REPORT

OF THE

COMPTROLLER

AND

AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 1994

No. 2

(COMMERCIAL)

GOVERNMEMT OF UTTAR PRADESH

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14 A. G.

PREFACE

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

- Government companies,
- Statutory corporations, and
- Departmentally managed commercial undertakings.

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

3. There are, however, certain companies which inspite of Government investment, are not subject to audit by the Comptroller and Auditor General of India as Government or Government owned/controlled companies/corporations hold less than 51 *per cent* of the shares. A list of such undertakings in which Government investment was more than Rs. 10 lakhs as on 31st March 1994 is given in Annexure-1.

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

5. The cases mentioned in this Report are those which came to notice in the course of audit of accounts during the year 1993-94 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 1993-94 have also been included, wherever considered necessary.

OVERVIEW

GENERAL

1. The State had 102 Government companies (including 42 subsidiaries), 6 companies under the purview of Section 619 B of the Companies Act, 1956 and 4 Statutory corporations as on 31st March 1994. Thirteen companies (including ten subsidiaries) were under the process of liquidation.

(Paragraphs 1.2.1, 1.3.1.)

PAID-UP CAPITAL, LOANS AND GUARANTEES

The aggregate paid-up capital of 89 Government companies (excluding 13 companies under liquidation) as on 31st March 1994 was Rs. 1458.73 crores of which Rs. 1107.42 crores were invested by the State Government, Rs. 28.03 crores by Central Government and Rs. 323.28 crores by others. The State Government's loans to the extent of Rs. 298.88 crores were outstanding as on 31st March 1994 against 59 companies. The State Government had also guaranteed repayment of loans raised by 28 companies and payment of interest thereon. The amounts guaranteed and outstanding thereagainst as on 31st March 1994 were Rs. 499.71 crores and Rs. 401.94 crores, respectively.

(Paragraph 1.2.2)

ARREARS IN ACCOUNTS

Only 12 companies had finalised their accounts for the year 1993-94 and the accounts of remaining 77 companies were in arrears for periods ranging from 1 year to 19 years. Of the 12 companies which finalised their accounts up to March 1994, 6 companies earned profit aggregating Rs. 12.83 crores and 6 companies incurred losses aggregating Rs. 191.96 crores. According to the latest available accounts, accumulated losses of Rs. 991.19 crores incurred by 25 companies far exceeded their paid-up capital of Rs. 465.92 crores.

(Paragraphs 1.2.3 and 1.2.4)

Of the six companies under the purview of Section 619 B of companies Act 1956, only two companies finalised their accounts for the year 1993-94, whereas one Company did not finalise its accounts since inception (January 1975) and accounts of another Company were in arrears for the period from January 1980 to March 1994. The accumulated loss in respect of three companies aggregating Rs. 162.77 crores had exceeded their paid-up capital of Rs. 44.73 crores.

(Paragraph 1.2.5)

The Uttar Pradesh State Electricity Board had finalised its accounts for the year 1992-93. The net deficit of the Board up to the year 1992-93 was Rs. 225.69 crores.

(Paragraph 1.4.2)

The Uttar Pradesh State Road Transport Corporation sustained an accumulated loss of Rs. 303.99 crores as on 31st March 1993, as against the capital contribution of Rs. 265.34 crores.

(Paragraph 1.5.2)

The Uttar Pradesh Financial Corporation had incurred a loss of Rs. 48.24 crores during the year 1993-94.

(Paragraph 1.6.4)

The accounts of Uttar Pradesh State Warehousing Corporation were in arrears for 1993-94. The Corporation incurred a loss of Rs. 3.20 crores during the year 1992-93.

(Paragraphs 1.3.3 and 1.7.4)

2. A review of the activities of Uttar Pradesh Small Industries Corporation Limited and Uttar Pradesh State Textile Corporation Limited, Uttar Pradesh State Electricity Board and Uttar Pradesh State Road Transport Corporation revealed the following:

2.1. UTTAR PRADESH SMALL INDUSTRIES CORPORATION LIMITED

The Company was set up in June 1958 with the main objective of promoting and assisting the Small Scale Industries (SSI) by promotion of joint sector projects, procurement and distribution of raw materials and providing marketing and package assistance to SSI.

(Paragraph 2.A.1)

All the eight joint sector projects promoted by the Company became sick and went into liquidation. The chances of recovery of amount of Rs. 19.41 lakhs invested in equity capital and loans and advances of Rs. 26.72 lakhs were remote.

(Paragraph 2.A.5)

Under the scheme of distribution of raw materials the Company procured directly and acted as agent of producers materials like pig iron, steel, resin, coal, zinc and titanium di-oxide. The following points were noticed in Audit:

(i) The Company procured in February 1992 shot jam plates without assessing the demand. As a result, plates valued at Rs. 52.74 lakhs remained unsold. Thus, the Company suffered loss of interest of Rs. 27.07 lakhs.

(Paragraph 2.A.8.2.3)

(ii) In case of consignment agency with SAIL and IISCO transit shortages of steel valued at Rs. 76.73 lakhs which were not determined timely could not be recovered from contractor. Further transit shortages valued at Rs. 32.20 lakhs were recovered by IISCO due to non-submission of proper claims by Agra depot.

[Paragraph 2.A.8.2.9.2(i) and (ii)]

(iii) The Company incurred loss of Rs. 22.80 lakhs in sale of imported resin below cost.

(Paragraph 2.A.8.3.2)

(iv) The Company incurred loss of Rs. 34.12 lakhs in agency business of titanium di-oxide and zinc due to high cost of establishment.

(Paragraph 2.A.8.3.3 and 4)

Under Package Assistance Scheme of providing developed industrial plots to entrepreneurs, the Company allotted plots to 108 units, of which only 53 units were running. The overdues against 36 defaulter units amounted to Rs. 60.02 lakhs.

(Paragraph 2.A.11.3)

The Company obtained bridging loan of Rs. 26 lakhs from a bank in 1974 which was converted into term loan by Bank in favour of assisted units on submission of promissory note by the Company for repayment in case of default by units. Accordingly the Company had to make payment of Rs. 94.34 lakhs for overdues of the units to the Bank in August-September 1990 against which recovery of Rs. 49.69 lakhs could not be made from units (March 1994).

(Paragraph 2.A.11.4 and 5)

2.2. UTTAR PRADESH STATE TEXTILE CORPORATION LIMITED

The Company incorporated in December 1969 for production and sale of yarn with a view to mitigating the scarcity of yarn in decentralised handloom and power loom sectors had accumulated losses of Rs. 55.02 crores as on 31st March 1993.

(Paragraphs 2.B.1 and 2.B.5.1)

The capacity utilisation during 1991-92 and 1992-93 was less than targetted capacity resulting in loss of production of 58.07 lakh kgs of yarn valued at Rs. 2994.55 lakhs.

(Paragraph 2.B.8.1)

Actual yarn realisation was below the norms prescribed for different counts of yarn mainly due to higher wastage owing to use of cotton having high trash and dirt content. The value of excess wastage on this account amounted to Rs. 1798.81 lakhs.

(Paragraph 2.B.8.2)

The Company could not maintain the cotton mixing proportion owing to non-availability of requisite quality in time and had to use superior quality of cotton for spinning yarn of lower counts resulting in additional expenditure of Rs. 431.91 lakhs indicating lack of co-ordination between procurement and production functions.

(Paragraph 2.B.8.3.1)

On sale of yarn below cost of sales in respect of eight counts of yarn during the year 1991-92 and 1992-93, the Company suffered a loss of Rs. 632.21 lakhs.

(Paragraph 2.B.10.2)

2.3. UTTAR PRADESH STATE ELECTRICITY BOARD

2.3 A. PROCUREMENT, PERFORMANCE AND REPAIR OF ENERGY METERS

Installation of energy meters at each supply point of consumers, its periodical testing, recalibration and replacement is required for correct measurement of energy and its billing.

(Paragraph 3.A.1)

Delay in finalisation of tenders and belated supplies resulted in shortage of meters leading to non installation of meters to new consumers and delay in replacement of defective meters of existing consumers. In case of two zones alone, the shortage resulted in non installation of meters for 0.21 lakh consumers leading to loss of revenue to the tune of Rs. 73.07 lakhs in case of 60 such consumers during five years up to 1993-94.

[Paragraph 3.A.4 (a)]

Non acceptance of technically acceptable and lowest tender within validity period resulted in extra expenditure of Rs. 83.51 lakhs in procurement of 4.32 lakh meters.

[Paragraph 3.A.4 (b)]

Of the total meters installed, 9 to 80 *per cent* were defective. The high incidence of defective meters was mainly due to lack of proper quality tests, failure within guarantee period and ineffective post installation checks. This resulted in revenue loss of Rs. 484.35 lakhs compared to the Board's formula of assessment or consumption pattern of preceding/succeeding periods.

(Paragraph 3.A.5)

2.3.B. TRANSMISSION AND DISTRIBUTION LOSSES WITH SPECIFIC REFERENCE TO MANAGEMENT OF CAPACITOR BANKS

Transmission and Distribution (T&D) losses comprise energy dissipated in the system and unaccounted losses due to pilferage, defective meters, inaccurate metering, incorrect accountal of energy and unmetered supply in the process of transmission and distribution of power.

(Paragraph 3.B.1.1)

As against the CEA's* recommended limit of 15 *per cent* T&D losses, the Seventh Five Year Plan of the Board envisaged T&D loss as 18 *per cent*. The actual losses of the Board, however, varied from 24.1 to 26.5 *per cent*. This resulted in loss of 9854 MUs in excess of 18 *per cent* valued at Rs. 787.23 crores during five years up to 1992-93.

(Paragraph 3.B.3.1)

In case of unmetered private/state tubewells consumers in three distribution zones, the Board booked consumption in excess of the norms fixed. For other unmetered consumers, the Board booked the energy on ad hoc basis in place of load and hours of supply. This resulted in concealing loss of 1526.84 MUs of energy valued at Rs. 136.94 crores during the three years up to 1992-93.

(Paragraph 3.B.4.)

Installation of capacitor banks in the system results in improved power factor and reduction of system losses. There was shortfall in achievement of targets in installation of capacitor banks to the extent of 20.2 to 84.3 *per cent*. As a result 1276 MUs of energy per annum valued at Rs. 76.56 crores could not be saved. Apart from this, aggregate capacity of defective capacitor banks increased from 133.9 MVAR at the end of March

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* Central Electricity Authority.

1989 to 593.7 MVAR at the end of March 1993 resulting in loss of 226.17 MUs of energy per annum valued at Rs. 13.57 crores.

(Paragraph 3.B.6.3.1 & 3.B.6.3.3)

Ineffective post installation checks of energy meters resulted in incorrect measurement of energy consumed due to slow/erratic running of meters leaving substantial scope for unaccounted energy loss. The losses on this account which could not be recovered from the consumers was Rs. 23.37 crores as worked out in audit.

(Paragraph 3.B.7)

2.4. UTTAR PRADESH STATE ROAD TRANSPORT CORPORATION - ALLEN FOREST WORKSHOP

The Allen Forest Workshop (Workshop) was established in June 1976 to meet the increasing requirements of renovation and fabrication of bus bodies.

(Paragraph 3.C.1)

Utilisation of man hours in excess of prescribed norms and delays in fabrication of bus bodies resulted in payment of unproductive wages of Rs. 183.32 lakhs and loss of operational income of Rs. 221.55 lakhs respectively during five years up to 1992-93.

(Paragraph 3.C.6.b & c)

Delay in taking over physical possession of 131 chassis ranging from 63 to 112 days resulted into loss of operational income of Rs. 105.04 lakhs in addition to interest payment of Rs. 9.01 lakhs to IDBI who finance the purchase of chassis under the rediscounting scheme.

(Paragraph 3.C.6.d)

For reconditioning of assemblies, workshop paid Rs. 289.98 lakhs for idle hours and overtime hours during five years up to 1992-93.

(Paragraph 3.C.7.a)

3. Besides the reviews as mentioned above, a test check of the records of the Government companies and Statutory corporations in general disclosed following points of interest:

UTTAR PRADESH STATE MINERAL DEVELOPMENT CORPORATION LIMITED.

Absence of a suitable clause in the agreement with the carriage contractors for recovering shortages in boulders supplied by the Company to

State Public Works Department resulted in a loss of Rs. 18.16 lakhs in the supply of boulders.

(Paragraph 4.A.1.)

UTTAR PRADESH STATE CEMENT CORPORATION LIMITED

(i) During October 1991, Churk unit of the Company without observing laid down procedure handed over 544 MT of cement valued at Rs. 11.06 lakhs to a transporter for delivery to M/S Printers Group Housing Society, New Delhi showing the sale as stock transfer in excise gate pass although the society was neither appointed as consignment agent nor handling agent of the Company. On pursuing the matter for payment, the society president in June 1993 intimated that they had neither ordered nor authorised anybody to order or receive anything from the Company.

(Paragraph 4.A.6.)

(ii) The Company incurred avoidable expenditure of Rs. 34.49 lakhs owing to supply of sub-standard cement to Tehri Hydro Electric Development Corporation in October 1992.

(Paragraph 4.A.7.)

PRADESHIYA INDUSTRIAL AND INVESTMENT CORPORATION OF UTTAR PRADESH LIMITED

The Company suffered a loss of Rs. 29.68 lakhs on dis-investment of 20,000 shares of one of its Joint Sector Company (Indo Gulf Explosives Limited, New Delhi).

(Paragraph 4.A.18.)

UTTAR PRADESH SCHEDULED CASTE FINANCE AND DEVELOPMENT CORPORATION LIMITED

Inordinate delay by the Company in implementing the scheme under Employees Provident Fund and Miscellaneous Provisions Act 1952 and further lapse in ensuring timely remittance of contributions resulted in avoidable payment of damages of Rs. 13.27 lakhs for which responsibility has not been fixed so far (September 1994).

(Paragraph 4.A.20.)

UTTAR PRADESH STATE ELECTRICITY BOARD

(i) Due to failure of the Board to comply with condition of required rate of return of minimum 3 per cent on net fixed assets, World Bank in 1991 deferred the loan and finally cancelled in August 1992. This resulted in

locking up of Board's funds of Rs. 92.92 lakhs since March 1991 on which Board incurred interest liability of Rs. 59.93 lakhs till September 1994.

(Paragraph 4.B.1.)

(ii) No action had been taken by the Board for over five years to fix the responsibility against officials responsible for the lapses leading to embezzlement of Rs. 55.10 lakhs by a routine grade clerk who was suspended in March 1989 and served charge sheet in November 1992 which remained unreplied till June 1994.

(Paragraph 4.B.2.)

(iii) Physical verification of steel items of Tanda Thermal Power Project carried out for the first time since inception during March 1990 to January 1993, revealed net shortage of steel/steel scrap of 272.794 MT valued at Rs. 26.64 lakhs for which neither F.I.R. was lodged nor departmental enquiry held to investigate the reasons and fixing responsibility.

(Paragraph 4.B.4.)

(iv) Failure to apply revised tariff to six street light consumers w.e.f. 18th January 1992 by Electricity Distribution Division, Sitapur resulted into under-charge of revenue of Rs. 13.73 lakhs for the period February 1992 to September 1994.

(Paragraph 4.B.5.)

(v) As two Electricity Distribution Divisions did not implement the revised procedure for billing of street light of all electrified villages and Harijan Bastis w.e.f. March 1990, billing of Rs. 109.95 lakhs (including electricity duty of Rs. 10.00 lakhs) for the period April 1990 to March 1994 was not done.

(Paragraph 4.B.6.)

(vi) Due to non-installation of meters at the start of 11 KV independent feeders and billing by the division during October 1990 to December 1992 for the connected load of 1327.5 HP at the rate of assessed consumption of 200 units per HP per month against actual connected load of 1925 HP and consumption of 270 units per HP per month, the World Bank Tubewells under Electricity Distribution Division, Gauriganj were under-charged by Rs. 66.37 lakhs.

(Paragraph 4.B.9.)

CHAPTER-I

GENERAL VIEW OF GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

CHAPTER I

GENERAL VIEW OF GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

1.1. Introduction

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

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

1.2. Government companies-general view

1.2.1. There were 102 Government companies (including 42 subsidiaries) as on 31st March 1994 against 102 Government companies (including 43 subsidiaries) as on 31st March 1993.

According to the information received by Audit during the year 1993-94, one new Government Company namely Uttar Pradesh Pichhari Jati Vitta Evam Vikas Nigam Limited came into existence with effect from 26 April 1991 with authorised capital of Rs. 10 crores. Thirteen Government companies (including ten subsidiaries) were in the process of liquidation/amalgamation vide details given below:

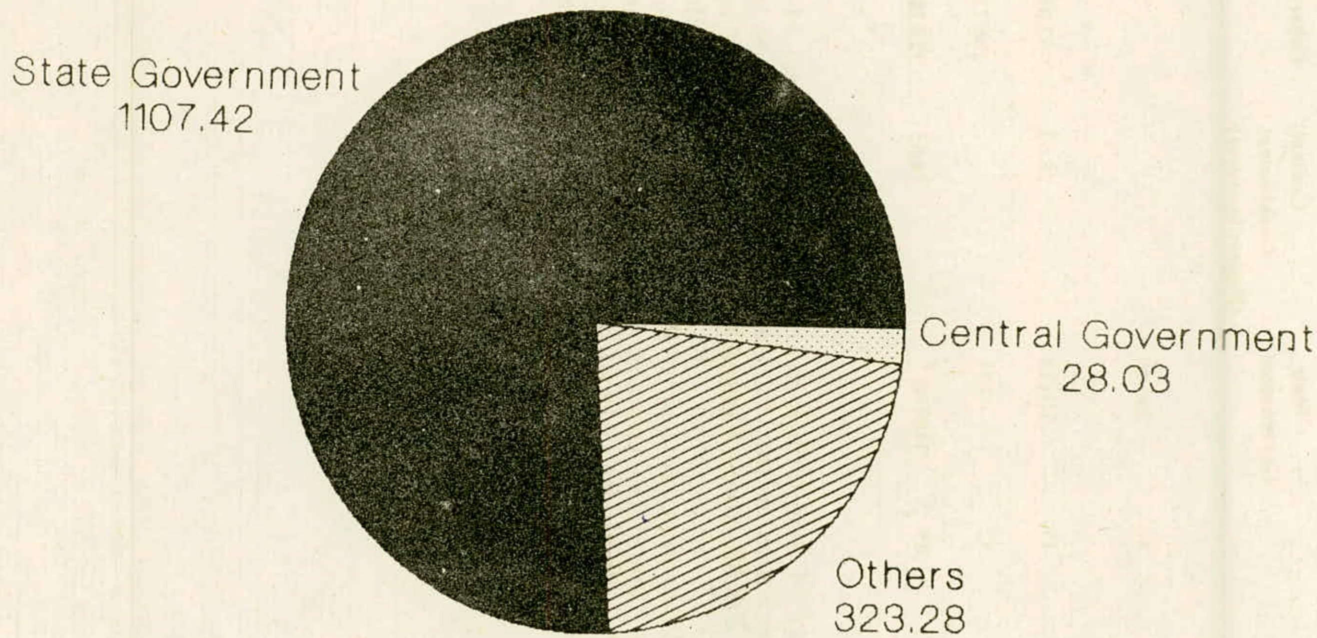
Name of company	Date of incorporation	Date of going into liquidation
(1)	(2)	(3)
1. The Indian Bobbin Company Limited	22nd February 1924	10th September 1973
2. The Turpentine Subsidiary Industries Limited (Subsidiary of the Indian Turpentine and Rosin Company Limited)	11th July 1939	1st April 1978
3. Uttar Pradesh Potteries (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	28th June 1972	27th April 1985
4. Uttar Pradesh Buildwares (Private) Limited (Subsidiary of Uttar Paradesh Small Industries Corporation Limited)	28th June 1972	12th April 1988

(1)	(2)	(3)
5. Uttar Pradesh Prestressed Product (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited	30th September 1972	5th April 1989
6. Uttar Pradesh Abscott (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	28th June 1972	19th April 1986
7. Uttar Pradesh Roofings (Private) Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	24th November 1973	8th December 1987
8. Krishna Fasteners Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	14th December 1973	22nd July 1988
9. Faizabad Roofings Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	16th February 1974	8th September 1987
10. The Gandak Samadesh Kshetra Vikas Nigam Limited	15th March 1975	7th June 1977
11. Handloom Intensive Development Corporation (Gorakhpur and Basti) Limited (Subsidiary of Uttar Pradesh State Handloom Corporation Limited)	26th May 1976	1st April 1991
12. Handloom Intensive Development Project (Bijnore) Limited (Subsidiary of Uttar Pradesh State Handloom Corporation Limited)	13 th September 1976	1st April 1991
13. UPAI Limited	20th April 1977	31st March 1991

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

(a) Against the aggregate paid-up capital of Rs. 1310.27 crores of 88 companies (including 32 subsidiaries but excluding 14 companies under liquidation/amalgamation) as on 31st March 1993, the aggregate paid-up capital as on 31st March 1994 stood at Rs. 1458.73 crores in 89 companies (including 32 subsidiaries but excluding 13 companies under liquidation/amalgamation) as given on the next page:

Figure 1
Position of Paid-Up Capital of State Government Companies
As on 31st March 1994
(Rupees in Crores)



Refer Para 1.2.2. (a)

Particulars	Number of companies	Investment by			Total
		State Government	Central Government (Rupees in crores)	Others	
(1) Companies wholly owned by State Government	40	596.50			596.50
(2) Companies jointly owned with Central Government/others	17	510.18	28.03	37.05	575.26
(3) Subsidiary companies	32	0.74	..	286.23	286.97
Total	**89**	**1107.42***	**28.03**	**323.28**	**1458.73**

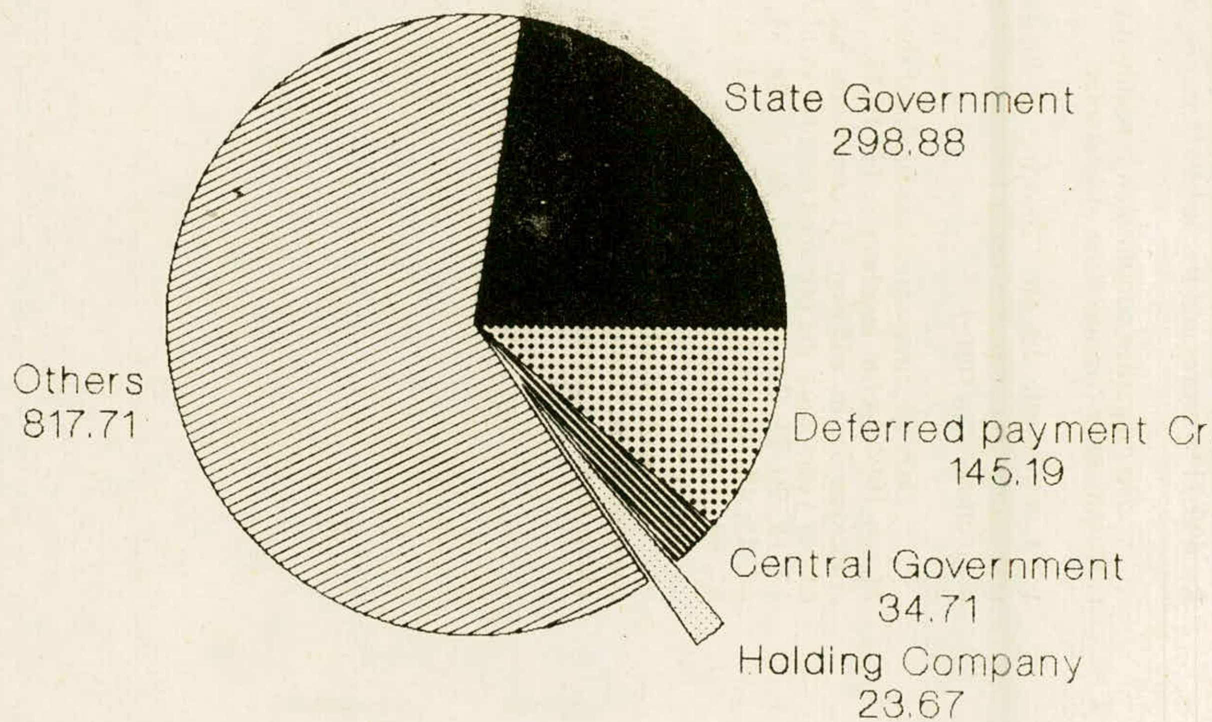
(b) The balance of long-term loans outstanding in respect of 59 companies (including 20 subsidiaries) as on 31st March 1994 was Rs. 1320.16 crores (State Government: Rs. 298.88 crores, Central Government: Rs. 34.71 crores, Holding companies Rs. 23.67 crores, others: Rs. 817.71 crores and deferred payment credits: Rs. 145.19 crores), as against Rs. 1034.82 crores (State Government: Rs. 249.26 crores Central Government Rs. 33.44 crores; Holding Companies Rs. 128.51; crores, others Rs. 618.61 crores and deferred payment credits: Rs..5.00 crores) in respect of 60 companies (including 22 subsidiaries) as on 31st March 1993.

The figure as per Finance Accounts is Rs. 1347.42 crores and difference of Rs.240.00 crores was under reconcilation.

Figure 2

Position of Long Term Loans as on 31st March 1994

(Rupees in crores)



Refer Para 1.2.2. (b)

(c) The State Government had guaranteed repayment of loans raised by 28 companies and payment of interest thereon. The amounts guaranteed and outstanding by 26 companies there against as on 31st March 1994 were Rs. 499.71** crores and Rs. 401.94** crores, respectively.

No guarantee commission is required to be paid by the companies to State Government in consideration of guarantee.

1.2.3. A synoptic statement showing the financial results of all the 89 companies (excluding 13 companies under liquidation) based on the latest available accounts is given in Annexure-3.

Only 12 companies had finalised their accounts for the year ending 31st March 1994 (serial numbers 7, 13, 14,27, 29, 30, 34, 58, 59, 63, 69 and 85 of Annexure-3). In addition, 53 companies had finalised their accounts for some earlier years since the previous Report (serial numbers 1, 3, 5, 6, 8, 9, 10, 13, 16, 17, 18, 20, 21, 22, 23, 24, 25, 26, 27, 28, 31, 32, 33, 34, 35, 36, 37, 39, 40, 43, 44, 45, 47, 48, 53, 54, 55, 56, 57, 58, 61, 65, 66, 67, 70, 71, 73, 76, 77, 78, 81, 87, 89 of Annexure-3).

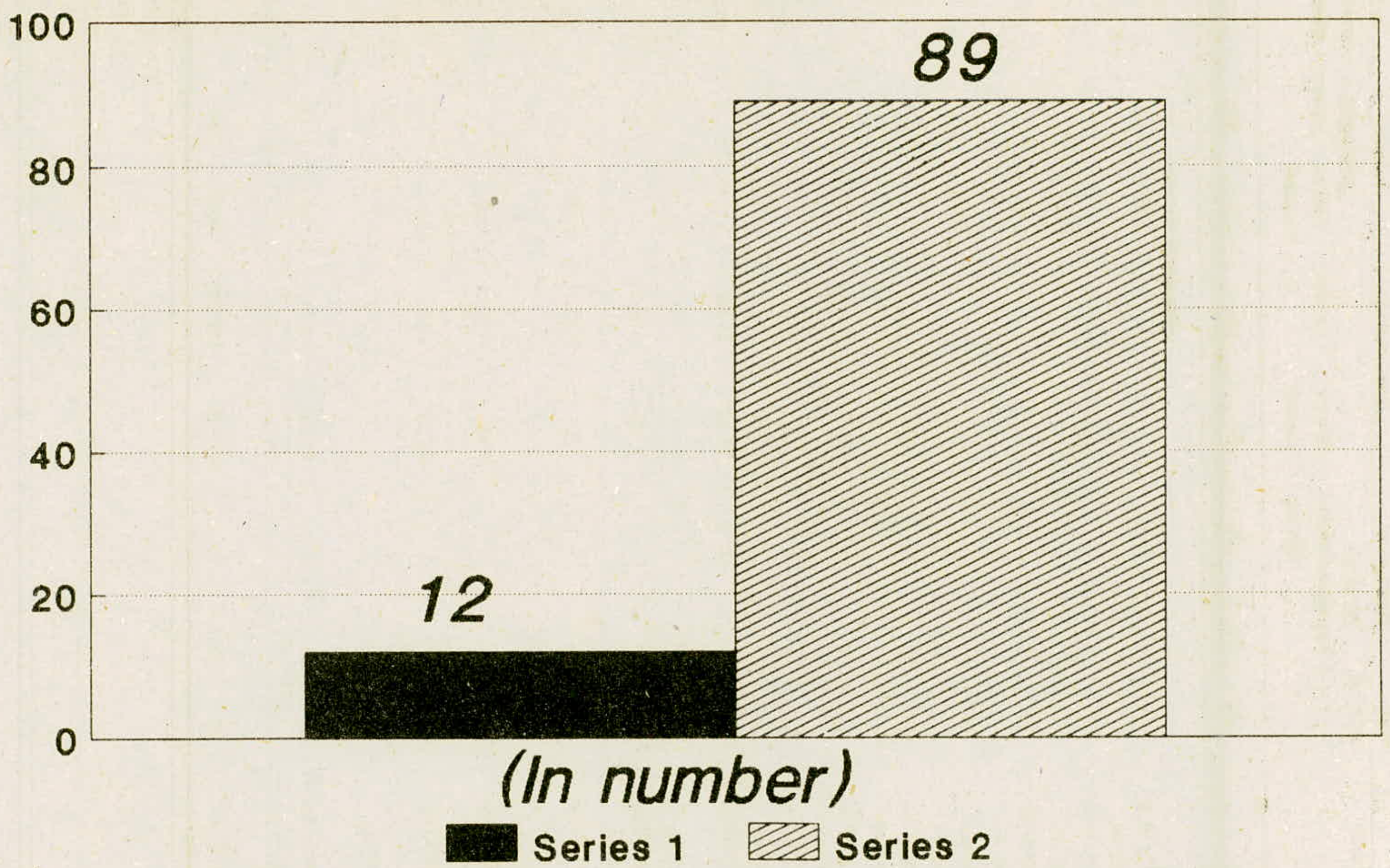
It will be observed from Annexure-2 and 3 that the accounts of 77 companies (including 25 subsidiaries) were in arrears ranging from 1 to 19 years. The position of arrears is given on the next page:

** The figures as per Finance Accounts are Rs.456.03 crores and 387.72 crores respectively in respect of 27 companies. The difference of Rs.43.68 crores and Rs.14.22 crores was under reconcilation.

14 A.G.—2

Figure 3

Position of arrears of Accounts of State Government Companies As on 31st March 1994



Accounts finalised for the year 1993-94

Total number of companies (other than under liquidation and falling U/S 619 (B)

Refer Para 1.2.3.

Extent of arrears	Number of years involved	Number of companies involved		Investment				Reference to serial number of Annexure 3
				Government		Holding companies		
		Companies	Subsidiaries	Share capital	Loans	Share capital	Loans	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
					(Rupees in crores)			
1975-76 to 1993-94	19	-	1	-	-	0.02	--	15*
1977-78 to 1993-94	17	1		0.03				4
1979-80 to 1993-94	15	-	1	-	-	0.05		68*
1980-81 to 1993-94	14		1			0.03		64*
1982-83 to 1993-94	12	1		0.70	1.19			50
1983-84 to 1993-94	11	1	1	0.67	2.15	0.28		41*42,
1984-85 to 1993-94	10	2	-	1.92	0.65	-	-	49,51
1985-86 to 1993-94	9	4	1	27.44	31.64			18,22*,32, 54,62
1986-87 to 1993-94	8	1		1.23	0.05	-		10
1987-88 to 1993-94	7	3	3	2.55	0.43	0.08		11,25*,52 67,79*,84*
1988-89 to 1993-94	6	2	2	1.89	0.72	..06		40*,56, 57*,72
1989-90 to 1993-94	5	5	2	15.23	4.54	0.02		2,20,35 74*,75,83 88*
1990-91 to 1993-94	4	5	2	87.41	23.52	4.60	1.35	6,9,28 36,38*,55 82*
1991-92 to 1993-94	3	10	5	475.70	103.20	49.97	7.69	8,12* 16,17,19* 21*,24,37 39,43,47 53,61,80* 86

* Subsidiary Companies

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1992-93 to 1993-94	2	11	2	75.97	48.63	53.48	1.35	5,26,31* 33,44,46,66 71*,73,77,78 87,89
1993-94	1	6	4	29.76	39.49	29.45	10.54	1,3,23 45,48*,60 65*,70*,76* 81
Gross Total		52	25	720.50	256.22	139.04	20.93	

In the absence of finalisation of accounts for a number of years (ranging from 1 to 19 years) in respect of a large number of Government companies, the productivity of investment of Rs. 976.72 crores (capital: Rs. 720.50 crores and loans: Rs. 256.22 crores) by the State Government in these Companies could not be conclusively vouchsafed nor could their performance and state of affairs be evaluated.

The position of arrears in finalisation of accounts was last brought to the notice of Government in January 1995 at the level of Director, Bureau of Public Enterprises and the Chief Secretary.

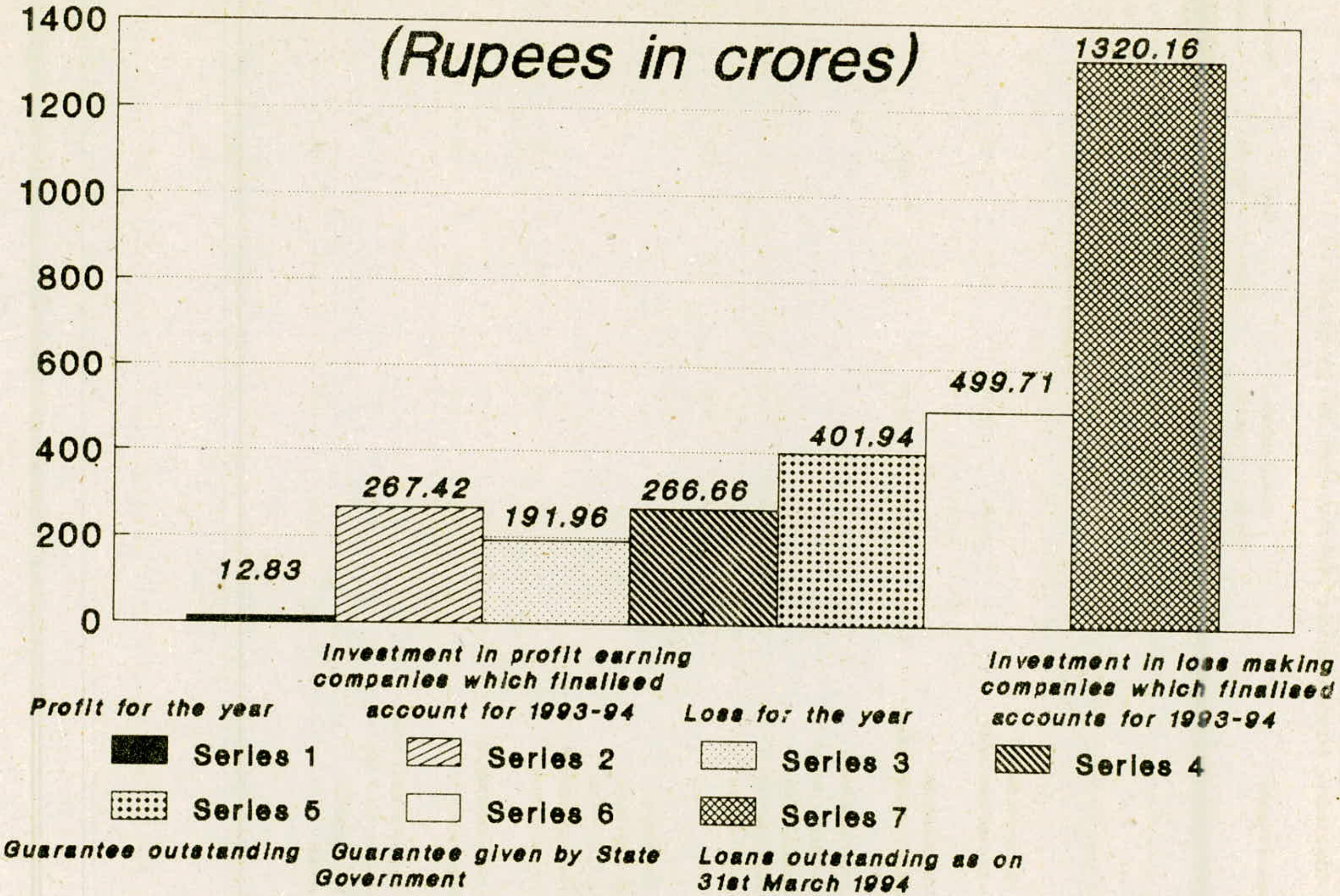
1.2.4. In regard to working results of the companies, the following further observations are made:

(a) Out of 12 companies which finalised their accounts for 1993-94, 6 companies (including 4 subsidiaries) earned profit aggregating Rs. 12.83 crores during the year. The profits during the year 1993-94 as compared to those in the previous year are given on the next page:

Name of company	Paid up capital		Profit		Percentage of profit to paid-up capital		Reference to serial number of Annexure-3
	1992-93	1993-94	1992-93	1993-94	1992-93	1993-94	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	(Rupees in crores)						
1. The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited	110.58	110.58	6.11	7.20	5.53	6.51	14
2. Uttar Pradesh Electronics Corporation Limited	70.26	75.40	0.04	0.02	0.06	0.03	27
3. Uttar Pradesh State Spinning Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited)	46.02	78.43	(-)13.96	4.04		5.15	30
4. Uptron Powertronics Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	0.87	0.87	0.14	0.11	16.09	12.64	63
5. Shreetron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	1.14	1.14	(-)0.80	1.36		119.30	69
6. Uptron Leasing Limited (Subsidiary of Uttar Pradesh Electronic Corporation Limited)	1.00	1.00	0.002	0.10	0.2	10.00	85

Figure 4

Working Results of Companies which finalised Accounts for 1993-94



Refer Para 1.2.4.

(b) The remaining 6 companies (including 3 subsidiaries) incurred losses aggregating Rs. 191.96 crores during the year 1993-94. The particulars giving comparative position of the previous year, are given below:

Name of company	Paid-up capital		Loss		Reference to serial number of Annexure-3
	1992-93	1993-94	1992-93	1993-94	
(1)	(2)	(3)	(4)	(5)	(6)
			(Rupees in crores)		
1 .Uttar Pradesh State Textile Corporation Limited	115.87	155.79	14.19	124.59	7
2. Uttar Pradesh tate Cement Corporation Limited	68.28	68.28	52.51	60.30	13
3. Uttar Pradesh State Yarn Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited)	24.40	31.91	8.39	2.00	29
4. Uttar Pradesh Instruments Limited (Subsidiary of Uttar Pradesh State Industrial Corporation Limited)	2.02	2.02	173.01	2.00	34
5. Uttar Pradesh Nalkoop Nigam Limited	4.90	4.90	35.89	1.59	58
6. Bhadohi Wollens Limited (Subsidiary of U.P. State Textile Corporation Limited)	3.76	3.76	1.43	1.48	59
				191.96	

(c) Out of 19 companies which submitted their account during the period from 1.10.1993 to 30.9.1994 and earned profits, 5 companies declared dividend as per particulars given below :

Name of company	Year of Accounts	Paid up capital	Distributable surplus	Amount retained in business	Dividend declared	Percentage of dividend to paid up capital	Reference of serial number of Annexure 3
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
				(Rupees in crores)			
1. Uttar Pradesh State Industrial Development Corporation Limited	1992-93	22.55	0.70	0.25	0.45	2.00	3
2. The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited	1993-94	110.58	6.70	4.49	2.21	2.00	14
3. Uttar Pradesh Mineral Development Corporation Limited	1990-91	50.40	0.91	0.26	0.65	1.28	26
4. Uttar Pradesh (Rohelkhand Tarai) Ganna Beej Avem Vikas Nigam Limited	1992-93	0.25	0.02	0.00	0.02	8.00	45
5. Uptron Leasing Limited (Subsidiary of Uttar Pradesh Electronics Corporation	1993-94	1.00	0.10	0.05	0.05	5.00	85

The dividend of Rs. 3.38 crores declared by five Government companies worked out to 0.3 *per cent* of the total investment of Rs. 1107.42 crores by the State Government in 89 Government companies (including 32 subsidiaries).

(d) As shown in Annexure-2 the accumulated losses in respect of the following 25 companies (including 15 subsidiaries) as reflected in the accounts received up to the period noted against each Company exceeded their paid-up capital as at the end of that year as shown on the next page:

Sl. No.	Name of company	Year up to which accounts received	Paid-up capital at the end of the year	Accumulated loss up to the year	Percentage of accumulated loss to paid-up capital	Serial number of Annexure-2
			(Rupees in crores)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	The Indian Turpentine and Rosin Company Limited	1992-93	0.22	3.92	1781.82	1
2	Uttar Pradesh State Agro Industrial Corporation Limited	1989-90	18.64	32.33	173.43	6
3	Uttar Pradesh State Textile Corporation Limited	1993-94	155.79	177.70	114.06	7
4	The Uttar Pradesh State Cement Corporation Limited	1993-94	68.28	319.81	468.38	14
5	Uttar Pradesh State Bridge Corporation Limited	1990-91	1.50	7.01	467.33	16
6	Auto Tractors Limited	1990-91	7.50	64.94	865.87	17
7	Trans Cables Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	1990-91	0.63	1.25	198.41	21
8	The Uttar Pradesh State Brassware Corporation Limited	1990-91	5.38	6.04	112.27	23
9	Uttar Pradesh State Yarn Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited)	1993-94	31.91	51.38	161.02	29
10	Uttar Pradesh State Spinning Company Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited)	1993-94	78.43	107.62	137.22	30
11	Kumaon Television Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	1991-92	1.00	1.10	110.00	31
12	Uttar Pradesh Instruments Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	1993-94	2.02	16.07	795.54	34
13	Uttar Pradesh Pashudhan Udyog Nigam Limited	1988-89	1.47	1.61	109.52	35
14	Nandganj-Sihori Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	1990-91	26.28	38.18	145.28	38

(1)	(2)	(3)	(4)	(5)	(6)	(7)
15.	Uttar Pradesh Chalchitra Nigam Limited	1990-91	8.18	9.97	121.88	47
16.	Uttar Pradesh Tyres and Tubes Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	1992-93	1.83	9.96	544.26	48
17.	UPSIC Potteries Limited (Subsidiary of Uttar Pradesh Small Industries Corporation Limited)	1987-88	0.59	1.53	259.32	57
18.	Bhadohi Woollens Limited (Subsidiary of Uttar Pradesh State Textile Corporation Limited)	1993-94	3.76	10.30	273.94	59
19.	Uttar Pradesh State Horticultural Produce Marketing and Processing Corporation Limited	1984-85	1.91	2.55	133.51	62
20.	Uttar Pradesh Digitals Limited (Subsidiary of Uttar Pradesh State Industrial Development Corporation Limited)	1992-93	0.35	2.69	768.57	65
21.	Shreetron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	1993-94	1.14	2.74	240.33	69
22.	Uttar Pradesh Carbide and Chemical Limited (Subsidiary of Uttar Pradesh State Mineral Development Corporation Limited)	1992-93	6.59	35.32	535.96	70
23.	Uptron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited)	1991-92	34.64	76.79	221.66	71

(1)	(2)	(3)	(4)	(5)	(6)	(7)
24	Vindyachal Abrasives Limited (Subsidiary of Uttar Pradesh State Mineral Development Corporation Limited)	1986-87	0.00*	0.05	83300.00	79
25	Ghatampur Sugar Company Limited (Subsidiary of Uttar Pradesh State Sugar Corporation Limited)	1990-91	7.88	10.33	131.09	80
	Total		**465.92**	**991.19**		

1.2.5. In addition, there were six companies covered under Section 619 B of the Companies Act, 1956, as detailed below out of which only two companies had finalised their accounts for the year 1993-94:

Sl. No.	Name of Company	Date of incorporation	Year of accounts ending	Paid-up capital contributed by (Rupees in crores): State Government	Government companies	Corporations	Others	Total	Profit(+)/ Loss(-)	Accumulated Profit(+)/ Loss(-)
1	Almora Magnesite Limited	27th August 1971	31st March 1994		1.22		0.78	2.00	(-)0.95	(-)2.95
2	Command Area Poultry Development Corporation Limited	5th October 1979	31st March 1992				0.24	0.24	(+)0.09	(-)0.35
3	Uttar Pradesh Seeds and Tarai Development Corporation Limited	6th June 1969	31st March 1994	0.80	0.60		1.08	2.48	(+)4.54	(+)0.005
4	Uptron Colour Picture Tubes Limited	8th November 1985	31st March 1993		17.86	12.52	12.11	42.49	(-)55.68	(-)159.47
5	Steel and Fasteners Limited	4th October 1962	31st December 1979		0.37	0.18	0.35	0.90	(-)0.45	
6	Electronics and Computers India Limited	January 1975		Accounts not finalised since inception						

* Rs. 600 only.

The accumulated loss in respect of Almora Magnesite Limited, Command Area Poultry Development Corporation Limited and Uptron Colour Picture Tubes Limited amounting to Rs. 2.95 crores, Rs. 0.35 crore and Rs. 159.47 crores had exceeded their paid-up capital of Rs. 2.00 crores, Rs. 0.24 crore and Rs. 42.49 crores, respectively.

The accounts of Steel and Fasteners Limited for the period from January 1980 to March 1994 and that of Electronics and Computers (India) Limited for the period from 1975 to March 1994 were in arrears.

1.2.6. (i) The Companies Act, 1956 empowers the Comptroller and Auditor General of India to issue directives to the Auditors of Government companies in regard to the performance of their functions. In pursuance of the directives so issued, reports of the Company Auditors on the accounts of 10 companies (serial numbers 5, 8, 10, 12, 14, 26, 52, 58, 66 and 78 of Annexure 2) were received during April 1993 to September 1994. Important points noticed in these reports are summarised below:

Sl. No.	Nature of defects	Number of companies where defects were noticed	Reference to serial number of Annexure-2
1.	Absence of Accounting Manual	6	5,8,10,12,26,52
2.	Absence of adequate budgetary system	3	8,10,52
3.	Internal audit system not commensurate with nature and size of business	3	5,8,58
4.	Defective/non-maintenance of property/ land/assets register	4	5,8,10,12
5	Absence of system of ascertaining idle time for labour and machinery	5	5,8,10,26,78
6.	Non-fixation/non-observance of maximum re-order level of stores and spares	4	8,10,26,58
7.	Non-preparation of separate manufacturing account	2	10,12
8.	Absence of standard costing system	5	5,8,10,12,26
9.	Absence of Internal Audit Manual	4	10,12,26,78
10.	Non fixation of norms for manpower	3	8,12,78

(ii) Under Section 619 (4) of The Companies Act, 1956, the Comptroller and Auditor General of India has the right to comment upon or supplement the report of the Statutory Auditors. Under this provision, a review of the annual accounts of Government companies is being conducted in selected cases. 72 accounts relating to 54 companies were selected for such review during the period from October 1993 to September 1994. The effect of the important comments as a result of Audit were as given on the next page:

Details	Number of accounts	Monetary effect (Rupees in crores)
Increase in profit	1	0.06
Increase in loss	11	1.67
Decrease in loss	2	0.16
Non-disclosure of material facts	2	-
Other Accounting deficiencies	9	-

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

A. U.P. Export Corporation Limited (1990-91)

The loss for the year was understated by Rs. 37.04 lakhs due to deduction of establishment expenditure of Carpet Weaving Training Scheme, from the grant though not admissible in terms of the Government order.

B. Gorakhpur Mandal Vikas Nigam Limited (1984-85)

The loss was understated by Rs. 11.01 lakhs due to non-provision of depreciation on fixed assets (Rs. 4.98 lakhs) and of interest (Rs. 6.03 lakhs) on loan.

C. Uttar Pradesh State Tourism Development Corporation Limited (1986-87)

(i) The accumulated loss and unsecured loans were understated by Rs. 18.64 lakhs each due to non-provision of interest on unsecured loan granted by Uttar Pradesh Government.

(ii) The accumulated loss was understated and fixed Assets (Commercial Vehicles) overstated by Rs. 1.08 lakhs each due to provision of depreciation at lower rates than applicable.

(iii) The expenditure of Rs. 113.91 lakhs incurred on the tourist bungalows handed over to the Company during November 1979 to October 1986 was not capitalised although these were already in use.

D. Uptron India Limited (1990-91)

(i) The freehold land worth Rs. 7.18 lakhs was not shown separately and included with lease hold land.

(ii) Cash and bank balances were overstated due to inclusion of investment of Rs. 7.60 lakhs relating to SBI Magnum Schemes.

E. Uttar Pradesh State Bridge Corporation Limited (1990-91)

The loss for the year was understated by Rs. 23.06 lakhs due to:

(i) inclusion of cost of beams (Rs. 18 lakhs) under the head Current Assets instead of including it under the head shuttering and scafolding written-off.

(ii) non-provision of interest of Rs. 5.06 lakhs on mobilisation advance received.

F. Uttar Pradesh Scheduled Caste Finance and Development Corporation Limited (1989-90)

(i) Company did not take various corrective measures namely reconciliation of inter-unit accounts, bank balances, remittance in transit, loans and subsidies disbursed and also did not determine doubtful debts and interest on loan correctly, in preparation of accounts despite statutory auditors negative certificates issued during the period 1982-83 to 1989-90 and C.A.G's comments (No. 4) on the accounts of the company for the year ending 31st March 1987.

(ii) Margin money loan, released to the loanees through banks, was overstated by Rs. 127.10 lakhs due to inclusion of undisbursed amounts with banks.

(iii) Loanees accounts were not adjusted by Rs. 35.94 lakhs being the amount of undisbursed loans refunded by Banks to the Company resulting in overstatement of interest income (amount undeterminate) on such unadjusted loan amount.

(iv) Profit was understated by Rs. 5.86 lakhs due to excess provision of depreciation.

(v) The fact of fraudulant withdrawal of money amounting to Rs. 3.53 lakhs by an employee was not disclosed in the accounts.

G. Uttar Pradesh State Leather Development & Marketing Corporation Limited (1992-93)

The accumulated loss was understated by Rs. 26.34 lakhs due to non-provision of depreciation on fixed assets.

H. Uttar Pradesh Carbide & Chemicals Limited (1992-93)

Loss was understated by Rs. 6.03 lakhs due to:

(i) non-provision of liability for interest (Rs. 4.80 lakhs) on unpaid amount of discounted bills

(ii) inclusion of interest income (Rs. 1.23 lakhs) on security with UPSEB which had already been adjusted against outstanding electricity dues of the Company.

I. Garhwal Anusuchit Janjati Vikas Nigam Limited (1986-87)

Loss was understated by Rs. 2.50 lakhs due to adjustment of Risk Fund during the year 1986-87 without following the required procedures of adjustment of the Fund.

J. Uttar Pradesh (Madhya) Ganna Beej Evam Vikas Nigam Limited (1990-91)

The accumulated loss was understated by Rs. 8.67 lakhs due to non-provision of depreciation on a film during 1986-87 to 1990-91.

K. Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (1990-91)

(i) The "Current liabilities & Provision" and "Land" each were understated by Rs. 110 lakhs as liability towards compensation of land in possession was not provided for.

(ii) The "Interest on Government & PFC Loan" and "Interest earned" both were understated by Rs. 156.33 lakhs due to adjustment of interest earned from the interest paid.

L. Kumaon Mandal Vikas Nigam Limited (1989-90)

(i) Fixed assets (buildings) and accumulated loss were overstated by Rs. 6.80 lakhs and Rs. 3.20 lakhs respectively due to non-adjustment of asset disposed off.

(ii) Fixed assets worth Rs. 15.54 lakhs purchased out of capital growth were not accounted for as assets.

M. Uttar Pradesh Police Avas Nigam Limited (1992-93)

The "Advances for construction work" and "Current assets - Loans and Advances" each were understated by Rs. 32.35 lakhs due to adjustment of excess expenditure on a completed and handed over work from total advances for construction works.

N. Uttar Pradesh Digitals Limited, Kanpur (1992-93)

The current years loss and liabilities were understated by Rs. 9.86 lakhs and accumulated loss and liabilities were understated by Rs. 28.48 lakhs each due to non-provision of interest on UPFC loan.

O. Uttar Pradesh Pasudhan Udyog Nigam Limited (1988-89)

The current year's expenditure was understated by Rs. 4.12 lakhs due to transfer of net loss on purchase and sale of buffaloes to DRDA Department although company had already decided to finance the scheme.

P. Uttar Pradesh Laghu Jal Vidyut Nigam Limited (1991-92)

The loss for the year was overstated by Rs. 12.49 lakhs due to provision of depreciation on gross value of fixed assets constructed out of Governement subsidy without taking credit for the matching amount to the Profit & Loss Account.

Besides above, the Annual Accounts of Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (1991-92) and Uttar Pradesh Bhumi Sudhar Nigam Limited (1990-91) were revised at the instance of audit, which had the effect of increasing the profit by Rs. 75.67 crores in the case of former Company and increasing the loss by Rs. 0.61 crore in the case of latter Company.

1.3. Statutory corporations - General aspects

1.3.1. There were four Statutory corporations in the State as on 31st March 1994, viz.,

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

1.3.2. The Uttar Pradesh State Electricity Board (Board) was constituted on 1st April 1959 under Section 5(I) of the Electricity (Supply) Act, 1948 and Uttar Pradesh State Road Transport Corporation was constituted on 1st June 1972 under Section 33 of the Road Transport Corporations Act, 1950.

Under the respective Acts, the audit of these organisations vest solely with the Comptroller and Auditor General of India. The separate Audit Reports, mainly incorporating the comments on annual accounts of each year, are issued separately to the organisations and Government.

The preparation of accounts of the Board for the year 1993-94 is in arrear. The separate Audit Reports on the accounts of the Board for the years 1990-91, 1991-92 and 1992-93 were issued to the Government in August 1993, November 1993 and August 1994, respectively, but the same had not been presented to the legislature so far (August 1994).

The separate Audit Reports on the accounts of Uttar Pradesh State Road Transport Corporation for the year 1991-92 and 1992-93 had been issued to the Government in October 1993 and July 1994 respectively, but the same had not been presented to the State Legislature so far (September 1994). The accounts for the year 1993-94 received in September 1994 were in process of finalisation (September 1994).

1.3.3. The Uttar Pradesh Financial Corporation was constituted on 1st November 1954 under Section 3(1) of the State Financial Corporations Act, 1951. The Uttar Pradesh State Warehousing Corporation was constituted on 19th March 1958 under the Agricultural Produce (Development and Warehousing) Act, 1956 subsequently replaced by Warehousing Corporation Act, 1962.

Under the respective Acts, the accounts of these corporations are audited by the Chartered Accountants appointed by the State Government in consultation with the Comptroller and Auditor General of India and latter may also undertake audit of the accounts of these corporations separately. Separate Audit Reports in respect of these corporations are also issued by the Comptroller and Auditor General of India.

The separate Audit Reports on the accounts of Uttar Pradesh Financial Corporation for the year 1992-93 was issued to the Government in March 1994, but the same had not been presented to the State Legislature (September 1994). The accounts for the year 1993-94 were received in August 1994 and are under finalisation (September 1994).

The Audit Report on the accounts of Uttar Pradesh State Warehousing Corporation for the year 1991-92 was issued to the Corporation in January 1994.The account of 1992-93 and 1993-94 have not been recieved so far (September 1994).

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

Some salient points on the accounts and physical performance of these corporations are given in paragraphs 1.4. to 1.7.

1.4. Uttar Pradesh State Electricity Board

1.4.1. The capital requirements of the Board are provided in the form of loans from Government, public, banks and other financial institutions. The aggregate long-term loans (including loan from Government) obtained by the Board were Rs. 11530.16 crores on 31st March 1994 and the total loans outstanding at the end of 31st March 1994 was Rs. 10992.71 crores which represented an increase of Rs. 1009.88 crores compared to Rs. 9982.83 crores outstanding on 31st March 1993. Particulars of loans outstanding on 31st March 1993 and 1994 are as follows:

Sources	Amounts outstanding as on 31st March		Percentage increase
	1993	1994	
	(Rupees in crores)	(Provisional)	
1. State Government	7622.79	8305.99*	8.96
2. Other sources	2360.04	2686.72	13.84
Total	9982.83	10992.71	10.12

Government had guaranteed the repayment of loans raised by the Board and payment of interest thereon to the extent of Rs. 3153.92 crores. The amount of principal and interest guaranteed and outstanding as on 31st March 1994 was Rs. 2097.84 crores.

1.4.2. The financial position of the Board at the end of the three years up to 31st March 1993 is given on the next page:

* Figures as per Finance Accounts is Rs. 8211.27 crores, the difference is under reconciliation.

Particulars	1990-91	1991-92	1992-93
(1)	(2)	(3)	(4)
		(Rupees in crores)	
A Liabilities			
Long term loans from:			
(a) Government	5126.29	6431.23	7622.79
(b) Other sources	1889.21	2065.59	2360.04
Subvention and Grants from			
i) Government	32.89	34.09	67.93
ii) Others	0.34	0.34	0.46
Reserve and surplus	492.16	559.96	657.09
Current liabilities and Provisions	3152.25	4211.08	5487.22
Total A	10693.14	13302.29	16195.53
B Assets			
Gross Block	5843.57	6246.77	6764.69
Less- Depreciation	1253.53	1411.71	1662.84
Less- Consumers contribution	383.75	438.79	493.83
Net fixed assets	4206.29	4396.27	4608.02
Capital work in progress	2270.12	3453.18	4669.44
Current assets including investments	3667.51	5013.25	6692.34
Miscellaneous expenditure not written off	2.11	0.04	0.04
Accumulated losses	547.11	439.55	225.69
Total B	10693.14	13302.29	16195.53
C Capital employed*	4721.55	5198.44	5813.14
D Capital invested**	7540.89	9091.21	10708.31

1.4.3. The working results of the Board for the three years up to 1992-93 are summarised below:

Particulars	1990-91	1991-92	1992-93
(1)	(2)	(3)	(4)
		(Rupees in crores)	
1. (a) Revenue Receipts	1551.61	1832.18	2631.18
(b) Subsidy from Government	727.34	783.34	905.32
Total	2278.95	2615.52	3536.50
2. Revenue expenditure	1671.38	1822.66	2542.10
3. Gross surplus (1-2)	607.57	792.86	994.40

* Capital employed represents net fixed assets plus working capital.

** Capital invested represents long-term loans plus free reserves including subvention and grants.

(1)	(2)	(3)	(4)
4. Appropriation			
(a) Depreciation	152.57	160.97	264.57
(b) Interest on			
- State Government loans	365.16	482.45	632.15
- Central Government loans	3.95	3.75	3.48
- Other loans and bonds	222.16	241.44	250.28
(c) Less: Interest capitalised	182.40	205.38	369.54
(d) Net interest	408.87	522.26	515.97
(e) Write off of intangible assets	0.52	2.07	--
Total (a+d+e)	561.96	685.30	780.54
5. Net surplus (+)/ Deficit (-) (3-4)	(+) 45.61	(+) 107.56	(+) 213.86
6. Total return on capital employed and capital invsted (net surplus plus net interest)	454.48	629.82	729.83
7. Percentage of return on:			
(a) Capital employed*	9.63	12.11	12.55
(b) Capital invested**	6.03	6.92	6.82

1.4.4. The following major observations were made in the Audit Report on the annual accounts of the Board for the years 1991-92 and 1992-93 which showed a surplus of Rs. 107.56 crores and Rs. 213.86 crores respectively.

(A) 1991-92

(i) The expenditure on purchase of power from National Thermal Power Corporation Limited was understated by Rs. 425.46 crores.

(ii) The expenditure on generation of power was understated by Rs. 44.80 crores due to non provision of cost of water supplied by Irrigation Department and Water-cess levied by Uttar Pradesh State Pollution Control Board, Lucknow on the power projects of the Board.

(B) 1992-93

Surplus of Rs. 213.86 crores is overstated by Rs. 3.24 crores on account of the following:-

---

* Capital employed represents net fixed assets plus working capital.

** Capital invested represents long terms loans plus free reserves including subvention and grants.

(a) Excess billing of demand and energy charges and corresponding overstatement of Receiveable against supply of power by Rs. 0.74 crore

(b) Expenditure on repair of damaged transformers was charged to fixed assets resulting into understatement of Repairs and Maintenance charges and overstatement of fixed assets by Rs. 2.35 crores.

(c) Material cost variance not adjusted in the accounts resulted in understatement of other debits to Revenue Account and corresponding overstatement of material stock by Rs. 0.05 crore.

(d) Provision for bad and doubtful debts were understated by Rs. 0.10 crore.

1.4.5. The table below indicates the operational performance of the Board for the three years up to 1993-94:

Particulars		**1991-92**	**1992-93**	**1993-94**
(1)		**(2)**	**(3)**	**(4)**
1. Installed Capacity (MW)				
(a) Thermal		3554.00	3554.00	4054.00
(b) Hydel		1494.00	1494.00	1504.75
(c) Diesel + Micro Hydel		16.00	16.00	---
	Total	5064.00	5064.00	5558.75
2. Power generated			(In Mkwh)	
(a) Thermal		12630.00	14017.00	14560.00
(b) Hydel		5548.00	4148.00	5288.00
(c) Micro Hydel		6.00	2.00	---
Total		18184.00	18167.00	19848.00
3. Less Auxiliary consumption		1544.00	1588.00	1618.00
4. Net power generated		16640.00	16579.00	18230.00
5. Power purchased		11923.00	12824.00	12846.00
6. Total power available for sale (4+5)		28563.00	29403.00	31076.00
7. Power sold		21348.00	22318.00	23861.00
8. Transmission and distribution losses		7215.00	7085.00	7215.00
			(In number)	
9. Units generated per KW of installed capacity		3591.00	3587.00	3570.59
			(In percentage)	
10. Load factor		45.50	51.10	49.80
11. Percentage of generation to installed capacity		41.10	41.00	40.46
			(Percentage)	
12. Percentage of transmission and distribution losses		25.26	24.10	23.22
			(Number)	

(1)	(2)	(3)	(4)
13. Villages/towns electrified at the end of year	83309	84256	84906
14. Pump sets/Wells energised at the end of year			
(a) Private Tubewells	645737	663271	690119
....(b) State Tubewells	31290	31631	31814
15. Connected load (MW)	10576	11635	12087
		(In lakhs)	
16. Number of consumers	47.97	52.71	55.90
		(Number)	
17. Number of employees*	100451	99440	98808
		(Mkwh)	
18. Break-up of sale of energy			
(a) Agricultural	8194	8498	8924
(b) Industrial	5833	5941	6030
(c) Commercial	1420	1435	1706
(d) Domestic	4051	4577	5174
(e) Others	1850	1867	2027
Total	21348	22318	23861
		(Paise)	
19. (a) Revenue per Kwh (excluding subsidy)	79.73	108.35	N.A.
(b) Expenditure per Kwh	131.47	N.A.	N.A.
(c) Profit(+)/Loss(-) per Kwh	(-) 51.74	N.A.	N.A.

1.5. Uttar Pradesh State Road Transport Corporation

1.5.1. As on 31st March 1994, the capital of the Corporation was Rs. 313.13# crores (Rs. 243.88# crores contributed by the State Government and Rs. 69.25# crores by the Central Government).

The State Government had given guarantees for repayment of loans raised by the Corporation from other sources and payment of interest thereon. As on 31st March 1994, the amount of such guarantees and loans outstanding thereagainst were Rs. 24.97 crores and Rs. 21.93 crores, respectively.

1.5.2. The financial position of the Corporation at the end of each of the three years up to 31st March 1993 is given on the next page:

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* Indicates numbers of employees at the begining of the year.

\# Figures are provisional subject to audit.

Particulars	1990-91	1991-92	1992-93
(1)	(2)	(3)	(4)
		(Rupees in crores)	
(A) Liabilities			
Capital	250.04	265.34	265.34
Reserves and surplus	2.52	2.60	2.85
Borrowings	89.41	91.48	107.54
Trade dues and other current liabilities	91.36	105.35	134.63
Total- A	433.33	464.77	510.36
(B) Assets			
Gross Block	372.27	395.82	443.50
Less: Depreciation	231.74	258.61	288.76
Net fixed Assets	140.53	137.21	154.74
Capital work-in-progress	3.83	3.04	3.27
Investments	0.80	0.80	0.80
Current Assets, Loans and Advances	57.68	46.77	47.56
Accumulated losses	230.49	276.95	303.99
Total- B	433.33	464.77	510.36
(C) Capital employed*	109.39	82.34	70.48
(D) Capital invested**	279.25	299.16	301.91

The working results of the Corporation for the three years up to 1992-93 are summarised below:

Particulars	1990-91	1991-92	1992-93
(1)	(2)	(3)	(4)
		(Rupees in crores)	
Total revenue	308.83	349.54	400.28
Total expenditure:			
(a) Other than interest	328.28	360.50	398.51
(b) Interest	20.96	22.47	24.28
Total	349.24	382.97	422.79
Net Profit(+)/Loss(-)	(-) 40.41	(-) 33.43	(-) 22.51
Total return on:			
(a) Capital employed	(-) 19.45	(-) 10.96	1.77
(b) Capital invested	(-) 19.45	(-) 10.96	1.77

1.5.3. The table on the next page indicates the operational performance of the Corporation during the three years up to 1993-94:

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* Capital employed represents net fixed assets plus working capital.

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

Particulars	1991-92	1992-93	1993-94 (Provisional)
(1)	(2)	(3)	(4)
Average number of vehicles held (effective fleet)	8083	7956	8023
Average number of vehicles on road*	7161	7052	7112
Percentage of utilisation	89	89	89
Kilometres covered (in lakhs)			
- Gross	6479	6370	6645
- Effective	6309	6213	6479
- Dead	170	157	166
Percentage of dead kilometres to gross kilometres	2.62	2.46	2.50
Average kilometres covered per bus per day	240	241	249
Average revenue per kilometres (Paise)	554	646	684
Average expenditure per kilometres (paise)	607	679	689
Profit (+)/Loss (-) per kilometres (Paise)	(-) 53	(-) 33	(-) 5
Total route kilometres (in lakhs)	4.79	5.45	5.90
Number of operating Depots.	105	105	105
Average number of break-downs per lakh kilometres	3.40	3.50	3.96
Average number of accidents per lakh kilometres	0.23	0.23	0.21
Passenger kilometres			
- Scheduled (in lakhs)	339566	334511	348924
- Operated (in lakhs)	244487	227467	240758
Occupancy ratio (*Per cent*)	72	68	69

1.6. Uttar Pradesh Financial Corporation

1.6.1. The paid-up capital of the Corporation as on 31st March 1994 was Rs. 100.00 crores (State Government: Rs. 63.115 crores; Industrial Development Bank of India: Rs. 34.215 crores and others: Rs. 2.670 crores), as against Rs. 91.60 crores as on 31st March 1993 (State Government: Rs. 55.75 crores, Industrial Development Bank of India: Rs. 33.85 crores and others: Rs. 2.00 crores).

1.6.2. The Government has guaranteed repayment of share capital of Rs. 10.32 crores under Section 6(1) of the State Financial Corporations Act, 1951 and payment of minimum dividend thereon at the rate of 3.5 *per cent*. During the year

* Vehicles include Buses, Taxies and Trucks.

1993-94, the Corporation's total income was Rs. 97.82 crores and revenue expenditure was Rs. 109.10 crores (Provisional). Thus, there was a loss of Rs. 48.24 crores.

The Government has also guaranteed repayment of market loans (through bonds and debentures) of Rs. 378.28 crores raised by the Corporation. The entire amount of principal thereagainst was outstanding on 31st March 1994.

1.6.3. The financial position of the Corporation at the end of each of the three years up to 1993-94 is given below:

Particulars	1991-92	1992-93	1993-94 (Provisional)
(1)	(2)	(3)	(4)
		(Rupees in crores)	
(A) Liabilities			
Paid-up capital	85.60	91.60	100.00
Reserves and surplus	15.87	15.87	15.87
Borrowings:			
(i) Bonds *	293.68	328.28	378.28
(ii) Others	476.51	489.17	463.07
Other liabilities and provisions	8.10	42.92	76.83
Total-A	879.76	967.84	1034.05
(B) Assets			
Cash and Bank balance	58.49	47.44	71.69
Investments	0.37	0.34	0.27
Loans and Advances	798.65	861.91	851.71
Net fixed assets	3.11	3.11	2.89
Other assets	19.14	55.04	107.49
Total-B	879.76	967.84	1034.05
(C) Capital employed&	832.77	898.37	941.07
(D) Capital invested&&	871.66	924.92	957.21

1.6.4. The table on the next page gives details of the working results of the Corporation for the three years up to 1993-94:

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* Includes loans in lieu of share capital Rs. 22.50 crores in 1991-92, Rs. 20.0 crores in 1992-93 and Rs. 18.60 crores in 1993-94

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

&& Capital invested represents paid-up capital plus free reserves at the close of the year and long term loan

Particulars	1991-92	1992-93	1993-94 (Provisional)
(1)	(2)	(3)	(4)
		(Rupees in crores)	
Income			
(a) Interest on loans and advances	77.17	83.41	96.91
(b) Other income	2.36	2.46	0.91
Total	79.53	85.87	97.82
Expenditure			
(a) Interest on long-term loans	69.88	105.96	95.03
(b) Other expenses	9.04	12.66	51.03
Total	78.92	118.62	146.06
Profit before tax	0.61	(-) 32.75	(-) 48.24
Provision for tax	0.55	..	..
Profit after tax	0.06	..	(-) 48.24
Other appropriation	0.28	..	36.96
Amount available for dividend	..	..	..
Dividend payable	..	..	..
Total return@ on:			
(a) Capital employed	0.61	(-) 32.75	(-) 48.24
(b) Capital invested	0.61	(-) 32.75	(-) 48.24
		(Per cent)	
Percentage of return on			
(a) Capital employed	0.07	NIL	NIL
(b) Capital invested	0.07	NIL	NIL

The table given below indicates the position regarding receipts and disposal of applications for loans during three years up to 1993-94:

Particulars	**1991-92**		**1992-93**		**1993-94**	
	Number	**Amount**	**Number**	**Amount**	**Number**	**Amount**
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**
				(Rupees in crores)		
Applications pending at the beginning of the year	277	32.58	264	38.47	107	15.27
Applications received	2589	339.37	1581	234.35	458	76.42
Total (1+2)	2866	371.95	1845	272.82	565	91.69
Applications sanctioned	2018	227.74	1188	167.88	273	46.40

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

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Applications cancelled/ withdrawn/rejected/ reduced	584	105.74	550	89.67	220	37.61
Applications pending at the close of the year	264	38.47	107	15.27	72	07.67
Loans disbursed	1717	146.02	1167	127.65	390	75.25
Amount outstanding at the close of the year	--	798.65	--	861.82	24063	851.61
Amount overdue for recovery at the close of the year:						
(a) Principal	--	66.98	--	N.A.	..	93.53
(b) Interest	--	118.20	--	N.A.	..	204.81
Total		**185.18**		**63.05**		**298.34**
Amount involved in Recovery Certificate cases	--	102.26		87.31		131.18
Total		287.44		250.36		429.52
Percentage of default to total loans outstanding	--	36.0		29.05		35.03

As may be seen from the table given above, out of outstanding loans of Rs. 851.61 crores (excluding interest) from the loanees as on 31st March 1994, an amount of Rs. 429.52 crores (including interest of Rs. 204.81 crores) was overdue for recovery. The percentage of overdue amount to the total outstanding has varied from 36.00 *per cent* in 1991-92 to 29.05 *per cent* in 1992-93 and to 35.03 *per cent* in 1993-94.

Age-wise analysis of the overdue loans has not been done by the Corporation.

The data of investment in sick and closed units were not available.

The Corporation has made cumulative provision of Rs. 36.98 crores towards doubtful debts up to 31st March 1994. Besides, the Corporation has written off Rs. 0.30 crore as bad debts during 1991-92 (Rs. 0.10 crore), 1992-93 (Rs. 0.08 crore) and 1993-94 (Rs. 0.12 crore).

1.7. Uttar Pradesh State Warehousing Corporation

1.7.1. The paid-up capital of the Corporation as on 31st March, 1993 was Rs. 8.42 crores (State Government: Rs. 4.69 crores and Central Warehousing Corporation: Rs. 3.73 crores) and on 31st March, 1994 was Rs. 9.57 crores (State Government: Rs. 5.59 crores and Central Warehousing Corporation :Rs. 3.98 crores).

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

Particulars	Year of guarantee	Amounts guaranteed	Amount outstanding as on 31st March 1993		
			Principal	Interest	Total
			(Rupees	in crores	)
1.Loan from State Bank of India Lucknow	1981-82	4.68	1.43	0.08	1.51
2.Loan from Land Devl-opment Bank	1986-87	2.45	2.03	0.20	2.23
3.Loan from Punjab National Bank	1989-90 and 1990-91	4.53	3.04	0.81	3.85
	Total	11.66	6.50	1.09	7.59

1.7.3. The financial position of the Corporation at the end of each of the three years up to 31st March, 1993 is given below:

Particulars	1990-91	1991-92	1992-93
(1)	(2)	(3)	(4)
	(Rs. in crores)		
(A) Liabilities			
Paid-up capital	6.97	7.91	8.42
Reserves and surplus	15.89	14.81	6.87
Borrowings	7.71	7.89	8.57
Trade dues and other current liabilities	9.97	9.33	10.08
Total-A	40.54	39.94	33.94

(1)	(2)	(3)	(4)
(B) Assets			
Gross block	32.81	33.10	33.44
Less depreciation	9.77	10.77	11.52
Net fixed assets	23.04	22.33	21.92
Capital work in progress	3.62	2.32	1.06
Current assets, loans & advances	12.47	11.44	10.96
Miscellaneous expenditure	0.02	---	---
Accumulated loss	1.39	3.85	---
	-----	-----	-----
Total-B	40.54	39.94	33.94
	-----	-----	-----
(C) Capital employed*	25.54	24.44	22.80
(D) Capital invested**	30.57	30.61	23.86

1.7.4. The working results of the Corporation for the three years up to 1992-93 are summarised below:

Particulars	1990-91	1991-92	1992-93
(1)	(2)	(3)	(4)
	(Rs. in crores)		
Income			
(a) Warehousing charges	7.78	6.98	6.83
(b) Other income	0.25	0.27	0.28
Total	8.03	7.25	7.11
Expenses			
(a) Establishment charges	5.36	6.18	6.70
(b) Interest	0,89	0.97	0.90
(c) Other expenses	3.21	2.75	2.71
Total	9.46	9.90	10.31
Net profit for the year	(-) 1.43	(-)2.65	(-) 3.20
Add (+)/Reduce (-) Prior period adjustment	0.29	(+)0.19	(-) 0.20
Profit before tax	(-) 1.14	(-)2.46	(-) 3.40
Provision for tax	..	..	..
Other appropriations	..	..	..
Amount available for dividend	..	..	..
Transfer from general reserve	..	..	..
Proposed dividend	..	..	..

* Capital employed represents net fixed assets plus working capital.

** Capital invested represents paid-up capital plus Reserves and Surplus plus Borrowing.

(1)	(2)	(3)	(4)
Total return on:			
(a) Capital employed	..	(-)1.49	2.56
(b) Capital invested	..	(-)1.49	2.56

1.7.5. The physical performance of the Corporation for the three years up to 1993-94 is summarised below:

Particulars	1991-92	1992-93	1993-94 (Provisional
Number of Stations covered	130	129	117
Storage capacity created up to the end of the year :-		(Tonnes in lakhs)	
(a) Owned-	11.19	11.34	11.50
(b) Hired-	2.04	1.35	1.19
Total	13.23	12.69	12.69
Average capacity utilised	5.69	5.25	7.94
Percentage of utilisation	43.01	41.37	62.59
		(Rupees per tonne)	
Average Revenue	113.04	125.90	N.A.
Average expenses	132.76	191.24	N.A.
Average net earning	(-) 19.72	(-) 65.34	N.A.

CHAPTER-II

REVIEWS RELATING TO GOVERNMENT COMPANIES

SECTION-2A

UTTAR PRADESH SMALL INDUSTRIES CORPORATION LIMITED

HIGHLIGHTS

The Company was set up in June 1958 for promoting and assisting Small Scale Industries (SSI) in the State by promotion of joint sector projects, procurement and distribution of raw materials and providing marketing and package assistance to SSI. The Company had accumulated loss of Rs. 69.92 lakhs as on 31st March 1992.

All the eight joint sector projects sponsored by the Company became sick and went into liquidation and chances of recovery of amount of Rs. 19.41 lakhs invested in equity capital by the Company alongwith loans and advances of Rs. 26.72 lakhs were remote.

Under the scheme of distribution, raw materials like pig iron, steel, resin, coal, zinc and titanium di-oxide etc. were procured directly or on agency basis. In this connection, following points were noticed:

(i) The Company procured, in February 1992, shot-jam plates without assessing the demand of SSI units and therefore plates valued at Rs. 52.74 lakhs remained unsold (July 1994). Due to excessive purchase, the Company incurred loss of interest amounting to Rs. 27.07 lakhs.

(ii) Pig iron procured by Area Office, Ghaziabad included 513 tonnes of iron valued at Rs. 30.51 lakhs which the SSI units refused to purchase due to hardness, chips and dust contained in the pig iron.

(iii) The Company did not lodge claims with the Railways for transit shortage of 107 tonne valued at Rs. 5.33 lakhs and claim for 53 tonne valued at Rs. 3.28 lakhs lodged without shortage certificates were rejected.

(iv) In absence of timely determination of transit shortages on receipt of steel in Lucknow Consignment Agency, the Company could not recover shortage of Rs. 76.73 lakhs from the transport contractors.

(v) In consignment agency with IISCO transit shortages of Rs. 32.20 lakhs in Ghaziabad depot were recovered by IISCO due to non-submission of proper claims to them.

(vi) The Company suffered loss of Rs. 22.80 lakhs in sale of imported resin below cost of procurement.

(vii) The Company incurred loss of Rs. 26.05 lakhs and Rs. 8.07 lakhs in agency business of titanium di-oxide and zinc respectively due to acceptance of lower margin and higher establishment cost.

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(viii) Procurement of coal at Ferozabad depot without considering demand led to accumulation of stock and consequent interest burden of Rs. 12.25 lakhs apart from expenditure of Rs. 5.25 lakhs on hiring of godowns and its security.

Under package assistance scheme of providing developed industrial plots, out of 118 plots and sheds allotted to assisted units by the Company only 53 units were running. The overdues against 36 defaulted units amounted to Rs. 60.02 lakhs.

The Company obtained bridging loan of Rs. 26 lakhs from a bank in 1974 which was converted into term loan by Bank in favour of assisted units on submission of promissory note by the Company for repayment in case of default by units. Accordingly the Company had to make payment of Rs. 94.34 lakhs for overdues of the units to the Bank in August-September 1990 against which recovery of Rs. 49.69 lakhs could not be made from units (March 1994).

2.A.1. Introduction

The Uttar Pradesh Small Industries Corporation Limited was incorporated on 13 June 1958 as a wholly owned Government Company with the main objective of promoting and assisting small scale industries in the State. The activities of the Company were confined to the following:

-- procurement and distribution of raw materials and coke,

-- assisting in import of raw material including finance, insurance, shipping and clearance of consignment from the ports,

-- marketing assistance to entrepreneurs for their products,

-- operation of its own production units under commercial scheme, and

-- package assistance scheme for entrepreneurs.

The procurement of raw materials include iron, steel, copper, alluminium, zinc, lead, titanium di-oxide, PVC resin, etc.

2.A.2. Organisational set up

The Management of the Company is vested in a Board of Directors consisting of 12 directors including a part time Chairman nominated by State Government and a Managing Director who looks after day to day management of the Company. Between April 1988 to November 1993, six Managing Directors were posted having tenure ranging from 7 to 22 months and therefore there was no stability at top management. The Managing Director is assisted by a General Manager, Chief Manager (Finance) and Divisional Manager at Head Office and six Area Managers at Kanpur, Agra, Ghaziabad, Bareilly, Lucknow and Varanasi looking after activities of the Company through Area Offices/Depots.

2.A.3. Scope of Audit

Performance of the Company was earlier reviewed in the Report of the Comptroller and Auditor General of India for the year ended 1977-78. It was pointed out therein that in majority of the activities undertaken, the Company suffered losses due to low production/turnover, high cost of holding inventory, shortages in stock, losses under joint sector projects and irrecoverable dues under hire-purchase scheme. However, since last Audit analysis, the profitability of Company, instead of improving, declined considerably from accumulated surplus of Rs. 76.43 lakhs in 1977-78 to accumulated losses of Rs. 69.92 lakhs in 1991-92.

The review conducted during September 1993 to February 1994 covers various activities/areas of the Company for the period April 1988 to March 1994.

2.A.4. Funding

(i) Capital

The authorised capital of the Company was Rs. 2500 lakhs divided into 25 lakhs equity shares of Rs. 100 each. The paid-up capital as on 31st March 1992 was Rs. 576.05 lakhs, contributed by State Government.

(ii) Borrowings

For meeting working capital requirements, the Company availed financial assistance of Rs. 500 lakhs from Industrial Development Bank of India (IDBI) during 1987-88 and 1988-89 carrying interest rate at 11.5 *per cent* per annum and a loan of Rs. 100 lakhs from Modernisation Fund of Department of Industries, Uttar Pradesh, carrying interest at 16 per cent per annum . As on 30 November 1993, a sum of Rs. 256.25 lakhs was outstanding against the IDBI loan. Apart from above, the Company had cash credit limit of Rs. 925 lakhs from banks against which Rs. 864.67 lakhs were outstanding as on 31 March 1992.

(iii) Unutilised grants

Grants of Rs. 25.16 lakhs sanctioned by the State Government during the year 1972-73 to 1986-87 for various activities viz. preparation of feasibility report, market & survey report, EDP programme, interest subsidy, etc. were neither utilised in the prescribed period of one year from the date of sanction of one year nor were returned to the Government till date (September 1994).

2.A.5. Financial position

The Company had prepared provisional accounts (duly adopted by the Board of Directors) up to 1991-92 of which accounts up to 1988-89 were finalised. The table on the next page gives the financial position of the Company at the end of each 4 years up to 1991-92:

Particulars	1988-89	1989-90 (Rupees in lakhs)	1990-91	1991-92
(1)	(2)	(3)	(4)	(5)
Liabilities				
(a) Paid-up capital	497.05	524.05	559.05	576.05
(b) Reserves and surplus	28.12	28.12	28.12	28.12
(c) Borrowings	886.71	813.39	669.24	1377.72
(d) Trade dues and other current liabilities (including provisions)	1358.27	1389.41	1312.72	1219.92
Total	2769.15	2754.97	2569.13	3201.81
Assets				
(a) Gross block	221.16	256.45	266.62	279.73
(b) Less depreciation	62.40	80.73	96.89	109.94
(c) Net fixed assets	158.76	175.72	169.73	169.79
(d) Capital works -in-progress	6.45	4.62	4.37	13.54
(e) Investment	77.84	77.26	94.26	94.26
(f) Current assets, loans and advances	2392.10	2380.87	2203.25	2854.30
(g) Accumulated losses	134.00	116.50	97.52	69.92
	2769.15	2754.97	2569.13	3201.81
Capital* employed	1199.04	1171.80	1064.63	1817.71
Net worth**	391.17	435.67	489.65	534.25

Since its inception in June 1958, the Company invested Rs. 19.41 lakhs in eight Joint Sector projects promoted during June 1972 to June 1979 apart from loans and advances of Rs. 26.72 lakhs advanced for these projects. These projects, however, became sick and went into liquidation during April 1985 to April 1989

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* Capital employed represents net fixed assets including capital works in progress plus working capital.

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

due to mismanagement by entrepreneurs, marketing constraints, shortage of working capital etc. The accounts of these projects were in arrears for over 16 to 19 years and the chances of recovery of Company's investment/loans were remote.

2.A.6. Working results

The table below indicates working results of the Company for the four years up to 1991-92:

	1988-89	1989-90	1990-91	1991-92
		(Rupees in lakhs)		
(1)	(2)	(3)	(4)	(5)
Income				
Sale	3560.21	4745.74	5386.41	6900.08
Other Income	175.25	213.92	235.41	222.38
Total	**3735.46**	**4959.66**	**5621.82**	**7122.46**
Expenditure Value of goods sold	3435.38	4597.10	5224.20	6673.37
Selling and Administrative overheads	196.85	230.71	265.00	271.75
Interest payments	117.01	84.41	92.99	121.01
Adjustment for increase (-)/ decrease (+) on closing stock	(+) 0.78	(-) 0.10	(-) 1.08	(-) 2.04
Depreciation	16.81	18.34	16.13	15.75
Total	**3766.83**	**4930.46**	**5597.24**	**7079.8**
Profit (+)/ Loss (-) for the years	(-) 31.37	(+) 29.20	(+) 24.58	(+) 42.62
Adjustments relating to previous years	(+) 2.56	(-) 11.70	(-) 5.61	(-) 15.02
Net profit (+)/ Loss (-)	**(-) 28.81**	**(+) 17.50**	**(+) 18.97**	**(+) 27.60**

The profit shown during 1989-90 and onwards were based on provisional accounts and did not include the following:

(i) Interest liability of Rs. 518.00 lakhs up to 31.12.89 on two bridge-loans of Rs. 31.50 lakhs each obtained during 1973-74 from banks for development of Ancillary Estate at Lucknow under package assistance scheme of the Company.

(ii) Interest of Rs. 68.34 lakhs for the period January 1974 to December 1989 paid in May 1990 on bridge-loan of Rs. 26 lakhs obtained from State Bank of India, during 1976-77 for development of ancillary estate at Haridwar had also not been provided-for in the accounts.

2.A.7. Audit assessment regarding procurement and distribution of raw materials

The Company had been procuring various materials indigenously and through imports for Small Scale Industries (SSI) of the State which include steel, pig iron, copper, aluminium, zinc, titanium di-oxide, PVC resin, coal, etc. The Company had also been working as stockist-cum-agent of Steel Authority of India (SAIL), Indian iron and steel Company (IISCO), Kerala State Industrial Products Trading Corporation (KSIPTC), and Minerals and Metals Trading Corporation (MMTC).

Audit Scrutiny showed that these activities proved unremunerative for one or more of the following reasons:

1. (a) The procurement of material was made without assessing the actual demand of SSI units resulting in loss of interest; (b) the pig iron procured contained impurities like chips and dust and the SSI units refused to purchase it and (c) there were shortages in transporation of material for which no claim was lodged with Railways even though Company had appointed surveyors for lodging claims.

2. In consignment agency business with SAIL and IISCO the Company incurred heavy losses because of transit shortages beyond the permissible limits for which SAIL/IISCO made recoveries from remuneration bills of the Company could not recover it from handling contractors/SAIL/IISCO.

3. In agency business with KSIPTC and MMTC the Company incurred more expenditure than the remuneration received.

4. In December 1988, the Company undertook import of resin from a West German firm without working out the comparative economics of import and indigenous procurement. The Company incurred heavy loss in the deal because the cost of the imported materials was higher than the price of indigenously manufactured material at which the resin was sold to the small scale industries.

5. Although there was no demand the Company procured 4567 tonnes of coal against cash credit sanctioned by SIDBI at interest rate of 18.54 *per cent*. The Company could not sell the coal to small scale industries.

These findings of audit have been discussed in detail in paras 2.A.8.2.3 to 2.A.8.4.4.

2.A.8. Procurement and distribution of raw material

2.A.8.1. The Company has been procuring various scarce materials for supply to SSI of the State which include ferrous materials comprising mainly, iron and steel, non-ferrous metals comprising copper, aluminium, zinc and non-ferrous chemicals comprising titanium-di-oxide, PVC resin. The Company had also undertaken bulk procurement of coal and its distribution to units. Apart from direct procurement of materials, the Company had been working as stockist-cum-agent of IISCO for sale of pig iron and of KSIPTC of Trivendrum for titanium-di-oxide. The Company had also been managing the steel stock yards of SAIL and IISCO on remuneration basis at Agra, Lucknow, Ghaziabad and Allahabad.

2.A.8.2. Ferrous Materials

2.A.8.2.1. Procurement and sale procedure

On the basis of installed capacity of SSI units and considering the demand, the Company gets its annual demand of steel and pig iron registered with the Development Commissioner (Iron & Steel) of the Central Government for allocation of steel in its favour by the Joint Plant Committee (JPC). Sale of such allocated steel which is procured from main producers on rebate of Rs. 440 per tonne in steel and Rs. 100 per tonne in pig iron over the JPC rates, is made to SSI units by the Company at J.P.C. rates.

Besides J.P.C. allocation, the Company also purchased steel and pig iron outside the allocation for sale to SSI units on their demand. In respect of such iron and steel, the Company realised transportation charges, interest on capital employed, godown rent for storage and its service charge.

2.A.8.2.2. Sales performance

The table given below indicates yearwise performance of ferrous materials for the last four years up to 1991-92:

	1988-89	1989-90	1990-91	1991-92
		(Rupees in lakhs)		
Income				
Sales	2158.48	3453.13	4464.38	5909.41
Other receipts	290.28	231.32	221.29	446.37
Total	**2448.76**	**3684.45**	**4685.67**	**6355.78**
Expenditure				
Cost of sales	1897.58	3247.36	4252.09	5648.32
Other expenses	412.91	220.32	245.49	534.77
Total	**2310.49**	**3467.68**	**4497.58**	**6183.09**
Profit	138.27	216.77	188.09	172.69

Other receipts mainly represented remuneration from SAIL and IISCO against consignment agency.

Inspite of considerable increase in turnover from year to year, profitability from the business has been declining since 1990-91 mainly due to increase in expenditure on transportation and salaries.

2.A.8.2.3. Avoidable purchase of shot-jam plates

Without assessing the demand of shot-jam plates from SSI units, the Company purchased in February 1992 from IISCO 1727 tonne plates valued at Rs. 81.70 lakhs for its Kanpur Depot at Rs. 4731 per tonne. The selling price of plates was fixed in February 1992 at Rs. 5130 per tonne after adding transit shortages, interest and godown rent for 45 days from date of receipt of material and Company's margin of Rs. 150 per tonne to the landed cost. The selling prices were to be revised from time to time after expiry of initial period of 45 days but no revision of selling price had been done so far (July 1994). However, the Company could sell only 699 tonne plates till July 1994 and balance 1028 tonne plates valued at Rs. 52.74 lakhs were lying in stock (July 1994) on which the Company had already incurred interest of Rs. 28.12 lakhs on its cash credit account till July 1994 against the Company's margin of Rs. 2.59 lakhs on total sale.

The Management stated (May and July 1994) that there was limit to charging interest in selling price in view of the lower prevailing market rates and that Company's offer of Rs. 5175 per MT to a firm of Unnao was not accepted by them. Further in July 1994 the offers were made to SSI units through Director of Industries (DI) and All India Ferrous Association for sale of these plates but no offer was received.

Thus, due to excessive purchase without proper assessment of demand, the Company had incurred loss of interest of Rs. 27.07 lakhs taking into account the margin of profit earned. The loss was likely to increase further with delay in disposal of plates.

2.A.8.2.4. Injudicious purchase of pig iron

Meerut depot of Ghaziabad Area Office of the Company had stock of 591 tonnes pig iron valued at Rs. 30.51 lakhs at the close of July 1994 out of 1316 tonne purchased between March 1992 and May 1993. Both the purchases were made outside JPC allocation on consideration of heavy demand from the units but the same could not be disposed of due to lack of demand (July 1994) and due to its hardness and chips and dust in the pig iron. This resulted in locking up of funds to the extent of Rs. 30.51 lakhs with loss of interest of Rs. 14.71 lakhs up to July 1994.

2.A.8.2.5. Loss due to non-levy of increased rate of steel

The Company sells steel to SSI units at cost as per consignment advice (CA) of main producers plus Rs. 440 per tonne subject to increase in rates intimated from time to time by main producers through circulars/rate list.

It was, however, noticed in audit that Ghaziabad and Naini depots of the Company did not levy the increased rate mainly on GP sheet, HR sheet, HR/CR sheets, wire rods etc, during 1988-89 to 1991-92 resulting in short realisation of cost of steel from the SSI units amounting to Rs. 2.90 lakhs on sale of 684 tonnes of steel.

No action had been taken by the Company to investigate the reasons and to fix the responsibility.

2.A.8.2.6. Sale of steel to Non-SSI units

The Company had been procuring steel from the steel plants against the State quota for SSI units allocated by JPC.

During test check of records of Naini Depot for 1991-92 and 1992-93 it was noticed that the depot made sale to non-SSI units as under:

	1991-92	**1992-93**
Number of parties	9	7
Quantity of steel sold (in tonnes)	188	149
Value of steel (Rupees in lakhs)	19.19	17.73

The steel, procured at rebate granted from Steel Development Fund of Central Government for its sale at concessional rate to SSI units, were sold to non-SSI units which resulted in undue benefit of Rs. 1.48 lakhs to non-entitled units.

2.A.8.2.7. Loss in disposal of pig iron

Area Manager, Ghaziabad purchased (October 1992) 1900 tonnes pig iron from IISCO for its various depots including 988 tonnes for Ghaziabad depot outside JPC allocation for sale to SSI units. The landed cost of pig iron received in Ghaziabad during November 1992 was Rs. 6208 per tonne and its sale price was fixed at Rs. 6768 per tonne including interest and godown rent for 30 days and Company's margin at 3 *per cent*. The depot however, could sell only 47 tonne pig iron within one month of its receipt and, therefore, revised its selling price to Rs. 6971 per tonne in December 1992 and to Rs. 6993 in January 1993 to account for interest and storage charges for the period.

It was, however, noticed that, instead of further increasing the rate for sale fixed in February and March 1993 which worked out to Rs. 7145 and Rs. 7310 per tonne respectively, the depot sold 6 tonnes at Rs. 6768 per tonne and 500 tonne at Rs. 6500 per tonne in February and March 1993, respectively. As a result, the Company could not recover interest and godown charges aggregating Rs. 4.08 lakhs from the units.

In reply the Management stated in August 1994 that pig iron were sold at lower rate due to low demand and market variation and there is limit to charging interest also. However, the fact remains that the purchase was made without considering the market trend and without assessing the requirement of SSI units.

2.A.8.2.8. Unrecovered transit shortages and losses

(i) In purchase of pig iron there were transit shortages of 267 tonne (Ghaziabad 160 tonne and Agra 107 tonne) valuing Rs. 15.69 lakhs during March 1992 to March 1993 which ranged from 1.19 per cent of consigned weight in case of Agra to 3.35 per cent in case of Ghaziabad depot. The Depot Manager, Ghaziabad did not claim transit shortage for 107 tonne valuing Rs. 5.39 lakhs with Railways and claim for balance 53 tonne valuing Rs. 3.28 lakhs lodged with Railways in March 1993 was rejected for want of Railways shortage certificate.

Similarly, the Depot Manager, Agra depot did not lodge the claim for whole shortage of 107 tonne valuing Rs. 7.02 lakhs with the Railways.

Although the Company had appointed independent surveyors for lodging claims with Railways on Panchnama basis, yet no such notice was served by the Company on Railways resulting in loss of Rs. 12.41 lakhs.

(ii) The Company had to incur further loss of Rs. 4.83 lakhs as pig iron received in Ghaziabad and Agra contained 86 tonnes of coal, dust, oxide, slag and chips which had no market value and lying with the depot.

2.A.8.2.9. Consignment agency of steel

2.A.8.2.9.1. Working procedure

The Company had obtained in 1976, consignment agency from steel producers (SAIL and IISCO) for running their stockyards at Lucknow, Agra and Ghaziabad. Under the agreements with steel producers, renewable after every 2 years, the Company was entitled to remuneration at rates prescribed in the agreements in lieu of services rendered by it which included transportation of materials from railway-sidings to stockyards, its stacking and delivery to customers authorised by producers from time to time. The Company was required to account for receipt of material as per Consignment Advice (CA) weight indicated in the Railway receipts. The transit shortage covered by valid Railway shortage certificates were to be excluded. The Company was liable for uncovered shortages as per the agreement.

2.A.8.2.9.2. Unrecovered shortages

(i) The terms of agreement with the SAIL for Lucknow stockyard, interalia provided for uncovered permissible shortages to the extent of 0.? per cent in steel and 2 per cent in pig iron consigned during a year. The Company in its handling contract entered into (June 1986) with transport contractors also provided for recovery of these transit shortages. However, transit shortages recoverable from the contractor were not timely determined on receipt of consignment as the Company had not made adequate weighment facility. It was revealed during annual physical verification of steel for the years 1987-88 to 1993-94 and of pig iron for 1987-88 to 1990-91 that there were shortages aggregating Rs. 76.73 lakhs, (Steel Rs. 70.97 lakhs and pig iron Rs. 5.76 lakhs) over and above permissible limit. The SAIL had already recovered shortage of Rs. 5.76 lakhs in pig iron and Rs. 24 lakhs in steel from the remuneration bills of August 1992 to March 1993 whereas recovery of balance amount of Rs. 46.97 lakhs was under progress. In the absence of timely determination of transit shortages on arrival of the material in the depot, the Company could not recover shortage of Rs. 76.73 lakhs from handling contractor. No responsibility had been fixed against the defaulting Officer by the Company so far (July 1993).

(ii) The Company obtained consignment agency of IISCO for running their stock yard at Ghaziabad on two years term from September 1976 which was renewed from time to time up to September 1987. In terms of agency agreements, the Company was entitled to uncovered shortages only at 0.25 per cent on C.A. weight of steel. The IISCO deducted Rs. 8.79 lakhs in March 1987 from the Company's remuneration bill for shortage relating to 1984-85 and Rs. 23.41 lakhs in July 1992 towards shortage for 1985-86 to 1987-88. The shortages were recovered by IISCO as Company could not submit complete documents or documents were submitted late. These shortages remained unrecovered by the Company from the transport contractor.

The heavy losses incurred by the Company as pointed out above could not be recovered from the handling/transport contractors for the following reasons:

(a) Award of work to handling contractor without execution of any agreement and deciding the extent of transit shortages recoverable from them.

(b) Ad-hoc advance payments made to handling contractors against their bills without adjustment of earlier advances and transit shortages.

2.A.8.2.9.3. Unrecovered claims

The Company rendered monthly bills to SAIL claiming item rates for handling works done in stock yard, Lucknow. Against claim of Rs. 43.09 lakhs, preferred by the Company during August 1992 to March 1993, SAIL accepted claim for Rs. 41.07 lakhs only in March 1993.

Similarly, on the basis of work done by the handling contractor in stock yard, Agra during the period from June 1992 to November 1993, the Company raised monthly remuneration bills amounting to Rs. 82.66 lakhs on SAIL at item rates prescribed in the agreement. SAIL made deduction aggregating Rs. 4.28 lakhs without submitting details thereof.

The items under which deduction were made had not been identified and analysed by the Management. As a result, recovery of Rs. 6.30 lakhs made by the SAIL from the Company remained unclaimed so far (July 1994).

2.A.8.3. Non-ferrous materials

2.A.8.3.1. With a view to meeting demand of scarce materials and chemicals for SSI units of the State, the Company undertook procurement of indigenous and imported non-ferrous materials mainly PVC resin, titanium-dioxide, palm-fatty acid etc. on the basis of anticipated demand of SSI units. Sale of these items are made by the Company after adding service charges of 2 to 3 per cent on landed cost of materials besides godown rent and interest charges except on titanium-dioxide which is sold at the rate specified by the suppliers (KSIPTC). Sale of above items declined from Rs. 935 lakhs in 1988-89 to Rs. 624 lakhs during the year 1991-92. In this connection, following points were noticed in Audit:

2.A.8.3.2. Loss in procurement and sale of imported resin

(a) The Company without assessing the economics of import of resin vis-a-vis indigenous resin floated an enquiry on 26 May 1988 to five firms of Delhi and four firms of Bombay for purchase of 300 tonnes imported PVC resin. The time limit for receipt of offers was not specified in the notice. The single offer of a Delhi based agent of West German firm M/s Kuntoplast for supply at CIF rate of 1355 US dollar per tonne was accepted by the Company on 29 May 1988. As the Company had not specified the time limit for submission of offers by firms while floating enquiries, the benefit of competitive offer of a Bombay firm at lower C&F rate of 1225 US dollar per tonne, received on 2 June 1988 in the Company, could not be availed by it resulting in extra expenditure of Rs. 7.22 lakhs.

(b) The entire quantity of 300 tonne resin valuing Rs. 96.60 lakhs at Rs. 32,200 per tonne remained unlifted by the SSI units, as the selling rates fixed by the Company at Rs. 33,600 per tonne valid up to December 1988 and Rs. 33,900 per tonne there after was higher than the rate of indigenously manufactured resin ranging from Rs. 23,500 to Rs. 29000 per tonne. In May 1989 the entire stock was disposed off at highest tendered rate of Rs. 24,600 per tonne obtained in the tender enquiry (March 1989) from a firm of Unnao. As a result, the Company had incurred loss of Rs. 22.80 lakhs in disposal below cost. The Company, had not undertaken the distribution of resin thereafter.

2.A.8.3.3. Loss in procurement and sale of Titanium-di-oxide

In January 1988, the Board of Directors of the Company approved agency business for titanium-di-oxide to be supplied by KSIPTC, Trivendrum for sale to SSI units on the condition that the Company's margin between procurement and selling prices should be 10 *per cent* and the margin should be reviewed periodically by Chairman of the Company.

The Managing Director of the Company, while executing the agreement in January 1988 with KSIPTC, agreed to accept selling prices to be fixed by them from time to time with a margin of about 5 per cent instead of 10 *per cent* without approval of the Chairman. The Company during 1988-89 to 1992-93 till closure of the agency in (September 1992) incurred expenditure of Rs. 52.68 lakhs and could recover Rs. 26.63 lakhs being the margin and commission on sale of 952 tonne titanium-di-oxide. The Company thus suffered a loss of Rs. 26.05 lakhs in the agency business which was mainly due to high establishment expenditure.

2.A.8.3.4. The Company as agent of M.M.T.C

In terms of agency agreement for trading of zinc, lead, etc. between the Company and MMTC, renewed from time to time up to September 1992, the Company was entitled to remuneration of Rs. 90 per tonne w.e.f. October 1988 and Rs. 115 per tonne w.e.f. October 1990 on the quantities sold against delivery orders issued by the latter.

The Company, however, continuously suffered losses in running the agency business since 1989-90 due to declining sales as would be seen from the table given below:

Year	Quantity Handled (in tonnes)	Remuneration Received	Expenditure incurred	Loss
		(Rupees in	lakhs	)
1989-90	3700	3.33	3.43	0.10
1990-91	2290	2.28	3.52	1.87
1991-92	777	0.89	3.63	2.74
1992-93	295	0.34	3.70	3.36
			Total	8.07

It will be observed that business procured by the Company was declining and it was incurring losses from year to year, due to heavy establishment expenditure of Rs. 3.10 lakhs annually which could partially be met out of remuneration. The agency was, however, terminated by the MMTC in July 1993 on the grounds of lower sales.

2.A.8.4. Coal distribution scheme

2.A.8.4.1. The Company undertook in January 1975 procurement of hard coke and steam coal in bulk consignment for sale to SSI units of the State. Procurement of coal is made against yearly allotment made by the DI in favour of the Company and is sold through its 8 depots in the State. The allotment orders are handed over by the Company to the coal coordinator appointed by it at agreed commission for its submission to Coal India Limited for linking the allotments with suitable collieries and thereafter to Railways for getting the rakes passed for movement to concerned depot.

Sale of coal was regulated by provisions of Coal Control Order 1977 and was made at prices fixed by the DI up to May 1991 and by the Managing Director of the Company from June 1991. The sale prices include cost of coal, railway freight, local transportation charges from railway siding to coal depot at rates prescribed by the DI, wastage at 5 *per cent* and the Company margin at 10 per cent.

2.A.8.4.2. Transportation of coal

Coal received at railway stations was transported to concerned depots by contractors appointed by the Company from year to year against tenders floated by the Head Office up to 1990-91 and by the Area Offices thereafter. The cases of irregular award of contracts at higher rates are discussed below:

(i) Award of contract at higher rate

The Company did not float open tenders for transportation of coal from railway siding of Kanpur to the depot during the year 1987-88 against allotment orders of February 1987 by the D.I. The work of handling of coal at Kanpur involving payment of Rs. 4.17 lakhs was awarded on limited quotation basis to a firm of Kanpur at Rs. 32 per tonne with transit shortages exceeding 5 *per cent* on contractors account.

While awarding the work, the reasonability of rates had not been analysed with reference to prevailing market rate. The lowest rates obtained in subsequent open tenders (Rs. 19.50 per tonne for 1988-89 and Rs. 24 for 1989-90 with shortage exceeding 4 per cent on contractor account) was indicative of the fact that rates of Rs. 32 per tonne against limited quotations were accepted without due regard to prevailing market rate in the district. The extra expenditure incurred by the Company on 13026 tonne coal transported by the contractor as compared to subsequent lower rate of open tender at Rs. 19.50 per tonne amounted to Rs. 1.63 lakhs.

(ii) Non-finalisation of tender within validity period

In August 1991, Area Manager, Agra floated open tender for transportation of coal from railway siding Firozabad to its depot. The offers were to remain valid for four months from the date of opening in August 1991. In response, two offers were received and the lowest valid tenderer M/s. New Tiger Road Lines, Firozabad offered rate of Rs. 38 per tonne for all operations. No decision was taken within the validity period of the tender and the offers expired in December 1991. In view of refusal of the first lowest firm to extend validity of their offer, the Regional Office executed an agreement in January 1992 with the second lowest tenderer M/s. Shanker Road Lines of Ferozabad at their offered rate of Rs. 68 per tonne without carrying out any negotiation with them. The contractor transported only 2360 tonnes and left 4509 tonnes which was got transported during August-October 1992 through another contractor at Rs. 65.80 per tonne.

The Company thus incurred extra expenditure of Rs. 1.96 lakhs.

2.A.8.4.3. Avoidable expenditure on diversion of rake

The coal rakes allotted to a depot could be diverted to another depot on the request of the Company to D.I before the rakes are passed by the Railways for movement. Against allotment for Kanpur depot, one rake of 46 wagons carrying 2694.80 tonnes coal moved on October 1992 from Giddi Colliery to Juhi railway siding Kanpur. Due to dispute over shortage in previous rake with the handling contractor and High Court order dated 18th September 1992 directing the Company to get the work of handling done through the same contractor, the Company did not want to receive the rake at Kanpur and approached the Railways in October 1992 through Director of Industries for diversion of rake to Bareilly. As the rake had already moved, the Railways did not accept the request and on receipt of rake at Kanpur in October 1992, the rake had to be rebooked by the Company involving extra expenditure of freight amounting to Rs. 1.66 lakhs as compared to freight applicable in case of direct despatch from colliery to Bareilly which could have been avoided by timely approaching the Railways for diversion after High Court order.

2.A.8.4.4. Avoidable expenditure

In January 1992, the Ferozabad depot procured 2361 tonnes coal. The entire quantity had to be disposed off as open sale due to lack of demand of coal from the SSI units. The disposal of coal was made within a period of five months, mainly to government undertakings. Ignoring the lack of demand from SSI units, the Company further procured 4567 tonnes coal in two rakes during the months of August and October 1992. Successive arrival of coal in the depot having limited storage capacity for rake resulted in avoidable extra expenditure of Rs. 5.25 lakhs as detailed below:

(a) The depot had to hire 20640 sq.ft. additional land on monthly rent of Rs. 10320 in a nearby area for storage of coal received in October 1992. The expenditure incurred on this account during the period from October 1992 to December 1993 aggregated to Rs. 1.55 lakhs.

(b) The depot had to engage 35 to 39 security guards for watch and ward of coal lying along the road-side for want of space and that lying in the hired premises. The expenditure incurred on this account during the period from October 1992 to December 1993 amounted to Rs. 3.70 lakhs.

The Company is procuring coal against cash credit sanctioned by SIDBI at interest rate of 18.54 per cent per annum. While fixing sale price of coal interest for 30 days only is taken into account. Loss of interest for a period ranging up to 422 days beyond 30 days on value of coal remaining unsold up to December 1993 worked out to Rs. 12.25 lakhs and was not recoverable from SSI units under Coal Control Order.

Thus procurement of coal without considering the lack of demand from SSI units resulted in extra expenditure of Rs. 17.50 lakhs.

2.A.9. Marketing Assistance scheme

2.A.9.1. The Company in 1971-72 sponsored a Marketing Assistance Scheme to promote marketing of the products of SSI units registered with the Company under the scheme. The Company, in lieu was entitled to service charges of 2 to 5 *per cent* on the value of orders executed.

The Board of Directors of the Company in their 146th meeting held in 1988 desired that complete analytical information showing target and achievement, number of applications received for registration, cases sanctioned, cases pending with reasons should positively be reported to the Board but no such information was ever furnished to the Board. Besides, the Company had no records to indicate product-wise registration of units. The Company could register only 72 to 186 units during last five years up to 1992-93 but it had no system to monitor progress and existence of the units in each years.

2.A.9.2. Unrealised service charges

According to the conditions of contracts executed with the SSI units by the Cor pany, the SSI units on whom the orders were placed by the Company were required to execute the orders and despatch the goods to indenting departments. The payment received by the Company was to be remitted to SSI units after deducting the service charges as applicable from time to time.

It was, however noticed that during 1990-91 and 1991-92 against Rs. 20.25 lakhs of service charges due, the company could realise Rs. 9.44 lakhs only from SSI units and the balance of Rs. 10.81 lakhs was outstanding against the units so far (January 1994). Unit-wise details of outstanding were also not available.

In reply the Management stated (August 1994) that the reconciliation of pending service charges was under progress.

2.A.10. Commercial schemes

2.A.10.1 Under commercial schemes, the Company was running Chinhat Potteries at Lucknow and Wood Seasoning Plant at Allahabad. Performance of these units is discussed below:-

2.A.10.2. Chinhat Potteries

2.A.10.2.1. The Chinhat potteries had been transferred to Company in September 1970 by State Government for running on commercial basis. It had five kilns for manufacturing of crockery wares, ceramic toys and decorative ceramic items, out of which only one kiln was in operation since last five years due to low demand as its items are thick and of old designs. Although the Company spent Rs. 27 lakhs during the year 1988-89 and 1989-90 on repair and alteration of factory building (Rs. 20 lakhs) and on modernisation of plant & machinery (Rs. 7 lakhs) to make the unit viable but the Company could not create the demand for its items due to poor quality and old designs.

The capacity utilisation of the single kiln unit ranged between 14 and 22 *per cent* of the installed capacity during the five years up to 1992-93.

In reply the Management stated in May 1994 that for making the unit viable the modernisation cost actually required was very high. The reply was not tenable as neither any detailed proposal of its modernisation had been prepared nor any effort was made to create the demand of items by way of advertisement, display and appointment of selling agents in the state.

2.A.10.2.2. Product yield and wastages

Grade-wise production in kiln unit is not reviewed in respect of each loaded shift to control the quantity of production and wastages. The Management during 1989-90 prescribed yield of 1st grade between 80 to 95 *per cent*, second grade at 5 to 10 *per cent* and wastage at 2 *per cent*.

On account of poor yield under grade I which ranged from 61 to 74 *per cent* during the five years up to 1992-93 and abnormal high wastage which ranged up to 5 per cent of production, the Company suffered losses aggregating Rs. 3.70 lakhs.

In reply the Management stated (May 1994) that the norms were to maintain pressure on the workmen to work cautiously and in view of poor quality of coal and old design of kilns the production of 1st grade and second grade is really not bad.

The reply was not tenable as the norms were fixed by the Company itself and no action had been taken against the officer concerned for purchase of poor quality of coal.

2.A.10.3. Wood seasoning plant

The unit had installed capacity to season 1200 sq.ft. wood per cycle of 18 to 20 days depending upon thickness of wood. As against this the unit had worked for 5 to 12 cycles yearly in one out of three chambers only. Due to poor capacity utilisation the unit incurred losses during four years up to 1991-92 as per details given below:

	1988-89	1989-90	1990-91	1991-92
		(Rupees in lakhs)		
(i) Income	12.87	16.14	10.84	11.34
(ii) Expenditure				
manufacturing	8.09	8.49	4.24	6.72
overheads	6.29	7.83	5.88	6.94
Total	14.38	16.32	10.12	13.66
(iii) Profit (+)/ Loss (-)	(-) 1.51	(-) 0.18	(+) 0.72	(-) 2.32

Examination of records revealed that the sale of the unit was confined to Government departments/undertakings only from whom orders were secured by the Factory Manager. The Company had not made marketing arrangements by appointing dealers/wholesalers for promoting sale of its product.

2.A.11. Package assistance scheme

2.A.11.1. With a view to creating self employment opportunities for educated unemployed, the Company started in 1972-73, a scheme of package assistance under which developed industrial plots and sheds were provided by the Company to entrepreneurs in the industrial estates. Besides, the Company was to assist entrepreneurs in product identification, arrangement of finance to meet project cost and working capital. Accordingly, the Company developed four ancillary estates at a cost of Rs. 109.35 lakhs and three industrial estates in different districts at a cost of Rs. 100.98 lakhs during the period 1973-74 to 1976-77. For implementation of the project, the Government released Rs. 33.52 lakhs as grant and Rs. 54.32 lakhs as loan and the balance cost of Rs. 122.49 lakhs was met by the Company from own resources. The cost of land and sheds was recoverable from the allotees out of term loans sanctioned by banks to them.

2.A.11.2. Non-maintenance of accounts records

The Company had not maintained accounts of the scheme showing year wise income and expenditure under various heads alongwith position of dues recoverable against the scheme since inception. No details were available to indicate margin money loans disbursed to loanees and amount recovered there-against. Inspite of directions given by the shareholders in a meeting held during August 1993 for completion of the accounts of the scheme on priority basis, the Company has not completed them so far (July 1994).

2.A.11.3. Allotment and recovery of dues

Out of 118 plots developed by the Company in various districts at total cost of Rs. 210.23 lakhs, ten plots at Barabanki valuing Rs. 18 lakhs remained unalloted for lack of demand for over 20 years of development, whereas 28 units to whom plots were allotted remained closed and 27 units had became sick till 31st December 1993. The reasons for such heavy closure/sickness of the assisted units were not analysed by the Management to determine the defects in implementation of the scheme. It was noticed in audit that dues of the Company remained blocked to the extent of Rs. 38.71 lakhs against 16 units of Mathura, Rs. 8.16 lakhs against 6 units of Jhansi and Rs. 13.15 lakhs against 14 units of Raibareilly. Details in respect of dues of remaining units were not available.

2.A.11.4. Avoidable payment of interest

(a) The Company obtained a bridging loan of Rs. 26 lakhs in 1974 from State Bank of India (SBI), Haridwar for development of land and construction of sheds in the ancillary estate of BHEL, Haridwar which was secured by equitable mortgage over the land and construction thereon. The bridging loan was to be converted into term loan in favour of individual entrepreneur by the Bank after allotment of land and shed by the Company and was covered by promissiorary note from the Company as to repayment in the case of default in repayment of bank overdues by entrepreneurs. In this connection following points were noticed in Audit:-

(i) Rs. 8.40 lakhs representing cost of a transformer purchased out of bridging loan of Rs. 26 lakhs, was not allocated to the cost of land and sheds allotted to units and therefore, the amount could not be converted into term loan and remained unrecovered from entrepreneurs.

(ii) The units failed to liquidate the dues of the bank including interest and the Company became liable towards bank for defaulted amount of units. The Board of Directors of the Company who considered the matter in May 1990 directed the company to pay the dues of the Bank. The dues accumulated to Rs. 94.34 lakhs. The Company made payments aggregating Rs. 94.34 lakhs (principal: Rs. 26 lakhs and interest: Rs. 68.34 lakhs) to the Bank during August - September 1990 against which it could realise only Rs. 44.65 lakhs from the units till March 1994. The Company had not worked out position of outstanding dues against each of the defaulting unit for effecting recovery of the balance of Rs. 49.69 lakhs paid by it to the bank.

(b) Similarly, the Company obtained two bridging loans of Rs. 31.50 lakhs each in 1973-74 from Indian Overseas Bank (IOB) and Bank of Baroda (BOB) for development of land and construction of sheds in ancillary estate of Scooter India Limited (SIL), Lucknow.

As a result of non-conversion of bridging loan into term loan in favour of entrepreneurs, the Company had to incur interest liability of Rs. 5.18 crores up to December 1989 chances of recovery of which in full from the entrepreneurs were remote. In order to liquidate the dues, the Board decided to take possession of 16 closed units and also to dispose surplus land of 13 areas having realisable value of Rs. 34 lakhs. However, no action had been taken by the Management in this regard so far (July 1994).

2.A.11.5. Undue favour in settlement of overdues

The Company in September 1983 allotted a shed in Mathura complex to M/s. Quality Steel Products for Rs. 3.48 lakhs. The unit was required to make 25 per cent payment of cost after possession of land and balance 75 per cent within three months failing which interest at prevailing rate was leviable. The possession of the shed was given to the unit in September 1983 on deposit of Rs. 0.60 lakh only against Rs. 0.87 lakh required. The balance of Rs. 0.27 lakh was deposited in January 1984. The unit failed to deposit balance cost of Rs. 2.61 lakhs and consequently overdues against the unit alongwith interest amounted to Rs. 17.71 lakhs as on 31 March 1993. As a final settlement of Company's dues of Rs. 17.71 lakhs the unit paid Rs. 3 lakhs in September 1993.

Circumstances necessitating waival of Rs. 14.71 lakhs representing interest levied in accordance with the provisions of allotment order were not intimated though asked for from the Company (February 1994).

2.A.12. Sundry debtors

As on 31 March 1992, the Company's debtors amounted to Rs. 416.52 lakhs which included Rs. 414.54 lakhs outstanding for a period exceeding six months. The debts exceeding six months, mainly, pertained to closed schemes as per details given below:

	Year of closure	Dues outstanding (Rupees in lakhs)
Hire Purchase Scheme	1982-83	135.53
Woolen Yarn Scheme	1981=82	131.93
Sports Goods Factory, Dehradun	1977-78	4.41
Woolen Seasoning Plants, Bareilly	1977-78	2.69
Wootwear Unit, Agra	1974-75	1.48
Electroplating Plant, Kanpur	1976-77	1.03
IUCD Factory, Kanpur	1990-91	4.36
	Total	280.43

Inspite of closure of schemes long back, the Company had not been able to recover dues from the parties. Whereas, the dues of the Hire Purchase Scheme and woolen yarn scheme could not be recovered due to pending court cases against recovery certificates issued by the Company, the dues from other closed units of the Company were not pursued and the entire amount remained unrecovered. In reply the Management stated (August 1994) that efforts are being made to recover the dues.

2.A.13. Internal audit

The Company created an internal audit cell in November 1976 consisting of an Internal Audit Officer and two auditors for conducting audit of raw materials depots only. The internal audit cell was in operation up to 1978-79. In July 1992 the Company appointed two firms of Chartered Accountants of Kanpur and Lucknow respectively as internal auditors for conducting audit of Head Office, Area Offices and depots at a fees of Rs. 25000 each besides travelling expenses.

According to terms of the appointment, the auditors were required to conduct audit in depth and to make specific observation in their reports. A scrutiny of audit reports submitted by the auditors revealed that there was no important point except general observations.

SECTION-2B

UTTAR PRADESH STATE TEXTILE CORPORATION LIMITED

HIGHLIGHTS

The Uttar Pradesh State Textile Corporation Limited (U.P.S.T.C.) was incorporated in December 1969 for production and sale of yarn (cotton staple and polyester) with a view to mitigating the scarcity thereof in decentralised handloom and power loom sectors. The accmulated loss of the Company as on 31st March 1993 was Rs. 55.02 crores.

There was a cost overrun of Rs. 78 lakhs and time overrun of 5 years in executing modernisation cum diversification scheme.

The capacity utilisation during 1991-92 and 1992-93 was less than the targetted capacity resulting in loss of production of 58.07 lakhs kg of yarn valued at Rs. 2994.55 lakhs.

Actual yarn realisation was below the norms prescribed for different counts of yarn mainly due to higher wastage owing to use of cotton having high trash and dirt content. The value of excess wastages on this account amounted to Rs. 1798.81 lakhs.

The Company could not maintain the cotton mixing proportion owing to non-availability of requisite quality in time and had to use superior quality of cotton for spinning yarn of lower counts resulting in additional expenditure of Rs. 431.91 lakhs indicating lack of co-ordination between procurement and production functions.

Stores expenses exceeded the ceiling prescribed resulting in excess consumption of stores valued at Rs. 573.15 lakhs during the 5 years ended 31st March 1993.

On sale of yarn below cost of sales in respect of eight counts of yarn during the year 1991-92 and 1992-93 the Company suffered a loss of Rs. 632.21 lakhs.

Due to excess engagement of workers than the norms the Company paid additional wages of Rs. 2321 lakhs during 5 years up to 1992-93.

2.B.1. Introduction

The Uttar Pradesh State Textile Corporation Limited (UPSTC), a Government Company was incorporated as a private limited company on 2nd December 1969 with a view to overcome the scarcity of yarn. To avail the facility of raising funds by floating bonds and debentures, the Company was converted into a public limited Company on 24th December 1973.

2.B.2. Objectives

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

Company, however, confined to production and sale of cotton, staple and polyester yarn.

2.B.3. Organisational set up

The Management of the Company is vested in a Board of Directors consisting of 10 directors including Chairman, Managing Director, Joint Managing Director and 3 directors all nominated by the State Government, 3 directors nominated by the Financial Institutions and 1 Director from Northern India Textile Research Association (NITRA). The Managing Director is assisted by a Joint Managing Director and other departmental heads and 5 Chief Executives looking after its mills located at Jhansi, Sandila, Meerut, Kashipur and Jaspur.

2.B.4. Scope of audit

The working of the Company was last reviewed in the report of the Comptroller and Auditor General of India for the year 1977-78 (Commercial). This report was considered by the Committee on Public Undertakings on 9th February 1984 which interalia recommended to improve the working so as to undertake more social obligation and to improve financial position. The Government and the Company are yet to take action on the recommendations of the committee. The present review conducted by audit from September 1993 to June 1994 covers the operation of the Company for the period from 1988-89 to 1992-93.

2.B.5. Financial Position and Working Results

2.B.5.1. The financial position of the Company at the end of 5 years up to 1992-93 is given on the next page:

Particulars	1988-89	1989-90	1990-91	1991-92	1992-93
	(	Rupees	in	lakhs	)
(1)	(2)	(3)	(4)	(5)	(6)
1. Liabilities					
(a) Paid-up capital (including Equity Share Capital)	10471.60	11304.25	11637.37	11637.37	14728.37
(b) Reserve and surplus	1147.69	1205.27	275.00	250.35	250.35
(c) Borrowings	4913.46	4872.79	5761.74	5984.89	7489.66
(d) Trade dues and other current liabilities	1538.35	1809.29	2463.74	4072.73	3671.62
Total	18071.10	19191.60	20137.85	21945.34	26140.00
2. Assets					
(a) Gross Block	6698.38	7110.95	7301.65	7746.27	7893.67
Less: Depreciation	4742.92	5098.26	5410.27	5769.97	6122.62
(b) Net Fixed Assets	1955.46	2012.69	1891.38	1976.30	1771.05
(c) Capital work-in-progress	87.90	89.97	273.13	499.44	714.95
(d) Investment	6421.22	6879.22	7381.13	7381.13	7381.13
(e) Current assets, loans and advances	4399.95	5449.35	7345.59	7634.55	10763.54
(f) Misc. Expenses	2.55	1.50	1.80	1.20	6.68
(g) Accumulated losses	5204.02	4758.87	3244.82	4452.72	5502.65
Total	18071.10	19191.60	20137.85	21945.34	26140.00
3. Capital employed*	5018.43	5925.77	7135.46	6085.74	9626.64
4. Net worth**	6412.72	7749.15	8665.75	7433.80	9469.39

2.B.5.2. The working results of the Company for the 5 years up to 1992-93 are summarised on the next page:

* Capital employed represents net fixed assets plus working capital

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

Particulars	1988-89	1989-90	1990-91	1991-92	1992-93
	(	Rupees	in	lakhs	)
(1)	(2)	(3)	(4)	(5)	(6)
A. Income					
Sales	12851.91	13480.23	14486.73	17031.83	15634.41
Less(-)/Add(+) Stock adjustment	(-)484.20	(+)682.40	(+)975.74	(-)350.93	(+)476.67
Other income	176.55	199.22	344.83	577.94	498.04
Total (A)	12544.26	14361.85	15807.30	17258.84	16609.12
B. Expenses					
Consumption of materials	9770.81	10210.85	11077.35	13393.78	12536.28
Excise Duty	197.75	190.08	290.49	373.75	625.25
Personnel expenses	1642.69	1922.16	2259.58	2404.50	2314.69
Administrative and selling expenses	392.19	426.03	452.71	539.65	582.42
Interest	656.81	691.56	727.13	1344.27	1167.88
Depreciation	353.05	381.62	383.37	363.73	373.24
Provision and write-off	2.62	1.15	64.30	0.67	3.91
Total (B)	13015.92	13823.45	15254.93	18420.35	17603.67
C. Working Profit(+)/ Loss (-)	(-)471.66	(+)538.40	(+)552.37	(-)1161.51	(-)994.55
D. Investment Allowance Reserve	(-)51.96	(-)57.58	(+)930.27	(+)24.65	--
E. Prior period Adjustment	(-)212.07	(-)35.71	(+)30.91	(-)72.60	(-)59.18
F. Others	(+)0.57	0.04	(+)0.50	(+)1.56	(+)3.80
G. Net Profit(+)/ Loss(-)	(-)735.12	(+)445.15	(+)1514.05	(-)1207.90	(-)1049.93

In this connection, following points were noticed:

(i) Main reasons for losses as noticed in audit were high expenditure on establishment, under-utilisation of installed capacity, purchase of cotton at higher rates and mixing of superior quality cotton in production of low count yarn.

(ii) The losses as pointed out would increase further due to non-provision of Rs. 7373.75 lakhs for shortfall in value of shares held in the subsidiary companies and cooperative spinning mills.

The Management has stated (October 1994) that a provision for Rs. 11373 lakhs has been made by creating Revaluation Reserves in 1993-94.

2.B.5.3. Funding

The authorised capital of the Company stood at Rs. 12000 lakhs at the end of 31st March 1993 against which paid-up capital was Rs. 11587.37 lakhs.

Government loan of Rs. 2910.61 lakhs and Institutional Bank loans of Rs. 5164.66 lakhs were outstanding as on 31st March 1993.

In this connection, the following points were noticed.

(i) The Company got interest free loan of Rs. 2050 lakhs between November 1992 and January 1993 from the State Government for purchase of cotton by the Company (Rs. 1150 lakhs) and its subsidiaries (Rs. 900 lakhs). Repayment of loan was to be made in three equal half yearly instalments within a period of two years commencing after one year of drawl of the loan. Though the principal (Rs. 84 lakhs out of loan of Rs. 2050 lakhs) had become due in November 1993, yet no repayment was made by the Company due to its poor financial position. The Company requested (February 1994) the State Government for conversion of loan into equity. Response of State Government to Company's request was awaited (October 1994).

(ii) Term loan of Rs. 3592.24 lakhs were availed by the Company from financial institutions (IFCI, IDBI, LIC and IRBI) during 1976-77 to 1988-89 for expansion, modernisation and diversification of its existing units. The Company could not repay instalments falling due in January 1992 to March 1993 aggregating Rs. 875 lakhs (principal Rs. 423.90 lakhs and interest Rs. 451.10 lakhs) and therefore it had to pay liquidated damages at the rate of 2 per cent per annum on the amount in default which worked out to Rs. 11.03 lakhs.

2.B.6. Audit assessment regarding overall performance of the Company

The Company is engaged in the production and sale of Cotton, staple and polyester yarn through its mills at Jhansi, Sandila, Meerut, Kashipur and Jaspur.

The Company undertook modernisation-cum-diversification scheme for its four mills (excepting Kashipur mill) which could be completed with a time overrun of five years apart from cost overrun. The time overrun was mainly due to delayed release of funds by State Government and financial institutions and delay in supply of machinery by the suppliers.

The audit scrutiny further revealed that the Company has not been faring well in most of its activities due to one or more of the following reasons:

- The capacity utilisation was less than the targetted capacity resulting in under production of yarn which was mainly due to shortage of cotton during 1991-92 and 1992-93.

- There was excess wastage of yarn compared to the norm fixed by the management due to use of cotton having high trash and dirt.

- For lack of co-ordination between procurement and production function the Company could not maintain the norms of cotton mixing and had to use superior quality cotton for spinning yarn of lower counts for which inferior quality of cotton could have been used.

- The expenses on stores viz spares, bearing and packing materials exceeded ceiling fixed by the management.

- The Company was selling yarn of different counts below the cost of sales.

- The number of workers engaged by the Company in all the five mills were in excess of norms recommended by ATIRA. The number of excess workers ranged between 39 (Meerut: 1991-92) and 1168 (Jhansi: 1989-90). This resulted into payment of huge additional wages.

The above findings of audit are discussed in detail in paras 2B.7 to 2B.11.

2.B.7. Modernisation cum Diversification

To keep pace with the fast changing technology in textile sector and also to achieve diversification of activities by producing industrial, hosiery and blended yarn, the Company prepared a "modernisation-cum diversification scheme" (December 1985) for their 4 mills. The scheme envisaged an outlay of Rs. 1936 lakhs which was approved by Industrial Finance Corporation of India (IFCI) in May 1987. The scheme was to be completed by March 1989. The project cost was to be met out of share capital (Rs. 976.28 lakhs), loan from financial institutions (Rs. 900 lakhs) and miscellaneous receipts (Rs. 59.72 lakhs).

The table below indicates millwise details of project cost vis-a-vis actual expenditure (up to March 1994) in various works:

(Rupees in lakhs)

Particulars	Jhansi		Sandila		Meerut		Kashipur		Total	
	Project cost	Expenditure incurred	Project cost	Expenditure incurred	Project cost	Expenditure incurred	Project cost	Expenditure incurred	Project cost	Expenditure incurred
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1. Building cost	2.44	4.89	10.60	15.66	7.27	18.44	8.16	5.85	28.47	44.84
2. Plant and Machinery	353.82	320.75	409.35	569.07	351.73	325.53	266.62	259.31	1381.52	1474.66
3. Misc. Fixed Assets	59.05	42.82	54.65	34.07	55.65	19.42	54.86	45.07	224.21	141.38
4. Contingency @ 5%	19.69	--	23.88	--	20.98	--	16.35	--	80.90	--

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
5. Margin Money for working capital	41.00	41.00	63.52	63.52	70.37	70.37	46.01	46.01	220.90	220.90
6. Expenditure yet to be incurred	–	77.31	–	2.43	–	59.33	–	43.11	–	182.18
Total	476.00	486.77	562.00	684.75	506.00	493.09	392.00	399.35	1936.00	2063.96

The Company informed (October 1994) that the scheme has been completed in September 1994 at total cost of Rs. 2014 lakhs. There was thus cost overrun of Rs. 78 lakhs which was 4.3 *per cent* of estimated cost and time overrun of 5 years. The Company attributed (October 1994) time overrun to delayed supply of funds by State Government and financial institution apart from delay in supply of machinery by suppliers due to closure of factory and other force majure conditions.

The Company, thus, could not undertake product diversification in earlier years.

2.B.8. Production Performance

2.B.8.1. Capacity Utilisation

The millwise details of number of spindles installed, spindle shifts available and worked and capacity utilisation during the 5 years ending on 31st March 1993 are given in the table below:

Particulars	1988-89	1989-90	1990-91	1991-92	1992-93
(1)	(2)	(3)	(4)	(5)	(6)
Kashipur					
a) Spindles installed (Numbers)	50168	50168	50168	50168	50168
b) Spindle shifts available (in lakhs)	538.80	537.30	537.30	538.80	537.30
c) Spindle shifts worked (in lakhs)	499.05	492.32	497.83	434.91	436.40
d) Spindle utilisation (percentage)	92.62	91.63	92.65	80.72	81.22
e) Targetted utilisation (percentage)	85.00	85.00	88.00	86.00	90.00
Meerut					
a) Spindles installed (Numbers)	50168	50168	50168	50168	50168
b) Spindle shifts available (in lakhs)	537.30	538.30	537.30	538.80	537.30
c) Spindle shifts worked (in lakhs)	497.28	497.50	492.26	477.36	434.55

(1)	(2)	(3)	(4)	(5)	(6)
d) Spindle utilisation (percentage)	92.55	92.42	91.62	88.60	80.88
e) Targetted utilisation (percentage)	85.00	85.00	88.00	88.00	90.00
Sandila					
a) Spindles installed (Numbers)	50168	50168	50168	50168	50168
b) Spindle shifts available (in lakhs)	537.30	537.30	537.30	538.80	535.79
c) Spindle shifts worked (in lakhs)	497.87	499.19	500.02	443.73	421.37
d) Spindle utilisation (percentage)	92.66	92.90	93.06	82.36	78.64
e) Targetted utilisation (percentage)	85.00	85.00	88.00	88.00	90.00
Jhansi					
a) Spindles installed (Numbers)	50168	50168	50168	50168	50168
b) Spindle shifts available (in lakhs)	537.30	537.30	537.30	538.80	537.30
c) Spindle shifts worked (in lakhs)	479.60	495.23	492.28	422.31	402.99
d) Spindle utilisation (percentage)	89.26	92.17	91.62	78.38	75.00
e) Targetted utilisation (percentage)	85.00	85.00	88.00	88.00	90.00
Jaspur					
a) Spindles installed (Numbers)	25088	25088	25088	25088	25088
b) Spindle shifts available (in lakhs)	268.69	268.69	268.69	269.45	268.69
c) Spindle shifts worked (in lakhs)	215.35	125.83	251.70	231.89	230.25
d) Spindle utilisation (percentage)	80.15	46.83	93.67	86.06	85.69
e) Targetted utilisation (percentage)	85.00	85.00	88.00	88.00	90.00

The reasons for low capacity utilisation as analysed by the Company during 1988-89 to 1992-93 are detailed below:

Reasons	Kashipur	Meerut	Sandila	Jhansi	Jaspur
	(	Range of	stoppage in	per cent	)
Repairs and Maintenance	2.5-4.6	3.0-5.0	3.3-4.5	2.8-5.7	1.4-4.1
Shortage of workers	0.1-0.2	0.0-0.6	0.1-0.6	0.1-1.0	0.3-4.0
Shortage of raw materials and other causes	0.7-13.6	0.1-10.5	0.1-12.9	0.1-19.5	0.1-8.3

It would be seen from above that against targetted capacity utilisation of 88 and 90 per cent during 1991-92 and 1992-93, the actual spindle capacity utilisation was far less than targetted during these years which resulted in loss of production of 58.07 lakh Kgs of yarn valuing Rs. 2994.55 lakhs during these 2 years.

2.B.8.2. Yarn realisation and wastage

The norm of wastage as fixed by the management for different counts ranged between 4 and 20 per cent.

Test check of records revealed that actual yarn realisation was below the norms prescribed for different counts of yarn mainly due to higher wastage of cotton caused owing to use of cotton having high trash and dirt content. The actual wastage for different counts ranged between 7.62 and 32.85 per cent. The table below indicates millwise position of excess over permissible wastage during the 5 years up to 1992-93:

Year	Kashipur		Meerut		Sandila		Jhansi		Jaspur	
	Permissible wastage	Excess over permissible wastage	Permissible wastage	Excess over permissible wastage	Permissible wastage	Excess over permissible wastage	Permissible wastage	Excess over permissible wastage	Permissible wastage	Excess over permissible wastage
		(	In		lakh		Kgs.		)	
1988-89	18.44	2.49	14.11	4.92	17.13	4.54	14.67	5.22	6.57	3.14
1989-90	18.50	4.78	13.41	4.09	16.95	4.76	17.11	4.51	6.13	1.34
1990-91	16.18	4.95	10.60	3.05	18.18	3.93	17.10	5.47	11.12	2.78
1991-92	12.37	3.82	8.64	3.40	15.26	2.15	12.59	4.89	8.92	1.82
1992-93	9.71	2.77	6.87	1.79	8.31	0.91	11.81	2.47	7.08	0.41
Total		18.81		17.25		16.29		22.56		9.49

The value of excess wastage aggregating 84.40 lakh Kgs. amounted to Rs. 1798.81 lakhs at average procurement cost of respective years.

No remedial action was initiated by the management (October 1994) to contain such high wastage.

2.B.8.3. Procurement and utilisation of cotton

2.B.8.3.1. Utilisation of superior quality cotton

In order to keep the cost of cotton mix at the minimum, different varieties of cotton are mixed in a certain proportion taking into consideration the varieties of cotton in hand and their availability in the market. On comparison of actual cotton mixing ratio with the norms fixed, it was found that a total additional expenditure of Rs. 431.91 lakhs during the period 1989-90 to 1992-93 was incurred due to utilisation of superior quality cotton for production of lower counts of yarn.

In reply, the management stated (May 1994) that due to shortage, cotton of superior quality was used in lower count of yarn. The reply is not acceptable as it is indicative of lack of proper coordination between purchase and production departments.

2.B.8.3.2. Purchase of cotton

Cotton is procured from Public/Co-operative Institutions and also from private registered cotton dealers located in/outside the State by a Centralised Cotton Purchase Committee (CCPC) constituted by the Board for Purchase of the Cotton. While cotton from Public/Co-operative Institutions is purchased by the committee after spot verification of quality and rates, purchases from registered cotton dealers are made on the basis of samples of cotton furnished by them along with their offer without any procedure of inviting quotations.

During 1990-91 and 1992-93, purchases were made from private parties. It was noticed in audit that purchases were made at higher rates than the prevalent market rates as indicated in the Cotton Bulletins resulting in extra expenditure of Rs. 13.95 lakhs in purchase of 20361 bales of cotton.

2.B.8.3.3. Carrying/Interest charges

Public/Co-operative Institutions selling cotton provide credit facilities for a period ranging from 30 to 40 days from the date of lifting of cotton. The credit carries interest of 18.75 and 21 per cent per annum. In case of non lifting of cotton within the scheduled period, the suppliers levy carrying charges at the rates ranging between 2 and 3 per cent per month on the value of stocks unlifted from expiry of scheduled date till the actual date of lifting.

The Company placed orders for the supply of cotton without considering its financial resources which resulted in delays in lifting the cotton and in making payment to cotton suppliers. Consequently Company had to pay carrying charges amounting to Rs. 293.61 lakhs and interest charges amounting to Rs. 630.87 lakhs during five years ending March 1993. The Management stated (February 1994) that the Company was suffering from cash deficit and the cotton had been procured from whatever sources of funds available. The Company could have avoided/minimised the losses by proper cash management.

2.B.8.3.4. Undue benefit to transporters

From July 1989, the freight rates were increased due to reduced load carrying capacity owing to enforcement of amended provisions of U.P. Motor Vehicle Act 1988 w.e.f. July 1988. In November 1991, seven transporters who were awarded contracts for transportation of cotton from 8 cotton growing states to its 5 mills for the period from April 1991 to March 1992 at firm rates again sought increase of 30 to 40 per cent over the contracted rates on the grounds that their trucks would carry lesser quantity in view of reduced carrying capacity of trucks. Notwithstanding the contractual provisions, the Company granted increase in rates ranging between 17 and 27 per cent which resulted in extra expenditure of Rs. 13.28 lakhs.

Analysis of the prevailing market rates were not made to ensure the reasonability of increase. This was evident from the fact that the rates so allowed from November 1991 were found to be higher by 15.28 per cent with reference to the rates finalised subsequently in August 1992 for the year 1992-93.

2.B.9. Inventory Control.

2.B.9.1. Stores Purchase

The table below indicates the comparative position of inventory at the close of last 5 years up to 1992-93:

Particulars	1988-89	1989-90	1990-91	1991-92	1992-93
	(	Rupees	in	lakhs	)
Raw materials (including in transit)	1176.86	771.48	858.01	1013.31	781.84
Stores and spare parts (including in transit)	205.03	216.08	237.09	202.47	170.02
Finished stock of yarn (including cotton waste)	524.76	1219.54	2183.97	1777.12	2226.64
Work-in-progress	131.82	119.44	130.75	186.67	213.82
Total	**2038.47**	**2326.54**	**3409.82**	**3179.57**	**3392.32**

The closing stock of stores and spare parts was equivalent to 5.8, 4.8, 4.4, 3.4 and 3.4 months' consumption during the five years up to 1992-93, against 3 months consumption as provided in Stores Purchase Procedure Manual. Holding of inventory in excess of norms resulted in blockade of funds to the tune of Rs. 298.71 lakhs and burden of interest at the rate of 18 per cent per annum amounting to Rs. 53.77 lakhs.

Management attributed (October 1994) location of its units in remote areas as main reason for holding excess inventory. The reply is not tenable as all the units are connected with rail heads and road network.

2.B.9.2. Excess consumption of stores.

9.2.1. The Joint Managing Committee fixed the norm of 10 paise per spindle shift as store expenses, viz. expenses on spare, bearings and packing material etc. for the years 1988-89, 1989-90 and 1990-91 and 14 paise for the years 1991-92 and 1992-93 for the mills excepting Sandila Mill where the norm was 11 paise for the period 1988-89 to 1990-91 and 18 paise for the period 1991-92 to 1992-93. It was noticed that stores expenses exceeded the ceiling prescribed by the Management by 1 to 16 paise per spindle shift resulting in excess consumption of stores valued at Rs. 573.15 lakhs during the 5 years ended 31st March 1993 as would be seen from table, compiled by the audit, given on the next page:

Year	Jhansi		Sandila		Meerut		Kahsipur		Jaspur	
	Expenditure as per norms	Actual expenditure	Expenditure as per norms	Actual expenditure	Expenditure as per norms	Actual expenditure	Expenditure as per norms	Actual expenditure	Expenditure as per norms	Actual expenditure
	(		Rupees		in		lakhs	)		
1988-89	47.96	77.42 (16)*	54.77	63.84 (13)	49.73	51.88 (10)	49.91	52.93 (11)	21.54	24.57 (11)
1989-90	49.52	69.65 (14)	54.91	80.58 (16)	49.75	63.61 (13)	49.23	70.25 (14)	12.58	26.51 (21)
1990-91	49.23	78.40 (16)	55.00	91.93 (18)	49.23	77.84 (16)	49.78	87.19 (18)	25.17	49.42 (20)
1991-92	59.12	86.08 (20)	79.87	106.09 (24)	66.83	99.82 (21)	60.89	101.44 (23)	32.46	59.75 (26)
1992-93	56.42	80.98 (20)	75.85	91.99 (22)	60.84	100.37 (23)	61.10	91.74 (21)	32.24	42.80 (19)

Reasons for excess expenditure compared to the norms as analysed by the audit were that the consumption of bearings was much in excess of norms resulting into extra expenditure of Rs. 25.80 lakhs during 1990-91 to 1993-94.

Besides, consumption of packing material far exceeded the norms fixed by the Company resulting in extra expenditure of Rs. 5.30 lakhs during five years up to March 1993 mainly due to excess consumption of hession cloth in packing yarn for export purpose.

According to Stores Purchase Procedure Manual, the Manager (Technical) was required to analyse consumption of stores and submit consumption variance report to the higher management. No such analysis/report was prepared in the absence of which Management was not informed of excess consumption of store at regular intervals.

2.B.10. Sale Performance.

2.B.10.1. Pricing policy.

Till April 1992 prices for domestic sale were fixed for all the mills (under the Company) and its subsidiaries and Cooperative Spinning Mill Federation by Joint Yarn Sales Committee (J.Y.S.C.) of the Company. In May 1992 the Company introduced decentralised system of marketing of yarn thereby permitting respective Managing Directors of the companies to fix sale price of yarn of their mills. It is fixed on the basis of rates of yarn in the market as obtained through yarn bulletins and also on telephone by surveys in the local market. Although the Company is having costing system, the sale prices of yarn is not fixed on the basis of cost of yarn sold. Export sale is done centrally under the charge of Joint M.D., who decides upon offers received from foreign buyers.

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* Figures in bracket denote actual cost in paise per spindle shift.

2.B.10.2. Losses due to lower sales realisation in sale of specific counts

For every count of yarn manufactured, the Company works out the costing of each count. The margin between cost of* sales and sales price of different counts of yarn ranged from profit of Rs. 24.30 per kg to loss of Rs. 61.34 per kg in 1991-92 and from profit of Rs. 18.64 per kg to loss of Rs. 55.02 per kg in 1992-93. The Company suffered loss aggregating to Rs. 632.21 lakhs during 1991-92 to 1992-93 on sale of yarn below cost of sales in specific cases noticed in test check as indicated below:

Unit	Count	Amount of loss on sales	
		1991-92	1992-93
		(Rupees in	lakhs)
Jhansi	34S	94.18	109.79
	6 CR	38.72	63.47
Meerut	20 CR	52.87	23.60
	17 NFCR	30.42	8.02
Sandila	2 SR	28.71	20.40
	30 HCC	31.74	22.13
Kashipur	30 CR	39.51	19.57
	20 CR	35.27	13.81

2.B.10.3. Irregularities in domestic sales

As per sales policy for domestic sale of yarn, sale rates of yarn should be fixed after careful comparison with the prevailing market rates from time to time to fetch maximum rates of yarn.

It was noticed that the rates published in weekly bulletins viz. Pioneer Yarn Trend Bulletin, Kanpur and Soot Bazaar Patrika, Kanpur were not kept in mind while finalising sales contract of different counts of Staple, Synthetic and Cotton Yarn during 16th April 1992 to July 1992. The Company suffered loss of Rs. 9.74 lakhs due to sale of yarn at lower prices as compared to prevailing market rates as detailed below:

(i) The market rates of 2/34 NF staple yarn per 5 Kgs during April 1992 to June 1992 ranged between Rs. 411.50 to Rs. 420.50 against which 0.57 lakh Kgs of yarn was sold at rates which were lower by Rs. 20.50 to 21.50 per 5 Kgs resulting in loss of Rs. 2.55 lakhs.

(ii) 0.63 lakh kgs synthetic yarn of various counts was sold in June 1992 at lower rates without keeping in view the prevailing market rates which were higher. This resulted in loss of Rs. 3.64 lakhs.

(iii) On 27th to 30th June 1992, the marketing department of the Company made forward sale of 0.65 lakh Kgs. synthetic yarn of various counts. As the market was showing upward trend in respect of rates of synthetic yarn, as was evident from market bulletins, there was no necessity of making forward sale which culminated into a loss of Rs. 3.55 lakhs.

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* Represnts cost of production plus selling and distribution expenses.

The Management stated (February 1994) that the services of the officer responsible for these irregularities were terminated. It was, however, noted that the concerned official has since been reinstated at a lower post.

2.B.10.4. Sundry Debtors analysis

The table below indicates the volume of book debts and sales for the last five years ended 31st March 1993:

As on	Considered good	Considered doubtful	Total	Sales	Percentage of debts to sales
	(	Rupees	in	lakhs)	
31.3.89	525.65	20.14	545.79	12851.91	4.3
31.3.90	673.42	20.14	693.56	13480.23	5.1
31.3.91	1087.34	20.14	1107.48	14486.73	7.6
31.3.92	1110.96	20.01	1130.97	17031.83	6.6
31.3.93	1291.68	20.01	1311.69	15634.41	8.4

This includes debts of Rs 194.44 lakhs due for more than 4 years against private parties. Besides, dues of Rs. 424.63 lakhs against UPHCL and Rs. 151.44 lakhs against UPICA were outstanding towards cost of yarn supplied to them leaving aside overdue interest of Rs. 290.88 lakhs and Rs. 112.21 lakhs respectively.

2.B.11. Man power analysis

2.B.11.1. The engagement of workers in various mills of the Company was regulated by posts sanctioned by the Headquarter considering the capacity of the mill and expected capacity utilisation. The Ahemadabad Textile Industries Research Association (ATIRA) after studying the working of mills prescribed (June 1992) number of workers required in the mills of different capacities.

Workers engaged during 1992-93 and for earlier years in all the five mills far exceeded the norms fixed by ATIRA. The excess staff ranged between 39 (Meerut: 1991-92) to 1168 (Jhansi: 1989-90) during the five years up to 1992-93. On account of excess engagement of workers, the Company paid additional wages aggregating Rs. 2321 lakhs during the five years up to 1992-93 in respect of five mills.

2.B.11.2. There were instances of labour remaining idle for want of raw material. The idle wages for five years up to 1992-93 due to cotton shortage worked out to Rs. 397.66 lakhs which was 4.87 per cent of the total wages paid in the five mills during the period 1988-89 to 1992-93.

The Management has not taken any action to avoid such idle wages.

2.B.12. Accounts and Audit

The Company has not prepared its comprehensive accounts manual laying down procedures and specifying duties, responsibilities and power of different level of officials in various functional areas at the Head office as well as at the units.

The Company has no internal audit wing of its own. The Company has been appointing the firms of Chartered Accountants as internal auditors for its Head office and for its units on the basis of recommendations of the Board.

CHAPTER-III

REVIEWS RELATING TO
STATUTORY CORPORATIONS

SECTION-3A

PROCUREMENT, PERFORMANCE AND REPAIRS OF ENERGY METERS

HIGHLIGHTS

Installation of energy meters at each supply point of consumers, its periodical testing, recalibration and replacement is required for correct measurement of energy and its billing.

Delay in finalisation of tenders and belated supplies resulted in shortage of meters leading to non installation of meters to new consumers and delay in replacement of defective meters of existing consumers. In case of two zones alone, the shortage resulted in non installation of meters for 0.21 lakh consumers leading to loss of revenue to the tune of Rs. 73.07 lakhs in case of 60 such consumers during five years up to 1993-94.

Non acceptance of technically acceptable and lowest tender within validity period resulted in extra expenditure of Rs. 83.51 lakhs in procurement of 4.32 lakh meters.

Of the total meters installed, meters ranging from 9 to 80 *per cent* were defective. The high incidence of defective meters was mainly due to lack of proper quality tests, failure within guarantee period and ineffective post installation checks. This resulted in revenue loss of Rs. 484.35 lakhs compared to the Board's formula of assessment or consumption pattern of preceding/succeeding periods.

Although 32251 meters valued at Rs. 50.40 lakhs had manufacturing defects and 461 meters valued at Rs. 4.00 lakhs failed within guarantee period, yet the Board neither sent them for repairs nor sought replacement or refund from the suppliers.

In the absence of norms for departmental repairs, there were wide variations in the repair work done by testing units. The departmental work was uneconomical compared to repairs carried out by outside agencies involving extra expenditure of Rs. 15.73 lakhs.

3.A.1. Introduction

In order to assess the quantum of energy sold, the Board is required to install and maintain correct energy meter on each point of supply in the premises of consumers for measuring the energy sold as per Section 26 (2) of the Indian Electricity Act, 1910..

3.A.2. Scope of Audit

The audit carried out during October 1993 to May 1994 for 30 units out of 200 units brings out the deficiencies in the system of procurement, performance and repair of energy meters which have been discussed in the succeeding paragraph.

3.A.3. Audit assessment on procurement, performance and repair of energy meters

The quantum of energy sold to consumers can be correctly assessed only if meters are installed at each point of supply and subjected to periodical testing, recalibration and replacement when called for.

The Audit scrutiny on these aspects revealed the following:

(i) Absence of economical, efficient and effective efforts for procurement of energy meters resulted in unmetered supplies to new consumers and non replacement of defective meters of the existing consumers.

(ii) The incidence of defective meters was as high as 9 to 80 *per cent* attributable mainly to lack of proper quality tests and effective post installation checks.

(iii) No targets were fixed for departmental repairs with the result that there were wide variations in the quantum of repair work done by different testing units.

(iv) The departmental repair was uneconomical as compared to repairs carried out by outside agencies.

In the absence of correct measurement of energy supplied, Board was not able to bill the consumers correctly. Compared to its own formula of assessment or consumption pattern of preceding/succeeding periods, Board was incurring heavy revenue losses.

The Board needs to improve its procurement and repair functions to arrest high incidence of revenue losses.

These points are discussed in paragraphs 3.A.4 to 3.A.6 that follows.

3.A.4. Procurement and installation of meters

Requirement of meters for each year is assessed by the Chief Engineer (Material Management) on the basis of budget allocation, estimated number of new connections and average consumption of meters in the past. Meters are procured by Electricity Stores Procurement Circle III, (ESPC) and inspected (at manufacturer's works) by Electricity Stores Inspection Circle. Procured meters are stored at 13 Electricity Stores Divisions (ESD) for issue to Electricity Test Divisions (ETD) who install these at consumers' premises after testing in their laboratories.

(a) Delays and shortfall in procurement

The total requirement of meters for new consumers and replacements vis-a-vis meters installed thereof during last four years up to March 1994 was as under:

	1990-91	1991-92	1992-93	1993-94
	(Number in lakhs)			
Total requirements	4.32	4.19	4.60	4.98
Meters procured including opening balance	1.67	2.79	1.69	2.34
Actually installed	1.19	2.10	1.37	1.67
Closing balances in stores of ESD's	0.48	0.69	0.32	0.67

Orders for 6.12 lakhs meters (including part requirement of 1991-92) was placed late in August 1990 against the tenders received in August 1989 (valid for acceptance within 150 days). Supplies of only 4.52 lakh meters was received up to October 1993. Similarly, orders for 4.60 lakh meters (1992-93) was placed as late as in June 1993 against the tenders received in April 1992, supplies against which had not been received during 1992-93. Thus shortfalls in procurement of meters were due to delayed finalisation of tenders and late supplies by contractors The delays and shortfalls also resulted in non-installation of meters and non-replacement of defective meters as discussed in succeeding paragraphs.

A test check in audit revealed that out of 0.18 lakh and 0.33 lakh new connections released during 1991-92 and 1992-93 in Gorakhpur and Allahabad Zones, only 0.30 lakh meters were installed allowing 0.21 lakh consumers for unmetered supply. Reasons of non-installation of meters were not investigated by the Board. Energy bills were raised in case of unmetered supplies on ad-hoc basis for 40 to 80 units per Horse Power per month for use of energy for 1.80 to 3.60 hours per day. As per Board's formula for assessment of energy, the consumption works out to 90 units per H.P. per month based on 8 hours daily supply and load factor of 0.5. The non-assessment as per formula resulted in underassessment of revenue amounting to Rs. 73.07 lakhs during 1990-91 to 1993-94 in respect of 60 unmetered consumers only test checked in audit of six Electricity Distribution Division (EDD's).

(b) Extra expenditure on purchases

12 tenders valid for 150 days were received in August 1989 by ESPC(III), Lucknow for purchase of 4.32 lakh meters in six different capacities. The lowest technically acceptable computed rates of Rs. 167.37 to Rs. 548.24 per meter for 3.82 lakh meters in five different capacities were offered by ECE Industries, New Delhi. The Board could not finalise the tender within validity period (which expired on 26th January 1990) and telegraphically asked (May 1990) the firm to extend validity up to 30th June 1990. The firm extended validity up to 30th June 1990 but with revised rates of Rs. 175.47 to Rs. 554.03 per meter. The Central

Stores Purchase Committee (CSPC), however, rejected the firm's increased rates on the ground of revising the tendered rates, and accepted (August 1990) higher rates of Rs. 182.73 to Rs. 575.69 offered by Harayana Meters (India), Noida (Ghaziabad) and India Meters (Madras) without any counter offer to New Delhi firm. Thus, non-acceptance of the tenders within original validity period resulted in an extra expenditure of Rs. 83.51 lakhs on purchase of 3.82 lakh meters. Compared to the revised offer of New Delhi firm, the extra expenditure works out to Rs. 23.38 lakhs. Management stated (June 1994) that the delay had occurred in finalising the tenders due to obtaining performance report from field units. The fact, however, remains that the delay in obtaining performance report from field units resulted in extra expenditure which could have been avoided by better co-ordination between headquarters and units of the Board.

3.A.5. Performance of meters

Energy meters were required to be manufactured as per specifications ISS:722 of 1977/ISS:13010 of 1990. According to the Central Government's notification of January 1992, the life of the energy meter is 15 years. The Board have not evolved any system to evaluate performance of meters of different makes.

The Computer Billing Summary Reports of 20 EDD's of Gorakhpur and Allahabad distribution zones indicated a large number of meters informed defective (IDF), appeared defective (ADF) and with readings defective (RDF) in respect of small and medium power (SM) and light and fan (LF) consumers. The number of such defective meters and their percentages to the total meters (excluding meters with no readings (NR) and no access (NA)) during 1990-91 to 1993-94 are given below:

Name of distribution Circle and Category of defects	Position of meters as on							
	31st March 1991		31st March 1992		31st March 1993		31st October 1993	
	SM	LF	SM	LF	SM	LF	SM	LF
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Gorakhpur Zone								
Gorakhpur Circle (5EDDs)								
Meters excluding NR/NA	6574	32268	3720	25033	7306	41187	7233	41877
IDF/ADF/RDF	1103	10402	1030	10059	782	10337	879	11039
Percentage	16.78	32.24	27.69	40.18	10.70	25.10	12.15	26.36
Gorakhpur Urban Circle (2EDDs)								
Meters excluding NR/NA	1442	37649	563	26456	1565	44316	1637	51641
IDF/ADF/RDF	411	12581	351	13588	334	16764	426	16467
Percentage	28.50	33.42	62.34	51.36	21.34	37.83	26.02	31.89

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Basti Circle								
(2EDDs)								
Meters excluding								
NR/NA	4610	15735	2669	8596	4818	30331	4774	32344
IDF/ADF/RDF	743	5415	465	4393	469	5039	446	5562
Percentage	16.12	34.41	17.42	51.11	9.73	16.61	9.34	17.20
Azamgarh Circle								
(4EDDs)								
Meters excluding								
NR/NA	9469	31444	4274	15245	9839	33270	7511	35638
IDF/ADF/RDF	3148	13564	2787	12228	2532	13372	2152	13992
Percentage	33.24	43.14	65.21	80.21	25.73	40.19	28.65	39.26
Allahabad Zone								
Allahabad Circle I								
(2EDDs)	Computer billing reports 22 not available							
Allahabad Circle II								
(2EDDs)								
Meters excluding								
NR/NA	2453	8122	2749	7141	2933	10769	2743	11197
IDF/ADF/RDF	496	1925	580	2579	529	4492	499	4780
Percentage	20.22	23.70	21.10	36.12	18.04	41.71	18.19	42.69
Allahabad Urban								
Circle (3EDDs)								
Meters excluding								
NR/NA	2265	31266	2164	12920	2268	57316	2237	32116
IDF/ADF/RDF	325	8119	429	7667	324	20011	366	20283
Percentage	14.35	25.97	19.82	59.34	14.29	34.91	16.36	63.16

The meters declared defective represented 9.34 to 80.21 per cent of the total meters (excluding no readings/no access), reasons for which were not investigated by the Board for taking preventive, remedial and penal measures. A test check in audit revealed that the high percentage of defective meters was attributable to lack of proper acceptance test, failure of meters within guarantee period, ineffective post-installation checks which resulted in revenue loss of Rs. 484.35 lakhs as discussed below:

(a) Non-conducting of acceptance test

Supply of 1.38 lakh meters were received during September 1990 to May 1992 without any acceptance test which had been waived off by the Chief Engineer (Material Management)for expediting the supplies.

(b) Failure of meters within guarantee period

None of the seven ETDs maintained register of meters and history cards as required under the rules with the result that the performance of individual meters could not be ascertained.

A test check of meter reading sheets/books revealed that 461 meters including 27 bivector/trivector meters costing Rs. 4.00 lakhs had developed defects within 12 months from the date of their installation during February 1988 to March 1994 but neither their replacements nor refund of cost of their purchases/repairs were claimed by EDDs/ETDs from their suppliers. Besides, 30876 single phase (value: Rs. 46.31 lakhs) and 1375 three phase meters (value: Rs. 4.13 lakhs) supplied by Haryana Meters (India), Noida and Meters India, Ghaziabad which had been declared defective by field units were required (June 1990) by CSPC to be sent for repairs to the firms. These had not been sent for repair so far (June 1994).

(c) Non-caliberation of testing equipment

Board had not made proper arrangements for procurement of all the testing equipments and their periodical caliberation In this connection following points were noticed.

(i) A check meter installed in March 1990 at a cold storage under EDD, Allahabad found the existing meter slow by 28 to 31.6 per cent whereas another check meter installed in June 1991 found the same meter fast by 9.5 per cent. This shows that check meters were not properly caliberated. This resulted in non-realisation of assessment bill of Rs. 7.88 lakhs for June 1989 to July 1991 raised in July 1991.

(ii) The trivector meter of a consumer of Allahabad was found slow by 10.26 per cent in August 1992 on check with accucheck instrument. After replacing the trivector meter by another meter in October 1992, the consumption recorded was still lower than that on the original meter. The use of uncaliberated equipment to test the meters resulted in different test results and under-charge of the consumer by Rs. 2.81 lakhs during June 1992 to March 1994.

(d) Non-replacement of defective/damaged meters

Defective/damaged meters are required to be replaced as soon as possible latest within a period of three months as envisaged in Para 5.9 of the Board's Commercial and Revenue Manual. The computer billing reports for December 1992 to March 1994 in respect of small and medium (SM) power and light and fan (LF) consumers were reviewed. These reports indicated that 4369 defective meters remained installed at premises of SM consumers and 41970 defective meters at the premises of LF consumers. These represent 76.98 and 74.13 *per cent* of total defective meters which remained installed at consumers' premises for more than 3 months and 6 months in case of SM and LF consumers respectively. Reasons of non-replacement of defective/damaged meters were not analysed promptly by the Board.

Energy bills in such cases were raised either for minimum charges or on ad-hoc basis instead of on the basis of load, hours of supply and factors. Compared to this, revenue was under- charged by Rs. 64.55 lakhs during 1989-90 to 1993-94 from 792 consumers test checked in audit of thirteen EDDs.

(e) Non-checking of dismounted meters

For replacing jammed, burnt and defective meters, assessments of energy are required to be made for the period during which jammed/burnt/defective meters did not record properly. During the four years up to 1993-94, 39,247 meters were dismounted from consumer's premises.

In this connection, following points were noticed

(i) According to Para 5.22 of the Manual, the consumer concerned is required to deposit the cost of damaged meter before it is replaced and if potential coil is found damaged on test in laboratory, the amount deposited by the consumer is to be credited in the next energy bill. No amount was however, realised before replacements of 39,247, defective meters costing Rs. 73.01 lakhs (approximately).

(ii) No enquiry was conducted to determine tempering with meters, if any, causes of burning and actual load at the time of burning.

(iii) The new meters installed in place of dismounted meters recorded higher consumption of energy in case of test check of 35 consumers but no assessments were made. The low consumption recorded on the dismounted meters resulted in undercharge of revenue amounting to Rs. 23.02 lakhs during June 1988 to March 1994 from these consumers.

(f) Ineffective post-installation checks

According to Paras 5.1 and 5.2 of the Manual, ETDs were required to [illegible] regulate all meters at consumers' premises with contracted loads up to 6 KVA, above 6 KVA to 100 KVA, and above 100 KVA at intervals of five years, two years and one year respectively. It was, however, noticed that seven ETDs and 20 EDDs did not comply these requirement and defective meters were not rectified/replaced. This resulted in loss of revenue due to under- charges from consumers as discussed below:

(i) Energy was supplied by Electricity Urban Distribution Division II, Gorakhpur to Fertilizer Corporation of India Limited, Gorakhpur for a contracted load of 8000 KVA including 700 KVA for residential colony as per revised agreement of April 1992 which provided for measurement of energy on the basis of average readings of 3 main meters (No. 10,11,12) with a sub-meter to record consumption of energy in residential colony.

The meters No.10 and 11 recorded lesser units than those recorded on the sub-meter in May and June 1992 as these were running slow from April 1992 itself. The division declared them defective from June 1992 and billed for the units recorded on meter no. 12 in that month, while average readings of the three meters had been billed in April and May 1992. The consumer was, thus, short billed for 8.36 lakh units amounting to Rs. 13.57 lakhs. The consumer was continued to be billed on the basis of defective meters (No. 10 and 11) which resulted in undercharge of Rs. 18.40 lakhs during the period July 1992 to September 1993.

(ii) A consumer of Malwa (Fatehpur) having contracted demand of 2350 KVA from January 1993 through 33 KV line was running an induction furnace.

The potential transformers (PTs) through which energy is recorded on meter at low voltage were found/reported defective and were replaced by the PTs provided by the consumer thrice in August, and November 1993. As the defects in PTs only affect the recording of consumption on meter and not the actual supply, recorded consumptions prior to the date of noticing/reporting defects in PTs were also required to be assessed from the date of the previous meter readings. The assessments were, however, made from the dates of noticing/reporting defects which resulted in undercharge of Rs. 15.64 lakhs (August 1993: Rs. 11.56 lakhs and November 1993: Rs. 4.08 lakhs).

(iii) A consumer of Naini (Allahabad) having contracted demand of 7000 KVA was given connection through 33 KV independent feeder with an old trivector meter installed on 9th May 1991. Meters were changed five times during June 1991 to July 1992 without determining the extent of errors through check meter. In absence of PT, unmetered supply was given for 111 days during September 1991 to January 1992 as against the time limit of 15 days provided for direct supply under Para 7.1 (b) of the Manual.

Electricity Urban Distribution Division (Rambagh), Allahabad raised an assessment bill in October 1992 for additional 101.77 lakh units (energy charges: Rs. 127.68 lakhs) relating to the periods from 9th May to 3rd June 1991 and 1st July 1991 to 27th June 1992 which was disputed by the consumer. The Director, Electrical Safety, U.P. Government decided in January 1994 that the consumer be billed for the period of direct supply on the basis of the Board's meter installed at 132 KV sub-station from where the 33 KV feeder had emanated, and that no assessment could be made for other periods in absence of any adverse remarks in meter reading sheets and any check meter reports. The billing on the basis of the meter installed at 132 KV sub-station which was very old and untested since long was not giving correct measurement of energy supplied, as consumption of only 100.74 lakh units was recorded on the sub-station meter against 144.76 lakh units already recorded on meters and paid by the consumer up to 30th September 1992. Thus, the Board's failure to check accuracy of the meters before their removal from the consumers' premises resulted in loss of revenue amounting to Rs. 127.68 lakhs.

(iv) The imported (Sangamo make) trivector meter installed at the premises of a rolling mill of Khalilabad (Basti) having contracted load of 700 KVA was replaced in January 1993 by a bivector meter on the ground that PT had been damaged in November 1992. The meter and PT were again declared defective/damaged in February, September and December 1993. Reasons for defects/damages in three meters and two PTs during a period of 13 months were not investigated, and the consumer was billed for 0.49 lakh to 0.81 lakh units per month during November 1992 to January 1994 as against the average monthly consumption of 0.93 lakh units recorded on the imported meter during the three months from August 1992 to October 1992. This resulted in undercharge of Rs. 13.19 lakhs during November 1992 to January 1994.

(v) The meter installed at the premises of a consumer of Allahabad having a contracted load of 1500 KVA recorded consumption of 10,776 units per day during 26th March to 2nd May 1992 when it was replaced without any ground. The new meter recorded lower consumption of 7011 units per day during 2nd May 1992 to 26th April 1994. Its slow running was not tested which was, however, confirmed when it was replaced in April 1994 by an imported (Sangamo make) meter which recorded consumption of 9492 units per day during 26th April to 30th April 1994. This resulted in undercharge of Rs. 28.77 lakhs (excluding fuel and other surcharges) during May 1992 to April 1994 as compared to consumption of 9492 units per day.

(vi) Hindustan Cables Limited, Naini Allahabad, (a Government of India Enterprise) having contracted load of 3500 KVA were given supply through 33 KV line. The PT damaged in June 1991 was replaced in April 1993 by new PT which was also damaged in June 1993. The consumer was, therefore, given unmetered supply in absence of PT for almost three years and was billed for units ranging between 15900 and 15930 units per day. Neither frequent damages of PTs were investigated nor assessments made at least for the past six months. On the basis of the average consumption of 21310 units per day recorded on the sub-station meter in April 1994, the consumer was billed short for Rs. 15.65 lakhs during October 1993 to March 1994.

(vii) A bivector meter was installed in January 1993 at the premises of a consumer of Bindki Road (Fatehpur) having a contracted load of 235 KVA replacing the existing meter, the Maximum Demand Indicator (MDI) of which had become defective prior to January 1992. The new meter recorded consumption of 0.11 lakh to 0.14 lakh units per month during February 1993 to May 1993 as against 0.20 lakh to 0.38 lakhs units per month recorded on the old meter during November 1992 to January 1993. It was replaced in May 1993 by another bivector meter which was also found defective and rectified in November 1993. The consumer was billed during February 1993 to November 1993 on the basis of defective meters' readings. This resulted in undercharge of Rs. 3.59 lakhs as compared to average consumption of 0.29 lakh units during three months of November 1992 to January 1993.

(Viii) The trivector meter installed to record supply of energy to Pump Canal, Manikpur (Pratapgarh) with contracted demand of 405 KVA was declared defective intermittently during November 1991 to June 1992, and September to October 1993 with MDI defective in May 1991, and June 1993 to March 1994. Neither it was replaced nor was its accuracy tested by installing a check meter, and the consumer was billed for 5.49 lakh units in 1992-93 and 5.19 lakh units in 1993-94 as against 6.60 lakh units in 1991-92. This resulted in undercharge of Rs. 4.64 lakhs in 1992-93 and 1993-94.

(ix) The trivector meter installed to record energy supplied to run Dohrighat Pump Canal Stage-I (Mau) with contracted load of 3089 KVA had stopped in November 1992 after recording consumption of 1.28 lakh units in a part of that month. The consumer was billed from January 1993 on the basis of consumption recorded in corresponding months of the previous year. Although the consumption during August 1992 to October 1992 varied from 5.17 lakh to 7.45 lakh units per month, the consumer was billed for 1.28 lakh units and nil unit for

November and December 1992 as against 5.81 lakh and 3.78 lakh units billed in November and December 1991 respectively. This resulted in undercharge of Rs. 14.40 lakhs.

(x) The Executive Engineer ETD, Gorakhpur had found on 18th August 1993 that the imported (L&G make) trivector meter installed at the premises of a cold storage of Anand Nagar (Maharajganj) having contracted load of 150 KW was dead on "B" phase out of three phases. The consumer was assessed in October 1993 for additional 0.92 lakh units. The total 2.74 lakh units billed during 1st March to 18th August 1993 worked out to 1602 units per day as against 2563 units and 2435 units per day during 18th August to 27th August 1993, and 27th August to 8th October 1993 respectively, recorded after the meter was set right. In terms of Para 7.1(c) of the Manual, the consumer was to be billed for 4.38 lakh units at 2563 units per day as against 2.74 lakhs units billed during 1st March to 18th August 1993. Further, the consumer was billed short for 0.53 lakh units in September 1993 on the ground of no access to the consumer's premises. The consumer was, thus, undercharged for Rs. 5.03 lakhs for short billing of 2.17 lakh units during 1st March to 18th August 1993 (1.64 lakh units) and September 1993 (0.53 lakh units).

(xi) A bivector meter installed at the premises of a cold storage of Fatehpur having contracted load of 281 KVA was replaced in August 1992 by an imported (Sangamo) meter. No check meter was installed to test the accuracy of the old meter. As compared to the consumption of 1.16 lakh units recorded on the new meter in September 1992, the old meter which recorded consumption of 0.62 lakh units during August 1992 was slow by 52.6 per cent. Thus, billable units worked out to 8.88 lakh units as against 4.21 lakh units recorded by the old meter during February to August 1992. This resulted in undercharge of Rs. 8.89 lakhs from the consumer.

(xii) A test check revealed that recorded consumption of energy in respect of 26 cold storages during 1991, 1992 and 1993 seasons (March to October) varied widely and disproportionately from 615 to 3493 units per KVA of contracted loads.

Reasons of the variations were not investigated by the respective EDDs by installing check meters and collecting consumers' production figures. It was further revealed in audit that the consumption of 9 consumers in comparison with the proportionate consumption (with reference to contracted load) of other consumers in the same district was quite low resulting in undercharge of revenue on 19.90 lakh units valued at Rs. 28.36 lakhs (excluding fuel and other surcharges).

(xiii) A test check revealed that KVAH portion of the meters remained defective and low power factor surcharge was not levied on the basis of monthly average power factor recorded during past/successive three consecutive months when KVAH portion remained in order as provided in the rate-schedules HV-1 to HV-4. This resulted in non-levy of low power factor surcharge amounting Rs. 4.56 lakhs in respect of seven consumers of EDD, Basti (2 Nos: Rs. 1.14 lakhs), EDD-II, Mau (2 Nos: Rs. 0.71 lakhs), and EDD, Pratapgarh (3 Nos: Rs. 2.71 lakhs) during April 1991 to January 1994.

(xiv) The accuracy of new meters recording lower consumptions than the old ones was not examined by installing check meters. A test check in audit revealed loss of revenue amounting to Rs. 55.79 lakhs on account of lower consumption recorded on the new meters installed during September 1988 to September 1993 at the premises of 7 large and heavy and 15 small and medium power consumers.

(g) Loss of revenue due to delayed and irregular installation of check meters

Para 7.1(c) of the Manual provides for installation of a check meter immediately on suspective accuracy of the installed meter or on deposit of check meter fee by a consumer and for assessments for the past six months.

A cold storage consumer of Allahabad having contracted load of 260 KVA deposited check meter fee of Rs. 600 in September 1989. A check meter installed in August 1991 detected the existing meter slow by 28.34 per cent The consumer was assessed (November 1991) for electricity dues of Rs. 2.96 lakhs for the six months from April to September 1991. Had the check meter been installed in September 1989 itself, the consumer would have been assessed from April to September 1989 and billed correctly from October 1989 to March 1991. The delayed installation of check meter, thus, resulted in loss of revenue amounting to Rs. 7.34 lakhs for the period from April 1989 to March 1991.

(h) Non-application of test results

Under Paragraphs 5.15 and 5.16 of the Manual, EDDs were required to maintain separate registers showing cases referred to ETDs for installation of check meters, and test results received from ETDs. These registers were not maintained with the result that installation of check meters as proposed by EDDs and assessments as recommended by ETDs could not be ensured. A test check in audit revealed that test results finalised by ETDs were not acted upon by 5 EDDs and the amount short billed in respect of 8 consumers ranged between Rs. 0.15 lakh and Rs. 6.36 lakhs. The total under billing on this account amounted to Rs. 20.59 lakhs.

3.A.6. Repair of meters

The Board carried out repairs of meters departmentally as well as through contractors. Neither repair-capacities of various ETDs nor targets of departmental and outside repair of meters were fixed. The table on the next page gives the position of meters repaired and those repairable but not repaired as at the close of four years up to 1993-94 by the seven ETDs test checked.

		1990-91		1991-92		1992-93		1993-94	
Name of ETD	Category of n eters	Repaired during the year	Repairable meters at the end of the year	Repaired during the year	Repairable meters at the end of the year	Repaired during the year	Repairable meters at the end of the year	Repaired during the year	Repairable meters at the end of the year
		(	Number		of		meters	)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Allahabad (I)	PhaseI	1086	718	305	1440	931	1687	620	17055
	PhaseIII	467	771	363	844	324	911	182	1025
Allahabad (II)	PhaseI	410	339	288	255	213	232	140	276 (upto 10/93)
	PhaseIII	281	219	408	113	215	162	172	179
Allahabad (Urban)	PhaseI	2946	6308	2627	4900	722	5912	879	6603
	PhaseIII	356	452	196	414	192	501	209	637
Azamgarh	PhaseI	1371	1749	633	2004	1114	1985	812	1627 (upto 12/93)
	PhaseIII	598	701	653	471	561	384	493	86
Basti	PhaseI	326	108	290	596	586	--	636	-- (upto 12/93)
	PhaseIII	185	133	100	251	112	284	128	194
Gorakhpur	PhaseI	Not available (Records sealed by Special Audit of the Board)				689	708	1173	691 (upto 1/94)
	PhaseIII		--do--			500	389	515	197
Gorakhpur (urban)	PhaseI	287	499	960	473	588	1410	552	1549 (upto 1/94)
	PhaseIII	8	180	134	109	80	276	137	267
Total	PhaseI	6426	9721	5103	9668	4843	11934	4812	12451
	PhaseIII	1895	2456	1854	2202	1984	2907	1836	2585

In this connection, following points were noticed:

(i) During the four years up to 1993-94, entire quantity of 7174 phase-I and 953 phase-III meters of ETD (Urban), Allahabad had been repaired by contractors while in case of ETD (I) Allahabad 223 of phase I and 489 of phase III meters out of 2942 phase I and 1336 phase III repaired meters, were got repaired through contractors. The remaining ETDs carried out repairs departmentally.

When compared with the cost of repairs done through contractors, the five ETD's incurred extra expenditure of Rs. 15.73 lakhs during 1990-91 to 1992-93 (excluding establishment cost) in repairing 14271 meter departmentally.

(ii) There was wide variation in the number of meters repaired from year to year by each ETD for which no reasons were on record. Had repairs of meters been carried out in each of the four years up to 1993-94 at the level of the maximum number of meters repaired in any of the four years, the seven ETDs could have repaired 12366 more meters out of 15036 meters lying for repairs with them at the end of 1993-94.

These matters were reported to the Board and Government in September 1994; their replies had not been received.

SECTION-3B

TRANSMISSION AND DISTRIBUTION LOSSES WITH SPECIFIC REFERENCE TO MANAGEMENT OF CAPACITOR BANKS

HIGHLIGHTS

Transmission and Distribution (T&D) losses comprise energy dissipated in the system and unaccounted losses due to pilferage, defective meters, inaccurate metering, incorrect accountal of energy and unmetered supply in the process of transmission and distribution of power.

As against the CEA's* recommended limit of 15 *per cent* T&D losses, the Seventh Five Year Plan of the Board envisaged T&D loss as 18 *per cent*. The actual losses of the Board, however, varied from 24.1 to 26.5 *per cent*. This resulted in loss of 9854 MUs in excess of 18 *per cent* valued at Rs. 787.23 crores during five years up to 1992-93.

In case of unmetered private/state tubewells consumers in three distribution zones, the Board booked consumption in excess of the norms fixed. For other unmetered consumers, the Board booked the energy on ad hoc basis in place of load and hours of supply. This resulted in concealing loss of 1526.84 MUs of energy valued at Rs. 136.94 crores during the three years up to 1992-93.

Installation of capacitor banks in the system results in improved power factor and reduction of system losses. There was shortfall in achievement of targets in installation of capacitor banks to the extent of 20.2 to 84.3 *per cent*. As a result, 1276 MUs of energy per annum valued at Rs. 76.56 crores could not be saved. Apart from this, aggregate capacity of defective capacitor banks increased from 133.9 MVAR at the end of March 1989 to 593.7 MVAR at the end of March 1993 resulting in loss of 226.17 MUs of energy per annum valued at Rs. 13.57 crores.

The power factor is to be maintained by the consumers at 0.85 level for reducing the losses in the system. Due to low power factor of six large and heavy power consumers, 1.4 MUs of energy valued at Rs. 0.15 crore dissipated in the system. The Board could not recover Rs. 0.14 crore out of Rs. 0.15 crore from four consumers in the absence of any provision for recovery of low power factor surcharge in the tariff applicable to them.

The Board had not framed deterrent provisions for load violation cases although it results in poor voltage profile and higher distribution losses. In the absence of this, it could not recover Rs. 0.39 crore from six such consumers.

Ineffective post installation checks of energy meters resulted in incorrect measurement of energy consumed due to slow/erratic running of

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* Central Electricity Authority.

meters leaving substantial scope for unaccounted energy loss. The losses on this account which could not be recovered from the consumers was Rs. 23.37 crores as worked out in audit.

3.B.1.1 Introduction

Transmission and distribution (T & D) loss is the quantum of energy lost in the process of transmission and distribution of power received from generating stations and/or procured from outside agencies (NTPC and other States). The T&D losses comprise energy dissipated in the system (technical losses) and unaccountable losses due to pilferage, defective meters, inaccurate metering, incorrect accountal of energy and unmetered supply (non-technical losses).

The most economic and viable method of arresting technical losses is to improve power factor by installation of capacitor banks. The non-technical losses can be arrested by providing accurate metering, their testing at regular intervals, periodical and realistic energy audits to check theft prone feeders for remedial action etc.

3.B.1.2. Scope of Audit

A mention was made in paragraph 2.03 of the Report of Comptroller and Auditor General of India for the year 1982-83 (Commercial), Government of Uttar Pradesh about the system losses for the period from 1980-81 to 1982-83. The present review conducted during January to April 1994 attempts to assess the extent and nature of transmission and distribution losses with specific reference to the Capacitor Bank Scheme and its financial effect. The audit findings are based on the test check of the records of Board's headquarter office, East and Central Transmission Zones and Varanasi, Lucknow and Bareilly Distribution Zones for a period of 5 years from 1988-89 to 1992-93.

3.B.2 Audit assessment on Transmission and Distribution losses with specific reference to management of capacitor banks

Against the transmission and distribution loss of 18 *per cent* envisaged in the Seventh Five Year Plan of the Board, the actual losses ranged between 24.1 and 26.5 *per cent*. Apart from this, substantial part of energy loss was concealed by excess booking against the consumers of unmetered category. The above excessive losses were partly due to the following reasons:

- shortfall in installation and defective capacitor banks resulting in low power factor in the system as well as consumers premises;

- drawl of power in excess of the sanctioned load resulting in poor voltage profile;

- ineffective post installation checks leading to incorrect measurement of energy supplied to the consumers due to erratic metering.

These points are discussed in paragraphs 3.B.3.1 to 3.B.7.4 that follows.

3.B.3.1. Computation and accountal of losses

The overall T & D losses are computed by deducting sale of energy (as billed for metered supply and assessed for unmetered supply) from energy available at bus bar* from generation/procured from outside agencies. The losses so computed by the Board were not realistic and feeder-wise energy losses were not being worked out as the meters provided at feeder panels were largely inoperative or defective.

Even on this indirect method of computation, T & D losses ranged between 24.1 per cent and 26.5 per cent of power available during five years up to 1992-93 as detailed below:

	1988-89	1989-90	1990-91 (in million units)	1991-92	1992-93
(1)	(2)	(3)	(4)	(5)	(6)
(i) Gross Generation	18685	18567	19478	18184	18167
(ii) Auxiliary consumption	1559	1557	1677	1554	1588
(iii) Net generation	17126	17010	17801	16640	16579
(iv) Power purchase	4744	7440	8893	11923	12824
(v) Power available for sale	21870	24450	26694	28563	29403
(vi) Power sold	16085	18069	19732	21348	22318
(vii) T&D losses	5785	6381	6962	7215	7085
	(	Per	cent	)	
(viii) Loss	26.5	26.1	26.10	25.3	24.1

The Central Electricity Authority (CEA) had recommended (February 1986) limit of 15 per cent for T&D losses to cover transmission losses (4 *per cent*) and sub-transmission and distribution losses (11 per cent). The seventh five year plan (1985-90), however, envisaged T&D losses of 18.5 *per cent* during first year of plan period and 18 *per cent* subsequently. The T&D losses in excess of 18 per cent resulted in revenue loss for 9854 MUs valued at Rs. 787.23 crores during the five years up to 1992-93.

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* System configuration at sub-station for receiving, stepping down of the voltage and distribution of energy at lower voltages.

3.B.3.2. Non-implementation of recommendation of Technical Committee/Project report etc.

Mention was made in para 2.03.03 of CAG's report (Commercial) 1982-83, Government of Uttar Pradesh regarding recommendations of Technical Committee (December 1972) to reduce losses. The Board could not implement the recommendations of Committee as regards (i) preparing feeder-wise energy account enabling the Board to identify high loss areas, (ii) providing correct metering at consumers installation and (iii) checking consumption trend periodically to ascertain accuracy of metering system.

A ten point action plan framed by the Advisor, Cabinet Secretariat, New Delhi envisaged (October 1989), interalia 2 per cent reduction in T&D losses in 1989-90 as compared to 1987-88. It also recommended for giving power only to energy efficient ISI mark pump sets in agriculture.

It was, however, noticed that the Board failed to reduce T&D losses as neither tamper proof meters and pilfer proof cubicals were provided nor the scheme for energy efficient ISI pump sets was prepared and implemented.

3.B.4. Erratic consumption pattern

The zones did not analyse the consumption pattern for similar category of consumers which varied considerably in various zones during three years up to 1992-93 as detailed below:

Category	Varanasi zone			Lucknow zone			Bareilly zone		
	1990-91	1991-92	1992-93	1990-91	1991-92	1992-93	1990-91	1991-92	1992-93
	(Consumption in Kwh per day per KW)								
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
(a) Metered									
(i) Domestic light and fan	4.24	4.02	4.70	NA	3.51	3.52	5.36	5.60	3.91
(ii) Commercial light and fan	6.95	6.75	5.28	NA	4.17	2.96	3.29	5.05	3.50
(iii) Mixed load	8.68	7.74	4.21	NA	13.42	16.30	10.85	10.44	12.61
(iv) Small and medium power	3.71	2.28	2.29	NA	2.39	2.66	2.75	3.69	4.56
(v) Large and heavy power	9.86	14.40	8.00	NA	6.82	5.73	8.02	8.40	7.30
(vi) Lift irrigation/pump canal	9.36	8.09	9.07	NA	4.92	8.30	4.28	4.24	2.97
(vii) World Bank tube-	13.10	15.88	23.94	NA	11.52	19.00	11.97	15.28	13.40

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
(viii) Railways	NA	13.01	NA	NA	11.97	12.13	21.76	30.98	17.98
(b) Unmetered									
(ix) Light and fan	2.68	2.79	3.02	NA	5.03	3.05	2.92	3.65	4.08
(x) Board employee	2.06	3.98	4.79	NA	40.79	18.82	22.41	15.38	19.64
(xi) Kuteer Jyoti and Janta Service Connection	10.95	13.90	17.56	NA	10.05	20.05	25.35	20.15	9.57
(xii) Pilot Light	42.03	34.35	NA	NA	6.95	20.95	3.01	8.09	9.22
(xiii) Public Lighting	20.60	18.95	21.23	NA	28.99	19.32	11.73	14.54	15.99
(xiv) Private tubewells	5.84	5.72	5.89	NA	7.17	7.36	10.00	10.73	9.55
(xv) State tubewells	14.22	13.09	13.06	NA	13.82	13.72	10.25	13.45	11.85

The erratic pattern of consumption indicate arbitrary booking of energy consumption to the categories of unmetered consumers to conceal the energy loss for metered category of consumption. Compared to the norm* of consumption as prescribed for private tubewells/state tubewells (PTW/STW) consumers and based on load, supply hours and multiplying factor for other categories, the consumption booked on adhoc basis in case of unmetered category was much higher. The concealed energy due to excess booking in case of 3 distribution zones for 3 years up to 1992-93 resulted into a loss of 1526.84 MUs (value: Rs. 136.94 crores).

3.B.5. Management of metering system

Provisions of metering systems at transmission sub-stations, its testing, re-caliberation and maintenance is the responsibility of Test and Commissioning Divisions of such Circles under each transmission zone.

It was noticed that out of 860 locations in Allahabad (for 6 divisions out of 14) and Lucknow Transmission zone (for 3 divisions out of 22) meters installed at 306 locations (Allahabad: 226 and Lucknow: 80) were faulty at the close of June 1993 and September 1993 respectively. In respect of Allahabad zone, meters were not provided at all at 31 locations.

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* 1. Norms of BHP/month (PTW-110 and STW-200 KWH during April to June and October to March PTW-40 and STW-50 KWH during July to September) converted into per kw/per day.

2. In other categories, the per day/kw norms based on LDHF formula works out to 18 units for Board employees and pilot lighting and 4.8 units for street light, Kuteer and Jyoti/Janta Service Connection.

The Joint Committee of Transmission and Distribution Organisations which considered the performance of energy meters at grid sub-stations observed (April 1993) that the meters installed at the transmission line and power stations and grid sub-stations were of lower accuracy (commercial grade), very old and worn out, did not respond properly at different loads and different power factors. The committee was of the view that meters of 1 per cent class accuracy should be provided at the transmission points feeding energy to distribution. No such scheme report to provide high accuracy meters in transmission points was taken up as of August 1994.

Similarly, in distribution sub-stations, number of locations with faulty meters were 135 out of 270 in three distribution zones at the close of December 1993.

Thus, defective and low accuracy meters at transmission and distributing feeder panels coupled with non-provision of meters at some sub-stations resulted in non-identification of losses T&D correctly.

3.B.6. Technical losses

3.B.6.1. Transmission network

Up to May/September 1992, the transmission zones, supplying power to distribution zones, worked out the loss percentage with reference to the power available for distribution. This system was, however, modified from June/October 1992 by Transmission (East and Central) Zones where the loss percentage was worked out with reference to total energy flowing through the transmission network of the respective zones. The modified system resulted in depicting improved loss percentage than the actual percentage of loss.

Against norm of 4 per cent recommended by CEA, cricle-wise technical losses for 1992-93 as analysed in audit of Transmission (East), Allahabad and Transmission (Central), Lucknow indicated that the same ranged between 4.1 per cent and 13.8 per cent and between 4 per cent and 17 per cent respectively

In this connection, the following points were noticed:

(i) In respect of Transmission (East) zone, it was noticed that against the energy transfer of 2949.971 MUs, by transmission zone, the Varanasi distribution zone had accounted for energy receipt of only 2467.693 MUs resulting in non-accountal of 482.278 MUs (value: Rs. 52.09 crores). Similarly, in respect of Transmission (Central) Zone, the accountal of energy receipt was 977.69 MUs by LESU* (a unit of Board) against energy transmission of 1041.903 MUs by transmission zone resulting in short accountal of 64.213 MUs (value: Rs. 6.98 crores).

(ii) In a few cases, the energy loss was shown even less than 1 per cent. Such lower percentages were not technically feasible as confirmed by EDD, Etawah

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* Lucknow Electricity Supply Undertaking.

and Test & Commissioning Circle, Lucknow who stated (August 1991) that one meter at each bus bar was always kept defective to project lower transmission losses. Keeping in view the iron and copper losses and the load conditions, it was contended that losses would be of the order of 6 to 8 per cent.

3.B.6.2. Distribution network

Against 11 per cent of sub-transmission and distribution losses as recommended by CEA in February 1986, a test check of commercial statements revealed that except for 2 divisions of Bareilly Zone during 1991-92, the losses ranged between 12 to 45 per cent during 5 years up to 1992-93.

The loss in excess of the recommended norm of 11 per cent for 3 distribution zones worked out to 2083.345 MUs valuing Rs. 174.68 crores during five years up to 1992-93 as detailed below:

Year	Zone	Energy received	Energy sold	Loss	Loss as per recommended norm	Excess loss	Value (Rupees in crores)
		(	Million	units	)		
1988-89	Varanasi	1918.480	1470.018	448.462	211.03	237.429	16.15
	Lucknow	1539.408	1314.266	225.142	169.33	55.807	3.79
	Bareilly	NA	NA	NA	NA	NA	NA
1989-90	Varanasi	2006.537	1617.197	389.3	220.719	168.518	12.30
	Lucknow	1768.917	1511.703	257.214	194.690	62.633	4.57
	Bareilly	771.875	596.061	175.814	84.906	90.907	6.64
1990-91	Varanasi	2102.809	1653.686	449.123	231.309	217.814	15.90
	Lucknow	1908.777	1634.895	273.882	209.965	63.916	4.67
	Bareilly	859.984	671.763	188.221	94.598	93.622	6.83
1991-92	Varanasi	2209.997	1665.213	544.784	243.099	301.684	24.13
	Lucknow	2029.529	1709.714	319.815	243.248	96.567	7.73
	Bareilly	920.885	711.569	209.316	101.297	108.018	8.64
1992-93	Varanasi	2467.693	1898.213	569.488	271.446	298.040	32.19
	Lucknow	2149.530	1779.894	369.636	236.448	133.187	14.38
	Bareilly	958.981	751.353	260.628	105.487	155.140	16.76
					Total	2083.345	174.68

3.B.6.3.1. Management of capacitor banks at the sub-stations

Installation of capacitor banks is required to improve power factor to the desired level. Capacitor banks have also the added advantage of increasing load carrying capacity of the system and reduction of technical losses due to improved voltage profile. According to an approved project report for installation of 1500

MVAR capacity of capacitor banks under Seventh Five Year Plan (1985-90), the Board assessed that the technical losses can be reduced to the extent of 190.53 MUs (value: Rs. 1047.91 lakhs) after implementation/completion of the project.

It was, however, noticed that the annual target fixed for installation of capacitor banks could not be achieved and the shortfall ranged from 20.2 to 84.3 *per cent* as detailed below :

Year	33 KV level Target (In	Achievement MVAR)	Shortfall (per cent)	11 KV level Target (In	Achievement MVAR)	Shortfall (per cent)
1988-89	100	NIL	100 (100.0)	506	397.6	108.4 (21.4)
1989-90	500	355	145 (29.0)	413	77.7	335.3 (81.2)
1990-91	445	355	90 (20.2)	343	154.2	188.8 (55.0)
1991-92	400	105	295 (73.8)	228	35.7	192.3 (84.3)
1992-93	295	235	60 (20.3)	192	31.5	160.5 (83.6)
Total	1740	1050	690	1682	696.7	985.3

It would be seen from above that owing to shortfall in installation of capacitor banks, the average annual loss of energy which could not be saved worked out at 1276 MUs valued at Rs. 76.56 crores.

3.B.6.3.2. Financing of capacitor bank schemes

Twelve schemes (value: Rs. 1238.907 lakhs) sanctioned by Rural Electrification Corporation (REC) during 1987-88 to 1989-90 involving creation of 728.70 MVAR capacity (2.1 MVAR each for 347 locations) were closed by the Board during April 1991 to April 1993 after creation of only 455.70 MVAR capacity (2.1 MVAR each for 217 locations) as the balance amount of Rs. 873.2988 lakhs was adjusted by REC against inventory loan/interest on loans not refunded by the Board.

Thus, the Board could not create 273 MVAR capacity in the system at 11 KV sub-stations resulting in non saving of annual energy loss of 1040 MUs valued at Rs. 63.20 crores.

3.B.6.3.3. Energy loss due to defective capacitor banks

The table on the next page indicates the capacity of working vis-a-vis defective capacitor banks installed by the Board during five years up to 1992-93:

At the end of March	Total capacity		Working capacity			Defective capacity			Percentage of defetive capacity	
	33 KV	11 KV (	33 KV IN	11 KV MVAR	Total)	33 KV	11 KV	Total	33 KV	11 KV
1989	565.3	723.7	504.5	650.6	1155.1	60.8	73.1	133.9	10.8	10.1
1990	916.1	787.5	815.3	665.6	1408.9	100.1	121.9	222.0	10.9	15.5
1991	1270.4	947.7	1157.8	797.4	1955.2	112.6	150.3	262.9	8.9	15.9
1992	1375.4	983.4	1083.4	811.1	1894.5	292.0	172.3	464.3	21.2	17.5
1993	1610.4	1010.8	1334.8	692.7	2027.5	275.6	318.1	593.7	17.1	31.5

The loss of energy due to defective capacity which could not be saved works out to 226.17 MUs per annum valued at Rs. 13.57 crores. The reasons for higher quantum of defective 11 KV capacitor banks were as under:

(i) As observed by the Member (Distribution) of the Board, the field staff including engineers do not have the theoretical or practical background of the utility of the capacitor banks. Up to August 1993, none of the zones either popularised the advantages of installation of capacitor banks or trained the staff for its use and maintenance. Only EDD Circle, Varanasi of Varanasi Zone in September 1993 circulated the manual of instructions.

(ii) Distribution divisions were disowning the responsibility of its repair and restarting of capacitor banks on the plea that Test divisions were responsible for repairs etc. Test check revealed that twenty four capacitor banks of 11 KV (capacity: 50 MVAR) were lying defective for the period from March 1988 to January 1992 in seven distribution divisions for want of repairs.

3.B.6.3.4. Non-utilisation of capacitor switches

In response to a tender of August 1988, the Stores Procurement Circle III, Lucknow placed (August 1988) an order on NGEF, New Delhi for procurement of 100 nos of 0.6 MVAR, 11 KV pole mounted capacitor banks and switches (value: Rs. 104.03 lakhs). Against this, the firm supplied only 15 capacitor banks in March 1992, and 65 nos of switches between May 1990 and March 1992 (schedule of supply: September 1989 to February 1990). It was noticed from test check of records of store centers that 52 nos. of switches valued at Rs. 53.56 lakhs remained unutilised as the capacitor banks, being the main equipment, was not received (March 1994) resulting in locking up of funds.

3.B.6.3.5. Non-utilisation of 11 KV capacitor banks

Test check of the records of Stores Divisions at Lucknow, Varanasi and Kanpur and Secondary Works Divisions, Lucknow and Varanasi revealed that 28 nos. capacitor banks of 11 KV of 64.7 MVAR capacity valuing Rs. 91.35 lakhs were lying unutilised since August 1991 to date for want of cables, control panels etc. resulting in per annum losses of 246.5 MUs valued at Rs. 14.79 crores which could not be saved, besides locking of Boards funds amounting to Rs. 91.35 lakhs.

3.B.6.4. Dissipation of energy due to low power factor in consumers premises

According to the technical committee, one step which may substantially contribute to reduction of technical losses is improvement of power factor. In 2 large and heavy and 4 non-domestic mixed load consumers test checked, it was observed that the Board has not been able to arrest the drawal of power at low power factor resulting in dissipation of energy to the extent of 1.42 MUs(value: Rs. 15.31 lakhs) as detailed below:

Name of the division	Number of consumers	Tariff applicable	Period	Range of power factor	Energy lost (KWH)	Value (Rs. in lakhs)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
EDD I Jaunpur	1	HV-2	December 1992 to January 1994	0.70 to 0.83	86030	0.93
EUDD I Bareilly	1	HV-2	June 1991 to March 1994	0.45 to 0.80	44389	0.48
EUDD I Bareilly	1	LMV-2	April 1992 to December 1993	0.60 to 0.83	586217	6.33
EUDD II Varanasi	3	LMV-2	April 1989 to December 1993	0.69 to0.84	700909	7.57
					1417545	15.31

In case of LMV-2, the tariff provisions and regulations do not provide for recovery of low power factor surcharge and therefore the energy loss of 1.29 MUs valued at Rs. 13.90 lakhs was an ultimate loss to the Board.

3.B.6.5. Load violation cases

As per provisions of tariff, consumers of LMV-2 tariff are required to connect equipments and motors only to the extent of the sanctioned load. There is no deterrent provisions in case a consumer is found having connected load in excess of sanctioned one although it results in poor voltage profile and higher distribution losses.

In test check of 4 consumers in 3 divisions, cases of excess drawl of load valued at Rs. 39.24 lakhs were noticed (as given on the next page), where action to recover the value of energy loss or to arrest such a trend could not be initiated.

Name of the Division	Name of the consumers	Sanctioned load	Range of load drawn	Period	Remarks
(1)	(2)	(3)	(4)	(5)	(6)
EUDD I Bareilly	DRM Northern Railway Bareilly	471 KVA	495-517 KVA	June 1991 to December 1993	Monetary value of additional demand drawn at the panel rate prescribed in HV-2 tariff works out to Rs. 20.39 lakhs.
LESU	NE Railway LOCO Colony Ashok Marg	170 KW	300 KW	As per checking by EE (Meters) in September 1991	Monetary value of additional load of 130 KW at the rate prescribed in HV-2 tariff works out to Rs. 7.62 lakhs from April 1991 to March 1994.
LESU	Divisional Superintendent Northern Railway Lucknow	255 KW	392.3 KW	As per checking by EE (T) in October 1991	PTCT unit were out of order since April 1984. The monetary value of additional load of 137.3 KW works out to Rs. 10.72 lakhs from March 1991 to March 1994.
EDD II, Faizabad	K.M. Sugar Mills Gas Division, Faizabad	400 KVA	408-743 KVA	September 1990 to March 1993	Monetary value of additional demand drawn at the penal rate prescribed in HV-2 tariff works out to Rs. 0.51 lakh.

3.B.7. Non-technical losses

Non-technical losses or commercial losses mainly consist of unaccountable losses due to slow or erratic running of meters, non-provision of tamper proof meter cubicals leaving scope for malpractices, theft/pilferage of energy and non-installation of meters at consumers premises. The technical committee on power recommended for sample checking of monthly demand and consumption effectively, periodical checking and testing of meters and replacement thereof, where ever necessary.

It was noticed in audit that testing and replacement of meters or installation of check meters was done only when a request was made by the distribution division or the consumer or when a meter was damaged instead of at prescribed intervals resulting in slow/erratic running of meters leaving scope for substantial part of unaccountable energy losses. Cases involving unaccountable loss of energy valuing Rs. 23.37 crores are discussed on the next page:

3.B.7.1. Supply of energy without measurement of actual consumption

(a) (i) The lift irrigation works and pump canals of Irrigation Department having contracted load above 75 KW were to be billed under rate schedule HV-2 (HV-4 from January 1994) on the basis of demand and energy consumption recorded by the meter. It was, however, noticed in test check of records of 4 divisions that owing to meter being defective between April 1991 and March 1994, the Board had to raise for demand charges at 75 per cent of the sanctioned load and energy charges on the running hours and capacity of motors as intimated by the Irrigation Department and factor as provided in Annexure-I of regulations. In this mode of billing, assessment of actual demand drawn and energy consumption was not possible leaving scope for part of actual consumption being unaccounted for. Based on the LHFD* formulae and factor of 0.75, the loss of energy in 16 cases test checked worked out to 25.69 MUs (value: Rs. 22.37 crores) during April 1991 to February 1994.

Further, according to record note of discussion between Transmission and Varanasi Distribution Zone, the energy shown as transmitted to Narainpur pump canal (Varanasi zone) was 5.978 MUs against billing of 1.883 MUs (Ferbuary 1991) resulting in non-accountal of energy of 4.095 MUs. This indicated that the system of billing followed was deficient to the extent that the Board was not able to recover cost of actual consumption in the absence of metering.

(ii) Raunahi pumping station at Faizabad (contracted load: 1800 KVA) was given supply at 6.6 KV independent feeder at Sohawal sub-station of EDD-II, Faizabad with metering at outgoing feeder panel of the sub-station. The consumer had installed three meters of its own. The assessment of consumption was made on the basis of previous average (February to April 1986) up to April 1988 and on the basis of meter provided at the sub-station after March 1989. The billing for the intervening period from May 1988 to March 1989 was done on the basis of consumers own meters which was defective. This resulted in non-accountal of energy of 0.52 MUs (value: Rs. 4.02 lakhs) for the period from May 1988 to March 1989 calculated on the basis of readings of the meter of feeder panel.

(b) In respect of 4 consumers billable under LMV-2 tariff, the EDD, Mirzapur was charging minimum consumption guarantee (MCG) as the meters installed were lying defective for long periods. Based on LHFD formulae, the unaccounted energy for the period from April 1988 to August 1993 worked out to 1.76 MUs valued at Rs. 17.16 lakhs.

The divisional officer agreed (April 1994) to the audit observation and to raise the assessment for a period of six months on the basis of LHFD formulae. Further developments were awaited.

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* L indicates load in KW, H indicates hours, F indicates factor and D indicates days

3.B.7.2. Non-accountal due to delay in installation of check meter

The KVAH section of metering system of Jhunjhunwala Gases Private Limited, under EDD-I, Jaunpur receiving power at 11kV from 31st May 1991 was found defective as per remarks by the Executive Engineer on 14th October 1991 which indicated that the meter body seal was found missing. On advice of EDD-I made in August 1991, the Test Division installed check meter on 22nd November 1992 (after 15 months) followed by installation of another check meter in July 1993 (7 months) as check meter of November 1992 was declared defective. The results of check meter finalised on 16th August 1993 indicated that KWH, KVAH sections and maximum demand indicator of the main meter were slow by 16.56 per cent, 13.30 per cent and 11.96 per cent respectively and accordingly the assessment for the period from April 1993 to 18th July 1993 (3 months preceding the month of finalisation of results of check meter as per clause no.21(ii) of condition of supply) only could be raised. Since the defect in the meter was noticed in October 1991, the unaccounted energy on the basis of results of check meter from October 1991 to March 1992 worked out to 0.42 MUs valuing Rs.8.96 lakhs, which could not be assessed as the condition of supply stipulates raising of bills only for 3 months preceding the month of results of check meter.

3.B.7.3. Non-accountal due to inaccurate metering

(i) The Electricity Test Division after testing the metering system of Bharat Heavy Electrical Limited, Varanasi (load: 1000 KVA from March 1990 to March 1993 reduced to 500 KVA thereafter) advised assessment for past period as phase sequence was found reversed to BYR against RYB* and KWH section of the meter was found slow by 71.65 per cent. The assessment from April 1990 to December 1991, though revised in February 1992 was incorrectly worked out as 78 per cent of 28.35 per cent of the consumption recorded in the meter. This resulted into non-accountal of energy loss of 0.29 MUs (value: Rs. 2.98 lakhs). Besides, the power factor as per readings of the defective meter during April 1990 to May 1993 was abnormally low to the extent of 0.37. After installation of correct meter in June 1993, the power factor reported was 0.46 to 0.50 during three months up to August 1993 indicating dissipation of energy in the distribution system since the date of release of load in March 1990. However, low power factor surcharge for fall therein up to 0.70 (from the prescribed level of 0.85) amounting to Rs. 9.69 lakhs from April 1990 to May 1993 was not levied.

(ii) The metering system of Om Steel and Alloys Limited, Haripur (Faizabad) under EDD-II, Faizabad for its load of 2350 KV for arc furnace released at 33 KV on 15th October 1991 (raised to 3350 KVA from 26th October 1993), was found erratic since its installation as per checking report of October 1991 in as much as the KWH portion was stopped. After breaking the seals, the connections were checked and phase sequence which was found changed, was corrected. Out of 20 months (October 1991 to June 1993), the metering system was found defective on 14 occasions indicating the metering deficiencies for prolonged periods. The consumer was billed for the energy consumption as recorded by the defective meter which was being set right at the time of checking. The quantum

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* R indicates red, Y indicates yellow and B indicates blue

of energy loss due to faulty metering system was not ascertainable. The consumer was billed for minimum consumption guarantee (MCG) as the value of recorded consumption of the meter which was largely defective, was lower than MCG. However, the minimum consumption guarantee was reduced by 5 per cent being the rebate allowed for 33 KV supply in contravention of Board's order of January 1981 clarifying that the MCG will be reckoned with reference to the net amount after allowing the rebate. This resulted in a loss on account of short assessment totalling Rs. 5.91 lakhs for the period from October 1991 to December 1993.

(iii) The metering system of Yash Paper Mills (Unit No.II), Faizabad (load: 1250 KVA at 33 KV) under EDD-II was erratic since the date of its installation in October 1991. Due to non-correction of the fault in the metering system, the Division could not assess the consumer correctly and the unaccountable loss between 21st January to 23rd February 1992 worked out to 68086 units valued at Rs. 1.10 lakhs. A check meter was installed in February 1992, but the results thereof could not be finalised so far (June 1994) and the assessment was being raised on the basis of the readings of faulty meter.

(iv) The metering installation kept under observation at the request (November 1992) of Sarjoo Food Products having connected load of 400 KVA under EDD-I, Faizabad was found giving unsatisfactory performance (February 1993). Instead of installing a check meter as per condition no. 21(ii) of regulations for ascertaining quantum of erratic performance of meter, the meter was replaced in January 1994. Based on the average consumption recorded by the new meter in February 1994, the unaccounted energy loss worked out to 1.31 MUs (value: Rs. 19.06 lakhs) for the period from January 1992 to January 1994 (496 days).

3.B.7.4. Loss due to non-installation of meter

The potential transformer (PT) of Director Works and Plant, Narendra Agriculture University, Faizabad drawing power load of 400 KVA from July 1987 through 11 KV independent feeder was damaged in April 1989 and could not be replaced up to February 1993 (47 months). The consumer was assessed by EDDII, Faizabad at the rate of 94482 units (consumption of March 1989) per month for 47 months disregarding the norm of consumption based on load, hours of supply and load factor of 0.75 which worked out to 1,37,700 kWH per month. After replacement of PT in March 1993, the demand registered by the meter ranged between 492 and 600 KVA during the period from March 1993 to January 1994 which indicated drawal of load in excess of the sanctioned load. The average consumption of three months (March to May 1993) after installation of the meter worked out to 140608 KWH. Compared to this, the unaccounted energy during April 1989 to February 1993 worked out to 2.2 MU (value: Rs. 31.22 lakhs).

These matters were reported to the Board and to the Government in August 1994; replies were awaited (September 1994).

SECTION-3C

UTTAR PRADESH STATE ROAD TRANSPORT CORPORATION

ALLEN FOREST WORKSHOP, KANPUR

HIGHLIGHTS

The Allen Forest Workshop Kanpur (Workshop) was established in June 1976 to meet the increasing requirements of renovation and fabrication of bus bodies.

Utilisation of man hours in excess of prescribed norms in fabrication of bus bodies during 4 years up to 1992-93 resulted in unproductive payment of Rs. 183.32 lakhs.

Delay in fabrication of bus bodies on new chassis had resulted in loss of operational income of Rs. 221.55 lakhs during 5 years up to 1992-93.

Delay in taking over of physical possession of 131 chassis ranging from 63 to 112 days resulted into loss of operational income of Rs. 105.04 lakhs in addition to interest of Rs. 9.01 lakhs paid to IDBI on finance of chassis under the rediscounting scheme.

The suppliers of new chassis provide four service free of cost including supply of oil on a run up to 18500 kms. The regions to whom the buses were transferred after fabrication of bus bodies did not avail themselves of the free service including supply of oil and carried out servicing departmentally. This resulted in avoidable expenditure of Rs. 75.84 lakhs being the cost of oil issued in servicing.

Delay in despatch of fabricated vehicles to regions resulted into loss of revenue of Rs. 114.68 lakhs during 5 years up to 1992-93.

3.C.1. Introduction

Allen Forest Workshop (Workshop) Kanpur was established in June 1976 to meet the increasing requirements of mechanical renovation/fabrication of bus bodies as the existing accommodation and facilities available at Roadways Central Workshop of UPSRTC at Kanpur were not sufficient. The work of fabrication of bus bodies on new chassis was started from February 1988.

3.C.2. Organizational set up

The General Manager is the overall in charge of the Workshop. He is assisted by a Deputy Chief Mechanical Engineer (Dy.C.M.E.),two Service Managers (SMs) and five Assistant Regional Managers.

3.C.3. Scope of audit

The workshop has been running into heavy losses since 1990-91 due to non-receipt of new chassis as per projected capacity, abnormally large amount of idle labour hours and heavy payments of overtime. The Review covers the performance of the Allen Forest Workshop for five years up to March 1993.

3.C.4. Financial Position and working results

(a) Financial position

The financial position of the workshop at the end of five years up to 31st March 1993 is given below:

Capital and Liabilities	1988-89	1989-90	1990-91	1991-92	1992-93
			(Rupees in lakhs)		
(1)	(2)	(3)	(4)	(5)	(6)
Capital contribution	Nil	Nil	Nil	Nil	Nil
Loans	Nil	Nil	Nil	Nil	Nil
Reserve Funds	75.28	80.31	84.57	92.09	98.67
Deposits	0.75	0.93	0.91	0.91	0.91
Current Liabilities-	2060.13	2133.08	214.30	277.54	172.36
Provisions	Nil	Nil	Nil	Nil	Nil
Inter office adjustments	Nil	Nil	196.12	167.42	247.48
Surplus	53.65	51.78	Nil	Nil	Nil
Total	2189.81	2266.10	495.90	537.96	519.42
Assets					
Fixed Assets	227.09	231.01	234.33	238.22	240.22
Current Assets	507.80	396.74	255.07	210.54	155.27
Inter office adjustment	1454.92	1638.35	Nil	Nil	Nil
Deficit	Nil	Nil	6.50	89.20	123.93
Total	2189.81	2266.10	495.90	537.96	519.42
Capital invested*	75.28	80.31	84.57	92.09	98.67
Capital employed**	129.68	133.02	78.98	3.80	(-)24.35

* Capital invested represents capital plus long term loans plus reserves.

** Capital employed represents working capital plus fixed assets.

(b) Working results

The table below indicates the working results of the workshop during five years up to 1992-93:

Income	1988-89	1989-90	1990-91	1991-92	1992-93
			(Rupees in lakhs)		
(1)	(2)	(3)	(4)	(5)	(6)
Receipts from Services	1448.50	831.44	733.97	500.66	896.29
Misc.Receipts					
(a) Sale of stores	44.17	26.45	76.83	54.89	18.67
(b) Other	0.08	0.16	0.65	0.72	0.35
Income related to previous year	Nil	0.15	1.39	Nil	0.31
Net loss	Nil	1.86	58.28	82.70	34.74
Total	1492.75	860.06	871.12	638.97	950.36
Expenditure					
Finished Stock	1408.65	740.11	676.36	523.29	816.91
Workshop Estt.	43.09	44.31	61.79	63.58	69.01
Repairs & Maintenance	4.51	3.10	0.74	0.43	0.82
Administrative & other expenses	28.41	69.23	59.04	48.36	56.35
Depreciation	3.04	3.28	3.26	3.19	3.13
Expenditures relating to previous year	1.06	0.03	69.93	0.12	4.14
Net profit	3.99	Nil	Nil	Nil	Nil
Total	1492.75	860.06	871.12	638.97	950.36

An examination of the table would reveal the following:

(i) There was a profit of Rs. 3.99 lakhs only in 1988-89 whereas in later years the workshop suffered heavy losses mainly due to under utilisation of production capacity and billing the regions at standard cost which was invariably less than the actual cost of fabrication.

(ii) There was decline in administrative expenses and repair and maintenance during the year 1991-92 and 1992-93 whereas workshop establishment expenses increased year after year due to payment of overtime allowance to the workshop employees.

3.C.5. Audit assessment regarding performance of Allen Forest Workshop, Kanpur

The workshop was established in 1976 to meet increasing requirement of fabrication and renovation of bus bodies of the Corporation. Scrutiny in audit revealed that performance of the workshop was deficient for one or more of the following causes:

(i) The utilisation of man hours in fabrication of bus bodies and reconditioning of assemblies was in excess of prescribed norm which resulted in unproductive payment of wages.

(ii) Even after making payment of cost of new chasis, there were delays in taking possession thereof from suppliers which delayed the fabrication of bus bodies and putting them into operation.

(iii) Regions to whom buses were transferred after fabrication did not avail themselves of the free service available from chassis suppliers resulting in avoidable expenditrue on issue of oil for servicing by the Corporation.

(iv) The workshop has been taking much more time in fabricating the bus bodies and despatching them to Regions than the prescribed time which delayed operation of buses on road.

These aspects are discussed in paragraphs 3.C.6 to 3.C.15 that follows.

Production Performance

3.C.6. Fabrication Shop

(a) Fabrication of bus bodies

The Workshop undertakes fabrication of bus bodies on new chassis and on old chassis which have run for 3 lakh kilometers. As per project report the workshop has to fabricate 2 buses per day. Accordingly the workshop should fabricate 600 buses per year.

It was, however, seen during audit that the workshop received 261 to 424 nos.chassis and fabricated 242 to 409 bus bodies during the period 1988-89 to 1992-93.

In none of the five years, Chassis were received to the extent of capacity of the workshop.

Achievement of body fabrication ranged from 40 to 68 *per cent* during four years up to 1992-93 which was much lower than the capacity. The Management did not furnish any reply for under utilisation of capacity and reasons for transferring the chassis to private parties though called for (March 1994).

(b) Idle labour hours and payment of overtime

The Corporation had fixed 2530 man hours for fabrication of a bus body on new chassis ,2230 man hours on old chassis and 800 hour for 1.00 lakh km (accidental) maintenance. The table given below indicates the man hours available and actual payment for fabrication of bus bodies during four years from 1989-90 to 1992-93.

	1989-90	1990-91	1991-92	1992-93
(1)	(2)	(3)	(4)	(5)
Fabrication of Bus bodies				
(in numbers)				
(i) New Chassis	394	290	197	375
(ii) Old Chassis	9	30	26	11
(iii) One lakhs maintenance	-	27	19	23
(iv) Total	403	347	242	409
Capacity utilisation (per cent)	(67)	(58)	(40)	(68)
Man Hours required				
as per norms	1016170	819800	569510	990800
Man Hours available				
(v) Normal hours	1221888	1138392	1147360	1147252
(vi) O.T.hours	244556	136705	21742	264824
(vii) Idle hours				
a.Normal	205718	318592	577850	156452
b.Overtime	244556	136705	21742	264824
(viii) Average Man hours				
utilised				
per bus				
(v) + (vi)/(iv)	3639	3675	4831	3453
(ix) Salary paid				
(in Rupees)	7224838	10756346	10752798	10776509
(x) O.T.Paid				
(in Rupees)	1767031	2133797	185600	3138168
(xi) Total				
(in Rupees)	8991869	12890143	10938398	13914677

It is obvious from above that the normal available hours were in excess of required man-hours and there was no justification for overtime hours. Thus excess utilisation of normal man-hours and overtime hours resulted into unproductive payment of Rs. 183.32 lakhs. No justification was given for such payment eventhough asked for from the management (January 1994).

(c) Delay in fabrication of bus bodies

It was noticed in audit (February 1994) that actual time taken in fabrication of bus bodies ranged from 1 to 94 days over and above normal time of 30 days allowed during five years from 1988-89 to 1992-93 as indicated below:

Delayed period over and above 30 days	1988-89	1989-90	1990-91	1991-92	1992-93
		(Number of bus bodies)			
1 to 10 days	66	88	86	15	130
11 to 20 days	24	126	45	70	26
21 to 30 days	45	87	35	30	4
Beyond one month	13	60	32	83	--
Beyond 3 months	1	6	--	--	1
	---	---	---	---	---
Total	149	367	198	198	161
	---	---	---	---	---

The delay in fabrication of bus bodies on new chassis had resulted in loss of operational income to the extent of Rs. 221.55 lakhs calculated at average income per km per bus during five years up to 1992-93.

(d) Delayed physical take over of new chassis from suppliers

The Corporation placed an order in February 1989 on a Lucknow firm to supply 136 nos Ashok Leyland Chassis at the rate of Rs. 256143.31 per chassis under I.D.B.I. rediscounting scheme. Under the scheme the interest becomes payable from date of delivery of chassis. The chassis were to be kept under firm's custody due to shortage of space in Workshop. Delivery was to start from April 1989 onwards as per requirement from time to time. The General Manager Workshop ordered on 12 February 1989 that 136 chassis may be taken delivery and handed over again to M/S Anand motors.

The delivery of all 136 Nos chassis was taken by workshop on 20th February 1989. Records of the workshop revealed that physical possession of 131 chassis was taken during 24th April to 12th June 1989. Thus there was a delay ranging from 63 days to 112 days in taking over physical delivery of new chassis and consequent delay in fabrication of body thereon resulting into loss of operational income of Rs. 105.04 lakhs besides interest of Rs. 9.01 lakhs paid to I.D.B.I. who financed the purchase of chassis under the rediscounting scheme. The plea of shortage of space in the workshop was also not correct as the workshop has a space of more than 28 acres. The production capacity of the workshop also remained unutilised to that extent.

Thus acceptance of delivery on paper also resulted into undue financial aid aggregating to Rs. 335.55 lakhs to suppliers for 63 days on 131 chassis besides interest which the Corporation paid to I.D.B.I.

(e) Undue financial benefit to chassis suppliers

The suppliers of new chassis provide four services free of cost including supply of various oils as per prescribed norms on a run up to 18500 kms. It was noticed that the facility of free service including free supply of oil was not availed of by any of the Region where fabricated bus bodies were transferred. The supplier were thus benefitted to the extent of Rs. 75.84 lakhs only in respect of cost of oils during the years 1988-89 to 1992-93. The Corporation also did not insist the supplier to give reduction in cost of chassis for not availing the facility.

3.C.7. Mechanical renovation shop

(a) Reconditioning of assembly

The mechanical renovation shop attends the following jobs on buses received from region as per norms indicated against each:

Dismantling of super structure (cutting) bus bodies - 80 hours

Reconditioning of :

Front axle	16 hours
Steering wheel	12 hours
Propeller shaft	4 hours

Even though norms for various jobs were fixed by the Head Office the workshop neither fixed any target nor evaluated the requirement of staff. The table given below indicates the labour utilised for above jobs and as required based on the work done during the years 1989-90 to 1992-93.

	1989-90	1990-91	1991-92	1992-93
Labour Hours used				
Normal	616373	493536	517968	437766
Overtime	104885	96228	9160	105276
Total	721258	589764	527128	543042
Labour hours required based on norms and work actually done.	36596	27360	14976	15028
Excess hours				
Normal	579777	466176	502992	422738
Overtime	104885	96228	9160	105276
Value of excess hours (Rupees in lakhs)				
Normal	87.28	54.40	49.75	67.93
Overtime	5.95	10.70	0.72	13.25

It would be seen from above that the workshop paid Rs. 289.98 lakhs for idle hours and overtime hours during these years.

(b) Expenditure on premature renovation of bus bodies

As per norms, a complete renovation of bus body is done after it completes a run of 3 lakhs kilometers.

A test check in audit (February 1994) revealed that 74 out of 82 bus bodies of different regions were renovated during 1988-89 to 1992-93 after they had covered 1 lakh to 2.90 lakh kilometers.

The table below gives the details of expenditure due to premature renovation of buses:

	1988-89	1989-90	1990-91	1991-92	1992-93	Total
Fabrication cost each body (Standard cost) (Rupees in lakhs)	1.30	1.43	1.60	1.81	1.81	--
Fabrication cost per Km. (in paise)	43	48	53	60	60	--
Kms not run due to premature renovation	2475158	711622	830852	78565	--	--
Expenditure on premature renovation (Rupees in lakhs)	10.64	3.41	4.40	0.47	3.45	22.37

It would be seen from above that workshop incurred expenditure aggregating to Rs. 22.37 lakhs on premature renovation of 74 bus bodies during five years ending 31st March 1993. Reasons for premature failure of these bus bodies were not investigated so far (February 1994).

(c) Delay in sending of old vehicles to Roadways Central Workshop for renovation

The Headquarter had prescribed a norm of 80 hours for cutting and stripping of superstructure immediately after which the workshop was required to transfer the vehicles to Central Workshop for renovation. The delay ranged from 1 to 180 days. The table given on the next page indicates total vehicles delivered after cutting and stripping to Central Workshop, delay in delivery and loss of operational revenue which the Corporation would have incurred due to this delay during five years from 1988-89 to 1992-93:

	1988-89	1989-90	1990-91	1991-92	1992-93
1.No of Vehicles sent to Central Workshop	554	355	206	107	121
2.Total in delay in days (Calculated after 5 days from the receipt of vehicles	23708	24994	16694	7044	6509
3.Average km run per day	219	222	204	213	213
4.Income per km (in Rupees)	4.11	4.30	5.03	5.54	6.44
5.Loss of operational revenue (Rs. in lakhs)	312.39	238.59	170.99	83.12	89.29
6.Total loss for five years	Rs. 795.38 lakhs				

Inspite of surplus man hours available in the mechanical shop delayed delivery of vehicles to Central Workshop resulted into operational loss amounting to Rs. 795.38 lakhs which lacked justification.

3.C.8. Delay in despatch of fabricated vehicles to regions

The workshop after fabrication of bus bodies despatch the vehicle to regions. There has been delay of 1 to 60 days in despatch of vehicles to regions. The Corporation would have earned revenue aggregating to Rs. 114.68 lakhs during five years up to 31st March 1992-93 if buses were despatched in time, as detailed below:

	1988-89	1989-90	1990-91	1991-92	1992-93
1.Total delay in vehicle days	7364	3308	901	422	189
2.Average Km. run per bus per day	219	222	204	213	213
3.Income per km	4.11	4.30	5.03	5.54	6.44
4.Loss of operational revenue (Rs. in lakhs) (1x2x3)	66.28	31.58	9.25	4.28	2.59
Total loss of operational Revenue	Rupees 114.68 lakhs				

This was brought to the notice of the workshop (February 1994) but no reasons for delay in despatch of completed vehicles were furnished.

3.C.9. Man power

The table below indicates the position of man power in the workshop during 1988-89 to 1992-93:

Particulars	1988-89	1989-90	1990-91	1991-92	1992-93
1.Sanctioned					
(a)Supervisory	31	31	31	31	31
(b)Workers	795	795	795	795	795
Total	826	826	826	826	826
2.In position					
(a)Supervisory	32	29	34	32	35
(b)Workers	763	788	791	744	735
Total	795	817	825	776	776
3.Value of work done (Rs. in lakhs)	1408.65	740.11	676.36	523.29	816.91

Even though there had not been any significant reduction in man power the value of work done have gone down year after year during five years up to 1992-93 except during 1992-93. The staff position was never reviewed with reference to actual production.

3.C.10. Accounting system

The accounts in the workshop were maintained on " Public Works System of Accounting " up to 31st March 1989. From 1st April, 1989 " Double Entry System of Accounting " was adopted as prescribed in the Manual of Accounts published by the Corporation in 1989.

3.C.11. Costing System

A test check in audit (February 1994) revealed that out of 1708 job cards opened during 1988-89 to 1992-93 none of the job cards were closed/financially evaluated to ascertain that the actual cost of job was in conformity with the standard cost. The actual cost of fabrication of each bus body as worked out in the five years up to 1992-93 was more than the bill ·d/standard cost as detailed on the next page:

	1988-89	1989-90	1990-91	1991-92	1992-93
	(		Rupees	)	
1. Cost of material (as per bill of material)	105200	111837	125648	140017	141945
2. Average labour cost (actual)	22307	22307	37118	45170	34012
3. Overhead (102 per cent of (2) above)	22753	22753	37860	46073	34692
Total	150260	156897	200626	231660	210669
Standard cost charged	130000	143000	160000	181000	181000
Loss	20260	13897	40626	50660	29699
Total buses fabricated	N.A.	394	290	197	375
Total (Rupees in lakhs)	--	54.75	117.82	99.81	111.37

As detailed above the actual expenditure incurred for the fabrication of 1256 buses during this period exceeded the standard cost charged by the Workshop by Rs. 383.75 lakhs.

3.C.12. Store record

It was observed that the store ledgers maintained in the Accounts Section of the workshop were never valued to show the value of stores purchased, issued, and in hand at the end of each year due to which store ledgers and store account ledgers were never reconciled and the consumption of stores was only derived figure.

The value of closing stock of Rs. 177.67 lakhs as on 31st March 1993 included obsolete/surplus stores valuing Rs. 29.03 lakhs not utilised after April 1990. The workshop has not made any efforts to dispose off the obsolete stores for avoiding locking of funds.

As per Accounting Manual of the Corporation, the workshop is required to maintain a sample register indicating the specifications of samples received. However the sample register of materials purchased by the workshop was not maintained. In the absence of such records disposal could not be vouchsafed in audit.

3.C.13. Excess consumption of store items

(a) Batteries

After completion of renovation in old buses one battery of 12 volt 25 plates and two batteries of 12 volts 19 or 25 plates are to be fitted in each of Tata and Leyland Chassis respectively before despatch of the bus to the concerned region. The table below indicates the number of renovated buses despatched number of batteries fitted in buses resulting into excess consumption of batteries valuing Rs. 10.20 lakhs during five years up to 1992-93:

Number of buses despatched	1988-89	1989-90	1990-91	1991-92	1992-93
Tata	47	149	164	64	57
Ley land	39	203	167	80	78
Total	86	352	331	144	135
Batteries issued	214	805	556	308	139
Batteries required as per norm	125	555	498	224	213
Batteries issued in excess	89	250	58	84	(-) 74
Amount of excess issue (Rupees in lakhs)	1.52	4.78	1.31	2.59	--

Total excess issue
Rupees in lakhs 10.20

The workshop was requested (February 1994) to justify the excess issue of batteries but no reply has been received (September 1994).

(b) Other store items

As per norms prescribed by the Corporation 70 mtr.L.T. wire 4mm or 5mm and 24 sq meters of plywood (6'x4'x6mm and 6' x 4' x 12mm size) has to be used in each bus fabricated or renovated in the workshop. It was observed that there was excess consumption of 55390 meters of L.T. wire and 5941.63 sq. meter of plywood valued at Rs. 1.44 lakhs and Rs. 3.75 lakhs during five years from 1988-89 to 1992-93 respectively.

3.C.14. Purchase procedure

The purchase orders for bulk supplies are normally placed by the Head office of the Corporation. General Manager of the Workshop is empowered to procure materials for urgent requirement to the extent of Rs. 3 lakhs per month provided value of individual order should not exceed Rs. 20,000.00. The purchase of steel from M/S Steel Authority of India Limited (SAIL) is excluded from the above limit:

A test check in audit revealed that:

(i) Purchase orders for Stores, other than steel from SAIL, amounting to Rs. 356.25 lakhs were placed and monthly limit of Rs. 3 lakhs was exceeded in 39 months to the extent of Rs. 220.60 lakhs.

(ii) Purchase orders were placed for laminated glass at higher rates as compared to contract rates or Manufacturer's rates leading to avoidable expenditure of Rs. 1.24 lakhs.

3.C.15. Other topics of interest

(a) Purchase of Aluminium sheets/sections

The purchase orders for supply of Aluminium Sheets/Sections were placed by Head Quarter office on 1st September 1989 and 1st November, 1991 on M/S Bharat Aluminium Company Limited, (BALCO). Of the total quantity of 431.93 M.T. BALCO supplied 356.024 M.T., and 28.751 M.T. of material against the respective orders within their validity period of 30th September 1990 and 31st March 1992 respectively. The prices of Aluminium were revised w.e.f. 2nd December 1992. Instead of insisting on supply of balance quantity (47.155 M.T.) at the old rates, the enhanced rates were accepted and extra payment to the extent of Rs. 8.95 lakhs was made.

(b) Non-recovery of Rs. 1.27 lakhs for short supply of gas

The workshop purchased 12165 cum DA/Oxygen Gas from M/S Pahawa Gases (Pvt.) Ltd., Kanpur at different rates during November 1989 to July 1992. There was no system in the workshop to check the actual quantity of gas in a cylinder. It was observed that each cylinder of Pahawa Gas was welding average 20 to 22 chairs as compared to 33 to 35 chairs welded by cylinder supplied by Indian Oxygen Ltd, Kanpur. Thus there was 33 *per cent* short supply of gas valued at Rs. 1.27 lakhs by M/S Pahwa Gases. The firm was informed (July 1990) about the short supply of gas but neither any amount was recovered nor action taken against the firm.

(c) Avoidable payment due to non-reduction of power load

The workshop has a connected load of 300 KVA from October 1979 for fabrication and renovation of bus bodies. The maximum consumption of energy ranged around 180 KVA during 1986-87 to 1992-93. The rate schedule of Uttar Pradesh State Electricity Board provides that a consumer has to pay for 75 per cent of the connected load in case actual consumption recorded is not more. As the consumption of power in the workshop was always less than 75 per cent of connected load, the workshop had to pay demand charges for 225 KVA per month since inception. As there was no requirement of 300 KVA in the workshop, the connected load could have been easily reduced to 250 KVA and thus payment for about 45 KVA load of electricity per month avoided. This resulted in avoidable payment of Rs. 3.35 lakhs during the period 1986-87 to 1992-93.

(d) Payment of surcharge due to low power factor

The tariff of Uttar Pradesh State Electricity Board for supply of 300 KVA power provided for maintenance of power factor at 0.85 per cent failing which surcharge at 1 per cent for each 0.01 fall in power factor below 0.85 up to 0.80 and at 2 per cent for each fall 0.01 below 0.80 was leviable till such time the power factor was improved to the required level in installation of suitable capacitors.

Test check of the records revealed that workshop failed to maintain the required power factor till November 1991 resulting in avoidable payment of surcharge of Rs. 2.16 lakhs during that period. No capacitor was installed to regulate the power factor.

The capacitors was however, installed in November 1991 at a cost of Rs. 0.16 lakh. Reasons for non-installation of capacitors earlier to avoid payment of surcharge were not on record.

(e) Irregularities in maintenance of cash record

A review of the cash book and double lock register for the period April 1988 to March 1993 revealed the following points:-

(i) It is not known where the second set of keys of each lock of the cash chest was deposited.

(ii) In register of keys was not maintained. Second keys were not exchanged with fresh keys at the end of each year.

(iii) Balance of cash as shown in the cash book each day did not tally with the actual cash kept in the cash chest as recorded in the Double Lock Register. There were discrepancies ranging from Rs. 0.40 to Rs. 33064.95 on 50 occasions. The double lock register prior to October 1989 was not maintained.

(f) Auction of scrap

In November 1988, while aluminium scrap was auctioned at the rate of Rs. 32100 per M.T., 40 M.T. of aluminium grouped as aluminium bus doors were auctioned at the rate of Rs. 7800 per M.T. Thus due to non grouping of aluminium doors as aluminium scrap Corporation had to suffer a loss of Rs. 9.72 lakhs.

Iron (178 MT) and Aluminium scrap (18 MT) worth Rs. 28.07 lakhs approx was lying in the workshop for more than two years pending auction. No reasons for the delay were furnished though asked for (February 1994).

The matter was reported to Management in March 1994 and to Government in May 1994; replies were awaited.

CHAPTER-IV

MISCELLANEOUS TOPICS OF INTEREST

14 A. G.—16

SECTION-4A

GOVERNMENT COMPANIES

UTTAR PRADESH STATE MINERAL DEVELOPMENT CORPORATION LIMITED

4.A.1. Loss on supply of stone boulders

In August 1986 the Company bagged an order from Road Construction Unit (Public Works Department), Hardoi, for supply of 25000 cubic meter stone boulders at the rate of Rs. 320 per cum, by December 1986. According to supply order, responsibility for safe custody of boulders delivered from time to time rested with the Company till completion and final measurement of quantities. The Company engaged five contractors for collecting and carting the boulders cartage up to the site and delivering the same to the Public Works Department for which the Company was to make payment at Rs. 288 per cum to the contractors. The Company, however, neither made arrangement for the security of boulders delivered to Public Works Department nor stipulated any condition of making the carriage contractors responsible for shortages if detected on final measurement.

Between August 1986 and June 1987, the Company supplied 17,174 cum boulders to the Public Works Department through its contractors. The contractors were paid for this quantity on the basis of running bills. The final measurement of supplies taken by the Public Works Department in March 1988, revealed a shortage of 5989 cum boulders. The Public Works Department recovered Rs. 18.16 lakhs in August 1989 from the pending claims of the Company for these shortages.

The absence of a suitable clause for security of boulders at site in the agreement with the carriage contractors for determination of recovery of shortage resulted in a loss of Rs. 18.16 lakhs to the Company.

The matter was reported to the Management in May 1994 and to the pany in August 1994; replies are awaited.

4.A.2. Loss in sale of minor mineral

The Company entered (March 1987) into an agreement with the District Magistrate (D.M.), Kanpur for excavation and sale of sand from Jajmau and Bhagwatdas ghat, Kanpur. The agreement provided for keeping account of minerals raised, mode of transport with registration number, person in charge of the vehicle, description and quantity of minerals transported etc for computing royalty. The Company did not maintain the required records except despatch slip. The Company allowed (June 1987) transportation of sand in half trucks (4.28 cum in each truck) by R.K. & Sons, Kanpur against the sale order of June 1987. Based on the number of trips (16663) and the quantity per truck (4.28 cum) of sand transported during 1987-88, the Company paid (November 1991) to District Magistrate (D.M.), Kanpur, royalty of Rs. 2.50 lakhs on 0.71 lakh cum of sand excavated and transported. Not satisfied with quantity of minerals raised and transported, a joint team consisting of the representatives of Director, Geology and Mining and D.M. Kanpur inspected the work site and noticed (August 1987) that the trucks utilised in transportation carried 10 cum of sand per trip instead of 4.28 cum. On this basis, the D.M. Kanpur computed a royalty of Rs. 5.83 lakhs on 1.67 lakhs cum and also imposed penal interest of Rs. 1.19 lakhs. The balance royalty (Rs. 3.33. lakhs) and penal interest was paid by the Company between February and April 1992. The Company, however, did not recover the cost of extra sand (0.96 lakh cums) valued Rs. 7.15 lakhs from the contractor of Kanpur.

The Company had to suffer a loss of Rs. 8.34 lakhs due to non-maintenance of proper records of quantity of minerals transported in each truck.

The Management stated (August 1994) that separate account for mineral transaction was not being maintained for each site.

The matter was reported to the Company in May 1994 and to the Government in August 1994; reply of the Government had not been received (September 1994)

4.A.3. Avoidable expenditure on power

Chopan Unit (District Sonbhadra) of the Company had 123 KVA power load for operation of three small crushers at Bari-dolmite mines. In September 1986, the Unit obtained additional load of 250 KVA for running a new primary crusher of higher efficiency which was commissioned in October 1986. With the installation of new crusher, the old crushers were rendered surplus w.e.f. October 1986 itself and transferred between August 1989 and July 1991 to other units of the Company. The unit did not surrender load of 123 KVA to Uttar Pradesh State Electricity Board and continued to pay minimum demand charges on 92 KVA (75 per cent of the load) during the period October 1986 to August 1993 amounting to Rs. 6.08 lakhs at the rates ranging from Rs. 60 to Rs. 110 per KVA as applicable from time to time. This could have been avoided by discontinuing the load not required by the Company.

The matter was reported to the Management in May 1994 and to the Government in August 1994; replies had not been received.

4.A.4. Infructuous expenditure

For the development and exploration of pyrophillite and diaspore mines in Lalitpur district, Company in April 1984 obtained a lease for 20 years in respect of Begri Dhankuan, Seron Lagoon and Tori Dhulawan mines consisting of 593.20 hectares of land at dead rent of Rs. 40 to Rs 60 per hectare up to June 1989 and Rs. 80 to Rs. 100 per hectare thereafter. Economic and technical viability of the project was not carried out before executing lease agreement.

On commencement of work in 1984-85 on mines, it was found that pyrophillite was available in very small quantity with excess overburden and rejects. Consequently, Company had to finally abandon the mining work in May 1991 by which date Company had already paid dead rent aggregating Rs. 2.52 lakhs.

Although, the Company had option to terminate lease agreement after giving 12 month's notice as per clause 4 of part VIII of the agreement, yet steps to terminate lease agreement were not taken till date (July 1994) with the result that the Company had to incur infructuous expenditure of paying dead rent amounting to Rs. 1.74 lakhs during the period June 1991 to May 1994, besides recurring liability of Rs. 0.58 lakhs per annum till lease agreement is terminated.

Matter was reported to Management in May 1994 and to Government in August 1994; replies had not been received.

4.A.5. Extra expenditure

For establishing of Silica Sand Beneficiation Plant at Allahabad the Company purchased (December 1990) 51 Bigha 15 Biswa land valued at Rs. 2.62 lakhs at village Kolhi Tehsil Bara Allahabad. As per land record of Tehsil (Khasara) 45 Bigha and 8 Biswa of the land purchased was found to be Banjar*. The rate of Banjar land fixed by the Government was Rs. 3450 per Bigha only and the amount payable worked out Rs. 1.56 lakhs. This resulted in to excess payment of Rs. 1.19 lakhs towards cost of land (Rs. 1.06 lakhs) and registration charges (Rs. 0.13 lakhs).

It further revealed that incorrect indentification of the land by officers/consultants of the Company without consulting the revenue authorities of Tehsil the plant was established on a different site of land other than that already purchased excepting piece of land of 5 Bighas and 9 Biswas. This necessitated the Company to purchase another 45 Bighas of land against which company purchased (October 1992) 21 Bighas and 19 Biswas of land at a cost of Rs. 1.60 lakhs.

Thus, owing to payment at higher rate for land purchased and incorrect identification/faulty demarcation, Company had to incur extra expenditure Rs. 2.79 lakhs.

The matter was reported to the Corporation/Government in August 1994; the reply has not been received (September 1994).

UTTAR PRADESH STATE CEMENT CORPORATION LIMITED

4.A.6. Misappropriation of cement

The Company was under joint sector management during March 1991 to October 1991 owing to decision of State Government for transfer of Company to Private Sector.

During October 1991, Churk Unit of the Company without observing laid down procedure which interalia provided for issue of delivery order on receipt of advance payment alongwith order and allowing the purchaser to lift the cement on the basis of challans issued against delivery order, handed over 544 M.T. of cement valued at Rs. 11.86 lakhs to a transporter for delivery to M/S Printers

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* Land incapable of producing off spring, seeds or fruits.

Group Housing Society, New Delhi showing the sale as "Stock Transfer" in excise gate pass. The Society was neither appointed as consignment agent nor handling agent of the Company

On taking up the matter with the Society, the President of the Society intimated (June 1993) that they had neither ordered nor authorised anybody or any agent to order or receive anything from the company.

The Management stated (April 1994) that the efforts were being made to find out ways and means to realise the amount. Neither F.I.R. was lodged nor any legal notice issued against the transporter or the joint sector management responsible for the loss (April 1994).

The matter was reported to the Management in January 1994 and to the Government in May 1994; the replies are awaited.

4.A.7. Avoidable expenditure

The Company despatched two rakes of cement containing 1650 MT and 1550 MT of cement to Tehri Hydro Development Corporation (THDC), Rishikesh on 7th October 1992 and 22nd October 1992 against the supply order of September 1992. The terms and conditions of supply order, interalia, provided furnishing of test certificate by the Company alongwith despatch documents while claiming 98 *per cent* payment against despatch documents. However, the decision of the THDC, as to quality of cement, as arrived at on the basis of quality tests by THDC was final and binding. The sample tests carried out by U.P. Irrigation Research Institute, Roorkee, on behalf of THDC in respect of first rake despatched without test certificates showed unsatisfactory results and the THDC on 22.10.92 intimated the Company to replace the supply. The intimation, however reached Company on 28.10.92. Meanwhile the Company had despatched 2nd rake on 22nd October 1992 even without receipt of 98 *per cent* payment (Rs. 30.24 lakhs) against first rake.

In November 1992, the Company and the THDC mutually agreed for getting the samples of both rakes tested by National Council for Cement and Building Material (NCCBM). The samples were sent to NCCBM for testing (November 1992) and the test report received in December 1992 confirmed that the cement did not conform to IS specifications. The THDC, therefore, rejected both the rakes and asked the Company to lift the rejected cement. The Company retransported (February 1993) the cement to its Churk Unit after incurring an expenditure of Rs. 34.49 lakhs on loading/unloading (Rs. 1.82 lakhs), to and fro railway freight (Rs. 29.67), damaged gunny bags (Rs. 1.68 lakhs) and other charges (Rs. 1.32 lakhs). Thus, the Company had to incur avoidable expenditure of Rs. 34.49 lakhs owing to supply of sub-standard cement before ensuring its quality before despatch.

In reply, the Management stated (June 1994) that the test report of UPIRI, Roorkee, was not realistic on technical grounds, and test results of NCCBM were not correct as the testing was carried out after two months of the supply and in the meantime quality of cement had deteriorated due to improper storage of cement which had absorbed high volume of moisture. The fact however remains that a copy of test certificate was not sent along with despatch documents ensuring the quality of cement despatch. It also revealed that sample testing as per ISI specification could not be arranged within the prescribed period of 3 to 7 days although the THDC had arranged testings within four days after due intimation to the Company. Besides, the despatch of second rake without obtaining payment of Rs. 30.24 lakhs against first rake also resulted in additional avoidable expenditure.

The matter was reported to the Government in July 1994; their replies are awaited. (September 1994.).

4.A.8. Loss in time barred claims

Claims for non-delivery of coal despatched by rail wagons are required to be lodged with railways within six months from the date of railway receipts (RR) under Section 78(B) of Indian Railway Act. During periodical reconciliation the railway also allow matching of unconnected coal wagons with missing coal wagons. Cost of unmatched coal wagons becomes total loss if claims are not lodged within the stipulated time. Delivery of coal from the Railways is taken by the Stores Department on the basis of Railway Receipts (R.R.) passed on by the Purchase Department. The stores department is responsible for proper accountal of coal received against different R.R. and to report position of undelivered wagons to the Purchase Department for lodging claims on the Railways.

It was noticed that due to late receipt of intimation from stores department, the purchase department of Churk unit of the Company, lodged claims late in February 1988 for cost of 22 coal wagons containing 900.5 tonnes coal valued at Rs. 2.78 lakhs despatched during June 1980 to August 1986. These wagons could not be traced or matched in periodical meetings with the railways up to August 1993. In September 1993, the railways finally repudiated the claims as per record note of meeting of April 1994 on the ground of non-lodging of the claims within the stipulated period of six months of despatch of coal.

Non-lodging of claims within the prescribed period resulted in loss of Rs. 2.78 lakhs. The Company has not fixed responsibility for the loss so far (August 1994).

The matter was reported to the Management and the Company in August 1994; replies were awaited (September 1994).

UTTAR PRADESH STATE YARN COMPANY LIMITED, KANPUR

4.A.9. Loss due to inadequate security and delay in follow up

Meja unit of the Company booked 197 bags of yarn valued at Rs. 8.86 lakhs between February 1985 and February 1992 to yarn dealers in New Delhi, Burhanpur and Meerut through transport contractors. No bank guarantee was obtained from transporter and the goods were also not insured for transit loss/damage.

The yarn dealers were required to retire despatch documents from banks on whom they were drawn after full payment and obtain delivery from transporters against these document. In case of default, the dealers were liable to liquidated damages for loss together with interest of 24 *per cent* per annum as per terms of agreements. The dealers did not take delivery of the yarn and despatch documents were received back from New Delhi (June 1985), Burhanpur (December 1986) and Meerut (May 1992). The transport contractors had fraudulently misappropriated the Yarn. In case of despatch to Meerut, the Company could make good the loss by obtaining possession of 40 bags in September 1992 with the intervention of local police and court and by forfeiting security of transporter.

It was noticed in audit that recovery certificate were issued by the Company only in February 1993 (after a delay of about 8 years) to the District Administrator for recovery from the dealer of New Delhi for Rs. 6.12 lakhs and Burhanpur for Rs. 2.84 lakhs including interest up to 31st December 1992 and for recovery from the transport contractors for Rs. 8.96 lakhs. The amount is yet to be recovered (June 1994) and chances of its recovery are very remote as the case has become time barred.

The matter was reported to the Government/Company in August 1994; replies had not been received.

4.A.10. Extra expenditure on procurement of Cone Winding Machines

While evaluating the offers of four firms received against tender enquiry floated in May 1991 for the purchase of 4 nos cone winding machines for Jaunpur unit of the Company, the technical committee opined that "the technical specifications offered by the suppliers are nearly same as per our requirement. The cone winding machines already working in the Jaunpur unit are of Cimmco make. If the prices are comparatively reasonable the same make machines may be preferred."

The price part of the tenders was opened on 16 July 1991, wherein offer of Cimmco was lowest at Rs. 5.09 lakhs per machine. The Company however, ignoring the technically sound, financially lowest offer of Cimmco, decided to procure the machines from M/S RJK at Rs. 6.08 lakhs on the ground that RJK make machines were the best among all.

Procurement of 4 RJK make machines at higher rates without any additional benefit, resulted in avoidable extra expenditure of Rs. 3.96 lakhs.

The reply of Management that higher cost is likely to be recovered by better saleability is not tenable in view of the fact that no better performance could be achieved from the costlier machines and the Company again procured 12 machines from the Cimmco during April to December 1993.

COMMAND AREA POULTRY DEVELOPMENT CORPORTION LIMITED

4.A.11. Loss in maintaining the day old chicks produced from parent birds

Gopalkhera farm of the Company has no arrangement for housing of broiler chicks produced from the parent birds as the Comnany is required to sell one day old broiler chicks.

During the year 1992-93 production of chicks was increased from 25 to 30 per cent but marketing management was not strengthened to cope up with the increased production.

Due to inadequate marketing arrangement during 1992-93, the Company could not sell 108658 one day old chicks (value Rs. 7.06 lakhs). Temporary arrangements were made in the farm to house these unsold chicks. The chicks were kept for period up to 10 weeks and during this period 59274 chicks (54.5 per cent) died before they could be sold. The expenditure on feeding these 108658 chicks was Rs. 6.94 lakhs and the Company could realise Rs. 5.04 lakhs only from sale of 49384 chicks. This resulted in loss of Rs. 8.96 lakhs.

The Management admitted (August 1993) that the inadequate marketing arrangement during 1992-93 led to this loss and stated (May 1994) that lack of demand of chicks in the State was also responsible for this loss. The reply is not tenable as Company should have made arrangement for production of chicks as per demand.

The matter was reported to Management in June 1994 and to Government in June 1994.

4.A.12. Purchase of maize at higher rates

The Company manufactures poultry feed in its factory at Lucknow. The ingredients of the feed were purchased (October 1992 to March 1993) by quotations from some local parties.

U.P. State Agro Industrial Corporation Limited (U.P. Agro) also manufactures poultry feed in its factory at Lucknow and purchases the feed by inviting open tender in each quarter through local news papers.

Maize constitutes 40 to 50 per cent of input for manufacture of poultry feed. A comparison of the price of maize purchased through limited quotations by the Company with the purchase prices of the U.P. Agro during October 1992 to March 1993 revealed that while the later purchased maize at Rs. 3310 to Rs. 3280 per M.T, the Company purchased the same at Rs. 4050 to Rs.4350 per M.T. during the same period. The Company had to incur extra expenditure of Rs. 2.25 lakhs on the purchase of 276.426 M.T. of maize during October 1992 to March 1993 at higher rates. No efforts were made by the Company to ascertain from U.P. Agro about the availability of maize and the price at which it was being purchased by them.

Management stated (September 1994) that purchases were made by inviting quotations at the lowest offered rates.

The matter was reported to Management in June 1994 and to Government in June 1994.

UTTAR PRADESH SAMAJ KALYAN NIRMAN NIGAM LIMITED

4.A.13. Avoidable loss

The work of construction of a Boy's Hostel in Hercourt Butler Technical Institute (HBTI), Kanpur was awarded to the Company in September 1991 which was completed in September 1993. Prior to taking possession of the building in October 1993, a joint inspection was carried out in which it was observed that toilet block (three storied) had tilted to one side due to lesser foundation width than provided in the design, and there also developed a wide gap between the walls of toilet block and main building. It is, thus, evident that the work was not done as provided in the design and there was no proper checking of work during its execution by the engineers which resulted in tilting to one side. It was decided at joint inspection that Company will dismantle and reconstruct the complete toilet block at its cost estimated at Rs. 4.50 lakhs. The work of dismantling taken up in June 1994 was in progress (June 1994). No responsibility for the loss has been fixed (September 1994).

UTTAR PRADESH EXPORT CORPORATION LIMITED

4.A.14. Loss due to under/non-insurance

The Wood Carving Division, Saharanpur, a unit of the Company, renewed in August 1992 an insurance policy of Rs. 14 lakhs for one year term to cover losses of stock, furniture and plant and machinery against the risk of fire, roits, theft etc. The unit, however, did not ensure adequacy of insured value of different assets while renewing the insurance cover.

In a fire caused by roiters in December 1992, assets valuing Rs. 7.57 lakhs were damaged for which the Company lodged a claim for the said amount in January 1993 with the Insurance Company. The Insurance Company, however, rejected the claim in April 1993 amounting to Rs. 1.46 lakhs relating to the building as the asset was not covered under the policy and accepted claim of Rs. 1.50 lakhs only on the basis of average clause against the remaining claim of Rs. 6.11 lakhs in respect of other insured assets on the ground of under-insurance. In August 1993 the Company enhanced the insurance cover to Rs. 114.07 lakhs to include factory building (Rs. 30 lakhs) other assets (Rs. 83 lakhs) and packing material (Rs. 1.07 lakhs).

Thus, due to under/non insurance, the Company had to incur loss of Rs. 6.07 lakhs.

The matter was reported to the Management and the Government in August 1994; replies are awaited.

UTTAR PRADESH STATE SUGAR CORPORATION LIMITED

4.A.15. Infructuous expenditure

In December 1987, the head office of the Company accepted tenders of Precision Machinery Company for 12 kits valued at Rs. 9 lakhs for supply of one kit each of electronic recorder conversion system conforming to DGS&D specifications to be installed at the existing mechanical weigh bridges for providing weighment purchee (receipt) to cane growers.

Records of nine units which were provided these kits were test checked in audit. These were guaranteed for satisfactory performance for one year from the date of installation for which bank guarantee equivalent to 15 per cent of the ordered value was obtained, from the supplier, except for Nandganj Unit which did not release 15 per cent payment. The firm was liable to damages for breach of contract if it failed to replace defective parts due to bad quality of material or faulty workmanship. The kits were supplied and installed between March 1988 and February 1989.

It was noticed in Audit that except for the Saharanpur Unit, where it failed after 22 months of its commissioning, the kits in 8 units failed immediately after commissioning. These were lying un-repaired till date (June 1994). Two units invoked bank guarantee but other units could not do so as the validity thereof had expired. The fact whether the kits conformed to the required specification could not be ascertained in audit as none of the units furnished the inspection reports.

Though the Company stated (May 1994) that the firm has been black listed and all business dealings stopped with them, action to recover damages and fixing responsibility for lapses has not been taken (July 1994).

Thus, the expenditure of Rs. 5.68 lakhs (after adjustment of bank guarantee) incurred on the purchase of the 9 kits proved infructuous.

The matter was reported to the Company/Government in September 1994; replies are awaited (October 1994).

4.A.16. Construction of lime kilns - idle investment

The Company started (1985-86) construction of two lime kilns at Amroha Unit and one lime kiln at Bijnore Unit at an estimated costs of Rs. 3.60 lakhs without assessing the feasibility in terms of cost benefit of own production, level of environmental pollution in adjoining areas, regular availability of raw materials viz, coal and lime stone etc. The three lime kilns, which were completed during 1986-87 at a total cost of Rs. 4.04 lakhs, could not be put to use till June 1994 due to high cost of departmental production associated with air pollution problems and unit continued to purchase lime from the market. The setting up of lime kilns without any feasibility study resulted in idle investment of Rs. 4.04 lakhs.

The matter was reported to the Management/Government in August 1994; their reply is awaited (September 1994).

KICHHA SUGAR COMPANY LIMITED

4.A.17. Undue benefit to a contractor

An agreement was entered into (September 1989) by the Company with Capital Builders, Delhi for construction of 24 nos. two rooms quarters and a Guest House at Kichha at a cost of Rs. 25.36 lakhs. The work was to be completed by 30th June 1990.

As per terms and conditions of the agreement, steel and cement was required to be issued by the Company and the contractor was entitled to receive monthly payment against work executed as certified by Engineering Wing. The contractor was also entitled for secured advance to the extent of 75 per cent value of imperishable building material brought to site. Up to March 1991, the contractor executed the work valued at Rs. 5.37 lakhs and was paid Rs. 3.69 lakhs after adjustment of the material consumed (Rs. 1.68 lakhs) during October 1989 to June 1990. He left the work incomplete.

It was observed in Audit that contrary to the provisions of the agreement, advances to the tune of Rs. 5.70 lakhs were released (October 1989 to June 1990) as and when demanded by the contractor without obtaining bills showing details and value of work done or materials brought to site. A sum of Rs. 2.83 lakhs including cost of material issued was still recoverable from him up to January 1992.

A Recovery Certificate was sent (11th February 1992) to D.M., Nainital for recovery of outstanding amount with interest (Rs. 3,76,043) up to 11th February 1992 against which no recovery has been made so far (September 1994).

Responsibility for the lapse has not been fixed so far (June 1994). The work has also not been completed so far (September 1994).

The matter was reported to the Government/Management (August 1994); the reply has not been received (September 1994).

THE PRADESHIYA INDUSTRIAL AND INVESTMENT CORPORATION OF UTTAR PRADESH LIMITED

4.A.18. Loss in disinvestment of shares

The Company is engaged in promoting industrial units in the State by providing loans or making investments in share capital thereof. The Company in 1985 invested Rs. 10 lakhs in 15 per cent non-cumulative preference shares of face value of Rs. 10 lakhs (10,000 shares of Rs. 100 each) in Indo Gulf Explosives Limited, New Delhi (IGEL) for a period of 5 years. On the expiry of this period, these shares were converted (April 1992) into one lakh equity shares of Rs. 10 each (vide an agreement of January 1990). According to an agreement (January 1990) the IGEL was to buy back all the one lakh shares at the rate of 20,000 shares per year from the date of conversion of shares to equity shares.

According to the standard format of the agreement for equity participation devised by the Company disinvestment of shares was to be made at the highest of :- (i) price based on the breakup value as per proforma/audited accounts for preceding quarter ending with at least 120 days from the date of demand or, (ii) price calculated at paid-up value of shares plus premium at the rate of 14 per cent per annum less dividends or (iii) the highest average market price for any quarter in the last three years.

Inspite of the existence of a standard format of agreement laying down the terms and conditions of disinvestment devised by the Company itself a departure was made in the case of IGEL who was allowed to buy back shares at the rate of 20,000 shares per year at a price equivalent to face value plus 14 per cent per annum from the date of conversion into equity shares minus dividend paid.

Accordingly, the Company initially disinvested (March 1993) 20,000 shares for Rs. 2.32 lakhs. The highest average market price of shares during the last three years was Rs. 160 per share on 31st June 1992 (the market value of shares in March 1993 when the disinvestment was made was Rs. 55 per share). The Company, thus, suffered a loss of Rs. 29.68 lakhs on this disinvestment due to deletion of sub-clause (i) and (iii) of the standard terms of agreement. The IGEL remitted (March 1994) value of second lot of 20,000 shares, on which the Company was yet to take a decision (August 1994).

The Company stated (August 1994) that the market trend of the equity shares of the Company had gone down from Rs. 15 (Diwali 1986) to Rs. 8 (June 1988) per share and that the modification made in the terms and conditions for re-purchase of shares was made on the basis of the then marketing conditions. The reply is not tenable in as much as the general terms and conditions of equity participation took care of the fall in market price as the disinvestment was to be made at highest of the prices of the three alternatives brought out in the standard format of the agreement.

The matter was reported to the Government in August 1994; their reply had not been received (October 1994).

UTTAR PRADESH STATE HANDLOOM CORPORATION LIMITED

4.A.19. Loss due to delay in remittance of bank draft for clearance

The sale of cloth is made by the show rooms of the Company strictly on cash basis. The show rooms are required to remit sale-proceeds to the nominated bank on the same day. The show room situated in the head office building of the company sold cloth valued at Rs. 2.77 lakhs on 12 February 1993 to a person of Allahabad against a bank draft drawn on S.B.I. Patiala, for Rs. 2.80 lakhs, dated 11 February 1993. The delivery of cloth worth Rs. 1.24 lakhs (Net value) was taken on the same day and that of balance cloth worth Rs. 1.53 lakhs (Net value) was taken on 18th February 1993 by his representative.

The show room incharge accounted for and sent the draft dated 11.2.93 for clearance on 26th February 1993. The bank draft was dishonoured by the bank on account of incorrect code number of the issuing bank. On an enquiry made by the Company in March 1993, the bank draft was found to be forged one. The party was also not traceable at its Allahabad address.

The forgery in the bank draft could have been detected before the second visit of the person on 18th February 1993 had the draft been deposited in time.

The Management stated (July 1994) that no responsibility can be fixed in the case and that action for making good the loss would be taken on conclusion of police investigation against F.I.R. lodged with Kanpur Police in March 1993. It further stated that except for annual reconciliation to finalise the accounts, a procedure for periodical reconciliation of sale proceeds with the bank remittances has not been prescribed.

The reply of the Management is not acceptable as it could not initiate action for delayed remittance of bank draft into the bank leading to the loss.

UTTAR PRADESH SCHEDULED CASTE FINANCE & DEVELOPMENT CORPORATION LIMITED

4.A.20. Avoidable payment of damages

The Company, though liable to implement the scheme under Employees Provident Fund and Miscellaneous Provisions Act 1952 from 1st January 1979, actually implemented the Act in August 1985 inspite of the directives (January 1983) of the Employees Provident Fund Commissioner to the Company to implement the scheme from January 1979. The Company further delayed up to 21 months remittance of contribution of field offices for the period September 1985 to July 1989. On account of delay in remittance of contributions for the period January 1979 to July 1989, the E.P.F. Commissioner levied (July 1990) damages of Rs. 13.27 lakhs under Section 14B of the Act ibid which was paid by the Company between October 1991 and June 1992.

The Management stated (September 1994) that the action against defaulting officers was being initiated.

Reply of the Government had not been received (September 1994).

UTTAR PRADESH RAJKIYA NIRMAN NIGAM

4.A.21. Acceptance of sub-standard bricks

The State Government in October 1985 forwarded to the Company a report on an inquiry conducted by the State Vigilance Department in February 1985 regarding purchase of sub-standard bricks by the then Additional Project Manager and four officers working under him of Spinning Mill Unit, Mau Aima, Allahabad. The Company was directed by the Government to take suitable action against the officers responsible for purchase of 16.01 lakh bricks valuing Rs. 10.97 lakhs.

The Company did not take any action on the report for 8 years till September 1993. The company, however, obtained a copy of the report in

October 1993 as the report earlier received was not traceable. The show-cause notices issued in January 1994 to all the five guilty officers three of whom resigned from service of the Nigam by that time remained unreplied so far (June 1994) without any disciplinary action by the company.

Misplacement of a vigilance report indicating (February 1985) serious charges of purchase of sub-standard bricks valued at Rs. 10.97 lakhs resulted in delay of about a decade in initiating action against erring officers. Insterestingly the Spinning Mills, where 14.44 lakhs of the said sub-standard bricks valued at Rs. 9.89 lakhs were consumed have not so far paid Rs. 12.84 lakhs to the Company till date although the work was completed in 1986.

The matter was reported to the Government in August 1994; replies were awaited (October 1994).

SECTION-4B

STATUTORY CORPORATIONS

UTTAR PRADESH STATE ELECTRICITY BOARD

4.B.1. Locking up of Funds

In accordance with the terms of contract entered into (March 1991) by Board with M/S Best and Crompton Engineering Ltd., Madras for design, fabrication, galvanising and supply of tower parts and erection of 400 KV single circuit line from Rishikesh to Srinagar at a cost of Rs. 934.34 lakhs, interest free advances of Rs. 92.92 lakhs were given in March 1991 to contractor against bank gurantees of equal amount. The cost of the work was to be financed through loan from World Bank.

As the Board failed to comply with condition of required rate of return of minimum 3 per cent on net fixed assets in use per annum, World Bank in April 1991 deferred the loan and finally cancelled the loan in August 1992. As the work of construction was postponed, no work was done against the advance given to contractors. No action to get refund of advance was taken. In the meantime the validity period of bank guarantees has been extended up to September 1994.

The Board's funds to the extent of Rs. 92.92 lakhs remained locked up since March 1991 entailing an interest liability of Rs. 59.93 lakhs till September 1994 at average borrowing rate of 18 per cent per annum.

The matter was still pending (August 1994) for want of decision by the Board.

4.B.2. Irregular revision and misappropriation of revenue.

An internal audit team of the Board deputed in Electricity Distribution Division-II, Shamli for audit of revenue realisation and its deposits in bank noticed (May 1989) that the revenue transactions recorded by a routine grade clerk during September 1984 to March 1989 had not been checked by Executive Engineer/Assistant Engineer (R)/Divisional Accountant (R) as a result of which the Board was put to loss of Rs. 55.10 lakhs by incorrect downward revision of bills, deletion of arrears of consumers and misappropriation of revenue receipts during September 1984 to March 1989 as detailed below:

Rupees in lakhs.

(1)	(2)
(i) Incorrect downward revision of bills having no approval of Divisional Officer and submission of such incorrect advices to computer billing centre	21.71

(1)	(2)
(ii) Deletion of arrears of 419 small and medium power consumers and sending such incorrect advice to computer billing centre	22.64
(iii) Short deposits, incorrect issue of receipts, incorrect brought forward of arrears, incorrect posting of realisation and incorrect calculation of minimum consumption guarantee	10.75
Total	**55.10**

The whole transaction was examined in detail in audit. Audit examination revealed that the embezzlement was made possible on account of :

-- non-checking of inputs sent to computer billing centre and counter foils of receipt book with amount of bills.

-- non-verification of arrears of consumers brought forward in respect of manual billing.

-- lack of control over revenue/cash transactions by Drawing and Disbursing Officers and non-introduction of proper internal check/control procedure.

-- non-reconciliation of revenue realisation appearing in ledgers and cash book.

-- continuity of a single individual/clerk on the job for a period of more than 10 years in contravention of Board's order of November 1978 providing for change of charge after one year. The person was also found guilty of embezzlement in 1979-80, 1987-88 and 1988-89.

The accounts of consumers have also not been corrected (September 1993) by rectification of errors of incorrect revisions, deletion of arrears, incorrect postings, wrong brought forwards etc. in order to realise the dues .

No action was taken to fix the responsibility against officers/officials responsible for the lapses for over 5 years of notice of embezzlement. However, one Routine Grade Clerk was suspended in March 1989 and served charge sheet in November 1992 which was not replied by the clerk till June 1994.

4.B.3. Damage of a Transformer

Proper maintenance of power transformers require (i) maintenance of 110 volt D.C. volt battery sets and its charger in perfect working condition so that

D.C. voltage may not fall below normal limit and (ii) termination of 11 KV cables in 11 KV switchgear through a cable box.

Test check (September 1992) of records of Electricity Transmission Division, Moradabad revealed that owing to abnormal fall of voltage in D.C. battery (50 volts against normal of 110 volts) caused due to improper maintenance of D.C. battery and its charger, one 5 MVA transformer installed at 132 KV sub-station in April 1991 caught fire on 5th June 1991 completely damaging the Transformer, current transformer, cable and lightning arrester valued at Rs. 12.94 lakhs.

The committee consisting of Chief Engineer (Transmission), Superintending Engineer (Transmission) constituted (June 1991) to enquire into the reasons of D.C. supply failure observed (March 1992) that cause of damage was failure of D.C. supply owing to poor maintenance of 110 volt D.C. set and non-termination of cable in 11 KV switchgear through a Cable Box. The committee held sub-divisional officers and the Junior Engineers responsible for the loss. No action against defaulting officers has been taken by the Board so far (September 1994).

Matter was reported to the Government in April 1994. The replies were awaited .

4.B.4. Shortage of steel

Para 374 (3) of Hydel Manual of orders (HMO) envisages that every year after stock taking in a sub-division, the divisional officer would submit a return stating the result of stock taking and action taken in respect of discrepancies noticed in stock.

Notwithstanding the provisions of H.M.O. physical verification of steel stores of Tanda Thermal Power Project carried out for the first time since inception during March 1990 to January 1993 revealed net shortage of steel/steel scrap of 272.794 M.T. valued at Rs. 26.64 lakhs (after adjusting excesses noticed during physical verification).

Against shortages, neither F.I.R. was lodged with the Police nor departmental enquiry held to investigate the reasons and fixing the responsibility. However, Project authorities in November 1992, booked miscellaneous advance against two store keepers who held the charge of steel store and started recovery at the rate of Rs. 500 and Rs. 1000 per month which was stayed by the court.

Thus, owing to failure in carrying out physical verification of stores as per provisions of HMO, non-lodging of F.I.R. and non-holding of departmental investigations for the shortage, Board was subjected to a loss of Rs. 26.64 lakhs.

The matter was reported to the Board in July 1994 and to Government in August 1994; reply was awaited.

4.B.5. Non-application of revised rates

Rate Schedule applicable to street light consumers was revised w.e.f. 18th January 1992. The test check of the energy bills raised by Electricity Distribution Division, Sitapur in September 1993 revealed that six nos. street light consumers were continued to be billed at the old rates. Thus non-application of revised rates in above cases resulted into under charge of revenue to the extent of Rs. 13.73 lakhs for the period from February 1992 to September 1993. On being pointed out in audit the Divisional Officer raised arrear bills in October 1993, realisation of which was awaited (September 1994).

The matter was reported to Board in March 1994 and to the Government in July 1994; reply was awaited.

4.B.6. Non-billing of electricity charges

Billing and realisation of revenue in respect of street lights of all electrified villages and Harijan Basties was being done centrally on Director, Panchayati Raj, Lucknow by the Chief Engineer (Commercial), Lucknow on the basis of 10 street light points of 40 watts for each village and 2 street light points of 40 watts for each Basti. The system was decentralised in March 1990 and it was decided that all dues in respect of electrified villages and Harijan Basties, may be realised from the respective Gram Pradhan at divisional level and no electricity facilities were to be provided to defaulting units.

Test check of records during 1993-94 of two Electricity Distribution Divisions revealed that the revised procedure had not been implemented with the result that billing to the extent of Rs. 109.95 lakhs (including electricity duty of Rs. 10.00 lakhs) for the period from April 1990 to March 1994 had not been done either centrally or at divisional level.

The matter was reported to the Board during October 1993 and to the Government in July 1994; reply was awaited.

4.B.7. Non-levy of lower power factor surcharge

Clause-11 of rate schedule HV-4 applicable to World Bank Tubewells (connected on 11 KV independent feeders having a contracted demand of more than 75 KW) states that in respect of the consumer in whose premises trivector meter/bivector meter/two part tariff meter is installed and if the monthly average power factor falls below 0.85 lagging the consumer shall pay, on the billed amount, the low power factor surcharge of 1 per cent for each 0.01 fall in power factor below 0.85 up to 0.80. Further, if the power factor falls below 0.80 lagging, the low power factor surcharge shall be charged at the rate of 2 per cent for each 0.01 by which monthly average power factor falls below 0.80 but this charge shall be limited up to power factor 0.70 only.

Scrutiny of records of Electricity Distribution Division-I, Aligarh revealed (June 1994) that though power factors of World Bank Tubewells (connected on Madrak and Harduaganj feeders) ranged between 0.51 and 0.68 during the period

May 1993 to June 1994, low power factor surcharge amounting to Rs. 3.47 lakhs was not levied for the above period.

The matter was reported to the Board in July 1994 and to Government in August 1994; reply is awaited.

4.B.8. Undercharge of revenue

World Bank Tubewells under the jurisdiction of Electricity Distribution Division-I, Ghazipur were not provided with meters for recording energy consumption. The consumers were, therefore, chargeable for assessed consumption of energy based on load factor 0.75 and 18 hours daily supply. The division, however, charged taking load factor as 0.50 instead of 0.75 as applicable in case of World Bank Tubewells which resulted in under charge of energy charges amounting to Rs. 27.68 lakhs during January 1992 to March 1994. Besides this fuel surcharge, establishment surcharge, extra charge and shunt capacitor surcharge amounting to Rs. 13.43 lakhs, Rs. 2.54 lakhs, Rs. 6.23 lakhs and Rs. 4.15 lakhs respectively were also not assessed relating to the aforesaid period

On being pointed out by the audit (May 1994) bills, based on load factor of 0.50, were raised (June 1994) for fuel surcharge Rs. 8.95 lakhs, establishment surcharge Rs. 1.69 lakhs, extra charge Rs. 4.15 lakhs and shunt capacitor surcharge Rs. 2.77 lakhs.

However bills were not raised for Rs. 36.47 lakhs (energy charge Rs. 27.68 lakhs fuel surcharge Rs. 4.48 lakhs, establishment surcharge Rs. 0.85 lakh, extra charge Rs. 2.08 lakhs and shunt capacitor surcharge Rs. 1.38 lakhs), up to June 1994, on account of difference of billing by taking load factor as 0.50 instead of 0.75.

The matter was reported to the Board (August 1994), reply was awaited.

4.B.9. Undercharge of revenue: Rs. 66.37 lakhs

According to the rate-schedule HV-2, applicable w.e.f. February 1986 to World Bank Tubewells connected on 11 KV independent feeders, a consumer is to be billed for demand charges at Rs. 53 per HP and energy charges at Rs. 0.60 per unit together with fuel surcharge at the rates notified by the Board from time to time. These rates were revised to Rs. 70 per HP and Rs. 1.27 per unit w.e.f. 18 January 1992. Further, capacitor surcharge is to be levied at 5 per cent of demand and energy charges if trivector/bivector/two part tariff meters are not installed at the start of the 11 KV feeders, and capacitors not provided at these tubewells.

Scrutiny of records of Electricity Distribution Division, Gauriganj (Sultanpur) revealed that no meters were installed at the start of the 11 KV independent feeders supplying energy to the World Bank Tubewells and the Division billed during October 1990 to December 1992 for the total connected load of 1327.5 HP for assessed consumption at 200 unit per HP per month without any basis on record. The actual connected load was, however, 1925 HP as intimated to the Division by the Superintending Engineer, Electricity Distribution

Circle, Sultanpur and the assessed consumption on the basis of daily supply for 16 hours and load factor 0.75 worked out to 270 units per HP per month. The consumer was, thus, undercharged Rs. 66.37 lakhs during October 1990 to December 1992.

On being pointed out by audit, the Divisional Officer raised the arrear bill for Rs. 66.37 lakhs in July 1994, the realisation of which was, however, awaited (September 1994).

The matter was reported to Board in October 1993; replies are awaited (September 1994).

4.B.10. Short billing due to inadmissible reduction of residential load

Kajarhat Chunar Cement Project, Mirzapur (a unit of U.P. State Cement Corporation Limited) drawing power from 132 KV supply system for its power load of 15000 KVA, had a sub-meter for residential load of 1500 KW. Though the procedure prescribed by the Board in March 1978, provided that reduction in maximum demand created by the residential load would not be allowed from the maximum demand (factory plus residential) recorded at high tension supply, the Electricity Distribution Division, Mirzapur reduced the demand created by the residential load from the maximum demand, which resulted in short billing of Rs. 8.02 lakhs during the period from April 1990 to August 1994.

The Divisional Officer stated (October 1994) that the assessment bill had been raised. Payments were not received (October 1994).

The matter was reported to Board and to Government in August 1994; replies were awaited.

4.B.11. Payment to Post & Telecommunication Department on fake bills

Para 401(1) read with para 458(5)(8)(9) of Hydel Manual of orders stipulates maintenance of Telephone Trunk Calls register, Register of Telephone Trunk Calls bills to control and achieve utmost economy in expenditure on Telephone bills.

A test check (December 1993/January 1994) of telephone/telex records of Harduaganj Thermal Power Station revealed that a sum of Rs. 23.30 lakhs was paid in excess by the project to Post & Telecommunication Department during January 1989 to October 1993 for overlapping period on account of rent, calls, revised bills etc. because the required verification of bills with reference to previous payments had not been done by officers responsible for checking and verifying the correctness of the bills.

The Executive Engineer, Electricity Misc. Facility Division of the project reconciled (November 1993) the various payments made and brought the fact to the notice of District Engineer (Telecommunication) Post and Telecommunication Department, Aligarh, asking for adjustment of the amount against pending payment of Rs. 0.60 lakh and also against future bills. The project authorities intimated (October 1994) that the Post & Telecommunication

Department in January 1994 blatantly refused to refund and adjust the excess amount on the ground that bills for which the payment was made by power station were not issued by them.

Thus, the payment of Rs. 23.30 lakhs for the period January 1989 to October 1993 would have been avoided if the Management had maintained proper records and exercised requisite checks before making payments.

The matter was reported to the Board in February 1994; and to Government in May 1994; the replies were awaited (September 1994).

Jai Narain

(J.N. GUPTA)

LUCKNOW,

THE 7th April, 1995

ACCOUNTANT GENERAL (AUDIT)-II

UTTAR PRADESH

COUNTERSIGNED

(C.G. SOMIAH)

NEW DELHI,

THE 15 April 1995

COMPTROLLER AND AUDITOR GENERAL

OF INDIA

ANNEXURES

ANNEXURE - 1

List of companies in which Government have invested more than Rs. 10 lakhs but which are not subject to audit by the Comptroller and Auditor General of India.

(Referred to in para 5 of Preface)

Sl. No.	Name of company	Total investment up to 1993-94 (Rupees in lakhs)
(1)	(2)	(3)
1.	Trivani Metal Tubes Limited	25.00
2.	U.P. Twiga Fibre Glass Limited	100.14
3.	Haji Manzoor Alam Industries Limited	19.12
4.	Synthetic Foams Limited	29.72
5.	Ajanta Textile Limited	20.13
6.	Jain Sudh Vanaspati Limited	14.00
7.	Magnesites and Minerals Limited	10.90
8.	Shivlik Rasayan Limited	14.33
9.	Welga Food Limited	30.63
10.	Aditya Chemical Limited	25.00
11.	Shree Bhawani Paper Mills Limited	14.00
12.	Vam Organic Chemicals Limited	19.25
13.	Belwal Spinning Mill Limited	25.00
14.	Ganges Fertilizers and Chemicals Limited	20.00
15.	Mayur Syntex Limited	20.00
16.	Mittal Fertilizers Limited	32.50
17.	Shree Acids and Chemicals Limited	20.00
18.	Regal polymers Limited	15.00
19.	Best Boards Limited	40.00
20.	More Water Pipes Limited	14.00
21.	PVK Distellary Limited	19.00
22.	Sarvodaya Paper Mills Limited	20.48
23.	Sanjay Paper and Chemicals Industries Limited	12.00
24.	Mahdeo Fertilizers Limited	30.00
25.	Shamken Multifeb Limited	15.00
26.	ARC Cement Limited	14.00
27.	India Polyfibres Limited	803.25
28.	Srinivas Fertilizers Limited	30.00
29.	Indo-Gulf Fertilizers and Chemicals Corporation Limited	1815.00
30.	Nicco Batteries Limited	45.00
31.	Bharat Berg Limited	50.00
32.	Road Master Strips Limited	61.88
33.	Jalpac India Limited	56.50
34.	National Switchgears Limited	26.00
35.	Vegpro Food and Feeds Limited	223.01
36.	Raunaq Automotive Components Limited	150.33
37.	Pashupati Acrylon Limited	497.97

(1)	(2)	(3)
38.	India Maize and Chemicals Limited	272.55
39.	Suraj Vanaspati Limited	143.00
40.	Samrat Bicycles Limited	19.00
41.	Shri Durga Bansal Fertilizers Limited	28.00
42.	Telemecanique and Controls India Limited	12.00
43.	Harig Crank Shafts Limited	258.75
44.	Universal Insulators and Ceramics (Private) Limited	10.60
45.	Bist Industrial Corportion	12.78
46.	U.P. Drugs and Pharmaceuticals Company Limited	36.16
47.	Alliance Boards Limited	20.00
48.	Flow More Polystre Limited	80.00
49.	Kanha Vanaspati Limited	87.00
50.	SIDCO Leathers	95.13
51.	Balls & Cylpebs Limited	10.75
52.	Poysha Industrial Company Limited	16.91
53.	Modipon Limited	60.11
54.	Sark Synertek (Private) Limited	20.00
55.	Tarai Foods Limited	24.00
56.	Phonix Lamps India Limited	534.00
57.	Solarsum Industries Limited	60.48
58.	Premier Ployfilms Limited	15.00
59.	Venue Sugar Limited	228.00
60.	Classic Rugs (Private) Limited	20.00