REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR 1976-77

(COMMERCIAL)

GOVERNMENT OF UTTAR PRADESH

1

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR 1976-77 (COMMERCIAL)

GOVERNMENT OF UTTAR PRADESH

TABLE OF CONTENTS

PREFATORY REMARKS

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

(i) Government Companies,

(ii) Statutory Corporations, and

(iii) Departmentally managed commercial and *quasi*-commercial undertakings.

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

3. In the case of Government Companies, audit is conducted by professional auditors appointed on the advice of the Comptroller and Auditor General but the latter is authorised under section 619 (3) (*b*) of the Companies Act, 1956 to conduct a supplementary or test audit. He is also empowered to comment upon or supplement the report submitted by the professional auditors. The Companies Act, 1956 further empowers the Comptroller and Auditor General to issue directives to the auditors in regard to the performance of their functions. Such directives were issued in November 1962 to the auditors for looking into certain specific aspects of the working of Government Companies. These instructions were revised in December 1965 and again in February 1969.

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

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

CHAPTER I

GOVERNMENT COMPANIES

SECTION I

1.01. *Introduction*

There were 69 Companies (including 22 subsidiaries) of the State Government as on 31st March 1977, as against 57 Companies (including 20 subsidiaries) as on 31st March 1976. Out of 69 Companies, 57 (including 18 subsidiaries) close their accounts on 31st March and six Companies (including one subsidiary) on 30th June each year, two subsidiary Companies on 31st July each year and three Companies (including one subsidiary) on 30th September each year. The remaining one Company *viz.* Uttar Pradesh Panchayati Raj Vitta Nigam Limited closes its accounts on 31st December.

1.02. A synoptic statement showing the summarised financial results of 33 Companies on the basis of their latest accounts (1976-77—27, 1975-76—4 and 1974-75—2) received up to December 1977 is given in Appendix I.

1.03. The accounts of 39 Companies are in arrears (December 1977). The Companies whose accounts are in arrears for two year or more are given below:—

	Years for which accounts are in arrears
Uttar Pradesh Panchayati Raj Vitta Nigam Limited	Years ended December 1975 and December 1976
Uttar Pradesh State Leather Development and Marketing Corporation Limited.	1975-76 and 1976-77
Uttar Pradesh State Bridge Corporation Limited	1974-75to1976-77
Uttar Pradesh State Bundelkhand Vikas Nigam Limited	1975-76 and 1976-77
Uttar Pradesh Pashudhan Udyog Nigam Limited	1975-76 and 1976-77
Uttar Pradesh Abscott Private Limited	1975-76 and 1976-77
Uttar Pradesh Potteries Private Limited	1974-75 to 1976-77
Uttar Pradesh Buildwares Private Limited	1974-75 to 1976-77
Uttar Pradesh Plant Protection Appliances Private Limited	1974-75 to 1976-77
Uttar Pradesh Roofings Private Limited	1974-75 to 1976-77
Krishna Fasteners	1973-74 to 1976-77
Bundelkhand Concrete Structurals Limited	1974-75 to 1976-77

The accounts of two Companies, *viz*. Handloom Intensive Development Project (Bijnor) Limited and Planning and Management Consultancy and Data Systems Corporation of Uttar Pradesh Limited, Lucknow, which were incorporated in 1976-77, were not due and one Company, *viz*. Indian Bobbin Company Limited, is under liquidation.

1.04. *Paid-up capital*

The aggregate of the paid-up capital of 27 Companies (the accounts of which are up-to-date) at the end of 1976-77 was Rs.6043.79 lakhs. The particulars of investments made by the State Government, the Central Government Company, Holding Companies and private parties in the paid—up capital of the 27 Companies are as follows :—

Category of Companies	Numbers	State Government	Central Government Company	Holding Companies	Private parties	Total
				(In lakhs of Rupees)		
Companies fully owned by the State Government	16	5197.85	..	..	..	5197.85
Wholly owned subsidiary Companies	4		..	771.18		771.18
Companies jointly owned by the State Government and private parties	5	37.73	..	..	26.78	64.51
Companies jointly owned by the Holding Company and by private parties	1	..	..	3.00	0.24	3.24
Companies jointly owned by the Holding Company and Central Government Company	1	..	†	†7.01	..	7.01
Total ..	27	5235.58	..	781.19	27.02	6043.79*

The State Government invested Rs.160.10 lakhs in four wholly owned Companies which rendered their accounts for 1975-76.

The particulars of investment in two Companies which rendered their accounts for 1974-75 were as follows:—

	Amount (In lakhs of Rupees)
State Government	53.30
Holding Company	1.77
Private parties	1.70

*Figures as per the accounts of the Companies.

†includes Rs. 300 subscribed by Scooters (India) Limited.

1.05. *Profit and dividends*

The results of working of 24 Companies during 1976-77 showed aggregate net profit of Rs.55.30 lakhs (comprising profit of Rs.127.35 lakhs made by 18 Companies and loss of Rs.72.05 lakhs incurred by 6 Companies), against the aggregate net loss of Rs.460.32 lakhs during the previous year of working of 31 Companies. The remaining three Companies, which prepared their accounts for 1976-77 were in the construction stage.

The particulars of nine Companies, which substantiallly improved their working results during 1976-77 over those during 1975-76 are given below :—

Name	Profit(+)/Loss (—) 1975-76	1976-77
	(In lakhs of Rupees)	
The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited, Lucknow	(+)11.16	(+)28.42
Uttar Pradesh Scheduled Caste Finance and Development Corporation Limited	(+)3.55	(+)5.57
Uttar Pradesh State Brasswares Corporation Limited	(+)0.66	(+)1.96
The Turpentine Subsidiary Industries Limited	(—)0.18	(+)0.19
Sharda Sahayak Samadesh Kshettra Vikas Nigam Limited	(+)0.95	(+)2.39
Uttar Pradesh State Industrial Development Corporation Limited	(+)57.04	(+)64.00
Uttar Pradesh State Cement Corporation Limited	(—)60.78	(—)47.59
Prayag Chitrakoot Krishi Evam Godhan Vikas Nigam Limited	(—)0.21	(+)0.92
Uttar Pradesh (Madhya) Ganna Beej Evam Vikas Nigam Limited	(+)0.07	(+)0.55

The particulars of four Companies which showed marked deteri-ration in their working results during 1976-77 from those during 1975-76, are given below :—

Name	Profit(+)/Loss (—) 1975-76	1976-77
	(In lakhs of Rupees)	
Uttar Pradesh Chalchittra Nigam Limited	(—)0.15	(—)1.67
Teletronix Limited	(—)0.70	(—)1.50
The Indian Turpentine and Rosin Company Limited	(+)5.00	(+)3.4
Uttar Pradesh Small Industries Corporation Limited	(+)19.46	(+)14.88

The Uttar Pradesh Small Industries Corporation Limited and Uttar Pradesh (Madhya) Ganna Beej Evam Vikas Nigam Limited declared dividend of Rs.3.90 lakhs and Rs.0.19 lakh respectively during 1976-77 which works out to six and three *per cent* respectively of their total paid-up capital (Rs.65 lakhs and Rs.7 lakhs). In addition, the Indian Turpentine and Rosin Company Limited paid dividend during 1976-77 amounting to Rs.1.52 lakhs relating to the previous year which works out to seven *per cent* of its total paid-up capital (Rs.21.79 lakhs as on 31st March 1977). The Uttar Pradesh Rajkiya Nirman Nigam Limited declared dividend of Rs.0.43 lakh during its first year of working (1975-76) which works out to 1.4 *per cent* of its total paid-up capital (Rs.30.00 lakhs).

Eight Companies with paid-up capital of Rs.2839.66 lakhs sustained losses totalling Rs.73.35 lakhs (1976-77 : Rs.72.05 lakhs, 1975-76: Rs.0.62 lakh, 1974-75 : Rs.0.68 lakh), of which Rs.68.84 lakhs pertained to the following three Companies :—

Name	Year	Losses
	(In lakhs of Rupees)	
Uttar Pradesh State Cement Corporation Limited	1976-77	47.59
Uttar Pradesh Instruments Limited	1976-77	16.03
Uttar Pradesh Electronics Corporation Limited	1976-77	5.22

1.06. *Guarantees*

Government have guaranteed repayment of loans aggregating Rs.3054 lakhs obtained by six Companies, against which Rs.2723 lakhs were outstanding on 31st December 1976. The table below indicates the details of the guarantees given by Government :—

Name of the Company and brief particulars	Maximum amount guaranteed*	Amount guaranteed and outstanding on 31st December 1976*
	(In lakhs of Rupees)	
(1) The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited, Lucknow		
(*a*) Guarantee for repayment of principal and payment of interest on 6¼ *per cent* bonds issued by the Company	330	321
(*b*) Guarantee fo credit guarantee scheme implemented by the Company	200	14
(2) Uttar Pradesh State Agro Industrial Corporation Limited, Lucknow		
(*a*) Guarantee given to the State Bank of India for repayment of loan taken by the Company for purchase of 500 tractors	43	11
(*b*) Guarantee given to commercial banks for repayment of loans and payment of interest thereon for purchase of fertilizers	925	925
(3) Uttar Pradesh State Bridge Corporation Limited, Lucknow		
Guarantee given to commercial banks for repayment of loans and payment of interest thereon for construction of bridges	395	347
(4) Uttar Pradesh State Sugar Corporation Limited, Lucknow		
(*a*) Guarantee given to two commercial banks for cash credit facilities	469	469
(*b*) Guarantee given to commercial banks for loans given to Sugar Mills under the control of the Company	167	139
(*c*) Guarantee given to Industrial Finance Corporation of India for repayment of loan and payment of interest thereon (Kichha Sugar Company Limited)	135	135
(5) Uttar Pradesh State Spinning Mills Limited, Kanpur		
Guarantee given to the Industrial Finance Corporation of India, Industrial Development Bank of India and State Bank of India for repayment of loan and payment of interest thereon	378	350
(6) Uttar Pradesh State Cement Corporation Limited		
Guarantee given to the Railway Board for credit note-*cum*—cheque facility towards payment of railway freight	12	12

*As per Finance Accounts for the year 1976-77.

Further, there were two Companies in the State coming und section 619-B of the Companies Act, *viz.* Steel and Fasteners Limite and Almora Magnesite Limited with an aggregate paid-up capital o Rs. 209.78 lakhs as at 22nd October 1976 and 31st October 197 out of which Rs. 123.96 lakhs were held by Companies and Corpora tions owned or controlled by the Central and State Governments. Th working results of these two Companies for 1975-76 showed a net los of Rs. 10.03 lakhs.

SECTION II

UTTAR PRADESH STATE AGRO INDUSTRIAL CORPORATION LIMITED

2.01. *Introduction*

Uttar Pradesh State Agro Industrial Corporation Limited, Lucknow was established in March 1967 with an authorised share capital of Rs.5 crores, equally subscribed between the Government of India and the State Government, to develop agriculture and encourage agro-based industries in the State.

The main objects of the Company are :

(*a*) to aid, assist, promote or establish, develop or execute agro-industries, projects or enterprises or programmes for manufacture or production of plants, machinery, implements, accessories, tools, materials, *etc.* for promotion or advancement of the agro-industrial development of Uttar Pradesh ; and

(*b*) to aid, counsel, assist or finance or promote the interest of agro-industries and connected activities.

2.02. *Activities*

The Company has confined itself mainly to the following activities :

(*a*) supply of tractors on cash and hire-purchase basis and pre-delivery servicing of tractors ;

(*b*) fabrication/manufacture of spare parts of tractors and production of agricultural implements ;

(*c*) distribution of chemical fertilisers and pesticides ;

(*d*) providing after-sale service and repair facilities by setting up agro-service centres and also renting out tractors, power tillers, *etc.* to small farmers ;

(*e*) establishment of processed food factories and setting up of cold storage ; and

(*f*) production of different types of cattle and poultry feeds.

Assembly and distribution of tractors received in semi-knocked condition, manufacture and sale on cash/hire purchase basis of farm machinery and equipment, were the works initially taken up by the Company. Assembly of tractors was discontinued from 1971-72 on stoppage of import of semi-knocked down tractors to the Company's Assembly Workshop, which then started renovation and repairs of old tractors of farmers.

From October 1969, the Company also took up distribution of fertilisers to cultivators under the orders of the State Government which laid down directions regarding allotment of fertilisers, sale price fixation and determination of method of sales. The sale price so fixed included the margin to the Company for undertaking the job.

The amount of margin available, however, gradually declined owing to increase in the distribution cost. The Company sustained losses of Rs.51.55 lakhs, Rs.95.33 lakhs and Rs.56.00 lakhs in this activity during 1974-75, 1975-76 and 1976-77 respectively.

Two processed food factories at Ramgarh (Nainital) and Kaimganj (Farrukhabad) established by Government to encourage the local agricultural growers by utilising their products in the factory, were transferred to the Company in 1968-69 and 1969-70 respectively. At the end of 1976-77, there were seven fruits processing factories, one spices factory and three packing cases factory under the Processed Food Division of the Company with gross capital investment of Rs.62.39 lakhs. The accummulated loss suffered by the Division up to 31st March 1976 was Rs.62.11 lakhs owing to lack of co-ordination in procurement, production and marketing activities. Unsold old stock of fruit products and spices valuing Rs.18.85 lakhs became unfit for human consumption.

The Company started production of balanced live stock feed in April 1974.

2.03. *Organisational set-up*

The management of the Company is vested in a Board of Directors headed by a Chairman. There is a Managing Director, 12 part-time directors appointed by the State Government and one part-time director appointed by the Government of India. The Managing Director is assisted in the day-to-day administration by the General Managers of different divisions. The Chief Accounts Officer and Financial Adviser of the Company is responsible for maintenance of accounts and rendering advice in financial matters.

2.04. *Capital structure*

The authorised capital of the Company which was Rs.5 crores at the time of its incorporation, was increased to Rs.8.50 crores during 1974-75. The paid-up capital as on 31st March 1977 was Rs.6.32 crores contributed equally by the Government of India and the State Government.

2.05. *Borrowings*

(*a*) The Company obtained long-term loans from the State Government from time to time, as detailed below :—

Year in which loan was obtained	Loan obtained	Loan repaid	Total loan outstanding as at the end of the year
	(In lakhs of Rupees)		
1973-74	2.25	..	37.55 (includes Rs. 35.30 lakhs pertaining to loans obtained in earlier years)
1974-75	28.01	1.96	63.60
1975-76		8.54	55,06

(*b*) During 1970-71, the Company had availed of deferred credit facilities from the State Trading Corporation of India Limited, guaranteed by Government, to the extent of Rs.36.54 lakhs. The liability outstanding on this account as on 31st March 1976 was Rs.12.92 lakhs. The deferred credit facilities were availed for purchase of tractors and the interest paid up to 1975-76 and that outstanding on 31st March 1976 were Rs.4.12 lakhs and Rs.0.68 lakh respectively.

(*c*) Besides, the Company has also availed of secured loans from nationalised banks from time to time, the outstanding amount of which stood at Rs.339.11 lakhs as on 31st March 1976.

Interest paid during the three years up to 1975-76 was as under :

	(In lakhs of Rupees)
1973-74	12.87
1974-75	36.06
1975-76	63.17

2.06. *Financial position*

The table below summarises the financial position of the Company, under the broad headings, at the close of each of the three years up to 1975-76:

	1973-74	1974-75	1975-76
	(In lakhs of Rupees)		
Liabilities—			
Paid-up capital (including advance against share capital)	500.00	570.00	632.00
Reserves and surplus	51.17	13.60	12.18
Borrowings—			
(i) From the State Government	37.55	63.60	55.07
(ii) From State Trading Corporation (deferred term liability)	22.38	17.65	12.92
(iii) From banks (cash credit)	41.04	355.21	339.11
Trade dues and other current liabilities (including provisions)	484.58	613.20	670.54
Total	1136.72	1633.26	1721.82

Assets—	1973-74	1974-75	1975-76
Gross block	139.19	172.16	185.28
Less—Depreciation	51.02	66.38	75.13
Net fixed assets	88.17	105.78	110.15
Capital works-in-progress	16.11	38.08	30.85
Current assets, loans and advances	1031.75	1468.72	1426.25
Miscellaneous expenditure	0.69	0.82	0.31
Accumulated losses	..	19.86	154.26
Total	1136.72	1633.26	1721.82
Capital employed	638.21	965.29	868.63
Net worth	550.48	562.92	489.61

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

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

2.07. *Working results*

The table below summarises the working results of the Company for the three years up to 1975-76 :

	1973-74	1974-75	1975-76
	(In lakhs of Rupees)		
Profit (+)Loss(—) before tax	(+)47.68	(—)55.96	(—)138.01
Provision for tax and Development Rebate Reserve	27.16	1.45	0.78
Profit after tax and provision for Development Rebate Reserve	(+)20.52	(—)57.41	(—)138.79
Sales, including sales under hire purchase scheme and income from services rendered and rent from cold storage	2268.25	1826.55	1891.81
Value of business	2347.34	2239.50	1799.29

2.08. *Working of different divisions*

Fertilisers division

The Company took over in October 1969, the business of procurement and distribution of fertilisers in accordance with a decision taken by the State Government in October 1969. Till 1973-74, the sale was being effected through 2502 registered private dealers. The State Government decided in June 1973 that the system of private dealership should be abolished and the fertiliser distribution work should be carried through retail depots manned by the Company's staff. Accordingly, the Company abolished all private dealership from 1st April 1974 and established 360 retail sale centres as well as 150 seasonal centres in the State. No extra margin for opening retail depots was, however, allowed to the Company by the State Government.

(a) *Purchase and sale of fertilisers*

The table below indicates the allotment, purchase and sale of fertilisers during the years 1973-74 to 1975-76 :—

	1973-74	1974-75	1975-76
		(In tonnes)	
Allotment	2,16,058	1,50,118	1,96,277
Purchases	1,94,029	94,238	86,393
Opening stock	19,394	16,133	35,450
Stock built-up	2,13,423	1,10,371	1,21,843
Sales	1,97,290	74,921	84,075

The Management stated (March 1977) that heavy stock balances, absence of demand and lack of resources were the main reasons for less quantities being lifted than allotted.

The decline in the sale of fertilisers during the years 1974-75 and 1975-76 was attributed by the Management (June 1977) to :

(i) greater availability of fertilisers in the open market,

(ii) increase in the prices of fertilisers without corresponding increase in the price of agricultural products,

(iii) sales through retail sales depots instead of bulk sales to dealers,

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

(v) absence of credit facility to farmers.

(b) *Working results*

The working results of trading in fertilisers during 1973-74 to 1975-76 were as under :

Particulars	1973-74	1974-75	1975-76
	(In lakhs of Rupees)		
Opening stock	162.21	140.02	537.15
Purchases	1720.69	1529.08	1399.70
Establishment charges	18.55	31.23	34.50
Godown rent	7.66	7.98	8.62
Interest	9.03	28.17	50.64
Other overheads	8.71	17.62	9.62
Headquarters expenses	..	4.16	3.17
Total	1926.85	1758.26	2043.40
Sales	1842.34	1169.57	1453.54
Closing stock	140.03	537.14	494.53
Total	1982.37	1706.71	1948.07
Profit (+)/Loss(—)	(+)55.52	(—)51.55	(—)95.33

The trading in fertilisers had earned profits of Rs.1.17 lakhs, Rs.9.29 lakhs and Rs.14.88 lakhs during 1970-71, 1971-72 and 1972-73 respectively.

The Management stated (June 1977) that the losses during 1974-75 and 1975-76 were mainly due to :—

(i) less sales through the Company's retail shops ;

(ii) increase in the expenditure on establishment, depot rent, transportation charges and other overheads ;

(iii) increase in the interest rates and bank borrowings ;

(iv) non-reimbursement of shortfall in receipts consequent upon reduction in the prices of non-pooled fertilisers (Rs.16.98 lakhs during 1974-75 and Rs.38.95 lakhs during 1975-76) and delay in reimbursement of claims on account of reduction in the prices of pooled fertilisers ; and

(v) inadequate distribution margin.

Further, the heavy incidence of interest charges during 1974-75 and 1975-76 was stated by the Management (March 1977) to be mainly due to increase in the rate of interest and larger borrowings on account of increase in the purchase prices of fertilisers.

Establishment charges per tonne of fertiliser sold increased in 1974-75 and 1975-76 to Rs.42 and Rs.41 respectively as compared to Rs.9 in the year 1973-74.

The Management stated (June 1977) that prior to 1974-75, the Company was making purchases of fertilisers according to the demand and it did not keep heavy stock during the off-season. Besides, increased volume of sale through private dealers enabled the Company to hold about Rs.40 lakhs as security deposit from them which not only augmented its cash resources but also reduced the burden of interest charges. As the dealers used to lift fertilisers from the railhead directly, the Company did not have to incur local transportation, handling and storage charges.

(c) *Transportation of fertilisers/claims*

(i) In the case of imported (pooled) fertilisers received from ports against the quota allotted by the Government of India, the transportation charges up to destination were to be paid by the supplier, *viz.*, Food Corporation of India (FCI). During 1971-72 to 1973-74, owing to shortage of wagons the supply of pooled fertilisers were arranged at specific railheads and FCI agreed to bear the transportation charges from such railheads to destination railheads. During the years 1971-72 to 1973-74, the Company incurred additional expenditure of Rs.0.94 lakh on transportation of fertilisers by road to the sale points as per the allocations made by the Government of India. Claims for this amount lodged by the Company with the FCI were pending reimbursement (December 1977).

Similarly, claims aggregating Rs.1.42 lakhs were pending at the end of 1975-76 with FCI on account of heavy shortages of pooled fertilisers despatched in loose condition to the Company in non-standard bags. The claims remained to be settled (December 1977).

(ii) Claims aggregating Rs.59.68 lakhs on account of reduction in the prices of pooled fertilisers were preferred by the Company with FCI up to June 1977. Claims for Rs.15.30 lakhs preferred in June 1976 on account of reduction in price from 18th July 1975 were pending settlement (December 1977).

(iii) Shortages of fertilisers and cash (including defalcations) recoverable from the Company's staff aggregated Rs.13.04 lakhs as on 31st March 1976. Up to March 1977, Rs.1.93 lakhs had been realised from the defaulting officials.

The Management stated (June 1977) that cases of defalcations, *etc.* pending in the court of law or under police/vigilance enquiry were for Rs.8.68 lakhs and out of the remaining shortages of value Rs.4.36 lakhs in excess of the permissible limit, recoveries of Rs.1.93 lakhs had been effected from the concerned staff.

Some of these cases are indicated below:

At the time of finalisation of the accounts for 1973-74 (June 1974), Rs.2.93 lakhs of cash and 91.159 tonnes of fertilisers valuing Rs.1.03 lakhs had not been accounted for by the Assistant Sales Officer, Ghazipur. According to the Deputy Chief Accounts Officer of the Company who investigated the case, the defalcation of cash sale realisations without accountal in the cash book, by short deposits and delayed deposits of the sales proceeds, was facilitated on account of laxity in control by the Accountant and Branch Manager over the transactions of the sales office. The Management stated (October 1977) that services of the Assistant Sales Officer, Ghazipur had been terminated in September 1977 on finalisation of departmental enquiry and that reports of State Vigilance authorities were awaited.

The Assistant Sales Officer, Dehradun sold 71.5 tonnes fertilisers valuing Rs.0.61 lakh to a dealer in October and November 1971 on credit against the instructions (May 1970) of the Company. The purchaser paid Rs.0.18 lakh in November 1971 but did not make payment of the balance amount (Rs.0.43 lakh). A civil suit was filed by the Company against the firm and the Assistant Sales Officer in November 1972. The court awarded a decree (August 1975) with cost for Rs.0.46 lakh against the Assistant Sales Officer; delivery of fertilisers to the dealer could not be proved. The services of the Assistant Sales Officer were terminated on 2nd July 1975 and an execution suit was filed in October 1975. The decree could not be executed (December 1977) as the official had no property.

In 1972-73, the Assistant Sales Officer, Rampur reported a theft of fertilisers of the value of Rs.0.40 lakh. The theft was not, however, established. The services of the official were terminated in June 1975. The amount has neither been recovered nor written off (December 1977).

The Food Corporation of India despatched 1,030 bags (52.24 tonnes) of imported urea of value Rs.0.55 lakh from Bombay to Faizabad on 31st December 1973. The connected railway receipt was received by the Company's Branch Manager at Faizabad on 10th January 1974. According to the Railways, delivery of the consignment was given to the Assistant Sales Officer of the Company on 20th/21st January 1974 and his signature was obtained on the railway unloading book, although the concerned railway receipt was not available. The Company lodged (May 1974)) a claim for Rs.0.55 lakh, which was rejected (September 1974) by the Railways. A suit was filed (December 1976) against the Railways in the court of the Civil Judge, Faizabad; decision of the court is awaited (December 1977).

The Senior Accounts Officer of the Company reported (October 1974) that 41.29 tonnes of indigenous urea supplied by the Fertiliser Corporation of India during 1973-74, were sold during 1973-74 and 1974-75 at Rs.2070 per tonne while sales were accounted for by the Assistant Sales Officer at Rs.1087.07 per tonne. Similarly, 6.27 tonnes of fertilisers sold during July—September 1974 by the same Assistant Sales Officer at Rs.1273 per tonne were accounted for in the books of the Company at Rs.703.80 per tonne. These cases were detected during routine inspection by the Senior Accounts Officer. These short accountal of sales resulted in a loss of Rs.0.48 lakh to the Company.

The Management stated (June 1977) that the services of the Assistant Sales Officer had been terminated in July 1975 and a proposal for recovery of the amount through the court of law was under consideration.

Servicing division

The Company's custom servicing centres (53 in number at the end of 1976-77) cater to the needs of those agriculturists who are not capable of owning tractors and other agricultural equipment. These custom servicing centres primarily undertake tilling of the agricultural land by tractors, cutting of crop, levelling the land, thrashing the produce and transportation of produce from one place to another on hire. These centres also undertake repairs of tractors and sale of tractor spares. The Servicing Division also undertakes manufacture of *gobar* gas plants (and their installation), bullock drawn carts and grain storage bins.

(a) Working results

The Division incurred losses of Rs.2.67 lakhs during 1975-76, Rs.13.10 lakhs in 1974-75 and Rs.4.56 lakhs during 1973-74 against profit of Rs.1.83 lakhs during 1972-73.

The Management stated (November 1976) that the Division suffered losses during 1975-76 partly because it incurred preliminary expenses of Rs.3.33 lakhs on establishment of centres for distribution of pump sets to cultivators at the instance of the U. P. State Co-operative Land Development Bank Limited and it had lost revenue of Rs.2.69 lakhs which it would have earned but for the scheme being entrusted to it.

(b) Claims

In connection with import of tractors or spares, the position of the claims filed by the Company and its clearing agents against the Customs and part authorities for refund of customs duty and against insurance

companies, shipping companies and the State Trading Corporation of India Limited for goods lost in transit, shortages and damages, *etc.*, during the three years up to 1975-76 was as under :

	1973-74	1974-75	1975-76
	(In lakhs of Rupees)		
Opening balance	6.85	11.22	16.94
Add Claims preferred during the year	8.95	9.18	0.46
Total	15.80	20.00	17.40
Less Claims settled during the year			
(i) by recovery	4.13	3.06	1.98
(ii) by rejection	0.45	0.40	0.60
	4.58	3.46	2.58
Closing balance	11.22	16.94	14.82

An import licence for the import of 250 Rumanian tractors was obtained by the Company in 1970 from the State Trading Corporation of India Limited (STC). Eighty tractors booked for Bombay were diverted to Calcutta reportedly due to labour trouble at the Bombay port. The diverted consignment reached Calcutta on 2nd February 1971. The shipping documents were, however, received at the head office of the Company at Lucknow on 9th February 1971. Delivery could, however, be obtained in November 1971. Moreover, survey of the consignment which was required to be done within 3 days of landing of goods at the port could not be done reportedly due to late despatch of documents by STC. Shortages and damages of value : Rs.0.29 lakh were noticed by the clearing agents and claims were lodged with the port authorities in January 1972.

After negotiations, STC agreed (September 1974) to settle, on compromise basis, the claim on 50 : 50 basis but this was not accepted by the Company. In August 1975, STC withdrew its offer for compromise and rejected the claim. The Board of Directors of the Company decided in February 1977 that the matter might be taken up again with the STC for settlement of the claim at 50 : 50 basis as offered originally. Final settlement of the claim was awaited (December 1977).

(c) Installation and distribution of pump sets

The U. P. State Co-operative Land Development Bank Limited, offered (March 1975) to the Company the execution of a scheme for installation of engines and pump sets in 14 selected districts. In pursuance of the offer, the Company opened nine service stations during April to June 1975 and appointed engineers and other staff for the same. The bank, however, did not allot the work to the Company. The Company incurred an expenditure of Rs.3.33 lakhs on the establishment of the centres, pay and allowances of staff, *etc.*

Besides, the Company lost Rs.2.69 lakhs, which it would have earned in thrashing work but for the scheme being entrusted to it.

The Company served a notice (September 1975) on the bank for reimbursement of Rs.6.02 lakhs. With the consent of both the parties, the Registrar of Co-operative Societies, U.P. has been appointed (September 1976) to look into the matter for a decision. The decision is awaited (December 1977)

(d) Working of harvestor combines and bulldozers

(i) To provide facilities of harvesting and threshing to the cultivators, the Company purchased two harvestor combines during the year 1971-72 at a cost of Rs.2.59 lakhs from the Agriculture Department of the State Government. Each combine was expected to harvest 1125 acres of land per annum, calculated at 2.25 acres per hour for 500 working hours on an average during the harvest season. The actual performance of these machines was as under :—

	1974-75	1975-76	1976-77
Harvesting done (In acres)	470	407	225
Income derived (In lakhs of Rupees)	0.59	0.43	0.27

The Management stated (October 1977) that owing to non-availability of spare parts of imported harvestor combines these could not work continuously during the harvesting season.

(ii) The Company purchased two bulldozers during 1974-75 at the cost of Rs.4.55 lakhs. The bulldozers initially worked for about 300 hours with a custom income of Rs.0.37 lakh during 1974-75. The Kanpur service station operating the bulldozers recorded a loss of Rs.1.41 lakhs during the same year. These worked for 290 hours during the period from April 1975 to September 1975 and earned custom income of Rs.0.30 lakh. These bulldozers were thereafter transferred (October 1975) to the Pant Nagar service station (Nainital) where these worked for 2,554 hours (custom income being Rs.2.81 lakhs) during the period from October 1975

to March 1976. A profit of Rs.0.45 lakh was reported from operation of the bulldozers at Pant Nagar. During 1976-77, these bulldozers worked for 2,555 hours: custom income being Rs.2.81 lakhs.

The Management stated (October 1977) that bulldozers were purchased on the assurance of enough work by the Agriculture Department which did not materialise and so the bulldozers could not be kept continuously engaged as planned.

(e) Shortages and defalcations

Instances of non-accountal/short accountal of cash and stores of the aggregate value of Rs.0.21 lakh were noticed by the internal audit cell of the Company in 1972-73 against the Storekeeper and Service Engineer of the Gorakhpur service centre. Rupees 1,500 were deposited by the Service Engineer against the shortage of cash in January 1973. In July 1973, he was suspended but was reinstated in September 1973. He, however, submitted his resignation in March 1976, which was accepted by the Company in May 1976 without finalisation of his case. It was stated (June 1977) that a report against the defalcation, *etc.* had been lodged with the Police in September 1973 and the case was pending in a court of law (December 1977): the Storekeeper continued to be under suspension.

(f) Defective power threshers

The Company placed (February 1971) an order on a firm of Kanpur for supply of 300 power threshers of three models for sale to farmers and custom service. In 1971-72, 211 threshers (WTA 5 : 59, WTA 12 : 75 and WTA 30 : 77) valuing Rs.6.00 lakhs were supplied by the firm. The threshers were not tested during that year. These were put to use in 1972-73 and it was found that these were much below the specified capacity. The Company constituted a team of technicians for improvement of these machines. Even after modifications and replacement of certain parts no improvement was noticed. Sixty unsold threshers (cost Rs.1.70 lakhs) were lying (December 1977) at various branches and service stations of the Company.

It was stated (July 1977) by the Management that Rs.0.42 lakh being the balance 10 *per cent* payment due to the supplier firm had been withheld and that the case had been referred to an Arbitrator whose decision is awaited (December 1977).

Processed food division

The Company established fruit processing factories and spice factories in the remote and underdeveloped areas of the State to utilize the local products and to encourage the growers. Two existing Government factories at Ramgarh (Nainital) and Kaimganj (Farrukhabad) were transferred to the Company in 1968-69 and

969-70. In the fruit processing factory, Kaimganj and the spices ctory, Jhansi (established in 1972-73) the Company purchased angoes and spices from the other States though the factories were utilise local products.

The Company established production units, in addition to the bove factories, as detailed below :—

Name	Year of establishment
acking case unit—	
Haldwani (Nainital)	1971-72
Bhowali (Nainital)	1974-75
Fruits canning, processing and pickles factory—	
Khalilabad (Basti)	1972-73
Agro-top, Lucknow	1973-74
Hapur (Ghaziabad)	1975-76
Kosi (Almora)	1975-76
Kotdwar (Garhwal)	1975-76
Honey Scheme—	
Haldwani (Nainital)	1974-75

(a) Working results

The working results of the Division classified under the different schemes for the three years up to 1975-76 were as under :—

Factories	Profit (+) Loss (—)		
	1973-74	1974-75	1975-76
	(In lakhs of Rupees)		
Spices factory, Jhansi	(+)0.57	(—)0.90	(—)1.77
Fruit processing factories:			
Ramgarh	(+)0.67	(+)0.20	(—)3.32
Kaimganj	(+)1.08	(+)0.76	(—)7.51
Khalilabad	(+)0.37	(+)0.12	(—)3.35
Hapur	..	..	(—)2.68
Kosi	..	..	(—)0.37
Kotdwar	..	..	(—)0.39
Agro-top	..	(+)0.05	(+)0.12
Packing case units:			
Haldwani	(+)0.41	(+)0.31	(+)0.47
Bhowali	..	(—)0.09	(—) 0.17
Honey Scheme:			
Haldwani	..	(+)0.04	(—)0.13
Oishi Restaurant and Agro-cafe	(—)0.32	(—)0.15	..
General Manager's office including headquarters proportionate expenses	(—)3.52	(—)10.91	(—)16.62
Total	(—)0.74	(—)10.57	(—)35.72

The above results of the units exclude proportionate expen[ses] of the General Manager's office and headquarters expenses.

In this connection the following points deserve mention :—

(i) Provision aggregating Rs.11.08 lakhs for unsaleab[le] stock at the different factories was made in the accounts up [to] 1975-76. These are to be written off after ascertaining th[e] actual unsaleable quantity by a Committee constituted for th[e] purpose.

(ii) Norms of production and percentage of processing loss at each stage of production have not been fixed.

The Management stated (November 1976) that the net loss o[f] the Division for 1975-76 included Rs.5.07 lakhs on account of valu[e] of unsaleable finished stock/goods due to failure of the Marketin[g] Division to push up the sales.

Heavy cost of transportation, particularly in hills and remote and backward areas, where units are situated, was reported by the Management to be the major factor for the losses.

(b) Production and sales

The table below would indicate the target of production of food products, packing cases and spices, the actual production and sales thereof during the three years up to 1976-77 :—

Production	Target of production	Actual production	Percentage of shortfall
			(In lakhs of Rupees)
1974-75			
Food Products	55.08	39.11	29
Spices	9.00	7.43	17
Packing cases	4.85	3.76	22
Sales	66.99	32.15	52
1975-76			
Food Products	32.64	20.81	36
Spices	9.50	6.87	28
Packing cases	6.00	3.63	40
Sales	31.56	22.45	29
1976-77			
Food Products	57.53	38.06	34
Spices	13.50	5.65	60
Packing cases	14.62	21.32	..
Sales	138.17	57.61	59

Honey scheme

The actual production and collection and sale of honey for the three years ending 1976-77 were as under :—

	Production	Sales
	(In lakhs of Rupees)	
1974-75	1.30	0.16
1975-76	0.02	0.73
1976-77	0.02	0.42

The scheme reflected a profit of Rs.0.04 lakh in 1974-75 whereas it exhibited losses of Rs.0.13 lakh and Rs.0.20 lakh during 1975-76 and 1976-77 respectively. The losses were stated by the Management (July 1977) to be mainly due to poor performance of the centre.

(c) Working of different factories

A. *Spices factory, Jhansi*

In order to utilise the local produce of spices *viz. dhania,* ginger, *haldi* and red chillies and to help the growers, the spices factory was established at Jhansi in May 1972. Initially, the factory was to have a production capacity of finished goods worth Rs.6.00 lakhs per year, to be increased to Rs 15.00 lakhs during the next three years. Raw spices were, however, purchased from the Delhi market reportedly because spices at Delhi were comparatively cheaper.

The table below gives the details of production, sales and the closing stock, during the three years up to 1975-76 :—

	1973-74	1974-75	1975-76
			(In lakhs of Rupees)
Opening stock	2.96	4.37	4.41
Production	5.76	7.43	6.87
Sales	3.31	4.70	5.55
Closing stock valued at cost	4.37	4.41	5.24

The Management stated (November 1977) that the closing stock was on the increase, due to failure of its marketing division which had since been wound up.

The losses incurred by the spices factory were attributed (Jun 1977) by the Management mainly to:

(i) reduction in the selling prices of certain spices on account of accumulation of stock as marketing of the agro pro ducts did not prove to be effective; and

(ii) repacking of spices in plain bags and card board pack ings from initial packings of polythene bags which resulte deterioration of the quality of spices.

The values of purchase, consumption and closing stock of rav materials in the factory during the three years up to 1975-76 wer as under :—

	1973-74	1974-75	1975-7
		(In lakhs of Rupees)	
Opening stock	2.89	4.62	0.51
	(66.553)	(77.689)	(4.795)
Purchases	4.92	1.37	4.87
	(79.690)	(15.098)	(54.335)
Consumption ..	3.19	5.48	4.0
	(68.554)	(87.992)	(44.965)
Closing stock	4.62	0.51	1.1
	(77.689)	(4.795)	(14.165)

Figures in brackets indicate the quantities in tonnes.

B. *Fruit canning and processing factories*

The table below indicates the production and sales of differen factories for the three years up to 1976-77 :

Factory	1974-75	1975-76	1976-77
		(In lakhs of Rupees)	
Ramgarh			
Production	6.11	4.23	3.62
Sales	3.46	2.41	3.66
Kaimganj			
Production	20.38	5.05	15.82
Sales	15.08	3.48	13.71

Factory	1974-75	1975-76	1976-77
		(In lakhs of Rupees)	
Khalilabad			
Production	10.24	3.08	3.54
Sales	5.69	4.32	3.16
Hapur			
Production	..	4.41	11.45
Sales	..	0.68	8.94
Kosi			
Production	..	1.29	0.14
Sales	..	0.26	0.17
Kotdwar			
Production	..	1.31	0.43
Sales	..	0.07	0.14
Agro-top			
Production	1.08	1.42	2.00
Sales	0.24	0.80	1.25

The Management stated (June 1977) that the sales were less due to inefficient working of the Company's marketing division and production had to be regulated on account of piling up of stock of finished products.

(d) *Factory buildings*

A building constructed (June 1975) at Lucknow at a cost of Rs.7.67 lakhs, for establishment of a factory for production of powder and milk from soyabean and processing of fruits and vegetables, has not been utilised owing to non-availability of requisite machines and lack of resources (December 1977). It is being used as a sales depot for agro products. Rupees 0.36 lakh were incurred on the pay and allowances of a Manager engaged during July 1972 to August 1975.

The Management stated (October 1977) that owing to non-availability of soyabean seeds around Lucknow, it was not possible to run the factory economically. It was further stated that the 'Agro-Tops' factory was being considered to be transferred to this building from the headquarters of the Company.

Another building constructed (March 1974) at Kunda (Kashipur) at a cost of Rs.1.00 lakh for establishment of a *menthal* plant was lying unutilised. It has been reported by the Management

(October 1977) that the building was being utilised since June 197 and that production had started from June 1977.

Cold storage

The Company established a cold storage at Nawabganj (Allah abad) in 1972-73, at a cost of Rs.9.63 lakhs. During 1972-73, 1973-74 and 1974-75, the working results of the cold storage showed ne losses of Rs.2.55 lakhs, Rs.1.63 lakhs and Rs.0.59 lakh respectivel In 1975-76, there was a marginal profit of Rs.0.13 lakh.

The loss was attributed (November 1975) by the Managemen mainly to uneconomic storage rates fixed by Government, increas in wages, salaries and the cost of power.

Assembly workshop

The workshop at Talkatora (Lucknow) was established in October 1968 for assembling imported tractors received in semi knocked-down condition. The installed assembling capacity of the workshop was 4000 tractors per annum in single shift working. In December 1971 the workshop was closed down owing to non-allot ment of further semi-knocked-down packages by the Central Gov ernment. The activities of the workshop were thereafter confined to pre-delivery services on supply of complete tractors and repairs of tractors. Assembly of the semi-knocked-down tractors was entrusted (1971-72) by the Government of India to Hindustan Machine Tool Limited (HMT), Chandigarh. The Company was engaged as the sole distributor of tractors assembled by HMT for the State and was allowed a gross margin of Rs.1500 per tractor. To avoid layoff and retrenchment of the workers becoming surplus due to receipt of assembled tractors, a scheme for renovation of tractors, repairs of fuel injunction pumps, *etc.* involving a capital expenditure of Rs.5.22 lakhs was taken up in June 1973.

(i) The table below indicates the firm demand for HMT tractors, the actual receipt and sale to cultivators (including transfers to service stations) by the Company for the four years up to 1976-77 :—

Year	Firm demand	Receipts	Distributed
		(In numbers)	
1973-74	1500	1163	971
1974-75	2000	1462	1448
1975-76	1000	476	738
1976-77	1000	931	693

The Management stated (June 1977) that HMT never supplied the required number of tractors as per the demand and as per a phased programme : on the contrary a large number of tractors was supplied at the fag end of the year.

(ii) The annual targets and the value of work actually done, the net profit and the number of tractors renovated were as under :

Year	Targets	Value of work done	Net profit	Number of tractors re-novated
			(In lakhs of Rupees)	
1973-74	Not available	1.59	0.15	120
1974-75	4.00	3.67	0.32	240
1975-76	3.25	2.81	0.34	428
1976-77	3.50	3.81	0.14	189

(a) Working results

The Division disclosed a loss of Rs.8.08 lakhs in 1975-76 as against profits of Rs.4.70 lakhs, Rs.6.49 lakhs and Rs.41.91 lakhs during 1974-75, 1973-74 and 1972-73 respectively. The Management stated (January 1977) that the shortfall in the number of tractors supplied by HMT and consequential less sale partly accounted for the decrease in profit. It was further stated that increasing overhead expenditure also accounted for the downward trend.

(b) Non-charging of duty

Imported tractors meant to be used for agricultural purposes in the State were not subject to custom duty. During the period from December 1970 to March 1971, the Company imported 230 U-650 tractors from Rumania for supply to the agriculturists for agricultural purposes. Out of the lot 18 tractors were, however, sold to the Public Works Department for other purposes without claiming from that Department, the chargeable amount of duty of Rs.1.86 lakhs (Rs.1.14 lakhs were paid in June 1973 and Rs.0.72 lakh were paid in May 1974 to the Customs authorities). The Management stated (June 1977) that efforts were being made for realisation of the amount. The amount (Rs.1.86 lakhs) has not been recovered (December 1977).

Agriculture workshop

The Workshop manufactures power-driven and bullock-draw implements, disc ploughs, tillers, levellers, disc harrows, power thrasher grain storage bins, tractor-trailers, *etc*. The production, sal and closing balance during the four years up to 1976-77 were as under

Year	Targets of production	Actual production	Sales including transfers	Closing stock valued at cost
			(In lakhs of Rupee	
1973-74	55.74	38.07	54.01	24.93
1974-75	47.44	46.91	57.37	16.39
1975-76	52.52	42.88	38.17	23.78
1976-77	47.05	41.14	44.55	18.83

The targets of production and the actual production of the main items manufactured in the Workshop for the three years up to 1976-77 were as below:

Particulars	1974-75		1975-76		1976-77	
	Target	Actual production	Target	Actual production	Target	Actual production
					(In numbers)	
Cultivators	1250	767	1125	780	1000	587
Power threshers	133	84	155	36	300	232
Tractor-trailers	130	103	110	88	90	110
Gobar gas plants	..	48	340	274	180	225
Bullock-drawn carts	..	..	..	1498	4280	8007
Grain storage bins	..	287	47	87	49	333

The workshop recorded a loss of Rs.1.00 lakh during 1975-76 as against profits of Rs.13.61 lakhs, Rs.0.05 lakh and Rs.0.75 lakh during the years 1972-73 to 1974-75 respectively.

High overhead charges necessitated fixing of higher selling prices of some implements as compared to the market prices of the same implements. Absence of adequate effective marketing organisation had also been responsible for the low production and sales.

The Management stated (October 1977) that besides high overheads the rates of the Company's implements were higher than the market rates on account of use of superior quality of raw materials

he workshop had been manufacturing durable and standard agri-ultural implements out of raw materials of high quality while those vailable in the market were of sub-standard type.

nauthorised advance

A firm of Lucknow approached (January 1974) the Company or sanction of a loan of Rs.25000 against orders placed on in 1970 for supply of 400 seed-*cum*-fertiliser drills. The oard of Directors of the Company decided in April 1974 to dvance Rs.20000. The amount was recoverable in six annual nstalments and interest was to be charged at 11½ *per cent*. Neither he instalments of loan (Rs.10000) and interest due (Rs.7688) had een paid nor drills, which were to be supplied at the rate of ten er week, had been supplied by the firm (October 1977). It was tated (June 1977) that legal action was being taken for recovery of he loan together with interest. Further developments are awaited December 1977).

alanced livestock feed factories

As on 31st March 1977, there were three balanced livestock feed actories at Lucknow, Gorakhpur and Moradabad. The factory at Gorakhpur started working from April 1974 while the factory at Moradabad started its operation in March 1977. The factory at ucknow has been in operation since January 1970.

Orders for supply of 3500 quintals of groundnut-cakes at Rs.56.90 per quintal were placed by the Company in April 1972 on a New Delhi firm, to be supplied by 27th May 1972; the date was subsequently extended to 26th June 1972. During the period from 19th May 1972 to 25th September 1972, the firm supplied 1445.58 quintals of cakes. On 20th and 23rd June 1972, notices were served on the supplier for supply of the remaining quantity by 26th June 1972. The firm was also informed by the Company that risk purchase would be resorted to in the event of its failure to make the supply. The firm failed to complete the supply by the due date and as such the Company resorted to risk purchases. During the period from July 1972 to December 1972, the Company bought 2054.42 quintals of cakes for Rs.1.59 lakhs, which resulted in an extra expenditure of Rs.0.42 lakh. The amount of Rs.0.42 lakh was withheld by the Company from the bills of the New Delhi suppliers. The firm refuted its liability to bear the extra cost on the ground that proper notice within the contracted period (May 1972) had not been served As per the terms of the agreement the case was referred (April 1975) for arbitration. The Arbitrator in his award (July 1975) directed the Company to refund the amount withheld. The

security money was released in December 1974 before the award of the Arbitrator.

The Management stated (October 1977) that the security deposit (Rs.10000) was refunded under the orders of the Chairman and for the loss sustained by the Company, the matter was referred to the Arbitrator. It was further stated that the Arbitrator did not find any weight in the argument of the Company and decided for release of the amount withheld (Rs.0.42 lakh).

Hire purchase division

Under the hire purchase scheme, 2498 pump sets, 874 tractors and 1868 agricultural implements of the value of Rs.261.69 lakhs were sold to farmers during the years 1968-69 to 1971-72. The scheme was discontinued in 1972-73 owing to limited financial resources of the Company. Recoveries of principal and interest are, however, to continue till 1981-82.

The hire purchase scheme exhibited a profit of Rs.4.37 lakhs during 1975-76 as against the profits of Rs.7.53 lakhs and Rs.12.26 lakhs during the years 1974-75 and 1973-74 respectively. The decline in profit was attributed (November 1976) by the Management to (i) reduction in income on account of interest consequent on decrease in the amount of principal due to payment by hire purchasers and (ii) increase in the incidence of interest charges payable to the State Government.

The total amount due for recovery up to 1976-77 was Rs.58.32 lakhs against which Rs.18.41 lakhs had been realised, leaving arrears recoverable to the tune of Rs.39.91 lakhs. It was stated (June 1977) by the Management that recovery notices had been issued to the defaulters, for recovery as arrears of land revenue, through the district authorities.

2.09. *Other schemes*

In 1972-73, another scheme, known as "Self Employment Scheme", was started under which a loan of Rs.20000 in cash and machinery worth Rs.30000 were given to each trained engineering/agricultural graduate. This scheme lasted up to 1974-75, and a total sum of Rs.80 lakhs was distributed amongst 165 entrepreneurs. The loan is recoverable by 1980-81. During 1976-77, Rs.35.00 lakhs (principal Rs.27.83 lakhs and interest Rs.7.17 lakhs) fell due for recovery from the entrepreneurs. Out of this, Rs.8.95 lakhs were recovered during the year, leaving Rs.26.05 lakhs overdue for recovery at the end of 1976-77.

In 1974-75, a scheme for distribution of margin money for loan to entrepreneurs was introduced under "Half a million employment promotion scheme" sponsored by the Government of India. Out

of Rs.36.02 lakhs placed at the disposal of the Company in 1974-75, Rs.7.35 lakhs were disbursed as loan to entrepreneurs up to March 1977 although the entire amount was to be finally utilised by that time. Fifty *per cent* of the amount (Rs.36.02 lakhs) was to be treated as loan, bearing interest at the rate of $11\frac{1}{4}$ *per cent* (subject to a rebate of 3.5 *per cent* for timely repayment of principal and interest) and the remaining 50 *per cent* was to be treated as grant to the Company. Recovery from the entrepreneurs was to be made in two equal instalments in the 9th and 10th year from the date of sanction of the loan. The unspent amount (Rs.28.67 lakhs) was to be refunded to Government in 1977-78. The Management stated (June 1977) that the Company had moved the Government of India for grant of extension of time by another year. It was also stated that owing to non-completion of formalities and the delay caused in processing the loan applications by banks, a substantial portion of the amount placed at the disposal of the Company could not be utilised.

2.10. *Cost control*

Cost records for formulation of standard costing system are not being maintained and periodical reconciliation between the financial figures and the figures as per the cost accounts is not being carried out. Standard costing necessary for exercising effective cost control is yet to be introduced by the Company (December 1977).

2.11. *Internal audit*

An internal audit cell, created by the Company in August 1972, carried out internal audit of different branches and factories. Audit of the Agricultural Implements Workshop and the Assembly Workshop had, however, been taken up from 1976-77. No periodicity of audit has been prescribed. No system has been devised for periodical submission of reports of internal audit to the Company's Board of Directors. The Management stated (June 1977) that important matters included in the report of Internal Audit were brought to the notice of the Managing Director/Chairman and that this system was working satisfactorily.

2.12. *Inventory control*

The comparative position of the Company's inventory at the close of each of the three years up to 1975-76 is given below :—

	1973-74	1974-75	1975-76
	(In lakhs of Rupees)		
Raw materials and components	37.39	32.41	29.04
Stores and spare parts	49.77	52.76	56.83
Finished goods	383.94	794.57	701.58
Goods-in-process	9.63	11.95	12.42
Goods-in-transit	33.19	44.43	52.33

The stock of raw materials and components and stores and spare parts was equivalent to about 10 months' consumption for production requirement in 1975-76 as compared to 9 months' in 1974-75 and 12 months' in 1973-74.

Maximum, minimum and re-ordering levels in respect of each class of stores and spares had not been fixed (December 1977).

2.13. *Sundry debtors*

The following table indicates the volume of book debts at the end of the year compared to sales for the three years up to 1975-76 :—

Year	Total debts at the end of the year (considered good)	Sales during the year	Percentage of debtors to sales
	(In lakhs of Rupees)		
1973-74	228.67	2268.25	10.1
1974-75	190.24	1826.55	10.4
1975-76	200.85	1891.81	10.6

Year-wise break-up of debtors was not available. Out of the debts of Rs.200.85 lakhs as on 31st March 1976, debts of Rs.116.30 lakhs related to private parties.

2.14. *Other points of interest*

(*a*) *Purchase of potatoes*

In January 1977, the Company decided to purchase 10,000 tonnes of potatoes on behalf of the National Agricultural Co-operative Marketing Federation of India Limited, New Delhi (NAFED) for supply by March 1977. The scheme was finalised in a meeting of NAFED and the Company but no written documents were exchanged. It was, however, anticipated by the Company that the cost of procurement plus 3 *per cent* commission would be payable by NAFED. Three purchase centres (Hapur, Muzaffarnagar and Shamli) were opened during February 1977 by the Company. The Company could, however, purchase 221.47 tonnes of potatoes for Rs.1.23 lakhs during February and March 1977 and earned a commission of Rs.3,489 only, because no further quantities of potato were available in the market at the rate (Rs.48 per quintal) fixed by NAFED. In connection with this purchase, the Company incurred an expenditure of Rs.0.52 lakh on purchase of tarpaulins, weighing balances and gunny bags (Rs.3.30 lakh) and rent and taxes, vehicle, stationery, salary and wages, travelling allowances, conveyance, entertainment, postage, bank charges, electricity and headquarters expenses (Rs.0.22 lakh), which remained unrecovered (December 1977).

The Management stated (October 1977) that the scheme had not worked successfully due to low price of potatoes fixed by NAFED and that a claim for Rs.0.22 lakh was pending with NAFED. In respect of the expenditure (Rs.0.30 lakh) on tarpaulins, gunny bags, *etc.* it was stated that these were being utilised at the Company's other units.

(*b*) *Purchase of mangoes*

To meet the requirement of mangoes for its fruit processing factory at Kaimganj (Farrukhabad), the Company appointed (January 1972) a committee consisting of its Deputy Chief Accounts Officer and a Field Officer to assess the rates and availability of mangoes at Rajmahal (Bihar). According to the assessment of the committee, at Rajmahal mango was available in baskets each weighing 24—25 kg at rates varying from Rs.14 to Rs.16 per basket. Purchases were made (June and July 1977) by the Field Officer posted at Rajmahal, at rates varying from Rs.11.00 to Rs.31.25 per basket from a commission agent, at 3 *per cent* commission. Test check of the accounts (August 1977) maintained at the head office of the Company with corresponding accounts maintained at the factory in respect of the purchase of mangoes showed the following :—

(i) The head office of the Company paid Rs.3.25 lakhs for 14,731 baskets of Rajmahal mangoes and Rs.0.49 lakh as freight and other incidental charges, including commission. The weight of these mangoes shown in the annual accounts of the Company was 3.96 lakh kgs. But the records of the factory showed that the weight of the mangoes received from Rajmahal at the factory was 2.35 lakh kgs.

(ii) Payments for Rajmahal mangoes were made by the head office without reference to the factory records where mangoes were actually received.

The value of 1.61 lakh kgs of mangoes (difference between the quantity paid for and the quantity shown as received in the factory) works out to Rs.1.50 lakhs at the average rate of Rs.0.94 per kg.

The Management stated (October 1977) that mangoes were actually packed at round 15 kg per basket and number of baskets received had been tallied with the stock books.

Reasons for the discrepancy in weight of mangoes recorded at the Company's head office and the weight actually received at the factory were not explained.

(c) Production of jam

During June/July 1972, 0.05 lakh kg of peach jam produced by the Ramgarh Fruit Processing Factory of the Company, set up for manufacture of processed foods, were packed in 11,046 tins of 450 gm each, for supply to the Defence Department. As the production was not in accordance with the specification of the Defence Department, it was rejected and kept in the factory's godowns up to December 1974 when 3,600 tins were transferred to Lucknow depot and 900 tins were kept in the local depot for sale to public. Out of this, 1262 tins were sold in retail up to September 1977. In September 1977, 9,784 tins of peach jam valued at Rs.0.42 lakh were in stock. The stock had become unfit for human consumption with passage of time.

The Management stated (October 1977) that the peach jam was manufactured by the factory manager, whose services had been terminated.

(d) Oil extraction plant

The Company purchased (February 1974) an oil extraction plant for Rs.0.32 lakh and installed it in February 1975 to be run by its canning and pickles factory at Khalilabad (Basti) in a shed leased by the Director of Industries on an annual rental of Rs.4,360. Oil seeds (21760 kg, value : Rs.0.85 lakh) were purchased (April to June 1974) for crushing in the plant in anticipation of its energisation. Four persons (helper, chowkidar, fitter and assistant storekeeper) were appointed in April 1974 to run the plant. The factory had not, however, obtained the necessary power connection to run the machine. As the plant continued to remain idle without energisation, services of two out of the four employees (helper and fitter) were terminated (January 1976). Out of 21760 kg of oil seeds purchased, 3101 kg (value : Rs.0.12 lakh) were lost due to dust content (2032 kg) in the oil seeds and driage (1069 kg). The Company could obtain mustard oil (4746 kg) and oil cakes (13913 kg, value : Rs.0.07 lakh) by getting the remaining oil seeds (18659 kg) crushed by private crushers during 1974-75 to 1976-77.

Besides blocking up of funds (Rs.0.32 lakh) on the plant and the loss suffered on sale of oil and oil cakes (Rs.0.25 lakh), the Company has incurred an expenditure of Rs.0.41 lakh (up to September 1977) on pay and allowances of staff, contingent expenses, *etc.*

The Management stated (October 1977) that a fresh survey of the market was discouraging as in comparison to other competitive brands of oil, the factory's product was found to be uncompetitive and that transfer of the plant to Hapur being considered. It was also stated

that the then Factory Manager who had made the proposal for setting up the plant was no more in the service of the Company.

(e) Loss of spices

In 1972-73, the Company purchased a large quantity (40315 kg value : Rs.2.36 lakhs) of raw *khatai* (dried mango slices) without assessing the marketability of *khatai* powder. Semi-finished *khatai* (3926 kg value : Rs.0.20 lakh) and finished *khatai* (1117 kg value : Rs.0.16 lakh) were lying in stock (October 1977); 4988 kg of *khatai* (value : Rs.0.26 lakh) were lost in processing and storage and 647 kg (value : Rs.0.09 lakh) of finished *khatai* were damaged in storage during 1974-75. The Management stated (October 1977) that the *khatai* could not be sold due to poor performance of the marketing division and that storage and processing losses appeared to be normal.

SECTION III

THE UTTAR PRADESH STATE BRIDGE CORPORATION LIMITED

3.01. *Introduction*

Construction and maintenance of all types of bridges i the State was the responsibility of the Public Works Depar ment of the State Government. Extensive road developmen schemes necessitated construction of new bridges. The Fourth Pla envisaged construction of 115 new bridges at a capital outlay of Rs.5 crores. Similarly, construction of 400 new bridges at a capital ou lays of Rs.100 crores was envisaged during the Fifth Plan period. Th limited capacity of the bridge organisation of the Public Works Depart ment, dearth of suitable contractors with requisite engineering ski and difficulty to meet the heavy programme of bridge construction fro the State budgetary resources alone prompted the State Governmen to establish a Bridge Corporation in 1972-73. The Uttar Prades State Bridge Corporation Limited was incorporated on 18th Octobe 1972 as a fully owned State Government Company, with two-fol basic objects, viz. (i) attracting loans from financial institutions, com mercial banks and from the open market for a more intensive bridg construction activity, and (ii) providing an agency for executing work with requisite technical skill at reasonable rates. In its Memorandu of Association the Company has undertaken, *inter alia,* to construc all types of bridges and other structures, works and conveniences per taining to bridges like approach roads to bridges. The Compan confined its activities mainly to construction of bridges of the Stat Government and a few other Governments on contract basis. Th Company was granted certificate to commence business on 16th November 1972 and it actually started functioning from 1st March 1973. The officers and staff working in 5 design units and 12 con struction units of the Public Works Department, who were engaged in bridge construction works, were transferred by the State Govern ment to the Company with effect from 1st March 1973. Govern ment transferred the construction work of 65 bridges estimated to cost Rs.3519 lakhs during 1972-73 and 19 bridges estimated to cost Rs.231 lakhs during 1973-74 from the Public Works Department to the Com pany, without deciding the terms and conditions of the transfer. On 12th March 1974, the State Government decided to pay 'centage charges' at 9 *per cent* of the estimated cost of the works so transferred or entrusted thereafter for execution by the Company as deposit works.

3.02. *Organisational set-up*

The Management of the Company vests in a Board of Directors headed by the Chairman. The Commissioner and Secretary of the Public Works Department is the *ex-officio* Chairman of the Company. Besides, a whole-time Managing Director has also been nominated by Government. The Board has five other part-time directors, *viz.*, the Commissioner and Secretary of each of the Planning and Finance Departments, Secretary of the Judicial Department, the Chief Engineer, Public Works Department and the Managing Director, Uttar Pradesh Rajkiya Nirman Nigam Limited. The Managing Director is assisted at the headquarters by a Secretary-*cum*-Financial Adviser, a Planning Officer and a Senior Technical Officer and in the field, by three Zonal Managers.

A consultant, who had taken up study of the working of the Company at the instance of the State Government. suggested (July 1974) *inter alia*, that to make the working of the Company more effective and successful as a commercial organisation, immediate action should be taken to strengthen the Finance Wing and to separate payment work from the engineering divisions of the Company. The recommendations of the consultant have not been implemented (December 1977). Payments are continued to be made by the engineering divisions on the authorisation by the divisional officers.

3.03. *Transfer of assets and liabilities by Government*

(i) The Company took over the assets (book value : Rs.186.88 lakhs) and liabilities (book value : Rs.81.33 lakhs), without executing any formal agreement and proper valuation. On the basis of book values a credit of Rs.105.55 lakhs (net) was given by the Company to the State Government, as a receipt in its account for 'deposit work'. Complete details of assets taken over, such as advances to staff (Rs.57.08 lakhs), cash settlement suspense (Rs.75.59 lakhs), stock of materials (Rs.40.12 lakhs), workshop suspense (Rs.0.67 lakh) and liabilities like deposit (Rs.15.77 lakhs) and purchases (Rs.65.56 lakhs) have not been verified (December 1977).

(ii) The value of tools, plants, furniture and fixtures and vehicles purchased by the Public Works Department and borne on the accounts of the transferred units, were transferred to the Company for use on the works, without settling their cost and the amount payable by the Company (December 1977). The Company has not incorporated the value of these items in its accounts.

(iii) Seventy-one existing bridges valued at Rs.11 crores and other bridges on which toll tax was being realised or is to be realised were to be transferred to the Company for their maintenance and realisation of toll tax. The Board of Directors of the Company, however, did not

approve of such transfer on the grounds that it would create unrealistic capital structure, income-tax liability on revenue from toll tax, etc. These points were referred to Government for consideration (May 1973); reply is awaited (December 1977). Formal transfer of the bridges has not been effected (December 1977).

3.04. *Capital structure*

(*a*) The Company was registered with an authorised capital of Rs.1600 lakhs. The paid-up capital was Rs.150 lakhs as on 31st March 1977 divided into 1.5 lakhs equity shares of Rs.100 each. Rupees 100 lakhs subscribed by Government on 31st March 1976 to the share capital of the Company were drawn from the Contingency Fund of the State on the ground of 'meeting emergent requirements of the Company', without any call from the Company. The entire amount was invested by the Company on 1st April 1976 in fixed deposits and it continues to remain as such (December 1977). Shares for Rs.100 lakhs were formally allotted to the State Government on 19th June 1976.

(*b*) The Company also obtained loans (repayment of which has been guaranteed by the State Government) aggregating Rs.261 lakhs from banks from time to time up to 30th June 1977. Rupees 10.78 lakhs (principal) became overdue for repayment on 30th June 1977.

3.05. *Delay in finalisation of annual accounts*

Mention was made in paragraph 4.02 of the Report of the Comptroller and Auditor General of India for the year 1975-76 (Commercial) about the delay in finalisation of accounts of the Company. The accounts of the Company for the year ended 30th September 1975 and onwards are in arrears (December 1977). The Management stated (September 1977) that it had not been possible to maintain the accounts in the proper form because, except some accountants, the rest of the staff were from the Public Works Department.

3.06. *Financial position*

The Company follows the accounting year from 1st October to 30th September. The financial position of the Company for the four years ended on 30th September 1976 is summarised in the table below. The figures given for the years 1974-75 and 1975-76 are provisional as the accounts for these years have not been finalised (December 1977) :—

	1972-73	1973-74	1974-75	1975-76
			(Provisional)	
			(In lakhs of Rupees)	
Liabilities				
Paid-up capital	50.00	50.00	50.00	150.00
Borrowings		40.00	119.57	177.00
Current liabilities (including provisions)	85.49	167.36	41.18	311.35
Total	135.49	257.36	210.75	638.35

	1972-73	1973-74	1974-75	1975-76
			(Provisional)	
			(In lakhs of Rupees)	
Assets				
Gross block	6.94	8.58	8.71	9.02
Less—Depreciation	0.15	0.51	0.42	0.50
Net fixed assets	6.79	8.07	8.29	8.52
Capital works-in—progress	0.80	9.77	43.59	27.68
Investments	46.00	187.00	60.08	499.75
Current assets (including loans and advances)	79.35	47.96	70.06	57.42
Intangible assets :				
(i) Miscellaneous expenditure	0.01	0.01	0.01	0.01
(ii) Losses	2.54	4.55	28.72	44.97
Total	135.49	257.36	210.75	638.35
Capital employed	0.65	(—)111.33	37.17	(—)245.41
Net worth	47.45	45.44	21.27	105.02

NOTE : (i) Capital employed represents the net fixed assets *plus* working capital.

(ii) Net worth represents the paid-up capital *plus* reserves *less* intangible assest.

3.07. *Construction performance*

Works executed by the Company are broadly divided into two categories, *viz.*, (i) deposit works and (ii) contract works. Deposit works have further been divided as (*a*) works which are economically viable, *i.e.*, bridges the construction cost of which is financed — fully or partly — out of loans from financial institutions; such loans are obtained by the Company from the banks on guarantees given by Government and are repayable together with interest thereon out of toll tax realised by Government and remitted to the Company, and (*b*) works which are financed out of budget allotments of the State Government. Deposit works are entrusted to the Company by the State Government on the basis of actual cost *plus* 9 *per cent* centage charges while contract works are secured by the Company by participating in open tender system. The works are undertaken by the Company for execution through its own organisation but assistance of contractors was also taken for various works. Government entrusted to the Company construction of 192 bridges (estimated cost : Rs.7026 lakhs) on 'cost plus' basis up to 31st March 1977. During the same period, the Company secured contracts for construction of 30 bridges (estimated cost : Rs.1551 lakhs) by participating in open competitive tenders. Of these, 94 bridges (estimated cost : Rs.2018 lakhs) on 'cost plus' basis and 21 bridges (estimated cost : Rs.280 lakhs) on contract basis had been completed and 33 bridges (estimated cost : Rs.3352 lakhs) on 'cost plus' basis and 9 bridges (estimated cost :

Rs. 1271 lakhs) on contract basis were in progress (September 1977). Work on the remaining 65 bridges (estimated cost : Rs.1656 lakhs) on 'cost plus' basis had not been started (September 1977).

(a) Technical sanctions

Under the Government financial rules (adopted by the Company pending finalisation of its own rules) no work should be commenced nor expenditure incurred thereon unless the technical sanction to the work has been accorded by the competent authority. There were 30 bridges on which the work had been commenced without technical sanctions having been accorded. Of these, 12 bridges had been completed during the period from 1973 to 1976 at a total cost of Rs.472.49 lakhs. In the case of 8 bridges, the progress of expenditure was disproportionate to the physical progress (as per the Company's records) achieved, as would be evident from the table given below :

Name of the bridge	Month of starting work	Estimated cost as per Bridge index* as on 31st March 1977	Actual expenditure incurred up to 31st March 1977	Actual expenditure compared to the estimated cost as on 31st March 1977 (*per cent*)	Physical progress as on 31st March 1977 (*per cent*)	Remarks
		(In lakhs of Rupees)				
Karmnasa, Ghazipur	January 1974	39.75	10.81	27	8	Work stopped in August 1974 and was resumed in April 1976
Varuna, Varanasi	November 1973	12.10	22.09	183	79	
Ganga, Ghazipur	April 1973	383.25	151.00	39	19	
Sengur, Etawah	October 1973	8.49	16.60	195	73	
Pahuj, Jalaun	January 1974	50.79	48.90	96	48	
Sai, Pratapgarh	January 1974	20.71	19.19	92	70	
Sewai Nala, Jaunpur	March 1974	5.25	8.25	157	65	
Little Gandak, Deoria	October 1971	20.97	28.25	135	72	

*Bridge index has been prepared by Government to indicate the year-wise costs, keeping 1964 as the base year, i.e. if the cost of a bridge in 1964 was estimated to be Rs.100 what the same bridge would cost if it is constructed, say in 1974-75.

(b) Delay in completion

Dates of completion of bridges entrusted to the Company for execution are not indicated by Government. A target date of completion is, therefore, fixed in each case by the Company itself. In 94 deposit works completed during 1973-74 to 1976-77, the original target dates for completion were revised in 46 cases and further revised in five cases. There were delays in completion ranging from four months to twenty-one months. This increased the cost of construction by 11 *per cent* to 106 *per cent* over the original estimates. Scrutiny of records relating to five bridges which were completed after 12 to 21 months of the target dates, showed increase in the cost of construction by Rs.5.39 lakhs (worked out on the basis of Bridge index) as indicated below :

Name of Bridge	*Amount of increase in cost* (In lakhs of Rupees)
Sai on Sujanganj-Mahrajganj (Jaunpur)	1·47
Sai on Lalganj-Bachrawan (Rae Bareli)	2·33
Overhead Bridge (Varanasi)	0.63
Bhambher Nala (Gonda)	0.45
Belan (Mirzapur)	0·51
Total	5·39

(c) Utilisation of Government funds

No formal agreement with the Company for the works entrusted to it for execution and funds to be released therefor, has been executed by Government (December 1977). In the absence of any formal agreement, funds up to the budget allotments were released from time to time and charged to the final heads of expenditure of bridge works by Government.

The Company received Rs.21.24 lakhs from 1972-73 to 1974-75 as shown below, for construction of 13 bridges but work on them has not commenced (December 1977):—

Year	*Amount received* (In lakhs of Rupees)
1972-73	0.60
1973-74	7.14
1974-75	13.50
Total	21.24

3.08. *Diversion of funds*

Construction of nine permanent residential flats at Aishbagh, Lucknow was completed at a cost of Rs.2.70 lakh in 1974-75 by a unit of the Company, without any sanction of the Board of Directors of the Company. The entire expenditure was originally booked to the sub-head "Building" under Ganga Bridge, Rae Bareli out of which Rs.2 lakhs were transferred to the following two bridges between July 1975 to January 1977 under the orders of the Zonal Manager :—

	(In lakhs of Rupees)
Ganga Bridge, Hardwar	0.75
Ganga Bridge, Allahabad	1.25

The original estimate of Ganga Bridge, Rae Bareli had a provision of Rs.5 lakhs for construction of temporary sheds for site staff, *etc.*, against which the aforesaid expenditure of Rs.2.70 lakhs was booked originally. Thus the cost of these nine flats stand charged to three works which were being executed as "deposit works" out of funds released by Government from time to time against budget allotments. Thus, the Company has diverted Government funds to the tune of Rs.2.70 lakhs for constructions not belonging to Government, on which centage charges at 9 *per cent* (Rs.0.24 lakh) were received from Government.

3.09. *Contract works*

In pursuance of the object of the Company to secure works on contract basis the Company submits tenders on the basis of preliminary survey of the site, *etc.* Although the Company works out item-wise rates after examining the site, local conditions, prevalent rates of labour and materials, *etc.* for submission of tenders, the actual cost against each item is not compiled either in the course of execution or on completion of works. In respect of completed works, the Company has neither worked out the profit/loss on execution of individual contracts nor has it prepared completion reports.

A test check of the expenditure incurred *vis-a-vis* the contract value of work done received by the Company in respect of ten completed bridges, however, showed the following :—

Name of the bridge	Expenditure	Contract value of work done	Loss	Percentage of loss
	(In lakhs of Rupees)			
Surai (Nepal)	16.41	12.18	4.23	35
Gurai (Nepal)	6.25	4.62	1.63	35
8 RCC Bridges (Nepal)	56.37	48.00	8.37	17
Total	79.30	64.80	14.23	22

The loss was attributable to heavy expenditure on the following items :—

Name of the bridge	Items of expenditure	Estimated cost	Actual cost	Variation	Percentage of variation
		(In lakhs of Rupees)			
Surai	(i) Establishment	1.42	2.12	0.70	50
	(ii) Hire and running charges of equipment	2.84	6.78	3.94	140
Gurai	Running charges of equipment	0.93	2.86	1.93	208
8 RCC bridges	Hire and running charges of equipment	5.96	16.51	10.55	177

These works were completed in April 1977 against various target dates of completion in 1975. The Management stated (September 1977) that claims had been submitted to authorities and that accounts were still being closed.

The Company does not frame its estimates indicating separately the expenditure on establishment, overheads and interest on capital before submitting its quotations. No decision has been taken regarding the percentage of profit that should be included before quoting for contract works. During negotiations the rates had been reduced by the Company without analysing the workability on the reduced rates and indicating the various items from where corresponding saving was envisaged.

(a) *Work at Ghaziabad*

The Company submitted a tender to Uttar Pradesh Jal Nigam in May 1975 for construction of 2800 mm dia R. C. C. conduit, viaduct, syphon and other appurtenant works from Muradnagar to Nizamuddin bridge for Rs.870.23 lakhs. During negotiation, a reduction of Rs.15.23 lakhs was made by the Company. But itemwise details of the reduction were not prepared. The work was started in December 1975 and was scheduled to be completed by December 1977. Profitability assessment made by the Management in September 1977 indicated a loss of Rs.29.36 lakhs on the work done (value : Rs.199.63 lakhs) up to July 1977.

The Management stated (September 1977), as under :—

> "During negotiations, the price had to be reduced keeping in view the offers of other tenderers : this reduction obviously has been made from the margin of profits and overheads,"

(b) *Delay in completion*

Out of 21 bridges completed by the Company on con-

tract basis up to September 1977, delays ranging up to 24 months were noticed in the construction of 18 bridges. The Company has not provided any clause in the agreement for payment of extra expenditure incurred by it in cases where the delay was attributable to the client although the Company had agreed to penal liability for delays in completion on its part. The Management stated (September 1977) that in view of the keen competition, it was not possible to dictate terms.

In this connection it may be stated that in all the 21 bridges completed, the Company was the sole tenderer.

3.10. *Institutional finance*

One of the main objects for establishment of the Company was mobilisation of financial resources through institutional finance and to reduce dependence over budgetary allocations. The Company prepares preliminary estimates and viability studies for proposed bridges/projects of the State Government under deposit works.

These estimates and studies form the basis for loan applications to financial institutions. Wherever the principal along with interest thereon can be liquidated out of realisation of toll tax within a period of 7 to 10 years, the bridges are treated as fully viable. Loan proposals are submitted by the Company to banks for financing the project to the extent it is considered economically viable. Balance amount of the project is met out of budgetary allocations received by the Company from Government.

Assessment of economic viability by the Company for obtaining loans was carried out in respect of 38 bridges (estimated cost: Rs.3345 lakhs) against 192 bridges (estimated cost: Rs.7026 lakhs) entrusted by Government for construction up to 31st March 1977, for which loan assistance of Rs.1102.29 lakhs was applied for. The position of loans applied for and sanctioned thereagainst up to 31st March 1977 is given below:—

Fully viable bridges

Year	Loan applied		Loan sanctioned	
	Number of bridges	Amount	Number of bridges	Amount
	(Amount in lakhs of Rupees)			
1972-73	6	212.18	5	201.38
1973-74	2	36.29	2	36.29
1974-75	2	63.15	2	57.35
1975-76	2	33.06	..	Nil
1976-77	..	Nil.	..	Nil
Total ..	12	344.68	9	295.02

Partly viable bridges

Year	Loan applied		Loan sanctioned	
	Number of bridges	Amount	Number of bridges	Amount
	(Amount in lakhs of Rupees)			
1972-73	12	444.00	8	203.50
1973 74	5	28.50	3	18.00
1974-75	3	41.24	1	12.00
1975-76	1	150.00	1	75.00
1976-77	5	93.87	2	28.20
Total ..	26	757.61	15	336.70

The proportion of the aggregate loan sanctioned by the banks against the aggregate loan applied for the partly viable bridges was 44 *per cent* as against 86 *per cent* in case of fully viable bridges. The Company had to meet the remaining expenditure out of budgetary allotments made by the State Government. The yearwise loans availed against the total expenditure on deposit works are as under :—

Year ending 31st March	Total expenditure on deposit works	Amount of loan availed	Percentage of institutional finance to total work expenditure
	(In lakhs of Rupees)		
1973-74	834.11	40.00	4.8
1974-75	593.23	35.00	6.0
1975-76	469.40	102.00	21.7
1976-77	484.07	56.00	11.6

The decrease in the quantum of loan sanctioned by the banks was reportedly due to credit restrictions imposed by the Reserve Bank of India. The loan amounts originally sanctioned (Rs.62.09 lakhs) by two banks for two bridges were reduced to Rs.18.60 lakhs under this restriction. Request of Government (August 1976) for restoring the full amount of the loans was not accepted by the Reserve Bank of India.

The Reserve Bank informed (September 1976) Government that "Bridge Construction being an infra-structure activity should appreciably be financed by State Government through budgetary allocations. Even so, as a special case, we have agreed to commercial banks financing this activity to a limited extent and that too only in the cases where the projects are considered fully viable, within a reasonable period. This being a general policy we do not find it possible to make a deviation in the case of U. P. Bridge Corporation".

3.11. *Utilisation of loan*

Up to the end of 1976-77, the Company was sanctioned aggregate loan of Rs.631.72 lakhs, out of which Rs.261 lakhs were drawn. Thus, Rs.370.72 lakhs were not availed of, which represented the full loan amounts in respect of 12 bridges (Rs.294.64 lakhs) and part amounts in respect of 3 bridges (Rs.76.08 lakhs). The main reasons for non-drawal of loan were given by the Management (September 1977) as under :—

(i) delay in receipt of State Government guarantee for repayment of loans ;

(ii) need for revalidation of sanctions by banks due to delay in furnishing Government guarantee ;

(iii) non-receipt of matching contribution from Government in respect of partly viable bridges ; and

(iv) availability of Government fund with the Company.

3.12. *Viability of projects and refund of loans*

(a) The viability of 38 projects entrusted to the Company by the State Government for construction has been worked out on the basis of traffic intensity data originally furnished by the Public Works Department. The following table indicates the anticipated toll receipts and actual realisations in respect of three such bridges constructed by the Company with the aid of institutional finance :—

Name of the bridge	Period of realisation	Actual amount of toll tax realised	Anticipated amount of toll tax realisation	Short fall in toll tax Amount	Short fall in toll tax Percentage
			(Amount in lakhs of Rupees)		
Fully viable					
Malin ..	14th June 1976 to 31st March 1977	0.18	3.01	2.78	92
	1st April 1977 to 30th June 1977	0.05			
		0.23			
Partly viable					
Mahewa ..	1st February 1976 to 31st March 1976	0.32	4.55	2.66	58
	1st April 1976 to 31st March 1977	1.57			
		1.89			
Ramganga ..	1st July 1975 to 31st March 1976	1.77	6.15	2.48	40
	1st April 1976 to 31st March 1977	1.90			
		3.67			

The toll realised by Government has not been passed on in full to the Company as indicated in the following table :—

Name of the bridge	Toll realised up to June 1977 since completion of the bridge	Amount passed on to the Company towards clearance of loan up to August 1977
		(In lakhs of Rupees)
Mahewa	2.24	1.20
Malin	0.23	0.11
Rispana	12.35	6.97
Ramganga	4.11	2.36
Kichha	1.93	1.45
Yamuna (Hamirpur)	16.68	6.60
Ganga (Mirzapur)	12.11	5.01
Ganga (Hardwar)	3.75	Nil
Total	53.40	23.70

The Management stated (September 1977) that the matter is under correspondence with Government.

No decision has been taken by Government on the following issues :—

(i) the agency which will bear the increase in the interest liability on account of delay on the part of the Company in completing the bridges, resulting in delayed realisation of toll tax, and repayment of loan therefrom ; and

(ii) the agency which will bear the interest due to delayed remittance of toll tax already realised by Government to the Company.

(*b*) The following table would show the additional interest liability on the estimated toll tax of Rs.42.80 lakhs which would have been realised but for delay in completion of the bridges :—

Name of the bridge	Amount of loan	Target date of completion	Actual date of completion	Period of delay in months	Estimated amount of toll realisation delayed	Interest liability
	(In lakhs of Rupees)				(In lakhs of Rupees)	
Ramganga (Farrukhabad)	20.00	June 1974	February 1975	8	1.68	0.18
Rispana (Dehra Dun)	10.00	June 1974	December 1974	6	2.34	0.19
Yamuna (Hamirpur)	40.00	September 1974	March 1976	18	25.02	6.00
Ganga (Mirzapur)	36.00	December 1975	August 1976	8	8.72	0.93
Malin (Bijnor)	13.08	June 1975	June 1976	12	0.24	0.04
Ganga (Hardwar)	25.00	June 1975	September 1976	15	4.80	0.96
				Total	42.80	8.30

(*c*) Three bridges, *viz.* Kichha, Rispana and Malin were considered fully viable and the banks sanctioned loans to cover the entire cost of their construction on the basis of viability report prepared by the Company. Cost of these completed bridges, however, exceeded the estimated cost and the amounts received from banks as loan (Rs.45.08 lakhs) as well as from the State Government (Rs.2 lakhs) by Rs.12.15 lakhs. The cost over-run was met from the Company's own resources although the entire construction cost of such bridges was envisaged to be met out of institutional finance. The records did not indicate that the Company had investigated the increase in cost over the estimates. Formal authorisation from the State Government for their construction and their financing from the financial institutions had also not been obtained by the Company, nor has the

excess expenditure been recovered (December 1977) from Government; these bridges had been handed over to Government during February 1975 to June 1976. The details are given below :—

Name of the bridge	Actual expenditure	Amounts received from Banks	Government	Total	Amount of extra cost met from the Company's funds
	(In lakhs of Rupees)				
Kichha (Naini Tal)	30.34	22.00	Nil	22.00	8.34
Rispana (Dehra Dun)	10.80	10.00	Nil	10.00	0.80
Malin (Bijnor)	18.09	13.08	2.00	15.08	3.01
Total	59.23	45.08	2.00	47.08	12.15

3.13. *Construction equipment*

(i) As on 31st March 1977, 126 items of construction equipment, such as cranes, tippers, vehicles, generators, tractors, *etc.* were lying idle with different units. Of these, the cost of 68 items was Rs.7.87 lakhs; the cost in respect of the remaining 58 items was not available. These were lying as such since March-April 1976 (76 items) and January-February 1977 (50 items). The Managing Director asked (August 1977) the various units to state the reasons for which these equipment were lying idle. Replies from units were awaited (December 1977).

(ii) For ensuring optimum utilisation of the construction equipment, norms for utilisation have not been prescribed by the Management except in the case of trucks, cranes and generators. The actual performance of 28 out of 50 cranes ranged between 2 to 984 hours per year (during 1974 to 1977) against the norm of 1,000 hours per year prescribed by the Managing Director in 1974.

3.14. *Inventory control*

The Company has neither constituted any purchase committee at the head office nor has it finalised any purchase rules of its own (December 1977).

Some deficiencies in the inventory control measures adopted by the Company are indicated below :—

(i) The position of stock held by the Company as on 30th September 1975 and 30th September 1976 were under compilation (December 1977). Tentative figures for these two years showed wide fluctuations in the stock holdings, compared to earlier years, as given below :—

Position as on 30th September	Value (In lakhs of Rupees)
1973	34.49
1974	152.51
1975	179.95 (provisional)
1976	111.13 (provisional)

The system of ensuring the optimum inventory level has not been introduced (December 1977).

(ii) Regular stock-taking and verification of equipment and stores has not been carried out.

(iii) No assessment has been carried out about the spare parts held in stock, with reference to the make, model and type of equipment in use. Items have not been classified into fast and slow moving with a view to regulating their purchase and disposal of surplus and unserviceable items.

3.15. *Other points of interest*

(a) Kichha bridge

The Company's construction unit at Bareilly started (February 1973) the construction of the Kichha bridge without any authorisation by Government. The cost of the bridge was estimated (December 1974) at Rs.16.35 lakhs and it was to be completed by June 1975. Construction of the bridge was completed in May 1976 at a total cost of Rs.23.32 lakhs, a part of which was met from a loan (Rs.22 lakhs) taken from a bank and balance of Rs.1.32 lakhs by the Company from its own resources. The bridge was opened for traffic on 27th May 1976. Soon thereafter the earthen embankment in about 1 kilometre of approach road on the Almora side failed to sustain the heavy traffic and the crust in the length gave way. The bridge was closed to traffic on 13th June 1976 for road repair work which was completed in March 1977 at a total

cost of Rs.7.02 lakhs by the Company from its own resources. In this connection the following was noticed :—

(i) no traffic survey was carried out by the Company before taking up the work ;

(ii) test results of soil samples from Kichha bridge approach received (February 1976) from the Public Works Department laboratory at Bareilly revealed that load bearing capacity of the soil was 7 *per cent* against the requirement of 8 to 15 *per cent* (load bearing capacity of hard stone being taken as 100) ;

(iii) during the course of execution the work was not inspected by the Zonal Manager ; and

(iv) the company had not approached (December 1977) the State Government for reimbursement of Rs.8.34 lakhs spent from its own resources.

(b) Rind bridge

In response to tenders invited by the Public Works Department in July 1973, the Company sent an offer for construction of a bridge over river Rind on Lucknow-Jhansi Road in Kanpur district for a lump sum amount of Rs.9.60 lakhs. The offer was based on estimates and design sanctioned and approved by the Ministry of Transport with certain changes.

Several conditions, including a price escalation clause, in the offer were not acceptable to the Public Works Department and hence these were withdrawn (October 1973). Consequently, the offer was revised to Rs.10.20 lakhs which was finally accepted by the Department subject to the condition that the work would be carried out as per the details and designs given in the sanctioned estimate for the bridge. Accordingly, a tentative piece work agreement was executed authorising the Company to start the work. In August 1974 the Department asked the Company not to execute the work further and stop it forthwith on account of paucity of funds. Thereupon, the Kanpur unit of the Company lodged a claim (August 1974) for Rs.0.89 lakh in accordance with the terms of the contract for the portion of work executed, which the Department had refused (August 1977) to pay on the ground that the cutting edge manufactured by the Company and laid at site was not in accordance with the approved design. The Company had also completed (i) site buildings, godowns and workshops, and (ii) procurement of requisite machines and materials. The Zonal Manager III, to whose charge the work was transferred in March 1974, arranged a joint discussion with the Additional Chief Engineer (National Highways) and the Superintending Engineer of the Public Works Department 'to mitigate the difficult

situation'. The Additional Chief Engineer (National Highways) decided (September 1974) that—

(i) the temporary buildings constructed by the Company would be taken over by the Public Works Department on actual cost basis ;

(ii) the machinery and materials, brought by the Company at the site, would be taken elsewhere at its own cost ;

(iii) the work executed by the Company would be treated as a gesture of goodwill for which the Company would not claim anything;

(iv) the Public Works Department would make payment for steel obtained at site, direct to the suppliers ; and

(v) the cutting edge laid at site would be taken away by the Company for use elsewhere.

Accordingly, the claim (Rs. 0.89 lakh) lodged earlier was withdrawn. The Company has not, however, ratified these decisions. The loss sustained by the Company has not been worked out (December 1977).

(c) *Bhakla bridge*

Construction of an all-weather road bridge on Bahraich-Bhinga road, across the river Bhakla, was entrusted to the Company in March 1973 when 77 *per cent* work thereon had already been completed by the Public Works Department. The remaining 23 *per cent* of the work in sub-structure, super-structure, *etc.* were carried out by the Company and the bridge was completed in December 1973 at a total cost of Rs. 37.07 lakhs against the sanctioned estimate of Rs. 34.57 lakhs. The bridge was opened to traffic on 15th December 1973 for collection of toll tax, but the bridge was formally handed over to the Public Works Department in September 1977.

On 29th July 1975, when the water level of Bhakla was 0.76 metre below the designed highest flood level, excessive scour occurred near well no. 3 of the bridge and the pier settled, tilted and shifted damaging the two adjacent spans. The bearing developed excessive tilt and expansion joints were damaged. Well no. 2 was also affected. The Faizabad unit, as a protective measure, dumped 384 M^3 boulders around the two wells of the bridge at a cost of Rs. 1.49 lakhs. Further remedial measures and repairs were taken up subsequently as suggested by an inquiry committee set up by Government in December 1975 to ascertain the causes of damage and to suggest remedial measures. Final report of the committee is stated to be awaited (December 1977). Further, Rs.0.54 lakh were spent during January 1976 to July 1977 by the Faizabad unit on repairs, *etc.* The delay in formally handing over the completed bridge to the Public Works Department put the Company to an extra expenditure of Rs.2.03 lakhs incurred on repairs during July 1975 to July 1977.

The Management stated (October 1977) that the repair work was done as it was of an emergent nature and the money spent would be recovered when the estimate for repairs, prepared by the Public Works Department, was approved.

(d) *Hardwar bridge*

Construction of an all weather bridge over the river Ganga at Hardwar at an estimated cost of Rs.430 lakhs was sanctioned by the State Government in February 1972. The bridge was to be constructed under a centrally assisted scheme. Part I of the preliminary estimate, technically sanctioned for Rs.228.81 lakhs in August 1972, provided construction of the main bridge on Chandighat site, left side guide bundh, Bijnor side approach road and city side approach road to connect the bridge with hill bye-pass road. The work was started in January 1973 by the Company after obtaining the sanction from the Government of India as well as from the State Government. Ganga river at Hardwar is divided into two main streams, *i.e.* (i) Kankhal channel, and (ii) Bijnor channel and according to the sanctioned Scheme, Bijnor channel was to be closed and a guide bundh was to be constructed there. After about 18 months of commencement of the work, the Superintending Engineer, Irrigation Works Circle I, Meerut intimated the Company that with the closure of Bijnor channel and construction of the guide bundh, Kankhal channel would be more active and would swing towards Kankhal town thereby causing danger to the security of the town. This information was based on a report sent by the Irrigation Research Institute, Roorkee in connection with a model study of a barrage to be constructed on river Ganga (Bhimgoda). A meeting was, therefore, arranged between the Chief Engineer, Irrigation Department and the Managing Director of the Company, in which it was decided (February 1975) to increase the length of the main bridge to 1260 metres from 643.24 metres originally sanctioned and to drop the proposal of constructing the guide bundh. The work on the revised proposals was started in March 1975. As a result of this, earthwork (15,000 cubic metres) on the Bijnor side approach road, executed at a cost of Rs.0.48 lakh (during January 1973 to March 1975), was rendered infructuous.

(e) Blocking of funds

Tulsipur-Pachpherwa-Barhni road crosses the river Banoram (Gonda district) at three places. Construction of three bridges a these three places was entrusted to the Company in January 197 Bridges I and III which were already in progress were completed a a cost of Rs.8.33 lakhs in June and August 1973 respectively, bu work was not started (December 1977) on Bridge II which was in between the two and without which the use of the other two bridge was not possible. Toll tax was to be realised from the traffic using Bridges II and III after their completion but no such tax was leviabl on Bridge I which was in replacement of an old bridge.

Delay in commencement of work on Bridge II has blocked th investment of Rs.8.33 lakhs, besides having deferred receipts on account of toll collection. The Management stated (September 1977 that the work on Bridge II was proposed to be taken up in Octobe 1977 ; it has not been taken up so far (December 1977).

(f) Payment for earthwork

On the basis of a short-term tender (not widely publicised), work relating to excavation of 25,000 M^3 of earthwork in approach road on both sides of the bridge over the river Varuna (Varanasi district) was awarded by the Company to a contractor of Azamgarh (April 1976) for Rs.0.96 lakh at Rs.3.85 per cubic metre. The rate fixed included seven leads and three lifts. Measurements recorded by a Junior Engineer on 12th June 1976, 20th July 1976 and 7th September 1976 showed that earth was excavated from borrow pits within a distance of 30 metres involving only one lead for which the rates payable worked out to Rs.2.40 per cubic metre. On the total earthwork (25700 M^3) done by the contractor up to 7th September 1976, payment at Rs.3.85 per cubic metre was made, which resulted in excess payment of Rs.0.37 lakh (difference of rates between Rs.3.85 and Rs.2.40 per cubic metre). The Management stated (August 1977) that the higher rate was allowed in view of the earth being very hard and mixed with *kankar*. This reason was not, however, available in the record.

(g) Injudicious purchases

In October 1973, a firm of Bombay offered to sell to the Company 100 tonnes of high tensile steel wire, 7 mm dia, at Rs.4,270 per tonne *f.o.r.* works Baroda. Immediately thereafter, the firm's representative met the Zonal Manager I and agreed to a rate of Rs.3,850 per tonne fixing the validity of the offer up to 31st October 1973. Without assessing the actual requirement of the material in the Company's work or ascertaining the prevalent market rate of the same, an

order was placed on 30th October 1973 for supply of 100 tonnes of the steel wire at Rs.3,850 per tonne against a pending indent for steel wire for 40 tonnes only, in anticipation of the sanction of the Managing Director. *Ex-post-facto* sanction to the above purchase was accorded by the Managing Director in December 1973. After three months, the firm again contacted the same Zonal Manager and offered to sell 200 tonnes of the same material at the same rate and on the same terms and conditions. Another order was placed (after approval by the Managing Director) in January 1974 for supply of the entire quantity offered without assessing the Company's future requirements. Two more orders for 200 tonnes each were placed on the same firm in February and March 1974, in a similar manner, with the sanction of the Managing Director. No part of the wire was put to use. The Company offered in October 1974 to sell 400 tonnes of the H. T. wire to the Ganga Bridge Project, Public Works Department, Government of Bihar at Rs.4,500 per tonne (against the issue rate of Rs.4,250 per tonne), which declined to accept the offer. An attempt was thereafter made to utilise the surplus material departmentally in the construction of Ken Bridge (Banda) in substitution of strand cable but this was not found technically feasible because according to the Deputy Chief (Design) of the Company, the strength of strand cable was 20 *per cent* more than the H. T. wire of 7 mm dia, and it was 'economical as well as advantageous'. Thereupon, a fresh offer was circulated (August 1975) to all the Chief Engineers in the Government Construction Companies, Electricity Boards, *etc.* in the State and in other States offering this material for sale, but without any response.

The entire stock of 700 tonnes costing Rs.29.75 lakhs (*ex-godown*) was lying in the stores (December 1977).

The Management stated (September 1977) that "the order was placed on the same rate, terms and conditions, as accepted by the Director of Industries, Kanpur in 1972 and since then the market rates of all the steel items had increased. It was, therefore, considered that if the firm supplies the materials at old rates . . . . the Corporation shall save much".

As regards utilisation, it was stated that 326 tonnes of wire were likely to be used in the super-structure of the Ganga Bridge at Ghazipur.

(h) Payment made for goods not received

In October 1973, the Billet Re-rollers Committee (BRC) allotted 50 tonnes of mild steel rounds of 20 mm and 25 mm dia to the Company from a Jullundur firm. As per the terms of supply, 100 *per cent* payment against *pro forma* bills was to be made to the suppliers, within three days of receipt of intimation regarding readiness

of the materials, and the material was to be lifted from the supplier's works within seven days thereof. The Senior Engineer, Hardwar paid Rs.0.73 lakh against two *pro forma* bills of equal amounts on 28th February 1974. After several reminders the firm intimated in August 1974 the delivery date as 3rd September 1974 but failed to supply the goods when the Company's representative reached the firm's premises on the date. The firm has neither supplied the material nor refunded the amount received against the *pro forma* bills (December 1977). The Company filed (February 1977) a civil suit against the firm for recovery of Rs.1.09 lakhs on account of the principal, interest and damages, which is pending in the Court of Civil Judge, Roorkee (December 1977).

(i) Purchase of double drum electric diesel winches

The Company placed an order in September 1973 for supply of ten double drum electric winches at Rs.26,000 each and ten "Jeewan" make 30 HP electric motors at Rs.5,500 each *ex*-works (sales tax extra) on a firm of Ghaziabad. on the basis of limited quotations invited in August 1973. The delivery was to be completed by the firm by February 1974. The firm, however, supplied only three winches up to April 1974 and no further supplies were made thereafter. On pressing demand from the construction units, fresh quotations were invited by the Company in August 1974 for supply of ten electric double drum winches. An order for supply of another ten winches was placed with the same firm in November 1974 at the lowest negotiated rate of Rs.29,000 each *ex*-works (sales tax extra) involving an extra cost of Rs.0.21 lakh on the unexecuted supplies against the previous order.

Owing to the failure of the firm to supply the ten electric motors also against the previous order, the Company obtained in December 1974 ten electric motors of 30 HP from another firm at the rate of Rs.7,484 each, involving an extra expenditure of about Rs.0.20 lakh.

Owing to placement of supply order without stipulation of any penalty clause, the Company failed to enforce the delivery or invoke risk purchase.

Besides, three units of the Company made advance payments (Rs.1.11 lakhs) to the supplier (May 1975) on an *ad hoc* basis, without any provision to this effect in the supply order of November 1974. The firm did not supply one winch against which an advance payment of Rs.0.23 lakh had been made. A legal notice was issued to the firm in July 1977 for recovery of Rs.0.83 lakh on account of advance payment (Rs.0.23 lakh) and damages (Rs.0.60 lakh).

The Management stated (September 1977) that no penalty could be imposed against the firm as there was no such condition in the order and that the firm had been black-listed. It was further stated that for future safeguard, a set of conditions had been prepared and was being generally enforced against the major suppliers.

(j) Legal and other expenses

Mention was made in paragraph 50 of the Report of the Comptroller and Auditor General of India for the year 1972-73 that the Public Works Department had entrusted in February 1966 the construction of a bridge across the river Ganga at Allahabad for Rs.204.25 lakhs to a firm of Bombay. The contractor, after completing the necessary formalities, started the work in March 1968 on the basis of a tentative agreement executed in January 1973. On account of slow progress of work and certain other disputes, the contract was rescinded on 12th February 1973. According to provision in the contract the disputes were referred to Arbitrators appointed by both the parties. The Arbitrators held their sessions on 47 days during April 1973 to September 1976, at different places. In the meantime, construction of the bridge was entrusted to the Company and as such the arbitration case is also being looked after by it. The Allahabad unit, which was dealing with the case, had incurred an expenditure of Rs.1.05 lakhs from its own resources towards arbitration fees, legal expenses and other ancillary charges during 1973-74 to 1975-76. There was nothing on record to show that the State Government had furnished any undertaking to reimburse the amount so spent and that the amount has been recovered from Government (December 1977).

(k) Temporary transfer of bridge design divisions

Under the scheme "Half-a-million job/employment promotion programmes", sponsored by the Government of India, for which central assistance had been released to the various State Governments/Union Territories, the State Government had transferred six temporary bridge design divisions to the Company with effect from 1st November 1973 without the approval of its Board of Directors. Five of these divisions were transferred back to the Public Works Department on 31st May 1975 and one on 31st December 1976 under the orders of the State Government. The Company paid Rs.19.80 lakhs on account of pay and allowances of staff and other office contingencies, during the period the divisions were under its control, on the understanding that the entire cost would be met from the central assistance received by the State Government. No formal agreement had, however, been executed. On demand from the Company, the Public Works Department released Rs.6 lakhs and intimated

(October 1974) the Company that owing to paucity of funds, the Company would have to meet the balance (Rs.13.80 lakhs) from its own resources. The Company, requested to Government again (November 1976) for early reimbursement which is awaited (December 1977).

In reply to an audit query, it was confirmed by the Management (September 1977) that the divisions were not doing any fruitful work but these could not be transferred back in the absence of Government orders.

(l) Site accommodation

The Board of Directors of the Company decided in September 1974 that facility of hutment/dormitory type residential accommodation be provided to the staff at the bridge sites, where absolutely essential, on the condition that the necessary specification and cost of construction was first to be approved by the Chairman and the Managing Director in the case of each bridge site. Site accommodations had been constructed under orders of Zonal Manager at Ghaziabad (cost : Rs.6 lakhs) and Kasganj (cost : Rs.2.92 lakhs) without the sanction of specification and cost by the Managing Director.

The accommodation at Ghaziabad had been constructed at a distance of 25 km from the main site of works which has necessitated payment of travelling allowance/daily allowance to the staff.

3.16. *Conclusion*

In regard to fulfilment of the Company's objectives up to 31st March 1977 the following may be stated :—

(i) Loans raised by the Company from commercial banks during the period up to 1976-77 amounted to Rs.261 lakhs which was only 11 *per cent* of the expenditure on construction of bridges (Rs.2,381 lakhs). The loans thus raised were partly utilised to meet uncovered expenses on establishment and other overheads Rs.122.93 lakhs up to 1975-76) interest on loan (Rs.69.08 lakhs) and additional pay and allowaces to deputationists to the Company (Rs.25 lakhs approximately).

(ii) The Company has neither prepared completion reports nor has it carried out any analysis to ascertain the actual expenditure on completed bridges *vis-a-vis* their estimated cost (computed on the bridge index basis). In the absence of any such compilation/analysis execution of work at economical or reasonable rates is not determinable.

SECTION IV

OTHER GOVERNMENT COMPANIES

UTTAR PRADESH STATE CEMENT CORPORATION LIMITED

4.01. *Expenditure on set slurry*

In the Dalla unit, 3,768 tonnes of slurry got set (2,000 tonnes in July 1974 and 1,768 tonnes in March 1975) which was stated by the Management (November 1976) to be due to—

(i) abnormally big size of silos;

(ii) inadequate provision for slurry agitation ; and

(iii) presence of nibs in the slurry.

The Management stated (November 1976) further that the set slurry was got removed from the silos by manual labour and that the problem had been solved by providing more air for slurry agitation and reducing the quantity of nibs in the slurry. The Management also stated (November 1977) that it was a design defect which had been got remedied by the supplier free of cost by providing additional compressors of higher capacity.

Rupees 2.32 lakhs were incurred (Rs.1.15 lakhs on manual removal and Rs.1.17 lakhs on reprocessing of the set slurry) to make the slurry usable again.

4.02. *Shortage of crusher hammers*

In the quarry stores of the Dalla unit, the closing balance of the crusher hammers, as on 31st March 1976, was 164. In the new bin card for the subsequent year, however, the opening balance was shown as 114.

Further, on physical verification (August 1976) of stores, 55 crusher hammers were found short (22 crusher hammers were found on physical count against a book balance of 77). The shortages of 105 hammers (book value : Rs.1.38 lakhs) were stated (November 1976) by the Management to be under investigation.

The matter was reported to the Company in May 1977 and to Government in August 1977 ; reply is awaited (December 1977).

4.03. *Purchase of desiccator chains*

The Churk unit invited tenders in August 1970 for supply of desiccator chains for use in the Vickers rotary kilns. The offers received were forwarded to the Production Engineer of the factory for technical opinion about suitability of the material. He opined in

December 1970 that all the parties who had quoted against the tender notice had been supplying "hand-forged archwelded chains, which did not last long and need frequent welding, resulting in recurring expenditure on maintenance apart from increase in down time of the kilns" and suggested that the material be procured from a Bombay firm which was the only expert in the line.

Nevertheless, the purchase organisation of the factory placed an order in February 1971 for purchase of 1775 desiccator chains on a Calcutta firm. As per the supply order, delivery was to be completed by the end of April 1971 and payment was to be made on receipt and inspection of goods. The firm did not supply the goods within the specified time. The order was, therefore, cancelled in September 1971.

On 11th October 1971, despatch documents for 1,125 desiccator chains were received from the firm through bank and these were retired on 9th November 1971 on payment of Rs. 0.84 lakh. Delivery of the goods was taken on the same day. When the consignments were opened, 990 desiccator chains valuing Rs. 0.75 lakh were found short and chains valuing Rs. 0.09 lakh were found shorter in length and had also defective welding. The firm further supplied 143 desiccator chains (November 1971 : 81 chains ; June 1972 : 28 chains and July 1972: 34 chains), all of which were found defective and were rejected on inspection. The defective chains are lying idle in stores. The unit has purchased chains from other sources to meet its requirements.

The matter was stated (December 1976) to be under investigation by the State Criminal Investigation Department.

The matter was reported to the Management in July 1977 and to Government in August 1977 ; reply is awaited (December 1977).

UTTAR PRADESH STATE HANDLOOM CORPORATION LIMITED

4.04. *Shortage of silk yarn*

At the time of handing/taking over charge of stock (1st to 11th February 1974) at the Silk Yarn Depot, Varanasi, shortages of stock valuing Rs. 0.68 lakh were noticed by the Stores in-charge who took over. The relieved Stores in-charge, in his explanation to the Managing Director, stated (16th February 1974) that he took charge on 17th November 1973 from his predecessor "by counting of bundles and not by weight. The bundles were so arranged that from the naked eyes it was impossible to detect any tampering. Later on, it was discovered that the tampered side of the bundles was towards the wall".

The Company reported (March 1974) the matter to Government for instituting an enquiry by the Criminal Investigation Department.

The Management stated (November 1977) that report of the Criminal Investigation Department regarding enquiry of shortage had since been received and departmental action to fix responsibility for the shortage was being taken.

The matter was reported to Government in September 1977 ; reply is awaited (December 1977).

4.05. *Non-recovery of dues*

With a view to promoting the sale of silk yarn produced by the Uttar Pradesh Resham Audhyogik Sahkari Sangh Limited, Dehra Dun (a registered co-operative society) the Company entered (19th April 1975) into an agreement with the Sangh which, *inter alia*, provided for appointing the Company as sole selling agent and pledging the stock of the Sangh with the Company against advances made by the Company and payment of interest due thereon at half *per cent* above the Bank rate.

During 1975-76, the Company advanced Rs. 12.25 lakhs to the Sangh out of which Rs. 1.08 lakhs (including Rs. 0.87 lakh due as interest up to 31st March 1976) were outstanding (October 1977). The balance amount of loan (Rs. 0.21 lakh) was reported (November 1977) by the Management to have been disputed by the Sangh as according to its accounts nothing was outstanding. The Sangh was superseded by the Registrar, Co-operative Societies in October 1975 on the ground of malpractices.

The matter was reported to Government in September 1977 ; reply is awaited (December 1977).

UTTAR PRADESH STATE SPINNING MILLS COMPANY (NO. I) LIMITED

4.06. *Payment to consultant*

The Company appointed (8th February 1974) a firm of consultants of Bombay for erection of two spinning mills, one at Maunath Bhanjan (Azamgarh) and the other at Bara Banki on turn-key basis. As per the agreement, 1.9 *per cent* of the actual capital cost (excluding the cost of land) was to be paid, in instalments, to the consultant firm as remuneration, at fixed periodical intervals. The work was to be completed within two years from the date of appointment and post commissioning service for 12 months was to be rendered thereafter.

In case of suspension or abandonment of the work, the consultant firm was liable to pay damages equal to the amount which the Company would have to incur in excess of the contracted amount.

In December 1975, the Board of Directors of the Company took note of the poor quality of service rendered by the consultant and decided to dispense with its services in respect of the Bara Banki project but allowed it to complete the work in respect of mills at Maunath Bhanjan.

A sum of Rs. 2.20 lakhs had already been paid to the consultant for the Bara Banki project by the Company. In December 1975, the Company formally terminated the agreement for the Bara Banki project.

The consultants preferred the claim of Rs. 5.96 lakhs for the next contractual period (up to 26th April 1976). The Company, however, maintained that the amount payable would be only for the period up to 26th January 1976 as the final letter terminating the services of the consultant was issued effectively from 18th December 1975 and thus the amount payable would work out to Rs. 4.60 lakhs. The Company decided to restrict the balance payment of Rs. 2.40 lakhs (Rs. 2.20 lakhs having been paid earlier) to Rs. 1.30 lakhs keeping in view the failure of the consultant which was agreed to by the latter. Further payment of Rs. 1.30 lakhs was accordingly made in March 1976.

Owing to non-provision of penal clause in the original agreement for delay in execution or manner of termination of the contract, the Company had to pay Rs. 3.50 lakhs to the consultant even though its services were considered unsatisfactory.

The matter was reported to the Company in December 1976 and to Government in September 1977 : reply is awaited (December 1977).

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

4.07. *Dormant company*

Uttar Pradesh State Spinning Mills Company (No. II) Limited was incorporated on 20th August 1974 as a subsidiary of Uttar Pradesh State Textile Corporation Limited and the certificate to commence business was granted by the Registrar of Companies on 1st October 1974.

On 21st October 1974, the Board of Directors of the Holding Company resolved that the Subsidiary be kept dormant and the

spinning projects (Jhansi, Sandila, Meerut and Kashipur), assigned to it, be executed by the Holding Company through its own staff. The Subsidiary was left with no work, except making statutory compliance of the provisions of the Companies Act. On 4th October 1977, the Board of Directors of the Holding Company decided to wind up the Subsidiary subject to approval by Government. Expenditure of Rs. 0.78 lakh was incurred by the Subsidiary in 1974-75 as preliminary expenses (Rs.0.49 lakh), establishment and other miscellaneous expenses (Rs. 0.29 lakh).

Rupees one lakh were received by the Subsidiary from the Holding Company on 17th October 1974. Sums ranging from Rs. 0.30 lakh to Rs. 0.60 lakh were kept in term deposits during the period from 20th January 1975 to 12th May 1976.

The Management of the Holding Company stated (November 1977) that decision to keep the Subsidiary dormant was considered advantageous due to promulgation of an ordinance (October 1974) by the Government of India for transferring the sick textile mills to the National Textile Corporation (U. P.) Limited and lifting of statutory price control in respect of procurement and distribution of cotton yarn by the State Government. It was further stated that since expenditure had already been incurred on the incorporation of the Subsidiary, it was initially considered proper to keep it dormant instead of winding up the same.

UTTAR PRADESH EXPORT CORPORATION LIMITED

4.08. *Grant of loan*

A firm of Dehra Dun, which had received orders of the value of Rs.3.38 lakhs from a firm of United Kingdom for supplies of rubber sponge balls approached (November 1967) the Company for a loan of Rs.one lakh as financial assistance. The loan was given to the firm on 7th March 1968 on the basis of an agreement incorporating the terms of repayment.

As per the terms of the agreement, a residential house (Rs. 2.68 lakhs) was mortgaged by the firm with the Company. The loan was to bear interest at the rate of 9 *per cent* per annum. In addition, the Company was to charge 3 *per cent* commission on the total export business transacted by the firm. All export documents were to be sent by the Dehra Dun firm through the Company and sale proceeds from the foreign buyers were to be collected by the Company through its bankers. The Dehra Dun firm instead of sending the export documents through the Company, collected the sale proceeds through its own bankers. No part of the loan was paid back (December 1977).

As per the terms of the agreement, the dispute was referred to Arbitrator, who in his award (30th August 1973) entitled the Company for recovery of Rs.1.61 lakhs by 28th February 1974 and in the event of default, the mortgaged property was to be sold. The award could not be implemented as the matter was in the court to make it a rule of the court (December 1977).

AGRA MANDAL VIKAS NIGAM LIMITED

4.09. *Idle capital*

The Company was incorporated on 31st March 1976 and a sum of Rs.1.00 crore (Rs.75 lakhs in July 1976 and Rs.25 lakhs in August 1976) was subscribed by Government as share capital out of the State Plan outlay for 1976-77. The main objects of the Company were to (i) aid, assist, promote and advance the economic, industrial and agricultural development in the Agra Mandal, (ii) take up small river valley projects for checking soil erosion, develop tourist traffic and extension of irrigation facilities, *etc.*

Initially, the entire amount received from Government was kept in Savings Bank Accounts (Rs.25 lakhs in U. P. Co-operative Bank, Agra and Rs.75 lakhs in State Bank of India, Agra) at interest of 5 *per cent* per annum. Subsequently, as no work was in hand and there was no immediate prospect of substantial expenditure in the absence of any approved scheme, Rs.90.95 lakhs were placed (October 1976 to July 1977) in term deposits for periods ranging from 13 to 61 months. Schemes involving expenditure of about Rs.38 lakhs were considered by the Board of Directors of the Company in April 1977 and the investment of funds was reviewed in May 1977.

The Company would have earned Rs.1.44 lakhs more had the amount been kept under fixed deposit instead of in the savings bank account, *'ab initio'*.

Government stated (October 1977) that various schemes involving prospect of substantial expenditure were under active consideration and the likelihood of immediate expenditure on these schemes could not have been ruled out.

SHARDA SAHAYAK SAMADESH KSHETTRA VIKAS NIGAM LIMITED

4.10. *Voluntary winding up*

The Company was incorporated on 4th March 1975 with an authorised capital of Rs.2 crores to carry out farm development works in the Sharda Canal command areas of the eastern districts of

Uttar Pradesh. The paid-up capital of the Company, on 31st March 1977, wholly subscribed by Government, was Rs.47 lakhs. The Company had not, however, received the certificate for commencement of business (December 1977).

On the formation (December 1976) of Sarda Sahayak Command Area Development Authority with identical objectives, the Management decided (January 1977) to wind up the Company voluntarily. A Liquidator has been appointed in August 1977. The Company had incurred up to 31st March 1977 preliminary expenses of Rs.0.34 lakh.

The amount received by the Company, from time to time, as share capital, were invested in term deposits, as shown below :

Receipt		Investment	
Date	Amount	Date	Amount
		(In lakhs of Rupees)	
29th March 1975	15.00	14th May 1975	14.95
22nd January 1976	8.50	30th January 1976	8.50
13th April 1976	23.50	11th August 1976	23.50
24th December 1976	20.00	Rs.20 lakhs transferred to Sharda Sahayak Command Area Development Authority on 25th February 1977.	

After allowing a margin of a fortnight, there was a delay in investment of funds by the Company by one month in the first case and 3½ months in the third case which resulted in loss of interest of Rs.0.65 lakh, at the rate of 8 *per cent*. The Management/Government stated (December 1977) that the unusal delay in these two cases occurred on account of practical difficulties.

GANDAK SAMADESH KSHETTRA VIKAS NIGAM LIMITED

4.11. *Voluntary winding up*

The Company was incorporated on 15th March 1975 with an authorised capital of Rs.2 crores to carry out the development system and other ancillary objects in the districts of Gorakhpur and Deoria. The certificate for commencement of business was received on 2nd January 1976. The paid-up capital of the Company, on 31st March 1977, was Rs.46 lakhs.

The Company did not transact any business and, owing to formation (December 1976) of Gandak Command Area Development Authority with identical objectives, the Management decided (January

1977) to wind up the Company voluntarily, which was approved by Government in January 1977. Up to 31st March 1977, the Company incurred preliminary expenses of Rs.0.34 lakh.

During the period from November 1975 to January 1977, an expenditure Rs.0.10 lakh was incurred on entertainment of certain dignitaries. After the winding up decision, Rs.0.40 lakh were spent on purchase of fixed assets (furniture and calculating machine: Rs.0.04 lakh, motor car: Rs.0.31 lakh and construction of a garage for motor car: Rs.0.05 lakh). The Management stated (December 1977) that these assets had since been transferred to Gandak Command Area Development Authority.

Rupees 1.67 lakhs and Rs.0.84 lakh were paid on 31st March 1977 to Gorakhpur Kshettriya Gramin Bank and District Co-operative Bank, Gorakhpur respectively as subsidy for schemes for re-organisation and financing of farmers' service societies. The scheme was submitted by District Co-operative Bank, Gorakhpur on the same day.

The Management/Government stated (December 1977) that the scheme for farmers' service societies and payment of subsidy had been approved by the Board of Director on 29th April 1977.

By a special resolution, the Company resolved (7th June 1977) for voluntary winding up and appointed a Liquidator who took charge on 8th June 1977. In the final meeting of the Company held on 16th August 1977, the Liquidator's statement was adopted and it was resolved that the records and books of accounts of the Company be transferred to the Gandak Command Area Development Authority.

UTTAR PRADESH PASHUDHAN UDYOG NIGAM LIMITED

4.12. *Rejection of butter by customer*

In December 1975, the Company entered into an agreement with the Army Purchase Organisation (a unit of the Defence Department) for supply of 80 tonnes of tinned butter at Rs.20.80 per kg, during the period from December 1975 to February 1976.

Out of 21.42 tonnes, earmarked for supply during the period from 31st December 1975 to 15th January 1976, 11.40 tonnes were rejected (January/February 1976) by the customer as :

(i) the net weight of the contents was less than the specified quantity;

(ii) the contents were not free from surface discolouration and visible mould growth; and

(iii) the yeast and mould counts per gram of butter were above the specification.

Notwithstanding the rejection, the Company continued to produce tinned butter for the supply. Later, 45.05 tonnes more were rejected by the purchasers on the same grounds.

The total rejected quantity was 56.45 tonnes. The loss on its disposal in part elsewhere and on re-processing the remaining butter and its conversion into *ghee* worked out to Rs.2.03 lakhs. Damages amounting to Rs.0.88 lakh were claimed by the Defence Department in June 1977, which has not been accepted (December 1977) by the Company.

It was stated (December 1977) by Government that reasons for rejection were investigated and to keep the yeast and mould count per gram within the specification butter paper was used on the seam and joints of the tins. The matter was also discussed with the higher authorities of the Army Purchase Organisation without any fruitful results and the butter was rejected.

UTTAR PRADESH POORVANCHAL VIKAS NIGAM LIMITED

4.13. *Shoddy woollen mill*

In August 1971, the Company decided to establish a shoddy woollen mill for manufacture of shoddy yarn, staple, blankets, *etc.* The Company approached (November 1971) the National Industrial Development Corporation Limited (NIDC) for preparation of a project report, which was received in April 1972. According to the project report, the capital requirement was assessed at Rs.64 lakhs (including Rs.20 lakhs for import of machinery, rags, *etc.*). The factory was to be established at Akbarpur (Faizabad). The Company accepted the project report in April 1972 and entrusted the work of designing and installation of machinery to NIDC for Rs.4.23 lakhs (accepted by NIDC in June 1972). A letter of intent for setting up the mill with 12 looms and 600 spindles was received by the Company in December 1972; global tenders were invited in November 1973 for supply of plant and equipment but no order was placed against the single tender received. In the meantime, the Company acquired 7 acres of land at Rs.0.16 lakh and spent Rs.0.60 lakh for fencing, *etc.*

The Company decided to finance the project by (i) raising a loan of Rs.38 lakhs, (ii) making further calls on shares — Rs.19 lakhs and (iii) obtaining subsidy of Rs.7 lakhs from the Government of India. Since institutional finance was not available, the Company decided (July 1975) to invite private parties for joint venture. A Delhi

party offered to contribute Rs.14.12 lakhs in capital investment, the Company did not take any decision on the issue. The Delhi party withdrew its offer in September 1976. In September 1976, the Company approached NIDC again for advice as to whether (i) the project was still feasible and (ii) the probable capital cost based on the prevailing cost; NIDC's report is awaited (October 1977). In the meantime, a private party approached (January 1977) the Company for joint venture. The Company had not taken any decision (October 1977). However, in May 1977, the State Government advised the Company not to proceed further in the matter.

The Company has spent Rs.1.47 lakhs (Rs.0.76 lakh on land, fencing, *etc.*, Rs.0.10 lakh for the feasibility report, Rs.0.50 lakh as consultant's fee and Rs.0.11 lakh on miscellaneous items) on the scheme.

Government stated (December 1977) that due to financial, technical and other difficulties the work on the project remained suspended and that efforts are being made to search for a suitable collaborator.

4.14. *Idle equipment*

An expeller of 300 quintals crushing capacity per day was purchased (value : Rs.0.72 lakh) by the Company from a Hyderabad firm in November 1973 for crushing cane at Nichlaul. It was used there and was transferred (October 1974) to the Rudrapur factory from where it was retransferred in the same month to Chittaura where it crushed 1730 and 570 quintals of cane in 1974-75 and 1975-76, respectively. As its performance was considered by the Company as unsatisfactory on account of inherent defects, the expeller was not used in the 1976-77 crushing season. In order to meet the crushing requirements of Chittaura mill, the Company purchased another crusher of the same capacity in November 1976 (installed on 26th December 1976) for Rs.1.20 lakhs from a Moradabad firm. The expeller purchased earlier from the Hyderabad firm has not been utilised. The Management stated (January 1977) that it had been kept as a stand by and it would be utilised when sugarcane was available in quantities more than the crushing capacity of the new plant.

4.15. *Sales tax*

The Company was assessed for sales tax at Rs.1.35 lakhs for the assessment year 1974-75, which was payable by May 1975. The Company paid Rs.0.81 lakh within the time limit and the remaining Rs.0.54 lakh were paid in September 1976 and June 1977, reportedly owing to paucity of funds. For the delayed payment of sales

tax an unremittable penalty of Rs.0.16 lakh had been levied (July 1976) by the sales tax authorities.

The State Government stated (December 1977) that the payment of sales tax got delayed due to financial difficulties and that the Nigam had appealed for ressessment of sales tax liability.

4.16. *Payment of electricity charges*

The Company had contracted a load of 112 KW (150 H. P.) with effect from 18th December 1972, for its mini sugar factory at Kadipur (Sultanpur). The contracted load could not be utilised during the period from November 1974 to June 1977 and consequently, the Company had to pay the minimum charges (Rs.2800 per month), as provided in the rate schedule of the Uttar Pradesh State Electricity Board. During the same period, the Company paid Rs.0.90 lakh as minimum charges against which the cost of electricity actually consumed was Rs.0.15 lakh, resulting in an extra expenditure of Rs.0.75 lakh. The electric line to the premises of the factory had been disconnected on 5th March 1976 for non-payment of monthly bills ; the connection was restored in November 1976 on payment of Rs.0.48 lakh against the arrears amounting to Rs.0.57 lakh (balance Rs.0.09 lakh was paid in December 1976). According to the provisions of its rate schedule, the Board levied additional charge of seven paise per Rs.100 per day which aggregated Rs.0.10 lakh for the period from November 1974 June 1977; the same is yet to be paid (December 1977).

Government stated (October 1977) that the minimum charges were paid according to the rate schedule of the Board and that the contracted load could not be utilised on account of intermittent supply of electricity and seasonal nature of the factory operations. It was further stated (October 1977) that establishment of other ancillary units to utilise the off season load was being considered.

UTTAR PRADESH BUNDELKHAND VIKAS NIGAM LIMITED

4.17. *Winding up of subsidiary company*

Bundelkhand Concrete Structurals Limited was incorporated on 2nd March 1974 as a subsidiary of the Company with an authorised capital of Rs.10 lakhs, in collaboration with Uttar Pradesh Small Industries Corporation Limited with the main object of carrying on the business of makers, manufacturers, *etc.* of (*a*) prestressed cement concrete electric poles and other prestressed products like bridge spans, prefabricated houses, columns, slabs and cement structures of all kinds; (*b*) bricks, cement, lime re-inforced cement concrete poles, *etc.*

Land (3 acres) for establishment of the factory for manufacturing prestressed/reinforced cement concrete poles was acquired by the

subsidiary in February 1974. But the State Government decided (July 1974) that the land should not be utilised till further orders.

As the demand for poles went down, the Board of Directors of the Company decided on 19th April 1976, to wind up the subsidiary. This decision was endorsed by the Board of Directors of the subsidiary on 8th October 1976.

No shares had been issued to the Company and the other collaborator, *viz.*, Uttar Pradesh Small Industries Corporation Limited. The Company had incurred capital expenditure of Rs.1.58 lakhs and revenue expenditure of Rs.0.82 lakh (establishment: Rs.0.34 lakh, preliminary expenses Rs.0.24 lakh, cement: Rs.0.09 lakh and miscellaneous: Rs.0.15 lakh) up to May 1976.

The Government stated (October 1977) that the expenditure of Rs.2.40 lakhs would not be unfruitful as the subsidiary was wound up as per decision of the Board of Directors of the Company and that the same would be recovered from the Uttar Pradesh Small Industries Corporation Limited in proportion to the capital subscribed.

4.18. *Idle machinery*

Out of eight raw stone crushers valuing Rs.2.58 lakhs, purchased during 1973-74, and two roller crushers valuing Rs.0.67 lakh, purchased during 1974-75, only one crusher (Rs.0.32 lakh) was put to use (November 1975) and the other were lying uninstalled (October 1977). Government stated (October 1977) that due to delay in acquisition of land, the machines could not be installed earlier and the action for their installation was being taken.

UTTAR PRADESH STATE SUGAR CORPORATION LIMITED AND UTTAR PRADESH STATE MINERAL DEVELOPMENT CORPORATION LIMITED

4.19. *Excess payment of sales tax*

Under the U. P. Sales Tax Act 1948, as amended with effect from 26th May 1975, all offices of the Central Government or a State Government or a Company, Corporation or undertaking, owned or controlled by a Government, located in the State, could purchase any goods for their own use (but not for re-sale or use in the manufacture or packing of any goods) at a concessional rate of sales tax, *viz.*, three *per cent* up to 30th June 1975 and four *per cent* thereafter. This facility is available only if the concerned purchasing officer furnishes to the dealer a declaration in the prescribed form obtainable from the Sales Tax Department.

During the course of audit, it was noticed that four of these Companies paid in excess Rs.7.27 lakhs by way of sales tax as detailed below :—

Name of the Company	Period	Total value of goods purchased	Amount of sales tax paid in excess
		(In lakhs of Rupees)	
Uttar Pradesh State Sugar Corporation Limited (Barabanki unit)	May 1975 to April 1977	13.21	0.39
Chhata Sugar Company Limited	September 1976 to June 1977	13.13	3.06
Chandpur Sugar Company Limited	January 1976 to May 1977	119.90	3.61
Uttar Pradesh State Mineral Development Corporation Limited	June 1975 to March 1976	3.68	0.21
		Total	7.27

The Management of Uttar Pradesh State Mineral Development Corporation Limited stated in October 1977 (confirmed by the State Government in December 1977) that the Company came to know about the relaxation in the Sales Tax Act for the first time in January 1976 and immediately thereafter action was taken for its registration with the Sales Tax Department.

The Management of Uttar Pradesh State Sugar Corporation Limited stated (December 1977) that the amendment to U. P. Sales Tax Act was not received in the Corporation. In the absence of definite interpretation of the legal provision, the concerned units had to pay sales tax at full rate (including surcharge). It was further stated that the units had already been asked to claim refund of the excess amount of sales tax paid and that Rs.0.74 lakh had since been received in respect of sugar companies at Chhata and Chandpur.

Reply from Government in respect of Uttar Pradesh State Sugar Corporation is awaited (December 1977).

CHAPTER II

STATUTORY CORPORATIONS

SECTION V

5.01. *Introduction*

There were four Statutory Corporations in the State as on 3 March 1977, *viz*. Uttar Pradesh State Electricity Board, Uttar Prad State Road Transport Corporation, Uttar Pradesh State Warehou Corporation and Uttar Pradesh Financial Corporation.

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

The Uttar Pradesh State Electricity Board was established 1st April 1959 under Section 5 of the Electricity (Supply) Act, 19 The Board incurred a loss of Rs.417.86 lakhs during the year 1976 as against the loss of Rs.1,282.70 lakhs in the previous year.

(i) *Loan capital*

The aggregate of long-term loans, including loans from Gov ment, bonds, debentures and deposits obtained by the Board, Rs.1.508.01 crores at the end of 1976-77 and represented an increas Rs.207.25 crores over the total long-term loans of Rs.1,300.76 crore the end of the previous year.

(ii) *Guarantees*

The guarantees given by Government on behalf of the Board repayment of loans and payment of interest thereon, to the end December 1976, amounted to Rs.209.91 crores, against which Rs.146 crores were outstanding as on 31st December 1976.

Source	Maximum amount of guarantees given by Government*	Amount guaranteed and outstanding on 31st December 1976*
	(In crores of Rupees)	
Public issue of bonds	62.53	62.53
Financial institutions (including banks)	147.38	84.4
Total	209.91	146.97

Government have also guaranteed with unlimited liability payment of cost of stores purchased through the Director Gener Supplies and Disposals, and payment of freight and other dues to Railway Board.

*Figures as per the Finance Accounts for the year 1976-77.

(iii) A synoptic statement, showing the summarised financial results of working of the Board for the year 1976-77, is given in Appendix II.

(*b*) *Other Statutory Corporations*

(I) *Uttar Pradesh State Road Transport Corporation*

The Uttar Pradesh State Road Transport Corporation was established on 1st June 1972. The accounts for the year 1972-73 had been prepared (October 1977) for the first time in the form prescribed by the State Government in November 1976. The accounts showed a loss of Rs.88.72 lakhs (excluding interest on capital). The accounts for 1973-74 and onwards have not been prepared (November 1977) in the prescribed form.

Guarantees

Government have guaranteed the repayment of loan and payment of interest on loans taken by the Corporation up to 31st December 1976, as shown below :—

Source	Maximum amount of guarantees given by Government*	Amount guaranteed and outstanding on 31st December 1976*
	(In lakhs of Rupees)	
A commercial bank	1100.00	1100.00
Industrial Development Bank of India	755.00	755.00
State Bank of India	100.00	100.00

(II) *Uttar Pradesh State Warehousing Corporation*

Under Section 31 (10) of the Warehousing Corporations Act, 1962, the annual accounts of the Uttar Pradesh State Warehousing Corporation, together with the audit report thereon, are required to be placed before the annual general meeting of the Corporation by 30th September of the year following the year to which the accounts relate. Mention was made in paragraph 5.01 (*b*) (II) of the Report of the Comptroller and Auditor General of India for the year 1975-76 (Commercial) regarding delay in adoption and placing the accounts for the years 1973-74 and 1974-75 before the annual general meeting. The accounts for the year 1975-76 finalised and adopted in October 1977 have not been placed (December 1977) before the annual general meeting. Accounts for the year 1976-77 are in arrears (December 1977). The Corporation earned a net profit of Rs.53.37 lakhs during 1975-76 as against a net profit of Rs.6.75 lakhs in the previous year (1974-75).

*Figures as per the Finance Accounts for the year 1976-77.

(III) *Uttar Pradesh Financial Corporation*

(i) *Capital*

The capital as on 31st March 1977 was Rs.375 lakhs, representing an increase of Rs.75 lakhs over the capital of Rs.300 lakhs at the end of the previous year.

(ii) *Long-term loans*

The balance of long-term loans obtained by the Corporation was Rs.2732.55 lakhs as on 31st March 1977. The break-up of the balance according to the sources of finance, was as under :—

Source	Amount (In lakhs of Rupees)
State Government	49.12
Public issue of bonds	1529.88
Reserve Bank of India and Industrial Development Bank of India	1153.55
Total	2732.55

(iii) *Guarantees*

The State Government have guaranteed the repayment of share capital and payment of annual dividend thereon, repayment of bonds and payment of interest thereon *etc.*, as given in the table below :

Brief particulars	Maximum amount guaranteed*	Amount outstanding on 31st December 1976*
	(In lakhs of Rupees)	
Share capital (Annual dividend at 3½ *percent* also guaranteed)	420.00	420.00
Bonds (interest thereon also guaranteed)	1500.00	1499.00

(iv) *Profits*

During 1976-77, the Corporation earned a profit of Rs.93.24 lakhs representing 24.9 *per cent* of the paid-up capital of Rs.375 lakhs against the profit of Rs.100.83 lakhs, representing 33.6 *per cent* of the paid-up capital of Rs.300 lakhs, during the previous year.

5.02. A synoptic statement showing the summarised financial results of working of three Corporations, *viz.* Uttar Pradesh Financial Corporation, Uttar Pradesh State Warehousing Corporation and Uttar Pradesh State Road Transport Corporation, on the basis of the latest available accounts, is given in Appendix II.

*Figures as per the Finance Accounts for the year 1976-77.

SECTION VI

UTTAR PRADESH STATE ELECTRICITY BOARD

OBRA THERMAL POWER STATION

6.01. *Introduction*

To meet the chronic power shortage in the State and utilise the coal found at Singrauli, Government decided in 1959 to set up a thermal power station at Obra (Mirzapur). Detailed project report, prepared (1959) by a Russian firm, was accepted by Government in 1962. Construction of the Obra Thermal Plant, with a generating capacity of 250 MW (five units of 50 MW each), was started in May 1965 and all the units were commissioned by July 1971, at a total capital cost of Rs.40.57 crores. Extension of the plant, to increase the generating capacity of the power station to 550 MW, by installing three more units of 100 MW each, at a capital cost of Rs.64.99 crores, was taken up in September 1969 and was completed in January 1975.

6.02. *Organisation set-up*

The Power Station is managed by a General Manager with three Deputy General Managers in-charge of administration, operation and maintenance and execution of new projects respectively. A Senior Cost Accountant is responsible for accounts relating to operation and maintenance and there is an Accounts Officer for accounts relating to construction work.

6.03. *Extension project*

While the original project (5×50 MW) was under execution, the Board decided (September 1966) to take up the Extension Project (Stage I) at Obra to meet the demand for power caused by the increasing tempo of industralisation and agricultural needs of the State and also to utilise the vast coal reserves at Singrauli. The project report, prepared in August 1969, provided for installation of three units of 100 MW each, at an estimated capital cost of Rs.31.31 crores. The work for supply, erection and commissioning of the plant was entrusted to Bharat Heavy Electricals Limited in September 1969. A private firm of Calcutta was appointed in October 1969 as the Board's consultants and was paid Rs.50.71 lakhs up to May 1976.

(i) *Compensation to consultants*

An agreement to regulate and co-ordinate the supply, erection and commissioning of the 100 MW sets, in accordance with the schedule laid down in the project report, was not got executed with

the supplier by the Board. The agreement with the consultant firm provided its services up to January 1973. Owing to the delay in commissioning of the extension units, the stay of the Board's consultants was extended from January 1973 to September 1975 (by 33 months). The consultant's claim for compensation of Rs.13.30 lakhs for the extended stay is pending consideration of the Board (December 1977).

(ii) The prescribed schedule of construction and supply of plant and equipment could not be adhered to. The extent of delay in commissioning the individual extension units, as compared with the original schedule, is indicated below:—

Extension unit	Month of commissioning as per the original project report	Month in which actually commissioned on commercial load	Extent of delay in months
I	August 1971	October 1973	26
II	April 1972	December 1974	32
III	November 1972	January 1976	38

The delay in commissioning of the extension units was attributed by the project management in July 1977 to: (i) delay in supply of plant and machinery, (ii) delay in completion of civil works, (iii) shortage and non-availability of cement and steel, *etc.* It was estimated (July 1977) that the delay in commissioning of the units had resulted in enhancement of the capital cost from Rs.31.31 crores to Rs.64.99 crores. The increase in the capital cost was stated by the project management to be mainly due to: (i) price rise (Rs.23.20 crores) of plant and equipment and construction materials, (ii) inadequate provision and absence of provision for some items (Rs.8.74 crores), and (iii) enhanced wages, salaries, *etc.* (Rs.1.74 crores).

6.04. *Plant operation and outages*

The Power Station comprises five units of 50 MW each and three units of 100 MW each. The 50 MW and 100 MW sets are based on different plant specifications. The sets of different capacities have separate operation and maintenance facilities in respect of boilers, turbines, generators, electrical equipment and efficiency-*cum*-generation monitoring system.

A technical committee on power, appointed by the State Government in March 1972, in its report (December 1972) recommended that the power stations of the Board should aim to achieve 80 *per cent* plant availability for thermal generating units within a short time and 85 *per cent* within the next two or three years. Most

of the units of the Power Station, however, could not achieve 80 *per cent* plant availability during the three years up to 1976-77. The available hours, actual operation hours and the percentage of plant availability of each unit is tabulated below in respect of the three years up to 1976-77 :—

	1974-75			1975-76			1976-77		
Unit	Available hours	Actual operation hours	Percentage availability	Available hours	Actual operation hours	Percentage availability	Available hours	Actual operation hours	Percentage availability
5×50 MW *sets*—									
I	8760	6664	76.1	8784	6959	79.2	8760	6746	77.0
II	8760	5337	60.9	8784	5041	57.4	8760	2816	32.1
III	8760	6996	79.9	8784	6494	73.9	8760	6828	77.9
IV	8760	6259	71.4	8784	6540	74.5	8760	7004	80.0
V	8760	6345	77.4	8784	7047	80.2	8760	7295	83.3
Overall performance of the five units	43800	31601	72.1	43920	32081	73.0	43800	30689	70.1
3×100 MW *sets*—									
I	8760	7451	85.1	8784	4859	55.3	8760	6195	70.7
II	2570	1336	52.0	8784	6693	76.2	8760	5580	63.7
III	..	..	..	2184	1739	79.6	8760	6722	76.7
Overall performance of the three units	11330	8787	77.6	19752	13291	67.3	26280	18497	70.0
Overall performance of the station	..	..	74.0	..	..	70.3	..	..	70.2

NOTE— (1) The figures are based on the plant records maintained by Efficiency, Generation and Monitoring Divisions of the Power Station.

(2) Overall percentage availability of the station has been worked out on the basis of capacity hours available with reference to total installed capacity.

The details of outages in respect of the generating sets of the Power Station, during the three years up to 1976-77 are as under:—

Causes	Outages (in hours)					
	5× 50 MW set			3 ×100 MW set		
	1974-75	1975-76	1976-77	1974-75	1975-76	1976-77
(a) *External*						
(i) Absence of demand in grid	..	379	147	..	112	48
(ii) Grid disturbance	42	23	29	..	..	[illegible]
(iii) Non-availability of furnace oil	..	385	147	..	..	..
(iv) Under technical observation by BHEL engineers	129	..	..	..	..	..
Total ..	171	787	323	..	112	56
(b) *Internal*						
(i) Major overhauling	4075	2920	..	..	2218	..
(ii) Annual maintenance/ inspection	1903	1094	3368	339	161	2997
(iii) Damage to generator	..	..	4847	..	..	..
(iv) Fire in coal handling plant	329	61	..	..	480	..
(v) Repairs and rectifications of various defects/break-downs during the running of						
Boiler	5721	6793	4509	2204	3480	4564
Turbine	..	17	64	..	10	10
Generator	..	167	..	..	..	156
Total	12028	11052	12788	2543	6349	7727
Total (a)+(b)	12199	11839	13111	2543	6461	7783

NOTE—These figures are based on the records maintained by the Efficiency, Generation and Monitoring Divisions of the Power Station.

(a) Major overhauling and annual maintenance

The Technical Advisory Committee (for modernisation of maintenance procedure in large thermal power stations) appointed by the Government of India, in its report of June 1972, recommended that the period of major overhauling and annual maintenance should be reduced to 6 and 3 weeks respectively. The technical committee on

power, appointed by the State Government, in its report of December 1972 stated that by organising proper maintenance and operation schedule and mobilisation of technical and operating staff, it would be possible for the Board to reduce the period to 8 and 4 weeks, *i.e.* 1344 and 672 hours respectively.

Major overhauling is required to be done once in every three years. The time taken by the Power Station for major overhauling of some units was excessive, as indicated below:—

Unit	Period	Hours taken
50 *MW*		
II	January to June 1975	3720
III	September 1973 to April 1974	5118
V	August to September 1974	2174
100 *MW*		
I	August to November 1975	2218

Major overhauling of Unit I of 50 MW was not done during 1974-75 to 1976-77 and of Units II and III of 100 MW was not done till 1976-77. The time taken in overhauling of Unit IV of 50 MW (901 hours) was normal.

Similarly, the time taken for annual maintenance of some of the turbo-generating sets in the Power Station was in excess of the time (672 hours) recommended by the technical committee on power appointed by the State Government, as indicated below:—

Unit	Period	Total hours taken
I (50 MW)	June to August 1974	1140
III (50 MW)	June to July 1975	1094
III (50 MW)	June to August 1976	1101
IV (50 MW)	November to December 1974	763
I (100 MW)	October 1976	744
II (100 MW)	June and July 1976	950
III (100 MW)	August and September 1976	1303

The technical advisory committee appointed by the Government of India had observed in its report (June 1972) that "it is inadvisable to keep the boilers in operation over such long periods without overhauls as it contributes to uneconomical and inefficient generation, increased outages and planned outages for emergent maintenance and occurrence of certain damage necessitating costly replacements". However, the annual maintenance of boilers of Units I and V was not done in the year 1975-76. As compared to the total outages, the outages in the boilers was 47,57 and 34 *per cent* in respect of 50 MW sets during the years 1974-75, 1975-76 and 1976-77 respectively while it was 90,54 and 59 *per cent* during these years in respect of 100 MW sets. The expenditure on maintenance and repair of boilers also increased from Rs.66.85 lakhs in 1974-75 to Rs.136.69 lakhs in 1976-77.

(b) Damage to generator

On the night of 10th/11th September 1976, Unit II of 50 MW failed due to shattering of disconnector portion of air blast breaker, which created bus bar fault on the 220 KV main. Owing to the bus bar fault, all the incoming and outgoing circuits tripped and also resulted in damage to the generator. The project management appointed a committee (16th September 1976) to investigate into the matter.

The committee reported (7th December 1976) that (i) three phases of the machine had been damaged, (ii) the copper in the stator winding had melted into a lump, (iii) the two end pockets of the stator had been burnt where copper had melted and (iv) slots were badly damaged. The committee concluded that the "damage in generator was very extensive". The committee found a general lack of understanding of various features of the generating plant amongst the operating staff and that the technical features, operating behaviour, mode of operation during normal and emergency conditions in respect of boiler, turbine, generator and switchyard were not fully/properly understood by the staff in clear perspective. The committee stressed that without proper training and choice of proper personnel the situation would deteriorate further. The committee held 18 employees responsible for the damage. Action against the employees is in process (December 1977).

The committee did not assess the extent of loss on account of damage to the generator. On 24th September 1976, the supplier (BHEL) was contacted to work out a programme of repairs to the machine. BHEL assessed that the damage was of a very severe nature requiring import of certain components from Russia. According to the rough estimates prepared by BHEL, the cost of spares and

repairing charges, excluding transportation and erection charges, would be Rs.1.50 crores. But the Board's Chairman suggested (11th October 1976) import of a complete generator of the same capacity from Russia, in case the time required for repairs was longer. The rotor of the machine and the stator were sent to BHEL on 19th December 1976 and 11th March 1977 respectively for repairs. Efforts were made to obtain certain components from other power stations in the country while steps were in progress for import of stator winding bars from Russia. The project management anticipated (September 1977) that on receipt of these items a further period of 12 months would be required to complete the repairs for running the plant.

(c) Fire accidents

(i) A fire accident occurred on 11th December 1974 (2 A.M.) and two conveyor belts were damaged. It was found that the fire was caused due to throwing of burnt coal and ash by the operators and contractor's labour, which they might have been using for heating in the winter night in the ducts of the belts. The resultant loss (Rs.29,800) was attributed by the project management in July 1975 to negligence and carelessness of the operators on duty.

(ii) On the night of 12th/13th January 1975, one conveyor belt was damaged by fire. The cause of the fire could not be determined by the project management. Rupees 1.99 lakhs were spent on repairs and replacement of the conveyor belt and its accessories. During the period, Units I and III of 50 MW remained in outage for 34 and 295 hours respectively.

(iii) On 11th June 1975, a fire broke out in two conveyors. Three belts with their steel structure between crusher house and transport point, power cables and control cables of coal handling system of these two conveyors were burnt completely and their electrical fittings were also damaged. One unit of 50 MW and two units of 100 MW went in outage for 541 hours. The cost of repairs and replacement of damaged installations amounted to Rs.25.83 lakhs, apart from the loss in generation of electricity. The Board constituted a committee on 25th June 1975 to enquire into the causes of the fire and to fix responsibility therefor. The committee, in its report (December 1975), concluded that owing to spontaneous combustion in the coal yard, some pieces of coal might have fallen in the hopper from the conveyor belt without being fully quenched. The committee also stated that one of the burnt conveyors (No. 6)

was not in operation since long and it had not been inspected by any responsible officer for quite some time and that there was a definite possibility that accumulation of coal dust, pieces of coal and other material therein might have accelerated the spreading of fire. While the committee was unable to fix responsibility directly on the staff for the fire, it was of the opinion that "a general sense of complacent attitude towards their responsibilities, lack of proper discipline among the staff and unawareness of the hazards and extent of damage that could be caused due to fire despite earlier incidents appeared to have been prevalent at all levels". Action on the report remained to be taken by the Board (December 1977).

Claims for damages due to the three fire accidents narrated above aggregating Rs.28.11 lakhs, were lodged (July 1975—September 1975) with the insurers who admitted (27th January 1977) claims to the extent of Rs.5.98 lakhs only in final settlement. The insurers were informed (November 1977) by the project management that the amount of claim payable had been under-assessed by Rs.14.24 lakhs and, therefore, they were requested for revision of the discharge vouchers. The response from the insurers was awaited (December 1977).

(d) Other unscheduled outages

Unscheduled outages in the Power Station relate mainly to boilers. Outages in the boilers of 50 MW sets were for 5721 hours in 1974-75, 6793 hours in 1975-76 and 4509 hours in 1967-77 and one Unit had been lying closed since September 1976. The increase in the unscheduled outages in the 100 MW sets was also appreciable (4564 hours in 1976-77 as compared to 3480 hours in 1975-76 anl 2204 hours in 1974-75). This was in addition to the annual maintenance hours (9862) spent in the turbo-generating sets during these years. The technical committee on power, in its report (December 1972) emphasised that the time taken for the unscheduled shut-down, break-down and repairs and rectification thereof should be kept within 4 *per cent* of plant availability. The time taken for unscheduled outages was 13, 16 and 10 *per cent* in the 50 MW sets and 19, 18 and 18 *per cent* in 100 MW sets during 1974-75, 1975-76 and 1976-77 respectively, of the available hours.

6.05. *Capacity utilisation*

Norm of unit-wise/set-wise generation and/or firm generating capacity has not been fixed by the Board. The installed capacity, possible generation during operation hours, the actual generation thereagainst and percentages of actual generation to installed capacity

and to possible generation of the individual units and the Power Station as a whole for the three years up to 1976-77 are shown below :—

Unit	Installed generating capacity (Mkwh)	Actual generation (Mkwh)	Percentage of actual generation to installed generating capacity	Possible generation as per installed capacity during actual operation hours (Mkwh)	Percentage of actual generation to possible generation during actual operation hours
1974—75					
50 MW *sets*					
I	438	289	66	333	87
II	438	216	49	267	81
III	438	272	62	350	78
IV	438	248	57	313	79
V	438	286	65	317	90
Overall for the sets	2190	1311	60	1580	83
100 MW *sets*					
I	876	649	74	745	87
II	257	98	38	134	73
Overall for the sets	1133	747	66	879	85
Overall for the station	3323	2058	62	2459	84
1975-76					
50 MW *sets*					
I	439	269	61	348	77
II	439	212	48	252	84
III	439	251	57	325	77
IV	439	256	58	327	78
V	439	295	67	352	84
Overall for the sets	2195	1283	58	1604	80
100 MW *sets*					
I	878	373	42	486	77
II	878	569	65	669	85
III	218	159	73	174	91
Overall for the sets	1974	1101	56	1329	83
Overall for the station	4169	2384	57	2933	81
1976-77					
50 MW *sets*					
I	438	281	64	337	83
II	438	122	28	141	87
III	438	274	63	341	80
IV	438	275	63	350	79
V	438	307	70	365	84
Overall for the sets	2190	1259	57	1534	82
100 MW *sets*					
I	876	507	58	620	82
II	876	419	48	558	75
III	876	595	68	672	88
Overall for the sets	2628	1521	58	1850	82
Overall for the station	4818	2780	58	3384	82

The low capacity utilisation of the Power Station was due mainly to (i) low availability of generating capacity due to excessive outages and (ii) operation of generating units at low load—the average load ranging from 40 MW to 42 MW and 82 MW to 85 MW, instead of at full load of 50 MW and 100 MW respectively, during the three years.

6.06. *Consumption of power in auxiliaries*

The project estimates of both the original 250 MW stage and 300 MW extension stage provided for consumption of electricity in the auxiliaries at 8 and 7 *per cent* in respect of 50 MW sets and 100 MW sets respectively. Against this, the power actually consumed in the auxiliaries, during the four years up to 1976-77, was as under :—

Year	50 MW sets			100 MW sets		
	Energy generated	consumed in auxiliaries (Mkwh)	Percentage of consumption	Energy generated	Consumed in auxiliaries (Mkwh)	Percentage of consumption
1973-74	1300.6	116.8	9	167.2	13.3	8
1974-75	1310.9	139.8	11	747.4	67.3	9
1975-76	1282.6	145.8	11	1100.9	107.5	10
1976-77	1259.3	138.5	11	1520.5	151.8	10

Taking the level of consumption of 1973-74 as the basis, the revenue on possible sale of power consumed in excess in the auxiliaries, during the three years up to 1976-77, was as under :—

Description	Year		
	1974-75	1975-76	1976-77
Actual consumption in auxiliaries (Mkwh)	207.1	253.6	290.3
Energy consumable at the level of 1973-74 (Mkwh)	181.5	209.0	242.5
Excess consumption in auxiliaries as compared to the level of 1973-74 (Mkwh)	25.6	44.6	47.8
Energy that would have been available for sale after allowing system losses (Mkwh)	20.0	35.2	37.3
Accruable revenue on sale of energy on the Board's average sales realisations (In lakhs of Rupees)	41.30	87.72	90.9

6.07. *Incentive scheme*

For achieving higher labour productivity and equipment utilisation, the Board introduced a thermal generation incentive scheme from 1st November 1973. According to the scheme, the employees (i) directly connected with operation and maintenance of the Plant (Group I) and (ii) indirectly connected with the operation and maintenance of the Plant (Group II) were to receive cash incentive at a prescribed percentage (depending upon the plant utilisation factor actually achieved) of the pay applicable for incentive calculation under the scheme provided the plant utilisation factor (percentage of actual generation to the generation as per the installed capacity) in a month was 55 or above. The following table indicates the generating capacity, energy generated, plant utilisation and amount of cash incentive paid for the five years up to 1976-77 :

Year	Installed generating capacity (Mkwh)	Energy generated (Mkwh)	Overall plant utilisation factor (*per cent*)	Amount of incentive paid (In lakhs of Rupees)
1972-73	2190.000	1356.377	61.9	..
1973-74	2610.400	1468.840	56.1	2.95
1974-75	3323.000	2058.291	61.9	11.68
1975-76	4169.200	2383.514	57.1	7.25
1976-77	4818.000	2779.832	57.7	9.70
				31.58

The table would indicate that even though the declining trend in plant utilisation up to 1973-74 was improved upon in 1974-75, the plant utilisation factor declined during 1975-76 and 1976-77 in spite of (i) increase in the consumption of furnace oil from 8.7 kl per million Kwh in 1972-73 to 21.4 kl per million Kwh in 1976-77 and (ii) postponement of annual maintenance of Units I and V in 1975-76. The Board had fixed the minimum plant utilisation factor for calculating the incentive at below the level already achieved during the two years prior to introduction of the scheme. The incentive is based on plant utilisation factor of each month and thus the scheme ignores the plant utilisation factor of the year as a whole.

The incentive scheme was introduced on experimental basis. Amendments, modifications/alterations in the working of the scheme were to be decided by the Board. At the time of introduction (November 1973) of the scheme, the installed capacity of the Power Station was 350 MW. The project management worked out the plant utilisation factor assuming its installed capacity at 330 MW on the

ground of teething trouble in Unit I of 100 MW up to June 1974. In December 1974, Unit II of 100 MW was put on commercial load increasing the installed capacity to 450 MW. The plant utilisation factor was, however, worked out for the months of December 1974 and January 1975 excluding the installed capacity as also generation of Unit II of 100 MW on the ground of teething trouble in that unit. The utilisation percentage worked out was 75 and 61 for these two months as against 65 and 53 achieved during those months taking into account the actual installed capacity and generation of Unit II of 100 MW. For the months of February to April 1975, the plant utilisation was worked out treating the installed capacity at 480 MW. In January 1976, Unit III of 100 MW was commissioned on commercial load increasing the installed capacity to 550 MW. The plant utilisation factor was, however, worked out taking the capacity at 580 MW for January 1976 on the ground of teething trouble in Unit III. This worked out to 73 *per cent* as against 70 *per cent* on the full installed capacity. Payment of cash incentive at rates worked out on the basis of reduced installed capacity, is awaiting approval of the Board (December 1977).

As a result of derating the new generating units because teething troubles and working out of the plant utilisation factor on the higher side in the months of November 1973 to June 1974, December 1974 to April 1975 and in January 1976, payments of generation incentive to the employees of the Power Station for these months aggregated Rs.11.56 lakhs against the admissible amount of Rs.8.28 lakhs. Although the project authorities have requested the Board from time to time for formal approval of these deratings, the same has not been approved by the Board (December 1977).

6.08. *Purchase and consumption of coal*

(*a*) The coal for use in the Power Station is obtained from Singrauli coalfields. There is one coal handling division for both the original and extension units; it arranges the supply, transportation and storage of fuel. The division also keeps the records of consumption. In addition, there are two efficiency divisions (one each attached to the original and the extension units) which also keep the records of consumption of fuel. There is no agreement with the Coal India Limited regulating the supply of coal to the Power Station, with the result that adjustments in payment in regard to deficiencies in supply were not enforced.

In accordance with the orders of the Government of India (August 1975), the price of coal is linked with the heat content therein. Coal supplies are analysed on the basis of test of samples in the power house laboratory and payment is to be regulated on that basis. During

the period from 14th August 1975 to June 1977, the coal supplied was found to be of inferior quality compared to the quality stated to have been supplied as per the despatch documents. The extra payment made to the suppliers for the inferior quality aggregated Rs.266.70 lakhs. The Power Station has preferred claims aggregating Rs.181.70 lakhs with the Coal India Limited on this account. Claims for Rs.85 lakhs have not been preferred as the requisite formalities like joint sampling, testing, *etc.* were not conducted for the supplies received during July—December 1976. The claims for Rs.181.70 lakhs have, however, not been accepted by the Coal India Limited. Details are given below:—

(i) Claim of Rs.36.59 lakhs, relating to the period August 1975 to December 1975 (lodged between 22nd June 1976 to 23rd July 1976), was rejected (August 1976) on the ground that it was not preferred within 30 days of the receipt of supplies in accordance with a draft agreement with the Board by the Coal India Limited.

(ii) Joint samples are required to be drawn in the presence of the representatives of the Management and the suppliers, at the loading end at Singrauli. During the period January to July 1976, joint samples could not be drawn because the Power Station representative was not available at the loading end. The claim for the inferior quality of supplies of coal, based on the analysis of the samples drawn at the power house laboratory, was also not preferred within 30 days of the receipt of coal. The claim for Rs.118.89 lakhs was lodged on 21st July 1977, delay ranging between 12 and 18 months. This claim has also not been accepted by the suppliers (December 1977).

(iii) Samples from the supplies made during January to March 1977 were drawn at the loading point in the presence of the representatives of the suppliers. On the basis of the heat contents found in the samples, claims aggregating Rs.24.50 lakhs were preferred on 19th February 1977, 30th March 1977 and 26th April 1977 (within 30 days of the supplies) against the suppliers for inferior supplies. The claims have not yet been accepted (December 1977).

The system of drawing joint samples in regard to supplies made by the Singrauli coalfield has been discontinued from April 1977 without any recorded reasons. Claim, if any, for inferior quality of the supplies from April 1977 onwards has not been preferred (December 1977).

(iv) Supplies received from Karanpura coalfields (Bihar) in the quarter April-June 1977 were found to be of inferior quality. Claim of Rs. 1.72 lakhs preferred against the supplier on 23rd July 1977 has not been accepted so far (December 1977).

(b) Singrauli mines are located at a distance of 90 Km from Obra. The normal transit time for coal by rail is stated by the Management to be one or two days. As on 30th September 1977, the position of missing wagons of coal, for which payment has been made by the Board to the suppliers in full against despatch documents was as under:

Year	Number of missing wagons	Quantity involved (In tonnes)	Approximate value (In lakhs of Rupees)
1973	30	1680	1.18
1974	191	10696	7.48
1975	120	6720	4.70
1976	428	23968	16.78
1977 (September)	204	11424	8.00
Total		54488	38.14

(c) *Consumption of coal*

(i) On the basis of the detailed project report prepared by the Russian designers, the boilers of the 50 MW sets were designed to burn the coal available in the Singrauli coalfieds. The characteristics of the coal were that (i) colorific value of coal should be between 3320 and 3590 k. cal/kg, (ii) ash contents should be 38.9 to 42 *per cent* and (iii) moisture content should be 6 to 13 *per cent*. Pending supply of coal from the Singrauli coalfieds, the Power Station started receiving coal from the coalfields situated in Bihar during 1967-68 to 1970-71; the calorific value of the coal supplied ranged between 3800 and 5000 k. cal/kg Certain modifications were, therefore, carried out during 1967-68 to 1970-71 in the boilers to suit the coal which was received at that time.

The expansion project report (August 1969) stated that the "low grade coal will be used as a fuel for the boilers of this project which is available in nearby coal mines". However, the Board purchased boilers designed to burn coal of a higher calorific value — 4330 to 4485 k. cal/kg for the generating units of the expansion project.

From 1971-72, the Power Station started receiving coal from Singrauli coalfields, the calorific value of which was in accordance with the designed specifications of the boilers of the 50 MW sets. The coal burnt in the 100 MW sets was of 3800 to 4000 k.cal/kg calorific value in 1974-75, 4000 to 4470 k.cal/kg in 1975-76 and 4200 to 4600 k.cal/kg in 1976-77, on which the boilers were designed.

(ii) Coal was not weighed physically in the Power Station in the absence of a weigh—bridge. The difference between the weight as per the despatch documents and the physical balance, computed on the basis of volumetric measurement at the end of the year, was taken as consumption of the year. As a result, pilferage, losses in transit and thefts, if any, remained undetected and were treated as consumption. The actual consumption during the year was, therefore, not susceptible of verification. The quantity of coal to be consumed per kwh, as provided in the project estimate, the actual consumption as worked out by the Power Station and the cost per kwh are indicated below :—

Particulars	Year 1974-75	1975-76	1976-77
	(Quantity in kilograms)		
50 MW sets			
As per the project estimate	0.85	0.85	0.85
Actual consumption	0.82	0.82	0.82
100 MW sets			
As per the project estimate	0.60	0.60	0.60
Actual consumption	0.77	0.78	0.78
Overall cost (in paise)	3.6	5.5	5.5

The excess consumption during the three years, over the consumption as per the project estimate, in respect of the 100 MW sets, amounted to 5,79,300 tonnes of coal valued at Rs. 579 lakhs approximately. In this connection, it may be stated that the coal consumption per kwh in the year 1975-76 at Harduaganj and Panki thermal plants was 0.65 kg and 0.61 kg respectively.

(iii) There were discrepancies in the quantity of coal consumed, as reported by the coal handling and the efficiency divisions of the Power Station in 1975-76. The consumption, as recorded by the coal handling division, was 19.40 lakh tonnes while it was recorded at 19.06 lakh tonnes by the efficiency division. The discrepancy (33,900 tonnes valued at Rs. 33.90 lakhs) has not been reconciled (December 1977).

8.08. *Wireless sets*

In March 1972, the Lucknow Electric Supply Undertaking (LESU) purchased 20 wireless sets (value: Rs. 0.77 lakh) from Bharat Electronics Limited for easy communication and speedy attendance of consumers' complaints. Owing to lack of technical knowledge and trained staff, these sets had not been commissioned up to December 1975. Rupees 0.29 lakh were, however, paid during the years 1972 to 1975 as licence fee, at Rs.360 per set per annum, though according to the rules for payment of licence fee, possession fee at Rs.25 per set per annum was payable. This resulted in an extra expenditure of Rs.0.27 lakh.

Seven sets were put to use in January 1976 and 13 sets were lying idle (December 1977).

The matter was reported to the Board in June 1977 and to Government in September 1977 ; replies are awaited (December 1977).

SECTION IX

UTTAR PRADESH STATE ROAD TRANSPORT CORPORATION

9.01. *Purchase of chassis and fabrication of bus bodies*

During the Fourth Plan period, 773 new buses were to be purchased for expansion and augmentation of new routes, against which only 452 buses were purchased by the Transport Department till 31st May 1972, *i.e.* before the formation of the Corporation. Further, as against 1000 additional road kilometres to be covered during the Plan period, the state undertaking could cover 612 additional road kilometres only up to 31st May 1972. After the formation of the Corporation, five new routes were taken over, four during 1973-74 and one during 1976-77.

The target for purchase of chassis each year for augmentation/expansion of services and for replacement of vehicles, the particulars of orders placed and the actual receipts of chassis during the five years up to 1976-77 were as under :

Year	Target for purchase of chassis for			Ordered placed for			Actual receipt of vehicles
	Augmentation	Replacement	Total	Augmentation	Replacement	Total	
1972-73	209	300	509	50	361	411	335
1973-74	132	400	532	291	433	724	619
1974-75	124	376	500	..	318	318	459
1975-76	836	624	1460	290	596	886	660
1976-77	300	800	1100	93	778	871	1137
Total	1601	2500	4101	724	2486	3210	3210

9.02. *Purchase of chassis*

The requirement of chassis to be purchased each year is determined by the Corporation on the basis of the number of vehicles required for (i) operation on new routes or for augmentation of the existing strength, and (ii) replacement of the condemned vehicles. All the chassis manufacturers in the country quote two rates for supply of chassis, one for the members of the Association of State Road Transport Undertakings and the other for others. The Corporation, after determining the number and make of the vehicles required for operation during a particular year, placed orders on the local distributors/dealers of Tata and Leyland chassis as it was stated (August 1977) to be economical as compared to purchases from the manufacturers. Delivery of Tata chassis was being taken at Phaphamau (Allahabad) depot of the firm whereas delivery of Leyland chassis was being taken at the Central Workshop, Kanpur.

6.09. *Thermal efficiency*

The particulars regarding the thermal efficiency (output of electrical energy, denoted as a percentage of the input of heat energy contained in the fuel used in generation) guaranteed by the manufacturers of the plant and that achieved by the two sets of the Power Station during the three years up to 1976-77, are given as under :—

Particulars	Guaranteed thermal efficiency	Actual efficiency 1974-75	1975-76	1976-77
			(*per cent*)	
50 MW sets	29.3	28.6	25.3	27.8
100 MW sets	29.1	..	23.8	27.4

Reasons for not achieving the thermal efficiency guaranteed by the manufacturers have not been analysed (December 1977).

6.10. *Railway claims*

The position of the claims as on 30th September 1977 on account of missing oil wagons, demurrage, wharfage, *etc.*, pending with the Railways since 1968-69, was as under :—

Year	*Amount* (In lakhs of Rupees)
1968-69	4.98
1969-70	0.11
1970-71	0.12
1971-72	0.10
1972-73	0.48
1973-74	1.21
1974-75	2.47
1975-76	13.27
1976-77	4.67
Total	27.48

The Board has appointed (April 1976) a Director of Coal Movement to pursue the railway claims for their speedy settlement.

A minor fire accident occurred in the conveyor belt (2A) on 21st November 1975 ; 270 metres of conveyor belt were completely destroyed. The loss on this account was assessed by the project authorities (December 1975) at Rs.2.97 lakhs.

6.11. *Furnace oil*

(*a*) Receipt, storage and issue of furnace oil, which is used as a supplementary fuel in generation, is handled by the coal handling division, while consumption records are maintained in the Efficiency

Generation and Monitoring Divisions of the Power Station for each unit separately. The consumption is recorded at both the ends (storage tank and boiler) on the basis of mechanical feeding system. During the years 1972-73 to 1976-77, there were discrepancies in the figures of consumption of furnace oil recorded at the two ends. The year-wise discrepancy is indicated below :—

Year	Furnace oil consumed As per records of coal handling division (Tank)	As per records of efficiency, generation and monitoring division (Boiler) (In kilolitres)	Excess consumption recorded in coal handling division	Approximate value of excess consumption (In lakhs of Rupess)
50 MW sets				
1972-73	11823.83	11772.98	50.85	0.15
1973-74	16761.50	16302.84	458.66	1.79
			509.51	1.94
100 MW sets				
1975-76	21315.26	19166.17	2149.09	9.19
1976-77	29368.31	23872.35	5495.96	55.13
			7645.05	64.32
	Total excess		8154.56	66.26

Neither the discrepancies were investigated nor was any reconciliation attempted between the two sets of figures at the two ends (December 1977).

(*b*) *Excessive consumption of furnace oil*

Furnace oil is used as a secondary fuel for (i) starting up the boiler furnace condition whenever generation falls below 70 *per cent* of the installed capacity, (ii) starting up the boiler from cold/no-load condition and (iii) controlling instability in the furnace on account of high moisture in coal or leakage of air due to erosion, constraints, *etc.* The Board stated in April 1977 that once the boiler was started up and generation was kept at 70 *per cent* of the installed capacity, furnace oil was not required if there were no constraints. It was, however, noticed

that furnace oil was increasingly used as fuel during the three years u
to 1976-77.

The following table indicates the power generated and th furnace oil actually consumed against the quantity that should hav been consumed at the level of consumption during the year 1972-7 for 50 MW sets and 1974-75 for 100 MW sets :—

Year	Energy generated (Mkwh)		Furnace oil consumed (Kilolitres)		Furnace oil re quired to be consumed on the basis of generation	
	50 MW sets	100 MW sets	50MW sets	100 MW sets	50 MW sets (1972-73 base)	100 MW sets (1974-7 base)
1972-73	1356	..	11800	..	..	
1973-74	1301	*	16800	*	11300	
1974-75	1311	747	24400	8500	11400	
1975-76	1283	1101	35600	21300	11200	1260
1976-77	1259	1521	30100	29400	11000	1710

NOTE 1. Figures of consumption to the nearest 100 kl.

2. *Generation and consumption were minor.

Generation of energy declined from 1356 Mkwh in 1972-73 t 1259 Mkwh in 1976-77 in the 50 MW sets but the consumption o furnace oil increased from 11,800 kl in 1972-73 to 30,100 kl i 1976-77. The excess consumption of furnace oil in the 50 MW set as compared to the level of 1972-73, on the generation during the nex four years up to 1976-77 approximated to 62,000 kl while the exces consumption during 1975-76 and 1976-77 over the level of consump tion in 1974-75 was about 21,000 kl in respect of the 100 MW sets The value of the excess consumption aggregated Rs.720.10 lakhs on the weighted average rate during the period. The Board has not however, investigated the excessive consumption of furnace oil parti cularly when the generation in the 50 MW sets has been on the decline.

(c) Spillage of furnace oil

Three furnace oil storage tanks (550 kl capacity each) with suitabl overflow system, were constructed during 1972-73 for the 100 MW

sets. As storage tanks for filtered water for those sets were not ready and acid cleaning of Unit I was to be carried out, the Power Station management decided (March 1973) to use these oil storage tanks temporarily for storing filtered water. Certain modifications were also carried out in the overflow system of these tanks. From September 1973, these tanks were used for storing furnace oil. Necessary modifications in the overflow system to make the tanks suitable for storing furnace oil were, however, not carried out. On the night of 22nd/23rd March 1976, while unloading 13 tankers of furnace oil through an electrically operated pump (at the rate of 150 tonnes per hour) in one of the tanks, it was overfilled, resulting in automatic syphon action in the overflow system. This resulted in draining out of the furnace oil. The drained out furnace oil was partially stored near the retaining walls and the oil so retained was salvaged. But 218 kl of oil drained out of the tank was lost in the *nala* of the terrain. The loss (Rs.2.19 lakhs) was reported (April 1976) to the Board by the Power Station, stating that the overflow system was not in conformity with the approved drawings of the consultants, but the same was allowed to continue. The tanks were rectified thereafter. The Board has not taken any action to fix responsibility for the loss (December 1977).

6.12. *Manpower analysis*

The table below indicates the original and the revised staff requirements for operation and maintenance of the Power Station :—

Category of staff	50 MW sets		100 MW sets	
	Original estimate 1962	Revised estimate 1967	Original estimate 1967	Revised estimate 1977
	(In numbers)			
Operation and maintenance	305	968	400	393
Administrative and other staff (Civil, colony, hospitals, etc.)	32	573	330	635
Total	337	1541	730	1028
Personnel factor per MW	1.3	6.2	2.4	3.4

N. B.—Personnel factor denotes the number of personnel per MW of installed capacity.

The revised project report (November 1967) for the 50 MW sets raised the staff requirements from 337 to 1541 without assigning any reasons therefor and identifying the specific areas of increase and circumstances justifying the same. Similarly, the staff requirements

for the 100 MW sets were revised in 1977 on the basis of the strength actually deployed after commissioning of Unit III and the areas/reasons for the increase have not been analysed (December 1977).

The table below indicates the staff actually employed during the three years up to 1976-77 and the personnel factor for the Power Station as a whole:–

Year	Staff required	Staff actually employed (including contract labour)	Personnel factor: Revised project report	Personnel factor: Actual
1974-75	2569	2715	4.67	6.0[illegible]
1975-76	2569	2954	4.67	5.3[illegible]
1976-77	2569	3413	4.67	6.2[illegible]

Besides the aforesaid staff engaged on operation and maintenance the Power Station had been engaging workers (skilled and unskilled) through the agency of contractors, regularly, for operation, maintenance and routine works for which staff on regular basis had already been employed. During the years 1974-75, 1975-76 and 1976-77, their average daily number was 315, 425 and 664 respectively. In addition overtime hours were also worked in the Power Station. Taken together, the employment position was as under :–

Description	Year 1974-75	1975-76	1976-77
Regular staff	2400	2529	274[illegible]
Contractor's workers	315	425	66[illegible]
Overtime labour	69	113	11[illegible]
Actual personnel factor (per MW)	6.19	5.58	6.41

The technical committee on power, in its report (December 1972) to the State Government, recommended that the personnel factor should be around 4 per MW in the Obra Thermal Power Station. Compared to the norm recommended by the technical committee on power, the extra deployment of manpower was 984, 867 and 1326 in 1974-75, 1975-76 and 1976-77 respectively.

6.13. *Overtime payments*

(*a*) In addition to salaries and wages, substantial amounts were being paid for overtime working. The overtime hours worked and the amount paid during the three years up to 1976-77 are tabulated below :–

Year	Ovetime hours (In lakh hours)	Amount paid (In lakhs of Rupees)
1974-75	2.03	9.38
1975-76	3.30	16.47
1976-77	3.31	20.90

In relation to the 'applicable pay'* on which overtime is paid, the percentage worked out is as under :–

Year	Applicable pay	Overtime paid	Percentage of overtime to 'applicable pay'
	(In lakhs of Rupees)		
1974-75	66.38	9.38	14.1
1975-76	85.23	16.47	19.3
1976-77	86.01	20.90	24.3

(*b*) The Factories Act, 1948 provides that the overtime hours put in by a worker should not exceed 50 hours in a quarter. In contravention of these provisions, the Power Station allowed the same worker/workers in certain divisions (boiler maintenance, coal handling, turbine maintenance, workshop, etc.) to work up to 150 hours in a quarter on regular basis ; their number ranged between 20 and 94 in 1975-76 and continued in 1976-77 also. The overtime payments to these employees ranged between 51 and 138 *per cent* of their 'applicable pay' every quarter during these years (1974-75 to 1976-77).

6.14. *Contract labour*

As already pointed out, the Power Station employed workers through the agency of contractors for operation and maintenance of the generating units. The category employed included skilled (technicians, fitters, *etc.*), semi-skilled (carpenters, riggers, *etc.*) and unskilled

*'Applicable pay' includes basic pay, special pay and dearness allowance.

(helpers, mazdoors *etc.*) workers. The labour employed during th three years up to 1976-77 and the amount paid to them were as under :

Year	Total mandays (in thousands)	Average daily man power	Amount paid (In lakhs of Rupees)
1974-75	114.9	315	4.45
1975-76	155.3	425	8.21
1976-77	242.2	665	12.76

(*a*) Under the orders of the Board of October 1971, engagemen of workers on daily rate basis was permitted to meet casual and eme gent requirements only. However, casual workers were engage through contractors continuously, in contravention of these orders.

(*b*) The workers were generally engaged for annual surve cleaning, sweeping, routine maintenance and on other jobs in th operation and maintenance divisions of the Power Station, conti nuously for a number of years. The Management did not assess th job requirements to regularise such employment.

(*c*) As these workers work in the power house area, the syste of recording their attendance in the time office has not been introduce to regulate their entry/exit.

(*d*) Up to 1975-76, daily progress reports in respect of the wor done by such workers was being prepared by the contractors and the were being paid on that basis. Verification of their daily attendanc and measurement, wherever feasible, of work actually done by them were not conducted by the divisional authorities before making pay ment. Even the daily progress reports prepared from 1976-77 did no indicate the exact nature of work done by the workers ; only broad categorisation (like repair and maintenance of power station, other works in the Factory Manager's office, running and maintenance of dust system, *etc.*) was being recorded.

6.15. *Stores control*

(*a*) *Procurement procedure*

Materials required for maintenance and operation of the Power Station are purchased by the Central Purchase Division after approval

by the appropriate purchase committees. The three purchase committees, headed by the Superintending Engineer, the Deputy General Manager and the General Manager respectively, approve purchases from Rs.10,000 to Rs.20 lakhs in each case ; purchases below Rs.10,000 in each case are made by the respective Divisional Officers direct. The value of the total purchases made for operation and maintenance of the Power Station and the stores purchased directly by the Divisional Officers is indicated below :—

Year	Value of total purchases	Value of purchases made by the Divisional Officers	Percentage of purchases made by Divisional Officers to total purchases
	(In lakhs of Rupees)		
1974-75	188.63	48.80	26
1975-76	235.66	91.54	39
1976-77	423.33	141.72	33

The purchases made by the Divisional Officers were on "limited enquiry" basis; the benefits of the competitive rates obtainable in the case of bulk purchases made on the basis of open tenders were lost in such cases. The reasons for the procedure adopted were not available in the divisional records. Reply of the Board is awaited (January 1978).

Up to July 1976, procurement of and control over stores were centralised under the Executive Engineer, Stores and Purchases. Separation of stores and purchase functions, under two different self-contained divisions, was brought into effect thereafter. These two functions are co-ordinated at the level of the Superintending Engineer, Stores and Purchases.

The indenting cycle for procurement of stores for the ensuing year begins in November/December each year. Nearly all the operations and maintenance divisions forward their annual requirements of materials, which are consolidated in the Central Purchase Division.

Delay in inspection of materials

Materials received were not inspected promptly, the delay in the inspection ranged between 1 month and over 12 months, as indicated below :—

Inspection lead time	Number	Value of purchases (In lakhs of Rupees)
Between 1 and 3 months	18	11.33
Between 3 and 6 months	20	24.14
Between 6 and 12 months	4	1.79
Over 12 months	2	0.96

The Management has not fixed any time limit for inspection of materials after their receipt in the stores.

(b) Inventory control

Inventory control measures, adopted by the Power Station, have remained inadequate to the following extent :—

(i) Annual purchase estimates were not prepared though the amount spent on purchases was increasing from year to year. Orders for purchases of stores were continued to be placed without realistic assessment, leading to excessive holding of stores, spares, *etc.* as shown below :—

Description	1974-75	1975-76	1976-77
		(In lakhs of Rupees)	
Value of opening stock of stores, spares, *etc.*	233.52	257.95	282.63
Purchased during the year	188.63	235.66	423.33
Stores available for consumption	422.15	493.61	705.96
Consumption	164.20	210.98	346.97
Closing stock	257.95	282.63	358.99
Percentage of consumption to available stores	39	43	49

(ii) No norm of consumption of individual items to locate excessive/ excess consumption has been fixed by the Management (December 1977).

(iii) Maximum, minimum and re-ordering levels of stock have not been fixed.

(iv) Materials were not classified into critical, non-critical, fast and slow-moving items.

(v) There was no purchase and stores accounting manual.

(c) Surplus and obsolete stores and spares

No procedure for periodicals verification and segregation of items surplus to requirement, obsolete and unserviceable has been prescribed (December 1977).

Stores at the end of March 1977 included stores and spares valued at Rs.49.42 lakhs declared surplus, as detailed below :—

Category	Number	When declared surplus	Value (In lakhs of Rupees)
Pump house spares	21	1971	13.23
Cables	..	March 1977	6.81
General stores	..	March 1977	6.42
Tools and plant	98	March 1977	0.91
Oil and refractory items	8	March 1977	0.28
Pipe and fittings	16	March 1977	0.11
Steel	1047 tonnes.	June 1976	20.94
Glass wool		1972	0.72
			49.42

These do not include plant spares supplied by the manufacturers, boiler spares and spares of trolleys, loaders, *etc.*, surplus items relating to construction equipment of 100 MW set and cables worth Rs.6.81 lakhs not required.

(d) Deficiencies in store-keeping/accounting

A test check of the system of store-keeping and accounting showed the following :—

(i) Stock registers and registers of tools and plant are required to be closed periodically *i.e.* half-yearly/annually. These registers had not been closed since September 1971 and September 1972 respectively. Accordingly, the stock registers for the period ending March 1973 and onwards and the register of tools and plant for the period ending September 1973 and onwards were neither opened nor posting of transactions of receipts and issues made.

(ii) The value of stores and spares (Rs.358.99 lakhs) as on 31st March 1977 remained unreconciled as value accounts of stores were not maintained separately by the accounts wing.

(iii) Inter-divisional debits for the period up to March 1977 within the Power Station, awaiting acceptance on 30th September 1977, aggregated Rs.20 lakhs while debits for Rs.7 lakhs are awaiting acceptance by outside divisions.

(iv) Issue rates of materials for debit to works and issue to contractors had not been revised since October 1970.

(v) Physical verification of stores, spare parts and other items was not conducted in the years 1974-75 and 1975-76 and was partially done in 1976-77 (in respect of 10,818 items out of about 16,000 items).

(vi) Claims lodged with the Railways (Rs.3.89 lakhs) but pending settlement on 31st March 1977 were as detailed below:

Description		Number of items	Value (In lakhs of Rupees)
Upto	1972-73	43	1.30
	1973-74	19	1.94
	1974-75	14	0.32
	1975-76	27	0.33
			3.89

In addition, one cable drum of copper wire (cost : Rs.18,500) has been in Police custody at Daltonganj since March 1973, and materials valued at Rs.1.46 lakhs had been auctioned at Asansol by the Railways for Rs.5,300 in February 1975.

In both these cases, advance payment (Rs.1.65 lakhs approximately) had already been made to the suppliers against despatch documents.

(e) *Locomotives*

Coal/fuel oil is received in railway wagons which are shunted into coal yard/tank site and again shunted back into the railway sidings. For this purpose, the Power Station had been hiring locomotives from the Railways since inception. In June 1973, the Board decided to purchase two diesel locomotives from Chittaranjan Locomotive Works at an approximate cost of Rs.73 lakhs. Two locomotives were received in January 1975 and March 1976, but these did not render satisfactory service, which was stated to be due to manufacturing defects in injectors and other components. These defects were removed by the supplier in February 1975 and April 1976 and the engines were again put to use. Their performance has not been satisfactory (hours run were 3,188 and 774 by the two locomotives from the date of their receipt up to July 1977). Owing to the poor performance of these engines, the Power Station continued to hire two additional engines from the Railways. During the year 1976-77 Rs.5.27 lakhs were paid to the Railways towards hire charges of these two engines.

6.16. *Cost control*

The Power Station follows a system of cost accounting under which cost of generation per unit is determined annually. The following deficiencies were noticed in the system :—

(i) Cost centres were not established with the result that cost of generation could not be worked out within a reasonable time.

(ii) Reconciliation of cost accounts records with the financial books was not done.

(iii) The repairs and maintenance expenses in the Power Station increased from Rs.141.07 lakhs in 1974-75 to Rs.262.81 lakhs in 1976-77 ; the increase was 22 *per cent* in 1975-76 and 86 *per cent* in 1976-77 over that of 1974-75.

In the revised project reports of November 1967 for the 50 MW sets and of July 1977 for the 100 MW sets, the cost of generation envisaged was 7 and 9.999 paise per unit. As against this, the actual cost of generation during the three years up to 1976-77 was as under :—

Year	50 MW sets	100 MW sets
	(In paise per unit)	
1974-75	10.1	12.5
1975-76	14.1	15.7
1976-77 (provisional)	14.1	14.9

The increase in expenditure on different fields was not analysed by the Board to assess and control the variable factors leading to increase in the cost of generation.

6.17. *Expansion scheme — Stage II*

To meet the growing power needs of the State, the Board proposed in 1970 to increase the capacity of the Power Station from 550 MW to 1550 MW by adding 5 units of 200 MW each in two stages (three units in the first stage and two units in the latter stage). On the basis of the prices prevailing in 1969-70, two project estimates for Rs.89.90 crores and Rs.68.00 crores — total Rs.157.90 crores were approved by the Government of India in June 1972 and September 1973 for the first and the latter stages respectively. In October 1976, both the stages were combined as one project and the estimate was revised to Rs.355.69 crores (not approved by the Board — December 1977). This estimate has been based on the actual tendered rates of supplies for the main plant and equipment (5×200 MW sets), contracts executed for civil works, erection, test and commissioning and it includes items for common facilities like cooling water, water treatment system, *etc.*

The table below compares the original and the revised estimates under the broad headings :—

Description	Cost as per Original estimate (June 1972)	Cost as per Revised estimate (October 1976)	Increase in cost due to Price rise	Increase in cost due to Other reasons
			(In lakhs of Rupees)	
Land	3.50	40.00	36.50	..
Civil and mechanical works	1431.00	3638.00	1286.00	921.00
Plant and equipment	12496.00	27934.00	8567.00	6871.00
Tools and plant	169.00	407.00	238.00	..
Buildings	347.00	946.00	599.00	..
Other items like preliminaries, plantation, direct and indirect charges	1344.00	2604.00	1260.00	..
Total	15790.50	35569.00	11986.50	7792.00

The engineering consultancy of the project was entrusted (February 1972) to a firm of Bombay for Rs.3.22 crores. The scope of work included designing of equipment, scrutiny of tender documents and rendering other consultancy services. A contract (Rs.279.34 crores) for supply, erection and commissioning of the main plant and machinery was awarded to BHEL in August 1970, while other contracts for civil works, structural foundations, control and instrumentation system were awarded to different agencies between May 1973 and March 1976.

Expenditure aggregating Rs.173.89 crores has been incurred up to March 1977 as per the details given below :

Items	Provision in revised estimates	Actual expenditure up to March 1977
	(In lakhs of Rupees)	
Land	40.00	21.31
Civil/mechanical works	3638.00	2041.62
Buildings	946.00	268.85
Equipment	27934.00	14548.69
Tools and plant	407.00	286.32
Miscellaneous	2427.00	222.35
		17389.14

The schedule of commissioning of the five units is as under :—

Unit	Month: Original estimate	Month: Revised estimate	Now expected in
I	June 1976	June 1977	January 1978
II	March 1977	March 1978	July 1978
III	December 1977	March 1979	December 1979
IV	..	March 1979	June 1980
V	..	December 1979	December 1980

The first unit has not been commissioned (December 1977).

Economic viability

Economic viability of the expansion project, as worked out in the project estimate, is based on the following assumptions :—

(i) annual load factor at 62.78 *per cent*,

(ii) interest charges at 6.25 *per cent* per annum,

(iii) working (operation and maintenance) expenses per year – Rs.6714.45 lakhs,

(iv) auxiliary consumption – 8 *per cent* of generation,

(v) cost of generation per unit – 13.1 paise,

(vi) sale at bus bar per unit – 14.1 paise.

The following points were noticed during test check of the records of the Power Station :—

(i) the Board has been borrowing funds from the public financing bodies and Government for financing its capital works at varying rates of interest (approximate average rate 8 *per cent* per annum) since 1971 against the rate of 6.25 *per cent* per annum provided in the project estimate ;

(ii) no cushion was provided for likely increase in price/wages for operation and maintenance ; and

(iii) consumption of powers in auxiliary plants was increasing every year and it averaged 10.5 *per cent* of generation during 1976-77 against 8 *per cent* provided.

6.18. *Other points of interest*

(a) Damage to shunt reactor

A 50 MVAR reactor, needed for 400 KV Obra-Kanpur transmission line under construction, was imported from Sweden between October 1975 and November 1975 and kept in store by the side of the railway

siding in the extension plant area. In February 1976, the packages were opened and the equipment were inspected by Swedish technicians and found to be in satisfactory condition. The packages were again packed and stored at that place. A temporary shed was constructed in February 1976 over the packages. A fire broke out in the night of 31st May 1976 and parts of the reactor were damaged. First information report was lodged with the Police on the same day and the insurance company was also telegraphically informed of the fire on 1st June 1976. Final survey conducted by the insurance company revealed that 400 KV bushings (3 units), radiators (12 numbers), turrets ([illegible] numbers) and oil conservator, frames, *etc.* were completely damaged. The loss was assessed by the Management at Rs.29.82 lakhs and a claim for the amount was lodged with the insurers on 28th June 1977. The claim has not, however, been settled (December 1977). In the meantime, the suppliers were requested to replace these damaged parts on 23rd August 1976. The firm agreed to replace the parts (September 1976) and quoted a price of Rs.71.00 lakhs (approximately) against the price of Rs.46.26 lakhs for the entire equipment obtained earlier. Accordingly, an order was placed (September 1976) on the supplier for the damaged parts. The replacements have not been received so far (December 1977).

The Board appointed (May 1976) a committee, headed by a Deputy General Manager, to (i) investigate the reasons that led to the fire, (ii) fix responsibility for the accident, and (iii) suggest preventive measures to avoid recurrence of such incidents. The committee in its report (August 1976) found that the incident was caused possibly due to throwing of '*bidi*' ends by the *mazdoors*, taking shelter in the night. The committee was unable to fix responsibility for the loss.

(b) Purchase of slagwool

Orders were placed by the Power Station in December 1969 on a Delhi firm for supply of slagwool (1097 tonnes) at Rs.900 per tonne less 10 *per cent* discount. The supply was to be completed by June 1971. As erection of the 100 MW sets was not progressing according to schedule, the Management asked (June 1971) the firm to suspend the deliveries, by which time the firm had supplied 341.75 tonnes of slagwool. The supplies were resumed by the firm in February 1973 and completed in March 1975. The firm, however, enhanaced the price from Rs.900 to Rs.1080 per tonne up to August 1973 and to Rs.1550 per tonne from September 1973 to March 1975. The increase in price was accepted by the Board without analysing and ascertaining from the market the extent of increase in price, if any, and full payment was released against despatch documents. This resulted in an extra payment of Rs.4.69 lakhs (on 94.50

tonnes up to August 1973 and 600 tonnes beyond August 1973) against the tendered price. Out of the quantity purchased, 800 bags (50 tonnes approximately) were declared surplus to requirements in March 1977; these are awaiting disposal (December 1977).

(c) Loss of material

Certain components of boilers, other accessories, *etc.* valued at Rs.4.37 lakhs were lost during erection of the 100 MW sets in May 1976. As the equipment were insured, the insurance company was approached on 19th May 1976 to indemnify the loss. The insurance company desired submission of certain documents (first information report and claim certificate duly filled in) on 25th May 1976. No action has been taken by the Power Station to supply the documents to the insurers (December 1977).

SECTION VII

UTTAR PRADESH STATE ELECTRICITY BOARD

LOSS OF REVENUE

7.01. *Non/Short accountal of revenue*

Realisations made from the consumers are required to be posted in the consumers ledgers with a view to watch the recoveries against the amounts billed and taking necessary action against defaulters. The figures of realisations as shown in the revenue cash book are to be reconciled every month with those shown in the consumers ledgers.

Opening balances in the new ledgers are also required to be attested by the Head Bill Clerk. A certain percentage (as fixed by the Executive Engineer) of the balances so carried forward is to be test checked by the Accountant (Revenues) to ensure that the balances had been correctly brought forward.

(*a*) The above procedure was not adhered to by Electricity Distribution Division, Maunath Bhanjan (Azamgarh). A test check of the accounts of the Division, conducted in January/February 1977, revealed the following:

(i) In the cases of private tubewells/pumping sets and small medium power consumers, the arrears carried forward from ledgers of 1973-74, 1974-75 and 1975-76 to the ledgers of the subsequent years were posted less by Rs.2.75 lakhs in 267 cases. The year-wise break-up of these cases is given below:

Years From	to	Number of cases	Amount (In lakhs of Rupees)
1973-74	1974-75	43	0.39
1974-75	1975-76	203	2.09
1975-76	1976-77	21	0.27
		267	2.75

(ii) Further, while carrying forward the monthly balances from one month to the subsequent month, the figures were either completely omitted or lesser amounts were shown in 258 cases. The amounts shown less aggregated Rs.2.08 lakhs. The year-wise break-up is given below:

Year	Number of cases	Amount (In lakhs of Rupees)
1973-74	8	0.06
1974-75	95	0.83
1975-76	151	1.12
1976-77	4	0.07
	258	2.08

(iii) During the period from 7th July 1975 to 21st July 1976, credits aggregating Rs.0.83 lakh were afforded to 79 consumers in excess of the amount actually realised.

(iv) Unpaid claims in respect of 13 consumers, aggregating Rs.0.13 lakh, were withdrawn during March 1975 to February 1976 by the ledger clerks concerned without the approval of the concerned Assistant Engineer (Revenue). These withdrawals were made by making *minus* entries in the assessment/arrears column of the ledgers.

These omissions and manipulations involving loss to the Board were facilitated due to lack of proper supervision and exercise of proper checks.

On Audit taking up the matter (January 1977), the Board deputed its internal audit party from 3rd February 1977 to 8th June 1977 for special audit of the revenue transactions of the Division. The special audit covered the period from 1973-74 to 1976-77. The special audit report disclosed the following points involving financial loss to the Board:

(i) Reduction in arrears during the process of carry forward of the balances from month to month and from year to year (Rs.5.93 lakhs).

(ii) Reduction in arrears by arriving at incorrect totals at the end of each month (Rs.3.12 lakhs).

(iii) Reduction in arrears of consumers by providing unauthorised credits to the consumers' accounts (Rs.3.66 lakhs).

In addition to the above, the special audit party also pointed out:

(i) withdrawal of assessments without approval of competent authority (Rs.3.45 lakhs),

(ii) unauthorised grant of rebate (Rs.0.15 lakh), and

(iii) non-raising of bills in 40 cases on the consumers concerned (Rs.0.47 lakh).

The Board stated (September 1977) that:

(i) the cases had been entrusted to the State Vigilance Department for further probe and for arranging criminal prosecution of the persons involved;

(ii) disciplinary action against the officers/officials involved had been initiated;

(iii) orders for recasting the consumers' ledgers for the period from 1973-74 to 1976-77 had been issued with a view to bill the consumers correctly; and

(iv) the Chief zonal Engineer, Varanasi had been asked to file a first information report with the Police, in consultation with the District Government Counsel.

(b) In Electricity Distribution Division I, Azamgarh, test audit conducted in March/April 1977 brought out the following :

(i) In the case of private tubewells/pumping sets and small/medium power consumers, monthly arrears were carried forward less by Rs.0.99 lakh in 147 cases. The year-wise break-up is given below:

Year	Number of cases	Amount
		(In lakhs of Rupees)
1972-73	43	0.24
1973-74	78	0.51
1974-75	16	0.12
1975-76	10	0.12
	147	0.99

(ii) The balances of 25 consumers were reduced by Rs.0.11 lakh in the ledger by over-writing or erasing to the advantage of the consumers in carry forward of the closing balances of 1972-73.

The matter was reported to Government in August 1977; reply is awaited (December 1977).

7.02. *Non-levy of surcharge for delayed payments*

(a) According to the instructions issued by the Board in October 1975, surcharge at 2 *per cent* per month or part thereof was leviable with effect from December 1975 on the amount of bills for supply of electricity to State tubewells, pumped canals and lift irrigation for delays caused in payment of bills beyond 30 days. The Electricity Distribution Divisions, Hapur and Baraut did not levy surcharge on such delayed payments in the case of two consumers during the period December 1975 to February 1977. The undercharge due to non-levy of surcharge aggregated Rs.2.34 lakhs.

The board intimated (January 1978) that the non-levy of surcharge was rendered possible because the payment of electricity dues by the Irrigation Department to the Board was centralised in 1974. Owing to the receipt of consolidated payment from the Irrigation Department, against the bills raised by the field units, ascertainment of due date of payment of bills *vis-a-vis* the actual date of payment was rendered impossible. The field units were, therefore, directed to discontinue the levy of surcharge against late payments by the Irrigation Department. The Board further stated that receipt of payments from Irrigation Department had again been decentralised with effect from 1st October 1977 and divisions were required to levy surcharge in normal course.

The matter was reported to Government in August 1977; reply is awaited (December 1977).

(b) According to the rate schedules applicable to small power consumers for tubewells/pumping sets for irrigation purposes and to small and medium power consumers, effective from 1st November 1974 and 12th October 1974 respectively, in the event of a monthly bill not being paid by the due date specified therein, the consumer is liable to pay a surcharge of 12 *per cent* on the amount of the bill. In case the payment is delayed beyond six months reckoned from the first day of the month following the due date of payment, the consumer is also required to pay additional surcharge of 2 *per cent* per month or part thereof for the period so delayed.

The first three of the following units of the Board did not levy the additional surcharge and the last unit did not apply the normal surcharge, which resulted in undercharge of revenue totalling Rs.1.27 lakhs :

Name of the unit	Period	Rate of surcharge	Number of consumers	Amount undercharged
				(In lakhs of Rupees)
Electricity Distribution Division, Baraut (Meerut)	November 1974 to September 1976	2 *per cent*	16	0.44
Electricity Distribution Division, Hapur	November 1974 to September 1976	2 *per cent*	44	0.37
Electricity Distribution Division, Shamli (Muzaffarnagar)	November 1974 to September 1976	2 *per cent*	212	0.35
Electricity Distribution Division, Unnao	November 1974 to July 1977	12 *per cent*	41	0.11
			Total	1.27

The matter was reported to the Board/Government in August/September 1977 ; replies are awaited (December 1977).

7.03. *Incorrect application of tariff*

Rate schedule LMV–6 is applicable to small and medium power consumers having a contracted load up to 75 KW (100 BHP) for general purposes, industrial and agro industrial purposes, public water works and sewage pumping having at least one motor exceeding 3 BHP, effective from 12th October 1974. The Electricity Distribution Divisions, Shamli (Muzaffarnagar) and Baraut (Meerut) continued to bill some consumers with contracted load of 3 BHP each, under the above rate schedule whereas rate schedule LMV–2B–commercial power tariff was applicable to them. The incorrect application of the rate schedule in the case of 34 and 16 consumers of Electricity Distribution Division, Shamli and Electricity Distribution Division, Baraut respectively, resulted in undercharge of revenue of Rs.0.32 lakh (Shamli : Rs.0.24 lakh ; Baraut : Rs.0.08 lakh) for the period from 12th October 1974 to March 1977.

The matter was reported to Government/Board in July and August 1977: replies are awaited (December 1977).

7.04. *Irregular grant of rebate*

(*a*) The rate schedules of electricity charges of the Board were revised in October 1974, providing for a grant of a rebate of three paise per Kwh of consumption by small and medium power consumers with effect from 12th October 1974. The rebate was withdrawn by the Board in January 1975 with retrospective effect.

The Electricity Maintenance Division I, Gorakhpur, however, continued to allow the rebate up to 31st December 1975, which resulted in undercharge of revenue to the extent of Rs.2.43 lakhs for the period November 1974 to December 1975.

The matter was reported to Government in August 1977 and to the Board in December 1976 ; replies are awaited (December 1977).

(*b*) Electricity Distribution Division, Unnao has been supplying electricity to a manufacturer at a contracted load of 5000 KVA on 11 KV supply, with effect from 1st July 1975. According to the provisions of the relevant rate schedule, effective from 12th October 1974, a rebate of five *per cent* on the actual amount of demand and energy charges is to be allowed for supply of energy at A.C. voltage above 400 and up to 66 KV. During the period from July 1975 to January 1976, the Division allowed the rebate on the amount of minimum monthly consumption guarantee instead of on the actual demand and energy

charges. This resulted in excess rebate of Rs.0.38 lakh during the aforesaid period.

The matter was brought to the notice of Government and the Board in September 1977 ; replies is awaited (December 1977).

7.05. *Undercharge*

Premises of the large and heavy power consumers are installed with trivector meters to record the consumption of energy. This meter comprises of three meters, *viz.* :

(i) energy meter (Kwh) ;

(ii) volt ampere hours meter (KVAH) ; and

(iii) reactive volt ampere hours meter (KVARH).

The consumer is billed for the energy supplied on the basis of the consumption recorded in the Kwh meter and power factor is determined by dividing the consumption recorded in Kwh meter by the consumption recorded in KVAH meter. If the power factor is less than the standard power factor of 0.85, the consumption recorded by Kwh meter will be less. Accordingly, provision was made in the agreements entered into with large and heavy power consumers that they should maintain the power factor at 0.85 and if it was less, it should be brought up to this level by the consumer by installing capacitor. In case a consumer failed in installing the capacitor, the Board would have the right to instal the necessary capacitor and charge the cost thereof to the consumer.

It was seen in audit of the accounts of Electricity Distribution Division, Unnao that in case of seven consumers power factor was less than the standard power factor, which resulted in an undercharge of Rs.1.74 lakhs during the period from November 1974 to July 1977 (including electricity duty of Rs.0.13 lakh and coal surcharge adjustment of Rs.0.48 lakh).

The matter was brought to the notice of Government and the Board in September 1977 ; replies are awaited (December 1977).

7.06. *Non-payment of electricity dues*

(*a*) The arrangement with a licensee for supply of power to Nagar Mahapalika, Varanasi, for street lighting and water works was allowed to continue after the takeover of the licensee undertaking by the Board on 6th February 1975. The rates charged by the Board for the power supply were higher for street lighting and lower for water works than those charged by the ex-licensee. In July 1976, the Nagar Mahapalika requested the Board to apply its

own tariff for the power supplied to water works from the date of tak over. The Board acceded (November 1976) to the request subject the condition that the supply for street lighting would also be charge at the Board's tariff from the same date. Bills were, accordingl revised for the period up to September 1976, as under :

	Amount of original bills	Amount of revised bills	Differenc
		(In lakhs of Rupees)	
Street lighting	5.07	13.54	(+)8.47
Water works	43.00	33.77	(—)9.23
Total	48.07	47.31	(—)0.76

The consumer accepted the electricity charges for water works bu the bill for street lighting for the period up to September 1976 was pai at the rates of *ex*-licensee, which resulted in short payment of Rs.8.4 lakhs. From October 1976, the consumer started payment of electri city bills for street lighting at the lower rates applicable to Nagar Maha palika. Kanpur (28 paise per Kwh) instead of under the Board's rat schedule LMV—4-A (44 paise per Kwh).

The dispute between the Board and the Varanasi Nagar Maha palika remains unresolved. The Board, however, is showing th amounts due on its own basis and the accumulation of the dues to th end of August 1977 on the basis of the Board's figures works out t Rs.13.11 lakhs.

The matter was reported to the Board in June 1977 and t Government in August 1977: replies are awaited (December 1977).

SECTION VIII

UTTAR PRADESH STATE ELECTRICITY BOARD
OTHER POINTS OF INTEREST

8.01. *Shortage of stores*

(*a*) An Assistant Storekeeper, who was allegedly involved (during the period February 1969 to October 1972) in shortages of stores worth Rs.2.61 lakhs in the Electricity Maintenance Division, Lakhimpur-Kheri (Rs.0.03 lakh) and the Rural Electrification Division, Rae Bareli (Rs.2.58 lakhs), was allowed to hold charge of stores at the Rural Electrification Division, Unnao from November 1972. On physical verification of stores of the Division by two Sub-divisional officers in September 1973, shortages of the value aggregating Rs.10.39 lakhs were initially noticed ; the value of shortages was later reduced as a result of adjustments to Rs.6.93 lakhs. The matter was reported to the Police in September 1974, and the official was placed under suspension in November 1974. Investigation into the shortages has neither been completed nor any recovery effected from the official (December 1977).

The matter was brought to the notice of Government and the Board in September 1977 ; replies are awiated (December 1977).

(*b*) on his promotion as Junior Engineer, the Storekeeper of the Electricity Distribution Division, Rampur handed over charge of stores in October 1963 to the Assistant Storekeeper on the basis of actual count of stores and tools and plant at site. A list of items of stores and tools and plant found short (value : Rs.71,391) with reference to the book balance was sent in June 1965 to the *ex*-Storekeeper who was then working as Junior Engineer in another division and he was asked to reconcile the discrepancies. As the discrepancies were not reconciled, the Executive Engineer of the Electricity Transmission Construction Division, Roorkee where the incumbent was then working and the Superintending Engineer of the Circle (Roorkee) were stated to have been advised in October 1971 to recover the amount from his pay in easy instalments. But no recovery has been made (December 1977). The concerned employee has retired (May 1976) from the Board's services.

A shortage of stores materials of value Rs.34,040 was detected in July 1967 at the time of handing over charge of a Junior Engineer. No recovery has been effected (December 1977). The concerned Junior Engineer was stated to have been suspended.

The matter was reported to Government in August 1977 and the Board in January 1977 ; replies are awaited (December 1977).

(c) The Board purchased 800 prestressed cement concrete poles from a firm of Rampur, which were supplied to Electricity Distribution Division II, Varanasi in June 1973. Out of the 800 poles 240 poles (value: Rs. 0.38 lakh) were not accounted for by the Assistant Storekeeper of the Division. In January 1977, it was decided to recover the amount from the Assistant Storekeeper concerned as he failed to furnish any account or justification for non-accountal of 240 poles.

The following amounts were already outstanding for recovery from the said Assistant Storekeeper :—

	Amount (In lakhs of Rupees)	Month
1. Stock discrepancies found in July 1974 (Rural Electrification Sub-division, Chunar)	0.57	June 1975
2. Shortage found at the time of handing over charge in September 1975 (Electricity Distribution Division II, Varanasi)	0.23	November 1975
3. Value of material shown as issued in September 1975 to the works of the Rural Electrification Division, Varanasi, which was abolished in May 1975	0.28	March 1976
	1.08	

Thus, the total amount outstanding against the Assistant Storekeeper as on March 1976 was Rs. 1.46 lakhs.

It was stated (February 1977) by the Executive Engineer that recovery at the rate of Rs. 66 per month was being effected from the Assistant Storekeeper. At this rate of recovery, it would not be possible to recover even ten *per cent* of the amount outstanding against him till his retirement.

The matter was reported to the Board in May 1977 and to Government in August 1977; replies are awaited (December 1977).

(d) Shortage of 998.4 kg of copper leg coils, valuing Rs. 0.25 lakh, was noticed at the time of handing over charge of the stores of the transformer repair workshop in the Rampur Sub-division during January 1975. The Superintending Engineer stated in August 1976 that the case of shortage was under investigation. Further developments are avaited (December 1977).

The matter was reported to the Board in November 1976 and to Government in August 1977; replies are awaited (December 1977).

8.02. *Loss of transformer oil*

The Superintending Engineer, Sub-station Design Circle, Lucknow placed an order (June 1970) on a Kanpur firm

for supply of 7.5 MVA (66/33 KV) transformer (cost: Rs. 2.52 lakhs). The transformer was to be supplied by March 1971 to a Sub-division at Muzaffarnagar. The transformer was, however, supplied in April 1973 but was not installed and kept in the store.

The transformer contained 10,590 litres of oil. On 24th/25th June 1975, 5,200 litres of transformer oil (value: Rs. 0.52 lakh approximately) was drained out as the drain cork was found missing. Oil was, however, filled in the transformer in October 1977 but it has not been installed (December 1977).

The Board stated (March 1977) that "the very fact that the transformer was not utilised till June 1975, when the transformer oil drain cork was stolen and the transformer was left with very little oil indicates that the transformer was not required for installation in any of the sub-station in the grid". It was further stated that "the order placed was not on consideration of actual requirements and indicates lack of planning in purchasing and allocation of the transformer". The Divisional Officer did not make adequate watch and ward facility at the Sub-station for guarding of the transformer and other store material.

The Divisional Officer reported the loss of transformer oil to the Superintending Engineer in September 1975. The Divisional Officer did not refill the oil in the transformer to avoid deterioration of insulation strength of the transformer. The Board stated (March 1977) that the Superintending Engineer, the Executive Engineer and the Assistant Storekeeper "showed indifference towards the interest of the Board although the transformer oil was available in the store". It was also stated that the Superintenting Engineer, to whom the matter was reported by the Executive Engineer, had failed to issue necessary orders for filling the transformer which "showed his incapability of taking a decision on such important issues".

8.03. *Excess payment of sales tax*

Under the U. P. Sales Tax Act, 1948, as amended with effect from 26th May 1975, all offices of the Central Government or a State Government or a Company, Corporation or Undertaking, owned or controlled by a Government, located in the State, could purchase any goods for their own use (but not for re-sale or use in the manufacture or packing of any goods) at a concessional rate of sales tax, *viz.* three *per cent* up to 30th June 1975 and four *per cent* thereafter. This facility is available only if the concerned purchasing officer furnishes to the dealer a declaration in the prescribed form obtainable from the Sales Tax Department.

In the course of test audit, it was noticed that 43 units of the Board made purchases of goods of value aggregating Rs.610.40 lakhs for their own use, during the period from June 1975 to August 1976, from the selling dealers, but did not furnish the prescribed declaration to avail of the benefit of concessional rate of sales tax. This resulted in extra payment of sales tax aggregating Rs. 6.10 lakhs on these purchases.

The matter was reported to the Board during March to October 1976 and to Government in August 1977; replies are awaited (December 1977).

8.04. *Non-recovery of instalments*

In July 1972, the Board introduced a priority scheme for supplying electricity for private tubewells and pumping sets on priority basis, subject to recovery of Rs.700 and Rs.1,050 as "priority charges (non-refundable)" in ten annual instalments, recoverable each year in April; the first instalment was recoverable before energising the pumping sets. The Electricity Distribution Divisions, Baraut, Hapur, Shamli did not, however, recover the second and subsequent instalments falling due during April 1973 to April 1977, from 5035 consumers who were given connections during 1972-73, 1973-74 and 1974-75 under the priority scheme. The unrecovered amount of instalments from the consumers, up to April 1977, worked out to Rs.17.52 lakhs.

Similarly, the Board supplied electricity to 605 consumers during 1972-73 and 1973-74 under the Life Insurance Corporation Scheme, according to which Rs.500 was to be recovered in ten annual instalments of Rs.50 each; the first instalment was to recovered at the time of energising pumping sets. The amount of unrecovered instalments from 605 consumers up to April 1977 worked out to Rs.1.50 lakhs.

The matter was reported to the Board/Government in July and August 1977 : replies are awaited (December 1977).

8.05. *Extra expenditure on purchase of distribution transformers*

Tenders were invited in February 1976 for purchase of distribution transformers as under :

	Type	*Number*
(i)	25 KVA Sealed	5,000
(ii)	63 KVA Sealed	5,000
(iii)	100 KVA Conventional	1,500

The tender specified that the transformers of 25 KVA and 63 KVA should be provided with high voltage and low voltage bushings, the leads of which could be "brought out through the tank by means of moulded epoxy resin bushing with integral through connector. The

gasket for the bushings shall be provided outside the tank and these shall be of synthetic rubber type and not a plain cork".

(*a*) In response to the tender enquiry, the lowest quoted rates (*f.o.r.* destination) of the technically acceptable tenders were from firm 'H' of Mirzapur for 25 KVA at Rs.3,675 and firm 'I' of Sonepat for both 63 KVA and 100 KVA at Rs.7,620 and Rs.9,700 per transformer respectively. The lowest offer of firm 'H' was rejected on the ground that it had not till then started manufacture of transformers. CSPC considered (25th August 1976) the tenders and authorised the Member (Commercial) to negotiate with the manufacturers in the State at the rates of Rs.4,440 (valid second lowest offer), Rs.7,620 and Rs.9,700 quoted by firm 'I' for supply of 25 KVA, 63 KVA and 100 KVA transformers respectively from its Sonepat factory. Accordingly, offers were made on the same day to 10 manufacturers in the State.

On 27th August 1976, before any reply to the offers was received, firm 'I' while extending the validity of its tender, reduced its rates to Rs.4,150, Rs.7,150 and Rs.9,300 per transformer of 25 KVA, 63 KVA and 100 KVA respectively for supply from its Sonepat factory. The firm had also quoted Rs.4,910, Rs.8,140 and Rs.10,167 per transformer of 25 KVA, 63 KVA and 100 KVA respectively for supply from its Ghaziabad factory. While extending the validity of the tender for supply from the Ghaziabad factory, on 30th August 1976, firm 'I' had reduced its rates to Rs.4,300, Rs.7,300 and Rs.9,450 per transformer of 25 KVA 63 KVA and 100 KVA respectively. Although the firm's letters of offer were addressed to the Electricity Stores Procurement Circle, with copies to the Chairman as well as the Member (Commercial), no consideration was given to these revised rates.

While reply to the offers made on 25th August 1976 to the 10 manufacturers in the State was awaited, the Chairman of the Board, in his note of 18th September 1976 on the recommendations of CSPC on the tenders, recorded that in a meeting with the representatives (names not recorded) of the Transformer Manufacturers' Association of the State, held by Government on that day, the manufacturers had requested Goevrnment to advise the Board to provide necessary support to save them from competition by manufacturers of other States who were alleged to have been underquoting their rates. Government had, therefore, desired that orders should be placed with the manufacturers in the State at the lowest acceptable offer from manufacturers in the State. The Chairman called the representatives (names not mentioned) of the manufacturers on 19th September 1976 and offered them the rates of Rs.4,800 and Rs.8,700 quoted by firm 'J'

of Lucknow for 25 KVA and 63 KVA transformers respectively and Rs.10,670 quoted by firm 'A' for 100 KVA transformers, without any condition for price variation. These prices were offered on the ground that these were near about the lowest prices (Rs.4,700, Rs.7,900 and Rs.9,800 respectively) quoted by firm 'I' for supply from its Sonepat factory. It may be mentioned that these were the highest of six sets of rates quoted by firm 'I' for supply of different number of transformers. The offer was accepted by all the 10 firms which had been originally offered lower rates by CSPC. On that basis oders for purchase of 5,310 transformers of 25 KVA, 4,965 of 63 KVA and 1,600 of 100 KVA (total value : Rs.8.58 crores) were placed on nine firms in September 1976 and one firm in November 1976 without Board's specific approval.

Compared with the lowest rates obtained from manufacturers in the State (those of firm 'I' for supply of transformers from its Ghaziabad factory), the extra expenditure works out to Rs. 115.58 lakhs. It may be mentioned that offer of firm 'I' to supply the transformers from its Ghaziabad factory was not considered when the rates were negotiated by the Chairman on 19th September 1976. Further, compared with the lowest tendered rates (including those obtained from outside the State), which were found acceptable, *viz.* Rs.4,150, Rs.7,150 and Rs.9,300 per transformer of 25 KVA, 63 KVA and 100 KVA respectively (quoted by firm 'I' for supply from its Sonepat factory), the purchase of transformers resulted in an extra expenditure of Rs. 133.39 lakhs.

(*b*) As stated above, the 'Sealed' transformers of 25 KVA and 63 KVA were to be provided with special bushings as per the tender notice. The rates of firm 'J' of Lucknow, at which orders were placed on various firms, were for transformers of the above specification and also with provision for cable end box on LV side.

In their tenders, the firms other than 'J' had demanded Rs. 200 to Rs.310 extra for providing the special bushings which could be replaced without affecting the sealing of the transformer. Besides, the cost of cable end box on LV side in the tender of firm 'J' was about Rs. 225 per transformer.

The orders placed (September/November 1976) with the various firms, however, did not stipulate supply of transformers with special bushings (in place of conventional type of bushings which was supplied) and the cable end box on LV side. Thus, an excess payment of Rs.48.75 lakhs was made in purchase of 5310 transformers of 25 KVA and 4965 transformers of 63 KVA.

The Board stated (September 1977) that during negotiations with the Chairman, the manufacturers in the State agreed to accept the rates of firm 'J' of Lucknow for 25 KVA and 63 KVA transformers and as such the question of deducting the cost of element of the two items from the quoted price of the firm did not arise. There was, however, no reference regarding change of specification in the minutes of the negotiations held on 19th September 1976.

8.06. *Damaged transformers*

The life of a power and distribution transformer has been prescribed to be 35 years and 25 years respectively.

Under the rules of the Board, a history card should be maintained for each transformer showing its particulars, such as make, capacity, dates of receipt, installation, commissioning, damage, if any, *etc.* No such record was, however, maintained for the power as well as distribution transformers in use, damaged and scrapped in various divisions. The Board has neither evolved any procedure to keep a watch on the performance of the transformers purchased from different manufactures nor has it analysed the causes of premature failure of transformers. The serviceability of the transformers and their failures within the guaranteed periods or before the expiry of the prescribed life were not watched at any level. The divisions were unable to furnish data about transformers in use, damaged, repaired, scrapped, *etc.*

Most of the transformers in use were purchased by the Board from 1962-63 onwards. The transformers are yet to complete their prescribed life (December 1977).

(*a*) *Power transformers*

According to the information available in the Board's headquarters (August 1977) 322 power transformers of 1.5 MVA to 100 MVA capacities valuing Rs.4.58 crores (approximately), were damged in various divisions from 1969 onwards. Dates of damage were not available in many cases.

In the absence of the prescribed records and procedure for watching the performance of the transformers supplied by various manufacturers, the exact position of damages of power transformers was not known.

Some cases of premature damage are given in the following paragraphs :—

(i) On visual inspection of a 3 MVA power transformer despatched by firm 'A' to Captainganj Railway Station (Deoria) in June 1967, its oil drain valve was found missing and the

transformer oil had drained out. After protracted correspondence from 19th September 1967 onwards, open delivery of the transformer was given by the Railways on 6th January 1969. The firm had already been paid 90 *per cent* price (Rs.1.21 lakhs) in July 1967 against the railway receipt. The claim for damages lodged by the Executive Engineer, Deoria with the Railways on 20th December 1967 was rejected, being time-barred. The Executive Engineer had also telegraphically informed the firm on 18th September 1967 to lodge a claim with the insurer. In June 1971, the firm informed the Board that it was not possible to claim damages from its underwriters on the ground that it was informed about the damages of the transformers 29 months after the date of despatch. In the absence of any response from the firm to make good the loss, the Superintending Engineer, Gorakhpur requested the Electricity Stores Procurement Circle in October 1975 to stop all payments of the firm, recover the amount received by the firm with interest thereon and take action against the firm in regard to future orders.

The balance 10 *per cent* payment had, however, already been made to the firm from the Board's head office by the Chief Accounts Officer in July 1974. No action has been taken against the firm (December 1977). The transformer was shifted to the departmental repair workshop at Gorakhpur in March 1976 where it is lying unrepaired (December 1977).

(ii) A power transformer of 1.5 MVA – 33/11 KV rating was supplied by firm 'A' in Varanasi during July 1967 for Rs.0.72 lakh. The tapping switch of the transformer had to be replaced in July 1968 and again in May 1970. The transformer was damaged in November 1970. It was sent to the firm's works at Naini for repairs. After visual inspection, the firm estimated (May 1974) that the repair charges would be Rs.0.90 lakh including the cost of 2800 litres of transformer oil (Rs.33,600), one each of HT and LT leg coil (Rs.23,500) and labour charges (Rs.31,500). The firm was to retain the salvaged materials (including leg coils). The firm intimated that, if the order for repair was not placed within 10 days, it would charge Rs.300 per day as storage charges for the transformer lying in its works. . The Chief Zonal Engineer, Varanasi approved (March 1976) the firm's estimate, and a formal order for repair of the transformer was placed by the Executive Engineer, Varanasi in April 1975. After its repair

payment of Rs.0.96 lakh was made to the firm (May 1975) towards repair charges including excise duty and sales tax on new items used in the transformer. Against the labour charges of Rs.31,500 paid to the firm, the rate provided in the rate contract executed with it in May 1976 for repair of such power transformers was Rs.9,000. The price of transformer oil (Rs.12 per litre) charged by the firm was also higher than the price of Rs.9.07 per litre ruling at that time.

(iii) Out of two power transformers of 1.5 MVA (value: Rs.1.32 lakhs) despatched to Basti Division in May 1968, open delivery of one transformer was taken on 21st March 1969 on account of shortage/damages of several component parts of the transformer. The delivery certificates in original was sent to the supplier 'T' of Bombay in April 1969. In a joint inspection (March 1971) of the transformer it was found that the condition of the transformer was unsatisfactory; dust and traces of rust were also noticed inside the transformers. The firm agreed to supply the missing/damaged items on payment, on the ground that the consignee should have lodged claim with the Railways within the prescribed period for damages/shortages. It also pointed out that the transformer without oil was not properly stored. In June 1973, the firm agreed to repair the transformer, free of charge, if the price of oil was borne by the Board and the transformer was sent to its works at the Board's cost. The transformer was, however, sent to the departmental workshop at Gorakhpur where it is lying unrepaired (December 1977).

(iv) A power transformer of 1.5 MVA capacity supplied by N. G. E. F. Limited at Faizabad in April 1971 (value: Rs.0.79 lakh) became defective. The firm's representative inspected the transformer in September 1971 and reported that two radiator tanks needed replacement. These, alongwith several other missing items and seven barrels of transformer oil (about 1500 litres) were supplied by the firm and the transformer was repaired by it in November/December 1972. The transformer became fit for use after dehydrating the oil. It was re-started in February 1974 but it was found that the insulation results were very low due to exposure of windings during the period it was lying for repairs. The defective transformer is lying idle (December 1977).

(v) Out of 21 power transformers of 3 MVA – 33/11 KV rating supplied by Transformers and Electricals Kerala Limited against an order of 1969, delivery of one transformer (value: Rs.0.89 lakh) was received at Faizabad in September 1971.

The transformer was installed and energised in March 1973 at Jalalpur (Faizabad) but it did not work as its tap changer was found defective (January 1973). In March 1976, the firm was asked to repair the transformer but it demanded (April 1976) the cost of the replacement items (not specified) and also charges for its Service Engineer at Rs.400 per day (period not specified), on the ground that 18 months' maintenance period from the date of supply had expired on 13th March 1973. No decision was taken on this demand. In a subsequent check of the transformer, conducted in October 1976, by the Sub-Divisional Officer, Darshan Nagar (Faizabad) it was found that there was no oil in the transformer (oil capacity : 2050 litres). The transformer is lying at the Sub-station in that condition (December 1977).

(vi) A 3 MVA transformer was supplied by a firm of Baroda in December 1971 (value : Rs.0.81 lakh). Within a month of its energisation on 'no load', the LT cable of the transformer was burnt and the bushing cable was damaged (September 1972). The firm estimated (July 1976) its repair charges at Rs.1.35 lakhs. The transformer is lying in that condition (December 1977) as no decision on the repair charges demanded by the firm has been taken.

(vii) The Chief Engineer pointed out (June 1972) to firm 'A' that out of 15 transformers of 5 MVA (value : Rs.24.30 lakhs) supplied by the firm against a contract of 1969, 10 transformers had been damaged between October 1969 and April 1971 either within the guarantee period or a little later. The extent of damages and the reasons therefor were not available. On 20th June 1972, the firm agreed in a meeting to repair four transformers damaged up to May 1970, free of charge ; the remaining six transformers were to be repaired on a lump sum payment of Rs.0.43 lakh each, excluding the cost of transformer oil and missing parts. To and fro transportation charges of the transformers were to be borne by the Board. The position of repair and the expenditure actually incurred on repair of these six transformers was not readily available. The information, which has been asked for is awaited (December 1977).

One of the four transformers referred to in the earlier sub-paragraph was repaired by the firm in 1972 but the insulation resistance value of its windings did not improve. The transformer was inspected in the workshop of the firm at Naini in February 1977 by a Sub-divisional Officer, who reported that

the transformer was without oil and a number of parts including conservator and bushing metal parts were missing. After another joint inspection conducted in May 1977, the firm offered (July 1977) to repair the transformer at a cost of Rs.1.99 lakhs (original cost of the transformer was Rs.1.62 lakhs) and retain the salvaged materials. The transformer oil was to be provided by the Board. The transformer is lying in the wokshop of the firm (December 1977).

Another transformer damaged in November 1969 was sent to the firm for repair in September 1971. The Executive Engineer, Electricity Distribution Division-I, Varanasi stated (October 1977) that after repairs it was received back in the Division in April 1974. At the time of installation of the repaired transformer it was noticed (February 1977) that the transformer was without bushings and other items. There was shortage of 3075 litres of transformer oil (value : Rs.0.30 lakh) in it. The transformer has been lying (December 1977) unutilised.

The other two transformers of Varanasi were sent to the firm in July 1975 without its oil (9200 litres) which was drained out at Varanasi in January 1975. The oil so drained out was not taken on stock. The position of their repairs is not available (December 1977).

(viii) A 5 MVA transformer supplied by firm 'D' of Meerut (value : Rs.1.50 lakhs) was commissioned at Bahraich on 30th November 1973. It was damaged in May 1975. On inspection by a representative of the firm in April 1976, it was noticed that the bottom coil of HT winding was damaged, for replacement of which two pairs of 'disc' wound HT coils were needed. Besides, core tubes of 16" length were damaged. According to the firm, the transformer had been damaged under some earth fault conditions. In June 1976, the firm offered to repair the transformer on 'cost basis' but it is lying unrepaired as the question of its repairs departmentally or through the firm has remained undecided (December 1977).

(ix) A 20 MVA transformer supplied by a firm of Madras (value : about Rs.10 lakhs) was damaged in April 1974 at Sultanpur. The transformer was sent (July 1975) to the firm's works at Madras. According to the firm, the core of the transformer was severely damaged under over-voltage conditions and its magnetic properites had been lost due to abnormal

heat in overflux. The tertiary windings next to the core were also damaged. The condition of the oil was not known. The firm demanded Rs. 8 lakhs (exclusive of to and fro transport charges of that transformer) for repair of the transformer by replacing the core, using the same windings, eliminating the tertiary windings and other repairs as well as testing charges. It guaranteed satisfactory working of the repaired transformer for 12 months from commissioning or 18 months from despatch, whichever was earlier. On the proposal of the Executive Engineer, Sultanpur, to get the transformer repaired by the firm, the Superintending Engineer, Faizabad pointed out (August 1975) that it was not advisable to get the transformer repaired as the cost of a new transformer of the same capacity at that time was about Rs.10.5 lakhs. In October 1976, the Superintending Engineer sought the approval of the Chief Zonal Engineer, Varanasi and the Member (T and D) for disposal of the transformer. No decision had been taken (December 1977). Another 20 MVA transformer (value: about Rs. 10 lakhs) supplied by the firm was also damaged (February 1975) at Jaunpur due to overflux in the core. The transformer is lying at Jaunpur unrepaired (December 1977).

In his circular of 12th November 1976, the Superintending Engineer, Electricity Sub-station Design Circle mentioned that three transformers of 20 MVA supplied by the firm of Madras were damaged at Nibkarori (Farrukhabad), Lucknow and Shahjahanpur and were lying in the firm's works at Madras for repairs. The transformers were designed to run at voltage not exceeding 110 *per cent* of the normal voltage and these were damaged due to overloading as well as operational failures. Thus, five transformers (value: about Rs.50 lakhs) supplied by the firm are lying unrepaired (December 1977).

(x) Two transformers of 1.5 KVA capacity costing Rs. 1.53 lakhs, received (April 1973) in Electricity Distribution Division, Unnao from a firm of Calcutta against the Stores Procurement Circle order of February 1973, were commissioned in December 1974 and March 1975. Both these transformers got damaged in January 1975 and July 1975, *i.e* within one and four months of commissioning respectively. Bad workmanship and/or use of sub-standard materials in the manufacture of the transformers were stated by the Executive Engineer to be the causes of the damage. These transformers had been lying (August 1977) unrepaired in the Division.

The matter was brought to the notice of Government and the Board in September 1977; replies are awaited (December 1977).

(b) Distribution transformers

According to an estimate made by Member (Engineer) in May 1974, there were about 25,000 (value : about Rs.10.00 crores) damaged distribution transformers awaiting repairs at that time. On the basis information supplied by the Chief Zonal Engineers in July 1977, the Board estimated (July 1977) that there were about 30,000 damaged distribution transformers, out of which about 14,000 transformers had been repaired departmentally or on rate contracts/orders finalised centrally as well as at the divisional/circle level. Besides, information furnished to Audit by the Controller of Stores in September 1977, indicated that a large number of damaged transformers (exact number was not indicated) were scrapped whose core and stampings (403 tonnes) and empty steel tanks (531 tonnes) remained deposited in the stores. Out of the stock of 403 tonnes of core and stampings, 107 tonnes were in good condition and 296 tonnes were rusted (September 1977).

In all, 11,522 aluminium wound transformers were purchased from 1971-72 to December 1974, out of which 3,314 transformers were damaged, as intimated to the Board between January and April 1976 by the field Superintending Engineers.

8.07. *Employees' Provident Fund*

Under the provisions of the Employees' Provident Fund Act, 1952, the employees' contributions towards provident fund and family pension fund, together with employer's contribution and administrative charges, are required to be deposited with the Regional Provident Fund Commissioner by 15th of the following month to which it relates, failing which penal damages are leviable. The Electricity Distribution Division I, Meerut did not deposit the contributions (including administrative charges) within the prescribed time, during the period from December 1965 to December 1973, reportedly (October 1976) due to late receipt of funds by the Division from the Board. The Regional Provident Fund Commissioner, U. P., Kanpur levied (July 1976) penal damages (at the rate of 12½ *per cent* to 100 *per cent*) aggregating Rs.2.99 lakhs for the default in payment of the contributions including administrative charges for the period from December 1965 to December 1973.

The matter was brought to the notice of the Board and Government in August 1977; replies are awaited (December 1977).

8.08. *Wireless sets*

In March 1972, the Lucknow Electric Supply Undertaking (LESU) purchased 20 wireless sets (value : Rs. 0.77 lakh) from Bharat Electronics Limited for easy communication and speedy attendance of consumers' complaints. Owing to lack of technical knowledge and trained staff, these sets had not been commissioned up to December 1975. Rupees 0.29 lakh were, however, paid during the years 1972 to 1975 as licence fee, at Rs.360 per set per annum, though according to the rules for payment of licence fee, possession fee at Rs.25 per set per annum was payable. This resulted in an extra expenditure of Rs.0.27 lakh.

Seven sets were put to use in January 1976 and 13 sets were lying idle (December 1977).

The matter was reported to the Board in June 1977 and to Government in September 1977 ; replies are awaited (December 1977).

SECTION IX

UTTAR PRADESH STATE ROAD TRANSPORT CORPORATION

9.01. *Purchase of chassis and fabrication of bus bodies*

During the Fourth Plan period, 773 new buses were to be purchased for expansion and augmentation of new routes, against which only 182 buses were purchased by the Transport Department till 31st May 1972, *i.e.* before the formation of the Corporation. Further, as against 1000 additional road kilometres to be covered during the Plan period, the state undertaking could cover 612 additional road kilometres only up to 31st May 1972. After the formation of the Corporation, five new routes were taken over, four during 1973-74 and one during 1976-77.

The target for purchase of chassis each year for augmentation/expansion of services and for replacement of vehicles, the particulars of orders placed and the actual receipts of chassis during the five years up to 1976-77 were as under :

Year	Target for purchase of chassis for			Ordered placed for			Actual receipt of vehicles
	Augmentation	Replacement	Total	Augmentation	Replacement	Total	
1972-73	209	300	509	50	361	411	335
1973-74	132	400	532	291	433	724	619
1974-75	124	376	500	..	318	318	459
1975-76	836	624	1460	290	596	886	660
1976-77	300	800	1100	93	778	871	1137
Total	1601	2500	4101	724	2486	3210	3210

9.02. *Purchase of chassis*

The requirement of chassis to be purchased each year is determined by the Corporation on the basis of the number of vehicles required for (i) operation on new routes or for augmentation of the existing strength, and (ii) replacement of the condemned vehicles. All the chassis manufacturers in the country quote two rates for supply of chassis, one for the members of the Association of State Road Transport Undertakings and the other for others. The Corporation, after determining the number and make of the vehicles required for operation during a particular year, placed orders on the local distributors/dealers of Tata and Leyland chassis as it was stated (August 1977) to be economical as compared to purchases from the manufacturers. Delivery of Tata chassis was being taken at Phaphamau (Allahabad) depot of the firm whereas delivery of Leyland chassis was being taken at the Central Workshop, Kanpur.

(*a*) *Delay in adjustment of advances and recovery of interest*

According to the terms of agreement with the dealers of Tata and Leyland chassis, 98 *per cent* advance payment, and the balance within 10 days of the date of receipt of chassis were to be made to them. A rebate of Rs.200 per chassis was allowable by the suppliers against this mode of payment. They were required to deliver the chassis within 15 days from the date of receipt of the advance payment. Alternatively, *cent per cent* payment was to be made at the time of delivery of the chassis. No interest/penalty was charged from the firms for delay in supply of chassis. A clause for charging interest on the amount of advance, at the prevailing market rate for the number of days by which the delivery is delayed, was, however, incorporated in the agreement in January/February 1976.

The Corporation preferred the first alternative of paying 98 *per cent* advance in order to avail the facility of rebate of Rs.200 per chassis and to keep a reserve of 2 *per cent* for adjustment of deficiencies, if any. In the case of transactions through refinance facilities provided by the Industrial Development Bank of India (IDBI), the other alternative of *cent per cent* payment against deliveries was to be followed as per the terms and conditions of the grant of facilities by IDBI.

The table below indicates some cases of advance payments (98 *per cent*) during 1975-76 and 1976-77 for purchase of chassis where delivery was delayed by more than the stipulated period of 15 days :—

Date of payment	Amount of advance paid (In lakhs of Rupees)	Number of chassis	Period during which received (number of days)
Tata chassis			
31st March 1975	34.40	40	79 to 95
12th July 1975	45.50	50	17 to 47
1st August 1975	20.85	25	40 to 74
19th September 1975	45.42	50	24 to 68
4th February 1976	23.67	26	16 to 54
Leyland chassis			
16th May 1975	35.28	40	25 to 64
24th July 1975	27.07	30	36 to 40
13th August 1976	29.58	32	21 to 52
21st September 1976	119.30	129	18 to 38

In the case of a firm of Lucknow, on which orders were placed for the purchase of Leyland chassis, Rs.1.42 lakhs (Rs.0.14 lakh during 1975-76 and Rs.1.28 lakhs during 1976-77) on account of interest charges for the delayed supply of chassis, was not recovered. The Management stated (December 1977) that the amount of interest due, if any, would be recovered from the pending bills of the suppliers.

(*b*) *Extra expenditure due to price increase*

The price of chassis actually payable depended on the price ruling on the date of delivery of chassis (intimated by the suppliers from time to time). The chassis were, however, supplied by the dealers as and when these were available from the manufacturers. The supplies against 98 *per cent* advance payments, which were required to be made within 15 days of receipt of advance, had to be paid for at higher prices in the cases of delayed delivery of chassis. Further, the chassis ordered during a year were, in accordance with the agreements, required to be supplied within the same year. Owing to shortfall in the delivery of chassis, which was made good in the subsequent years on payments of higher rate, the Corporation had to bear an extra expenditure of Rs.16.41 lakhs, as detailed below, on supplies not obtained during the same year in which the orders were placed :

Year	Shortfall in supplies		Price increase per vehicle in the following year		Extra expenditure	
	Tata	Leyland	Tata (Rupees)	Leyland (Rupees)	Tata (In lakhs of Rupees)	Leyland
1972-73	51	25	3555	3369	1.81	0.84
1973-74	155	26	6258	9230	9.70	2.40
1974-75	40	..	362	..	0.14	..
1975-76	266	..	573	..	1.52	..
				Total		3.24

(*c*) *Purchase of vehicles under central financial assistance scheme*

To strengthen the urban transport in cities, the Government of India decided (January 1976) to give Central assistance to the State Government in the form of a loan to be given to the Corporation on the same terms and conditions as applicable to other loans. A sum of Rs.280 lakhs was allocated and disbursed to the Corporation in March 1976 for this purpose. The Corporation decided to purchase 176 Tata chassis for operation in Kanpur (50), Lucknow (40), Agra (30), Varanasi (30), and Allahabad (26), besides 10 Bedford chassis for use at Kanpur.

In this connection, the following points were noticed :

(i) Against the purchase of 176 'Tata' chassis costing Rs.163.74 lakhs, Rs.164.92 lakhs were paid in March 1976 ; the excess of Rs.1.18 lakhs has not been recovered.

(ii) After incurring expenditure on purchase of chassis and fabrication of two bodies, Rs.29.36 lakhs remained unutilised (August 1977) with the Corporation.

The Management stated (December 1977) that recovery of the excess payment of Rs.1.18 lakhs was under correspondence and action for utilisation or refund of the unutilised amount was in hand.

(d) Performance of 'Dodge' vehicles

In the Kanpur region, 12 "Dodge" buses, purchased during May 1971 for Rs.5.40 lakhs, went off the road within three years owing to non-availability of spare parts. Two buses went off the road in 1972, three in 1973, two in 1974 and the remaining five in 1975. In February 1975, an order for supply of spare parts (value not available) was placed on a firm of Bombay which could not supply all the spare parts required. Five buses were put back on road during 1976 and another five during 1977, after incurring an expenditure of Rs.1.48 lakhs on their repairs. Two buses were lying off the road since April and October 1975 respectively (December 1977). The non-operation of each bus resulted in a loss of revenue of about Rs.300 per day to the Corporation. The Management stated (December 1977) that there had been difficulty in obtaining critical parts for maintenance of these buses both from manufacturers and other sources, due to which these vehicles remained off-road for long periods and efforts were being made to use alternative parts to keep them on-road.

9.03. *Fabrication of bus bodies*

(a) Construction of a new workshop

Mention was made in paragraph 71 of the Report of the Comptroller and Auditor General of India for the year 1974-75 (Commercial) about fabrication of bus bodies in the Corporation's Central Workshop up to 1974-75. In October 1975, one more workshop at Allen Forest, Kanpur was got constructed by the Corporation, through the Public Works Department, with a capacity to fabricate 100 bus bodies per month. An expenditure of Rs.7.04 lakhs was incurred during 1973-74 to 1975-76 on construction of two sheds. One shed constructed for renovation of bus bodies was handed over by the Public Works Department in October 1975. Body renovation works were, however, started in this shed in November 1976. The second shed was made available to the Corporation in May 1976 but it was let out

to the Food Corporation of India (FCI) in June 1976, for a period of six months, at the rate of 22 paise per sq. ft. The shed was got vacated in October 1977. The Management stated (December 1977) that it was envisaged to create body building capacity at the Allen Forest Workshop for clearing the backlog of buses overdue for renovation and it was planned to ensure maximum production which could be constantly maintained in future months on permanent basis. It was further stated that it would not have been possible to immediately utilise the second shed as the space available in the first shed itself was adequate to significantly raise the production of the workshop.

(b) Departmental fabrication of bus bodies

The details of fabrication and renovation of bus bodies, done departmentally during 1974-75 to 1976-77, are as under :

	1974-75	1975-76	1976-77
Central Workshop			
Fabrication of bodies	568	490	342
Renovation of bodies	179	224	602
Total work done	747	714	944
Percentage of fabrication to total work done	76	69	36
Percentage of renovation to total work done	24	31	64
Allen Forest Workshop			
Renovation of bodies	..	..	133

The number of bus bodies built on new chassis in the Central Workshop came down from 568 in 1974-75 to 342 in 1976-77, which was due to entrusting the work of fabrication of bus bodies to private parties during 1975-76 and 1976-77. More renovations were done in the Workshops during 1976-77.

(c) Fabrication through private parties

(i) Tenders for fabrication of 1000 bus bodies of 'district' type, 'city' type and 'hill' type on Tata chassis and 'district' type on Leyland Viking chassis were invited in March 1976. The bus bodies to be fabricated by the tenderers were to be of all steel folded sections, super structure, aluminium panelling and aluminium flooring. Earnest money, equal to half *per cent* of the value of the work tendered, subject to minimum of Rs.10,000, was required to be deposited by each tenderer and security deposit equal to five *per cent* of the value of the contract awarded was to be deposited by the successful tenderers. The tenders were opened on 15th May 1976. Out of 31 tenders received, only 17 had deposited the earnest money of Rs.10,000. A list of 13 firms, selected for inspection of works

by the Corporation, was finalised in the last week of May 1976. The list included a Jaipur firm which had not deposited earnest money, but did not include two firms (one of Jamshedpur and the other of Lucknow) which had deposited the earnest money and with whom the Corporation was already in contract for fabrication of bus bodies. The Management stated (December 1977) that as the capacity and performance of the Jamshedpur and Lucknow firms was known to the Corporation, it was not considered necessary to inspect the works of these firms. It was further stated that the Jaipur firm was included and inspected through oversight. A firm of Jullundur that was stated to have a very low destination cost (Rs.46,756, Rs.45,436 and Rs.41,916 for 'district' type, 'city' type and 'hill' type bus respectively on Tata chassis and Rs.50,056 for 'district' type bus on Leyland chassis), long experience with a number of State Road Transport Corporations, highest performance of fabrication in the past two years (1025 buses) and the maximum favourable delivery schedule (30 per month) amongst all others, was also not selected for inspection.

The works of all the 13 firms were inspected in June 1976. While inspecting the works of two firms of Delhi and a firm of Gurgaon on 3rd June 1976, all in one day, it was gathered that one of the two Delhi firms, alongwith the aforesaid firm of Jullundur had been black-listed by the Delhi Transport Corporation. Nine firms, including two Meerut firms which had no past experience and no delivery schedule, were selected for negotiation held in the last week of June 1976 in New Delhi. Two firms of Jamshedpur and Lucknow, which were already in contract with the Corporation for fabrication of bus bodies and had submitted tenders, were also invited for negotiations.

At the time of negotiation, the firms were asked to quote again their minimum basic rates for all the four types of buses to be fabricated on Tata and Leyland chassis along with the discount to be allowed for *100 per cent* payment within 7 days of receipt of bills. The quoted rates of the firms of Gurgaon and Faridabad were brought down to the level of some other firms by reducing Rs.3,000 per bus body in all the types except 'hill' type, the rate of which was considered reasonable by the negotiation committee. The Lucknow firm, whose tender was lowest, had offered a reduction of Rs.700 per bus body and had retained the lowest position even after the reduction of rates by some of the other firms. Ultimately, the reduced rates of Rs.42,500, Rs.41,000, Rs.38,500 and Rs.46,000 for the 'district', 'city' and 'hill' types on Tata chassis and 'district' type on Leyland Viking chassis respectively (quoted by the Gurgaon and Faridabad firms during negotiation) or lower rates (as offered by some other firms) were approved (June 1976) by the negotiation committee for placing orders on various firms. The

Management stated (December 1977) that the negotiation committee generally took into account only the basic rates offered by the various firms for the purpose of settling uniform standard rates for fabrication of bus bodies from amongst the selected firms on a fair and rational basis. The committee, however, did not recommend acceptance of the offer of the Jamshedpur firm for fabrication of 'district' type bus bodies although its basic rates, as well as the landed cost were lower.

The original and revised landed cost per bus body of all the 11 negotiated firms, as it stood before and after negotiation, were as under :

Firms of		Tata chassis District type	Tata chassis City type	Tata chassis Hill type	Leyland chassis District type
					(In Rupees)
Lucknow	O*	45025	43450	41875	48700
	R@	44325	42750	40875	48000
Jaipur 'A'	O	46485	44615	44945	50885
	R	46485	44615	43545	50885
Jaipur 'B'	O	48309	46659	45009	52159
	R	48309	46659	44009	52159
Faridabad	O	51266	49613	43552	55123
	R	48266	46613	43552	52123
Gurgaon	O	51391	49738	43677	55248
	R	48391	46738	43677	52248
Jaipur 'C'	O	49900	52400	44400	58000
	R	48400	46900	44400	52000
Rohtak	O	48635	46982	45329	52492
	R	48635	46982	44329	52492
Delhi	O	48840	43340	..	51920
	R	46590	43340	..	50370
Jamshedpur	O	49840	..	..	55000
	R	47840	..	..	51500
Meerut 'X'	O	43116	..	..	..
	R	43116	..	..	..
Meerut 'Y'	O	49250	..	..	..
	R	46750	..	..	..

When the Corporation decided (March 1976) to entrust chassis for fabrication of bus bodies to the private parties, there were only 172 chassis available in the Central Workshop. Taking into account an order for purchase of 400 more chassis already placed with the dealers,

*Original
@Revised.

the Corporation issued orders (July 1976) for fabrication of 467 bus bodies (raised to 844 bus bodies in subsequent months) on the following firms whose position, on the basis of their revised landed cost, were as indicated below :—

Firms of	Tata chassis		Leyland chassis		Total	Rates per bus body as per orders
	District type	City type	Hill type	District type		Rs.
	(A)	(B)	(C)	(D)		
Gurgaon ..	250 IX*	58 VI*	99 IV*	103 VIII*	510	42,287.50 (A) 40,795.00 (B) 38,307.50 (C) 45,770.00 (D)
Faridabad	..	14 IV*	..	92 VI*	106	40,795.00 (B) 45,770.00 (D)
Lucknow	34 II*	57 I*	..	19 I*	110	41,591.00 (A) 40,096.00 (B) 45,073.50 (D)
Jaipur 'A'	..	..	..	11 IV*	11	45,150.00 (D)
Jaipur 'B'	..	..	..	90 VII*	90	45,600.00 (D)
Meerut 'X'	11 I*	..	..	..	11	40,118.40 (A)
Meerut 'Y'	6 V*	..	..	..	6	41,000.00 (A)
Total ..	301	129	99	315	844	

*These indicate their comparative positions in landed costs on the basis of their revised rates.

In all, 781 buses were fabricated against these orders. All the buses were fabricated and delivered up to March 1977 except 19 which were delivered between April and June 1977. In this connection, the following points came to notice :—

(i) The Gurgaon and Faridabad firms, in their delivery schedules, had quoted the delivery of 20 buses and 10—20 buses per month whereas the Lucknow, Jamshedpur and Jullundur firms had quoted the delivery of 30, 25 and 30 buses per month respectively. Further, the last auspicious day for the *Kumbha Mela* fell on 17th January 1977. The requirement for transport of passengers should have been met latest by this date. However, 174 chassis, as detailed below, were delivered to various firms after this date which were received back with

bus bodies, duly fabricated, during the months February to June 1977, thereby defeating the purpose for which the fabrication was got done through private parties at higher rates :—

Name of firms	Chassis delivered after *Mela*	Period during which delivered
Gurgaon firm	134	January to March 1977
Faridabad firm	6	February 1977
Lucknow firm	19	February to April 1977
Firm 'X' of Meerut	10	March to May 1977
Firm 'Y' of Meerut	5	June 1977

(ii) The firm of Gurgaon, before taking up the fabrication of prototype bus bodies on the chassis issued between 2nd July 1976 and 21st July 1976, had suggested some changes in the specification of bus bodies. The representatives of the Corporation met the Managing Director of the firm on 24th July 1976 and approved the changes as suggested by the firm. This resulted in an economy of Rs.1.85 lakhs on fabrication of 497 bus bodies by the firm. The firm was intimated and requested on 14th July 1977 to refund the difference (Rs.1.85 lakhs) due to change in the specification of bus bodies; the refund has not been received (December 1977).

(iii) Some minor defects were noticed in the bus bodies fabricated by the firm of Gurgaon, which were got rectified departmentally by the Corporation at a cost of Rs.400 per bus, at the risk and cost of the firm. Further, Rs.0.31 lakh were paid as road tax, insurance charges, *etc.* on behalf of the firm on the buses fabricated by them. A claim of Rs.1.99 lakhs in respect of the defects and Rs.0.31 lakh towards road tax, *etc.* was lodged with the firm in August 1977; payment has not been received (December 1977).

(iv) The Corporation placed an order (September 1976) on the Jaipur 'B' firm for fabrication of 90 "district" type bus bodies on "Leyland Viking" chassis at Rs.46,000 each *less* Rs.150 per bus as discount for prompt payment and Rs.250 as quantity discount. The agreement provided, *inter alia*, for fabrication with prestressed steel super-structure aluminium panelling and aluminium flooring as per the drawings. Delivery was to be effected within 30 days from receipt of chassis, failing which

liquidated damages at Rs.100 per day per bus body not completed and delivered in time, were to be levied and in case of delay of more than 30 days, the total quantity ordered could be reduced by the General Manager and the firm could be required to deliver back the chassis, duly insured, at the firm's cost, to the Corporation. The firm, on account of this reduction in quantity, would not be entitled to any revision in rates. It was further provided in the agreement that the number of bus bodies to be constructed was approximate and no claim for compensation was to be made or entertained if any increase or decrease in the number was made.

The firm was given 40 chassis (30 in September 1976 and 10 in November 1976) in all. Even after the receipt (December 1976) of a request from the firm no further chassis could be supplied. However, the Corporation diverted 15 chassis earmarked for this firm to the firm of Gurgaon.

In February 1977, the Jaipur firm represented against the reduction in the supply of chassis and intimated that it had arranged structure kits, windows, *etc.* according to the earlier order which could not be used for any other State Roadways. It was further submitted by the firm that in order to save itself from loss and insolvency it was prepared to accept "Tata" chassis and use the kits, already fabricated by it after making necessary alterations at its own cost.

The firm again represented (April 1977) for keeping the terms of agreement of 1976-77 alive for the financial year 1977-78 also so that it could utilise the kits, *etc.* on those bodies. The Corporation stated in reply (May 1977) that as there was no proposal for purchase of any more chassis during 1977-78, the agreement could not be kept alive for that year. However, on compassionate grounds, the Corporation appointed (May 1977) a committee to visit the workshop of the firm and make recommendations in the matter. The committee visited (May 1977) the factory of the firm and reported that kits (superstructure components) for 30 bus bodies were lying with the firm. The committee was of the opinion that these kits, with minor modifications, could be used on Leyland Comet chassis and recommended for their purchase by the Corporation.

The Corporation decided (June 1977) that renovation of bus bodies, not exceeding the number stipulated in the agreement, be entrusted to the firm but efforts should be made to restrict the number, through negotiation, to 30 bodies so that the kits already fabricated by the firm might be utilised. It was further decided that the cost of

renovation was not to exceed the rates approved by the Corporation for fabrication of bus bodies on Tata chassis, whether the bodies were fabricated on Leyland Comet or Tata chassis. The Corporation delivered 30 old Tata buses, due for renovation, to the firm in August 1977 and the renovated buses were received back from the firm in October 1977. The scrap of the old bodies was, however, retained by the firm.

(d) *Fabrication of air-conditioned coaches*

Mention was made in paragraph 69 of the Report of the Comptroller and Auditor General of India for the year 1974-75 (Commercial) about operation of air-conditioned buses. A bus, purchased (cost : Rs.1.08 lakhs) from a Madras firm in 1962 for initial operation on Delhi–Agra route, for meeting the requirement of tourists, was subsequently (1968-69) converted into a deluxe bus as the necessary spare parts for the imported air-conditioned coach, driven by petrol engine, were not available. Four more air-conditioned coaches, having imported air-conditioning plants, driven by diesel engines, were fabricated at the Central Workshop, Kanpur during the years 1968 to 1970. One coach, got involved in a major accident in 1970 and since then it has been lying in the Workshop (December 1977). Another coach has been lying in the Workshop since 1972 for want of spares. The Corporation decided (December 1975) to operate 12 regular services on Delhi – Mussorie (3), Delhi – Nainital (3), Delhi – Agra (4), and Lucknow – Kanpur (2) routes. For operation on Delhi – Mussorie and Delhi – Nainital routes, it was decided (February 1976) to fabricate air-conditioned coaches on 'Tata' chassis and for operation on Delhi – Agra route it was proposed to fabricate buses on 'Leyland' chassis. The Lucknow – Kanpur route was proposed to be operated with a "Janta" air-conditioned bus having 70 seats, provided on a semi-trailor bus chassis. The financial implication of the proposal was Rs.37.04 lakhs. A tender notice was issued in March 1976 for supply of coaches and supply, installation and commissioning of air-conditioning plants for the said coaches. No tenders were received. Subsequently, revised tenders were invited (September 1976) separately for both these items. The tenders received were opened on 30th October 1976.

For fabrication of air-conditioned coaches, the rates quoted (October 1976) by a Gurgaon firm (Rs.1.10 lakhs each on Leyland chassis) and firm 'B' of Jaipur (Rs.0.85 lakh each on Tata chassis) were approved. For supply and installation of air-conditioning plants, only three tenders (two from New Delhi and one from Pune) were

received. The offers of the two New Delhi firms (Rs.1,32,600 and Rs.1,06,400) were not considered technically suitable by a committee constituted by the Corporation for the purpose and the offer of the Pune firm (Rs.1.21 lakhs for larger size and Rs.0.85 lakh for smaller size plants) was recommended as most suitable. The committee also emphasised that servicing and inspection of the air-conditioning plants should also be got done by the firm at its quoted rate of Rs.6,000 per year as that was considered to be economical. The committee proposed to purchase six plants only, for operating two air-conditioned coaches each on Delhi – Mussorie and Delhi — Nainital routes, one on Delhi–Agra route and keeping one as standby. In spite of the recommendations of the committee, the Corporation decided (January 1977) to purchase air-conditioning plants and to get coaches fabricated from the following parties :

(i) Four air-conditioning plants from the Pune firm at the rate of Rs.0.85 lakh each for installation on four "Tata" coaches; two of these coaches were to be fabricated by firm 'B' of Jaipur at Rs.0.85 lakh each and two by the Central Workshop, Kanpur departmentally.

(ii) Two air-conditioning plants from a firm of New Delhi at Rs.1.06 lakhs each for installation on 'Leyland Viking' coaches. These coaches were to be fabricated by the Gurgaon firm at Rs.1.10 lakhs each.

The chassis were delivered to the Jaipur and the Gurgaon firms on 23rd January and 25th January 1977 respectively, alongwith the air-conditioning plants, as per the agreements dated 1st February 1977 and 5th February 1977 respectively. The agreements also provided for payment of transport charges (Rs.1.50 per km) for carriage of chassis and the plants from the Central Workshop, Kanpur to their factories and back. Delivery of the first prototype bus was to be made within 12 weeks (*i.e.* on 23rd and 25th April 1977 respectively) from the date of supply of chassis and of the other bus within 30 days thereafter. For delay caused in the supply of coaches complete in all respects, penalty of Rs.100 per day per coach was to be levied and in the case of delay of more than 30 days, the party could be asked to return the undelivered chassis, within three weeks at its own cost and risk.

The Jaipur firm had delivered (29th August 1977) one bus and the other is awaiting commissioning of the air-conditioning plant by the suppliers. No penalty for the delayed supply of the first bus has been imposed. None of the coaches was returned by the Gurgaon firm within the period. A notice was issued (June 1977) to the firm

to return the chassis alongwith the plants. The chassis and the plants were got released and carried to the Central Workshop, Kanpur on 6th October 1977, after a payment of Rs.2.79 lakhs to the official liquidator of the Gurgaon firm and furnishing a guarantee for Rs.0.75 lakh. The transportation cost (Rs.2,820) of carriage of chassis and the plants to Kanpur was also borne by the Corporation. The penalty of Rs.0.30 lakh for the delay has not been imposed (November 1977). The Management stated (December 1977) that the case regarding recovery of penalty from the Gurgaon firm was *sub judice*.

9.04. *Injudicious deployment of buses*

In order to meet the demand of the State Government (March 1976) to provide 1500 buses for the *Kumbha Mela* to be held in January 1977, the Corporation decided to purchase 1100 buses (300 for augmentation/operation on new routes and 800 for replacement) and to meet the requirement of remaining buses through more renovation in its workshop.

During 1976-77, the Corporation purchased 1137 chassis, out of which bus bodies on 342 chassis were fabricated in the workshop and 871 chassis were delivered to private parties for fabrication. The total production in the workshops during 1976-77, including renovation (602 in the Central Workshop and 133 in the Allen Forest Workshop), had been 1077 bus bodies, which had exceeded the production of 1975-76 by more than 50 *per cent*.

The year-wise position of the on-road and off-road buses at the end of each year, as reported (December 1977) by the Corporation, for the last five years, is indicated below :

	1972-73	1973-74	1974-75	1975-76	1976-77
On-road buses	3272	3417	3539	3471	4105
Off-road buses					
Reserve	179	210	260	270	581
Under repairs/disposal	1131	1118	1176	1217	1027
Total	4582	4745	4975	4958	5713

During 1976-77, the Corporation withdrew 652 old buses from operation for repairs/disposal and sold/transferred 543 buses. During the same year, 940 buses received from private parties and 1104 buses (358 new and 746 renovated) fabricated departmentally, were delivered to the regions for operation. The remaining off-road buses, under repairs/disposal as on 31st March 1977, should work out

to 580 and the balance of on-road buses *plus* reserve should be 5183 as against the number of on-road buses reported by the Corporation, *viz.* 4105 only. According to the Management, the reserve should have been about 5 *per cent* which was an accepted norm for nationalised State transport undertaking and was prevalent in other State Transport Undertakings.

9.05. *Other points of interest*

(a) Loss on hiring of a private air-conditioned bus

Mention was made in paragraph 69 of the Report of the Comptroller and Auditor General of India for the year 1974-75 (Commercial), about departmental operation of air-conditioned services on Agra-Delhi route, resulting in losses (Rs.1.58 lakhs) during the years 1973-74 and 1974-75 and consequent closure of these services by the Corporation. In October 1976, the Corporation entered into an agreement with a Delhi firm for running an air-conditioned bus between Agra and Delhi for convenience of foreign tourists. The cost of operation and maintenance, including the services of the driver, were to be borne by the firm while the conductor was to be provided by the Corporation to collect the fare and issue the tickets. The Corporation was required to pay Rs.2.80 per km to the firm. During the period November 1976 to January 1977, the air-conditioned bus covered 46,260 km. The Corporation paid Rs.1.30 lakhs to the contractor during that period, against which the earnings amounted to Rs.0.48 lakh, resulting in loss of Rs.0.82 lakh.

Government stated (December 1977) that this service was operated as an experimental measure with a view to assist the programme of promotion of tourism in the State and to build up the image of the Corporation. It was also stated that the Corporation is a public utility concern and its objective is not merely to earn profit.

(b) Blocking of funds

To avoid dislocation of work owing to frequent power break-downs, a diesel generating set was purchased (October 1975) by the Deputy General Manager (Stores), for the Meerut region, from a firm of Kanpur at a cost of Rs.1.15 lakhs. It has not been installed (August 1977) for want of a generator room. The supplier's guarantee for satisfactory working of generating set for one year expired in September 1976. An estimate for construction of the generator room was stated (September 1976) to have been submitted (February 1976) by the regional office to the head office.

The matter was reported to Government in September 1977 and to the Corporation in November 1976; replies are awaited (December 1977).

V. Prakash

ALLAHABAD :
THE 19 MAR 1978

(VED PRAKASH)
Accountant General, Uttar Pradesh-II

Countersigned

A. Baksi

NEW DELHI :
THE 22 MAR 1978

(A. BAKSI)
Comptroller and Auditor General of India.

APPENDICES

APPENDIX I

(Reference: Paragraph 1.02 Page 1)

Statement showing Summarised financial results of working of Government Companies

(Figures in columns 6 to 10, 12 and 13 are in lakhs of Rupees)

Serial number	Name of the Company	Name of the administrative department	Date of incorporation	Period of account	Total capital invested	Profit(+)/ Loss (−)	Total interest charged to profit and loss account	Interest on long-term loans	Total return on capital invested (7+9)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (7+8)	Percentage of total return on capital employed
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	The Indian Turpentine and Rosin Company Limited	Industries	22nd February 1924	1976-77	298.99	(+)3.48	14.19	14.19	17.67	5.91	292.47	17.67	6.04
2	Uttar Pradesh Small Industries Corporation Limited	Industries	13th June 1958	1976-77	694.00	(+)14.88	48.84	48.84	63.72	9.32	718.32	63.72	8.87
3	Uttar Pradesh State Cement Corporation Limited	Industries	29th March 1972	1976-77	4264.40	(−)47.59	4.33	1.45	(−)46.14	..	2383.05	(−)43.26	..
4	The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited	Industries	29th March 1972	1976-77	..	(+)28.42	46.51	44.83	73.25	..	1390.33	74.93	5.39
5	Uttar Pradesh State Brasswares Corporation Limited	Industries	12th February 1974	1976-77	57.92	(+)1.96	0.43	0.10	2.06	3.56	62.08	2.39	3.85
6	Uttar Pradesh (Poorva) Ganna Beej Evam Vikas Nigam Limited	Co-operative	27th August 1975	Year ended 30th June 1977	8.03	(−)0.04	0.23	..	(−)0.04	..	15.89	0.19	1.20
7	Uttar Pradesh (Paschim) Ganna Beej Evam Vikas Nigam Limited	Co-operative	27th August 1975	Year ended 30th June 1977	10.45	(+)0.02	1.05	..	0.02	0.19	63.07	1.07	1.70
8	Uttar Pradesh (Rohilkhand-Tarai) Ganna Beej Evam Vikas Nigam Limited	Co-operative	27th August 1975	Year ended 30th June 1977	85.05	(+)2.83	1.54	1.54	5.14	5.26	84.96	4.37	5.14
9	Uttar Pradesh Chalchitra Nigam Limited	Information	10th September 1975	1976-77	13.00	(−)1.67	..	..	(−)1.67	..	10.39	(−)1.67	..
10	Uttar Pradesh Bundelkhand Vikas Nigam Limited	Kshettriya Vikas	30th March 1971	1974-75	71.00	(+)0.85	0.48	0.48	1.33	1.87	48.83	1.33	2.72
11	Uttar Pradesh State Food and Essential Commodities Corporation Limited	Food and Civil Supplies	22nd October 1974	1975-76	63.05	(+)0.61	0.14	0.14	0.75	1.19	62.88	0.75	1.19
12	Uttar Pradesh State Handloom and Powerloom Finance and Development Corporation Limited	Industries	9th January 1973	1975-76	145.10	(−)0.62	2.79	1.23	0.61	0.42	141.69	2.17	1.53
13	Garhwal Anusuchit Janjati Vikas Nigam Limited	Parvatiya Vikas	30th June 1975	1975-76	5.00	..	..	..	..	..	4.97	..	..
14	Varanasi Mandal Vikas Nigam Limited	Kshettriya Vikas	31st March 1976	1976-77	35.52	(+)0.52	..	..	0.52	1.46	35.34	0.52	1.47
15	Harijan Evam Nirbal Varg Avas Nigam Limited	Harijan Samaj Kalyan	25th June 1976	1976-77	7.58	(+)1.05	..	..	1.05	13.85	7.43	1.05	14.13
16	Allahabad Mandal Vikas Nigam Limited	Kshettriya Vikas	31st March 1976	1976-77	45.00	(+)0.08	..	..	0.08	0.18	44.80	0.08	0.18
17	Uttar Pradesh Rajkiya Nirman Nigam Limited	Public Works	1st May 1975	1975-76	30.69	(+)2.63	..	..	2.63	8.57	30.57	2.63	8.60
18	Uttar Pradesh Scheduled Caste Finance and Development Corporation Limited	Harijan Samaj Kalyan	25th March 1975	1976-77	..	(+)5.57	..	..	5.57	..	40.55	5.57	13.74

APPENDIX I—(*Concluded*)

(Figures in columns 6 to 10, 12 and 13 are in lakhs of Rupees)

Serial number	Name of the Company	Name of the administrative department	Date of incorporation	Period of account	Total capital invested	Profit(+)/Loss (–)	Total interest charged to profit and loss account	Interest on long-term loans	Total return on capital invested (7+9)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (7+8)	Percentage of total return on capital employed
1	2	3	4	5	6	7	8	9	10	11	12	13	14
19	Uttar Pradesh State Industrial Development Corporation Limited	Industries	29th March 1961	1976-77	..	(+)64.00	34.98	34.98	98.98	..	1812.36	98.98	5.46
20	Sharda Sahayak Samadesh Kshettra Vikas Nigam Limited	Kshettriya Vikas	4th March 1975	1976-77	48.44	(+)2.39	..	..	2.39	4.93	47.94	2.39	4.99
21	Uttar Pradesh Electronics Corporation Limited	Industries	30th March 1974	1976-77	96.48	(–)5.22	1.91	1.91	(–)3.31	..	76.74	(–)3.31	..
22	Gandak Samadesh Kshettra Vikas Nigam Limited	Kshettriya Vikas	15th March 1975	1976-77	46.54	(+)0.28	..	..	0.28	0.60	46.27	0.28	0.61
23	Kumaon Anusuchit Janjati Vikas Nigam Limited	Parvatiya Vikas	30th June 1975	1976-77	5.13	(+)0.13	..	..	0.13	2.53	5.13	0.13	2.53
24	Uttar Pradesh (Madhya) Ganna Beej Evam Vikas Nigam Limited	Co-operative	27th August 1975	Year ended 30th June 1977	7.22	(+)0.55	0.21	..	0.55	7.62	41.88	0.76	1.81
25	Prayag Chittrakoot Krishi Evam Godhan Vikas Nigam Limited	Animal Husbandry	7th December 1974	1976-77	50.63	(+) .92	..	..	0.92	1.82	48.88	0.92	1.88
25	Uttar Pradesh State Mineral Development Corporation Limited	Industries	23rd March 1974	1976-77	92.08	(+)0.08	..	..	0.08	0.09	87.87	0.08	0.09
	Subsidiary Companies												
27	Chhata Sugar Company Limited	Industries	18th April 1975	Year ended 31st July 1977	453.00	..	..	..	..	..	125.34	..	..
28	The Turpentine Subsidiary Industries Limited	Industries	11th July 1939	1976-77	15.56	(+)0.19	..	..	0.19	1.22	13.74	0.19	1.38
29	Teletronix Limited	Parvatiya Vikas	24th November 1973	1976-77	11.21	(–)1.50	1.20	0.86	(–)0.64	..	12.26	(–)0.30	..
30	Uttar Pradesh Abscott Private Limited	Industries	28th June 1972	1974-75	11.55	(–)0.68	0.50	0.50	(–)0.18	..	10.24	(–)0.18	..
31	Chandpur Sugar Company Limited	Industries	18th April 1975	Year ended 31st July 1977	483.00	..	..	..	..	..	91.79	..	..
32	Nandganj–Sihori Sugar Company Limited	Industries	18th April 1975	Year ended 30th June 1977	360.00	..	..	..	..	..	174.84	..	..
33	Uttar Pradesh Instruments Limited	Industries	1st January 1975	1976-77	100.41	(–)16.03	5.89	5.76	(–)10.27	..	69.81	(–)10.14	..

Notes— (i) Capital invested represents paid-up capital *plus* long-term loans *plus* free reserves.

(ii) Capital employed (except in case of Companies at serial numbers 4, 18 and 19) represents net fixed assets (excluding capital works-in-progress) *plus* working capital.

(iii) In case of Companies at serial numbers 4, 18 and 19 capital employed represents the mean of the aggregate of opening and closing balances of (i) paid-up capital, (ii) bonds and debentures, (iii) reserves, (iv) borrowings including refinance and (v) deposits.

(iv) Companies at serial numbers 13, 27, 31 and 32 have not gone into production.

APPENDIX II

(Reference : Paragraphs 5.01 (a) (iii) and 5.02 of Section V, pages 71 and 72)

Statement showing summarised financial results of working of Statutory Corporations

(Figures in columns 6 to 10, 12 and 13 are in lakhs of Rupees)

Serial number	Name of the Corporation	Name of the administrative department	Date of incorporation	Period of accounts	Total capital invested	Profit(+)/ Loss (–)	Total interest charged to profit and loss account	Interest on long-term loans	Total return on capital invested (7+9)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (7+8)	Percentage of total return on capital employed
1	2	3	4	5	6	7	8	9	10	11	12	13	14
			(a) Uttar Pradesh State Electricity Board										
1	Uttar Pradesh State Electricity Board	Power	1st April 1959	1976-77	149395.52	(—)417.86	3971·84	3971.84	3553.98	2.38	140279.54	3553.98	2.53
			(b) Other Statutory Corporations										
2	Uttar Pradesh Financial Corporation	Industries	1st November 1954	1976-77	..	(+)93.24	150.12	140.85	..	..	3107.97	243.36	7.83
3	Uttar Pradesh State Warehousing Corporation	Co-operative	19th March 1958	1975-76	270.97	(+)53.37	..	..	(+)53.37	19.70	250.02	(+)53.37	21.35
4	Uttar Pradesh State Road Transport Corporation	Transport	1st June 1972	1972-73	3347.40	(—)88.72*	136.85	130.00	(+)41·28	1.23	3394.72	(+)48.13	1.42

NOTES—(1) Capital invested represents paid-up capital *plus* long-term loans *plus* free reserves.

(2) Capital employed (other than U. P. Financial Corporation) represents net fixed assets *plus* working capital.

(3) In the case of U. P. Financial Corporation, capital employed represents mean of the aggregate of opening and closing balances of (i) paid-up capital, (ii) bonds and debentures, (iii) reserves, (iv) borrowings including refinance, (v) deposits and (vi) funds for special schemes advanced by the State Government.

*Interest on capital (Rs. 10.42 lakhs) excluded from the loss (Rs. 99.14 lakhs).

ERRATA TO THE
AUDIT REPORT FOR 1976-77 (COMMERCIAL)
GOVERNMENT OF UTTAR PRADESH

Serial no.	*Page no.*	*Para no./line no.*	*For*	*Read*
1	1	1.03 last but one line ..	Krishna Fasteners	Krishna Fasteners Private Limited
2	2	1.04 Table Heading 2nd column	Numbers	Number
3	2	Last line of the page ..	includes	Includes
4	3	Sixth line of first sub-para	1976-77	1976-77,
5	4	1.05 4th line of 2nd sub-para	respectively,	respectively
6	5	Table 1(b)	Guarantee fo	Guarantee for
7	8	12th line from top	accummulated	accumulated
8	9	Para no. 2.06 item no. (ii) ..	From State Trading Corporation (deferred term liability)	From State Trading Corporation of India Limited (deferred term liability)
9	10	*Insert* "(In lakhs of Rupees)" below 1973-74, 1974-75, 1975-76 in the first table on the page.		
10	10	Para 2.07 5th line	Profit(+)	Profit(+)/
11	15	2nd and 3rd lines of the page ..	Fertilizer Corporation of India	Fertiliser Corporation of India Limited
12	15	3rd sub-para 5th line ..	thrashing	threshing
13	15	Last line of the page ..	part	port
14	16	Table. Total under 1974-75 ..	20.00	20.40
15	17	2nd sub-para 2nd line ..	thrashing	threshing
16	19	4th line of the table	Fruits	Fruit
17	22	8th line from top	deterioration	in deterioration
18	23	2nd line from bottom ..	menthal	menthol
19	25	Table—"In lakhs of Rupees" to appear under columns 2, 3 and 4		
20	26	3rd line of the page ..	thrashers ..	threshers
21	30	5th line from bottom ..	(Rs. 3.30 lakh)	(Rs.0.30 lakh)
22	31	7th line from bottom ..	Rs.0.94	Re.0.94
23	31	5th line from bottom ..	round	around
24	32	Last line of the page ..	Hapur being	Hapur was being
25	36	9th line of the page	lakhs	lakh

Serial no.	Page no.	Para no./line no.	For	Read
26	38	First line of the page ..	(September 1977)	(September 1977).
27	40	Table column 3 ..	dones	done
28	40	3rd line of the page ..	lakh	lakhs
29	40	Table last line ..	79.30	79.03
30	50	9th line from bottom ..	shifted	shifted,
31	53	Last but one line ..	pavment	payment
32	56	3rd line of the page ..	Company,	Company
33	56	9th line from bottom ..	Insert "(" before Rs. 122.9	
34	56	8th line from bottom ..	1975-76)	1975-76),
35	56	7th line from bottom ..	allowaces	allowances
36	58	2nd line of the page ..	archwelded	arcwelded
37	58	last but one line ..	eves	eyes
38	60	17th line from top ..	effectively	effective
39	60	last but one line ..	Octobe	October
40	61	8th line from top ..	expenses.	expenses
41	61	4.08 3rd line ..	balls	balls,
42	63	4.10 Table heading ..	Amount	Amount (In lakhs of Rupees)
43	63	Last but one line of para 4.10 ..	unusal	unusual
44	63	4.11 2nd line ..	development system	development of irrigation system
45	64	20th line of the page ..	Director	Directors
46	65	14th line of the page ..	specification	specification,
47	65	4.13 2nd line ..	varn	yarn
48	65	4.13 4th line ..	(NIDC).	(NIDC)
49	65	4.13 10th line ..	machinerv	machinery
50	65	4.13 15th line ..	In the mean-time.	In the mean-time,
51	65	last but one line of the page ..	not available.	not available,
52	66	10th line from bottom ..	purchaser	purchased
53	67	1st line of the page ..	tax	tax,
54	67	5th line of the page ..	ressessment	reassessment
55	67	4.16 last but one line ..	1974 June	1974 to June
56	67	4th line from bottom ..	cement structures	Cement concrete structures
57	68	11th line of the page ..	expenses	expenses :
58	68	4.18 Ist line ..	lakhs.	lakhs
59	68	4,19 first line ..	Act 1948	Act, 1948

Serial no.	Page no.	Para no./line no.	For	Read
60	68	4.19 second ..	Mav 1975	May 1975
61	70	Sub para 'Loan Capital' 3rd line	1.508.01	1,508.01
62	70	Table column 3 ..	84.4	84.44
63	72	Sub para (iii) 3rd line ..	thereon etc.	thereon, etc.,
64	73	6.02 Heading ..	Organisation	Organisational
65	75	4th line from top ..	is	are
66	80	2nd sub-para 1st line ..	above	above,
67	80	3rd sub-para 9th line ..	(December 1972)	(December 1972),
68	83	4th line from top ..	factor,	factor
69	86	4th line from top ..	supplier	suppliers
70	86	14th line from bottom ..	colorific	calorific
71	96	3rd line from bottom ..	periodicals	periodical
72	101	8th line from bottom ..	powers	power
73	104	20th line from top ..	small medium	Small/medium
74	107	1st line ..	board	Board
75	107	5th line ..	againt	against
76	109	4th line ..	is	are
77	109	7th line from bottom ..	Delete (a) from the beginning of the para	
78	111	20th line ..	awiated	awaited
79	112	6th line from bottom ..	avaited	awaited
79-A	113	1st line ..	2.52	3.52
80	113	15th line from bottom ..	Superinten-ting	Superinten-ding
81	113	2nd line from bottom ..	preseribed	prescribed
82	114	9th line ..	1977	1977 ;
83	114	18th line ..	Shamli	and Shamli
84	114	26th line ..	to	to be
85	115	2nd line ..	not a	not of
86	115	25th line ..	25 KVA	25 KVA,
87	115	8th from bottom ..	Goevrnment	Government
88	115	6th line from bottom ..	rates	rates ;
89	117	18th line ..	factures	facturers
90	117	13th line from bottom ..	(August 1977)	(August 1977),
91	117	12th line from bottom ..	capacities	capacities,
92	117	12th line from bottom ..	damged	damaged
93	118	3rd line from bottom ..	March 1976	March 1975
94	119	Para (iii) 5th line ..	certificates	certificate
95	119	Para (iii) 9th line ..	transformers.	transformer.
96	121	Last line ..	properites	properties

Serial no.	*Page no.*	*Para no./line no.*	*For*	*Read*
97	123	4th line	Engineer	Engineering
98	123	6th line	basis	basis of
99	125	9.01 5th line 6th line ..	Plan Plan	Plan
100	125	Table Heading	Ordered placed for	Orders placed for
101	127	5th line	interest due.	interest due,
102	127	17th line	payments	payment
103	127	Table Total :	Insert '13.17' against total in last but one column	
104	128	7th line from bottom ..	Department	Department,
105	128	3rd and 2nd lines from bottom	were. however	were, however,
106	131	Heading of the table (i) The sub-column 'Hill type' should be under the column 'Tata' chassis (ii) "In Rupees" should be in middle position over the figure of the last four columns		
107	132	Table : Against Gurgaon last column	40.795,00	40,795.00
108	135	12th line from bottom ..	Semi-trailor	Semi-trailer
109	144	Item no. 19	Indutrial	Industrial
110	144	Item no. 32	C npany	Company
111	145	Column 7 S. no. 25 ..	.92	0.92
112	147	Appendix II column 13 S.no. 2	243.30	243.36
113	147	Note 3	agg egate	aggregate

PSUP. A.P. 13 Mahalekhakar—(31-3-78)—3942—600 (E).