-88 also met with little success, as out of 7,102 cookers available for sale, only 3,153 cookers could be sold to ultimate users, despite Central and State Government subsidy.

(b) Trading activities

(i) The company purchased 34,299 meters of 4 kg/6kg pressure PVC pipes for use in free boring of tubewells by Minor Irrigation Department during 1986-87 and 1987-88 from a local supplier at higher rates and incurred extra expenditure of Rs. 1.74 lakhs, despite availability of above pipes on rate contracts.

(ii) the performance of the company in procurement of wheat in 1988 under price support scheme of Government of India declined to 20 percent of that procured in the preceding year, despite incentive of Rs. 2 per quintal paid to farmers.

(c) Social Welfare Schemes

(i) The Company purchased various items of "Pushta Ahaar"/'Posha Ahaar' under State sponsored Bal Vikas/Drought Relief Scheme 1987-88 at higher rates from a local supplier, who supplied the same items at much lower rates to Meerut Mandal Vikas Nigam Limited under the same scheme and incurred an extra expenditure of Rs. 2.23 lakhs besides purchase of other items at extra cost of Rs. 2.84 lakhs. The company also earned profit of Rs. 1.87 lakhs under the scheme by supply of these items to District Harijan and Social Welfare Department at higher rates. These resulted in distribution of lesser quantities under the scheme to the extent of 29.3 percent.

(ii) For providing irrigational facilities at cheaper rates, the company executed 28 community tubewells at a cost of Rs. 1.36 lakhs between April 1982 and March 1985. It did not have the information about the number of beneficiaries and area of land irrigated, in the absence of which it could not be ensured that the expenditure incurred on the scheme was justified. Shortfall in realisation of revenue was about Rs. 1.51 lakhs upto 1987-88 and was mainly due to the company's inability to provide credit facility to the farmers. Since the service was not yielding expected revenue, all the tubewells were proposed in February 1988 to be auctioned. The scheme was thus a failure and the investment proved largely infructuous.

(iii) A comparison of expenditure simultaneously incurred by the Company and Minor Irrigation Department under the scheme "Free Boring" in the fields of Scheduled Caste farmers revealed that the Company incurred extra expenditure of Rs. 2.03 lakhs by providing extra items. Though the scheme contemplated providing irrigational facilities in drought conditions and stipulated completion of boring work by November 1987, the Company could complete only one boring by November 1987. Out of 279 borings completed by August 1988, loan/subsidy for purchase of diesel engines could be granted only to 93 beneficiaries up to that date, largely defeating the very purpose of the scheme.

The Company did not hold required number of Board meetings in each year which was in violation of provisions of the Companies Act. 1956. Accounts for 1983-84 and onwards were in arrears and hence not worthwhile appraisal of financial results could be made by Audit.

2D.1. Introduction

Moradabad Mandal Vikas Nigam Limited was incorporated on 30th March 1977 as a wholly owned Government Company with a view to promoting or advancing economic, industrial and agricultural development in Moradabad Mandal comprising of Moradabad, Rampur and Bijnore districts.

Consequent upon abolition of Moradabad Mandal in July 1977, the Board decided in October 1977 for voluntary winding up of the Company which was subsequently ratified in December 1977 in the Annual General Meeting. But with the re-establishment of Moradabad Mandal in August 1981, the Company was revived in the same month.

2d.2 Objectives

The aims and objects of the company as set out in its Memorandum of Association are quite exhaustive and cover all types of developmental activities in every field of economic development of the three districts under the Mandal. The Company has so far undertaken the following main activities:

(i) Establishment and operation of units for manufacturing and sale of solar cookers at Rampur and polythene bag and brick kilns at Moradabad.

(ii) Procurement and sale of PVC pipes, diesel engines, fertilizers, grain bins and pesticides.

(iii) Carrying out various State Government sponsored developmental schemes like (a) supply of "Pushtahar " under "Aangan Bari and drought Relief Yojana", (b) sale of agricultural implements, dunlop carts, etc. under Integrated Rural Development Scheme, (c) free boring of tubewells under special component plan and (d) procurement and supply of wheat under price support scheme, etc.

(iv) Providing custom service, like hiring of tractors and supply of water for irrigation purposes.

2D.3 Scope of Audit

The manufacturing activities (Solar Cookers, polythene bags, and Bricks), trading activities (P.V.C.Pipes, fertilizers and pesticides) and also review of social welfare schemes (supply of Pustha Aahaar, implementation of community tubewells and free boring schemes) undertaken by the Company during the period of five years upto March 1988 were test checked in Audit and the findings thereof are set out in the succeeding paragraphs.

2D.4 Organisational set-up

The Management of the company is vested in a Board of Directors consisting of a part time chairman , a Managing Director and 10 other directors, all nominated by the State Government. The post of the part time chairman is always held by the Commissioner of Moradabad Mandal, in an ex-officio capacity. As on 31st March 1988, there were 12 directors including the Chairman and the Managing Director. The Managing Director is assisted by project Manager , Marketing Manager and Manager, Solar Cooker Factory.

The post of the Managing Director was held by 6 officers during the period from 19th February 1981 to 14th October 1988. The tenure of the Managing Directors had been very short. 5 of them had held charge for as short a period as 4 months and 14 days; 5 months and 5 days; 5 months and 22 days; 10 months and 26 days; and 1 year, 5 months and 22 days. Due to frequent changes in the incumbency of Managing Director , the Company could not launch long term schemes for the development of Morababad Mandal. The company had taken up from time to time operation of 4 brick kilns, sale of fertilizers and pesticides, boring of community tube wells etc. all of which were abandoned from time to time reflecting the fact that the Company was attempting to take up more of short-term activities.

2D.5 Funding

2D 5.1 Capital structure.

Against the authorised capital of Rs. 100 lakhs, the paid-up capital of the company as on 31st March 1988 was Rs. 25 lakhs. Initially, the share capital of Rs. 20 lakhs received in July 1977 from the State Government was kept in fixed deposits (Rs. 19.40 lakhs) and savings bank account (Rs. 0.60 lakh) during the period July 1977 to July 1978. The whole amount of fixed deposit was transferred to savings bank account in April 1978 (Rs. 14.50

lakhs) and July 1978 (Rs. 4.90 lakhs) and remained unutilised upto March 1981 as the Company was decided to be wound up and thus could not commence any business.

Although the Company was liable to pay income tax, on the interest of Rs. 4.00 lakhs earned on these deposits during the period from 1977-78 to 1980-81, it failed in submitting the Income Tax returns in time and also in depositing advance tax under the provisions of the Income Tax Act, 1961. As a result, the income tax department imposed in November 1984 a penal interest of Rs. 1.35 lakhs for non-payment of advance tax (Rs. 0.59 lakh) and for delay in filing income tax returns (Rs. 0.76 lakh) which was deposited by the Company in February 1985. An appeal was filed in January 1985 by the company before Income Tax Commissioner(Appeals) who allowed in June 1985 only an expenditure of Rs. 0.10 lakh incurred during the years 1977-78 to 1980-81 for continuing the existence of the company. The appeal against the above judgement, filed in October 1985 by the Company before the Chief Commissioner of Income Tax, Lucknow is pending (September 1989).

2D.5.2 Borrowings

For making arrangements for the distribution of agricultural inputs to the farmers, two short term loans of Rs. 5 lakhs and Rs. 59.60 lakhs were sanctioned by the State Government in December 1985 and November 1986 which were drawn by the Company on 31st January 1986 and 12th March 1987 respectively through Commissioner, Rural Development Department.

In this connection the following points were noticed:

(i) The loans were repayable within six months from the date of drawal and carried interest at 16.5 per cent per annum with a rebate of 3.5 per cent per annum for timely repayment of loans. The company had neither repaid the amount of loan nor paid interest (Rs. 27.23 lakhs upto August 1989) so far (September 1989). The Company lost the benefit of rebate of Rs. 1.13 lakhs which was admissible for timely repayment.

(ii) In respect of loan of Rs. 59.60 lakhs, Government directed the Commissioner, Rural Development Department in December 1986 to disburse the loan in two instalments of Rs. 30.00 lakhs and Rs. 29.60 lakhs. The second instalment of loan was to be released only after the receipt of utilisation certificate for first instalment. In contravention of these orders the whole amount of loan was released in one instalment in March 1987.

(iii) While the amount of loan was required to be utilised exclusively for purchase of agricultural inputs and their distribution to farmers, a major portion of loan (Rs. 30 lakhs in 1987-88 and Rs. 10 lakhs in 1988-89) was utilised by the Company for procurement of wheat without obtaining approval from Government.

The Management stated (September 1988) that due to late sanction of cash credit limit, the funds were utilised for wheat procurement. The fact remains that funds were diverted without prior approval of the Government.

2D.6 Manufacturing activities

2D.6.1 Low density polythene nursery bags

Pursuant to Government of India decision of 1985 to establish National Waste land Development Board to meet environmental imbalances by afforestation of 50 lakh hectares of waste land, the government of Uttar Pradesh, while directing the Mandaliya Vikas Nigams in December 1985 to undertake manufacturing of polythene bags and supply to Forest Department for use in nurseries reiterated that Nigams should desist from supplying bags purchased from private parties.

The Board of the Company, therefore, considered in July 1986 a proposal to set up an industrial unit for manufacturing low density polythene bags which, could not, however, be established due to non-preparation of feasibility report, by its Sales Manager. The Board did not, however, pursue the preparation of feasibility report, instead it decided in November 1986 to supply bags by awarding contract to private parties for manufacturing bags, though it was in contravention of Governments directives.

A test check of the records in Audit brought out the following deficiencies/ irregularities

2D.6.1.1

2D.6.1.Raw material

(i) The Indian Petrochemicals Corporation Limited (IPCL), a Government of India Undertaking regulates the selling price and distribution of both indigenous and imported LDPF granules (Indothene FS 300) which is the raw material used in manufacturing polythene bags.

On being approached in December 1986 by the Company for allotment of LDPE granules , the STC/IPCL allotted (January 1987 to June 1988) 56 tonnes of LDPE. The Management did not lift the granules either from Marketing Division of STC or directly from IPCL but purchased between February 1987 and June 1988 from a dealer of Ghaziabad, thereby incurring an avoidable expenditure of Rs. 0.54 lakh towards dealer's commission on the purchase of 56 tonnes of granules.

(ii) In the selling prices announced by IPCL of various types and grades of polymers products, the prices of 'B' grade were Rs. 500 per tonne less than those of 'A' (Standard) grade. However in this purchase of 56 tonnes of granules, payment was made at the rates applicable for 'A' grade quality despite the fact that neither the firm recorded that the supplies were of 'A'grade grade quality on any of its bills nor any inspection of the quality as to the grade was conducted resulting in excess payment of Rs. 0.28 lakh to the firm.

2D.6.1.2 Procurement and sale of Polythene bags

The table below details firm-wise position of raw material issued, polythene bags received back during April 1987 to July 1988 and balances of raw material lying with manufacturers:

Name of manufacturer	Weight of raw material issued	Weight of manufactured polythene bags received back (kilograms)	Balance of raw material lying with the firm

Prakash Enterprises	("A") 9,550	9,640.500	(-) 90.500
New Aero Plastics	("B") 9,875	9,410.950	464.050
Star Polythene Industries	("C") 21,850	21,846.750	3.250
Plastic Home	("D") 9,725	8,935.400	789.600
Total	51,000	49,833.600	1,166.400

Out of the bags weighing 49833.60 kgs received back from the firms, the Company could sell to Forest Department bags weighing only 38558.88 kgs and the rest 11274.72 kgs. equivalent to 1.13 crores bags (value: Rs. 4.01 lakhs) were lying in the stock for the past more than 2 months. In addition, a stock of 1166.4 kgs (Value: Rs. 0.42 lakh) was lying with the firms, besides 1000 kgs (value: 0.31 lakh) raw material with the Company

After calling for quotations, the Company awarded the work of manufacturing polythene bags out of the raw material supplied by the Company to the above firms at the lowest tendered rate of Rs. 5.10 per kg. It was, however, noticed that the Company agreed to the lowest rate of Rs. 5.10 per kg., despite their assessment of Rs. 2.10 per kg. Even after allowing

Rs. 1.00 towards transportation charge (Rs. 0.02), wastages at 2 per cent (Rs. 0.56) and profit margin at 15 per cent (Rs. 0.40) , the cost of operation works out to Rs. 3.10 per kg. against the rate of Rs. 5.10 per kg. agreed by the Company. The extra expenditure incurred by the Company on this account worked out to Rs. 0.99 lakh in respect of 49833.60 kgs. of bags got manufactured during the period from April 1987 to July 1988.

Having worked out the cost of operation at Rs. 2.10 per kg. and the difference being substantial (about 60 per cent of the tendered rate), the company should have either negotiated with the firms for possible reduction in the prices or retendered the work. Further at least at this stage, the Company should have revived its earlier decision to establish its own manufacturing unit, particularly in view of the considerable difference between the cost of operation as worked out by the company and the rates quoted by the private firms.

Further, it is also pertinent to mention in this connection, that on a representation submitted in March 1988 by Kumaon Mandal Vikas Nigam Limited that their industrial unit viz. Parvat Plastics at Nainital was not awarded orders by Forest Department for supply of polythene bags commensurate with their manufacturing capacity as some

Mandaliya Vikas Nigams having no industrial units of their own, supplied bags after procuring the same from private parties, the Government while clearly specifying its policy of not permitting public Sector Undertaking to indulge in trading activities in Polythene bags, directed the Chief Conservator of Forests in April 1988 to investigate into the matter and submit a report. The report has not yet been received(April 1989).

For obtaining allotment of raw material, documentary proof in support of the machines installed for manufacturing the bags was required to be produced by the purchaser. However, the company had produced the declaration obtained from private manufacturers e.g. Gabrial Polythene Industries, Moradabad , Plastic Home, Moradabad, etc, that the manufacturing units owned by them were being handed over to the company on lease/contract basis for a particular period. In fact there were no agreements with these parties taking over the units on lease/contract basis at any time and these units were operated by the respective owners for manufacturing the polythene bags, inter alia, required by the Company. Further, the company had entered into agreements with these firms for manufacturing polythene bags only on job work basis.

In implementing the orders issued by the Chief Conservator of Forest, the Divisional Director, Social Forestry, Moradabad had intimated in October 1986 that the company had established its own manufacturing unit at Kundarki and that the unit was got physically verified by his Sales Manager. It was however, noticed that since the decision taken by the Board in July 1986 to establish a manufacturing unit was kept pending for want of preparation of feasibility report, the Board decided only in November 1986 to get the manufacturing of the bags done through private parties,. In these circumstances it is not clear how the existence of a factory was reported in October 1986 to have been verified. Further, if the Company had established its own unit by October 1986, there was no necessity for taking a decision in November 1986 to procure the bags from private parties.

Thus, by producing incorrect documentary evidence for owning and managing industrial units under its supervision, the Company had obtained allotment of raw material which was later diverted to private parties unauthorisedly for manufacturing the bags at contracted job rates, which was in clear violation of the Government orders.

2D.6.2 Operation of brick kilns

With a view to mitigate the shortage of bricks in Moradabad district, Board of Directors of the Company approved in January 1984 the operation of brick kilns on rented brick fields. Accordingly, four brick kilns were opened at Bilare (January 1984) Akroli (January 1984) , Sahespur(September 1986) and Rampurajat (November 1987) on a rent of Rs. 15 per thousand of moulded bricks in the first three kilns and Rs. 16 per thousand of moulded bricks at Rampurajat kiln.

The table below indicates the operational performance of these brick kilns.

Name of bricks klin	period of agreement	Targeted production	Bricks moulded	Unburnt bricks lost	Baked bricks produced	Bricks sold (as on 31.3.89)	Closing stock as on 31.3.89	Value of closing stock (Rs in lakhs)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
				(Number in lakhs)				
Bilari	January 1984 to September 1984	30	24.33	2.34	21.99	21.90	0.09*	0.01
Akroli	-do-	30	18.07	0.63	17.44	16.80	0.64#	0.03
Sahespur	September 1986 to September 1987	36	27.10	1.19	25.91	25.91	--	--
Rampur	November 1987 to November 1988	36	15.52	6.35	9.17	0.49	8.68	2.20

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*All yellow bricks of inferior quality

A test check of the records revealed the following:

(1) Though the project report envisaged the operation of each brick kiln for five years, the agreement with the brick field owners was made for 9 to 12 months only and the kilns were operated for one season only, since the kiln owners did not agree to extend/re-execute the agreements.

(2) The Management could not achieve the target of production in any of the brick kilns due to labour problem resulting in loss of production due to underutilisaton to the extent of Rs. 12.55 lakhs calculated at average cost of production of each brick kiln.

(3) Out of 9.17 lakhs moulded bricks baked at Rampurajat, a quantity of 3.81 lakh bricks (value: Rs.1 lakh approximately) have not been taken out of kiln so far (May 1989) as no kiln incharge stood posted there after the termination of the services of incharge of Kiln in July 1988. Further, out of 5.36 lakh bricks taken out, the Company could sell only 0.49 lakh bricks for Rs. 0.11 lakh. The remaining bricks (4.87 lakhs) were lying (August 1989) unsold due to their poor quality.

(4) The Management worked out the value of accumulated stock of 9.41 lakh bricks at Rs. 2.24 lakhs as on

31st March 1989 which included 0.78 lakh yellow and broken bricks and 3.81 lakh bricks lying in the kiln.

(5) The Company did not prepare financial statement in respect of Rampurajat kiln. In respect of the remaining three brick Kilns, against the projected profit of Rs.3.05 lakhs (Bilari and Akroli : Rs. 1.08 lakhs each and Sahespur: Rs. 0.89 lakh). The Company could earn a profit of Rs. 1.14 lakh only (Bilari: Rs. 0.93 lakhs; Akroli: Rs. 0.50 lakh and Sahespur: Rs. 0.25 lakh). The reduced profits were due to poor sales which in turn was due to underutilisation of kilns and poor quality of bricks.

2D.6.3. Solar Cooker Factory

With a view to popularise the harnessing of solar energy, the Board approved in December 1983 establishment of a Solar Cooker Factory at Rampur with installed capacity of producing 3,000 solar cookers per year at a capital cost of Rs. 0.27 lakh. The factory established at an actual cost of Rs. 0.23 lakh commenced commercial production in January 1984.

The table below indicates year-wise production and sale of cookers during the five years upto 1987-88:

Year	Produ-ction	Purcha-ses	Total	Sales to dealers	Sales to Gover-ment de-Partments	Sales Retail sales	Sales Total	Clos-ing stock
							(In numbers)	
January 1984 to March 1984	222	--	222	--	--	--	--	222
1984-85	2,105	--	2,105	1,695	250	147	2,092	235
1985-86	1,177	796	1,973	1,947	195	--	2,142	66
1986-87	952	539	1,491	978	461	--	1,439	118
1987-88	936	375	1,311	555	754	--	1,309	120
TOTAL	5392	1710	7,102	5,175	1,660	147	6,982	

A test check of the records brought out the following:

(i) The factory never achieved the annual target of production of 3,000 cookers in any year. The management attributed in September 1988 the short fall in production to low demand of solar cookers, flactuation in the prices of raw material, shortage of staff and diversification of production to allied products without addition of any staff.

(ii) With a view to popularise the usage and sale of solar cookers at prices fixed by Non-conventional Energy Development Agency (NEDA), a subsidy of Rs. 300 per cooker to be shared equally by Central and State Governments is admissible to the company only on actual sale of cookers to the consumers through dealers and retail sales which stipulated further that-

(a) The approved marketing agency shall make its own arrangements for necessary publicity and marketing of solar cookers at subsidised rates and

(b) One solar cooker only will be sold to each family under the scheme.

Out of total of 5,175 cookers sold to dealers, the actual sale to the consumers was 3,006. Thus , the Company could not claim subsidy amounting to Rs. 6.51 lakhs on 2,169 cookers which could not be sold to the consumers.

(iii) the value of closing stock of 2,289 solar cookers (2,169 with dealers and 120 with the Company) worked out to Rs. 12.02 lakhs which represented 32.8 percent of total sales in all the four years upto 1987-88. As both social and economic objects were behind the scheme, the performance of the company in popularising the usage of solar cookers was short of expectation.

(iv) the debtors of the company as on 31st March 1988 which accumulated mainly on account of credit sale of solar cookers amounted to Rs. 9.51 lakhs as per details given below:-

Debtors	Amount (Rupees in lakhs)	Number of debtors
NEDA	4.33	9
Private dealers	3.10	29
Government Department/Local bodies	2.08	8
Total	**9.51**	**46**

Out of the above, Rs. 5.61 lakhs were outstanding for more than one year. As against Rs. 3.10 lakhs due from private dealers the company held a meagre security of Rs. 0.15 lakh.

2D 7 Trading activities

2D.7.1. Purchase and supply of PVC pipes.

The progress of 'Free Boring' work carried out by Minor Irrigation Divisions under "Individual Minor Irrigation Scheme" operated with Special Central assistance under Special Component Plan was reviewed by the Commissioner, Moradabad Division in

January 1987 and with a view to achieve the left over free boring targets of 1986-87 for the Mandal, it was decided to award to the company the work of supply of PVC pipes for its use in boring of tubewells. Accordingly, Commissioner, Moradabad Division, directed the District Magistrates of Moradabad and Bijnor in February 1987 to obtain the supplies of 6,000 metres and 7,000 metres respectively from the Company.

In pursuance to Commissioner's decision, the District Magistrates placed orders between February 1987 and September 1987 with the company for supply of pipes on behalf of respective Minor Irrigation Divisions.

The table below indicates the district-wise supply of various types of pipes, accessories, etc. by the Company to Minor Irrigation Divisions.

Particulars of pipes supplied	Purchase rate per metre	Supply rate per metre	Quantity supplied					
			Moradabad		Bijnor		Rampur	
	(in Rupees)		1986-87	1987-88	1986-87	1987-88	1986-87	1987-88
					(In metres)			
110 mm 6 kg Pressure/sq cm PVC perforated pipe 3 metre lengh each	44.20	46.00	5,004	6,483	1,500	4,800	--	600

110mm 4 kg Pressure/Sq cm PVC pipe of 6 metre lengh each	34.20	36.00	4,500	7,908	1,104	2,400	--	--
PVC Coupler for 6 kg pressure pipe	9.90	10.40	--	375	--	2,375	--	--
PVC and cap 110 mm	9.25	9.75	--	--	--	500	--	--

A test check of the records relating to purchase and supply of PVC pipes brought out the following deficiencies/irregularities:

(i) These pipes were on Director of Industries Rate Contract (DIRC) during this period with Bharat pipe Fittings Ltd. and Effax plastic Engineering Complex and the ruling F O R destination price was Rs. 39.97 per metre for 110 mm 6 kg pressure PVC pipe and Rs. 28.24 for 110 mm 4 kg. pressue PVC pipe. But the Managing Director after calling for quotations in February 1987 from 3 local suppliers obtained approval of commissioner, Moradabad on 2nd March 1987 for F.O.R. destination price of Rs. 44.20 and Rs. 34.25 per metre respectively of a local supplier. Even the intimation to the company by Minor Irrigation Division, Moradabad in January 1987 about the availability of the above pipes with two DIRC firms and a list of five manufacturing firms of Delhi was ignored in favour of the local supplier whose rates were finally approved.

Thus, the purchases of PVC pipes from local supplier at higher rates resulted in extra expenditure of Rs. 1.74 lakhs (Rs. 0.78 lakh on purchase of 18,387 metres 6 kg. pressure pipe and Rs. 0.96 lakh on purchase of 15,912 metres 4 kg, Pressure pipes),

(ii) The rate contract agreements with the firms for the supply of above PVC pipes, in its terms and conditions, clearly stipulated that each pipe was to be supplied with PVC coupler and necessary jointing material (solvent cement)free of cost It was, however, noticed that the Company after placing orders obtained the supply of 2,750 couplers from the same supplier at an extra cost of Rs. 0.27 lakh and, thus , extended direst financial gain to the supplier for the item which could have been obtained free of cost on DIRC.

The total requirement of PVC couplers needed for jointing pipes as per length of PVC pipes purchased works out to 8781 numbers as per details given below:

Specification of PVC pipe purchased	Lengh of pipe purchased (in metres)	Number of couplers required	Number of couplers purchased	Difference representing balance requirement
110 mm 6 Kg Pressure pipe of 3 metre length each	18,387	6,129	2,750	3,379
100 mm 4 Kg Pressure pipe of 6 metres length each	15,912	2,652	---	2,652
Total		8,781	2,750	6,031

Thus the boring work of Minor Irrigation Division to whom PVC pipes were supplied by the Company without the requisite number of couplers can not be completed unless the divisions themselves procure 6,031 couplers at an extra cost of Rs. 0.60 lakh.

It was stated (November 1988) by the Management that the PVC Pipes were not available with the firms on DI rate contract. There was, however, nothing on record to show that the Company had approached the firms and that they had indicated that PVC pipe was not available with them. The matter was also not taken up with Industries Department for ensuring supply thereof. Further the reply of the Company is factually incorrect in view of the fact that the Executive Engineer of Minor Irrigation Division, Moradabad had intimated the Company in January 1987 that the pipes were available on DI rate contract.

2D.7.2. Procurement of wheat

Under the price support scheme of Government of India, wheat is procured for central pool directly from the farmers at the price fixed by Government of India for each crop year. Procurement of wheat is done through various agencies of State Government and Food Corporation of India. The Company joined the scheme of wheat procurement from the year 1987-88 for which, Board of Directors approved (January 1987 and February 1988) the opening of 20 centres during 1987-88 and 19 centres during 1988-89.

Out of 25 lakhs tonnes procurement target each year, the Government had fixed a target of 0.40 lakh tonnes and 0.50 lakh tonnes of wheat procurement through Mandaliya Vikas Nigams for the year 1987-88 and 1988-89 respectively. Separate target, if any, fixed for this Mandal was not available on record.

The table below indicates the performance of the Company in procurement of wheat during 1987-88 and 1988-89:

Year	Actual Number of centres opened	wheat procured (in quintals)	Cost of wheat	Cost of bags	Incidental expenses	Total cost	Amount realisable from FCI	Profit
			(Rupees in lakhs)					
1987-88	20	52,121.43	86.51	4.68	3.93	95.12	98.46	3.34
1988-89	8	10,318.90	17.95	0.94	1.05 (Provisional	19.94	20.37 (Provisional)	0.43

A test check of the records in Audit brought out the following:

(a) Both in view of considerable fall in the Central buffer stock of grains due to severe drought during 1987-88 and prospects of good harvesting of wheat during 1988-89, the Government reiterated in March 1988 procurement of maximum quantity of wheat, Despite this, the Company could procure only 10,318.9 quintals of wheat during 1988-89, which amounted to 19.8 per cent of wheat procured in previous year.

In order to accelerate the rate of procurement, the Government enhanced the procurement price by Rs. 2 per quintal payable to farmers on procurements made from 8th may 1988 onwards. Even this incentive could not make an impact on acceleration of procurement, as 5,320 quintals out of total 10,318.9 quintals of wheat could only be procured from 8th May onwards. The reasons for such a low procurement were mainly-

(i) Unremunerative price of wheat fixed for procurement which ranged from Rs. 171 To Rs. 173 per quintal and

(ii) non-establishment of procurement centres (13) in 1988-89 at previous year's placed and delay in opening of all centres n an average by 15 days.

(b) The Company obtained the supply of gunny bags from Regional Food Controller, Moradabad at the rate of Rs. 8.53 per bag during 1987-88 and at the rate of Rs. 9.06 per bag during 1988-89 while the cost of bag paid by FCI as fixed by Government of India was only Rs. 8.50 per bag respectively leaving the payment of Rs. 0.30 lakh for the two years unrecovered.

The Company had not attempted either to negotiate with Regional Food Controller, Moradabad for reduction of prices to match the prices of Food

Corporation of India or to approach the Food Corporation of India/Government of India for reimbursement of the actual cost of bags.

(c) The amount realisable from FCI includes a sum of Rs. 0.29 lakh for delivery of 147.25 quintals of wheat from Saidangali centre to FCI on 21st June 1988 which could not be realised form FCI so far (September 1988) as the acknowledgement of wheat by FCI was lost by an employee of the Company. The Company stated (October 1988) that the matter was under investigation.

(d) Though all the centres were closed by 25th June 1988, a sum of Rs, 3.20 lakhs was lying (September 1988) in current accounts of the centres on which the company was not earning interest.

The Management stated (September 1988) that Regional Food Controller, Moradabad was being approached for recovery of the excess payment of gunny bags.

2D.8. Social Welfare Scheme

The Company's role and participation in the execution of some of the social welfare schemes of the government is discussed below:-

2D.8.1. Supply of "Pushta Ahaar" and "Posha Ahaar"

2D.8.1.1. The Government of Uttar Pradesh communicated in August 1987 to all District Magistrates the sanction of Rs. 6.81 crores for the year 1987-88 to be drawn and spent with the approval of District Planning committee on distribution of "Pushta-Ahaar" to the beneficiaries under Integrated Bal Vikas Pariyojna in accordance with the following terms and conditions:

(i) The benefit under the scheme extended to the distribution of "Pushta-Ahaar" to under-nourished and ill-fed children in the age group of 0 to 6 years as well as to pregnant women/breast feeding mothers and the rate of such expenditure admissible for 300 days (10 months) in the year for various categories of beneficiaries was as follows:

Category of beneficiaries	Rate of expenditure from April 1987 per beneficiary per day (In paise)	Total expenditure per beneficiary under the Scheme (in Rs.)
Under-nourished children	45	135
Highly under-nurished	95	285

and ill-fed childred		
Pregnant women and breast feeding mothers	75	225

Apart from the above, an expenditure of 20 paise per beneficiary per day towards cost of transportation and fuel to be incurred by the district administration was admissible under the scheme.

(ii) The amount sanctioned under the scheme was to be utilised during the year 1987-88.

2D.8.1.2. Under Moradabad Mandal, three Bal Vikas Pariyojanas were under operation and the amount allotted to each of them under the scheme was as follows:

Name of Pariyojana	Year of establishement	Number of centres sanctioned	Amount allotted during 1987-88
			(Rs. in lakhs)
Moradabad (City)	1978-79	100	12.15
Bijnor			
(a) Haldour	1979-80	100	12.15
(b) Kiratpur	1983-84	74	8.10

Apart from the above, owing to severe drought conditions, the Government of Uttar Pradesh communicated in November, 1987 to all District Magistrates (except Lucknow, Deoria and Gorakhpur) sanction of further amount of Rs. 309.48 lakhs for the year 1987-88 to be drawn and spent on distribution of "Pasha-Ahaar" in accordance with the following terms and conditions:

(a) The operation of the scheme was extended to 655 blocks of 54 districts where the scheme of Integrated Bal Vikas Pariyojna was not in operation and an expenditure of Rs.47,250 per block was sanctioned. The benefit envisaged to be passed on to the beneficiaries was extended to 19 blocks in Moradabad (Rs. 8.98 lakhs), six blocks in Rampur (Rs. 2.84 lakhs) and nine blocks in Bijnor (Rs. 4.25 lakhs).

(b) Under the scheme, wheat, Dallia and Moong Dal Khichry either raw or cooked was to be distributed among the children in the age group of 0 to 6 years, pregnant women and breast feeding mothers and the maximum permissible expenditure per beneficiary was 80 paise inclusive of 10 paise towards cost of transportation and 10 paise towards fuel including rent of the utensils used for cooking.

(c) Such "Posha-Ahaar" was to be distributed till the end of the year 1987-88 at some public places by revenue authorities.

The table below indicates the FOR destination rates and quantity of various items purchased by the Company from suppliers with the direction to supply the same to various Bal Vikas Pariyojanas against periodical orders placed by District Magistrates and the rates at which these were supplied to them by the Company under "Integrated Bal Vikas Pariyojana Scheme:

Name of the items of Pushta Ahaar	Moradabad				Bijnor			
	Purchase rate (Rupees per quintal)	Quantity purchased (in quintal)	Amount (Rupees in lakhs)	Supply rate (Rupees per quintal)	Purchase rate (Rupees per quintal)	Quantity purchased (in quintal)	Amount (Rupees in lakhs)	Supply rate (Rupees per quintal)
Soyabeen Kachri	--	--	---	--	2180	126.58	2.76	2575
Dal Moong Chilka	--	--	--	--	852	164	1.40	888
Bhuna Chana	905	50	0.45	955	990	331	3.28	1076
					738	234	1.73	775
Moongfali Bhuni	--	--	--	--	1245	50	0.62	1440
Tata Salt	--	--	--	--	150	22.4	0.04	157

Soyabeen Lighto	2705	159.76	4.32	2850	--	--	--	--
Moongfali Dana	1780	100.00	1.78	1875	--	--	--	--
			----				----	
			6.55				9.83	
			----				----	

Similarly, the items,, quantity, etc. of "Posha-Ahaar" purchased by the company and supplied under "Drought relief Scheme 1987-88" is given below:-

Name of the item of Posha Ahaar	Purchase rate (Rupees per quintal)	Quantity purchased (in quintals)	Amount (Rupees in lakhs)	Supply rate (Rupees per quintal)
Soyabeen Kachri				
a) Moradabad	1930	123	2.37	2030
b) Bijnor	2180	50.65	1.11	2575
Dal Moong Chhilka to Bijnor	852	126.00	1.07	888
Wheat	452	440.52	2.00	480

Dallia to Rampur	
Total	6.55

2D.8.1.3 A test check of the records in Audit revealed the following iregularities/deficiencies:-

(i) On scrutiny of the rates at which various items of "Pushta-Ahaar"and "Posha-Ahaar" were purchased under the scheme by Meerut Mandal Vikas Nigam Limited, it was observed that the same firm of Moradabad, despite higher incidence of transportation because rates being FOR destination, supplied various items at much lower rates compared to the supplies made to the Company at Moradabad under the same scheme Thus the local Mandal has paid Rs. 2.23 lakhs extra because of hiked rates as detailed below:

Items of supply	Purchase rate of Moradabad Mandal	Purchase rate of Meerut Mandal	Difference in rates	Quantity purchased by Moradabad	Extra expenditure (Rupees in lakhs)
	(Rupees	per quintal)		(quintals)	
Soyabeen Kachri	1930	1610.25	319.75	123	0.39
Bhuna	0905	731.50	173.50	50	0.09

chana					
Soya Lighto	2705	1610.25	1094.75	159.76	1.75
				Total	2.23

Apart from the above, the Management further incurred an extra expenditure of Rs. 2.84 lakhs on the purchase of other items from other suppliers under the same scheme compared to the rates that were accorded to other suppliers by Meerut Mandal Vikas Nigam Limited as per details given below:

Items of supply	Purchase rate of Moradabad Mandal	Purchase rate of Meerut Mandal	Difference in rates	Quantity purchased by Moradabad Mandal	Extra expenditure (Rupees in lakhs)
	(Rupees per quintal)			(quintals)	
Dal Moong Chilka	852	660.25	191.75	290.67	0.56
Soyabeen kachri	2180	1610.25	569.75	177.23	1.01
Bhuna	990	731.50	258.50	331.00	0.86
chana	738	731.50	6.50	234.00	0.02
Moongfali	1245	1135.25	109.75	50.00	0.05

bhuni					
Wheat Dallia	452	375.25	76.75	440.52	0.34
				Total	2.84

Thus two functionaries of the Government under the same scheme dealt with the same supplier differently leading to loss of Rs. 2.23 lakhs. Besides the company also incurred extra expenditure of Rs. 2.84 lakhs on purchases from different suppliers.

(ii) As per Government Order, the expenditure on free distribution of "Pushta Ahaar" and "Posha ahaar" was to be passed on to the beneficiaries according to the limit prescribed in terms of money. The extra expenditure of Rs. 5.07 lakhs incurred by the Company on the above purchases led to the distribution of lesser quantity of above items to the extent of 21.1 per cent. Besides, the earning of profits of Rs. 1.87 lakhs by the company further reduced the distribution of quantity by 8.2 per cent. Thus, the total quantity less distributed to each beneficiary under the scheme worked out to 29.3. per cent.

(iii) The Company did not obtain licence for purchase, storage for sale and sale of foodgrains from Regional Food Controller under U.P. Foodgrains dealers (Licensing and Restriction on

Hoarding) Order 1976 as was done by Meerut Mandal Vikas Nigam Limited.

(iv) As per terms of orders, 95 percent payments were to be made to the suppliers after obtaining proof of delivery of the items to the Pariyaojana Adhikari and balance 5 percent after receipt of payment from the District Harijan and Social Welfare Office. It was, however, seen that in respect of supply of 70 quintals of Soya Lighto to and 100 quintals of Moongfali dana valuing Rs. 3.87 lakhs, a payment of Rs. 3.49 lakhs was made in March 1988 by the Company to the supplier on the basis of a verified delivery challan of 14th March 1988, although the items were not actually supplied. The matter, reported by the Project Manager in August 1988 to the Managing Director, was stated to be under investigation.

2D.8.2 Community Tubewell scheme

2.8.2.1. With a view to review the performance under integrated Rural Development Programme (IRDP) framed by the Government of India for raising the living standard of persons living below the poverty line, a meeting under the chairmanship of Agriculture Production Commissioner was held in May 1982. While expressing great dissatisfaction on the non-utilisation of amounts advanced by IRDP to various Mandal Vikas Nigams as detailed below, it was resolved that the Nigam should undertake the construction of community tubewells.

Year	Number of districts involved	Amount advanced	Amount utilised	Balance
			(Rs in lakhs)	
1979-80	31	175.02	8.49	149.53
1980-81	06	3.27	0.63	2.64

Accordingly, Board decided in July 1982 to undertake the work relating to community irrigation by boring tubewells.

2D.8.2.2 Having recognised irrigation as crucial input for increasing agricultural production, the Government of India envisaged 50 percent subsidy of the total cost of infrastructure provided that:

(a) the work should be owned and maintained by a Cooperative Societies, a Punchayat or a Corporation for the benefit of small and marginal farmers.

(b) more than 50 percent of the beneficiaries of such community irrigation work should be small /marginal farmers and

(c) while fixing the water charges, a concessional rate should be fixed for the small/marginal farmers for s period of five years.

Under the above programme, the company completed boring of 28 tubewells in its two out of three Districts during April 1982 to March 1985 at a total cost of Rs. 1.36 lakhs including cost of seven pump sets for operating the tubewells , of which Rs. 0.66 lakh was received from Government as subsidy.

2D.8.2.3 A scrutiny of the scheme in Audit brought out the following:

(i) Project Reports were prepared before taking up a tubewell, according to which 10.7 acres of land was expected to be irrigated covering six farmers per tube-well. The Company did not, however, have the information about the number of farmers who availed of the benefit under these 28 wells and area of land irrigated. In the absence of these data, it could not be ensured that the expenditure incurred on these tubewells was justified.

(ii) Yearwise targets for sale of water were fixed with a view to make the activity viable. The water charges are collected with reference to hours of operation at the rate of Rs. 8 to Rs.10 per hour. However, shortfall in actual hours of operation of tubewells compared to targets fixed by the Company from time to time resulted in short realisation of revenue by Rs. 1.58 lakhs as detailed below:

Year	Target fixed (in hours)	Achievement	Shortfall	Shortfall in revenue realisation at Rs. 8 to Rs.10 per hour (Rupees in lakhs)
1982-83	1500	440	1060	0.08
1983-84	3000	475	2525	0.20
1984-85	1000	572	428	0.03
1985-86	1000	400	600	0.05
1986-87	7200	800	6400	0.51
1987-88	7200	100	7100	0.71
			Total	1.58

The short-fall in achieving the targets is indicative of the fact of underutilisation of tubewells due to disinclination of the farmers who avail of the benefit of the Scheme, mainly because the Company could not extend credit facility to the farmers

(iii) The poor performance of the scheme can be gauged by the meagre value of water sold, which during the years 1982-83 to 1987-88 worked out to merely Rs.0.23 lakh.

Since the service was not yielding expected results, the Board decided in February 1988 to sell these 28 boring wells to farmers-12 borings at the aggregate depreciated value of Rs. 0.37 lakh and 16 borings at their cost price of Rs. 0.42 lakh..The Company also decided to dispose of the seven pump sets and accessories (Including six damaged during July 1985 and January 1987) at their depreciated value of Rs, 0.26 lakh after repairs. Action in this direction was awaited (August 1989)

Thus, the scheme was not fully successful, The failure of the scheme led to adoption of 'Free boring scheme' dealt with in the paragraphs following

2D.8.3. Free boring of tubewells

2D.8.3.1 The State Government issued directions in August 1987 that implementation of "Individual Minor Irrigation Scheme" operated with special central Assistance under Special Component Plan will be carried during 1987-88 with the following main modifications:

(a) The scheme was extended to four inches free boring of tubewells in the agricultural fields belonging to Scheduled Castes by the Harijan and Social Welfare Department.

(b) The rate of expenditure of Rs. 3,000 per boring was to remain the same except in special cases. Excess expenditure upto Rs. 500 per boring was allowable by District Co-ordination Committee (DCC) giving reasons for excess in individual cases.

(c) The boring work was to be primarily carried out by Minor Irrigation Department failing which the work could be awarded to Mandal Vikas Nigams, Uttar Pradesh Agro Industrial Corporation Limited, etc. to achieve the target of 10,743 borings fixed for the State for 1987-88.

2D.8.3.2 Under the above scheme, the work of 200 borings in Moradabad and 160 borings in Bijnor was awarded in September 1987 to the Company and list of beneficiaries where boring was to be done was furnished in October/November 1987.

However, pending award of the above work, the company invited in May 1987 quotations from four firms and approved in July 1987 the item rate of Rs. 3,321 (Rs.1,951 for cost of material and Rs.1,370 for labour charges) per boring.

As per Government directions of August 1987, the boring work was to be completed on war footing latest by 20th November 1987 so that the farmers adversely hit by severe drought conditions may reap the benefit of irrigation facilities during Rabi sowing in 1987. It was, however, observed that only one boring out of total 279 borings could be done by the Company by 30th November 1987 as per details given below:

Month and Year	Total number of borings done	District-wise borings executed	
		Moradabad	Bijnor
November 1987	01	1	--
December 1987	57	48	09
January 1988	93	46	47
February 1988	27	08	19
March 1988	18	13	05
April 1988	30	--	30
May 1988	16	--	16
June 1988	12	--	12
July 1988	10	2	8
August 1988	15	1	14

Total	279	119	160

2D.8.3.3 A test of the records in Audit brought out the following points:

(i) The Major work of boring (2,755 tubewells in all the three districts) under the scheme had been carried out by Minor Irrigation Division, Moradabad, However, a comparison revealed that the Company, in its boring of 279 tube-wells, had provided for extra items valuing Rs. 2.03 lakhs as per details given below:

Items	Quantity	Rate per unit (Rupees)	Amount (Rupees in lakhs)
M.S. pipe 4" (Metres)	1,514	97	1.47
Foot value (CI 4") (in numbers)	279	125	0.35
Flench 4X4" (in number)	470	25	0.12
Extra Nuts, Bolts, Safeda packing etc.	--	---	0.09
		Total	2.03

The Company thus incurred an ext[illegible] expenditure of Rs. 2.03 lakhs for whi[illegible] no justification was available [illegible] record,

(ii) The Company applied [illegible] standard in boring these well[illegible] different from that applied by th[illegible] Minor Irrigation Division, in that th[illegible] Division used PVC perforated stainer[illegible] while the company used M.S.staine[illegible] incurring an extra expenditure of R[illegible] 0.74 lakh. No justification fo[illegible] allowing two different standards o[illegible] boring for the same strata o[illegible] beneficiaries under the same scheme wa[illegible] available on record,

(iii) Under the scheme, th[illegible] loan/subsidy for the purchase o[illegible] diesel engine pumpsets by th[illegible] beneficiaries was to be arranged b[illegible] Uttar Pradesh Scheduled Caste Financ[illegible] and Development Corporation Limited. I[illegible] was, however, observed that only 5[illegible] beneficiaries out of 119 borings i[illegible] Moradabad and 42 beneficiaries out o[illegible] 160 borings at Bijnor had bee[illegible] sanctioned loans for purchase o[illegible] diesel engine pump sets so far (Augus[illegible] 1988) As the boring can not pump wate[illegible] by itself without diesel engines, th[illegible] intended benefits under the schem[illegible] could not be achieved.

(iv) Although the chief Development Officer , Moradabad intimated the Company in September 198[illegible]

[illegible]hat no centage charges will be payable [illegible]or boring work, the Company raised [illegible]ills towards centage charges amounting [illegible]o Rs. 0.46 lakh, against which payment [illegible]as also received.

[illegible]D.9. Board Meetings

Under Section 285 of the companies [illegible]ct, 1956, a meeting of its Board of [illegible]irectors is required to be held at [illegible]east once in every three months and at [illegible]east four such meetings should be held [illegible]n every year. It was, however, noticed [illegible]hat after the incorporation of the [illegible]ompany in March 1977 the Board of [illegible]irectors met only twice in 1977, twice [illegible]n 1981, thrice in 1984 , twice in [illegible]985, thrice in 1987 and twice in 1988, [illegible]hich was in violation of the [illegible]rovisions of the Companies Act, 1956.

[illegible]D.10 Financial position.

The accounts of the Company was in [illegible]rrears from 1983-84 . The financial [illegible]osition of the Company at the end of [illegible]he three years upto 1983-84 were as [illegible]etailed below

	1981-82	1982-83	1983-84 (Provisional)
		(Rupees in lakhs)	
A. Liabilities			
Paid-up capital	20.00	20.00	20.00
Reserve and Surplus	2.35	1.80	2.31
Borrowings	---	---	----
Current Liabilities (including provisions)	2.80	3.87	11.54
Total (A)	25.15	25.67	33.85
B. Assets			
Gross Block	3.59	4.30	4.36
Less: Depreciation	0.71	1.66	2.33
Net Fixed Assets	2.88	2.64	2.03
Capital works-in-progress	--	1.04	1.22
Current assets, loans and advances	21.21	21.19	30.54
Intangible Assets	1.04	0.08	0.06

Total (B)	25.15	25.67	33.85
C. Capital employed	21.29	20.68	21.03
D. Net Worth	21.31	21.72	22.75

Notes(1) capital employed represents net fixed assets(excluding work-in-progress) plus working capital.

(2)Net worth represents paid-up Capital plus reserve and surplus less intangible assets.

2D.11 Working Results

The working results of the Company for three years upto which accounts have been prepared are indicated below:-

	1981-82	1982-83	1983-84 (Provisional)
		(Rupees in lakhs)	
A. Expenses			
Raw material	--	35.10	43.25
Finished Goods	2.46	76.32	58.91
Administrative Expenses and other expenses	1.05	3.51	4.84

Depreciation	0.71	0.95	0.67
Provisions	0.48	0.35	0.70
Write off	0.02	0.02	0.02
Total (A)	4.72	116.25	108.39
<u>B. Income</u>			
Sales	2.49	112.53	95.94
Custom Services	0.10	0.51	0.23
Community Tubewells	--	0.04	0.04
Others	1.19	0.08	--
Closing Stock	--	3.36	12.69
Total (B)	3.78	116.52	108.90
C. Profit (+)/ Loss(-)	(-)0.94	(+)0.27	(+)0.51

In the absence of finalised accounts for five years upto 1987-88 no worthwhile appraisal of financial affairs could be made

2D.12 Other topics of interest

Irregular promotion.

As per procedure for selection prescribed in May 1982 by the Government on the recommendations of Second Pay Commission, the selection of candidates for managerial level posts carrying pay scales having maximum upto Rs. 2,000 was required to be done by a selection committee consisting of chief Executive of the Company, head of the Division concerned, one expert nominated by the Management and one Chief Executive of another Government Company to be nominated by the Government. For selection of personnel for a post carrying pay scale having maximum of more than Rs. 2,000 the selection committee would consist of professional experts under the Chairmanship of Chief Secretary/ Senior Secretary to the Government. Further, the orders of Government issued in November 1987 provided that the posts carrying pay scale with the maximum exceeding Rs. 1770 can be created only with the prior approval of Government. Article 79(22) of the Articles of Association of the Company also laid down that no post, the basic pay of which exceeds Rs. 2000 p.m. or the maximum of the scale of which exceeds Rs. 2000 was to be created and filled without prior approval of Government.

A test check of records revealed that an individual, on the basis of his application and photocopy of a provisional degree of Punjab University, was appointed as Sales Manager of the Company with effect from 1st November 1983 by the Managing Director on a consolidated pay of Rs. 1200 per month without any sanction of the post by the Board. Again, on a simple application on the Sales Manager, the selection committee consisting of Managing Director, Project Director, Moradabad and Additional District Magistrate, Moradabad was requested by the Management in September 1986 to recommend the grant of regular pay scale to him. On the recommendations of the committee, the Board created in January 1987 the post of Sales Manager and granted him class II pay scale of Rs. 850-1600 with effect from 1st February 1987. Within five months of grant of regular pay scale, he was sanctioned five advance increments of Rs. 40 each from 1st July 1987 on his simple request. Again, on a simple application of the Sales Manager , the Board resolved in February 1988 to promote him to the post of Marketing Manager from 1st March 1988 though the post was neither created by the Board nor approval of Government as required in Governemnt's orders issued in November 1987 and also in Article 79 (22) of Articles of Association of company was obtained. Further, while the Board bestowed senior class I pay scale of Rs. 1350-2100 and awarded him a jumps of three intervening pay scales (Rs 900-1770, Rs, 1020-1770, and Rs, 1250-1950) without addition of any extra qualification or change in the nature of his duties and responsibilities. or any change in the infrastructure of sales system of the Company. Thus in promotion to the post of Marketing Manager, neither selection procedure was followed nor the post was advertised. Within four months of this promotion, the Management sanctioned three more advance increments of Rs.60 each to him with effect from 1st July 1988.

On being pointed out by Audit, the officer tendered his resignation on 19th April 1989 which was accepted on the same day. The officer also took away all his personal records maintained by the Company. In this connection, it was also noticed that on referring (May 1989) to ascertain the veracity of the provisional degree, the same turned out to be forged one. Thus, the appointment itself was obtained fraudulently and the payment of Rs. 1.36 lakhs on pay and allowances to the officer was irregular. Moreover, the Management did not explore (August 1989) the legal recourse with a view to launch criminal proceedings.

The management stated (May 1989) that it was not possible to furnish a reply in the absence of personal papers and that efforts were being made to obtain them.

The above matters were reported to the Company and the Government in February 1989; their replies had not been received.

SECTION-2E

KSHETRIYA VIKAS DEPARTMENT

AGRA MANDAL VIKAS NIGAM LIMITED

HIGHLIGHTS

Agra Mandal Vikas Nigam Limited was incorporated on 31st March 1976 with a view to promoting or advancing economic industrial and agricultural development in the Agra Mandal comprising Agra, Aligarh, Etah, Mainpuri and Mathura district. The share capital of Rs. 100 lakhs provided to the Company in 1976-77, was not utilsed due to meagre activities upto 1982-83 and thus 73.2 to 100 per cent of the funds were kept in bank deposits during these years. Two loans of Rs. 5 lakhs and Rs. 30 lakhs received from the State Government in December 1985 and January 1987 for the purchase and distribution of agricultural inputs were though not repaid in time, the Copany had claimed the benefit of rebate admissible for timely repayment.

Althogh the capacity utilisation of the Rose complex established in January 1984 at a capital cost of Rs. 5.03 lakhs for extraction of rose oil was only 20.2 to 31.0 per cent of the installed capacity upto 1986-87, its installed capacity was doubled in February/March 1988 at a cost of Rs. 1.14 lakhs. The losses incurred by the unit upto 1987-88 due to low yield of finished products amounted to Rs. 5.63 lakhs. The plant was not run during the flowering season from August to November in any of the five years of its working upto 1987-88, stated to be due to low availability of flowers. The company did not attempt to distill Mentha arvensis, Palmarosa and Citronella during off-season, although envisaged in the project report, in order to recover the fixed costs partly.

Rice mill established in December 1980 at a capital cost of Rs. 10.77 lakhs was utilised to the extent of only 7.0 to 53.7 per cent of its capacities due to low procurement of rice,. It was closed in December 1983 after incurring cumulative loss of Rs.11.11 lakhs which was due to higher cost of production and low yield of rice. It was also noticed that the establishment of the mill at Kusmera where the specific variety of paddy that could be milled is not grown was not well conceived.

The building constructed in May 1984 at Etah at a capital cost of Rs. 7.72 lakhs (against projected cost of Rs. 2.30 lakhs) for setting up of an insecticide sprayer unit was lying idle, as the Board, on reconsideration of the project in December 1983, did not find the unit economically viable.

The procurement of wheat during 1988-89 under price support scheme of government of India was not even 12 per cent of that processed during the preceeding year.

The petrol pumps set up at Agra at a capital cost of Rs. 4.50 lakhs in February 1983 and at Mathura at a capital cost of Rs. 2.04 lakhs in March 1983, were running in loss which aggregated Rs. 1.54 lakhs upto 1985-86 mainly due to poor sales and higher administrative costs.

Automobile workshop set up at Etah in Ocotober 1982 at a capital cost of Rs. 1.31 lakhs incurred a total loss of Rs. 1.24 lakhs upto 1987-88 against the projected profit of Rs. 1.43 lakhs for the same period due to inadequate work and higher cost of operation.

For providing custom services to poor farmers, the Company purchased 16 tractors (value: Rs.10.30 lakhs) and accessories (value: Rs. 2.70 lakhs) during March 1978 to May 1980. Due to low demand for custom services and higher cost of operations, the Company incurred a total loss of Rs. 15.01 lakhs upto 1982-83. Later, 15 tractors were auctioned during February 1984 to July 1986 for Rs. 6.93 lakhs.

Though Agra district was not a flood affected area in 1985-86, the Company supplied 'Pushtahar' valued Rs. 12.31 lakhs under Flood Relief Scheme to district administration during March and April 1986 (after 8 months of onset of rainy season) and earned a profit of Rs. 1.47 lakh. It is not clear as to whom the packets were distributed, especially when the area was not declared flood affected.

Under Bal Vikas Pariyojana, the Company supplied 'Pushtahar' valued Rs. 12.51 lakhs during November 1987 to June 1988. Due to purchase of rice at higher rates, the Company incurred extra expenditure of Rs. 4.17 lakhs which could have increased the availability of Pushta-Aahhar to the beneficiaries by about 100 percent.

Under the IRDP Scheme meant for upliftment of families living below poverty line, the Company sold various items like buggies, kirana, cloth etc. worth Rs. 369.10 lakhs to the beneficiaries upto 1987-88. It did not evaluate the scheme, even after 10 years of its implementation, to ascertain the number of families that came above the poverty line.

With a view to make available assured irrgiation water to small/marginal farmers at reasonable rates, the Company got constructed 123 community tubewells from Minor

Irrigation Department during September 1981 to March 1988. Out of which only 51 tubewells could be completed upto 1987-88 (estimated cost :Rs. 12.74 lakhs) and for the remaining 72 incomplete tubewells, an advance of Rs. 23.21 lakhs pending with the Minor Irrigation Department was awaiting adjustment. As the Company could not run the scheme economically (aggregate shortfall in revenue upto 1987-88; Rs. 34.85 lakhs) and failed to achieve desired results, the Board decided in July 1987 to dispose of all the tubewells. These were, however, yet to be disposed of.

2E.1 Introduction

Agra Mandal Vikas Nigam Limited was incorporated on 31st March 1976 as a wholly-owned Government Company with a view to promoting or advancing economic, industrial and agricultural development in the Mandal comprising of Agra, Aligarh, Etah, Mainpuri and Mathura districts.

2E.2 Objectives.

The aims and objects of the Company as set out in its Memorandum of Association are quite exhaustive and cover all types of developmental activities in every field for economic development of the five districts under Agra Mandal.

The Board discussed, from time to time 44 projects with a view to create infrastructure for the development of Agra Mandal but approved only 15 projects, out of which only 8 projects were taken up and one project (insecticide Sprayer Unit) was left incomplete. Six projects were abandoned after preparation of project reports at a cost of Rs. 0.68 lakh on the ground that these projects were not economically viable though individual project reports indicated otherwise.

The projects undertaken by the Company were -

- establishements and operation of manufacturing units like (a) Rose Complex (b)Rice Mill etc.

- trading activities like (a)operation of petrol pumps (b)sale of imported sugar (c)wheat procurement etc. and

implementation of various Governement sponsored social Welfare Schemes through service centres like (a) supply of pushta Aahaar' under Flood Relief and Bal Vikas Schemes, (b) operation of community tubewells(c) sale of buggies, cloth etc.

2E.3 Organisational set-up

The management of the company is vested in the Board of Directors consisting of Commissioner of the Mandal as the Ex-Officio Chairman, a Managing Director and 17 other directors. The Directors, including the Mananging Director are nominated by the State Government. As on 31st March 1988, there were 19 directors on the Board. The Mananging Director, in his day to day functions, is assisted by a Company Secretary, a Manager (Technical services), a Service Manager and an Accounts Officer. The office of the Managing Director has been held by 12 officers so far (November 1988) five of them held charge for as short a period as 7 months and 2 days. 4 months and 28 days, 2 months and 28 days, 2 months and 14 days and 1 month and 14 days. As was in the case of Moradabad Mandal Vikas Nigam Limited mentioned in paragraph 2D.4, due to frequent changes in the incumbency of Managing Director, the Company could not launch long term schemes for the development of the Mandal.

2E.4 Scope of Audit

The manufacturing and trading activities as also the social welfare schemes undertaken by the Company during the period of five years upto 1987-88 were test checked in Audit conducted during the period from 19th September to 11th November 1988. The results of the Audit are set out in the succeeding paragraphs.

2E.5 Funding

2E.5.1 Share Capital

The authorised as well as paid-up capital of of the Company as on 31st March 1988 was Rs. 100 lakhs which was wholly contributed by the State Government.

Although the State Government provided paid-up capital of Rs 100 lakhs in August 1976, the Company could commence business activities only from 1978-79 and that too on a small scale The Company, therefore, kept during 1976-77 to 1982-83 the amount of share capital in bank deposits which ranged between 73.2 and 100 per cent of the amount so received. The table below indicates the details of amounts of share capital kept in bank deposits, interet earned thereon, profit before tax/net loss and income tax paid during the years 1976-77 to 1882-83: .

Year	Amount of Share Capital kept in			Interest earned	Profit (+) before tax/ Net Loss(-)	Income tax paid
	Fixed Deposits	Savings Bank Account	Total			
	(Rupees in lakhs)					
1976-77	35.00	65.00	100.00	3.62	(+)3.32	1.91
1977-78	86.35	5.61	92.56	10.47	(+)8.04	4.19

Year	Amount of Share Capital kept in			Interest earned	Profit (+) before tax/ Net Loss(-)	Income tax paid
	Fixed Deposits	Savings Bank Account	Total			
1978-79	80.00	1.93	81.93	7.69	(+)2.37	3.93
1979-80	69.00	4.15	73.15	6.50	(+)1.27	1.93
1980-81	73.00	11.87	84.87	7.72	(-)0.59	0.80
1981-82	70.00	5.44	75.44	5.00	(-)8.70	--
1982-83	54.00	22.48	76.48	4.86	(-)16.55	---

It would appear from the above details that the profits of the Company upto 1979-80 accrued mainly from interest earned from bank deposits.

Although Government had directed in April 1980 that the interest earned on share capital by depositing it in fixed deposits with banks should not be treated as income of the Company but should be credited to Government account, the Company irregularly teated it as its income.

2E.5.2 Borrowings

For facilitating distribution of agricultural inputs to the farmers, two short-term loans of Rs. 5 lakhs and Rs. 30 lakhs were sanctioned by Government in December 1985 and January 1987. The loans were repayable within six months from the date of drawal and were to carry interest at 16.5 per cent per annum with 3.5 per cent rebate for timely repayment.

The loan of Rs 5 lakhs drawn on 3rd February 1986, was repaid by the Company on 9th December 1986. Against the total interest liability of Rs. 0.70 lakh calculated at the rate of 16.5 per cent for the above period, the Company paid a sum of Rs. 0.61 lakh at the rate of 13 per cent only.

Uut of the loan of Rs. 30 lakhs drawn by the Company on 2nd March 1987, a sum of Rs. 15 lakhs only was refunded in June 1988. Against the total interest liability of Rs. 5.74 lakhs upto September 1988, the Company paid only a sum of Rs. 1.94 lakhs on account of interest for the period March 1987 to August 1987 calculated at the rate of 13 per cent as against 16.5 per cent leaving the balance interest liability alongwith principal of Rs. 15 lakhs remaining unpaid so far (November 1988)

Reasons for payment of interest at lower rate than that stipulated by the government, in case of both the loans were not on record.

2E.6 Manufacturing activities

2E.6.1 Rose Complex

2E.6.1.1 With a view to provide remunerative prices to rose cultivators of Aligarh and Etah districts having potential of producing 500 kgs of rose oil per season needed mainly by the perfume industry, the District Magistrate , Aligarh proposed in April 1977 the setting up by the Company of a Rose complex at Hasayan (Aligarh) for the manufacture of rose oil. A feasibility report was got prepared in August 1980 from Uttar Pradesh Industrial Consultants Limited (UPICD), which pointed out that the project was not economically viable unless distillation of khus roots and citronella leaves was also done.

On being approached in April 1982 by the Company, Central Institute of Medicinal and Aromatic Plants (CIMAP), Lucknow agreed (December 1982) to transfer its new technology at a cost of Rs. 0.50 lakh to the Company and to provide a pilot plant for the same, upon which the Board approved in February 1983 the establishement of the Rose Complex.

The plant and machinery, purchased from CIMAP at a cost of Rs. 4.17 lakhs, was installed in the building provided by Chief Development Officer, Aligarh, Besides, the Company added on overhead tank and tubewell at a cost of Rs. 0.84 lakh and furniture /fixtures at a cost of Rs. 0.02 lakh. Finally the factory started commercial production in January 1984.

2E.6.1.2 Capacity utilisation

The initial annual installed capacity of the distillation plant of 25.625 kgs. of rose flowers and 12,500 kg of khus roots was doubled in February/March 1988. The table below indicates the capacity utilisation upto 1987-88:

Particulars	1983-84		1984-85		1985-86		1986-87		1987-88	
	Rose	Khus	Rose	Khus	Rose	Khus	Rose	Khus	Rose	Khus
Installed capacity (In Kgs)	25625	12500	25625	12500	25625	12500	25625	12500	25625	25000
Quantity processed (In Kgs)	--	12332	5188	25934	7350	37155	7937	39287	5158	---
Percentage od capacity utilisation	---	98.7	20.2	207.5	28.7	297.0	31.0	314.3	20.1	---

The underutilsation of the plant for distillation of roso flowers was attributed (December 1988) by the Management to low yield of flowers due to change in cropping pattern, severe drought conditions during 1987-88 leading to less dew formation responsible for both low producitvity and yield, hike in rose flower prices, etc. Further the distillation of khus roots was done at 98.7 per cent to 314.3 per cent of the installed capacity during the four years upto 1986-87 but during 1987-88, khus roots were neither procured nor distilled. The Management stated (December 1988) that the drought of 1987-88 destroyed khus roots leading to an exorbitant increase in khus price making khus oil distillation uneconomical.

2E.6.1.3 Expansion

Even though the percentage of capacity utilisation of distillation of rose flowers ranged betweem 20.2 and 31,0 only during the 3 years from 1984-85 to 1986-87, the board on the basis of design and specification obtained from CIMAP, approved in December 1987 the expansion of the plant doubling its distillation capacity which was got done in Fabruary/March 1988 through a firm of Faridabad at a cost of Rs. 1.14 lakhs.

Without ensuring source for rose flowers in the required quantity for full utilisation of even the pre-expanded installed capacity of the plant, undertaking expansion of the plant was not justified. The Management stated (December 1988) that the Company had for the first time obtained in September 1987 an assured market for supply of 3.5 kgs of rose oil to a firm of Delhi and with the existing capaçity of the plant, the above order could not be satisfied. The reply is not teneable as the original plant was already designed to produce 5.89 kgs of rose oil.

2E.6.1.4 Distillation

The Project report envisaged an yield of 28.75 gms. of rose oil and 50 litres of second quality rose water of medium strength by processing 125 kgs of rose flowers and 187 gms of khus oil obtained by processing 125 kgs of khus roots. The table below indicates actual yield of rose oil, rose water and khus oil compared to norms.

Particulars	1983-84	1984-85	1985-86	1986-87	1987-88
ROSE OIL					
Rose flowers procured (in quintals)	---	51.88	73.50	79.37	51.58
Yield of Rose Oil as per norm (In Kgs)	---	1.193	1.691	1.826	1.186

Particulars	1983-84	1984-85	1985-86	1986-87	1987-88
Actual yield (in Kgs)	---	0.649	1.723	1.678	0.841
Shortfall (In Kgs)	---	0.544	---	0.148	0.345
Average Selling rates per Kg (In Rs)	---	58,332	---	81,058	80,000
Loss (Rupees in lakhs)	---	0.32	---	0.12	0.28
ROSE WATER					
Rose flowers procured (in quintals)	---	51.88	73.50	79.37	51.58
Yield of Rose Water as per norms (in litres)	---	2075	2940	3175	2063
Actual yield (in litres)	---	1830	166	1321	20
Shortfall (in. litres)	---	245	2774	1854	2043

Particulars	1983-84	1984-85	1985-86	1986-87	1987-88
Average Selling rates (per litre) (in Rupees)	---	15.00	5.50	3.41	26.66
Loss (Rupees in lakhs)	---	0.04	0.15	0.06	0.54
KHUS OIL					
Khus roots processed (in quintals)	123.32	259.34	371.55	392.87	---
Yield of khus oil (in Kg)	18.449	38.797	55.584	58.773	---
Actual yield (in Kg)	7.035	15.134	13.315	13.465	---
Shortfall (In Kg)	11 414	23.663	42.269	45.308	---

Particulars	1983-84	1984-85	1985-86	1986-87	1987-88
Average Selling Rates per Kg (In Rupees)	3000	3000	3502	3504	---
Loss (Rupees in lakhs)	0.34	0.71	1.48	1.59	---

Thus, except in the case of rose oil in 1985-86, the yield of finished products was always below the prescribed norm. The loss on account of low yield of finished products amounted to Rs. 5.63 lakhs (rose oil: Rs. 0.72 lakh, rose water: Rs. 0.79 lakh and Khus oil: Rs. 4.12 lakhs) upto 1987-88. The Management neither investigated the reasons for low yield nor undertook any remedial measures.

It was further noticed that as compared to production potential of 500 kgs of rose oil in the vicinity of the rose complex, the percentage of actual contribution of the Company ranged from 0.2 to 0.3 during the four years upto 1987-88

2E.6.1.5 Cost of production vis-a-vis average sales realisation

The accumulated loss of Rose Complex at the end of the five years upto 1987-88 was Rs. 3.98 lakhs. The cost of production of the products was not worked out by the Company. An analysis made in audit of the cost of production disclosed that the losses were mainly due to sale of rose oil at much below the cost of production as indicated below:-

Year	Quantity of Rose oil produced excluding shortages (in grams)	Propor-tionate total expendi-ture (Rupees in lakhs)	Cost of production per gram (in Rupees)	Quantity sold (in gram)	Total Revenue (in Rupees)	Average Sales realis-ations per gram (in Rupees)
1984-85	649	2.04	314	15	875	58.33
1985-86	1707	2.01	118	1328	107250	80.76
1986-87	1647	1.88	114	2032	164710	81.06
1987-88	841	1.44	171	904	72291	79.96

The following further points deserve mention in this regard:

(a) The project was highly seasonal in nature as the period of production was about two months in March and April and about four months from August to November. However, during the five years of its operation upto 1987-88, though the plant was run in March and April season it was never run during the rose flowering season from Augsut to November leading to low production every year.

The Managment stated (December 1988) that the plant could not be run during August to November in any year due to low availability of flowers and high running cost of plant.

The reply is not acceptable as the Company did procure 42 quintals of rose flowers during August 1988 to November 1988. Moreover, before undertaking capacity expansion of the plant, the Company should have ensured availability of flowers and the economics of running the plant.

(b) As envisaged in both the project reports, the viability of rose complex could have increased had the distillation of Mentha arvensis, Palmarosa and Citronella were undertaken which were locally available during December to March, when no distillation of rose was to be done, thereby, recovering partially the fixed overheads and thus, bringing down the cost of production of its main product i.e. rose oil. The Management, however, made no attempts for the distillation of Mentha arvensis, Palmarosa and Citronella all these years.

2E.6.2. Rice mill

2E.6.2.1 The project report for establishing Modern Rice Mill at Karhal (Mainpuri) at a cost of Rs. 6.91 lakhs for milling 31500 quintals of locally available paddy per year was approved by the Board in May. 1978. The Location of the factory was shifted in March 1979 to Kusmera (Mainpuri) at a distance of about 25 kms.on the ground that several rice mills were already in operation at Karhal.

As against the projected cost of Rs. 6.91 lakhs and time schedule of 6 months for completion, the project was completed in 15 months at a capital cost of Rs. 10.77 lakhs and was commissioned on 10th December 1980. The incidence of cost over-run,,primarily due to delay in construction by Rs. 3.86 lakhs in various segments of work could not be identified due to non-availability of the original project report prepared by UPICO.

2E.6.2.2 Capacity utilisation.

Against the annual installed milling capacity of 31500 quintals of paddy and projected capacity utilisation of 70, 80 and 90 per cent during the first 3 years of operation, the percentage of actual capacity utilisation during the four years upto 1983-84 were 11.7, 14.5., 53.7 and 7 respectively, which was mainly due to non procurement of paddy in required quantities as indicated in the table below:

Year	Opening Balance	Paddy Procured	Total	Paddy milled	Closing Balance	Actual Yield
			(In quintals)			
1980-81	---	4026	4026	1130	2898	487
1981-82	2898	18095	20993	4560	16433	
1982-83	16433	467	16900	16900	---	9512
1983-84	---	2245	2215	2215	---	1255

Thus, neither the Company could procure paddy from farmers in required quantity (31500 quintals) in any of the four years of its operation nor could obtain the paddy procured by other agencies for milling, on allotment by Regional Food Controller (RFC) under orders of Government, in order to recover the cost of fixed overheads. The Management stated (December 1988) that it was not possible for the Company to mill the paddy provided by RFC as the rate of recovery fixed by

RFC was 68 percent while the recovery of the mill was lower.

2E.6.2.3 Milling of paddy

As against 68 per cent recovery norms fixed by Government and also envisaged in the agenda of Board meeting held in May 1978, the percentages of actual yield were 43.1, 46, 56.3 and 56.7 during the four years upto 1983-84, resulting in short recovery of 3513.28 quintals of rice valuing Rs. 6.48 lakhs calculated at average sales realisation of respective years. The reasons for low yield were neither on record nor were explained (April 1989).

2E.6.2.4 Sales

The table below indicates the cost of production and average sales realisation per quintal of rice during the period 1981-82 to 1985-86:

Year	Total cost of prod-uction per quintal	Average Sales reali-sation per quintal (In Rupees)	Loss per quintal	Quan-tity of rice sold (in quintal)	Loss (Rupees in lakhs)
1981-82	378.69	172.74	205.94	439.60	0.91
1982-83	378.69	192.74	185.95	2146.62	3.99

Year	Total cost of prod-uction per quital	Average Sales reali-sation per quintal (In Rupees)	Loss per quintal	Quan-tity of rice sold (in quintal)	Loss (Rupees in lakhs)
	228.20	192.74	35.46	9377.81	3.33
1983-84	228.20	180.54	47.66	70.29	0.03
1984-85	228.20	180.62	47.58	64.03	0.03
	422.46	180.62	241.84	933.58	2.26
1985-86	422.46	190.95	231.51	242.45	0.56
			Total		11.11

Thus, the cost of production per quital of rice always exceeded the average sales realisation, resulting in a loss of Rs. 11.11 lakhs upto 1985-86.

2E.6.2.5 Closure of the mill

In view of non-availability of paddy at support price and continued losses incurred by the mill, the Board decided in December 1983 to close the mill and to explore the possibility of leasing out the factory to some private party .As the mill could not be leased out, The Management incurred further loss of Rs. 0.87 lakh during the years 1986-87 and 1987-88. Ultimately the Board decided in August 1988 .to sell the plant to Himalaya Industries of

Agra for Rs. 8.51 lakhs, out of which a sum of Rs. 4.26 lakhs was payable by the firm immediately and rest in two instalments against bank guarantee which was not accepted by the firm because the possession of mill was to be handed over only after full payment was received by the Company. The mill was still (October 1988) lying unsold. It was also noticed that while considering to shift the locaton of the mill from Karhal to Kusmera on the ground that several rice mill were already in operation at Karhal, the Company did not take into account the then existing private rice mills in Kusmera which were milling selha rice, of which recovery was better. Thus the very concept of setting up an Arwa rice mill at Kusmera where main crop is selha rice, was not well conceived.

2E.6.3 Insecticide sprayers unit

Having recognised greater usage of agricultural implements by the farmers, a crucial input for increasing agricultural production, the Board approved in December 1978 to set up a unit for manufacture of insecticide sprayers to be used for spraying insecticides and pesticides for protection of plants/crops. Accordingly, a feasibility report was got prepared in December 1978 by UPICO which was approved by the Board in March 1979.

According to the feasibility report the project was to cost Rs. 6.36 lakhs towards cost of land (Rs 0.20 lakh), building (Rs. 2.10 lakhs), plant and machinery (Rs. 3.02 lakhs).and other expenses (Rs. 1.04 lakhs). Net profit ranging from Rs. 0.20 lakh to Rs. 2.07 lakhs on the sales ranging from Rs. 10.51 lakhs to Rs. 21.02 lakhs during four years commencing from the very first year of operaton were also expected as per the feasibility report.

The work of construction of building consisting of workshop shed, office block, godown, boundary wall and tubewell house was awarded in November 1980 to Uttar Pradesh State Industrial Development .Corporation Limited (UPSIDC) as a deposit work at cost plus 12.5 per cent basis on one acre of land acquired from UPSIDC at a cost of Rs. 1.49 lakhs at industrial estate, Kasganj (Etah district). Against the projected cost of Rs. 2.10 lakhs with a time schedule of 4 months i.e. by March 1981, the building was completed by UPSIDC in May 1984 at a cost of Rs. 6.23 lakhs. The reasons for cost over run of Rs. 4.13 lakhs and inordinate delay of about 3 years in completing the work were not analysed by the Management.

While the building was nearing completion, the Board reconsidered in December 1983 the viability of the project and in view of stiff competition in the marketing of insecticide sprayers, dropped the project rendering the expenditure of Rs.7.22 lakhs infructuous.

It was also noticed that the cost of land (Rs. 1.49 lakhs) and building (Rs. 6.23 lakhs) was adjusted in May 1986 against subsidy of Rs. 13.89 lakhs received in March 1980 from the State Government through District Development Officer, Etah, meant for taking agency of agricultural implements, installation of community tubewell and creating infrastructure for Integrated Rural Development (IRD) Scheme. Such appropriation of subsidy on a closed project from which no benefit was derived/passed on to small and marginal farmers amounted to irregular deversion of funds. The Management stated (Decemer 1988) that utilisation of the funds for creating fixed assets was within the purview of the scheme and that dropping of a particular production programme does not make expenditure infructuous and wasteful and that the Company was likely to set up a powerloom industry in the building shortly.

The building constructed in May 1984 at a cost of Rs.6.23 lakhs was, however, still lying unutilised (December 1988).

2E.7 Trading activities

2E.7.1 Wheat procurement.

Under the price support scheme of Government of India, wheat is procured for central pool directly from the farmers at prices fixed by Government of India for each crop year. Procurnment of wheat is done through various agencies of State Government which included Mandliya Vikas Nigams also. The Company joined the scheme of wheat procurement in 1982-83.

Out of total procurement target of 20.12 lakh to 25 lakh tonnes per annum during the years 1983-84 to 1988-89, the target fixed by Government for the Company was 1000 tonees per annum for 1984-85 and 1985-86 and no target were fixed for 1986-87 and onwards.

The Table below indicates the performance of the Company in procurement of wheat during the six years upto 1988-89.

Year	Number of centres	Quantity of wheat procured (in quintals)	Total cost of wheat including incidentals, cost of bag et	Amount realisable from FCI	Shortage recoverable	Total	Profit(+) Loss(-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1983-84	10	16786	26.69	26.27	0.63	27.00	(-)0.31
1984-85	10	33561	54.00	54.98	0.20	55.18	(+)1.18
1985-86	11	27520	47.20	47.00	0.04	47.04	(-)0.16
1986-87	9	17286	30.12	30.47	0.04	30.51	(+)0.39
1987-88	12	57145	100.53	102.79	0.22	103.01	(+)2.48
1988-89	9	6430	12.26	12.04	0.02	12.06	(-)0.20

Both in view of considerable fall in the central buffer stock of grains due to severe drought during 1987-88 and good harvesting of wheat during 1988-89 compared to previous year, Government directed in March 1988 for procurement.of maximum quantity of wheat during 1988-89. Despite this, the Company could procure only 6430 quintals of wheat during 1988-89, which was not even 12 per cent of wheat procured in the previous year. Management stated in December 1988 that sale prices of wheat in open market were higher and farmers were free to sell in the market.

2E.7.2 **Petrol pumps**

The Company established in February/ March 1983 two petrol pumps, one at Agra and the other at Mathura at a capital cost of Rs. 4.50 lakhs and Rs. 2.04 lakhs respectivey. Both the petrol pumps commenced business from Ist April 1983.

The following points were noticed:

(i) The net accumulated losses upto 1985-86, the year upto which the accounts have been audited, aggregated Rs. 0.90 lakh and Rs. 0.64 lakh at Agra and Mathura respectively which were mainly due to poor sales and higher administrative costs.

(ii) The shortage of oil valuing Rs. 0.13 lakh and Rs. 0.25 lakh were noticed by the Management during the years 1983-84 and 1985-86 at petrol pump, Mathura. The Services of four suspected delinquent employees were terminated during the years 1984-85 and 1985-86 without lodging FIR or conducting departmental investigation.

(iii) The debtors of petrol pump, Agra and Mathura were Rs. 1.65 lakhs and Rs. 1.49 lakhs respectivley as on 31st March 1988. Debtors at Mathura included Rs. 1.15 lakhs due from private parties on account of credit sales made during 1984-85.

2E.7.3 Automobile workshop

In view of the fact that service and repair facilities for automobiles were lacking in Etah, the Board decided in December 1981 to set up an automobile workshop at multi-purpose Rural Service Centre, Etah, with the object of servicing, repairing and overhauling of light and medium vehicles and also to undertake sale of spare parts and lubricants at reasonable rates. Accordingly, the workshop was set up at Etah in October 1982 and total expenditure incurred upto 1987-88 was Rs. 1.31 lakhs on plant and machinery (Rs 0.90 lakh), building (Rs 0.28 lakh) and tin shed (Rs.0.13 lakhs) which was met out of funds provided by District Rural Development Agency (DRDA), Etah.

The table below indicates the working results of the workshop during five years upto 1987-88:-

Year	Workshop Expenses	Depreciation	Salary and wages and administrative overheads	Total Expenditure	Total Income	Loss
	(Rupees in lakhs)					
1983-84	0.90	0.11	0.41	1.42	1.35	0.07
1984-85	1.10	0.15	0.41	1.66	1.32	0.34
1985-86	0.39	0.13	0.34	0.86	0.50	0.36
1986-87	1.32	0.11	0.39	1.82	1.67	0.15
1987-88	0.26	0.09	0.33	0.68	0.36	0.32

Thus, against the projected profit of Rs. 1.43 lakhs in five years at Rs. 28,600 per year. the workshop had already incurred a loss of Rs. 1.24 lakhs upto 1987-88. The main reason for the losses was higher overheads ranging between 21 and 94 per cent of the income during the years 1983-84 to 1987-88 which could not be recovered due to lack of adequate work.

In view of the recurring losses in running the workshop, the Board directed the Manager (Technical Services) in June 1984 to examine in depth the working of the workshop and submit a detailed report giving reasons for recurring losses as well as suggest ways to revive the unit but no report had been submitted so far (November 1988)

Further, as a measure of bringing the workshop in profits, the Board directed in December 1987 to shift the workshop into the premises of petrol pump, Mathura. This has not been implemented so far (December 1988). The Management stated (December 1988) that the main hurdle in the working of workshop was keen competition from private workshops.

2E.7.4 Custom Service

With a view to provide custom service (hiring of tractors with implements for agricultural purpose) to poor farmers of Agra Mandal at cheaper rates through 8 Multi-purpose Rural Service Centres, the Company purchased 16 tractors at a cost of Rs. 10.30 lakhs and its implements/accessories at a cost of Rs. 2.70 lakhs between March 1978 and May 1980.

A test check of records revealed the following.

(i) In operation of 15 tractors on an average (excepting operation of only 5 tractors in 1977-78) the total loss incurred by the Company in custom services amounted to Rs. 15.01 lakhs upto 1982-83. The loss in operation of custom service was mainly due to low demand for custom service.

(ii) It was further noticed that the average productive hours of operation per tractor went on decreasing from 691.7 in 1977-78 to 324.4 in 1982-83.

(iii) The Board, having felt that the Management had totally failed to Manage/operate the custom hiring services and there was no hope of revival of the scheme.,decided in February 1983 to stop operation of the scheme immediately and to auction all the tractors alongwith implements/accessories. Accordingly, 15 tractors along with implements and accessories were auctioned during February 1984 to July 1986 for Rs. 6.93 lakhs (tractors: Rs. 5.65 lakhs and implements/ accesories: Rs.1.28 lakhs) The remaining tractor was robbed by some unidentified persons in April 1982.

2E.7.5 Sale of Sugar

In view of the unsatisfactory position of availability of non-levy sugar in the market, Government of India imported sugar in May 1985 to curb the price rise in sugar by increasing its availability in the market at reasonalble rates. Such imported sugar was to be distributed by auction throuh FCI and by distribution to bulk and small consumers through agencies of State Government.

At the request of the Company in July 1985, Government allotted sugar to the Company from time to time for sale to bulk/ small consumers within the ceiling price fixed by Government. The table below indicates the volume of business, average sales realisaton per quintal and profits earned by the Company during the period of three years upto 1987-88:-

Year	Quantity procured (in quintals)	Procurement cost (Rupees in lakhs)	Quantity sold (in quintals)	Value of sale (Rupees in lakhs)	Average sales reali-sations per quintal (in Rupees)	Profit earned (Rupees in lakhs)
1985-86	53675	279.65	53645	298.84	557.07	17.26
1986-87	64994	338.37	62926	359.29	570.97	27.02
1987-88	85950	464.13	85110	486.83	572.00	18.53

The following table indicates the shortages of sugar written off by the Management during the 3 years upto 1987-88:

Year	Quantity (in quintals)	Value (Rupees in lakhs)
1985-86	30.00	0.16
1986-87	63.33	0.33
1987-88	147.11	0.79

The Management attributed the above shortage to short receipt of sugar from FCI and stated that though the matter had been taken up with FCI, no reply had been received from them.

2E.8 Social Welfare Scheme

The Company's role and participation in the execution of some of the Govenrment sponsored social welfare schemes is discussed below:

2E.8.1 Supply of "Pushta Ahaar" under Flood Relief Scheme 1985-86

The Government of Uttar Pradesh sanctioned in December 1985, Rs. 232.00 lakhs to be drawn and spent in accordance with the terms and conditions detailed below in the distribution of 'Special Pushta Ahaar' under Flood Relief Scheme in 1985-86 in 19 districts of the State , out of which Rs. 12.32 lakhs were allotted to Agra district. The benefit under the scheme was extended to distribution of 'Special Pushta Ahaar' i.e. Khichri for 75 days among the flood affected victims indentified by District magistrate/ Chief Development Officer at the rate of 100 paise per day to pregnant women/breast feeding mothers and 70 paise to the children upto the age of 6 years, inclusive of cost of transportation. The amount sanctioned under the scheme was to be utilised during the year 1985-86. For purpose of convenience in distribution, it was visualized that packets of 5 kgs. rice and 1 kg pulse per beneficiary was to be distributed once in a month and the scheme was to be implemented in such blocks which were not covered under Integrated Bal Vikas Pariyojana.

On being awarded the work, the Company supplied to various blocks in Agra district 20,000 packets during March 1986 and 1650 peckets during April 1986, containing 12.5 kg common rice and 2.5 kg Dal Moong chilika at Rs. 57 per packet.

A test check of the records brought out the following deficiencies/irregularities

(a) As per Government Order of December 1985, the list of beneficiaries i.e. flood affected victims entitled as recipients of khichri, was to be indentified by District Magistrate/ Chief Development

Officer. The Agra District Magistrate, however, reported in January 1986 to Government that no area had been declared as flood affected in Agra district and also that the utilisation of allotment was, thus, not posible. Further the flood, if any, might have caused damage during July/ August 1985, while relief reached the affected victims as late as March/ April 1986. It is not clear how such victims, after being hit by flood, were kept waiting for 8 long months hoping that the State relief would come to them. It is thus not clear to whom the packets were distributed specially when the area was not declared flood affected.

(b) The Company, in supply of 21,650 packets of khichri costing Rs. 10.84 lakhs (Rs. 10.01 lakhs being cost of material plus Rs. 0.83 lakh incurred towards packing material, freight and other expenses), obtained a payment of Rs. 12.31 lakhs there against and thus earned Rs. 1.47 lakhs as profit under the scheme which barely lasted two months (March and April 1986), which resulted in reduction of quantitative availability by 14.7 per cent to be passed on to the beneficiaries.

(c) The Government revised (January 1986) the wholesale and retail prices of common rice to Rs. 247 and Rs. 253 per quintal respectively. It was, however, observed that although the Company procured common rice from

RFC, Agra at wholesale price of Rs. 247 per quintal, in the suply of Khichri packets (each packet of 15 kg consisting of 12.5 kg.rice and 2.5 kg Dal Moong Chilika) at the rate of Rs. 57 each to Deputy Development Commissioner Agra, the sale price of constituent rice worked out to Rs. 317.65 per quintal which exceeded permissible retail price of Rs. 253 per quintal fixed by Government. Such excess charges worked out to Rs. 1.06 lakhs

2E.8.2 Supply of Pushta Ahaar under Bal Vikash Pariyojna 1987-88.

2E.8.2.1 The Government of Uttar Pradesh comunicated in August 1987 to all District Magistrate the sanction of Rs. 680.95 lakhs for the year 1987-88 to be drawn and spent with the approval of District Planning Committee on distribution of "Pushta Ahaar" under Integrated Bal Vikas Priyojna. The district-wise allotment to Agra Mandal comrpising of 5 districts was as follows:-

Name of district	Amount (Rupees in lakhs)
Agra	6:00
Etah	15.00
Aligarh	20.00
Mathura	20.25
Mainpuri	21.60
Total	82.85

The above allotment under under the scheme was to be utilised in accordnace with the following terms. and conditions:-

(a) The benefit under the scheme extended to the distribution of "Pushta Ahaar" to under-fed, ill-fed children in the age group of 0 to 6 years, pregnant women/ breast feeding mothers and the total expenditure for each category of beneficiaries at the rate of 45, 95 and 75 paise per day for 300 admissible days in the year worked out to Rs. 135, Rs. 285 and Rs. 225 respectively. Apart from the above, an expenditure of 20 paise per beneficiary per day towards cost of transportation and fuel was admissible under the scheme.

(b) The amount sanctioned under the scheme was to be utilised during the year.

The details of rice, salt and wheat dalia purchsed by the Company during November 1987 to August 1989 and supplied to various blocks of Agra district are indicated below:-

Item	Quantity Purchased and suppl-ied (In quin-tals)	Value of purchases	Value at which supplied
		(Rupees in lakhs)	
Rice	1930.0	9.25	9.82
Salt	180.2	0.33	0.35
wheat Dalia	690.0	2.22	2.34
Total		11.80	12.51

2E.8.2.2 During test check of the records in Audit it was noticed that the Company, for the supply of rice to 18 blocks of Bal Vikas Pariyojna at Agra, purchased 1930 quintals of rice valuing Rs. 9.25 lakhs (1200.6 quintal and 397.4 quintals of 'common' rice at Rs 460.75 and Rs. 498.75 per quintal respectvely besides 332 quintals of "fine" rice at Rs 522.50 per quintal) during November 1987 to August 1988 from a single local supplier-Ashoka & Brothers, Agra-despite the fact that rice was available in sufficient quantity with RFC Agra- common rice at Rs. 259 per quintal and fine rice at Rs. 284 per quinta. Thus, the non-procurment of rice from RFC, Agra resulted in extra expenditure of Rs. 4.17 lakhs.

As the expenditure per day per beneficiary was limited in monetary terms, as mentioned earlier, the procurement of rice at higher rates from open market resulted in reduction of quantitative benefits to beneficiaries as detailed below:-

Category of beneficiary	Rate of Expenditure per day per benficiary	Total Expenditure per beneficiary for 300 days admissible under scheme	Total Quantity of Rice available at Company's average supply rate of Rs 5.09 per Kg	Total Quantity of Rice available at Government selling rate of Rs 2.65 Kg for common rice
	(In paise)	(In Rupees)	(In Kgs)	
Under-nourished children	0.45	135	26.52	51.27
Highly under-nourished/	0.95	285	55.99	108.24

ill fed children				
Pregnant women/ breast feeding mothers	0.75	225	44.20	85.45

Thus, but for the extra expenditure of Rs. 4.17 lakhs, the quantitative benefits available to the beneficiaries would have been more by 100 per cent.

The contention of the Management (December 1988) that RFC was not required to cut short the supply of rice to different ration shops and divert it to the schme is not acceptable as the Commissioner, Agricultural Production and Village Development, Uttar Pradesh had asked the Company in January 1986 to procure suplies of rice from Food and Civil Supplies Department, U.P. State Food and Essential commodities Corporation Limited, etc and no reason for not procuring rice from the above agencies were offered by the Mangement.

2E.8.2.3. Apart from the above, the following points were also noticed:-

(a) The lowest net rate of Rs. 394.25 per quintal of common variety of rice offered by a local supplier in response to tender enquiry opened on 7th October 1987 was not accepted by the Mangement for no reasons on record. Subsequently, the Management accepted in December 1987 the single offer of the same supplier for supply of common variety of rice at Rs 460.75 per quintal and purchased 1200 quintals at that rate and 397.40 quintals at Rs. 498.75 per quintal (the latter higher rate allowed owing to suply of rice to 13 blocks) during January to July 1988. This resulted in an extra expenditure of Rs. 1.21 lakhs as compared with the intitial tendered rate of Rs. 394.25 per quintal.

The Meerut Mandal Vikash Nigam Limited purchased common rice at Rs. 376.20 per quintal under the same scheme during the same period which confirms the fact that the rates paid by the Company were higher than the market prices. Compared to these rates the extra expenditure incurred by the Company worked out to Rs. 1.50 lakhs

In this connection, it is pertinent to mention that paddy under price support scheme of Government of India, is procured directly from farmers by the agencies of State Government and the price so fixed for common and fine paddy was Rs. 150 and Rs 154 for the crop year 1987-88 with rice recovery of 68 and 66.5 per cent respectively. With fresh arrivals of every variety of rice in the market during the period between November and March, the prices of rice came down considerably compared to preceeding months. Contrary to that, the Management pruchased 1598 quintas of common rice at rates ranging from Rs. 460.75 to Rs. 498.75 per quintal (Value Rs. 7.51 lakhs) between February and August 1988 without any consideration for market forces particularly in view of the fact that the same supplier had quoted on 7th October 1987 (commencement of harvesting season) a rate of Rs. 394.25 per quintal for common rice.

Further, the Management made no efforts to procure paddy and mill the same in its rice mill established in December 1980 at a cost of Rs. 10.77 lakhs, which has been lying closed from 1984-85 onwards.

The contention of the Management (December 1988) that the rates of Rs. 460.75 and Rs.498.75 per quintal for common rice was allowed on the basis of market survey by the officers of the Company and that there was no justification for calling fresh tenders for each supply does not hold good for the reasons indicated above and also in view of the fact that the lone offer of the same supplier obtained on 17th December 1987 was approved on 18th December 1987 and subsequently three agreeements were executed between

January and July 1988 with the same supplier at the same rate.

(b) Apart from procuring rice from open market, the Company went ahead and made a profit of Rs. 0.71 lakh in the supply of "Poshta Ahaar" to District Harijan and Social Welfare Department at higher rates resulting in further denial of quantitative benefit to the beneficiaries even though the scope of the scheme was extended to such strata of poor and ill-fed people.

(c) Contrary to the directive of August 1987 of the Government stipulating categorically the passing of the benefit to the beneficiaries by utilising the amount upto March 1988, the Company purchased and supplied rice, wheat dalia and salt valuing Rs. 7.12 lakhs between April and August, even though the Company had obtained advance payment of Rs. 12.51 lakhs for the total supplies under the scheme from District Harijan and Social Welfare Department, Agra upto March 1988. Thus, delay in execution caused by procedural delays at various levels virtually frustrated making available the real benefits to the ultimate beneficiaries within the intended year 1987-88.

2E.8.3. Supply of items under Integrated Rural Development programme.

With a view to raise the standard of the families living below the poverty line and to create new avenues for their employment by poviding financial help in the shape of loan and subsidy, the operation of "Integrated Rural Development Programme" sponsored and financed both by Central and State Governments on equal sharing basis was extended in October 1980 to all the blocks envisaging the benefit under the scheme to be passed on to the families having annual income of less than .Rs. 4800 but the families having yearly income of Rs. 3500 or less were to be first selected as beneficiaries for providing financial help so that their annual income may rise upto Rs. 6400.

Under the above scheme, subsidy up to Rs. 3000 of the project cost per family is admissible at the rate of 33.33 per cent to land less agricultural labourers, skilled technicians and marginal farmers having holdings of 2.5 acres or less, at 25 per cent to small farmers having holding of 5 acres or less but more than 2.5 acres and 50 per cent to scheduled caste families.

Under the scheme, the list of beneficiaries selected is forwarded to banks by DDO/DRDA who place with the

Company beneficiary-wise demand of material to be supplied and raise bills there against with the bank which eventually disburses both loan and subsidy to such beneficiaries.

Under the above scheme, the Company undertook the supply of buggies/kharkharia, agricultural implements (chaff cutter, cultivators, harrow and threshers), sewing machines, etc. from 1978-79 and further added the suply of cycle, rickshaw, boxes, cloth and kirana from 1983-84 onwards. The table below indicates the value of items purchased and sold during the period from 1978-79 to 1987-88 by the Company:

Item	Purchases	Sales	Closing Stock
	(Rupees in lakhs)		
Buggies	62.36	65.41	0.07
Kharkaria	6.49	7.35	0.34
Chaff Cutter	59.85	63.26	0.37
Harrow	4.07	4.44	0.02
Cultivator	0.30	0.18	0.07
Thresher	3.67	2.93	0.37
Sewing Machine	3.72	3.84	0.04
Paydan	-	-	0.01

Cycle	13.48	13.35	0.03
Rickshaw	0.29	0.28	0.02
Boxes	3.82	3.83	0.13
Cloths	90.26	88.40	6.00
Kirana	112.26	115.82	3.03
Interlocking Machines	0.01	0.01	-
Total	360.58	369.10	10.20

A test check of the records in Audit revealed the following:-

(i) Out of closing stock valuing Rs.10.20 lakhs held by the Company at the end of March 1988, the stock of various items were valued less by Rs.0.83 lakh in comparision to their purchase prices. This was mainly due to 80 threshers losing value by Rs. 0.48 lakh because they had become old and unserviceable.

Besides, the closing stock of cloth and Kirana included cloth valuing Rs. 0.27 lakh lying unsold which was obtained from Khadi Gram-Udyog Board, Lucknow in June and August 1987 against advance of Rs. 0.50 lakh given in June 1987, leaving the balance unrefunded.

The Management stated (December 1988) that the amount had been claimed.

(ii) No evaluation of the scheme was undertaken by the Company and as such the number of families brought above the poverty line after 10 years of implementation of scheme/ programme could not be quantified. This appears all the more necessary because the Company, of late, had undertaken supply of kirana and cloth on a massive scale (Rs.72.28 lakhs in 1986-87 and Rs. 80.98 lakhs in 1987-88) to the beneficiaries for eventual sale by them to cosumers through "Pheries" and earning profit thereon to raise their standard above poverty line.

(iii) Out of 56 Buggies that were purchased during the years from 1979 to 1982 at various blocks of Mathura District, 46 Buggies had to be sold at lower prices by incurring loss of Rs. 0.27 lakh as reported in May 1985 by Internal Auditor who also recommended fixation of responsibility for the losses.

(iv) Under the above scheme, shortages of various items valuing Rs. 0.58 lakh were reported from time to time upto 1987-88, which included loss of 51 chaff cutters valuing Rs. 0.29 lakh and 15 threshers valuing Rs.0.16 lakh. The above shortages were stated (December 1988) to be under investigation.

(v) A sum of Rs. 27.09 lakhs was given by Government to the Company in March 1980 for utilisation towards supplies to the beneficiaries for agricultural implements, accessories for industrial units and pumpsets for minor irrigation, construction of community tubewells and for creating infrastructure under IRDF.

The table below indicates the district-wise position of utilisation of grant upto March 1988:-

Name of District	Amount placed at the disposal of the Company	Utilised towards Subsidy on material supplied	Work shop	Agricultural equipments	Total
	(Rupees	in	lakhs)		
Etah	13.89	4.88	1.28	7.73	13.89
Mathura	8.55	8.35	-	-	8.35
Mainpuri	4.65	3.28	-	-	3.28
Total	27.09	16.51	1.28	7.73	25.52

Besides, a sum of Rs. 5.27 lakhs was outstanding against the various DRDAs (DRDAs Etah: Rs.1.77 lakhs, Aligarh :Rs.0.75 lakh, Agra: Rs.1.64 lakhs and Mathura: Rs. 1.77 lakhs) as on 31st March 1988 for recovery of subsidy for the excees goods supplied to beneficiaries and also supplying to the beneficiaies of such districts where no subsidy was earmarked.

2E.8.4. Community tubewells

With a view to make available assured irrigation water mainly to small/marginal farmers at reasonable rates for furthering individual cultivation through intensive cropping pattern, a project report, prepared in consulation with the Minor Irrigation Department and technical Officers of Ram Gange Canal Project Authority for construction of 17 community tubewells in Mainpuri District at an estimated cost of Rs. 10 lakhs and annual earning of Rs 0.12 lakh per tubewell within the framework of available subsidy from IRD/SFDA, was approved by the Board in September 1981 and the Managing Director was authorised to take up the installation of community tubewells in other districts also.

Accordingly, the Company framed a scheme of boring of community tubewells in all the five districts of the Mandal, as per details given below:-

Name of District	Number of borings	Estimated Cost (Rupees in lakhs)	Number of beneficiaries	Extra Irrigational facilities envisaged to be covered(in acres)
Mathura	24	15.36	168	336
Etah	25	12.12	175	400
Agra	39	13.26	273	390
Mainpuri	35	23.22	245	560
Mathura	66(transferred to Harijan Social Welfare Department, Aligarh)			

The Company entrusted the work of boring of tubewells and construction of pumps houses to Minor Irrigation Department and a sum of Rs. 35.95 lakhs (Agra:Rs 8.12 lakhs, Etah:Rs.3.28 lakhs, Mainpuri: Rs. 6.86 lakhs, Mathura: Rs.1.92 lakhs and Aligarh :Rs. 15.77 lakhs) was advanced between June 1981 and March 1988. Although construction work was started during February 1982 to September 1983, the details of expenditure on construction of tubewells were still not received (November 1988) by the Company.

In this connection the following points were noticed:-

(i) The Company, in the absence of details of expenditure, capitalised on estimated basis a sum of Rs. 12.74 lakhs on 51 completed tubewells. Further, with a view to operate community tubewells, diesel engines and accessories valuing Rs. 4.29 lakhs were purchased by the Company between 1982-83 and 1985-86.

(ii) In the estimate for the construction of tubewells, it was envisaged that each tubewell will operate for 1500 hours and will earn revenue of Rs. 12000 per year. A test check of the performance, however, revealed that the shrotfall of revenue agregated Rs. 34.85 lakhs during the period from 1982-83 to 1987-88.

(iii) A sum of Rs. 48.09 lakhs was received from Government towards subsidy between 1981-82 and 1984-85 in respect of Agra, Aligarh, Mathura and Etah districts and out this only Rs. 4.10 lakhs could be capitalised on estimation basis. A sum of Rs. 8.19 lakhs (basis or details were not shown to Audit) was spent at Mainpuri (although no subsidy was received for this district) but the Company had not adjusted the subsidy with the IRD autorities so far (November 1988).

The Board reviewed the working of tubewells from April 1985 onwards and finding that it was not possible for the Company to run these tunewells economically, decided in July 1987 that after fixing minimum price, the tubewells may be sold through auction or sold to the beneficiairies. As this could not be done, the Board reconsidered and decided in August 1987 that physical verification of the tubewells may be got done and fresh proceedings for sale may be started and also directed that a sale Committee consisting of Officers from Minor Irrigation Department, Block Development Officers and an Officer from the Company may be formed through District Magistrate of each district.

The physical verification report (April 1988) of all the tubewells was submitted to the Board by the Service Engineer which revealed that out of 123 tubewells constructed, only 51 tubewells were in working order. after considering the report, the Board decided in April 1988 that these 51 tubewells may be sold one by one through sale committee formed through District Magistrate. However, no sale could be effected so far (November 1988). Thus the investment of Rs. 12.74 lakhs (estimated) on construction of tubewells was largely unfruitful.

The details of expenditure in respect of the tubewells which were incomplete/not in working order were not available with the Company. As such no capitalisaton on this account had been shown in the accounts.

Reasons for the delay in completing the tubewells in progress or action taken to bring the tubewells into working condition were not on record.

2E.9. Internal Audit

The post of Internal Auditor created by the Board in August 1979 was filled up on 1st October 1980, Besides, the Company awarded in March 1982, the work of internal audit for the period from 1982-83 to 1987-88 to a firm of chartered Accountants at a cost of Rs. 0.23 lakh. scrutiny of records maintained by Internal Auditor revealed that neither any cycle register nor programme register was maintained to ensure audit of accounts of all the units at regular intervals with the rsult, several units were left un audited every year as per table below, which indicates number of units that existed, audited and actual days spent in audit during the last 5 years upto 1987-88 as per statement furnished by the Management:

Year	Number of units	Number of units audited	Actual period of audit(In days)
1983-84	13	6	35
1984-85	14	11	24
1985-86	15	6	2
1986-87	15	5	11
1987-88	15	2	3

2E.10. Financial position

The financial position of the Company at the end of five years upto 1987-88 was as detailed below:-

	83-84	84-85	85-86	86-87	87-88 (Provisional)
	(Rupees in Lakhs)				
(A) LIABILITIES					
Paid-up Capital	100	100	100	100	100
Reserves and Surplus	-	-	-	9.01	9.01
Borrowings	6.07	7.35	5.87	30.93	33.18
Current liabilities (including provision)	84.53	99.98	93.89	79.23	79.42
Total (A)	190.60	207.33	199.76	219.17	221.61
(B) ASSETS					
Gross Block	46.58	45.27	45.89	42.89	53.52

Net fixed Assets	29.10	31.96	29.90	28.89	43.28
Capital Works in progress	16.55	37.19	37.19	34.27	24.55
Current Assets, loans and advances	105.07	89.53	87.43	123.74	128.70
Misc expenditure	1.74	0.95	0.87	0.43	0.27
Accumulated losses	38.14	47.70	44.37	31.84	24.81
Total (B)	190.60	207.33	199.76	219.17	221.61
(C) Capital employed	49.64	21.51	23.44	73.40	92.55
(D) Net Worth	60.12	51.35	54.76	76.74	83.93

NOTES:- 1. Capital employed represents net fixed assets (excluding work-in-progress) plus working capital.

2. Net worth represents paid-up capital plus reserves and surplus less intangible assets.

2E.11. Working results

The working results of the Company for the five years upto 1987-88 were as detailed below:-

	83-84	84-85	85-86	86-87	87-88 (Provisional)
	(		Rupees in		lakhs
(A) EXPENSES					
Raw Materials consumed	4.43	1.06	2.09	3.32	2.90
Finished goods purchased	55.24	167.40	433.55	515.29	733.98
Administrative expenses and other expenses	20.97	21.10	23.37	27.10	36.51
Interest	1.74	1.43	1.73	1.24	5.07
Depreciation	2.11	3.06	2.69	2.75	1.05
Provisions	0.45	0.64	0.91	1.22	1.18
Write off	0.08	0.08	0.08	2.27	0.06
Total (A)	85.02	194.77	464.42	553.19	780.55
(B) INCOME					
Sales	61.08	175.53	464.72	556.98	777.49

Income from Community Tubewells	0.14	0.62	0.23	0.46	0.35
Other Income	6.19	9.05	2.80	7.20	10.82
Total (B)	67.41	185.20	467.75	564.64	788.66
(C)Profit (+)/Loss(-)	(-)17.61	(-)9.57	(-)3.33	(+)11.45	(+)8.11

The provisional profits of Rs. 11.45 lakhs and Rs. 8.11 lakhs during 1986-87 and 1987-88 respectively were mainly due to (a) profit of Rs. 45.55 lakhs earned on sale of imported sugar in 1986-87 (Rs. 27.02 lakhs) and 1987-88 (Rs. 18.53 lakhs) and (b) writing back of depreciation in 1987-88 of Rs. 5.13 lakhs relating to the years 1976-77 to 1986-87 and short provision of depreciation of Rs. 1.96 lakhs during 1987-88 due to change in the method of charging depreciation.

The accumulated losses of the Company amounted to Rs. 24.81 lakh upto 31st March 1988, which were mainly because of uneconomic working of rice mill, rose complex and community tubewells.

The Management stated (December 1988) that heavy losses in rice mill venture occured mainly due to non-availability of paddy at support prices and whatever paddy was procured by Government agencies, was transferred at working of the mill leading to its closure.

2E.12. Other topics of interest

Excess drawal of house rent allowance.

As per directive issued by Government in July 1986 the Manageing Director* (a State Civil Service Officer) who joined in August 1987 on deputation was entitled to rent free accommodaton but was not entitled to an accommodation hired by the Company at maximum monthly rent of Rs. 1000 upto September 1987 and Rs. 1250 from October 1987 onwards on recovery of rent of his basis pay.

A test check of records, however, revealed that Managing Director drew house rent allowance at Rs. 1250 per month from August 1987 though it was not admissible under Government Order of July 1986. As such, the payment of house rent allowance could be governed only by Government Orders of December 1981 under which the Managing Director was entitled to draw house rent allowance at Rs. 400 to 850 per month during the period August 1987 to October 1988 as against Rs. 1250 per month drawn by him. The Managing Director continued to draw excess house rent allowance from August 1986, the incidence of which upto October 1988 (month of audit) aggregated Rs. 11,179.05 as per details below:-

Period	Emolu ments	HRA admis-ssable	HRA drawn	Excess drawn	Total amount ofexcess drawal
20th Aug 1987 to 31st Aug 1987	1503	154.85	483.90	329.05	329.05
Sep 1987	2450	400	1250.00	850.00	850.00
Oct 1987 to Jun 1988	2575	400	1250.00	850.00	7650.00
Jul 1988 to Sep 1988	4481	600	1250.00	650.00	1950.00
Oct 1988	4566	850.00	1250.00	400.00	400.00
			Total		11179.05

The Management stated (December 1988) that as no Official residence was provided to the Managing Direcor by the Company, no deduction at the rate of 10 per cent of the pay was made from his salary. No reasons for paying house rent allowance at higher than admissible rates were, however, given by the Management, Thus, the drawal of excess house rent allowance by the

Managing Director, which was still continuing (December 1988), needed recovery/règularisation.

The above matters were reported to the Government in February 1989; their replies had not been received March 1990

CHAPTER-3

REVIEW IN RESPECT OF UTTAR PRADESH STATE ELECTRICITY BOARD

This Chapter contains a sectional review on shortages and losses and inquiries thereof in Uttar Pradesh State Electricity Board.

CHAPTER-3

POWER DEPARTMENT
UTTAR PRADESH STATE ELECTRICITY BOARD

Losses and shortages and inquiries thereof

HIGHLIGHTS

The value of shortage of materials and discrepancies in accountal of cash and materials, noticed by Divisional Officers, are booked under "Material shortages pending investigation" and "amounts recoverable from employees/ex-employees" for subsequent adjustment by recoveries or reconciliation or write off. The balances under these heads were increasing from year to year and stood at Rs. 15.05 crores at the end of 1987-88. Test check of records of 31 divisions, where Rs. 2.31 crores were outstanding on this account, revealed that proper accounting control was lacking

Amounts were being booked under these two suspense head of account in a routine manner without taking adequate action for recovery. Amount outstanding in excess of Rs. 0.10 lakh against individual employees was Rs. 129.25 lakhs against 230 employees, out of which action to initiate recovery of Rs. 97.53 lakhs against 187 employees was still to be taken (including Rs. 32.40 lakhs against 82 employees due for over five years).

There was no apparatus/system to ascertain the consolidated position of various stages of disciplinary cases: test check revealed that out of 21 cases of disciplinary proceedings involving loss of Rs. 46.55 lakhs, inquiries in six cases involving loss of Rs. 13,49 lakhs, required to be completed within four months were actually completed after 2 to 16 years holding the employees guilty of misappropriation and inquiry in 15 cases involving loss of Rs, 33.06 lakhs (including 12 cases involving loss of Rs. 26.16 lakhs initiated five years back) remained uncompleted. The delays in respect of completed inquires included:

- Non-handing over the charge of materials valuing Rs. 5.64 lakhs by a Junior Engineer (JE) where charge-sheet was issued after five years, inquiry completed after another two years and punishment awarded after another three years

- shortages of materials valuing Rs. 2.14 lakhs against an Assistant Store Keeper (ASK), where the disciplinary proceedings were initiated after two years, inquiry completed after another eight years and the action thereon was under consideration,

- shortage of materials valuing Rs. 2.98 lakhs for which charge-sheet was not finalised for over five years till the employee further misappropriated materials valuing Rs 2.29 lakhs. While action on the inquiry report in the first case, submitted after 10 years, remained under consideration for over 18 months, the charge-sheet in the second case had not been served even after seven years and

- shortage of materials valuing Rs. 1.09 lakhs where disciplinary proceedings were initiated after nine years inquiry report was submitted after another seven years and the report continued to remain pending for three years thereafter.

The cases pending disciplinary inquiry included:

- loss of materials valuing Rs, 1.20 lakhs detected in 1971 and established in 1977 in vigilance inquiry which had to be dropped in June 1988 in the absence of evidence due to abnormal delay in initiating disciplinary proceedings,

- shortage of materials valuing Rs. 2.03 lakhs, detected in June 1981, became irrecoverable with the death of the employee in February 1982 even before the charge-sheet was issued ;and

- cases of disciplinary proceedings against two JEs for shortages of materials aggregating Rs. 4.90 lakhs, initiated in 1983 i.e. after two years and remaining stalled as the charge sheets had not been approved.

out of 20 cases, where action was recommended by the Vigilance, 1 cases remained pending with the Board.

3.1 Introduction

As per accounting procedure followed since inception by the Uttar Pradesh State Electricity Board, the value of shortages of materials and discrepancies in accountal of cash and materials noticed by the Divisional Officers are booked in the accounts miscellaneous advances against employees under the suspense heads- "material shortages pending investigation" and "amount recoverable from employees/ex-emplyees". On detailed scrutiny of these items, orders for transfer of items to other heads or recovery from delinquent employees are issued. Cases of losses coming to notice through complaints received by the Board from the public and the Government against officers and staff alongwith other irregularities like undue favour, corruption,administrative lapses, etc., are referred to the Chief Zonal Engineer (CZE)/General Manager (GM) of the concerned project for conducting preliminary inquiry. In cases where prima-facie case is established during preliminary enquiry,the case is referred to the Vigilance Cell or Internal Audit Wing of the Board for detailed investigation through the Chairman of the Board. After conclusion of investigation by the Vigilance/ Internal Audit Wing, the chairman refers the case to Chief Engineer (Enquiry) (CEE), if disciplinary proceedings are contemplated involving at least one officer of the rank of Assistant Engineer (AE) or above. In cases involving staff below AE level, the cases are referred to the appointing authorities for conducting disciplinary proceedings.

The table below indicates the outstanding balances of amount recoverable from employees under the above suspense heads at the end of the three years upto 1987-88.

	1985-86	1986-87	1987-88
	(Rupees	in	lakhs)
Opening Balance	610.07	1074.45	1330.35
Amount booked during the year	1411.26	540.19	539.30
Amount declared during the year	946.88	284.29	365.01
Closing Balance	1074.45	1330.35	1504.64

(Figures for 1987-88 are provisional)

3.2. Scope of Audit

As on 31st March 1988, the Board had 460 accounting units grouped under 25 accounting Zones. In audit conducted during April-September 1988, records relating to balance under the heads "Amount recoverable from employees/ex-employees" and "Material shortages pending investigation" of 31 divisions where balances under the suspense heads as on 31st march 1988 aggregated Rs. 230.72 lakhs were test checked. The records at the head quarters of the Board and in the Office of the Chief Engineer (Hydel) (CEH) with reference to departmental and vigilance inquiries were also test checked.

3.3. Miscellaneous advances against employee

3.3.1. Board's procedure

A detailed account is kept in suspense register where the necessary particulars for each item is recorded, so that clearan,e is watched individually. The register is to be reviewed monthly by the Divisional Officer and once a year by the Superintending Engineer (SE) so that outstanding balances are cleared expeditiously by recovery or adjustment.

After reviewing the balances under the suspense heads, the Board attributed in November 1970 the heavy balances to improper maintenance of suspense registers and, therefore, prescribed maintenance of part-wise accounts with details of each item which is required to be carried forward with full details in subsequent years till the items are settled. In May 1977, the Board observed that heavy accumulated balances were outstanding against employees for the last several years and laid down detailed procedure to be followed by field officers for expeditious liquidation of balances by calling for explanations of delinquent employees and issuing recovery orders, initiating civil suits and launching criminal prosecutions. Inspite of these instructions, the balances under the suspense heads continued to increase. The main reasons for increase in balances as noticed by Audit, were-

(i) lack of periodical review of balances at the Board's headquarters,

(ii) lack of accounting control over balances,

(iii) improper maintenance of suspense registers,

(iv) placement of amount under suspense in routine manner and

(v) non-compliance by field officers with the directions issued by the Board from time to time for pursuance of the cases.

3.3.2. Non-review of balances at headquarters.

The Board has not prescribed periodical submission of any return by field officers showing details of outstanding balances against staff and action taken thereon to ensure that the field officers exercise adequate checks. Though the Board directed the CZE in November 1981 to review the position of such suspense balance quarterly and to take remedial steps for timely clearance/settlement of items outstanding for mere than three months, it did not prescribe submission of any periodical report to them. In the absence of such reports from the CZEs, the Board was unable to assess the action taken by the CZEs and identify the factors contributing to the continuous increase in balances.

3.3.3. Lack of accounting control over balances recoverable from employees.

The amount recoverable from employees at the end of the three year upto 1987-88 was Rs. 10.74 crores, Rs, 13.30 crores and Rs. 15.05 crores respectively. The Board does not have zone-wise and division-wise details for these balances. There is no system of reconciliation of the balances either at divisional level or at the zonal level or at headquarters.

In test check during June-August 1988 it was noticed that incorrect balances were being reported by the divisions as shown below:-

(a) The following three divisions did not take into account the opening balances while reporting the closing balances, for which reasons were nct on record:

Name of the Division	Year of accounts	Opening Balance not considered (Rupees in lakhs)
Electricity Stores Division, Agra	1987-88	0.10
Electricity Transmission Division-II Gorakhpur	1986-87	4.65
Electricity Transmission Division, Agra	1987-88	0.04

(b) In the case of following divisions, the balances under suspense heads as reported by them through monthly accounts were much less than the figures shown in their suspense registers:

Name of the Division	Year of accounts	Closing Balance As per monthly accounts	Closing Balance As per suspense registers	Balance not accounted for
		(Rupees in lakhs)		
(i) Electricity Transmission Division-I Varanasi	1983-84	1.27	4.28	3.01
(ii)Electricity Distribution Division-II, Gorakhpur	1985-86	12.53	15.48	2.95
(iii)Electricity Transmission Division-II, Kanpur	1987-88	1.15	2.60	1.45
(iv) Electricity Transmission Division-II Varanasi	1985-86	0.54	1.15	0.61
(v) Electricity Transmission Division-II, Gorakhpur	1987-88	3.67	8.89	5.22

3.3.4. Improper maintenance of suspense registers

With a view to facilitate reference and effective watch and clearance of outstanding items, the Board decided in November 1970 to maintain a register, indicating, inter alia, reference to vouchers and particulars showing full details of employees and nature of transactions.. During test check of records of 31 divisions the following points were noticed:

(i) particulars of voucher number were not recorded by any of the divisions. In four divisions neither reference to voucher nor the month to which items valuing Rs. 7.02 lakhs related was indicated. These items had not been investigated by the divisions and continued to remain outstanding without any action for recovery/ disciplinary proceedings against the employees.

(ii) In eight divisions nature of transactions against items aggregating Rs. 34.05 lakhs was not indicated, as a result the old items remained unreviewed.

(iii) In 11 divisions neither the nature of transaction nor the month to which the transactions relate against items aggregating Rs. 111.83 lakhs was indicated and the items were outstanding without any action for recovery/ disciplinary proceedings against the employees.

(iv) In six divisions even the details of amounts recoverable from employees were not available in the suspense registers, as shown below:

Name of the Division	Year of accounts	Amount recoverable As per registers	As per accounts	Value for which details are not available
		(Rupees	in	lakhs)
Varanasi Electric Supply Undertaking	1984-85	2.97	3.27	0.30
Electricity Distribution Division, Firozabad	1985-86	10.00	11.67	1.67
Electricity Transmission Division-I Gorakhpur	1985-86	1.90	4.31	2.41
Electricity Transmission Division Lucknow	1987-88	2.82	3.05	0.23
Electricity Transmission Division-II Varanasi	1987-88	0.72	1.50	0.78
Electricity Test Division, Varanasi	1987-88	0.40	0.86	0.46
			Total	5.85

(v) The suspense registers are required to be closed monthly and balances are required to be reconciled with monthly accounts. It was, however, noticed that in respect of 19 divisions posting in the suspense registers were in arrears and thus the closing of suspense registers was in arrears from six month to nine years.

(vi) Balance recoverable from ex-employees for miscellaneous recoveries is required to be shown in monthly accounts under separate sub-head to facilitate its proper pursuance and recovery. However, Rs.6.72 lakhs recoverable from 25 ex-employees as at the end of March 1988 was being shown by 18 divisions as amounts recoverable from regular employees. This included Rs. 5.19 lakhs in 23 cases where no action had been taken by the Division concerned to call for explanations of employees for recovery or to initiate disciplinary actions. Age-wise analysis at the end of March 1988 of such case excluding four cases (Rs.0.74 Lakh) where period was not available, is given below:

Period	Number of divisions	Number of cases	Amount (Rs in lakhs)
Due for more than 15 years	5	5	0.66
Due for more than 10 years but less than 15 years	3	4	0.85
Due for more than 5 years but less than 10 years	5	6	2.47

Due for less than 5 years	2	4	0.47
Total	15	19	4.45

Neither any action was taken by the Divisional Officers nor justification was furnished for not initiating any action for recovery during service period of the employees. No responsibility was fixed for lapses on the part of officers.

(vii) The suspense registers maintained by nine divisions did not show particulars of employees from whom Rs. 15.66 lakhs (including Rs. 13.31 lakhs outstanding for more than five years) were recoverable. The amount continued to remain posted in the registers since long and indicated only the designations of officers and employees. In the absence of the particulars the divisions were unable to pursue these items to make good the loss.

(viii) The Electricity distribution Division-I, Varanasi had a balance of Rs. 53.24 lakhs under the head-" material shortages pending investigation" at the close of 1987-88. Details of shortages, the period of occurrance and names of officials responsible were not available. The cases remained unpersuaded by the division (March 1989) without any investigation.

(IX) Lucknow Electric Supply Undertaking had not maintained any suspense register for over 20 years showing details of the amounts booked against employees and its clearance. As at the end of March 1988, amount recoverable from employees was Rs. 11.03 lakhs, against which neither details were available nor was any action taken for recovery.

3.3.5 Booking of advances in routine manner.

3.3.5.1. Non-accountal of materials

In order to minimize balances under miscellaneous advances, the Board ordered in November 1981 that the advances should not be placed against departmental employees as a matter of routine without detailed scrutiny. It was, however, noticed that while the materials received on transfer from other divisions remained unaccounted for, Advice of Transfer Debits (ATDS) received from transferor divisions were regularly accepted by placing he amount under miscellaneous advances against the section holders. Regular acceptance of such transfer advices in respect of the materials remaining unaccounted without initiating proper disciplinary action was irregular.

During 1984-85 to 1987-88, materials valuing Rs. 47.47 lakhs remaining unaccounted in five divisions, were booked under that head as detailed below:

Division	Number of Employees	Number of Invoices	Value of materials received during the year 1984-85	1985-86	1986-87	1987-88	Total
			(Rupees in Lakhs)				
Agra Elec- Supply Undertaking	15	33	-	-	15.52	9.39	24.91
Electricity Distribution Division-II Gorakhpur	19	80	-	0.75	7.91	0.50	9.16
Electricity Distribution Division-I Azamgarh	5	5	0.18	0.54	-	-	0.72
400 KV Sub-Station Division Kanpur	1	1	-	-	-	10.99	10.99
Electricity Distribution Division-II Mathura	1	6	-	1.69	-	-	1.69
Total	41	125	0.18	2.98	23.43	20.88	47.47

Neither action had been taken to initiate recovery from employees nor was disciplinary action taken in accordance with the procedure laid down by the Boar (March 1989).

3.3.5.2. Temporary advance

Temporary advances/imprests are sanctioned by Divisional Officers to employees for meeting expenditure of urgent nature which is required to be adjusted promptly. In the case of employees transferred to other divisions, outstanding amount of advance is required to be noted in the last pay certificate. It was, however, noticed that in 13 divisions, the outstanding advances of Rs. 3.69 lakhs (including Rs. 2.20 lakhs outstanding for more than 3 years) in 185 cases were transferred to the suspense head as amount recoverable form employees instead of making recovery or getting the same recovered by other divisions. These include 63 advances aggregating Rs. 0.68 lakh advanced during 1982-83 to 1985-86 against 29 employees of Electricity Distribution Division. Agra, although second advance was not admissible unless the earlier advance had been adjusted. No reasons were given for non-settlement of outstanding advances (September 1988).

3.3.6. Lack of pursuance of advances

3.3.6.1. Procedure for settlement of advances against employees, as prescribed by the Board from time to time is as below:

(i) Issue of notices calling upon delinquent employees, concerned for furnishing justification.

(ii) Examination of replies furnished by the employees and issue of show cause notices for awarding proposed punishments of recovery

(iii) Issue of orders for recovery.

(iv) Relieving such employees, against whom advances exceeding Rs, 0.10 lakh are outstanding, from their present charge for a month to afford opportunity for reconciliation of advances by the employees.

(v) Launching departmental and legal action in case recovery is not possible within service period of employees.

It was, however, noticed during test check that the procedure prescribed for settlement of advances was not being followed properly. A review of cases in Audit in 31 ivisions where advances exceeding Rs, .10 lakh (amounting to Rs. 129.25 akhs) were outstanding against 230 nployees disclosed that action for covery had been initiated/completed ly against 26 employees for advances aggregating Rs. 26.16 lakhs. The age wise analysis of the balance amount (excluding Rs. 5.56 lakhs against 17 employees for which details were not made available) was as follows:

Outstanding for a period	Amount out-standing (Rs in lakhs)	Number of employees
Upto 1 year	10.12	12
Over 1 year and upto 3 year	25.29	66
Over 3 years & Upto 5 years	19.72	27
Over 5 years & Upto 10 years	21.86	48
Over 10 years	10.54	34
	97.53	187

The above includes miscellaneous advances aggregating Rs. 2.87 lakhs booked by two defunct Rura Electrification Divisions against 7 employees upto 1974-75, which wer merged in Electricity Distributio Division-I, Gorakhpur and Electrici Distribution Division, Agra in 1974-7 The items were never pursued wi employees since take over of balanc in the divisions and the same continued to remain outstanding (March 1989). Particulars of period since when the amounts were outstanding and the nature of transactions were also not available.

3.3.6.2. Some interesting cases noticed in test check (June-August 1988) are discussed below:

(i) During physical verification in March 1983 of Varanasi Store Centre. the AE noticed shortage in materials valuing Rs, 0.91 lakh which were booked in June 1983 as amounts recoverable from the Storekeeper (SK). However, no action was taken to effect recovery from the SK upto July 1987. When he was transferred to newly created Store Division at Varanasi. The entire case was forwarded in May 1988 to the newly created division. Even after a lapse of five years the matter had neither been investigated to make good the recovery nor were disciplinary proceedings initiated against the SK.

(ii) An Assistant Storekeeper (ASK) of Electricity Store Centre, Faizabad under Electricity Store Division, Lucknow did not account for materials valuing Rs, 0.43 lakh, received from two suppliers in February 1979. When the Advice of Transfer Debit (ATD) raised in September 1978 for outstanding payments against the firms for materials meant for Faizabad Store Centre was returned by the latter as the supplies had already been executed by firms, the division revised the ATD in June 1980 by placing Rs, 0.43 lakh as miscellaneous advance against the ASK for non-accountal of materials. The division issued seven letters to the ASK between March 1979 and October 1987 but no reply was received. Though 10 years have lapsed, neither show cause notice for recovery as prescribed by Board in August 1978 was issued nor any disciplinary action initiated against the ADK so far (March 1989).

(iii) During physical verification in May-June 1982 of Electricity Store Centre, Bulandshahar by the AE, shortage of materials valuing Rs, 1.54 lakhs was detected which was placed under miscellaneous advance against the SK. No action had been taken till March 1989 by the Electricity Store Division, Ghaziabad for recovery of the amount from the SK on the ground that the High Court had granted a stay order in May 1979 which had not been vacated. The stand taken by the Division is not justified as the stay order referred to was issued in a totally different context. Further, neither departmental proceeding were initiated for the lapse on the part of the SK nor action for recovery was initiated (March 1989). The SK is due to retire in October 1989.

(iv) During November 1975 to February 1979 the SK of Electricity

Store Division, Lucknow did not account for materials valuing Rs.0.36 lakh and the amount was placed under miscellaneous advance against him during March 1979 to August 1981. The SK was never relieved of his normal duties to reconcile the advance. No disciplinary proceedings were also initiated by issuing show cause notice after obtaining explanation. In the meantime the employee died in February 1982. No action was taken for fixing responsibility for the lapse (March 1989)

In another case, a sum of Rs, 0.18 lakh booked during July-December 1977 against the same official also remained outstanding without any action for recovery till his death.

3.3.7. Disciplinary proceedings against employees.

3.3.7.1. Board's procedure

Disciplinary proceedings are required to be instituted against employees for grave charges warranting reduction to a lower stage in existing scale, reduction in post and dismissal/removal from service. The stages of proceedings are as detailed below:

(a) Preliminary inquiry by field officers with reference to evidences available to assess the desirability of instituting such proceedings and submission of proposals to the appointing authority.

(b) Formal decision of appointing authority to undertake disciplinary proceedings and appointment of inquiry officer.

(c) Issue of charge-sheet, examination of written and oral evidences and submission of report by the inquiry. officer.

(d) Issue of show cause notice to the charged officer for proposed punishment.

(e) Award of punishment after considering reply to show cause notice.

Para 137 of the Hydel manual of Orders (HMO) adopted by the Board provides that everything possible should be done to speed up all stages of inquiry when disciplinary proceedings are taken against the employees and lays down the following time schedule:

(i) Issue of Charge-sheet	15 days from the date of decision to start formal proceedings
(ii) Time for submission of reply	1 fortnight and in no case exceeding 30

by charged officer	days
(iii) Oral examination of witness	1 month from submission of written statement
(iv) Submission of report to the appointing authority	Within a fortnight of conclusion of oral examination
(v) Issue of show cause notice	Within one week of receipt of report
(vi) Issue of final order	Within one month of issue of show cause notice

Disciplinary proceedings in cases, where at least one of the officers of the rank of AE or above are involved are to be conducted by the Chief Engineer (Inquiry) after sanction of the Chairman.

3.3.7.2. Monitoring of progress

Although disciplinary proceedings are initiated for grave charges of misconduct and negligence, there is no apparatus/system existing in the Board, y which it is able to know the nsolidated number of cases where sciplinary cases are in progress or e number of cases where disciplinary oceedings are contemplated.

Losses and shortages are mainly in materials handled by JEs and SKs where the disciplinary authority is CE(H) and SE Electricity Store Circle. It was noticed in test check (August-September 1988) of records of the offices of the CE(H) and SE Electricity Store Circle that no record was maintained to indicate the particulars of cases under disciplinary proceedings.

A review of 21 cases under disciplinary proceedings, noticed in audit (June-September 1988) of eight units, disclosed the following:-

3.3.7.3. Completed inquiries

In six cases involving recovery of loss of Rs. 13.49 lakhs, detected during November 1970 to May 1978 against charged officers, the inquiry reports holding the employees guilty for misappropriation of materials were received after 2 to 10 years (February 1978 to July 1988) after detection of loss as shown below:

Period of completion of inquiries	Number of cases	Amount of loss (Rs in lakhs)
Within one year	--	---
Over 1 year but upto 3 years	1	0.29
Over 3 years but	1	1.36

upto 5 years		
Over 5 years but Upto 10 years	1	5.64
Above 10 years	3	6.20
Total	6	13.49

As against the time provided in the HMO for completion of different stages of inquiry, the time taken was abnormally high as discussed below:

(i) There were abnormal delays in issue of charge-sheet. The charges could be framed within prescribed period of 15 days only in one case. In three cases involving loss of Rs, 9.70 lakhs there was a delay of more than five years in framing and issuing charge-sheets.

(ii) In all the six cases Inquiry Officers recommended recovery of the amount of losses. The position of final action taken by the authority so far (March 1989) in these cases was as under:-

(a) Punishment awarded	1 case involving Rs. 5.64 lakhs after 3 year of receipt of report

(b) Inquiry reports under consideration for a period exceeding-

1 month	1 case involving Rs. 2.14 lakhs
1 year	1 case involving Rs. 2.97 lakhs
3 years	1 case involving Rs. 1.09 lakhs
(c) No action taken on inquiry report for over 9 years and fresh departmental proceedings initiated thereafter	1 case involving Rs. 1.36 lakhs
(d) Punishment (termination of service) withdrawn	1 case involving Rs 0.29 lakhs

(iii) Due to delay in issue of charge-sheet and taking final action on inquiry officers" reports, three employees suspended in contemplation of inquiry, had to be reinstated after one to eight years of suspension.

Some of the cases where delays were substantial are discussed below:

(a) In February 1975, the JE of Electricity Maintenance Division Dhampur was relieved on transfer to Harduaganj Project without taking over the materials in his charge, the value of which was determined in September

1976 by the Division at Rs. 5.64 lakhs. The matter was reported in October 1976 by the SE, Electricity Maintenance and Rural Electrification Circle, Bareilly to the CE(H) for initiating departmental proceedings for the lapse. The CE (H) after scrutiny of the case, suspended the employee in November 1976 and appointed an inquiry officer to conduct departmental proceedings. Since the charges could not be framed within the prescribed period of one year, the JE was reinstated in March 1978. The charge-sheet was issued to the official only in April 1982 and inquiry report was submitted in August 1984 i.e.,after over two years. The punishing authority held in October 1986 that the charges were proved and hence issued show cause notice with following punishment.:

(i) Reduction in pay by five stage.

(ii) Censure and with-holding integrity certificate for 1971-72 to 1974-75.

(iii) Materials were to be handed over by the charged officer to the EE, Electricity Distribution Division, Dhampur within three months of receipt of the order, failing which action for recovery of cost of materials was to be taken by the EE.

(iv) He was not be paid anything extra beyond subsistence allowance already paid to him.

On receipt of the reply to the show cause notice in August 1987. the order awarding punishment was issued in September 1987. Although the award of punishment on conclusion of proceeding itself took more than 10 years of detection of case,yet one year period had elapsed (March 1989) without recovery of shortage or taking charge of materials.

(b) The ASK of Electricity Store Centre Faizabad was placed under suspension in May 1978 for misappropriation of 8.375 tones of copper scrap valuing Rs. 2.14 lakhs, detected in May 1978 by the A assistant Engineer during Physical verification. Departmental proceedings were initiated by the SE, Electricity Stores Circle, Lucknow in June 1980 i.e.after two years of occurrence. The Inquiry Officer submitted his report in July 1988 after eight years holding the ASK responsible. The inquiry report was under consideration of the SE (March 1989), pending which recovery had not been started.

(c) The SE, Electricity Maintenance and Rural Electrification circle, Varanasi directed the EE,Electricity Maintenance Division-II, Varanasi in February 1976 to initiate disciplinary proceedings against a JE for non-handing over of lines and for other amounts recoverable from him. The JE was suspended in December 1976. An Inquiry Officer who was appointed In April 1977, could not start the inquiry in the absence of the charge-sheet which was made available only in September 1981. Meanwhile the JE had already ben reinstated in June 1978 because of not serving charge-sheet.

Although the Board viewed in September 1981 the abnormal delay in serving the charge-sheet seriously and desired fixation of responsibility on the officials responsible for the delay, no responsibility had been fixed so far (March 1989). The charge-sheet containing recovery of Rs. 2.98 lakhs towards unadjusted temporary advances, shortages in and excess issue of materials relating to the period from March 1966 to June 1970 was, however, issued only in November 1981.

The Inquiry Officer submitted his eport to CE(H) in December 1986. Final cision on the report was awaited rch 1989), and the entire amount tinued to remain outstanding.

Meanwhile the JE failed to submit tock account for the period from November 1980 to March 1981 and also did not handover charge of materials (book value:Rs.2.29 lakhs) on his transfer in February 1981 to another sub-division. The CE(H) appointed another Inquiry Officer in March 1981. As against the time limit of 15 days for issue of charge-sheet, the draft charge-sheet was prepared in February 1983 and was approved for issue by the CE(H) only in January 1988 which was served in February. 1988.The report of the Inquiry Officer was awaited (March 1989) pending which recovery could not be started from the employee. No responsibility for the delay had been fixed so far (March 1989)

(d) A JE of Electricity Maintenance Division, Varanasi was relieved in June 1969 as transfer without taking over charge of materials, valuing Rs. 2.13 lakhs which was booked under the head "amount recoverable". The JE submitted during 1971-72 stock issue account for Rs. 2.13 lakhs, out of which issue of materials amounting to Rs, 1.04 lakhs was admitted and adjusted in the accounts in April 1975 leaving a balance of Rs. 1.09 lakhs. Th Divisional Officer while forwarding t draft charge-sheet in Janu 1975,requested the CZE, Varanasi initiate departmental proceedings wh was sanctioned by CE(H) in Augu 1978.The Inquiry Officer, who wa appointed in August 1978 could finaliz his report only in July 1985 owing to delay in production of records and evidences by the Divisional Officer. The Inquiry Officer instead of sending the report to the CE(H), who was the competent authority, sent the report directly to the Board. Decision of the Board on the report was still awaited (March 1989). Meanwhile the entire amount of Rs.1.09 lakhs continued to remain outstanding for over 17 years.

3.3.7.4. Pending inquiries

Inquiries are required to be completed within 4 months of the formal decision to undertake disciplinary proceeding. It was, however, noticed that out of 21 cases reviewed in audit, inquiries were pending in 15 cases for the period shown below:

Period of pendency	Number of Cases	Amount involved (Rs in lakhs)
1 year to 3 years	1	3.31
3 year to 5 years	2	3.59
5 years to 10 years	6	17.11
Above 10 years	6	9.05
	15	33.06

The main reasons for delay in completion of inquiries, besides proceedings, was delay in framing of charges and delay in production of evidences to the charged officers. The extent of delay in issue of charge-sheets range between 5 and 11 years in nine cases involving Rs. 17.48 lakhs. Delay in completing the inquiries not only defers recovery of amount but also defeats the very purpose for which departmental proceeding are initiated. As a result losses are not made good.

Some cases where delays were substantial are discussed below:

(a) A case of loss of Rs. 1.20 lakhs caused to the Board in 1969 by a JE of Electricity Distribution Division, Roorkee was detected in September 1971 by special audit party of the Board, High tension line of 6.111 Kms was shown to have been laid for giving connection to a small power consumer from a sub-station against the estimate of 3,6 Kms. line from existing High Tension line resulting in additional expenditure of Rs. 0.70 lakh.Besides, 21 items valuing Rs. 0.50 lakh were issued in excess of the quantity physically available on the line. The Board referred the case to Vigilance in December 1971 for detailed investigation and on receipt of their findings in November 1977.i.e. after six years, forwarded the case to CE(H) in November 1977 for initiating departmental proceedings against the JE,The draft charge-sheet was submitted by the SE, Electricity Distribution

Circle, Roorkee in July 1981. i.e. after about four years which was incomplete and the SE was directed in September 1981 to submit evidence of physical verification of line who, even after 30 reminders issued by CE(H) between September 1981 and July 1987, failed to submit the evidence in support of the charge. CE(H) appointed an Inquiry Officer in August 1987 to conduct departmental proceedings and also returned the vetted charge-sheet in September 1987 to the SE directing him to cite evidence left blank against a charge. The vetted charge-sheet was returned by the SE in May 1988 on the ground that vital evidence viz. Physical verification report of line was not available and the charges may be examined and modified accordingly. The CE(H) dropped (June 1988) departmental proceedings already initiated on the ground that no useful purpose will be served in continuing departmental proceedings in the absence of important evidence and also to meet the principles of natural justice. Regarding another charge relating to extra expenditure in laying the line (Rs. 0.70 lakh), the CE(H) directed the SE, Electricity Distribution Circle,Rookee in July 1988 to take action for recovery after giving due opportunity to the charged employee.

In his reply (October 1988), the CE(H) stated that in view of incomplete evidences there was no alternative but to drop the case and that the SE was being directed to recover the balance amount of Rs.0.70 lakh from the JE.

As a result of delay of over 15 years, the very purpose of instituting the departmental proceedings against the JE was defeated as it not only resulted in dropping one of the charges of misappropriation of materials valuing Rs. 0.50 lakh but also abnormally deferred recovery of Rs, 0.70 lakh against the other charge from the employee.

(b) During physical verification of the stores of Electricity Store Centre, Hardoi, conducted between August and December 1980, shortages in materials aggregating Rs.3.31 lakhs were noticed. After six months the matter was reported in June 1981 to the SE, Electricity Store Circle, Lucknow, who placed the SK under suspension in July 1981 and directed the Divisional Officer to submit the charge-sheet at the earliest so as to initiate departmental proceedings against the SK as also the reasons for the delay of six months in submission of the case. Till the death of the SK in Februar 1982, charges were not framed, as result the departmental proceeding could not be initiated, After reconciliation of stock account, the Divisional Officer reported in March 1982 final figures of shortage in stores against the SK as Rs 2.03

lakhs. As a result of delay in issue of the charge-sheet, the amount became irrecoverable. The division had not initiated action for fixing responsibility for delay in issue of charge-sheet (March 1989).

(c) During September 1981, Electricity distribution Division, Varanasi noticed shortage of materials of Rs. 7.34 lakhs in the stock account of JE besides excess issue of stock of Rs. 0.62 lakh during 1978-79 to 1980-81 by him in giving connection to 71 consumers. Accordingly,a charge-sheet was submitted in September 1981 for initiating disciplinary proceedings, to the CE(H), who directed in October 1981 suspension of the employees and appointed an Inquiry Officer to conduct disciplinary proceedings. The charge-sheet was served in January 1982. The JE, who was suspended in June 1983 after 20 months of the orders of October 1981 of CE(H), was reinstated in December 1983 as the division failed to produce the evidences cited in the charge-sheet. After reconciliation, the balance recoverable from the employee was ascertained at Rs. 5.57 lakhs against which recovery had not commenced (March 1989) as disciplinary proceedings initiated over seven years back still remained incomplete.

(d) In October 1982 CE(H) appointed an Inquiry Officer to conduct departmental proceedings against a JE of Electricity Distribution division-ii, Varanasi for shortage of Rs. 2.73 lakhs of materials noticed in January 1980. As the charge-sheet issued in November 1983 for furnishing reply remained unreplied by the JE, the CE(H) directed the Inquiry Officer in May 1986 to prepare ex-parte findings after giving final opportunity of personal hearing to the charged officer. Accordingly, the JE was directed by the Inquiry Officer to turn up in March 1987, but the charged officer did not turn up. The Inquiry Report had not been finalized (March 1989) for want of reply from the charged officer. Over nine years have passed, the recovery had not yet commenced (March 1989).

(e) A JE Electricity Distribution Division I, Varanasi was relieved in July 1980 on transfer to another division without taking over charge of materials valuing Rs. 1.93 lakhs. Another case of alleged mis-appropriation of materials valuing Rs, 0.88 lakh against the employee by showing false transfer in April 1980 to another section holder, was detected in December 1981 by the division. The cases were reported to Superintending Engineer, Electricity Distribution circle, Varanasi in December 1981 alongwith draft charge-sheet for initiating departmental proceedings. The CE(H) appointed an Inquiry Officer in April 1983 to conduct departmental proceedings. Though almost six years had passed (June 1988), even the charge-sheet had not been issued by the Inquiry Officer. The recovery of Rs. 2.81 lakhs, outstanding against the JE for over seven years had also not commenced.(March 1989)

(f) During October 1976 to March 1979, a JE of Electricity Distribution, Haldwani issued materials valuing Rs. 2.09 lakhs for 33 KV pilot line which was neither constructed, nor were the materials physically available at work site (Rs. 0.40 lakh)and issued materials to fabricators in excess of requirement (RS. 1.69 lakhs). The SE, Electricity Distribution Circle, Haldwani submitted the case, alongwith a draft charge-sheet, to the CE(H) for conducting disciplinary proceedings. CE(H) returned the same in January 1984 for certain clarifications, which had not been furnished so far (March 1989) inspite of 15 reminders issued by CE(H) between October 1985 and May 1988. Thus, for the shortages noticed over seven years back, neither departmental proceedings had been initiated nor was recovery commenced (March 1989)

The CE(H) stated in October 1988 that the matter was being looked into and action would be taken for fixing responsibility for the delay.

(g) A SK of Electricity Store Centre, Azamgarh lodged in April 1983 a report with police regarding theft of 3,241 kg of copper scrap valuing Rs, 0.91 lakh. The police authorities stated in April 1984 that occurrence of theft was not proved during investigation from inspection of site and statements of witnesses and advised the department for taking departmental action against the SK for the shortage. After one and a half years of the receipt of the final report from police, an Inquiry Officer was appointed by the SE,Electricity Store Circle, Lucknow in October 1985 to conduct disciplinary proceedings. While the SK retired in May 1989, the report of the Inquiry Officer was not received and recovery had not been effected (July 1989)

3.4. Vigilance Cell

3.4.1. The Board established a Vigilance Cell in July 1970 under the overall control of an officer of the rank of Inspector General of Police of the State Government on deputation with the Board. The Cell has two wings entrusted with enforcement and vigilance functions each headed by an officer of the rank of Superintendent of Police. Vigilance Wing of the cell is entrusted with investigation of complaints for public and departmental officers as approved by the Chairman after the charges are prime-facie established during preliminary inquiry as well as investigation of cases directly referred to the Cell by the Government, Most of the cases referred to the Vigilance relate to shortages and losses and other financial irregularities. The Board did not maintain any consolidated records showing particulars of inquiries ordered upto 1983 and position of receipt of inquiry reports thereof.

The table below indicates the details of cases referred to the Cell and of inquiry reports received during the years from 1984 to 1987:

	1984	1985	1986	1987
Number of complaints received during the year at Headquarters	261	647	349	251
Number of cases ordered for vigilance inquiry	12	26	41	18
Number of cases in which final enquiry reports received	2	7	16	21
Number of cases where enquiry withdrawn during the year	-	1	-	2
Total number of cases outstanding at the close of the year	10	28	53	48

Inquiries pending with Vigilance as on 31st March 1988 included 21 cases outstanding for over two years. The main reasons for delay in finalisation of inquiries, as intimated by the Vigilance Cell in August 1989, were:

(i) Shortage of investigating Officers, as only eight inspectors were posted against the requirement of 19 inspectors.

(ii) Lack of proper supervision over the functioning of investigating officers due to entrustment of dual functions of enforcement and vigilance to the Deputy Superintendents.

(iii) Lack of separate wing under the Cell, as sanctioned by the State Government in January 1987 but not sanctioned by the Board so far (August 1989) for undertaking priority inquiries entrusted regularly by the Government.

3.4.2. Out of 20 cases, where departmental action was recommended by the Vigilance Cell in their reports submitted during the four years upto 1987-88, 17 cases were test checked in audit which revealed that five cases had been closed by the Board after imposing penalties and 12 cases were pending. Proper follow-up action, required to be taken by the Board on the inquiry reports, was noticed to be lacking, instances of which are given below:

(i) As a result of a complaint made in June 1985 by a press reporter to the Government of India regarding theft of energy by the heavy power consumer of Saharanpur, the officers of the Board's head quarters inspected in June 1985 the installation of the consumer and affixed paper seal on metering equipments to stop tampering with meters. The average consumption from November 1984 to February 1985 was Rs. 14.25 lakhs per month when the division was under a particular Executive Engineer. In March 1985 another Executive Engineer took over and the monthly consumption averaged Rs. 10.90 lakhs per month upto June 1985. After fixing of paper seal in June 1985 by Board officers the consumption increased to Rs. 22.60 lakhs per month.

Vigilance inquiry was sanctioned in September 1985. The Vigilance Cell in its findings of November 1986 stated that the charge of recording lower consumption was proved against the then EE, in case there were no special technical reasons for subsequent increase in consumption after his transfer and recommended departmental action. Accordingly, the Board directed the CZE, Meerut in June 1987 to conduct detailed inquiry and furnish his recommendations which had not been received so far(March 1989).

(ii)Appointment on forged documents

On the basis of press reports of July 1984 regarding large scale appointments in the Board on forged documents, the Board referred in July 1985 i.e.after one year, the matter to Vigilance Cell. The modus operandi was that fake transfer orders were issued and the persons would join in another division.The Vigilance Cell submitted its report in September 1986 in respect of 12 employees working on such fake transfer orders. Division-wise position is summarised below:

Name of the Division	Particulars of employees working on fake transfer orders		
	Number of persons	Period	Amount of Pay & Allcs paid (Rs in lakhs)
Electricity Test Division Gonda	4	Feb 1982 to Jun 1987	0.79
Electricity Distribution Division Basti	5	Jun 1979 to Aug 1984	Not worked out

Electricity Distribution Division Bahraich	2	Sep 1981 to Jul 1984	0.36
Electricity Distribution Division, Faizabad	1	Aug 1982 to Jan 1984	0.11

The Vigilance attributed the abnormal delay in detection of cases by divisions to-

(a) negligence of staff in not requisitioning timely last pay certificate and service books from the concerned divisions in contravention of orders of February 1969 of CE(H).

(b) non-intimation ofjoining date of incumbents to the concerned divisions and

(c) failure in taking action by the administrative officers on the joining reports received from field officers against forged transfer orders.

The Vigilance held nine officers and 22 staff responsible for the loss caused to the Board and recommended departmental action. The case was referred to Chief Engineer (Enquiry) in September 1986 for taking disciplinary action against the officer/officials While disciplinary action was yet to be taken, three officers held responsible had already retired upto March 1989.

(iii) The Government directed in March 1984 a vigilance inquiry into charges of corruption levelled in a complaint of November 1983 by an association of workers against an AE posted in water treatment plant and coal handling circle of Obra Thermal Power Station. The Vigilance in its report of March 1987 held the AE guilty of misconduct in not informing business interest of his wife who was a partner in a firm executing, inter-alia, repairs and maintenance work on the same circle and recommended departmental action against the officer.

In respect of another charge regarding defective quality of repair work of rubber lining in storage tanks,awarded to the firm in question during January-June 1981 against three work orders aggregating Rs. 0.15 lakh, the charge could not be proved in the absence of recorded reasons for the leakage of acid valuing Rs, 2 lakhs in June 1982 from the repaired tanks. The Vigilance expressed it inability to determine the quality of work executed from inspection of damaged storage tanks which should have been determined by senior officers of the project at the time of leakage itself. The Board closed the case in May 1988 after issuing warning to the officer concerned for non-disclosure of his wife's interest but without ascertaining from the project authorities reasons for not conducting departmental inquiry for fixing responsibility in the case of loss.

(iv) The Government sanctioned in May 1986 a Vigilance inquiry against officers and staff of Electricity Distribution Division III, Gorakhpur for collusion with eight small power consumers in theft of energy. The Vigilance Cell reported in November 1986 that the charge of backing of meter readings by breaking open the seals could not be proved in the absence of evidence of past events. However, analysis of consumption trend vis-a-vis hours of supply of electricity was neither carried out by vigilance nor called for by the Board on receipt of inquiry report, so as to determine any primafacie case of theft of energy warranting preventive action by the Board viz. installlation of check meters sealing of metering instruments in presence of higher officers, etc. The departmental action against one AE and four JEs recommended by Vigilance for not taking meter readings of one consumer continuously for eight months during 1985 was in progress (March 1989).

(v) The Board sanctioned in August 1984 a Vigilance inquiry into various allegations of adminstrative and financial nature against staff of Harduaganj Thermal Power Station. The Vigilance in their report held in

November 1986 that two charges of administrative nature were not proved, whereas another charge relating to award of contracts of the project to firms run by family members of staff was found proved. Instead of investigating the matter further with a view to determining the extent of benefit extended to such firms, the Vigilance recommended Board to consider desirability of further investigation for the purpose. The Board's headquarters also, instead of deciding on desirability of further investigations in the case, forwarded the case in September 1987 to the General Manager of the Project for taking departmental action against guilty employees. Report indicating the extent of loss suffered by the Board and action taken against those responsible for the same was awaited (March 1989)

(vi) The Government sanctioned in January 1986 vigilance inquiry into a complaint of December 1985 regarding various inrregularities against officers posted at Gorakhpur with instructions to furnish the report to the Government within 15 days. The Vigilance submitted in March 1987 their report after more than one year recommending departmental action by the Board for ensuring regular supply of power and issue of correct bills to consumers. In respect of financial irregularities in payment of substandard civil works and non-utilisaton of stores issued by a JE for electrification of 6 villages, the Vigilance recommended further inquiry by Technical Cell to determine the extent of loss incurred by the Board. Without initiating any action for technical examination of charges, the Board forwarded in August 1987 the report to the C.E. (Distribution), Eastern Area, Varansai to inquire the matter and to take action at his end, report of which had not been received so far (March 1989)

The above matters were reported to the Board and Government in Jauary 1989; their replies have not been received March 1990.

CHAPTER-IV

MISCELLANEOUS TOPICS OF INTEREST RELATING TO GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

CHAPTER IV

MISCELLANEOUS TOPICS OF INTEREST

Section 4A
GOVERNMENT COMPANIES

4.A.1.UTTAR PRADESH STATE INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

Loss due to irregular investment

In February 1979 the Company sanctioned an "Equity Participation Assistance" of Rs. 13 lakhs to Hindustan Thermo Prints of Delhi for setting up a project for the manufacture of Thermo Print paper at Sahibabad (Ghaziabad district). The entire amount was paid by the Company in March 1981 and obtained 1.30,000 shares of Rs, 10 each relaxing the conditions of obtaining third party guarantee and pledging with the Company shares of equivalent value held by promoter as collateral security. Besides, the Company entered into an agreement in April 1981 providing buy-back of the entire share holding by May 1988. As per the agreement, the Company had a right to nominate two directors on the Board of the firm and also could appoint observers.

During test check in Audit (July 1986) it was noticed that the unit which was supposed to go into production in December 1981 had not been commissioned and the promoters had abandoned the project in September 1983. The firm was subsequently liquidated in February 1986.

The Company nominated in December 1982 one of its officers as Director of the firm. Although the nominee director did not receive notices and agenda for meetings of the Board of the firm and the fact that the promoter and other directors had resigned was known to the company in September 1983, no action to recover the dues was taken upto May 1986, when a repurchase notice was sent to the promoter who refused to repurchase the shares as these were no longer negotiable instruments as the firm had already been liquidated. A recovery certificate for Rs. 24.09 lakhs (including premium of Rs. 11.09 lakhs at 12.5 per cent from May 1981 to February 1988) was also issued in March 1988 to recover the dues as per provisions of Uttar Pradesh Public Money.(Recovery of dues) Act, 1972 but no recovery could be made. Finally, the Company wrote off the entire amount of investment in March 1988.

Thus, due to defective pre-sanction appraisal of the project particularly when the product was stated to be first of its kind, waiver of the provisions regarding security of investment, absence of post sanction monitoring and delay in taking action for recovery of dues resulted in a loss of Rs. 13 lakhs.

The matter was reported to Government in January 1989; their reply has not been received (August 1989).

4.A.2. UTTAR PRADESH SMALL INDUSTRIES CORPORATION LIMITED

4.A.2.1. Delay in taking action for taking possession of the machinery-resultant doubtful recovery of the loan.

In June 1973, the Company sanctioned a hire purchase loan of Rs. 5.60 lakhs to the proprietor of Supreme Refractories of Unnao for setting up factory for production of Refractories. Accordingly 17 machines costing Rs. 5.42 lakhs (hire purchase value: Rs. 6.74 lakhs) were supplied to the unit during February 1974 to September 1974 after entering into an agreement with the supplier in February, July and September 1974. The hire purchase loan was repayable in nine half yearly instalments beginning from February 1975. The agreement executed with the hire purchaser in 1974 did not contain a clause for providing either bank guarantee or similar security by the hire purchaser against value of machine supplied to him, so that the Company may encash such bank guarantee or security in the event of failure of the party in repayment of principal and interest.

During inspection of the unit by the Hire Purchase Inspector of the Company in May, August and October 1974, neither factory building was found to have been constructed nor was the machinery installed. The unit also did not pay the first instalment due in February 1975 but deposited only Rs. 7500 in March 1977. Instead of taking possession of the machinery as per provisions of the agreement, the Company issued a recovery certificate in May 1979 for Rs. 6.74 lakhs but with no result. Again the recovery certificate for Rs 12.12 lakhs (incorporating up to date interest) was issued in February 1982 without any result. Though Unnao is situated within 30 kms from Kanpur, after 8 years from the date of last inspection in October 1974, Divisional Manager of the Company visited the unit in March 1982 and found that the factory was lying closed since last 2 years and the machines were in very bad condition. The whereabouts of the proprietor were also not known. Still no action was taken for taking possession of the property. An inspection was again carried out in April 1983 in the presence of Naib Tahsildar of the area when eight machines were found missing. A FIR was lodged with the police on 7th December 1984, and revised recovery certificate for Rs. 14.40 lakhs was also issued in

September 1985 to District Magistrate, Unnao and Bareilly but the same was returned in September 1985 by the District Magistrate, Unnao with the remarks that property of the unit was attached and action to auction the unit had already been taken 26 times but no bidder had turned up and as such realization of dues was not possible. The recovery certificate issued to District magistrate for Rs. 12.27 lakhs.(up to date position of dues) was again issued in June 1988 to District Magistrate, Unnao without any result (August 1988).

Thus due to delay in taking action for taking possession of the property of the unit, delayed inspection of the unit and non-incorporation of a clause for bank guarantee by the loanee in the agreement, the Company suffered a loss of Rs. 12.27 lakhs.

The Management stated (September 1988) that efforts were being made to realise the dues.

The matter was reported to Government in January 1989: their reply has not been received (August 1989).

4.A.2.2. Irregular issue of yarn

The Company supplies woollen carpet yarn to carpet manufacturers/small scale industrial units on credit basis from their depot at Bhadohi (District Varanasi). The maximum credit period allowed is 90 days and interest is to be charged as per bank rates for the period beyond 90 days. The issue of yarn on credit was not to exceed the credit limit sanctioned in favour of units.

During test check in audit in June 1987, it was noticed that a unit of Aurai was sanctioned a credit limit of Rs. 1.40 lakhs on 7th December 1983 by the Company and an agreement was executed for one year only. Bhadohi unit of the Company, however, issued yarn valuing Rs. 0.86 lakh during the period from 26th July 1983 to 5th December 1983 i.e.even prior to sanction of credit limit. Further, yarn worth Rs. 5.98 lakhs was also issued on credit without adhering to the sanctioned credit limit of Rs 1.40 lakhs during the period from December 1983 to January 1985. On failure of the unit to repay the dues of the Company, recovery certificate under Uttar Pradesh Public Money Recovery of Dues ACT 1972 was issued in April 1987 for Rs. 9.86 lakhs including interest. No amount has been recovered so far (November 1988). Thus due to irregular issue of yarn beyond the prescribed credit limit, the Company was put to a loss of Rs. 6.84 lakhs for which no responsibility has been fixed so far (April 1989).

The matter was reported to the Company in June 1988 and to Government in February 1989; their replies have not been received (August 1989).

4A.2.3 Avoidable interest liability due to delay in depositing a cheque in cash credit account.

Under Marketing Assistance Scheme of Small Scale Industries Development Fund, the Company received on 30th March 1987, a loan of Rs. 2 crores from Industrial Development Bank of India (IDBI), Kanpur and deposited the same on 31st March 1987 in its current account with the State Bank of India, Main Branch Kanpur. The amount was subsequently transferred on 23rd April 1987 to cash credit account being operated in State Bank of India, Fazalganj Branch, Kanpur. The reasons for depositing the amount in current account were not on record. Had the amount been deposited in cash credit account, ab-initio accrual of interest liability of Rs.2.11 lakhs for 23 days at the rate of 16.75 per cent on Rs. 2 crores could have been avoided.

The matter was reported to the Company in August 1988 and to Government in December 1988; their replies have not been received (August 1989)

4A.3. UTTAR PRADESH STATE SUGAR CORPORATION LIMITED.

Avoidable extra expenditure due to delay in installation of Shunt capacitors.

According to Uttar Pradesh State Electricity Board tariff effective from 1st November 1982, every consumer having a contracted load of more than 75 KW is required to install Shunt Capacitors for maintaining power factor at 0.85 lagging. In case the Capacitor was not installed and the power factor comes below 0.85 lagging in any month, a surcharge at the rate of 1 per cent of the billed amount for each 0.01 fall in power factor upto 0.80 and 2 per cent for every 0.01 fall below 0.80 will be payable to the Board.

Ghughli Sugar Factory, Ghughli (Gorakhpur) of the Company having a contracted load of 200 KW increased to 529.42 KVA in December 1987 did not install Shunt Capacitors upto July 1988 when 11 capacitors valuing Rs 0.42 lakh were purchased and installed in August 1988. The unit, therefore, had to pay a surcharge of Rs 4.40 lakhs to the Board due to low power factor which ranged between 0.43 and 0.76 during the period from December 1984 to May 1988.

The Unit management stated (June 1988) that four capacitors were purchased in March 1986 but when installed in November they were found defective(payment not made for defective capacitors).

The matter was reported to the Company in August 1988 and to the Government in January 1989; their replies have not been received (June 1989)

4A.4 UTTAR PRADESH MATSYA VIKAS NIGAM LIMITED

Infractuous expenditure on establishment of office before acquiring land.

Under World Bank Inland Fisheries Project, the Company decided in 1982 to construct a hatchery at Pipraich (Gorakhpur district) and approached the district authorities for acquisition of 37.50 acres of land. The entire amount of compensation of Rs 6.38 lakhs was deposited with the district authorities in April 1984 by the Company. Although the land come under Ceiling Act, the case was under dispute and under consideration in the Court of the prescribed authority. The amount of compensation was refunded in January 1986 at the request of the Company after deducting Rs 0.28 lakhs towards expenses. In the meantime the Company had established in 1983 an office at Gorakhpur with a project engineer and six other staff for making preliminary investigations and taking up necessary steps for setting up of hatchery and incurred an expenditure of Rs 2.75 lakhs during 1983-84 to 1985-86 on their pay and allowances, etc.

The Board of Directors decided in August 1986 to close the Gorakhpur office and directed that in future no such administrative expenditure should be incurred before acquisition of land. The Company, thus suffered an avoidable expenditure of Rs 2.75 lakhs on setting up of an office before acquisition of land.

The matter was reported to the Management in May 1988 and to Government in December 1988; their replies have not been received (August 1989).

4A.5 UTTAR PRADESH STATE CEMENT CORPORATION LIMITED

4A.5.1 Avoidable extra expenditure

In response to a short term enquiry for purchase of explosives of various grades for meeting the requirement for 1986-87, four parties quoted their rates in March 1986. The lowest rates offered by Nav Bharat Explosives Company of Raipur were not accepted on the ground that the performance of the 25mm explosives supplied by the party in the past was not found satisfactory, although the quality of explosives of other grades was as good as that of other suppliers. Accordingly, orders were placed during May to October 1986 on Indo Gulf Explosives Limited of Delhi, the 2nd lowest- for supply of 48 tonnes (80.525 mm:3tonnes, 83mm:13 tonnes, and 126mm :32 tonnes) of explosives of grades other than 25mm.

Although the firm had assured in its quotation that the quality of their explosives was better and was more economical, the use of explosives supplied by the Delhi firm was found not economical and hence further orders for the balance requirement were not placed on the firm. The Purchase Committee, therefore, decided in January 1987 to purchase 17 tonnes of explosives (125mm : 12 tonnes and 83 mm: 5 tonnes) from the Raipur firm against requirement of January-March 1987 and an order was accordingly placed in January 1987 for supply of 17 tonnes of explosives valuing Rs 2.11 lakhs (including taxes and freight) which were supplied by the firm during January/February 1987.

Justification for not placing orders on the Raipur firm for explosives of grades other than 25mm: especially when the quality of explosives of these grades supplied by them was as good as of other suppliers, was neither found on record nor was intimated. Had the explosives been purchased from the Raipur firm initially, the Company could have saved Rs 1.24 lakhs on the purchase of 48 tonnes of explosives.

The matter was reported to the Company in June 1988 and to Government in December 1988; their replies have not been received (August 1989)

4A.5.2. Excess Refund

During the period February 1977 to September 1988, Behari Vyopar Company Limited, Nepalganj, Nepal deposited with the Company Rs 13.05 lakhs as advance for supply of cement against the authorisation issued by the Cement Controller, New Delhi. The Company supplied during March 1977 to September 1989, 2857.95 tonnes of cement valuing Rs 10.24 lakhs and refunded in November 1977 and October 1979, Rs 3.81 lakhs against the balance amount of Rs 2.81 lakhs. This has resulted in excess refund of Rs 1 lakh to the firm. Since the firm could not be located at the address notes in the records of the Company, the refund of the overpayment could not be obtained.

The Management attributed (April 1989) the excess refund due to non-maintenance of customers ledger at the unit level during the above period and it was stated that the refunds were made on the advice of the sales department. However, a committee was constituted in June 1988 to enquire in detail and to submit their report within a fortnight. The report has, however, not been received.(August 1988)

The matter was reported to the Company in June 1988 and to Government in January 1989; their replies have not been received (August 1989).

4A.6 UTTAR PRADESH SCHEDULED CASTE FINANCE AND DEVELOPMENT CORPORATION LIMITED.

Loss of interest

The Company opened one current account in March 1975 and one savings bank account in April 1976 with State Bank of India main branch Lucknow. After opening of savings bank account, the current account was not operated.

It was noticed in Audit in October 1987 that a sum of Rs 4 lakhs was telegraphically transferred by a unit of the Company which was deposited by the Bank in the current account on 30th March 1983. On 5th September 1983, the Company requested the bank to transfer Rs 4,01,260 (the balance of current account on that date) to its savings bank account which was credited by the bank only on 12th August 1987 i.e. after a lapse of about 4 years. It was seen in Audit that the Company did not pursue the matter with the bank till February 1987. The Company suffered a loss of interest of Rs 0.83 lakh worked out at the rate of 5 per cent per annum for the period from October 1983 to July 1987. The Management stated (November 1987) that the matter had been taken up with the bank. The amount of interest, however, has not been credited by the bank so far(June 1989)

The matter was reported to Government in January 1989; their replies have not been received (August 1989)

SECTION 4B

STATUTORY CORPORATIONS

4B.1 Uttar Pradesh State Electricity Board

4B.1.1 During test check of the records of the Board, the following cases of non/short realisation of revenue were noticed

(a) Non-levy of surcharge for non-installation of shunt capacitors.

According to the orders of the Board, issued in July 1984, State Tube-wells (STW)/Pump Canal (PC) and Lift Irrigation (LI) consumers having load in excess of 5 BHP were required to install shunt capacitors of appropriate ratings latest by December 1984 (loads above 25 BHP) and by June 1985 (loads above 5 BHP), failing which a surcharge of 5 per cent of the amount of energy charges was to be levied every month thereafter. During audit of seven Electricity Distribution Divisions (EDD), it was noticed that no surcharge had been assessed even though Shunt Capacitors had not been installed by the consumers, resulting in non-assessment of surcharge amounting to Rs. 47.26 lakhs as detailed below:

Name of the Unit	Period for Surcharge	Category of consumers	Amount of surcharge (Rs in lakhs)
EDD-II Varanasi	Jan 1986 to Dec 1988	STW	13.29
EDD Almora	Jan 1985 to Apr 1987	PC/LI	0.95
EDD-II Faizabad	Feb 1986 to Sep 1987	STW	4.49
EDD-I Allahabad	Jul 1985 to Dec 1988	STW	4.90
EDD-II Allahabad	Jul 1985 to Sep 1988	STW	13.74
EDD, Orai	Jan 1987 to Mar 1989	STW	9.89
			47.26

On being pointed out by Audit, the EDD-I & II, Allahabad raised bills for Rs.18.64 lakhs and E.D.D., Orai raised bills for Rs. 9.89 lakhs, In respect of EDD-II, Varanasi, the Divisional

Officer stated (January 1989) that bills were being issued. Realisation in all the cases was awaited (March 1989). Information regarding billing from other Divisions was awaited (March 1989).

(b) Non realisation of additional charge for delayed payment.

According to Rate Schedule applicable to large and heavy power consumers, an additional charge of seven paise per hundred rupees or part thereof is recoverable for each day of default in payment, on the amounts remaining unpaid beyond the due date indicated in the bill.

During test check of records of two divisions (July to September 1987), it was noticed that additional charge amounting to Rs, 40.69 lakhs, on account of default in payment of the bills, was not billed on two consumers as per details given below:

Division	Name of Consumer	Period	Addl Charge (Rs in lakhs)	Date of raising the bill
EDD-I Mirzapur	Kajrahat Chunar Cement Factory	Feb 87 to Jul 87	3.06	February 1988
EDD-II Varanasi	Bhupauli Pump Canal Varanasi	Aug 84 to Jan 87	37.63	August 1987
			40.69	

On being pointed out in audit, the bills were raised in August 1987 (Rs.37.63 lakhs) and in February 1988 (Rs.3.06 lakhs). While the recovery of Rs.3.06 lakhs was made during October-December 1988 the recovery of Rs.37.63 lakhs has not been made so far (April 1989).

(c) Short billing of energy charges and electricity duty in respect of public lamp consumers

Board's tariff (LMV-3) effective from August 1986 applicable to Public Lamp Consumers, provided a gross flat rate of Rs. 9 per month (with rebate of 60 paise per month for timely payment) per light point of 40 Watts and proportionately upto 500 watts in cases where meters were not installed or were not working.

Electricity duty on unmetered supply was chargeable at Rs. 0.48, Rs.0.72, Rs. 1.20, Rs.1.50 and Rs.3.00 per month per light point of 60 Watt, 100 Watt, 125 Watt and 250 Watt, respectively, up to December 1986 and at the rate of 10 per cent of gross energy charges from January 1987.

During test check in audit (June 1987 to October 1988) of the records of 3 divisions, it was noticed that billing was not done at the rates prescribed in the tariff, resulting it short billing by Rs. 20.30 lakhs as detailed below:

Division	Period	Energy Charges	Amount short billed electricity Duty	Total
		(Rs in lakhs)		
EDD-III Ghaziabad	Aug 86 to Dec 87	1.17	1.13	2.30
EDD-I Moradabad	Aug 86 to Sep 87	0.50	0.08	0.58
Agra Eletricity Supply Undertaking	Aug 86 to Mar 87	14.44	1.19	15.63

-DO-	Apr 87 to Oct 88	-	1.79	1.79
Total		16.11	4.19	20.30

The Executive Engineer, Agra Electric Supply Undertaking stated in November 1988 that bills would be revised after observing required formalities. The Executive Engineer, Electricity Distribution Division-I, Moradabad, however, stated in September 1988 that revised bills had been issued in February 1988 but money was not collected since some of the consumers had obtained stay orders from the court.

(d) Loss due to non-levy of penalty for violation of power cut.

Government imposed on all large and heavy power industrial consumers a power cut of 50 per cent from 3rd September 1979 (Subsequently raised to 66-2/3 per cent) on the maximum demand recorded in any month during the twelve months from August 1978 to July 1979 or the contracted demand whichever was less. In case of default a penalty of Rs. 100 per KVA per month for first contravention, Rs. 200 per KVA per month for second contravention and Rs. 300 per KVA per month for subsequent contraventions was leviable on demand recorded in excess of the permissible demand. Although a heavy power consumer-IFFCO of Allahabad violated the provisions of these orders, the Electricity Distribution Division II, Allahabad did not levy any penalty which was assessed in March 1980 at Rs.13.05 lakhs by the Superintending Engineer (Revenue) of commercial Wing of the Board who advised the Division to raise bill against the consumer.

During test check it was observed in April 1987 that bill was not issued to the consumer, for which reasons were not on record. After being pointed out by Audit, bill was issued in July 1988 i.e. after a delay of more than 8 years. This bill was returned in July 1988 by the consumer unpaid on the grounds that the notices of power cut were not served on them and the bill pertained to the period, agreement for which had expired on 30th September 1980 and service had also been permanently disconnected.

Not issuing the notice of power cut and not raising the bill in time resulted in loss of Rs. 13.05 lakhs for which no responsibility has been fixed.

(e) Incorrect application of tariff

Under rate schedule HV-2 effective from February 1986, world Bank Tubewell consumers, who have contracted load of more than 75 KVA (100 BHP)/88 KVA), are to be billed at Rs. 60 per KVA of the billable demand and 60 paise per unit of energy consumed in a month.

During test check of records of Electricity Distribution Division-I, Lakhipur in October 1987 it was noticed that a World Bank Tubewell consumer having contracted load of 806 KVA (915.9 BHP) was incorrectly billed at the rates applicable to State Tubewells (Rs. 78 per BHP/per month) during the period April 1987 to July 1987, resulting in under charge of Rs, 2.11 lakhs during that period.

On being pointed out by Audit in October 1987, the arrear bill for Rs, 3,25 lakhs including late payment surcharge of Rs. 1.14 lakhs was issued in February 1988 to the consumer; payment of which has not been received (April 1989).

(f) Non-ledgerisation of new connections

Revenue Manual of the Board provides that besides prompt entry of new connections of different categories in the ledgers of the consumers, assessment should be made after every two months in the case of light and fan consumers and monthly in respect of other categories.

Test check of records of Electricity Distribution Divison-II, Shahjahanpur (May 1987, September and November 1988) revealed that 80 light and fan consumers and 22 small and medium power consumers were given connections during the period from April 1985 to December 1987, but these were not ledgerised till August 1988 (date of audit). Non-ledgerisation of these consumers had resulted in non-recovery of minimum energy charges amounting to Rs, 1.91 lakhs during April 1985 to August 1988 as detailed below:

Category	Number of consumers	Amount of minimum charges notbilled		
		Energy Charges	Meter Rent	Total
		(Rupees in lakhs)		
Light and Fan	80	0.29	0.05	0.34
Small and Medium power	22	1.55	0.02	1.57
			Total	**1.91**

(g) Short recovery of service connection charges due to incorrect application of issue rates

A test check of the records of Electricity distribution circle, Dehradun it was noticed that in the estimates of deposit works in respect of 10 consumers approved by the circle during the years 1979-80, 1981-82 and 1983-84, issue rates charged for line materials were less than the actual stock issue rates applicable during that period. This resulted in short recovery of service connection charges to the extent of Rs, 1.20 lakhs from the consumers. Although the matter was pointed out by Audit in October 1980, September 1981, and October 1984 and again in August 1987, no action was taken upto September 1988 (date of Audit) to get the amount recovered from the consumers.

The Superintending Engineer, stated in September 1988 that despite repeated reminders, Executive Engineers had not submitted the revised estimates.

(h) Non-realisation of cost of repairs of burnt meters

As per clause 21 (v) of Electricity Supply (Consumers) regulations, 1984, in case the meter is found burnt at the consumer's premises, it shall be replaced on deposit of its cost by the consumer. If on testing or inspection in the test laboratory, the meter is found partly damaged, the cost of its actual repairs will be charged and balance will be refunded to the consumer.

During the audit of Varanasi Electric Supply Undertaking, it was observed in August 1987 that 687 burnt meters were replaced during the period from July 1986 to June 1987 without getting the cost of the meters deposited by the consumers. Further, the Board had not taken action to recover the cost of Rs. 1.04 lakhs recoverable from the consumers towards repair charges.

The above matters were reported to the Chief Zonal Engineer/Board in June/July 1988 and to Government during November 1988 to February 1989; their replies have not been received (August 1989).

4B.1.2. Machinery lying unutilised due delay in procurement of indigenous equipment

The Thermal Design and Engineering Wing (TDE) of the Board placed in February 1975 an order for purchase of a prime mover (pulling unit) of 100 tonnes capacity on Scammel Motors (British Leyland Export Limited, London) against the provision in the project estimates of Obra Project. TDE placed in June 1975 another order for a 100 tonne trailer also for the said pulling unit on Mount Mechanical Works (P) Limited of Madras. The imported pulling unit valuing Rs. 9.06 lakhs was received at Obra in October 1975, while the indigenous trailer valuing Rs.

10.55 lakhs scheduled to be delivered in December 1975 was received only in May 1978. However, by that time the Obra Project was in an advanced stage of commissioning and hence the machinery was not used in Obra. The pulling unit alongwith the trailer was requisitioned and received in November 1979 by Anpara Project of the Board where also these could not be used as the Railway siding was still under construction upto March 1988 and the handling and transportation of equipments from Singrauli Railway siding to Anpara project site was entrusted in March 1981 to erectors. After six and a half years it was proposed in June 1986 to transfer these units to Transmission (East) Wing of the Board. Actual transfer has, however, not been made and the pulling unit and the trailer had been lying idle at Anpara Project (October 1988).

The Anpara Project Management stated in March 1988 that the Anpara Railway siding was not completed and hence, the units could not be utilised there and that the units could not be used at Singrauli Railway siding because transportation was arranged by erectors. It was further stated that since Singrauli is in hilly areas and since the units are meant for plain areas because of their special structures, these could not be used.

It was observed that the Board failed to arrange the trailer from the Indian firm so as to match with the time schedule of supply of equipment by the foreign firm, with the result the puller had to be kept unutilised for 2-1/2 years waiting for the trailer and by the time the trailer was received the project was in advanced stage of completion and thus the purpose of procurement of these equipments was not served. Further, there was also no justification to requisition the equipment from Obra to Anpara. Due to these omissions, equipment valuing Rs, 19.61 lakhs remained idle at Obra from October 1975/April 1978 till October 1979 and at Anpara thereafter.

The matter was reported to the Board and to the Government in January 1989 and again in January 1989; their replies have not been received (August 1989).

4B.1.3. Transformer lying idle for want of repairs

One 5 MVA transformer valuing Rs, 3.65 lakhs, purchased from Siemens India Limited of Bombay was commissioned in Septmeber 1970 at 33 KV Partapur sub-station, Meerut. The transformer failed in September 1973. It was observed in audit in January 1980 that although the guarantee period expired in March 1972, the firm had agreed in November 1976 to repair the transformer free of cost, provided, the Board agreed to bear to and fro freight and insurance charges to their works at Bombay as also cost of accessories and transformer oil required for repair of the transformer. The firm again informed in March 1978 that in case the manufacturing defect was established, the transformer would be repaired free of cost. The transformer was, however, not despatched to the firm for repairs. The firm intimated in March 1979 that the division had failed to despatch the transformer till February 1979, that they had then no place to accommodate it and that they would inform the Division when it could be sent. The transformer had not been sent to the firm for repair so far (August 1988).

As a result the transformer had been lying unutilised for the last 15 years.No responsibility for the lapse had been fixed even after being pointed out in Audit once in January 1980 and again in August 1987.

The mattar was reported to the Chief Zonal Engineer in June 1988 and to Government in December 1988; their replies have not been received (August 1989).

4.B.1.4. Non-utilisation of capacitors bank

Two 11 KV Capacitors bank with switchgears and reactor were installed in July 1979 at a cost of Rs., 2.25 lakhs at Kamla Nagar 33/11 KV Sub-station, keeping in view the future voltage problems due to load growth conditions of the sub-station by Agra Electric Supply Undertaking.

Subsequently the Executive Engineer of the undertaking opined in March 1982 that as the length of the feeder emanating from the Kamla Nagar 33/11 KV Sub-station in Agra city was not more than 5 kms, there was no voltage problem to the consumers and thus there was no necessity for installaton of capacitors bank on the sub-station and proposed for dismantling the bank and reiterated in August 1986 and again in February 1987. However, his proposals were not approved by the Superintending Engineer of the undertaking on the grounds of future load growth conditions.

However, the capacitors bank has not been commissioned so far (October 1988 for want of VDG relay, wlhich was not procured by the unit.

The fact thus remains that the capacitors bank installed in 1979 has not been commissioned even after about nine years, resulting in locking up of funds to the extent of Rs. 2.25 lakhs for all these years. The anticipated voltage problems were also proved incorrect and thus the installation of the bank was not necessary.

The matter was reported to the Chief Zonal Engineer in March 1988 and to Government in December 1988; their replies have not been received (March 1989).

4B.1.5.Non-recovery of cost of cable and outgoing switchgear

As per orders of the Board issued in July 1978 the facility of an independent feeder could be provided to the consumers having contracted load above 100 BHP (75 KW) after obtaining the cost of feeder as well as outgoing switchgear from the consumer. During test check of records of Electricity Distribution Division, Kanpur, it was observed in September 1987 that while giving an independent feeder to a consumer * of Kanpur with a contracted load of 200 KVA, the cost of outgoing switchgear at 33 KV sub-station, Chaubepur valuing Rs, 1.03 lakhs (including cost of cable from Switchgear to double pole and cost of double pole fittings)was neither included in the estimate nor charged from the consumer.

The Divisional Officer stated in September 1988that recovery from the consumer was not possible at this stage and the same might be recovered from the defaulting officials. However, the defaulting officials had not been indentified so far (March 1989).

Similarly in respect of a consumer of Moradabad with contracted load of 360 KVA, it was noticed that the cost of switchgear (Rs. 0.50 lakh) was not recovered by the Electricity Distribution Division-II, M oradabad.

The Divisional Officer stated in April 1989 that the bill for Rs. 0.50 lakh was raised in September 1988, Realisation was awaited (March 1989).

The matter was reported to the Chief Zonal Engineer in July 1988 and to Government in December 1988;their replies have not been received (June 1989).

4B.2 Uttar Pradesh State Road Transport Corporation

4B.2.1 Refund of road tax

Road tax is required to be paid in advance for each quarter . Tax relating to vehicles lying off road for a continuous period of not less than one month is refundable, provided timely intimation is given to the Regional Transport Officer and registration certificates/tokens issued by the Regional Transport Officer are surrendered with the intimation. It was, however, noticed in Audit of 5 regions that timely intimation to the Regional Transport Officer was not sent and tokens were either not surrendered or surrendered too late. As a result, the Corporation did not get refund of road tax amounting to Rs. 10.63 lakhs as per details given below:

Regions	Amount of road tax for off-road period (Rupees in lakhs)	Period to which tax related
Allahabad	2.80	1971 to 1985
Aligarh	2.43	1981 to 1986
Azamgarh	0.76	1986 to 1987
Ghaziabad	1.95	1981 to 1986
Nainital	2.69	1981 to 1987
Total	10.63	

The matter was reported to the Coporaation in September 1988 and to Government in December 1988; their replises have not been received(August 1989).

4B.2.2 Loss of subsidy due to laxity in filing the application

To overcome the difficulty faced by the industrial units due to irregular power supply, Government decided (May 1980) to give a subsidy of 50 percent of the costof diesel generating sets purchased by the industrial units. The scheme was to be implemented by the Uttar Pradesh financial Corporation (UPFC) as an agent of Government.

During test check in April 1987 it was noticed that seven generating sets(five of 30 KVA and two of 63 KVA capapcity) valuing Rs. 5.32 lakhs were purchased in April 1981 by the Faizabad Region of the Corporatin. Though the Region applied in June 1981 to UPFC for subsidy of Rs. 2.66 lakhs (50 percent of the cost), it could not avail the same as the application submitted was not filled in properly and the required details were not furnished with the application. The information and documents subsequently called for in September 1981 by UPFC were also not submitted, the reasons for which were not on record. Thus, due to laxity on its part the Corporation lost the benefit of subsidy of Rs. 2.66 lakhs.

The matter was reported to the Corporation in September 1987 and to Government in December 1988; their replies have not been received(August 1989).

4B.2.3 Loss due to improper handling of cash

A case of theft of Rs. 1.12 lakhs from cash room was noticed by the Cashier on 5th June 1986 at Dohrighat Depot(Azamgarh region). a FIR was lodged with the police on the same date. As a result of police investigation , six officials were suspended in June 1986 but later on were reinstated in February 1987 under court's order. The Corporation also instituted in August 1987 an independent enquiry into the case by a retired judge but the report of the enquiry has not yet been received (December 1988)

It was noticed that theft was facilitated due to the following

i) There was lack of double lock arrangement

ii) The cash in the chest was not insured.

iii) Security deposit had not been obtained from the officials handling cash.

Although these deficiencies were brought tothe notice of the corporation by Audit in July 1981 and June 1982, no suitable action was taken by the Coporation.

The matter was reported to the Corporation in August 1987 and to Government in January 1989; their replies have not been received (August 1989).

Lucknow
The

(**BHARTI PRASAD**)
Accountant General
(Audit)-II
Uttar Pradesh

Countersigned

New Delhi
The

(**C.G.SOMIAH**)
Comptroller and Auditor
General of India

ANNEXURE-I

List of Companies in which Government have invested more than Rs.10 lakhs but which are not subject to audit by the Comptroller and Auditor General of India (Referred to in paragraph 3 of Preface)

Sl.	Name of the company	Total investment upto 1987-88 (Rupees in lakhs)
1.	ARC Cements Limited	14.00
2.	U.P.Twiga Fibre Glass Limited	72.35
3.	Mayur Syntex Limited	40.00
4.	Shree Bhawani Paper Mills Limited	39.00
5.	Belwal Spinning Mills Limited	29.99
6.	India Polyfibres Limited	803.82
7.	UPCOM Cables Limited	180.24
8	Shriniwas Fertilizers Limited	30.00
9.	Indo Gulf Fertilizers and Chemicals Corporation Limited	1816.79
10.	NICCO Batteries Limited	45.00
	Bharat Berg Limited	50.00
	U.P.Straw and Agro Products Limited	120.90
	Road Master Steel Strips Limited	50.70
	Jaywanti Solvents and Chemicals Limited	10.95
15.	Sanjay Paper and Chem Industries Limited	27.00
16.	Devi Electronics Limited	10.33
17.	Sarvodaya Paper Mills Limited	20.48
18.	Bharat Photo Circuit and Elect. Limited (Premier Photocircuits Electronics Technologies Limited)	22.50
19.	Triveni Sheet Glass Works Limited	37.62
20	Vam Organic Chemicals Limited	38.50
21.	Raunag Automotives Components Limited	67.06

22.	National Lamp Industiries Limited	20.91
23.	Harig Crank shaft Limited	76.74
24.	Natilal Switchgears Limited	25.81
25.	Picdan Heavy Equipment Limited	30.13
26.	North India Petro Chemicals Limited	20.54
27.	Solarsongs Burners Limited	18.07
28.	Jalpac India Limited	17.18
29.	Vegpro Foods and Feeds Limited	113.4
30.	Indian Maize and Chemicals Limited	25.56
31.	Triveni Metal Tubes Limited	25.00
32.	Flowmore Polysters Limited	30.00
33.	Balls and Cylpebs Limited	10.75
34.	Haji Manzoor Alam Industries Limited	33.14
35.	SAB Electronics Devices Limited	34.00
36.	Sysnthetic Foams Limited	29.72
37.	Shiwalik Rasayan Limited	14.48
38.	Aditya Chemicals Limited	25.00
39.	PVK Distillery Limited	19.00
40.	Abhyodaya Paper Mills Limited	13.75
41.	PVK Paper Limited	20.80
42.	Ganga Asbestos Cement Limited	30.00
43.	Modinagar Paper Mills Limited	17.10
44.	Rajesh Paper Mills Limited	13.36
45.	Bansant Paper Mills Limited	10.22
46.	Magnesite and Minerals Limited	11.08
47.	Universal Insulators and Ceramics Limited	10.60
48.	More Water Pipes Limited	14.00
49.	Vikas Industries Gases Limited	13.75
50.	Mittal Fertilizers Limited	32.50
51.	Indo Gulf Explosives Limited	30.09
52.	Welga Foods Limited	72.37
53.	Poysha Industrial company Limited	18.73
54.	Ajanta Textile Limited	20.47
55.	Somaiya Organic Limited	29.57
56.	Modi Pan Limited	62.12
57.	Jain Shudh Vanaspati Limited	14.37
58.	Rathi Alloy Industries Limited	12.09
59.	Shiva Paper Mills Limited	20.000

1	2	3	
कोयला ढोने का संयंत्र (कोल हैण्डलिंग प्लांट)	टाटा राबिन्स फ्रेसर लिमिटेड, जमशेदपुर	जून 1983	खण्ड कार्य तथा सीमा निर्दि वृद्धि
ब्वायलर्स की स्थापना	वेस्टर्न इण्डिया इरेक्टर्स, पूना	अप्रैल 1985	सम्पादित मूल्य की का ध सूत्रो प
योग			

60.	Ganges Fertilizers and Chemicals Limited	20.00
62.	Samrat Bicyles Limited	19.00
62.	Shree Acids & Chemicals Limited	20.00
63.	Shree Durga Bansal fertilizers Limited	28.00

ANNEXURE-2

Statement showing the particulars of uptodate paid-up capital, outstanding loans, amount of guarantees given by the government and amounts outstanding thereagainst, up-to-date working results of all the Government Companies

(Referred to in Paragraph.. Page..)

(Except in column 6(a) figures are in lakhs of Repees)

Sl No.	Name of the Company	Name of the department	Paid-up capital at the end of 1987-88				Loans outstanding at the Close of 1987-88	Amount of guarantee given	Amount of guarantee outstanding at the close of 1987-88	Outstanding guarantee commission payable at the close of 1987-88	Position at the end of year for which acounts were finalised			
			State Government	Central Government	Others	Total					Year for which accounts were finalised	Paid-up capital at the end of the year	Accumulated loss	Any excess of loss over paid-up capital
1	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
1.	The Indian Turpentine and Rosin Company Limited	Industries	18.73	--	3.29	22.02	120.00	6.55	6.55	--	1986-87	22.02	--	--
2.	Uttar Pradesh Small Industires Corporaton Limited	Industries	439.65	--	--	439.65	1095.56	--	--	--	1984-85	191.75	--	--
3.	Uttar Pradesh State Industrial Development Corporation	Industries	2142.29	--	--	2142.29	1747.16	182.12	182.12	--	1986-87	2142.29	--	--
4.	Mohammadabad Peoples Tannery Limited	Industries	3.06	--	2.55	5.61	--	--	--	--	1976-77	5.61	4.26	--

1	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4	5(a)	5(b)	5(c)	6.a)	6(b)	6(c)	6(d)
5.	The Uttar Pradesh Export Corporation Limited	Indust-ries	321.97	9.00	--	330.97	112.22	--	--	--	1985-86	212.52	70.64	--
6.	Uttar Pradesh State Agro Industrial Corporation Limited	Agricul-ture	1262.00	332.83	--	1594.83	907.00	--	--	--	1981-82	728.83	905.38	176.55
7.	Uttar Pradesh State Textile Corporation Limited	Indust ries	9776.60	--	--	9776.60	2331.59	3729.00	2331.59	--	1987-88	9776.60	4468.90	--
8.	Uttar Pradesh State Sugar Corporation Limited	Sugar Indust-ries	10613.84	--	--	10613.84	8913.30	--	--	--	1986-87 (30.9.1987)	10613.84	15695.74	5081.90
9.	Uttar Pradesh Bunde-lkhand Vikas Nigam Limited	Area Develop-ment	123.30	--	--	123.30	7.72	--	--	--	1977-78	85.80	5.08	--
10.	Uttar Pradesh Poorvanchal Vikas Nigam Limited	Area Develop-ment	114.80	--	--	114.80	30.00	--	--	--	1980-81	95.80	25.13	--
11.	Kumaon Mandai Vikas Nigam Limited	Hill deve lopment	479.73	--	--	479.73	242.00	--	--	--	1984-85	370.00	--	--
12.	Kichha Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	Sugar Industry	32.59	--	936.94	969.53	496.28	--	--	--	1985-86 (30.9.1986)	703.77	1461.98	758.21

1	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
13.	Pradeshiya Industrial and Investment corporation of Uttar Pradesh Limited	Industries	6869.75	--	--	6869.75	19262.75	2770.00	2770.00	--	1987-88	6869.75	--	--
14.	The Uttar Pradesh State Cement Corporation Limited	Industries	6353.16	--	--	6353.16	5435.66	10.00	10.00	--	1987-88	6353.16	8261.08	1907.92
15.	Uttar Pradesh Plant Protection Appliances (P) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	Industries	--	--	3.20	3.20	4.82	--	--	--	1974-75	0.92	0.81	--
16.	Uttar Pradesh Prestressed Products (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	Industries	--	--	3.10	3.10	27.41	--	--	--	1976-77	2.17	2.13	--
17.	Uttar Pradesh State Bridge Corporation Limited	Public Works	150.00	--	--	150.00	--	--	--	--	1984-85 (30.9.1985)	150.00	--	--
18.	Auto Tractors Limited	Industries	749.99	--	0.01	750.00	3079.00	--	--	--	1987-88	750.00	3551.73	2801.73
19.	Uttar Pradesh State Handloom Corporation Limited	Industries	708.49	485.00	--	1193.49	833.14	--	--	--	1979-80	463.49	--	--

1	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
20.	Uttar Pradesh Panchayat Raj Vitta Evam Vikas Nigam Limited	Panchayati Raj	75.77	--	47.48	123.25	--	--	--	--	1983-84	83.99	--	--
21.	Teletronix Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	Hill development	--	--	133.21	133.21	9.33	10.51	10.51	--	1987-88 (30.6.1988)	133.21	--	--
22.	Transcables Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	Hill development	--	--	63.24	63.24	3.87	--	--	--	1984-85	63.24	56.38	--
23.	Northern Electrical Equipment Industries Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	Hill Development	---	---	0.07	0.07	1.06	---	---	---	1981-82	0.07	Under	Construction
24.	The Uttar Pradesh State Leather Development and Marketing Corporation Limited	Industries	411.98	--	--	411.98	174.02	--	--	--	1987-88	411.98	303.46	--
25	The Uttar Pradesh State Brassware Corporation Limited	Industries	470.36	10.00	--	480.36	230.63	69.33	4.32	--	1985-86	350.36	316.35	--
26.	Bundelkhand Concrete Structurals Limited (Subsidiary of Uttar Pradesh Bundelkhand Vikas Nigam Limited)	Area Development	---	---	2.40	2.40	--	--	--	--	1979-80	2.40	0.54	--

1	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
27.	Uttar Pradesh State Mineral Development Corporation Limited	Industries	2726.91	--	--	2726.91	566.00	545.00	506.50	--	1984-85	1678.90	8.75	--
28.	Uttar Pradesh State Electronics Corporation Limited	Industries	3718.32	--	--	3718.32	200.10	--	--	--	1986-87 (30.9.1987)	3107.32		
29.	Uttar Pradesh State Tourism Development Corporation Limited	Tourism	453.85	--	--	453.85	60.95	--	--	--	1977-78	80.87		
30.	Uttar Pradesh State Spinning Mills Company (No I) Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited)	Industries	--	--	3668.34	3668.84	2649.06	4048.00	3575.94	--	1987-88	3668.34	5881.34	2213.00
31.	Uttar Pradesh State Spinning Mills Company (NO II) Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited)	Industries	--	--	2356.52	2356.52	1698.48	1949.00	1698.48	--	1987-88	2356.52	2591.53	235.01
32.	Uttar Pradesh State Food and Essential Commodities Corporation Limited	Food and Civil Supplies	118.12	---	--	118.12	---	---	---	---	1981-82	50.00	---	---
33.	Prayag Chitrakoot Krishi Evam Godhan Vikas Nigam Limited.	Animal Husbandry	44.00	6.00	--	50.00	--	--	--	--	1986-87	50.00	15.79	--

1	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
34.	Uttar Pradesh Instruments Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	Industries	--	--	202.22	202.22	174.92	---	---	--	1987-88	202.22	563.70	361.48
35.	Uttar Pradesh Pashudhan Udyog Nigam Limited	Animal Husbandry	100.40	--	--	100.40	42.99	1.59	1.59	--	1982-83	65.05	103.28	38.23
36.	Uttar Pradesh Scheduled Caste Finance and Development Corporation Limited	Harijan and Social Welfare	945.43	912.00	--	1857.43	--	--	--	--	1984-85	761.44	--	--
37.	Nandganj-Sihori Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	Sugar Industry	--	--	1657.72	1657.72	1163.50	--	--	--	1985-86 (30.6.1986)	1630.73	2834.35	1203.62
38.	Chandpur Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	Sugar Industry	--	--	390.00	390.00	73.50	--	--	--	1986-87 (31.7.87)	390.00	---	---
39.	Chhata Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	Sugar Industry	--	--	268.00	268.00	140.53	--	--	--	1986-87 (31.7.1987)	268.00	325.99	57.99
40.	Uttar Pradesh Rajkiya Nirman Nigam Limited	Public Works	100.00	--	--	100.00	--	147.18	--	--	1985-86	100.00	--	--
41.	Garhwal Anusuchit Janjati Vikas Nigam Limited	Hill Develop	18.00	--	27.00	45.00	16.30	--	--	--	1980-81	20.00	0.81	--

1	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
	(Subsidiary of Garhwal Mandal Vikas Nigam Limited)	ment												
42.	Kumaon Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	Hill Develop ment	22.00	--	28.00	50.00	--	--	--	--	1982-83	25.00	--	--
43.	Terai Anusuchit Janjati Vikas Nigam Limited	Harijan and Social Welfare	45.00	--	--	45.00	--	540.00	--	—	1980-81	25.00	--	--
44.	Uttar Pradesh (Rohil Khand Terai) Ganna Beej Evam vikas Nigam Limited)	Cooperative	12.75	--	11.90	24.65	--	297.00	297.00	--	1986-87 (30.6.1987)	24.83	--	---
45.	Uttar Pradesh Paschim Ganna Beej evam Vikas Nigam Limited	Cooperative	12.25	--	9.60	21.85	--	320.00	328.84	--	1987-88 (30.6.1988)	21.85	--	--
46.	Uttar Pradesh (Purv) Ganna Beej and Vikas Nigam Limited	Cooperative	12.75	--	4.51	17.26	0.80	298.00	185.96	--	1986-87 (30.6.1987)	17.38	--	--
47.	Uttar Pradesh (Madhya) Ganna Beej and Vikas Nigam Limited)	Cooperative	10.00	--	3.54	13.54	--	250.00	250.00	--	1982-83 (30.6.1983)	14.75	--	--
48.	Uttar Pradesh Chalchitra Nigam Limited	Information	708.21	--	0.21	708.42	256.25	66.25	38.05	--	1984-85	587.49	252.20	--

1	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
49.	Uttar Pradesh Textile Printing Corporation Limited (Subsidiary of Uttar Pradesh State Handloom Corporation Limited)	Industries	--	--	26.00	26.00	---	---	---	---	1979-80	16.00	--	---
50.	Uttar Pradesh Tyres and Tubes Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	Industries	---	---	111.68	111.68	216.91	---	---	---	1987-88	111.68	462.94	351.26
51	Lucknow Mandaliya Vikas Nigam Limited	Area Development	70.00	---	---	70.00	59.60	1.71	26.53	---	1980-81	50.00	0.64	---
52.	Allahabad MandalVikas Nigam Limited	Area Development	67.00	---	---	67.00	4.31	10.06	4.31	---	1981-82 (30.6.82)	60.00	---	---
53.	Agra Mandal Vikas Nigam Limited	Area Development	100.00	---	---	100.00	--	---	---	---	1985-86	100.00	44.37	
54.	Gorakhpur Mandal Vikas Nigam Limited	Area Development	93.56	---	32.47	126.03	3.92	---	---	--	1981-82	112.03	96.20	
55.	Garhwal Mandal Vikas Nigam Limited	Hill Development	350.00	---	---	350.00	1012.58	---	---	---	1980-81	200.00	19.82	---
56.	Varansi Mandal Vikas Nigam Limited	Area Development	70.00	---	---	70.00	8.36	--	---	---	1983-84	70.00	13.63	---
57.	Meerut Mandal Vikas Nigam Limited	Area Development	100.00	---	--	100.00	---	---	---	---	1983-84	100.00	---	---

1	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
58.	UPSIC Potterirs Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	Indus-tries	--	---	58.00	58.00	40.00	---	---	----	1980-81	23.26	13.10	---
59.	Uttar Pradesh Nalkoop Nigam Limited	Irriga-tion	390.00	100.00	---	490.00	391.06	996.11	361.06	---	1984-85	490.00	108.59	---
60	Handloom Intensive Development Corporation (Gorakhur & Basti) Limited (Subsidiary of Uttar Pradesh State Handloom Corporation Limited)	Indus-tries	---	---	3.00	3.00	74.34	---	---	---	1980-81	3.00	---	---
61.	Bhadohi Woollens Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited)	Indus-tries	---	---	291.56	291.56	64.24	---	---	--	1987-88	291.56	273.45	---
62.	Harijan Evam Nirbal Varg Avas Nigam Limited	Harijan and Social Welfare	15.00	---	---	15.00	188.03	299.54	---	---	1987-88	15.00	---	---
63.	Uttar Pradesh Abscott (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	Indus-tries	---	---	5.06	5.06	70.34	---	--	---	1975-76	4.85	2.80	---

1	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
64.	Handloom Intensive Development Project (Bijnor) Limited (Subsidiary of Uttar Pradesh State Handloom Corporation Limited)	Industries	---	---	2.00	2.00	---	---	---	---	1978-79	2.00	3.35	1.35
65.	Uttar Pradesh Paschimi Kshetriya Vikas Nigam Limted	Area Development	125.00	---	---	125.00	49.31	---	----	---	1980-81 (30.6.1981)	100.00	7.31	--
66.	Uttar Pradesh Development Systems Corporation Limited	Planning	100.00	---	---	100.00	262.84	---	---	---	1986-87	80.00	6.17	---
67.	Uttar Pradesh State Horticultural Produce Marketing and Processing Corporation Limited	Agriculture	476.76	---	64.25	541.01	177.49	---	---	---	1982-83	70.76	162.69	91.93
68.	UPAI Limited	Industries	15.00	--	2.01	17.01	--	---	---	---	1979-80 (30.6.1980)	17.01	1.01	---
69.	Uptron Powertronics Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	Industries	--	---	22.00	22.00	9.89	--	35.78	--	1987-88 (30.6.1988)	22.00	--	--
[illegible]	Uptron sempack Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	Industries	---	---	2.55	2.55	---	---	---	---	1979-80	2.55	--	---

1	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
71.	Uttar Pradesh Digitals Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	Industries	---	---	35.20	35.20	50.78	---	---	--	1984-85	35.20	---	---
72.	Moradabad Mandal Vikas Nigam Limited	Area Development	25.00	---	---	25.00	64.64	---	---	--	1982-83	20.00	---	---
73.	Uttar pradesh Bhumi Sudhar nigan Limited	Aagriculture	130.00	---	---	130.00	--	---	---	----	1983-84	130.00	---	---
74.	Uptron Components Ltd. (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	Industries	---	--	5.30	5.30	--	---	---	---Account not finalised since inception				
75.	Uttar Pradesh Carbide and Chemicals Limited (Subsidiary of Uttar Pradesh State Mineral Development Corporaton)	Industries	--	---	479.36	479.36	1017.13	0.50	0.50	---	1985-86	497.36	102.51	--
76.	Uptron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	Industries	--	---	1782.15	1782.15	1140.00	---	---	---	1986-87 (30.6.1987)	1782.15	---	---
77.	Uttar Pradesh Matsya Vikas Nigam Limited	Animal Husbandary	100.00	---	---	100.00	155.37	155.37	155.37	--	1984-85	100.00	---	---
78.	Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited	Power	23557.50	---	--	23557.50	20837.50	----	----	---	1986-87	100.00	Under Construction	

1	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
79.	Uttar Pradesh Alp Sankhyak Vittiya Vikas Nigam Limited	Harijan and Social Welfare	255.00	--	--	255.00	10.42	--	--	--	1985-86	55.00	4.76	--
80.	Uptron Colour Picture Tubes Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	Industries	--	---	900.00	900.00	556.39	--	---	--	1986-87 (30.6.1987)	1097.61	58.66	---
81.	Uttar Pradesh Alparthak Evam Laghu Jal Vidyut Nigam Limited	Power	20.00	--	---	20.00	150.00	---	---	---	1985-86	20.00	Under construction	
82.	Uttar Pradesh Hill Electornics Corporation Limited (Subsidiary of UttarPradesh Electronics Corporation Limited)	Industries	339.21	--	39.15	378.36	---	---	---	---	1987-88	368.36	18.29	---
83.	Vindhyachal Abrasives Limited (Subsidiary of Uttar Pradesh State Mineral Development Corporation Limited)	Industries		Not available			Accounts not finalised since inception							
84.	Ghatampur Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	Sugar Industry	--	---	515.00	515.00	506.61	---	---	---	1986-87 (31.7.1987)	515.00	under construction	
85.	Uttar Pradesh Police Avas Nigam Limited	Home	10.00	--	---	10.00	--	---	----	----	1987-88	10.00	---	---

1	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
86.	Kumaon Televison Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited	Hill Development	---	----	17.28	17.28	15.94	---	16.60	---	1987-88 (30.6.1988)	17.29	--	--
87.	Uttar Pradesh Waqf Vkkas Nigam Limited	Muslim Waqf	100.00	---	---	100.00	---	----	---	Accounts not finslised				
88.	Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronic Corporation Limited)	Industries	--	---	7.01	7.01	---	---	---	---	1987-88	7.01	under construction	
89.	Uttar Pradesh Hill phones Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	Industries	---	---	.0011	0.001	---	---	---	Accounts not finalised				
90.	Shreetron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	Industries	---	--	63.55	63.55	--	---	---		1987-88	114.18	196.29	82.11
91.	Uptron Leasing Limited (Uptron India Limited)	Industries	-	---	100.00	100.00	---	---	---	Accounts	not due			
92	Uttar Pradesh Bildwares (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Limited)	Industries	--	--	0.10	0.10	--	---	---	---	Account not finalised since inception			
93.	Krishna Fasterners Limited (Subsidiary of Uttar Pradesh Small Industires Corporation Limited)	Industries	---	---	5.33	5.33	---	---	---	--	1974-95	4.02	0.37	---

1	2(a)	2(b)	3(a)	3(b)	3(c)	3(d)	4	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
94.	The Indian Bobbin Company Limited					In the Process of liquidation								
95	The Turpentine Subsidiary Industries Limited (Subsidiary of the Indian Turpentine and Rosin Company Limited)					In the Process of liquidation								
96.	Uttar Pradesh Potteries (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited					In the Process of liquidation								
97.	Uttar Pradesh Roofings (Private) Limited (Subsidiary of Uttar Pradesh Small Industires Corporation Limited)					In the Process of liquidation								
98.	Faizabad Roofings Limited (Subsidiary of Uttar Pradesh Small Industires Corporation Limited					In the Process of liquidation								
99	The Gandak Samadesh Kshetra Vikas Nigam Limited					In the Process of liquidation								

AANNEXURE-3

Summarised Financial Results for all Government Companies for the latest year for which Accounts were finalised.
(Refer-red to in Paragraph page)
(except columns 20 and 21 figures are in lakhs of Rupees)

Sl No.	Name of the Company	Name of the depart-ment	Date of Incorporation	Year of account	Capital Invested: Paid-up capital	Capital Invested: Reserve & Surplus	Capital Invested: Long-term loan	Total	Profit(+)/ Loss(-)	Total Interest charged to Profit & Loss Account	Interest on Long-term loan	Total Return on capital invested	Capital employed: Gross block	Capital employed: Deprecia-tion	Capital employed: Net fixed assets	Capital employed: Current assets, loans & advances	Capital employed: Current liabili-ties and provisions	Capital employed: Total 15 + (16-17)	Total return on capital employed (9+10)	Percentage of total return on: Capital invested	Percentage of total return on: Capital employed
1	2(a)	2(b)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12) (9+11)	(13)	(14)	(15)	(16)	(17)	(18) (15+(16-17))	(19) (9+10)	(20)	(21)
1.	The Indian Turpentine and Rosin Company Limited	Indust-ries	22nd February 1924	1986-87	22.02	187.67	20.00	220.[illegible]	(+) 22.19	3.07	0.48	22.67	221.02	133.54	87.48	315.68	209.48	193.60	25.26	10.2	13.0
2.	Uttar Pradesh Small Industires Corporaton Limited	Indust-ries	13th June 1958	1984-85	191.75	111.53	502.73	806.01	(+)5.42	72.04	72.04	77.46	81.19	24.64	58.55	1718.82	837.81	937.56	77.46	9.6	8.3
3.	Uttar Pradesh State Industrial Develop-ment Corporation	Indust-ries	29th March 1961	1986-87	2142.29	713.63	1632.89	4488.81	(+)121.31	67.48	67.48	188.79	---	---	--	---	---	4052.06	188.79	4.2	4.00
4.	Mohammadabad Peoples Tannery Limited	Indust-ries	21st December 1964	1976-77	5.61	---	---	5.61	(-)0.01	---	---	(-)0.01	---	---	---	1.49	0.14	1.35	(-)0.01	--	--
5.	The Uttar Pradesh Export Corporation Limited	Indust-ries	20th January 1966	1985-86	212.52	2.45	54.74	269.71	(-)15.55	8.72	6.82	(-)8.73	33.58	17.84	15.74	601.68	436.01	182.41	(-)6.83	---	---

1	2(a)	2(b)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12) (9+11)	(13)	(14)	(15)	(16)	(17)	(18) (15+(16-17))	(19) (9+10)	(20)	(21)
6.	Uttar Pradesh State Agro Industrial Corration Limited	Agriculture	29th March 1961	1981-82	728.83	11.37	22.75	762.95	(-)163.80	176.84	---	(-)163.80	237.66	141.87	95.79	2549.85	1366.23	1259.21	13.04	---	--
7.	Uttar Pradesh State Textile Corporation Limited	Industries	2nd December 1969	1987-88	9776.60	1096.09	2607.59	13480.28	(-)1583.99	570.66	327.71	(-)1256.28	6403.12	4441.13	1961.99	4069.35	2175.15	3876.19	(-)13.33	---	--
8.	Uttar Pradesh State Sugar Corporation Limited	Sugar Industries	26th March 1971	1986-87 (30.9.87)	10613.84	123.56	3788.89	14526.29	(-)3284.00	2455.96	1445.14	(-)1838.86	4983.77	2732.74	2251.03	11577.38	7968.38	5860.05	(-)828.06	---	---
9.	Uttar Pradesh Bundelkhand Vikas Nigam Limited	Area Development	30th March 1971	1977-78	85.80	0.67	--	86.47	(-)10.25	0.12	---	(-)10.25	35.65	11.93	23.72	47.33	8.31	62.74	(-)0.13	---	---
10.	Uttar Pradesh Poorvanchal Vikas Nigam Limited	Area Development	30th March	1980-81	95.80	2.21	---	98.01	(-)1.01	0.22	--	(-) 1.01	37.26	10.44	26.82	73.80	57.03	43.59	(-)0.79	--	--
11.	Kumaon Mandal Vikas Nigam Limited	Hill development	30th March 1971	1984-85	370.00	36.30	232.00	638.30	(+)8.04	12.11	10.56	18.60	113.44	45.80	67.64	716.46	276.55	507.57	20.15	2.9	4.0
12.	Kichha Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	Sugar Industry	17th February 1972	1985-86 (30.9.85)	703.77	111.49	657.75	1473.01	(+)46.11	106.24	115.88	162.00	962.14	578.71	385.43	584.29	725.36	244.36	232.35	10.9	95.0
13.	Pradeshiya Industrial and Investment corporation of Uttar Pradesh Limited	Industries	29th March 1972	1987-88	6869.75	512.38	18552.34	25934.47	(+)120.03	1327.94	1327.94	1447.97	--	---	--	--	---	24313.37	1447.97	5.6	6.0

1	2(a)	2(b)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12) (9+11)	(13)	(14)	(15)	(16)	(17)	(18) (15+(16-17))	(19) (9+10)	(20)	(21)
14.	The Uttar Pradesh State Cement Corporation Limited	Industries	29th March 1972	1987-88	6353.16	0.05	5435.66	11788.87	(-)2579.59	1010.35	916.56	(-)1663.03	12506.77	5237.17	7269.60	5618.19	9064.50	3823.29	(-)1569.24	---	--
15.	Uttar Pradesh Plant Protection Appliances (P) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	Industries	28th June 1972	1974-75	0.92	0.23	4.35	5.50	(-)0.81	0.28	0.28	(-)0.53	4.70	0.91	3.79	1.65	0.81	4.63	(-)0.53	---	---
16.	Uttar Pradesh Prestressed Products (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	Industries	30th September 1972	1976-77	2.17	--	9.07	11.24	(-)2.13	4.17	2.44	0.31	10.52	0.01	10.51	1.00	0.98	10.53	2.04	2.7	19.3
17.	Uttar Pradesh State Bridge Corporation Limited	Public Works	18th October 1972	1984-85 30.9.1985	150.00	1509.03	---	1659.03	(-)181.42	10.18	--	(-)181.42	2549.32	2158.13	39.19	5338.66	3938.10	1791.75	(-)171.24	--	---
18.	Auto Tractors Limited	Industries	28th December 1972	1987--88	750.00	---	3079.51	3829.51	(-)628.43	302.63	301.52	(-)326.91	1388.77	551.90	836.87	708.28	1063.40	481.75	(-)325.80	--	---
19.	Uttar Pradesh State Handloom Corporation Limited	Industries	9th January 1973	1979-80	463.49	57.64	228.98	750.11	(+)99.37	15.49	15.46	114.03	133.86	21.05	112.81	1553.94	982.74	684.01	114.86	15.3	16.[illegible]
20.	Uttar Pradesh Panchayat Raj Vitta Evam Vikas Nigam Limited	Panchayati Raj	24th April 1973	1983-84	83.99	10.57	6.00	100.56	(+)4.27	0.58	0.58	4.85	--	---	---	--	--	101.12	4.85	4.8	4.8

1	2(a)	2(b)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12) (9+11)	(13)	(14)	(15)	(16)	(17)	(18) (15+(16-17))	(19) (9+10)	(20)	(21)
21.	Teletronix Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	Hill deve lopment	24th November 1973	1987-88 30.6.1988	133.21	24.56	5.91	163.66	(+)0.13	9.09	0.88	1.01	62.13	24.63	37.50	317.60	185.87	169.23	9.22	0.6	5.4
22.	Transcables Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	Hill deve lopment	29th November lopment 1973	1984-85	63.24	3.32	6.44	73.00	(-)16.28	8.15	---	(-)16.28	35.56	14.23	21.33	71.90	58.36	34.87	(-)8.13	--	--
23.	Northern Electrical Equipment Industries Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	Hill Development	29th January 1974	1981-82	0.07	---	--	Under construction													
24.	The Uttar Pradesh State Leather Development and Marketing Corporation Limited	Industries	12th February 1974	1987-88	411.98	16.14	174.02	602.14	(-)34.60	9.86	5.10	(-)29.50	281.04	68.08	212.96	492.71	75.77	629.99	(-)24.74	---	--
25	The Uttar Pradesh State Brassware Corporation Limited	Industries	12th Februay 1974	1985-86	350.36	199.84	184.65	734.85	(-)87.60	47.97	47.97	(-)39.64	267.88	96.21	171.67	450.96	162.45	460.23	(-)39.64	---	---
26.	Bundelkhand Concrete Structurals Limited (Subsidiary of Uttar Pradesh Bundelkhand Vikas Nigam Limited)	Area Development	2nd March 1974	1979-80	2.40	---	---	2.40	(-)0.05	---	---	(-)0.05	1.62	0.03	1.59	0.16	0.21	1.54	(-)0.05	--	--

1	2(a)	2(b)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12) (9+11)	(13)	(14)	(15)	(16)	(17)	(18) (15+(16-17))	(19) (9+10)	(20)	(21)
27.	Uttar Pradesh State Mineral Development Corporation Limited	Industries	23rd March 1974	1984-85	1678.91	24.95	410.00	2113.86	(+)27.81	--	---	(+)27.81	316.72	84.90	231.82	667.11	144.68	754.25	27.81	7.3	3.6
28.	Uttar Pradesh State Electronics Corporation Limited	Industries	30th March 1974	1986-87 (30.9.87)	3107.32	45.26	201.10	3353.68	(+)76.45	27.93	27.93	104.38	21.32	12.25	9.07	575.61	256.18	328.50	104.38	3.1	31.8
29.	Uttar Pradesh State Tourism Development Corporation Limited	Tourism	5th August 1974	1977-78	80.87	1.45	--	82.32	(+)0.31	0.18	---	0.31	36.79	8.41	28.38	82.36	28.47	82.27	0.49	0.3	0.6
30.	Uttar Pradesh State Spinning Mills Company (No I) Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited)	Industries	20th August 1974	1987-88	3668.34	907.79	2531.38	7107.51	(-)970.75	576.52	310.51	(-)660.24	5562.69	3766.32	1796.37	2217.54	1729.57	2284.54	(-)394.23	---	---
31.	Uttar Pradesh State Spinning Mills Company (NO II) Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited)	Industries	20th August 1974	1987-88	2356.32	628.92	1698.48	4683.92	(-)723.50	311.23	227.12	(-)496.38	3961.42	1827.47	2133.95	1070.98	769.27	2435.66	(-)411.27	--	---
32.	Uttar Pradesh State Food and Essential Commodities Corporation Limited	Food and Civil Supplies	22nd October 1974	1981-82	50.00	46.81	--	96.81	(+)60.95	19.10	---	60.95	12.50	4.92	7.58	230.90	91.05	147.43	80.05	62.9	54.3
33.	Prayag Chitrakoot Krishi Evam Godhan Vikas Nigam Limited.	Animal Husbandry	7th December 1974	1986-87	50.00	---	----	50.00	(-)2.34	0.02	--	(-)2.34	2.95	2.45	0.50	38.24	4.73	34.01	(-)12.32	--	---

1	2(a)	2(b)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12) (9+11)	(13)	(14)	(15)	(16)	(17)	(18) (15+(16-17))	(19) (9+10)	(20)	(21)
34.	Uttar Pradesh Instruments Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	Industries	10th January 1975	1987-88	202.22	---	174.92	377.14	(-)101.01	34.[illegible]2	30.22	(-)70.79	58.51	45.60	12.91	52.70	232.78	(-)167.15	(-)66.29	---	---
35.	Uttar Pradesh Pashudhan Udyog Nigam Limited	Animal Husbandry	5th March 1975	1982-83	65.05	0.20	10.00	75.25	(-)27.30	5.46	1.25	(-)26.05	38.42	19.79	18.63	129.14	128.43	19.34	(-)21.84	---	---
36.	Uttar Pradesh Scheduled Caste Finance and Devėlopment Corporation Limited	Harijan and Social Welfare	25th March 1975	1984-85	761.44	80.60	--	842.04	(+)25.48	--	--	(+)25.48	30.44	9.42	21.02	2533.53	1713.11	841.44	(+)25.48	3.0	3.0
37.	Nandganj-Sihori Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	Sugar Industry	18th April 1975	1985-86 30.6.1986	1630.73	233.46	768.46	262.65	(-)375.68	271.32	242.55	(-)133.13	1238.89	880.84	358.05	437.32	750.72	44.65	(-)104.36	--	--
38.	Chandpur Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	Sugar Industry	18th April 1975	1986-87 31.7.1987	390.00	225.47	--	615.47	(+)161.13	38.12	0.66	161.79	916.28	698.40	217.88	857.95	226.36	849.47	197.25	26.3	23.2
39.	Chhata Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	Sugar Industry	18th April 1975	1986-87 31.7.1987	268.00	13.01	140.54	421.55	(+)77.38	54.15	26.56	103.94	644.81	515.58	129.23	493.22	201.64	420.81	131.53	24.7	31.3

1	2(a)	2(b)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12) (9+11)	(13)	(14)	(15)	(16)	(17)	(18) (15+(16-17))	(19) (9+10)	(20)	(21)
40.	Uttar Pradesh Rajkiya Nirman Nigam Limited	Public Works	01 May 1975	1985-86	100.00	474.51	14.82	589.33	(+)462.26	3.99	---	462.26	712.33	406.41	305.92	4687.12	4413.06	579.98	466.25	78.4	80.3
41.	Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Garhwal Mandal Vikas Nigam Limited)	Hill Development	30th June 1975	1980-81	20.00	--	--	20.00	(-)0.42	--	--	(-)0.42	0.59	0.25	0.34	32.91	14.07	19.18	(-)0.42	--	--
42.	Kumaon Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	Hill Development	30th June 1975	1982-83	25.00	3.78	--	28.78	(-)0.78	--	--	(-)0.78	0.46	0.08	0.38	38.53	11.40	27.51	(-)0.78	--	--
43.	Terai Anusuchit Janjati Vikas Nigam Limited	Harijan and Social Welfare	02 August 1975	1980-81	25.00	3.54	--	28.54	(+)1.58	--	--	(+)1.58	1.39	0.62	0.77	163.71	110.95	53.53	1.58	5.5	2.9
44.	Uttar Pradesh (Rohil Khand Terai) Ganna Beej Evam vikas Nigam Limited)	Cooperative	27th August 1975	1986-87 30.6.1987	24.'83	18.21	--	43.04	(+)7.74	32.92	--	7.74	17.54	3.97	13.57	346.21	44.30	315.48	40.66	17.9	12.8
45.	Uttar Pradesh Paschim Ganna Beej evam Vikas Nigam Limited	Cooperative	27th August 1975	1987-88 30.6.1988	21.85	9.70	--	31.55	(+)3.04	46.40	--	3.04	3.22	0.75	2.47	373.52	12.31	363.68	49.44	9.6	13.6
46.	Uttar Pradesh (Purv) Ganna Beej and Vikas Nigam Limited	Cooperative	27th August 1975	1986-87 30.6.1987	17.38	2.69	--	20.07	(+)0.21	21.76	--	0.21	1.78	0.68	1.10	209.48	18.96	191.62	21.97	1.0	11.4

1	2(a)	2(b)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12) (9+11)	(13)	(14)	(15)	(16)	(17)	(18) (15+(16-17))	(19) (9+10)	(20)	(21)
47.	Uttar Pradesh (Madhya) Ganna Beej and Vikas Nigam Limited)	Cooperative	27th August 1975	1982-83 30.6.1983	14.75	1.77	12.00	28.52	(-)0.08	12.93	---	(-)0.68	2.04	1.06	0.98	147.76	11.45	137.29	12.85	--	9.4
48.	Uttar Pradesh Chalchitra Nigam Limited	Information	10th September 1975	1984-85	587.49	--	130.45	717.94	(-)117.35	15.73	15.73	(-)101.62	531.64	168.93	362.71	128.00	145.90	344.81	(-)101.62	--	---
49.	Uttar Pradesh Textile Printing Corporation Limited (Subsidiary of Uttar Pradesh State Handloom Corporation Limited)	Industries	5th December 1975	1979-80	16.00	2.74	---	18.74	(+)1.22	---	---	1.22	4.82	0.69	4.13	102.12	87.75	18.50	1.22	6.5	6.5
50.	Uttar Pradesh Tyres and Tubes Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	Industries	14th January 1976	1987-8	111.68	52.08	216.91	380.67	(-)23.02*	55.69	34.82	11.80*	238.52	143.37	95.15	159.33	194.25	60.23	32.67*	3.1*	54.2*
51	Lucknow Mandaliya Vikas Nigam Limited	Area Development	31st January 1976	1980-81	50.00	4.26	---	54.26	(-)0.29	---	--	(-)0.29	7.96	4.18	3.78	80.42	35.52	48.68	(-)0.29	---	---
52.	Allahabad Mandal Vikas Nigam Limited	Area Development	31st January 1976	1981-82 (30.6.82)	60.00	0.27	---	60.27	(-)0.84	3.93	--	(-)0.84	31.78	5.70	26.08	115.59	47.43	94.24	3.09	--	3.2
53.	Agra Mandal Vikas Nigam Limited	Area Development	31st March 1976	1985-86	100.00	---	5.11	105.11	(+)3.33	1.73	--	3.33	45.89	15.99	29.90	87.43	93.89	23.44	5.06	3.2	21.6
54.	Gorakhpur Mandal Vikas Nigam Limited	Area Development	31st March 1976	1981-82	112.03	2.01	32.85	146.89	(-)142.48	2.85	1.29	(-)141.19	63.00	16.22	46.78	68.92	60.45	55.25	(-)139.63	---	---

Loss during the year in respect of Company at Serial No. 50 is after Adjusting the subsidies of Rs.105.00 Lakhs.Hence return on capital invested and capital employed may be viewed in this light.

1	2(a)	2(b)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12) (9+11)	(13)	(14)	(15)	(16)	(17)	(18) (15+(16-17))	(19) (9+10)	(20)	(21)
55.	Garhwal Mandal Vikas Nigam Limited	Hill Development	31st March 1976	1980-81	200.00	3.13	150.00	353.13	(-)22.31	0.10	---	(-)22.31	105.90	42.62	63.28	345.99	62.06	347.21	(-)22.21	--	---
56.	Varansi Mandal Vikas Nigam Limited	Area Development	31st March 1976	1983-84	70.00	4.18	---	74.18	(-)7.13	3.04	--	(-)7.13	39.97	14.69	25.28	97.33	49.84	72.77	(-)4.09	--	---
57.	Meerut Mandal Vikas Nigam Limited	Area Development	31st March 1976	1983-84	100.00	14.51	---	114.51	(+)0.75	1.27	---	(+)0.75	32.08	3.39	28.69	102.06	16.35	114.42	2.02	0.7	1.8
58.	UPSIC Potterirs Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	Industries	27th April 1976	1980-81	23.26	---	---	23.26	(-)3.93	0.39	---	(-)3.93	4.20	1.42	2.78	12.10	17.37	(-)2.49	(-)3.54	--	---
59.	Uttar Pradesh Malkoop Nigam Limited	Irrigation	26th May 1976	1984-85	490.00	773.34	30.00	1293.34	(-)43.83	105.01	102.01	58.18	1124.40	170.56	953.84	1805.43	1222.84	1536.43	61.18	4.5	3.9
60	Handloom Intensive Development Corporation (Gorakhur & Basti) Limited (Subsidiary of Uttar Pradesh State Handloom Corporation Limited)	Industries	26th May 1976	1980-81	3.00	17.60	91.50	112.10	(+)0.31	6.70	6.33	6.64	10.56	2.11	8.45	178.35	73.02	113.78	7.01	5.9	6.2
61.	Bhadohi Woollens Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited)	Industries	14th June 1976	1987-88	291.56	22.64	--	314.20	(-)28.85	18.32	---	(-)28.23	182.23	120.21	62.02	228.91	188.70	102.23	(-)10.53	---	---

1	2(a)	2(b)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12) (9+11)	(13)	(14)	(15)	(16)	(17)	(18) (15+(16-17))	(19) (9+10)	(20)	(21)
62.	Harijan Evam Nirbal Varg Avas Nigam Limited	Harijan and Social Welfare	25th June 1976	1987-88	15.00	373.57	188.03	576.60	(+)153.82	--	--	(+)153.82	406.44	231.72	174.72	9315.12	8913.24	576.60	(+)153.82	26.7	26.7
63.	Uttar Pradesh Abscott (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	Industries	28th June 1972	1975-76	4.85	--	10.41	15.26	(-)1.55	1.14	1.14	(-)0.41	13.09	0.02	13.07	0.91	1.59	12.39	(-)0.41	---	---
64.	Handloom Intensive Development Project (Bijnor) Limited (Subsidiary of Uttar Pradesh State Handloom Corporation Limited)	Industries	13th September 1976	1978-79	2.00	---	190.66	192.66	(-)0.23	9.22	9.20	8.97	652.76	385.75	267.01	145.02	222.77	189.26	8.99	4.6	4.7
65.	Uttar Pradesh Paschimi Area Devshetriya Vikas Nigam Linted	Development	31st January 1976	1980-81 30.6.1981	100.00	4.86	---	104.86	(-)2.87	0.01	----	(-)2.87	23.83	15.31	8.52	100.28	11.43	97.37	(-)2.86	---	---
66.	Uttar Pradesh Development Systems Corporation Limited	Planning	15th March 1977	1986-87	80.00	---	---	80.00	(-)0.97	---	---	(-)0.97	11.39	7.87	3.52	299.94	229.63	73.83	(-)0.97	--	---
67.	Uttar Pradesh State Horticultural Produce Marketing and Processing Corporation Limited	Agriculture	6th April 1977	1982-83	70.76	1.26	55.00	127.02	(-)35.23	7.90	6.56	(-)28.67	55.99	23.15	32.84	99.93	113.86	18.91	(-)27.33	--	--
68.	UPAI Limited	Industries	28th April 1977	1979-80 30.8.1980	17.01	--	--	17.01	(-)0.14	--	--	(-)0.14	0.51	0.20	0.31	15.26	0.86	14.71	(-)0.14	---	---

1	2(a)	2(b)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12) (9+11)	(13)	(14)	(15)	(16)	(17)	(18) (15+(16-17))	(19) (9+10)	(20)	(21)
69.	Uptron Powertronics Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	Industries	30th April 1977	1987-88 30.6.1988	22.00	17.13	6.54	45.67	(+)4.13	30.71	1.75	5.88	95.68	44.58	51.10	273.12	85.41	238.81	34.84	12.9	14.6
70.	Uptron sempack Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	Industries	23rd May 1977	1979-80	2.55	---	--	2.55	(-)0.78	0.42	---	(-)0.78	0.79	0.16	0.63	1.90	0.67	(+)1.86	(-)0.36	--	---
1.	Uttar Pradesh Digitals Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	Industries	5th March 1978	1984-85	35.20	---	---	35.20	(-)2.09	0.82	---	(-)2.09	58.41	5.28	53.13	120.13	15.34	49.92	(-)1.27	---	---
72.	Moradabad Mandal Vikas Nigam Limited	Area Development	30th March 1977	1982-83	20.00	1.80	---	21.80	(+)0.62	---	---	0.62	4.30	1.66	2.64	21.91	3.87	20.68	0.62	2.8	3.0
73.	Uttar pradesh Bhumi Sudhar nigan Limited	Aagriculture	30th March 1978	1983-84	130.00	1.24	--	131.24	(-)1.26	--	--	(-)1.26	14.99	8.03	6.96	122.87	29.31	100.52	(-)1.26	---	----
74.	Uptron Components Ltd. (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	Industries	31st march 1979		Accounts bit finalised since inception-																
75.	Uttar Pradesh Carbide and Chemicals Limited (Subsidiary of Uttar Pradesh State Mineral Development Corporaton)	Industries	23rd April 1979	1985-86	497.36	21.25	938.71	145.32	(-)102.51	41.58	38.66	(-)163.85	1385.97	81.37	1304.60	312.51	325.75	1291.36	(-)160.93	---	---

Note: In respect of the Companies at Serial No. 70 and 74 U.P.Ectronics Corporation Limited that have stated that these companies stood closed.

1	2(a)	2(b)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12) (9+11)	(13)	(14)	(15)	(16)	(17)	(18) (15+(16-17))	(19) (9+10)	(20)	(21)
76.	Uptron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	Indus- tries	18th October 1979	1986-87 30.6.1987	1782.15	583.53	1033.06	3398.74	(+)156.04	65.44	65.44	221.48	1381.69	415.35	966.34	6875.80	2422.79	5419.35	221.48	6.5	4.
77.	Uttar Pradesh Matsya Vikas Nigam Limited	Animal Husband- ary	27th October 1979	1984-85	100.00	146.17	55.74	301.91	(+)2.37	6.11	6.11	(+)8.48	154.34	29.13	125.21	198.58	62.88	260.91	8.48	2.8	3.
78.	Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited	Power	25th August 1980	1986-87	100.00	--	38995.00	39095.00	Under construction				594.74	186.29	408.45	2773.30	7183.14	(-)4001.39	---	---	--
79.	Uttar Pradesh Alp Sankhyak Vittiya Vikas Nigam Limited	Harijan and Social Welfare	19th November 1984	1985-86	55.00	---	--	55.00	(-)4.05	---	----	(-)4.05	2.51	0.36	2.15	48.49	0.70	49.94	(-)4.05	--	--
80.	Uptron Colour Picture Tubes Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	Indus- tries	8th November 1985	1986-87 30.6.1987	1097.61	64.79	1000.00	2162.40	(+)6.12	10.04	10.04	16.16	459.76	20.11	439.65	1039.05	249.62	1229.08	16.16	0.7	1
81.	Uttar Pradesh Alparthak Evam Laghu Jal Vidyut Nigam Limited	Power	5th April 1985	20.00	--	---	20.00		Under Construction												
82.	Uttar Pradesh Hill Electornics Corporation Limited (Subsidiary of UttarPradesh Electronics Corporation Limited)	Indus- tries	26th June 1985	1987-88 30.6.1988	368.36	--	--	368.36	(-)13.66	--	--	(-)13.66	6.63	1.57	5.06	320.24	3.41	321.94	(-)13.66	--	--

1	2(a)	2(b)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12) (9+11)	(13)	(14)	(15)	(16)	(17)	(18) (15+(16-17))	(19) (9+10)	(20)	(21)
83.	Vindhyachal Abrasives Limited (Subsidiary of Uttar Pradesh State Mineral Development Corporation Limited)	Industries	5th December 1985		accounts not finalised since inception																
84.	Ghatampur Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	Sugar Industry	30th May 1984	1986-87 31.7.1987	515.00	--	426.00	941.00		Under construction			25.83	2.58	23.25	194.70	37.58	180.37	---	---	--
85.	Uttar Pradesh Police Avas Nigam Limited	Home	27th March 1987	1987-88	10.00	1.39	--	11.39	(+)1.39	--	--	(+)1.39	7.61	1.48	6.13	454.61	450.83	9.91	1.39	12.2	14.0
86.	Kumaon Televison Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited	Hill Development	29th August 1974	1987-88 30.6.88	17.29	24.32	17.42	59.03	(+)9.79	14.97	2.31	12.10	56.83	5.72	50.91	197.45	78.99	169.37	24.76	20.5	14.6
87.	Uttar Pradesh Waqf Vikas Nigam Limited	Muslim Waqf	27th April	1987		Account not finalised															
88.	Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronic Corporation Limited)	Industries	27th April 1987	1987-88 30.6.1988	7.01	---	---	7.01		Under Construction											
89.	Uttar Pradesh Hill phones Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	Industries	10th August 1987	1987-88 30.6.1988		Account not finalised															

1	2(a)	2(b)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12) (9+11)	(13)	(14)	(15)	(16)	(17)	(18) (15+(16-17))	(19) (9+10)	(20)	(21)
90.	Shreetron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	Indus-tries	1st February 1979	1987-88 30.6.1988	114.18	0.50	136.38	251.06	42.17	34.41	29.38	(-)12.79	223.60	65.40	158.20	105.15	164.65	(-)98.70	(-)7.76	--	
91.	Uptron Leasing Limited (Uptron India Limited)	Indus-tries	5th January 1988		Accounts not due																
92	Uttar Pradesh Bildwares (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Limited)	Indus-tries	28th June 1972		Accounts not finalised since inception																
93.	Krishna Fasterners Limited (Subsidiary of Uttar Pradesh Small Industires Corporation Limited)	Indus-tries	14th December 1973	1974-75	4.02	---	0.88	4.90	(-)0.37	0.02	0.02	(-)0.35	2.02	0.01	2.01	2.75	0.22	(+)4.54	(-)0.35		
94.	The Indian Bobbin Company Limited			In the process of liquidation																	
95	The Turpentine Subsidiary Industries Limited (Subsidiary of the Indian Turpentine and Rosin Company Limited)			In the process of liquidation			In the process of liquidation			In the process of liquidation											
96.	Uttar Pradesh Potteries (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited			In the process of liquidation			In the process of liquidation														

1	2(a)	2(b)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12) (9+11)
97.	Uttar Pradesh Roofings (Private) Limited (Subsidiary of Uttar Pradesh Small Industires Corporation Limited)			In the process of liquidation								
98.	Faizabad Roofings Limited (Subsidiary of Uttar Pradesh Small Industires Corporation Limited			In the process of liquidation								
99	The Gandak Samadesh Kshetra Vikas Nigam Limited			In the process of liquidation								

Note: In case of Companies at Serial No. 3.13 and 20 Capital employed represents the means of aggregate of opening and closing balance of (a) Paid Capital (b) Reserves and surplus (c) Bond and debentures (d) Borrowings includings refinance.

ANNEXURE-4

Statement showing summarised financial results of statutory Corporations for the latest year for which annual accounts have been prepared.
(Referred to paragraph page)

Sl. No.	Name of the corporation	Name of the department	Year of incorporation	Year of Account	Total capital invested	Profit(+) /Loss(-)	Interest on long term loan	Total return on capital invested	Capital employed	Total return on capital employed	Percentage of total return to capital invested	Percentage of total return to capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
				(Rupees in Crores)								
1.	Uttar Pradesh State Electricity Board	Power	1959	1986-87	5072.27	(-)29.23	330.04	309.81	379.67	300.81	12.6	5.9
2.	Uttar Pradesh Financial Corporation	Industries	1954	1987-88 (To be audited Provisional)	478.53	(+)1.70	35.[illegible]7	37.68	428.81(A)	37.68	7.9	8.8
3.	Uttar Pradesh State Warehousing Corporation	Cooperative	1958	1984-85	22.09	(+)0.40	1.01	1.41	1983.47	1.41	6.4	7.1
4.	Uttar Pradesh State Road Transport Corporation	Transport	1972	1987-88	177.68	(+)0.04	14.23	11.27	115.60(B)	14.27	8.[illegible]	12.3

Note:- (A). Represents mean of the aggregate of opening and closing balance of (1) paid up capital, (2) Bonds and debentures, (3) Reserves, ([illegible]) Borrowings including refinance.

(B). Capital employed represents net fixed assets plus working capital.