Report of the Comptroller And Auditor General of India

For the Year Ended : 31 March, 1997

No.1
(COMMERCIAL)

Government of Uttar Pradesh

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Preface

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

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

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

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

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

Chapter-II contains three reviews relating to the Government companies viz. Working of Uttar Pradesh State Spinning Company Limited, Uttar Pradesh State Handloom Corporation Limited and Kumaon Mandal Vikas Nigam Limited.

Chapter-III deals with five reviews relating to the Statutory corporations viz. Non-completion of Vishnu Prayag Hydro Electric Project, Planning and implementation of Hydro Electric Power Projects, Privatisation of Jawaharpur Thermal Power Project, Distribution Zone, Varanasi and Panki Thermal Power Station.

Chapter-IV deals with miscellaneous topics relating to loss, lack of economy or efficiency and other matters of public interest. The cases reported in this section came to notice in course of audit during the year 1996-97 as well as those which came to notice earlier but were not dealt in the previous years' Reports. Matters relating to the period subsequent to 1996-97 have also been included wherever necessary.

Overview

Overview

The State had 97 Government companies (including 37 subsidiaries), six companies under the purview of section 619 B of the Companies Act, 1956 and four Statutory corporations as on 31 March 1997. Fifteen companies (including twelve subsidiaries) were under the process of liquidation.

(Paragraphs 1.2.1, 1.2.11 and 1.3)

The aggregate paid-up capital of Government companies was Rs. 1792.34 crore, out of which Rs. 1446.96 crore were invested by the State Government, Rs. 46.03 crore by Central Government, Rs. 272.36 crore by holding companies and Rs. 26.99 crore by others. The aggregate long term loans outstanding as on 31 March 1997 against 44 companies was Rs. 1211.10 crore.

The State Government guaranteed the repayment of loans and interest thereon. The outstanding amount of guarantees aggregated Rs. 781.54 crore at the close of March 1997.

(Paragraphs 1.2.1, 1.2.4, and Annexure-2 and 3 (c))

Of the 82 Government companies, finalisation of the accounts of 78 companies were in arrear for periods ranging from 1 year to 22 years.

(Paragraph 1.2.6)

Out of four companies which finalised their accounts for the year 1996-97, two companies earned a profit of Rs. 1.34 crore but none declared dividend.

(Paragraph 1.2.7.2)

According to the latest available accounts, 26 companies had eroded their paid-up capital as the accumulated loss amounting to Rs. 1818.97 crore of these companies exceeded their paid-up capital of Rs. 1003.03 crore. Of the 51 loss making companies, 18 companies suffered loss during consecutive five years up to March 1997.

(Paragraph 1.2.7.3)

Out of four Statutory corporations, Uttar Pradesh State Electricity Board, Uttar Pradesh State Financial Corporation and Uttar Pradesh State Warehousing Corporation had finalised accounts for 1996-97 and remaining one corporation finalised accounts for 1995-96. Uttar Pradesh State Transport Corporation and Uttar Pradesh Financial Corporation incurred loss of Rs. 41.87 crore (1995-96) and Rs. 14.26 crore (1996-97) respectively. The remaining two corporations earned profit/surplus of Rs. 171.50 crore.

(Paragraph 1.3.4)

UTTAR PRADESH STATE SPINNING COMPANY LIMITED

The Company incorporated in August 1974, as a subsidiary of Uttar Pradesh State Textile Corporation Limited (a wholly owned State Government Company), was engaged in manufacturing and sale of cotton and staple/polyester yarn in its mills at Raebareli, Barabanki, Akbarpur and Mau having capacity of 50000 spindles each. Akbarpur mill is lying closed since June 1990 due to lockout.

(Paragraph 2A.1.1)

The Company incurred losses ranging between Rs. 2.18 crore and Rs. 19.86 crore (except during 1993-94) during five years up to 1995-96. Accumulated loss increased from Rs. 98 crore in 1992-93 to Rs. 115.25 crore at the close of 1995-96 which had eroded the paid-up capital of Rs. 78.43 crore.

(Paragraphs 2A.1.5.1 and 2A.1.5.2)

Compared to the norms of Cotton Textile Research Associations (CTRAs) applicable for cotton and synthetic fibre wastage at various stages of production, the Company registered high percentage of wastage during five years up to 1995-96 resulting in loss of raw material of 17.24 lakh kg valued at Rs. 6.27 crore when compared to the norms.

(Paragraph 2A.2.3)

Production per spindle shift was low due to lower spindle speed of the machines resulting in loss of production of 22.77 lakh kg of yarn valued at Rs. 15.36 crore during five years up to 1995-96.

(Paragraph 2A.2.4)

Use of superior quality cotton in production of low count yarn resulted in avoidable expenditure of Rs. 0.17 crore during 1995-96 alone.

(Paragraph 2A.3.2)

UTTAR PRADESH STATE HANDLOOM CORPORATION LIMITED

The Company was incorporated in January 1973 with a view to assist and develop the handloom/powerloom units in the state. In pursuance of its objectives, the Company procures cloth from weavers and sells through its showrooms besides implementing development schemes entrusted by the Government. It had been incurring losses and its accumulated loss had exceeded the paid-up capital since 1992-93.

(Paragraph 2B.1, 2B.1.1 and 2B.1.4)

Procurement of gamacha valued at Rs. 1.34 crore without assessing prospects of its sale resulted not only in blocking of funds of Rs. 1.11 crore in stock remaining unsold for over two years but also loss of interest of Rs. 0.51 crore on these blocked funds.

(Paragraph 2B.2.7)

The Company could not avail and disburse to weavers Central subsidy of Rs. 2.97 crore during validity period of the scheme up to March 1996 due to its failure to procure and distribute yarn at subsidised rates.

(Paragraph 2B.4.1.1)

KUMAON MANDAL VIKAS NIGAM LIMITED

Parvatiya Vikas Nigam Limited incorporated on 30 March 1971 was renamed as Kumaon Mandal Vikas Nigam Limited in August 1976, with a view to improve the socio-economic condition of the Kumaon region by promoting industries, tourism, marketing and construction activities.

(Paragraph 2C.1)

In contravention of Government order, the Company accounted for interest amounting to Rs. 1.31 crore earned on funds received from Government and invested in FDRs as its own income instead of crediting the same to the Government.

(Paragraph 2C.5.2)

Due to low capacity utilisation of Parvat Wire factory, the Company suffered a loss of Rs. 0.55 crore during last five years up to 1995-96 which would further increase by Rs. 0.15 crore on passing of the benefit to customer of reduction in sale prices as recommended by Price Fixation Committee.

(Paragraph 2C.6.A.1)

The Company suffered a loss of Rs. 0.77 crore in Jari-buti trading due to excessive overheads and allowing direct trading by the farmers.

(Paragraph 2C.6.B.2)

NON-COMPLETION OF VISHNU PRAYAG HYDRO ELECTRIC PROJECT LEADING TO ITS PRIVATISATION

The Board decided in 1965 to set up a Hydro Electric Power station of 120 MW capacity revised to 360 MW in 1987 on the embankment of Alaknanda river at Vishnu Prayag in Chamoli district. The project report envisaged annual generation of 2213.57 MU of energy from 1993-94 at a cost of 28.43 paise per unit. Even after incurring Rs. 60.19 crore, the project could not be completed mainly on account of paucity of funds, and finally Government went in for its privatisation in October 1992.

(Paragraph 3A.1)

On erection of Srinagar-Joshimath transmission line, price escalation of Rs. 2.20 crore was paid which was mainly on account of payment of higher rates of price escalation as compared to the rates paid for similar works. Out of this amount, price escalation of Rs. 1.37 crore could have been avoided, had the Board accepted the recommendations of its own officer for getting two items of the above work done through other agencies.

(Paragraphs 3A.2.3(i))

The PPA provided for payment of Rs. 25 crore only by the licensee towards the cost of the assets of the project amounting to Rs. 60.19 crore. This would, thus, result in a loss of Rs. 35.19 crore to the Board.

(Paragraph 3A.3.2)

The two-part tariff provided in the PPA would result in extra cost of energy to be paid by the Board at Rs. 29.66 crore (approximately) per annum on account of excessive rate of operation and maintenance expenses (Rs. 18.07 crore), loss of interest on locking of the Board's fund in escrow account (Rs. 5.98 crore), and excessive interest on working capital (Rs. 5.61 crore).

(Paragraphs 3A.3.3, 3A.3.4 and 3A.3.5)

PLANNING AND IMPLEMENTATION OF HYDRO ELECTRIC POWER PROJECTS

Three hydro electric projects, viz. Maneri Bhali (Stage II), Lakhwar Vyasi and Srinagar, taken up by Uttar Pradesh State Electricity Board (between April 1977 and March 1988) for meeting the demand of power of the remote and hilly regions, could not be completed for want of financial resources.

(Paragraph 3B.1)

Owing to non-implementation of these projects as per schedule the Board could not achieve projected annual generation of 3462.13 MU of energy valued at Rs. 926.43 crore. Besides, the objective of conservation of costly and scarce inputs of coal and oil by utilising natural water was defeated and dependence on thermal generation continued resulting in use of coal of 27.56 lakh MT annually valued at Rs. 166.24 crore.

(Paragraph 3B.3)

Due to cancellation of orders, the Board suffered a loss of Rs. 10.65 crore on account of non-refund of advance paid to BHEL.

(Paragraph 3B.4)

The Board had been incurring recurring annual interest liability of Rs. 87.59 crore on the expenditure of Rs. 486.60 crore lying blocked in the three projects.

(Paragraph 3B.7)

PRIVATISATION OF JAWAHARPUR THERMAL POWER PROJECT

The Government signed a Memorandum of Understanding with Pacific Electric Power Development Corporation of Vancouver (Canada) in November 1993 for setting up a Thermal Power Station with an installed capacity of 750 MW (revised to 800 MW in July 1994) at Jawaharpur (Etah). The Power Purchase Agreement (PPA) was entered into with the Canadian firm's subsidiary, namely, Jawaharpur Power India Private Limited, New Delhi in December 1995.

(Paragraph 3C.1)

The two-part tariff provided in the PPA would result in extra cost of energy to be paid by the Board at Rs. 118.59 crore (approximately) per annum on account of excessive rate of operation and maintenance expenses (Rs. 79.25 crore), loss of *interest on locking of the Board's fund in escrow account (Rs. 16.06 crore), excessive interest on working capital (Rs. 13.37 crore) and excessive variable charges (Rs. 9.91 crore).*

(Paragraphs 3C.2 (ii) to (v))

WORKING OF DISTRIBUTION ZONE, VARANASI

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

(Paragraph 3D.1.1)

Against the norm of 11.5 per cent distribution losses prescribed by CEA, the actual losses ranged between 19.9 and 23.1 per cent. The quantum of energy loss in excess of the norm worked out to 1411.759 MU valued at Rs. 188.19 crore during the period of five years up to 1996-97.

(Paragraph 3D.2.1)

Non-installation of capacitor banks to the required extent resulted in loss of saving of system losses of 24.990 MU valued at Rs. 3.57 crore per annum.

(Paragraph 3D.2.2)

Incorrect assessment of energy consumption due to unmetered supply/defective meters etc. resulted in under charging of revenue to the extent of Rs. 13.08 crore.

(Paragraph 3D.2.3)

Failure to take immediate action for dismantling of redundant lines resulted in theft of line materials valued at Rs. 0.40 crore.

(Paragraph 3D.4.5)

PANKI THERMAL POWER STATION

Panki Thermal Power Station comprises four plants (two plants of 32 MW commissioned in October 1967 and July 1968 and two plants of 110 MW commissioned in November 1976 and March 1977 respectively) with an aggregate capacity of 284 MW. The capacity was derated to 274 MW from January 1990.

(Paragraph 3E.1.1)

Against prescribed norm of 10 per cent, the auxiliary consumption ranged between 10.9 and 16.1 per cent, resulting in excess consumption of 147.482 MU of electricity, valued at Rs. 19.47 crore during five years up to 1996-97.

(Paragraph 3E.2.3)

Cost of generation of electricity at the power station ranged between 144.74 paise and 274.64 paise per unit during five years up to 1996-97, against the average revenue of the Board ranging between 118 paise and 148 paise per unit. The high cost of generation was due to achievement of low thermal efficiency resulting in heat loss valued at Rs. 94.29 crore and consequently leading to excessive consumption of coal, oil and demineralised water.

(Paragraph 3E. 4)

Failure of the Board to devise a system of making advance payment of freight charges at loading point and to obtain free Railway receipt as per Railways pre-paid system resulted in avoidable expenditure of Rs. 12.35 crore during the five years up to 1996-97.

(Paragraph 3E.5)

MISCELLANEOUS TOPICS OF INTEREST

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

Uptron India Limited sustained a loss of Rs. 1.78 crore as it imported various components without ensuring their suitability and subsequently had to relinquish its title to bonded warehouses due to obsolescence of technology. It also paid an unjustified commission of Rs. 1.66 crore to the agents who were appointed after obtaining the supply orders.

(Paragraphs 4.A.1 and 4.A.2)

Uttar Pradesh State Textile Corporation Limited suffered a loss of Rs. 0.50 crores as it failed to reduce its electricity load to its actual requirement. It also sustained a loss of Rs. 0.22 crores due to its failure for forward booking of foreign exchange.

(Paragraphs 4.A.5 and 4.A.6)

Uttar Pradesh State Industrial Development Corporation, in spite of taking over possession after successfully contesting a court case for eleven years, unduly restored the plot in favour of the original allottee for Rs. 0.45 crore against the prevailing market rate of Rs. 0.74 crore resulting in loss of Rs. 0.29 crore.

(Paragraph 4.A.9)

Uttar Pradesh Small Industries Corporation Limited suffered a loss of Rs. 0.20 crore due to delay in payment of advance tax and preparation of incorrect accounts.

(Paragraph 4.A.14)

Uttar Pradesh Pashudhan Udyog Nigam Limited, due to embezzlement, suffered loss of Rs. 0.10 crore on account of embezzlement made possible due to deployment of a person of doubtful integrity, not ensuring timely submission of returns and not conducting required checking of accounts.

(Paragraph 4.A.16)

Undue benefit of Rs. 0.17 crore was extended to a consumer of Electricity Urban Distribution Division II, Muzaffarnagar, by not charging cost of 33 KV bay from him.

(Paragraph 4.B.3)

Incorrect assessment of energy consumption resulted in undercharge of revenue of Rs. 2.71 crore in Electricity Distribution Division, Siddharthnagar.

(Paragraph 4.B.5)

Uttar Pradesh Financial Corporation suffered a loss of Rs. 0.20 crore as it erroneously included the interest tax recovered from its loanees in its total income and paid interest tax thereon also.

(Paragraph 4.B.13)

Chapter I

General

Chapter-I : General

Section-I

General view of Government companies and Statutory corporations

CHAPTER 1

General View of Government Companies and Statutory Corporations

1.1 Introduction

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

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

1.2 General view

1.2.1 Government companies

As on 31 March 1997, there were 97 Government companies (including 37 subsidiaries) out of which 15 companies (including 12 subsidiaries) having paid-up capital of Rs. 16.17 crore (details given in Annexure-3B) were under liquidation. Total investment in remaining 82 companies (including 25 subsidiaries) was Rs. 3003.44 crore (Equity - Rs. 1792.34 crore and long term loans - Rs. 1211.10 crore) as against total investment of Rs. 3487.43 crore as on 31 March 1996 (Equity- Rs. 1809.98 crore and long term loans - Rs. 1677.45 crore) in 86 companies. There were six deemed Government Companies with total investment of Rs. 198.02 crore (Equity- Rs. 48.32 crore and long term loans- Rs. 149.70 crore) as on 31 March 1997.

The classification of the companies is as under:

(Rupees in crore)

		Number of companies	Paid-up capital
(a)	Working companies	59	1761.57
(b)	Non working companies		
(i)	Defunct companies	23*	30.77
(ii)	Companies under liquidation	15	16.17

Out of 23 defunct companies, none has been referred to BIFR.

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

The sectorwise investment in all 88 companies (including investments of Rs. 198.02 crore of six deemed Government companies) is given below:

(Rupees in crore)

Department/type of Public Sector Undertaking (P.S.U.)	As on 31 March 1996			As on 31 March 1997			Debt equity ratio as on 31 March 1997
	Number	Equity	Loan	Number	Equity	Loan	
Agriculture							
Government companies	3	35.87	15.59	3	35.87	1.22	0.03:1
Deemed Government company	1	2.46	--	1	2.69	--	--
Animal Husbandry							
Government companies	2	4.35	1.65	2	5.65	1.71	0.30:1
Deemed Government company	1	0.24	0.31	1	0.24	0.28	1.17:1
Area Development							
Government companies	10	9.37	4.07	10	9.36	1.34	0.14:1
Subsidiary company	1	0.02	--	1	0.02	--	--
Cement							
Government company	1	68.28	118.56	1	68.28	121.79	1.78:1
Electronics							
Government company	1	80.60	26.11	1	70.30	26.46	0.38:1
Subsidiary companies	6	57.15	88.56	4	57.13	12.71	0.22:1
Deemed Government companies	2	42.49	143.51	2	42.49	143.50	3.38:1
Export Promotion							
Government companies	3	17.86	5.80	3	18.11	3.54	0.20:1
Finance							
Government companies	3	148.88	453.84	3	148.88	525.49	3.53:1

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

(Rupees in crore)

Department/type of Public Sector Undertaking (P.S.U.)	As on 31 March 1996			As on 31 March 1997			Debt equity ratio as on 31 March 1997
	Number	Equity	Loan	Number	Equity	Loan	
Fisheries Development							
Government company	1	1.00	--	1	1.00	--	--
Food and Civil Supplies							
Government company	1	5.50	15.27	1	5.50	15.17	2.76:1
Harijan and Social Welfare							
Government companies	6	59.84	47.34	6	68.44	39.32	0.57:1
Hill Development							
Government companies	3	22.99	15.48	3	27.48	16.48	0.60:1
Subsidiary companies	9	73.80	6.49	7	1.86	1.68	0.90:1
Deemed Government company	1	2.00	2.90	1	2.00	5.92	2.96:1
Home							
Government company	1	3.00	--	1	3.00	--	--
Industries and Industrial Development							
Government companies	3	64.13	1.53	3	67.16	16.98	0.25:1
Subsidiary companies	5	5.46	13.09	5	48.60	206.49	4.25:1
Institutional Finance							
Government company	1	8.18	0.16	1	8.18	--	--
Irrigation							
Government company	1	5.90	--	1	10.87	--	--
Panchayati Raj							
Government company	1	1.46	--	1	1.46	--	--
Planning Department							
Government companies	2	1.06	--	2	1.06	--	--
Power							
Government companies	2	252.81	19.00	2	253.51	19.00	0.07:1
Public Works							
Government companies	2	11.00	--	2	11.00	--	--
Rural and Small Industry							
Government companies	2	28.81	21.96	2	31.25	21.96	0.70:1
Subsidiary companies	2	0.78	0.76	2	0.79	0.76	0.96:1
Deemed Government company	1	0.90	--	1	0.90	--	--
Sugar and Cane Development							
Government companies	5	488.84	633.76	5	477.60	102.22	0.21:1
Subsidiary companies	4	72.23	39.80	4	72.23	12.17	0.17:1
Textile							
Government company	1	160.79	83.61	1	160.79	24.38	0.15:1
Subsidiary companies	2	110.33	58.14	2	110.33	39.76	0.36:1
Tourism							
Government company	1	8.19	6.08	1	15.13	0.48	0.03:1
Waqf							
Government company	1	1.50	--	1	1.50	--	--
Total	**92**	**1858.07**	**1824.17**	**88**	**1840.66**	**1360.80**	

1.2.3 Analysis of investment

In the context of the Industrial Policy of the Central Government to disinvest shareholdings in PSUs, the State Government has referred the cases of 50 PSUs to the 'Empowered Committee' constituted (December 1995) by it for consideration on their reconstruction/reorganisation/amalgamation/privatisation and their reports with recommendation of Government are still awaited (October 1997).

1.2.4 Guarantees

The guarantees given by the State Government against loans and credits given by banks etc., to the PSUs for the preceding three years up to 1996-97 and outstanding as on 31 March 1997 (details given in Annexure-3C) are shown in the table below:

(Rupees in crore)

Sl. No.	Guarantees	Amount Guaranteed during			Guaranteed amount outstanding as on 31 March 1997
		1994-95	1995-96	1996-97	
1.	Cash credit from State Bank of India and other nationalised banks	33.55	142.93	560.20	579.14
2.	Loans from other sources	9.80	182.78	84.17	202.40
	Total	**43.35**	**325.71**	**644.37**	**781.54**

1.2.5 Budgetary outgo and waiver of dues

The outgo from the State Government to 25 companies out of 82 companies during the years 1994-95 to 1996-97 in the form of equity capital, loans and subsidy (details given in the Annexure-2 and 3C for the year 1996-97) is as detailed below:

(Rupees in crore)

		1994-95	No. of companies	1995-96	No. of companies	1996-97	No. of companies
1.	Equity capital outgo from budget	54.56*	16	34.45	15	33.63	11
2.	Loans given from budget	79.36	12	87.36	17	117.25	14
3.	Subsidy	0.07	1	164.68	9	221.20	11
	Total outgo	**133.99**		**286.49**		**372.08**	

* This includes the amount of Rs. 5.60 crore converted from loan to equity.

1.2.6 Finalisation of accounts

Accountability of PSUs to the legislature is to be achieved through the submission of audited annual accounts within the prescribed time schedule to the legislature. Of 82 Government companies, the accounts of 78 companies were in arrears for periods ranging from 1 year to 22 years as indicated in Annexure-3A (as on 30 September 1997). Accounts of only four Companies were finalised for the year 1996-97 by September 1997.

According to the latest finalised accounts of these companies*, 51 companies had incurred losses amounting to Rs. 236.38 crore and the remaining 27 companies earned profit of Rs. 13.43 crore as indicated in the table below:

(Rupees in lakh)

Sl.	Number of Companies	Year upto which accounts were finalised	Profit		Loss		Reference to serial no. of Companies as per Annexure 3	
			No. of companies	Amount	No. of companies	Amount	Profit making	Loss making
1.	1	1974-75	--	--	1	0.81	--	60
2.	1	1976-77	--	--	1	0.01	--	55
3.	1	1981-82	1	0.44	--	--	11	--
4.	1	1982-83	--	--	1	4.00	--	27
5.	2	1983-84	--	--	2	12.37	--	7,35
6.	2	1984-85	--	--	2	135.83	--	3,8
7.	2	1985-86	2	37.07	--	--	10,26	--
8.	4	1986-87	1	11.24	3	331.03	6	9,14,62
9.	5	1987-88	--	--	5	47.63	--	13,15, 16,33,51
10.	2	1988-89	--	--	2	29.42	--	25,38
11.	4	1989-90	1	7.20	3	41.69	75	37,54,59
12.	2	1990-91	1	0.13	1	16.10	73	4
13.	3	1991-92	2	153.69	1	45.29	28,44	23
14.	4	1992-93	2	88.52	2	351.33	34,69	41,61
15.	10	1993-94	2	50.93	8	6666.69	50,52	5,12,36 39,56,64 66,71
16.	7	1994-95	3	98.67	4	3502.50	30,31, 70	18,22,29 63

* The project of the company at serial number 45 of Annexure-3 was under construction and three companies at serial numbers 40, 42 and 49 had not furnished any account since inception.

(Rupees in lakh)

Sl.	Number of Companies	Year upto which accounts were finalised	Profit		Loss		Reference to serial no. of Companies as per Annexure 3	
			No. of companies	Amount	No. of companies	Amount	Profit making	Loss making
17.	23	1995-96	10	760.91	13	12216.08	17,21, 24,32, 43,58, 67,68 76,81	1,2,20, 46,47, 48,53, 57,65, 78,79, 80,82
18.	4	1996-97	2	133.99	2	236.78	72,74	19,77
Total	78		27	1342.79	51	23637.56		

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

1.2.7 Working results

1.2.7.1 Profit making companies

Out of the companies which finalised accounts during the current period for 1996-97 or previous years, 16 companies* earned profit of Rs. 11.34 crore. Of these, 13** (companies earned profit for two successive years or more and three companies declared dividend. Free reserves and surplus amounting to Rs. 145.29 crore were built up in 57 companies.

1.2.7.2 Profit and dividend

Out of four companies which finalised their accounts for 1996-97 by September 1997, two companies (Serial numbers 72 and 74 of Annexure-3) earned profit of Rs. 1.34 crore on total share capital of Rs. 125.71 crore but none of them declared dividend.

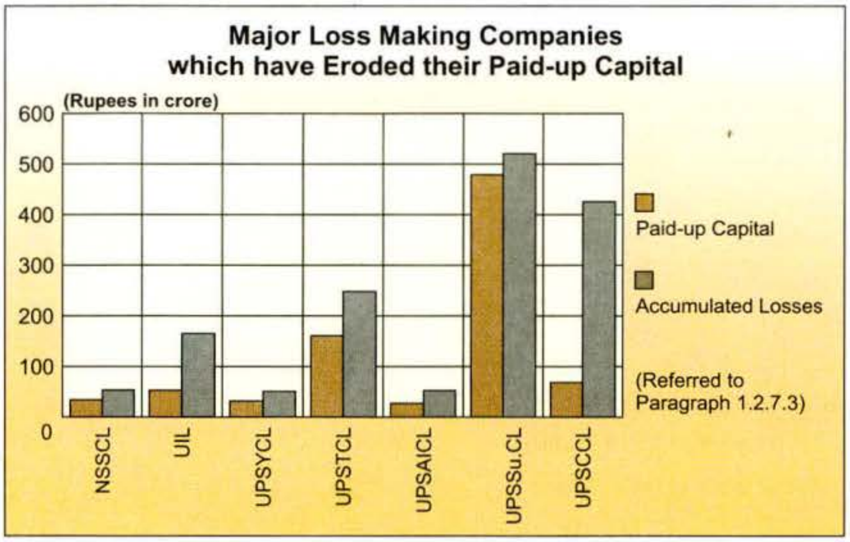
* Serial numbers of Annexure 3: 24, 28, 30, 31, 34, 43, 52, 58, 67, 68, 70, 72, 73, 74, 76 and 81.

** Serial numbers of Annexure 3: 28, 30, 31, 34, 43, 58, 67, 68, 72, 73, 74, 76 and 81.

The dividend of Rs. 0.61 crore as percentage of share capital of Rs. 376.29 crore in the total profit making 27 companies as per their latest finalised accounts worked out to 0.16. On the total equity capital, the return to State Government worked out to 0.03 per cent in 1996-97 as compared to 0.11 per cent in 1995-96.

1.2.7.3 Loss making companies

According to the latest available accounts, 26* companies had eroded their paid-up capital amounting to Rs. 1003.03 crore as the accumulated losses amounting to Rs. 1818.97 crore of these companies had far exceeded the paid-up capital. Of the 51 loss making companies, 18 companies suffered loss for five consecutive years and eroded their paid-up capital as shown below:



(Rupees in crore)

Sl. No.	Name of Company	Year upto which account received	Paid-up capital	Accumu-lated loss	Percent-age of capital eroded	Loss suffered due to	Reference to Sl. No. of Annexure - 3
1.	Chhata Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	1994-95	12.73	19.87	156.09	Heavy depreciation burden and teething trouble	63
2.	Nandganj Sihori Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Ltd.)	1993-94	34.04	53.36	156.75	Low recovery of sugar and levy sale to Government	66
3.	Ghatampur Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	1993-94	8.65	15.27	176.55	Due to non-viability of plant capacity	64

* Serial numbers of Annexure 3:2, 3, 4, 10, 17, 18, 23, 24, 25, 39, 44, 46, 47, 48, 51, 52, 59, 62, 63, 64, 66, 71, 77, 78, 79 and 80.

(Rupees in crore)

Sl. No.	Name of Company	Year upto which account received	Paid-up capital	Accumulated loss	Percentage of capital eroded	Loss suffered due to	Reference to Sl. No. of Annexure - 3
4.	The Indian Turpentine and Rosin Company Limited	1995-96	0.22	10.27	4663.58	Shortage of raw material and paucity of funds	46
5.	The Uttar Pradesh State Brassware Corporation Limited	1991-92	5.38	6.49	120.64	Implementation of unviable schemes	23
6.	Trans Cables Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	1993-94	0.63	2.24	354.66	Lack of funds	39
7.	UPSIC Potteries Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	1989-90	0.76	2.26	295.91	Lack of working capital, problem of marketing and increased salary and wages	59
8.	Uptron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	1994-95	53.16	164.81	310.05	N.A.	18
9.	Uttar Pradesh Instruments Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	1995-96	2.02	22.32	1103.84	Excess manpower, product range limited to only one	47
10.	Uttar Pradesh Digitals Limited (Subsidiary of Uttar Pradesh Industrial Development Corporation Limited)	1995-96	0.35	5.76	1635.99	Inadequate supply of components by H.M.T. and labour problem	48
11.	Uttar Pradesh State Yarn Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited)	1996-97	31.91	50.91	159.55	Adverse market condition	77
12.	Uttar Pradesh State Textile Corporation Limited	1995-96	160.79	248.42	154.49	Paucity of funds, unfavourable market condition, increase in power tariff and burden. of interest.	78

(Rupees in crore)

Sl. No.	Name of Company	Year upto which account received	Paid-up capital	Accumulated loss	Percentage of capital eroded	Loss suffered due to	Reference to Sl. No. of Annexure - 3
13.	Uttar Pradesh State Agro Industrial Corporation Limited	1995-96	27.32	52.51	192.19	Low turnover, heavy overheads, shortage of working capital and surplus staff.	2
14.	Uttar Pradesh State Sugar Corporation Limited	1993-94	479.15	520.76	108.68	Due to taking-over old and out lived mills having small capacity for crushing.	71
15.	Uttar Pradesh State Cement Corporation Limited	1995-96	68.28	425.99	623.89	Under-utilisation of capacity and high cost of production.	80
16.	Uttar Pradesh State Handloom Corporation Limited	1986-87	10.43	11.16	106.91	Heavy burden of interest and fixed expenditure.	62
17.	Uttar Pradesh State Horticultural Produce Marketing and Processing Corporation Limited	1984-85	1.91	2.55	133.85	Lower capacity utilisation, paucity of funds.	3
18.	Uttar Pradesh Matsya Vikas Nigam Limited	1988-89	1.00	1.02	102.28	Interest on term loan and depreciation on fixed assets.	25
Total			**898.73**	**1615.97**			

Out of 82 working companies, 17* companies were either sick or in the process of being referred to BIFR. Out of 26 companies which eroded their capital, 5** companies were defunct or non-functional.

In spite of the poor performance leading to complete erosion of paid-up capital, the State Government continued to provide financial support to the companies in the form of contribution towards equity, further grant of loans, subsidy, etc. The total financial support provided to 8*** of these companies during 1996-97 amounted to Rs. 124.60 crore.

* Serial numbers of Annexure 3: 3, 10, 14,15,17,18,27,46,51,59,64,66,71,77,78,79 and 80.

** Serial numbers of Annexure 3: 3, 10, 23, 51 and 52.

*** Serial numbers of Annexure 3:47,62,64,66,71,77,78,80.

1.2.7.4 Under Section 619 (4) of the Companies Act, 1956, the CAG of India has the right to comment upon or supplement the report of the Statutory Auditors. Under this provision, the review of annual accounts of Government companies is being conducted on selective basis. Out of 64 accounts of 54 companies received during the year, 49 accounts relating to 40 companies were selected for such review during the period from October 1996 to September 1997. The net effect of the important comments as a result of such review was as given below:

(Rupees in lakh)

Details	Number of accounts	Monetary effect
Decrease in profit/increase in loss	14	430.89

The financial results of all the 82 companies based on the latest available accounts are given in Annexure-3.

1.2.7.5 Return on capital employed

Capital employed has been taken as net fixed assets (including capital works-in-progress) plus working capital. Interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account. Thus, during 1996-97 the total capital employed worked out to Rs. 1956.20 crore in 82 companies on which there was negative return of Rs. 48.70 crore as against negative return of Rs. 103.46 crore on total capital employed of Rs. 1935.51 crore in 1995-96.

Sectorwise details of the net return on capital employed during 1995-96 and 1996-97 as per latest finalised accounts are given below:

(Rupees in crore)

Sector	Capital employed		Return on capital employed		Percentage of return on capital employed	
	1995-96	1996-97	1995-96	1996-97	1995-96	1996-97
Agriculture	18.38	51.68	2.25	-0.52	12.24	--
Animal Husbandry	3.01	3.70	0.26	-0.08	8.63	--
Area Development	10.37	10.27	- 0.78	-0.85	--	--
Cement	- 75.25	-239.80	- 35.43	-22.91	--	--
Electronics	94.54	95.69	- 10.03	-10.07	--	--

(Rupees in crore)

Sector	Capital employed		Return on capital employed		Percentage of return on capital employed	
	1995-96	1996-97	1995-96	1996-97	1995-96	1996-97
Export Promotion	18.09	23.78	- 2.54	-0.22	--	--
Financing	611.29	672.28	5.23	3.74	0.85	0.56
Fisheries	3.32	5.93	- 0.35	-0.11	--	--
Food and Civil Supplies	5.24	5.24	1.21	1.21	23.08	23.09
Harijan and Social Welfare	48.53	118.83	2.19	3.45	4.51	2.90
Hill Development	43.79	43.48	- 1.91	0.35	--	0.81
Home	4.66	5.38	1.00	1.25	21.43	23.23
Industries and Industrial Development	229.21	244.55	- 3.77	-4.39	--	--
Institutional Finance	3.66	6.11	- 0.11	0.78	--	12.77
Irrigation	6.12	6.12	- 1.16	-1.16	--	--
Panchayati Raj	1.40	1.43	0.00	-0.03	--	--
Planning	1.02	0.88	- 0.02	-0.14	--	--
Power	182.87	192.20	1.98	-0.78	1.08	--
Public Works	48.06	26.16	- 7.31	2.15	--	8.22
Rural and Small Industry	48.25	50.64	- 1.82	-3.81	--	--
Sugar and Cane Development	497.02	520.18	- 46.73	1.67	--	0.32
Textile	118.41	96.27	- 5.76	-19.25	--	--
Tourism	12.54	14.01	0.14	1.05	1.11	7.49
Waqf	1.28	1.19	0.00	0.00	--	0.00
Total	**1935.51**	**1956.20**	**- 103.46**	**-48.70**		

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

Some of the Government companies are engaged in the development/promotion of industries in the State by providing loans or making investments in their share capital. The terms and conditions of the promotional agreement provides for the buy back of the shares from the Government companies by the co-promoter after the promoted unit starts commercial production. During the year, the shares valued at Rs. 2 lakh were disinvested by the Uttar Pradesh Electronics Corporation Limited as detailed below :

(Rupees in lakh)

Sl. No.	Name of unit (Joint sector company)	No. of shares disinvested	Face value	Sale consideration
1.	Uptech Computers Consultancy Limited	20000	2.00	2.42

1.2.9 Important observations made by Statutory Auditors and CAG

1.2.9.1 The Companies Act 1956 empowers the CAG of India to issue directives to the Auditors of Government companies in regard to the performance of their functions. In pursuance of the directives so issued, special reports of the Statutory Auditors on the accounts of six companies were received during October 1996 to September 1997. Important points noticed in these reports are summarised below:

Sl. No.	Nature of defects	Number of companies where defects were noticed	Reference to serial number of Annexure 3
1.	Absence of accounting manual	3	22,78, *
2.	Absence of adequate budgetary control system	2	22, *
3.	Absence/inadequate control system	1	22
4.	Internal audit system not commensurate with nature and size of business or needed to be strengthened	4	22,48,74, *

* Handloom Intensive Development Project, Bijnaur, under liquidation.

Sl. No.	Nature of defects	Number of companies where defects were noticed	Reference to serial number of Annexure 3
5.	Defective maintenance/non-maintenance of fixed assets register	2	22, *
6.	Absence of system of ascertaining idle time for labour and machinery	1	22
7.	Non-fixation/non-observance of order level of stores and spares	1	79
8.	Non-operation of separate manufacturing account	1	22
9.	Absence of standard costing system	1	78
10.	Non-fixation of norms for wastage/loss for raw material and storage/transit	1	78
11.	Non-adherence of norms for revenue recognition (Financing Company)	1	74

1.2.9.2 Under Section 619 (4) of the Companies Act, 1956, the CAG of India has the right to comment upon or supplement the report of the Statutory Auditors. During the current period (from October 1996 to September 1997) 49 accounts relating to 40 companies were selected for audit under the said provision of the Companies Act.

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

Kumaon Mandal Vikas Nigam Limited (1992-93)

The profit of the Company was overstated by Rs. 37.02 lakh due to inclusion of interest on unspent earmarked Government fund as Company's income though the Government order provided otherwise.

* Handloom Intensive Development Project, Bijnaur, under liquidation.

Uttar Pradesh Rajkiya Nirman Nigam Limited (1994-95)

(i) The sundry debtors included Rs. 321.13 lakh representing excess expenditure over sanctioned cost of different works in respect of which revised estimates were either not submitted or not sanctioned/accepted by the clients. Neither any provision for doubtful debt was made nor the fact disclosed in the accounts.

(ii) No provision for sundry debtors amounting to Rs. 11.10 lakh in respect of an additional work carried out by the Company was made although the work was rejected by the client.

(iii) Profit as well as value of work done were overstated by Rs. 39.14 lakh due to debiting expenditure of architect fee along with centage thereon to contract account though not chargeable to it as per the agreement.

Uttar Pradesh Mahila Kalyan Nigam Limited (1993-94)

The loss was understated by Rs. 47.50 lakh due to inclusion of interest as Company's income on fund provided by Government though the Government orders provided otherwise.

Uttar Pradesh (Rohelkand - Tarai) Ganna Beej Evam Vikas Nigam Limited (1995-96)

The profit of the Company was overstated by Rs. 25.29 lakh due to non-provision of interest tax payable during the years 1991-92 to 1995-96 as per the provisions of Interest Tax Act 1974.

Uttar Pradesh Small Industries Corporation Limited (1992-93)

(i) The Company did not make the provision for sales tax demand of Rs. 161.44 lakh pertaining to the year 1976-77 to 1991-92 nor it disclosed the fact of the demand.

(ii) The loss of the Company for the year was understated by Rs. 3.05 lakh due to short provision of EPF contribution.

(iii) The loss of the Company was understated by Rs. 1.86 lakh being the amount of electricity charges for the year 1992-93 not accounted for in the expense head.

Uttar Pradesh Poultry and Live Stock Specialities Limited (1993-94)

Profit of the Company for the year was overstated by Rs. 21.97 lakh due to inclusion of interest on State Government fund in the Company's income though payable to the Government.

Uttar Pradesh Small Industries Corporation Limited (1991-92)

(i) Accumulated loss and unsecured loan was understated by Rs. 4.52 lakh due to providing interest on loan at 4 per cent instead of 8 per cent during the years 1989-90 to 1990-91.

(iii) Loss was understated by Rs. 5.18 lakh due to non-provision of income tax liabilities for the year 1991-92.

Uttar Pradesh State Textile Corporation Limited (1995-96)

The loss of the Company was understated by Rs. 24.88 lakh due to non-provision of liability for the refund of development rebate to UPSEB.

Uttar Pradesh State Agro Industrial Corporation (1994-95)

The accumulated loss of the Company was understated by Rs. 66.17 lakh due to non-provision of the liability for the expenditure of the PF Trust.

Handloom Intensive Development Project (Bijnore) Limited (1983-84)

The profit of the Company was overstated by Rs. 3.50 lakh due to the excess provision of interest.

Uttar Pradesh Export Corporation Limited (1994-95)

The loss of the Company was understated by Rs. 3.78 lakh due to short provision for depreciation on furniture and fixtures, motor car etc.

Uttar Pradesh Chalchitra Nigam Limited (1993-94)

The profit of the Company was overstated by Rs. 70.64 lakh due to inclusion of capital profit on sale of 15 Cinema Halls during the year 1993-94.

1.2.10 Capacity utilisation

The utilisation of the installed or rated capacity of the manufacturing companies (to the extent the information is available) is given in Annexure-4. The percentage of utilisation ranged between 0.33 and 95.78 in 16 companies. Main reasons for shortfall in capacity utilisation in case of three sugar companies were non-availability of sugar cane and mechanical breakdown in old machineries whereas in case of others, lack of demand, shortage of raw material and labour trouble were the main contributory factors for low capacity utilisation.

1.2.11 619-B Companies

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

(Rupees in crore)

Name of Company	Year of accounts	Paid up capital	Investment by			Profit(+)/ Loss(-)	Accumulated loss
			State Government	Government companies	Others		
Almora Magnesite Limited	1996-97	2.00	0.82	--	1.18	+ 0.30	5.32
Command Area Poultry Development Corporation Limited	1993-94	0.24	--	--	0.24	+ 0.03	0.49
Electronics and Computers (India)Limited	Accounts not finalised since inception (1975-76)						
Steel and Fasteners Limited	1978-79	0.90	--	0.55	0.35	- 0.45	--
Uptron Colour Picture Tubes Limited	1993-94	42.49	--	30.38	12.11	-48.97	208.44
Uttar Pradesh Seeds and Tarai Development Corporation Limited	1996-97	2.69	0.81	0.56	1.32	+ 6.09	--

The accumulated losses in respect of Almora Magnesite Limited, Command Area Poultry Development Corporation Limited and Uptron Colour Picture Tubes Limited amounting to Rs. 5.32 crore, Rs. 0.49 crore and Rs. 208.44 crore had exceeded their paid-up capital of Rs. 2 crore, Rs. 0.24 crore and Rs. 42.49 crore respectively.

1.2.12 Other investments

The State Government has invested Rs. 75.05 crore in 58 other companies. Though the Government invested Rs. 10 lakh and above in these companies, they are not subject to audit by the Comptroller and Auditor General as the aggregate amount of investment made by the Government, Government companies and Corporations and Financial Institutions was less than 51 per cent of the equity of the respective companies. A list of these companies is given in Annexure-1.

1.3 Statutory corporations

1.3.1 General aspects

There were four Statutory corporations in the State as on 31 March 1997. Audit arrangements of these corporations are given below:

Name of the Corporation	Statute under which constituted	Date of formation	Audit arrangement	Year up to which accounts finalised	Separate Audit Report (SAR) placed in the legislature up to the year	Authority for audit by Comptroller and Auditor General of India
Uttar Pradesh State Electricity Board	Section 5(1) of the Electricity (Supply) Act, 1948	April 1959	Sole audit by Comptroller and Auditor General of India	1996-97	1989-90	Section 69(2) of the Electricity (Supply) Act, 1948
Uttar Pradesh State Road Transport Corporation	Section 3 of the Road Transport Corporation Act, 1950	June 1972	- Do -	1995-96	1992-93	Section 33(2) of the Road Transport Corporation Act 1950.
Uttar Pradesh Financial Corporation	Section 3 of the State Financial Corporations Act, 1951	November 1954	Chartered Accountants, SAR issued by Comptroller and Auditor General of India	1996-97	1992-93	Section 37(6) of the State Financial Corporations Act, 1951.
Uttar Pradesh State Warehousing Corporation	Section 18(1) of the Warehousing Corporations Act, 1962	March 1958	- Do -	1996-97	1993-94	Section 31(8) of the Warehousing Corporations Act, 1962.

1.3.2 Investment

The investment in the four Statutory corporations as on 31 March 1997 was Rs. 14668.20 crore (equity: Rs. 425.18 crore; long term loans: Rs. 14243.02 crore) as against the total investment of Rs. 13537.88 crore (equity: Rs. 424.28 crore; long term loans Rs. 13113.60 crore) as on 31 March 1996.

The sectorwise investment in these corporations is as follows:

(Rupees in crore)

	Name of the Corporation	Equity and loans as at the end of				Debt equity ratio in 1996-97
		1995-96		1996-97		
		Equity	Loans	Equity	Loans	
1.	**Power Department** Uttar Pradesh State Electricity Board	--	11973.91	--	13027.12	--
2.	**Transport Department** Uttar Pradesh State Road Road Transport Corporation	314.01	73.32	314.01	59.82	0.19:1
3.	**Industries Department** Uttar Pradesh Financial Corporation	100.00	1063.70	100.00	1153.51	11.54:1
4.	**Cooperative Department** Uttar Pradesh State Warehousing Corporation	10.27	2.67	11.17	2.57	0.23:1
	Total	**424.28**	**13113.60**	**425.18**	**14243.02**	

1.3.3 Guarantee on loans

The guarantee given by the State Government against loans, credits given by banks etc., (including interest) to the Statutory corporations for the preceding three years up to 1996-97 and outstanding as on 31 March 1997 is shown as follows:

(Rupees in crore)

Sl. No.	Guarantees	Guarantees given by State Government			Guaranteed amount outstanding as on 31 March 1997
		1994-95	1995-96	1996-97	
1.	Cash credits from State Bank of India and other nationalised banks	9.00	18.00	9.00	6.00
2.	Loans from other sources	258.30	91.16	3943.52	2491.61
3.	Letter of credit opened by State Bank of India and other nationalised banks for purchase of power				
4.	Payment obligation under agreements with foreign	123.00	109.00	89.00	--
	consultants or contractors	--	--	--	--

1.3.4 Finalisation of accounts

Uttar Pradesh State Electricity Board, Uttar Pradesh State Warehousing Corporation and Uttar Pradesh Financial Corporation have finalised the accounts up to 1996-97. Uttar Pradesh State Road Transport Corporation finalised their accounts up to 1995-96. While the Uttar Pradesh State Road Transport Corporation and Uttar Pradesh Financial Corporation incurred loss of Rs. 41.87 crore and Rs. 14.26 crore respectively, the Uttar Pradesh State Electricity Board and Uttar Pradesh State Warehousing Corporation earned profit of Rs. 170.79 crore and Rs. 0.71 crore respectively as per their latest finalised accounts.

1.3.5 Budgetary outgo

The outgo from the State Government to the Statutory corporations during the years 1994-95 to 1996-97 in the form of equity capital, loans and subsidy is as detailed below:

(Rupees in crore)

	Particulars	1994-95	1995-96	1996-97
1.	Equity capital outgo from budget	0.37	0.50	--
2.	Loans given out from budget	679.14	519.44	973.71
3.	Subsidy	---	---	---

1.3.6 Subsidy

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

The State Government gave (March 1979) an undertaking to the World Bank to provide subsidy to the Uttar Pradesh State Electricity Board for rural electrification losses so that the Board may achieve and maintain a return of 9.5 per cent on its average capital base. Subsidy was either the difference between the operating expenses and operating revenue in respect of rural electrification operations or such lower amount as may be necessary to achieve and maintain the said return. Subsidy recoverable from Government for the years 1994-95, 1995-96 and 1996-97 amounted to Rs. 1236.60, Rs. 1517.20 crore and Rs. 1556.77 crore respectively. Total subsidy receivable from the State Government on this account as on 31 March 1997 was Rs. 7404.40 crore.

1.3.7 Working results

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

1.4 Uttar Pradesh State Electricity Board

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

The aggregate of long-term loans including loans from the Government obtained by the Board and outstanding as on 31 March 1997 was Rs. 13027.12 crore and represented an increase of Rs. 1053.19 crore (8.80 per cent) on long term loans of Rs. 11973.91 crore outstanding at the end of the previous year. Particulars of loans obtained from State Government and other sources and outstanding at the close of each of the two years up to 1996-97 are as follows:

(Rupees in crore)

	Sources	Amounts outstanding as on 31 March 1996	1997	Percentage of increase +/ decrease -
1.	State Government	9499.77	10447.56	9.98
2.	Other sources			
	(i) Central Government	32.27	29.08	(-) 9.89
	(ii)Public borrowing:			
	- Bonds	667.62	601.13	(-) 9.96
	- Commercial deposits	7.29	7.15	(-) 1.92
	(iii) Foreign Currency deferred credits	267.62	381.07	42.40
	(iv) Financial institutions	810.11	738.81	(-) 8.80
	(v) Rural Electrification Corporation	579.38	663.69	14.55
	(vi) State Government companies and corporate bodies	109.85	158.63	44.41
	Total	**11973.91**	**13027.12**	**8.80**

1.4.2 The Government had guaranteed the repayment of loans raised by the Board to the extent of Rs. 3290.95 crore and payment of interest thereon. The amount outstanding thereagainst as on 31 March 1997 was Rs. 2459.38 crore and 2301.93 crore Japanese Yen (equivalent to Rs. 667.56 crore) aggregating Rs. 3126.94 crore.

1.4.3 The financial position of the Board based on its books of accounts at the end of the three years up to 31 March 1997 is given below:

(Rupees in crore)

	Particulars	1994-95	1995-96	1996-97
A	**Liabilities**			
	Long term loans from:			
	(a) Government	8980.33	9499.77	10447.56
	(b) Other sources	2701.57	2474.14	2579.56
	Subvention and grants from			
	(a) Government	108.66	128.66	168.55
	(b) Others	6.85	15.58	32.57
	Reserve and surplus	1017.58	1209.09	1526.26
	Current liabilities and provisions	6747.19	8800.21	10541.92
	Total A	**19562.18**	**22127.45**	**25296.42**

(Rupees in crore)

	Particulars	1994-95	1995-96	1996-97
B	**Assets**			
	Gross fixed assets	11811.08	12925.28	14032.16
	Less- Depreciation	2307.66	2815.91	3533.56
	Less- Consumers contribution	625.22	693.41	781.24
	Net fixed assets	8878.20	9415.96	9717.36
	Capital works-in-progress	1713.33	1559.39	1939.14
	Current assets	4484.24	5132.24	5965.81
	Subsidies receivable from Government	4331.60	5848.10	7404.40
	Investments	154.42	171.29	269.23
	(a) Intangible assets	0.39	0.47	0.48
	(b)Accumulated deficit	--	--	--
	Total B	**19562.18**	**22127.45**	**25296.42**
C	**Capital employed***	12814.60	13326.77	14754.02

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

(Rupees in crore)

		Particulars	1994-95	1995-96	1996-97
1.	(a)	Revenue Receipts	3486.10	4134.52	4250.96
	(b)	Subsidy from the State Government	1236.60	1517.20	1556.77
	(c)	Total	4722.70	5651.72	5807.73
2.		Revenue Expenditure (Net of expenses capitalised) including write-off of intangible assets but excluding depreciation and interest	2914.75	3730.34	3785.17
3.		Gross surplus/(-) deficit for the year (1-2)	1808.04	1921.38	2022.56
4.		Adjustment relating to previous year	10.60	0.94	346.56
5.		Final gross surplus/(-) deficit for the year (3+4)	1818.64	1922.32	2369.12
6.		Appropriation			
	(a)	Depreciation (less capitalised)	391.60	522.77	736.67
	(b)	Interest on Government loans	902.38	966.73	1036.16
	(c)	Interest on other loans, bonds, advances etc.	510.61	585.12	624.84
	(d)	Total interest on loans (b+c)	1412.99	1551.85	1661.00

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

(Rupees in crore)

	Particulars	199-.-95	1995-96	1996-97
	(e) Less interest capitalised	244.39	174.50	199.34
	(f) Net interest charged to revenue (d-e)	1168.60	1377.35	1461.66
7.	Surplus/(-) deficit before accounting for subsidy from State Government (5-6)(a)-6(f) -1(b)	(-)978.25	(-)1495.00	(-)1385.98
8.	Net surplus/(-) deficit (5-6)(a)-6(f)	258.44	22.20	170.79
9.	Total return on capital employed*	1427.04	1399.55	1632.45
10.	Percentage of return on capital employed	11.14	10.50	11.06

1.4.5 Audit assessment of the working results of the Board

Based on the audit assessment of the working results of the Board for three years upto 1996-97 and taking into consideration the major irregularities and omissions pointed out in the separate audit reports on the annual accounts of the Board and not taking into account the subsidy subventions receivable from the State Government, the net surplus/deficit and the percentage of return on capital employed and capital invested of the Board will be as given below:

(Rupees in crore)

Sl. No.	Particulars	1994-95	1995-96	1996-97
1.	Net surplus/(-) deficit as per books of accounts	258.44	22.20	170.79
2.	Subsidy from the State Government	1236.60	1517.20	1556.77
3.	Net surplus/(-) deficit before subsidy from the State Government (1-2)	(-)978.16	(-)1495.00	(-)1385.98
4.	Net increase/decrease in net surplus/(-) deficit on account of audit comments on the annual accounts of the Board	(-)95.47	(-)128.73	(-)120.33
5.	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-)1073.63	(-)1623.73	(-)1506.31
6.	Total return on capital employed	94.97	(-)246.38	(-)44.65
7.	Percentage of return on capital employed	0.74	--	--

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

1.4.6 The table below indicates the operational performance of the Board for three years up to 1996-97:

	Particulars	1994-95	1995-96	1996-97
1.	**Installed capacity (MW)**			
	(a) Thermal	4544.00	4544.00	4544.00
	(b) Hydel	1504.75	1504.75	1504.75
	Total	**6048.75**	**6048.75**	**6048.75**
2.	**Power generated (Mkwh)**			
	(a) Thermal	15611.00	17813.00	18423.00
	(b) Hydel	6064.00	5014.00	5232.00
	Total	**21675.00**	**22827.00**	**23655.00**
	(c) Less: Auxiliary consumption	1642.00	1732.00	1812.00
	(d) Net power generated	20033.00	21095.00	21843.00
	(e) Power purchased	13331.00	14014.00	14009.00
	(f) Total power available for sale (d+e)	33364.00	35109.00	35852.00
3.	Power sold **(Mkwh)**	25810.00	26771.00	27041.00
4.	Transmission and distribution losses **(Mkwh)**	7554.00	8338.00	8811.00
5.	Percentage of transmission and distribution losses	22.64	23.75	24.58
6.	Units generated per KW of installed capacity **(Kwh)**	3583.41	3774.84	3911.00
7.	Percentage of generation to installed capacity	40.80	42.96	44.64
8.	Percentage of Plant Load factor	43.59	47.48	49.24
9.	Villages/towns electrified at the end of year **(Number)**	85334	85657	NA
10.	Pump sets/tubewells energised at the end of year **(Number)**			
	(a) Private Tubewells	706404	729356	NA
	(b) State Tubewells	31916	NA	NA
11.	Connected load **(MW)**	12843	13385	13954
12.	Number of consumers **(In lakh)**	58.87	61.40	64.53
13.	Number of employees*	97711	96153	96053
14.	Employees cost per Mkwh **(Rupees in lakh)**	2.05	2.18	2.62
15.	Break-up of units sold according to categories of consumers **(Mkwh)**			
	(a) Agricultural	9485	9507	9800
	(b) Industrial	6281	6674	6290
	(c) Commercial	1901	2134	1902
	(d) Domestic	6025	6148	6479
	(e) Others	2118	2300	2493
	Total	**25810**	**26771**	**26964**
16.	(a) Revenue per Kwh **(Paise)**	135	143	148
	(b) Expenditure per Kwh **(Paise)**	172	210	218
	(c) Profit(+)/Loss(-) per Kwh **(Paise)**	(-) 37	(-) 67	(-)70

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

1.5 Uttar Pradesh State Road Transport Corporation

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

The paid-up equity capital of the Corporation as on 31 March 1997 was Rs. 314.69* crore (State Government: Rs. 245.44 crore and Central Government: Rs. 69.25 crore) as against Rs. 314.01 crore as on 31 March 1996 (State Government: Rs. 244.76 crore and Central Government: Rs. 69.25 crore). Further, loans amounting to Rs. 123.37* crore (State Government: Rs. 10.54 crore and Life Insurance Corporation of India: Rs. 44.27 crore, Industrial Development Bank of India: Rs. 68.36 crore and others: Rs. 0.20 crore) were outstanding as on 31 March 1997. The State Government had also given guarantees for repayment of loans raised by the Corporation from other sources and payment of interest thereon. As on 31 March 1997, the amount of principal outstanding thereagainst was as indicated below:

(Rupees in crore)

	Particulars	Amount guaranteed	Amount outstanding as on 31 March 1997
(i)	Cash credit from banks	6.00	6.00
(ii)	Life Insurance Corporation of India	24.97	16.94
(iii)	Industrial Development Bank of India	24.89	13.89
	Total	**55.86**	**36.83**

1.5.2. The Corporation has not finalised accounts for the year 1996-97 so far (October 1997). The financial position of the Corporation at the end of each of the three years up to 1995-96 is given below:

(Rupees in crore)

	Particulars	1993-94	1994-95	1995-96
(A)	**Liabilities**			
	Capital	313.13	313.51	314.01
	Reserves and surplus	1.38	0.95	0.29
	Borrowings	112.40	127.34	147.62
	Trade dues and other current liabilities	80.77	122.25	163.42
	Total- A	**507.68**	**564.05**	**625.34**

* Figures supplied by the Management

(Rupees in crore)

(B) Assets			
Gross Block	452.71	483.44	498.95
Less: Depreciation	306.67	318.01	329.64
Net fixed assets	146.04	165.43	169.31
Capital work-in-progress	4.20	4.88	3.29
Investments	0.80	0.80	1.30
Current assets, loans and advances	52.67	52.71	63.14
Accumulated losses	303.97	340.23	388.30
Total- B	**507.68**	**564.05**	**625.34**
(C) Capital employed*	122.94	101.57	73.62

1.5.3. The working results of the Corporation for the three years up to 1995-96 are summarised below:

(Rupees in crore)

Particulars	1993-94	1994-95	1995-96
Total revenue	444.43	457.91	505.91
Total expenditure:			
(a) Other than interest	435.58	473.36	525.14
(b) Interest	17.60	20.17	22.64
Total	**453.18**	**493.53**	**547.78**
Net Loss	8.75	35.62	41.87
Total return on capital employed	8.85	- 15.45	-19.23
Percentage of return on capital employed	7.20	--	--

The Corporation suffered a loss of Rs. 41.87 crore during the year 1995-96 as compared to loss of Rs. 35.62 crore suffered during the year 1994-95. The loss of the Corporation increased by 17.55 per cent during the year 1995-96 as compared to the year 1994-95. The loss during 1995-96 was attributable mainly to increase in cost of operating expenses, fuel and oil, repairs and maintenance, welfare and general administrative expenses.

The accumulated loss at the end of 1995-96 amounted to Rs. 388.30 crore.

1.5.4 The table on the next page indicates the physical performance of the Corporation during the three years up to 1996-97:

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

(Rupees in crore)

Particulars	1994-95	1995-96	1996-97
Average number of vehicles held (effective fleet)	7920	7753	7570
Average number of vehicles on road*	6891	6552	6432
Percentage of utilisation	87	85	85
Kilometres covered (In lakh)			
- Gross	6507	6538	6224
- Effective	6344	6377	6072
- Dead	163	161	152
Percentage of dead kilometres to gross kilometres	2.50	2.46	2.44
Average kilometres covered per bus per day	210	211	206
Average revenue per kilometre (Paise)	722	793	883
Average expenditure per kilometre (Paise)	778	859	947
Loss per kilometre (Paise)	56	66	64
Total route kilometres (In lakh)	5.98	5.94	5.62
Number of operating Depots	109	110	110
Average number of break-downs per lakh kilometres	4.43	4.83	5.70
Average number of accidents per lakh kilometres	0.20	0.21	0.20
Passenger kilometres			
- Scheduled (in lakh)	341371	343235	327009
- Operated (in lakh)	221891	236832	219096
Occupancy ratio (Per cent)	65	69	67

* Vehicles include buses, taxies and trucks.

1.6 Uttar Pradesh Financial Corporation

1.6.1 The paid-up capital of the Corporation as on 31 March 1996 as well as on 31 March 1997 was Rs. 100 crore (State Government: Rs. 63.12 crore; Industrial Development Bank of India: Rs. 34.21 crore and others: Rs. 2.67 crore).

1.6.2 The Government has guaranteed repayment of share capital of Rs. 10.32 crore under Section 6(1) of the State Financial Corporations Act, 1951 and payment of minimum dividend thereon at 3.5 per cent. During the year 1996-97, the Corporation's total income was Rs. 179.85 crore and revenue expenditure was Rs. 194.11 crore (provisional). Thus, there was a loss of Rs. 14.26 crore.

The Government has also guaranteed repayment of market loans (bonds and debentures) of Rs. 694.71 crore raised by the Corporation.

1.6.3 The financial position of the Corporation at the end of each of three years up to 1996-97 is given below:

(Rupees in crore)

Particulars	1994-95	1995-96	1996-97
(A) Liabilities			
(i) Paid-up capital	100.00	100.00	100.00
(ii) Reserves and surplus	9.64	23.95	--
(iii) Borrowings:			
(a) Bonds	428.28	491.45	694.71
(b) Others*	459.98	572.25	591.26
(iv) Other liabilities and provisions	86.43	22.10	157.50
Total-A	**1084.33**	**1209.75**	**1543.47**
(B) Assets			
(i) Cash and bank balances	32.98	38.20	73.67
(ii) Investments	0.75	2.26	2.63
(iii) Loans and advances	921.65	1105.78	1254.38
(iv) Net fixed assets	11.33	30.59	59.05
(v) Other assets	117.62	32.92	21.28
(vi) Profit & Loss account	--	--	132.46
Total-B	**1084.33**	**1209.75**	**1543.47**
(C) Capital employed**	977.56	1092.78	1220.58

* Includes loans in lieu of share capital of Rs. 18.60 crore in 1994-95, 1995-96 and 1996-97.

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

1.6.4 The working results of the Corporation for the three years up to 1996-97 is given below:

(Rupees in crore)

Particulars	1994-95	1995-96	1996-97
Income			
(a) Interest on loans and advances	106.26	149.88	163.30
(b) Other income	3.69	12.59	16.55
Total	**109.95**	**162.47**	**179.85**
Expenditure			
(a) Interest on long-term loans	72.15	111.65	151.21
(b) Other expenses	14.48	19.89	42.90
Total	**86.63**	**131.54**	**194.11**
Profit (+)/Loss(-)before tax	(+)23.32	(+)30.93	(-)14.26
Profit (+)/Loss(-) after tax	(+)23.32	(+)30.93	(-)14.26
Other appropriations	19.30	27.95	--
Amount available for dividend	4.02	2.98	--
Dividend payable	---	---	--
Total return* on capital employed	95.47	132.58	--
Percentage of return on capital employed	9.77	12.13	--

The table given on the next page indicates the position regarding receipts and disposal of applications for loans during three years up to 1996-97:

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

(Rupees in crore)

Particulars	1994-95		1995-96		1996-97 (Provisional)	
	Number	Amount	Number	Amount	Number	Amount
Applications pending at the beginning of the year	72	7.68	145	58.95	261	110.46
Applications received	1193	441.98	1939	860.22	2982	994.11
Total	**1265**	**449.66**	**2084**	**919.17**	**3243**	**1104.57**
Applications sanctioned	974	333.14	1593	620.34	2687	707.45
Applications cancelled/with-drawn/rejected/reduced	146	37.69	230	132.09	381	160.36
Applications pending at the close of the year	145	78.83	261	110.46	175	68.43
Loans disbursed	643	175.89	1227	389.39	1491	423.14
Loan outstanding at the close of the year	26068	921.65	27187	1105.78	NA	1254.38
Amount overdue for recovery at the close of the year:						
(a) Principal	--	136.06	--	124.47	--	137.65
(b) Interest	--	331.19	--	404.95	--	370.52
Total		**467.25**	--	**529.42**	--	**508.17**
Amount involved in recovery certificate cases	--	127.92	--	90.65	--	146.18
Total	--	**595.17**	--	**620.07**	--	**654.35**
Percentage of default to total loans outstanding	--	64.58	--	56.08	--	52.17

As may be seen from the table given above, out of outstanding loans of Rs. 1254.38 crore (excluding interest) as on 31 March 1997, an amount of Rs. 508.17 crore (including interest of Rs. 370.52 crore) was overdue for recovery. The percentage of overdue amount to the total outstanding decreased from 64.58 per cent in 1994-95 to 56.08 per cent in 1995-96 and further decreased to 52.17 per cent in 1996-97.

Age-wise analysis of the overdue loans has not been done by the Corporation. The data of investment in sick and closed units was not available.

The Corporation has made cumulative provision of Rs. 142.02 crore towards non-performing assets made up to 31 March 1997. Besides, the Corporation has written off bad debts during 1994-95 (Rs. 0.23 crore), 1995-96 (Rs. 0.33 crore) and 1996-97 (Rs. 13.80 crore).

1.7 Uttar Pradesh State Warehousing Corporation

1.7.1 The paid-up capital of the Corporation as on 31 March 1997 was Rs. 11.17 crore (State Government: Rs. 5.99 crore and Central Warehousing Corporation: Rs. 5.18 crore) as against paid up capital of Rs. 10.27 crore (State Government: Rs. 5.59 crore and Central Warehousing Corporation: Rs: 4.68 crore) as on 31 March 1996.

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

(Rupees in crore)

Particulars	Year of guarantee	Amounts guaranteed	Amount outstanding as on 31 March 1997		
			Principal	Interest	Total
1. Loan from Land Development Bank	1986-87	0.45	1.20	0.11	1.31
2. Loan from Punjab National Bank	1989-90 and 1990-91	4.53	--	0.09	0.09
	Total	**4.98**	**1.20**	**0.20**	**1.40**

1.7.3 The financial position of the Corporation at the end of each of the three years up to 31 March, 1997 is as follows:

(Rupees in crore)

	Particulars	1994-95	1995-96	1996-97
(A)	**Liabilities**			
	Paid-up capital	9.57	10.27	11.17
	Reserves and surplus	8.47	11.94	12.44
	Borrowings	5.02	2.67	2.57
	Trade dues and other current liabilities	10.37	12.91	12.04
	Total-A	**33.43**	**37.79**	**38.22**
(B)	**Assets**			
	Gross block	34.02	38.53	39.39
	Less depreciation	13.27	14.15	14.72
	Net fixed assets	20.75	24.38	24.67
	Capital work-in-progress	1.03	0.49	0.77
	Current assets, loans and advances	11.65	12.92	12.78
	Total-B	**33.43**	**37.79**	**38.22**
(C)	Capital employed*	23.06	24.88	26.18

1.7.4 The working results of the Corporation for the three years up to 1996-97 are summarised in the following table:

(Rupees in crore)

Particulars	1994-95	1995-96	1996-97
Income			
(a) Warehousing charges	14.98	19.55	15.51
(b) Other income	0.26	0.54	5.04
Total	**15.24**	**20.09**	**20.55**
Expenses			
(a) Establishment charges	8.75	10.57	10.83
(b) Interest	0.89	0.42	0.27
(c) Other expenses	2.76	3.63	7.39
Total	**12.40**	**14.62**	**18.49**

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

(Rupees in crore)

Particulars	1994-95	1995-96	1996-97
Net profit (+)/loss (-)	+ 2.84	+5.47	+2.06
Prior period adjustments	- 0.13	-1.23	-1.35
Profit before tax	+ 2.71	+4.24	+0.71
Amount available for dividend	2.71	4.24	0.71
Transfer from/to general reserve	2.31	3.75	0.50
Proposed dividend	0.40	0.47	0.21
Total return on capital employed	(+) 3.60	+4.66	+0.98
Percentage of return on			
capital employed	15.61	18.73	3.74

1.7.5. The physical performance of the Corporation for the three years up to 1996-97 is summarised as shown below:

Particulars	1994-95	1995-96	1996-97
Number of stations covered	102	100	100
Storage capacity created up to the end of the year :-		**(Tonnes in lakh)**	
(a) Owned-	11.54	11.72	11.78
(b) Hired-	1.17	1.33	1.17
Total	**12.71**	**13.05**	**12.95**
Average capacity utilised	9.22	11.72	10.40
Percentage of utilisation	72.54	89.80	80.25
		(Rupees per tonne)	
Average revenue	161.06	166.81	149.13
Average expenses	136.44	124.74	177.78
Average net earning	+ 24.62	+42.07	-28.65

Chapter II

Reviews on Government Companies

Chapter-II

Section-2A

Uttar Pradesh Spinning Company Limited

SECTION 2A

Uttar Pradesh State Spinning Company Limited

HIGHLIGHTS

The Company incorporated in August 1974, as a subsidiary of Uttar Pradesh State Textile Corporation Limited (a wholly owned State Government Company), was engaged in manufacturing and sale of cotton and staple/polyester yarn in its mills at Raebareli, Barabanki, Akbarpur and Mau having capacity of 50000 spindles each. Akbarpur mill is lying closed since June 1990 due to lockout.

(Paragraph 2A.1.1)

The Company incurred losses ranging between Rs. 2.18 crore and Rs. 19.86 crore (except during 1993-94) during five years up to 1995-96. Accumulated loss increased from Rs. 98 crore in 1992-93 to Rs. 115.25 crore at the close of 1995-96 which had eroded the paid-up capital of Rs. 78.43 crore.

(Paragraphs 2A.1.5.1 and 2A.1.5.2)

Company lost production of 83.73 lakh kgs of yarn due to controllable factors as a result of which it could not recover overhead cost to the extent of Rs. 20.19 crore.

(Paragraph 2A.2.1)

Compared to the norms of Cotton Textile Research Associations (CTRAs) applicable for cotton and synthetic fibre wastage at various stages of production, company registered high percentage of wastage during five years up to 1995-96 resulting in loss of raw material of 17.24 lakh kgs valued at Rs. 6.27 crore when compared to the norms.

(Paragraph 2A.2.3)

Production per spindle shift was low due to lower spindle speed of the machines resulting in loss of production of 22.77 lakh kgs of yarn valued at Rs. 15.36 crore during five years up to 1995-96.

(Paragraph 2A.2.4)

Use of superior quality cotton in production of low count yarn resulted in avoidable expenditure of Rs. 0.17 crore during 1995-96 alone.

(Paragraph 2A.3.2)

The Company suffered avoidable loss of Rs. 0.83 crore due to non-procurement of sufficient cotton for maintaining required inventory level and incurring of carrying charges owing to delays in payments.

(Paragraph 2A.3.3)

The Company suffered loss of Rs. 2.41 crore on account of avoidable payment of electricity charges (Rs. 0.56 crore), extra contractual obligation in consignment sales (Rs. 0.56 crore), extra expenditure on drafting conversion of ring frames (Rs. 1.09 crore) and loss due to procurement of sub-standard machines (Rs. 0.20 crore).

(Paragraphs 2A.3.6, 2A.5.2(ii), 2A.6.1 and 2A.6.2)

2A.1.1. Introduction

Uttar Pradesh State Spinning Company Limited (UPSSC), Kanpur [erstwhile Uttar Pradesh State Spinning Mill (No. I) Limited] was incorporated in August 1974 as a subsidiary of Uttar Pradesh State Textile Corporation Limited (a wholly owned State Government Company) for setting up and operating four spinning mills at Akbarpur, Raebareli (RBL), Maunath Bhanjan (MAU), and Barabanki (BBK) with a capacity of 25000 spindles each. The capacity of 25000 spindles each installed during 1975-76, was increased to 50000 spindles each during 1981-83. The modernisation of RBL, MAU and BBK mills was taken up in August 1987 and completed in June 1991 at a cost of Rs. 17.12 crore. The Akbarpur unit was lying closed from June 1990 due to lockout.

2A.1.2. Objectives and activities

The main objectives of the Company are to carry on business of cotton spinners and doublers, tent makers, yarn merchants, bleachers and dyers; purchase, comb, spin, dye and deal in cotton and other fibrous substances; establish cotton units; and manufacture and/or deal in all kinds of threads.

In pursuance of these objectives, the Company is presently engaged in manufacturing and sale of various counts* of cotton and staple/polyester yarn.

2A.1.3. Organisational set-up

The Management of the Company is vested in a Board of Directors consisting of not less than three and not more than twelve directors excluding directors appointed under section 255 of Companies Act, 1956. As on 31 March 1997, it had thirteen Directors including a Managing Director (MD) appointed by the Government of which ten Directors nominated by the Government and one each by Industrial Finance Corporation of India (IFCI), Industrial Development Bank of India (IDBI) and Life Insurance Corporation of India (LICI)). In managing the day to day affairs, the MD is assisted by a Company Secretary, a Finance Officer and three Managers at the headquarters and for operation of the mills by three Chief Executives. The post of the Company Secretary was lying vacant since June 1994.

2A.1.4. Scope of Audit

The working of the Company for five years up to March 1986 was reviewed in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1986 (Commercial), Government of Uttar Pradesh. The Report has not been discussed by the Committee on Public Undertakings so far (September 1997). In the present review, carried out between August 1996 and March 1997, activities of the Company and its RBL, MAU and BBK mills for a period of five years up to March 1996 had been examined, the results of which are set out in the succeeding paragraphs.

2A.1.5. Financial position and working results

2A.1.5.1. Financial position

The financial position of the Company at the end of each of the five years upto 1995-96 is summarised as on the next page:

* 'Count' is the measurement of length of yarn which indicates the number of hanks produced per pound weight. Each hank contains 840 yards of yarn.

(Rupees in lakh)

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
Liabilities:					
Paid-up capital	4601.84	7107.84	7842.84	7842.84	7842.84
Reserve and surplus	220.14	220.14	205.67	34.85	35.43
Borrowing	6319.18	4329.73	4623.32	3732.38	4380.66
Current liabilities	3652.78	3968.06	4404.30	5331.91	6806.67
Total	**14793.94**	**15625.77**	**17076.13**	**16941.98**	**19065.60**
Assets:					
Net fixed assets	1555.35	1402.87	1465.61	1416.10	1312.35
Capital work-in-progress	54.54	11.49	10.43	29.33	24.94
Current assets, loan and advances	3381.25	3023.12	4834.35	4513.84	6201.32
Miscellaneous expenditure not written off	2.40	1.80	3.60	2.40	1.80
Accumulated losses	9800.40	11186.49	10762.14	10980.31	11525.19
Total	**14793.94**	**15625.77**	**17076.13**	**16941.98**	**19065.60**
Capital employed*	2522.85	2532.04	4032.21	1401.78	3529.37
Net worth**	- 4980.82	- 3860.31	- 2717.23	- 3105.02	- 3648.72

The accumulated loss of the Company as on 31st March, 1996 was Rs. 115.25 crore and had fully eroded its paid-up capital. The loss for the year 1993-94 reduced as the interest which was to be paid on Government loans was not required due to its being converted into equity in that year. Net worth was also negative in all the years upto 1995-96 but as a result of conversion of Government loan and interest into equity, there was improvement in the net worth during 1992-93 and 1993-94 as compared to 1991-92.

2A.1.5.2. Working results

The working results of the Company for each of the five years up to 1995-96 are summarised on the next page:

* Capital employed represents net fixed assets plus working capital.

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

(Rupees in lakh)

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
Sales					
(excluding excise duty)	9509.88	10202.09	11640.52	14593.78	15113.44
Add: Accretion (+)/decretion (-)					
in stock	(-) 383.24	(-) 171.67	(+) 521.80	(+) 15.54	(+) 493.65
Less: selling expenses,					
freight and cartage	178.72	232.65	291.05	372.29	409.88
Value of production	**8947.92**	**9797.77**	**11871.27**	**14237.03**	**15197.21**
Less: variable cost*	7682.81	8169.35	8949.56	11604.53	12479.69
	(85.9)	(83.4)	(75.4)	(81.5)	(82.3)
Contributed value	**1265.11**	**1628.42**	**2921.71**	**2632.50**	**2717.52**
Less: Employee cost	1607.90	1532.36	1696.57	1783.48	1967.49
Less: Other expenses					
excluding depreciation					
and interest	143.90	160.66	183.06	235.78	221.51
Less: Provisions and write off	345.37	292.48	3.59	4.98	0.98
Operational result before					
charging depreciation					
and interest	**(-) 832.06**	**(-) 357.08**	**1038.49**	**608.26**	**527.54**
Less: Interest	1166.32	1067.59	780.19	976.54	1147.25
Less: Depreciation	268.52	226.25	137.26	188.80	180.54
Add: Other income	179.00	272.95	305.05	254.06	250.47
Profit (+)/loss (-) for					
the year	**(-) 2087.90**	**(-) 1377.97**	**(+) 426.09**	**(-) 303.02**	**(-) 549.78**
Prior period adjustments	102.20	(-) 8.12	(-) 1.74	84.85	4.90
Net profit (+)/loss (-)	**(-) 1985.70**	**(-) 1386.09**	**(+) 424.35**	**(-) 218.17**	**(-) 544.88**

Note: Figures in brackets indicate percentage of variable cost to value of production.

The Company sustained losses continuously since 1983-84 (except during 1993-94). The profit during 1993-94 was mainly attributable to conversion of interest on Government loan into share capital and better operational performance. The main reasons for losses as analysed by Audit were as given on the next page.

* Variable cost comprises consumption of raw material, stores, power and fuel.

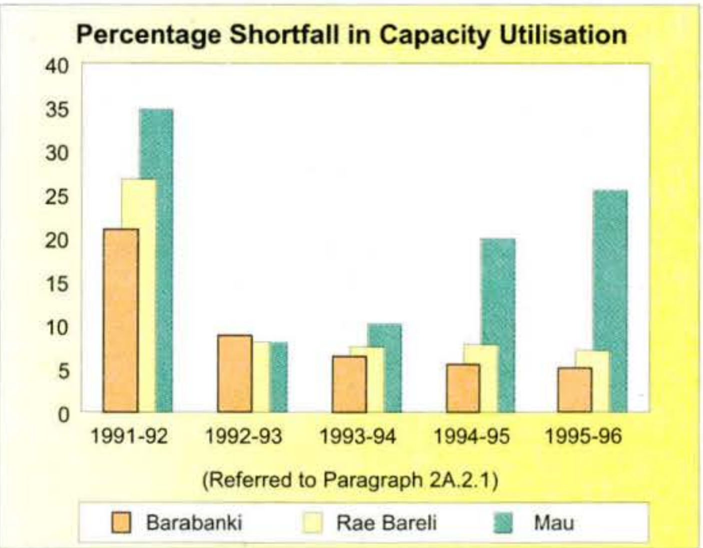
(Rupees in crore)

Sl. No.	Reasons	Financial implication	Reference to paragraphs
1.	Losses in production process	41.82	2A.2.1, 2A.2.3 and 2A.2.4
2.	Failure to reduce cost of production	2.88	2A.3.2 to 2A.3.6
3.	Poor performance in production of export quality yarn	0.40	2A.4.1 and 2A.4.2
4.	Declining trend in yarn sales and avoidable losses.	1.63	2A.5.2
5.	Loss in procurement of machine	1.29	2A.6
6.	Excess manpower	3.62	2A.8
	Total	**51.64**	

2A.2 Production performance

2A.2.1 Capacity utilisation

The Company prepares annual performance budgets indicating therein the target of yarn production for its mills on the basis of their projected capacity utilisation*. For 50000 spindles installed in each mill, the Company fixed (December 1991) capacity utilisation norm of 96 per cent. Against this, the actual utilisation ranged between 65.26 and 94.97 per cent during five years up to 1995-96 as detailed on the next page:



* Capacity utilisation is the ratio of number of spindles shifts worked to the spindle shifts available.

(Number in lakh)

Year	Unit	Number of spindle shift available*	Number of spindle shift worked	Shortfall
1991-92	RBL	538.80	394.79 (73.27)	144.01 (26.73)
	MAU	537.52	350.88 (65.26)	186.64 (34.74)
	BBK	538.80	425.88 (79.04)	112.92 (20.96)
1992-93	RBL	537.30	493.78 (91.90)	43.52 (8.10)
	MAU	536.01	493.34 (92.04)	42.67 (7.96)
	BBK	535.79	488.75 (91.22)	47.04 (8.78)
1993-94	RBL	537.30	496.97 (92.49)	40.33 (7.51)
	MAU	536.01	481.77 (89.88)	54.24 (10.12)
	BBK	537.30	502.92 (93.60)	34.38 (6.40)
1994-95	RBL	537.30	495.61 (92.24)	41.69 (7.76)
	MAU	536.01	429.17 (80.07)	106.84 (19.93)
	BBK	537.30	507.92 (94.53)	29.38 (5.47)
1995-96	RBL	538.80	500.61 (92.91)	38.19 (7.09)
	MAU	537.52	400.58 (74.52)	136.94 (25.48)
	BBK	538.81	511.70 (94.97)	27.11 (5.03)

Note: Figures in bracket indicate percentage of capacity utilisation (column 4) and shortfall (column 5).

Loss of production of 83.73 lakh Kgs. yarn due to shortage of raw materials, power and non-employment of workers resulted in non-recovery of overhead cost of Rs. 20.19 crore.

An analysis by Audit revealed that the Company lost production of 83.73 lakh kgs of yarn during five years up to 1995-96 due to controllable factors as a result of which it could not recover

* Spindle shifts means number of spindles available for production x three shifts of a day.

overhead cost to the extent of Rs. 20.19 crore as detailed below:

(i) The Company had to forego production of 47.70 lakh kgs of yarn due to short supply of raw material during 5 years upto 1995-96 which resulted in non-recovery of overhead cost to the extent of Rs. 8.20 crore.

(ii) The Company failed to control or minimise the production loss of 21.70 lakh kgs of yarn during five years up to 1995-96 due to non-availability of power in spite of having generating sets of 3750 KVA each at RBL and BBK and 2000 KVA at MAU, capable of meeting the power requirement of their main production plant (1250 KVA), thereby it could not recover overhead cost of Rs. 7.62 crore.

(iii) The Company suffered loss of production of 14.33 lakh kgs of yarn during five years up to 1995-96 due to failure in deployment of skilled staff, despite having sufficient number of skilled staff on its roll, which resulted in non-recovery of overhead cost to the extent of Rs. 4.37 crore.

While admitting shortfall in capacity utilisation due to short supply of raw materials and shortage of power and workers, the Government stated (September 1997) that there was acute shortage of funds during 1991-92, the capacity of generating sets was not sufficient to meet the required total power load of the mills and the Company had difficulty in mobilising work force due to lack of industrial culture. The reply is not acceptable as during 1991-92 the company carried heavy inventory of raw-material (36.71 lakh kgs) valued at Rs. 13.44 crore indicating lack of proper monitoring of making available of raw material in time (and not shortage of funds). Further the nature of power supply being "continuous" and generating sets installed were more than sufficient to run the ring frames (main production plant) during power cuts and sufficient work force was on roll of the Company.

2A.2.2 Labour productivity and spindle efficiency

Labour productivity indicates 'production per employee per annum' and spindle efficiency indicates 'production per spindle shift worked'. While the labour productivity converted to common parameter of 20 counts increased from 4683 kgs in 1991-92 to 6304 kgs in 1994-95, it declined to 6003 kgs during 1995-96 indicating slackness in control over production performance of workers.

Similarly, spindle efficiency had varied between 204.72 grams to 158.03 grams per spindle shift during the five years up to 1995-96 which was mainly on account of low level of production during these years. The details are given on the next page:

Particulars		1991-92	1992-93	1993-94	1994-95	1995-96
(i)	Average number of men in position	4393	3980	4136	3796	4010
(ii)	Average count spun	23.76	29.69	27.83	29.83	31.31
(iii)	Employees cost (Rs. in lakh)	1607.90	1532.36	1696.57	1783.48	1967.49
(iv)	Production (lakh kgs.)	173.15	157.95	180.97	160.45	153.81
		(205.70)	(233.23)	(251.82)	(293.31)	(240.71)
(v)	Value of production (Rs. in lakh)	8947.92	9797.77	11871.27	14237.03	15197.21
(vi)	Labour productivity i.e. per employee per annum production (kgs.)	3941.50	3968.59	4375.48	4226.82	3835.66
		(4683)	(5891)	(6088)	(6304)	(6003)
(vii)	Spindle shift worked (Number in lakh)	1171.55	1475.87	1481.66	1432.70	1412.89
(viii)	Spindle efficiency i.e. production per spindle shift (Grams)	147.80	107.02	122.14	111.99	108.86
		(175.58)	(158.03)	(169.96)	(204.72)	(170.36)
(ix)	Salaries and wages per kg. of production (Rupees)	9.29	9.70	9.37	11.12	12.79
		(7.81)	(6.57)	(6.73)	(6.08)	(8.17)

Note: Figures in brackets indicate conversion to the common parameter of 20 counts.

In this connection, an analysis by Audit revealed the following points:

Labour productivity on the common parameter with reference to annual targets of production of 230.86 lakh kgs. for 1994-95 and 1995-96 works out to 6985 kgs. and 6612 kgs. respectively. Compared to this, the productivity achieved was 6304 and 6003 kgs. (90 and 91 per cent) respectively. Ahmedabad Textile Industry Research Association (ATIRA), deputed to ascertain reasons for losses and suggest remedial measures, had recommended (September 1992) for reduction in labour by 10 per cent. Though during 1992-93, the men in position were reduced from 4393 to 3980 men in position worked again increased in 1993-94 and in 1995-96 it was more than the norms suggested by ATIRA. Reduction in spindle efficiency was also noticed during these two years. Thus, the Company failed to reduce its employee cost consequently leading to high cost of production.

The Management attributed (August 1997) unfavourable trend during 1994-95 and 1995-96 to finer count of yarn spun. The reply is not tenable as the results during 1995-96 are unfavourable even if a comparison is made by converting labour productivity, spindle efficiency and salaries and wages per kg of production at the common parameter of 20 counts.

2A.2.3 Yarn realisation

The Company has not fixed its own norms for production and wastes at various process of production. The mills have machines of high and semi-high carding process and accordingly, the norms of Cotton Textile Research Associations (CTRAs) are applicable. Compared to these norms, the yarn realisation was low, ranging between 84.91 and 87.85 per cent. This consequently lead to high percentage of wastage in cotton yarn at carding stage between 5.09 and 8.44 (against the norm of 5 per cent), hard waste between 0.72 and 1.61 (against the norm of 0.4 per cent) and in hard waste of synthetic yarn between 0.78 and 1.27 (against the norm of 0.2 per cent) and invisible loss between 0.36 and 1.10 (against the norm of 0.5 per cent). This resulted in a loss of Rs. 626.68 lakh on account of excessive wastage of 17.24 lakh kgs (carding stage: Rs. 371.63 lakh on 10.83 lakh kgs, hard waste: Rs. 159.16 lakh on 4.95 lakh kgs, synthetic hard waste: Rs. 59.93 lakh on 0.93 lakh kgs and invisible loss in synthetic Rs. 35.96 lakh on 0.53 lakh kgs.). RBL mill of the Company registered the highest waste percentage at various stages of cotton yarn realisation. The Company has not analysed the incidence of such higher percentage of waste to reduce abnormal losses at various levels of production processes. The mill-wise details in respect of cotton yarn (including count-wise yarn realisation) are given in Annexure - 6.

Loss of Rs. 6.27 crore due to high percentage of wastage as compared to the norms.

Further, for the same count of yarn, the yield percentage should not vary considerably. An analysis by Audit, however, revealed that the range of variation was high from mill to mill in each count ranging between 0.6 and 5.0 per cent as detailed below:

Counts	1993-94		1994-95		1995-96	
	Yarn realisation	Range of variation	Yarn realisation	Range of variation	Yarn realisation	Range of variation
6/8s	83.3 to 84.7	1.4	81.0 to 84.0	3.0	80.2 to 81.9	1.7
10/16s	84.3 to 84.9	0.6	83.8 to 86.8	3.0	83.3 and 84.0	0.7
20/24s	86.9 to 88.3	1.4	85.0 and 87.5	2.5	84.5 and 87.7	3.2
30/34s	85.6 and 87.0	1.4	84.6 and 86.1	1.5	85.6 and 87.7	2.1
37/40s	83.2 and 88.2	5.0	84.0 and 86.6	2.6	83.2 and 86.7	3.5

Note: Figures indicate percentage of yarn realisation

Despite fixing uniform norms for adherence, identical quality parameters and procurement of raw material centrally, the significant disproportionate variation indicated lack of control over production process. Compared to the norms of yarn realisation fixed by CTRAs in April 1991, loss of production for 1995-96, worked out by Audit aggregated 1.96 lakh kgs valued at Rs. 191.20 lakh (on the basis of trash percentage in the mixing) as detailed in Annexure - 7.

The Government stated (September 1997) that the yarn realisation depends on the trash percentage of cotton used for product mix. The reply is not acceptable as it was not specific to the comment raised wherein the loss had been worked out considering the actual trash percentage of the cotton mixing used in the production process during 1995-96.

2A.2.4 Loss due to lower production per spindle shift

Norms for production of different cotton corded counts of yarn (in grams) per spindle shift at packing stage is fixed by the Company by taking into account the achievable speed of the available machines ranging between 12500 rpm and 14000 rpm and raw material available for production and are communicated to the mills through the monthly production budget. An analysis of the actual production of some cotton carded counts per spindle shift vis-a-vis the norms, indicated loss of production of 22.77 lakh kgs (shortfall ranged between 5 and 25 per cent) valued at Rs. 15.36 crore mainly due to lower speed achieved by the machines (10000 to 12500 against the achievable speed ranging between 12500 rpm and 14000 rpm) during five years up to 1995-96 as detailed in Annexure - 8.

Failure to achieve the designed spindle speed resulted in loss of production of 22.77 lakh kgs. valued at Rs. 15.36 crore.

Despite modernisation and diversification of the first phase of all the mills (25000 spindles each) completed in June 1991 at a cost of Rs. 17.12 crore and substantial expenditure incurred each year (Rs. 9.31 crore* during five years up to 1995-96) the required efficiency level could not be achieved.

* Expenditure capitalised - Rs. 6.22 crore (1991-92: Rs. 1.59 crore, 1992-93: Rs. 0.57 crore, 1993-94: Rs. 1.56 crore, 1994-95: Rs. 1.73 crore and 1995-96: Rs. 0.77 crore), expenditure charged to revenue - Rs. 3.09 crore (1993-94: Rs. 0.77 crore, 1994-95: Rs. 0.99 crore and 1995-96: Rs. 1.33 crore).

The Government stated (September 1997) that norms fixed by the Company were higher than the norms fixed by other Companies and the production per spindle shift was affected by quality of raw material, labour skill, frequency of AC supply, labour and power trouble, type of product, etc. The reply is indicative of the failure on the part of the management in controlling various factors affecting the productivity levels and non-achievement of its own norms fixed on the basis of condition of the machines and quality of raw material available for production.

2A.3 Failure to reduce cost of production

2A.3.1 Cost analysis

Except for 1993-94, when the Company was able to recover cost of sales and earn a margin of 2 per cent, it failed to recover such costs during other years. The percentage of each cost component against the value of production for all the three mills during each of five years upto 1995-96 is indicated below:

(Per cent)

		1991-92	1992-93	1993-94	1994-95	1995-96
Value of production		**100**	**100**	**100**	**100**	**100**
Component of cost:						
(i)	Raw material	72.97	67.96	60.31	67.12	68.79
(ii)	Stores and spares (including packing material)	4.96	5.25	5.49	4.94	4.95
(iii)	Power and fuel	7.94	10.17	9.60	9.46	8.38
(iv)	Wages and salaries	17.97	16.62	14.29	12.52	12.95
(v)	Administrative and other expenses	1.61	1.64	1.54	1.66	1.46
(vi)	Interest	13.03	10.90	6.57	6.86	7.55
(vii)	Provision and write offs	3.86	2.98	0.03	0.03	0.01
(viii)	Previous years adjustment	(+) 0.18	(+) 0.25	(+) 0.18	(+) 0.67	(+) 0.04
(ix)	Total	122.52	115.77	98.01	103.26	104.13
(x)	Margin (+)/(-)	(-) 22.52	(-) 15.77	(+) 1.99	(-) 3.26	(-) 4.13

As would be seen, the main contributing factor was disproportionate high cost of raw material. As reported by the Cost Auditors, the Company had not fixed standards for each element of cost for control purposes, though required under Cost Audit Report Rules.

ATIRA in their report of September 1992, recommended a contribution of sale value [sale value minus (raw material cost plus packing material)] of 36 per cent to achieve break-even point. Considering 3 per cent packing cost as per the recommendations, the cost of raw material should be 61 per cent of sales value to achieve the break even point. The Company, however, could not bring down the cost to the desired level, which was as high as 67.12 to 72.97 per cent during five years up to 1995-96 (except during 1993-94) although the Company had implemented the recommendation at all levels in all the three mills. The Company, however, failed to take action as suggested to improve its working.

2A.3.2 Loss due to use of superior quality of cotton in production of lower count of yarn

To keep cotton mixing cost to pre-determined level, cotton mix is decided in advance based on available stock, economy in cost, etc. However, while issuing cotton for production of various counts of yarn, the cotton mix was not maintained to this level. The mixing cost of RBL mill was higher in most of the cases compared to the MAU and BBK mills during three years up to 1995-96 (except BBK in four counts during 1995-96) as detailed below:

(Mixing cost: Rs. per kg.)

	1993-94			1994-95			1995-96		
Counts	**RBL**	**MAU**	**BBK**	**RBL**	**MAU**	**BBK**	**RBL**	**MAU**	**BBK**
6/8s	26.20	25.58	25.80	44.94	37.46	38.14	47.87	44.49	48.95
10/16s	26.20	25.99	26.97	47.01	44.14	37.00	49.69	47.91	53.10
20/24s	28.47	28.44	26.97	49.38	47.75	47.37	52.43	48.97	53.10
30/34s	30.47	30.80	29.00	51.54	51.59	50.16	56.39	54.17	56.17
37/40s	33.27	32.79	30.07	57.38	54.45	57.47	57.80	57.33	59.59

The Company incurred extra expenditure of Rs. 0.17 crore due to use of superior cotton in production of low count yarn.

Audit analysis of cotton mixing cost of RBL mill for the year 1995-96 revealed that 255048 kgs of superior cotton mix, issued for production of higher counts of yarn, viz. 37/40s (63483 kgs), 20/30s export quality (107976 kgs) and 40/54s combed quality (83859 kgs), cotton was, in fact, utilised for production of lower counts of yarn which resulted in avoidable expenditure of Rs. 17.07 lakh as detailed on the next page:

Superior cotton mix issued for	Superior cotton mix used for	Quantity of superior cotton mix issued for higher counts but used in lower counts (Kilograms)	Difference in price of superior cotton issued for higher counts and cotton mix which should have actually been used in lower counts (Rupees per kg)	Avoidable expenditure due to use of superior mix of cotton in lower counts (Rupees in lakh)
(1)	(2)	(3)	(4)	(5)
37/40s (57.22)	30/34s	63483.0 (54.70)	2.52	1.60
20/30s export (57.49)	30/34s	8876.0 (54.70)	2.79	0.25
--- do ---	10/16s	77356.0 (48.27)	9.22	7.13
--- do ---	7.5s	21744.0 (46.03)	11.46	2.49
40/54s combed (54.90)	30/40s Combed	36199.0 (51.04)	3.86	1.40
--- do ---	7.5s	47390.0 (46.03)	8.87	4.20
Total				**17.07**

Note : Figures in brackets indicate rate of cotton mixing per kg (in Rupees).

Thus, use of cotton without any consideration as to its quality and price for the preparation of cotton mix, resulted in use of superior quality of cotton for producing inferior quality of yarn with consequent loss of Rs. 17.07 lakh. It was further noticed that to conceal the factual position of cost factor, the Mill reported incorrect figures of count-wise issue in the MIS-1A*. The Head Office of the Company also failed to reconcile the position although weekly spot reports detailing actual usage in addition to MIS, is submitted to them.

The Government stated (September 1997) that a computer package for selection of mixing was proposed to be installed to overcome the problem.

* MIS-IA denotes statement showing mixing-wise quality and value of cotton issued and production of yarn.

2A.3.3 Loss in procurement of raw material

In procurement of raw material, an analysis by Audit revealed that the Company suffered loss of Rs. 82.63 lakh as detailed below:

(i) Non -availing of forward deals in procurement of cotton

> ***Loss of Rs. 0.72 crore due to non-procurement of sufficient cotton for maintaining the required level of inventory.***

As per the directions (March 1991) of the Central Cotton Purchase Committee, the Company was required to ascertain the requirement of cotton for 120 days and to make purchase in such a way that an inventory of 60 days is maintained. Such bulk quantities could be purchased only from public institutions which had the added advantage of procurement on credit, assured quality and godown storage facility etc. However, during 1994-95, the Company procured bulk quantity (89 per cent) from private institutions and very low quantity of 11 per cent from public institutions. In other years, such procurement from public institutions ranged from 89 per cent in 1991-92 to 53 per cent in 1995-96.

The Company largely uses J-34SG variety of cotton for 20/24 count and J-34RG variety of cotton for 16/20 count of yarn. For the year 1994-95, rising trend of cotton market became evident in the month of November 1994, when the market rates of J-34SG and J-34RG cotton shot up by 5 to 21 per cent. The rate of J-34SG increased from Rs. 16500 per candy (2 bales of cotton each weighing 177.80 kgs) on 17 November 1994 to Rs. 19400 per candy on 24 November 1994. But contrary to the practice adopted during earlier years when it procured cotton for 60 days requirement, the Company continued to make purchase during 1994-95 on the basis of maintaining inventory for 17 to 40 days. This resulted in extra expenditure of Rs. 55.73 lakh on procurement of 4870 bales at higher rates ranging between Rs. 20400 and Rs. 22301 per candy (against Rs. 19400 during November 1994) during 13 December 1994 to 20 March 1995. Similarly on procurement of 1065 bales of J-34RG variety of cotton during 2 December to 19 December 1994 at the higher rates ranging between Rs. 19600 and Rs. 20700 per candy (against Rs. 17050 per candy during November 1994), the Company incurred extra expenditure of Rs. 16.35 lakh.

Thus, by not making purchases sufficient for maintaining inventory level for 60 days requirement, the Company suffered loss of Rs. 72.08 lakh.

The Government stated (September 1997) that in most of the cases, there was stock of more than 60 days and also that financial constraints have to be kept in mind. The reply is not acceptable because the actual stock of cotton was only for 17 to 40 days consumption as against the required stock of 60 days consumption. Besides, there was no financial constraint as the Company had unutilised cash credit balances ranging from Rs. 4.58 crore to Rs. 5.04 crore during this period which could have been utilised for procurement of cotton to maintain its required stock of 60 days consumption.

(ii) Avoidable payment of carrying charges

According to the standard terms and conditions of contract entered into with Maharashtra Co-operative Federation (MAFED) during 1993-94 for purchases of cotton, failure to take delivery of cotton against payment within the stipulated time would render the Company liable for payment of carrying charges at the rate of 2.5 per cent per month w.e.f. the date following the due date of delivery. Similarly, the contract entered into with Cotton Corporation of India (CCI) provided for payment of carrying charges at the rate of 1.90 per cent per month for first 60 days and at the rate of 2.25 per cent per month thereafter calculated on quarterly basis from the date falling immediately after expiry of free period of 40 days from the date of contract.

Avoidable payment of carrying charges of Rs. 0.11 crore on procurement of cotton owing to delays in payment.

Despite having sufficient funds, the Company delayed payments from 1 to 180 days and paid avoidable carrying charges of Rs. 10.55 lakh as detailed below:

(Rs. in lakh)

Supplier	Period	Cotton bales	Value	Delay (days)	Carrying charges
MAFED	January to February 1994	6560	366.83	1 - 130	8.95
CCI	July 1993 to March 1994	1993	117.24	11 - 180	1.60
	Total	**7553**	**484.07**		**10.55**

The Government stated (September 1997) that in spite of having surplus fund, Company did not make payment considering the force majeure conditions arising out of earthquake (September/October 1993), agitation in Maharashtra (December 1993), transporter's strike (September/October 1993) and plague. The reply is not tenable because had these transactions been covered under force majeure conditions, the Company would not have made these payments. Besides, the period mentioned for force majeure conditions for supplies from Maharashtra has not been covered in the transactions commented upon.

2A.3.4 Avoidable expenditure on insurance premium

Fixed assets of the Company are insured consistently through reinstatement or replacement policy. According to the principle of reinstatement policy, the amount of premium payable under the policy is calculated on the basis of cost of replacing the property of the same kind or type but not superior to or more extensive than the insured property if it was new. However, in case of technically improved plant and machinery, additional benefit derivable by the insured assets is quantified on the basis of expert opinion and independent surveyors report and the additional cost derived is to be borne by the insurer. This is done to preserve the principle of indemnity which is basic to all insurance contracts.

It was noticed by Audit that for the purpose of arriving at the sum to be insured, the gross value of the existing fixed assets was incorrectly appreciated every year by 20 per cent and that of fixed assets created during expansion by 12.5 per cent per annum on cumulative basis. Thus, the sum insured became unrealistic up to 1995-96. On noticing the facts, the fixed assets were got revalued in May 1995 from a firm of Chartered Accountants for 1996-97. Accordingly, the Company insured its fixed assets on the basis of revalued cost plus notional increase of 20 per cent and 12.5 per cent from the year 1996-97 on which insurance premium payable was much less than that paid in earlier years.

Failure to arrange revaluation of assets at reasonable interests, resulted in payment of higher insurance premium of Rs. 1.16 crore on disproportionate higher insurance value.

Compared to the premium payable on gross block of assets, the Company suffered loss of Rs. 1.16 crore during a period of four years up to 1995-96 as detailed on the next page:

(Rupees in lakh)

Particulars	1992-93	1993-94	1994-95	1995-96	1996-97
Gross Block					
RBL	1600.76	1667.41	1713.76	1721.69	NA
MAU	1677.88	1632.54	1673.78	1711.61	1766.67
BBK	1623.79	1707.16	1791.60	1817.71	NA
Value insured for					
RBL	3594.24	4196.07	4859.40	5511.85	3103.16
MAU	3745.22	4344.99	5036.15	5036.98	3212.06
BBK	3663.94	4434.14	4935.25	5813.52	2808.46
Premium payable on gross block					
RBL	6.32	6.23	6.00	6.17	---
MAU	5.50	5.28	5.15	5.17	---
BBK	4.72	5.28	5.38	5.16	---
Total premium payable	**16.54**	**16.79**	**16.53**	**16.50**	
Premium actually paid					
RBL	14.49	15.69	17.04	19.76	9.24
MAU	12.28	14.05	15.50	15.20	7.66
BBK	10.65	13.72	14.81	16.51	7.52
Total	**37.12**	**43.46**	**47.35**	**54.46**	**24.42**
Excess	20.58	26.67	30.82	37.96	---

The Government stated (September 1997) that the insurance cover was taken at reinstatement value (gross value of fixed assets plus appreciation in value and cost of technical upgradation) which means the value of similar new property. The reply is not acceptable in as much as the principle of indemnity as envisaged in the insurance policy provides for indemnifying the loss to the extent of value of property when it was new and any additional cost arrived at in case of technically improved plant and machinery was to be borne by the insurers themselves. The insurance of fixed assets if done at a price higher than its original value of the assets, the claim for insurance would not be more than the original book value, under any circumstances. Hence, by taking insurance cover for assets at a value higher than their gross value, the Company was not going to get any additional benefit.

Thus, the failure of the Company to arrange revaluation of assets at reasonable intervals resulted in disproportionate higher insurance value and consequent loss of Rs. 1.16 crore due to payment of higher premium during 1992-93 to 1995-96.

2A.3.5 Loss in import of viscose staple fibre

In order to manufacture export quality polyester - viscose (PV) yarn for overseas buyers, the Company decided (July 1995) to import 270 MT of duty free Viscose Staple Fibre (VSF) by 30 September 1995 against the quota allotted (June 1995) by Government of India (GOI). Accordingly, after global enquiries, procurement orders were placed (July 1995) with M/s PT INTI INDO RAYON of Indonesia for 270 MT (BBK: 215 MT and RBL: 55 MT) of VSF (grey) at the rate of US $ 2.20 per kg (subsequently revised to 2.22 US $ (Rs. 70.00) per kg). Letter of credit for US $ 5.92 lakh was opened on 25/27 July 1995 against which 266.71 MT quantity of imported VSF (grey) was received in August/September 1995 and its landed cost came to Rs. 73.14 per kg.

Loss of Rs. 0.16 crore due to injudicious decision to import VSF at higher rate.

It was noticed in audit that it was technically not possible to manufacture PV yarn for export purposes with VSF (grey) and as such import of VSF (grey) was not required. The Company ultimately utilised the imported VSF (grey) for production of PV counts for domestic market which could be sold at the rates of PV counts manufactured by utilising VSF available in the country at the rate of Rs. 67 per kg.

Thus, due to injudicious decision of the management to import 266.71 MT of VSF (grey) at Rs. 73.14 per kg when it could have purchased VSF available in the domestic market at Rs. 67 per kg, Company suffered loss of Rs. 16.38 lakh.

2A.3.6 Avoidable payment of electricity charges

Loss of Rs. 0.56 crore on account of avoidable payment of electricity charges owing to delay in replacement of damaged P.T. and demand charges.

MAU mill of the Company has been receiving power supply from Uttar Pradesh State Electricity Board (Board) through two separate connections of 2000 KVA each (reduced to 1750 KVA each in June 1992) for its old and new plants.

Scrutiny of records revealed that the mill had made avoidable payment of electricity charges to the extent of Rs. 56.19 lakh during October 1993 to January 1997 as detailed in sub-para (a) and (b) on the next page:

(a) Delay in replacement of damaged Potential Transformer of old plant

The Potential Transformer (PT) of old plant damaged in June 1995, could be replaced belatedly after 17 months on 28 October 1996 at a cost of Rs. 0.24 lakh. During June 1995 to October 1996, the mill was billed on the basis of varying methods of calculation (averaging to consumption of 623297 KWH per month) whereas after installation of new PT on 28 October 1996, average monthly consumption for subsequent three months' period (November 1996 to January 1997) was 518699 KWH. Based on the average consumption recorded by the new meter (not considered for revision of previous bills as per Board's rules), the mill made avoidable payment of Rs. 47.99 lakh being power charges for 1778166 KWH during June 1995 to October 1996. This could have been avoided by replacing the damaged PT immediately in June 1995.

(b) Avoidable payment of demand charges

In addition to energy charges for actual energy consumed as per meter reading, an industrial consumer has to pay demand charges at applicable rates for actual maximum demand or 75 per cent of the contracted demand whichever is higher.

Against the contracted load of 1750 KVA of the new plant (after reduction of load in June 1992), the actual maximum demand ranged between 1050 and 1293.5 KVA during October 1993 to January 1997 which was less than 75 per cent (1312.5 KVA) of the contracted load. The mill, therefore, had to pay demand charges for 75 per cent of billable demand of 1312.5 KVA during the above period which resulted in avoidable payment of Rs. 8.20 lakh for load of 6193.50 KVA not required (being difference of billable demand of 75 per cent of contracted load and the actual demand drawn during the same period).

2A.4 Export

2A.4.1 Production of export quality yarn at higher cost than its sale price

Negative margin in sale of export quality yarn resulted in loss of Rs. 0.32 crore.

As per the export policy of yarn selling price of export quality yarn is to be fixed considering additional cost involved in its manufacturing (rich mixing, autoconing charges, two fold operation charges, and extra packing cost) and 10 per cent profit margin. Instead of this, the export quality yarn was sold at a price without considering the actual cost of sales.

RBL mill is earmarked for exporting yarn either to overseas buyers directly against the quota allotted by the Government of India or through the merchant exporters at the rates, terms and conditions decided by the Head Office of the Company.

The sale price of yarn for export during 1995-96 was low compared to its cost of sales which resulted in negative margin and loss of Rs. 31.57 lakh as detailed below:

(Rupees in lakh)

Count	Quantity exported (kgs)	Cost per kg. of cotton mixing issued (Rupees)	Waste multiplier*	Net cost of cotton mixing used (Rupees per kilogram)	Total conversion cost	Total cost of production	Selling and distribution expenses	Cost of sales (Rupees)	Selling price	Margin on cost of sale	Loss
12/1Ex A/C	24300	60.45	1.224215	74.00	16.41	90.41	9.09	99.50	74.00	(-) 21.50	5.22
14/1Ex A/C	28020	60.45	1.224215	74.00	15.90	89.90	9.34	99.24	84.00	(-) 15.24	4.27
16/1KW A/C	18882	60.45	1.224215	74.00	18.77	92.77	9.69	102.46	87.82	(-) 14.64	2.76
20/1KW A/C	110700	55.59	1.173607	65.24	19.21	84.45	9.93	94.38	88.52	(-) 5.86	6.49
30/1KW A/C	59050	63.46	1.173607	74.48	25.10	99.58	10.62	110.20	97.00	(-) 13.20	7.80
2/12 TFO	11476	60.45	1.224215	74.00	20.16	94.16	9.60	103.76	82.00	(-) 21.76	2.50
2/24 TFO	28234	5.24	1.173607	64.83	32.53	97.36	11.51	108.87	99.90	(-) 8.97	2.53
										Total	31.57

In reporting the cost of cotton mixing to the headquarters, the mill incorrectly indicated in the MIS, a lower net cost of cotton mixing ranging between Rs. 58.64 and Rs. 61.60 per kg of above counts against actual cost ranging between Rs. 64.83 and Rs. 74.48 per kg. The Head Office of the Company also failed to notice the discrepancy though all the details are simultaneously furnished through weekly spot reports.

2A.4.2 Loss due to poor quality of export yarn

The Company had been exporting yarn to foreign countries (direct and through merchant exporters) against the quota allotted by the GOI. In this context, it was noticed that the Company through its Raebareli mill exported cotton yarn to M/s Carl Weiske of Germany during the year 1991-92. Out of 203536 kgs of cotton yarn supplied to the above foreign buyer, in respect of 61016 kgs cotton yarn (Invoice value: US $ 181221), the Company received complaint of poor quality; the buyer lodged (April to

Export of poor quality of yarn resulted in loss of Rs. 0.08 crore.

* Waste multiplier denotes incidence of waste of cotton added to the mix of raw cotton cost to arrive at clean cotton cost.

December 1991) compensation claim for US $ 27506 (Rs. 8.25 lakh) with the GOI, which was paid by the Company (June 1995).

Thus, the Company suffered loss of Rs. 8.25 lakh due to export of poor quality of cotton yarn for which no responsibility has been fixed so far (September 1997).

2A.5 Sales performance

2A.5.1 Lack of transparency in market decisions

Central Sale Committees (CSC) were formed (April 1992) for each Company under the chairmanship of the Managing Director of respective companies who further constituted Sale Committees (SC) at each mill with the Chief Executive as its Chairman and delegated powers to fix the rates of yarn for sale. Between January 1993 and February 1995, these powers were withdrawn and again restored from February 1995.

The rates of yarn finalised over telephone were recorded in the sale register which was signed by the members of the SC. Though the CSC maintained records of discussion and minutes in support of decisions taken by them during the period January 1993 to February 1995 when powers were withdrawn from SC, no such record was being maintained by SC. Documentary evidence to indicate consumer demand and market rates of yarn were also not available. Despite a costing cell at the headquarters and each of the mills, evidence of authenticity of rates and analysis of cost vis-a-vis sale price was not maintained to enable verification of transparency of decisions.

2A.5.2 Declining trend of yarn sale in spite of introducing additional channel

The Company opened (1992-93) eight sales depot and also re-started consignment sale from 1992-93 to increase the sales. An analysis by Audit revealed that the cost of sales was higher than the sales realisation (except 1993-94 for all the mills and 1994-95 and 1995-96 in BBK mill) resulting in loss of margin of Rs. 20.80 crore during five years up to 1995-96 as detailed in Annexure - 9.

The Company suffered loss of margin of Rs. 20.80 crore during the five years upto 1995-96 due to cost of sales being higher than the sales realisation.

Further analysis by Audit revealed the following points:

(i) Non-levy of carrying charges

The Company levies carrying charges at the rate of 2.5 per cent per month from the 4th day of the delivery order up to the 21st day (modified till receipt of payment on 30 January 1996) as per the agreement with the Depot handling agents. Before modification of the provision, the delivery order was to become invalid and the Company was authorised to sell the yarn in the market and recover the loss sustained on such sales.

In case of 169 contracts pertaining to the period from July 1994 to January 1996, goods were not sold after the expiry of 21 days from the date of delivery order. Since the delivery orders pending after 21 days were not invalidated and sales not effected, the quantum of loss on this account could not be worked out in audit. However, loss due to non-levy of carrying charges worked out to Rs. 9.72 lakh.

Thus, the Company suffered a loss of Rs. 9.72 lakh due to non-adherence of the terms and conditions of the agreement or its failure to provide a clause for levy of carrying charges in the agreement ab-initio.

The Government stated (September 1997) that a sum of Rs. 15.26 lakh was recovered from four depots during 1994-96. The reply is not tenable in as much as the cases commented upon are those where recoveries have not been made as per the contractual provisions.

(ii) Accepting extra contractual obligations in consignment sales

Scheme of consignment sale was restarted from April 1992. As per the agreements executed with the consignment agents, the yarn was to be supplied to them at ex-mill price and expenses incurred by them after receipt of yarn were not to be reimbursed by the Company. These agents were entitled to one per cent commission on ex-mill price of the yarn sold by them. Notwithstanding these provisions, the Company had reimbursed expenditure of Rs. 56.45 lakh during four years up to 1995-96 to these agents which was incurred on sale made by them.

The Company suffered a loss of Rs. 0.56 crore due to reimbursement of expenditure to consignment agents over and above the contractual abligations.

2A.5.3 Loss due to belated clearance of stock

In order to fetch better price, improve sales performance and keep inventory holding to the minimum, the Company formed a sales committee at mill level under the chairmanship of its Chief Executives (CEs) from April 1992. The mills were to plan and produce such quality of yarn which could be sold within a period of 45 days.

An analysis by Audit revealed the following points:

(i) Loss in disposal of yarn at lower rates

High inventory of various counts of cotton yarn led to their distress sale resulting in a loss of Rs. 0.65 crore.

Due to high inventory carrying cost and widely fluctuating yarn market, it is always prudent to dispose of available stock quickly and regulate production of fresh stock accordingly. During April 1994 to May 1996, the mills without ensuring sale of the existing stock at better prices, produced fresh stock of the same count. This resulted in distress sales of 24XXR, 30XXR, 40XXR, 32CR and 40PC (48:52) cotton yarn subsequently at lower rates leading to a loss of Rs. 64.92 lakh (RBL: Rs. 34.31 lakh, MAU: Rs. 5.71 lakh and BBK: Rs. 24.90 lakh).

(ii) Carrying cost on piled up inventory

The Company incurred inventory carrying charges aggregating Rs. 0.32 crore on the inventory of various counts of cotton yarn remaining unsold beyond the prescribed period of 45 days.

Huge inventory of 24XXR, 30XXR, 21HKAC, 24XXAcry, 30PC (67:33) and 32CR counts yarn had remained unsold beyond the prescribed period of 45 days during March 1994 and December 1996. As a result, the Company had to incur inventory carrying charges aggregating Rs. 31.63 lakh (at the rate of 2 per cent per month fixed by the Company) on above inventory, varying between 3.814 MT and 130.388 MT remained unsold for varying periods ranging from 1 to 10 months beyond prescribed period of 45 days.

2A.6 Loss in procurement of machines

2A.6.1 Extra expenditure in drafting conversion

Without a trial order on selective basis to avoid substantial involvement of funds, drafting conversion* of two sides of 44 ring frames of MAU mill (out of 111) and 21 ring frames of BBK mill (out of 111) was done at a cost of Rs. 124.75 lakh and Rs. 56.06 lakh, respectively, from M/s Star Marketing and Services Limited, New Delhi between May 1990 and December 1991. The drafting conversions, however, started giving trouble leading to idle spindle percentages since inception and did not improve as of September 1997. The bank guarantee of Rs. 9.04 lakh valid up to September 1992 (Rs. 2.80 lakh) and October 1992 (Rs. 6.24 lakh) expired as the instruction of the Company (22 September 1992) to the bank to invoke bank guarantee was withdrawn (26 September 1992) by it on the assurance of the supplier to remove the defect which was however not done by them. To overcome the problem, a trial order for partial drafting conversion of one ring frame at MAU mill was placed in June 1993 with Sovereign Engineers, Coimbatore at a cost of Rs. 1.21 lakh. The work was executed in October 1993. On successful performance, repeat orders for partial drafting conversion of 51 sets of ring frames (24480 spindles) of MAU mill at a cost of Rs. 60.15 lakh (at the rate of Rs. 245.70 per spindle) was placed (November 1993) with the same supplier which were executed during 1994-95. In view of successful installation of partial drafting conversion in MAU mill, Company decided (October 1994) to go for partial drafting conversion instead of full drafting conversion which would not only serve the purpose of getting desired productivity but also save substantial amount as compared to cost of full drafting conversion.

Injudicious decisions to go for full drafting conversion in MAU and BBK mills without a trial order, resulted in extra expenditure of Rs. 1.09 crore.

Thus, the Company's decision to go for full drafting conversion in MAU and BBK mills for 65 ring frames (29032 spindles) at a cost of Rs. 180.81 lakh (at an average rate of Rs. 622.80 per spindle), without placing a trial order, had resulted in extra expenditure of Rs. 109.48 lakh as compared to partial drafting conversion cost.

2A.6.2 Loss due to replacement of old machines by sub-standard machines

The Joint Capital Goods Committee (JCGC) approved (June 1993) replacement of 16 old Textool make doubling machines with 12 new doubling machines of higher

* Spare part of a ring frame through which yarn is drafted to desire counts finally.

spindle speed, better quality of yarn and diversify product mix. Accordingly, two supply orders for purchase of 6 doubling machines (Rs. 32.40 lakh including excise duty) of 400 spindles each were placed on M/s Texmaco, New Delhi in October and December 1993 at the rate of Rs. 1180 per spindle. On receiving six numbers machines during the period from November 1993 to January 1994, it was observed (January 1994) by the Company that metallurgy of top and bottom rolls of the machines was very poor and not hard chromed causing damage to bottom rolls. In the presence of supplier's engineer, a detailed investigation was carried out in February 1996, and it was observed that the machines could not run at the targeted speed (10500 to 11000 rpm) as the breakage rate of yarn at this speed was beyond control. After lot of efforts and trials, the suppliers finally suggested (July 1994) that the machines should be run at derated capacity of 80 per cent of targeted speed i.e. 8800 rpm and only medium count yarn i.e. 40s should be used in the machine. Thus, the very purpose of replacing old machines with higher spindle speed and diversification of product mix was not met with.

In the meantime, 8 nos. of old Textool make doubling machines each having productivity of 8000 rpm were sold in December 1993 for Rs. 1.60 lakh each (total: Rs. 12.80 lakh). Thus, 8 old machines having production speed of 64000 rpm were replaced with the six substandard machines having production speed of 52800 rpm at a cost of Rs. 32.40 lakh. The Company, thus, incurred unfruitful expenditure of Rs. 19.60 lakh on purchase of sub-standard machines besides derating its existing capacity by 11200 rpm permanently.

The Company incurred unfruitful expenditure of Rs. 0.20 crore on purchase of sub-standard machines.

The Government stated (September 1997) that the observation of machine working on 8800 rpm is not correct and it relates to the period of commissioning only. The reply is not tenable as the supplier after not being able to rectify the defect suggested to run the machine at 80 per cent capacity for medium count yarn. Further BOD while finalising tenders for purchase of 15 nos. doubling machines in August 1997 observed about defective supply of Texmoco make doubling machines purchased during November 1993 to January 1994 and rejected the lowest offer of the supplier.

2A.7 Inventory control

During five years up to 1995-96, the Company carried inventory valued at Rs. 26.09 crore (1991-92) to Rs. 33.71 crore (1995-96). Points noticed in test check by Audit are discussed on the next page:

(i) Excess consumption of stores

Excess consumption of stores and spare parts over the norms amounted to Rs. 5.62 crore.

The Company fixes norms of consumption of stores and spares, dyes and chemicals, coal (excluding packing material and oil) in paise per spindle shift every year in its projected performance budgets. Accordingly, the value of consumption of stores and spare parts as per these norms which also include replacement cost (cotton: between 14 and 20 paise and synthetic yarn: between 16 and 28 paise) during five years up to 1995-96 indicated excess consumption of Rs. 5.62 crore as detailed below:

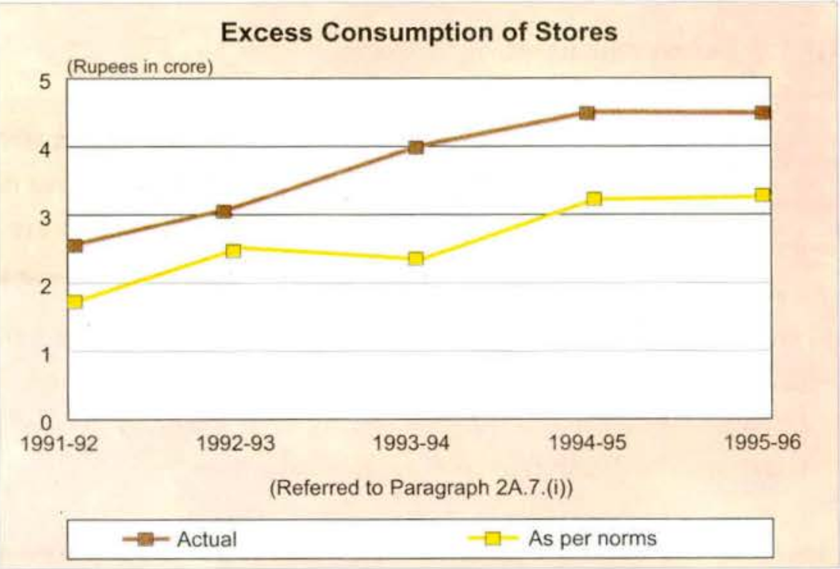
(Rupees in crore)

Year	Utilised spindle shifts (Number in lakh)	Consumption of stores		Excess consumption
		As per norms	Actual	
1991-92	1171.55	1.68	2.53	0.85
1992-93	1475.87	2.50	3.11	0.60
1993-94	1481.66	2.33	3.97	1.64
1994-95	1432.70	3.22	4.51	1.29
1995-96	1412.88	3.23	4.47	1.24
			Total	**5.62**

Though the Stores Purchase Manual requires analysis of consumption of stores by Manager (Technical) and submission of the consumption and variance report to Management for remedial measures but such report was not being prepared.

The Government stated (September 1997) that the norms of the store consumption has been fixed based on available spindle shifts and not considering the cost of drafting conversion and as such the actual consumption of stores was within the norms. The reply is not tenable as the norms fixed by the Company for stores consumption are based on utilised spindle shifts and also including drafting conversion costs.

(ii) A scrutiny of records of finished goods stock of RBL unit, revealed that 0.53 lakh kgs. of cotton and synthetic blend yarn valuing Rs. 55.20 lakh, manufactured during January 1995 to December 1996 was lying in the stock unsold as of March 1997. The incidence of carrying charges (at the rate of 2 per cent per month) worked out to Rs. 17.91 lakh as of March 1997.



RBL unit not only incurred inventory carrying charges of Rs. 0.18 crore on unsold inventory of 0.53 lakh kgs. of cotton and synthetic blend yarn but also suffered a loss of Rs. 0.07 crore on sale of 0.48 lakh kgs. of this inventory.

It was, further, noticed that the above stock (0.53 lakh kgs) included stock of 0.256 lakh kgs of cotton and blended yarn valuing Rs. 25.34 lakh of different varieties (viz. 2/8XXR, 30 Milanch, 32PC (48:52), 2/30PV (67:33), 40PV and 2/40PV (48:52) produced during March/April 1995 (10454 kgs value: Rs. 7.65 lakh) and April 1996 (15150 kgs valued at Rs. 17.69 lakh) had been lying in the stock since its production. The yarn was produced without monthly production programme and market demand. Out of this, 0.48 lakh kgs was sold during 18 March to 11 August 1997 at a loss of Rs. 6.76 lakh and balance (4960 kgs) was lying in stock as of September 1997.

2A.8 Manpower analysis

Excess engagement of workers over the revised norms resulted in excess man-power cost of Rs. 3.62 crore.

In May 1992, the Company revised its work norms for various production departments on the basis of norms fixed by CTRAs. Accordingly, the engagement of workers per day as per revised work norms were reduced from 4228 to 3622 from 1992-93 with an expected annual saving of Rs. 1.38 crore at the wage level of 1992-93. However, the actual engagement was in excess of the revised norms resulting in an excess manpower cost of Rs. 3.62 crore during four years up to 1995-96 as detailed on the next page:

Year	Engagement of workers per day		Excess engagement	Average wages per day/worker (Rupees)	Burden of excessive manpower (Rupees in lakh) (Col 4 x 5 x number of days in a year)
	As per the revised work norms	Actual			
(1)	(2)	(3)	(4)	(5)	(6)
1992-93 (October 1992 to March 1993)	3622	3980	358	68.71	44.77
1993-94	3622	4136	514	72.93	136.82
1994-95	3622	3796	174	84.30	53.54
1995-96	3622	4010	388	89.45	126.68
Total					**361.81**

The Government stated (September 1997) that the engagement of workers depend on product mix, count spun and mode of packing. It was further stated that the finer the counts produced, lesser will be number of workers to be engaged (one piecer for 60 count against 4 piecer for 10 count on 4 ring frames). The reply is not acceptable as ATIRA recommended (September 1992) to reduce work force by 10 per cent and with the experience gained, the impact of learning curve should result in engagement of lesser number of workers and further that with the improvement in average counts spun, the engagement position should have been improved against the revised work norms.

Conclusion

The Company was incorporated in 1974 with the main objectives to carry on business of cotton spinners and doublers, tentmakers, yarn merchants, bleachers and dyers; purchase comb, spin, dye and deal in cotton and other fibrous substances, establish cotton units, and manufacture and/or deal in all kinds of threads. In spite of modernisation of its mills, the Company had been incurring recurring losses since 1983-84 (except 1993-94) and its accumulated loss as of March 1996 had fully eroded the paid-up capital. The reason for profit during 1993-94 was mainly reduction of interest liability on account of conversion of interest on Government loans into equity. The losses and poor performance of the Company were attributable to:

- failure to minimise controllable factors responsible for underutilisation of capacity of the mills;

- low productivity of labour and low spindle efficiency;
- failure in adhering to with its efficiency norms resulting in high cost of production;
- losses in procurement of raw material and sale of yarn; and
- high inventory carrying cost and excessive manpower.

The Company needs to take steps for improving its performance by optimising capacity utilisation, labour productivity, spindle efficiency, strictly adhering to various efficiency norms for cost control, rationalising procurement procedures, to enable evaluation of market trend to fetch better price and rationalise manpower deployment.

Chapter-II

Section-2B

Uttar Pradesh State Handloom Corporation Limited

SECTION 2B

Uttar Pradesh State Handloom Corporation Limited

HIGHLIGHTS

The Company was incorporated in January 1973 with a view to assist and develop the handloom/powerloom units in the State. In pursuance of its objectives, the Company procures cloth from weavers and sells through its showrooms besides implementing development schemes entrusted by the Government. It had been incurring losses and its accumulated loss had exceeded the paid-up capital since 1992-93.

(Paragraph 2B.1, 2B.1.1 and 2B.1.4)

Failure of the Company in achieving procurement targets of controlled cloth, assigned by the Central Government during the five years up to 1996-97, deprived it of recovery of overhead charges of Rs. 15.64 crores.

(Paragraph 2B.2.1)

Procurement of gamacha valued at Rs. 1.34 crore without assessing the prospects of its sale resulted not only in blocking of funds of Rs. 1.11 crore in stock remaining unsold for over two years but also loss of interest of Rs. 0.51 crore on these blocked funds.

(Paragraph 2B.2.7)

The Company could not avail and disburse to weavers Central subsidy of Rs. 2.97 crore during validity period of the scheme up to March 1996 due to its failure to procure and distribute yarn at subsidised rates.

(Paragraph 2B.4.1.1)

The shortages in stock and cash aggregating Rs. 5.95 crore were pending investigation for over 1 to 5 years after their detection.

[Paragraph 2B.5.3.1, 2B.5.3.2 and 2B.5.4 (i) (ii)]

The Company failed to monitor the fund position and control the delays in accountal of funds transferred by showrooms which resulted in avoidable interest charges of Rs. 0.48 crore.

(Paragraph 2B.6.1 to 2B.6.3)

2B.1 Introduction

The Uttar Pradesh Handloom and Powerloom Finance and Development Corporation Limited was incorporated on 9 January 1973 as a Government Company and it commenced business from 22 January 1973. The name of the Company was changed to Uttar Pradesh State Handloom Corporation on 20 December 1977.

2B.1.1 Objectives and activities

The main objectives of the Company are:

- to assist, finance and render marketing assistance to units in the handloom and powerloom sector;
- to establish and operate centres for designing and processing of cloth and yarn;
- to deal in raw material and finished fabrics of the industry;
- to train weavers in new techniques and conduct research for improvement in various processes of manufacture.

The Company is engaged in procurement of controlled and non-controlled handloom cloth from weavers, its processing in own process house at Khalilabad (Basti) or through private firms and sale of finished cloth. As regards upgradation of processes/technologies and providing finance, the role of the Company was limited to implementation of schemes formulated and funded by the Government.

2B.1.2 Organisational set-up

The management of the Company is vested in a Board of Directors consisting of eight directors nominated by the Government including one part time Chairman and a Managing Director. The Managing Director of the Company is the Chief Executive of the Company who is assisted at Head Office in day-to-day administration by two Deputy General Managers, a Financial Controller and two Chief Marketing Managers. There are 16 Regional Offices headed by Regional Managers which exercise control over 177 showrooms working under Depot Managers. Besides, there are 23 project offices dealing with procurement of cloth from weavers.

2B.1.3 Scope of Audit

The working of the Company for the five years up to March 1991 was reviewed in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1992 (Commercial) - Government of Uttar Pradesh wherein deficiencies in the working of the schemes and the subsidiary companies, delays in administrative action against officers/officials responsible for the losses of cash and stores were pointed out. The Report had not been discussed by the Committee on Public Undertakings so far (September 1997).

In the present review, the aspects relating to procurement of cloth, sales performance of showrooms, inventory control and cash management, during the five years up to 1995-96 were reviewed by Audit between October 1996 to May 1997 and results of which are set out in the succeeding paragraphs.

2B.1.4 Financial position and working results

The Company's accounts since 1987-88 are in arrears. However, based on the provisional accounts, its financial position and working results are summarised below:

(a) Financial position

(Rupees in lakh)

Particulars		1991-92	1992-93	1993-94	1994-95	1995-96
I	**Liabilities**					
	(a) Paid-up capital	1375.49	1375.49	1399.79	2274.49	2284.95
	(b) Reserves and surplus	0.40	0.40	0.40	0.40	0.40
	(c) Borrowing including cash credit	2483.29	2492.61	1563.53	2519.00	2588.64
	(d) Trade dues and other current liabilities	7425.03	8334.35	8370.52	7508.21	8142.27
	Total	**11284.21**	**12202.85**	**11334.24**	**12302.10**	**13016.26**
II	**Assets**					
	(a) Gross block	717.31	786.26	803.66	820.06	831.94
	(b) Less: Depreciation	361.55	400.15	436.66	472.38	509.75
	(c) Net block	355.76	386.11	367.00	347.68	322.19
	(d) Investment	50.45	50.45	50.45	50.45	50.45
	(e) Current asset, loans and advances	10027.91	10199.96	8560.23	9278.42	9344.74
	(f) Miscellaneous expenses including accumulated losses	850.09	1566.73	2356.56	2625.55	3298.88
	Total	**11284.21**	**12202.85**	**11334.24**	**12302.10**	**13016.26**
III	**Capital employed***	**2958.64**	**2251.72**	**556.71**	**2117.89**	**1522.19**
IV	**Net worth****	**525.80**	**(-) 190.84**	**(-) 956.37**	**(-) 350.66**	**(-) 1013.53**

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

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

The accumulated loss of the Company had eroded its paid-up capital since 1992-93 and net worth had also registered a negative value since then. The negative net worth of the Company would further erode as and when adjustment in the accounts are made for the investment of Rs. 246.09 lakh in shares (Rs. 31 lakh) and loans (Rs. 215.09 lakh) advanced to three subsidiaries, which were having negative net worth before their merger with the Company in April 1991.

(b) Working results

(Rupees in lakh)

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
I. Income					
Turnover	9692.07	10481.98	5115.44	4299.68	4231.47
Subsidy and grants on yarn and cloth	2032.27	1763.88	1513.88	776.62	802.65
Other income	465.46	467.92	498.81	517.35	531.62
Total	**12189.80**	**12713.78**	**7128.13**	**5593.65**	**5565.74**
II Expenditure					
Manufacturing expenses and purchases	10597.93	9253.58	4181.87	5206.93	3259.57
Increase(-)/Decrease(+) in stock	(-) 1182.02	(+) 465.72	(+) 863.66	(-) 1424.19	(+) 361.22
Employees remu-neration	835.29	1000.45	1053.88	1064.85	1282.60
Administrative overheads	848.71	826.61	723.28	552.18	674.85
Selling overheads	1544.64	1884.78	1103.89	485.25	635.26
Other miscellaneous expenses	25.07	0.08	---	0.60	0.60
Total	**12669.62**	**13431.22**	**7926.58**	**5885.62**	**6214.10**
III Net loss for the year	479.82	717.44	798.45	291.97	648.36
IV Prior period expenses(+)/ income (-)	(-) 10.00	(-) 0.80	(-) 8.63	(-) 28.37	(+) 25.57
V Net loss after prior period adjustments	469.82	716.64	789.82	263.60	673.93

The main reasons for losses along with financial implications, as analysed in audit, were:

(Rupees in lakh)

Sl. No.	Reasons	Financial implication	Paragraph number
1.	Losses in procurement and sale of cloth	166.33	2B.2 and 2B.3
2.	High inventory and inventory carrying cost	774.03	2B.5
3.	Delays in accountal and transfer of fund	47.81	2B.6
4.	Heavy increase in sundry debtors and claims	333.47	2B.7
5.	Deficiencies in working / setting up of process house	41.90	2B.9.2 and 2B.10.1
	Total	**1363.54**	

2B.2 Procurement and sale of controlled cloth under Janta Cloth Scheme

The Janta Cloth Scheme was introduced by the Central Government in 1976-77 with the twin objective of providing sustained employment to unemployed handloom weavers and making available cloth at affordable prices to poorer sections. Under the scheme, the Central Government fixes State-wise yearly targets of procurement of each variety of janta cloth and its rate of procurement and sale. The control over the implementation of the scheme is entrusted to the State Level Implementation Committee (SLIC) which allocates variety-wise targets amongst different implementing agencies of the State. Under the scheme, the Company procures cloth from the weavers and 85 per cent of such cloth is sold to authorised agencies under the public distribution system and balance 15 per cent is sold through its own showrooms. The Company is entitled to 25 per cent overhead charges over the direct cost of procurement of cloth and subsidy received at Rs. 3.40 per sqm on cloth procured is passed on to the consumers through reduction in sale price to this extent.

2B.2.1 Target and achievement

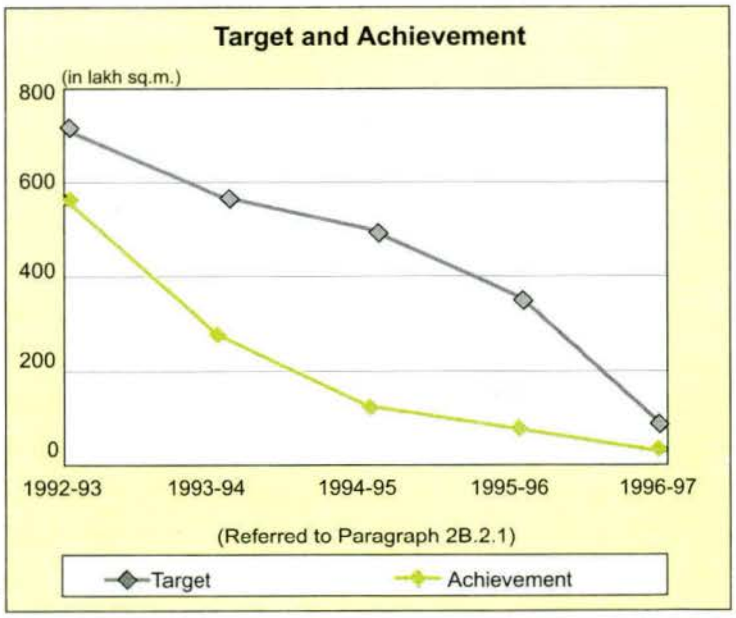
Despite declining targets for procurement of janta cloth fixed by SLIC from year to year, the same could not be achieved by the Company during five years up to 1996-97 as detailed on the next page:

(In lakh sqm)

Year	Target	Actual procurement	Shortfall in achievement
1992-93	750.00	591.38	158.62
1993-94	600.00	289.90	310.10
1994-95	525.00	127.67	397.33
1995-96	370.00	73.92	296.08
1996-97	75.00	18.90	56.10

It will be seen from the above that targets of procurement of janta cloth as well as actual procurement has shown a declining trend over the period covered by audit under review. However, no effort was made by the management for reduction in manpower engaged in procurement and other overhead charges with the fall in procurement of cloth. Since overheads incurred are of fixed nature, recovery of such charges by the company depends upon volume of procurement and sale of cloth. Lower procurement of 1218.23 lakh sqm of cloth during 1992-93 to 1996-97 compared to targets, deprived the Company of recovery of overhead charges of Rs. 1563.86 lakh.

The Company could not recover its overhead expenses of Rs. 15.64 crore due to its failure to achieve even declining targets for procurement of cloth.



(Referred to Paragraph 2B.2.1)

2B.2.2 Working results of the scheme

The table given on the next page summarises the working results of the scheme for the five years up to 1995-96:

(Rupees in lakh)

	Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
(i)	Income from sales	2750.93	3453.87	1429.40	727.41	939.04
(ii)	Expenditure:					
	Manufacturing cost	3861.94	4090.99	2077.38	791.92	952.29
	Establishment cost and overheads	567.94	690.93	609.54	386.75	478.50
	Selling and distribution expenses	328.98	435.74	256.36	100.91	88.84
	Total	**4758.14**	**5217.67**	**2943.28**	**1279.58**	**1519.63**
(iii)	Gross loss [(ii) - (i)]	2007.21	1763.10	1513.88	552.17	580.59
(iv)	Subsidy admissible	2550.14	2214.79	1067.26	295.82	286.08
(v)	Net profit (+)/loss (-)	(+) 542.93	(+) 450.99	(-) 446.62	(-) 256.35	(-) 94.51

Although the Company earned profit on janta cloth up to 1992-93 after taking credit for subsidy admissible, it started incurring losses from 1993-94 continuously.

The main reason for downfall in sales and increase in loss since 1993-94, was allocation of 50 per cent quota by Central Government under dyed yarn cloth, as against grey cloth allotted earlier, for which the weavers did not have required training and facilities. Although such a shift in Central Government policy was well known to the Company in 1991-92, the Company started modernisation of looms and training of weavers in dyed yarn varieties as late as in 1993-94 which was yet to be completed (September 1997).

2B.2.3 Loss due to delay in revision of yarn prices

The procurement rates of different varieties of janta cloth, payable by the Company to weavers are periodically revised by SLIC taking into account yarn prices payable by weavers. Accordingly, the Company is required to regulate its rate of yarn issued to weavers in payment of cloth procured at revised rates.

It was noticed by Audit that the SLIC increased from November 1994, the procurement rates of different varieties of janta cloth considering the increase in yarn prices. While the Company increased its procurement rates of cloth from November 1994 as prescribed by the SLIC but it made corresponding increase in yarn issue prices from December 1994 due to omission on the part of its yarn department. The delay in revision of yarn prices resulted in loss of Rs. 4.65 lakh on issue of 37075 bundles of different varieties of yarn to weavers at lower rate during November 1994.

2B.2.4 Loss of subsidy due to non-issue of sale bills

Non-raising of bills for supplies made 11 years back resulted in loss of Rs. 26.28 lakh.

The printing of controlled cloth procured from weavers was done up to March 1991 by Textile Printing Corporation Limited, Kanpur, a subsidiary of the Company. The subsidiary was required to despatch the finished cloth as per Company's instructions and intimate the position of such despatches by raising bills on the Company. On the basis of despatch position intimated to it, the Company was required to raise bills on purchasers and claim subsidy from the Central Government.

The subsidiary despatched 29700 pairs of janta sarees valued at Rs. 9.65 lakh to U.P. Upbhokta Sahkari Sangh in August 1986 and raised a bill on the Company for such despatch. In turn, the Company neither claimed subsidy of Rs. 6.42 lakh on despatches nor even raised bills upon the buyer for supplies till June 1997. The reason for not raising bills upon the buyer or claiming the subsidy was absence of timely reconciliation of transaction with the subsidiary company as well as the Sangh. The Company had not fixed responsibility for the lapse resulting in loss of subsidy of Rs. 6.42 lakh apart from blockage of Rs. 9.65 lakh with the Sangh and consequent loss of interest of Rs. 19.86 lakh during the period September 1986 to June 1997 thereon.

2B.2.5 Delay in supply of woollen cloth leading to loss

The Uttar Pradesh Upbhokta Sahkari Sangh, Lucknow placed an order in October 1993 with the Company for immediate supply of 750 woollen shawls and 1300 blankets to Farrukhabad branch of the Sangh. The Company supplied the items valuing Rs. 2.39 lakh from its Jaspur godown in February 1994 at the close of the winter season. Therefore, the Sangh did not accept the supplies which were handed over to the Company's authorised transport agent in March 1994. Despite several reminders from the transporter, the incharge of the godown did not take back delivery of the goods which had become completely damaged due to prolonged storage for over three years. The Company has not initiated any action against the delinquent officials responsible for blockage of Company's stores valued at Rs. 2.39 lakh for over three years and thereby causing loss to the Company (August 1997).

2B.2.6 Blockage of cloth with finishers due to inadequate security

> ***Failure to control repeated issue of cloth to finishers by various project offices without obtaining security led to loss of Rs. 12.05 lakh.***

The Head Office of the Company finalises calandering charges payable to private finishers. Agreement with the parties are executed by respective project offices on the standard terms and conditions approved by the Head Office which provides for submission of security or bank guarantee by the firms before handing over of cloth to them. However, while handing over the cloth, no security was obtained by the project offices leading to heavy accumulation of inventory valued at Rs. 10.82 lakh with firms and loss of interest of Rs. 12.05 lakh on funds blocked for the period March 1988 to August 1997 without any effective action for recovery. The cases are discussed below:

(i) Cloth valued at Rs. 3.82 lakh issued by project offices of Dhampur and Barabanki to two firms during February 1988 to July 1993 without obtaining any security, remained unrecovered so far (August 1997). Instead of taking any direct action against the firms by lodging FIR for illegal detention of properties, the Company appointed arbitrators (January 1995 and September 1996) after 17 months of default by the firm in one case and after 96 months in respect of another case. No recovery could be made so far in these cases as award in one case was awaited whereas the award (February 1996) of the arbitrator made in the other case has not been made rule of the court for enforcing recovery (August 1997). The Company had also suffered loss of interest of Rs. 4.91 lakh on the above blocked amount of Rs. 3.82 lakh during March 1988/July 1993 to August 1997.

(ii) In case of Etawah project, the following points were noticed:

(a) The Project Officer, Etawah executed an agreement in November 1991 with All India Handloom Process Centre, Etawah for processing, dyeing and calandering of its cloth at prescribed rates. The firm was required to furnish security/bank guarantee to cover the cost of cloth. However, without obtaining any security/bank guarantee, the project issued (September 1991) to the firm 15000 pairs of dhoties. The firm returned only 3700 pair of dhoties valued at Rs. 2.01 lakh up to March 1993. Against the balance 11300 pairs valued at Rs. 6.13 lakh not returned by the firm, Rs. 1.43 lakh only towards pending claims of the firm was available with the Company leaving unrecovered balance of Rs. 4.70 lakh (August 1997). On the blocked amount of Rs. 4.70 lakh, the Company had also suffered a loss of interest of Rs. 5.21 lakh during the period from October 1991 to August 1997.

(b) Similarly, 6622 pairs of dhoties valued at Rs. 4.42 lakh issued, without executing any agreement and obtaining security, to 17 printers of Etawah and Mathura by Project Officer, Etawah during 1991-92 and 1992-93, remained unreturned to the project so far (August 1997). Against these dues, the firms' claims amounting to Rs. 1.12 lakh only were available with the Company leaving Rs. 2.30 lakh unrecovered (August 1997). On the unrecovered amount of Rs. 2.30 lakh the Company had also suffered loss of interest of Rs. 1.93 lakh during March 1993 to August 1997.

2B.2.7 Excess procurement of *gamacha*

The Company procured 10.23 lakh *gamacha* (value: Rs. 124.17 lakh) in 1994-95 and 0.78 lakh *gamacha* (value: Rs. 9.52 lakh) in 1995-96 through its project offices in Barabanki and Sitapur. Sale of 85 per cent of procured quantities was required to be made to state agencies authorised under Public Distribution System (PDS) and balance quantity through Company's own showrooms.

The Company suffered loss of interest of Rs. 0.51 crore in procurement of gamacha valued at Rs. 1.11 crore without assessing its prospect of sale.

In absence of demand, the Company could sell only 0.36 lakh *gamacha* to state agencies as against stipulated sale of 8.70 lakh *gamacha* to them and 1.53 lakh *gamacha* through own showrooms as against 2.30 lakh *gamacha* thereby leaving a stock of 9.11 lakh *gamacha* valued at Rs. 111.27 lakh. The main reason for heavy accumulation of stock of *gamacha* were procurement of 7.01 lakh *gamacha* by Barabanki project during 1994-95 against the target of 5.50 lakh assigned to it and further procurement of 0.78 lakh *gamacha* valued at Rs. 9.52 lakh when there existed heavy stock of the same as on 31 March 1995.

Thus, procurement of 9.11 lakh *gamacha* without assessing market demand resulted not only in blockage of funds of Rs. 111.27 lakh but also loss of interest of Rs. 51.09 lakh for the period from April 1995 to August 1997.

2B.3 Procurement and sale of non-controlled cloth

The Company's Head Office decides the quantities and rates of different varieties of cloth to be procured considering the requirements furnished by 177 showrooms. The approved quantities are allocated by head office amongst different project offices for procurement from weavers. The Company also procures finished cloth from dealers of the handloom products.

2B.3.1 Performance of showrooms

Non-controlled cloth procured by the Company from weavers and firms are sold through showrooms located in the country except for bulk supply by Head Office to Government departments directly. The Company allots annual target of sales to individual showrooms in each year. The achievement of targets by showrooms is summarised below:

(Number of showrooms)

Percentage of achievement of targets by showrooms	1991-92	1992-93	1993-94	1994-95	1995-96
Up to 50 per cent	20	20	127	154	36
Above 50 per cent but up to 70 per cent	29	32	41	11	44
Above 70 per cent but up to 90 per cent	31	50	9	1	49
Above 90 per cent	115	119	4	1	48
Total	**195**	**221**	**181**	**167**	**177**

The increase in number of showrooms achieving higher targets during 1995-96 was due to switchover on the basis of fixation of targets from past performance to break even basis which led to reduction of targets of the showrooms from Rs. 3611.47 lakh in 1994-95 to Rs. 2410.22 lakh in 1995-96.

A test check of the performance of 60 showrooms for the years 1993-94 to 1995-96 revealed that 27 showrooms were continuously having negative contribution which means that they were in losses and were not able to recover even their direct cost. In the absence of showroom-wise details maintained by the company, the exact amount of loss could not be worked out. The Company had not taken any action to improve their performance.

2B.3.2 Purchase of finished cloth from firms at higher rates

In pursuance of its objective to assist the weavers, the Company procures grey cloth from weavers at rates derived after taking into account reasonable conversion charges payable to the weavers apart from cost of yarn. The finishing of grey cloth purchased from weavers are entrusted by the Company to private finishers at rates approved by the Head Office.

Direct purchase of finished products from firms not only involved extra expenditure of Rs. 20.08 lakh but also defeated its objective to assist the weavers.

The Company during 1994-95 to 1996-97 awarded printing of bed sheets and curtain cloth to three firms of Meerut on job basis for printing on cloths supplied by it. However, during the years 1995-96 and 1996-97, the Company simultaneously also purchased finished items of similar quality and specifications (value: Rs. 97.52 lakh) from the same firms against rates offered by them. It was noticed in Audit that while finalising the purchase orders for finished items in favour of these firms, the Management did not make any comparative cost analysis of direct purchase vis-a-vis departmental production on job printing basis. As a result, the Company had to incur excess expenditure of Rs. 20.08 lakh on procurement of these finished items due to higher rates allowed to these firms when compared to the evaluated cost of departmental production through job work.

Thus, the direct purchase of finished items from firms not only resulted in excess expenditure of Rs. 20.08 lakh but also negated the very objective of passing on reasonable conversion charges to weavers which could not be ensured in such purchases by the Company.

2B.3.3 Extra expenditure in payment of octroi

The Company despatches cloth from its Central Stores at Kanpur and project offices located in the State to its showrooms all over the country for sale by them. The bills for such despatches are raised at selling price which included cost price and mark up thereon to cover establishment expenses and profit. The Company continued with the same practice of raising despatch bills on cost plus basis even in case of despatches to showrooms which were located in states levying octroi/entry tax on import of goods from other states at 1 to 3 per cent (varying from state to state) on the value of invoices. Raising of bills with mark-up, instead of at cost on which octroi was payable, resulted in extra payment of octroi of Rs. 8.16 lakh during 1992-93 to 1996-97 on despatches to five regions outside the state.

2B.3.4 Procurement of silk material

The procurement of silk sarees and silk dress material are made by the two project offices, one in Varanasi and the other in Mubarakpur (Mau). The items procured from weavers are inspected by the Quality Control unit at project office before issue to printers/finishers for finishing and return. Projects are required to transfer finished items to the Central Stores at Kanpur where the goods are subjected to check by the Quality Control unit of the Head Office (H.O.) before accountal in books of the Central Stores. Following irregularities were noticed in this regard:

Failure to check repeated procurement of sub-standard silk material by its project offices led to loss of interest of Rs. 0.18 crore on blocked funds of Rs. 0.24 crore.

(a) Purchase of sub-standard sarees

(i) The Central Stores, Kanpur returned 1099 sarees valued at Rs. 16.75 lakh to Mubarakpur (1020 number) and Varanasi (79 number) project offices during the year 1992-93 as the supplies were found to be sub-standard by Quality Control unit of the H.O. Though the sarees were required to be returned to the weavers by these project offices but the same were held by them in stock and were not returned to weavers. In addition, 221 sub-standard sarees valued at Rs. 3.24 lakh were procured by Varanasi project during 1993-94 which were returned by Central Stores, Kanpur to the project for obtaining replacements. The entire stock of 1320 sarees was held in the project so far without obtaining replacement from the weavers (August 1997).

(ii) Annual verification statement of the Central Stores, Kanpur for the year 1994-95 included silk cloth valued at Rs. 4.04 lakh, rejected during 1994-95 by Quality Control unit of the H.O. Although the rejected supplies were to be returned to the concerned project offices for obtaining replacement from weavers, the Central Stores continued to retain it. The fact of rejected supplies, irregularly retained by Central Stores, came to the notice of the Management in April 1995 but no action had been initiated (August 1997) to investigate the reasons for sub-standard purchase by project offices and undue detention by the Central Stores (August 1997).

Thus, the Company's funds aggregating Rs. 24.03 lakh have been blocked due to procurement of above mentioned sub-standard silk sarees/cloth which resulted in loss of interest of Rs. 18.02 lakh for varying periods from 1993-94 to 1997-98 (August 1997). The Management had not fixed responsibility on its officials either for procurement of sub-standard material or for non-replacement thereof.

(b) Locking-up of funds in bulk purchases of new items

The Managing Director of the Company decided (May 1995) to procure 1000 metres of a new item namely *Kora x Kora* silk cutwork dress material on trial basis for assessing the marketing prospects with the condition that unsold stock would be lifted back by the concerned parties. However, without assessing the marketability of the item through trial orders (as decided earlier), the Chief Manager (Production) of the Company placed (May - July 1995) three orders on two parties for supply of 23000 metres cloth valued at Rs. 28.75 lakh without any provision for return of unsold stock. Supply of 21406 metres cloth valued at Rs. 26.76 lakh were made by the parties between June 1995 and March 1996. Simultaneously, the project procured from these firms 11635 metres *Kora x Kora* silk bootie valued at Rs. 13.96 lakh during September 1995 and March 1996.

In absence of periodical compilation and review by the Management of sales performance of individual items vis-a-vis inventory, the position of sales and inventory of 8329 metres (39 per cent) silk cut-work and 9488 metres (82 per cent) silk bootie out of the above procurements could only be test checked in audit. It was noticed that sale of both the items was poor as only 754 metres silk cut-work and 64 metres silk bootie could be sold which represented about 9 and 1 per cent, respectively, of the quantities test checked. The balance stock of 7575 metres silk cut-work and 9424 metres silk bootie, total valued at Rs. 20.80 lakh, were held in stock (March 1997). Thus, the loss of interest incurred on funds locked up in unsold stock, amounted to Rs. 3.95 lakh uptill March 1997 which could have been avoided had trial order been placed with provision for return of unsold stock.

2B.3.5 Procurement of woollen items

Procurement of woollen items is made by Uttaranchal Development Project, Rishikesh. The following points were noticed by Audit:

The Company suffered a loss of Rs. 0.20 crore on account of damaged stock and sale of sub-standard woollen goods.

(i) The Project authorities assessed December 1993 that woollen goods in stock valued at Rs. 27.56 lakh were sub-standard as the merino blankets, merino shawls and worsted blazers were made of shoddy wool/yarn. Therefore, these items were disposed off for Rs. 15.62 lakh during 1994-95. As a result, the Company incurred loss of Rs. 11.94 lakh in sale below procurement cost. The Company has not initiated action to fix up responsibility on officers for sub-standard procurement (August 1997).

(ii) The Rishikesh project despatched (November 1992) 3575 ladies shawls valued at Rs. 7.72 lakh to the Central Stores at Kanpur which accounted for the stock as completely damaged and non-saleable on the basis of quality control checking. The entire lot is being retained in stores for about five years (August 1997) and there is no chance for recovery of its cost. The management has not carried out any detailed enquiry into the circumstances leading to loss of Rs. 7.72 lakh so as to fix responsibility (August 1997).

(iii) The Head Office awarded in 1991-92 a contract for finishing of woollen cloth to M/s Pashupati Technofab, Gurgaon although the firm had detained 7543 metre terrycot shirting valued at Rs. 2.64 lakh issued to them up to 1988-89 by the Rishikesh project office. As per terms of the contract, the firm was to pay cost of cloth damaged in excess of 1 per cent of finished cloth.

The firm further retained woollen cloth valued at Rs. 0.77 lakh and did not pay a penalty of Rs. 1.35 lakh on account of damage of finished cloth in excess of 1 per cent. Thus, in spite of total dues of Rs. 4.76 lakh (including Rs. 2.64 lakh outstanding up to 1988-89) recoverable from the firm, the Company released in February 1993 Rs. 0.95 lakh to the firm towards their processing charges without effecting recovery. The Company has not initiated any action for recovery of above amount from the firm so far (August 1997).

2B.4 Procurement and sale of yarn

2B.4.1 Scheme of distribution of subsidised yarn

With a view to maintaining reasonable level of production in the handloom sector and providing relief to weavers to tide over the high prices of yarn in the market, the Government of India introduced during 1994-95 a scheme of supply of hank yarn to weavers through the Company at subsidised rates for five months which was later on extended till March 1996. The scheme envisaged a subsidy of Rs. 15 per kg. (raised to Rs. 20 per kg. from April 1995) to the Company on yarn distributed to weavers at subsidised rates. The subsidy was admissible only in case of yarn distributed to members/member primaries directly affiliated to the Company.

2B.4.1.1 Non-achievement of targets

The table given below summarises the targets for distribution of subsidised yarn, as fixed by the SLIC, and the achievement of the Company thereagainst :

Year	Target of yarn distribution (in lakh kg)	Achievement	Percentage of achievement
1994-95	18.90	12.69	67.14
1995-96	14.60	4.42	30.15

Due to paucity of funds, as attributed by the management, there was a shortfall in distribution of subsidised yarn and the Company could not avail subsidy of Rs. 296.73 lakh for its distribution amongst weavers. As the procurement rate of cloth of the Company depended upon the issue rate of yarn charged by it from weavers, the shortfall in issue of subsidised yarn led to procurement of cloth by the Company at higher rate. The Company, however, did not approach the commercial banks for arranging working capital to fulfil its obligation under the scheme which would have also resulted in lower cost of procurement of cloth.

The Company failed to disburse subsidy on yarn amounting to Rs. 2.97 crore as it did not arrange funds for procurement of yarn.

2B.4.1.2 Issue of subsidised yarn to ineligible firms

Under the scheme, the Company was required to issue subsidised yarn to its members/members primaries so as to provide relief to weavers. It was, however, noticed by Audit that during 1994-95 and 1995-96 the Ghaziabad project office issued 1.57 lakh kg subsidised yarn valued at Rs. 114.87 lakh to seven private firms who were making bulk supplies against supply orders of the Company and were not member/member primaries directly affiliated to the Company. As a result of issue of yarn to ineligible firms at subsidised rates, the Company extended undue financial benefit of Rs. 25.83 lakh to firms by way of irregular utilisation of Central subsidy.

The Company issued subsidised yarn to ineligible firms thereby extending undue benefit of Rs. 25.83 lakh.

2B.4.2 Unrecovered dues of yarn sold on credit

The Project Officer, Etawah without obtaining any approval from the Head Office for credit sales of yarn and also without any bank guarantee from the three local firms, issued (1991-92) 2000 bundles of yarn of different counts valued at Rs. 6.75 lakh. The firms repaid dues of Rs. 2.89 lakh only and did not make any payment since 1993-94 against balance dues of Rs. 3.92 lakh (including interest) outstanding against them. The Company had neither initiated any action against the firms to recover its dues nor had it initiated any disciplinary action against the officer responsible for allowing issue of yarn on credit without obtaining approval from the Head Office/bank guarantee from the firms (August 1997).

2B.5 Inventory control

The stock of finished goods is held at projects engaged in procurement of cloth, two central stores at Kanpur and at Jaspur where goods procured by projects are transferred and at 177 showrooms spread all over the country. The table given below indicates the inventory of cloth (controlled and non-controlled) and carrying cost of the inventory incurred (interest and handling charges) for the last five years up to 1995-96:

(Rupees in lakh)

	Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
(A)	Position of inventory held					
	Non-controlled cloth	3362.30 (5.8)	3500.07 (6.0)	2800.14 (9.1)	3433.96 (11.5)	3433.16 (12.5)
	Controlled cloth	796.34 (3.5)	632.29 (2.2)	268.20 (2.3)	987.00 (16.3)	953.44 (21.5)
	Total	**4158.64**	**4132.36**	**3068.34**	**4420.96**	**4386.60**
(B)	Cost incurred in carrying inventory	909.61	994.92	864.08	898.71	1056.83

Note: Figures in brackets indicate closing inventory in terms of month's sale.

The inventory of non-controlled and controlled cloth in terms of month's sale sharply increased from 5.8 months to 12.5 months and 2.2 months to 21.5 months respectively during 1991-92 to 1995-96 as a result of which the Company had to incur huge inventory carrying cost. The main reasons for huge build up of inventory were:

- non-fixation of minimum and maximum level of stock for each project and showroom to control the build up of inventory;
- absence of periodical review of stock lying with private firms for processing and progress made in securing its early return;

(Paragraph 2B.2.6)

- absence of item-wise and age-wise analysis of inventory to determine the items requiring prompt attention of the Management for their disposal;

[Paragraph 2B.5.1 (i) (ii) (iii)]

- absence of time schedule to finalise heavy shortages in stock noticed during annual physical verification;

(Paragraphs 2B.5.3.1 and 2B.5.3.2)

2B.5.1 Bulk procurement leading to increased inventory

Bulk procurement of wall hangings, shawls and lining bed sheets led to heavy accumulation of their inventory resulting in incurring of inventory carrying cost of Rs. 0.54 crore.

(i) The Company without assessing the sale potential of wall hangings produced in Mau Nath Bhanjan area, purchased 17988 wall hangings during 1994-95 and 1995-96 at a cost of Rs. 38.31 lakh out of which 5318 wall hanging only could be disposed off during the period of three years up to 1996-97 and the remaining 12670 wall hangings valued at Rs. 27.18 lakh were lying at showrooms and Central Stores since procurement. The stock of 12670 wall hangings lying unsold included avoidable purchase of 4988 wall hangings valued at Rs. 11.32 lakh made during 1995-96 without considering the availability of the item in stock and the trend of their sale. The inventory carrying cost incurred on unsold stock of 12670 wall hangings valued at Rs. 27.18 lakh amounted to Rs. 11.97 lakh up to August 1997.

(ii) Uttaranchal Development Project of the Company supplied 12629 pieces of shawls (value: Rs. 16.08 lakh) to Central Stores during January 1992 to March 1993 out of which only 11056 shawls could be despatched by the stores to showrooms till July 1997 on account of low demand and balance 1573 shawls (value: Rs. 2.00 lakh) were still held in stock (August 1997).

In spite of poor sale, the Company further procured 4642 shawls at a cost of Rs. 5.91 lakh during 1993-94 to 1995-96 which also continue to remain in stock (July 1997). The average inventory held during five years up to March 1997 ranged between Rs. 8.5 lakh and Rs. 20 lakh against yearly average off-take of Rs. 2.50 lakh only.

Thus, excess procurement of shawls resulted in inventory carrying cost of Rs. 20.80 lakh over the surplus inventory from April 1992 to July 1997.

(iii) The stock of lining bed sheets (janta cloth) during the years 1995-96 and 1996-97 held at the Central Stores, Jaspur was quite high. The monthly stock held during the year 1995-96 and 1996-97 ranged from Rs. 26.94 lakh to Rs. 70.97 lakh against average monthly off take of about Rs. 10 lakh only. The extra cost incurred in carrying the inventory beyond one month's sales requirement amounted to Rs. 20.67 lakh (July 1997).

2B.5.2 Lack of action for losses in auction

The Company had not initiated any inquiry to fix responsibility for losses of Rs. 1.25 crore incurred in sale of damaged stock.

The damaged cloths and yarn are sold through auction after obtaining approval of the Managing Director. The heavy losses incurred in sale of damaged cloth/yarn through auction are not analysed to determine lapses on the part of the Company's officers/staff in order to fix their responsibility. The extent of heavy losses in auction is amply demonstrated by the sale of cloth/yarn valued at Rs. 154.24 lakh through auction (July-August 1995) for Rs. 29.01 lakh only whereby Company suffered a loss of Rs. 125.23 lakh but responsibility on concerned officials had not been fixed. As on 31 March 1997, damaged cloth valued at Rs. 174.22 lakh were held in stock but their disposal through auction was still awaited (August 1997).

2B.5.3 Shortages in stores and inquiries thereof

Shortages in stock are annually determined through annual stock verification (ASV) carried out at the close of each financial year. The shortages in ASV reports are scrutinised at Head Office by a Committee consisting of a General Manager, the Chief Accounts Officer and the Chief Marketing Manager which submits its findings to the Managing Director for orders.

2B.5.3.1 Shortages pending investigation

Position of shortages noticed in ASV of showrooms and exhibitions and scrutiny thereof by the Committee as of April 1997, is given below:

(Rupees in lakh)

Year	Shortages noticed		Shortages scrutinised by the Committee	
	Number of showrooms & exhibition	Amount	Number of showrooms	Amount
1992-93	183	27.07		Not available
1993-94	171	47.38	26	4.54
1994-95	183	43.42	NIL	NIL
1995-96	196	30.05	39	2.67

The Company did not furnish any records to ascertain whether shortages of Rs. 27.07 lakh noticed during 1992-93 were actually scrutinised by the Committee and any action taken for their recovery.

The Company failed to finalise the case of shortages in stock aggregating Rs. 1.14 crore even after lapse of over 3 years of its detection in annual physical verification.

The shortages of Rs. 43.42 lakh for the year 1994-95 had not been scrutinised by the Committee at all even after a lapse of over two years; the progress of scrutiny in respect of shortages for 1993-94 was also poor as the shortages amounting to Rs. 42.84 lakh remained unscrutinised for over three years (July 1997). The pendency in scrutiny of shortages of Rs. 113.64 lakh for the years 1993-94 to 1995-96, has correspondingly delayed the realisation of the amount due to the Company.

2B.5.3.2 Unpursued shortages in inter-unit transfers

The shortages occurring between stores transferred from Central Stores/project offices to showrooms or from one showroom to another showroom were not scrutinised by the Committee at all. The shortages which aggregated Rs. 12.86 lakh during 1992-93 to 1995-96 were determined and analysed in audit which indicated that the short receipt by showrooms, mainly related to goods despatched from Central Stores and Regional Offices as will be seen from the following break-up:

(Rupees in lakh)

Name of despatching units	Short accountal
Transfer from Central Store, Kanpur	4.78
Transfer from project	0.15
Transfer from Regional Offices	4.96
Inter showroom transfers	2.97
Total	**12.86**

Thus, the above shortages of Rs. 12.86 lakh remained altogether unscrutinised. The Management had not ever analysed the reasons for shortages to avoid such leakage in future.

2B.5.4 Disciplinary cases relating to shortages in stores

The Company appoints Inquiry Officers to conduct disciplinary proceedings against officers and staff for shortages and losses caused by them to the Company's property. The Company had not maintained any consolidated record showing the cases referred from time to time for inquiry and progress at each stage so as to ensure its proper pursuance. During audit scrutiny the following points were noticed:

(i) Delay in submission of inquiry reports

The inquiry reports, required to be submitted by the Inquiry Officer within three months of his appointment, remained unfurnished for more than three years (July 1997) as per summarised break-up given below:

(Rupees in lakh)

Period of delay	Number of cases	Amount of loss involved
Up to 1 year	2	56.44
Above 1 year but up to 3 years	6	87.32
Above 3 years but up to 5 years	7	225.87
Total	**15**	**369.63**

The Company failed to take disciplinary action against losses of Rs. 3.70 crore which remained pending for a period up to 5 years.

The abnormal time taken in inquiry has correspondingly delayed the recovery of losses amounting to Rs. 369.63 lakh. In the context of delays it may be mentioned that out of above 15 cases, in three cases of shortages in stock and unauthorised expenditure aggregating Rs. 38.89 lakh, which were detected by the management in between March 1990 and April 1993, the disciplinary action was not initiated for 9 to 11 months with the result that further shortages in stock and cash amounting to Rs. 22.34 lakh were committed by the same officers. The entire amount of Rs. 61.23 lakh remained unrecovered as the proceedings were under progress (July 1997).

(ii) Delay in taking decision on the inquiry reports

The Management is required to take action on the inquiry reports within two months by timely issue of show cause notices to the concerned officers and to issue final orders on receipt of replies from them. Out of seven cases involving loss of Rs. 105.51 lakh, final action in one case (loss: Rs. 6.48 lakhs) was taken after 12 months of submission of the inquiry report. The remaining six cases involving loss of Rs. 99.03 lakh are pending final action for varying periods ranging from 6 months to 4 years.

One of the main reasons for delay as noticed by Audit, was further inquiry desired by the Management on the reply to the show cause notice in respect of three cases involving loss of Rs. 31.07 lakh. The delay in taking penal action was abnormal considering the overall prescribed time schedule of 5 months.

The Company failed to take timely final action on the inquiry reports involving loss of Rs. 0.99 crore which remained pending for varrying periods up to 4 years.

2B.6 Finance and cash management

The Company availed cash credit facility at H.O. from State Bank of India (SBI) for Rs. 4.94 crore and Uttar Pradesh Cooperative Bank (UPCB) for Rs. 6.40 crore. In respect of 72 showrooms, where no collection accounts are operated, the showroom incharges are required to remit the sale proceeds to H.O. at reasonable intervals through bank drafts. For the remaining 105 showrooms, the Company had opened 90 collection accounts with the banks without executing any agreement. Sale proceeds of the showrooms are required to be deposited into collection accounts by showroom incharges by the following day. The collecting banks have been instructed to transfer fortnightly balances to the collection accounts of the H.O. through telegraphic transfer after retaining minimum required balance. During the end of each of the five years up to 1995-96, huge funds remained in transit (ranging between Rs. 67.23 lakh and Rs. 279.63 lakh) and in collection accounts (ranging between Rs. 318.07 lakh and Rs. 1012.69 lakh) resulting in avoidable incidence of interest as detailed below:

2B.6.1 Retention of debit balances in CC Account with SBI

The Company determines book balances of each bank account at the close of the financial year after reconciling the monthly remittance statements of showrooms. As a result, the position of balances available in each bank account remain undetermined till the close of the year for effecting timely transfer of surplus funds to reduce the borrowings with the banks.

It was noticed in audit that the monthly minimum debit balances between November 1993 and November 1994 in CC account with the SBI, which ranged from Rs. 0.16 lakh to Rs. 688.72 lakh aggregated to Rs. 2257.07 lakh and did not earn any interest. During the same period, the monthly credit balances in CC account with UPCB, which ranged from Rs. 202.99 lakh to Rs. 622.16 lakh, aggregated to Rs. 4152.74 lakh on which the Company had to pay interest at 19 per cent per annum. Had the Company transferred in each month balances available in CC account with SBI to CC account with UPCB, it could have avoided interest payment of Rs. 35.74 lakh to UPCB.

The Company incurred avoidable interest of Rs. 35.74 lakh due to continued retention of debit balances in one CC account while incurring interest on overdraft on another CC account.

2B.6.2 Delays in accountal of fund transferred from branch collection account

The Company had not evolved a system of timely reconciliation of remittances made from branch collection accounts through telegraphic transfer with the amount accounted for in the H.O. collection accounts to detect undue delay by the banks in affecting credit. During test check of remittances made from branch collection accounts during 1993-94 to 1995-96 with the date of actual credit in H.O. collection accounts, it was noticed that accountal of credits were abnormally delayed by banks even after allowing margin of 7 days for postal delays and local collection as summarised on the next page:

(Rupees in lakh)

Period of delay	Number of remittances	Amount
Up to 10 days	9	4.17
Above 10 days but up to 30 days	129	91.54
Above 30 days but up to 90 days	82	56.93
Above 90 days to 50 months	41	18.36
Total	**261**	**171.00**

The delays in affording credits resulted in loss of interest amounting to Rs. 9.89 lakh. In absence of any agreement, the Company had not been able to recover the above loss of interest from the concerned banks.

2B.6.3 Delay in collection of bank drafts

The sale proceeds remitted by showrooms to H.O. through bank drafts are entered in a register which neither indicates the date of receipt of bank drafts in Head Office nor the date of its submission to banks for collection. As a result, avoidable delays attributable to the Company's staff and bank remains undetermined.

It was noticed by Audit that against bank drafts aggregating Rs.10.79 crore deposited with the banks during 1993-94 to 1995-96, credits were given by banks after delays ranging up to 164 days (after allowing 10 days grace period for time involved in postal receipt and collection by bank) as summarised below:

(Rupees in lakh)

Delay for a period	Number of bank drafts	Amount
Upto 10 days	20	10.22
Above 10 days but up to 30 days	127	1031.67
Above 30 days but up to 90 days	56	29.64
Above 90 days but up to 164 days	8	7.05
Total	**211**	**1078.58**

Thus, due to delays in credit of bank drafts amounts aggregating Rs. 1078.58 lakh for varying periods ranging from 8 days to 164 days during 1993-94 to 1995-96, the Company had to incur loss of interest of Rs. 2.18 lakh on funds borrowed to the above extent under CC account with banks. The Company had so far not analysed the delays to enable it to adopt remedial measures.

2B.7 Sundry debtors and claims recoverable

The table below indicates the year-wise position of sundry debtors and recoverable advances at the close of five years up to 1995-96:

(Rupees in lakh)

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
Sundry Debtors	1324.69	2163.83	1244.89	1321.91	1523.01
Debtors in terms of months sales	1.64	2.48	2.92	3.70	4.32
Advances recoverable	2144.55	2018.99	2279.30	2022.08	2344.89

It would be seen from the above that debtors in terms of monthly sales are increasing from year to year which is due to the following:

(i) Age-wise analysis of debts is not being carried out and therefore old and heavy debts remain unidentified for securing early liquidation.

(ii) The Company has neither reconciled annually the dues outstanding at the close of each year against Association of Corporation and Apex Societies of Handloom, New Delhi in respect of supplies made on their behalf to the Central Government departments nor the billwise break-up in support of Rs. 180.69 lakh outstanding thereagainst as of March 1996 was available.

2B.7.1 Position of insurance claims recoverable

Insurance claims of Rs. 0.91 crore on account of losses in storage and in transit were pending as on 31 March 1997.

The Company obtains insurance cover for goods stored or in transit to protect against losses in storage due to theft, fire, damage and transit losses etc. As on 31 March 1997, claims of Rs. 84.88 lakh for losses in storages and Rs. 6.39 lakh for losses in transit were pending. A scrutiny by Audit revealed the following:

(a) In three cases where claims of Rs. 5.28 lakh were lodged (April 1992 to October 1992) for losses due to theft and fire, claims were rejected by insurer on the basis of final reports given by the Police indicating that theft had not occurred and the fire incidents had been caused by the staff. The Company had not initiated any action for recovery from the staff responsible for the loss (August 1997).

(b) Against Company's claim (1990-91 to 1993-94) of Rs. 67.55 lakh in respect of seven cases of losses caused by flood and fire, the insurance companies settled the claims for Rs. 15.99 lakh only taking the salvaged value of the damaged goods at Rs. 56.56 lakh. The damaged goods were lying undisposed for over 3 to 5 years of release of stock by insurer and therefore, the extent of loss actually sustained remained undetermined (August 1997).

(c) In respect of 10 cases of shortages and damage in transit, claims of Rs. 6.39 lakh lodged with the insurance companies between September 1992 and January 1995 were pending (July 1997). Neither the insurance companies had intimated reasons for non-acceptance of the claims nor the same was ever enquired for by the Company.

2B.7.2 Unrecovered advances against rejected supplies

The Company placed between April - June 1996 orders valued at Rs. 53.82 lakh on three firms of Ghaziabad for supply of 23000 pieces of barrack blankets meant for Defence Department. The supply order provided for advance payment up to 30 per cent along with the order without obtaining any bank guarantee. The final payment was to be made upon acceptance of goods by the Defence Department.

Payment of advance to firms without obtaining guarantee led to blockage of funds of Rs. 0.16 crore with consequent loss of interest of Rs. 0.03 crore.

Ghaziabad project office of the Company advanced Rs. 16.32 lakh to three firms along with the orders. The total supplies offered by the firms were rejected in June 1996 by the Defence Department. The firms have neither offered fresh supplies in place of rejection nor refunded the amount advanced by the Company (August 1997). Payment of advance to firms without obtaining guarantee led to blockage of Company's funds of Rs. 16.32 lakh as of August 1997 with consequent loss of interest of Rs. 3.36 lakh.

2B.7.3 Heavy advances against RMM, Bombay

Advance outstanding against the Regional Marketing Manager (RMM), Bombay at the close of 1996-97 was Rs. 45.19 lakh which included advances of Rs. 32.15 lakh outstanding for over five years. Such heavy advances have not ever been reviewed by the Management in order to take necessary action for fixing responsibility and effecting recovery where advances were drawn in excess of expenditure incurred. The position could not be reviewed by Audit for want of submission of accounts by the RMM as of August 1997.

2B.8 Other Projects and Schemes

2B.8.1 Deficiencies in implementation of project package scheme

The Company failed to completely implement the scheme in all the 9 districts, as a result of which Rs. 2.10 crore remained unutilised.

The Government of India introduced in 1991-92 a project package scheme for providing training to handloom weavers, distribution of looms and worksheds to trained weavers and providing financial assistance by way of margin money. The objective of the scheme was to convert weavers from weaving of grey cloth to dyed yarn fabrics. The scheme was to be completed by the Company within two years of release of fund. The total cost of the scheme in 13 districts of the State was Rs. 567.55 lakh which was to be implemented through the Company.

Funds amounting to Rs. 180.50 lakh for implementation of the scheme in 4 districts and Rs. 125.96 lakh for 9 districts were released by Central/State Government to the Company during 1992-93 to 1995-96. Against total funds of Rs. 306.46 lakh received upto 1995-96, the Company had incurred expenditure of Rs. 96.15 lakh up to March 1997. In this connection the following points were noticed in audit:

(i) In four districts where funds of Rs. 180.50 lakh were provided by the Government upto 1993-94 and scheme was required to be fully implemented by March 1995, the Company had incurred expenditure of Rs. 96.15 lakh only upto March 1997 and scheme was still under implementation in all the districts (August 1997).

(ii) In nine districts where implementation of the scheme was to be completed in 1996-97, the Company had not initiated action even for the selection of weavers for assistance under the scheme. As a result, the entire fund of Rs. 125.95 lakh remained unutilised (March 1997).

Non-implementation of the package caused loss to the Company as it could achieve only 20 to 48 per cent of procurement targets of controlled cloth, allotted under new varieties of dyed cloth since 1993-94.

2B.8.2 Deficiencies in implementation of Susman cloth scheme

The Government of India in June 1988 introduced a scheme to encourage production of man-made fabrics for making available low price cloth to masses with the use of Polyester Filament Yarn (PFY) at concessional rate of excise duty. The nodal agency for control over the scheme in the State was Director, Handlooms.

The Company which was one of the implementing agencies, was required to furnish its yearly production plan, requirement of PFY and cost sheet for each variety of cloth taking wastages into account through the Director, Handlooms for final approval of the Government of India. The implementation of the scheme could be started only in April 1994 after the modalities for grant of concession in excise duty was finalised by the Central Government. The following points were noticed:

(i) The Company which was assigned a target for production of 1.55 lakh metres of cloth during the year 1994-95, could produce only 0.28 lakh metres cloth valued at Rs. 5.88 lakh till March 1997. The Company submitted further programmes for annual production of 3.50 lakh metres cloth during 1995-96 and 1996-97 but was not assigned any target by the Government of India as the target for 1994-95 remained unfulfilled till March 1997.

(ii) The yarn consumed in production of 0.28 lakh metre shirting was 5365 kg which exceeded the requirement of 2739 kg as per the norms. This resulted in excess consumption of 2626 kg yarn valuing Rs. 3.72 lakh. The Company had not fixed responsibility for excess consumption.

2B.9 Poor performance of process house and dyeing machine at Khalilabad

2B.9.1 Process house

The Company established a process house at Khalilabad in 1980 at a cost of Rs. 207.32 lakh to process the cloth purchased from weavers at its own plant instead of through private firms so as to improve the quality of output. The process house provided bleaching, dyeing, calandering and finishing facilities.

The capacity utilisation of process house at Khalilabad declined from 12.9 per cent in 1993-94 to 3.9 per cent in 1996-97 mainly on account of year-to-year decline in allotment of controlled cloth quota by Government of India.

The capacity utilisation of the process house had gradually declined from 12.9 per cent 1993-94 to 3.9 per cent in 1996-97 mainly on account of year-to-year decline in allotment of controlled cloth quota by the Government of India through SLIC. In spite of declining trend in capacity utilisation, there was no corresponding reduction in direct cost of production as well as other overheads which resulted in continuous losses to the process house as summarised below:

(Rupees in lakh)

Particulars	1993-94	1994-95	1995-96	1996-97
Processing charges earned	22.17	29.45	15.60	14.57
Expenses:				
Direct cost	18.25	25.30	15.08	12.73
Establishment and overheads	39.16	40.11	40.48	37.46
Total	**57.41**	**65.41**	**55.56**	**50.19**
Net loss	**35.24**	**35.96**	**39.96**	**35.62**

In spite of recurring losses incurred by the process house, the Company had not taken remedial measures to improve its working.

2B.9.2 Dyeing machine

The Board approved in June 1987 a proposal to install a jet dyeing machine for dyeing synthetic fabrics (made from polyester yarn) in fast colours in the Khalilabad process house. The Company, however, did not take any action to purchase and install the machine for about six years. In May 1993, without re-assessing the viability of installing the machine, it placed an order for its supply and installation for Rs. 9.55 lakh. The machine, supplied in August 1994, was commissioned in October 1994. The machine which had installed capacity to dye 30 lakh metres cloth annually, could dye only 3 to 4 per cent of its capacity up to March 1997 due to substantially lower working in polyester yarn which had already declined from 0.89 lakh kg in 1987-88 to 0.08 lakh kg in 1992-93 even before placement of supply order for the machine.

Thus, the procurement of the dyeing machine at a cost of Rs. 9.55 lakh without reassessing its requirement in view of steep decline in trading of polyester yarn led to blockage of fund due to nominal utilisation of the machine.

2B.10 Other topics of interest

2B.10.1 Establishment of process house at Etawah

The Company failed to recover Rs. 32.25 lakh blocked in process house for over 3 years.

The Company submitted (July 1990) a detailed project report to the Government for setting up a process house at Etawah in view of lack of any process house in an area growing up in fabric production. The PIB approved (February 1991) the project at a cost of Rs. 189.71 lakh to be financed through loans from financial institutions to be arranged by the Company.

The Government released (March 1991) Rs. 50 lakh towards equity to facilitate the establishment of the project. The Company, however, did not make any effort to raise the balance funds from the financial institutions as envisaged. While the construction of the building was under progress, the Board of Directors after considering the progress of the project, directed (June 1993) the Management to reassess the viability of the project and also to explore the option for privatisation of the unit. While the recommendations of the Management on the Board's directive were yet to be submitted, the Government on its own in July 1994 decided to privatise the process house as it felt that it would not be possible to face competition from private process houses and also on account of financial constraints. After the Government decision, the Management did not complete the reassessment of viability for submission to the Board of Directors.

The Company, which had spent Rs. 32.25 lakh till June 1994 on the buildings under construction, stopped the work immediately and refunded the unspent balance of Rs. 17.75 lakh to the Government in August 1994. In spite of lapse of over three years since the stoppage of construction, no progress has been made for privatisation of the unit so as to recover the funds blocked in the project (August 1997).

2B.10.2 Vacation of showroom during agreement period

The Company entered into an agreement in February 1985 with a party of Lucknow for obtaining 1113 sq.ft. area at a monthly rent of Rs. 3339 in Kapoorthala Shopping Centre (Lucknow) on lease of ten years for its showroom. The rent was to be increased by 25 per cent from March 1990 after expiry of 5 years of lease. The agreement provided for execution of a lease deed between the parties and sharing of the expenditure thereon by the two parties equally.

The Company, without execution of any lease deed, incurred Rs. 4.12 lakh during 1985-86 in furnishing the showroom. The lease deed of the premises could not be executed as the owner during the currency of agreement, proposed (January 1988) modified terms with provision for increase in rent by 25 per cent after every three years. In the absence of any lease deed, the owner issued a legal notice in June 1988 for vacation of the showroom. The Management assessed in December 1990 that it would have to incur loss of Rs. 2.12 lakh on furnishing not retrievable in case of vacation of the showroom. The Company vacated the premises in June 1990 without even claiming the loss of furnishings of Rs. 2.12 lakh and incurred further extra expenditure of Rs. 1.21 lakh during the unexpired period of agreement up to February 1995 in hiring (April 1992) of a new showroom (971 sq.ft.) at a monthly rent of Rs. 7572.

The loss of Rs. 3.33 lakh could have been avoided had the Management insisted for execution of the lease deed in its favour before the start of business and commencing any furnishing in the building.

Conclusion

The company was established for assisting the Handloom and powerloom sector by rendering them financial and marketing assistance and providing training to the weavers. The Company, however, did not take up powerloom sector for any assistance and also did not provide financial assistance to the handloom sector. The training of weavers was confined only to the schemes funded by the Government. It undertook the distribution of yarn to weavers of handloom sector and rendered marketing assistance by procurement and sale of their products. Even the limited activities undertaken by the company had declining trend and culminated into heavy losses due to the following deficiencies:

- procurement and sale of controlled cloth much below the targets and locking-up of funds;
- failure to provide subsidised yarn to weavers leading to procurement of cloth at higher rates;
- accumulation of heavy inventory for long periods due to unplanned and sub-standard purchases leading to high inventory carrying cost and heavy losses on their disposal in auction;
- negative contribution by some of the showrooms;
- non-liquidation of old sundry debtors and other claims;

- delays/non-reconciliation of inter-showroom transfers and accounts with the purchasers resulting in heavy outstanding recoveries;
- failure to monitor and control cash flows from field units and non-credit of available surplus funds to CC Account;
- deficiencies in implementing other projects and schemes;
- poor performance of process house and dyeing machine.

In order to reduce losses and improve its operations, the Company needs to take the following corrective measures:

- strengthen its cash management system;
- closely monitor and improve the working of material procurement wing, marketing wings, showrooms and process house;
- ensure regular monitoring and reconciliation of stock of inventories lying at showrooms and other stores;
- take immediate action to liquidate old debtors and other claims;
- arrange proper evaluation and timely execution of other projects and schemes; and
- ensure strict monitoring and control over working of its officials;

The above matters were reported to the Company/Government in June 1997; their replies have not been received so far (September 1997).

Chapter-II

Section-2C

Kumaon Mandal Vikas Nigam Limited

SECTION 2C

Kumaon Mandal Vikas Nigam Limited

Highlights

Parvatiya Vikas Nigam Limited, incorporated on 30 March 1971 was renamed as Kumaon Mandal Vikas Nigam Limited in August 1976, with a view to improving socio-economic status of the Kumaon region by promoting industry, tourism, marketing and construction activities.

(Paragraph 2C.1)

The Company incurred avoidable interest liability of Rs. 61.94 lakh on the loans aggregating Rs. 91.04 lakh on account of either their diversion for purpose other than for which they were obtained or lying unutilised.

(Paragraph 2C.5.1(a)&(b))

In contravention of the Government order, the Company accounted for interest amounting to Rs. 1.31 crore earned on funds received from Government and invested in FDRs as its own income instead of crediting the same to the Government.

(Paragraph 2C.5.2)

Due to low capacity utilisation of Parvat Wire factory, the Company suffered a loss of Rs. 54.92 lakh during last five years up to 1995-96 which would further increase by Rs. 15.42 lakh on passing of the benefit to customer of reduction in sale prices as recommended by Price Fixation Committee.

(Paragraph 2C.6.A.1)

The process loss in Turpentine and Rosin factory ranged between 11.2 to 12.1 per cent against the prescribed norm of 8 per cent resulting in loss of Rs. 14.09 lakh during last five years up to 1995-96. The Company incurred further loss of Rs. 29.41 lakh due to poor recovery of pale grade rosin which ranged between 'nil' to 6.2 per cent against the prescribed norm of 51 per cent.

(Paragraphs 2C.A.3(ii) and (iii))

The Company suffered a loss of Rs. 76.85 lakh in Jari-buti trading due to excessive overheads and allowing direct trading by the farmers.

(Paragraph 2C.6.B.2)

Due to poor occupancy in tourist rest houses and failure to keep food and fuel cost within prescribed limit, the Company suffered a loss of Rs. 1.14 crore during five years up to March 1996.

(Paragraphs 2C.6.C.1(i) and (ii))

In operating of cooking gas (LPG) agency, the Company suffered a loss of Rs. 29.84 lakh during last five years up to 1995-96 due to excessive overheads and delayed adoption of revised sale prices of LPG refills.

(Paragraph 2C.6.D)

The Company could not recover overheads expenses of Rs. 30.55 lakh of Construction Division due to its low turnover.

(Paragraph 2C.6.E)

2C.1 Introduction

With a view to improving the socio-economic status of Garhwal and Kumaon regions of the State, the Uttar Pradesh Parvatiya Vikas Nigam Limited was incorporated on 30 March 1971 as a wholly owned Government Company. On creation of Garhwal Mandal Vikas Nigam Limited in March 1976, the activities of erstwhile Uttar Pradesh Parvatiya Vikas Nigam Limited, renamed (August 1976) as Kumaon Mandal Vikas Nigam Limited, became confined to the Kumaon region only comprising Nainital, Almora, Pithoragarh and Udham Singh Nagar districts.

2C.2 Objectives

The main objectives of the Company are as follows:

- to aid, assist, promote or establish, develop or execute industries, projects or enterprises in order to promote or advance the economic, industrial and agricultural development of the region;
- to aid, counsel, assist, or finance or promote the interest of industries and connected activities in the area;

- to develop tourist traffic or trade by development of hotels and restaurants to help tourism in the area;
- to develop and exploit horticulture, vegetable and forest resources of the area.

2C.3 Organisational set-up

The management of the Company is vested in a Board of Directors consisting of not less than three and not more than fifteen members. The Managing Director is the Chief Executive of the Company and is assisted by four General Managers at the Headquarters and Managers and Tourist Development Officers at unit level in field offices.

The Company has not appointed a qualified Company Secretary as required under section 383-A of the Companies Act, 1956 although its paid-up capital was more than Rs. 25 lakh since inception.

2C.4 Scope of Audit

A review on the working of the Company for a period of five years up to 1984-85 was earlier incorporated in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1985 (Commercial), Government of Uttar Pradesh. The Report has not, so far (September 1997), been discussed by the Committee on Public Undertakings.

The working of the Company for a period of five years up to 1995-96 was reviewed in audit during August 1996 to February 1997, results of which are discussed in the succeeding paragraphs.

2C.5 Financial position and working results

2C.5.1 Financial position

The accounts of the Company are in arrears since 1994-95. The financial position of the Company at the end of each of the five years up to 1995-96 is given on the next page:

(Rupees in lakh)

	Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
A.	**Liabilities**					
(I)	Paid-up Capital including share application money	826.61	904.67	931.83	931.83	992.88
(ii)	Reserve & surplus	103.27	103.27	102.94	102.97	37.53
(iii)	Borrowings					
	(a) Secured loan from banks	83.22	64.70	47.74	30.48	53.48
	(b) Unsecured loan from Government	191.17	226.54	239.91	296.76	590.86
(iv)	Current Liabilities and provisions	924.75	829.82	800.25	699.13	886.88
	Total	**2129.02**	**2129.00**	**2122.67**	**2061.17**	**2561.63**
B.	**Assets**					
(i)	Gross block	515.93	527.54	524.88	561.00	548.72
(ii)	Less Depreciation	302.75	327.03	356.66	363.25	381.25
(iii)	Net fixed assets	213.18	200.51	168.22	197.75	167.47
(iv)	Capital work-in-progress	--	--	4.02		
(v)	Investment	245.51	262.11	481.11	650.24	650.24
(vi)	Current assets, loans and advances					
	(a) Inventory	216.39	155.81	158.44	80.80	109.62
	(b) Sundry debtors	118.52	108.98	110.85	76.99	93.58
	(c) Cash and bank balance	593.75	468.72	371.99	437.53	874.67
(vii)	Loans and advances	542.76	738.07	580.23	356.69	433.02
(viii)	Miscellaneous expenses not written off	0.82	0.80	0.84	0.58	0.52
(ix)	Accumulated loss	198.09	194.00	246.97	260.59	252.51
	Total	**2129.02**	**2129.00**	**2122.67**	**2061.17**	**2561.63**
C.	Capital employed*	759.85	842.27	593.50	450.63	791.48
D.	Net worth**	730.97	813.14	786.95	773.63	777.38

Note: The Company had not prepared provisional accounts for the years 1994-95 and 1995-96. The table is compiled on the basis of figures furnished by the Management.

Above unsecured loan from Government includes:

(a) a loan of Rs. 60 lakh, obtained (July 1994) from the State Government, for special repair of tourist rest houses (TRHs) leased out to the Company by the State Tourism Department. The Company, however, utilised only a sum of Rs. 29.40 lakh up to

Non-return of unutilised portion of loan resulted in avoidable payment of interest of Rs. 61.04 lakh.

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

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

March 1996. The interest burden on unutilised portion of the loan of Rs. 30.69 lakh up to September 1997 was Rs. 18.90 lakh.

(b) loans of Rs. 21.99 lakh and Rs. 75 lakh were obtained in March 1993 and July 1994 for package assistance to Teletronix Limited and Transcables Limited (subsidiaries of the Company), respectively. The Company utilised the entire loan of Rs. 21.99 lakh obtained for Teletronix Limited and an amount of Rs. 38.45 lakh out of loan of Rs. 75 lakh obtained for Transcables Limited for purposes other than for which these loans were obtained. Thus, on the loan funds amounting to Rs. 60.44 lakh, the Company had incurred avoidable interest liability of Rs. 43.04 lakh up to September 1997 without achieving the objects for which these loans were obtained.

In this connection it was observed by Audit that the Company did not return above unutilised portion of loans (Rs. 91.04 lakh) and paid an interest of Rs. 61.04 lakh at the rate of 19.5 per cent per annum, in spite of having huge cash and bank balances ranging between Rs. 371.99 lakh to Rs. 874.67 lakh during the period of the review. The Management could not furnish any valid reason for this.

2C.5.2 Working results

The working results of the Company for the five years up to March 1996 are given below:

(Rupees in lakh)

	Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
A.	**Expenditure:**					
(i)	Purchase	572.77	742.63	879.92	1090.95	1261.95
(ii)	Raw material consumed	274.01	244.29	213.88	96.73	187.34
(iii)	Manufacturing expenses and other overheads	420.33	448.57	590.96	1422.14	793.23
(iv)	Interest on					
	(a) Government loan	14.27	14.28	14.27	30.93	39.49
	(b) Bank borrowings	6.32	5.41	7.91	2.70	2.55
(v)	Depreciation	27.02	24.28	32.49	18.25	18.00
(vi	Profit (+)/loss (-)	(-) 77.94	(+) 4.08	(-) 48.23	(-) 13.62	(+) 8.08
	Total	**1236.78**	**1483.54**	**1691.20**	**2648.08**	**2310.64**
B.	**Income**					
(i)	Sales	980.46	1240.47	1257.02	1415.68	1618.77
(ii)	Other income	228.42	251.18	395.47	1296.06	673.14
(iii)	Increase (+)/ decrease (-) in stock	(+)27.90	(-)8.11	(-)38.71	(-)63.66	(+)18.73
	Total	**1236.78**	**1483.54**	**1691.20**	**2648.08**	**2310.64**

The other income above, includes a sum of Rs. 131.40 lakh earned (during five years up to March 1996) by the Company on earmarked funds received from the State Government from time to time and invested by it in fixed deposit/securities, in contravention of provisions of Government order of December 1993 which required that any such interest earned by the Company should be credited to the State Government. The Management (July 1997) stated that there was no such condition stipulated in the sanction order. The reply is not tenable as above referred Government Order of December 1993 is very specific in the matter.

The Company erroneously treated the interest of Rs. 1.31 crore earned on earmarked fund received from the State Government as its own income.

The main reasons for poor performance and losses were :

- Poor performance of Parvat wire factory: Rs. 70.34 lakh.

(Paragraph 2C.6.A1)

- Losses in marketing activities: Rs. 99.07 lakh.

(Paragraph 2C.6.B)

- Continuous losses in Tourism and package tour activities: Rs. 99.78 lakh.

(Paragraph 2C.6.C)

- Losses in L.P.G distribution activity: Rs. 29.84 lakh

(Paragraph 2C.36.D)

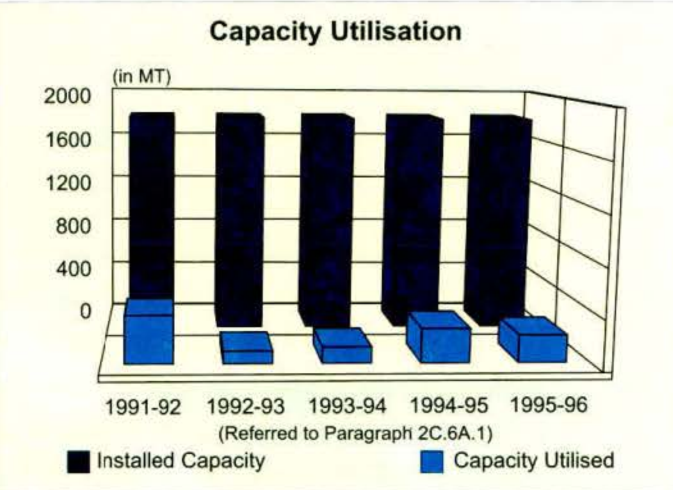
2C.6 Activities

The main activities of the Company, during the period of review, were confined to production and sale of barbed wire, polythene bags, rosin and turpentine; trading in fruits, *jari-buti* (herbals) and minor minerals; distribution of cooking gas (LPG) and petrol/diesel, promotion of tourism, development of tea estates etc.

The results of review of some of these activities have been discussed in the succeeding paragraphs.

2C.6.A Manufacturing activities

2C.6.A.1 Parvat Wire Factory



The Company set up (August 1977) Parvat Wire Factory at Kathgodam, for manufacture of barbed wire especially to meet the requirement of Forest Department. The initial capacity of the factory was 900 MT per annum which was subsequently increased (up to January 1979) to 1800 MT per annum. The table given below indicates the performance of the factory during five years up to 1995-96:

		1991-92	1992-93	1993-94	1994-95	1995-96
						(In MT)
A.	**Physical**					
(i)	Installed capacity	1800	1800	1800	1800	1800
		(21.2)	(5.6)	(7.2)	(15.1)	(12.2)
(ii)	Production of wire	381.30	100.34	130.21	272.14	220.18
(iii)	Sale of wire	357.90	173.49	142.78	275.41	185.02
						(Rupees in lakh)
B.	**Financial**					
(i)	Sales realisations	92.21	46.80	27.84	54.52	40.43
(ii)	Input cost of raw material	64.20	32.55	25.83	50.08	35.35
(iii)	Salary/wages etc.	13.05	14.95	16.86	13.80	16.37
(iv)	Other overheads	16.24	9.72	3.02	2.04	2.66
(v)	Losses	1.28	10.42	17.87	11.40	13.95

Note: Figures in brackets indicate percentage of capacity utilisation

The following observations are made:

The Company suffered a loss of Rs. 54.92 lakh due to low capacity utilisation of Parvat Wire Factory which would further increase by Rs. 15.42 lakh on passing of the benefit to consumer of reduction in sale price.

- During the period 1991-92 to 1995-96 the factory incurred loss amounting to Rs. 54.92 lakh due to underutilisation of installed capacity.
- The sales realisation for the years 1991-92 to 1995-96 were

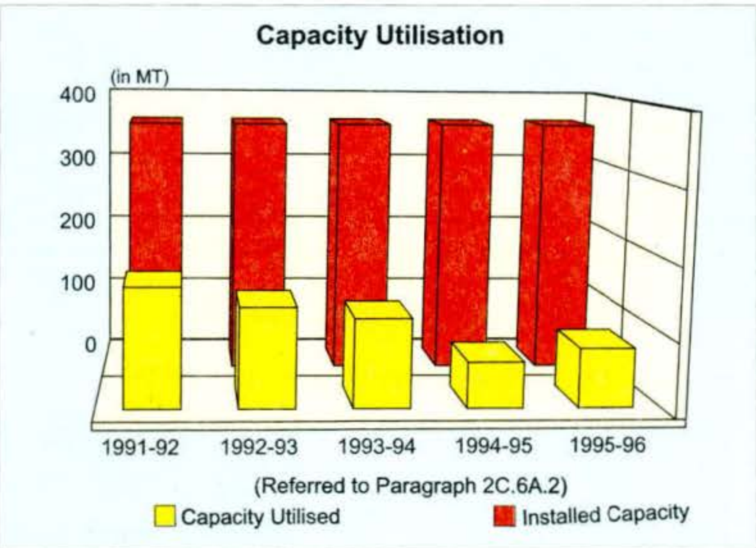
mainly from the Forest Department and were based on the rates fixed by the Company. However, it was noticed that the rates finally approved (June 1993) by Price Fixation Committee of the Government for the above years were on lower side and excess sales realisation made, based on the rates framed by the Company, have to be refunded to Forest Department. Thus, the above decision of the Committee would further increase the above loss of Rs. 54.92 lakh by Rs. 15.42 lakh.

- The capacity utilisation did not justify even a single shift working but the Company continued to engage staff based on double shift working even after stoppage of production since November 1996. Had the Company engaged staff based on one shift working, it could have saved a sum of Rs. 18.03 lakh incurred on salary/wages during the five years period up to March 1996 besides idle wages of Rs. 12.20 lakh paid during November 1996 to August 1997.

The main reason for loss sustained by the Company was attributed (July 1997) by the Management to decline in demand of the Forest Department. However, there was nothing on record to show that Management made any concerted effort to explore the possibilities of obtaining orders from other prospective buyers in order to make optimum capacity utilisation so that at least overheads could be absorbed.

2C.6.A.2 Parvat Plastics Factory

With a view to meeting large scale demands for polythene bags of the Forest and other Government departments as well as other consumers, the Company set up (1978) the Parvat Plastic Factory at Kathgodam with an installed annual capacity of 90 MT which was increased to 360 MT in April 1991. The percentage of capacity utilisation had gradually decreased from 45.4 per cent in 1991-92 to 17.17 per cent in 1994-95 with slight increase to 22.5 per



(Referred to Paragraph 2C.6A.2)

cent in 1995-96. The details of production, sales realisation, operating expenses etc. during five years up to March 1996 are tabulated below:

		1991-92	1992-93	1993-94	1994-95	1995-96
						(In MT)
A.	**Physical**					
(i)	Installed capacity	360	360	360	360	360
(ii)	Production in own factory	163.28	136.58	121.62	63.77	80.87
(iii)	Production by private parties	(45.4) 88.72	(37.9) 42.11	(33.8) 42.57	(17.7) 12.68	(22.5) 12.65
(iv)	Total production	252.00	178.69	164.19	76.45	93.52
						(Rupees in lakh)
B.	**Financial**					
(i)	Sales	107.80	124.50	92.41	65.18	87.96
(ii)	Increase/decrease of stock	(+)33.84	(-)9.97	(+)16.39	(-)11.88	(-)8.85
(iii)	Raw material used	114.51	84.68	81.58	36.44	54.24
(iv)	Salary and wages	13.43	15.84	18.13	16.79	16.90
(v)	Other overheads	3.99	3.91	4.85	3.51	3.51
(vi)	Conversion charges paid to private parties	2.26	1.07	1.09	0.32	0.32
(vii)	Profit(+)/loss(-)	7.45	9.03	3.15	(-)3.76	4.14

Note : Figures in brackets indicate percentage of capacity utilisation.

In this connection the following observations are made:

(i) The cost of production of bags in the factory was very high due to excessive overheads and during the five years period ranged between Rs. 0.11 lakh to Rs. 0.32 lakh per MT as compared to the conversion cost of Rs. 0.03 lakh per MT paid by the Company to private parties.

(ii) The Government vide its order (November 1988) had clearly instructed the Company not to engage outside agencies for production of polythene bags. But the Company continued to procure bags from outside thereby violating the Government orders.

(iii) During the five years' period up to 1995-96 the Company received orders for supply of 1035.16 MT of polythene bags (value: Rs. 652.57 lakh) from various Government departments. However, due to its failure in improving capacity utilisation, the Company failed to deliver 408.71 MT bags, valued at Rs. 252.83 lakh, thus, deprived itself from earning a potential profit of Rs. 12.04 lakh.

(iv) A sum of Rs. 34.35 lakh could not be realised from Forest Department since 1990-91 as the Company could not furnish the details of above receivables to the Department.

A sum of Rs. 34.35 lakh could not be realised from the Forest Department since 1990-91 as the Company could not furnish the details of these receivables.

(v) Shortage of 5.3 MT polythene bags valued at Rs. 2.65 lakh was detected by the Management in 1991-92 but no responsibility had been fixed for recovery so far (September 1997).

(vi) Loss of Rs. 3.76 lakh during 1994-95 was mainly attributable to low capacity utilisation and consequent non-absorption of overheads.

2C.6.A.2.1 Loss due to delayed/defective supplies

(a) The Conservator and Director, Social Forestry, Bareilly placed (September 1989) five orders for supply of 5.5 MT polythene bags of 6 x 12 x 200 mm size valued at Rs.2.15 lakh. The delivery was to be completed within one month from the date of the order. The Company arranged production of bags through two private firms who delivered the bags during November 1989 and March 1990, i.e. after expiry of the stipulated delivery period (October 1989). Due to delay, the purchaser did not lift the bags. Since the bags produced were of unusual size, not normally used these days, these were lying (September 1997) unsold in the store of the factory.

The Management had neither fixed responsibility for delayed supply nor taken steps so far (September 1997) to liquidate the obsolete store. The interest incidence on the above blockage of Rs. 2.15 lakh up to September 1997 amounted to Rs. 3.14 lakh.

Management stated (July 1997) that these bags would be recycled and sold out. Disposal/recycling of the bags was awaited (September 1997).

(b) The Company supplied 6.428 MT polythene bags valued at Rs. 3.07 lakh to the Divisional Forest Officers of Baharaich, Terai Kendriya Van Prabhag, Haldwani and Lakhimpur-Kheri divisions during 1985-86 to 1989-90 which were found defective by concerned divisions and 1.498 MT bags valued at Rs. 1.15 lakh were returned to the Company whereas remaining 4.93 MT bags valued at Rs. 1.92 lakh remained with the concerned divisions. However, as the Company did not send replacement for the defective bags, the payment for the same has not been released by the divisions so far (September 1997). The Management stated (July 1997) responsibility in the matter has been fixed and recovery orders for recovery of Rs. 3.02 lakh had been issued. Recovery was, however, not made so far (September 1997).

2C.6.A.3 Rosin and Turpentine Factory

With a view to utilising the available resin in Pithoragarh and providing employment to residents of this backward district, the Company set up (July 1978) a rosin and turpentine factory at Champawat (Pithoragarh) with an installed capacity of 1850 MT (on three shift basis). The details of capacity utilisation, percentage of recovery, process loss etc. during five years period up to 1995-96 are given below:

		1991-92	1992-93	1993-94	1994-95	1995-96
a.	Installed capacity (MT)	1850	1850	1850	1850	1850
b.	Resin processed (MT)	702.03	948.37	627.80	84.00	436.10
c.	Capacity utilised (per cent)	37.9	51.3	34.0	4.5*	23.6
d.	Rosin recovered (MT)	523.40	700.68	466.46	74.90	322.10
e.	Turpentine oil recovered (MT)	96.68	133.28	89.66	14.53	64.97
f.	Process loss (MT)	81.95	114.41	71.68	(5.43)**	49.03
g.	Percentage of process loss to resin processed	11.7	12.1	11.4	(14.5)	11.2
h.	Recovery of Pale grade rosin (MT)	9.42	39.23	14.77	NIL	20.06
i.	Percentage of Pale grade rosin to the total rosin recovered	1.8	5.6	3.2	NIL	6.2

In this connection, the following observations are made:

(i) Despite low capacity utilisation, during 1991-92 to 1995-96 (ranging between 4.5 and 51.3 per cent) reasons for which were attributed by the Management to non-availability of resin from the State Forest Department, the Management did not make any effort to explore alternative sources for supply of resin.

The Management did not even lift 212 MT of resin which was allotted by the Forest Department in October 1995 till the end of March 1996 due to non-deposit of cost within the prescribed time. Had the company lifted and processed the above resin timely, it could have avoided expenditure of Rs. 5.35 lakh which it had to incur on idle salary and wages and other overheads during that period.

* Low capacity utilisation due to non-availability from Forest Department.

** Represents an inexplicable gain.

(ii) As against the projected process loss of 8 per cent, the actual process loss ranged between 11.2 and 12.1 per cent due to impurities in resin over admissible norm of 3 per cent and supply of old stock of resin. The value of 87.99 MT of resin, lost in excess of the norms, aggregated Rs. 14.09 lakh during the five years period up to 1995-96.

The Company incurred loss of Rs. 14.09 lakh due to excess process loss of resin.

(iii) According to the project report, the percentage of pale grade rosin (grade 1) was to have been 51 per cent of the total rosin recovered. However, the actual recovery of Grade I rosin during the five years period up to 1995-96 ranged between nil and 6.2 per cent only. The value of 981.10 MT pale grade rosin short recovered as compared to norm during the above period aggregated to Rs. 29.41 lakh (after adjusting the value of other grades of rosin, excess recovered).

Short recovery of 'pale grade' rosin resulted in loss of Rs. 29.41 lakh.

(iv) Up to the year 1981-82 and from the year 1994-95, rosin filtrate (RF) was being reprocessed by the Company and a recovery of 75 per cent rosin of Grade III (dark) effected. During the period 1982-83 to 1993-94, the Management sold 46.33 MT of RF for Rs. 5.57 lakh, though it could have been reprocessed and a recovery of 34.75 MT of dark grade rosin, valued at Rs.10.08 lakh effected. The above decision of the Management resulted in a loss of Rs 4.51 lakh.

2C.6.B Marketing activities

2C.6.B.1 Fruit Marketing

With a view to providing remunerative price to fruit growers of the region, the Company started (1972) marketing of fruits. However, during the period of review the Company's marketing remained confined to marketing of "Malta" fruit under Market Intervention Scheme (MIS) of the Government of India which came into force from December 1990. The loss sustained by the Company was to be subsidised by the Central and the State Government in fifty-fifty ratio. However, from the year 1993-94 and onwards the provision of the scheme provided for fixed rates of overheads to be subsidised by the Governments, besides the cash loss.

The details of purchase, sales, overhead expenditure, subsidy received etc. are given in the table below:

(Rupees in lakh)

		1991-92	1992-93	1993-94	1994-95	1995-96
1.	Quantity procured and sold **(Quintals)**	235	1314	1535	1158	1207
2.	Purchase of malta	0.66	3.65	3.84	3.18	3.62
	Add: Overhead expenses	3.86	4.86	4.40	2.48	5.20
	Total cost	4.52	8.51	8.24	5.66	8.82
	Less: Sales realisation	0.39	2.49	3.16	2.59	3.08
3.	Subsidy claimed for loss	4.13	6.02	5.08	3.07	5.74
4.	Subsidy received/receivable	1.34	2.55	2.28	3.07	3.20
5.	Loss sustained	2.79	3.47	2.80	--	2.54
6.	Overhead expenses per kg of Malta	16.43	3.70	2.87	2.14	4.31
7.	Overhead expenses per kg as admissible (in addition to cash loss)	--	--	2.25	2.65	2.65

From the above table, it would be seen that the expenses of the Company on overheads were higher than admissible under the scheme on account of deployment of excessive manpower and lower procurement of malta. As a result of failure of the Management to keep overhead expenditure within the limit, the claim of Rs. 9.06 lakh, out of total subsidy amounting to Rs. 15.23 lakh claimed by the Company for three years period up to March 1994, was rejected by the Government. The Company's loss in the marketing of Malta fruit would further increase by Rs. 2.54 lakh in case Government reimburses of overhead expenses only to the extent of Rs. 3.20 lakh admissible in the scheme against actual loss of Rs. 5.74 lakh.

2C.6.B.2 Loss in trading of *jari-buti* (herbs)

A mention was made in the Report of the Comptroller and Auditor General of India for the year 1984-85 (Commercial) regarding the loss sustained by the Company under the scheme of marketing of *jari-buti* (herbs).

The table given below indicates the performance of the division during the last five years up to 1995-96:

		1991-92	1992-93	1993-94	1994-95	1995-96
(i)	Purchase cost (Rupees in lakh)	1.57	2.36	20.38	3.46	0.50
(ii)	Purchase cost per MT (Rupees)	3962	3730	4755	5078	4249
(iii)	Sale value (Rupees in lakh)	4.49	3.36	25.28	5.22	1.09
(iv)	Sale price per MT (Rupees)	5279	4399	5940	6530	6823
(v)	Margin per MT (Rupees)	1317	669	1185	1452	2574
(vi)	Percentage of margin over purchase cost	33.0	17.9	25.0	28.6	60.6
(vii)	Overheads (Rupees in lakh)	6.76	7.82	8.53	11.01	11.22
(viii)	Overhead expenses per MT (Rupees)	17088	12364	1989	16156	94609
(ix)	Loss per MT (Rupees)	15772	11695	804	14704	92035
(x)	Other income (Rupees in lakh)	3.74	5.18	1.73	6.03	6.99
(xi)	Increase/decrease in stock (Rupees in lakh)	1.85	0.89	0.95	0.49	0.29
(xii)	Total loss (Rupees in lakh)	1.94	2.53	2.85	3.72	3.93

From the table it would be seen that during the five years period, the Company continued to incur loss which aggregated Rs. 14.97 lakh.

Loss of Rs. 14.97 lakh due to excessive deployment of manpower and lower procurement of the jari-buti.

The main reasons for loss, as analysed in audit, were:

(i) as against the margin ranging between Rs. 669 and Rs 2574, the overhead expenditure ranged between Rs. 1989 and Rs. 94609 per MT mainly due to deployment of 22 workers rendered surplus out of boulder-bajri scheme without requirement and lower procurement of *jari-buti*.

(ii) the Company, instead of procuring and selling *jari-buti* itself, allowed the farmers to trade directly by accepting a margin of 10 per cent only against the actual margin of 17.9

The Company suffered a loss of Rs. 61.88 lakh, as it allowed the farmers to trade jari-buti directly by accepting a margin of 10 per cent only against the actual margin of 17.9 to 60.6 per cent.

to 60.6 per cent realised by the Company during the above period. The Company was, thus, deprived of additional contribution ranging from 7.9 to 50.6 per cent and prospective income of Rs. 61.88 lakh during five years up to March 1996 on 5540 MT of *jari-buti*, valued at Rs. 236.00 lakh directly sold by the farmers based on 10 per cent margin actually received during each of the above five years period.

2C.6.B.3 Plant/saplings marketing scheme

A mention regarding uneconomic operation of mist chambers constructed under 'Plants/saplings marketing scheme' was made in the report of the Comptroller and Auditor General of India for the year 1984-85 (Commercial).

During the period of five years up to March 1996, the Company suffered a loss of Rs. 7.48 lakh under the above scheme on two mist chambers at Bhowali and Tarikhet.

The Government in March 1993 directed the Company to hand over the mist chamber at Bhowali for use by Guchhi Mushroom Project (a scheme of the Government, financed by grants-in-aid).

The Company did not transfer the mist chamber to the Project and without obtaining prior approval of the Government, converted (June 1995) the chamber into a godown for storage of LPG cylinders at a cost of Rs. 2.05 lakh. The gas godown could not be used for storage of LPG cylinders, reasons for which were not furnished. The land in which the godown was situated, was finally handed over to the Guchhi Mushroom Project in September 1994. The expenditure of Rs. 2.05 lakh, thus, remained unproductive.

2C.6.C Tourism

Tourism activity of the Company comprises running and maintenance of tourist rest houses (TRHs), running of canteens and restaurants, and conducting package tours.

2C.6.C.1 Tourist rest houses

2C.6.C.1. (i) Lodging

In accordance with the Government decision (January 1977), 25 TRHs of the State Tourist Department were leased to the Company from time to time. The table below indicates the capacity utilisation, income, expenditure and net loss on lodging incurred during five years up to March 1996:

	1991-92	1992-93	1993-94	1994-95	1995-96
Bed capacity (numbers)	314760	328500	402230	428510	429684
Actual occupancy (numbers)	89614	89394	110308	95036	122649
Percentage of occupancy	28.5	27.2	27.4	22.2	28.5
					(Rupees in lakh)
Income earned	43.91	48.40	74.61	74.60	75.87
Expenditure incurred	62.30	78.37	77.77	77.64	117.48
Profit(+)/loss (-)	(-)18.39	(-)29.97	(-)3.16	(-)3.04	(-)41.61

Poor occupancy in tourist rest houses due to their disadvantageous locations resulted in loss of Rs. 96.17 lakh.

Main reasons for loss of Rs. 96.17 lakh during 1991-92 to 1995-96 were engagement of staff throughout the year and low capacity utilisation due to disadvantageous locations of TRHs. The loss would further increase when penal interest amounting to Rs. 3.61 lakh on a Government loan (Rs. 60 lakh) for the period 1994-95 and 1995-96 is provided for as the Company has failed to repay the instalments of loan due in July 1995 and July 1996.

The Management has so far (January 1997) not reviewed the functioning of TRHs with a view to improving the capacity utilisation and reducing the expenditure.

2C.6.C.1.(ii) Catering services

All the TRHs are provided with catering facilities. In addition, separate canteens are also being maintained at Khairana, Dhikala and Ropeway-site. In order to have effective control over food & fuel cost, the Management fixed (May 1991) consumption norms of 35-45 per cent of total sales, which was revised (April 1996) to 40 per cent.

The table given on the next page indicates the year-wise sales, food & fuel cost, percentage to sales and cost of food and fuel in excess of average norm of 40 per cent during the past five years up to 1995-96:

(Rupees in lakh)

Year	Sales	Food & fuel cost		Percentage of cost to sales	Excessive cost beyond norms
		Actual	40% cost		
1991-92	24.47	13.25	9.79	54.2	3.46
1992-93	30.64	15.37	12.26	50.2	3.11
1993-94	46.51	22.71	18.60	48.8	4.11
1994-95	40.81	19.78	16.32	48.5	3.46
1995-96	43.26	21.36	17.30	49.4	4.06
				Total	**18.20**

From the above it would be seen that against the average norm of 40 per cent the percentage of food and fuel cost to sales of the canteens ranged between 48.5 and 54.2 per cent. The failure of the Management to keep the food and fuel cost within the prescribed limit resulted in loss aggregating Rs. 18.20 lakh during the above period of five years. The Management has not analysed the reasons for excessive food and fuel cost so far (September 1997).

Company's failure in keeping the catering overhead expenses within the prescribed norm resulted in loss of Rs. 18.20 lakh.

2C.6.D Distribution of cooking gas

The Company started (March 1976) distribution of Liquified Petroleum Gas (LPG) of Indian Oil Corporation (IOC) on commission basis, fixed by IOC from time to time. The Company initially started with one outlet at Nainital which subsequently increased (March 1996) to 18. From the commission so received, the Company was to meet all its expenses on establishment, godown charges etc.

The table given on the next page indicates the sale of LPG cylinders, commission earned, selling/distribution expenses incurred and losses sustained during the five years up to 31 March 1996:

(Rupees in lakh)

	1991-92	1992-93	1993-94	1994-95	1995-96
1. Sales realisation	497.28	638.39	759.39	901.16	1056.47
2. Purchase cost	457.47	592.19	709.22	850.35	989.60
3. Commission earned	39.81	46.20	50.71	50.81	66.87
4. Subsidy received	10.84	12.38	14.62	18.52	25.15
5. Miscellaneous income	3.57	4.55	7.18	9.31	14.01
6. Total income	54.22	63.13	72.57	78.64	106.03
7. Selling expenses	56.53	67.86	76.42	93.16	110.46
8. Net loss	2.31	4.73	3.85	14.52	4.43
9. Cylinder sold (No)	768464	828384	868077	926440	1105150
10. Income per cylinder (Rs.)	7.06	7.62	8.36	8.49	9.60
11. Selling expenses per cylinder (Rs.)	7.36	8.20	8.80	10.06	10.00
12. Increase in cylinders sold (per cent) (over 1991-92)	—	7.8	12.9	20.6	43.8
13. Increase in selling expenses (over 1991-92) per cent	—	20.0	35.2	64.8	95.4

Loss of Rs. 29.84 lakh due to failure in controlling the selling expenses and belated implementation of revised rates.

From the above it would be seen that even in such a profitable venture, the Company incurred loss which during the five years period aggregated to Rs. 29.84 lakh. The main reason for the loss, as analysed by Audit, was excessive selling expenses and short realisation in sale of refills due to belated implementation of revised rates for above activity.

It was stated (July 1997) by the Management that purchase and sale of hot plate if included, the division is running in profit. The reply is not relevant as it fails to justify either excessive selling expenses or short realisation in sale of refills.

The following other points were noticed:

(a) Short realisation in sale of Refills (LPG)

Refills are to be sold to the customers by the Company at rates fixed by IOC from time to time. These rates are circulated by the Head Office of the Company to all LPG outlets. It was noticed in audit that some of the LPG outlets could not charge the revised rates from the dates from which these were effective due to delay in receipt of intimation of revised prices from Head Office. As a result, the Company suffered a loss of Rs. 8.21 lakh, during 1995-96 as noticed by audit in test check of eight LPG outlets

The Management has neither fixed any responsibility for the above loss nor taken remedial action to avoid reoccurrence of such lapses so far (September 1997).

(b) Shortage in gas divisions

As a result of physical verification carried out on 15 April 1996 by M/s Saxena & Agrawal, Chartered Accountants, Kanpur, appointed (June 1996) as Internal Auditors of the Company, the following items were found short in six LPG outlets of the Company as detailed below:

Gas agencies	LPG cylinders	Hot plates	Rubber tubes	Regulators
1. Parvat Gas	370	57	66	Nil
2. Almora Gas	273	22	Nil	6
3. Pithoragarh Gas	Nil	74	161	Nil
4. Bageshwar Gas	1	14	31	Nil
5. Haldwani Gas	8	2	50	3
6. Rudrapur Gas	Nil	Nil	1	1
	652	**169**	**309**	**10**

The above shortages amounting to Rs. 5.55 lakh were brought to the notice of the Management in August 1996 but no action has been taken so far (September 1997) to fix responsibility for the above loss.

2C.6.E Civil Construction Division

With a view to ensuring speedy construction of new TRHs and other works entrusted to the Company by the Government, besides annual repair and maintenance of existing TRHs, the Company set up (January 1977) a civil construction division under the charge of a Divisional Manager. The table on the next page indicates the performance of the Division during five years up to 1995-96:

(Rupees in lakh)

		1991-92	1992-93	1993-94	1994-95	1995-96
(i)	Total Fund received from Government	553.32	492.87	514.75	433.98	402.94
(ii)	Works executed during the year	79.31	89.28	123.55	79.24	78.30
(iii)	Centage earned	11.90	13.39	18.53	11.89	11.75
(iv)	Fund in hand at the end of the year (i-ii-iii)	462.11	390.20	372.67	342.85	312.89
(v)	Establishment and other overheads	16.59	18.53	20.58	19.38	22.93
(vi)	Losses incurred (iii-v)	4.69	5.14	2.05	7.49	11.18
(viii)	Percentage of works executed including centage earned to total fund available	16.5	20.8	27.6	21.0	22.3
(viii)	Percentage of overheads to works executed (v) to (ii)	20.9	23.3	22.3	26.5	28.5

From the above it would be seen that the utilisation of funds received from the Government for construction works was poor and during the above five years period ranged between 16.5 and 27.6 per cent. Due to poor turnover, the Company could not even recover its overhead expenditure since against 15 per cent centage charges receivable, the Company's overheaḋd expenditure during five years period ranged between 20.9 and 28.5 per cent of the value of the work done culminating into loss of Rs. 30.55 lakh during above period up to March 1996.

It was further noticed that:

The overhead expenditure of Rs. 30.55 lakh of construction division could not be recovered due to its lower turn over.

(a) Out of 56 works (value Rs. 1207.23 lakh) entrusted to the Company by the Government, the Company completed only 40 works at a cost of Rs. 825.06 lakh against the estimated cost of Rs. 804.84 lakh up to March 1996.

(b) The Company during the period from 1977 to 1989 was entrusted with construction of 10 TRHs at an estimated cost of Rs. 98.91 lakh. The above works were completed during the period from 1983 to 1994 at a cost of Rs. 117.19 lakh. The Company, however, did not obtain prior approval of the

Government for incurring extra expenditure of Rs. 18.28 lakh. The Company has so far (September 1997) not framed the revised estimates and as such could not even prefer claim for the extra expenditure.

2C.7 Tea Development Scheme

The Government sanctioned (March 1994) a tea development project for Kumaon region (Rs. 21.07 crore) to be financed by Tea Board of India (Rs. 3.90 crore) and Government (Rs. 17.17 crore). The scheme was to be implemented by the Company over a period of eight years. The Company was required to cover 600 hectares plantation in Kumaon region at a cost of Rs. 21.07 crore.

The table given below indicates the provisions and actuals of work executed, funds received and spent by the Company up to the period ended March 1996.

(Rupees in lakhs)

		1994-95	1995-96
(i)	Nursery raising cost		
	(Provision)	11.25	16.21
	(Actual)	18.81	33.00
(ii)	Plantation cost		
	(Provision)	49.30	71.20
	(Actual)	1.53	34.41
(iii)	Transportation		
	(Provision)	4.38	626
	(Actual)	1.79	3.60
(iv)	Infrastructure		
	(Provision)	To be provided under district plan	
(v)	Water supply		
	(Actual)	--	14.15
(vi)	Plant & machinery		
	(Provision)	--	259.35
	(Actual)	--	Nil
(vii)	Contingency		
	(Provision)	6.49	35.33
	(Actual)	0.43	0.55
(viii)	Admn. Overheads		
	(Provision)	13.00	70.63
	(Actual)	9.48	12.70
(ix)	Funds received	88.86	315.87
(x)	Utilised	32.04	98.41
(xi)	Unutilised fund	56.82	217.46
(xii)	Plantation (In Hectares)		
	(Targets)	35	50
	(Actual)	--	38

The following points were noticed:

- Out of Rs. 404.73 lakh released by the Government and the Tea Board, the Company utilised only Rs. 130.45 lakh and the balance amount of Rs. 274.28 lakh was diverted for meeting working capital requirements of the Company.

- According to the project report, the Company during the two years period up to March 1996 was required to carry out plantation work in 85 hectares. As against this, the Company could carry out plantation work in 38 hectares only which denoted 44.7 per cent of the target.

The projected cost of nursery raising and its plantation per hectare was Rs. 2.44 lakh. As against the above, the actual cost per hectare worked out to Rs.3.44 lakh, which had resulted in excess expenditure of Rs. 38 lakh on plantation work done in 38 hectares

The Company incurred extra expenditure of Rs. 38 lakh on nursery raising.

It was further observed that an appraisal of the scheme, as executed up to October 1995, was made by the "Ambedkar Special Employment Scheme" - cell of the Gramya Vikas Vibhag (Department) of the Government in November 1995. The following observations were made in this regard:

- The implementation of the scheme was slow and unsatisfactory.

- Due care had not been taken in selection of land and avoidable expenditure on irrigation was being incurred due to selection of land not suitable for tea farming.

- A full time specialist controlling officer and other experienced and qualified staff had not been engaged.

- As against the projected expenditure of 20 per cent on administrative overheads, the actual expenditure was 42.8 per cent. The extra expenditure as worked out by audit amounted to Rs. 5.05 lakh.

The Management has so far (September 1997) not drawn up any remedial action plan.

2C.8 Investments

For development of industries in the Kumaon region, the Company had floated five subsidiaries and eleven industrial units in assisted/joint sector.

The details of investment in equity and loan and the present status of these units as on 31 March 1996 are given below:

(Rupees in lakh)

	Year of incor-portion	Paid-up capital	Investment		Total	Present status
			Equity	Loan		
A.Subsidiaries						
1. Teletronix Limited	1973	344.65	368.60	44.59	413.19	Accumulated loss Rs. 320.26 lakh up to 1994-95
2. Transcables Limited	1973	63.24	62.64	164.20	226.84	Loss of Rs. 270 lakh up to 1994-95
3. Kumaon Anusuchit Janjati Vikas Nigam Limited	1976	50.00	28.00	--	28.00	Profit of Rs. 3.29 lakh up to 1995-96 (provisional)
4. Kumaon Television Limited	1984	99.75	54.00	3.94	57.94	Loss of Rs. 232.62 lakhs up to 1994-95
5. Northern Electrical Equipment Limited	1979	0.06	0.06	--	0.06	Not yet established
		Total of "A"			**726.03**	
B. Joint Sector Units						
1. Upai Limited	NA	17.01	1.00	--	1.00	Not found feasible; hence under winding up
2. Indian Medicine and Pharmaceuticals Ltd.	1978	100.00	49.00	--	49.00	Profit of Rs. 56.46 lakh up to 1993-94
3. Kumaon Steels Ltd.	1984	49.00 (33%)	22.35	--	22.35	In absence of NOC from Pollution Control Board unit could not be established and winding up is under consideration
4. Shivalik Cement Ltd.	1984	32.0 (26%)	18.60	--	18.60	Due to non-availability of raw material/mining lease
5. Raj Cement Company	1984	28.25 (15%)	5.00	0.05	5.05	Unit could not be established and closure is under consideration
6. U.P. Van Udyog	1976	3.56	0.75	--	0.75	Loss of Rs. 4.12 lakh up to 1989-90. Factory is closed since 1978
7. Kumaon Resin Private Limited	1986	15.00 (26%)	2.85	0.02	2.87	Loss of Rs. 2.31 lakhs up to 1992-93

	Year of incor-portion	Paid-up capital	Investment		Total	Present status
			Equity	Loan		
8. Kumtron Limited	1977	25.00 (49%)	12.25	11.84	24.09	Unit has been declared sick (September 1995) and under winding up. Tentative loss Rs. 26.00 lakhs
9. Kumar Oxygen Limited	1988	40.52 (11.33%)	7.00	--	7.00	Unit incurred loss of Rs.67.20 lakh up to 1994-95
10. CRT Engineering Limited	1992	5.90	1.00	--	1.00	Accounts not available
11. Plants Agrotech Limited	1993	35.00 (49%)	17.15	--	17.15	---- do -----
				Total of "B"	148.86	
				Grand total (A + B)	874.89	

Note: Figures in bracket indicate agreed shareholding pattern.

In this connection the following points were noticed:

Accumulated loss of the Company's subsidiaries and joint sector units aggregated Rs. 9.48 crore against investment of Rs. 7.34 crore.

- The accumulated loss of three subsidiaries and five joint sector units, up to March 1996, aggregated Rs. 948.06 lakh which far exceeded the amount of Rs. 733.68 lakh invested in them by the Company.

- One subsidiary and four joint sector units, in which the Company had invested a sum of Rs. 47.06 lakh, could not come up so far (September 1997) even after a lapse of 12 to 17 years.

- Loans to the tune of Rs. 224.64 lakhs were released to two subsidiaries and four joint sector units without finalising any terms and conditions and without any agreement. As such the recovery of the above loans appears doubtful.

- The Company released a sum of Rs.168.98 lakh to three subsidiaries and seven joint sector units as advance against share capital but no shares were allotted by these units even after lapse of a considerable period.

- The Company released Rs. 41.93 lakh to one subsidiary and five joint sector units in excess of the agreed share holding pattern without prior induction of agreed equity by the co-promoter, which they have not yet done (September 1997)

2C.9 Accounts and Internal audit

The accounts of the Company were in arrears since 1994- 95. The Company has neither prepared its Accounts Manual nor has established an Internal Audit Wing commensurate to its size in spite of being regularly pointed out by the statutory auditors.

Keeping in view the arrears of accounts, the Company appointed (June 1996) a firm of Chartered Accountants for finalisation of accounts for four years up to March 1996 at a fee of Rs. 2.40 lakh. The firm had finalised (September 1997) accounts for the two years 1992-93 and 1994-95 only although they were required to finalise the above four accounts by the end of February 1997. The same firm was also entrusted (June 1996) internal audit of a few selected units at a fee of Rs. 0.60 lakh. However, the internal audit report submitted by it in July/August 1996, has so far (September 1997) not been placed before the Board.

2C.10 Other topics of interest

2C.10.1Avoidable payment of low power factor surcharge

According to the rate schedule HV-2 of the Uttar Pradesh State Electricity Board ((UPSEB), every power consumer covered under the above rate schedule is required to maintain the power factor at 0.85. In case of power factor falling below 0.85, a low power factor surcharge at the rate of one per cent for each 0.01 fall in power factor below 0.85 up to 0.80 was leviable. In addition, the surcharge was leviable at the rate of 2 per cent for each fall of 0.01 up to 0.70. A scrutiny of electricity bills of passenger ropeway unit, Nainital revealed that the power factor was always lagging behind 0.85 and had ranged between 0.33 and 0.72 during April 1991 to December 1996 resulting in avoidable payment of low power factor surcharge amounting to Rs. 2.19 lakh. The Company has so far (September 1997) neither investigated reasons for poor power factor nor taken remedial steps to avoid such payments in future. In reply, it was stated (July 1997) by Management that matter is under correspondence with the UPSEB.

2C.10.2 Irregular expenditure

An amount of Rs. 2.21 lakh was sanctioned by the Government in March 1994 for meeting the expenditure on inauguration ceremony of Naini-Saini helipad in Pithoragarh. The above amount was to be withdrawn and spent by the District Magistrate, Pithoragarh.

The Company without any directions of the Government/BOD incurred an expenditure of Rs. 8.83 lakh on the ceremony (23 January 1994). The claim for reimbursement of Rs. 8.83 lakh submitted (July 1994) by the Company to the Government had not been sanctioned by the Government so far (September 1997). The District Magistrate, Pithoragarh remitted (June 1995) a sum of Rs. 0.50 lakh only to the Company towards the expenses incurred on the ceremony. The balance amount of Rs. 8.33 lakh had not been received by the Company so far (September 1997). It was stated (July 1997) by Management that the expenditure was incurred as a developmental activity of the Corporation. Reply is not convincing as the inauguration work was to be executed by the State Government and not by the Corporation.

2C.10.3 Avoidable payment of stamp duty

To collect and take away minor forest produce, the Company secured mining rights through permits/agreement during 1992-93 to 1994-95.

Since an agreement/permit in respect of a right to collect and take away minor forest produce was not a lease, stamp duty was payable at the rate of Rs. 100 per unit under Indian Stamp Act and not at the higher rate. The Company, however, did not take notice of this rule and made total payment of Rs. 3,18,612 towards stamp duty on four permits obtained during October 1992 to September 1994 thereby made an excess payment of Rs. 3,18,212 when compared to the stamp duty payable under Indian Stamp Act.

Despite clarification from the Government in May/June 1995 that the stamp duty payable was at the rate of Rs. 100 only, the Company preferred (May 1995) claim for refund of Rs.0.92 lakh only (still not received) and claim for balance amount of Rs. 2.26 lakh had not been preferred by the Company so far (September 1997).

It was stated (July 1997) in reply by the Management that this amount has been deposited in Government Account and hence was not unfruitful. Reply is not correct as the Company has not made the payment as per Indian Stamp Act and chances of recovery of the amount paid excess are also remote.

Conclusion

The company could not achieve its objective of improving the socio-economic status of the region as it failed to define and determine the activities which it ought to have taken-up for the fulfilment of its focused objectives as set out in its Memorandum of Association. On the other hand it undertook activities like fruit/horticulture marketing, trading in *Jari-buti*, catering services, distribution of LPG and construction work which any body could have done. The fate of the company in such activities should have been limited to promoting such activities instead of direct participation. The company performed its activities inefficiently mainly on account of the following:

- Poor performance and losses suffered by Barbed wire factory on account of their low capacity utilisation, high cost of production, poor market demand and deficiencies in operation of Plastic and Rosin and Turpentine factories.

- Losses suffered in fruits and *jari-buti* marketing activities due to excessive overheads, excessive manpower, marketing through farmers and lower procurement.

- Losses suffered in operation of Tourist Rest Houses, distribution of LPG and construction work due to expenditure being more than income and disadvantageous locations of Tourist Rest Houses.

- Unremunerative investments of Rs. 874.89 lakh in equity shares /loans in subsidiaries and joint sector units as most of them were either running on losses or lying closed.

In order to improve its performance, the Company needs to take following remedial measures:

- Define activities which it should undertake to fulfil its focused objectives and abstain from undertaking activities like marketing, agency business, construction work etc.

- Improve the capacity utilisation, reduce cost of production and explore other markets for different items produced in different factories.

- Strengthen marketing activities by reducing overheads, exploring new markets, review the LPG distribution and construction activities for making them viable.

- Improve the catering facilities and reduce the food and fuel cost and reconsider continuance of Tourist Rest Houses located at disadvantageous places.

- Take immediate steps for liquidation of investments in equity shares/loans of unviable subsidiaries and joint sector units.

These matters were reported to the Government in April 1997; replies have not been received (September 1997).

Chapter III

Reviews on Statutory Corporations

Chapter-III
Uttar Pradesh State Electricity Board
Section-3A
Vishnu Prayag Hydro Electric Project

SECTION 3A

Non-completion of Vishnuprayag Hydro Electric Project Leading to its Privatisation

HIGHLIGHTS

The Board decided in 1965 to set up a Hydro Electric Power station of 120 MW capacity revised to 360 MW in 1987 on the embankment of Alaknanda river at Vishnuprayag of Chamoli district. The project report envisaged annual generation of 2213.57 MU of energy from 1993-94 at a cost of 28.43 paise per unit. Even after incurring Rs. 60.19 crore, the project could not be completed mainly on account of paucity of funds, and finally Government went for its privatisation in October 1992.

(Paragraph 3A.1)

The project estimate of 1965 for Rs. 17.04 crore for 120 MW capacity was first revised to Rs. 104.71 crore for 262 MW in 1977 and again to Rs. 266.54 crore for 480 MW in 1982 and finally to Rs. 345.95 crore for 360 MW in 1987. Thus, the project remained at indecisive state for about two decades which reflected the Board's lapses in the proper investigation, survey and planning.

(Paragraph 3A.2.1)

On erection of Srinagar-Joshimath transmission line, price escalation of Rs. 2.20 crore was paid which was mainly on account of payment of higher rates of price escalation as compared to the rates paid for similar works and out of it, price escalation of Rs. 1.37 crore could have been avoided, had the Board accepted the recommendations of its own officer for getting two items of the above work done through other agencies.

(Paragraphs 3A.2.3 (i))

The non-completion of the project resulted in non-realisation of annual savings of Rs. 163.41 crore on the projected annual generation of 2213.57 MU of energy due to purchase of power at rates higher than the projected cost of generation.

(Paragraph 3A.2.8)

The project was entrusted to the private sector without inviting competitive bids and the PPA provided for the two-part tariff (annual capacity charge and energy charge). Thus, the objective of minimum tariff envisaged in the Government's energy policy of 1994 was not achieved.

(Paragraphs 3A.3 and 3A.3.1)

The PPA provided for payment of Rs. 25 crore only by the licensee towards the cost of the assets of the project amounting to Rs. 60.19 crore which would result in a loss of Rs. 35.19 crore to the Board.

(Paragraph 3A.3.2)

The two-part tariff provided in the PPA would result in extra cost of energy to be paid by the Board at Rs. 29.66 crore (approximately) per annum on account of excessive rate of operation and maintenance expenses (Rs. 18.07 crore), loss of interest on locking of the Board's fund in escrow account (Rs. 5.98 crore) and excessive interest on working capital (Rs. 5.61 crore).

(Paragraphs 3A.3.3, 3A.3.4 and 3A.3.5)

The post tax return of 16 per cent on the licensee's equity to be included in the energy charge would result in yearly total burden of 24.62 per cent of the equity which is higher than the prevailing interest rate of 18 per cent on debts which the Board could have obtained to finance the project.

(Paragraph 3A.3.8)

3A.1 Introduction

With a view to meet the demand of power of remote and hilly terrain in the Indo-China border of the State, the Board decided as back as September 1965 to set up a hydro electric power station of 120 MW capacity (at a capital cost of Rs. 17.04 crore), revised to 360 MW in 1987 (at a capital cost of Rs. 345.95 crore) on the embankment of Alaknanda river at Vishnuprayag of Chamoli district. The civil works including power house buildings valued at Rs. 240.19 crore were to be executed by Irrigation Department and electrical works including transmission and distribution lines, procurement and installation of turbines, generators and switchgear equipments valued at Rs. 105.76 crore by the Board. On completion of the project, an annual generation of 2213.57 million units of energy from 1993-94 at a low cost of 28.43 paise per unit was envisaged in the project report.

The finalisation of project estimate took more than two decades (1965 to 1987). Thereafter, the Board took one more decade in executing only the transmission and distribution line and diesel generating power house for construction, power etc. at an expenditure of Rs. 60.19 crore during the period from September 1979 to March 1996. This included construction of road and buildings by the Irrigation Department (Rs. 21.96 crore), 66 KV lines (110 kms) from Srinagar (Garhwal) to Joshimath (Chamoli) for providing power required for construction activities (Rs. 6.51 crore), distribution lines and diesel power house at work site (Rs. 2.57 crore), cost of establishment (Rs. 4.43 crore) and interest on capital (Rs. 24.72 crore). The main portion of the project namely procurement and installation of turbines, generators and switchgear equipments were not taken up. Consequent to non-completion of the work due to its inability of managing funds, the Government signed a Memorandum of Understanding (MoU) with M/s Jai Prakash Industries Limited, Lucknow (JPL) for private sector participation in October 1992 followed by a Project Implementation Agreement (PIA) signed belatedly in September 1994. The Power Purchase Agreement (PPA) was entered into between Board and M/s Jai Prakash Power Venture Limited promoted by JPL.

Board's failure to complete the project conceived in 1965 for more than 25 years led the Government to entrust its implementation to Jai Prakash Industries Limited, Lucknow under private sector.

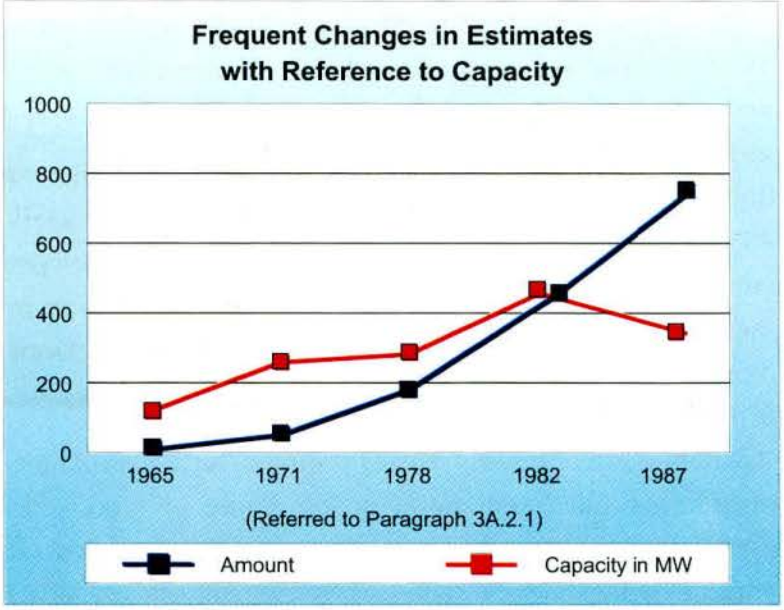
The points relating to extra expenditure in execution of the work by the Board and the provisions of the PPA detrimental to its interest are set out in the succeeding paragraphs.

3A.2 Execution of the project

Execution of the project was marred by frequent and belated revisions of the project estimate, lack of financial planning and abnormally high extra expenditure on construction of 66 KV transmission line as discussed below:

3A.2.1 Frequent and belated revisions of the project estimate

The project estimate of Rs. 17.04 crore of 120 MW capacity submitted (September 1965) to the Central Water and Power Commission (CWPC) was revised (July 1971) to Rs. 57.18 crore to augment the capacity to 262 MW as per CWPC's advice (January 1966). The revised project estimate of Rs. 104.71 at price level of April 1977 was approved by the Planning Commission in July 1978. The estimate was again revised (September 1982) to Rs. 266.54 crore at the instance of Central Electricity Authority (CEA) for a capacity of 480 MW. The project estimate was finally revised (1987) to Rs. 345.95 crore (including electrical work of Rs. 105.75 crore to be executed by the Board) at the price level of March 1986 for 360 MW capacity on account of environmental problems. Thus, no decision on the project was taken for about two decades resulting in cost escalation of Rs. 241.24 crore with increase in capacity by 98 MW only at project formulation stage itself as compared with the approved project cost of Rs. 104.71 crore for 262 MW capacity. The General Manager, Hydro Electric Projects, (Dehradun) of the Board attributed (February 1997) the revision to "technical considerations as it progressed with evolution through various technical design and conceptual stages". The frequent revisions, thus, reflected the Board's lapses in proper investigation, survey and planning.



3A.2.2 Lack of financing arrangements

Means of financing the project were not indicated in the project reports/ estimates. The General Manager, Hydro-Electric Project, (Dehradun) of the Board stated (February 1997) that the allocations by the Planning Commission to the State and the Board in the annual plans were the usual means of financing the project. It was noticed that the Board did not make financial provisions in its budget during 1978-79 to 1981-82. However, against project cost of Rs. 345.95 crore, provision of only a meagre sum of Rs. 14.51 crore was made in the Board's annual budgets for 1982-83 to 1991-92. The Board did not resort to borrowings for arranging finance for the project. This not only marred the implementation of the project but also resulted in its privatisation at an incomplete stage.

3A.2.3 Extra expenditure in construction of 66 KV line

Construction work of Srinagar-Joshimath transmission line (100 kms) was awarded (July 1981) to M/s Ranjit Singh & Company, Meerut for Rs. 68.04 lakh (excluding cost of cement and line material to be issued free of cost by the Board) based on tenders received in December 1980. The agreement was entered into belatedly in January 1986 stipulating firm prices up to June 1983 and price escalation for diesel and unskilled labour for work done thereafter based on the prevailing prices as on 2 December 1980. In award and execution of the work, the following cases of extra and avoidable payments were noticed:

(i) Though the forest clearance was not obtained and there was every likelihood of delay in completion of work due to this factor alone, the Member level Stores Purchase Committee did not consider the impact of such price variation while preparing the comparative statement. The forest clearance was obtained in September 1990 after which only the major works could be undertaken. The Committee also did not keep its option open to review the impact of cost escalation after June 1983 by incorporating suitable terms and conditions in the work order of July 1981. Upto June 1983 the firm executed only meagre work on survey valued at Rs. 5.20 lakh whereas the remaining work valued at Rs. 152.17 lakh (increase in cost due to increase in scope of work) was executed during July 1983 to March 1994 and Board made total payment of Rs. 377.68 lakh (including price variations) up to April 1995. Consequently, the firm was paid the price variation of Rs. 220.31 lakh which worked out to 140 per cent of the value of the executed work (Rs. 157.37 lakh). The rates allowed for different items of work to the firm after considering price escalations (by 31.21 to 342.92 per cent) were much higher than the rates allowed by the Superintending Engineer, Electricity Transmission Circle, Roorkee (ETC) to another firm of Kashipur (Nainital) in February 1990 for similar items of work for erection of 2.23 kms of the same transmission line as mentioned on the next page.

Delayed completion of 66 KV transmission line on account of late forest clearance resulted in payment of price escalation of Rs. 2.20 crore which included extra expenditure of Rs. 1.60 crore as compared to prevailing rates for similar work.

Items	Unit	Original quantity	Quantity executed	Rates of Kashipur firm in 1990 (Rupees)	Rates of Meerut firm		Extra expenditure (Rupees in lakh)
					Original rates of 1981 (Rupees)	Escalated rates (Rupees)	
Random rubbles masonry (1:5 ratio)	Cubic Metre	100	8654 (865)	601	650	852.87 to 2878.95	120.93
Counter-poise earthing	Metre	300	50790 (16930)	12.50	20	26.24 to 88.58	17.75
Stringing of conductors	Kms	100	110.20 (10)	7100	7500	23243.25 to 33219.00	21.28
Total							**159.96**

Note: Figures in brackets indicate the percentage increase in quantity executed as compared to original quantity

The above details indicate that the rates obtained in February 1990 were lower than the rates allowed in July 1981 which is indicative of the fact that the Board did not carry out any proper analysis of the rates while awarding the work in July 1981. As compared to the rates allowed to the firm of Kashipur, the excessive rates allowed to the firm of Meerut resulted in an extra expenditure of Rs. 159.96 lakh. Further, the payment of price escalation was to be made by Electricity Transmission Division, Rishikesh after its approval by ETC, Roorkee but the division made the payment without obtaining such approval as envisaged in the contract.

It is interesting to note that though the Superintending Engineer, ETC, Roorkee had proposed (November 1986) to get the extra quantities of the first two items of work given in the table above through other agencies at much lower rates, the Electricity Transmission Design Circle, Lucknow did not respond to it. By accepting this proposal, the Board could have saved a sum of Rs. 136.93 lakh on the two items as compared to the rates allowed to the firm of Kashipur.

(ii) The Member level Purchase Committee was empowered for approving tenders up to Rs. 100 lakh only. Against this, the actual payments including price variation were made for Rs. 377.68 lakh which required the approval of the Central Stores Purchase Committee headed by the Chairman. In fact, the volume of work involved was not correctly estimated and price escalation for increase after June 1983 was not considered which reduced the financial impact of the work at original stage itself. However, even ex-post facto approval of the Central Stores Purchase Committee or the Board had not been obtained as of September 1997.

3A.2.4 Infructuous expenditure due to change in alignment of transmission line

Abandonment and dismantling of foundation and superstructure of some towers due to change in route of transmission line resulted in infructuous expenditure of Rs. 9.03 lakh.

The firm of Meerut erected (date not available) foundation stubs for 406 towers and superstructures for 398 towers of A, B and C types, of which stubs and superstructures for only 385 towers were utilised due to change in the route alignment. Thus, stubs for 21 towers had to be abandoned and superstructures for 13 towers dismantled which resulted in infructuous expenditure of Rs. 9.03 lakh incurred on erection thereof. Besides this, the tower parts (weight 42.453 tonnes) and other line material valued at Rs. 7.28 lakh were rendered surplus (1990-91) and have not been disposed/utilised as of September 1997.

3A.2.5 Loss due to recovery of cost of left over material at lower rates

The contract provided for issue of cement and fabricated galvanised tower parts by the Board free of cost subject to the condition that cost of cement and other material rendered surplus and not returned by the contractor would be recovered at Rs. 1000 and Rs. 6000 per tonne, respectively. Though the rates for execution of the work were subject to price escalation, no provision was made in the contract for escalation in the rates of recoveries of material to prevent its misuse by the contractor. Consequently, only a sum of Rs. 1.32 lakh was recovered towards cost of 21.834 tonnes of tower parts and 29 bags of cement from the contractor's bill in April 1995 at the stipulated rates which resulted in a loss of Rs. 4.16 lakh as compared to the prevailing issue rates of Rs. 25000 and Rs. 2000 per tonne, respectively.

3A.2.6 Idle equipments

Equipments purchased at a cost of Rs. 0.63 crore had not only remained idle for 9 to 14 years but also expenditure of Rs. 0.17 crore spent on their operating staff and maintenance proved infructuous.

The work-wise details of the expenditure of Rs. 21.96 crore incurred by the Irrigation Department up-to March 1996 were not available with the Board. This, however, included Rs. 62.94 lakh spent on purchase of 4 compressors, 2 loaders, 2 dozers and 1 crane upto 1981, which were used for short periods and have remained idle for 9 to 14 years since 1982-83. Further, an expenditure of Rs. 16.76 lakh incurred on wages of the idle operating staff and maintenance expenses during October 1993 to March 1996 (figures of expenses for the remaining period were not available) proved infructuous.

3A.2.7 Low utilisation of manpower

The execution of electrical works valued at Rs. 9.08 crore during 1979-80 to 1995-96 involved low utilisation of manpower which resulted in extra establishment expenses of Rs. 3.52 crore.

The project estimate of 1987 envisaged expenditure on establishment to the extent of 10 per cent of the value of the work. An exclusive power construction division created in September 1979 with technical and non-technical staff numbering 37 to 79 executed electrical works valued at Rs. 2.57 crore during September 1979 to June 1991. The Electricity Transmission Division, Rishikesh also executed transmission works of the project valued at Rs. 6.51 crore during 1982-83 to 1995-96. The establishment expenditure related to the above works amounted to Rs. 4.43 crore which worked out 49 per cent of the value of the work done (Rs. 9.08 crore). As compared to the norm of 10 per cent, the establishment expenses were higher by Rs. 3.52 crore.

3A.2.8 Loss of generation and non-conservation of costly and scarce inputs

The non-completion of the project resulted in non-realisation of annual savings of Rs. 163.41 crore on the projected generation of energy due to purchase of power at higher price.

The project estimate of July 1971 envisaged commissioning of the project within five years upto July 1976. It could not, however, be commissioned even by the extended dates of 1983, 1986 and 1993 as per the subsequently revised project estimates. Thus, the objective of annual generation of 2213.57 million units of energy from 1993-94 envisaged in the latest project estimate of 1987 could not be achieved. On the other hand, the Board purchased power from National Thermal Power Corporation and other sources each year. This resulted in non-achievement of savings of Rs. 163.41 crore on generation of 2213.57 million units of energy at an estimated cost of 28.43 paise per unit as compared to the purchase price of 102.25 paise per unit paid by the Board for purchase of power in 1993-94.

Further, the other objective of conserving costly and scarce inputs (coal and oil) by utilising natural water was not achieved which resulted in use of 17.66 lakh tonne of coal annually valued at Rs. 198.55 crore required for thermal generation of 2213.57 million units of energy (as per average consumption and cost in 1993-94).

3A.3 Privatisation of the project

The Board's failure to commission the project on the ground of paucity of funds led to the Government's decision of August 1992 for privatisation of the project. Accordingly, the implementation of the project with the revised capacity of 400 MW (4 units of 100 MW each) was entrusted (October 1992) by the Government to M/s Jai Prakash Industries Limited, Lucknow (JPL) through a Memorandum of Understanding (MoU) followed by a Project Implementation Agreement (PIA) of September 1994. The energy generated at the power station would be purchased by the Board in accordance with the terms of the Power Purchase Agreement (PPA) entered into in September 1996 between the Board and the firm's subsidiary viz. M/s Jai Prakash Power Venture Limited, Dehradun (hereinafter called licensee) which was promoted by JPL in terms of PIA of September 1994. The PPA would remain effective until 30 years from the date of commissioning of the project, extendible for a further period of 20 years as mutually settled.

The PPA envisaged annual design energy generation of 2006.47 million units out of which only 1979.37 million units of energy would be available at 400 KV bus bar after excluding 27.10 million units towards losses for ensuring minimum flow of 5 cusecs of water immediately down stream of barrage (0.35 per cent), auxiliary consumption (0.5 per cent), and transformation losses (0.5 per cent). Further, 12 per cent of energy (237.53 million units) would be supplied free of cost to the Government/Board thereby leaving saleable energy of 1741.84 million units. The PPA provided for two-part tariff, annual capacity charges and energy charges. Annual charges would comprise interest on outstanding loan capital and depreciation/lease charges. Energy charges would be based on operation and maintenance expenses at 1.5 per cent (subject to revision with reference to weighted price index) of the approved capital expenditure, 16 per cent post tax return on equity together with income tax payable thereon by the licensee, interest on working capital and other miscellaneous charges. Thus in absence of price at which power was to be purchased financial interests of the Board were not safeguarded.

The capital cost of the project was estimated by JPL at Rs. 1205 crore in March 1996 which was revised to Rs. 1683 crore in December 1996. CEA, however, accorded techno-economic clearance to the project at an estimated capital cost of Rs. 1614.66 crore to be financed by equity of Rs. 400 crore (JPL: Rs. 190 crore, Public issue: Rs. 185 crore and Board: Rs. 25 crore) and debts of Rs. 1214.66 crore.

A test check by Audit of the PPA agreement revealed that the privatisation was not in the best financial interest of the Board/Government as discussed below .

3A.3.1 Privatisation without competitive bids

The State Government did not formulate any energy policy before undertaking privatisation of the energy sector. The energy policy of State Government of 1994 envisaged private sector participation in the power projects on minimum tariff basis by inviting competitive bids through national and international publicity so as to attract reputed industrial houses. In the absence of any policy, JPL was selected (August 1992) by a Committee headed by the Chief Secretary to the State Government on the basis of offers showing merely willingness and technical, financial and managerial capability received (June 1992) from five parties including Tehri Hydro Development Corporation Limited, Delhi (a Government of India enterprise) in response to open tenders. No competitive bids on tariff basis or other financial parameters were invited. Thus, the Board lost the benefit of minimum tariff to be fixed through competitive bids.

3A.3.2 Undercharge on transfer of assets to the licensee

Provision in PPA for payment of 25 crore only by the licensee towards Board's assets valued at Rs. 60.19 crore would result in loss of Rs. 35.19 crore.

The entire assets created by the Board as a result of the expenditure of Rs. 60.19 crore formed part of the project, and were, therefore, to be transferred to the licensee in terms of the PPA. The PPA, however, provided for only Rs. 25 crore towards the cost of these assets (to be treated as loans) to be repaid by the licensee with interest at the rates and within the period as applicable to the loans to be raised by the licensee from financial institutions for the project. This resulted in undercharge of Rs. 35.19 crore from the licensee for which reasons were not furnished. Details of the assets to be transferred to the licensee were also not on record. The buildings, stores and equipments valued at Rs. 3.26 crore only were transferred by the Board as of September 1996.

3A.3.3 Excessive burden of operation and maintenance expenses

The PPA provided for operation and maintenance (O&M) expenses including insurance charges at 1.5 per cent (subject to revision with reference to weighted price index after first year of commercial operation) of the approved capital expenditure (Rs. 1614.66 crore) to be considered for the purpose of fixing tariff irrespective of the actual O&M expenses and number of units of power stations under operation. The present day capital cost of Chhibro Power Station (240 MW) compared to the capital cost of Vishnu Prayag Power Station (400 MW at a cost of Rs. 1614.66 crore) worked out to Rs. 968.80* crore. The annual operation maintenance expenses (including salaries and wages of staff) in case of Chhibro varied from Rs. 260.44 lakh to Rs. 393.98 lakh during 1994-95 to 1996-97 and amounted to 0.27 to 0.41** per cent of its present day capital cost. Compared to 0.41 per cent cost of Chhibro, the provision of 1.5 per cent of the capital cost for Vishnu Prayag would result in excess payment by the Board to the extent of Rs. 17.60 crore per annum (1.09 per cent of Rs. 1614.66 crore) as the same would be loaded in the tariff rates for purchase of power by it. Moreover, the cost of land (Rs. 6.44 crore) and capitalised spare parts (Rs. 25.00 crore) included in the capital cost of Rs. 1614.66 crore were not excluded for the purpose of working out O&M expenses at 1.5 per cent of the capital cost as was stipulated in another PPA of December 1995 executed by the Board in respect of Jawaharpur Thermal Power Station (2 X 400 MW). This alone would result in excess payment of Rs. 0.47 crore per annum.

Provision of O&M expenses at 1.5 per cent of the capital cost would result in excess payment by the Board at Rs. 18.07 crore per annum.

Besides, miscellaneous charges including taxes, duties and cess for the use of water were not included under O&M expenses and are to be considered separately for the purpose of the tariff. This would result in further burden on the Board.

3A.3.4 Locking of fund in Escrow account

Payment of energy bills to be made by the Board through letters of credit was ensured through Government guarantee under the provisions of the PPA. The PPA, however, further required the Board to establish a separate Escrow account in

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* $\frac{240 \text{ MW x Rs. } 1614.66 \text{ crore}}{400 \text{ MW}}$ = Rs. 968.80 crore

** $\frac{\text{Rs. } 3.94 \text{ crore x } 100}{\text{Rs. } 968.80 \text{ crore}}$ = 0.41 per cent.

a bank by issuing letter of credit in which all the revenues of the Board are required to be deposited subject to the amount of one month's billing, on which the licensee would have the first lien. Thus, the establishment of the Escrow account would result in locking up of funds of Rs. 33.24 crore (approximate amount of one month's energy bill at estimated generation cost of Rs. 2.29 per unit) and consequent loss of interest of Rs. 5.98 crore per annum (at 18 per cent per annum).

Provision for the establishment of Escrow account would result in locking up of fund of Rs. 33.24 crore with consequent loss of interest of Rs. 5.98 crore per annum.

3A.3.5 Excessive interest on working capital

In terms of PPA, the receivable equivalent to two months' average billing for sale of power would form part of the working capital, the interest on which would be considered for fixing tariff. The period of 2 months was excessive as the Board would be liable to pay penalty in case of payment of energy bills after 37 days from the end of each month. As compared to the period of 37 days, provision of interest on two months' average billing would result in extra cost of energy at Rs. 5.61 crore per annum.

Excessive interest on working capital would result in extra cost of Rs. 5.61 crore per annum.

3A.3.6 Non-provision of *force majeure* clause for delay in installation of transmission system

The PPA provided for installation of 400 KVA transmission system by the Board for evacuation of generated energy. In case of delay in completion of the transmission system which leads to a delay in the scheduled commercial operation of the power station, the Board is liable to pay to the licensee capacity charges and deemed energy charges from the date of the scheduled commercial operation to the date of completion of the transmission system. No provision was, however, made to protect Board's interest in case of delay in completion of the transmission system due to *force- majeure* events as was provided in the other PPA of December 1995 executed by the Board in respect of Jawaharpur Thermal Power Project.

3A.3.7 Non-provision of wheeling charges for sale of energy to third party

Sale of energy by the licensee to a third party was allowed under the provisions of the PPA without prior approval of the Board. Further, no provision was made in the PPA for payment of wheeling charges to the Board in case of such sale by the licensee for wheeling of power through the Board's transmission system in terms of the Governments energy policy of 1994. The rates of wheeling charges provided in the energy policy were 12.5 per cent and 10 per cent in case of 132 KV and 220 KV lines respectively. In the absence of any clause regarding wheeling charges, the Board would be put to loss due to its inability to claim any amount from the licensee in the event of third party-sale through the system of the Board.

3A.3.8 Excessive burden of return on equity

Provision of post tax return at 16 per cent of the licensee's equity for fixing tariff would result in total burden (including income tax) of 24.62 per cent which is much higher than the prevailing interest rate of 18 per cent on debts.

In fixation of tariff, the PPA envisaged a post tax return of 16 per cent on equity with the amount of income tax payable by the licensee on such return. This amounted to a total burden at 24.62 per cent of equity based on the current income tax rate of 35 per cent. This was higher than the prevailing interest rate of 18 per cent on borrowings which the Board could have obtained to finance the project. Further, the PPA does not indicate which equity capital whether at the beginning of a year or the average of such capital during a year would be considered for the purpose.

3A.3.9 Non-implementation of the project

Delay in implementation of the project has resulted in increase in capital cost from Rs. 1205 crore in 1993-94 to 1614.66 crore in 1997 resulting in increase in the estimated generation cost from Rs. 1.93 to Rs. 2.29 per unit.

The PIA of September 1994 was executed two years after signing of MoU in August 1992. Even then, the scheduled date of commissioning of the project by 2001 envisaged in the agreement of September 1994 was not adhered to and was revised to 2003 as per PPA of September 1996. It was noticed that the licensee obtained environmental clearance from the Government of India in November 1995 whereas techno-economic clearance was accorded by CEA in June 1997. The delay in implementation of the project has resulted in not only delay in availability of power but also increase in the capital cost from Rs. 1205 crore in 1993 to Rs. 1614.66 crore in 1997 as projected by the licensee with resultant increase in the estimated generation cost from Rs. 1.93 per unit to Rs. 2.29 per unit.

Conclusion

Vishnu Prayag Hydro Electric Project was conceived in 1965 by the Board to meet the power demand of remote and hilly terrain in the Indo-China border of the State but could not be completed even after incurring an expenditure of Rs. 60.19 crore mainly due to paucity of funds.

On the Board's failure to complete the project the Government decided to privatise it for which a Memorandum of Understanding was signed with M/s Jai Prakash Industries Limited, Lucknow (JPL) in October 1992 followed by a Project Implementation Agreement in September 1994. The Power Purchase Agreement (PPA) was signed with the licensee namely M/s Jai Prakash Power Venture Limited, Dehradun, a subsidiary of JPL in September 1996, which envisaged commissioning of the project by 2003. The PPA is not in the overall interest of the Board as it would be required to make extra payments to the licensee on account of following deficiencies in its provisions:

- purchase of power is based on two part-tariff (annual capacity charges and energy charges) instead of on a minimum tariff basis as provided in the Government's energy policy of 1994;
- undercharge on transfer of assets to the licensee;
- excessive operation and maintenance expenses;
- unnecessary locking of the Board's fund in Escrow account without any interest benefit;
- excessive interest on working capital and burden of return on equity;
- non-provision of wheeling charges for sale of energy to third party.

As the project has still not been executed, the Board may reconsider and review the above provisions of PPA with a view to reduce the cost of purchase of power. Action may also be taken for ensuring timely completion of the project so as to avoid costs relating to cost and time overruns.

The above matter was reported to the Board and the Government in June 1997; replies have not been received (September 1997).

Chapter-III
Uttar Pradesh State Electricity Board
Section-3B
Planning and Implementation of Hydro Electric Power Projects

SECTION 3B

Planning and Implementation of Hydro Electric Power Projects

HIGHLIGHTS

The Hydro Electric Projects, viz. Maneri Bhali (Stage II), Lakhwar Vyasi and Srinagar taken up by Uttar Pradesh State Electricity Board (between April 1977 and March 1988) for meeting the demand of power of the remote and hilly region. Due to taking up all projects at a time these could not be completed for want of financial resources.

(Paragraph 3B.1)

Non-adherence to the originally specified capacity, cost and time schedules of the projects led to time and cost overrun to the tune of Rs. 2534.31 crore.

(Paragraph 3B.2)

Owing to non-implementation of these projects as per schedule the Board could not achieve projected annual generation of 3462.13 MU of energy valued at Rs. 926.43 crore. Besides, the objects of conservation of costly and scarce inputs of coal and oil by utilising natural water was defeated and dependence on thermal generation continued resulting in use of coal of 27.56 lakh MT annually valued at Rs. 166.24 crore.

(Paragraph 3B.3)

Due to cancellation of orders, the Board suffered a loss of Rs. 10.65 crore on account of non-refund of advance paid to BHEL.

(Paragraph 3B.4)

The Board had incurred avoidable expenditure of Rs. 11.47 crore on salary and wages of idle staff during 1991-92 to 1996-97.

(Paragraph 3B.5)

The Board had been incurring recurring annual interest liability of Rs. 87.59 crore on the expenditure of Rs. 486.60 crore lying blocked in all the three projects.

(Paragraph 3B.7)

Government's efforts to privatise Maneri-Bhali (Stage-II) and Srinagar projects did not succeed owing to non-selection of the firm for former and non-clearance by the Government of the project report submitted by the firm for later.

(Paragraph 3B.8)

3B.1 Introduction

For meeting the demand of power of the remote and hilly region of the State at a low cost by utilising naturally available water against costly and scarce inputs of coal and oil used for thermal power plants, the Uttar Pradesh State Electricity Board (Board) decided (between April 1972 and March 1980) to set up three hydro electric power projects (one each at Uttarkashi, Pauri and Dehradun districts). The implementation work of these projects was under the charge of a General Manager (G.M.) posted at Dehradun assisted by an Executive Engineer for each project and a Dy. Chief Accounts Officer. Due to taking up all projects at a time none of these projects could be completed after executing some work for want of financial resources as of September 1997. The details of capacity, updated cost, expenditure incurred, scheduled date of completion and present status are as follows:

(Rupees in crore)

Name of the project	Updated capacity (MW)	Updated revised cost	Expenditure incurred up to September 1997	Updated revised scheduled date of completion	Present status
Maneri Bhali (Stage II), Uttarkashi	156 (304)	43.32 (338.66 in February 1989)	153.83	1983-84 (March 1993)	The original estimate of July 1972 for Rs. 43.32 crore was approved (April 1974) for Rs. 47.51 crore by the Planning Commission. The revised estimates of Rs. 338.66 have not been approved by the Planning Commission and the project could not be completed for want of financial resources.

(Rupees in crore)

Name of the project	Updated capacity (MW)	Updated revised cost	Expenditure incurred up to September 1997	Updated revised scheduled date of completion	Present status
Lakhwar-Vyasi at Lakhwar (3x100MW) and Hathiari (2x60MW) of Dehradun	420 (420)	140.97 (1776.00 in June 1997)	205.00	1983 (2002)	The original estimate of March 1973 for Rs. 140.97 crore was approved (January 1976) for Rs. 154.62 crore by the Planning Commission. The project scheme has not been cleared by the Planning Commission as the same was not updated. The project could not be completed for want of financial resources.
Srinagar, Garhwal (6 x 55 MW)	200 (330)	144.18 (748.12 in March 1994)	127.77	1987 (1992)	The detailed project report of Rs. 144.18 crore prepared in 1981 was approved by the Planning Commission in April 1986 with completion period of six years. The project could not be completed on account of failure of the Board to fulfill contractual obligation of World Bank loan through which it was to be financed.

Note: Data in brackets indicate the latest revised capacity, cost estimate and scheduled date of completion.

The aspect of cost overrun, loss of generation and revenue, expenditure on idle staff and idle/surplus inventory etc., caused due to non-implementation of these projects even after a substantial period owing to Board's inability to manage funds are discussed in the succeeding paragraphs.

3B.2 Cost overrun due to frequent and belated revisions of project estimates

Frequent revision of project estimates with respect to increase in cost and capacity resulted in time and cost overrun amounting to Rs. 2534.31 crore due to bad initial cost estimates leading to stoppage of work midway.

The project estimates were frequently revised on account of cost over-run due to bad initial cost estimates both with respect to increase in cost and capacity. The table given on the next page indicates the pattern of revision of estimates by the management.

(Rupees in crore)

Maneri Bhali Hydro Electric Project (Stage-II) Uttarkashi		Srinagar Hydro Electric Project		Lakhwar-Vyasi Multipurpose Hydro Electric Project		Total
Year of preparation / revision of estimate	**Cost**	**Year of preparation / revision of estimate**	**Cost**	**Year of preparation / revision of estimate**	**Cost**	
July 1972	43.32	1981	144.18	1973	140.97	
June 1973	47.51	1986	372.32	January 1976	154.62	
March 1976	82.63	1994	748.12	April 1979	228.48	
February 1981	181.97			January 1982	276.42	
February 1984	212.66			1992	920.50	
February 1989	338.66			1995 1996	1200.00 1776.00	
Increase in cost over original estimate	**295.34**		**603.94**		**1635.03**	**2534.31**

Non-adherence to the originally specified capacity, cost and time set for completion of the projects led to time and cost overrun to the tune of Rs. 2534.31 crore making the task of financial arrangement more difficult to the management. This finally led to stoppage of the projects midway.

3B.3 Loss of generation and revenue

Due to non-implementation of these projects so far (September 1997), leading to creation of large assets which did not perform, Board could not achieve the projected generation of 3462.13 MU of energy annually, valued at Rs. 926.43 crore, from scheduled dates of completion of projects as indicated on the next page

Board could not achieve projected annual generation of 3462.13 MU valued at Rs. 926.43 crore due to non-implementation of these projects.

(Rupees in crore)

Name of the project	Schedule date of completion	Targeted annual generation (In MU)	Annual loss of revenue	Requirement of coal to achieve annual generation (MT in lakh)	Cost of coal
Maneri Bhali (Stage II)	1983-84	1327.13	491.04	10.48	62.07
Lakhwar-Vyasi	1983	852.00	313.50	6.82	41.58
Srinagar	1992	1283.00	121.89	10.26	62.59
Total		**3462.13**	**926.43**	**27.56**	**166.24**

Besides, the object of conservation of costly and scarce inputs of coal and oil by utilising natural water was defeated and dependence on thermal generation continued resulting in use of coal of 27.56 lakh MT annually valued at Rs. 166.24 crore required for thermal generation of 3462.13 MU of energy.

3B.4 Loss due to cancellation of orders

Loss of Rs. 10.65 crore on account of non-refund of advance by BHEL.

Five orders for design, manufacturing, supply, erection, testing and commissioning of electro mechanical equipments were placed on Bharat Heavy Electricals Limited by the project authorities for Rs. 147.85 crore and a sum of Rs. 29.42 crore was paid as advance against these orders during March 1981 to October 1990. These orders were cancelled in September 1995 due to scarcity of funds and possibility of privatisation of these projects as per decision of the Board/State Government (discussed in para 3B.8 infra). The BHEL, however, allowed adjustment of a sum of Rs. 18.77 crore against their pending bills and retained the balance amount of Rs. 10.65 crore towards cost of design, engineering charges and other expenditure as per details given on the next page :

(Rupees in crore)

Name of Project	No. of orders and date of placement	Amount of order	Amount of advance paid	Date of payment	Amount withheld
Maneri Bhali (Stage II)	Three (1983, 1985 and 1988)	38.97	19.40	December 1984 to April 1988	4.30
Lakhwar-Vyasi	One (1981)	40.41	4.52	March 1981 to March 1982	2.05
Srinagar	One (September 1990)	68.47	5.50	October 1990	4.30
Total		**147.85**	**29.42**		**10.65**

Thus, due to cancellation of orders, the Board suffered a loss of Rs. 10.65 crore on account of non-refund of the advance by BHEL.

3B.5 Expenditure on Idle Staff

The Board incurred avoidable expenditure of Rs. 11.47 crore on salary and wages of idle staff.

The work of Maneri Bhali (Stage-II) and Srinagar projects was stopped/suspended from the year 1989-90 and 1991-92 respectively but the staff posted at sites were not transferred/utilised elsewhere as of September 1997 resulting in non-productive expenditure of Rs. 7.37 crore and Rs. 4.10 crore, respectively, on account of pay, TA and other allowances during the years 1991-92 to 1996-97.

The payment of idle salaries/wages could have been minimised if not avoided altogether if the staff posted at these projects were deployed more judiciously in other projects.

3B.6 Idle equipment and surplus stores

(i) Equipment valued at Rs. 278.88 lakh (consisting of cranes, compressor set, diesel generating sets and two idle diesel power houses commissioned in November 1983 and February 1984) and stores valuing Rs. 191.75 lakh were lying unutilised since long due to non-completion of projects resulting in blockage of funds to the extent of Rs. 470.63 lakh as per details given below:

Non-implementation of the projects resulted in blockage of funds of Rs. 4.71 crore invested in equipments and stores lying unutilised.

(Rupees in lakh)

Name of project	Idle equipment	Period since when idle	Surplus stores	Since when lying unutilised
Maneri-Bhali (Stage II)	87.43	1985-86	45.75	April 1989
Lakhwar-Vyasi	135.86	1983-84	NIL	--
Srinagar	55.59	1989-90	146.00	1990-91
Total	**278.88**		**191.75**	

Thus, due to non-implementation of the projects, these equipments and stores could not be utilised. No action was taken by the Board for utilising them elsewhere.

(ii) The diesel power houses commissioned in November 1983 and February 1994 at Lakhwar and Hathiari at a total cost of Rs. 78.55 lakh and Rs. 57.31 lakh respectively were lying idle since their commissioning and were exposed to wear and tear. Besides, a sum of Rs. 4.89 lakh was incurred on their maintenance during the period 1990-91 to 1995-96 which proved nugatory.

3B.7 Blockage of funds

Board has incurred an expenditure amounting Rs. 486.60 crore on these projects as of March 1997, which had remained blocked.

The interest liability on the blocked funds worked out to Rs. 87.59 crore per annum at the rate of 18 per cent.

The Board had been incurring annual interest liability of Rs. 87.59 crore on the expenditure of Rs. 486.60 crore lying blocked in all the three projects.

The Board in spite of its poor financial position, took up and continued execution of these three hydro electric projects together and consequently none could be completed. Had these been taken up one by one, the chances of their completion would have been more and the loss of interest due to blockage of funds would have also been avoided.

3B.8 Privatisation of the projects

As the Board was unable to arrange funds for implementation of the projects, the State Government in pursuance of its new energy policy of 1994 invited (March 1994) proposals from private sector companies for completing Maneri Bhali (Stage-II) and Srinagar projects only. No action to privatise Lakhwar-Vyasi project has been taken so far (September 1997).

Board's failure to complete these projects led the Government to privatise two of them but neither proposals from private parties for privatisation of one project have been finalised nor MoU signed in August 1994 in respect of another project has been implemented so far.

Proposals received (October 1994) for Maneri Bhali project (Stage-II) from private parties have not been finalised by the State Government so far (September 1997). In respect of Srinagar project, proposals received in April 1994 were finalised in May 1994 and a Memorandum of Understanding was signed between State Government and M/s Duncans for setting up of the project in August 1994. This MoU which was to remain in force for a period of 18 months from the date of signing was extended upto March 1998.

The detailed project report submitted (May 1995) by M/s Duncans has not so far been cleared by the Uttar Pradesh Government (September 1997).

3B.9 Other topics of interest

3B.9 (i)Non-reconciliation of funds remitted to Irrigation Department

As per the records of the Board, funds to the tune of Rs. 120.35 crore had been released during 1977-78 to 1992-93 to Uttar Pradesh Irrigation Department for execution of civil works of Maneri Bhali (Stage-II) project but as per records of the Irrigation Department, a sum of Rs. 108.48 crore only had been received by them. The difference of Rs. 11.87 crore could not be reconciled so far (September 1997).

3B.9 (ii)Loss due to shortage of imported steel

Imported steel (1418.374 tonnes) valued at Rs. 0.62 crore had been issued by Electricity Steel Cell, Lucknow to Power Construction Division, Dakpathar, Dehradun during February 1983 to July 1984, for Lakhwar-Vyasi Hydro Electric Project. This steel was sent to the project by Railways through different RRs. Total imported steel of 1341.431 tonnes valued at Rs. 0.59 crore was received and accounted for by the project and the balance quantity of 76.943 tonnes valuing Rs. 0.03 crore was short received. The project, therefore, did not accept the advice of transfer debit (ATD) as of September 1997. Neither shortages were claimed from Railway/Insurance, nor was a departmental inquiry conducted to establish the reasons for shortages. Thus, the Board suffered a loss of Rs. 0.03 crore.

3B.9 (iii)Cancellation of loan due to non-fulfilment of contractual obligation

The Board got sanctioned (July 1988) a composite loan of US $ 350 million from International Bank for Reconstruction and Development (IBRD) for its various schemes which included US $ 112.8 million for execution of Srinagar project. After releasing a sum of US $ 24.374 million to the Board, IBRD suspended the remaining portion of the loan on 5 April 1991 and finally cancelled it in November 1992 on the grounds that the Board could not furnish an action plan indicating improvement in its financial position for achieving a rate of return of three per cent on net fixed assets as stipulated in the agreement.

Out of US $ 24.374 million obtained from IBRD, how much were utilised for Srinagar project, amount of interest paid on the same and present status of repayment were also not furnished to Audit by the Board.

Hence, due to failure of the Board to furnish the action plan as desired by IBRD, loan of US $ 112.8 million could not be availed of as a result the Srinangar project could not be completed owing to funds scarcity.

Conclusion

Three Hydro Electric Projects with total capacity of 1054 MW were envisaged with a view to meet the power demand of remote and hilly regions of the State. However, these could not be completed on account of Board's failure to arrange for the necessary funds and these had to be abandoned after incurring huge expenditure of Rs. 486.60 crore as a result of which the Board had to suffer losses on account of the following:

- loss of revenue on account of non-generation of projected power.
- loss due to cancellation of orders.
- expenditure on idle staff, equipment and surplus stores.
- interest loss on blocked funds.

The Board should take immediate steps either to privatise or to take steps to complete the projects one by one.

The matter was reported to the Board in June 1997 and to the Government in September 1997. Replies were awaited (September 1997).

Chapter-III
Uttar Pradesh State Electricity Board

Section-3C

Privatisation of Jawaharpur Thermal Power Project

SECTION 3C

Privatisation of Jawaharpur Thermal Power Project

HIGHLIGHTS

The Government signed a Memorandum of Understanding with M/s Pacific Electric Power Development Corporation of Vancouver (Canada) in November 1993 for setting up a Thermal Power Station with an installed capacity of 750 MW (revised to 800 MW in July 1994) at Jawaharpur (Etah). The Power Purchase Agreement (PPA) was entered into with the Canadian firm's subsidiary namely M/s Jawaharpur Power India Private Limited, New Delhi in December 1995.

(Paragraph 3C.1)

The project was entrusted to the private sector without inviting competitive bids and the PPA provided for the two part-tariff (fixed charges and variable charges) for the power to be purchased by the Board. Thus, the objective of minimum tariff envisaged in the Government's energy policy of 1994 was not achieved.

[Paragraph 3C.2(i)]

The two part-tariff provided in the PPA would result in extra cost of energy to be paid by the Board at Rs. 118.59 crore (approximately) per annum on account of excessive rate of operation and maintenance expenses (Rs. 79.25 crore), loss of interest on locking of the Board's fund in escrow account (Rs. 16.06 crore), excessive interest on working capital (Rs. 13.37 crore) and excessive variable charges (Rs. 9.91 crore).

[Paragraphs 3C.2 (ii) to (v)]

The post tax return of 16 per cent on the licensee's equity included in the fixed charges of the tariff would result in yearly total burden of 29.63 per cent of the equity which is higher than the prevailing interest rate of 18 per cent on debts which the Board could have obtained to finance the project.

[Paragraph 3C.2(vi)]

3C.1 Introduction

With a view to meeting the increased demand of power in the State through private sector participation in power generation, the Government signed a Memorandum of Understanding (MoU) with Pacific Electric Power Development Corporation of Vancouver (Canada) in November 1993 for setting up a thermal power station with an installed capacity of 750 MW (3 units of 250 MW each) at Jawaharpur (Etah). The MoU which was to remain in force for a period of 18 months, interalia, provided that (i) the firm would submit a detailed project report within 9 months, (ii) sell the entire generated energy to the Board at mutually agreed tariff, (iii) incorporate a public limited company for implementation and operation of the project and (iv) provide a irrevocable bank guarantee for Rs. 50 lakh to remain valid during the continuance of MoU. The State Government agreed therein to grant necessary licence to the firm to generate and sell electricity for 30 years from the date of commissioning with suitable provision for renewal for a further period of 20 years.

The capacity of the projected power station was revised to 800 MW (2 units of 400 MW each) in July 1994 on the grounds that the 400 MW unit was a proven and reliable design and optimises the use of available resources. The project report for capital cost of Rs. 4143 crores for the 800 MW capacity was submitted by the firm to Central Electricity Authority (CEA) in July 1994 for techno-economic clearance. The report was revised to Rs. 3810.14 crore in December 1996 showing levelised energy price of Rs. 1.91 per unit. Techno-economic clearance of the project was awaited as of August 1997.

The energy generated at the power station is to be purchased by the Board in accordance with the terms of the Power Purchase Agreement (PPA) entered into between the Board and the Canadian firm's subsidiary namely Jawaharpur Power India Private Limited (JPL), New Delhi in December 1995. The important terms of the PPA are briefly mentioned below:

(a) The capital cost of the project would be limited to the actual expenditure incurred by JPL or the amount approved and capped by the Board and CEA whichever is lower. The financial package showing the extent of debts and equity to be arranged to meet the capital cost would be approved by the Board and CEA.

(b) The scheduled commercial operation of units I and II within 48 and 54 months respectively, from the date of financial closing* (subject to extension due to *force majeure* events) was stipulated. In case of failure, the firm would pay to the Board liquidated damages at Rs. 4 lakh per day for 180 days and Rs. 40.50 lakh per day thereafter subject to a cap of Rs. 80 crore in case of each unit.

(c) If the tested capacity of any unit is less than the nameplate capacity at the commercial operating date, capital cost would be reduced on pro-rata basis and the firm would pay liquidated damages to the Board at Rs. 7000 per KW of shortfall in capacity.

(d) The Board would pay to the firm for the power purchased on two part-tariff basis. Variable charge would consist of cost of primary fuel (coal) and secondary fuel (oil). Fixed charge based on achievable plant load factor of 68.49 per cent would comprise:

- interest on debts;
- interest on working capital;
- depreciation;
- operation and maintenance (O&M) expenses at 2.5 per cent of the capital cost;
- 16 per cent post tax return on equity together with income tax payable thereon by the firm.

(e) The firm would construct and maintain 400 KV sub-station and 400 KV switchyard. For evacuation of power, 220 KV sub-station and transmission line would be constructed and maintained by the Board. In case of the Board's failure to complete the external inter-connection facilities (220 KV sub-station and transmission line) on scheduled synchronisation date of Unit I for any reason not attributable to a default by the firm or any *force majeure* events, the Board would pay to the firm fixed charge portion of the tariff from the scheduled synchronisation date of Unit I to the date of completion of external inter connection facilities if the Unit I is ready for synchronisation.

(f) Government of Uttar Pradesh has extended and delivered to the firm a legally binding guarantee regarding obligations of UPSEB. State Government would

* Financial closing as per PPA means the date upon which the financing documents relating to power station have been executed and delivered by all parties thereto.

also recommend to Government of India to deliver to the firm a legally binding guarantee relating to the obligations of the Government of Uttar Pradesh.

(g) The Board would make payments for the power purchased each month through letters of credit/Bank draft within 30 days from the date of presentation of energy bills and would maintain ESCROW account in a scheduled bank for the purpose and to maintain therein funds equivalent to one month's billing at all relevant times.

(h) The Board as well as the firm was given options for termination of the agreement in case of political/power station *force majeure* events and defaults of the other party.

The PPA will remain effective for a period of 30 years from the date of commercial operation of Unit I which can be extended for a mutually agreed period.

3C.2 Deficiencies in the power purchase agreement

A test check by Audit of the privatisation process revealed the following points:

(i) Privatisation without competitive bids

Privatisation of the project without obtaining competitive bids deprived the Board of the benefit of minimum tariff as envisaged in the Government's energy policy of 1994.

Policy for private sector participation in power generation was laid down by the Government in 1994, which envisaged private sector participation in power projects on minimum tariff basis by inviting competitive bids through national and international publicity so as to attract reputed industrial houses. However, the firm of Canada was selected (May 1993) by a Committee headed by the Principal Secretary (Energy) to the Government on the basis of five offers showing merely willingness and technical, financial and managerial capabilities received in April 1993 in response to open advertisement of February 1993. No competitive bids were called for determining the minimum price for purchase of power. Thus, the Board not only lost the benefit of minimum tariff to be fixed through competitive bids but also undertook liability to pay for the power purchased at varying rates subject to fluctuations beyond its control.

(ii) Provision for excessive operation and maintenance (O&M) expenses

Provision of O&M expenses at 2.5 per cent of the capital cost for fixing tariff would result in excess payment of Rs. 79.25 crore per annum.

The PPA provided for O&M expenses at 2.5 per cent (subject to revision with reference to wholesale price index after first tariff year) of the capital cost to be considered for the purpose of fixing the tariff rates irrespective of the actual expenses. This would result in consideration of Rs. 95.25 crore as O&M expenses being 2.5 per cent of the capital cost of Rs. 3810.14 crore projected by JPL in December 1996. On the other hand, the actual O&M expenses (including salaries and allowances of staff) in case of the Board's Anpara Thermal Power Station, Stage (B) comprising 2 units of 500 MW each, which were commissioned in March and September 1994 amounted only to Rs. 19.16 crores in 1995-96. This worked out to 0.42 per cent of its capital cost of Rs. 4534.02 crore. Thus, the provision of 2.5 per cent O&M expenses of its capital cost would result in excess payment by the Board to the extent of Rs. 79.25 crore per annum (2.08 per cent of Rs. 3810.14 crore) when compared to O&M expenses actually incurred in Anpara Thermal Power Station Stage-B.

(iii) Locking of the Board's fund in Escrow account

Payment of energy bills to be made by the Board through letters of credit was ensured through Government guarantee under the provisions of the PPA. The PPA, however, further required the Board to establish a separate Escrow account in a scheduled bank and to maintain therein funds equivalent to one month's billing at all relevant times. Thus, maintenance of such an account without its requirement in any guideline of Government/CEA would result in locking up of the Board's fund to the extent of Rs. 89.24 crore (approximate amount of one month's billing), and consequent loss of interest of Rs. 16.06 crore per annum (at 18 per cent).

Operation of escrow account would involve locking of Board's funds to the extent of Rs. 89.24 crore thereby resulting in loss of interest of Rs. 16.06 crore per annum.

(iv) Provision for excessive interest on working capital

(a) In terms of the PPA, the receivables equivalent to twice the average monthly amount of the tariff bill would form part of the working capital, the interest on which would be considered for fixing tariff. This was excessive as the Board would be liable to pay penalty in case of payment of energy bills after 35 days from the end of each month. As compared to the period of 35 days, the provision of interest on twice the amount of monthly energy bill would result in extra cost of energy at Rs. 13.37 crore per annum.

Excessive interest on working capital would result in extra cost of energy at Rs. 17.61 crore per annum.

(b) According to the Government of India's guidelines of March 1992, only one month's stock of coal is required to be considered for working out interest on working capital for determining tariff. The PPA, however, provides for 60 days stock of primary fuel for the purpose. This would result in extra cost of energy to be paid by the Board at Rs. 4.24 crore per annum.

(v) Provision for excessive variable energy charge

The variable energy charge payable by the Board would, inter alia, include the cost of oil at consumption rate of 3.5 ml per kwh of generated energy. The actual consumption of oil at the Board's Anpara Thermal Power Station (comprising 3 units of 210 MW each and 2 units of 500 MW each), however, varied from 2.60 ml (1991-92) to 0.68 ml (1995-96) per kwh of energy generated with average consumption of 1.9 ml per kwh during 1991-92 to 1995-96. Thus, the higher norm of fuel oil consumption provided in the PPA would result in excessive variable charges payable by the Board to the extent of Rs. 5.67 crore per annum.

Higher norm for fuel oil consumption provided in PPA would result in excessive energy charges payable by the Board to the extent of Rs. 5.67 crore per annum.

Further, no provision was made in the PPA to exclude extra cost due to transportation of fuel by road, transit loss, railway claims, higher rates paid for coal than those applicable to the actual grade of coal used, wharfage/demurrage and loss on supply of stone above 200 mm size along with coal from the estimated average unit costs of primary and secondary fuels to be considered for fixing variable charge. Depending upon the efficiency in managing these areas, the Board would have to bear additional burden in the absence of a provision to restrict losses to a prescribed percentage.

(vi) Excessive burden of return on equity

In fixation of tariff, the PPA envisaged a post tax return of 16 per cent on equity with the amount of income tax payable by JPL on such return. This amounted to total burden of 29.63 per cent of equity based on the income tax rate of 46 per cent (as estimated by JPL). This was higher than the prevailing interest rate of 18 per cent on debts which the Board could have obtained to finance the project. Further, the PPA does not indicate whether equity capital at the beginning of a year or the average of such capital during a year would be considered for the purpose.

Provision of post tax return of 16 per cent on equity for fixing tariff would result in total burden (including income tax) of 29.63 per cent which is much higher than the prevailing interest rate of 18 per cent on debts.

(vii) Non-provision of any limit of auxiliary consumption of energy

The PPA permitted JPL to meet its internal requirements of electrical energy for operation of its power station out of the generated power. No limit was, however, fixed to the quantum of such use of energy although the Government of India's guidelines of March 1992 provided the limit of 7.5 to 9.5 per cent of the generated power for auxiliary consumption depending upon steam or electrically driven pumps.

(viii) Non-provision of wheeling charges for sale of energy to third party

Sale of energy by JPL to a third party was allowed under the provisions of the PPA. However, no provision was made in the PPA for payment of wheeling charges to the Board in case of such sale by JPL for wheeling of power through the Board's transmission system in terms of the Government's energy policy of 1994. The energy policy provided the rates of wheeling charges at 12.5 per cent and 10 per cent in case of transmission through 132 KV and 220 KV lines, respectively. In the absence of any clause regarding wheeling charges, the Board would be put to loss due to its inability to claim any amount from the licensee in the event of third party sale through the system of the Board.

(ix) Non-implementation of the project leading to delay in availability of power

The PPA of December 1995 was executed two years after signing of MoU in November 1993. The PPA envisaged commercial operations of Units I and II of the power station by the end of 48 months and 54 months, respectively from the date of financial closing (ie. execution of agreements relating to financial arrangements). The revised project report of December 1996 envisaged the commercial operation of the Units I and II by May 2001 and November 2001, respectively. However, techno-economic clearance of the project was still awaited from CEA (August 1997). This would, thus, result in not only delay in availability of power, but also increase in the cost of generation of power.

Conclusion

In order to meet the increased demand of power in the state, the Government signed a Memorandum of Understanding with Pacific Electric Power Development Corporation of Vancouver (Canada) in November 1993 for setting up a Thermal Power Station of 800 MW (2 units of 400 MW each) without inviting competitive bids in contravention of its own energy policy laid down subsequently. The power project is to be executed by Jawaharpur Power India Private Limited (JPL), New Delhi, a subsidiary of the above Canadian firm and a power purchase agreement (PPA) with this subsidiary was signed by the Board in December 1995. The 2 units of the project are to be commissioned by May and November 2001. The PPA is not in the overall interest of the Board as it would require the Board to make extra payment to JPL on account of following deficiencies in its provisions:

- purchase of power is based on two part-tariff (fixed and variable charges) instead of on minimum tariff basis as provided in the Government's energy policy of 1994;
- excessive operation and maintenance expenses;
- unnecessary locking of the Board's funds in Escrow account without any interest benefit;
- excessive interest on working capital;
- excessive variable energy charges and burden of return on equity;
- non-provision of any limit of auxiliary consumption of energy and wheeling charges for sale of energy to a third party.

As the project has still not been executed, the Board may reconsider and review the above provisions of PPA with a view to reduce the cost of purchase of power. Action may also be taken for ensuring timely completion of the project so as to avoid costs relating to cost and time overruns.

The above matters were reported to the Board and the Government in June 1997; replies had not been received so far (September 1997).

Chapter-III
Uttar Pradesh State Electricity Board

Section-3D
Distribution Zone, Varanasi

SECTION 3D

Working of Distribution Zone, Varanasi

HIGHLIGHTS

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

(Paragraph 3D.1.1)

The revenue deficit of the zone during the five years up to March 1997 aggregated Rs. 469 crore mainly due to excessive line losses, non/short assessment of energy charges and excessive damage to distribution transformers.

(Paragraph 3D.1.4)

Against the norm of 11.5 per cent distribution losses prescribed by CEA, the actual losses ranged between 19.9 and 23.1 per cent. The quantum of energy loss in excess of the norm worked out to 1411.759 MU valued at Rs. 188.19 crore during the period of five years up to 1996-97.

(Paragraph 3D.2.1)

Non-installation of capacitor banks to the required extent resulted in loss of saving of system losses of 24.990 MU valued at Rs. 3.57 crore per annum.

(Paragraph 3D.2.2)

Incorrect assessment of energy consumption due to unmetered supply/defective meters etc. resulted in under charging of revenue to the extent of Rs. 13.08 crore.

(Paragraph 3D.2.3)

The arrears of revenue increased from Rs. 225.48 crore in 1992-93 to Rs. 583.36 crores in 1996-97. The Zonal management failed to monitor, plan and administer the process of realisation vigorously and did not even issue recovery certificates amounting to Rs. 91.08 crore for recovery as arrears of land revenue.

(Paragraph 3D.3 and 3D.3.1)

Failure to take immediate action for dismantling of redundant lines resulted in theft of line materials valued at Rs. 0.40 crore.

(Paragraph 3D.4.5)

Damage of distribution transformers was far in excess of the norm of 2 per cent in a year fixed by the Board, the value of which worked out to Rs. 82.60 crore during the period 1992-93 to 1996-97.

(Paragraph 3D.5)

3D.1.1 Introduction

Varanasi distribution zone is one of the 13 zones vested with the responsibility of Power Distribution net work of the Uttar Pradesh State Electricity Board.

For bringing economy and efficiency in the working of Zones, the respective Chief Zonal Engineers, under the reorganisation plan (1987) of Distribution Wing, are vested with the responsibility of direction, planning, monitoring and control over pilferage of energy and Board's assets, realisation of revenue arrears, distribution losses, upkeep and maintenance of plant and equipment, improving performance/service indicators and preparation and execution of system upgradation schemes.

3D.1.2 Organisational set-up

The Varanasi Zone, is divided into five distribution and one works circle each under the charge of a Superintending Engineer (SE). These are further sub-divided into 28 divisions: 19 Electricity Urban or Electricity Distribution Divisions, (EUDD/EDD), 2 Electricity Construction Divisions, 5 Electricity Test Divisions, 1 Electricity Secondary Works Division (ESWD) and 1 Electricity Workshop Division (EWD). The finance and accounts and internal audit functions are under the charge of a Deputy Chief Accounts Officer and Deputy Director respectively, both posted at Varanasi.

3D.1.3 Scope of Audit

Out of 28 divisions of the Zone, records of 19 divisions covering a period of five years (1992-93 to 1996-97) were test checked during August 1996 to February 1997. The percentage of capital and maintenance expenditure and assessment of revenue of these 19 divisions to the total capital and maintenance expenditure and assessment of revenue of the Zone was 64.3 and 76.9 per cent respectively, during 1996-97. The result of the test checks are set out in the succeeding paragraphs.

3D.1.4 Working results

Working results of the zone for the last five years ending March 1997 are as under:

Particulars		1992-93	1993-94	1994-95	1995-96	1996-97
		(in Million Units)				(Provisional)
(i)	Energy received	2467.693	2403.942	2475.847	3419.771	3559.263
(ii)	Energy sold	1898.213	1925.007	1955.548	2728.207	2761.239
(iii)	Total cost of energy sold* (Rupees in lakh)	29751.55	32218.86	33911.54	47807.49	52865.95
(iv)	Cost of energy per kwh (in Rupees)	1.57	1.67	1.73	1.75	1.91
(v)	Assessment of revenue (Rupees in lakh)	21064.56	23864.60	28229.18	39489.38	37008.01
(vi)	Revenue per kwh (in Rupees)	1.11	1.24	1.44	1.45	1.34
(v)	Surplus (+)/deficit (-) (Rupees in lakh)	(-) 8687.00	(-)8354.26	(-) 5682.36	(-) 8318.11	(-) 15857.94
(vi)	Per kwh Surplus (+) / deficit (-) (in Rupees)	(-) 0.46	(-) 0.43	(-) 0.29	(-) 0.30	(-) 0.57

It would be seen from the above that the Zone could not recover even the cost of energy from the consumers and the deficit ranged between Rs. 5682.36 lakh to Rs. 15857.94 lakh during these five years. Reduction in deficit during 1994-95 was mainly due to upward revision of tariff in July 1994.

The main reasons for deficit as analysed in Audit were:

(i) excessive distribution losses (Rs. 18818.94 lakh) resulting in lower availability of energy for sale;

(Paragraph 3D.2.1)

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

(ii) heavy commercial losses (Rs. 1307.87 lakh);

(Paragraph 3D.2.3)

(iii) unfruitful capital expenditure on sub-station works, theft of assets, line materials, etc. (Rs. 166.07 lakh) and

(Paragraphs 3D.4.4, 3D.4.6 and 3D.4.7)

(iv) excessive damage to distribution transformers (Rs. 8259.73 lakh) resulting in high cost of distribution;

(Paragraph 3D.5.1)

3D.1.5 Erratic consumption pattern

The factor of small, medium and large power consumers for assessment of energy as prescribed by the Board was 0.40, 0.50 and 0.75 respectively. On this basis, the per kw/day consumption for these consumers worked out to 9.6 units for small loads, 12 units for medium loads and 18 units for large power loads. Against this, an analysis by Audit indicated that during the five years up to 1996-97, the per kw/day consumption pattern in case of non-Government category of consumers was lower than in the case of Government consumers. While in the case of the non-Government category of consumers, it ranged between 1.9 (small power) and 7.2 (large power), the Government category showed better consumption pattern ranging between 4.4 and 19.8 respectively.

While the Zone has not attempted to analyse reasons for such erratic consumption pattern, an analysis by Audit revealed that this was mainly due to commercial losses as discussed in Paragraph 3D.2.3.

3D.2 System deficiencies

Deferment of the scheme undertaken for improving system after incurring expenditure of Rs. 22.87 crore resulted in increase in line losses.

The sub-transmission and distribution system of the Zone comprised 221 number of 33 KV sub-stations having transformation capacity of 1395 mega volt ampere (MVA) and 2649 Kms of 33 KV lines from which energy was fed to 5.69 lakh consumers (load 1348 MVA) through 40431 distribution transformers (capacity: 1900 MVA). Energy was received from three sub-stations of 220 KV and 37 sub-stations of 132 KV under Transmission wing of the Board which had a transformation capacity of 1425 MVA. While the capacity of the transformers was sufficient to cater to the maximum demand (1395 MVA) and connected load (1146 MW), the average length of 33 KV lines are too long which ranged between 21 kms to 78 kms against the parameter of 15 to 20 kms fixed by Rural Electrification Corporation (REC) resulted in excessive line losses. It was observed in Audit that in spite of sufficient transformation capacity, the distribution system of the zone was ridden with high incidence of distribution losses and excessive damage of distribution transformers. With a view to reduce line losses a study of the sub-transmission and distribution system for Varanasi city alone was entrusted (June 1987) to Tata Consulting Engineers, Bombay at a fee of Rs. 4 lakh. The consultants in their report (July 1988) proposed that for improving the system, capital expenditure of Rs. 5900 lakh was required. The Planning Commission and Central Electricity Authority (CEA) approved (July 1989) the scheme for Rs. 3635 lakh only, out of which Rs. 1877 lakh was to be provided by Power Finance Corporation Limited, New Delhi (PFC) as loan and the balance was to be met by the Board from its own resources. The Board received Rs. 1817 lakh as loan from PFC during April 1990 to October 1996.

The expenditure incurred by the Board against the above scheme was Rs. 2287 lakh up to March 1995 and thereafter the scheme was deferred due to paucity of funds.

The scheme had envisaged a reduction in line losses from 36.4 to 17 per cent after its implementation but even after incurring substantial expenditure of Rs. 2287 lakh, the line losses shot up from 33.60 per cent during 1995-96 to 36 per cent during 1996-97. Thus, the expenditure of Rs. 2287 lakh incurred till March 1995 did not result in any improvement in the system.

3D.2.1 Excessive distribution losses

Distribution losses indicate the difference between energy available for sale and the actual sale. This difference comprises technical losses dissipated in the system and commercial losses due to theft, unauthorised extraction and defective metering system etc.

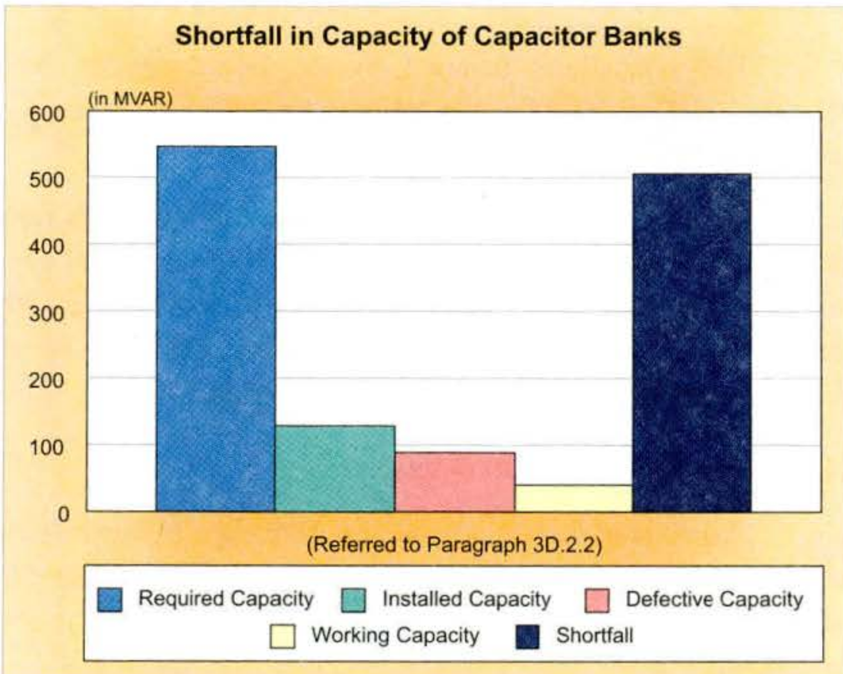
In July 1991, CEA recommended that sub-transmission and distribution losses should not be more than 11.5 per cent. As against these norms, the distribution losses of the zone ranged from 19.9 to 23.1 per cent during the five years upto March 1997. The overall distribution loss of the Board as a whole during the same period ranged between 14.8 and 19.9 per cent.

With a view to identifying the areas of high losses, the Technical Committee on Power recommended (1972) preparation of feeder-wise energy budget for comparison with the feeder-wise energy account. The Management, however, did not prepare feeder-wise energy budget and account to identify the high loss areas for corrective action. The quantum of energy lost in excess of the norm worked out to 1411.759 MU valued at Rs. 18818.94 lakh during the period of five years ending March 1997.

Failure to keep the distribution losses within norm resulted in loss of 1411.759 MU of energy valued at Rs. 188.19 crore during the five years period ending March 1997.

3D.2.2 Inadequate system compensation

Installation of capacitor banks at load end is one of the main and widely recognised means to compensate the deficiency factor to reduce technical losses. This has also the added advantage of increasing load carrying capacity of the system and improving the voltage profile. In May 1991, the Board issued instructions to the field units to install new capacitor banks and repair defective ones as any improvement of power factor (from 0.7 to 0.9) increases the load carrying capacity of transformers by 28 per cent, reduces line losses by 40 per cent and also improves reliability of supply due to improved voltage profile.



Audit scrutiny of 5 Distribution Circles revealed (February 1997) that there was shortfall of 505.628 MVAR capacity of capacitor banks at the close of March 1996 as detailed on the next page:

Name of Circle		Number of sub-stations (5 MVA and above)	Transformation capacity (in MVA)	Capacitor banks (In MVAR)				
				Required capacity	Installed capacity	Capacity of defective capacitor bank	Working capacity	Shortfall in capacity
(i)	EDC, Varanasi	39	334.500	160.560	35.556	21.196	14.360	146.200
(ii)	EUDC, Varanasi	22	266.000	127.680	17.958	9.486	8.472	119.208
(iii)	EDC, Jaunpur	24	166.000	79.680	29.744	18.744	11.000	68.680
(iv)	EDC, Ghazipur	26	226.000	108.480	12.800	10.700	2.100	106.380
(v)	EDC, Azamgarh	21	144.500	69.360	32.480	28.280	4.200	65.160
	Total	**132**	**1137.000**	**545.760**	**128.538**	**88.406**	**40.132**	**505.628**

Against the requirement of 545.760 MVAR capacity the installed capacity was 128.538 MVAR which worked out to 23.6 per cent only. Out of this, capacity lying defective was 88.406 MVAR (68 per cent of installed capacity) and the working capacity was only 40.132 MVAR (7 per cent of the requirement). The shortfall in system compensation worked out to 505.628 MVAR equivalent to annual energy loss of 24.990 MU valued at Rs. 357.360 lakh.

Non-installation of capacitor banks to the required extant resulted in loss of saving of system losses of 24.990 MU valued at Rs. 3.57 crore per annum.

During 1991-92, the Varanasi zone was allotted a meagre work programme for installation of capacitor banks of 23.10 MVAR (11 numbers of 2.1 MVAR) capacity (reduced to 21 MVAR capacity during 1993-94) against which only 8.40 MVAR (40 per cent) could be created during 1994-95. Similarly, against an allotment of 16.80 MVAR (7 nos of 2.4 MVAR) for 1992-93, no work could be undertaken as of August 1997 for want of 11 KV cable only.

3D.2.3 Commercial losses

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

Zone failed to reduce commercial losses aggregating Rs. 13.08 crore.

However, the Zone was not able to reduce the commercial losses. The quantum of such losses in cases test checked by Audit (August 1996 to February 1997) alone aggregated Rs. 1307.87 lakh (May 1989 to August 1997) as discussed in succeeding paragraphs.

3D.2.3.1 Non-billing for pilferage of energy

In February 1983 the Board issued instructions to the Divisional Officers that in case of theft of energy detected during raids, besides lodging FIR with the police, assessment for pilferage of energy was also to be made and in case of default amount be realised under Uttar Pradesh Government Electrical Undertakings (Dues Recovery) Act, 1958.

Out of Rs. 0.40 crore of pilferage of energy detected bills were raised for Rs. 0.16 crore only.

However, in seven divisions, the assessment for Rs. 40.20 lakh was proposed in 476 cases of pilferage of energy detected during August 1991 to July 1996 out of which bills for Rs. 15.54 lakh were raised in 287 cases by four divisions at the instance of Audit. Reasons for not raising the bills in the remaining cases were not furnished (August 1997).

3D.2.3.2 Non-raising of bills

As per orders of July 1970 of the Board, connection given to a consumer is required to be ledgerised within one month from the date of connection for periodical issue of bills. It was noticed that energy bills amounting Rs. 37.76 lakh relating to private tubewells (Rs. 4.55 lakh), small and medium

Energy bills amounting to Rs. 0.38 crore could not be raised due to the fact that names of the consumers were not entered into ledger.

power (Rs. 21.56 lakh) and street light (Rs. 11.65 lakh) for the period April 1992 to August 1997 were not issued by EDD Bhadohi and EUDD IV, Varanasi due to names of these consumers not being entered into ledger.

3D.2.3.3 Incorrect meter reading resulting in delayed assessment

From May 1992 to 25 July 1994, the supply of Deluxe Flour Mills, Badlapur (load: 290 KVA) under EDD II, Jaunpur remained disconnected. On reconnection of supply from 26 July 1994 the meter reading was taken for the first time on 7 November 1994 and again on 24 June 1996, for all the segments to determine power factor and maximum demand. During the intervening period the demand was incorrectly recorded and no power factor was worked out as KVAH and maximum demand reading were not being taken mainly due to non-availability of sealing plier (except during February 1995 when the maximum demand and power factor were incorrectly worked out). Consequently, the consumer was billed only for 75 per cent of the contracted demand and was not billed for low power factor surcharge during August 1994 to May 1996, (assessment from June 1996 made correctly).

The power factor as worked out by Audit on the basis of progressive KWH and KVAH segments of the meter available for 7 November 1994 and again for 24 June 1996 was 0.586. Similarly, the average of actual maximum demand during June 1996 to October 1996 was 349 KVA. Based on this, the under charge during the period from August 1994 to May 1996 (correctly assessed thereafter) worked out to Rs. 7.15 lakh (excluding Rs. 1.47 lakh assessed during December 1996 for the period February 1995 to May 1996, though based on incorrect readings). On being pointed out by Audit, the division assessed (Rs. 7.15 lakh) the consumer (February 1997), payment of which was awaited as of September 1997.

3D.2.3.4 Under assessment in case of unmetered supply

Unmetered supply of energy to consumers resulted in under assessment of Rs. 5.32 crore.

According to Board's order of October 1962, the Assistant Engineer (Meters) is required to install the tested meters immediately when a new connection is given. Scrutiny in Audit revealed that in the following cases the connections were released without installing meters resulting in under assessment of revenue amounting to Rs. 532.18 lakh as detailed in the following table :

(Rupees in lakh)

Sl. No.	Name of consumer (Division)	Load	Under assessment	Period	Remarks
(i)	Sone Pump Canal Stage III, (EDD, Robertsganj)	9412 KVA	316.97	April 1994 to July 1997	Assessment of energy consumption worked out on the basis of running hours of individual motors was reduced by applying factor 0.80 which was incorrect. The capacity of motor was also incorrectly taken as 1000 KW instead of 1600 KW during April 1994 to July 1996.
(ii)	Jal Sansthan, Varanasi (EUDD I, Varanasi)	(a) 1050 KVA	6.79	19 September to 29 November 1995	Assessment of energy consumption worked out taking factor 0.2 instead of 0.75.
		(b) 350 KW	10.18	5 February to 17 August 1995	Assessment of energy consumption worked out taking factor 0.2 which was incorrect as no factor to be applied in this case as assessment made on running hours of individual motor.
(iii)	World Bank Tubewells (EDD II, Ghazipur)	1912 BHP	95.17	April 1994 to December 1996	Assessment of energy consumption was made taking factor as 0.50 instead of 0.75.
(iv)	Kushmaha Pump Canal (EDD, Robertsganj)	140 KVA	10.95	February 1991 to November 1992 and April 1994 to July 1997	Assessment was raised for minimum consumption charges instead of assessed consumption of 12600 units per month.
(v)	Dhoba Pump Canal (EDD, Robertsganj)	1845 KVA	92.12	January 1994 to March 1996	Assessment was raised for minimum consumption taking load 735 KVA and assessed consumption 66150 units per month instead of assessing energy consumption on the basis of running hours.
	Total		**532.18**		

3D.2.3.5 Inadmissible refunds

Zone allowed inadmissible refunds amounting to Rs. 0.22 crore to three consumers.

(i) A load of 700 KVA was released in January 1989 by EDD I, Jaunpur to M/s Chandwak Flour Mills through an independent 11 KV feeder drawn from 33/11 KV sub-station, Dobhi. The consumer was billed at the rates applicable to non-continuous process industries upto April 1989 and thereafter during May 1989 to December 1993 was billed at higher rate applicable to continuous process industries, on a report of the Sub-Divisional Officer (September 1989) that 24 hours supply was given to the consumer as per Board's order. Board issued a clarification in November 1993 regarding applicability of rates for continuous or non-continuous process industries as indicated in the tariff. Accordingly, the agreements were to be revised for the kind of continuous or non-continuous process as per tariff and the applicable rates were to be made effective from the date of revision of the agreement. In contravention of this provision and without revision of the agreement, the Chief Engineer (Commercial) directed (November 1995) the division to revise the energy bills of this consumer at the rates of non-continuous process tariff for the period from May 1989 to December 1993. Accordingly an inadmissible refund of Rs. 10.47 lakh was allowed to the consumer (May 1996) by adjustment in the bills.

(ii) The current/potential transformer unit of the metering system of M/s Abhinav Steel, Jaunpur (load: 1100 KVA) under EDD II, Jaunpur was damaged on the same day of its installation (8 July 1995). On an undertaking from the consumer to pay the charges as per Board's orders, direct connection was allowed to the consumer from 8 July 1995 to 19 September 1995. The metering system was restored on 20 September 1995. On checking of the premises of the consumer by raid party (26 September 1995), however, direct connection was not found removed, the factory was running during restricted hours and the metering system was noticed to be faulty. Accordingly, an assessment of Rs. 25.95 lakh was made based on LHFD* formula. The assessment so made was accepted by the consumer as directed by Chief Engineer (Commercial) and payment of Rs. 7.84 lakh was made by the consumer in August/September 1995. The balance amount (Rs. 18.11 lakh) was payable in 8 equal monthly instalments of Rs. 2.26 lakh during October 1995 to May 1996. However, the consumer

* LHFD - L:Load, H:Hours, F:Factor, D:Days

deposited only two instalments (Rs. 4.53 lakh) in October 1995 and December 1995 and requested the SE for adjustment of the above energy bill on the basis of average of three months' consumption after installation of meter. Though the Electricity Supply (Consumers) Regulations 1984 do not stipulate adjustment on this basis, the Executive Engineer incorrectly revised the assessment to Rs. 16.89 lakh and refunded (December 1995) Rs. 9.06 lakh by adjustment in the bills on the basis of average of three months' consumption recorded by the meter installed in September 1995 despite instructions from SE to make adjustment as per rules.

(iii) The energy meter of M/s Amba Cement and Chemicals, Rampur, Bhadohi (load: 270 KVA) under EDD, Bhadohi was defective during the period from October 1994 to May 1995 and the assessment of energy was made during the above period on the basis of average consumption of previous three months (24182 units per month). The assessment so made for the above period was, however, incorrectly revised (April 1996) to 12327 units per month taking the average consumption recorded by replaced meter during June to August 1995 and a refund of Rs. 2.37 lakh was allowed to the consumer in December, 1996 by adjustment in energy bills.

3D.2.3.6 Inadmissible reduction in maximum demand

The Divisional Electrical Engineer, Eastern Railway, Mughalsarai under EUDD IV, Varanasi was drawing power on 33 KV for 3000 KVA load (2250 KVA for industrial load plus 750 KVA for non-industrial load). The main meter to record consolidated demand and energy consumption was installed at 33 KV incoming panel with a sub-meter provided separately to record the non-industrial light and fan consumption. Though the Board's order of March 1978 specifically clarified that the demand of non-industrial light and fan load was not to be deducted from the maximum demand recorded by the main meter, the division incorrectly deducted such demand charges from the total actual maximum demand. This resulted in short assessment of Rs. 37.94 lakh for the period from November 1994 to August 1996 test checked. Further, the division did not assess a sum of Rs. 5.83 lakh being the additional charge for excess demand for the period from November 1994 to May 1995 (Rs. 5.46 lakh) and low power factor surcharge (Rs. 0.37 lakh) for the month of March 1995. The local Management stated

Inadmissible reduction in maximum demand by the zone to a consumer resulted in short assessment of Rs. 0.38 crore besides non-levy of additional charge of Rs. 0.06 crore.

(February 1997) that bill for excess demand of Rs. 5.46 lakh has been raised in the month of January 1997 but realisation thereof was awaited. However, bills for short assessment and low power factor surcharge (Rs. 38.31 lakh) were not raised (September 1997).

3D.2.3.7 Incorrect computation of demand charges

In September 1989, EDD I Ghazipur executed an agreement for 8118 KVA load for Deokali Pump Canal Stage II, against which the acutal connected load of motors was 8559 KVA. As no meter was installed to record the demand and energy consumption, the demand charges were incorrectly charged for 6089 KVA being 75 per cent of contracted demand against the provision of calculating demand charges based on connected load. Thus, against the demand charges recoverable for 6419 KVA, it was being recovered only for 6089 KVA per month resulting in short assessment of Rs. 18.61 lakh for the period from January 1992 to April 1997.

3D.2.3.8 Loss of revenue due to defective meters

Zone suffered a loss of Rs. 4.16 crore due to defective meters.

According to clause 21 of the Electricity Supply (Consumers) Regulations, the amount of energy supplied to a consumer shall be ascertained by meter installed at the premises of the consumer. If at any time a meter becomes defective and no theft or malpractice is suspected, the energy consumed by the consumer during the period the meter remained defective shall be determined on the basis of average consumption of the preceding three consecutive months. Further, if the conditions in regard to use of electricity did not remain the same, the energy consumed may be determined on the basis of connected load and hours of usage of electricity. In the cases discussed below the assessment of the energy consumed by the consumers was not made as per relevant provision resulting in loss of revenue aggregating Rs. 416.38 lakh.

(i) The energy meter installed at the premises of M/s Jhunjhunwala Gases Ltd. (load 1000 KVA) was reported defective by the Divisional Officer, EDD-I, Jaunpur from the month of February 1995 onwards as the electronic meter was not recording the complete details. The meter was replaced on 29 August 1995 with a new electronic meter without installing any check meter to ascertain the accuracy of the replaced meter. The consumption recorded by the new meter during September/October 1995 was very low (56684 and 80536 units) and on testing carbon deposits on terminal pressure of meter was found. After removal of deposits, the energy consumption and demand increased considerably ranging from 335689 to 435594 units and 1145 KVA to 1976 KVA per month (average consumption 371223 units and demand 1375 KVA per month for the period November 1995 to April 1996), which indicates that the consumption recorded by the old meter was very low. The energy bills for the months of September/October 1995 were revised taking the average consumption of 143675 units and demand 880 KVA for the period from June 1995 to August 1995 as recorded by the old meter which was defective. This resulted in loss of revenue of Rs. 13.41 lakh as compared with the average consumption recorded by the new meter. Further, delay in replacement of the defective meter and non-installing the check meter to ascertain its correctness and slow recording of energy consumption by the old meter resulted in heavy loss to the Board (amount indeterminate).

(ii) The energy meter installed at the premises of FCI, Vyas Nagar, Varanasi (load: 85 KW) was defective since August 1994 and the consumer was billed for the minimum charges of Rs. 7225 per month under rate schedule LMV-2 by EUDD-IV, Varanasi from August 1994 onwards. The previous consumption of the consumer was not available. The energy consumption on LHFD formula taking supply as 10 hours per day and factor as 0.4 worked out to 10200 units per month. Thus due to non-replacement of the defective meter, the energy consumption less charged from the consumer worked out to Rs. 5 lakh for the period from August 1994 to December 1996 resulting in loss to the Board to that extent.

(iii) The meters installed by EDD I, Jaunpur at two independent World Bank Tubewell feeders of Shahganj and Jalalpur were defective since their installation (date of installation not available) and that of Kerakat from July 1992. Instead of charging the consumer on the basis of load, factor and hours of usage for the former two feeders as stipulated in the regulations, the division incorrectly assessed it on prorata basis of the consumption of Kerakat feeder up to July 1992 and thereafter on the basis of average consumption of corresponding months for the years 1987, 1988 and 1989. The basis so adopted was again incorrect in as much as the consumption for 1987 to 1989 were against prorata consumption of Kerakat feeder only. This resulted in loss of Rs. 168.64 lakh on 10.96 MU of energy for the period July 1992 to December 1996 worked out as per LHFD formula.

(iv) The energy meters installed at the premises of Deokali Pump Canal (load 8118 KVA), Chakka Bandh (A) Pump Canal (load 6600 KVA) and Chakka Bandh

(B) Pump Canal (load 3350 KVA) were defective prior to April 1991 and March 1993 respectively (exact date not intimated) and the energy consumption was assessed by EDD I and EDD II Ghazipur on the basis of capacity of motors (in KW) multiplied by running hours. The consumption so worked out was further reduced by applying a factor of 0.9. As the assessment was made on the basis of running hours of individual motors, multiplication by 0.9 was incorrect. This resulted in loss of revenue to the extent of Rs. 213.42 lakh for the period April 1993 to March 1997 on 11.549 MU of energy.

Further, due to incorrect assessment of demand of Chakka Bandh (A) Pump Canal by EDD II, Ghazipur, the consumer was undercharged to the extent of Rs. 8.55 lakh on account of 4620 KVA additional demand raised during February 1996 and June to October 1996 resulting in loss to the Board to that extent.

(v) During the period January to October 1996, due to defect in metering system, direct supply was given by EUDD IV, Varanasi to Chief Electrical Foreman, Northern Railway, Varanasi, (load 200 KW) and the assessment for energy consumption was made at 10,000 units per month from January to April 1996 and 20000 units per month during June to October 1996. No assessment was made for month of May 1996. As per clause 21 (iii) (a) of the Regulations, the assessment of energy consumption was to be made on the basis of average consumption of the preceding three consecutive months which worked out to 39971 units per month (October to December 1995). This resulted in loss of Rs. 7.36 lakh on 259710 units.

3D.2.3.9 Non-levy of low power factor surcharge

Rate Schedule applicable for large and heavy power consumers (HV-2) provided levy of low power factor surcharge at the rate of 1 per cent for each 0.01 fall below 0.85 to 0.80. Further, if the power factor falls below 0.80, the surcharge shall be levied at the additional rate of 2 per cent for each 0.01 fall below 0.80 (limited to a fall of 0.70 only).

The power factor of M/s Motilal Engineering (load 175 KVA) worked out to 0.70 during January 1990 to November 1995 as per clause 12 (a) of the rate schedule but the low power factor surcharge of Rs. 4 lakh was not levied on the consumer by EUDD IV, Varanasi (August 1997).

3D.2.3.10 Irregular reduction of load

Reduction of load without following the prescribed procedure resulted in loss of Rs. 21.10 lakh.

(i) According to clause 10(b) of the Electricity Supply (Consumers) Regulations 1984, on the application for reduction of load from the consumer, the reduction shall be allowed after ensuring that (i) healthy maximum demand indicator is existing to record correct demand; (ii) equipment to be replaced by the equipment of adequate reduced capacity; (iii) the consumer deposits additional security to bring it at par with the current rates and (iv) for reduction of load below 101 BHP, the reduction is approved by the Chief Zonal Engineer, (CZE) and the consumer pays applicable load reduction charges.

M/s Hanuman Cold Storage and Ice Factory, Azamgarh (under EDD II, Azamgarh) applied in July 1989 for reduction of its existing load (110 BHP) to 100 BHP. Though the consumer deposited Government inspection fee (Rs. 225) and load reduction charges (Rs. 4000) in April 1991 and additional security (Rs. 1750) in July 1991, the load reduction was made applicable from October 1989 by the Executive Engineer without approval of the CZE. Further, the 250 KVA transformer earlier installed was not replaced with 100 KVA transformer and the maximum demand indicator was defective up to June 1992. During July 1992 to July 1995, the maximum demand ranged between 90 KVA to 174 KVA which indicated that the load reduction was not practically effected. From August 1995 onwards maximum demand created by the consumer was not recorded. Thus, reduction of load with retrospective effect and without following the prescribed procedure resulted in loss of Rs. 5.10 lakh for the period from October 1989 to March 1997, being the difference in assessment on the basis of two loads.

(ii) In October 1994 and again in February 1995, M/s Rajee Steel (P) Limited, Jaunpur under EDD-II, Jaunpur requested for reduction of load from 1900 to 1100 KVA. The consumer was asked (February 1995) by the division to (i) submit a revised B & L form; (ii) submit a proof that the reduced load of the arc furnace would not exceed the load applied for; (iii) reduce capacity of the sub-station, and (iv) remit revised security/system loading charges by the end of February 1995.

Though, the consumer submitted B & L form for 1490 KVA load against reduction applied for 1100 KVA, the capacity of the sub station (2100 KVA) was not reduced by it, the security and system loading charges were not deposited and the maximum demand created by consumer was 1242 KVA in February 1995, the Divisional Officer executed a fresh agreement for 1100 KVA in March 1995 effective from October 1994. This resulted in loss of Rs. 16 lakh for the period from October 1994 to February 1995 calculated on the difference of assessment of the two loads for five months at chargeable rate of Rs. 400 per KVA per month.

3D.2.3.11 Non-matching of energy consumption

A load of 2300 KVA was released (November 1993), to M/s Jagannath Steel (Private) Limited, Phoolpur (Shahganj) by EDD-II, Azamgarh through an independent 33 KV feeder emanating from Shahganj. Though the energy bills for the period from November 1993 to May 1996 revealed (August 1996) that the energy consumption was mostly less than the minimum consumption charges, the division did not match the consumption figures with the energy consumption recorded by the outgoing feeder panel to ascertain whether or not there was any leakage of energy. In spite of instructions (September 1994) of the Chief Engineer (Commercial) to match the energy consumption with reference to their production figures to identify if there was any leakage of energy, no action was taken by the Divisional Officer.

Non-matching of the energy consumption with the meter at outgoing feeder penal resulted in loss of Rs. 1.28 crore.

A test check by Audit of energy supplied during March 1995 to August 1997 revealed that against 13.904 million units supplied as per the meter at outgoing feeder panel, the energy assessed was 8.894 million units resulting in loss of 5.01 million units valued at Rs. 127.50 lakh.

3D.2.3.12 Incorrect recording of maximum demand in the meter reading

In January 1992 an electronic meter (Sangamo make) was installed in the premises of M/s Monica Beads Private Limited, Varanasi (load: 380 KVA) under EUDD I, Varanasi which records cumulative reading of the maximum demand. The cumulative maximum demand as per the meter reading slip up to May 1993 was 10610 KVA and thereafter up to May 1994 was 18665 KVA. In the intervening period, the maximum demand reading was not taken correctly. Further, the meter readings were not taken jointly with Assistant Engineer (Meter), as required. During May 1993 to May 1994, against 8055 KVA of demand recorded in the meter, the actual demand recorded in reading slip and billed aggregated 4926 KVA only, resulting in short

Incorrect recording of demand by SDO resulted in loss of Rs. 8.67 lakh.

charge of 3129 KVA valued at Rs. 8.67 lakh. On this, being pointed out by the Technical Audit team of the Board, the Division raised (August 1995) a supplementary bill which was not honoured by the consumer on the ground that the reading was taken by the Sub-Divisional Officer in the presence of their representative and bills issued were paid by them. Thus, incorrect meter readings recorded by the SDO resulted in a loss of Rs. 8.67 lakh to the Board.

3D.2.3.13 Application of incorrect tariff

Incorrect application of tariff against various consumers resulted in undercharge of Rs. 43.73 lakh.

Rate Schedule LMV-5 is applicable to power consumers getting supply as per rural schedule for private tubewells/pumping sets for irrigation purposes having a contracted load up to 25 BHP. Rate schedule LMV-6 is applicable to small and medium power consumers having contracted load up to 100 BHP including pumping sets getting supply other than that as per rural schedule. In 4 distribution divisions, the rate schedule LMV-5 was incorrectly applied for pumping sets connected on urban feeders, instead of LMV-6 resulting in under charge of Rs. 38.25 lakh during April 1992 to August 1997.

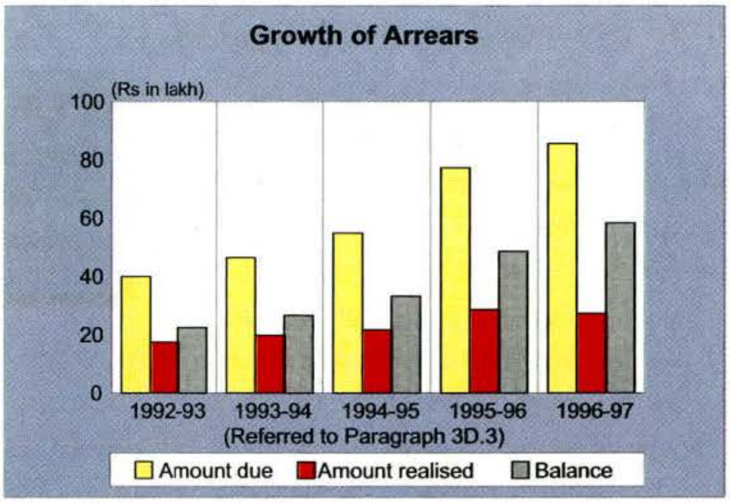
Similarly in two distribution divisions, four consumers having continuous process industries required to be billed at rates applicable to continuous process vide para 4 of rate schedule LMV-6 were billed at non-continuous tariff resulting in under charge of Rs. 5.48 lakh during January 1992 to August 1997.

3D.2.3.14 Unaccounted energy loss due to erratic behaviour of meter

The power factor worked out on the basis of readings of energy meter installed at the premises of M/s Momb Wollen, Bhadohi (load: 300 HP) under EDD, Bhadohi ranged between 0.29 to 0.77 during August 1994 to November 1995 (except in October/November 1994). In June 1995, the consumer requested to install check meter but instead of installing check meter to ascertain the accuracy thereof, the old meter was replaced in November 1995. After installation of new meter the power factor improved and ranged between 0.94 and 0.98 during December 1995 to October 1996 indicating that the consumption recorded by the old meter was erratic. The consumption recorded during August 1994 and November 1995 by the old meter was 551347 KWH and 1028260 KVAH. On converting the KVAH reading to KWH by taking power factor as 0.95 (recorded subsequently by new meter), the energy consumption worked out to 976847 units against which energy charges were levied for 551347 units. Thus, by not ascertaining accuracy of the old meter, the Zone suffered a loss of Rs. 5.92 lakh for the period from August 1994 to November 1995.

3D.3 Growth of arrears

The arrears of energy charges of Rs. 22547.93 lakh at the close of March 1993 increased (almost two and half) to Rs. 58336.10 lakh at the close of March 1997 as detailed in Annexure-10.



The details regarding assessment and realisation of revenue for the five years up to 1996-97 are as follows:

(Rupees in lakh)

	1992-93	1993-94	1994-95	1995-96	1996-97
Balance outstanding at the beginning of the year	18901.91	22547.93	26626.95	37728.90*	48603.49
Revenue assessed during the year	21064.56	23864.60	28229.18	39489.38	37008.01
Total amount due for realisation	39966.47	46412.53	54853.13	77218.28	85611.50
Amount realised during the year	17418.54	19788.58	21665.26	28614.79	27275.40
Balance outstanding at the end of the year	22547.93	26623.95	33187.87	48603.49	58336.10
Percentage of realisation to total dues	43.58	42.64	39.50	37.06	31.86

While the amount of the revenue realised increased during five years, the percentage of realisation to total dues came down from 43.58 per cent in 1992-93 to 31.86 per cent in 1996-97 resulting in significant increase in the arrears.

* includes arrears of Azamgarh circle attached to the Zone in April 1995.

Analysis by Audit of the reasons for growth of arrears revealed that the Zone failed to monitor, plan and administer the process of realisation vigorously as detailed in the following paragraphs:

3D.3.1 Low quantum of issue of recovery certificates

In spite of increasing arrears of electricity charges, the Zone did not issue recovery certificate for dues amounting to Rs. 91.08 crore.

Unpaid electricity dues are recoverable as arrears of land revenue under the Uttar Pradesh Government Electricity Undertaking (Dues Recovery) Act 1958 provided a demand notice under Section 3 of the Act has been issued. In case of default, a recovery certificate under Section 5 is to be issued to the District Collector for recovery of the dues as arrears of land revenue. However, against demand notice for Rs. 15111.09 lakh (issued under Section 3 and remaining unpaid), the recovery certificates under Section 5 were issued for Rs. 6003.38 lakh (39.7 per cent) only at the end of March 1997 against which the amount realised was Rs. 84 lakh during 1996-97.

Further, in seven distribution divisions, recovery certificates involving Rs.433.49 lakh in 5140 cases were returned by the District Authorities on the ground of wrong address/non-traceability (Rs. 247.10 lakh), death or non-availability of property (Rs. 47.10 lakh) and other reasons (Rs. 139.29 lakh). As the divisions failed to provide correct address and fulfil other requirements, the recovery of the same could not be made as of August 1997.

Further, scrutiny of individual cases revealed inadequate action for recovery of arrears as discussed below:

3D.3.2 Accumulation of arrears

Indiscriminate action to fix instalments and reconnecting supply of two consumers without honouring the commitment of payments of instalments of arrears by them, resulted in accumulation of arrears of Rs. 0.52 crore which are doubtful of recovery.

(i) The service connection of M/s Jairampur Steel Udyog, Azamgarh (load 400 KVA) was disconnected in September 1989 on account of arrears of revenue of Rs. 5.45 lakh. The line was reconnected (March 1990) on payment of 25 per cent amount (Rs. 1.36 lakh) as per orders of CE (Commercial). As the balance amount of Rs. 4.09

lakh payable in 5 equal monthly instalments during April to August 1990 was not paid by the consumer, the line was again disconnected in October 1990. The consumer was once again allowed (February 1991) payment of arrears of Rs. 7.47 lakh in 10 instalments by CE (Commercial). Though the line was to be reconnected on payment of Rs. 0.75 lakh, it was actually reconnected on payment of Rs. 0.60 lakh only in (March 1990.) Subsequent instalments aggregating Rs. 6.72 lakh were not paid by the consumer and the line was again disconnected (June 1991). In June 1991, the CZE again allowed payment of Rs. 6.87 lakh in 9 instalments. Accordingly, the line was reconnected immediately in June 1991, itself. The consumer paid only the current bills and did not pay the arrear instalments. The line was, therefore, again disconnected in August 1991 as two cheques of Rs. 1.05 lakh each deposited in July and August 1991 were dishonoured. The line was reconnected in October 1991 on deposit of Rs. 0.70 lakh. After reconnection of the supply, in November 1991 the consumer filed a case before Civil Judge, Azamgarh to restrain the Board from disconnection of supply and recovery of dues. The stay granted by Court in November 1991 was vacated in March 1992. The consumer again filed a writ petition in High Court, Allahabad disputing the accuracy of the energy meter and the court decided (February 1993) that the consumer should make representation to the Electrical Inspector to Government of Uttar Pradesh under Regulation 21 of the Electricity Supply (Consumers) Regulation 1984 and Section 26 of the Electricity Act 1910. The consumer made a representation to the Chief Electrical Inspector in April 1993 but as the required inspection fee of Rs. 2349.80 was not deposited by the consumer, the case was dismissed in September 1996. The line was disconnected in March 1994 and upto June 1994 the arrears accumulated to Rs. 41.19 lakh. Billing was stopped after June 1994. The recovery certificate for Rs. 38.55 lakh, issued in October 1996, was returned by District Magistrate, Azamgarh, in June 1997, stating that the recovery of the amount was not possible.

Thus, indiscriminate action to fix instalments and to reconnect supply without honouring the commitment of payment in instalments resulted in accumulation of arrears from Rs. 5.45 lakh at the end of March 1990 to Rs. 41.19 lakh (almost 8 times) by the end of June 1994 recovery of which no longer appears possible.

(ii) A load of 225 BHP was released to M/s Kushwaha Kisan Cold Storage and Ice Factory, Ghazipur in March 1982 by EDD I, Ghazipur. The consumer defaulted in payment of energy bills and the arrears of Rs. 1.54 lakh at the end of February

1986 increased to Rs. 10.67 lakh by the end of February 1990 mainly due to disconnection of supply in off season (December 1986, October 1987 and August 1989), allowing instalments for payment of arrears by different officers at the beginning of the season (March 1987, March 1988, March 1989) and non-payment of the balance instalments by the consumer after reconnection of supply on payment of initial amounts. The recovery certificates (Rs. 9.90 lakh) issued to District Magistrate during November 1986 and June 1990 were returned (January 1991) on the ground that no assets remained with the proprietor of the cold storage to recover the dues.

Failure on the part of the Zone to reconnect supplies only after payment of full dues in the first instance resulted in accumulation of arrears, recovery of which is now not possible.

3D.3.3 Mounting of arrears due to non-withdrawal of facility of payments by cheque

As per Electricity Supply (Consumers) Regulations 1984, the facility to pay energy charges through cheques was to be withdrawn after the first cheque got dishonoured. Seven cheques totalling Rs. 6.59 lakh deposited by M/s Suman Textile Private Limited, Jaunpur (May 1995 to March 1996) under EDD II, Jaunpur for energy charges for the period April 1995 to March 1996 were dishonoured by the bank. Payment of these cheques was not made subsequently by the consumer. The amount could also not be recovered even after issue of recovery certificate.

Thus, non-withdrawal of the facility to make payment by cheque after the first default (Rs. 0.45 lakh during May 1995) resulted in mounting of arrears of Rs. 6.59 lakh and non-recovery thereof.

3D.4 Inadequate control over advances, cash and Board's assets

The Chief Zonal Engineer failed to monitor procedure relating to adjustment of advances, reconciliation of revenue collected with the entries in the cash book and keeping cash in excess of the insurance limit. This resulted in unadjusted advances, misappropriation and theft valued at Rs. 288.05 lakh which are discussed on the next page:

3D.4.1 Unadjusted advances

Temporary advances of Rs. 1.06 crore were allowed to employees in contravention of Board's order of which Rs. 0.71 crore were outstanding since March 1993.

As per Board's order of October 1976, no temporary advance shall be given to its employees unless the previous advances are adjusted and closed. The accounts for temporary advances are to be adjusted within a week from the date of incurring the expenditure/opening of advance in case of passed vouchers and within a month in other cases. In case of non-adjustment, the Divisional Accountant has to report it to Chief Accounts Officer promptly. Notwithstanding these instructions, the divisions allowed more than one advance and did not take action within the time schedule which resulted in accumulation of advances from Rs. 54.55 lakh at the end of March 1994 to Rs. 106.11 lakh at the end of March 1997. Analysis by Audit in 5 distribution divisions revealed that a sum of Rs. 71.02 lakh remained unadjusted since March 1993 to March 1997. Besides, unadjusted temporary advances lying against 19 employees for the period from April 1990 to March 1991 under EDD Bhadohi (Rs. 3.57 lakh) were adjusted (April 1991) by placing the amount as miscellaneous advance, recovery or adjustment of which was awaited as of August 1997.

3D.4.2 Misappropriation of revenue

The cash stubs are prepared by the revenue divisions on the basis of revenue realisation receipts and submitted to computer billing centre for posting the revenue realised against consumers billed by computer. The computer while preparing the energy bills for the next cycle posts the revenue realised from the consumers and also prepares a report (R-16) indicating the amount of cash stubs sent to the computer for posting, the amount actually posted and difference in both the figures. A reconciliation of the differences pointed out in the R-16 report is required to be done at divisional level with reference to cash stubs sent, realisation posted and amount realised as per cash book. In EDD, Bhadohi, reconciliation of revenue realised and posted was not properly done in the division office due to which single receipt was indicated against more than one consumer with different amounts in the cash stubs. This resulted in incorrect indication of cash realisation of Rs. 9.03 lakh up to August 1997.

The local management stated (February 1997) that the person responsible for the loss has been placed under suspension and further action was in progress as of August 1997.

3D.4.3 Pilferage of Board's assets

According to the order of the Board issued in December 1975, cases of individual pilferages thefts involving losses upto Rs. 6000 were required to be investigated by Sub-Divisional Officers and those exceeding Rs. 6000 by the Executive Engineers incharge of the division. The Executive Engineers were also required to investigate independently 10 per cent of the cases falling under the Sub-Divisional officers purview including cases of repeated pilferages at the same locations.

It was noticed in audit of eight divisions of the Distribution Zone, Varanasi, that pilferages of transformers and conductors/cables valuing Rs. 106.31 lakh had taken place during April 1991 to November 1996 but except for lodging an FIR with the police, no follow up action was taken by the officers concerned due to which none of the assets stolen during the above period could be recovered. In respect of EDD-II Varanasi, EUDD-I, III & IV Varanasi, Secondary Works Division, Workshop Division, E.D.D. II, Azamgarh, E.D.D. II, Jaunpur, EDD Bhadohi, EDD Robertsganj, the cases were not even entered in the Register of Thefts/Pilferages.

3D.4.4 Misappropriation of stock

Neither FIR was lodged nor any departmental enquiry initiated for misappropriation of stock worth Rs. 16.17 lakh by a Junior Engineer.

The monthly stock and Tools & Plants accounts required to be submitted in each month to sub-division/division were not submitted by Shri L.P. Rai, Junior Engineer, posted at Electricity Urban Construction Division II, Varanasi for the period July 1990 to January 1991. During February 1991 to April 1994, Shri Rai remained absent from duty unauthorisedly. In August 1992, the Divisional Officer directed the concerned Sub-divisional Officer to transfer all the stock material lying in the stores of Shri Rai to Shri M.M. Srivastava, J.E. after physical verification of stores in the presence of two Sub-Divisional Officers but no action was taken in this regard. In January 1993, on physical verification of the stock of Shri Rai conducted by the Sub-Divisional Officer, 54 items valued at Rs. 28.57 lakh were found short. In June 1994, physical verification of stores of Shri M.L. Srivastava, J.E. was also conducted and materials found in excess in that store (value Rs. 12.40 lakh) were irregularly adjusted against the shortage of Shri Rai. Thus the net shortage of materials against Shri Rai was finally worked out at Rs. 16.17 lakh which was placed as miscellaneous advance against Shri Rai in September 1994. Besides, a temporary advance of Rs. 0.22 lakh was also outstanding against Shri Rai. Neither any FIR was lodged for the above shortages of material even after the direction of Member

(Distribution) in January 1993, nor any departmental/legal action has been initiated for the shortages so far (August 1997).

3D.4.5 Theft of line material from redundant lines

The Board had to suffer an avoidable loss of Rs. 40.01 lakh due to theft of material on account of delay in dismantling of redundant lines.

On commissioning of new 132 KV sub-stations the existing 33 KV lines became redundant. As no prompt action for dismantling the lines was taken by the concerning divisions, materials valuing Rs. 40.01 lakh were stolen from these lines. The balance materials valuing Rs. 26.90 lakh were also not removed from these lines as of August 1997 leaving them exposed to further theft.

3D.4.6 Locking of funds

Non-commissioning of a sub-station completed in March 1989 resulted in locking up of funds of Rs. 0.20 crore with consequent loss of interest of Rs. 0.30 crore.

The 33/11 KV sub-station at Chopan was proposed for construction during the year 1988-89 to improve the power supply to irrigation and industrial loads. The sub-station was to be energised by existing 33 KV Dalla-Chopan line. The work of 33/11 KV sub-station Chopan was completed in March 1989 at a cost of Rs. 19.75 lakh by ESWD, Varanasi. However, it could not be commissioned as of September 1997 due to development of defects in 33 KV Dalla-Chopan line which could be removed at an expenditure of Rs. 0.91 lakh. Thus, the expenditure (Rs. 19.75 lakh) incurred on construction of sub-station proved unfruitful and the loss of interest on the locked fund worked out to Rs. 30.22 lakh during April 1989 to September 1997 at 18 per cent per annum.

3D.5 Excessive damage of distribution transformers

During the period of five years up to 1996-97, 23083 transformers valued at Rs. 82.60 crore were damaged in excess of norm.

The life of distribution transformers (25 to 1000 KVA) was estimated to be 25 years provided preventive maintenance schedule was adhered to and protective devices were available. The Board also laid down (May 1982) that the number of transformers damaged in a year should not be more than 2 per cent of the installed transformers. To minimise the damages, the Board recommended (May 1982) various steps to be taken by the field units viz. (i) carrying out detailed monitoring including ascertaining reasons for damage; (ii) maintenance of history cards in respect of each transformer; (iii) use of drop out fuses on 11 KV side in case of transformers above 25 KVA ratings; (iv) jointing of L.T. terminals with crimping tools and copper lugs and (v) avoidance of pressure or weight over LT terminals, etc. However, the divisions did not follow the preventive steps as recommended by the Board, due to which the percentage of damage in 15 divisions always exceeded the norm and ranged between 2.3 and 90.5 per cent. The number of transformers damaged in excess of the norm aggregated 23083 during 1992-93 to 1996-97 (valued at issue rate:Rs. 8259.73 lakh).

The Member (Distribution) while expressing concern over heavy damage of transformers held (November 1991) the Chief Zonal Engineers responsible for not investigating the reasons of failure and directed installation of fuses by December 1991 to reduce damage of transformers. However, the Zonal Management had not taken any action to control damage of these transformers as of August 1997.

3D.5.1 Loss due to non-return of distribution transformer

Rate contracts for repair of transformers were entered into by Electricity Store Procurement Circle, Lucknow with various firms from time to time and repair was to be carried out only against such rate contracts. The rate contracts provided for obtaining security deposits to cover cost of transformers handed over for repairs, before delivery of such transformers to them.

The Chief Zonal Engineer approved (April 1, 1987) repair of 10 distribution transformers from M/s Vidyut Udyog, Varanasi, at the condition and rates of existing rate contracts to meet urgent requirement of such transformers. However, EUDD-IV, Varanasi delivered 10 distribution transformers (valued at issue rate : Rs. 8.25 lakh) to the firm in June, 1988, after one year from the date of approval, without obtaining any security. The firm did not return the transformers as of August 1997. The division has not lodged any FIR with police nor initiated any legal proceeding to recover the cost of the transformers.

Thus, the action of the Zone to deviate from the prescribed procedure on the pretext of urgency (despite the transformers being delivered after one year from the date of sanction) and without obtaining any security was not in the financial interest of the Board.

3D.6 Undue benefits to consumers

(i) A load of 500 KVA was sanctioned (April 1990) by the Board to M/s Trambcum Flour Mills and the agreement was executed by EDD I, Jaunpur on 31 August 1991. The work of line (11 KV independent feeder) to release connection to the consumer was completed by the division in July 1992 but due to non-completion of installations by the consumer, the connection could be released only on 6 March 1995. As per Board's orders of 1976 and June 1985, the date of commencement of supply for billing purposes would be the date of actual connection or the date of expiry of one month's notice given to the consumer after completion of line work, whichever is earlier. As the required notice was not given, the assessment as stipulated in the above orders could not be made.

Non-issue of notice after completion of work of line resulted in undue benefit to consumer of Rs. 21.37 lakh.

Thus, undue benefit of Rs. 21.37 lakh (based on minimum charges) was given to the consumer for the period September 1992 to February 1995.

(ii) A load of 2350 KVA was sanctioned (November 1991) by the Board in favour of M/s Rajee Steel (P) Limited, Sathariya (Jaunpur) for their induction furnace to be released through 33 KV independent line drawn from 132 KV substation Machhali Shahar. Subsequently, the Chairman of the Board allowed (October 1993) to release the line from 33 KV substation, Mugra Badshahpur. To release the connection as above an estimate was sanctioned by the Division (EDD II, Jaunpur) for Rs. 16.10 lakh which included service line charges (Rs. 7.80 lakh) chargeable to consumer and Rs. 8.30 lakh (including cost of MOCB Rs. 6.11 lakh) chargeable to Board.

Scrutiny of estimate revealed that instead of ST poles/rails and ACSR racoon conductor (higher value materials), provision of PCC poles and ACSR weasel conductor (lower value material) was made in the estimate and cost of MOCB realisable from the consumer was charged to the Board. This benefited the consumer to the extent of Rs. 10.34 lakh.

Further, in contravention of Board's order (June 1992), the connection was released (July 1994) by tapping 33 KV trunk line, Machhali Shahar - Mugra Badshahpur at the cost of Rs. 4.02 lakh and balance amount of Rs. 3.78 lakh (out of Rs. 7.80 lakh deposited by the consumer in March 1994 as service line charges) was refunded in September 1994.

Thus, against the service line charges of Rs. 18.14 lakh chargeable from the consumer for 33 KV independent line, the consumer was charged Rs. 4.02 lakh only to release the connection, resulting in undue benefit to the consumer to the extent of Rs. 14.12 lakh.

(iii) The connection released (June 1984) to M/s PVK Distillery Limited, Nandaganj (load 118 KVA) was disconnected in March 1993 by EDD I, Ghazipur as per direction of U.P. Pollution Control Board. The energy bill due for payment up to April 1995 worked out to Rs. 7.72 lakh on account of minimum charges and late payment surcharge (including arrears of Rs. 2.25 lakh pertaining to the period prior to disconnection). On request of the consumer (May 1995) for waiver of all charges for the period of disconnection and sanction of new connection (118 KVA) the Chief Engineer (Commercial) directed the S.E to sanction new load and release new connection to the consumer after realisation of arrears of Rs. 2.25 lakh only. A fresh load of 118 KVA was sanctioned (December 1995) by Chief Zonal Engineer, Varanasi and connection was released in July 1996. As per clause 8 (ii) of the Electricity Supply (Consumer) Regulations, 1984 the consumer was required to pay the outstanding dues along with minimum charges for the disconnected period. Thus, undue benefit of Rs. 5.47 lakh was given to the consumer by releasing new connection in place of old connection.

Conclusion

As per reorganisation plan (1987) of Distribution Wing of the Board, the Chief Zonal Engineer, Varanasi was vested with the responsibility to bring economy and efficiency in the working of the zone. The CZE was also responsible for direction, planning, monitoring and control over pilferage of energy and Board's assets, realisation of revenue arrears, distribution losses.

Due to ineffective monitoring and control by the Zone, the arrears of revenue increased considerably, the distribution losses also could not be controlled and the commercial losses could not be checked due to non/short billing, incorrect and erratic metering which resulted in short-assessment of energy charges. The incidence of loss/pilferage of cash and assets could not be controlled due to management failure.

The revenue wing in the divisions are required to be strengthened so that correct assessment of energy be made and the commercial losses minimised. A close monitoring is also required to check frequent damages of distribution transformers. Effective action by way of disconnection of defaulting consumers and issuing recovery certificates would need to be taken up so as to reduce the arrears of revenue.

The above matters were reported to the Board in March 1997 and the Government in May 1997; replies have not been received (September 1997).

Chapter-III
Uttar Pradesh State Electricity Board
Section-3E
Panki Thermal Power Station

SECTION 3E

Panki Thermal Power Station

HIGHLIGHTS

Panki Thermal Power Station comprises four plants (two plants of 32 MW commissioned in October 1967 and July 1968 and two plants of 110 MW commissioned in November 1976 and March 1977 respectively) with an aggregate capacity of 284 MW. The capacity was derated to 274 MW from January 1990.

(Paragraph 3E.1.1)

After renovation and modernisation of the power station, CEA expected an average improvement in the plant load factor (PLF) by 11 per cent and additional power generation of 283 MU. However, in spite of substantial expenditure incurred in overhauling and replacement of key machines, even the pre-renovation level PLF could not be achieved and it ranged between 23.6 and 35.1 only which resulted in non-achievement of additional generation valued at Rs. 187.91 crore during five years up to 1996-97.

(Paragraph 3E.2.1)

Against prescribed norm of 10 per cent, the auxiliary consumption ranged between 10.9 and 16.1 per cent, resulting in excess consumption of 147.482 MU of electricity, valued at Rs. 19.47 crore during five years up to 1996-97.

(Paragraph 3E.2.3)

Cost of generation of electricity at the power station ranged between 144.74 paise and 274.64 paise per unit during five years up to 1996-97, against the average revenue of the Board ranging between 118 paise and 148 paise per unit. The high cost of generation was due to achievement of low thermal efficiency resulting in heat loss valued at Rs. 94.29 crore and consequently leading to excessive consumption of coal, oil and demineralised water.

(Paragraph 3E.4)

Failure of the Board to devise a system of making advance payment of freight charges at loading point and to obtain free Railway receipt as per Railways pre-paid system resulted in avoidable expenditure of Rs. 12.35 crore during the five years up to 1996-97.

(Paragraph 3E.5)

3E.1.1 Introduction

Panki Thermal Power Station (PTPS) comprises four plants (two plants of 32 MW and two plants of 110 MW) with an aggregate capacity of 284 MW. The plants of 32 MW capacity were commissioned in October 1967 and July 1968 and those of 110 MW capacity in November 1976 and March 1977 respectively. The capacity was derated to 274 MW from January 1990 due to inherent constraints in both 110 MW plants.

3E.1.2 Scope of Audit

The Working of PTPS was last reviewed and featured in the Report of Comptroller and Auditor General of India for the year ended 31 March 1982 (Commercial), Government of Uttar Pradesh. Further aspects relating to (i) Fuel Management, Renovation and Modernisation and (ii) Inventory Control of PTPS were incorporated in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1991 and 31 March 1993, respectively. These Reports have not been discussed by COPU so far (September 1997).

The operational performance of PTPS for a period of five years up to March 1996 reviewed during August 1996 to March 1997 and updated up to March 1997 in September 1997 are set out in the succeeding paragraphs.

3E.1.3 Organisational set-up

The day-to-day management of PTPS is vested in a General Manager (GM) posted at Panki (Kanpur) under overall charge of the Member (Generation) of the Board. The GM is assisted by one Deputy Chief Accounts Officer and five Superintending Engineers (SE) in charge of stores, operation and maintenance including boiler and turbine, control and instrumentation, coal handling, including other civil works and personnel management. The SEs are assisted by 17 Executive Engineers.

3E.2 Operational Performance

3E.2.1 Plant availability* and capacity utilisation**

Mention was made in the CAG's Report for the year ended 31 March 1991 that while sanctioning the revised project report (February 1989) for renovation and modernisation of plant at a cost of Rs. 44.66 crore, CEA envisaged an average improvement of plant load factor (PLF) by 11 per cent and additional power generation of 283 MU at 60 per cent PLF, compared to the PLF based on pre-renovation period (1984-85 when the renovation work was started) when it was 31.5 per cent in 32 MW plant and 49.3 per cent in 110 MW plants. Most of the renovation work of the plant was completed by March 1992 and the expenditure incurred by PTPS amounted to Rs. 43.20 crore up to 1996-97. On overhauling and replacement of major parts of boilers, turbines, coal handling plants, electrical equipment, control and instrumentation etc. But the PTPS failed to achieve the PLF of 60 per cent leading to non-achievement of increase in energy generation. The PLF during post-renovation period (1992-97) could not achieve the desired level of 60 per cent and ranged between 23.6 and 39.7 per cent (overall 45.2 per cent) (after excluding the capacity of 32 MW plant which remain out of order) as detailed below:

Poor plant availability and low level of PLF resulted in non-achievement of additional generation 1415 MU valued at Rs. 187.91 crore.

	1992-93	1993-94	1994-95	1995-96	1996-97
(A) Hours available:					
32MW***	8760	14592	17520	14616	8760
110 MW	17520	17520	17520	17568	17520
(B) Hours of operation:					
32 MW	5359	5451	8474	6471	4127
110 MW	7005	9793	7729	6164	11830

* Plant availability is the ratio of actual hours of operation of plant to available hours.

** Capacity utilisation is the ratio of installed capacity of generation to actual generation (also known as plant load factor).

*** One unit of MW capacity remained closed during May 1986 to July 1993 due to damage of turbine rotor and was taken on load from 1993-94. Again one unit of 32 MW capacity remained closed from 30 November 1995 due to excessive vibration which has not been taken on load so far (September 1997).

	1992-93	1993-94	1994-95	1995-96	1996-97
(C) Plant availability: (per cent)					
32 MW	61.2	37.4	48.4	36.8	23.6
110 MW	40.0	55.9	44.1	35.1	67.5
(D) Installed generating capacity (million units)					
32 MW	280.320	466.940	560.640	467.712	280.320
110 MW	1839.600	1839.600	1839.600	1844.640	1839.600
(E) Actual generation					
32 MW	121.657	124.242	183.355	140.715	92.824
110 MW	446.820	651.459	518.587	426.055	749.705
(F) Capacity utilisation or plant load factor					
32 MW	43.4	26.6	32.7	30.1	33.1
110 MW	24.3	35.4	28.2	23.8	40.8
(G) Overall Plant Load Factor	26.8	33.6	29.2	24.5	39.7

The low level of PLF resulted in non-achievement of the expected additional generation of 1415 MU valued at Rs. 187.91 crore during five years up to 1996-97.

The Management attributed (September 1997) the shortfall of generation to poor quality of coal, frequent tripping of plants and leakage in boiler tubes. The reply was not tenable in as much as after the renovation and modernisation of the plants, the problems attributed (except for quality of coal) should not have occurred.

3E.2.2 Forced Outages*

The Central Electricity Authority (CEA) in its 10th Annual Eiectricity Power Survey (1977) had indicated that forced outages should not be more than 10 per cent of available hours. Against this, the actual percentage of forced outages ranged between 12.5 and 76.4 during five years up to 1996-97. Forced outages (other than due to grid disturbances) on account of leakages, breakdowns etc., can be controlled by following the prescribed schedule of maintenance and overhauling. The loss of generation due to forced outages in excess of ten per cent worked out to 1817.862 MU valued at Rs. 240 crore during 1992-93 to 1996-97.

Failure of Management to control forced outages within approved norm resulted in loss of generation of 1817.862 MU valued at Rs. 240 crore.

* Outages indicate non-operation of power station in hours.

The Management attributed (September 1997) excessive outages due to leakages in superheaters, condenser and boiler tubes etc. This is, however, indicative of the management failure in not being able to attend to the maintenance problems.

3E.2.3 Auxiliary consumption

Management's failure to arrest the weakness in the system resulted in excess auxiliary consumption of 147.482 MU valued at Rs. 19.47 crore.

Some of the energy generated in a power station is consumed in its auxiliaries and is not available for sale. The actual auxiliary consumption during five years upto March 1977 ranged between 10.9 per cent and 16.1 per cent as against a norm of 10 per cent recommended by CEA resulting in excess consumption 147.482 MU valued at Rs. 19.47 crore as detailed below:

(Rs. in crore)

Year	Actual generation	Auxiliary consumption as per norm	Actual consumption	Excess consumption	Value
	(in million units)				
2 x 32 MW					
1992-93	121.657	12.166	14.285 (11.7)	2.119	0.25
1993-94	124.242	12.424	16.335 (13.1)	3.911	0.47
1994-95	183.355	18.336	22.026 (12.0)	3.690	0.50
1995-96	140.715	14.072	15.340 (10.9)	1.268	0.18
1996-97	92.824	9.282	10.555 (11.4)	1.273	0.19
Total	**662.793**	**66.280**	**78.541 (11.8)**	**12.261**	**1.59**
2 x 110 MW					
1992-93	446.820	44.682	71.775 (16.1)	27.093	3.20
1993-94	651.459	65.146	97.155 (14.9)	32.009	3.84
1994-95	518.587	51.859	76.633 (14.8)	24.774	3.34
1995-96	426.055	42.606	61.621 (14.5)	19.015	2.72
1996-97	749.705	74.971	107.301 (14.3)	32.330	4.78
Total	**2792.626**	**279.264**	**414.485 (14.8)**	**135.221**	**17.88**

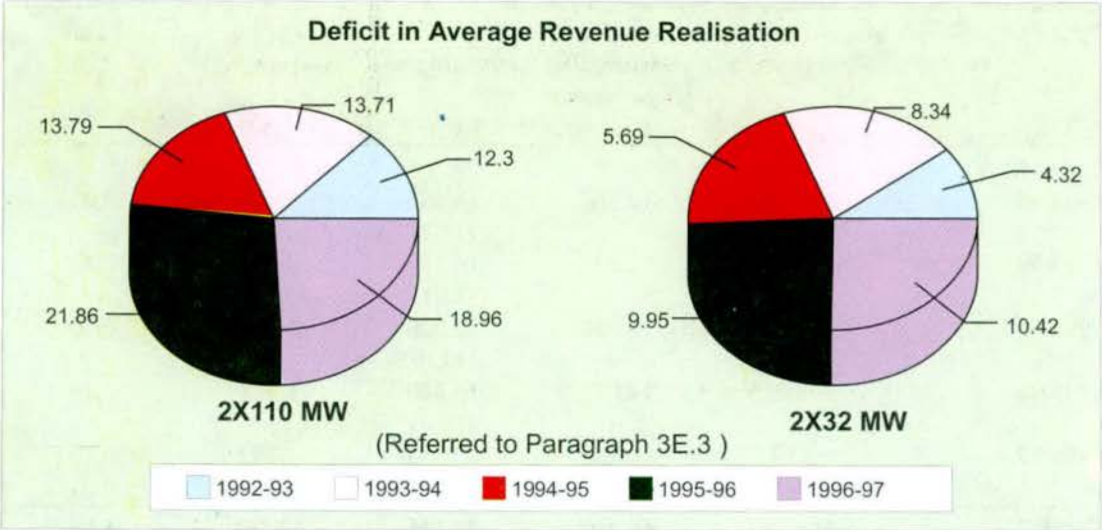
Note: The percentage of auxiliary consumption to total generation is given in bracket.

The Management stated (September 1997) that excess auxiliary consumption was due to the fact that the plants were running on low load with frequent outages and during shut down also several auxiliaries were kept running. The reply is not tenable as after renovation and modernisation of the plants, such erratic working was not expected. This indicates Management lapses in not being able to arrest the weakness in the system.

3E.3 High cost of generation

The cost of generation per KWH was high compared to average revenue per KWH of the Board resulting in deficit of Rs. 119.34 crore during five years up to March 1997 as detailed below :

Deficit of Rs. 119.34 crore during five years up to March 1997 was due to cost of generation per unit being higher than the average revenue for unit realised.



(Rupees in crore)

Year	Generation excluding auxiliary consumption (in MU)	Cost of Generation	Average revenue realisation	Deficit	Total deficit
		(paise	per	unit)	
(A) 2 x 32 MW					
1992-93	107.372	158.22	118	40.22	4.32
1993-94	107.907	197.25	120	77.25	8.34
1994-95	161.329	170.28	135	35.28	5.69
1995-96	125.375	222.36	143	79.36	9.95
1996-97	82.269	274.64	148	126.64	10.42
			Total		**38.72**

(Rupees in crore)

Year	Generation excluding auxiliary consumption (in MU)	Cost of Generation	Average revenue realisation	Deficit	Total deficit
		(paise	per	unit)	
1992-93	375.045	150.80	118	32.80	12.30
1993-94	554.293	144.74	120	24.74	13.71
1994-95	441.954	166.21	135	31.21	13.79
1995-96	364.434	202.99	143	59.99	21.86
1996-97	642.404	177.52	148	29.52	18.96
			Total		**80.62**
			Grand Total		**119.34**

The main reasons for high cost of generation analysed by Audit were:

- Low plant availability, low capacity utilisation, higher outages and excess auxiliary consumption;

(Paragraph 3E.2)

- Excess consumption of inputs; and

(Paragraph 3E.4)

- Excess deployment of manpower.

(Paragraph 3E.7)

3E.4 Excess consumption of inputs due to low thermal efficiency

The consumption of main inputs of a thermal power station mainly being coal, oil and demineralised water can be controlled by improving thermal efficiency of the plants to achieve economy in cost of generation. Thermal efficiency means the percentage of heat equivalent to electricity generated to the amount of input in the form of fuel consumed. Thermal efficiency guaranteed by the suppliers of the plant was 29 per cent for 32 MW plants and 29.8 per cent for 110 MW plants. Against this, the thermal

Management incurred an expenditure of Rs. 94.29 crore on excess consumption of heat (coal and oil) due to failure in achieving guaranteed thermal efficiency.

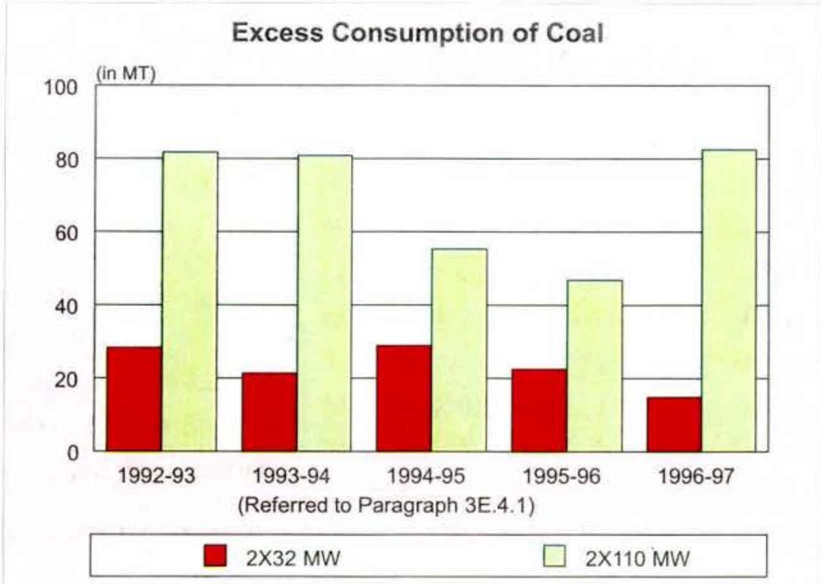
efficiency achieved ranged between 18.1 and 23.1 during the period of five years ending 1996-97 on account of management failure to put high pressure heaters in circuit, control erosion of boiler pressure parts and leakages etc.

Non-achievement of guaranteed thermal efficiency resulted in consumption of excess input (i.e. coal and oil) heat and demineralised water. The total excess consumption of these inputs to maintain required level of heat during five years up to 1996-97 works out to 4280712.28 million kcal (i.e. equivalent to 966996 MT of coal) valued at Rs. 94.29 crore.

3E.4.1 Excess consumption of coal

The consumption of coal depends upon its calorific value (CV) as per project report (September 1962). Boilers of 32 MW plants have been designed for grade C (CV 4466 kcal per kg). Based on this, the consumption envisaged was 0.635 kg per kwh. Further, for the boilers of 110 MW plants, the project report (August 1970) envisaged use of grade 'C' coal (CV 4500 kcal per kg) with consumption at 0.6 kg per kwh. The PTPS, however, used inferior coal with calorific value ranging between 4049 to 5530 kcal per kg. Based on the inferior quality of coal being supplied to it, the Board fixed the consumption norm of 0.70 kg per kwh coal for 32 MW plants and 0.80 kg per kwh of coal for 110 MW plants. Against this, the actual consumption ranged between 0.86 and 0.93 kg per kwh for 32 MW plants and 0.91 and 0.98 kg per kwh for 110 MW plants as detailed in the next page:

Management failed to adhere to even modified consumption norms based on inferior quality of coal resulting in excess consumption of 4.63 lakh tonnes of coal valued at Rs. 45.85 crore.



(Referred to Paragraph 3E.4.1)

	1992-93	1993-94	1994-95	1995-96	1996-97
(A) 2 x 32 MW:					
Generation (in MU)	121.657	124.242	183.355	140.715	92.824
Weighted average of calorific value of coal received (in kcal per kg)	4886	4197	4137	4117	4335
Coal required as per norm (kg per kwh)	0.70	0.70	0.70	0.70	0.70
Total requirement of coal (in MT)	85160	86969	128349	98501	64977
Coal consumed (in MT)	113475 (0.93)	108327 (0.87)	157245 (0.86)	121014 (0.86)	79829 (0.86)
Excess consumption (in MT)	28315	21358	28896	22513	14852
Average cost per tonne (in Rupees)	864	1091	1045	1083	1301
Value of excess coal consumed (Rupees in crore)	2.45	2.33	3.02	2.44	1.93
(B) 2 x 110 MW					
Generation (In MU)	446.820	651.459	518.587	426.055	749.705
Weighted average calorific value of coal received (in kcal per kg)	4671	4736	4149	4049	42.47
Coal required as per norm (kg per kwh)	0.80	0.80	0.80	0.80	0.80
Total requirement of coal (In MT)	357456	521167	414870	340844	599764
Coal consumed (in MT)	439196 (0.98)	601988 (0.92)	470165 (0.91)	387710 (0.91)	682232 (0.91)
Excess consumption (in MT)	81740	80821	55295	46866	82468
Average cost per tonne (in Rupees)	780	918	966	1049	1166
Value of excess coal consumed (Rupees in crore)	6.38	7.42	5.34	4.92	9.62

Note: Figures in bracket indicate actual consumption in kgs per kwh of energy generated.

Thus, the coal consumed in excess worked out to 463124 tonnes valued at Rs. 45.85 crore during five years up to 1996-97. Reasons for excess consumption of coal as analysed in audit were mainly due to leakage in condenser tubes and boiler tubes besides inferior quality of coal.

3E.4.2.1 Excess consumption of fuel oil

Consumption of fuel oil exceeded CEA norms by 1.12 lakh kl valued at Rs. 7.96 crore.

Light diesel oil (LDO) is required during starting up and flame stabilisation of the boilers. The Board fixed (February 1983) the norm of oil consumption at 12 ml per kwh for the PTPS. Compared to this, the actual consumption ranged between 12.5 to 26.5 ml per kwh (except during 1994-95 for 110 MW plants). The excess consumption worked out to 11186.745 kl valued at Rs. 7.96 crore as detailed below:

	1992-93	1993-94	1994-95	1995-96	1996-97
Fuel oil consumption (in kl)					
2 X 32 MW:					
As per norm	1459.884	1490.904	2200.260	1688.580	1113.890
Actual	2200.500	3293.500	4693.000	2664.956	2001.000
Excess	740.616	1802.596	2492.740	976.376	887.110
Consumption (ml per kwh)	18.1	26.5	25.6	18.9	21.6
Value (Rs. in lakh)	42.07	116.27	181.13	73.68	85.95
2 X 110MW:					
As per norm	5361.840	7817.508	6223.044	5112.660	8996.460
Actual	7425.740	8139.032	5379.700	6494.281	9516.723
Excess	2063.900	321.524	NIL	1381.620	520.263
Consumption (ml per kwh)	16.6	12.5	10.4	15.2	12.7
Value (Rs. in lakh)	117.23	20.74	NIL	104.26	50.41

The Management attributed (September 1997) the reasons for higher fuel consumption to excessive tripping, poor quality of coal and ageing of various equipment. The reply is not acceptable in so far as the problems of tripping and ageing of equipment should have been reduced to minimum after renovation and modernisation of units of PTPS done up to 1996-97.

3E.4.2.2 Excess consumption of turbine oil

Turbine oil is used in turbo generators. The norm for consumption of turbine oil has not been fixed by the Board. For 32 MW plants, the lowest consumption was 0.52 litres per hour during 1994-95. For 110 MW sets, the erection manual of BHEL (manufacturers of the plant), contemplated consumption of 0.40 litre of turbine oil per running hours of each turbo set. Against the consumption of 0.52 litre for 32 MW plant and 0.40 litre for 110 MW plant, the actual consumption ranged between 0.61 and 2.82 in 32 MW plant and 1.33 to 4.43 litres per hour in case of 110 MW plants during five years up to 1996-97.

The total excess consumption for all the plants during five years up to 1996-97 worked out to 111658 litres valued at Rs. 44.66 lakh. The Management attributed (September 1997) leakage in oil cooler and delay in overhauling of the machines as one of the main reasons for higher consumption of turbine oil.

There was excess consumption of turbine oil valued at Rs. 0.45 crore as compared to norm.

3E.4.3 Excess consumption of demineralised water

Demineralised (DM) water is obtained by eliminating acidic and alkaline minerals from natural water by using caustic soda flakes and hydrochloric acid. The boiler of 32 MW and 110 MW plants are designed for flow of water at 120 tonnes per hour and 375 tonnes per hour respectively. The Board envisaged maximum consumption of DM water at 8 per cent of total flow (i.e. 9.6 cum per hour for 32 MW and 30 cum per hour for 110 MW plants). Against this, the actual consumption in 1995-96 was 10.1 cum per hour in 32 MW plants and it ranged between 32 cum and 38.5 cum per hour (except during 1996-97) in 110 MW plants during four years up to 1995-96.

Thus, the PTPS consumed excess water by 127918 cum over the maximum prescribed norm. This resulted in excess consumption of 42.854 MT (value: Rs. 7.90 lakh) of caustic soda flake and 183.538 MT (value: Rs. 2.54 lakh) of hydrochloric acid. (total value: Rs.10.34 lakh).

The Management stated (September 1997) that excess consumption of DM water was due to repeated commissioning of plant after frequent trippings and leakage in condenser tubes. The reply is not tenable because Board could not exercise control over consumption of DM water by taking timely action for tapping leakages and minimising the trippings.

3E.5 Loss due to non-availing of Railways pre-paid scheme

Under the Railways pre-paid system of payments, surcharge is not required to be paid if the freight is paid at the loading point of collieries and a free railway receipt (RR) is obtained. In case RR is obtained with freight to pay, the freight is paid after delivery of wagons at the destination

Failure to devise a system to make advance payment of freight at loading end resulted in avoidable expenditure of Rs. 12.35 crore.

railway station and the railways' charge a surcharge of 5 per cent (revised to 10 per cent from April 1993 and 15 per cent from January 1995).

PTPS, however, did not avail the facility and obtained RR with freight to pay. In this mode of payment, it had to bear liability of Rs. 14.34 crore during 1992-93 to 1996-97 towards surcharge. In case of non-availability of funds, the PTPS could have arranged the payment of freight in advance through cash credit at interest rate of 18 per cent and thereby saved substantial amount as detailed below:

(Rupees in lakh)

Year	Amount paid as		Cost of CC		
	Freight	Surcharge	Amount of CC required per month	Interest payable	Avoidable surcharge
1992-93	1832.04	91.60	152.67	27.48	64.12
1993-94	3081.21	308.92	256.77	46.22	262.70
1994-95	3342.03	296.05	278.50	50.13	245.92
1995-96	2267.29	340.43	188.94	34.01	306.42
1996-97	2715.85	396.84	226.32	40.74	356.10
Total	**13238.42**	**1433.84**	**1103.20**	**198.58**	**1235.26**

Thus, failure of the Board to devise a system of making advance payment at loading point and obtain free RR as per Railways system resulted in avoidable expenditure of Rs. 12.35 crore during the five years ending 1996-97.

3E.6 Loss due to lack of co-ordination in appointment of coal handling agent

For supervision and handling of coal supplies each power station appoints coal handling agents by inviting local tenders. An analysis by Audit of the rates allowed during 1993-97 by Tanda Thermal Power Station (TTPS) and PTPS revealed that the PTPS allowed higher rates than TTPS during 1993-97. Further, the PTPS allowed higher rates during 1991-96 compared to its own rates allowed during 1996-97 consequently leading to an excess expenditure of Rs.7.76 lakh.

The local Management stated (April 1997) that earlier only few agencies were in the job and as such competitive and lower rates could not be obtained. The reply is not acceptable as the rates awarded to coal handling contractors for similar job at TTPS were lower. The loss could have been avoided through co-ordination between the sister units of the Board or centralised tendering for the work at headquarters level.

3E.7 Excess deployment of manpower

Despite having excessive manpower involving extra expenditure of Rs. 6.43 crore, PTPS incurred expenditure of Rs. 4.26 crore on overtime.

The Committee constituted (August 1989) by the Board to recommend on staffing pattern of the thermal power projects recommended (November 1992) that the deployment of manpower of PTPS should be around 4.8 persons per MW of installed capacity. Against this, the actual deployment per MW ranged between 5.8 and 6. This resulted in excess deployment of 285 to 430 workers during five years up to 1996-97.

The expenditure on excess staff at lowest pay of an operator worked out to Rs. 6.43 crore. Despite excessive manpower, the PTPS incurred expenditure on overtime each year ranging between Rs. 58.42 lakh and Rs. 102.87 lakh per annum (total: Rs. 426.42 lakh) during the period 1992-93 to 1996-97.

3E.8 Inventory management

3E.8.1 Inventory holding

The value of inventory holding (other than fuel and oil) as appearing in stock account of the power station during last five years up to March 1997 are given below:

(Rupees in lakh)

Particulars	1992-93	1993-94	1994-95	1995-96	1996-97
Opening balance	1502	143	114	1455	1376
Receipts	315	489	3062	1137	649
Issue	1674	518	1721	1216	579
Closing balance	143	114	1455	1376	1446
Inventory in terms of months consumption	1.0	2.6	10.1	13.6	30.0

The Board has not prescribed any limit of inventory holdings at the power station. Inventory holding increased from 1 month in 1992-93 to 30 months in 1996-97. After allowing three months inventory for day to day requirement, interest loss on excess inventory holding at the rate of 18 per cent works out to Rs. 611.64 lakh during five years up to 1996-97. In audit, it was further observed that :

- The value of closing balance has not been reconciled with the priced stores ledger, as it was not maintained up to date.
- Maximum, minimum and reordering level of stores and stock were not fixed by the Management/Board.
- Materials have not been classified into critical, non-critical, fast and slow moving categories.
- The value of inventory during 1994-95 onwards was increased abnormally due to adjustment of Rs. 1278 lakh in December 1994, being the difference of book balance and ground balance.

3E.9 Non-maintenance of control accounting records

Control records relating to stores (4-S and 4-T), suspense registers (purchase and miscellaneous advance), register of works and works completion reports were either not being maintained or where maintained were not being posted and closed. As a result of non-maintenance, non-posting or non-closing thereof, cases of excess booking of material received/advance payment made, control over expenditure against works, etc., could not be vouched in audit.

3E.10 Other topics of interest

Loss due to inadequate insurance cover

The locomotive of the PTPS had to move outside its premises for shunting of coal wagons. As the PTPS locomotive had to move on the same track on which railway locomotive operates, it was necessary to obtain comprehensive insurance to cover for 'perils of accident by external means'. The PTPS, however, obtained only fire insurance policy within its premises.

On May 26, 1994, the locomotive of the PTPS collided with the railway locomotive, got dragged up to Panki railway station and in the process was badly damaged. Though the PTPS lodged (May 1994) a claim with New India Insurance Company Limited, Lucknow, it was rejected (January 1995) by them stating that the accident was not covered in the fire insurance policy. In the meantime, the PTPS incurred an expenditure of Rs. 26.36 lakh on reconstruction and overhauling (Rs. 11.50 lakh) and spares (Rs. 14.86 lakh). The expenditure could have been avoided by obtaining adequate insurance cover.

Conclusion

The Panki Thermal Power Station commissioned between October 1967 and March 1977 in four stages with aggregate capacity of 284 MW was subjected (1992-97) to overhauling and renovation at a substantial expenditure so as to improve PLF and overall efficiency of the plant. Besides low plant availability, low capacity utilisation, poor maintenance, higher outages, excess consumption of coal, oil and chemicals marred its performance badly resulting in non-achievement of desired level of generation.

The efficiency of the plants could have been improved by adhering to the annual maintenance schedules and timely capital overhauling/removal of defects of the plants.

The above matters were reported to the Board and the Government in June 1997; replies have not been received (September 1997).

Chapter IV

Miscellaneous topics of interest

Chapter-IV
Miscellaneous Topics of Interest
Section 4A
Government Companies

SECTION 4A

Government Companies

Uptron India Limited

4.A.1 Loss due to ill-conceived imports

The Company, for production of process control equipment intended to be sold to power, steel, fertiliser and chemical sector, placed orders during August 1985 to July 1991 for import of various components at CIF value of Rs. 177.77 lakh without ensuring their suitability, market demand and arranging financial tie-up. The components received during June 1985 to December 1991 were kept in bonded warehouses at New Delhi (Rs. 110.55 lakh) and Lucknow (Rs. 67.22 lakh). The equipment was to be cleared on payment of customs duty and warehouse charges.

The Company sustained a loss of Rs. 1.78 crore as it imported various components without ensuring their suitability and subsequently had to relinquish its title to bonded warehouses due to obsolescence of technology.

The Company, however, did not retire the equipment and components from warehouses as it was not in a position to undertake assembly or manufacturing process of the products due to technical problems, obsolescence of technology and entry of private competitors. The Company relinquished the title over these items in February 1996.

Thus, the procurement without ensuring suitability and acceptability of the product by prospective buyers and financial tie-up resulted in loss of Rs. 177.77 lakh to the Company.

The Managing Director in his report of August 1995 to the Board of Directors attributed (August 1995) the unsatisfactory state of affairs to unrealistic plans made to achieve a quantum jump in turnover and management failure at all levels.

The Management again confirmed (July 1997) that consignments were not retired due to product obsolescence, non-materialising of market- forecast, etc.

The matter was reported to the Government in May 1997, their replies have not been received (September 1997).

4.A.2 Inadmissible payment of commission to institutional sales agent

The Company paid an unjustified commission of Rs. 1.66 crore to the agents who were appointed after receipt of the supply orders.

The Board of Directors (BOD) delegated (August 1992) to Managing Director (MD) power to (i) approve quotations for sale of products; (ii) appoint dealers and commission agents where necessary and (iii) sanction expenditure on advertisement and sales promotion within the budget approved by the BOD.

(a) The Company in September 1994 procured orders from DRD for supply of 1250 CTV sets at a rate of Rs. 13500 per set (total value: Rs. 1.69 crore) payable to the Company after their delivery.

After procurement of the order, the Company on the basis of a proposal received from Regional Manager, Chennai, appointed on 17.11.94 Mr. V. Asai Kumar of Rural Development Society, Madras as agent at a commission of Rs. 2400 per set in respect of the orders secured through their efforts and for other liaison work between the Company and the DRD. The agreement was incorrectly executed from earlier date of 16 September 1994.

Against the orders of 1250 sets, the Company supplied 1715 CTV sets (including supply of 465 sets against direct orders) during October 1994 to April 1996. The Company during November 1994 to April 1996 paid commission of Rs. 35.30 lakh to Mr. V. Asai Kumar (including commission of Rs. 30 lakh for supply of 1250 sets) though he neither procured the orders nor carried out other liaison work.

(b) The Company in December 1995 procured orders from DRD, for supply of 4700 CTV sets at the rate of Rs. 14500 per set (total value: Rs. 6.82 crore). The order stipulated advance payment of 25 per cent of the total cost on submission of proforma invoice. Accordingly, advance payment of Rs. 1.70 crore was received by the Company on 29 December 1995.

In the meantime, the Company entered into an agreement (not authenticated by the Company) with the approval of the MD on 5 February 1996 with Mr. P. Shanmugam of Madras appointing him as agent for a period of six months (to be renewed thereafter) at a commission of Rs. 2950 per set in respect of the orders secured through his efforts. The scope of work further included liaison work until orders were fully executed, timely collection of bills and co-ordination between the Company and the customer for successful execution of the order.

Supply of CTV commenced from 30 December 1995 and was completed by 9 March 1996. Payment of the balance amount of Rs. 5.12 crore was received between 5 February and 13 March 1996. The Company during 22 January to 13 March 1996 paid Rs. 1.36 crore as commission which included Rs. 1.08 crore on 3668 sets supplied before entering into the agreement and Rs. 0.28 crore on 1032 sets supplied thereafter.

It was noticed by Audit that the order from DRD was received on 15 December 1995 with payment of 25 per cent advance on 29 December 1995 before appointment of the agent and therefore payment of commission of Rs. 1.36 crore for procurement of the order was not admissible to him. Further, there were delays up to 35 days from the date of issue of bills which indicates lack of effort on the part of the agent in expediting the payments.

In both these cases the payment of commission of Rs. 1.66 crore lacked justification in view of the fact that the orders were procured by the Company itself and no liaison work was done by agents.

The matter was reported to the Company and the Government in July 1997; replies have not been received (September 1997).

Uptron Powertronics Limited

4.A.3 Avoidable payment of liquidated damages

The Company received twenty supply orders during August 1988 to September 1993 from Indian Telephone Industries Limited (ITI), Mankapur (Gonda) for supply of power plants, energy grids and invertors etc. The due dates for supply were between September 1988 and November 1993. The terms and conditions, interalia, provided that liquidated damages (LD) shall be levied at 2 per cent per month subject to a maximum of 5 per cent of the value of package for supplies made beyond due dates of delivery mentioned in the respective purchase orders. The Company supplied the equipment late by 1 to 11 months during February 1989 to November 1993. Accordingly, ITI recovered, by deductions from bills, LD amounting to Rs. 17.06 lakh. The request of the Company for waival of LD was rejected in January 1994.

> ***The Company failed in planning its schedule of procurement of raw material for products. Consequently, it could not complete supply of products resulting in avoidable loss of Rs. 17.06 lakh in the form of liquidated damages.***

It was noticed (January 1997) by Audit that the Company did not plan its schedule of procurement of raw material for undertaking the manufacturing activities and completing the supplies in time. The Company started procurement process late in all the cases leading to delay in its manufacture and consequent delay in offering for inspection. Further, the Company had not fixed any responsibility for the lapse and had written off the amount in March 1995 (Rs. 8.50 lakh) and October 1996 (Rs. 8.56 lakh).

The Management stated (June 1997) that in spite of vigorous efforts, ITI did not agree for waival of LD. It further stated that considering the non-feasibility of various other options, the Company decided to write off the amount. However, the Management did not put forth any reason for not planning its procurement schedule in such a way as to be able to adhere to the contractual delivery schedule.

The matter was reported to the Government in July 1997; replies have not been received (September 1997).

4.A.4 Avoidable payment of surcharge for low power factor

Rate schedule HV-2 of Uttar Pradesh State Electricity Board provides for installation of shunt capacitors by the consumer to maintain monthly average power factor at 0.85. Fall in monthly average power factor below it, attracts the liability of surcharge at the rate of 1 per cent of demand and energy charges for each 0.01 fall up to 0.80 and at the rate of 2 per cent for each 0.01 fall below 0.80 (limited to a fall of 0.70).

For its power load of 200 KW, the Company failed to maintain the power factor at the required level of 0.85 by installing capacitor banks. The power factor during December 1991 to June 1997 ranged between 0.55 to 0.82 on which it had to pay a surcharge aggregating Rs. 3.49 lakh.

The Management in reply stated (July 1997) that because of distortion component in current, use of shunt capacitors does not improve power factor. The reply is not tenable as installation of shunt capacitors to maintain power factor at

0.85 was provided in tariff forming part of the agreement with UPSEB and technical problems for lower power factor, if there were any, were never brought to the notice of SEB authorities for correction.

The matter was reported to the Company in March 1997 and the Government in May 1997; replies have not been received (September 1997).

Uttar Pradesh State Textile Corporation Limited

4.A.5 Loss due to non-reduction of excess contracted load

The Company suffered a loss of Rs. 49.89 lakh as it failed to reduce its electricity load to its actual requirement.

According to the Rate Schedule HV-2 of the Uttar Pradesh State Electricity Board, applicable to large and heavy power consumers, demand charges at 75 per cent of the contracted load or the actual demand, whichever is higher, is leviable along with the charges for energy consumed at the rates applicable from time to time.

The Company had a contracted load of 2000 KVA for each of two units of its spinning mills at Meerut, Jhansi, Sandila and Kashipur (total : 16000 KVA). On the basis of the actual load drawn by all the eight units during the period from January 1992 to December 1996, it was observed (May 1997) by Audit that the actual load requirement was not more than 1800 KVA in respect of five units and 1600 KVA in respect of three units. The Company reduced the contracted load of 'A' and 'B' units of Meerut mill to 18800 KVA in May 1997 and that of 'A' unit of Sandila Mill to 1800 KVA in March 1993 and subsequently to 1500 KVA in November 1995. However, the reduction in load of other five units (Sandila B, Jhansi A and B and Kashipur A and B) was not carried out to their required load.

The failure of the Management to take timely action in assessing its load requirements and initiating action to reduce it to the required level (Jhansi A and B to 1600 KVA and other three units to 1800 KVA) resulted in excess expenditure of Rs. 49.89 lakh on demand charges during the period form January 1992 to July 1997.

The Management stated (September 1997) in reply that while the load of Jhansi and Kashipur units could not be got reduced due to non-payment of additional security to SEB, there was no proposal to reduce the load at Sandila B unit as loss (Rs. 7.60 lakh) pointed out in the para in respect of this unit was only 0.39 per cent of total bill paid to UPSEB.

Management decision not to reduce load at Sandila B unit even after incurring loss was not judicious in view of depleting financial position of the Company already stands referred to BIFR.

The matter was reported to the Government in May 1997; reply had not been received (September 1997).

4.A.6 Loss due to non-booking of foreign exchange

The Company entered (July 1995) into an agreement with PT INTI INDORAYON UTAMA, Medan (Indonesia) for import of 225 MT of Viscose Staple Fibre (VSF). The sale price was payable in US dollars through letter of credit (L/C). The foreign exchange forward booking charge of the banks during the month of July 1995 was 5 paise per dollar per month which worked out to 10 paise per dollar in case of sight L/C and 40 paise per dollar in case of DA 180 days L/C taking into account the period of two months and eight months for respective L/Cs.

The Company suffered a loss of Rs. 20.22 lakh due to its failure for forward booking of foreign exchange.

In July 1995 when the exchange rate was Rs. 31.55 per dollar, the Company established two sight L/Cs (US \$ 99900 + 95460 = US \$ 195360) and one DA 180 days L/C (US \$ 317840). The Company, however, did not make a forward booking of foreign exchange with its bankers which would have cost it only Rs. 1.47 lakh. As a result, on receipt of VSF in September 1995, the bills for US \$ 195142.02 (against sight L/Cs) and for US \$ 314370.23 (against DA L/C) were made by the bank at the prevailing exchange rate of Rs. 32.63 per dollar (September 1995) and Rs. 37.78 per dollar (February 1996) respectively.

Thus, due to failure of the management in making arrangement with the bank for forward booking of foreign exchange, the Company had to suffer a loss of Rs. 20.22 lakh being the difference of exchange rates prevailing at the time of establishing L/Cs and actual payment after taking into consideration the forward booking charges.

The management stated (September 1997) that foreign exchange could not be booked due to slackness of the Chief Controller (Finance) but this matter could not be incorporated in his charge sheet. The reply of the Management is not correct in as much as the Chief Controller (Finance) of the Company was on leave when the L/Cs were established as per records of the Company and lapse occurred due to ignorance of the next Officer-in-charge of the Company.

The matter was reported to the Government in June 1997; reply had not been received (September 1997).

4.A.7 Loss due to production of non-saleable polyester sewing thread in plain hank form

On the basis of monthly production budget approved by their Headquarters, the units of the Company undertake production of yarn. The production budget is prepared on the basis of market demand. During February to May 1995, Sandila unit of the Company produced 22200 kgs of 3/54 count 100 per cent polyester sewing thread in plain hank form valued at Rs. 33.30 lakh at an average cost of Rs. 150 per kg without any production budget for the same as there was no order for such quality with the Company. Out of the yarn so produced, the Company could sell 21300 kg yarn for Rs. 17.44 lakh only at an average rate of Rs. 81.88 per kg. (during February 1995 to August 1997). Further, nine bales (900 kg) of plain hank yarn supplied (July 1995) by Sandila unit to Kothiwal Company Limited, was not acceptable to the dealer even at the reduced rate of Rs. 20 per kg. The Company had to call back the material which is lying with the Company as of September 1997.

The Company had to suffer a loss of Rs. 14.51 lakh due to production of polyester thread in plain hank form without ascertaining its marketability.

Thus production of 3/54 count polyester sewing thread in plain hank form without ascertaining its saleability and without any budget provision resulted in loss of Rs. 14.51 lakh on sale of 21300 kgs of yarn (Rs. 17.44 lakh realised against the cost of Rs. 31.95 lakh).

While admitting the lapse, the Management stated (May 1997) that the responsibility has been fixed on the Technical Head of the unit and the marketing personnel of the Head Office. However, further action to recover the loss and avoid recurrence of such lapses were awaited as of September 1997.

The matter was reported to the Government in April 1997; replies have not been received (September 1997).

4.A.8(a) Loss due to injudicious management of funds

The Company had a cash credit facility with three Nationalised Banks viz Allahabad Bank, Bank of India and State Bank of India at Kanpur with an aggregate limit of Rs. 18 crore in all the three banks for making payment to cotton suppliers.

The sale proceeds of yarn are remitted into the cash credit account to reduce the debit balance thereof and minimise liability of interest (payable at the rate of 17.5 per cent per annum).

The Company incurred additional interest of Rs. 7.64 lakh as funds remained invested at lower interest rates.

However, the Company opened (November 1995) a separate Savings Bank Account with Oriental Bank of Commerce (OBC), Shardanagar, Kanpur at an interest of 4.5 per cent per annum to manage payment of salaries, wages and other urgent requirements. During 2 November 1995 to 6 April 1996, the Company remitted sale proceeds of yarn aggregating Rs. 12.29 crore into the Savings Bank Account and utilised the amount of Rs. 6.17 crore for making payment to cotton suppliers up to January 1996. It also utilised the cash credit limit of Rs. 18 crore during this period and continued to incur higher interest burden. Against an interest payment of Rs. 8.49 lakh on Rs. 12.29 crore on the cash credit, it earned a meagre interest of Rs. 0.85 lakh on the Savings Bank resulting in an avoidable interest burden of Rs. 7.64 lakh during this period. The Savings Bank Account was closed on 6 April 1996.

In reply, the Management stated (June 1997) that the savings bank account was opened to meet the liabilities of regular nature viz. wages, electricity charges etc. as the cash credit limits in the banks were almost utilised, further borrowings were not possible without replenishment of the balances and there was possibility of the concerned banks for restricting withdrawals. The reply was not tenable as the replenishment of balances could have easily been done with the amount kept in the savings bank account. Further, the balances in savings bank were utilised mainly for making payment to cotton suppliers instead of meeting expenses on wages, electricity dues and other statutory liabilities.

Thus, opening of a Savings Bank account separately and remittance of sale proceeds of yarn into it at a lower rate of interest instead of replenishing the balance in cash credit account was not in the financial interest of the Company as it resulted in avoidable interest payment of Rs. 7.64 lakh.

(b) Loss due to belated credit of cheques

The Company sold (March 1993) 185 bales of hank yarn valuing Rs. 14.29 lakh to National Handloom Development Corporation (NHDC), New Delhi. NHDC retired (April 1993) the dispatch documents by depositing three cheques aggregating Rs. 14.15 lakh with the Head Office of the Company. Though the Company deposited (April, 1993) these cheques in its current account with Oriental Bank of Commerce, Kanpur, the bank credited them in Company's account belatedly on 6.8.94 i.e. after 472 days. This resulted in loss of interest amounting to Rs. 3.31 lakh at the rates varying from 19.75 to 17.75 per cent per annum, being charged by the bank on cash credits allowed to the Company. The matter for delayed credit of amount was not taken up with the bank for which no reason was furnished by the Management.

While the Management stated (July 1997) in reply that the Chief Controller (Finance) was chargesheeted on various charges including the above and had since been dismissed, it was seen during scrutiny of the relevant file (photocopies of which were not made available by the Management) that the charge of delay in credit could not be established against the Chief Controller (F) during the disciplinary proceedings.

The matter was reported to the Government in July 1997; reply had not been received (September 1997).

Uttar Pradesh State Industrial Development Corporation

4.A.9 Loss in restoration of plot

The Company allotted (February 1976) a plot of 10540 sqm to M/s Wadbro Tyres Private Limited (renamed in February 1997 as Wadbro India Private Limited) in industrial area Sahibabad, Ghaziabad at a premium of Rs. 3.25 lakh. The premium of 25 per cent was to be deposited by March 1976 and balance amount of the premium in eight equal yearly instalments. The Company reserved the right of restoration in favour of the original allottee on payment of overdues and restoration charges at 50 per cent of the premium differential on the date of allotment and prevailing market rate. In view of default in payment of instalments of Rs. 243 lakh the allotment in favour of the unit was cancelled by the Regional Manager, Ghaziabad in September 1984 and a civil suit was filed in the court of City Magistrate, Ghaziabad to take back possession of the land. The case was decided in favour of the Company in March 1996 and possession of the vacant premises was taken over by the Company in June 1996.

In spite of taking over possession after successfully contesting the court case for 11 years, the Company unduly restored the plot in favour of the original allottee for Rs. 44.93 lakh against the prevailing market rate of Rs. 73.78 lakh. This resulted in loss of Rs. 28.85 lakh.

It was noticed by Audit (April 1997) that in spite of taking over possession after successfully contesting the court case for 11 long years, the Regional Manager, on the request (June 1996) of the allottee, restored the plot to the same defaulted unit for Rs. 44.93 against the prevailing market rate of Rs. 73.78 lakh. Decision to restore the plot without considering the best financial interest of the Company resulted in loss of Rs. 28.85 lakh.

The Management stated (June 1997) that the allotment was restored in favour of the original allottee apprehending problems in giving possession to the fresh allottee on account of raising of shed, building, boundary wall and gate. The reply is not tenable as the Company had already taken possession of the land and its action to restore the allotment to the original allottee was not in the financial interest of the Company.

The matter was reported to the Government in May 1997; reply had not been received (September 1997).

4.A.10 Loss due to raising of incorrect demand

Raising of incorrect demand resulted in loss of Rs. 7.19 lakh.

The rates of premium in respect of plots for commercial purposes and supportive facilities such as petrol pumps, service stations, weigh bridges, catering services, cinema halls and warehouses etc. were fixed by Board of Directors in February 1985 at 100 per cent extra over normal premium rates. However, the Regional Manager, Bareilly, without taking notice of the rates fixed for land required for commercial purposes, allotted during September 1986 to March 1987, plot nos 8-A, B-40 to 43 and A-1 in industrial area Parsa Khera (Bareilly), Patti Kalon (Rampur) and Bazpur (Nainital) respectively to Uttar Pradesh Cooperative Federation Limited (PCF) for construction of warehouses at normal rate of premium of Rs. 7.19 lakh (against Rs. 14.38 lakh) and executed agreement accordingly. This resulted in raising of demand short by Rs. 7.19 lakh. On noticing the irregularity during March-July 1988, a demand for the balance amount of Rs. 7.19 lakh (being 100 per cent over normal rate) was issued in August 1988 which was not paid for. After issuing final notice in February 1993, recovery certificate for Rs. 15.91 lakh being balance premium (Rs. 7.19 lakh) and interest up to June 1993 (Rs. 8.72 lakh) was issued against which Rs. 9.78 lakh (including collection charges of Rs. 0.88 lakh) was recovered in April 1994 in respect of plot of industrial area Parsa Khera. In respect of Patti Kalon and Bazpur, the payment was not made by PCF.

Subsequently, PCF challenged (August 1994) the raising of fresh demand, issue of Recovery Certificate and recovery of Rs. 9.78 lakh and demanded its immediate refund on the ground that Company had no legal right to claim additional premium after execution of agreement and payment of premium as demanded. Board of Directors to whom the matter was referred (September 1995) decided to refund the amount recovered and also desired holding of preliminary inquiry to ascertain reasons for the lapse. Accordingly, the amount was refunded to PCF in December 1995. However, the Company did not initiate any inquiry as of August 1997.

Thus, the action of the Regional Office, Bareilly in raising demand for a lower amount and executing agreement for the same resulted in loss of Rs. 7.19 lakh.

The matter was reported to the Company and the Government in July 1997; replies have not been received (September 1997).

4.A.11 Allotment of industrial plot at lower rate

The Company allots industrial plots developed by it in industrial areas at premium rates fixed from time to time. The units applying for plots are required to furnish applications completed in all respect along with project report, land utilisation plan, certificate of incorporation and partnership deed, power of attorney etc. The units are informed of the wanting documents, if any, at the time of receipt of application itself for submission thereof within 10 days, failing which the applications are liable to be rejected.

The Company lost premium of Rs. 6.61 lakh due to allotment of a plot at pre-revised rates to a firm not eligible for the same.

From 21 September, 1996 the Company revised the rate of plots of industrial area, Kosi Kotwan (Mathura) from Rs. 100 per sqm to Rs. 200 per sqm with the condition that the revised rate would not be applicable to applications pending allotment on that date.

M/s Maharaja Engineers, Delhi submitted (19 September 1996) an application which was not supported by registered partnership deed in proof of its existence and power of attorney. However instead of intimating the unit to furnish the wanting documents, the Regional Manager, Agra allotted (24 September 1996) a plot measuring 6605 sqm valued at Rs. 6.61 lakh at pre-revised rate. The partnership deed of the firm was executed and registered on 23 October, 1996 and from that date only it came into existence. Thus the allotment made by the Company on 24 September, 1996 at pre-revised rate to a non-existing firm was irregular ab-initio which resulted in loss of premium to the extent of Rs. 6.61 lakh, being the differential of the rate charged (Rs. 100 per sqm) and the applicable rate (Rs. 200 per sqm) on 6605 sqm of plot.

The Management in reply (September 1997) did not furnish any justification for allotment against incomplete application which ought to have been liable for rejection.

The matter was reported to the Government in May 1997; reply has not been received (September 1997).

4.A.12 Loss due to non-encashment of bank guarantee

The Company obtained (June 1989) from the Government of India (GOI) registration certificate for setting up a joint sector project for manufacturing, 'toners and developers' at Kanpur *dehat*. For setting up the project in joint sector, the Company selected (February 1990) M/s Rathi Udyog Limited (RUL) of Delhi as financial collaborator on the basis of offer received from them. A memorandum of understanding (MoU) was signed in February 1990 which inter-alia provided that all the expenses on implementation of the project incurred till the date of execution of a collaboration agreement was to be borne by the collaborator. Accordingly, the collaborator was required to place Rs. 2 lakh at the disposal of the Committee and also a bank guarantee of Rs. 5 lakh for due performance of their obligation. The collaborator furnished a bank guarantee of Rs. 5 lakh in May 1990 for one year which was to remain valid during the period of currency of MoU (February 1991) with provision for further extension depending upon the extension in validity period of MoU. However, payment of Rs. 2 lakh in cash, as envisaged, was not made by the collaborator.

The bank guarantee of Rs. 5 lakh was extended by the collaborator for another one year from May 1991 but the same was not forceable from February 1991 itself for want of supplementary agreement extending the validity of MoU beyond February 1991. Ignoring the non-availability of collaborator's security, the Company incurred Rs. 3.23 lakh up to December 1991 on foreign tours (Rs. 3 lakh), preparation of feasibility report, finalisation of foreign collaboration agreement etc. (Rs. 0.23 lakh). However, in view of the directive from the State Government (January 1992) for not participating in manufacturing sector projects, the Company requested (May 1992) the GOI to transfer foreign collaboration agreement in favour of the new Company viz. Rathi Graphics Technologies Limited set up (August 1991) by the collaborator for the project. The Company approached the collaborator in March 1994 for reimbursement of expenses for Rs. 3.23 lakh as per provisions of the MoU, who refused to make the payment on the ground of non-participation by the Company in the project although the same was not a pre-condition in terms of MoU. The Board of Directors of the Company approved writing off the dues in June 1996 without fixing responsibility for incurring expenditure without obtaining valid guarantee from the firm.

The matter was reported to the Government in May 1997; reply had not been received (September 1997).

Uttar Pradesh Small Industries Corporation Limited

4.A.13 Loss due to non-disposal of equity shares and non-pursuance of recovery of loans

Company sustained loss of Rs. 27.62 lakh for want of timely action to sell the shares and proceeding for recovery of loan.

The Company had purchased equity shares valuing Rs. 11.94 lakh of five joint sector units (incorporated between June 1972 and February 1974) during 1974-75 to 1978-79 under Equity Participation Scheme. Clause 14 of the Articles of Association of the respective units, inter alia, provided that the Company could dispose off its shares to the existing private promoters after four years from the date of their incorporation i.e. between July 1976 and March 1978. In case of refusal, the shares could have been disposed off to any other private party.

The Company did not make any offer to the existing promoters till March 1982. In April 1982, it sent a proposal to the promoters for buy back of shares to which there was no response. Efforts were not made to dispose it off thereafter. The units were dissolved by the order of Allahabad High Court in December 1995 and the Company could not receive any consideration for its investment of Rs. 11.94 lakh as the assets were sold by another financial institution.

Further, the Company also advanced a loan of Rs. 15.68 lakh to four joint sector units (out of the above five units) during 1972-74 without entering into any agreement relating to the terms of repayment and rate of interest. The Company also did not make efforts to get repayment of its loan. As the units have already been dissolved with no assets available, the loan has become irrecoverable.

Thus, for want of timely action to sell the shares and proceeding for recovery of loan, the Company suffered a loss of Rs. 27.62 lakh.

The matter was reported to the Company and the Government in April 1997; replies have not been received (September 1997).

4.A.14 Avoidable expenditure

The Company suffered a loss of Rs. 20 lakh due to delay in payment of advance tax and preparation of incorrect accounts.

(a) According to the provisions of the Income Tax Act, 1961, an assessee is required to pay advance income tax in three instalments during a financial year and file a return of income with the Income Tax Authorities up to 31 December of the assessment year. The Act further provides levy of interest at the rate of 2 per cent for every month by which the submission of return/payment of advance tax is delayed.

The Company filed the income tax return for the financial year 1991-92 belatedly in October 1993 (against the due date of December 1992) and consequently deposited advance tax in October 1993 (against the due date of September 1991, December 1991 and March 1992). The delayed filing of return and consequent delay in deposit of advance tax resulted in avoidable payment of interest of Rs. 10.47 lakh imposed for such default by the Income Tax Department.

(b) Further, the Company, in its provisional accounts for the above financial year, exhibited a net income of Rs. 27.60 lakh and paid income tax of Rs. 16.99 lakh (October 1993; Rs. 11.87 lakh and March 1995: Rs. 5.12 lakh) thereon. It was noticed (January 1997) by Audit that in its provisional accounts, the Company had incorrectly excluded major known expenses, including arrears of pay revision, which resulted in overstatement of net income by Rs. 18.42 lakh with consequent overpayment of Rs. 9.53 lakh as income tax.

The Company's claim for refund of excess income tax became time barred under Section 139 (5) of Income Tax Act by the time its accounts for the year 1991-92 were finalised (October 1996).

The Company has so far (August 1997) not fixed any responsibility for avoidable extra expenditure of Rs. 20 lakh which it had to incur on account of delayed filing of return/payment of advance tax and incorrect preparation of its provisional accounts.

The matter was reported to the Company and the Government in April 1997; replies have not been received (September 1997).

4.A.15 Loss due to non-sanction of house building advance for cost of land

The Company's failure to sanction house building advances in favour of its employees against its fund blocked in purchase of land made on their behalf led to avoidable interest burden of Rs. 7.77 lakh.

The Company decided (April 1989) to procure a residential plot and allot it to its employees as members of a Co-operative Housing Society owned and controlled by its staff. It also decided to recover 25 per cent cost of the land and its development charges from the allottees directly and 75 per cent by sanctioning house building advance (HBA) carrying 10.5 per cent interest.

Accordingly, the Company procured (July 1990) a plot measuring 5024 sqms valued at Rs. 17.59 lakh from Kanpur Development Authority (KDA) and incurred Rs. 4.56 lakh up to January 1992 on its registration and lease rent (total value: Rs. 22.15 lakh). Out of this, the Company retained 2256 sqms of land for its own use and recovered (1990-91) Rs. 3.99 lakh towards 25 per cent cost from the employees. However, the Company did not sanction (May 1997) HBA to the employees in the absence of which the recovery could not be started. Consequently, the Company had to suffer interest loss of Rs. 7.77 lakh on idle investment for the period from February 1992 to May 1997 at the interest rate of 17.75 per cent applicable on cash credits.

The management in its reply stated (July 1997) that the land could not be transferred to employees because common facilities like water, sewage system, electricity etc. had not been provided by the KDA except the construction of road. The reply is not tenable as KDA had offered (June 1990) the land on "as is where is" basis and all the development work except construction of road was to be carried out by the purchaser himself.

The matter was reported to the Government in June 1997; reply had not been received (September 1997).

Uttar Pradesh Pashudhan Udyog Nigam Limited

4.A.16 Embezzlement of cash

Embezzlement of Rs. 9.63 lakh due to deployment of a person of doubtful integrity, not ensuring timely submission of returns and not conducting required checking of accounts.

Rules for conduct of business and procedures of accounts by the sales depots of the Company in the State provide that the Branch Managers (BM) should usually be appointed from amongst the senior officials having good knowledge of salesmanship and well conversant with accounting procedures. Further, cash received from sale proceeds is either to be deposited in local account or remitted to Head Office (H.O.), Aligarh through bank drafts. The BMs are also required to submit daily/monthly cash/stock reports to the Head Office.

Sri Shoorveer Vikram Bahadur Singh who had earlier committed embezzlement at Ranchi branch was posted (October 1991) as BM at Lucknow sales depot despite the General Manager's recommendations (June 1990) against such posting. The said BM embezzled a sum of Rs. 9.63 lakh at Lucknow sales depot by (i) showing remittance of cash to HO for Rs. 4.32 lakh through bank drafts/cheques during 1992-93 to 1995-96 which was ultimately found to be fake and (ii) posting of false expenditure for Rs. 5.31 lakh which was not supported by vouchers.

Though the disciplinary proceedings against the BM were initiated (May 1996) and FIR lodged with the Police (June 1996), it was noticed (October 1996) by Audit that the embezzlement was made possible by deploying a person of doubtful integrity as BM ignoring the recommendation of G.M. and further by not ensuring timely submission of the returns and conducting required regular checking of his accounts by the HO.

The matter was reported to the Company in January 1997 and the Government in June 1997; replies have not been received (September 1997).

Uttar Pradesh Poultry and Livestock Specialities Limited

4.A.17 Avoidable expenditure on procurement of vaccines at higher rates

According to the purchase procedure prescribed by the Government, the selection of medicines and quantities required by the Company is decided by an Expert Committee (EC) of the Animal Husbandry Department and the rates are decided by the Purchase Committee (PC) of the Company. Since August 1993, the rates decided by the PC requires approval of the Director of the Department.

Procurement of vaccine at higher rates led to additional expenditure of Rs. 6.12 lakh.

The Company invited (18 July 1994) short term tenders from the registered suppliers for supply of Black Quarter (BQ) and Haemorrhagic Septicaemia (HS) vaccines which were opened on 4 August 1994. The rates of the three firms, who had submitted their tenders, were Rs. 32 per 50 doses of BQ and HS vaccines quoted by the lowest tenderer and Rs. 43 per 50 doses quoted by the other two tenderers.

The PC recommended (4 August 1994) that after obtaining test report of Indian Veterinary Research Institute (IVRI) and some other information from the lowest tenderer viz. Bio Med Private Limited, Ghaziabad his rates may be accepted. Accordingly, the firm submitted on 10 August 1994 the test report and other information. However, instead of placing order on the lowest tenderer as recommended by the competent Committee, the Director constituted a Technical Committee with a view to bringing the prices of other tenderers at par with the lowest tenderer. The Technical Committee after negotiation with other tenderers and without waiting for the test report from the lowest tenderer, recommended (8 August 1994) for placing orders for one lakh doses of HS vaccines on the lowest tenderer at his quoted rate of Rs. 32 per 50 doses and for 34 lakh doses (BQ vaccines: 3 lakh doses and HS vaccines: 31 lakh doses) on two other firms at a negotiated rate of Rs. 41 per 50 doses. The orders were placed on 10 August 1994 and full quantities were received and paid for during August 1994. Thus, the procurement of vaccines at the rate higher than that recommended by the PC resulted in avoidable expenditure of Rs. 6.12 lakh.

The Management in reply, stated (July 1997) that since the lowest tenderer was a new entrant and had not submitted the test report with the tender, the Director decided to place only a trial order with the firm. The reply is not tenable as the lowest tenderer was a registered firm and had furnished the test report from IVRI within six days and before final placement of the order. Action of the Company was also in violation of the recommendation of PC which was competent to take decision on such cases.

The matter was reported to the Government in June 1997; reply had not been received (September 1997).

Uttar Pradesh Bhoomi Sudhar Nigam Limited

4.A.18 Loss of interest

In order to avail benefit of higher rate of interest and provide financial assistance to the State for housing development, the Government suggested (March 1985) the Government companies and other Government enterprises to consider investment of full or part of their surplus fund in Housing Development Finance Corporation Limited (HDFC). Depending upon the period of deposits, the rate of interest of HDFC ranged between 9 to 12 per cent against 7 to 10 per cent in case of nationalised banks. Facility of premature withdrawal of deposits was also available with HDFC as in the case of Nationalised banks.

The Company suffered a loss of interest of Rs. 20.64 lakh as it invested its surplus fund at lower rates instead of investing in HDFC at higher rates despite Government's suggestion to that effect.

Notwithstanding the suggestions of the Government, the Company invested (September 1991 to May 1994) its total investible surplus of Rs. 1714.23 lakh in fixed deposit with nationalised banks (Rs. 1613.73 lakh) and a co-operative bank (Rs 100.50 lakh). As the interest rates of these banks were lower, the investment of surplus funds therein resulted in loss of interest of Rs. 20.64 lakh computed with reference to the difference in rate of interest of HDFC and these banks.

The Management stated (May 1997) in reply that the funds were kept in the banks for convenience and from commercial point of view so that the same may be withdrawn from time to time. the reply is not convincing as these facilities were equally available with HDFC which was paying higher rate of interest.

The matter was reported to the Government in April 1997; reply had not been received (September 1997).

Uttar Pradesh State Food and Essential Commodities Corporation Limited

4.A.19 Loss of royalty/commission due to non-encashment of bank guarantee

Non-invocation of bank guarantee and allowing it to expire in March 1993 ultimately led to non-recovery of Company's claim amounting to Rs. 17 lakh.

The Company appointed M/s Astha Coal Trading Private Limited of Kanpur as their coal handling agent for procurement of slack coal from various collieries and distribution to brick kiln owners of the State. The agreement entered (April 1991) into by the Company with the agent, inter-alia, provided that the agent shall procure at their cost at least 40 per cent of the quantity of slack coal allotted to them, make sales at rates worked out in the manner prescribed by the State Government and remit royalty to the Company at 5 per cent of purchase price of coal. The agent was, thus, entitled to sell the coal at price equivalent to cost of coal, railway freight, local transportation from railway siding to depot, wastage up to 5 per cent and margin of 10 per cent towards profit. In case of breach of the conditions, the agent was liable to pay penalty at 1.5 times of the profit earned on such quantity. For performance of this obligation, a bank guarantee of Rs. 14.22 lakh was obtained in June 1991 as per agreement, validity of which was extended up to June 1993. The agreement was valid up to 31 March 1995 unless terminated earlier for breach of contracts. The agent was required to intimate periodically status of import and distribution of coal.

In this connection it was observed that:

(a) the Company allotted 98 rakes of coal during July 1991 to March 1992 against which the agent imported only 15 rakes valued at Rs. 164.49 lakh and paid royalty/commission of Rs. 8.22 lakh. Thus, against the committed quantity of 39 rakes (40 per cent of allotted quota) the agent fulfilled his obligation only partly which resulted in a shortfall of 24 rakes on which royalty/commission of Rs. 13.16 lakh was recoverable from them till March 1993 when the Company terminated the agreement.

(b) a scrutiny of sale statement of the agent by Audit revealed (March 1995) that the agent had charged higher selling price by including Rs. 2.56 lakh towards handling of coal at despatching end on 6407 tonne coal sold during June 1992. As this expenditure was to be met out by the agent out of their margin, the additional sale price of Rs. 2.56 lakh recovered by the agent was recoverable from them at penal rate (1.5 times). The Company while issuing termination notice in March 1993 did not claim penalty of Rs. 3.84 lakh recoverable from the agent on this account. Against Rs. 17 lakh due from the agent towards commission and penalty, on the date of termination of agreement (March 1993), the Company did not invoke the bank guarantee of Rs. 14.22 lakh which expired in March 1993. The entire dues remained outstanding without any action against the employees responsible for not preferring the claim within validity period of bank guarantee (August 1997).

The matter was reported to the Company and the Government in May 1997; replies have not been received (September 1997).

Uttar Pradesh Samaj Kalyan Nigam Limited

4.A.20 Unauthorised payment of bonus

Under the Payment of Bonus Act 1965, bonus up to 20 per cent of salary can be paid to employees covered under the Act, provided allocable surplus is available to that extent. In case the surplus is not available minimum bonus at 8.33 per cent can only be paid. To regulate payment of bonus or ex-gratia in case of companies not having allocable surplus, the Government directed (October 1990) them to restrict the payment to the minimum statutory level. Payment in excess of 8.33 per cent in such cases required approval of the Cabinet Committee.

The Company incurred extra expenditure of Rs. 8.32 lakh as it disbursed bonus in excess of 8.33 per cent without availability of allocable surplus.

The Company, covered under the Bonus Act 1965, had an allocable surplus of Rs. 5.50 lakh during 1994-95 against which the minimum bonus payable at the minimum rate of 8.33 per cent was Rs. 5.94 lakh. The Company was, therefore, not authorised to pay ex-gratia over the statutory limit of 8.33 per cent. However, the Managing Director approved bonus for the year 1994-95 at 20 per cent instead of 8.33 per cent without obtaining approval from the Board of Directors (BOD) and the Cabinet Committee of the State Government. Such payment in excess of 8.33 per cent aggregated to Rs. 8.32 lakh. *Ex post facto* approval of the BOD obtained in December 1995 was not sufficient as the further approval of the Cabinet Committee was not obtained before making the payment.

The Management stated (January 1997) that since the Principal Secretaries of the Administrative, Finance and Public Enterprises Departments are normally the ex-officio members of the BOD of the Company, it was not considered necessary to refer the matter to the Government. Reply of the Company is not acceptable in as much as the action of the Company was in contravention of the directives of the Government.

The matter was reported to the Government in May 1997; reply had not been received (September 1997).

Uttar Pradesh State Bridge Corporation Limited

4.A.21(a) Loss due to non-pursuance of unauthorised recovery

Municipal Corporation of Delhi awarded (September 1989) work order for fly over on Grand Trunk road over railway line to Saharanpur and grade separator from Shahadara (Delhi) police station at a lump sum tendered value of Rs. 1690 lakh. The client was to issue steel and cement required for the work from any of its stores in Delhi (at issue rates plus two per cent storage charges thereon). The Shahadara unit of the Company commenced the work from October 1989 and completed it in August 1995.

The client supplied 5550 tonnes of steel (issue from Delhi stores: 2405 tonnes and direct delivery through four steel producers: 3145 tonnes) during October 1989 to March 1995. It was noticed (December 1996) by Audit that while releasing payment against running bills, the client recovered storage charges of Rs. 4.82 lakh on 3145 tonnes of steel also which was directly delivered by the suppliers. As the delivery of material at site was made directly from the supplier, the Company was not liable to pay storage charges of Rs. 4.82 lakh which the Company should have claimed back from the client. Since the Company did not lodge any claim it had to incur a loss of Rs. 4.82 lakh.

Though the local Management admitted the wrong recovery of storage charges, it did not elucidate why the unauthorised recovery was not claimed back (September 1997).

(b) Payment of additional charge on unreturned empty cement bags

The cement required for the work was also to be issued by the client and 90 per cent empty bags in good condition were required to be returned by the unit otherwise Rs. 2 per bag was chargeable for each unreturned bag. The unit consumed

4.97 lakh bags of cement on the work. As against 4.47 lakh (90 per cent of 4.97 lakh) empty bags required to be returned in terms of provisions of the agreement, the unit could return only 0.67 lakh empty bags due to non-availability of empty bags in returnable condition at site. Consequently, the client recovered (January 1995) from the bills of the Company a charge of Rs. 7.62 lakh on shortfall of 3.81 lakh bags remaining unreturned. Against the above amount the Company had realised Rs. 3.76 lakh by way of auction/recovery from sub-contractors. The Company had not fixed any responsibility for the loss of Rs. 3.86 lakh as of September 1997.

The matter was reported to the Government in May 1997; reply had not been received (September 1997).

Uttar Pradesh State Sugar Corporation Limited

4.A.22 Loss due to rejection of railway claim

The Company placed (October 1992) an order on M/s Megna Jute Mills, Calcutta for supply of 45 bales of gunny bags which were despatched on 15 December 1992 and reached Maholi Railway Station on 12 January 1993. The gunny bags were unloaded and stored in the II Class waiting hall of the Railway Station by the staff of Maholi unit of the Company. In the night of 14/15 January 1993, the gunny bags caught fire and out of 45 bales, 32 bales were burnt and badly damaged without any residual value. The unit, however, did not lodge any FIR with the Railway Police. Payment for the whole quantity of 45 bales amounting to Rs. 2.75 lakh was made on 26 February 1993.

In respect of 32 burnt bales, the unit lodged (16 April 1993) a claim for Rs. 2.03 lakh with the Railways which was, however, rejected (14 July 1995) on the ground that the unit failed to remove the consignment from waiting hall and depute its staff for protection of the goods and that the fire took place after expiry of the prescribed period of two days for removal of the goods.

Thus, on account of its failure to remove the goods within the prescribed period of two days and provide proper protection after unloading the gunny bags, the Company suffered a loss of Rs. 2.03 lakh. Responsibility for the loss had not been fixed as of August 1997.

The General Manager of the unit stated (September 1997) that the unit was proposing to file a civil suit against the Railways. The reply was, however, not tenable since such a suit would not be sustainable as the unit had failed to remove the goods within the stipulated period of two days.

The matter was reported to the Government in June 1997; reply had not been received (September 1997).

4.A.23 Loss due to non-credit of sale proceeds to cash credit account

The Laxmi Ganj unit of the Company was availing cash credit facility with Uttar Pradesh Co-operative Bank, Laxmi Ganj at interest rate ranging between 16.5 and 17 per cent chargeable on quarterly balances. The cash credit limit availed of ranged from Rs. 504.48 lakh to Rs. 622.21 lakh at the end of the year during 1993-94 to 1995-96 against hypothecation of stocks of sugar and stores.

The General Manager of the unit instead of remitting the amount of sale proceeds of decontrolled molasses (Rs. 62.10 lakh) to cash credit, invested it in short term deposits with the Corporation Bank, Gorakhpur during 1993-94 to 1996-97 at lower rate of interest (7 to 10 per cent) which resulted in avoidable payment of interest on cash credit account with U.P. Co-operative Bank amounting to Rs. 2.49 lakh as detailed below:

	FDR Nos and date	Rate (per cent)	Amount (Rs in lakh)	Locking of funds (in year and days)	Rate of interest on cash credit (per cent)	Difference in rates (per cent)	Avoidable payment of interest (Rupees)
(i)	6/9/93	10	6.00	1-10	16.5	6.5	40068
(ii)	6/1/94	8	10.00	0-163	16.5	8.5	37959
(iii)	27/1/94	7	3.00	0-217	16.5	9.5	16943
(iv)	5/2/94	7	6.00	0-222	16.5	9.5	34668
(v)	16/3/94	7	8.00	0-183	16.5	9.5	38104
(vi)	23/6/94	10	5.00	1-84	16.5	6.5	39980
(vii)	5/7/94	7	5.30	0-72	16.5	9.5	9932
(viii)	29/7/94	10	8.80	0-81	16.5	6.5	12694
(ix)	28/5/96	10	10.00	0-97	17	7	18603
	Total		**62.10**				**248951**

The matter was reported to the Company and the Government in June 1997; replies have not been received (September 1997).

Chapter-IV
Miscellaneous Topics of Interest
Section-4B
Statutory Corporations

SECTION 4B

Statutory Corporations

Uttar Pradesh State Electricity Board

4.B.1 Belated assessment of revenue

Board could not recover Rs. 2.48 crore out of assessment of Rs. 2.73 crore raised at the instance of audit and incurred loss of interest of Rs. 43.30 lakh per annum.

Board has been working on borrowed funds including drawal of funds from cash credit account from banks at rates of interest varying from 18 to 20 per cent. Delay in raising of assessment results in delayed realisation with consequent effect on ways and means position of the Board.

Sixteen units of the Board could not raise assessment of Rs. 272.66 lakh as per the prescribed billing schedule which were raised subsequently at the instance of Audit as detailed below:

(Rupees in lakh)

Sl. No.	Name of the Division	Amount of under-charge	Nature and period involved	Month of assessment	Amount recovered and month of recovery	Loss of interest	Period of interest
1.	EUDDI, Agra	81.19	Non-billing of revenue and non-levy of late payment surcharge (June 1995 to November 1996).	December 1996	Nil	12.18	December 1996 to September 1997
2.	EDD II, Ballia	1.81	Under-assessment due to release of connection without meter (February 1996 to June 1996)	March 1997	1.81 (March 1997)	0.41	July 1996 to March 1997

(Rupees in lakh)

Sl. No.	Name of the Division	Amount of under-charge	Nature and period involved	Month of assessment	Amount recovered and month of recovery	Loss of interest	Period of interest
3.	EDD, Barabanki	(i) 14.49	Undercharge of revenue due to wrong application of rate of minimum consumption charges (August 1994 to December 1995).	January 1996	14.49 (January to November 1996)	2.25	January 1995 to December 1995
		(ii) 14.30	Undercharge of revenue in case of World Bank Tubewell (October 1994 to December 1995)	January 1996	Nil	4.50	January 1996 to September 1997
4.	EUDD I, Aligarh	4.83	Undercharge due to application of incorrect tariff (October 1991 to August 1995)	March 1997	Nil	1.81	September 1995 to September 1997
5.	EDD, Dhampur	(i) 4.17	Non-levy of delayed payment surcharge (April 1994 to March 1996)	November 1996	Nil	1.13	April 1996 to September 1997
		(ii) 6.59	Non-levy of late payment surcharge (April 1994 to June 1996)	November 1996	Nil	1.48	July 1996 to September 1997
6.	EDD, Bareilly	3.27	Non-levy of shunt capacitor surcharge (January 1996 to September 1996)	February 1997	Nil	0.59	October 1996 to September 1997
7.	EDD, Bulandshahr	2.81	Short levy of electricity duty (August 1985 to January 1986)	July 1996	2.77 (July 1996 to November 1996)	5.27	February 1986 to June 1996
8.	EUDD I Bareilly	1.55	Non-levy of establishment surcharge (April 1995 to February 1996)	October 1996	1.55 (December 1996)	0.21	March 1996 to November 1996
9.	EDD, Balrampur	(i) 2.11	Non-levy of establishment surcharge (April to June 1996)	October 1996	2.11 (October 1996)	0.10	July 1996 to September 1996
		(ii) 2.18	Non-levy of fuel surcharge (July 1995 to June 1996)	August 1996	2.18 (September 1996)	0.07	July 1996 to August 1996

(Rupees in lakh)

Sl. No.	Name of the Division	Amount of under-charge	Nature and period involved	Month of assessment	Amount recovered and month of recovery	Loss of interest	Period of interest
10.	EUDD I, Muzaffarnagar	3.52	Incorrect application of tariff (July 1994 to April 1996)	May 1996	Nil	0.90	May 1996 to September 1997
11.	EDD I, Moradabad	100.13	Non-billing of electricity charge (Harijan basti and electrified villages) (April 1990 to April 1997)	May 1997	Nil	7.51	May 1997 to September 1997
12.	EDD, Orai, Jalaun	0.37	Adoption of incorrect procedure of assessment (August 1994 to December 1994)	July 1997	Nil	0.18	January 1995 to September 1997
13.	EDD-I, Bulandshahr	10.80	Non-levy of extra charge (February 1992 to December 1996)	September 1997	Nil	1.46	January 1997 to September 1997
14.	EDD-I, Raebareli	10.73	Non-levy of fuel/ establishment surcharge (July 1994 to November 1996)	March 1997	Nil	1.61	December 1996 to September 1997
15.	EDD-I, Shahjahanpur	5.52	Non-billing of net additional load (August 1992 to April 1997)	August 1997	Nil	0.41	May 1997 to September 1997
16.	EDD-I, Baraut	2.29	Non-realisation of system loading charges (March 1994)	June 1997	Nil	1.23	April 1994 to September 1997
	Total	**272.66**			**24.91**	**43.30**	

Out of total amount of Rs. 272.66 lakh for which bills were raised, eleven units of the Board could not recover a sum of Rs. 247.75 lakh. Thus, on account of belated assessment, Board had incurred loss of interest of Rs. 43.30 lakh at 18 per cent per annum for the period of assessment due to the date of realisation or September 1997 whichever is earlier.

These matters were reported to the Board and the Government in June 1997; replies have not been received (September 1997).

4.B.2 Unauthorised tapping of trunk line

The Board sanctioned (July 1993) 1500 KVA load to M/s Mohit Paper Mills Limited, Bijnore for their continuous process load of paper mill, with the condition that the supply would be given at 33 KV voltage from 132/33 KV sub-station, Bijnore through an independent feeder situated approximately at 6 kms distance. Accordingly, the consumer was to bear the total cost amounting to Rs. 28.74 lakh on construction of bay (Rs. 17.13 lakh) and line for individual feeder (Rs. 11.61 lakh).

Unauthorised tapping of trunk line in contravention of its own orders deprived the Board of annual revenue of Rs. 7.83 lakh.

Subsequently, the Board, without any reasons on record, revised (May 1994) the above sanction by stipulating release of 1500 KVA load at 11 KV voltage (instead of 33 KV independent feeder) after constructing 33/11 KV sub-station on the land provided by the consumer at his premises. In contravention of Board's orders, the Member (Distribution) allowed (May 1994), as an interim arrangement, supply at 11 KV voltage by tapping the 33 KV Bijnore-Shadipur trunk line after constructing a temporary 33/11 KV sub-station at the site of the consumer on the plea that the construction of a permanent 33/11 KV sub-station and line will take time and will delay supply of power to the consumer. Accordingly, the load was to be released by tapping 33 KV Bijnore-Shadipur trunk line and installing 1.5 MVA transformer. The cost of construction of line from 33/11 KV sub-station to the transformer and from transformer up to the metering system together with the system loading and security charges was also to be recovered from the consumer. Thereafter, Electricity Distribution Division-I, Bijnore executed (March 1995) an agreement with the consumer and released the supply in May 1995 by tapping the said trunk line after recovering cost of line (Rs. 2.31 lakh) and system loading and metering charges (Rs. 10.86 lakh).

However, according to the orders of the Board of June 1992 read with the order of May 1994, tapping of 33 KV trunk line is not allowed under any circumstances. Thus, on releasing connection by tapping 33 KV trunk line in contravention of Board's order resulted in undue benefit to the consumer as detailed below:

(i) Although the consumer was liable to be billed at higher rates applicable to continuous supply in case of release of load at 11 KV independent feeder, it was being billed at lower rates applicable to non-continuous supply as the line through which tapping was done was feeding load to urban as well as rural feeders thereby resulting in a loss to the Board due to short billing to the extent of Rs. 7.83 lakh annually;

(ii) To accommodate the load of the consumer, the system was upgraded at Board's own cost of Rs. 103.43 lakh by installing a 3 MVA transformer, instead of 1.5 MVA, at the 33 KV feeder. The major benefit of the upgraded system accrued only to this consumer as only 500 KVA load could be further accommodated through the system.

(iii) As per sanction of load by the Board in July 1993, cost of 6 kms of line (Rs. 11.61 lakh) was to be recovered from the consumer. However, due to tapping of trunk line, only Rs. 2.31 lakh was recovered on account of reduction of the length of line leading to an undue benefit of Rs. 9.30 lakh and depriving the Board of creating assets to this extent at consumer's cost;

The Board in its reply (September 1997) did not furnish any justification for release of connection by tapping a trunk line in contravention of its own orders.

The matter was reported to the Government in June 1997, reply has not been received (September 1997).

4.B.3 Loss due to non-charging of cost of 33 KV bay from consumer

According to the Board's order of May 1994, the cost of construction of an independent feeder, bay and system loading charges in respect of consumers of induction/arc furnaces were required to be recovered from them. The cost of a 33 KV bay as fixed by the Board for the year 1995-96 was Rs. 17.13 lakh.

Undue benefit of Rs. 17.13 lakh was extended to the consumer by not charging cost of 33 KV bay from him.

The Electricity Urban Distribution Division II, Muzaffarnagar sanctioned (February 1995) a load of 2200 KVA for induction furnace to a consumer through a 33 KV independent feeder emanating from 132 KV sub-station Jansath, Muzaffarnagar. The sanction was subsequently amended (April 1995) with the condition that the load would be released through the existing 11 KV independent feeder after increasing the capacity of the sub-station by installation of a 3 MVA transformer. Accordingly, an estimate amounting to Rs. 50.45 lakh (Rs. 21.89 lakh chargeable to the consumer and Rs. 28.56 lakh chargeable to the Board) was prepared which was sanctioned by the Superintending Engineer in December 1995. While preparing the estimate, the cost of material required for construction of a 33 KV bay was shown as chargeable to

Board instead of being chargeable from consumer. Thus, the consumer was allowed undue benefit to the extent of Rs. 17.13 lakh being the cost of the 33 KV bay.

The matter was reported to the Board in October 1996 and the Government in July 1997; replies have not been received (September 1997).

4.B.4 Blockage of substantial fund due to non-completion of matching power project

Board incurred loss of interest of Rs. 3.72 crore due to blockage of substantial funds.

For evacuating power from the ongoing Tehri Hydro Electric Project, Tehri, construction of 400 KV sub-station at Muzaffarnagar was envisaged in the Seventh Five Year Plan. The sub-station was to be completed by March 1989. The Superintending Engineer, 400 KV sub-station Design Circle of the Board without ensuring availability of land and fund required for completion of the work, placed (December 1986) an order on Hindustan Brown Boveri, Baroda for supply of 23 nos. of Airblast Circuit Breakers (ABCB) of 420 KV capacity and 24 nos. ABCBs of 245 KV capacity and other associated equipment valued at Rs. 526.77 lakh. Out of this, six nos. of 420 KV ABCBs and 10 nos. of 245 KV ABCBs valued at Rs. 151.82 lakh were allotted (February 1988) to the above sub-station. The items were supplied between February to April 1988. Out of these, one ABCB each was diverted (June 1988 and February 1993) to 400 KV Moradnagar and remaining equipment valued at Rs. 260.91 lakh (including escalation) was lying unutilised in the stores as of March 1997. As the construction of the sub-station had not started, the fund remained blocked from April 1988 to March 1997. Since the Board manages fund as loan from financial institutions, the blockage resulted in loss of interest of Rs. 371.76 lakh upto March 1997 at the minimum interest rate of 18 per cent per annum.

The local Management stated (February 1997) that the construction of sub-station had not started due to non-completion of Tehri Hydro Electric Project and stoppage of release of fund for the work from Power Finance Corporation Limited, New Delhi.

Had the Board planned the purchases with proper co-ordination and close monitoring of associated activities of main work of the power project, the blockage of such a huge amount together with loss of interest could have been avoided.

The matter was reported to the Board and the Government in July 1997; replies have not been received (September 1997).

4.B.5 Undercharge due to supply of energy without meter

Incorrect assessment of energy consumption resulted not only in undercharge of revenue of Rs. 2.71 crore during September 1994 to July 1997 but also loss of interest of Rs. 61.95 lakh for this period.

The electrical energy supplied to consumers is measured by means of correct meter installed by the Board. According to the orders of the Board (July 1982), new connections of large and heavy power consumers are to be metered through tri-vecto meter only which records energy, demand and reactive component of the load.

A load of 1200 KVA was released (June 1994) by Electricity Distribution Division, Sidharthnagar for Bitharia Pump Canal through 33 KV independent feeder without installing any meter as the appropriate capacity of meter was not available. Consequently, the monthly billing was being done for minimum consumption guarantee (MCG) at the rate of Rs. 120/150 per KVA instead of on the basis of load, factor, hours of supply and days (LFHD formula basis) for assessment, provided for unmetered supplies in the Electricity Supply (Consumer) Regulation, 1984. This resulted in undercharge of revenue of Rs. 2.71 crore during September 1994 to July 1997 (being difference between MCG and the assessment as per LFHD formula).

The local Management stated (August 1996) that efforts are being made for installation of appropriate meter and assessment would be revised on the basis of three months consumption recorded by the meter. The reply is not tenable as the rules do not provide for revision of assessment in this manner and the assessment was required to be made under above formula right from the beginning.

Thus, release of load without installing adequate metering system resulted in not only undercharge of Rs. 2.71 crore but also loss of interest amounting to Rs. 61.95 lakh during September 1994 to September 1997.

The matter was reported to the Board and the Government in June 1997; replies have not been received (September 1997).

4.B.6 Undercharge of revenue

According to para 21 (iii) (b) of Electricity Supply (Consumers) Regulations 1984, assessment in case of defective meters is required to be made on the basis of connected load and hours of usage of electricity by adopting appropriate power factor. The meters installed at the start of feeders, meant for two clusters of Tubewells (billable under rate schedule HV-4) at Dankaur and Raghupura financed by the World Bank with total connected load ranging between 387 BHP to 900 BHP (under Electricity Distribution Division I, Bulandshahr) were lying defective during the period from February 1992 to March 1996. While billing the consumer on the basis of load factor, hours of usage per day and number of days of supply, it adopted factor of 0.50 instead of 0.75 applicable to such consumers. This resulted in undercharge of revenue amounting to Rs. 40.02 lakh for the period from February 1992 to June 1996.

Belated issue of supplementary bills resulted in loss of interest of Rs. 9 lakh per annum.

On being pointed out by audit (June 1996), the Division started billing with increased factor of 0.75 from July 1996 but did not take any action to raise supplementary bills for Rs. 40.02 lakh for the period from February 1992 to June 1996 till August 1997. The supplementary bills were, however, raised in September 1997 i.e. after a gap of about 15 months. Had the Board issued the supplementary bills immediately after the lapse was pointed out, it could have saved an interest of Rs. 9 lakh calculated at the minimum cash credit rate of 18 per cent per annum for the period from July 1996 to September 1997.

The matter was reported to the Board and to the Government in April 1997; replies have not been received (September 1997).

4.B.7 Application of incorrect tariff

Rate Schedule LMV-1 effective from July 1994 is applicable to consumers using electricity for domestic purposes but excludes commercial consumers conducting businesses such as shops, restaurants etc. In case some portion of the premises is used for conduct of business, the tariff provides that the entire energy consumed shall be charged under appropriate tariff unless such load is segregated and metered separately.

Incorrect application of tariff resulted in undercharge of revenue of Rs. 8.50 lakh.

It was noticed (May 1996) by Audit that the Electricity Urban Distribution Division (EUDD)-I, Bareilly started to bill Garrison Engineer, Cantonment Board (a defence installation) having shops within residential areas under LMV-1 rate schedule from August 1994. Load for conduct of business was not segregated and billed under appropriate tariff (LMV-2). Thus, application of incorrect tariff (LMV-1 instead of LMV-2) during the period from August 1994 to April 1997 resulted in undercharge of revenue of Rs. 8.50 lakh. The charge of lower tariff was still continuing in the absence of segregation of commercial load (September 1997).

The local Management stated (May 1996) that action as advised would be taken after approval from the higher authorities. However, no action has been taken so far (September 1997).

The matter was reported to the Board and the Government in May 1997; replies have not been received.

4.B.8 Application of incorrect tariff

While rate schedule LMV-5 (flat rate tariff) is applicable to power consumers getting supply as per rural schedule (i.e. rural feeder) for private tubewell (PTW) or pumping set (PS) having contracted load up to 25 BHP, rate schedule LMV-6 is applicable to small and medium power consumers having contracted load up to 100 BHP including PTW or PS consumers getting supply other than as per rural schedule (i.e. Urban feeder). In Gonda and Lakhimpur Electricity Distribution Divisions (EDD), the rate schedule LMV-5 was incorrectly applied for PS connected on urban feeders, instead of applicable rate of schedule LMV-6. This resulted in undercharge of Rs. 4.19 lakh during August 1994 to June 1997, on the basis of difference in minimum consumption guarantee charges of the two tariffs as detailed below:

(Rs. in lakh)

Divisions	Period	Amount
EDD, Gonda	August 1994 to June 1997	3.02
EDDI, Lakhimpur	April 1995 to February 1997	1.17
Total		**4.19**

Local Management of EDD, Gonda and EDD I Lakhimpur stated (September 1997) that the bills have been issued under LMV-6 rate schedule from July 1997 and March 1997 respectively. However, bills for undercharge being difference in two tariffs were awaited (September 1997).

The matter was reported to the Board and the Government in June 1997; replies have not been received (September 1997).

4.B.9 Non-billing of electricity charges

Two divisions failed to raise bills aggregating Rs. 3.37 crore in respect of street lights and harijan basties.

Billing and realisation of revenue in respect of street lights of electrified villages and harijan basties was being done centrally by Chief Engineer (Commercial), Lucknow on the basis of 10 light points of 40 watt each (400 watt) for each electrified village and two light points of 40 watt each (80 watt) for each harijan basti. The system was decentralised by the Board in March 1990 and it was decided that all the dues in respect of electrified villages and harijan basties may be realised from the respective Gram Pradhans at the divisional level and no electricity should be supplied to the defaulting villages/harijan basties.

In Electricity Distribution Division (EDD), Sultanpur and EDD I, Lakhimpur, bills aggregating to Rs. 336.61 lakh (including electricity duty Rs. 30.60 lakh) for the period between April 1992 and March 1997 were not raised on the respective Gram Pradhans as detailed below:

Name of Division	Villages	Harijan basties	Period of non-billing	Months	Amount (Rs. in lakh)
EDD, Sultanpur	1701	800	April 1993 to March 1997	84	255.49
EDD I, Lakhimpur	425	425	April 1992 to March 1997	60	81.12
Total					**336.61**

The local Management of EDD, Sultanpur and EDD I, Lakhimpur stated (September 1997) that the billing was stopped as payments were not forthcoming from Gram Pradhans.

The matter was reported to the Board in November 1996 and the Government in May 1997; replies have not been received (September 1997).

4.B.10 Short billing of demand charges

Non-installation of suitable meters resulted in short billing of Rs. 7.43 lakh.

The rate schedule applicable to World Bank Tubewells (HV-4) with effect from 16 July 1994 provided vide note (i) below para 4 that demand charges were to be billed at Rs. 70 per BHP for total connected load in case of non-installation of suitable trivector/bivector part tariff meter to record actual maximum demand.

In case of supply of energy to two clusters of World Bank Tubewells at Ghatampur with total connected load ranging between 615 and 712 BHP during July 1994 to December 1996, EDD, Kanpur had not installed suitable meters to record actual maximum demand after its damage in November 1987. The demand charges were billed only for 75 per cent of the connected load at the rate of Rs. 80 per KVA per month instead of for total connected load at the rate of Rs. 70 per BHP per month. This resulted in short billing of demand charges amounting to Rs. 7.43 lakh during July 1994 to December 1996.

The matter was reported to the Board and the Government in April 1997; replies have not been received (September 1997).

4.B.11 Non-realisation of initial security deposit

Board's circular of March 1994 provides for levy of initial security deposit on Government, semi-Government and other consumers who were earlier exempted from such deposit. The rate of initial security deposit was Rs. 1000 per KW for street light, public water works and sewage pumping station consumers and Rs. 300 per BHP for other Government (including World Bank consumers) and Semi-Government consumers. The amount was to be recovered within 30 days from the date of issue of demand notice from all the existing consumers. In case of default, the supply was liable to be disconnected.

Bills for additional security deposits aggregating Rs. 2.84 crore were not raised in ten divisions.

While conducting the audit of the following ten Electricity Distribution Divisions, it was observed that bills for initial security amounting to Rs. 283.81 lakh (Public street light consumers: Rs. 66.16 lakh, Public water works/sewage pumping set: Rs. 82.86 lakh, and State tubewells, World Bank Tubewells/pumping canal: Rs. 134.79 lakh) were not raised on consumers. However, on being pointed out by audit, bills were raised during August 1996 to April 1997.

(Rupees in lakh)

Sl. No.	Name of the Division	Public lighting		Water works and sewage pumping station		State tubewells, world bank tubewells and pumping canals		Total
		Load (KW)	Amount	Load (KW)	Amount	Load (BHP)	Amount	Amount
1.	EDD, Roorkee	106	1.06	--	--	--	--	1.06
2.	EDD II, Saharanpur	146	1.46	158	1.58	3313	9.95	12.99
3.	EDD I, Meerut	42	0.42	107	1.07	3391	10.17	11.66
4.	EDD, Hamirpur	337	3.37	718	7.18	17648	52.94	63.49
5.	EDD, Barabanki	50	0.50	477	4.77	4688	14.06	19.33
6.	EDD, Sultanpur	1385	13.85	436	4.36	8353	25.06	43.27
7.	EDD, Kasganj	794	7.94	592	5.92	4992	14.97	28.83
8.	EDD, Bahraich	121	1.21	751	7.51	--	--	8.72
9.	EDD, Hapur	128	1.28	550	5.50	2547	7.64	14.42
10.	EDD II, Allahabad	32	0.32	1560	15.60	--	--	15.92
	Total	**6616**	**66.16**	**8286**	**82.86**	**44934**	**134.79**	**283.81**

Although the bills were required to be raised from March 1994 i.e. from the date of issue of circular but these were raised (August 1996 to April 1997) at the instance of audit query, the recovery thereof was still awaited (September 1997).

As the Board is functioning on the borrowed funds, it should have taken immediate action to realise its dues so as to save loss of interest.

The matter was reported to the Board in October 1996 and the Government in July 1997; replies have not been received (September 1997).

Uttar Pradesh State Road Transport Corporation

4.B.12 Avoidable payment of trade tax

According to the provisions of Section 3 of the Uttar Pradesh Trade Tax Act 1948 as amended from time to time, the Corporation was entitled to avail benefit of concessional rate of trade tax at 5 per cent on procurement of lubricants against submission of Form III D.

It was observed (January 1997) by Audit that the Varanasi region of the Corporation purchased lubricants valuing Rs. 81.68 lakh from Indian Oil Corporation (IOC) and Hindustan Petroleum Corporation (HPC) during January 1995 to September 1996 and had to pay trade tax amounting to Rs. 8.16 lakh (10 per cent) instead of Rs. 4.08 lakh (5 per cent concessional rate) as Forms III D were not submitted by the Corporation to the suppliers.

Thus, the purchase of lubricants without submission of Form III D resulted in avoidable payment of trade tax amounting to Rs. 4.08 lakh.

The local Management stated (March 1996) that due to ignorance of the provision of the Act, it could not avail the benefit of concessional rate of trade tax.

The matter was reported to the Government in June 1997; reply had not been received (September 1997).

Uttar Pradesh Financial Corporation

4.B.13 Excess payment of interest tax

According to the Interest Tax Act, 1974 (as amended by Finance Act, 1992), interest tax at the rate of 3 per cent was payable in advance on the interest accruing or arising to the credit institutions in the previous year. The tax was payable in three instalments falling due on 15 September (20 per cent), 15 December (30 per cent) and 15 March (50 per cent) of each financial year.

The Corporation suffered a loss of Rs. 0.20 crore as it erroneously included the interest tax recovered from its loanees in its total income and paid interest tax thereon also.

To recover the incidence of interest tax from the loanees, the Corporation charged interest tax from them by suitably enhancing (April 1990) the rate of interest. During financial years 1992-93, 1993-94 and 1994-95, it submitted return of interest tax, calculating interest tax on the whole amount of interest including the element of interest tax on loans and advances as recovered from the clients and appearing in the Profit and Loss account. As a result of inclusion of such incidence, the actual liability of interest tax was assessed higher by Rs. 20.10 lakh during the three years ending 1994-95.

The Management in its reply stated (July 1997) that interest tax is a direct tax and cannot be shifted. The Management's reply is not to the point as it could not furnish any explanation for inclusion of recovery of interest tax in total interest income and consequent excess payment of interest tax amounting to Rs. 20.10 lakh.

The matter was reported to the Government in May 1997; reply had not been received (September 1997).

4.B.14 Loss due to belated sale of assets

The Corporation had to suffer a loss of Rs. 21.50 lakh, besides loss of interest of Rs. 28.89 lakh due to rejection of higher offer and sale of a unit at lower price after four years.

The Corporation disbursed loans aggregating Rs. 52.85 lakh (Rs. 43.60 lakh in January 1986 and Rs. 9.25 lakh in May 1987) to M/s Khushi Ram Tubemill (Private) Limited for setting up conduit pipe unit at Fatehpur. As the loanee did not repay principal (Rs. 52.85 lakh) and interest (Rs. 8.89 lakh) due up to December 1989, a notice for taking possession and initiating sale proceeding, under section 29 of the State Financial Corporations Act, 1951 was issued in January 1990. Possession of the unit was taken in November 1990 and current value of the assets taken over was assessed (November 1991) at Rs. 62.88 lakh. Out of the five offers received (November/December 1991) against advertisement for its sale, only the highest bidder viz. Unnao Castings Limited (UCL), Kanpur (bid value: Rs. 58.50 lakh) turned up for negotiation.

After negotiations in December 1991 and January 1992, the party finally offered (January 1992) a total price of Rs. 58.50 lakh (composite purchase price: Rs. 51.50 lakh and liability for electricity dues: Rs. 7.00 lakh). The terms of payment included first payment of Rs. 10.00 lakh after final approval of purchase and the balance amount in monthly instalments after one year with interest at the rate of 13.5 per cent with a moratorium of six months for payment of interest.

The Corporation, however, did not accept the revised offer of UCL. The assets were sold in December 1995 after four years to M/s Hari Om Steels, Kanpur for Rs. 32 lakh (excluding generator sold earlier in March 1993 for Rs. 5 lakh) . The terms of purchase price included cash down payment of Rs. 10 lakh and balance in four half yearly instalments of Rs. 5.50 lakh each together with interest at the rate of 13.5 per cent.

Thus, rejection of higher offer in the first instance and its subsequent sale at a lower rate not only resulted in loss of Rs. 21.50 lakh but also loss of interest of Rs. 28.89 lakh worked out at the rate of 13.5 per cent on blocked up funds of

Rs. 53.50 lakh for the period from December 1991 to November 1995 during which the assets remained unsold.

The Management stated (August 1997) that the offer of UCL was rejected as their condition for moratorium of six months for payment of interest was not acceptable in sale cases and the Corporation was considering a better offer by M/s Rekan Industries which backed out subsequently. The reply is not tenable in as much as UCL had offered a price of Rs. 51.50 lakh together with liability of electricity dues in January 1997 which, had it been accepted, would have proved more beneficial to the Corporation.

The matter was reported to the Government in May 1997; reply had not been received (September 1997).

4.B.15 Loss due to sale of assets at lower offer

Sale of assets at lower price resulted in loss of Rs. 8 lakh.

The Corporation disbursed (October 1986 to March 1988) a term loan of Rs. 47.14 lakh to M/s Atul Refractories (Private) Limited, Kanpur. As the loanee defaulted in making repayment of principal (Rs. 47.14 lakh) and interest (Rs. 20.75 lakh up to December 1990), the Corporation issued (March 1991) a notice as per provisions of State Financial Corporation Act, 1951 for take over of the unit. The unit was, however, taken over only in July 1995 after over four years when the dues accumulated to Rs. 164.55 lakh.

Against the advertisement (March 1995) for sale of the assets, an offer from Mr. Piush Mishra, Kanpur was received (date not mentioned) for Rs. 28 lakh which was approved (July 1995) by the Negotiation Committee. Before final sale letter is issued, the procedure provides that the original borrower shall be intimated of the offer with a view to affording an opportunity for bringing buyer with still higher offer. Accordingly, the Corporation issued a letter on 5 August 1995 under unregistered cover with seven days notice (instead of registered cover with 15 days notice), which was returned back undelivered.

In the mean time, the final sale letter was issued (August 1995) for Rs. 28 lakh in favour of Mr. Piush Mishra. The possession of the unit was also handed over to the buyer (September 1995) on cash down payment of Rs. 8 lakh (balance payable in nine equal quarterly instalments). It was further noticed by Audit that another offer of Rs. 36 lakh (subject to further negotiation) received (August 1995), before issue of final sale letter, from M/s Premier Pigments Limited Kanpur was rejected (August 1995) on the ground that it was managed by the original borrower. However, the ground of rejection was not reasonable as according to its own prescribed procedure, the Company was required to give an opportunity to the original borrower to bring a buyer with higher offer. Thus, due to belated action in taking over the possession of the unit, the Corporation had to sell the taken over assets at a very low price of Rs. 28 lakh. Further, the Company's action of rejecting the higher offer of Rs. 36 lakh which was received well in advance of the date of deal with the first buyer, resulted in loss of Rs. 8 lakh.

It was also noticed that a recovery certificate of Rs. 180.81 lakh issued belatedly to the original borrower in November 1996 was returned by the district authorities of Ghaziabad, indicating that the recovery was not possible in the absence of property details against which the amount was to be recovered.

The Management stated (July 1997) that the promoter took back possession forcibly in November 1991 and considering hospitalisation of the promoter due to burn injuires, further action was dropped on humantarian grounds. The reply is not tenable as the Company defaulted in taking appropriate legal action to take back the possession for period of over 4 years.

The matter was reported to the Government in May 1997; reply had not been received (September 1997).

4.B.16 Payment of advance tax before due dates

The Company suffered a loss of interest of Rs. 12.28 lakh due to deposit of advance interest tax much before its due dates.

According to the Interest Tax Act 1974 (as amended by Finance Act, 1992) interest tax at the rate of 3 per cent of interest accruing or arising to the credit institutions in the previous year was payable in advance in three instalments, falling due on 15 September (20 per cent), 15 December (30 per cent) and 15 March (50 per cent) of each financial year. Notwithstanding these provisions, the Corporation deposited advance tax of Rs. 780 lakh (1994-95 : Rs. 300 lakh and 1995-96: Rs. 480 lakh) before due dates and consequently suffered loss of interest of Rs. 12.28 lakh, calculated at the rate of 13.5 per cent applicable to the loans availed of by it, as detailed on the next page:

(Rupees in lakh)

Due date	Amount payable on scheduled dates	Date of payment of tax	Amount paid	Amount paid in excess	Days of early remittances	Amount of interest lost
---	--	15.6.94	45.00	45.00	90	1.50
15.9.94	60.00	15.9.94	90.00	75.00	90	2.50
15.12.94	90.00	15.9.94	15.00	--	--	---
15.3.95	150.00	15.3.95	150.00	--	--	---
	300.00		**300.00**			
15.9.95	96.00	15.9.95	225.00	129.00	90	4.29
15.12.95	144.00	15.12.95	135.00	120.00	90	3.99
15.3.96	240.00	15.3.96	120.00	--	--	---
	480.00		**480.00**			**12.28**

The Management while admitting the lapse stated (July 1997) in its reply that the lapse occurred as the Corporation was not having any independent/separate officer to deal with Income Tax matters. Reply was not tenable as the payment of tax could have been planned in a proper manner by the officers authorising the early payments of tax. Management has not fixed any responsibility for authorising early payments of tax as of September 1997.

The matter was reported to the Government in April 1997; reply had not been received (September 1997).

Uttar Pradesh State Warehousing Corporation

4.B.17 Purchase and installation of weigh bridges

Delay in supply and installation of weigh bridges resulted in loss of Rs. 5.31 lakh.

The Corporation without inviting any tender placed (May 1985) an order on M/s Bharat Process and Mechanical Engineers Limited, Kanpur for supply and installation of three dial type lorry weigh bridges at Rs. 2.95 lakh each plus taxes and duties. The firm had guaranteed satisfactory performance for 12 months from the date of installation of the plant for which 10 per cent of the contract amount and full installation charges was to be released on expiry of guarantee paid. The firm was required to complete the supply and install the weigh bridges between July and August 1985 against which supply of two number was made by the firm in August 1985 and one number in April 1987. The firm further delayed the installation as only two weigh bridges were installed in 1988-89 after a delay of 34 and 38 months of schedule date of installation. The third weigh bridge, meant for Aligarh warehouse, was lying uninstalled so far (August 1997).

In this connection it was noticed in audit that:

(a) the two weigh bridges installed at Paraskhera and Panki warehouses, failed to give satisfactory performance in spite of repeated repairs and the Corporation had to incur an extra expenditure of Rs. 1.40 lakh on their conversion to steel rod system between October 1995 and January 1997.

(b) the Corporation's fund amounting Rs. 2.58 lakh (net payment) on procurement of the third weigh bridge remained blocked for over ten years on which interest lost on yearly term deposit rate of the bank (11 per cent per annum) amounted to Rs. 2.84 lakh till August 1997.

(c) besides, the Corporation had also to incur a further loss of Rs. 2.47 lakh due to deduction of weighment charges up to June 1997 by Food Corporation of India (FCI) from the claims of the Corporation in absence of weighment facility for goods released from Aligarh warehouse to the FCI.

The total loss of Rs. 5.31 lakh so far (August 1997) incurred could have been avoided had the order been placed after reviewing the performance report of these new type of weigh bridges.

In their reply (September 1997), the Corporation could not furnish any justification for placement of orders without judging the performance of the weigh bridges.

The matter was reported to the Government in July 1997; reply had not been received (September 1997).

Lucknow,
The 10.4.98

(P. MUKHERJEE)
Accountant General (Audit)-II
Uttar Pradesh

Countersigned

V. K. Shunglu

New Delhi,
The 16.4.98

(V.K. SHUNGLU)
Comptroller and Auditor General
of India

Annexures

ANNEXURE 1

Statement of Companies in which Government had invested more than Rs. 10 lakh but which were not subject to audit by the Comptroller and Auditor General of India.

(Referred to in paragraph 1.2.12)

(Rupees in crore)

Sl. No.	Name of the Company	Period of latest accounts	Investment by Government	Profit (+)/ Loss (-)	Accumulated loss	Dividend received	Remarks
(A)	**Invested by Pradeshiya Industrial and Investment Corporation Limited (PICUP)**						
1.	India Poly Fibres Limited	N.A	8.03	(-) 19.91	(-) 168.54	---	Under BIFR
2.	Indo Gulf Fertilisers and Chemicals Corporation Limited	1995-96	18.15	108.34	--	3.27	
3.	Road Master Steel Strips Limited	1995-96	0.62	0.34	--	0.09	
4.	Jalpac India Limited	1994-95	0.57	1.68	--	0.03	
5.	National Switchgears Limited	1995-96	0.26	(-) 0.07	(-)1.47	--	
6.	Vegepro Food and Feeds Limited	1995-96	2.23	(-) 0.23	(-) 19.02	--	
7.	Raunaq Automotive Components Limited	1996-97	1.50	0.46	(-) 2.91	--	
8.	Pashupati Acrylon Limited	1996-97	4.98	2.59	(-) 3.92	--	
9.	Indian Maize and Chemicals Limited	NA	2.73	---	(-) 33.79	--	Under BIFR
10.	Harig Crank Shafts Limited	1995-96	1.86	(-) 16.36	(-) 21.78	--	
11.	U.P. Drugs and Pharmaceuticals Company Limited	1995-96	0.36	(-) 2.62	(-)14.27	--	
12.	Phonix Lamps India Limited	1996-97	5.34	0.03	--	--	
13.	Solarsum Industries Limited	1995-96	0.60	--	--	--	
14.	Ratan Vanaspati Limited	1995-96	0.89	(-)1.30	(-)3.73	--	
15.	Maya Food Limited	1995-96	0.71	1.33	--	--	

Sl. No.	Name of the Company	Period of latest accounts	Investment by Government	Profit (+)/ Loss (-)	Accumulated loss	Dividend received	Remarks
16.	Hindustan Biotech Limited	1995-96	0.59	--	--	--	Under implementation
17.	Shamken Spinners Limited	1995-96	6.63	4.95	--	--	
18.	Bharat Berg Limited	NA	0.50	(-)10.81	(-)28.48	--	Under BIFR
19.	Sri Nivas Fertilisers Limited	NA	0.30	0.63	(-)2.14	--	Under BIFR.
20.	Mayur Syntex Limited	NA	0.20	--	--	--	Under BIFR
21.	Mohan Proteins Limited	1995-96	4.00	--	--	--	Under implementation
22.	Hind Agro Industries Limited	1995-96	4.20	--	--	--	Under implementation
(B) Invested by Uttar Pradesh State Industrial Development Corporation Limited (UPSIDC)							
23.	Ajanta Textiles Limited	NA	0.20	--	--	--	Under BIFR
24.	Ganges Fertilisers and Chemical Limited	1995-96	0.20	(-) 2.28	15.49	--	Under BIFR
25.	Shree Acids and Chemicals Limited	1992-93	0.20	(-) 6.87	1.57	--	Under Litigation
26.	Regal Polymers Limited	1993-94	0.15	(-) 4.55	4.85	--	
27.	Best Boards Limited	1992-93	0.40	(-) 2.62	9.12	--	Under BIFR
28.	Mahadev Fertilisers Limited	1994-95	0.30	(-) 2.42	13.00	--	Under BIFR
29.	Shamken Multifab Limited	1993-94	0.15	2.72	--	0.02	
30.	Samarat Bicycles Limited	1985-86	0.19	(-) 0.01	0.01	--	Under Litigation
31.	Sri Durga Bansal Fertilisers Limited	1994-95	0.28	(-) 1.40	10.78	--	Under BIFR
32.	Telemecanique and Controls India Limited	1994-95	0.12	(+) 2.25	--	--	
33.	Alliance Boards Limited	1993-94	0.20	(-) 1.20	2.58	--	
34.	Poysha Industrial Company Limited	1992-93	0.13	(-) 6.27	17.40	--	
35.	Modipon Limited	1994-95	0.62	(+) 13.17	--	0.25	
36.	Sark Synertek Private Limited	1995-96	0.20	(-) 0.17	2.36	--	
37.	Tarai Foods Limited	1995-96	0.24	(-) 7.35	7.44	--	
38.	Classic Rugs Private Limited	1994-95	0.20	(-) 1.02	2.00	--	

Sl. No.	Name of the Company	Period of latest accounts	Invest-ment by Govern-ment	Profit (+)/ Loss (-)	Accumu-lated loss	Divi-dend received	Remarks
39.	Welga Foods Limited	1992-93	0.22	(-) 1.56	6.83	--	Under BIFR
40.	Vidhya Packaging Private Limited	1994-95	0.12	(-) 0.03	0.03	--	
41.	Khateema Fibres Limited	1994-95	0.18	(+) 1.57	NIL	--	
42.	Chandra Synthetics Limited	1993-94	0.40	(+) 0.04	--	--	
43.	Mittal Fertilisers Limited	1993-94	0.23	(-) 2.07	10.05	--	Under BIFR
44.	Belwal Spinning Mills Limited	1994-95	0.15	(-) 3.50	18.13	--	Under BIFR
45.	Aditya Chemicals Limited	1993-94	0.15	(-) 0.31	4.12	--	Under BIFR
(C) Invested by Uttar Pradesh Financial Corporation (UPFC)							
46.	ANG Exports Limited	1996-97	0.15	(+) 0.07	--	--	
47.	Alps Industries Limited	1996-97	0.23	(+) 3.16	--	--	
48.	Sybly Spinning Mills Limited	1996-97	0.24	(+)0.21	--	.01	
49.	Krishna Cold Rolled Limited Kanpur	1995-96	0.12	(+)0.24	--	--	
50.	Swastik Technofab Limited	1996-97	0.30	(+) 0.01	--	--	
51.	Deewan Tyres Limited	1995-96	0.50	(+) 3.40	--	--	
52.	Deewan Rubber Limited	1995-96	0.50	(+)17.81	--	--	
(D)	**Invested by Uttar Pradesh State Mineral Development Corportion Limited (UPSMDC)**						
53.	Uttar Pradesh Mineral Products Limited	1995-96	0.71	(-) 0.60	(-) 0.60	--	The Company was not in operation during this year.
(E)	**Invested by Uttar Pradesh Hill Electronics Corporation Limited (HILTRON)**						
54.	Omni India Limited	NA	0.13	NA	NA	--	
55.	Vinkas General Carbon Limited	NA	0.15	NA	NA	--	
56.	Naina Semi Conductors Limited	NA	0.55	NA	NA	--	
57.	Rama Vision Limited	NA	0.66	NA	NA	--	
58.	Daulat Electronics Limited	NA	0.33	NA	NA	--	
	Total		**75.05**				

ANNEXURE 2

Statement showing the particulars of up-to-date paid-up capital, budgetary outgo, loans given out from budget and outstanding loans as on 31 March 1997

(Referred to in Paragraph 1.2.2)

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up Capital at the end of the year 1996-97					Loans given out of budget during the year	Loans outstanding at the close of 1996-97
			State Government	Central Government	Holding Company	Others	Total		
	Agriculture								
1		Uttar Pradesh Bhumi Sudhar Nigam Limited	150.00	----	----	----	150.00	----	----
2		Uttar Pradesh State Agro Industrial Corporation Limited	2399.17	332.83	----	----	2732.00	----	1000.00
3		Uttar Pradesh State Horticultural Produce Marketing And Processing Corporation Limited	640.68	----	64.25	----	704.93	----	269.36
			3189.85	**332.83**	**64.25**	**0.00**	**3586.93**	**0.00**	**1269.36**

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up Capital at the end of the year 1996-97					Loans given out of budget during the year	Loans outstanding at the close of 1996-97
			State Government	Central Government	Holding Company	Others	Total		
	Animal Husbandry								
4		Uttar Pradesh Pashudhan Udyog Nigam Limited	209.08	63.00	----	----	272.08	----	165.11
5		Uttar Pradesh State Poultry And Livestock Specialities Limited	165.75 (30.25)	127.75	----	----	293.50 (30.25)	109.75	109.75
			374.83 **(30.25)**	**190.75**	**0.00**	**0.00**	**565.58** **(30.25)**	**109.75**	**274.86**
	Area Development								
6		Agra Mandal Vikas Nigam Limited	100.00	----	----	----	100.00	----	5.00
7		Allahabad Mandal Vikas Nigam Limited	67.00	----	----	----	67.00	----	----
8		Bareilly Mandal Vikas Nigam Limited (Formerly Uttar Pradesh Pashchimi Kshetriya Vikas Nigam Limited)	125.00	----	----	----	125.00	----	21.95

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up Capital at the end of the year 1996-97					Loans given out of budget during the year	Loans outstanding at the close of 1996-97
			State Government	Central Government	Holding Company	Others	Total		
9		Bundelkhand Concrete Structurals Limited (Subsidiary of Uttar Pradesh Bundelkhand Vikas Nigam Limited)	----	----	1.22	1.18	2.40	----	----
10		Gorakhpur Mandal Vikas Nigam Limited	93.56	----	----	32.47	126.03	----	91.60
11		Lucknow Mandaliya Vikas Nigam Limited	70.00	----	----	----	70.00	----	85.79
12		Meerut Mandal Vikas Nigam Limited	100.00	----	----	----	100.00	----	----
13		Moradabad Mandal Vikas Nigam Limited	25.00	----	----	----	25.00	----	64.60
14		Uttar Pradesh Purvanchal Vikas Nigam Limited	129.80	----	----	----	129.80	----	35.00
15		Uttar Pradesh Bundelkhand Vikas Nigam Limited	123.30	----	----	----	123.30	----	5.00
16		Varanasi Mandal Vikas Nigam Limited	70.00	----	----	----	70.00	----	----
			903.66	**0.00**	**1.22**	**33.65**	**938.53**	**0.00**	**308.94**

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up Capital at the end of the year 1996-97					Loans given out of budget during the year	Loans outstanding at the close of 1996-97
			State Government	Central Government	Holding Company	Others	Total		
	Electronics								
17		Shreetron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	----	----	124.08	50.63	174.71	----	464.41
18		Uptron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	----	----	5315.59	----	5315.59	----	8507.96
19		Uptron Leasing Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	----	----	100.00	5.67	105.67	----	255.83
20		Uptron Powertronics Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	----	----	117.00	----	117.00	20.00	24.19
21		Uttar Pradesh Electronics Corporation Limited	7030.07 (500.00)	----	----	----	7030.07 (500.00)	85.00	2646.00
			7030.70 **(500.00)**	**0.00**	**5656.67**	**56.30**	**12743.04** **(500.00)**	**105.00**	**11898.39**

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up Capital at the end of the year 1996-97					Loans given out of budget during the year	Loans outstanding at the close of 1996-97
			State Government	Central Government	Holding Company	Others	Total		
	Export Promotion								
22		The Uttar Pradesh Export Corporation Limited	634.27 (25.00)	65.00	----	----	699.27 (25.00)	----	160.03
23		The Uttar Pradesh State Brassware Corporation Limited	527.86	10.00	----	----	537.86	----	202.22
24		Uttar Pradesh State Leather Development And Marketing Corporation Limited	573.94	----	----	----	573.94	----	191.40
			1736.70 (25.00)	**75.00**	**0.00**	**0.00**	**1811.07 (25.00)**	**0.00**	**553.65**
	Fisheries								
25		Uttar Pradesh Matsya Vikas Nigam Limited	100.00	----	----	----	100.00	----	----
			100.00	**0.00**	**0.00**	**0.00**	**100.00**	**0.00**	**0.00**
	Food And Civil Supplies								
26		Uttar Pradesh Food And Essential Commodities Corporation Limited	550.39	----	----	----	550.39	----	2348.13
			550.39	**0.00**	**0.00**	**0.00**	**550.39**	**0.00**	**2348.13**

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up Capital at the end of the year 1996-97					Loans given out of budget during the year	Loans outstanding at the close of 1996-97
			State Government	Central Government	Holding Company	Others	Total		
	Harijan And Social Welfare								
27		Tarai Anusuchit Janjati Vikas Nigam Limited	45.00	---	----	----	45.00	----	125.00
28		Uttar Pradesh Scheduled Castes Finance And Development Corporation Limited	3218.92 (759.00)	2703.70	----	----	5922.62 (759.00)	----	3026.87
29		Uttar Pradesh Pichhari Jati Vitta Evam Vikas Nigam	710.00 (100.00)	----	----	----	710.00 (100.00)	----	339.84
30		Uttar Pradesh Bhutpurwa Sainik Kalyan Nigam Limited	42.54	----	----	----	42.54	----	----
31		Uttar Pradesh Mahila Kalyan Nigam Limited	61.00	48.03	----	----	109.03	----	----
32		Uttar Pradesh Samaj Kalyan Nirman Nigam Limited (Formerly Harijan Evam Nirbal Varg Avas Nigam Limited)	15.00	----	----	----	15.00	----	540.26
			4092.46 (859.00)	**2751.73**	**0.00**	**0.00**	**6844.19 (859.00)**	**0.00**	**4031.97**

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up Capital at the end of the year 1996-97					Loans given out of budget during the year	Loans outstanding at the close of 1996-97
			State Government	Central Government	Holding Company	Others	Total		
	Hill Development								
33		Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Garhwal Mandal Vikas Nigam Limited)	20.00	----	30.00	----	50.00	----	17.68
34		Garhwal Mandal Vikas Nigam Limited	511.50	----	----	----	511.50	----	1154.87
35		Kumaon Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	22.00	----	28.00	----	50.00	----	----
36		Kumaon Mandal Vikas Nigam Limited	1341.88 (349.00)	----	----	----	1341.88 (349.00)	100.00	690.88
37		Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	----	----	9.34	8.97	18.31	----	----
38		Northern Electrical Equipment Industries Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	----	----	0.06	0.01	0.07	----	----

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up Capital at the end of the year 1996-97					Loans given out of budget during the year	Loans outstanding at the close of 1996-97
			State Government	Central Government	Holding Company	Others	Total		
39		Trans Cables Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	----	----	62.80	0.44	63.24	----	292.15
40		Uttar Pradesh Hillphones Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	----	----	3.27	----	3.27	----	----
41		Uttar Pradesh Hill Electronics Corporation Limited	894.53 (100.00)	----	----	----	894.53 (100.00)	----	----
42		Uttar Pradesh Hill Quartz Limited (Subsidiary of Uttar Pradesh Hill Electronics Limited)	----	----	0.79	----	0.79	----	----
			2789.91 (449.00)	**0.00**	**134.26**	**9.42**	**2933.59 (449.00)**	**100.00**	**2155.58**
	Home								
43		Uttar Pradesh Police Avas Nigam Limited	300.00	----	---	----	300.00	----	----
			300.00	**0.00**	**0.00**	**0.00**	**300.00**	**0.00**	**0.00**

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up Capital at the end of the year 1996-97					Loans given out of budget during the year	Loans outstanding at the close of 1996-97
			State Government	Central Government	Holding Company	Others	Total		
	Industries and Industrial Development								
44		Auto Tractors Limited	562.59	----	----	187.41	750.00	----	37.50
45		Continental Float Glass Limited	----	----	2921.00	1702.00	4623.00	----	19610.28
46		The Indian Turpentine and Rosin Company Limited	18.73	----	----	3.29	22.02	----	72.73
47		Uttar Pradesh Instruments Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	----	----	177.72	15.50	193.22	90.00	912.01
48		Uttar Pradesh Digitals Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	----	----	35.20	----	35.20	----	391.16

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up Capital at the end of the year 1996-97					Loans given out of budget during the year	Loans outstanding at the close of 1996-97
			State Government	Central Government	Holding Company	Others	Total		
49		Uttar Pradesh Carbon And Chemical Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	----	----	1.27	----	1.27	----	----
50		Uttar Pradesh State Mineral Development Corporation Limited	5943.48 (303.00)	----	----	----	5943.48 (303.00)	107.00	1624.80
51		Vindhyachal Abrasives Limited (Subsidiary of Uttar Pradesh Mineral Development Corporation Limited)	----	----	3.73	3.87	7.60	----	77.67
			6524.80 (303.00)	**0.00**	**3138.92**	**1912.07**	**11575.79 (303.00)**	**197.00**	**22726.15**
	Institutional Finance								
52		Uttar Pradesh Chalchitra Nigam Limited	818.20	----	----	0.22	818.42	----	----
			818.20	**0.00**	**0.00**	**0.22**	**818.42**	**0.00**	**0.00**

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up Capital at the end of the year 1996-97					Loans given out of budget during the year	Loans outstanding at the close of 1996-97
			State Government	Central Government	Holding Company	Others	Total		
	Irrigation								
53		Uttar Pradesh Projects & Tubewell Corporation Limited (Formerly Uttar Pradesh Nalkoop Nigam Limited)	490.00	100.00	----	497.00	1087.00	----	----
			490.00	**100.00**	**0.00**	**497.00**	**1087.00**	**0.00**	**0.00**
	Panchayati Raj								
54		Uttar Pradesh Panchayati Raj Vitta Evam Vikas Nigam Limited	77.77	----	----	68.11	145.88	----	----
			77.77	**0.00**	**0.00**	**68.11**	**145.88**	**0.00**	**0.00**
	Planning								
55		Mohammadabad Peoples Tannery Limited	3.06	----	----	2.55	5.61	----	----
56		Uttar Pradesh Development Systems Corporation Limited	100.00	----	----	----	100.00	----	----
			103.06	**0.00**	**0.00**	**2.55**	**105.61**	**0.00**	**0.00**

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up Capital at the end of the year 1996-97					Loans given out of budget during the year	Loans outstanding at the close of 1996-97
			State Government	Central Government	Holding Company	Others	Total		
	Public Works								
57		Uttar Pradesh Rajkiya Nirman Nigam Limited	100.00	----	----	----	100.00	----	----
58		Uttar Pradesh State Bridge Corporation Limited	1000.00	----	----	----	1000.00	----	----
			1100.00	**0.00**	**0.00**	**0.00**	**1100.00**	**0.00**	**0.00**
	Rural and Small Industries								
59		UPSIC Potteries Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	----	----	76.25	----	76.25	----	122.50
60		Uttar Pradesh Plant Protection Appliances (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	----	----	1.63	1.57	3.20	----	10.64
61		Uttar Pradesh Small Industries Corporation Limited	596.05	----	---	----	596.05	----	309.55

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up Capital at the end of the year 1996-97					Loans given out of budget during the year	Loans outstanding at the close of 1996-97
			State Government	Central Government	Holding Company	Others	Total		
62		Uttar Pradesh State Handloom Corporation Limited	1375.49 (244.00)	1152.95	----	----	2528.44 (244.00)	----	1886.78
			1971.54 (244.00)	**1152.95**	**77.88**	**1.57**	**3203.94 (244.00)**	**0.00**	**2329.47**
	Sugar and Cane Development								
63		Chhata Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	----	----	1224.52	----	1224.52	----	2455.52
64		Ghatampur Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	----	----	879.86	15.00	894.86	170.48	1129.18
65		Kichha Sugar Company Limited (Subsidiary Of Uttar Pradesh State Sugar Corporation Limited	32.59	----	1620.99	45.46	1699.04	----	----

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up Capital at the end of the year 1996-97					Loans given out of budget during the year	Loans outstanding at the close of 1996-97
			State Government	Central Government	Holding Company	Others	Total		
66		Nandganj Sihori Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	----	----	3404.05	----	3404.05	60.00	----
67		Uttar Pradesh (Rohelkhand Tarai) Ganna Beej Evam Vikas Nigam Limited	38.25	----	----	32.40	70.65	----	----
68		Uttar Pradesh (Pashchim) Ganna Beej Evam Vikas Nigam Limited	50.50	----	----	10.95	61.45	----	1269.94
69		Uttar Pradesh (Poorva) Ganna Beej Evam Vikas Nigam Limited	22.73	----	----	6.62	29.35	----	289.22
70		Uttar Pradesh (Madhya) Ganna Beej Evam Vikas Nigam Limited	15.30	----	----	7.59	22.89	----	413.66

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up Capital at the end of the year 1996-97					Loans given out of budget during the year	Loans outstanding at the close of 1996-97
			State Government	Central Government	Holding Company	Others	Total		
71		Uttar Pradesh State Sugar Corporation Limited	47575.92	----	----	----	47575.92	8950.00	40952.90
			47735.29	**0.00**	**7129.42**	**118.02**	**54982.73**	**9180.48**	**46510.42**
	Tourism								
72		Uttar Pradesh State Tourism Development Corporation Limited	1512.53 (693.00)	----	----	----	1512.53 (693.00)	----	48.33
			1512.53 (693.00)	**0.00**	**0.00**	**0.00**	**1512.53 (693.00)**	**0.00**	**48.33**
	Waqf								
73		Uttar Pradesh Waqf Vikas Nigam Limited	150.00	----	----	----	150.00	----	----
			150.00	**0.00**	**0.00**	**0.00**	**150.00**	**0.00**	**0.00**
	Financing								
74		The Pradeshiya Industrial And Investment Corporation of Uttar Pradesh Limited	11057.50	----	----	----	11057.50	----	51009.03

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up Capital at the end of the year 1996-97					Loans given out of budget during the year	Loans outstanding at the close of 1996-97
			State Government	Central Government	Holding Company	Others	Total		
75		Uttar Pradesh Alp-sankhyak Vittiya Evam Vikas Nigam Limited	1422.50 (260.00)	----	----	----	1422.50 (260.00)	183.00	2072.00
76		Uttar Pradesh State Industrial Development Corporation Limited	2407.51	----	----	----	2407.51	50.00	3218.00
			14887.51 (260.00)	**0.00**	**0.00**	**0.00**	**14887.51 (260.00)**	**233.00**	**56299.03**
	Textile								
77		Uttar Pradesh State Yarn Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited) (Successors Of Uttar Pradesh State Spinning Mills Company (No. II) Limited	----	----	3190.52	----	3190.52	800.00	1410.85

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up Capital at the end of the year 1996-97					Loans given out of budget during the year	Loans outstanding at the close of 1996-97
			State Government	Central Government	Holding Company	Others	Total		
78		Uttar Pradesh State Textile Corporation Limited	16079.37	----	----	----	16079.37	500.00	6713.13
79		Uttar Pradesh State Spinning Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited) (Successors of Uttar Pradesh State Spinning Mills Co. (No. I) Limited	----	----	7842.84	----	7842.84	----	4420.20
			16079.37	**0.00**	**11033.36**	**0.00**	**27112.73**	**1300.00**	**12544.18**
	Cement								
80		Uttar Pradesh State Cement Corporation Limited	6828.00	----	----	----	6828.00	500.00	12356.14
			6828.00	**0.00**	**0.00**	**0.00**	**6828.00**	**500.00**	**12356.14**

(Rupees in lakh)

Sl. No.	Department Name	Name of Company	Paid-up Capital at the end of the year 1996-97					Loans given out of budget during the year	Loans outstanding at the close of 1996-97
			State Government	Central Government	Holding Company	Others	Total		
	Power								
81		Uttar Pradesh Laghu Jal Vidyut Nigam. Limited (Successors of Uttar Pradesh Alparthak Evam Laghu Jal Vidyut Nigam Limited)	70.00	----	----	----	70.00	----	1900.00
82		Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited	25280.50	----	----	----	25280.50	----	----
			25350.50	**0.00**	**0.00**	**0.00**	**25350.50**	**0.00**	**1900.00**
Grand Total :			**144695.81 (3363.25)**	**4603.26**	**27235.98**	**2698.91**	**179233.96 (3363.25)**	**11725.23**	**177554.60**

Note: Figures given in bracket indicate budgetary outgo during the year on account of equity.

ANNEXURE 3

Summarised financial results for all Government Companies for the latest year for which accounts were finalised

(Except in columns 4, 5, 6, 14 and 15 figures are in lakh of rupees)
(Referred to in para 1.2.2)

Sl. No.	Department/ Sector	Name of the Company	Date of In-corporation	Period of Accounts	Year in which finalised	Profit (+)/ Loss(-)	Paid-up Capital	Accumu-lated Profit & Loss	Capital employed	Return on Capital employed	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Agriculture										
1.		Uttar Pradesh Bhumi Sudhar Nigam Limited	30 March 1978	1995-96	1996-97	-9.28	150.00	- 59.99	4688.24	-9.28	---
2.		Uttar Pradesh State Agro Industrial Corporation Limited	29 March 1967	1995-96	1996-97	-385.24	2732.00	- 5250.50	398.58	8.94	2.25
3.		Uttar Pradesh State Horticultural Produce Marketing and Processing Corporation Limited	6 April 1977	1984-85	1994-95	-66.57	190.76	- 255.33	80.72	-51.97	---
	Animal Husbandry										
4.		Uttar Pradesh Pashudhan Udyog Nigam Limited	5 March 1975	1990-91	1996-97	-16.10	146.85	- 168.72	220.44	-6.63	---

Sl. No.	Department/ Sector	Name of the Company	Date of Incorporation	Period of Accounts	Year in which finalised	Profit (+)/ Loss(-)	Paid-up Capital	Accumulated Profit & Loss	Capital employed	Return on Capital employed	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
5.		Uttar Pradesh State Poultry and Livestock Specialities Limited	7 December 1974	1993-94	1996-97	-1.10	163.50	- 6.35	150.19	-1.10	---
	Area Development										
6.		Agra Mandal Vikas Nigam Limited	31 March 1976	1986-87	1989-90	+11.24	100.00	- 33.13	132.02	12.48	9.46
7.		Allahabad Mandal Vikas Nigam Limited	31 January 1976	1983-84	1992-93	-11.42	67.00	- 11.42	39.52	-3.97	---
8.		Bareilly Mandal Vikas Nigam Limited (Formerly Uttar Pradesh Paschim Kshetriya Vikas Nigam Limited)	31 January 1976	1984-85	1994-95	-69.26	125.00	- 90.00	449.13	-56.84	---
9.		Bundelkhand Concrete Structurals Limited (Subsidiary of Uttar Pradesh Bundelkhand Vikas Nigam Limited)	2 March 1974	1986-87	1993-94	-0.01	2.40	- 0.65	4.45	-0.01	---
10.		Gorakhpur Mandal Vikas Nigam Limited	31 March 1976	1985-86	1995-96	+2.36	122.03	- 158.16	61.31	2.36	3.85

Sl. No.	Department/ Sector	Name of the Company	Date of In-corporation	Period of Accounts	Year in which finalised	Profit (+)/ Loss(-)	Paid-up Capital	Accumu-lated Profit & Loss	Capital employed	Return on Capital employed	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
11.		Lucknow Mandaliya Vikas Nigam Limited	31 January 1976	1981-82	1992-93	+0.44	50.00	+1.49	60.57	0.52	0.85
12.		Meerut Mandal Vikas Nigam Limited	31 March 1976	1993-94	1996-97	-10.48	100.00	-76.95	52.39	-10.48	---
13.		Moradabad Mandal Vikas Nigam Limited	30 March 1978	1987-88	1996-97	-15.30	25.00	- 10.57	80.50	-4.64	---
14.		Uttar Pradesh Bundelkhand Vikas Nigam Limited	30 March 1971	1986-87	1995-96	-8.69	123.30	- 96.64	39.12	-8.06	---
15.		Uttar Pradesh Purvanchal Vikas Nigam Limited	30 March 1971	1987-88	1994-95	-13.64	114.80	- 107.90	19.02	-13.64	---
16.		Varanasi Mandal Vikas Nigam Limited	31 March 1976	1987-88	1993-94	-2.71	70.00	- 26.38	88.29	-2.71	---
	Electronics										
17.		Shreetron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	1 February 1979	1995-96	1995-96	+4.15	174.71	- 283.35	357.06	5.44	1.52

Sl. No.	Department/ Sector	Name of the Company	Date of In-corporation	Period of Accounts	Year in which finalised	Profit (+)/ Loss(-)	Paid-up Capital	Accumu-lated Profit & Loss	Capital employed	Return on Capital employed	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
18.		Uptron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	18 October 1979	1994-95	1995-96	-3118.95	5315.59	-16481.00	4915.05	-1070.62	---
19.		Uptron Leasing Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	5 January 1988	1996-97	1996-97	-15.96	105.67	+0.02	369.85	10.89	2.94
20.		Uptron Powertronics Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	10 April 1977	1995-96	1995-96	-6.70	117.00	-10.06	653.19	45.39	6.95
21.		Uttar Pradesh Electronics Corporation Limited	20 March 1974	1995-96	1995-96	+1.94	8060.07	+38.31	3273.63	2.07	0.06
	Export Promotion										
22.		The Uttar Pradesh Export Corporation Limited	20 January 1966	1994-95	1996-97	-72.21	674.27	- 618.66	1100.50	-19.00	---
23.		The Uttar Pradesh State Brassware Corporation Limited	12 February 1974	1991-92	1995-96	-45.29	537.86	- 648.86	793.04	-34.96	---

Sl. No.	Department/ Sector	Name of the Company	Date of Incorporation	Period of Accounts	Year in which finalised	Profit (+)/ Loss(-)	Paid-up Capital	Accumulated Profit & Loss	Capital employed	Return on Capital employed	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
24.		Uttar Pradesh State Leather Development and Marketing Corporation Limited	12 February 1974	1995-96	1996-97	+11.15	573.94	-682.21	484.06	31.56	6.52
	Fisheries										
25.		Uttar Pradesh Matsya Vikas Nigam Limited	27 October 1979	1988-89	1996-97	-29.41	100.00	-102.28	592.81	-10.83	---
	Food and Civil Supplies										
26.		Uttar Pradesh Food and Essential Commodities Corporation Limited	22 October 1974	1985-86	1995-96	+34.71	50.00	+95.11	524.11	120.97	23.08
	Harijan and Social Welfare										
27.		Tarai Anusuchit Janjati Vikas Nigam Limited	2 August 1975	1982-83	1990-91	-4.00	45.00	+0.45	70.44	-4.00	---
28.		Uttar Pradesh Scheduled Castes Finance and Development Corporation Limited	25 March 1975	1991-92	1996-97	+142.98	3663.88	+434.40	8240.78	144.55	1.75
29.		Uttar Pradesh Pichhari Jati Vitta Evam Vikas Nigam	26 April 1991	1994-95	1996-97	-10.54	600.00	- 20.89	1786.42	-7.79	---

Sl. No.	Department/ Sector	Name of the Company	Date of In-corporation	Period of Accounts	Year in which finalised	Profit (+)/ Loss(-)	Paid-up Capital	Accumu-lated Profit & Loss	Capital employed	Return on Capital employed	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
30.		Uttar Pradesh Bhutpurwa Sainik Kalyan Nigam Limited	23 May 1989	1994-95	1996-97	+97.90	42.54	+100.69	142.44	97.90	68.73
31.		Uttar Pradesh Mahila Kalyan Nigam Limited	17 March 1988	1994-95	1996-97	+0.73	109.03	+1.10	209.62	0.73	0.35
32.		Uttar Pradesh Samaj Kalyan Nirman Nigam Limited (Formerly Harijan Evam Nirbal Varg Avas Nigam Limited)	25 June 1976	1995-96	1995-96	+113.28	15.00	+149.50	1432.70	113.28	7.91
	Hill Development										
33.		Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Garhwal Mandal Vikas Nigam Limited)	30 June 1975	1987-88	1992-93	-9.19	50.00	- 41.94	20.48	-8.93	---
34.		Garhwal Mandal Vikas Nigam Limited	31 March 1976	1992-93	1996-97	+88.50	451.50	+90.30	3396.97	110.62	3.25
35.		Kumaon Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	30 June 1975	1983-84	1995-96	-0.95	25.00	+0.39	25.43	-0.95	---

Sl. No.	Department/ Sector	Name of the Company	Date of In-corporation	Period of Accounts	Year in which finalised	Profit (+)/ Loss(-)	Paid-up Capital	Accumu-lated Profit & Loss	Capital employed	Return on Capital employed	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
36.		Kumaon Mandal Vikas Nigam Limited	30 March 1971	1993-94	1996-97	-37.10	836.61	-246.97	498.28	-14.92	---
37.		Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	27 April 1987	1989-90	1990-91	-1.61	18.31	- 1.61	12.35	-1.61	---
38.		Northern Electrical Equipment Industries Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	29 January 1974	1988-89	1996-97	-0.01	0.07	- --	-0.46	-0.01	---
39.		Trans Cables Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	29 November 1973	1993-94	1995-96	-38.64	63.24	-224.29	75.17	-38.64	---
40.		Uttar Pradesh Hillphones Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	10 August 1987	---	3.27	---	3.27	---	---	---	---
41.		Uttar Pradesh Hill Electronics Corporation Limited	26 June 1985	1992-93	1994-95	-10.51	644.03	-45.68	319.61	-10.51	---

Sl. No.	Department/ Sector	Name of the Company	Date of In-corporation	Period of Accounts	Year in which finalised	Profit (+)/ Loss(-)	Paid-up Capital	Accumu-lated Profit & Loss	Capital employed	Return on Capital employed	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
42.		Uttar Pradesh Hill Quartz Limited (Subsidiary of Uttar Pradesh Hill Electronics Limited)	18 July 1989	---	0.79	---	0.79	---	---	---	---
	Home										
43.		Uttar Pradesh Police Avas Nigam Limited	27 March 1987	1995-96	1996-97	+124.64	300.00	+238.29	538.13	124.64	23.16
	Industries and Industrial Development										
44.		Auto Tractors Limited	28 December 1972	1991-92	1995-96	+10.71	750.00	- 6482.96	1114.18	36.32	3.26
45.		Continental Float Glass Limited	12 April 1985	1995-96	1996-97	---	4599.95	---	20930.43	---	---
46.		The Indian Turpentine and Rosin Company Limited	22 February 1924	1995-96	1996-97	-363.68	22.02	- 1026.92	-788.98	-345.95	---
47.		Uttar Pradesh Instruments Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	1 January 1975	1995-96	1996-97	-336.23	202.22	- 2232.19	-293.63	-162.91	---

Sl. No.	Department/ Sector	Name of the Company	Date of In-corporation	Period of Accounts	Year in which finalised	Profit (+)/ Loss(-)	Paid-up Capital	Accumu-lated Profit & Loss	Capital employed	Return on Capital employed	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
48.		Uttar Pradesh Digitals Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	8 March 1978	1995-96	1996-97	-107.40	35.20	- 575.87	14.36	-56.15	---
49.		Uttar Pradesh Carbon and Chemicals Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	12 January 1982	---	1.27	---	1.27	---	---	---	---
50.		Uttar Pradesh State Mineral Development Corporation Limited	23 March 1974	1993-94	1995-96	+23.07	5640.48	-100.95	3473.44	96.30	2.77
51.		Vindhyachal Abrasives Limited (Subsidiary of Uttar Pradesh Mineral Development Corporation Limited)	5 December 1985	1987-88	1995-96	-6.79	---	---	5.98	-6.57	---
	Institutional Finance										
52.		Uttar Pradesh Chalchitra Nigam Limited	10 September 1975	1993-94	1996-97	+27.86	818.42	- 986.23	611.42	78.31	12.80

Sl. No.	Department/ Sector	Name of the Company	Date of In-corporation	Period of Accounts	Year in which finalised	Profit (+)/ Loss(-)	Paid-up Capital	Accumu-lated Profit & Loss	Capital employed	Return on Capital employed	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Irrigation										
53.		Uttar Pradesh Projects & Tubewell Corporation Limited (Formerly Uttar Pradesh Nalkoop Nigam Limited)	26 May 1976	1995-96	1995-96	-116.40	1087.00	- 453.86	612.08	-116.40	---
	Panchayati Raj										
54.		Uttar Pradesh Panchayati Raj Vitta Evam Vikas Nigam Limited	24 April 1973	1989-90	1996-97	-3.42	137.18	+3.06	143.07	-3.42	---
	Planning										
55.		Mohammadabad Peoples Tannery Limited	21 December 1964	1976-77	1992-93	-0.01	5.61	- 4.26	1.35	-0.01	---
56.		Uttar Pradesh Development Systems Corporation Limited	15 March 1977	1993-94	1996-97	-14.38	100.00	- 13.00	87.00	-14.38	---
	Public Works										
57.		Uttar Pradesh Rajkiya Nirman Nigam Limited	1 May 1975	1995-96	1996-97	-195.90	100.00	+918.36	1026.89	-195.90	---
58.		Uttar Pradesh State Bridge Corporation Limited	18 October 1972	1995-96	1996-97	+343.94	1000.00	+1813.96	1588.47	410.94	25.87

Sl. No.	Department/ Sector	Name of the Company	Date of Incorporation	Period of Accounts	Year in which finalised	Profit (+)/ Loss(-)	Paid-up Capital	Accumulated Profit & Loss	Capital employed	Return on Capital employed	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Rural and Small Industries										
59.		UPSIC Potteries Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	27 April 1976	1989-90	1996-97	-36.66	76.26	- 225.66	62.46	-24.37	---
60.		Uttar Pradesh Plant Protection Appliances (Private) Limited (Subsidiary fo Uttar Pradesh Small Industries Corporation Limited)	28 June 1972	1974-75	1984-85	-0.81	0.92	- 0.81	6.79	-0.81	---
61.		Uttar Pradesh Small Industries Corporation Limited	1 June 1958	1992-93	1996-97	-340.82	596.05	-448.52	1738.49	-98.06	---
62.		Uttar Pradesh State Handloom Corporation Limited	9 January 1973	1986-87	1995-96	-322.33	1043.49	-1115.60	3256.89	-257.92	---
	Sugar and Cane Development										
63.		Chhata Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	18 April 1975	1994-95	4/97	-300.80	1273.09	-1987.11	2066.33	-34.60	---

Sl. No.	Department/ Sector	Name of the Company	Date of Incorporation	Period of Accounts	Year in which finalised	Profit (+)/ Loss(-)	Paid-up Capital	Accumulated Profit & Loss	Capital employed	Return on Capital employed	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
64.		Ghatampur Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	30 May 1986	1993-94	1996-97	-232.29	865.05	- 1527.21	563.77	-146.20	---
65.		Kichha Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited	17 February 1972	1995-96	1996-97	-53.90	1699.04	-180.51	4154.36	234.45	5.65
66.		Nandganj Sihori Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	18 April 1975	1993-94	1996-97	-303.74	3404.05	- 5335.88	468.64	-108.93	---
67.		Uttar Pradesh (Rohelkhand Tarai) Ganna Beej Evam Vikas Nigam Limited	27 August 1975	1995-96	1996-97	+22.49	69.67	+37.87	1372.30	235.88	17.19
68.		Uttar Pradesh (Paschim) Ganna Beej Evam Vikas Nigam Limited	27 August 1975	1995-96	1996-97	+13.38	61.34	+19.98	2055.48	225.95	10.99

Sl. No.	Department/ Sector	Name of the Company	Date of Incorporation	Period of Accounts	Year in which finalised	Profit (+)/ Loss(-)	Paid-up Capital	Accumulated Profit & Loss	Capital employed	Return on Capital employed	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
69.		Uttar Pradesh (Poorva) Ganna Beej Evam Vikas Nigam Limited	27 August 1975	1992-93	1993-94	+0.02	26.82	+4.54	343.54	43.76	12.74
70.		Uttar Pradesh (Madhya) Ganna Beej Evam Vikas Nigam Limited	27 August 1975	1994-95	1996-97	+0.04	24.42	-21.05	516.41	9.31	1.80
71.		Uttar Pradesh State Sugar Corporation Limited	26 March 1971	1993-94	1996-97	-6028.96	47915.12	-52076.48	40476.71	-292.98	---
	Tourism										
72.		Uttar Pradesh State Tourism Development Corporation Limited	5 August 1974	1996-97	1996-97	+103.59	1512.53	-186.12	1401.37	105.28	7.52
	Waqf										
73.		Uttar Pradesh Waqf Vikas Nigam Limited	27 April 1987	1990-91	1996-97	+0.13	150.00	- 0.02	119.39	0.13	0.11
	Finance										
74.		The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited	29 March 1972	1996-97	1996-97	+30.40	11057.50	+160.31	58548.38	30.40	0.05

Sl. No.	Department/ Sector	Name of the Company	Date of In-corporation	Period of Accounts	Year in which finalised	Profit (+)/ Loss(-)	Paid-up Capital	Accumu-lated Profit & Loss	Capital employed	Return on Capital employed	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
75.		Uttar Pradesh Alp-sankhyak Vittiya Evam Vikas Nigam Limited	17 November 1984	1989-90	1995-96	+7.20	327.50	- 4.32	521.48	7.20	1.38
76.		Uttar Pradesh State Industrial Development Corporation Limited	29 March 1961	1995-96	1996-97	+69.48	2407.51	+0.70	8159.28	335.92	4.11
	Textile										
77.		Uttar Pradesh State Yarn Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited) (Successor of Uttar Pradesh State Spinning Mills Company (No. II) Limited	20 August 1974	1996-97	1996-97	-220.82	3190.52	- 5090.56	2055.63	19.09	0.93
78.		Uttar Pradesh State Textile Corporation Limited	2 December 1969	1995-96	1996-97	-5186.19	16079.37	-24841.57	2666.26	-2546.77	---

Sl. No.	Department/ Sector	Name of the Company	Date of In-corporation	Period of Accounts	Year in which finalised	Profit (+)/ Loss(-)	Paid-up Capital	Accumu-lated Profit & Loss	Capital employed	Return on Capital employed	Percentage total return on Capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
79.		Uttar Pradesh State Spinning Company Limited (Subsidiary of Pradesh State Textile Corporation Limited) (Successor of Uttar Pradesh State Spinning Mills Company (No. I) Limited	20 August 1976	1995-96	1996-97	-544.88	7842.84	-11525.19	4904.82	602.37	12.28
	Cement										
80.		Uttar Pradesh State Cement Corporation Limited	29 March 1972	1995-96	1996-97	-4775.52	6828.00	-42599.38	-23980.30	-2291.33	---
	Power										
81.		Uttar Pradesh Laghu Jal Vidyut Nigam Limited (Successors of Uttar Pradesh Alparthak Evam Laghu Jal Vidyut Nigam Limited)	15 April 1985	1995-96	1996-97	+56.46	70.00	+109.81	4870.72	56.46	1.16
82.		Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited	22 August 1980	1995-96	1996-97	-134.76	25280.50	-10931.34	14349.08	-134.76	---
	Total					**+1342.79 -23637.56**	**173161.78**	**+4218.64 -186809.31**	**142107.952**	**-4870.23**	--

ANNEXURE 3A

Statement showing the name of the Companies with year of accounts finalised and arrears in terms of years

(Referred to in paragraph 1.2.6)

Sl. No.	Department/sector	Name of the Company	Period of accounts finalised	Arrears of accounts in terms of years
(1)	(2)	(3)	(4)	(5)
	Agriculture			
1.		Uttar Pradesh Bhumi Sudhar Nigam Limited	1995-96	1
2.		Uttar Pradesh State Agro Industrial Corporation Limited	1995-96	1
3.		Uttar Pradesh State Hoticultural Produce Marketing and Processing Corporation Limited	1984-85	12
	Animal Husbandry			
4.		Uttar Pradesh Pashudhan Udyog Nigam Limited	1990-91	6
5.		Uttar Pradesh State Poultry and Livestock Specialities Limited		
	Area Development			
6.		Agra Mandal Vikas Nigam Limited	1986-87	10
7.		Allahabad Mandal Vikas Nigam Limited	1983-84	13
8.		Bareilly Mandal Vikas Nigam Limited (Formerly Uttar Pradesh Paschim Kshetriya Vikas Nigam Limited)	1984-85	12

Sl. No.	Department/sector	Name of the Company	Period of accounts finalised	Arrears of accounts in terms of years
(1)	(2)	(3)	(4)	(5)
9.		Bundelkhand Concrete Structural Limited (Subsidiary of Uttar Pradesh Bundelkhand Vikas Nigam Limited)	1986-87	10
10.		Gorakhpur Mandal Vikas Nigam Limited	1985-86	11
11.		Lucknow Mandaliya Vikash Nigam Limited	1981-82	15
12.		Meerut Mandal Vikas Nigam Limited	1993-94	3
13.		Moradabad Mandal Vikas Nigam Limited	1987-88	9
14.		Uttar Pradesh Bundelkhand Vikas Nigam Limited	1986-87	10
15.		Uttar Pradesh Purvanchal Vikas Nigam Limited	1987-88	9
16.		Varanasi Mandal Vikas Nigam Limited	1987-88	9
	Electronics			
17.		Shreetron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	1995-96	1
18.		Uptron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	1994-95	2
19.		Uptron leasing Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	1996-97	–
20.		Uptron Powertronics Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	1995-96	1
21.		Uttar Pradesh Electronics Corporation Limited	1995-96	1

Sl. No.	Department/sector	Name of the Company	Period of accounts finalised	Arrears of accounts in terms of years
(1)	(2)	(3)	(4)	(5)
	Export Promotion			
22.		The Uttar Pradesh Export Corporation Limited	1994-95	2
23.		The Uttar Pradesh State Brassware Corporation Limited	1991-92	5
24.		Uttar Pradesh State Leather Development and Marketing Corporation Limited	1995-96	1
	Fisheries			
25.		Uttar Pradesh Matsya Vikas Nigam Limited	1988-89	8
	Food and Civil Supplies			
26.		Uttar Pradesh Food and Essential Commodities Corporation Limited	1985-86	11
	Harijan and Social Welfare			
27.		Tarai Anusuchit Janjati Vikas Nigam Limited	1982-83	14
28.		Uttar Pradesh Scheduled Castes Finance and Development Corporation Limited	1991-92	5
29.		Uttar Pradesh Pichhari Jati Vitta Evam Vikas Nigam	1994-95	2
30.		Uttar Pradesh Bhutpurwa Sainik Kalyan Nigam Limited	1994-95	3
31.		Uttar Pradesh Mahila Kalyan Nigam Limited	1994-95	2
32.		Uttar Pradesh Samaj Kalyan Nirman Nigam Limited (Formerly Harijan Evam Nirbal Varg Avas Nigam Limited)	1995-96	1

Sl. No.	Department/sector	Name of the Company	Period of accounts finalised	Arrears of accounts in terms of years
(1)	(2)	(3)	(4)	(5)
	Hill Development			
33.		Garhwal Anusuchit Jangati Vikas Nigam Limited (Subsidiary of Garhwal Mandal Vikas Nigam Limited)	1987-88	9
34.		Garhwal Mandal Vikas Nigam Limited	1992-93	4
35.		Kumaon Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	1983-84	13
36.		Kumaon Mandal Vikas Nigam Limited	1993-94	3
37.		Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	1989-90	7
38.		Northen Electrical Equipment Industries Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	1989-90	8
39.		Trans Cables Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	1993-94	3
40.		Uttar Pradesh Hillphones Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	–	–
41.		Uttar Pradesh Hill Electronics Corporation Limited	1992-93	4
42.		Uttar Pradesh Hill Quartz Limited (Subsidiary of Uttar Pradesh Hill Electronics Limited)	–	–

Sl. No.	Department/sector	Name of the Company	Period of accounts finalised	Arrears of accounts in terms of years
(1)	(2)	(3)	(4)	(5)
	Home			
43.		Uttar Pradesh Avas Nigam Limited	1995-96	1
	Industries and Industrial Development			
44.		Auto Tractors Limited	1991-92	5
45.		Continental Float Glass Limited	1995-96	1
46.		The Indian Turpentine and Rosin Company Limited	1995-96	1
47.		Uttar Pradesh Instruments Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	1995-96	1
48.		Uttar Pradesh Digitals Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	1995-96	1
49.		Uttar Pradesh Carbon and Chemical Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	–	–
50.		Uttar Pradesh State Mineral Development Corporation Limited	1993-94	3
51.		Vindhyachal Abrasives Limited (Subsidiary of Uttar Pradesh Mineral Development Corporation Limited)	1987-88	9
	Institutional Finance			
52.		Uttar Pradesh Chalchitra Nigam Limited	1993-94	3

Sl. No.	Department/sector	Name of the Company	Period of accounts finalised	Arrears of accounts in terms of years
(1)	(2)	(3)	(4)	(5)
	Irrigation			
53.		Uttar Pradesh Projects & Tubewell Corporation Limited (Formerly Uttar Pradesh Nalkoop Nigam Limited	1995-96	1
	Panchayati Raj			
54.		Uttar Pradesh Panchayati Raj Vitta Evam Vikas Nigam Limited	1989-90	7
	Planning			
55.		Mohammadabad Peoples Tannery Limited	1976-77	20
56.		Uttar Pradesh Development Systems Corporation Limited	1993-94	3
	Public Works			
57.		Uttar Pradesh Rajkiya Nirman Nigam Limited	1995-96	1
58.		Uttar Pradesh State Bridge Corporation Limited	1995-96	3
	Rural and Small Industries			
59.		UPSIC Potteries Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	1989-90	7
60.		Uttar Pradesh Plant Protection Appliances (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	1974-75	22
61.		Uttar Pradesh Small Industries Corporation Limited	1992-93	4

Sl. No.	Department/sector	Name of the Company	Period of accounts finalised	Arrears of accounts in terms of years
(1)	(2)	(3)	(4)	(5)
62.		Uttar Pradesh State Handloom Corporation Limited	1986-87	10
	Sugar and Cane Development			
63.		Chhata Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	1994-95	2
64.		Ghatampur Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	1993-94	3
65.		Kichha Sugar Company Limited (Subsidiary of Uttar Padesh State Sugar Corporation Limited	1995-96	1
66.		Nandganj Sihori Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	1993-94	3
67.		Uttar Pradesh (Rohelkhand Tarai) Ganna Beej Evam Vikas Nigam Limited	1995-96	1
68.		Uttar Pradesh (Paschim) Ganna Beej Evam Vikas Nigam Limited	1995-96	1
69.		Uttar Pradesh (Poorva) Ganna Beej Evam Vikas Nigam Limited	1992-93	4
70.		Uttar Pradesh (Madhya) Ganna Beej Evam Vikas Nigam Limited	1994-95	2
71.		Uttar Pradesh State Sugar Corporation Limited	1993-94	3

Sl. No.	Department/sector	Name of the Company	Period of accounts finalised	Arrears of accounts in terms of years
(1)	(2)	(3)	(4)	(5)
	Tourism			
72.		Uttar Pradesh State Tourism Development Corporation Limited	1996-97	–
	Waqf			
73.		Uttar Pradesh Waqf Vikas Nigam Limited	1990-91	6
	Finance			
74.		The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited	1996-97	–
75.		Uttar Pradesh Alp Sankhyak Vittiya Evam Vikas Nigam Limited	1989-90	7
76.		Uttar Pradesh State Industrial Development Corporation Limited	1995-96	1
	Textile			
77.		Uttar Pradesh State Yarn Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited) (Successor of Uttar Pradesh State Spinning Mills Company (No. II) Limited	1996-97	–
78.		Uttar Pradesh State Textile Corporation Limited	1995-96	1
79.		Uttar Pradesh State Spinning Company Limited (Subsidiary of Pradesh State Textile Corporation Limited) (Successor of Uttar Pradesh State Spinning Mills Company (No. I) Limited	1995-96	1

Sl. No.	Department/sector	Name of the Company	Period of accounts finalised	Arrears of accounts in terms of years
(1)	(2)	(3)	(4)	(5)
	Cement			
80.		Uttar Pradesh State Cement Corporation Limited	1995-96	1
	Power			
81.		Uttar Pradesh Laghu Jal Vidyut Nigam Limited (Successor of Uttar Pradesh Alparthak Evam Laghu Jal Vidyut Nigam Limited)	1995-96	1
82.		Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited	1995-96	1

ANNEXURE 3B

Summarised financial results of the Government Companies under liquidation for the latest year for which accounts were finalised

(Except in columns 4, 5, 6, 14 and 15 figures are in lakh of rupees)
(Referred to in para 1.2.1)

Sl. No.	Department/ Sector	Name of the Company	Date of Incorporation/ Date of going into liquidation	Period of Accounts/ Arrears in terms of years	Year in which finalised	Profit (+)/ Loss(-)	Paid-up Capital	Accumulated Profit & Loss	Capital employed	Return on Capital employed	Percentage of total return on capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1.	Agriculture	UPAI Limited	20.4.1997 31.3.1991	1985- 86 5	-	-0.35	17.01	3.17	12.39	-0.35	-
2.	Area Development	Gandak Samadesh Kshetriya Vikas Nigam	15.3.1975 07.6.1977	-	-	-	46.00	-	-	-	-
3.	Industry	Uttar Pradesh Abscott Private Limited	28.6.1972 19.4.1986	1975-76 10	-	-	4.85	-	-	-	-
4.	Textiles	Indian Bobbin Company Limited	22.2.1964 10.9.1973	-	-	-	2.74	-	-	-	-
5.	Industry	The Turpentine Subsidiary Industries Limited	11.7.1939 01.4.1978	-	-	-	15.56	-	-	-	-
6.	Handlooms	Handloom Intensive Development Corporation (Gorakhpur-Basti) Limited	26.5.1976 01.4.1991	1986-87 4	-	+33.03	3.00	36.10	153.16	39.21	25.60

Sl. No.	Department/ Sector	Name of the Company	Date of Incorporation/ Date of going into liquidation	Period of Accounts/ Arrears in terms of years	Year in which finalised	Profit (+)/ Loss(-)	Paid-up Capital	Accumulated Profit & Loss	Capital employed	Return on Capital employed	Percentage of total return on capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
7.	Handlooms	Handloom Intensive Development Project (Dhampur - Bijnaur) Limited	13.9.1976 01.4.1991	1983-84 7	-	- 1.07	2.00	35.95	316.02	18.81	5.95
8.	Textiles	Uttar Pradesh Textile Printing Corporation Limited	05.12.1975 01.4.1991	1986-87 4	-	-5.45	26.00	6.15	26.95	-5.45	-
9.	Industries & Industrial Development	Uttar Pradesh Carbide and Chemical Limited	23.4.1979 19.2.1994	1992- 93 1	-	-617.54	658.73	-3531.51	-50.57	-176.21	-
10.	Industries & Industrial Development	Uttar Pradesh Tyre and Tubes Limited	14.1.1976 09.1.1996	1992-93 3	-	217.08	183.16	-996.09	209.53	-143.19	-
11.	Textiles	Bhadohi Woollen Mills Limited	14.6.1976 20.2.1996	1994-95 1	-	-165.77	375.54	- 1195.91	85.35	-28.54	-
12.	Electronics	Kanpur Components Limited	31.3.1978 10.6.1996	-	-	-	5.43	-	-	-	-
13.	Electronics	Kanpur Sempack Limited	23.5.1977 10.6.1996	1979-80 16	-	-	2.25	-	-	-	-
14.	Hill Development	Teletronix Limited	27.1.1973 30.11.1996	1991-92 4	-	-62.25	174.71	-151.02	119.44	-53.62	-
15.	Hill Development	Kumaon Television Limited	24.8.1977 30.11.1996	1991-92 4	-	-44.44	99.75	-109.80	95.83	-26.11	-
	Total					**1616.73**					

ANNEXURE 3C

Statement showing subsidies and guarantees received during the year and guarantees outstanding at the end of the year 1996-97

(Referred to in Paragraphs 1.2.4 & 1.2.5)

(Rupees in crore)

Sl. No.	Name of the Company	Subsidies received during the year		Guarantees received during the year			Guarantee outstanding	Guarantee commission outstanding
		State	Total	Cash credit from SBI and other Nationalised banks	Loan from other sources	Total		
1.	Tarai Anusuchit Janjati Vikas Nigam Limited	0.21	0.21	--	--	--	1.16	--
2.	Uttar Pradesh Export Corporation Limited	4.66	4.66	--	--	--	--	--
3.	Uttar Pradesh State Industrial Development Corporation Limited	2.91	2.91	--	--	--	--	--
4.	Kumaon Mandal Vikas Nigam Limited	0.07	0.07	--	--	--	--	--

Sl. No.	Name of the Company	Subsidies received during the year		Guarantees received during the year			Guarantee outstanding	Guarantee commission outstanding
		State	Total	Cash credit from SBI and other Nationalised banks	Loan from other sources	Total		
5.	Uttar Pradesh Bridge Corporation Limited	79.68	79.68	--	--	--	--	--
6.	Uttar Pradesh State Handloom Corporation Limited	11.46	11.46	4.94	--	4.94	7.72	--
7.	Uttar Pradesh State Tourism Development Corporation Limited	1.17	1.17	--	--	--	--	--
8.	Uttar Pradesh Scheduled Caste Finance and Development Corporation Limited	115.90	115.90	--	2.90	2.90	24.34	--
9.	Kumaon Anusuchit Janjati Vikas Nigam Limited	0.31	0.31	--	--	--	--	--
10.	Uttar Pradesh Laghu Jal Vidyut Nigam Limited	3.75	3.75	--	--	--	--	--
11.	Uttar Pradesh Mahila Kalyan Nigam Limited	1.08	1.08	--	--	--	--	--

Sl. No.	Name of the Company	Subsidies received during the year		Guarantees received during the year			Guarantee outstanding	Guarantee commission outstanding
		State	Total	Cash credit from SBI and other Nationalised banks	Loan from other sources	Total		
12.	Uttar Pradesh State Yarn Company Limited	--	--	--	--	--	28.65	--
13.	Uttar Pradesh State Textile Corporation Limited	--	--	--	--	--	24.38	--
14.	Uttar Pradesh State Spinning Company Limited	--	--	13.80	--	13.80	44.20	--
15.	The Indian Turpentine and Rosin Company Limited	--	--	--	1.25	1.25	0.73	--
16.	Uttar Pradesh Small Industries Corporation Limited	--	--	--	--	--	3.10	--
17.	Uttar Pradesh State Sugar Corporation Limited	--	--	447.73	79.94	527.67	527.67	--
18.	Auto Tractors Limited	--	--	--	--	--	2.88	--

Sl. No.	Name of the Company	Subsidies received during the year		Guarantees received during the year			Guarantee outstanding	Guarantee commission outstanding
		State	Total	Cash credit from SBI and other Nationalised banks	Loan from other sources	Total		
19.	Uttar Pradesh State Leather Development and Marketing Corporation Limited	--	--	0.75	--	0.75	0.75	--
20.	Uttar Pradesh State Brassware Corporation Limited	--	--	--	0.08	0.08	0.08	--
21.	Uttar Pradesh Food and Essential Commodities Corporation Limited	--	--	24.50	--	24.50	--	--
22.	Nandganj Sihori Sugar Company Limited	--	--	14.00	--	14.00	14.00	--
23.	Chatta Sugar Company Limited	--	---	---	---	---	14.68	--
24.	Uttar Pradesh (Rohelkhand-Tarai) Ganna Beej Evam Vikas Nigam Limited	--	--	20.00	--	20.00	--	---
25.	Uttar Pradesh (Paschim) Ganna Beej Evam Vikas Nigam Limited	--	--	20.00	--	20.00	20.00	--

Sl. No.	Name of the Company	Subsidies received during the year		Guarantees received during the year			Guarantee outstanding	Guarantee commission outstanding
		State	Total	Cash credit from SBI and other Nationalised banks	Loan from other sources	Total		
26.	Uttar Pradesh (Poorva) Ganna Beej Evam Vikas Nigam Limited	--	--	2.98	--	2.98	2.89	--
27.	Uttar Pradesh (Madhya) Ganna Beej Evam Vikas Nigam Limited	--	--	3.00	--	3.00	3.20	--
28.	Lucknow Mandaliya Vikas Nigam Limited	--	--	--	--	--	0.88	--
29.	Uttar Pradesh Samaj Kalyan Nirman Nigam Limited	--	--	--	--	--	1.77	--
30.	Bareilly Mandal Vikas Nigam Limited	--	--	--	--	--	0.25	--
31.	Uttar Pradesh State Horticultural Produce Marketing and Processing Corporation Limited	--	--	--	--	--	0.56	--

Sl. No.	Name of the Company	Subsidies received during the year		Guarantees received during the year			Guarantee outstanding	Guarantee commission outstanding
		State	Total	Cash credit from SBI and other Nationalised banks	Loan from other sources	Total		
32.	Uptron India Limited	--	--	--	--	--	32.70	--
33.	Uttar Pradesh Alp-sankhyak Vittiya Evam Vikas Nigam Limited	--	--	--	--	--	14.70	--
34.	Ghatampur Sugar Company Limited	--	--	8.50	--	8.50	10.26	--
		221.20	**221.20**	**560.20**	**84.17**	**644.37**	**781.54**	**--**

ANNEXURE 4

Showing utilisation of capacity during 1996-97
(referred to in paragraph 1.2.10)

Serial Number	Name of the company	Unit	Installed capacity	Utilisation	Percentage of utilisation
1	Uttar Pradesh State Yarn Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited) (Successors of Uttar Pradesh State Spinning Mills Company (No. II) Limited)	Kgs.	99680	115.61 lakh Kg.	92.77
2	Uttar Pradesh State Textile Corporation Limited	Kgs.	2.50 lakh spindles	255.68 lakh Kg.	77.33
3	Uttar Pradesh State Spinning Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited) (Successors of Uttar Pradesh State Spinning Mills Co. (No. I) Limited)	Kgs	150000 spindles	199.57 lakh Kg.	91.37
4	Kichha Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	TCD	4000 TCD	4.71 lakh quintal	72.30
5	The Indian Turpentine and Rosin Company Limited	M.T.	27716	1057	3.81

Serial Number	Name of the company	Unit	Installed capacity	Utilisation	Percentage of utilisation
6	Uttar Pradesh State Sugar Corporation Limited	Tonnes per day	46105 TCD	53.46 lakh quintal	77.60
7	Uttar Pradesh State Cement Corporation Limited	MT	2560000	572000	22.34
8	Trans Cables Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	Km. per annum	7200	822	11.42
9	Uttar Pradesh State Leather Development and Marketing Corporation Limited	Pairs	160000	111720	69.83
10	Uttar Pradesh Instruments Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	Number	48000	7500	15.63
11	Uttar Pradesh Pashudhan Udyog Nigam Limited	Tonnes	810	25.60	3.16
12	Uttar Pradesh Digitals Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	Number	400000	212450	46.38
13	Uttar Pradesh Matsya Vikas Nigam Limited	No. in lakh	2700	2586	95.78

Serial Number	Name of the company	Unit	Installed capacity	Utilisation	Percentage of utilisation
14	Uttar Pradesh Laghu Jal Vidyut Nigam Limited (Successors of Uttar Pradesh Alparthak Evam Laghu Jal Vidyut Nigam Limited)	KW	4450	10466 KWH	---
15	Uttar Pradesh Hill Electronics Corporation Limited	Number	12000	40	0.33
16	Ghatampur Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	TCD	1250 TCD	1.17 lakh quintal	78.21

ANNEXURE 5

Statement showing summarised financial results of Statutory Corporations for the latest year for which Annual Accounts have been finalised

(Referred to in Paragraph 1.3.7)

(Rupees in crore)

Sl No.	Name of the Corporation	Name of administrative department	Year of incorporation	Year of accounts	Profit(+)/ Loss(-)	Interest on long term loan	Total return on capital employed	Capital employed	Percentage of total return on capital invested
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1.	U.P. State Electricity Board	Power	April 1959	1996-97	(+)170.79	1270.79	1632.45	14754.02	11.06
2.	U.P. Financial Corporation	Industries	1954	1996-97	(-)14.26	151.21	---	1220.58	---
3.	U.P. State Warehousing Corporation	Co-operative	1958	1996-97	(+)0.71	0.27	0.98	25.41	3.86
4.	U.P. State Road Transport Corporation	Transport	1972	1995-96	(-)41.87	22.64	(-)19.23	73.57	--

ANNEXURE 6

to Paragraph 2A.2.3

(In lakh Kgs.)

Particulars	1991-92			1992-93			1993-94			1994-95			1995-96		
	RBL	MAU	BBK	RBL	MAU	BBK	RBL	MAU	BBK	RBL	MAU	BBK	RBL	MAU	BBK
Cotton consumed	73.75	70.15	38.82	61.98	65.22	31.28	62.15	73.98	34.68	63.25	55.96	30.69	53.68	44.39	29.06
Yarn realised	63.18	60.00	33.21	53.35	57.30	27.40	53.33	64.30	29.98	53.72	48.13	26.29	45.69	38.23	24.89
Overall wastages at:															
-Soft saleable waste realised (other than hard waste)	9.00	8.58	4.75	7.49	7.28	3.52	7.84	9.06	4.36	8.67	7.10	3.88	7.25	5.41	3.84
- Hard waste	0.80	0.71	0.45	1.00	0.66	0.24	0.67	0.71	0.25	0.60	0.46	0.26	0.52	0.52	0.28
- Invisible (process) loss	0.77	0.86	0.41	0.14	(-)0.02	0.12	0.31	(-)0.09	0.09	0.26	0.27	0.26	0.22	0.23	0.05
						(Per cent)									
Yarn realisation	85.67	85.53	85.55	86.08	87.86	87.60	85.81	86.92	86.45	84.93	86.01	85.66	85.12	86.12	85.65
Overall wastage at:															
(i) Soft waste realisation (other than hard waste)	12.20	12.23	12.24	12.08	11.16	11.25	12.61	12.25	12.57	13.71	12.69	12.64	13.51	12.19	13.21
(At carding stage)	(6.63)	(6.11)	(4.33)	(6.75)	(5.09)	(5.21)	(8.44)	(5.29)	(5.56)	(7.88)	(5.98)	(6.40)	(7.92)	(6.24)	(5.60)
(ii) Hard waste	1.08	1.01	1.16	1.61	1.01	0.77	1.08	0.96	0.72	0.95	0.82	0.85	0.97	1.17	0.96
(iii) Invisible (process) loss	1.05	1.23	1.05	0.23	(-)0.03	0.38	0.50	(-)0.12	0.26	0.41	0.48	0.85	0.41	0.52	0.17
Count-wise realisation															
6/8s	82.40	82.57	82.62	80.88	83.37	86.04	84.30	83.41	84.70	81.02	83.10	84.00	81.86	80.25	81.81
10/16s	84.92	83.35	84.76	84.77	85.29	86.09	84.30	84.85	-	83.85	84.04	86.83	83.97	83.33	-
20/24s	86.09	87.08	86.35	86.39	88.02	89.38	86.89	87.24	88.26	85.28	85.00	87.48	84.54	85.05	87.74
30/34s	87.08	87.13	86.35	86.92	89.00	88.77	86.89	87.04	85.57	85.80	86.06	84.61	85.63	85.71	85.63
37/40s	87.08	88.52	88.80	86.92	89.68	85.53	88.15	87.79	83.17	86.59	86.59	84.03	86.73	86.72	83.15
60/62s	-	90.37	-	-	89.29	-	-	87.46	-	-	88.30	-	-	87.98	-
10/16s Export	85.08	-	-	84.49	-	-	86.40	-	-	85.66	-	-	85.72	-	-
20/30s Export	87.69	-	-	86.44	-	-	86.40	-	-	-	-	-	86.02	-	-

Note : Figures in bracket indicate actual percentage of waste at carding stage.

ANNEXURE 7

to Paragraph 2A.2.3

(Figures in lakh kgs)

Counts	RBL				MAU				BBK			
	Cotton consumed	Average trash per cent in cotton used for mixing	Yarn recovery as per norms of CRTAs	Actual yarn recovery	Cotton consumed	Average trash per cent in cotton used for mixing	Yarn recovery as per norms of CTRAs	Actual yarn recovery	Cotton consumed	Average trash per cent in cotton used for mixing	Yarn recovery as per norms of CTRAs	Actual yarn recovery
(A) Yarn recovery												
6/8s	3.30	8	2.73 (82.80)	2.70 (81.86)	4.31	9	3.53 (81.70)	3.46 (80.25)	3.85	8	3.19 (82.80)	2.89 (81.81)
10/16s/ 7.5 spl.	2.87	7	2.41 (84.00)	2.41 (83.97)	2.81	7.5	2.33 (82.80)	2.34 (83.33)				
20/24/ 26s	14.19	5	12.29 (86.60)	12.00 (84.54)	12.03	5	10.42 (86.60)	10.23 (85.05)	6.76	5	5.85 (86.60)	5.91 (87.37)
30/34s	12.17	4	10.73 (88.10)	10.42 (85.63)	6.04	4	5.32 (88.10)	5.18 (85.71)	10.07	4	8.87 (88.10)	8.64 (85.76)
37/40s	8.88	4	7.83 (88.10)	7.71 (86.73)	10.49	4	9.24 (88.10)	9.10 (86.72)	3.00	4	2.65 (88.10)	2.53 (83.99)
20/30 Exp.	2.87	4	2.53 (88.10)	2.47 (86.02)								
10/16 Exp.	1.38	4	1.21 (88.10)	1.18 (85.72)								
60s					1.33	4	1.17 (88.10)	1.17 (87.98)				
Total			**39.73**	**38.89**			**32.01**	**31.48**			**20.56**	**19.97**
(B) Loss of production (Lakh kgs)				0.84				0.53				0.59
(C) Value (Rs. in lakh)				82.18				49.01				60.01

Note: Figures in brackets indicate percentage of yarn recovery as per CTRAs norms and actual yarn recovery.

ANNEXURE 8

to Paragraph 2A.2.4

Counts	24s	30s	32s	34s	37s	40s	60s	Loss of production (in lakh kgs.)	Value (Rs. in lakh)
A. Norms (grams)	**152.46**	**113.85**	**103.95**	**99.00**	**84.15**	**79.20**	**47.52**		
B. Actual production (grams)									
1991-92									
RBL	146.81	101.19	-	-	79.83	69.93	31.31	1.41	67.57
	(49.47)	(33.58)	-	-	(31.82)	(57.63)	(2.22)		
MAU	141.74	99.04	-	89.59	78.35	71.93	45.40	1.50	67.79
	(39.15)	(10.47)	-	(51.28)	(15.44)	(49.07)	(2.98)		
BBK	152.41	102.35	97.79	90.68	84.06	73.58	-	0.10	4.51
	(29.00)	(29.12)	(49.96)	(0.43)	(31.88)	(17.38)	-		
1992-93									
RBL	142.13	100.91	94.60	84.99	73.56	71.23	-	2.82	150.63
	(89.30)	(62.02)	(3.09)	(10.94)	(83.26)	(3.27)	-		
MAU	148.17	96.49	92.96	88.59	-	70.76	42.09	2.73	146.26
	(73.30)	(4.69)	1.27	(74.37)	-	(142.74)	(62.99)		
BBK	156.97	96.05	99.16	-	83.75	-	-	0.58	28.79
	(8.91)	(1.91)	(97.20)	-	(93.98)	-	-		
1993-94									
RBL	142.69	98.05	87.58	84.73	71.49	71.00	-	2.13	128.43
	(96.40)	(40.42)	(7.14)	(7.14)	(14.18)	(19.04)	-		
MAU	148.76	90.25	-	88.75	-	68.58	41.38	1.52	85.65
	(103.29)	(2.66)	-	(17.82)	-	(61.22)	(40.10)		
BBK	150.29	85.06	95.92	-	79.43	-	-	0.95	54.78
	(41.14)	(0.72)	(77.51)	-	(46.69)	-	-		
1994-95									
RBL	148.02	104.05	97.72	89.80	-	69.86	-	1.57	130.30
	(56.31)	(57.34)	(8.82)	(42.60)	-	(33.29)	-		
MAU	148.31	104.98	-	87.71	-	69.85	41.22	1.89	153.15
	(36.10)	(21.00)	-	(15.92)	-	(124.55)	(32.8)		
BBK	149.97	106.35	97.40	-	78.00	70.08	-	0.89	73.04
	(32.28)	(1.65)	(66.98)	-	(37.43)	(13.54)	-		
1995-96									
RBL	152.10	101.68	-	-	77.22	70.78	-	1.21	118.75
	(29.78)	(30.09)	-	-	(34.19)	(70.72)	-		
MAU	139.66	101.59	-	-	78.44	69.10	39.06	2.54	237.49
	(35.76)	(38.20)	-	-	(13.62)	(100.04)	(29.94)		
BBK	151.48	102.07	96.79	-	77.28	71.05	-	0.93	89.02
	(29.64)	(4.41)	(81.28)	-	(27.10)	(10.04)	-		
							Total	**22.77**	**1536.16**

Note: Figures in brackets indicate spindle shifts worked (in lakh numbers).

ANNEXURE 9

to Paragraph 2A.5.2

Particulars		1991-92	1992-93	1993-94	1994-95	1995-96
			(Quantity sold : In lakh kgs)			
(i)	At mills	172.71	127.61	115.20	96.04	82.58
		(93.5)	(78.4)	(65.0)	(58.9)	(54.7)
(ii)	Through sale depots	---	6.30	43.79	55.64	63.64
			(3.9)	(24.7)	(34.1)	(42.2)
(iii)	consignment sale	---	21.86	12.44	9.46	1.18
			(13.4)	(7.0)	(5.8)	(0.8)
(iv)	**Export :**					
	(a) Direct to buyers	4.25	2.70	0.13	0.93	0.47
	(b) Through merchant	(2.3)	(1.7)	(0.1)	(0.6)	(0.3)
	exporters	7.68	4.20	5.63	0.98	3.01
		(4.2)	(2.6)	(3.2)	(0.6)	(2.0)
(v)	Other consumption	0.04	0.04	0.03	0.04	0.04
	Total	**184.68**	**162.71**	**177.22**	**163.09**	**150.92**
(vi)	Closing stock of yarn	15.73	11.65	15.34	12.68	16.61
		(8.5)	(7.2)	(8.7)	(7.8)	(11.0)
						(Rupees in crore)
(vii)	Loss due to cost of sales being higher than sales realisation	12.68	7.47	(5.17)*	2.12	3.70

Note : Figures in brackets from column (i) to (vi) indicate per cent.

* Figures in brackets indicate profit.

ANNEXURE 10

Growth of Arrears in Varanasi Zone
(Referred to Paragraph 3D.3)

(Rupees in lakh)

Category of consumers	1992-93	1993-94	1994-95	1995-96	1996-97
Non-Government					
Domestic and commercial (light and fan)	7531.56	8715.16 (15.7)	10568.32 (40.3)	15170.29 (101.4)	17237.23 (128.9)
Small and Medium	1999.48	2212.10 (10.6)	2635.36 (31.8)	5433.46 (171.7)	5912.30 (195.7)
Large and heavy	1703.84	2302.30 (35.1)	4024.75 (136.2).	3071.71 (80.3)	4973.24 (191.9)
Private Tubewells	4648.64	4780.66 (2.8)	4816.72 (3.6)	8376.23 (80.2)	9807.54 (111.0)
Others	6.59	7.87 (19.4)	8.31 (26.1)	22.28 (238.1)	50.15 (661.0)
Sub-Total	**15890.11**	**18018.09 (13.4)**	**22053.46 (38.8)**	**32073.97 (101.8)**	**37980.46 (139.0)**
Government and others					
Public lighting	491.56	693.50 (41.1)	872.15 (77.4)	1559.12 (217.2)	2059.94 (319.1)
Water works/sewage pumping	3752.68	4712.54 (25.6)	5994.57 (59.7)	7507.54 (100.1)	8646.59 (130.4)
Sate Tubewells	995.90	927.97	1128.60 (13.3)	1770.89 (77.8)	2254.54 (126.4)
World Bank Tubewells/Pump Canals	953.45	1807.78 (89.6)	2675.11 (180.6)	5227.17 (448.2)	6928.13 (626.6)
Railways	6.16	6.16	6.16	6.16	6.16
Others	458.07	457.91	457.82	458.64 (0.1)	460.28 (0.5)
Sub-Total	**6657.82**	**8605.86 (29.3)**	**11134.41 (67.2)**	**16529.52 (148.3)**	**20355.64 (205.7)**
Grand Total	**22547.93**	**26623.95 (18.1)**	**33187.87 (47.2)**	**48603.49 (115.6)**	**58336.10 (158.7)**

Note : (i) Figures in bracket indicate the percentage of increase over 1992-93.

(ii) Realisable amount included arrears at the beginning of the year plus revenue assessed during the year.